WAVERTON

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT 2023

Our purpose is underpinned by three core values: Responsibility of Stewardship, Pursuit of Excellence and Value of Partnership.

Responsibility of Stewardship

We take care of all that we are entrusted to protect and safeguard. Client relationships and assets, employees' careers and their wellbeing are at the heart of this.

We have a responsibility as a business to help achieve high social and environmental standards within our wider community.

Pursuit of Excellence

We strive to be outstanding in all that we do.

We constantly challenge ourselves to learn, so we can improve what we do and adapt to the changing needs of our clients and staff.

Value of Partnership

We believe in an alignment of purpose with our clients and we work in partnership with them towards common objectives.

We share ownership of our company and we have a responsibility to each other and to our society.

CONTENTS

FOREWORD

The Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) framework is increasingly recognised as the global standard for climate reporting. It was designed to provide consistent and forward-looking information on the material financial impacts of climate change on a business and, in turn, to facilitate the incorporation of climate risks and opportunities into decision-making, whether operational, strategic or financial in nature.

Waverton is committed to managing its impact on the environment and became operationally carbon neutral in 2023 (on 2022 emissions). We measure our carbon footprint in line with the GHG Protocol and publish the carbon footprint of our operations on an annual basis in our Annual Report. To date, we have partnered with Carbon Neutral Britain to offset our operational emissions across Scope 1 and 2, as well as our business travel. We invest in their Woodland Fund™ Portfolio, which in addition to supporting nature-based projects around the world, also includes UK climate action projects.

We continue to make progress on further reducing our carbon footprint, a key part of which will be the completion of our cloud migration during the first half of 2024. Our cloud services provider, Microsoft Azure, is committed to becoming carbon negative by 2030, and we anticipate achieving significant carbon savings as we retire the last of our onsite infrastructure. The majority of our business is already powered by renewables via our office building's green electricity provider, Ecotricity.

Most of Waverton's emissions, however, are those generated by our investments (Scope 3 Category 15), referred to as "financed emissions".

Analysis undertaken by members of the Equities team on investee company Climate Transition Plans (CTPs) during the course of 2023, built on a carbon emissions project completed in 2022, all of which forms the foundation of our first TCFD report.

The TCFD framework is principles-based and in scope firms are required to report on a 'comply or explain' basis, either complying with each of the required TCFD recommended disclosures or explaining non-compliance against each of the requirements.

In our first year of reporting, we have measured and published our Scope 1, 2 and 3 emissions and carbon intensity, both for Waverton's own operations (with support from our provider Greenly) and our financed emissions. MSCI has been the primary source of emissions data for our investments, but we have also sought to provide greater consistency and accuracy by supplementing this with data from CDP and corporate reports where necessary.

We made the decision, however, not to publish GHG emission reduction targets of our own at this stage, nor to commit to a net zero target. We explain our reasoning for this in the Risk management section of this report, highlighting the shortcomings of the Implied Temperature Rise (ITR) and Climate Value at Risk (CVaR) metrics. Members of the Equities team have worked closely with MSCI over the last year to fully understand the derivation of their calculations, and ongoing changes to model methodologies and inputs. We continue to have fruitful discussions with them, but until we have greater confidence in the stability of model outputs, we are wary of disclosing potentially misleading metrics or setting targets in our first TCFD report.

As ever, we aim to be as transparent as possible about our approach, do what we say we do and explain why. We will also continue to refine our approach as the quality, consistency and disclosure of climate data improves over time and we learn along the way. Like us, many of our investee companies also continue to investigate how best to approach climate reporting. In future reports we will seek to explain the evolution of financed emissions and changes in the carbon intensity metrics of our investments, and to develop pathways for our own reduction aspirations.

We can confirm that the disclosures in this report are compliant with the requirements set out in the Financial Conduct Authority ESG Sourcebook.

Nick Tucker
Chief Executive Officer

Jennifer Fisher
Head of Equities

WAVERTON AT A GLANCE

WHO WE ARE

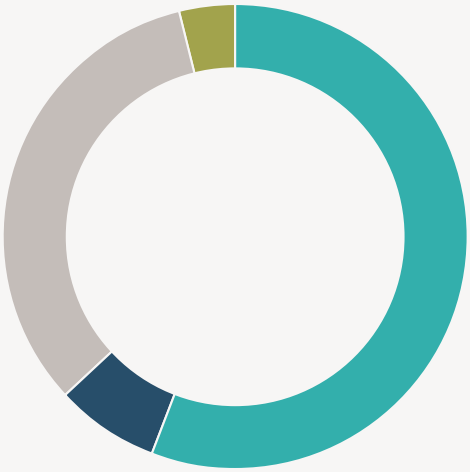
179
Employees

30
Person investment team

20 years
Average investment experience

£10.9bn
AUM

AUM BY BUSINESS CHANNEL



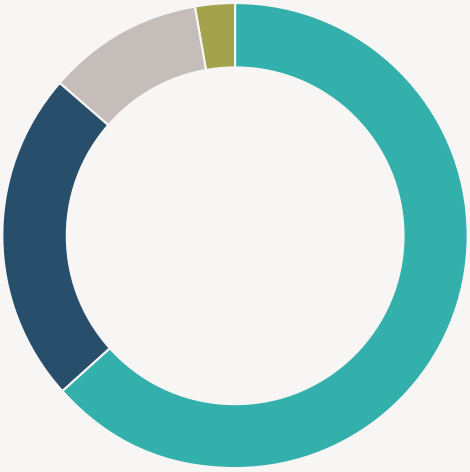
£6.1bn
Private Clients

£0.8bn
Charities

£3.6bn
Adviser Solutions

£0.4bn
Institutional Solutions

AUM BY ASSET CLASS (%)



63.5
Equities

23.0
Bonds

10.8
Alternatives

2.7
Cash

PARTNERSHIPS

PRI Principles for Responsible Investment
UK Stewardship Code
Climate Action 100+
CDP Driving Sustainable Economies
Carbon Neutral Britain
greenly

GOVERNANCE

Governance overview

Waverton's Board, as the ultimate governing body, has responsibility for the management of the company's climate-related risks and opportunities. Sustainability matters are a recurring agenda item at Board meetings and in 2023, the Board convened for a Sustainability Strategy Session to discuss our approach and direction of travel.

The Board has delegated responsibility for the oversight of our Responsible Investment and wider Corporate Stewardship activities to Waverton's Sustainability Committee (Susco), which includes those related to climate.

Susco oversees our sustainability strategy as well as well as our regulatory reporting and adherence to industry standards, including TCFD. The committee is chaired by one of our Non-Executive Directors (NED) and includes a second NED, our CEO, COO, CFO, Head of Equities and Sustainability Manager, who meet at least quarterly.

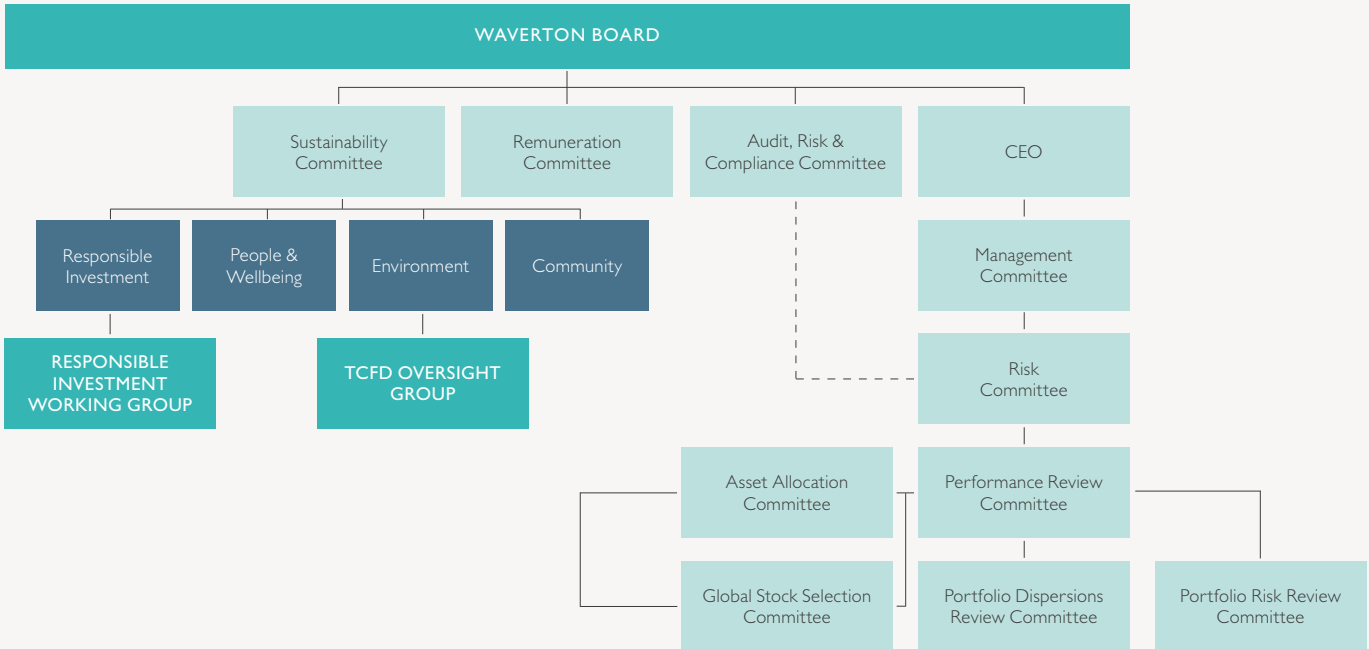
In preparation for our first report, we established a TCFD Oversight Group, bringing together stakeholders from across the business to consider Waverton's approach to climate-related risks and opportunities.

TCFD Oversight Group members include the COO, Head of Equities, Head of Equity Research, Senior Equity/ESG Analyst, Head of Performance & Risk, Operations Risk Manager and Sustainability Manager. The Group considered all key elements of the report, including the scope, use of metrics and targets, as well as our risk register. The Group will continue to meet following the publication of our first report to review and develop our approach over time.

Day-to-day oversight sits with several committees, covering climate risk exposure at security, portfolio and corporate level. Climate-related issues are a formal part of their respective mandates and, from 2024, they will receive quarterly reporting on the key metrics for our direct equity holdings. Their respective remits report into our Management Committee (Manco) through the COO and CIO, with other Manco members also involved as members of the various oversight committees. Our Sustainability Manager, who oversees our TCFD reporting, reports into Manco on a quarterly basis.

From an investment perspective, all climate-related analysis is carried out by the Waverton fund managers and analysts who form the central Investment team, as part of our genuinely integrated approach to ESG. Given the dominance of financed emissions within Waverton's overall emissions, this team plays an integral role in managing our climate-related risks and opportunities. In 2022, we established the Responsible Investment Working Group (RIWG) to enhance the coordination and implementation of our integrated ESG approach across the wider team, including our engagement and voting policies and processes. The RIWG comprises six members of the Investment team (with three reporting directly to the CIO), all of whom have a depth of ESG knowledge and with all asset classes represented.

STEWARDSHIP GOVERNANCE STRUCTURE



2 STRATEGY

Stategy overview

Waverton has a well-established risk framework, which has been expanded for the purpose of our climate-related risk assessment. We apply the same risk assessment lens, consider different climate-related scenarios, assign materiality risk ratings and identify mitigating controls, with the aim of effectively managing any risk.

Once identified, we are better able to integrate climate risks and opportunities into our business strategy and financial planning, as and when required.

Risk register

As a business, we are most exposed to transition risk. Regulatory compliance, effective ESG integration and stewardship, and GHG emissions are the key material issues for us as a firm.

From a physical perspective, we do not foresee any major risk to our own operations in the short (0-2 years) to medium (2-10 years) term and will continue to monitor longer term risk (>10 years) as it arises.

TIMEFRAME	RISK CATEGORY	MATERIAL CLIMATE-RELATED RISK	RISK MITIGATION AND OPPORTUNITIES
Short 0-2 years	Transition risk: Policy and Legal	Failure to meet existing and emerging climate-related regulatory and policy requirements	Waverton's Sustainability Committee (Susco) monitor regulatory developments with the aim of identifying those that are relevant to Waverton.
		Inadequate governance and oversight of climate-related risk and opportunities as part of Waverton's – Business strategy – Business planning – Financial planning	Maintaining industry standards, meeting client requirements and demonstrating Waverton's approach to the assessment of risks and opportunities in our investment process (including those related to climate) are key components of our business strategy and financial planning. Our governance structure has been enhanced in recent years, with climate-related risks and opportunities incorporated into our decision-making and risk oversight where relevant.
	Transition risk: Investments	Failure to adequately assess material climate-related risks as part of our security selection process	Consideration of climate factors are an integral part of our detailed fundamental analysis on potential new investments, and assessed in the same way as any other factor that has the potential to impact (positively or negatively) a company's competitive position and ability to grow free cash flow over the long term. The Investment team (across asset classes) utilise a materiality framework to help identify key sustainability risks faced by specific industry groups in a more consistent manner, and engage with companies in all industries to better understand their business model and direction of travel.
Medium 2-10 years	Transition risk: Policy and Legal	Introduction of mandatory carbon credit in the UK	Regulatory developments are monitored and reviewed by Susco quarterly.
	Transition risk: Investments	Failure to adequately assess the impact of evolving climate-related risks and opportunities on investee companies	Climate risks (and opportunities) measured in financial terms are predominantly longer-term in nature, with the potential for increased severity over time. Our selection criteria favour companies with strong governance standards and management that are forward-thinking in their allocation of capital, continually assessing innovative technology and practices to mitigate and/or adapt to climate risks and opportunities. We are long term investors and look to build constructive relationships with management teams, with our direct and high conviction investment approach enabling more detailed knowledge of each investment and better management of risk over time.
Long term >10 years	Transition risk: Policy and Legal	New government policies to ensure net zero pathway or intervention following extreme weather event	Regulatory developments are monitored and reviewed by Susco quarterly.
	Physical risk: Actute	Direct (Waverton) and indirect (investments) impact of extreme weather events (floods, power outage, heatwaves etc) on business continuity	Waverton has robust business continuity plans in place to deal with unforseen circumstances and the business is fully set up to function and operate remotely and digitally if required. From an investment perspective, our selection criteria tend to favour well-managed companies with effective business contingency plans in place in the event of severe weather-related damage and disruption.
	Physical risk: Chronic	Rising temperatures and more frequent extreme weather events could cause severe disruption to companies, financial markets and economies, with significant implications for growth, working practices and ability to attract/retain talent	Waverton is aware that there may be future implications of climate-related changes both directly and indirectly. We will continue to monitor changes over time.

STRATEGY *CONTINUED*

Integration

Waverton has always been clear that the assessment of ESG factors should be considered an integral part of thorough fundamental investment research, rather than something new or separate to accommodate. Governance is central to delivering a sustainable business in all its forms (durability, returns for shareholders, improving ESG standards) and is a key part of our analysis. Similarly, when considering other relevant factors that could impact a company's ability to generate free cash flow over the long term, it is impossible to ignore material environmental and social factors that could have significant operational and financial consequences for its business.

Climate-related risks and opportunities

Assessing climate-related risks and opportunities is therefore part of our integrated ESG approach. The long-term financial sustainability of a company cannot be properly assessed without considering the impact that climate risks (transition to a low carbon economy) could have on its business model and ability to generate and grow free cash flow in the future.

Similarly, the physical risks a company could face by virtue of the location of its operations, exposing it to greater risks from climate change and/or severe weather-related events, could also impact its growth potential over time. Well-managed companies are more likely to be forward-thinking in their allocation of capital, constantly assessing innovative technology and practices to mitigate transition and physical climate-related risks, and with effective business contingency plans in place in the event of severe weather-related damage and disruption.

Engagement versus Exclusions

We are also firmly of the belief that to fulfil both our fiduciary duty to investors while also delivering credible sustainability outcomes, requires a pragmatic approach that acknowledges a period of transition during which we also need to recognise those companies on an improving ESG trajectory, as well as those that are an essential part of the transition solution. A company's long-term "financial" sustainability often seems to be overlooked in the quest to deliver positive sustainability outcomes, but is critical to being able to achieve both objectives.

Our aim is to provide our clients/investors with a carefully considered approach to responsible investment that creates value for them as shareholders, and contributes to the incremental improvement in ESG standards with real world benefits over time. A reliance on ESG scores or divestitures/exclusions of companies operating in specific industries, neither solves the problem nor necessarily accelerates the path to achieving the desired outcome. Therefore, our approach is to engage with companies in all industries to encourage positive behaviours, also exercising our voting rights to help influence positive outcomes and, importantly, always with a focus on a company's direction of travel.

Climate collaborations

In addition to our direct engagement with company management, Waverton has been actively involved with two leading collaborative initiatives on climate change since 2021, CDP and Climate Action 100+, working with other investors to encourage not only an increase in the level of corporate climate-related disclosure, but also to highlight the need for comparable and reliable data. Good quality data and enforceable global standards are the prerequisite for anyone in our industry attempting to provide an accurate assessment of companies' current carbon footprint and their path to net zero.

In 2023, we were actively involved in three CDP campaigns:

1

Non-Disclosure Campaign (NDC)

Engages with companies that have not previously responded to requests to disclose data through CDP's climate change, forests and/or water security questionnaires. Waverton were one of the 57% of the Financial Institution signatory supporters who led on engagement in the 2023 NDC, selected to lead on three non-disclosing companies (seven requested).

2

Climate Transition Plan (CTP) Campaign

To encourage companies to improve their disclosure of climate transition plans. Our support for the CTP campaign, for which we were lead signatory for a number of companies included in our Global Recommended List, resulted in several positive engagements with investee companies. This also formed the basis of an internal research project to assimilate investee company climate transition plans.

3

Science-Based Targets Campaign

Aimed at encouraging more companies to set 1.5°C science-based emissions reduction targets. Our internal CTP research project also included questions regarding a company's commitment to a science-based reduction target.

As part of Climate Action 100+, we continue to be the only European investor in a collaborative engagement group focused on industrials in Asia, including Japan. This particular group's remit has been expanded from its former focus on the region's auto industry.

Please see our 2023 Engagement & Voting Report for more detail on our collaborative engagements.

Waverton approach

Our selection criteria seek to identify companies allocating capital in a responsible manner, ensuring resilience in their underlying business model and long-term financial sustainability.

It should therefore be a natural consequence of our investee companies' SBTi targets/GHG emission reduction plans that our financed emissions will decline over time. Progress is unlikely to be linear, however, and we seek to understand any deviations from an improving trajectory through engagement with company management to ensure the long-term direction of travel remains intact.

> **One of the many advantages of running directly-invested, high-conviction portfolios with a long-term investment horizon, is that it facilitates a more detailed understanding of each holding and enables us to monitor progress more closely over time.**

3 RISK MANAGEMENT

Materiality framework

Our Investment team utilises a bespoke materiality framework to help prioritise the many factors that are inherent within the normal consideration of the risks and opportunities of investment decisions, including those that are climate-related. It also ensures that the ESG issues most relevant to specific industries are identified and investigated in a more consistent manner across the Investment team and provides a formal foundation for our engagement activities.

Waverton's framework is adapted from the Sustainability Accounting Standards Board's (SASB) ESG materiality framework and based around its five sustainability pillars (Environment | Social Capital | Human Capital | Business Model & Innovation | Leadership & Governance). We assigned six material issues to each of the 163 Global Industry Classification Standards (GICS®) sub-industry groups depending on their relevance, with an assessment of corporate governance standards included as a core element within our due diligence on all companies, and "other material factors" also incorporated to capture any ad hoc controversies.

The framework has been fully integrated into the investment process of our Equities and Fixed Income teams, and was rolled out across our Multi-Asset Strategies team during 2023, although some of the more complex Alternatives sub-asset classes require a different approach.

Carbon data

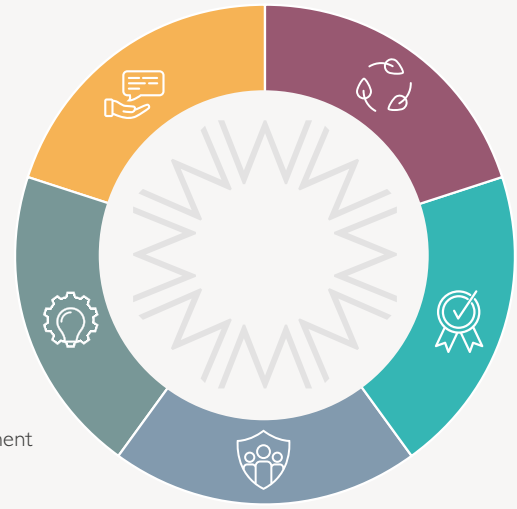
To support the Investment team's fundamental due diligence, our Performance & Risk team produce quarterly reports using MSCI's ESG and carbon portfolio analytics to provide an assessment of all our funds and model equity portfolio (Global Recommended Portfolio). These reports provide various carbon metrics based on the individual securities held, looking at carbon emissions, carbon intensity, fossil fuel reserves and carbon risk management initiatives, comparing them to a market benchmark.

Members of the Equities team also completed an extensive internal project to calculate the carbon emissions of our Global Recommended Portfolio in 2022, expanding its scope in 2023 to all equity holdings. The project sought to improve the quality and reliability of the inputs by supplementing MSCI carbon data with data provided in corporate reports and available via CDP in order to provide greater consistency in terms of measurement method, year of data and base currency.

MATERIALITY FRAMEWORK

Leadership and governance
- Critical incident risk management
- Systematic risk management
- Business ethics and behaviour

Business model and innovation
- Material sourcing/supply chain management
- Product design and lifecycle management
- Physical impacts of climate change



Environment
- Biodiversity/land use
- Energy management/GHG Emissions
- Waste and hazardous materials management
- Water and wastewater management

Social capital
- Product quality and safety
- Customer welfare
- Data security and consumer privacy
- Human rights and community relations
- Access and affordability
- Selling practices and product labelling

Human capital

Labour practices/health and safety

Climate risk

There are various metrics used to identify, measure and report on the climate-related risks of companies. Regulatory disclosure requirements, and a full understanding of the data, have been key considerations for our metric selection and information disclosure. Avoiding anything that could be subject to significant recalculation on an annual basis, misleading or misinterpreted has been a primary focus. Single data points, such as GHG emission tonnes or sales intensity, are a good example of this.

Individual company/portfolio metrics such as Implied Temperature Rise (ITR), or Climate Value at Risk (CVaR) are concepts that are still undergoing methodology refinement. They rely on:

- numerous model assumptions
- different and changing algorithms
- interpretations of Intergovernmental Panel on Climate Change (IPCC) scenarios
- raw data inputs from companies, which themselves include estimates
- stock market valuations, which change every day

Trends or peer group comparisons, rather than individual data snapshots, portray a more meaningful picture of real climate-related performance. Changes over time without detailed attribution of all the factors contributing to change, however, cannot necessarily be assessed as good or bad.

In our first TCFD report, therefore, we have provided an explanation of the approach we are adopting at this stage, but that will necessarily evolve over time.

The key component across many metrics, including ITR and CVaR, is carbon emissions. While measurement and reporting of this by companies still needs to show significant improvement, we have initially focused on collating and reporting the aggregate total from our direct equity investments. Part of this included manual standardisation of the reported data to ensure more consistent reporting.

> **We decided to focus on our equity holdings, as the reported carbon data is more prevalent across this asset class and direct equities accounted for 63% of Waverton's total AUM as at 31 December 2023.**

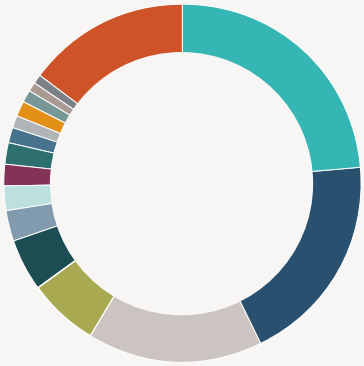
In due course, we will progressively expand reporting to include all assets classes as the relevant data becomes available.

In addition to reporting the carbon data and intensity metrics of our direct equity holdings, we have also identified the 15 largest contributors to our financed emissions (85% of total), to illustrate the concentration of emissions from particular companies and industry groups.

This concentration is a consequence of Waverton's stock selection criteria and investment bias towards larger, well-managed companies that tend to provide better disclosure. It also reflects the lack of information from the long tail of small legacy investments held (often on a non-discretionary basis) within some private client portfolios.

In 2023, we undertook a project initiated in conjunction with CDP to better understand individual company climate transition plans, and monitor emissions. This will also be integrated into the ongoing development of Waverton's climate-related risk management.

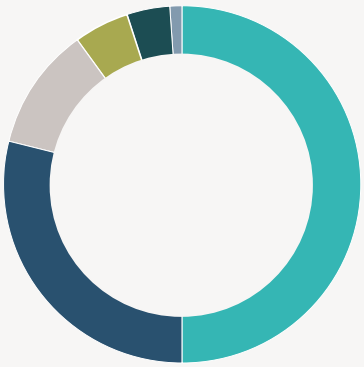
DISTRIBUTION OF FINANCED EMISSIONS IN 2023



Shell	GEA
Hitachi	UPM
Cummins	Linde
Siemens	Asahi
Anglo American	Taylor Maritime Investments
Toyota Motor	Schlumberger
Costco	Other
Rio Tinto	
Autoliv	

Source: Waverton. As at 31.12.2023.

DISTRIBUTION OF TOP 15 CONTRIBUTORS BY SECTOR (%)



Industrials	49.9
Energy	28.9
Materials	11.0
Consumer discretionary	5.5
Consumer staples	3.7
Financials	1.0

Source: Waverton. As at 31.12.2023.

RISK MANAGEMENT *CONTINUED*

Implied Temperature Rise (ITR)

Underpinning ITR is the unrealistic hypothetical concept that if all the companies in the world had the same business profile, emissions and targets as the one being measured, then in theory, this would result in a global temperature rise of X degrees.

ITR is a means of potentially measuring a company's theoretical climate impact compared to another, or an aggregate portfolio impact compared to another. However, in reality companies do not operate in isolation, and the economy and the workings of the environment are dependent upon all participants. The energy transition, for example, cannot be delivered without the metals and minerals supplied by a high emitting, high ITR mining company. Meanwhile, an apparent low emissions, low ITR technology company cannot deliver digitalisation and the benefits of AI without high impact ITR data centres that require vast amounts of electricity as well as water for cooling.

Furthermore, emissions and ITR levels should naturally decline over time. Electrification (low carbon renewables) and the use of clean hydrogen should mean that the emissions from manufacturing (Scope 1 and 2) and use of sold products (Category 11 of Scope 3) should reduce. For example, electrification of mining equipment should mean lower emissions from iron ore extraction, while the transformation of steel making (DRI - Direct Reduced Iron using hydrogen instead of natural gas or coal) should mean lower emissions from the use of iron ore.

The portrayal of a high ITR being bad and a low ITR being good, therefore, is misleading in our view. It is also important to be aware that changes in ITR from one period to the next can be significantly impacted by:

- change in emissions disclosure
- change in business structure due to reorganisation acquisitions and/or divestitures
- change in strategy and targets
- changes in economic growth

An ITR snapshot or change adds little value without knowing the attribution of the factors contributing to the differences. An example of this is provided by some of our engagement with Japanese company, Hitachi, during 2023. Companies rarely stand still and business models can change meaningfully over time, with implications not only for their emissions profile but also global emissions. These need to be identified and understood in order to properly assess a company's progress against their CTP over the long term, as well as the real world impact.

Climate Value at Risk (CVaR)

Climate Value at Risk models are more sophisticated than ITR models, with many more data inputs, assumptions and use of various theoretical climate scenarios. They are, therefore, more difficult to understand. Assessing the primary factors that determine the outputs, and their changes under different scenarios, presents a challenge.

Moreover, because the market use of these models is still in its infancy, the models are evolving rapidly. We have had numerous meetings with MSCI climate model experts over the last year to ensure we fully understand the evolution. This work is ongoing.

Until there is more stabilisation and standardisation of CVaR models and their outputs, we are wary of using them for the purpose of our first TCFD report. We believe the risk of being required to make substantial revisions as methodologies are fine-tuned remains high, undermining the value of the outputs at this stage.

Some other important factors that reinforce our decision are:

- Climate models are not strictly scientific – they are theoretical pathways based on assumptions about CO_2 concentrations determining global warming levels. They are untested without a feedback loop to verify the outputs
- Thus, CVaR models are uncalibrated. We are unable to replicate outputs, unlike financial risk models which are refined based on many years of market volatility data
- CVaR estimates the evolution of business revenue and costs under different scenarios, but doesn't incorporate economic modelling/ GDP changes, or other systemic risks
- Individual company CVaR models don't currently take into account supply chain risks and opportunities, while positive revenue/future technology opportunities are based on patent data (number of patents) without detailed assessment of relevance, or efficacy
- The factors having the greatest potential impact on the model results include volatile factors such as carbon pricing, inflation, interest rates, valuations. However, these cannot be isolated from the myriad of other inputs and assumptions
- Underpinning all of these climate models is GHG emissions data, which we know is patchy (especially Scope 3) as illustrated by the profile of data we have disclosed on page 14

CASE STUDY E

Climate Transition Plans

Issue

We recognise our responsibility to help drive positive environmental change. This includes measuring, understanding and reporting on our financed emissions.

Building on their previous work to measure the carbon emissions of our Global Recommended Portfolio, members of the Equities team embarked on a follow-up project in 2023 to assimilate investee company Climate Transition Plans (CTP), and provide guidance information to the team to facilitate engagement with management teams on the topic. This project is a significant development emanating from our involvement in the CDP Transition Plan Campaign (March 2023), for which we were a lead signatory for a number of companies included in our Global Recommended List.

The guidance contains information from many sources including CDP submissions scores, MSCI ESG ratings and SBTi GHG emission reduction targets. The detailed CTP analysis focuses on a number of topics which should help us understand investee company pathways to net zero, and in due course enable Waverton to devise its own GHG reduction aspirations. These topics include:

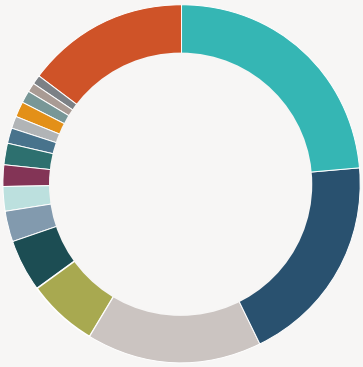
- Governance – are the organisation's structures and incentives aligned to deliver climate transition
- Strategy – understand the CTP, strategic positioning and links to overall business performance
- Targets – are targets SBTi verified, how ambitious are they, are supplementary goals in place (e.g. for renewables)
- Risk and Opportunities – what are the potential positive and negative impacts and how are these being mitigated
- Value Chain Actions – collaboration with suppliers and customers to help achieve climate change goals

Action

In 2023, we initiated direct engagement with companies on their specific climate transition plans, recognising that climate change is a journey for all of us and the purpose of engagement is to build a symbiotic relationship (between investors and company management). We do not expect instant results, but over time we hope to gain confidence in investee company plans, encourage better disclosure and help influence strategies, where appropriate. We believe this will also enhance the integration of environmental considerations into our investment process.

While CTPs are relevant for all investee companies, the primary focus of our engagement is with those companies that contribute the most to financed emissions. We have calculated that the top 15 companies account for 85% of total financed emissions from all equity holdings across the firm and 90% for a number of Waverton funds.

DISTRIBUTION OF FINANCED EMISSIONS IN 2023



Source: Waverton

Outcome – ongoing

We have provided three case studies highlighting our CTP engagement to date. It is expanding and evolving to cover more companies. In future, we plan to cover holdings across all asset classes and engagement is likely to become more frequent and in depth, as we monitor progress and report under TCFD.

RISK MANAGEMENT *CONTINUED*

CASE STUDY E

Hitachi Ltd (Japan)

Hitachi has some of the longest standing and most ambitious GHG emissions reduction targets of all the companies in the Waverton Global Recommended Portfolio:

- In 2009, Hitachi signed the United Nations Global Compact
- In 2010, it formulated its 5-year CSR Roadmap
- From a 2005 base-year, Hitachi set a target to reduce GHG emissions by 100m tCO_2e by 2025
- Since then, it has updated and revised targets (certified by SBTi), with an ambition to cut Scope 1 & 2 emissions by 100% by 2030, from a 2010 base-year
- Over the same time frame, the Scope 3 reduction goal is 40%

We continued to engage regularly with Hitachi senior management, investor relations and its sustainability specialists during 2023. We also engaged with CDP about Hitachi's climate change submissions.

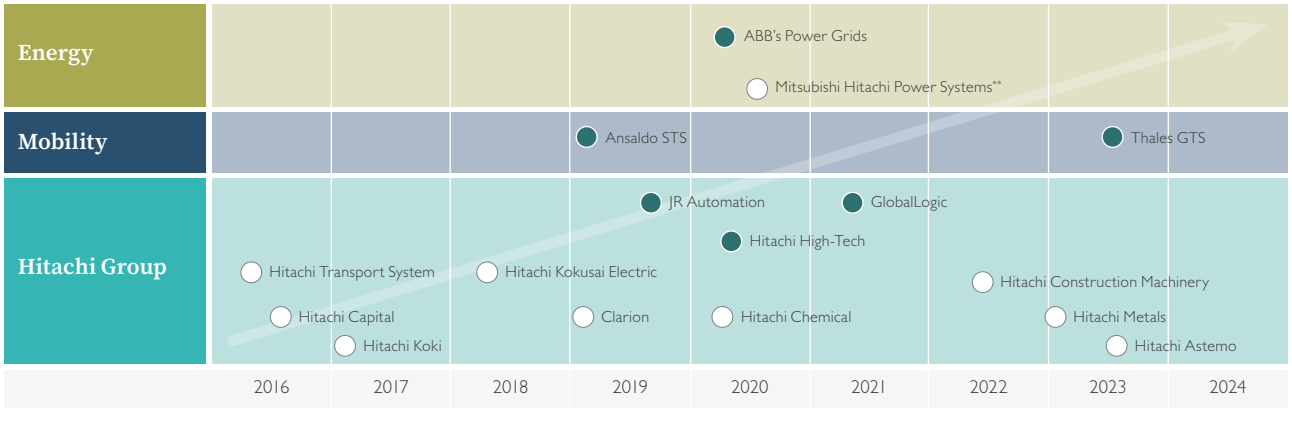
Understanding the targets and how they are going to be achieved starts with emissions data and energy consumption statistics. What are the various sources of energy being used now and how they are going to change e.g. fossil fuels, types of electricity generation, steam, solar, wind. During the carbon project we undertook in 2022, it became apparent that there are regional differences for measuring, calculating and presenting energy consumption and emissions. Our interactions with Hitachi highlighted some anomalies in their approach, which resulted in revisions to its disclosures to be more in line with international norms.

Understanding the changing structure of Hitachi's business and consequences of this on base-line emissions and targets is also crucial. Hitachi has made numerous acquisitions over the last 10 to 20 years, as well as undertaking a significant restructuring of its business portfolio, including the deconsolidation of non-core operations. As a result, it is more complicated to separate emissions changes into their component parts – real underlying emissions reduction (with real world benefits) versus reductions due to changes in the "accounting" of emissions.

For associate businesses or joint ventures with no controlling parent, MSCI has coined the phrase "orphan emissions". That is, emissions that are no longer directly disclosed due to the deconsolidation of the operations but that still exist in the real world.

Consequently, Hitachi is undertaking a detailed review of its business strategy, base-line emissions and will provide revised future targets in due course.

Hitachi has transformed itself into a more focused, higher margin, less capital intensive, less cyclical business*



*Timeline represents key acquisitions and divestments **Stake sold to Mitsubishi Heavy Industries

Source: Hitachi Investor Day, June 2023.

CASE STUDY E

Halma plc (UK)

Halma (owned in our Waverton UK Fund) is a global electronic equipment, instrument and software company involved in the manufacture of hazard and life protection products, dominating niche segments in Process Safety, Infrastructure Safety, Environmental & Analysis, and Healthcare.

It was the first company to respond to our CDP Climate Transition Plan Campaign letter and is a good example of a company that is also early in its journey to measure its emissions. It appreciated our engagement, as much as we did, because it helped them to assess investor expectations, as well as glean some information about how other companies are tackling climate change and reporting requirements.

The decentralised nature of its business with 47 autonomous units/brands operating under three reporting segments, does not lend itself to standardised KPIs and GHG emissions collection. Halma is tackling this challenge and grappling with how to align its business strategy and product attributes with GHG emission target setting. It does have ambitions but is also mindful of the paradoxes that arise. For example, Scope 3 Category 11 – Use of Sold Products – measures the emissions over a product's expected lifetime. A highly efficient product with a very long life expectancy (15 years) means Scope 3 emissions are high for Halma, with 1% of its sales contributing 60% of emissions.

When setting targets, therefore, would it be a better for Halma (but not necessarily the real world) to produce and sell less efficient products with shorter lives in order to reduce reported Scope 3 Category 11 emissions?

Investors need to be aware of these issues when comparing companies like Halma with peer groups, and we should be wary of using snapshots of absolute emissions or emissions intensity in isolation, as a simple judgement of performance.

We will continue to monitor Halma's progress as we share their belief that it faces significantly more opportunities than risks from the climate change transition.

Linde plc (US)

Linde, included in our Global Recommended List, is one of the largest contributors to our financed emissions and is unusual in that its Scope 1 and 2 emissions are larger than its Scope 3, which have been on an upward trajectory recently. This is a consequence of its industrial gases business that requires a lot of energy to split air into its component molecular parts. The recovery in demand for industrial gases, supported by secular growth in electronics and the requirements of the energy transition (e.g. hydrogen), is the reason behind the growth of its emissions.

The purpose of the engagement with Linde was to better understand these factors, its plans to mitigate them and how it will achieve its emissions reduction targets. Currently, it does not have Scope 3 targets which it plans to set in 2025/2026. Disclosure of its own low carbon energy usage ambitions could also be improved. There are a number of carbon capture projects being developed, however, and Linde is also helping customers by co-investing in renewable projects, but the positive impact of these projects is not yet known and unlikely to make an impact for several years.

Another area of discussion was the company's renumeration policies and ESG-related incentives to reward faster achievement of climate goals. ESG factors currently have a 15% weight in their short-term incentive plans, of which 5% is for absolute GHG emissions. Linde believes that these short-term incentives are the best way to encourage cultural change. For other companies, however, ESG incentives are included in LTIPs with performance periods that aren't long (typically 3 years), compared to GHG emission reduction targets over a typical 2030-2050 timeframe. We also question whether a 5% weight for emissions reduction is sufficient, and whether schemes with ESG incentives included in both STI and LTI plans and with climate-related metrics accounting for 25% of total weight, will prove more effective.

We continue to monitor and encourage improvement.

4 METRICS AND TARGETS

GHG Emissions

OPERATIONAL EMISSIONS

EMISSIONS tCO_2e	2023	2022
Scope 1	3	2
Scope 2	160	155
Total Scope 1 & 2	163	158
Scope 3 excluding Financed Emissions	1,964	2,226
Total Operational Emissions	2,127	2,384
Total Financed Emissions	4,220,930	-
Total Waverton Emissions	4,223,057	-

* The organisational footprint was calculated for reporting period 01.01.2022 – 31.12.2022 and 01.01.2023 – 31.12.2023.
** Calculations were based on GHG Protocol Corporate Accounting and Reporting Standard.
*** Total figures may not add up due to rounding.

EMISSIONS INTENSITY	2023	2022
Scope 1, 2 and 3* – $kgCO_2$/employee	12,000	14,000
Scope 1, 2 and 3* – $kgCO_2$/sqm	143	140

*Scope 3 excludes financed emissions.

ENERGY USE	2023	2022
Electricity – kWh	1,046,630	1,014,519
Heating – kWh	6,563	4,551

FINANCED EMISSIONS

EMISSIONS tCO_2e	2023
Scope 1 & 2 Financed Emissions tCO_2e	322,041
Scope 3 Financed Emissions tCO_2e	3,898,888
Total Financed Emissions tCO_2e	4,220,930
Total Carbon Footprint tCO_2e/£m Invested Capital	622
Total Portfolio Sales Intensity tCO_2e/£m Sales	1,954
Weighted Average Carbon Intensity tCO_2e/£m Sales	1,135

PROFILE OF FISCAL YEAR DATA	EQUITY HOLDINGS WEIGHT (%)
2023	1.8
2022	88.9
2021	5.9
n/a	3.3

EMISSIONS COVERAGE VALUE OF EQUITY HOLDINGS (%)	SCOPE 1	SCOPE 2	SCOPE 3
With Data	95.7	93.8	90.6
Without Data	4.3	6.2	9.4

Source: Waverton, FactSet, MSCI, Company Data. As at 31.12.2023.

15 LARGEST CONTRIBUTORS TO FINANCED EMISSIONS

	EQUITIES WEIGHT (%)	EMISSIONS FISCAL YEAR	SHARE OF CO TOTAL EMISSIONS tCO_2E	TOTAL EQUITIES FINANCED EMISSIONS (%)	SCOPE 1&2 tCO_2E	SCOPE 3 tCO_2E	TOTAL
Shell Plc	2.9%	2022	1,006,367	24.0%	58,000,000	1,174,000,000	1,232,000,000
Hitachi,Ltd.	2.9%	2022	801,690	19.0%	1,538,000	267,670,000	269,208,000
Cummins Inc.	0.3%	2022	674,221	16.0%	737,000	1,119,220,200	1,119,957,200
Siemens Aktiengesellschaft	1.4%	2022	263,746	6.2%	582,000	457,605,000	458,187,000
Anglo American plc	1.0%	2022	198,475	4.7%	13,300,000	98,540,201	111,840,201
Toyota Motor Corp.	1.3%	2022	120,636	2.9%	6,180,000	570,489,269	576,669,269
Costco Wholesale Corporation	1.8%	2022	86,770	2.1%	2,831,617	171,274,463	174,106,080
Rio Tinto plc	0.2%	2022	85,635	2.0%	30,300,000	583,900,000	614,200,000
Autoliv Inc Shs Swedish DR	0.9%	2023	77,361	1.8%	358,000	10,540,000	10,898,000
GEA Group Aktiengesellschaft	0.1%	2022	58,446	1.4%	63,981	36,573,261	36,637,242
UPM-Kymmene Oyj	1.7%	2022	56,118	1.3%	4,720,000	5,034,000	9,754,000
Linde plc	2.2%	2022	55,323	1.3%	37,716,000	25,859,001	63,575,001
Asahi Group Holdings,Ltd.	1.9%	2022	46,152	1.1%	686,000	8,328,000	9,014,000
Taylor Maritime Investments Ltd.	0.2%	2022	36,182	0.9%	11,220	540,632	551,852
SLB	0.9%	2022	33,345	0.8%	1,923,507	34,850,000	36,773,507
Subtotal Top 15	**19.8%**		**3,600,469**	**85.3%**			

Source: Waverton, FactSet, MSCI, Company Data. As at 31.12.2023.

Managing our own carbon footprint

While financed emissions account for the majority of Waverton's total GHG emissions, we also consider those generated by our own operations. As a business, we offset our Scope 1 and 2 emissions to ensure we are operationally carbon neutral, as well as our business travel. We partner with Greenly, who help us measure our carbon emissions, and Carbon Neutral Britain, who verify our data and provide the offsetting projects.

We remain committed to further reducing our emissions over time. A large part of this will be completing our migration to cloud services and we are aiming to retire our last physical servers in Q2 2024. Our service provider, Microsoft Azure, is committed to becoming carbon negative by 2030, and most of our cloud services are already powered by renewables.

Methodology

The methodology used to calculate financed emissions and intensity metric is in line with the methodologies outlined in the TCFD, FCA ESG Sourcebook and PCAF.

A key consideration in applying the formulae shown on the right is the consistency between the calculation of EVIC and the value of portfolio holdings, which determine the share of GHG emissions. We have found in some third party models this rigour is absent.

Therefore, we have created our own model for firm and product level reporting, developed in conjunction with Factset, predominantly utilising MSCI GHG emissions data and FactSet financial data.

The MSCI GHG emissions data is supplemented by data taken directly from the latest investee company disclosures, which in some cases is more up to date, or judged to be more accurate.

EQUATIONS TO CALCULATE FINANCED EMISSIONS

The financed emissions of a loan or investment in a company are calculated by multiplying the attribution factor by the emissions of the respective borrower or investee company. The total financed emissions of a listed equity and corporate bonds portfolio are calculated as follows.

$$\text{Financed emissions} = \sum_{C} \text{Attribution factor}_c \times \text{Company emissions}_c$$

(with c = borrower or investee company)

The attribution factor represents the proportional share of a given company – that is, the ratio of the outstanding amount to EVIC for listed companies and the total equity and debt for bonds to private companies:

For listed companies:

$$\text{Financed emissions} = \sum_{C} \frac{\text{Outstanding amount}_c}{\text{Enterprise value including cash}_c} \times \text{Company emissions}_c$$

5 GLOSSARY

Carbon footprint

The amount of greenhouse gases (GHGs), expressed as CO2 equivalents, that are emitted directly or indirectly as a result of a specific activity.

Carbon intensity

A measure of carbon dioxide and other greenhouse gases, expressed as CO2e, per unit of activity.

Carbon neutral

A state where CO_2 emissions are counterbalanced by carbon offsets without necessarily having reduced emissions.

CDP (Formerly Climate Disclosure Project)

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Climate Value at Risk (CvaR)

Environmental indicator which aims to estimates the risk of climate-related loss for investments.

Financed emissions

The indirect GHG emissions that are attributed to an investor based on its ownership percentage of the company that emits those GHG's. Attribution is based on an equity ownership approach, whereby the investor 'owns' an equal percentage of a company's GHG emissions as it does of a company's total market capitalisation.

Greenhouse gases (GHGs)*

Gases that absorb and trap heat from the Sun in the Earth's atmosphere. Includes the following gases that are covered by the UNFCCC/ Kyoto Protocol: carbon dioxide (CO_2), methane (CH4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3).

Implied Temperature Rise (ITR)

Environmental indicator which aims to estimate the global temperature risks associated with the GHG emissions of a single emitter.

Net zero*

A state of balance between anthropogenic emissions and anthropogenic removals. It can refer to net zero CO2 emissions or net zero GHG emissions, which also includes non-CO2 GHGs. Net-zero GHG emissions must be achieved at the global level to stabilize temperature increase, and targets set using the SBTi Net Zero Standard must cover all UNFCCC/Kyoto GHG emissions.

Science Based Targets initiative (SBTi)

The SBTi is a collaboration between the CDP (formerly Climate Disclosure Project), the United Nations Global Compact, the We Mean Business Coalition, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). SBTi defines and promotes best practice in emissions reductions and net zero targets in line with climate science. By the end of 2023, over 5,000 companies and financial institutions were setting emissions reduction targets and having them verified by the SBTi.

Scope 1

Direct GHG emissions occur from sources that are owned or controlled by the company.

Scope 2

Indirect emissions from purchased electricity, heat, and steam for use in business operations.

Scope 3

All other indirect emissions that are a consequence of the activities of the company, but occur from sources not owned or controlled by the company.

Weighted Average Carbon Intensity (WACI)

The weighted sum of carbon emissions per million euro of revenue.

*As defined by the Science Based Targets Initiative

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