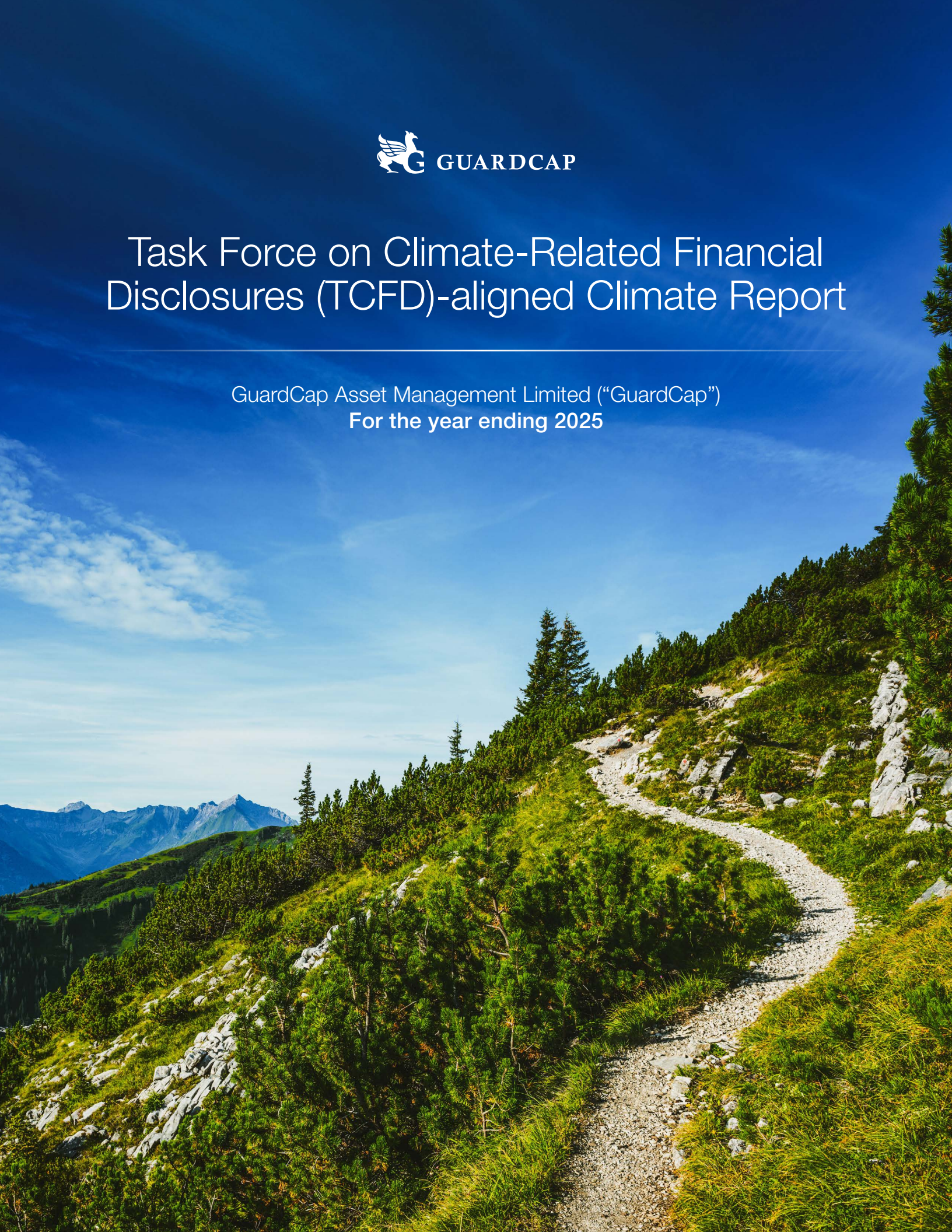
GUARDCAP

# Task Force on Climate-Related Financial Disclosures (TCFD)-aligned Climate Report

GuardCap Asset Management Limited ("GuardCap")

**For the year ending 2025**



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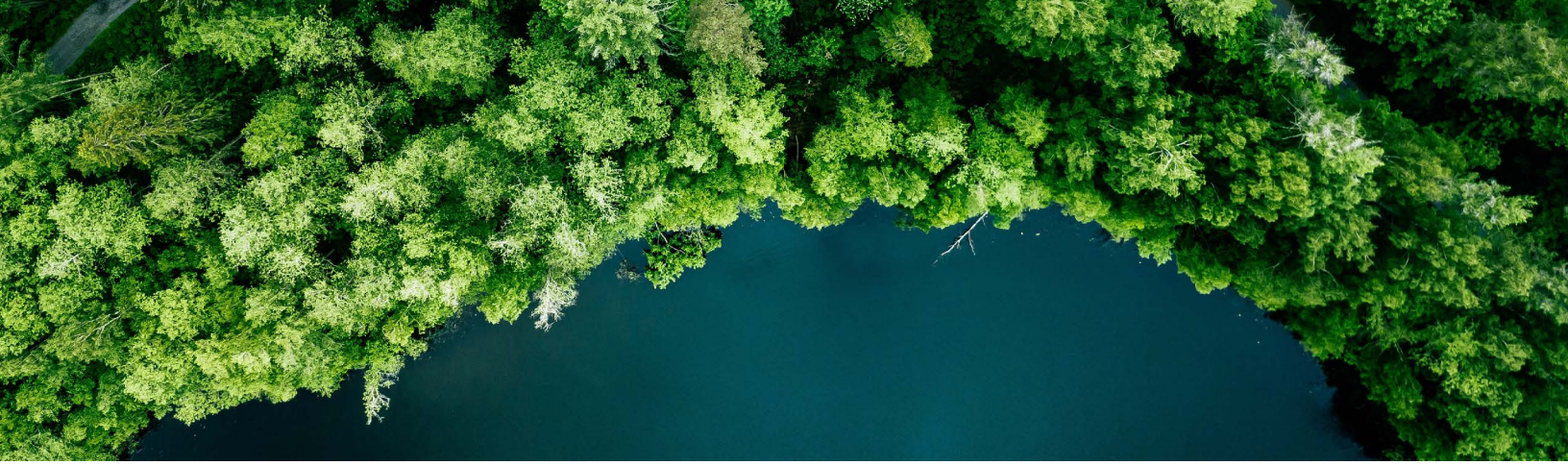


# Foreword

**We recognise that climate change is a systemic risk and is causing, and will continue to cause, significant disruption across virtually all sectors of the global economy.**

As at 31 December 2025, GuardCap Asset Management Limited ("GuardCap") had more than USD 5.9 billion in assets under management ("AUM") and more than USD 1.1 billion in assets under advice ("AUA") across two investment strategies globally: Global Equity and Global Emerging Markets Equity.

We are an active investment manager and believe that in-depth research and rigorous analysis are key to delivering long term, risk-adjusted returns for our clients.

As long-term investors, we recognise that the risks and opportunities related to climate change are systemic and will continue to have far-reaching implications across industries, the financial markets, and global economy. These risks and opportunities will increasingly have a material impact on companies' growth potential, profitability, cash flow, and balance sheets.

As such, we consider companies' exposure to environmental factors including greenhouse gas (GHG) emissions, carbon footprint, carbon intensity, share of non-renewable energy consumption, activities negatively affecting biodiversity sensitive areas (within the constraints of the available data), and we assess which of our companies have science-based targets validated by the Science-Based Targets initiative (SBTi).

We increasingly expect our companies to provide a clear assessment and reporting of climate-related risks and opportunities against the four main pillars of the Task Force on Climate-Related Financial Disclosures (TCFD): Governance, Strategy, Risk Management, and Metrics and Targets.

This report provides insights into our approach and commitment to integrating climate-related risk considerations in our business and investment portfolios. The disclosures in this report, including any third-party or group disclosures cross-referenced in it, comply with the requirements under the Financial Conduct Authority (FCA) ESG Sourcebook.

We continue to invest in our climate-related investment capabilities and hope this report provides our clients and stakeholders with the information they need to make informed investment decisions.

We recognise the opportunity to continue to refine our disclosures over time and expect to evolve our reporting in line with industry developments and regulatory requirements, as well as to reflect the improvements in our processes and in climate data availability and quality.

We look forward to demonstrating our progress in the months and years ahead.

**Steve Bates**

**Chief Investment Officer and Board Member**

GuardCap Asset Management Limited

# Executive Summary

## Scope and Purpose of Report

This report describes our approach to managing climate-related risks and opportunities in our investments and operations.

All data in this report is as at 31 December 2025 with a reporting period of 1 January 2025 – 31 December 2025.

## About Us

GuardCap is a limited company domiciled in the United Kingdom. It was founded as Zephyr Management (UK) Limited ("Zephyr") in July 2003 by Steve Bates and Clive Lloyd, under the ownership of Zephyr Management LP, US.

Prior to founding Zephyr, Steve Bates and Clive Lloyd were the head and senior global emerging markets portfolio manager, respectively, of the emerging markets investment group at Robert Fleming Asset Management and its successor, J.P. Morgan Asset Management. In December 2013, Guardian Capital LP ("GCLP") announced the acquisition of Zephyr and the acquired company's name was changed to GuardCap Asset Management Limited. This transaction was completed in April 2014, following receipt of the appropriate regulatory clearances.

In March 2026, Guardian Capital Group was acquired by Desjardins Global Asset Management Inc., part of the wider Desjardins Group. GCLP the direct owner of GuardCap, is regulated by the Ontario Securities Commission (OSC) and by the United States Securities Exchange Commission (SEC)*.

GuardCap focuses on managing money through separate accounts and pooled funds for endowments, foundations, insurance companies, pension funds, religious and other institutions, as well as for asset managers, family offices, private banks, retail banks, wealth managers and other financial intermediaries. As at 31 December 2025, GuardCap Asset Management Limited ("GuardCap") had more than USD 5.9 billion in assets under management ("AUM") and more than USD 1.1 billion in assets under advice ("AUA") across two investment strategies globally: Global Equity and Global Emerging Markets Equity.

Although there is broad alignment across the firm regarding climate risks and opportunities, GuardCap's approach may differ in some respects.

* GCLP is a Registered Investment Adviser with the US SEC. SEC registration does not constitute an endorsement of the firm by the Commission nor does it indicate that the adviser has attained a particular level of skill or ability

## The TCFD Framework

### Governance

The organisation's governance around climate-related risks and opportunities.

### Risk Management

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

### Strategy

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.

### Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

## The Structure of the Report

In line with TCFD recommendations, this report is structured in four sections. All sections cover:

### Our Investments

As an active investor, we recognise that climate-related risks and opportunities will increasingly have an impact on companies' prospects for long term sustainable growth. For our investments, our strategy is to incorporate Environmental, Social and Governance (ESG) considerations into our investment analysis and to engage with companies where we believe they may not be effectively managing the risks and opportunities associated with the transition.

### Our Operations

Whilst GuardCap's investments make up most of its carbon footprint, we recognise the importance of managing climate-related risks and opportunities within our operations. As such, we have committed to being carbon neutral each year going forward since 2022; and had removed our lifetime carbon balance – or cumulative carbon emissions from inception – by 31 December 2023. GuardCap aims to achieve its annual balancing of emissions through the implementation of its carbon reduction strategy and investments in external, nature-based projects, which remove carbon from the atmosphere.

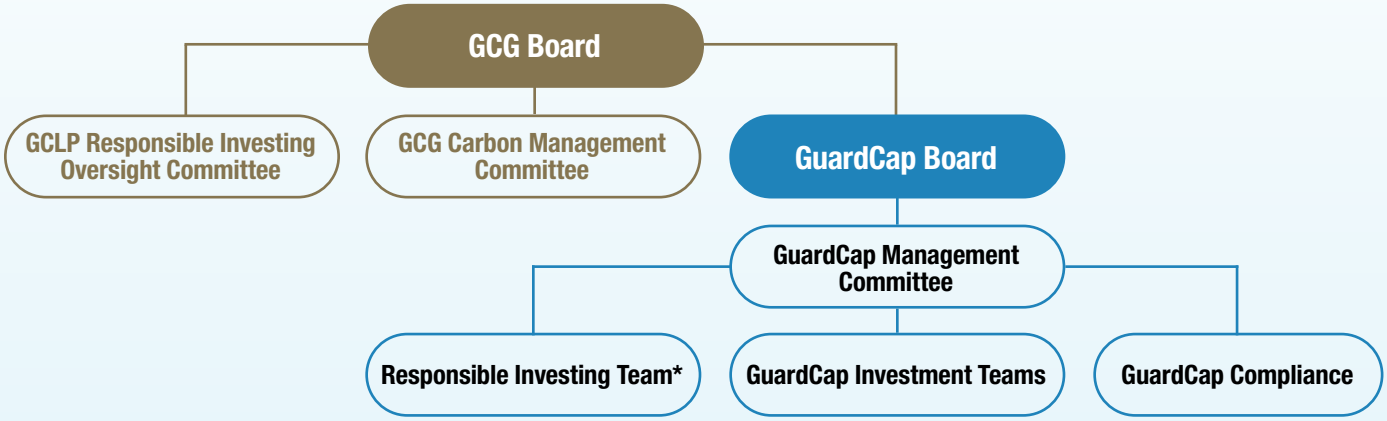
## Materiality

Our approach to materiality is based on the principle of financial materiality. We assess sustainability-related risks and opportunities according to their potential impact on the long-term value, performance, and risk profile of our investments. Accordingly, our assessment focuses on factors that could have a meaningful impact on the long-term growth of investee companies and ultimately the performance of our investment portfolios.

# Governance

## The organisation's governance around climate-related risks and opportunities.

We recognise the importance of good governance to the long-term sustainable growth of companies around the world. This section outlines the governance structures that we have in place for our investments and operations. The following chart outlines GuardCap's governance structure for managing all aspects of Responsible Investing, including climate-related risks and opportunities.




* GuardCap's Manager, Responsible Investing, reports into the Head of Responsible Investing for GCLP who chairs the GCLP Responsible Investing Oversight Committee. Governance structure is as at 31 December 2025.

### GCG Board

The GCG Board has ultimate oversight and accountability for all Responsible Investing activities within GCG and its subsidiaries. The board is responsible for providing oversight on risk and strategy, which includes sustainability and climate-related matters. At the same time, it is responsible for monitoring and overseeing progress against goals and targets on climate-related issues. GCG's Carbon Management Committee and GCLP's Responsible Investing Oversight Committee communicate all material sustainability and climate-related issues to the GCG board on a quarterly basis and meet with the board at least annually.

### GCLP Responsible Investing Oversight Committee

GCLP's Responsible Investing Oversight Committee is responsible for overseeing climate-related risks and opportunities for GCLP and its subsidiaries. Chaired by Guardian's Head of Responsible Investing, the Committee meets quarterly and is composed of senior executives representing all aspects of the business, including representatives from all subsidiaries, including GuardCap and all asset management affiliates. The Committee's purpose is to support Guardian's ongoing commitment to ensuring Responsible Investing principles are upheld, and that information is shared across the firm. GuardCap's CIO is a member of the Committee.

Guardian's Responsible Investing Oversight Committee reports to the CEO and the board of GCG on a quarterly basis.

### GCG Carbon Management Committee

The GCG Carbon Management Committee's purpose is to oversee and manage GCG's climate strategy and ongoing commitment to being carbon-neutral each year going forward since 2022; and removing its cumulative carbon emissions from inception, also referred to as its lifetime carbon balance.

GCG has committed to removing its lifetime carbon balance by 31 December 2040. GuardCap had removed its lifetime carbon balance by the 31 December 2023.

The Committee is responsible for the following activities:

1. Overseeing the annual collection and management of GCG's carbon emissions data for reporting purposes.
2. Overseeing all aspects of the purchasing of carbon credits to meet GCG's carbon emissions commitments including partnerships/sources, timing, and project selection.
3. Setting a carbon emissions reduction strategy for GCG and its subsidiaries, and developing, implementing, and monitoring initiatives and policies based on that strategy.
4. Overseeing GCG's communications strategy with employees, clients, and other stakeholders with respect to GCG's carbon management efforts.
5. Addressing any other relevant topics in the purview of the Committee.

The Committee is co-chaired by GCG's Chief Financial Officer (CFO) and GCLP's Head of Responsible Investing and is composed of nine members selected to ensure that all relevant areas of the company are represented.

### GuardCap Board

GuardCap's board has legal and regulatory oversight of climate-related risks and opportunities. Our board is made up of the President and CEO, GCG, and the CIO, GuardCap. GuardCap's Chief Operating Officer (COO)/Compliance Officer is Secretary to the board. As is the case with the GCG board, GuardCap's board is responsible for providing oversight on risk and strategy, which includes sustainability and climate-related matters. At the same time, it is responsible for monitoring and overseeing progress against goals and targets on climate-related issues. GuardCap's CIO reports to GCG's CEO and is responsible for communicating any material climate-related issues to GCG's senior management group on a weekly basis. GuardCap's CIO also sits on GCLP's Responsible Investing Oversight Committee.

### GuardCap Management Committee

GuardCap's Management Committee is responsible for assessing and managing climate-related risks and opportunities from a business and operational perspective. GuardCap's CIO and GuardCap's Head of Global Equities are part of the Management Committee and responsible for assessing and managing climate-related risks and opportunities for our investments. GuardCap's COO is also on the committee and is responsible for ensuring that regulatory reporting requirements are met, including those related to climate.

### GuardCap Investment Teams

GuardCap's investment teams are responsible for assessing and managing climate-related risks and opportunities for our investment strategies. A company's "Foundations for Sustainable Growth", which considers a company's sustainability issues, is one of the 10 investment criteria that we ascertain before investing in a company. Sustainability issues, including climate-related risks and opportunities, are considered on an ongoing basis. GuardCap's investment teams report to GuardCap's CIO, who in turn reports to GCLP's CIO.

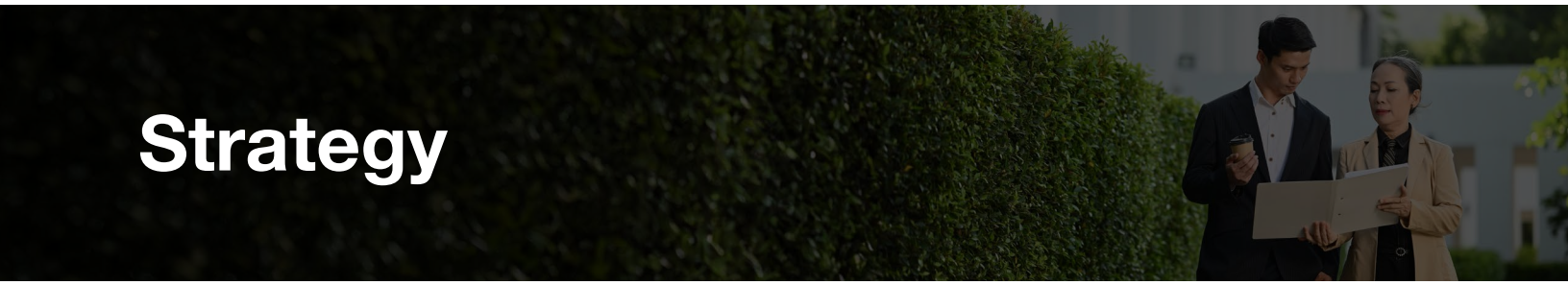
### Responsible Investing Team

GuardCap has a dedicated Manager, Responsible Investing, who is independent from, but works closely with, all teams within the business, including client service, investments, compliance, risk, and operations. GuardCap's Manager, Responsible Investing, reports to the Head of Responsible Investing for GCLP, as well as the Head of Client Service at GuardCap. This role helps to provide the investment teams with the information and resources they need to identify and assess climate-related risks and opportunities.

### GuardCap Compliance

GuardCap is authorised and regulated by the FCA and registered as an Investment Advisor with the SEC. GuardCap's COO/Compliance Officer works closely with external compliance consultant RQC Group to ensure compliance with all aspects of FCA and SEC regulations, including regulation related to responsible investment. This role is supported by GuardCap's Senior Compliance Manager, appointed in 2022 to meet increasing regulatory demands. GuardCap's COO/Compliance Officer reports to the Board of GuardCap.

GuardCap's Compliance Manager is responsible for reviewing material regulatory disclosures and other information related to Responsible Investing, including information on climate-related risks and opportunities.



# Strategy

**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.**

## Our Climate Strategy

Our climate strategy has five key pillars of action:

### ESG Integration

Which includes identifying, assessing, and managing climate-related risks and opportunities for our investments.

### Active Ownership

Which involves engaging with companies and voting on resolutions related to climate change risks and opportunities.

### Product Development

Ensures that sustainability factors are considered, if/when launching new products.

### Policy Support

Encourages our involvement in organisations and initiatives such as the United Nations-supported Principles for Responsible Investment (UN PRI), UK Investment Association, UK Stewardship Code, International Corporate Governance Network (ICGN)*, among others.

### Entity Carbon Footprint

Which includes our commitment to reducing and removing our carbon emissions from the atmosphere.

* GuardCap is involved in the ICGN through GCLP's membership.

## Our Investments

### Our Approach

GuardCap's core objective is to achieve superior returns for our clients, in excess of standard benchmarks with less risk than the benchmarks, over the long term. An integral part of this is our commitment to investing in high quality companies around the world that are capable of generating long-term sustainable growth.

Our primary approaches to Responsible Investing are ESG integration and active ownership – the first two pillars of our climate strategy – and we conduct a comprehensive analysis of a company's sustainability characteristics with the objective of protecting and enhancing long-term investment returns for our clients.

We recognise the UN PRI definition of Responsible Investing which "involves considering ESG issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship)".

As we invest in both developed and emerging markets, we acknowledge that the importance of specific sustainability factors will vary by country, industry, and company, but an analysis of a company's ESG issues forms a key part of every investment decision.

Our investment teams assess the material risks to the companies held in our portfolios as part of their proprietary "Foundations for Sustainable Growth" assessment.

### ESG Integration

We believe that a comprehensive analysis of a company's business and growth potential must incorporate all material risks and opportunities. For long term investors, we recognise that the sustainability aspects can be particularly important.

Sustainability-related risks are considered from the early stages of idea generation and throughout the research process, explicitly as one of the 10 investment criteria and implicitly in several others. All companies are scored on these criteria and weak performance in any of the criteria could preclude investing in the company.

**The criteria most closely linked with the management of sustainability issues include:**

### "Foundations for Sustainable Growth"

Involves a consideration of a company's practices and risk exposures and whether they conflict with our objective of investing in companies that are capable of long-term sustainable growth. We look for companies that demonstrate good corporate governance practices and progressive environmental and social strategies. For example, if a company is open to an elevated level of tax, legal or regulatory risk, or lacks sustainable environmental and social practices, we would view this as a potential headwind to its long-term growth and success.

### Industry secular growth tailwind

This includes companies that are operating in industries that have a long-term secular growth tailwind and whose growth is less dependent on economic cycles, for example, digitisation, regulation, and sustainability.

### Sustainable competitive advantage

Companies that have a long-term sustainable competitive advantage that has resulted in a leadership or near leadership position, for example, strong product ownership, strong customer base, patents. We look for reasons as to why this competitive advantage is likely to be maintained over the long term.

Our investment managers score all portfolio companies, including those in the 'High Confidence Pool' or on the 'Buy List'. The maximum possible score for each of the 10 criteria is 10, with a total possible score of 100. These scores inform our investment managers' conviction and position sizing.

Our investment approach typically steers us away from the most environmentally damaging and controversial sectors such as energy, mining, commodity chemicals and heavy industry, because companies in these sectors typically fail a number of our quality and growth criteria. In particular, these sectors display high cyclicality and typically have low returns on invested capital.

**We recognise that the risks and opportunities related to climate change are a systemic risk and continue to have far-reaching implications across industries, the financial markets and global economy. As such, we consider companies' exposure to a number of environmental factors in assessing their exposure to these risks.**

## Climate-Related Risks and Opportunities

### Assessing climate risk is embedded in our investment teams' overall fundamental assessment of material ESG risks.

Given GuardCap's primarily bottom-up approach, climate risk is assessed at an issuer level by our investment teams to better understand the risks and opportunities that companies face with regards to climate change and how those risks and opportunities can be managed.

As climate data and disclosures improve, we intend to further develop our analysis with an increasing focus on companies' management of climate-related risks and opportunities.

The broadening of our climate analysis will be supported by the Responsible Investing team and tools and issuer-level metrics from third-party data providers.

### Transition Risks

Our view is that transition risks and opportunities are particularly important in the short to medium term (0 to 10 years). As such, we expect our investee companies to be considering and mitigating or capitalising on the risks and opportunities most material to their businesses (please refer to Appendix D for a full list).

In terms of transition risks, at present, we may consider the potential impact of the following factors:

- Policy and legal pressures (for example, increased pricing of GHG emissions or enhanced emissions-reporting obligations)
- Technology (for example, the costs of transitioning to lower emissions technology or stranded assets)
- Market (for example, changing consumer behaviour or the increased cost of raw materials)
- Reputation (increased stakeholder concern or negative stakeholder feedback)

### Physical Risks

We believe that physical risks are becoming increasingly important. We are in the process of identifying the companies exposed to the most material physical risks (acute and chronic), both through utilising third-party data, reviewing company disclosures, and through conversations with investee companies themselves. We recognise that this analysis is complex and that physical risks are not only present for companies' operations but for their entire value chain.

As part of our company analysis, we may consider the following factors:

- A company's core business exposure through its products and services
- The location of a company's offices and operations
- A company's supply chain and distribution network

Once we understand these factors, we may further analyse the likelihood of:

- Supply chain disruption
- Adaptation costs
- Capital damage
- Unaffordable insurance premiums
- Impact on human health/risk to life

We recognise that some of the transition and physical risks detailed within this section will be more material to companies in some sectors and geographies than others. We are continuing to develop portfolio and risk management tools and research focused on assessing companies' climate risk exposure and resilience. For more details, please refer to the Risk Management section of this document.

### Transition Opportunities

We recognise that the transition to a low-carbon economy can present an unprecedented opportunity for companies that are responding to the challenges of climate change, and we believe companies that are positioned to capitalise on long term secular growth trends, such as sustainability, are more likely to be able to continue to grow sustainably over the long term. We aim to understand transition opportunities through the lens of our 10 investment criteria, including a company's "Foundations for Sustainable Growth", industry secular growth tailwind, sustainable competitive advantage, among others.

## Active Ownership

Active ownership is deeply embedded in our investment philosophy, and we endeavour to vote on all resolutions related to our companies. If a company is engaged in a practice that concerns us, we will engage with the company on the issue, seek to learn more about it, and encourage positive change.

### Engaging on Climate

In recognition of our responsibility to manage the climate-related risks and opportunities within our portfolios, we increasingly expect our companies to:

- Continue to enhance disclosures on carbon emissions, carbon intensity, decarbonisation strategy and trajectory etc. (climate mitigation).
- Understand the transition and physical risks to their business models, and to have clear and quantifiable plans and strategies in place for climate adaptation.
- Provide a clear assessment and reporting of issues relating to resource management (water usage and water management, hazardous and non-hazardous waste management, pollution etc.)
- Understand the company's impacts and dependencies on nature (raw materials sourcing, deforestation etc.) and have plans and strategies in place for risk mitigation.
- Have a clear plan and strategy in place with regards to climate-related opportunities.

We acknowledge that some of the above may be a bigger ask for some companies than for others, depending on their size, location, and business activities.

**An example of our engagement activities on climate:**

Yum China is one of the largest restaurant companies in China and operates several well-known brands, including KFC, Pizza Hut, Taco Bell, Little Sheep and Huang Ji Huang. In 2020, GuardCap's investment teams began engaging with the company on its climate strategy, with the objective of ensuring that the company maintains its competitive advantage and effectively manages climate-related risks over the short, medium, and longer term.

**In 2021**, the investment teams met with the company on several occasions. During these meetings, the teams asked questions about Yum China's emissions, supply chain risks, and operational practices. They examined potential links between the company's supply chain and deforestation, as well as its approach to reducing plastic use. The teams also asked about the company's progress toward setting targets aligned with the Science Based Targets initiative (SBTi).

**In 2022**, the investment teams held follow-up meetings with the company and discussed its progress toward the validation of its SBTi. They learned that Yum China had become the first restaurant company in China to receive approval for near-term targets under the initiative. The teams also discussed circular economy initiatives, supply chain risks such as biodiversity and deforestation, and efforts to improve energy efficiency and expand the use of renewable energy.

**In 2023**, the teams focused on the company's long-term net zero ambitions and asked how sustainability considerations were being incorporated into executive compensation structures. They challenged management on the design of incentive frameworks and encouraged the inclusion of robust sustainability metrics. Management was receptive to feedback and open to examples of best practice, indicating a willingness to further embed environmental considerations into decision-making at the senior leadership level.

**In 2024**, engagement continued with a focus on monitoring progress and ensuring alignment with evolving global standards. The teams discussed the company's use of green energy and revisited its net zero commitment, which remains targeted for 2050. Attention was given to the company's SBTi following their removal due to updated requirements that now include Forestry, Land and Agriculture (FLAG) considerations. Management confirmed that it is working toward resubmitting its targets in line with these new criteria.

**In 2025**, the teams again asked about the company's progress toward the verification of its net zero targets by the SBTi. Management explained that it is waiting for the SBTi's final requirements before submitting revised targets, including Forestry, Land and Agriculture (FLAG) targets. The teams continue to monitor the company's exposure to and management of climate-related risks.

## Proxy Voting

For both of our investment strategies, we actively engage with investee companies on the issues that we recognise as material and vote for proposals that are likely to advance and against proposals that are likely to impede the long-term sustainable growth of a company. All our activities are undertaken with our clients' interests at the forefront.

We expect the companies in which we invest to uphold the highest standards of corporate governance. As part of this, we expect company boards and management to effectively manage sustainability issues. We also recognise that proposals can either be directly or indirectly linked with climate-related issues. For example, the election or re-election of board members has the potential to impact a company's climate strategy, particularly if there is a conflict of interest between a particular board member and the company's transition, or if the board lacks sufficient climate expertise.

In terms of proposals more explicitly linked with climate-related issues (typically shareholder proposals), we believe that voting on these proposals is another important way of expressing our views on a company's management of climate-related risks and opportunities.

In 2025, across our portfolio holdings, there were no management proposals related to environmental issues and one shareholder proposal related to environmental issues. The shareholder proposal requested the company conduct a quantifiable, comprehensive assessment of the true environmental and economic costs of it's anti-plastic and packaging initiatives. The company's board of directors opposed the proposal and maintained that its sustainability targets and plastic elimination strategies are based on robust scientific data and valuable stakeholder input. We voted with management and against the proposal.

We evaluate proposals seeking enhanced climate-related disclosure on a case-by-case basis with consideration to the comprehensiveness of the company's current climate disclosures and the level of disclosure relative to industry peers. We are generally supportive of climate and sustainability disclosures as it allow investors to properly price risk and ensure efficient capital allocation in the financial markets.

## Our Operations

GuardCap's business strategy is to put our clients first. To do this, we hold investment at the centre of our activity; we seek long-term client relationships; we keep to our core products; and we limit capacity by closing our products to new investment if liquidity constraints begin to impinge on our ability to make investment decisions. By holding investment at the centre of our activity, we recognise our responsibility for ensuring that all material risks, including climate-related risks, are covered. We believe these principles add value to client portfolios.

At an organisational level, our approach to climate is based on product development, policy support, and managing our entity carbon footprint.

### Product Development

In terms of product development, Guardian's Responsible Investing team continued to review the developing regulatory product labelling standards across all markets; to assess and understand where GCLP and its affiliates' products fit within the product landscape; and to determine gaps and opportunities in the firm's product offering. GuardCap's CIO and Manager, Responsible Investing, are responsible for ensuring that sustainability factors are considered, if and when launching new products at GuardCap.

### Policy Support

In terms of policy support, GuardCap remains abreast of industry developments through our involvement in industry initiatives, such as the UN PRI, UK Investment Association, ICGN, and UK Stewardship Code. We have provided feedback on both European and UK policy proposals through both the UK Investment Association and directly to the European Commission and UK FCA.

### Entity Carbon Footprint

In terms of our entity carbon footprint, GuardCap has committed to being carbon neutral each year going forward since 2022; and had removed its lifetime carbon balance – or cumulative carbon emissions from inception – by 31 December 2023. GuardCap aims to achieve its annual balancing of emissions through the implementation of its carbon reduction strategy and investments in external, nature-based projects, which remove carbon from the atmosphere. GuardCap's carbon reduction strategy is largely focused on reducing our business travel, which is the main source of our operational emissions. As part of this, and based on our current business strategy, we set a target to reduce our business travel emissions per full-time employee by 30% by 2025 and 50% by 2030 (in comparison to 2019 levels). As at 31 December 2025, GuardCap had exceeded the 30% target, and continues to work towards the 50% reduction by 2030.

## GuardCap's Management Committee is responsible for monitoring and addressing climate-related risks as part of its regular review of business strategy. These risks include:

### Business model disruption

Climate change may drive the evolution of financial products and changes in regulation, resulting in transition risks that may impact our business model.

### Investment performance risk

Investment performance may be impacted if we fail to properly assess climate-related risks and opportunities.

### Financial instrument risk

We expect the value and liquidity of financial instruments to be impacted by climate risks, as investor and consumer sentiment on sustainability issues evolves, and businesses are required to transition to a lower carbon environment. Fundamental valuations will likely be impacted, as well as an increased capital flow into new financial products and instruments to finance the transition.

### Operational process risk

Operational processes are impacted by climate change risks to the extent that they are new or need to be adapted to facilitate investment analysis, product development and reporting, amongst others. Errors within these processes may therefore impact our reputation, our regulatory compliance or require financial compensation.

### Product strategy and management

Climate change risks impact our product strategy to ensure we offer clients the products that help them to achieve their investment objectives.

### Fee attrition

We may suffer fee attrition if clients move to more passive products if they offer appropriate sustainability and climate change considerations when compared to active management.

### Market returns

Market returns may be significantly impacted by climate change risks and both physical and transition risks may impact market valuations. Geopolitical risks may increase as greener economic policies are implemented worldwide to transition from fossil fuels.

### Information security and technology risks

We do not envisage that climate change risks will impact information security. However, our ability to assess and monitor climate change risk is dependent on the availability of appropriate technology.

### Reputational risk

Our reputation with clients and shareholders may be impacted if: we are perceived as not responding appropriately to climate challenges, due to the complex nature of assessing the impact of our investee companies' operations on climate change, or we fail to meet our commitment to carbon neutrality. We may also face the risk of clients feeling misled by the marketing of our products should the sustainability credentials of an investment or product be unintentionally exaggerated or misrepresented.

### Changing investor requirements

Climate change risk is expected to materially impact client considerations when determining their investment strategies, and therefore, the need for our investment offerings to appropriately reflect that. Furthermore, clients may require that our own activities adhere to specific carbon footprint thresholds before engaging us as an investment manager. Our failure to meet these targets may have a detrimental business impact.

### Conduct and regulatory risk

Numerous climate-related regulatory requirements continue to be implemented globally across the financial services industry. Our failure to meet these requirements may result in regulatory sanctions and/or litigation.

### People and employment practices risk

Employees may be harder to attract or retain if we do not actively address climate change risks.

**GuardCap's Operations team has responsibility for GuardCap's annual financial forecasting and budgeting process. This includes a consideration of the costs associated with existing or additional resourcing (both in terms of personnel and third-party data and service providers), as well as the cost of carbon removal credits.**

# Risk Management

**How the organisation identifies, assesses, and manages climate-related risks.**

## Our Investments

In terms of our investments, our climate-related strategy centres around two key components: ESG integration and active ownership. We conduct a comprehensive analysis of a company's sustainability characteristics with the objective of protecting and enhancing long-term investment returns for our clients.

GuardCap's core objective is to achieve superior returns for our clients, in excess of standard benchmarks with less risk than the benchmarks, over the long term. An integral part of this is our commitment to investing in high quality companies around the world that are capable of generating long-term sustainable growth. Our investment teams assess the most material risks to the companies held in our portfolios as part of their proprietary "Foundations for Sustainable Growth" assessment.

Furthermore, active ownership is deeply embedded in our investment philosophy, and we endeavour to vote on all resolutions related to our companies. If a company is engaged in a practice that concerns us, we will engage with the company on the issue, seek to learn more about it, and encourage positive change. For details on how we incorporate ESG considerations and active ownership, please refer to the Strategy section of this document.

### Investment Research – Secular Growth Trends

In addition to the fundamental bottom-up research that our teams conduct (please refer to the Strategy section of this document for more details), we recognise that in-depth analysis of a company itself is not sufficient to assess long-term threats and opportunities. As such, we supplement our company-specific analysis with an analysis of the competitive environment and long-term secular trends. To help identify competitive threats and potential risks (systemic or otherwise) to the companies within our portfolios, as well as potential investment opportunities, five to six times a year, our investment teams conduct a "DORA Day". DORA is an acronym for "Day Out Researching Anything".

Used to future-proof the portfolio:

- Long-term secular growth trends
- Industry tailwinds
- Strategic opportunities
- Disruptive change
- Potential source of new ideas

## Data and Technology

To support our proprietary analysis, we use data from external data providers, such as Bloomberg, Clarity AI, FactSet, ISS, MSCI and Sustainalytics to see whether they highlight any areas of controversy in a company's sustainability practices. If they do, we conduct further analysis on these issues to assess the implications. In some cases, our assessment and conclusions might differ from those of the external providers, and on occasion, we have contacted these providers to ask questions on their methodology and approach. At the same time, we aim to go well beyond simplistic "box-ticking" and recognise the importance of using different sources to draw more reliable and complete conclusions.

As such, we take an absolute approach to assessing companies' capacity for long-term sustainable growth.

Furthermore, we expect that as companies publish more detailed and consistent climate data, the assessment of more of these aspects will become more relevant and insightful.

## Sustainability and Climate Reporting

GCLP's Responsible Investing team provides GuardCap's investment teams with data and reports on an ongoing basis. These reports include:

- **Quarterly Master ESG Report:** this report includes data on the 14 mandatory and two 'optional' Principal Adverse Impacts (PAIs). These include portfolio and company GHG emissions, carbon footprint, carbon intensity, share of non-renewable energy consumption, activities negatively affecting biodiversity sensitive areas (within the constraints of the available data), and so forth.
- **Quarterly ESG Ratings and Controversies Report:** this report includes the ESG risk rating and details of all new and ongoing controversies for all investee companies (based on data from Sustainalytics).
- **Quarterly Portfolio Carbon Emissions Report:** this report provides an assessment of the portfolio's carbon emissions profile compared to the benchmark and includes a breakdown on which companies and sectors are the highest and lowest emitters within the portfolio.

### Resourcing

Specific to GuardCap, GuardCap has a dedicated Manager, Responsible Investing, who is independent from, but works closely with, all teams within the business, including client service, investments, compliance, risk, and operations. GuardCap's Manager, Responsible Investing, reports to the Head of Responsible Investing for GCLP, as well as the Head of Client Service at GuardCap.

This individual meets with GuardCap's investment teams on a quarterly basis or as needed and provides the teams with the resources they need to assess climate-related risks and opportunities.

This resource forms a part of GCLP's wider Responsible Investing team which is responsible for ensuring the consistent application of ESG integration and active ownership across all investment teams within the firm.

### Training

To ensure the development of our climate-related investment research, we expect our investment professionals to understand and keep on top of the climate-related risks and opportunities related to our investments.

GCLP's Responsible Investing team works to support the investment teams with direct training on sustainability topics and tools as well as by providing access to several third-party training resources. Our investment teams are encouraged to attend sustainability-focused events and conferences. All employees within the business are required to complete Responsible Investment-related training modules through a third-party training provider. Furthermore, we encourage the sharing of sustainability-related information within and across GuardCap.

### Compliance Oversight

GuardCap is regulated by the FCA and registered with the SEC. GuardCap's COO/Compliance Officer works closely with external compliance consultant RQC Group to ensure compliance with all aspects of FCA and SEC regulations, including regulation related to responsible investment. This role is supported by GuardCap's Compliance Manager, appointed in 2022 to meet increasing regulatory demands.

GuardCap's Compliance Manager is responsible for reviewing material regulatory disclosures and other information related to Responsible Investing, including information on climate-related risks and opportunities.

GuardCap reviews and updates policies relating to compliance and investment on at least an annual basis, which includes monitoring and assessing the adequacy of each policy to enable effective stewardship in addition to meeting regulatory obligations. Responsible Investing policy development is overseen by the Compliance and Operations teams, with assistance from GuardCap's Manager, Responsible Investing, as needed. Any changes made to policies are included in a summary to the Board of Directors, which are reviewed and approved on an annual basis. Publicly available policies are located on GuardCap's website alongside proxy voting information. GuardCap receives external assurance over the effectiveness of its compliance polices through the use of a third-party compliance advisor, RQC Group. This third-party firm is able to provide an external and unbiased view of the contents of the firm's compliance policies and procedures. With reviews and monitoring performed by both internal and external sources, GuardCap seeks to ensure that stewardship reporting is fair, clear, and not misleading, as well as leading to the continuous improvement of our stewardship policies and processes.

Furthermore, GuardCap's investment teams are required to attest to GuardCap's Responsible Investing Policy on an annual basis. This policy includes details on our approach to ESG integration, active ownership, and climate engagement guidelines. Attestations are monitored by GuardCap's Compliance Manager.

In terms of proxy voting, GCLP's Proxy Voting team, which forms a part of GCLP's Compliance function, is responsible for managing and monitoring proxy voting activities through a proxy consulting service. The team will notify the investment teams of upcoming votes and vote deadlines, distribute the proxy analysis from the proxy advisor to all relevant investment teams, collect and record voting intentions and rationales, and execute the votes through Proxy Exchange. This process is overseen by the Head of GCLP Compliance.

## Our Operations

To manage our business effectively, we continue to assess the transition and physical risks and opportunities that could impact GuardCap. The following table outlines our current assessment, as well as the likely time horizons and the ways in which we aim to mitigate or capitalise on them.

| Risk Type and Time Horizon | Climate-Related Risks and Opportunities | Potential Financial Impacts | How we aim to mitigate or capitalise on them |
|---|---|---|---|
| **Transition Risks (0-10 years)** | | | |
| **Policy and Legal** | • Enhanced emissions-reporting obligations.<br>• Mandates on and regulation of existing products and services.<br>• Exposure to litigation. | • Increased operating costs (for example, higher compliance costs).<br>• Increased costs and/or reduced demand for products and services resulting from fines and judgments. | • Conduct horizon scanning and remain aware of regulatory developments globally.<br>• Ensure thorough review of all marketing materials to prevent any instances of potential or perceived 'green-washing'. |
| **Market** | • Changing consumer behaviour.<br>• Volatility. | • Reduced demand for investment products due to changes in consumer preferences (for example, consumers may prefer to invest in positive impact strategies, among others).<br>• Lower AUM impacting clients and revenue. | • Conduct market and competitor analysis on an ongoing basis.<br>• Meet with clients and obtain feedback on a regular basis.<br>• Ensure that we are managing climate-related risks in our investments. |
| **Reputation** | • Shifts in consumer preferences.<br>• Stigmatisation of asset management sector.<br>• Increased stakeholder concern or negative stakeholder feedback. | • Reduced revenue from decreased demand for investment products.<br>• Reduced revenue from negative impacts on workforce management and planning (for example, employee attraction and retention). | • Remain aware of changing consumer preferences, particularly in terms of the younger generations and how they are likely to invest over the short, medium, and longer term.<br>• Remain aware of employee views and preferences and ensure that we are well-positioned to attract and retain the younger generations. |
| **Physical Risks (0-10+ years)** | | | |
| **Acute** | • Increased severity of extreme weather events such as cyclones and floods. | • Costs related to maintaining and/upgrading potential upgrades IT infrastructure.<br>• Costs associated with office closures and developing business continuity plans. | • Continue to monitor.<br>• Investment in IT infrastructure.<br>• Business continuity planning. |
| **Chronic** | • Changes in precipitation patterns and extreme variability in weather patterns.<br>• Rising mean temperatures. | | |
| **Transition Opportunities (0-10 years)** | | | |
| **Resource Efficiency** | • Less travel for business.<br>• Move to more efficient buildings.<br>• Use of recycling.<br>• Reduced water usage and consumption. | • Lower operating costs due to lower volume of business travel.<br>• Lower operating costs due to lower carbon emitting forms of travel (i.e. flight class).<br>• Lower operating costs related to more efficient buildings as leases come due. | • Continue to monitor. |
| **Products and Services** | • Development and/or expansion of lower emission or other ESG investment products.<br>• Ability to diversify business activities.<br>• Mergers and/or acquisitions that enable us to align and 'future proof' our business in line with the opportunities associated with the transition.<br>• Shift in consumer preferences. | • Increased revenue through demand for lower emissions products and services.<br>• Organic and/or acquired growth through mergers and/or acquisitions in businesses set to benefit from the opportunities associated with the transition.<br>• Better competitive position to reflect shifting consumer preferences, resulting in increased revenues. | • Continue to assess the demand and feasibility of developing climate-aligned or climate-focused investment products.<br>• Continue to assess the feasibility of mergers and/or acquisitions that would enable us to continue to grow and appeal to consumers over the short, medium, and longer term. |

# Metrics and Targets

**The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.**

## Our Investments

We use a range of metrics to identify and assess climate-related risks and opportunities. This includes absolute carbon emissions metrics as well as intensity-based carbon emissions indicators that enable comparisons across different issuers, portfolios, and transition scenarios.

The key backward-looking metrics used in our reporting are set out in the table below covering the year to 31 December 2025. Although recognising there are limitations in the metrics and tools used (primarily data availability and scope of coverage), we currently rely on Scope 1 and 2 GHG emissions to inform our investment analysis.

Whilst we monitor Scope 3 emissions, limitations relating to this data are heightened with data quality and disclosure of this category remaining poor, therefore making it less reliable for investment analysis.

| | Portfolio Emissions | | | Data Coverage** | | |
|---|---|---|---|---|---|---|
| All GuardCap Products | Scope 1 and 2 | Scope 3 - Upstream | Scope 3 - Downstream | Scope 1 and 2 | Scope 3 - Upstream | Scope 3 - Downstream |
| **Assets in scope for metrics presented (USD billions)*** | 6.9 | 6.9 | 6.9 | 100% | 100% | 100% |
| **Financed carbon emissions (tons CO2e/USD millions invested)** | 9.4 | 58.3 | 24.5 | 100% | 100% | 100% |
| **Total financed carbon emissions (tons CO2e)** | 64,450.1 | 400,850.9 | 168,305.2 | 100% | 100% | 100% |
| **Weighted Average Carbon Intensity (WACI) (tCO2e/USD millions, sales)** | 25.6 | 230.2 | 112.1 | 100% | 100% | 100% |

Source: MSCI ESG Research.

*Proportion of in-scope AUM and AUA. Data as at 31 December 2025. Any discrepancies in AUM are due to rounding.

**91.8% of Scope 1 and Scope 2 emissions data provided in the table is reported vs 8.2% estimated. When reported data is not available, Scope 1 and Scope 2 emissions are estimated using MSCI's estimation model which is mapped to the data quality score defined by the Partnership of Carbon Accounting Financials (PCAF). All Scope 3 emissions used in this report are estimated by MSCI's estimation model, due to un-usability (inconsistency, volatility) of the reported Scope 3.

The portfolio's ownership share is calculated based on enterprise value including cash for the financed carbon emissions and total financed carbon emissions,.

Financed carbon emissions and total financed carbon emissions enable us to identify the climate impact across all our investments and to understand the absolute emissions of the portfolio.

WACI enables us to identify our exposure to carbon-intensive companies. Please refer to the Glossary section of this document for an explanation of the key terms used.

## Forward-Looking Metrics

In addition to backward-looking data, which indicates a point-in-time emissions profile of an asset or portfolio, we also use forward-looking metrics to assess transition alignment and sensitivity to climate-related risks.

While we have assessed the portfolio-level results with MSCI's Climate Value at Risk (CVaR) and Implied Temperature Rise (ITR) metrics, these metrics do not at present directly inform our investment decision making.

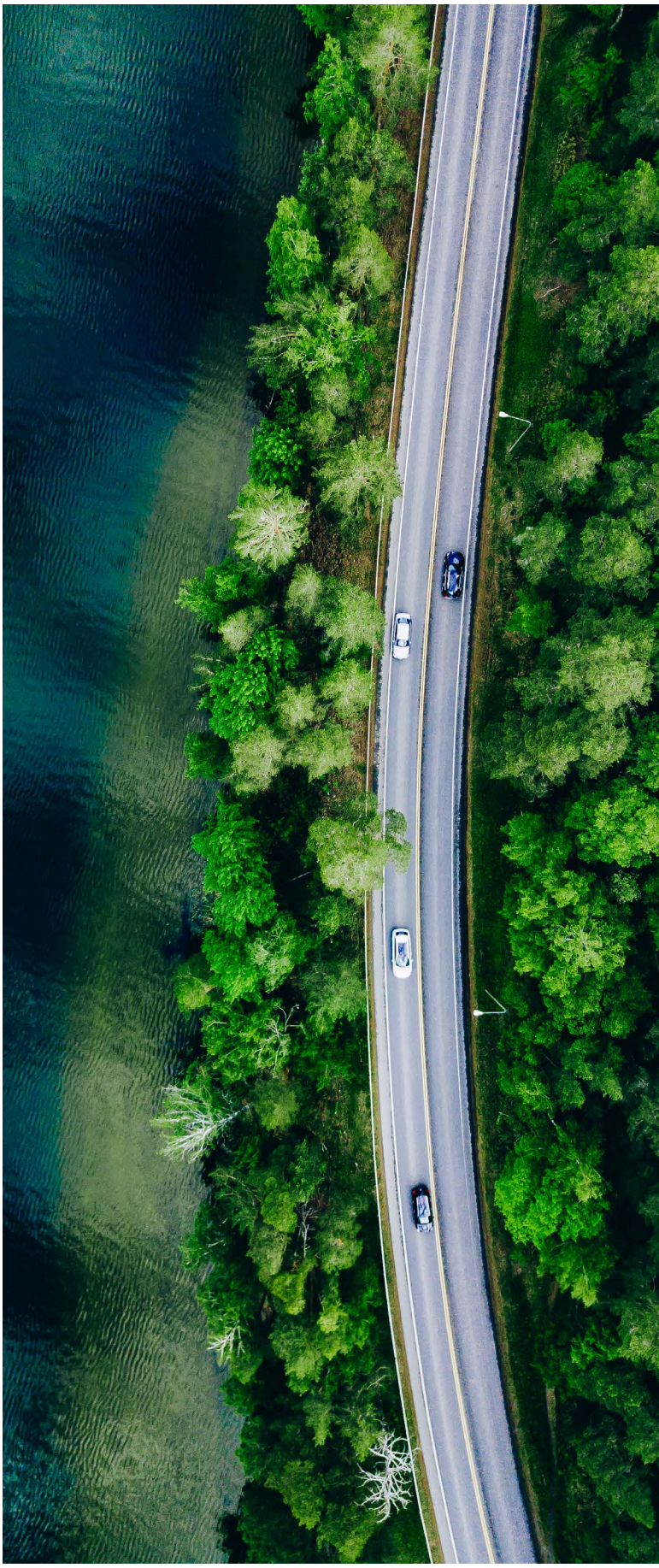
## Climate Scenario Analysis

For investment managers, climate scenario analysis is an exercise to evaluate the resiliency and impact to the valuation of the portfolio under various potential long-term scenarios. Climate change scenario modelling is a complex area with results influenced by assumptions, judgements, and limitations. We recognise that the climate models are based on scenarios that may or may not materialise and attempt to capture the possible interplay between physical climate impacts, policy and regulation, and consumer behaviour. The scenarios are not predictive but help us explore the implications on our investment portfolios across a range of potential outcomes.

Currently, the nature of future climate scenario analysis requires several embedded uncertainties and assumptions due to the lack of historical precedent for the climate scenarios being modelled, difficulties with forecasting societal and policy reactions (particularly with carbon prices and technological developments), lack of data on the relationship between climate events and financial impact, and the nonlinear nature of physical climate risks. As a result, we have found scenario analysis most useful on a relative-basis and used as a portfolio-level risk management process to identify potential climate-related vulnerabilities in our portfolios.

For our climate scenario analysis, we use MSCI's Climate Value at Risk (CVaR) metric to calculate the potential change in the financial value of our AUM.

CVaR is a downside risk indicator that determines the potential maximum drawdown that an asset could experience under a specific climate scenario.



CVaR is calculated by modelling the future costs and revenue for issuers due to policy risk, technology opportunities, and physical risks and opportunities under each scenario.

Financial modelling is then used to derive valuation impacts over time, which can be assessed at an aggregate level, or based on transition or physical risks and opportunities, as summarised below.

## Climate Value-at-Risk

### Transition Risks and Opportunities

**Policy**

- Emission Reduction Costs (Scope 1)
- Electricity Pass-through Costs (Scope 2)
- Value Chain Impacts (Scope 3)

+

**Technology**

- Clean Tech Revenues
- Patents deliver deep insights into R&D investments
- 95 million patents assessed

### Physical Risks and Opportunities

**Physical**

- Extreme Heat & Cold
- Heavy Precipitation & Snowfall
- Extreme Wind
- Water Scarcity*
- Tropical Cyclones
- Coastal, Pluvial & Fluvial* Flooding
- Wildfires
- River Low Flow

+

**Macroeconomic Physical**

- NGFS – Standard
- Squared4 –
- Accelerated NGFS
- Squared6 –
- Accelerated NGFS

**= Aggregate Climate VaR**

Source: MSCI ESG Research. © 2025 MSCI Inc. All rights reserved. Please refer to the disclaimer at the end of this document.
* Water Scarcity and Pluvial Flooding available as of mid – 2024

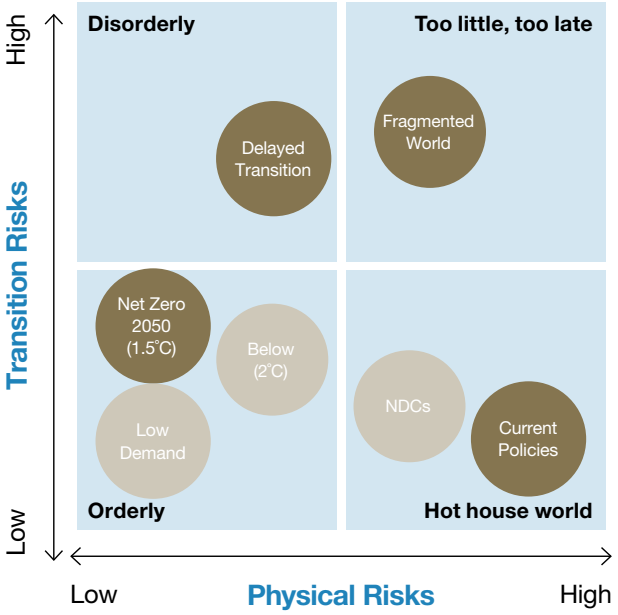
As detailed in the above chart, the aggregated Climate VaR consists of four component parts that provide a combined view of potential VaR due to climate factors:

- **Policy Risk**: CVaR quantifies, at a security level, the potential cost of complying with government climate policies in order to achieve the GHG emission reductions required, for each climate scenario. The Policy risk CVaR varies by scenario. The data provided shows the aggregate security level impacts at a total portfolio level.
- **Technology Opportunities**: CVaR quantifies, at a security level, the potential profit derived from low-carbon revenues and low-carbon technologies, for each climate scenario. The Technology opportunity CVaR varies by scenario.
- **Physical Risk**: CVaR quantifies the impact, at a security level, of chronic and acute risks, for each scenario. These risks manifest in an increase in business interruptions or asset damages.
- **Macroeconomic Physical Risk**: CVaR quantifies the indirect impact through transient or persistent macroeconomic transmissions channels such as, but not limited to changes in consumer demand, frictional costs from labour migration, or lower capital investments.

The scenarios utilised in our analysis are aligned with the scenarios recommended by the Network for Greening the Financial System (NGFS). NGFS is a network of over 100 central banks and financial supervisors committed to sharing best practices and contributing to the development of climate and environment-related risk management in the financial sector. Since 2020, NGFS has published a range of hypothetical climate scenarios for the purposes of analysing climate risk in the economy and the financial system. The NGFS scenario framework includes multiple possible scenarios under four broad classifications: **Orderly**; **Disorderly**; **Hot House World**; and **Too Little, Too Late**.

## NGFS scenarios framework

Positioning of scenarios is approximate, based on an assessment of physical and transition risks out to 2100.




Source: NGFS.
Scenarios shaded in brown were chosen for our scenario analysis.

| | |
|---|---|
| **Orderly** | Orderly scenarios assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued. |
| **Disorderly** | Disorderly scenarios explore higher transition risk due to policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome. |
| **Hot House World** | Hot House World scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise. |
| **Too Little, Too Late** | Too Little, Too Late scenarios reflect delays and international divergences in climate policy ambition that imply elevated transition risks in some countries and high physical risks in all countries due to the overall ineffectiveness of the transition. |

Each classification includes several different individual scenarios that explores a different set of assumptions for the future pathway of climate policy, emissions, and global temperature. These assumptions are used to determine the level of transition risk and physical risk. We have chosen scenarios based on the highest degree of potential risk to evaluate the resiliency of GuardCap's investment portfolios. These scenarios include:

| Scenario Classification | Scenario | Temperature Alignment | Pathway Details |
|---|---|---|---|
| **Orderly** | Net Zero 2050 (1.5˚C) | 1.5˚C | Net Zero 2050 limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050. |
| **Disorderly** | Delayed Transition | 2˚C | Delayed Transition assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited. |
| **Hot House World** | Current Policies | 3˚C | Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks. |
| **Too Little, Too Late** | Fragmented World | 3˚C | The Fragmented World scenario assumes delayed and divergent climate policy ambition globally, leading to high physical and transition risks. |

Source: NGFS.

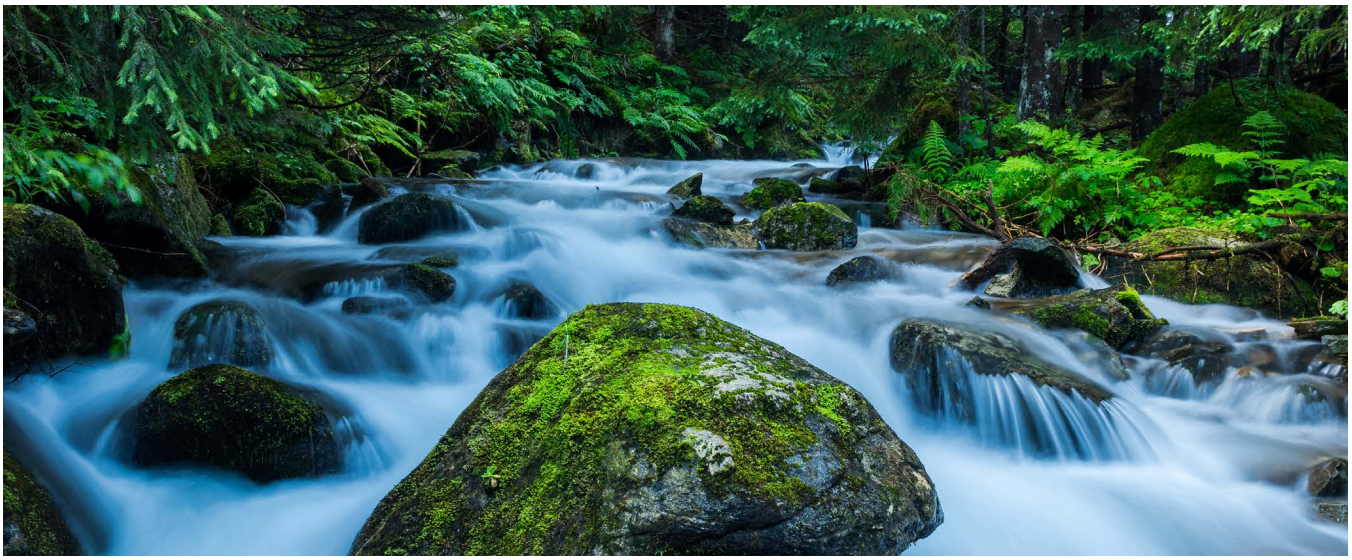
We monitor for the latest scenarios recommended by the NGFS and seek to update our analysis as the NGFS climate scenarios evolve.

The following table provides the CVaR for both of GuardCap's investment strategies:

| | Net Zero 2050 (1.5˚C) | Delayed Transition (2˚C) | Current Policies (3˚C) | Fragmented World (3˚C) | Portfolio Coverage |
|---|---|---|---|---|---|
| **Policy Climate VaR (Scope 1, 2, 3)** | -3.2% | -0.6% | 0.0% | 0.0% | 100% |
| **Technology Opportunities Climate VaR** | 0.2% | 0.1% | 0.0% | 0.0% | 97.1% |
| **Physical Climate VaR** | -0.5% | -1.0% | -2.0% | -1.5% | 100% |
| **Macroeconomic Physical Climate VaR** | -11.8% | -20.0% | -32.7% | -27.4% | 100% |
| **Aggregated Climate VaR** | -15.4% | -21.5% | -34.6% | -28.9% | N/A |

As at 31 December 2025. Source: MSCI ESG Research. ©2025 MSCI Inc. All rights reserved. Please refer to the disclaimer at the end of this document.

Across all four scenarios, the aggregated CVaR is between 15%-35%. The variance in the aggregated results is dependent on the scenario used. We are cognisant of the risks within our portfolios and will continue to monitor companies' mitigation and adaptation plans. Nevertheless, due to the composition of our portfolios, i.e., no direct exposure to the energy, mining, commodity chemicals and heavy industry sectors, where the sensitivity to transition risks, such as stranded assets, regulatory policy risk, and reputational risks tend to be higher, we believe our portfolios are relatively well positioned and that the companies we invest in will endeavour to adapt accordingly.



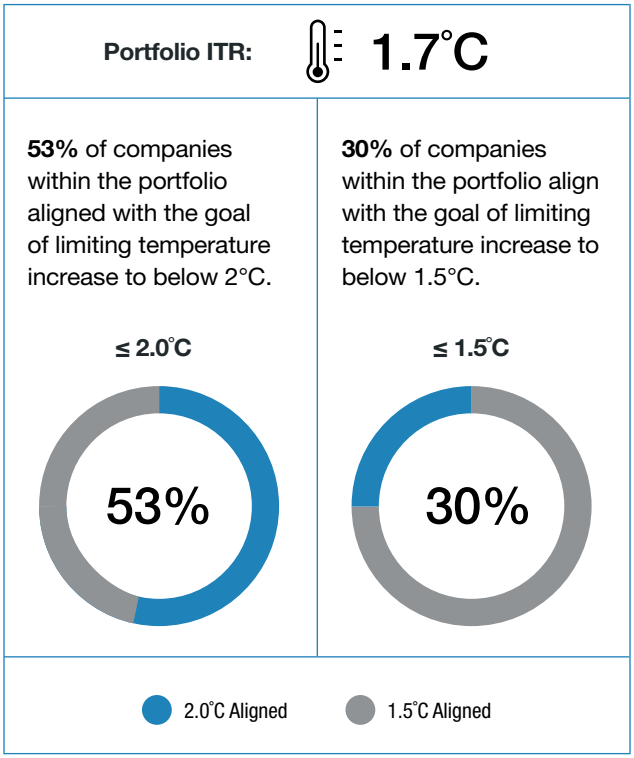
## Temperature Alignment

Expressed in degrees Celsius, the ITR metric, is an intuitive, forward-looking metric that shows how a company aligns with the ambitions of the Paris Agreement – which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. The portfolio-level ITR uses an aggregated budget approach: it compares the sum of "owned" projected GHG emissions against the sum of "owned" carbon budgets for the underlying fund holdings.

The portfolio's total estimated carbon budget over- / undershoot is then converted to a degree of temperature rise (°C) using science based TCRE (Transient Climate Response to Cumulative Emissions). The allocation base used to define ownership is Enterprise Value including Cash (EVIC) in order to enable the analysis of equity and corporate bond portfolios. ITR is a metric that assesses a company's current carbon emissions targets and determines how its ambition and comprehensiveness aligns with global climate goals.

While the metric is easy to comprehend on the surface, it is important to recognise the calculation is hypothetical and contingent on simplified assumptions made to quantify the complex relationship between carbon emissions and the global temperature. We have chosen to use the ITR as a monitoring mechanism for our portfolio holdings. Please refer to Appendix B for more details on the methodology.

Given the calculation of ITR assesses a company's emissions targets, we place less emphasis on the alignment output of the metric and instead focus on the underlying factors relating to a company's climate transition plan. For example, if a company is considered "Misaligned" or "Strongly Misaligned", we use this as a starting point for our investment teams to ascertain the reason why the company's climate actions are misaligned.




As at 31 December 2025. Source: MSCI ESG Research. ©2025 MSCI Inc. All rights reserved. Please refer to the disclaimer at the end of this document.

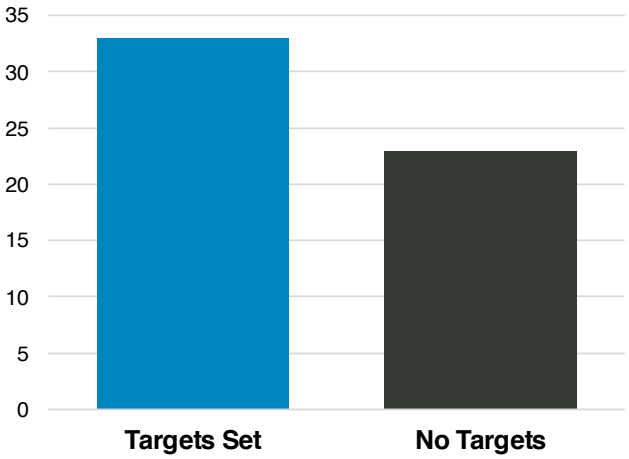
In summary, the ITR analysis enables investment managers to identify companies that are leaders and laggards in carbon emissions reduction via a simple metric, which aids comparison and provides an input into investment research. It can be considered a guide to identifying sector leaders during portfolio construction and inform our engagement with laggards to encourage greater transition ambition.

Another metric we look at to assess a company's temperature alignment is its progress towards setting science-based targets validated by the SBTi. Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels.

Whilst we recognise this is a simplistic measure, we believe it provides an indication into a company's climate strategy and is the first step in our progress towards developing a framework for assessing corporate transition plans.

The following chart provides a breakdown of the number of companies within GuardCap's portfolios that have set or committed to setting targets validated by the SBTi:

## Number of Companies with SBTi-validated Targets




As at 31 December 2025. Source: SBTi website.

The numbers show that as at 31 December 2025, more than half of GuardCap's investee companies had set or committed to setting near-term and or long-term net zero targets validated by the SBTi. The number of developed markets companies that had set or committed to setting targets was significantly higher (more than two thirds) than the emerging markets companies that had set or committed to setting targets (more than one third).

Given the significant challenges that emerging markets face, including a higher dependence on fossil fuels combined with increased economic growth, insufficient reasons to finance the transition through clean energy and other climate solutions, as well as other unfinanced basic development needs, we would largely expect this to be the case.

Furthermore, with relevance to the emerging markets, an important principle of the Paris Agreement is the commitment to Common But Differentiated Responsibilities (CBDR). The principle acknowledges that while all countries are responsible for addressing climate change, there is the need to recognise differing responsibilities among countries due to their differing contributions to the causes of climate change and their varying economic capacities. As of now, the SBTi methodology is based on a global framework and a standalone framework for companies based in the emerging markets does not exist at this stage.

We will monitor developments and expect these numbers to improve over time, especially as the SBTi framework develops further and potentially adapts to emerging markets economies and companies.

Our engagement efforts are focused on the companies that are seen to be lagging in terms of their management of climate-related risks and opportunities, including temperature misalignment and/or a reluctance to commit to setting science-based targets. Please refer to the "Engaging on Climate" section within the "Strategy" section of this document for more information on our climate engagement objectives.

## Our Operations

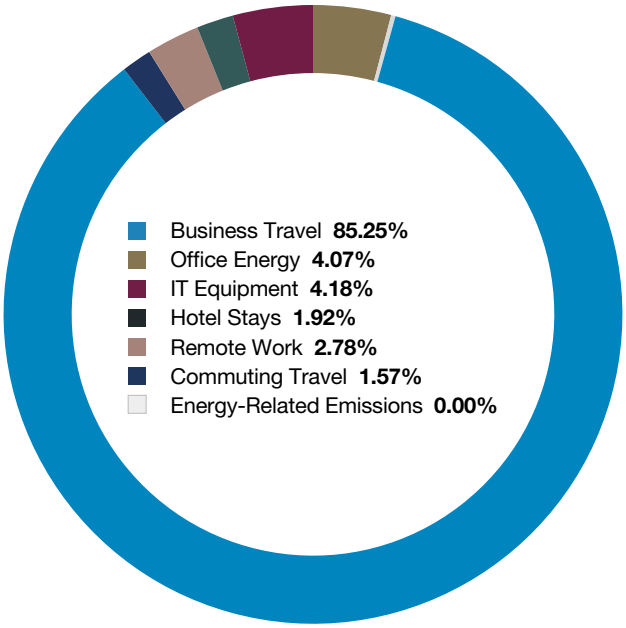
Our operational carbon footprint is comprised of the annual carbon emissions of GuardCap. GuardCap's GHG emissions were calculated by the Pond Foundation using the control approach. Under the control approach, a company takes responsibility for emissions from entities that are under their operational or financial control. The emissions data reported in this section is aligned to GuardCap's financial reporting period (to 31 December 2025) unless otherwise stated. This data therefore excludes the emissions from our investments, or financed emissions data.

Our GHG accounting and reporting procedure is based on the GHG Protocol: A Corporate Accounting and Reporting Standard Revised Edition, the most widely used international accounting tool for government and business leaders to understand, quantify, and manage GHG emissions. It was developed in a partnership between the World Resources Institute and the World Business Council for Sustainable Development (WBCSD) in 2004. Our operational emissions are verified annually to the ISO standard by an external provider, Inteco.

The following table provides an overview of GuardCap's operational emissions for 2025:

| Emissions Category | tCO2e | % of Total Emissions |
|---|---|---|
| Scope 1 | - | - |
| Scope 2 | 6.99 | 4.07 |
| Scope 3 | 164.76 | 95.93 |
| **Total** | **171.74** | **100.00** |

Source: The Pond Foundation. Data is for the 12 months to 31 December 2025.




Data is for the 12 months to 31 December 2025.

For GuardCap, the main emissions source is almost entirely from air travel.

### Our Targets

For our investments, we recognise the importance of reaching net zero, but we are cognisant of the lack of standardised definitions, disclosure requirements and different methodologies for the measurement of emissions (particularly Scope 3) and net zero. We are therefore taking a cautious approach for our investment strategies, as much needs to happen for companies to achieve their net zero objectives. At the same time, we are cognisant of the need to uphold our core investment objectives.

Due to the nature of our business, GuardCap generates limited operational emissions, however, we are attempting to reduce our emissions as far as possible through implementing several efficiency measures. As part of this, and based on our current business strategy, we set a target to reduce our business travel emissions per full-time employee by 30% by 2025 and 50% by 2030 (in comparison to 2019 levels). As at 31 December 2025, GuardCap had exceeded the 30% target, and continues to work towards the 50% reduction by 2030.

### Measuring progress

We continuously seek to manage the risks and enhance our exposure to the opportunities presented by the transition to a lower carbon economy. We will aim to continue to strengthen these capabilities over the coming months and years.

# Appendix A

## Data Source, Type and Quality

Carbon emissions data is purchased from MSCI® ESG Research. Carbon emissions are classified as scope 1, 2 or 3 as per the GHG Protocol. This data is collected by MSCI® once per year from the most recently available sources, including annual reports, corporate sustainability reports or websites. Carbon emissions data reported through CDP (formerly the Carbon Disclosure Project) and/or government databases is also used, when reported data is not available through direct corporate disclosure. When companies do not disclose emissions data, estimations are used and based on MSCI® ESG Research methodologies. For estimation of scope 1 and 2 emissions this includes the following distinct modules: production model, company-specific intensity model, and industry segment-specific intensity model. In this report, carbon emissions data is categorised as reported, estimated or not available, based on the above description.

## Calculation Time Period

All climate metrics are calculated as at 31 December 2025, with holdings data, financial data, emissions-related data and other climate-related data current as at this date, unless otherwise indicated. Discrepancies and lags in data may exist due to a temporal mismatch between when data is reported by issuers and when it is available by third-party vendors. As both issuers and vendors update most metrics on an annual basis, this may result in temporal discrepancies. For example: Carbon emissions data for calendar year 2025 is not yet available, as at 31 December 2025 due to the reporting time lag for issuers. As carbon emissions data is generally reported by companies on an annual basis and collected by the third-party vendor on a rolling annual basis, carbon emissions data may reflect emissions from previous years (for example, 2022, 2021 or 2020).

Financed emissions and carbon intensity values for corporate equity may use financial values (for example, sales) that reflect a time period earlier than 31 December 2022. Due to the rolling annual disclosure of carbon emissions data by issuers, it can be challenging to align the date of emissions data with reported financial data. All carbon emissions intensity values for corporate equity and fixed income are sourced directly from MSCI® ESG Research and use the emissions and financial values provided by the vendor. As such, metrics may not be an exact reflection of financial values as at 31 December 2025.

## Data Coverage

For climate metrics disclosed in this report, the climate-related data coverage for each metric is provided. Data coverage is the percentage of the portfolio for which there is climate data. For carbon emissions data, the breakdown of the percentage of reported versus estimated data is also provided for greater transparency. Variations in data coverage by metric may be due to the coverage universe for that metric available from third-party vendors or other data sources. We have chosen to publish data coverage values and normalize climate-related metrics, to provide transparency and as this is the approach increasingly recommended by regulators.

# Appendix B

## **Implied Temperature Rise:** A forward-looking measure for constructing climate-aligned portfolio

How much are companies in your portfolio contributing to a warming climate? ITR from MSCI shows the alignment of companies and portfoliow with net-zero pathways.

### How it works:

**Project a company's future emissions**

Based on their current emissions and our analysis of their stated reduction targets.

**Allocate a carbon budget**

This is the amount of emissions for scope 1, 2, and 3 which a company can emit and still remain within the limitations required to meet a 2°C warming scenario.

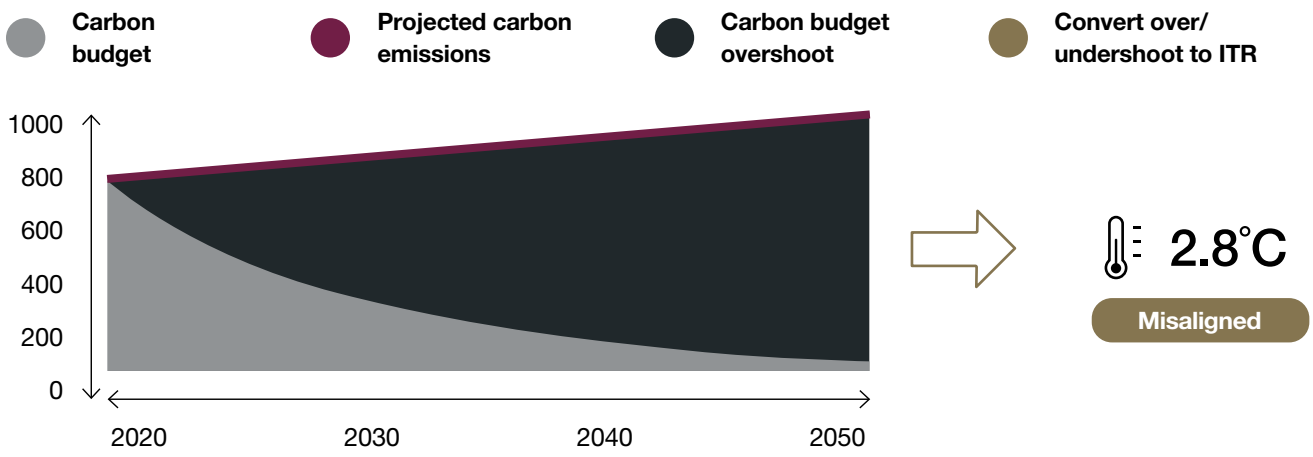
**Compare 1 and 2 to measure under/ overshoot**

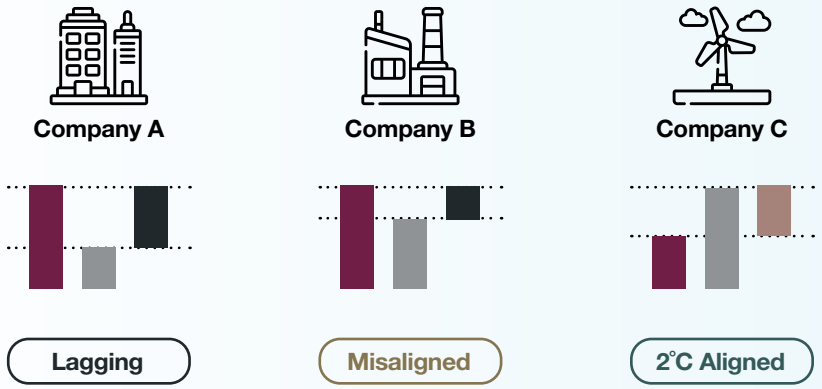
A company whose projected emissions are below budget can be said to "undershoot", while those whose projected emissions exceed the budget "overshoot".

**Convert the under/overshoot to an implied global temperature rise, expressed in °C**

How much would the world temperature increase if the whole economy had the same carbon under/overshoot as the company in question.

## **Example of MSCI's methodology on absolute emissions:** Megatons of carbin dioxide equivalent




Investors can use ITR to build climate-aligned portfolios, set decarbonization targets, strengthen engagement on climate risk, and TCFD reporting.
For more details on how the ITR is calculated, please refer to the Glossary section of this document.

- Projected carbon emissions
- Carbon budget overshoot
- Carbon budget
- Carbon budget undershoot

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# Appendix C

The following table provides an overview of the recommended disclosures and supplemental guidance for asset managers and a summary of our actions:

| Recommended Disclosures and Supplemental Guidance for Asset Managers | Our Actions |
|---|---|
| **Governance:** Disclose the organization's governance around climate-related risks and opportunities. | |
| **Describe the board's oversight of climate-related risks and opportunities.** | GuardCap's board has legal and regulatory oversight of climate-related risks and opportunities. Our board is made up of the President and CEO, GCG, and the CIO, GuardCap. GuardCap's Chief Operating Officer (COO)/Compliance Officer is Secretary to the board. As is the case with the GCG board, GuardCap's board is responsible for providing oversight on risk and strategy, which includes sustainability and climate-related matters. At the same time, it is responsible for monitoring and overseeing progress against goals and targets on climate-related issues. |
| **Describe management's role in assessing and managing climate-related risks and opportunities.** | GuardCap's Management Committtee is responsible for assessing and managing climate-related risks and opportunities from a business and operational perspective. GuardCap's CIO and GuardCap's Head of Global Equities are part of the Management Committee and responsible for assessing and managing climate-related risks and opportunities for our investments. GuardCap's Chief Operating Officer is also on the committee and is responsible for ensuring that regulatory reporting requirements are met, including those related to climate. |
| **Strategy:** Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material. | |
| **Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.** | Our view is that transition risks and opportunities are particularly important in the short to medium term (0 to 10 years). We believe that physical risks has become increasingly important over the short term and could have larger impact over the medium to longer term. |
| **Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.** | Our climate strategy has five key pillars of action:<br>• ESG integration which includes identifying, assessing, and managing climate-related risks and opportunities for our investments.<br>• Active ownership which involves engaging with companies and voting on resolutions related to climate change risks and opportunities.<br>• Product development ensures that sustainability factors are considered, if/when launching new products.<br>• Policy support encourages our involvement in organisations and initiatives such as the UN PRI, UK Investment Association, UK Stewardship Code, ICGN, among others.<br>• Entity carbon footprint which includes our commitment to reducing and removing our carbon emissions from the atmosphere |
| **Describe how climate-related risks and opportunities are factored into relevant products or investment strategies.** | Our primary approaches to Responsible Investing are ESG integration and active ownership – the first two pillars of our climate strategy – and we conduct a comprehensive analysis of a company's sustainability characteristics with the objective of protecting and enhancing long-term investment returns for our clients. |

# Appendix C (continued)

This following table provides a list of the topics covered within this report and references as to where to find them:

| Recommended Disclosures and Supplemental Guidance for Asset Managers | Our Actions |
|---|---|
| **Describe how each product or investment strategy might be affected by the transition to a low-carbon economy.** | Our investment approach typically steers us away from the most environmentally damaging and controversial sectors such as energy, mining, commodity chemicals and heavy industry, because companies in these sectors typically fail a number of our quality and growth criteria. In particular, these sectors display high cyclicality and typically have low returns on invested capital.<br><br>With that said, we recognise that the risks and opportunities related to climate change pose a systemic risk and will have far-reaching implications across industries, the financial markets and global economy. As such, we consider companies' exposure to a number of environmental factors in assessing their exposure to these risks.<br><br>In terms of transition risks, at present, we may consider the potential impact of the following factors:<br>• Policy and legal pressures (for example, increased pricing of GHG emissions or enhanced emissions-reporting obligations).<br>• Technology (for example, the costs of transitioning to lower emissions technology or stranded assets).<br>• Market (for example, changing consumer behaviour or the increased cost of raw materials).<br>• Reputation (increased stakeholder concern or negative stakeholder feedback).<br><br>In terms of physical risks, we may consider the potential impact of the following factors:<br>• A company's core business exposure through its products and services.<br>• The location of a company's offices and operations.<br>• A company's supply chain and distribution network.<br><br>We recognise that some of the transition and physical risks will be more material to companies in some sectors and geographies than others. We are continuing to develop portfolio and risk management tools and research focused on assessing companies' climate risk exposure and resilience. |
| **Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.** | Across all four scenarios, the aggregated CVaR is between 15%-29%. The variance in the aggregated results is dependent on the scenario used. We are cognisant of the risks within our portfolios and will continue to monitor companies' mitigation and adaptation plans. Nevertheless, due to the composition of our portfolios, i.e., no direct exposure to the energy, mining, commodity chemicals and heavy industry sectors, where the sensitivity of our portfolios to transition risks, such as stranded assets, regulatory policy risk, and reputational risks tend to be higher, we believe our portfolios are relatively well positioned and that the companies we invest in will endeavour to adapt accordingly. |

# Appendix C (continued)

This following table provides a list of the topics covered within this report and references as to where to find them:

| Recommended Disclosures and Supplemental Guidance for Asset Managers | Our Actions |
|---|---|
| **Risk Management:** Disclose how the organization identifies, assesses, and manages climate-related risks. | |
| **Describe the organization's processes for identifying and assessing climate-related risks.** | In terms of our investments, our climate-related strategy centres around two key components: ESG integration and active ownership.<br>GuardCap's investment teams conduct fundamental bottom-up research which is supplemented by an analysis of the competitive environment and long-term secular trends.<br>The teams are supported with data, reporting and training from GCLP's Responsible Investing team and third-party providers. |
| **Describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks.** | In recognition of our responsibility to manage the climate-related risks and opportunities within our portfolios, we expect our companies to:<br>• Continue to enhance disclosures on carbon emissions, carbon intensity, decarbonisation strategy and trajectory etc. (climate mitigation).<br>• Understand the transition and physical risks to their business models, and to have clear and quantifiable plans and strategies in place for climate adaptation.<br>• Provide a clear assessment and reporting of issues relating to resource management (water usage and water management, hazardous and non-hazardous waste management, pollution etc.)<br>• Understand the company's impacts and dependencies on nature (raw materials sourcing, deforestation etc.) and have plans and strategies in place for risk mitigation.<br>• Have a clear plan and strategy in place with regards to climate-related opportunities.<br>We acknowledge that some of the above may be a bigger ask for some companies than for others, depending on their size, location, among other factors, but would engage with companies where we do not see sufficient progress. |
| **Describe how they identify and assess material climate-related risks for each product or investment strategy. This might include a description of the resources and tools used in the process.** | As outlined previously, in terms of our investments, our climate-related strategy centres around two key components: ESG integration and active ownership.<br>GuardCap's investment teams conduct fundamental bottom-up research which is supplemented by an analysis of the competitive environment and long-term secular trends.<br>The teams are supported with data, reporting and training from GCLP's Responsible Investing team and third-party providers. |
| **Describe the organisation's processes for managing climate-related risks.** | We consider companies' exposure to a number of environmental factors in assessing their exposure to these risks. |
| **Describe how material climate-related risks for each product or investment strategy are managed.** | Given GuardCap's primarily bottom-up approach, climate risk is assessed at an issuer level by our investment teams to better understand the risks and opportunities that companies face with regards to climate change and how those risks and opportunities can be managed. As climate data and corporate disclosures improve, we intend to further develop our analysis with an increasing focus on companies' management of physical and transition risks and opportunities, their decarbonisation targets, strategies, and actions, as well as reporting transparency, and governance structures. The broadening of our climate analysis will be supported by the Responsible Investing team and tools and issuer-level metrics from third party data providers. |

# Appendix C (continued)

This following table provides a list of the topics covered within this report and references as to where to find them:

| Recommended Disclosures and Supplemental Guidance for Asset Managers | Our Actions |
|---|---|
| **Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.** | At an organisational level, our approach to climate is based on product development, policy support and managing our entity carbon footprint.<br>GuardCap's Management Committee is responsible for monitoring and addressing climate-related risks as part of its regular review of business strategy.<br>GuardCap's Operations team has responsibility for GuardCap's annual financial forecasting and budgeting process. This includes a consideration of the costs associated with existing or additional resourcing (both in terms of personnel and third-party data and service providers), as well as the cost of carbon removal credits. |
| **Metrics and Targets:** Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. | |
| **Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.** | We use a range of metrics to identify and assess climate-related risks and opportunities. This includes absolute metrics as well as intensity-based indicators that enable comparisons across different issuers, portfolios, and transition scenarios. |
| **Describe metrics used to assess climate-related risks and opportunities in each product or investment strategy. Where relevant, asset managers should also describe how these metrics have changed over time.** | The key backward-looking metrics used in our reporting are set out in the table on page 20 covering the year to 31 December 2025. Although recognising there are limitations in the carbon emissions metrics and tools used (primarily data availability and scope of coverage), we currently rely on Scope 1 and 2 GHG emissions to inform our investment analysis.<br>Whilst we monitor Scope 3 emissions, limitations relating to this data are heightened with data quality and disclosure of this category remaining poor, therefore making it less reliable for investment analysis.<br>In addition to backward-looking data, which indicates a point-in-time emissions profile of an asset or portfolio, we also use forward-looking metrics to assess transition alignment and sensitivity to climate-related risks.<br>While we have assessed the portfolio-level results with MSCI's CVaR and ITR metrics, these metrics do not at present directly inform our investment decision making. |
| **Where appropriate, asset managers should provide metrics considered in investment decisions and monitoring.** | Please refer to previous statement. |
| **Asset managers should describe the extent to which their assets under management and products and investment strategies, where relevant, are aligned with a well below 2°C scenario, using whichever approach or metrics best suit their organizational context or capabilities. Asset managers should also indicate which asset classes are included.** | Overall, GuardCap's portfolios show a high level of resiliency. This is likely due to the composition of the portfolios. As at 31 December 2025, our portfolios had low exposure to the energy, mining, commodity chemicals and heavy industry sectors – where transition risks such as stranded assets, regulatory policy risk, and reputational risk are higher relative to other sectors. The portfolios' sensitivity to physical risk is also similarly muted as the companies GuardCap invests in are not asset intensive, with the highest physical risk for the portfolios being coastal flooding. |
| **Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.** | Please refer to the "Metrics and Targets" section. |

# Appendix C (continued)

This following table provides a list of the topics covered within this report and references as to where to find them:

| Recommended Disclosures and Supplemental Guidance for Asset Managers | Our Actions |
|---|---|
| **Asset managers should disclose GHG emissions for their assets under management and the weighted average carbon intensity (WACI) for each product or investment strategy, where data and methodologies allow. In addition to WACI, asset managers should consider providing other carbon foot printing metrics they believe are useful for decision-making.** | Please refer to the "Metrics and Targets" section. |
| **Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.** | For our investments, we recognise the importance of reaching net zero, but we are cognisant of the lack of standardized definitions, disclosure requirements and different methodologies for the measurement of emissions (particularly Scope 3) and net zero. We are therefore taking a cautious approach for our investment strategies, as much needs to happen for companies to achieve their net zero objectives. At the same time, we are cognisant of the need to uphold our core investment objectives.<br><br>Due to the nature of our business, GuardCap generates limited operational emissions, however, we are attempting to reduce our emissions as far as possible through implementing several efficiency measures. As part of this, and based on our current business strategy, we set a target to reduce our business travel emissions per full-time employee by 30% by 2025 and 50% by 2030 (in comparison to 2019 levels). As at 31 December 2025, GuardCap had exceeded the 30% target, and continues to work towards the 50% reduction by 2030. |

# Appendix D

Examples of climate-related risks and potential financial impacts:

| Type of Risk | Climate-Related Risks | Potential Financial Impacts |
|---|---|---|
| **Transition** | | |
| **Policy and Legal** | • Increased pricing of GHG emissions.<br>• Enhanced emissions-reporting obligations.<br>• Mandates on and regulation of existing products and services.<br>• Exposure to litigation. | • Increased operating costs (for example, higher compliance costs, increased insurance premiums).<br>• Write-offs, asset impairment, and early retirement of existing assets due to policy changes.<br>• Increased costs and/or reduced demand for products and services resulting from fines and judgments. |
| **Technology** | • Substitution of existing products and services with lower emissions options.<br>• Unsuccessful investment in new technologies.<br>• Costs to transition to lower emissions technology. | • Write-offs and early retirement of existing assets.<br>• Reduced demand for products and services.<br>• Research and development (R&D) expenditures in new and alternative technologies.<br>• Capital investments in technology development.<br>• Costs to adopt/deploy new practices and processes. |
| **Market** | • Changing customer behaviour.<br>• Uncertainty in market signals.<br>• Increased cost of raw materials. | • Reduced demand for goods and services due to shift in consumer preferences.<br>• Increased production costs due to changing input prices (for example, energy, water) and output requirements (for example, waste treatment).<br>• Abrupt and unexpected shifts in energy costs.<br>• Change in revenue mix and sources, resulting in decreased revenues.<br>• Re-pricing of assets (for example, fossil fuel reserves, land valuations, securities valuations). |
| **Reputation** | • Shifts in consumer preferences.<br>• Stigmatisation of sector.<br>• Increased stakeholder concern or negative stakeholder feedback. | • Reduced revenue from decreased demand for goods/services.<br>• Reduced revenue from decreased production capacity (for example, delayed planning approvals, supply chain interruptions).<br>• Reduced revenue from negative impacts on workforce management and planning (for example, employee attraction and retention).<br>• Reduction in capital availability. |
| **Physical** | | |
| **Acute** | • Increased severity of extreme weather events such as cyclones and floods. | • Reduced revenue from decreased production capacity (for example, transport difficulties, supply chain interruptions).<br>• Reduced revenue and higher costs from negative impacts on workforce (for example, health, safety, absenteeism).<br>• Write-offs and early retirement of existing assets (for example, damage to property and assets in “high-risk” locations).<br>• Increased operating costs (for example, inadequate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants).<br>• Increased capital costs (for example, damage to facilities).<br>• Reduced revenues from lower sales/output.<br>• Increased insurance premiums and potential for reduced availability of insurance on assets in “high-risk” locations. |
| **Chronic** | • Changes in precipitation patterns and extreme variability in weatherpatterns.<br>• Rising mean temperatures.<br>• Rising sea levels. | |

Source: TCFD

# Appendix D (continued)

Examples of climate-related risks and potential financial impacts:

| Opportunity Type | Climate-Related Risks | Potential Financial Impacts |
|---|---|---|
| **Resource Efficiency** | • Use of more efficient modes of transport.<br>• Use of more efficient production and distribution processes.<br>• Use of recycling.<br>• Move to more efficient buildings.<br>• Reduced water usage and consumption. | • Reduced operating costs (for example, through efficiency gains and cost reductions).<br>• Increased production capacity, resulting in increased revenues.<br>• Increased value of fixed assets (for example, highly rated energy efficient buildings).<br>• Benefits to workforce management and planning (for example, improved health and safety, employee satisfaction) resulting in lower costs. |
| **Energy Source** | • Use of lower-emission sources of Energy.<br>• Use of supportive policy incentives.<br>• Use of new technologies.<br>• Participation in carbon market.<br>• Shift toward decentralised energy Generation. | • Reduced operational costs (for example, through use of lowest cost abatement).<br>• Reduced exposure to future fossil fuel price increases.<br>• Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon.<br>• Returns on investment in low-emission technology.<br>• Increased capital availability (for example, as more investors favour lower-emissions producers).<br>• Reputational benefits resulting in increased demand for goods/ services. |
| **Products and Services** | • Development and/or expansion of low emission goods and services.<br>• Development of climate adaptation and insurance risk solutions.<br>• Development of new products or services through R&D and innovation.<br>• Ability to diversify business activities.<br>• Shift in consumer preferences. | • Increased revenue through demand for lower emissions products and services.<br>• Increased revenue through new solutions to adaptation needs (for example insurance risk transfer products and services).<br>• Better competitive position to reflect shifting consumer preferences, resulting in increased revenues. |
| **Markets** | • Access to new markets.<br>• Use of public-sector incentives.<br>• Access to new assets and locations needing insurance coverage. | • Increased revenues through access to new and emerging markets (for example, partnerships with governments, development banks).<br>• Increased diversification of financial assets (for example, green bonds and infrastructure). |
| **Resilience** | • Participation in renewable energy<br>• programs and adoption of energy efficiency measures.<br>• Resource substitutes/diversification. | • Increased market valuation through resilience planning (for example, infrastructure, land, buildings).<br>• Increased reliability of supply chain and ability to operate under various conditions.<br>• Increased revenue through new products and services related to ensuring resiliency. |

Source: TCFD

# Glossary C-G

### Carbon Footprint

Total carbon emissions for a portfolio normalised by the market value of the portfolio.

### Carbon Intensity

Measures the carbon efficiency of a portfolio, defined as the ratio of carbon emissions for which an investor is responsible to the sales for which an investor has a claim by their equity ownership. Emissions and sales are apportioned based on equity ownership (% market capitalisation).

### Carbon Intensive Sector

The TCFD acknowledges that some industries are more likely to be financially impacted by climate change due to their exposure to transition and physical risks associated with their operations and products. The following sectors have been classified as "carbon intensive" in the TCFD guidance: Energy (oil and gas, coal, electric utilities), Transportation (air freight, passenger air transportation, maritime transportation, rail transportation, trucking services, automobiles and components), Materials and Buildings (metals and mining, chemicals, construction materials, capital goods, real estate management and development) and Agriculture, Food and Forest Products (beverages, agriculture, packaged food and meats, paper and forest products).

### Climate Value at Risk

CVaR is designed to provide a forward-looking valuation assessment of a company or portfolio taking into account the climate-related risks and opportunities faced under different climate scenarios. CVaR is comprised of transition impacts through policy risk and technological opportunities, and physical risks.

### Common But Differentiated Responsibilities (CBDR)

The CBDR principle establishes the common governmental responsibility for anthropogenic climate change and the environmental destruction associated with it. The principle acknowledges that responsibility among countries is unequally distributed due to their differing contributions to the causes of climate change and their varying economic capacities. The principle was established in 1992 at the first Earth Summit in Rio de Janeiro.

### Disorderly Scenario

Disorderly scenarios explore higher transition risk due to policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome.

### Enterprise Value including Cash (EVIC)

EVIC is an alternate measure to Enterprise Value (EV) to estimate the value of a company by adding back cash and cash equivalents to EV. The underlying data used for EVIC calculation is sourced from a company's accounting year-end annual filings. EVIC is updated and reflected once a year as the data is sourced annually.

### Financed Carbon Emissions (FCE)

Measures the carbon emissions, for which an investor is responsible, per USD million invested, by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalisation).

### Financed Carbon Intensity

Allocated emissions per allocated sales. Measures the carbon efficiency of a portfolio, defined as the ratio of carbon emissions for which an investor is responsible to the sales for which an investor has a claim by their equity ownership. Emissions and sales are apportioned based on equity ownership (% market capitalisation).

### Greenhouse Gas (GHG) Emissions

A gas that absorbs and emits radiation in the atmosphere, contributing to the greenhouse effect. These gases trap heat close to the surface of the earth and are a key cause of climate change.

### GHG Protocol

Comprehensive global standardised framework to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions. The GHG Protocol supplies the world's most widely used GHG accounting standards.

# Glossary H-R

### Hot House World Scenario

Hot House World scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise.

### Implied Temperature Rise (ITR)

The ITR metric provides an indication of how well public companies align with global temperature goals. Expressed in degrees Celsius, it is an intuitive, forward-looking metric that shows how a company aligns with the ambitions of the Paris Agreement -which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

### National Defined Contributions (NDCs)

The NDCs are commitments that countries make to reduce their greenhouse gas emissions as part of climate change mitigation. These commitments include the necessary policies and measures for achieving the global targets set out in the Paris Agreement.

### Net Zero

Net zero emissions is achieved when the amount of emitted greenhouse gases are balanced by the equivalent of emissions removed.

### Network for Greening the Financial System (NGFS)

The NGFS is a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate- and environment-related risk management in the financial sector and mobilising mainstream finance to support the transition toward a sustainable economy.

### Orderly Scenario

Orderly scenarios assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.

### Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change which was adopted at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016. Its overarching goal is to hold “the increase in the global average temperature to well below 2°C above pre-industrial levels” and pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels.

### Partnership for Carbon Accounting Financials (PCAF)

The PCAF is an industry-led initiative. Responding to industry demand for a global, standardized GHG accounting and reporting approach, PCAF developed the Global GHG Accounting and Reporting Standard for the Financial Industry, focusing on measuring and reporting financed emissions. Published in November 2020, the standard provides detailed methodological guidance to measure and disclose GHG emissions associated with six asset classes: listed equity and corporate bonds, business loans and unlisted equity, project finance, commercial real estate, mortgages, and motor vehicle loans.

### Physical risk

Physical risks from climate change can be separated into acute risks from natural disasters such as floods, tropical cyclones and wildfires, and chronic risks, which are related to long-term shifts in the climate, such as changes in rainfall patterns, rising sea levels or extreme heat.

### Regulatory Risk

The transition to a low-carbon economy will be accompanied by extensive regulatory and policy changes across the globe. The climate change policies that countries enact to decarbonize will generate direct impacts for companies, for example through increased pricing of greenhouse gas emissions, shifts in consumer behaviour and preferences and transition to lower emissions technologies. Most countries pledged a Nationally Determined Contribution (NDC) as part of the Paris Agreement, which sets out their plans for this transition and their approach to decarbonisation.

# Glossary S-W

### Science-Based Targets initiative (SBTi)

The SBTi defines and promotes best practice in science-based target setting. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies' targets in line with its criteria.

### Scope 1 Emissions

Direct greenhouse gas emissions from sources owned or controlled by the company, such as emissions from gas, oil and company vehicles.

### Scope 2 Emissions

Indirect greenhouse gas emissions from sources owned or controlled by the company, such as emissions from consumption of purchased electricity, heat or steam.

### Scope 3 Emissions

All other indirect greenhouse gas emissions that occur in the value chain of an organisation, excluding Scope 2 emissions. This includes emissions from transportation of goods and services, use of sold products and services, and other upstream and downstream activities in the value chain.

### tCO2e

Tonnes of carbon dioxide equivalent. A unit of measurement that is used to standardise the climate effects of various greenhouse gases on the basis of their global warming potential.

### Technology Opportunities

The transition to a low carbon economy may provide opportunities for companies that are well positioned to benefit from a change in consumer behaviour and preferences, favourable policies and shift towards efficient, low carbon technologies.

### Total Financed Carbon Emissions

Allocated emissions to all financiers (EVIC). Measures the total carbon emissions for which an investor is responsible by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalisation).

### Too Little, Too Late Scenario

Too Little, Too Late scenarios reflect delays and international divergences in climate policy ambition that imply elevated transition risks in some countries and high physical risks in all countries due to the overall ineffectiveness of the transition.

### Transition Risks and Opportunities

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to companies.

### Weighted Average Carbon Intensity (WACI)

Measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' carbon Intensity (emissions/sales).

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