WAVERTON

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT 2024

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.

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FOREWORD

As we stand at the crossroads of climate action, the urgency to address the multifaceted challenges of our time has never been clearer. Extreme weather events, record-breaking heat, rising sea levels and climate-related displacement all occurred during 2024. The road to action is less clear, however, with a collective commitment to financing the transition to a low carbon economy lagging, as demonstrated at COP29.

In order to transform the global economy to achieve net zero by 2050, an estimated $9.2trillion in annual spending on physical assets would be required. The UK will require an estimated £50-60billion annually through the late 2020's and 2030's to stay the course (McKinsey 2025). This brings huge opportunities for investment, which we are seeing emerge across industries and regions, but will require acceleration over the next few years.

In the UK we are seeing new initiatives to help facilitate the transition of financial markets, most notably the Transition Finance Market Review (TFMR). The initiative aims to position the UK as a global hub for transition finance by creating an infrastructure to support economic activities that are compatible with the net zero ambition. We will follow its proposals with interest as they start to take shape.

The energy transition remains central to addressing the climate crisis and requires a transformative shift from fossil fuels to renewable energy sources. This transition is not merely a technological evolution but a profound societal change that prioritises equity, inclusion, and sustainable development. Current political headwinds aren't working in its favour unfortunately.

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 to provide the carbon offsets. We remain committed to further reducing our emissions over time.

At Waverton, we are firmly of the belief that to fulfil both our fiduciary duty to investors while also delivering credible sustainability outcomes, requires a pragmatic approach. We therefore acknowledge a period of transition during which we also need to incorporate those companies on an improving ESG trajectory, as well as those that are an essential part of the transition solution.

Engagement is key to understanding the sustainability strategies of companies, and an instrumental element of our approach to managing climate-related risk as well as capturing the opportunities of the transition. Building on the foundations we put in place for our first Task-Force on Climate-Related Financial Disclosures (TCFD) report, we engaged the biggest contributors to our financed emissions in 2024 to understand their climate strategies, challenges and progress against their stated targets.

Our detailed analysis into strategies and emissions disclosure, as well as target revisions, indicates that almost all companies face multiple challenges and are still early in their journeys to reaching net zero commitments by 2050. In turn, our financed emissions are beholden to these. We remain committed to monitoring progress, however, with the aim to influence positive corporate behaviour on climate that benefits positive real-world outcomes over time.

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

Guy McGlashan
Chief Executive Officer

WAVERTON AT A GLANCE

WHO WE ARE

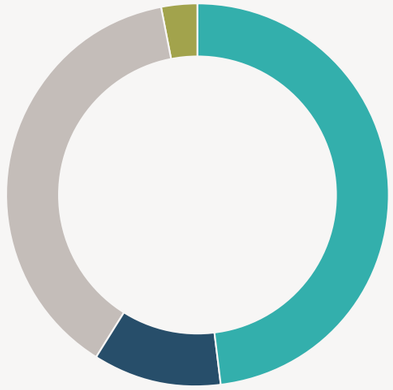
185
Employees

25
Person investment team

20 years
Average investment experience

£13.7bn
AUM

AUM BY CLIENT TYPE



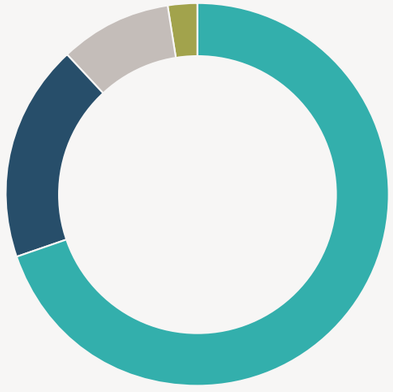
£6.6bn
Private Clients

£1.5bn
Charities

£5.2bn
Adviser Solutions

£0.4bn
Institutional Solutions

AUM BY ASSET CLASS (%)



69.8
Equities

18.3
Bonds

9.5
Alternatives

2.3
Cash

PARTNERSHIPS

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

Waverton. As at 31 December 2024.

1 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, and sustainability matters are a recurring agenda item at Board meetings.

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 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, CPO, Head of Equities and Corporate Sustainability Manager, who meet at least quarterly.

Our TCFD Oversight Group decides on our direction of travel as it relates to climate-related risk and opportunities, and it brings together stakeholders from across the business to consider Waverton's approach.

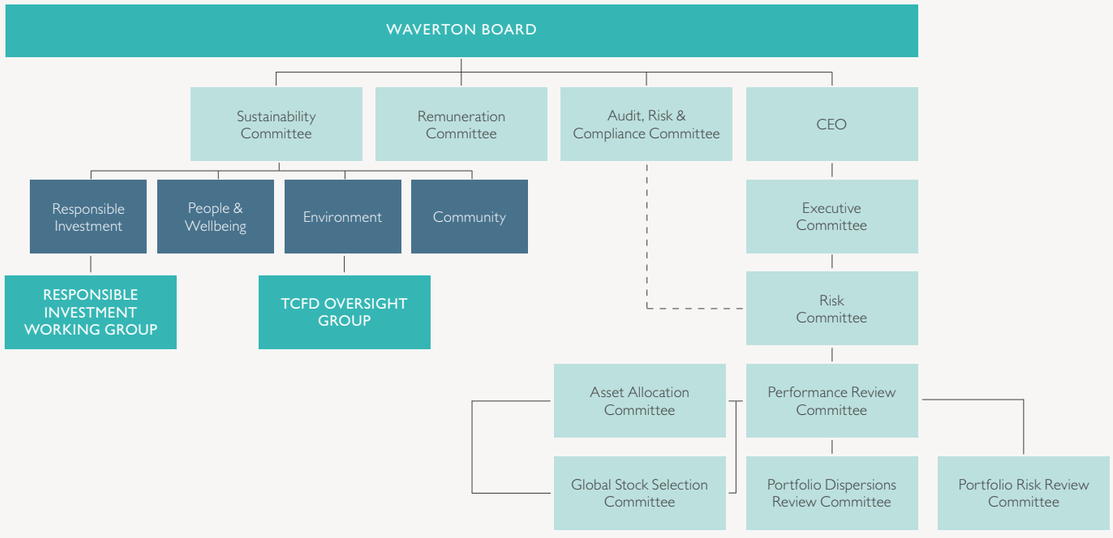
TCFD Oversight Group members include the COO, Head of Equities, Head of Equity Research, Senior Equity/ ESG Analyst, Head of Performance & Risk, Operations Risk Manager and Corporate Sustainability Manager.

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 they receive quarterly reporting on the key metrics for our direct equity holdings. Their respective remits report into our Executive Committee (Exco) as well as our Audit, Risk and Compliance Committee (ARCC).

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 identifying and managing our climate-related risks and opportunities.

Our Responsible Investment Working Group (RIWG) continues to refine, co-ordinate and implement 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

Strategy 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. Key material issues in relation to climate include regulatory compliance, effective ESG integration and stewardship and GHG emissions.

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) monitors 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. In addition to Susco, our Risk Committee and ARCC also monitor our GHG emissions and sustainability compliance.
	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) utilises a materiality framework to help identify key sustainability risks faced by specific industry groups in a more consistent manner, and engages 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.

Task Force on Climate-Related Financial Disclosures Report 2024

STRATEGY *CONTINUED*

Sustainable operations

We fully recognise our responsibility to help drive positive environmental change and we have an established sustainability strategy which is based on the material sustainability issues facing the business with the aim to create long-term stakeholder value. These include a variety of themes, including those relating to climate, as set out in the risk register.

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 to provide the carbon offsets. We remain committed to further reducing our emissions over time.

In 2024, we completed the migration to cloud services as we retired the last of our physical, on-site, servers. This marks a significant milestone in our sustainability efforts with our IT operations now benefitting from a highly efficient and renewable-powered data centre infrastructure. Our cloud service provider, Microsoft Azure, is predominantly powered by renewables, and has an ambitious net zero plan in place.

We were also in scope for the Energy Saving Opportunity Scheme (ESOS), regulated by the UK Environmental Agency. We conducted an energy audit of our buildings and grey fleet across the Waverton Investment Management Group and have identified a few areas for improvement which we are committed to addressing in 2025.

Integration of ESG

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. 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.

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.

Capturing the opportunities

Climate change and the transition to a low-carbon economy also presents significant opportunities for new products and services, economic growth and job creation. Investment in areas such as renewable energy, energy efficiency, sustainable infrastructure and digitalisation, including AI, has been underway for many years. However, there is still much to do.

Investment in low-carbon solutions spans multiple asset classes, each offering unique opportunities. In addition to our direct equity exposure across many different industry value chains, as shown in the chart on the right, we also continue to identify attractive opportunities for direct and indirect investment in real asset businesses, with a focus on the energy transition, power and utilities and digital infrastructure, as well as select corporate bonds. Third-party funds with focused climate change related strategies also offer a broad spectrum of investment choice, which many of our clients have exposure to.

> **Investment in low carbon solutions spans multiple asset classes, each offering unique opportunities."**
>
> (Waverton)

ILLUSTRATION OF EXPOSURE TO THE ENERGY TRANSITION

All elements of the value chain play a critical role in achieving a low carbon world

Basic Resources & Materials	Equipment	More Power & Cleaner Sources	Power Producers	Grid Expansion & Upgrade	Products & Solutions
Anglo American Critical Metals & Minerals	**Sandvik** Mining, Rock Excavation & Processing Solutions	**GE Vernova** Gas & Wind Turbines	**Iberdrola** LNG, Wind, Solar, Hydro Power Generation	**Hitachi/GE Vernova/ Siemens AG** High Voltage Transformers & Control Management Solutions	**Keyence/Siemens AG** Automation
Vulcan Materials Aggregates & Concrete	**United Rentals** Construction Equipment	**Hitachi / GE Vernova** Nuclear power equipment & SMRs	**Shell** LNG, Wind, Solar, Hydro Power Generation	**Microsoft** Control Software	**Toyota Motor** Hybrid & EVs, Fuel Cell Tech
Shin-Etsu Chemical PVC Pipes & Building Materials	**Ferguson** Construction, Plumbing & HVAC Equipment	**Technip Energies** Engineering & Construction: LNG plants / CCS		**TE Connectivity** Electronic Connectors & Sensors	**Hitachi/Siemens AG** Electric Rail Infrastructure & Smart Buildings
					Shell CCS & Electric Charging Infrastructure

Stocks included in Waverton's Global Recommend Portfolio, as at 31.12.2024.

Engagement versus Exclusions

We are 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 incorporate those companies on an improving ESG trajectory, as well as those that are an essential part of the transition solution.

Waverton approach

Our stock 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 be a natural consequence of our investee companies' SBTi targets/ GHG emission reduction plans, therefore, 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.

> **Science-based targets offer companies a clear, actionable path to align emissions reductions with the Paris Agreement goals."**
>
> (Science Based Targets initiative)

STRATEGY *CONTINUED*

Collaborative engagement

We continue to participate in a number of different collaborative engagements, focusing our attention on those where we believe we can help influence positive outcomes with real-world benefits.

Collaborating to improve climate disclosure

Action

Since 2021, we have participated in two leading collaborative initiatives on climate change – CDP and Climate Action 100+ – both of which focus on encouraging the adoption of global standards and improving the quality of corporate disclosures on environmental impact.

In 2024 we supported two CDP campaigns: Non-Disclosure Campaign (targeting companies who do not currently disclose data through CDP's climate-related questionnaires) and the final year of the Science-Based Targets Campaign (encouraging more companies to set 1.5°C science-based emissions reduction targets.)

Outcome

Non-disclosure Campaign

In our fourth year of supporting CDP's Non-Disclosure Campaign, we were the lead engagement investor with 10 (3 in 2023) investee companies. Of these companies, seven were being approached by investors for the first time, and 50% disclosed across one or more of the environmental categories of Climate Change, Water and Forests.

We were delighted with this outcome, especially as it included many investment vehicles in our Alternatives securities. This led to a number of direct follow up engagements, including Urban Logistics, an investment company that invests in distribution warehouses. While the company reported in line with TCFD, they had not submitted a response to CDP.

As a result of our engagement, they subsequently disclosed. Although this was post the deadline for CDP scoring, it showed their commitment to improve disclosure through internationally recognised platforms like CDP. It is noteworthy that the remaining four disclosing companies (including one Japanese company) all received a B rating for their first climate change disclosure.

> **"Companies engaged by financial institutions (FIs) as part of the NDC campaign were 2.3x more likely to disclose through CDP over the past six years; and consistent difference factors have been recorded. This shows that regardless of the number of companies targeted each year, the direct engagement from the FIs has a statistically significant impact on company disclosures."**
>
> (2024 CDP NDC results report)

Science-Based Targets (SBT) Campaign

We continued to support the SBT campaign, which encouraged high emitting companies in setting robust and ambitious emissions reduction targets. In its final year of the campaign, more than 2,000 companies were targeted with 71 joining the Science Based Targets initiative (SBTi) as a result. These companies had a combined total of c.50 million metric tonnes of CO_2e (across Scopes 1 and 2). We were one of 307 financial institutions supporting the campaign. Since its launch in 2020, the SBT campaign has helped drive over 550 high-impact companies to join the SBTi.

Multi-asset strategies

In 2024, we sought to build our understanding of various investment vehicles' ESG practices. We engaged 75 investments (including ETFs, closed ended funds) held in our Multi-asset and Managed Portfolio Service funds in an ESG due diligence questionnaire.

The survey sought to engage companies on various aspects of their responsible investment approach, including the management of climate risks and opportunities. The insights will enable us to better understand the progress they are making as a firm, allow us to compare with the other investments we hold, and support our ongoing engagement activity.

The findings have already led to a number of direct engagements, with the aim of improving climate-related disclosures. Our participation in CDP's Non-Disclosure Campaign is a good example of this (highlighted above), with several of our investment holdings included in the campaign.

Waverton investment vehicles ESG questionnaire findings

70%
have set carbon reduction commitments

30%
of those are SBTi-aligned

57%
of respondents have disclosed in line with TCFD

6
firms use carbon offsets

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.

Carbon data

To support the Investment team's fundamental due diligence, our Performance & Risk team produces 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.

As in previous years, however, while continuing to rely on the raw GHG emissions data from MSCI as the basis of our carbon-related calculations, we continue to supplement this with data taken directly from the latest investee company disclosures and/or available via CDP, which in some cases is more up to date, accurate and provides greater consistency.

Climate risk

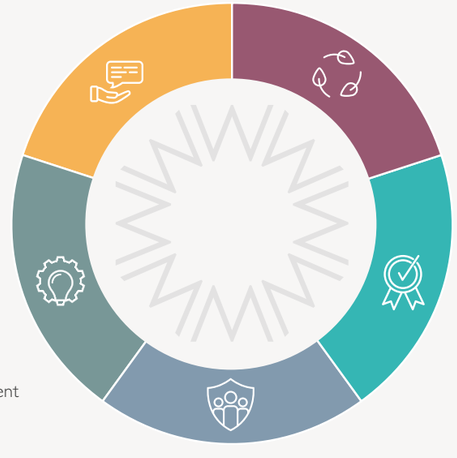
There are various metrics used to identify, measure and report on the climate-related risks of companies. Regulatory disclosure requirements, and a full understanding of the data, have been key considerations for our metric selection and information disclosure. Avoiding anything that could be subject 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.

In last's year's report we outlined our stance on the two theoretical models that are commonly used to identify, measure and report on the climate-related risks of companies: Implied Temperature Rise (ITR) and Climate Value at Risk (CVaR).

MATERIALITY FRAMEWORK

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

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



Human capital
Labour practices/health and safety

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

RISK MANAGEMENT *CONTINUED*

Our rationale not to publish these metrics for Waverton at the corporate level, or in the product reports for our Funds has not changed substantially over the past 12 months.

We remain sceptical about the real-world validity of these metrics and the suitability of the models to adequately reflect climate risk and a portfolio's alignment with net zero.

Over the last year, there have been many iterations of the MSCI models underpinning CVaR, with more to come. Currently, the CVaR model primarily estimates direct risks to company assets based on their location, under different climate change scenarios. It does not yet include indirect impacts from supply chain disruptions and wider economic impacts from changing consumer behaviour. Thus, CVaR is more suitable for assessing risk to property asset portfolios, or insurance liabilities, than equity portfolios. Nevertheless, we are hopeful that in time CVaR models will evolve and become a more suitable metric.

For ITR, we have become less enthusiastic. Notwithstanding the fundamentally unrealistic hypothetical concept underpinning the model, an ITR indicating alignment with net zero, is impossible to validate, given all the assumptions and historic data inputs.

Alignment to a +1.5°C by 2050 scenario is also increasingly questionable, given recent measurements showing the world is already at +1.75°C.

The key component across many metrics, including ITR and CVaR, is carbon emissions. Our approach is to measure Waverton's financed emissions based on reported carbon data, and engage with the largest contributors. In doing so, we endeavour to influence management behaviour and make a real-world difference to actual emissions.

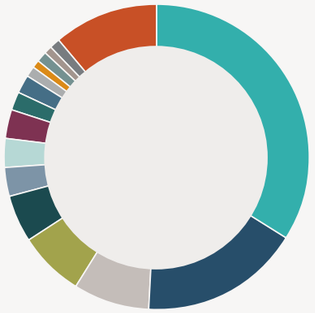
These interactions also enhance our knowledge of the direction of travel for these companies and their prospects, which we will continue to monitor.

As data coverage improves we will also look to expand measuring financed emissions of other asset classes. The most obvious asset class would be corporate bonds, which uses the same methodology as equities. While the asset class covers close to 6% of our AUM as at 31 December 2024, preliminary calculations indicate that corporate bonds would increase our total financed emissions by approx. 2% to 3%.

We focus on the financed emissions from our equity holdings, which cover close to 70% of our AUM as at 31 December 2024.

(Waverton)

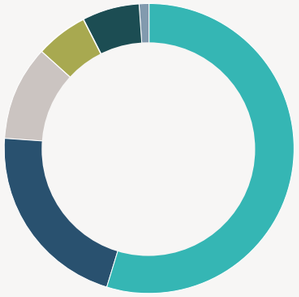
DISTRIBUTION OF TOP 15 CONTRIBUTORS TO FINANCED EMISSIONS IN 2024



GE Vernova	PT AKR Corp
Shell	Yum China
Hitachi	Autoliv
SMFG	UPM
Siemens AG	Rio Tinto
Anglo American	Asahi Group
Toyota Motor	GEA Group
SEQI	Other

As at 31.12.24

DISTRIBUTION OF TOP 15 CONTRIBUTORS BY SECTOR (%)



Industrials	55.0
Energy	21.2
Financials	10.8
Materials	5.5
Consumer discretionary	6.5
Consumer staples	1.0

Source: Waverton. As at 31.12.2024.

CASE STUDY

Engagement on Climate Transition Plans (CTP)

Severe weather-related events are becoming increasingly frequent and during the first quarter of 2025, we have already witnessed the devastating impact of wildfires, severe flooding, record January global temperatures, and record low sea ice in various parts of the world. All are salient reminders of the need for companies and wider society to continue to address the impacts of climate change.

While the changing regulatory and political landscape has seen instances of climate disclosure requirements being reviewed or rolled back in both the US and Europe, albeit from very different starting points, most well-managed companies continue to move forward in addressing both their energy consumption and use of no/lower carbon fuel sources, not least because these also have the potential to drive long-term productivity savings.

Issue

As long-term investors and responsible stewards of our clients' capital, we fully recognise our responsibility to help drive positive environmental change. We acknowledge that meaningful change on a global scale will take time and believe this necessitates a pragmatic approach, where we actively engage with companies in all sectors and focus on their direction of travel. Measuring, understanding and reporting on Waverton's emissions is a key part of this. The majority of our emissions is made up of our share of emissions produced by the investments we manage on our clients/investors' behalf.

Action

As reported last year, we measure and monitor the carbon emissions of our direct equity expose, covering close to 70% of our AUM. Climate transition plans and emission reduction targets were the primary focus of our company engagement activity during 2024. We engaged with more than 20 companies, with these holdings accounting for around 60% of Waverton's financed emissions and between 40% to 80% across our 16 Funds.

We also concentrated our efforts on those companies making up the Top 15 contributors to financed emissions, both for Waverton as a whole and across our universe of Funds. These 15 companies equate to coverage of 89% of total financed emissions at the corporate level and more than 90% across all Waverton Funds.

Outcomes

Our engagements have become more focused over the last year, resulting in informative and constructive discussions with management.

It is notable that companies are at very different points in the development of their climate strategies, targets, measurement of emissions and the disclosure of these. The regulatory burdens, particularly the Corporate Sustainability Reporting Directive (CSRD) in Europe, have been a distraction for management teams and a drain on resources. For some companies, this has delayed further development of climate action plans, target setting and disclosure. **Sandvik**, held within some of our Equity and Multi-Asset Funds, is one of these. This Scandinavian company is a global, high-tech engineering group providing solutions to enhance productivity, profitability and sustainability for the manufacturing, mining and infrastructure industries. Perhaps 2025/26 will see an acceleration of corporate climate-related activity once initial CSRD reporting is underway in Europe, but geopolitical influences (particularly in the US) could discourage progress elsewhere.

The challenges

A very important area of discussion with companies has been the outlook for the energy transition, specifically electrical infrastructure and consequently the grid mix and assumptions about the future proportion derived from renewables.

Engagement with European companies **GEA Group** (systems suppliers for the food, beverage and pharmaceutical sectors), **Siemens** (industrial automation and technology conglomerate) and **Siemens Healthineers** (healthcare equipment and technology) were insightful on a number of fronts, highlighting different approaches to estimating Scope 3 emissions (see Glossary at the back of the report), of which Category 11 Use of Sold Products over their lifetime is often the largest contributor to total emissions.

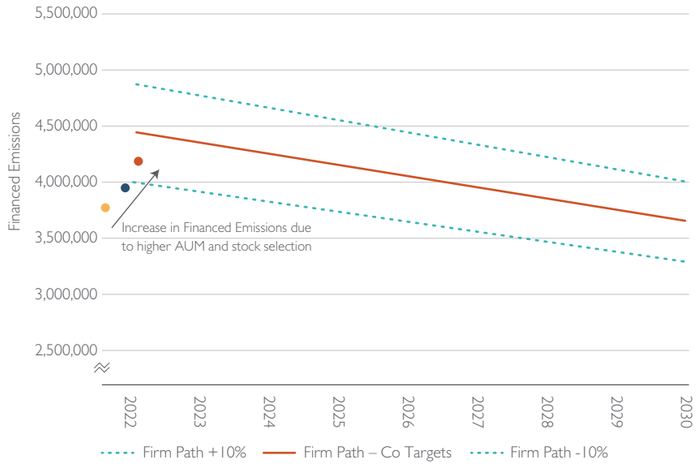
Assumptions about grid mix (which incorporate a rising % of renewables) are important for reported Scope 3, because they are also inherent in a company's carbon reduction targets. Those companies that rely on International Energy Agency (IEA) grid mix projections based on the stated government policies scenario (STEPS), could struggle to achieve their targets. It is evident that there are bottlenecks across infrastructure supply chains and, since the start of this year, heightened uncertainty about the direction of interest rates and government policies/subsidies, and tariffs.

RISK MANAGEMENT *CONTINUED*

CASE STUDY

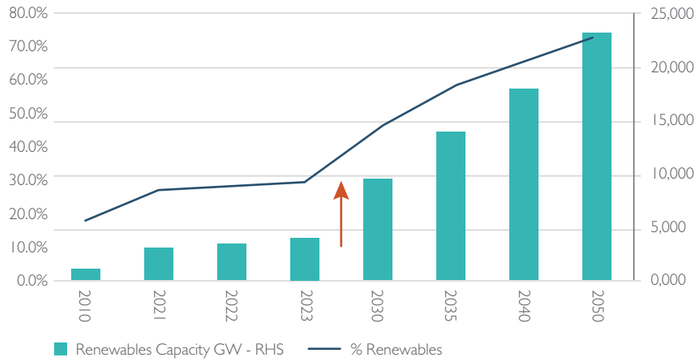
Engagement on Climate Transition Plans (CTP) continued

Illustration of Waverton's projected pathway for financed emissions – based on our Top 15 contributors company targets



Source: Waverton/MSCi as at 31 September 2024

World Electricity Supply Generation % Renewables and GW Capacity Based on IEA STEPS Assumptions



Source: IEA World Energy Outlook 2024

These have served to increase project risks, financing costs and are hindering investment decisions for companies. This is an area requiring more analysis and careful monitoring going forward.

One of the aims of our engagement, therefore, has been to differentiate between published ESG credentials and climate change endeavours that are aspirational in principle, and those that are realistic and achievable.

A better understanding of the factors that are within management control and a company's true underlying motivation, has been important for assessing targets and what to expect as we monitor progress going forward. It was notable that the laudable ambitions of some companies may not be matched by their ability to control the main levers determining total emissions. **Taylor Maritime**, a holding in our Real Asset and Multi-Asset funds, is a good example of this. More details can be found in the case study further in the report.

Our detailed analysis into strategies and emissions disclosure, as well as target revisions, indicates that almost all companies face multiple challenges and are still early in their journeys to reaching "net zero" commitments by 2050. In turn, our financed emissions are beholden to these.

Changes to the scope of business disclosure (e.g. not all divisions, or 100% of revenue and reorganisation/ M&A impact) and revisions of targets may obscure the true picture of underlying real-world emission trends. Investors need to be wary, therefore, of the achievement of short-term milestones and subsequent revisions to targets, which may give the impression of good or bad performance in one particular year (e.g. **GEA, Hitachi** & **Shell**).

An important element of our ongoing TCFD obligations is monitoring emissions of the Top 15 contributors to financed emissions (for firm and funds) against their targets. Those companies contributing the largest changes to financed emissions will be added to our primary engagement list for 2025.

CASE STUDY E

GEA Group (Germany)

GEA is one of the world's largest systems suppliers for the food, beverage and pharmaceutical sectors.

Issue

Scope 3, Use of Sold Products, is the largest contributing factor to GEA's financed emissions. Restatement of disclosed data indicated a significant change of emissions between 2022 and 2023 and appeared to be above target, which we needed to understand.

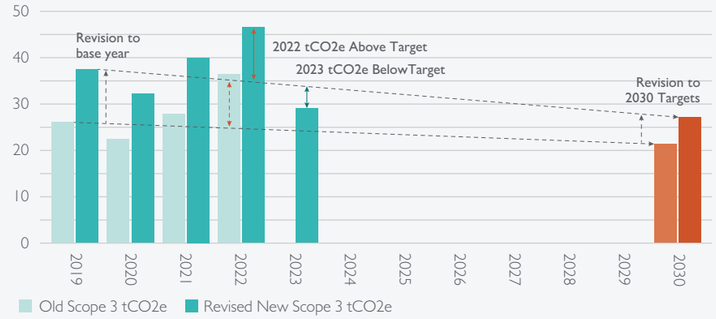
Action

In 2024, we had several meetings with GEA management to discuss developments and its climate transition plans to meet the ambitious net zero by 2040 long-term target.

Outcome

In 2023 the methodology for calculating Scope 1, 2 and 3 changed. The coverage of revenue determining emissions expanded from 80% to 100%, as required by SBTi, with the 2019 baseline Scope 3 increasing by 44%. This, and changes in the mix of products sold in 2023 (fewer spray dryers for Lithium processing in China) meant reported emissions were below target and on track to meet long-term goals. However, the IEA assumptions mentioned on page 11 remain an ongoing concern in relation to future Scope 3 emissions.

GEA Scope 3 GHG Emissions tCO2e (millions)
Revised Scope, Base and Targets



CASE STUDY E

Taylor Maritime Limited (UK)

Taylor Maritime Ltd ("TML"), previously Taylor Maritime Investments Ltd, is a significant owner and operator of dry bulk ships.

Issue

As part of our measurement and monitoring of our climate-related risks, TML has been identified as one of the Top 15 contributors to our financed emissions across the firm, requiring closer assessment.

Action

In October 2024 we engaged TML's senior management, IR and its sustainability lead to better understand the company's progress and climate transition plans, including the challenges it faces.

We discussed its Scope 3 emissions, which are by far the largest contributing factor to financed emissions. In 2023, total emissions (Scopes 1, 2 & 3) reduced 20% year-on-year, primarily driven by the divestment of vessels throughout the year, which is unlikely to be repeated in the next year.

TML is prioritising efficiencies on existing fleets instead of buying new vessels with the latest engine technology. For example, this could include retrofit measures to help reduce emissions (i.e. changes to propellors, rudders, energy efficiency monitoring systems etc.). It is also engaging with suppliers on wind sails and trialling bio-fuel alternatives. In addition, the business is having discussions regarding collaborating/ co-investing with charter customers to test and trial new technologies. Future developments of these and other efficiencies are impacted by customer demand who aren't always willing to pay higher charter rates for low carbon footprint vessels.

Outcome

We gathered a better understanding of the challenges TML faces to reduce carbon emissions when many factors are beyond its control (e.g. fuel burn, routes and weather). These include the International Maritime Organisation's new emission factor measures expected in 2027, which could mean TML's future reported emissions could increase when the new factors are introduced. We will continue to monitor and engage on climate transition progress and future plans.

4 METRICS AND TARGETS

GHG Emissions

OPERATIONAL EMISSIONS

EMISSIONS tCO2e	2023	2024
Scope 1	11	11
Scope 2	49	43
Total Scope 1 & 2	60	54
Scope 3 excluding Financed Emissions	1379	1453
Total Operational Emissions	1439	1507

*The organisational footprint was calculated for reporting period 01.01.2023 – 31.12.2023 and 01.01.2024 – 31.12.2024.
**Calculations were based on GHG Protocol Corporate Accounting and Reporting Standard.
***2023 figures restated based on improved data.

EMISSIONS INTENSITY	2023	2024
Scope 1, 2 and 3* – kgCO2/employee	8	8
Scope 1, 2 and 3* – kgCO2/sqm	1	1

*Scope 3 excludes financed emissions.
**2023 figures restated based on improved data.

ENERGY USE	2023	2024
Electricity – kWh	250,214	219,212
Heating – kWh	44,795	42,652

*2023 figures restated based on improved data.

FINANCED EMISSIONS

EMISSIONS tCO2e	2023	2024	% CHANGE
Scope 1 & 2 Financed Emissions tCO2e	322,041	548,406	+70.3%
Scope 3 Financed Emissions tCO2e	3,898,888	6,550,284	+68.0%
Total Portfolio Financed Emissions tCO2e	4,220,930	7,098,690	+68.2%
Total Carbon Footprint tCO2e / £m Invested Capital	622	759	+22.1%
Total Portfolio Sales Intensity tCO2e / £m Sales	1,954	2,542	+30.1%
Weighted Average Carbon Intensity tCO2e / £m Sales	1,135	2,916	+156.9%
Restated Top 15 Contributors Financed Emissions tCO2e	**3,743,588**	**6,317,089**	**+68.7%**

PROFILE OF EMISSIONS DATA AVAILABILITY – % OF AUM	2023	2024	% CHANGE
Scope 1	95.7	97.1	+1.4%
Scope2	93.8	95.4	+1.6%
Scope 3	90.6	91.4	+0.8%

15 LARGEST CONTRIBUTORS TO FINANCED EMISSIONS

	% EQUITIES WEIGHT	LATEST AVAILABLE EMISSIONS FISCAL YEAR	SHARE OF CO TOTAL EMISSIONS tCO2e	% OF TOTAL PORTFOLIO FINANCED EMISSIONS	SCOPE 1&2 tCO2e	SCOPE 3 tCO2e	TOTAL tCO2e
GE Vernova Inc. #	1.7%	2023	2,448,368	34.5%	539,154	1,118,000,000	1,118,539,154
Shell Plc	2.2%	2023	1,174,378	16.5%	57,000,000	1,147,000,000	1,204,000,000
Hitachi, Ltd.	2.9%	2023	589,526	8.3%	618,000	213,710,000	214,328,000
Sumitomo Mitsui Financial Group, Inc. #	2.2%	2023	496,466	7.0%	103,000	917,481,000	917,584,000
Siemens Aktiengesellschaft	1.4%	2023	386,605	5.4%	550,000	483,188,000	483,738,000
Anglo American plc	0.9%	2023	195,184	2.7%	12,500,000	95,800,000	108,300,000
Toyota Motor Corp.	1.5%	2023	187,664	2.6%	5,430,000	587,460,000	592,890,000
Sequoia Economic Infrastructure Inc Fund #	0.4%	2023	184,233	2.6%	6,294,519	437,506	6,732,025
PT AKR Corporindo Tbk	0.0%	2023	163,132	2.3%	35,800,270	56,329,420	92,129,690
Yum China Holdings, Inc. #	1.7%	2023	115,587	1.6%	2,211,668	10,102,062	12,313,730
Autoliv Inc Shs Swedish DR	0.8%	2023	105,300	1.5%	358,000	10,540,000	10,898,000
UPM-Kymmene Oyj	1.2%	2023	84,720	1.2%	3,861,000	7,610,000	11,471,000
Rio Tinto plc	0.1%	2023	76,260	1.1%	31,100,000	578,100,000	609,200,000
Asahi Group Holdings Ltd	1.6%	2023	61,267	0.9%	660,000	8,028,000	8,688,000
GEA Group Aktiengesellschaft	0.1%	2023	48,400	0.7%	58,918	29,298,907	29,357,825

# indicates new additions to Top 15. **Source:** Waverton, Morningstar, MSCI, FactSet, Company data as at 31 December 2024.

Change in Financed Emissions

This is the second TCFD report we have published based on our direct equity holdings. In this report, we provide details of the main contributors to financed emissions based on holdings as at 31 December 2024 using emissions year data from 2023. In last year's TCFD report, the figures were based predominantly on emissions disclosed for the period ending 31 December 2022. There is a one-year delay in the emissions' year because company emissions data is normally disclosed in ESG / Sustainability Reports published many months after the fiscal year end.

Please note that for the purpose of accuracy and consistency, we have restated the figures and Top 15 contributors to financed emissions to take into account data errors and new emissions disclosures, as well as improvements to methodologies and models.

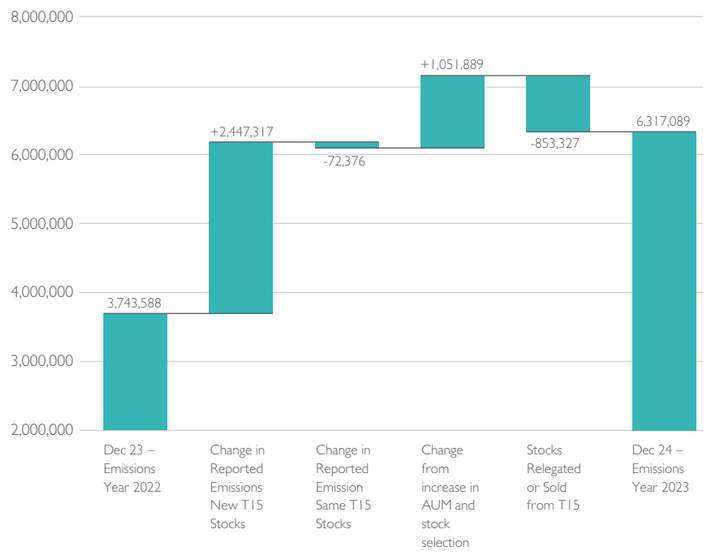
The report this year (and the Waverton Fund product reports) also includes attribution analysis for the changes in financed emissions calculated for equity holdings between December 2023 and December 2024, to provide a clearer explanation of the key drivers. The attribution analysis focuses on the Top 15 contributors to financed emissions, which account for 89% of Waverton's total financed emissions and 19% of the company's total AUM.

The main factors contributing to the changes in absolute financed emission are:

- Changes in reported emissions for new entrants to the Top 15 list as at December 2024
- Changes in reported emissions for stocks in the Top 15 list from December 2023
- Changes due to the increase in AUM and stock selection
- Stocks relegated or sold from the Top 15 list

The magnitude of the factors are illustrated by the chart above.

Change in financed emissions attribution tCO2e from Top 15 contributors



Graph covers changes in attribution between December 2023 and December 2024

New Top 15 Stocks – Change in Reported Emissions tCO2e and Share of Financed Emissions

	TOTAL EMISSIONS SCOPE 1, 2 & 3 tCO2e			SHARE OF FINANCED EMISSIONS tCO2e		
	EMISSIONS YEAR 2022	EMISSIONS YEAR 2023	CHANGE tCO2e	EMISSIONS YEAR 2022	EMISSIONS YEAR 2023	CHANGE tCO2e
GE Vernova Inc.	320,815,008	1,118,539,154	797,724,146	701,538	2,448,368	1,746,830
Sumitomo Mitsui Financial Group, Inc.	1,505,692	917,584,000	916,078,308	800	496,466	495,666
Sequoia Economic Infrastructure Income Fund Limited Ptg.Shs GBP	-	6,732,025	6,732,025	-	184,233	184,233
Yum China Holdings, Inc.	10,104,138	12,313,730	2,209,592	95,000	115,587	20,587
				797,337	**3,244,654**	**2,447,317**

Source: Waverton, FactSet, MSCI, Company Data. As at 31.12.2024.

METRICS AND TARGETS *CONTINUED*

Attribution details

The largest impact comes from the changes in disclosure and reported emissions by three of the four companies that entered into the Top 15 contributors list as at 31 December 2024.

GE Vernova

Following its spin-out from GE Aerospace in April 2024, GE Vernova published it first Sustainability report as an independent company. In the report, Scope 3 "gross" total emissions from Category 11 Use of Sold Products (predominantly gas turbines & steam turbines) were substantially higher than the "net" figure reported when it was still part of General Electric. The latter reported "net" emissions is calculated by adjusting the gross total figures based on the capital contributions to projects, while GE Vernova has chosen to adopt a more conservative (and arguably more prudent) approach as an independent company

SMFG

Sumitomo Mitsui Financial Group reported a substantial increase in emissions for 2023 compared to 2022, largely a reflection of its first time disclosure of the contribution from Scope 3 Category 15 Investments which amounted to tCO2e 915.9m.

Sequoia Economic Infrastruture

Similarly, Sequoia Economic Infrastructure Income Fund disclosed its portfolio emissions for the first time for the 2023 emissions year in its TCFD Report 2024.

Restatements to December 2023 Top 15 constituents due to data revisions:

New additions
- PT AKR Corporindo – correction of emissions data units
- Sandvik – disclosure of Scope 3 emissions in 2023 Integrated Annual Report

Relegated
- Taylor Maritime – revisions to company financial data resulting in lower share of EVIC
- Schlumberger (SLB) – contribution to financed emissions moved from rank 15 to 16

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 below 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.

$$\text{Financed emissions} = \sum_{C} \text{Attribution factorc x Company emissions}_c$$

(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:

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

5 GLOSSARY

Carbon footprint

The amount of greenhouse gases (GHGs), expressed as CO_2 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 CO_2e, 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 CO_2 emissions or net zero GHG emissions, which also includes non-CO_2 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.

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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