



Task Force on Climate-related
Financial Disclosures Report 2026

CEO statement

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Welcome to our 2026 Task Force on Climate-related Financial Disclosures (“TCFD”) report.

At Brooks Macdonald, our purpose is to help clients achieve their long-term financial ambitions. As a long-term steward of client capital, we recognise that climate-related risks and opportunities can influence economies, industries, and investment outcomes over time. Understanding these developments and their potential implications is an important part of fulfilling our responsibilities to clients and maintaining a resilient business.

This report outlines how we govern, assess, and manage climate-related risks and opportunities across both our investment activities and business operations. Our approach is guided by a clear principle: climate-related considerations should support decision-making where relevant to protecting and enhancing long-term client outcomes.

As a wealth manager, our greatest opportunity to respond to climate-related risks and opportunities is through the way we invest, engage and steward capital on behalf of our clients. During the year, we continued to strengthen the integration of climate-related considerations within our investment process and enhanced our stewardship approach, supported by tools, data and governance structures that support effective oversight. We also continued to collaborate with industry bodies and peers to support the development of responsible investment practices and improve our understanding of a rapidly evolving area.

Alongside our investment activities, we remain committed to reducing the environmental impact of our own operations. During the reporting period, we made further progress towards our

operational net-zero target, including the relocation of our London headquarters to a BREEAM-certified building and continued focus on improving the efficiency and sustainability of our office portfolio. These actions reflect our belief that responsible business practices and long-term commercial success go hand in hand.

Climate-related reporting, data, and methodologies continue to evolve, and we recognise that uncertainty remains in many areas. We therefore take a measured and pragmatic approach, using climate-related information as one of several inputs that inform decision-making, stewardship and long-term risk management.

Looking ahead, we remain focused on delivering resilient long-term outcomes for our clients whilst continuing to strengthen our capabilities across responsible investment, stewardship, and climate-related risk management. We believe that the firms best placed to create enduring value will be those that can adapt to change, manage risk effectively and identify opportunities as they emerge. By continuing to evolve our approach, invest in our people and processes, and maintain a clear focus on clients, we are confident that Brooks Macdonald is well positioned to meet those challenges and opportunities, supporting sustainable growth for our business and long-term value creation for all our stakeholders.

Andrea Montague
CEO



About Brooks Macdonald

Proudly serving clients since 1991, Brooks Macdonald is a UK-focused wealth manager with strong distribution via internal and external independent financial planners and advisers. We provide a comprehensive range of innovative investment solutions tailored to clients' specific needs, helping them achieve their financial objectives. We offer a range of investment management services to private high-net-worth individuals, pension funds, institutions and trusts. The Group also provides financial planning and acts as fund manager to regulated open-ended investment companies providing a range of risk-managed multi-asset funds.

We have an industry-leading Centralised Investment Process ("CIP"), which powers the services and products we provide to our clients. This process creates a robust framework for our investment professionals to work together, sharing ideas and challenging each other's views. Our CIP is built on model-based solutions where decision-making responsibility and authority is shared by colleagues. This approach provides market-leading performance as well as consistency of outcomes reflecting stronger alignment and collaboration for investment managers, whilst continuing to allow for the tailoring of specific individual client needs.

As a client-centric business, we want to make a positive difference through the services we provide, the way we provide them and the way we run the Group.

Our team of experienced professionals are dedicated to delivering superior results and building long-term partnerships inspired by our guiding principles: we do the right thing, we are connected, we care and we make a difference. We are committed to staying at the forefront of the industry, leveraging our expertise to navigate market complexities and achieve our clients' financial objectives.



Compliance statement

This report covers the period 1 July 2025 to 30 June 2026. Consistent with the recommendations of TCFD, it outlines how the Group incorporates climate-related risks and opportunities into our governance, strategy, risk management, and metrics and targets. The report supplements our 2026 Annual Report and Accounts covering the same period.

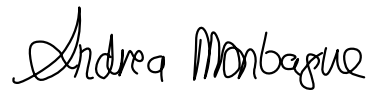
Our corporate group includes two entities engaging in portfolio management activities, Brooks Macdonald Asset Management Limited ("BMAM"), and LIFT-Invest Limited ("LIFT-Invest"), which are regulated by the Financial Conduct Authority ("FCA"). BMAM alone is required to publish an entity TCFD report under applicable regulations (as per Chapter 2.2 of the FCA Environmental, Social and Governance ("ESG") sourcebook), as LIFT-Invest is covered by the exemption in ESG 1A.1.2R. However, given that our approach to climate-related risks and opportunities is consistent across the Group, and that the assets previously managed under LIFT have now been merged into the Brooks Macdonald Model Portfolio Service ("MPS") range, this report includes information for both entities.

Our disclosures are consistent with the recommendations of the TCFD and the FCA listing rule UKLR 6.6.6R(8). Due consideration has also been given to aligning disclosures with those recommended by the TCFD's 'Guidance for All Sectors' and 'Asset Managers'.

TCFD Product Reports are also provided. The reports provide transparency in relation to the carbon footprint, temperature alignment and climate value-at-risk for each of our fund ranges. These reports have been produced by Tutman who act as our funds' Authorised Corporate Director ("ACD") and can be found on their website.

This statement is made in line with the FCA's ESG sourcebook (section 2.2.7) requirement for a firm's TCFD entity report to include a compliance statement, signed by a member of the senior management of the firm.

Andrea Montague
CEO



Recommended TCFD disclosures

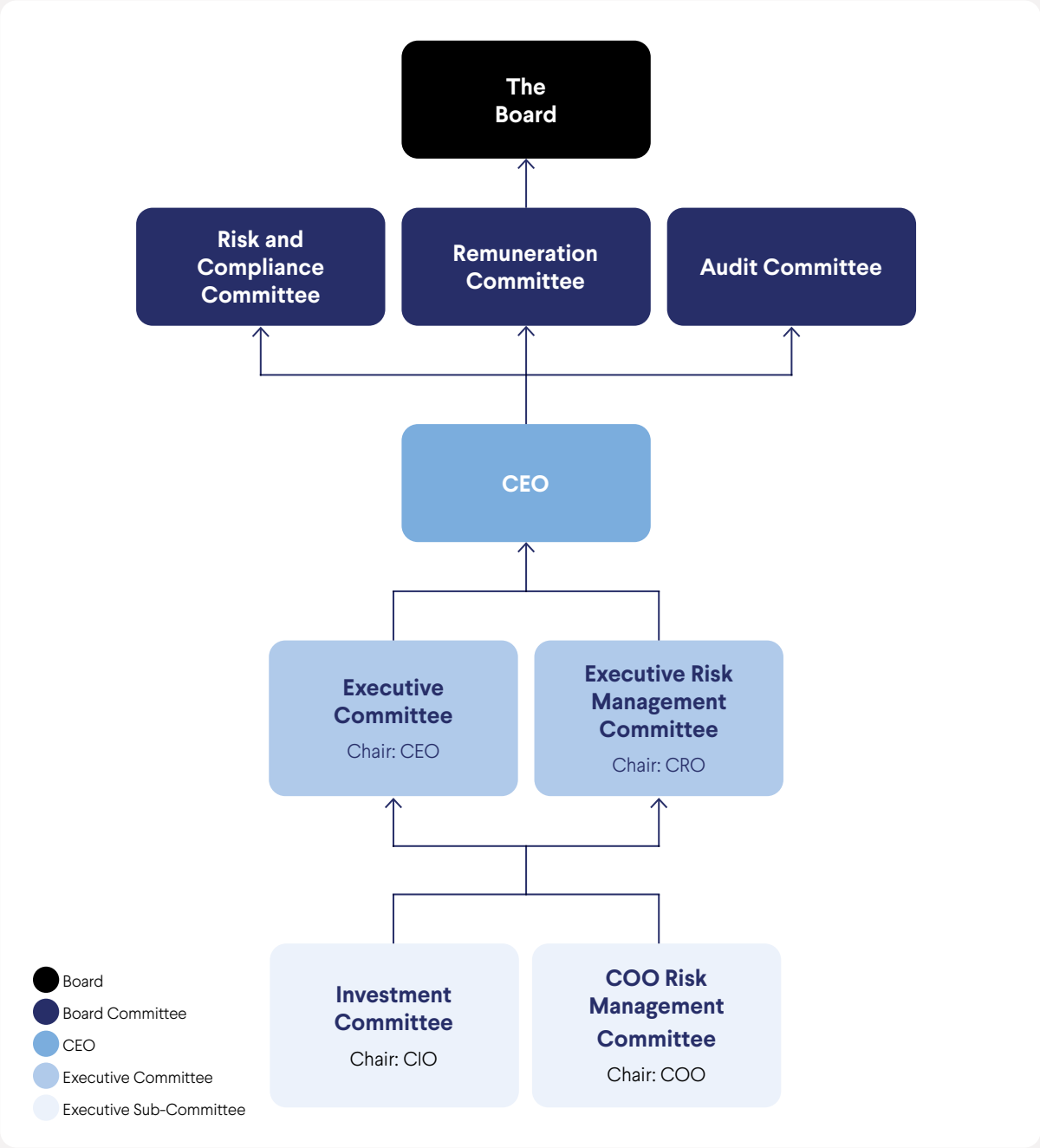
TCFD pillar and recommendations	Section and page number
Governance Disclose the organisation's governance around climate-related risks and opportunities.	
a. Describe the Board's oversight of climate-related risks and opportunities.	Governance Page 05
b. Describe management's role in assessing and managing climate-related risks and opportunities.	Governance Pages 05-08
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Strategy Pages 09-13
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Strategy Page 14
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Strategy Pages 15-19
Risk management Disclose the processes used by the organisation to identify, assess and manage climate-related risks.	
a. Describe the organisation's processes for identifying and assessing climate-related risks.	Risk management Pages 20-24
b. Describe the organisation's processes for managing climate-related risks.	Risk management Pages 20-24
c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Risk management Page 20
Metrics and targets The metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.	
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk-management process.	Metrics and targets Pages 25-29
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks.	Metrics and targets Page 25
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Metrics and targets Page 29

Governance

We recognise the importance of governance in establishing transparency, accountability and good conduct.

Effective governance enables us to better manage risks and make business decisions accordingly, leading to improved investor confidence.

The section below outlines how our governance structure helps us address climate-related risks and opportunities.



The Board's oversight of climate-related risks and opportunities

Climate-related responsibilities	Activities in the reporting period
The Board	
The Board has ultimate responsibility and accountability for the oversight and management of Brooks Macdonald Group. It maintains full control over strategic, financial, operational and compliance matters through its corporate governance framework. This corporate governance framework provides regular reporting and other updates to the Board, through which it is able to oversee progress against the Group's targets.	- Reviewed and approved the Group's TCFD Report. - Approved the annual Operational Resilience Self-Assessment.
Audit Committee	
The Audit Committee oversees the principles, policies and practices adopted in the preparation of the financial statements of the Group and assesses whether annual financial statements comply with statutory requirements, including TCFD disclosures. The Committee is responsible for internal and external audit.	- Reviewed and approved the Group's TCFD Report. - Reviewed and discussed the findings of the internal audit report on the CIP.
Risk and Compliance Committee ("RCC")	
The RCC reviews quarterly reports on key risks impacting the business, including climate-related risks.	Monitored the performance of climate-related key risk indicators ("KRIs").
Management's oversight of climate-related risks and opportunities The Board has delegated overall responsibility for the delivery of the Group's strategy to the Group Chief Executive Officer ("CEO"). The CEO and Executive Committee ("ExCo") are responsible for the day-to-day management of the Group and have ultimate responsibility for the integration of climate risks and opportunities across the business, and for bringing climate-related matters to the Board. The ExCo delegates responsibility to a range of management committees that operate across the Group and are accountable for managing the areas of the business that may affect, or be affected by, climate change. The Chief Risk Officer ("CRO") is responsible for ensuring that climate-related risks and opportunities are identified, monitored and managed through our risk management framework and in line with our risk appetite. The Chief Investment Officer ("CIO") is responsible for day-to-day oversight of the effective integration of climate risk into the investment research and decision-making process. The Chief Operating Officer ("COO") is responsible for advancing how the Group serves its advisers and clients and leads the Group's investment in technology, systems and processes. This includes the management of outsourced partnerships as well as workplace and facilities. The COO is responsible for the implementation of initiatives to ensure the Group meets its operational net-zero target.	

Accountable senior manager	Climate-related responsibilities	Climate-related activities
Executive Committee		
CEO	The ExCo provides support for the oversight and management of the strategic and operational authorities delegated to the CEO by the Group Board. This includes addressing climate change risk and opportunities and escalating relevant updates to the Board.	Reviewed and approved the Group's TCFD Report.
Executive Risk Management Committee ("ERMC")		
CRO	The ERMC has responsibility for ensuring the effective management of risk throughout the Group, in line with the risk appetite and risk management framework approved by the Board.	Monitored the performance of climate-related KRIs.
Investment Committee ("IC")		
CIO	The IC oversees the execution of the firm's responsible investment policy and research processes, which include climate-related guidelines.	- Reviewed and approved enhancements to the Group's external responsible investment policy and internal research guidelines, which incorporate the consideration of climate-related factors in the Centralised Investment Process. - Reviewed and updated the voting policy statement outlining the Group's approach to exercising voting rights on directly held assets. - Monitored climate-related metrics on a quarterly basis across the Group's products and services.
COO Risk Management Committee ("RMC")		
COO	Responsible for oversight of ESG and climate-related risks and opportunities in the Group's operational activities. Responsible for operational business emissions. Every four years, reviews and approves the Group's Energy Savings Opportunity Scheme ("ESOS") action plan, submitted to the Environment Agency ("EA"). This action plan outlines our commitment to improving our energy-saving measures.	- Reviewed the Group's Streamlined Energy and Carbon Reporting ("SECR"). - Oversaw the Operational Resilience Committee ("ORC"), which oversees the firm's ability to operate during, and recover from, climate-related events. - As part of its oversight of the Group's Operational Resilience framework, considered the impact of climate-related events on the Group's operations.

The management committees and accountable senior managers are supported by several sub-committees, teams and business functions in carrying out their climate-related responsibilities.

CIO and the IC

The Asset Selection Committee (“ASC”) is a sub-committee of the IC, which is chaired by the CIO or nominated delegate and responsible for monitoring the implementation and effectiveness of the responsible investment (“RI”) Policy. The ASC reviews and approves all investments. Material findings from due diligence, including ESG-related findings, are reviewed prior to asset approval.

Sector research teams are responsible for generating investment ideas that inform and populate the multi-geography, multi-asset-class central buy list. Investment managers, portfolio managers and central research analysts have the opportunity to join sector research teams.

There are two dedicated responsible investment team members who lead the development of the ESG and sustainability-

related due diligence and monitoring framework alongside supporting sector research teams in completing due diligence. These roles sit within the Central Research team, which forms part of the CIO function. The RI professionals are supported by the RI Working Group, which meets to discuss the ongoing evolution of the responsible investment process.

A dedicated research team is responsible for populating the buy list for our Responsible Investment Service (“RIS”) proposition. Members of the RI team are embedded within this research group to ensure alignment with values-based objectives, applying an ESG and sustainability lens to the fund selection and monitoring process. The RIS proposition sector research team supports Bespoke Portfolio Service (“BPS”) managers across the business in screening and responding to client requests related to ethical and sustainability preferences, and in publishing thought leadership content for advisers and clients. Where appropriate, team members also participate in client meetings to explain the objectives and methodology behind the RIS strategies.

COO and the COO Risk Management Committee

To support progress toward our net-zero operational target and manage the direct environmental impact of our business, we have a dedicated sustainability role within the Workplace and Facilities team. This role focuses specifically on operational sustainability and reports to the COO.

During the year, the COO team oversaw the relocation of our London Head Office to a BREEAM-certified building. BREEAM (Building Research Establishment Environmental Assessment Method) is one of the world's leading sustainability assessment standards for buildings, recognising high levels of environmental performance across areas including energy, water, materials, health and wellbeing.

Within the COO space, the ORC considers the impact of all severe but plausible events, including climate-related events, on our third parties' ability to deliver effective operations during a disruption.

The ORC oversees testing and our ability to operate during, and recover from, such climate-related events. The ORC reports to the COO RMC, and details of testing is recorded in our annual Operational Resilience Self-Assessment, which is presented to and approved by the Board.

CRO and the ERM

The ERM, chaired by the CRO, provides Executive oversight of the Group's risk management framework, monitoring key and emerging risks, risk appetite and control effectiveness, and ensuring that material risk matters are escalated to the Board and its committees as appropriate. This includes oversight of climate-related risks, with the Committee reviewing material climate-related risk exposures, monitoring relevant risk indicators and considering the potential impact of climate-related events on the Group's operations and resilience.

Training, knowledge and capability building

Mandatory ESG and anti-greenwashing training is provided for relevant staff, including client-facing roles.

We are committed to continuing to enhance our approach to responsible investment across both our core and RIS propositions, recognising that our approach will evolve over time alongside industry practice, regulatory expectations, data quality and client needs.

Training and upskilling is an area of continued focus. Where relevant, investment professionals have been supported in pursuing ESG and sustainability-related qualifications; the Chartered Financial Analyst ("CFA") Sustainable Investing Certificate (formerly the CFA Certificate in ESG Investing) and the CFA Climate Risk, Valuation and Investing Certificate.

The RI team regularly attend responsible investment conferences, training sessions and market updates, to deepen their understanding of ESG risks and opportunities and of evolving industry practice.

Our Compliance Advisory function has processes in place to review and approve any relevant marketing material to ensure adherence to the FCA's SDR, with particular focus on the anti-greenwashing requirements.

There is training in place for any new members of the team, and approved documents are subject to selected review by our Compliance Monitoring team. Our commitment to transparency and integrity with regard to our responsible investment offering is paramount to maintaining stakeholder trust and regulatory adherence.



Strategy

As a leading UK wealth management company, Brooks Macdonald recognises that climate-related risks and opportunities can have implications for our business and investment strategies.

Climate change introduces both physical and transition risks that may impact investment outcomes. At the same time, it is directing capital to the transition to a lower-carbon economy, which may provide attractive investment opportunities within renewable energy, climate solutions and adaptation-focused business models.

The TCFD framework divides climate-related risks into two key categories:

- Physical risks are those arising from the physical effects of climate change on livelihoods, activities, and assets. These include chronic or acute risks.
- Transition risks involve various types of risks caused by the potential failure to keep pace with the world's transition to a lower-carbon economy. These include policy and legal, market, technology or reputational risks.

The TCFD also considers that efforts to mitigate and adapt to climate change can produce opportunities and identifies these areas of opportunity as: resource efficiency, products and services, markets, energy source and resilience.

Assessment of climate-related risks and opportunities at Group level

The following tables outline the Group's latest assessment of its most material climate risks and opportunities, across our operations and investments, and for the purpose of TCFD reporting. We have included estimated impacts and time horizons over which these risks could take effect.

Consistent with the wider industry, our understanding of climate-related risks, their potential impacts and appropriate mitigation strategies is still evolving.

The risks and opportunities have been put together through collaboration between the CIO team, Operational Resilience, Risk and Compliance and Workplace Facilities.

Description of climate risks and opportunities

Terminology	Risk description
Climate risk type	
Physical risk	Risks arising from the physical effects of climate change on livelihoods, activities and assets. These include chronic or acute risks.
Transition risk	Risks caused by the potential failure of keeping pace with the world's transition to a lower-carbon economy. These include policy and legal, market, technology or reputational risks.
Physical risk type	
Acute risks	Risks that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, heat or cold waves, or floods.
Chronic risks	Risks driven by longer-term shifts in climate patterns, such as rising temperatures, which can lead to issues like sea level rise or persistent heat waves and change in precipitation patterns.
Transition risk type	
Policy and legal	Risk associated with policies or regulation designed to limit activities that exacerbate climate change. This includes heightened risk of legal actions due to inadequate mitigation of climate change impacts or failure to properly disclose significant financial risks.
Technology	Risk associated with failure to keep up with the technological advancements required to effectively manage climate risks and opportunities and support the transition to a lower-carbon economy.
Market	Risk associated with change in market dynamics driven by the transition to a low-carbon economy, including the impact on client behaviour/preference and the costs of raw materials.
Reputational	Risk associated with changing stakeholder perception and expectations related to climate change.
Climate-related opportunities	
Resource efficiency	The opportunity to improve efficiency and reduce operating costs.
Products and services	The opportunity to capitalise on shifting consumer preferences by innovating, developing and offering low emission products and services.
Markets	Identifying opportunities in new markets or types of assets to be better positioned for a transition to a low-carbon economy.
Resilience	Being positioned to manage the impacts of climate change as a result of climate-adaptation measures.
Energy source	Opportunities associated with transitioning to no- or low-emission sources of energy.

Table of climate-related risks

Risk category	Risk description	Potential risk impacts	Estimated time horizon	Mitigation response
Transition risks				
Policy and legal	Risks arising from the increase and evolution in climate-related disclosure and regulatory requirements. These risks apply to the Group as well as the portfolio companies in which the Group invests.	Increased compliance and reporting costs; exposure to climate-related fines or litigation through non-compliance; loss of market trust; reputational harm; reduced demand for the Group's products and services, leading to possible loss in revenue.	Short Medium Long	Policy and regulatory developments are tracked through regular horizon scanning undertaken by the Compliance team. Through our membership of Personal Investment Management & Financial Advice Association ("PIMFA"), the Investment Association ("IA"), responsible investment networks, and organisations such as the United Nations ("UN") Principles of Responsible Investment ("PRI"), we are well positioned to identify emerging policy and regulatory developments, engage with industry consultations, and provide feedback on proposed regulatory changes where we consider it necessary. Within the Centralised Investment Process ("CIP"), analysis of ESG, including climate-related, risks forms part of the asset selection and monitoring framework, and informs stewardship activities. Mandatory ESG and anti-greenwashing training is provided for relevant staff, including client-facing roles.
Market	For the Group, failure to meet evolving client expectations regarding responsible investment and climate-related practices and shifting investor trends regards climate-focused propositions that we do not provide. For portfolio companies, failure to respond to: • Changing client demand towards lower emission products and services • Higher raw materials pricing	Reduced demand for the Group's products and services. This in turn could negatively impact on the Group's funds under management ("FUM") and revenue. Loss of portfolio company revenue, market share and valuations, affecting our portfolio returns and client outcomes.	Short Medium Long	We invest in diversified, multi-asset portfolios. We include consideration of climate risks and opportunities within our CIP. We provide a Responsible Investment Service ("RIS") proposition, designed to support clients with values-based preferences. This proposition includes an exclusionary strategy ('Avoid') and a sustainability-aligned strategy ('Advance'). The Product and Proposition team provides governance and oversight of products and services throughout their lifecycle—market developments, customer needs and distribution activity are considered as part of ongoing product oversight and future proposition development.

Time horizon key: **Short** term = 0–5 years, **Medium** term = 5–15 years, **Long** term = 15+ years

Risk category	Risk description	Potential risk impacts	Estimated time horizon	Mitigation response
Technology	For the Group and its portfolio companies:	Resource and expertise constraints and increased operating costs.	Short	Within the CIP, analysis of ESG, including climate-related, risks forms part of the asset selection and monitoring framework, and informs stewardship activities.
	Risks associated with the need to develop, implement and maintain appropriate technology, systems and data capabilities to manage climate-related risks and opportunities. Risks arising from a failure to adapt to technological innovation or capitalise on the transition towards lower-emission technologies and business models.	Reliance on third party data may increase our risk of exposure to inaccurate climate-related data, leading to negative stakeholder perception. Loss of portfolio company revenue, market share and valuations, affecting portfolio returns and client outcomes, leading to loss in revenue and FUM. Inability to meet our operational net zero by 2030 target.	Medium Long	We have invested in third-party research and data to support the assessment of climate-related risks. We continue to monitor the ESG data provider landscape. We seek to be transparent about the limitations of ESG data in our external reporting and have worked with third party data providers to develop our understanding of methodologies and quality assurance processes.
Reputation	Heightened scrutiny of climate-related claims and risk of perceived greenwashing. This is a risk both to Brooks Macdonald and the portfolio companies in which the Group invests.	Reduced demand for the Group's products and services. Loss of portfolio company revenue, market share and valuations, affecting our portfolio returns and client outcomes. This in turn could negatively impact on the Group's FUM and revenue.	Short Medium Long	Within the CIP, analysis of ESG, including climate-related, risks forms part of the asset selection and monitoring framework, and informs stewardship activities. We seek to be transparent about the limitations of ESG data in our external reporting and have worked with third party data providers to develop our understanding of methodologies and quality assurance processes. Our Compliance Advisory function has established processes in place to review and approve any relevant marketing material to ensure adherence to the FCA's ESG rules, with a particular focus on the anti-greenwashing requirements. There is training in place for any new members of the team, and approved documents are subject to selected review by our Compliance Monitoring team. Mandatory ESG and anti-greenwashing training is provided for relevant staff, including client-facing roles.

Time horizon key: **Short** term = 0–5 years, **Medium** term = 5–15 years, **Long** term = 15+ years

Risk category	Risk description	Potential risk impacts	Estimated time horizon	Mitigation response
Physical Risks				
Acute and Chronic	Portfolio companies may face increased capital costs due to damage to infrastructure, increased insurance premiums, supply chain disruptions, higher costs and impacted access to resources such as clean water. Long-term shifts in climatic patterns may have wide-ranging impacts on the global economy and geopolitical tensions, leading to increased operational costs and potentially widespread disruption to commercial activity. Brooks Macdonald's buildings and supply chains are impacted by extreme weather and extreme heat caused by climate change. This could result in water shortages, limit employee travel, office inaccessibility and power outages that affect service delivery.	Loss of portfolio company revenue, market share and valuations, affecting portfolio returns and client outcomes, leading to loss in revenue and FUM. Productivity and workforce impacts during extreme weather events. Higher operating costs caused by disruption. Supply chain disruption and additional supplier risk assessments.	Medium Long	The Operational Resilience Programme provides a framework for understanding how climate-related events could affect the firm's Important Business Services and operational capabilities. Climate-related risks are considered as part of the vulnerability assessment and annual scenario testing alongside other severe but plausible operational scenarios. The firm's Business Continuity arrangements, including remote working capabilities, support resilience where disruption affects premises or critical operational infrastructure. Within the CIP, analysis of ESG, including climate-related, risks forms part of the asset selection and monitoring framework, and informs stewardship activities.

Time horizon key: **Short** term = 0–5 years, **Medium** term = 5–15 years, **Long** term = 15+ years

Table of climate-related opportunities

Opportunity category	Opportunity description	Potential opportunity impact	Estimated time horizon	Our approach
Transition				
Products and services	Growth in demand for responsible investing and sustainability-aligned investment offerings.	Revenue growth and increased market share. Ability to retain and attract talent.	Short Medium	We provide the RIS proposition, designed to support clients with values-based preferences. This service includes an exclusionary strategy ('Avoid') and a sustainability-aligned strategy ('Advance'). The Product and Proposition team provides governance and oversight of products and services throughout their lifecycle – market developments, customer needs and distribution activity are considered as part of ongoing product oversight and future proposition development.
Resource efficiency	Increased use of modern, BREEAM-rated office space that incorporates energy-efficient and sustainable design features.	Reduction in Scope 1 and 2 emissions. Progress towards operational net zero by 2030 target. Ability to retain and attract talent.	Short Medium	Nearly 49% of our office portfolio by floor area is located in BREEAM-Outstanding or above certified buildings, achieved with the move to our London Office which is rated BREEAM-Excellent. Alongside this, we monitor energy consumption, promote responsible energy use, and identify opportunities to improve efficiency and reduce Scope 1 and Scope 2 emissions.
Markets	Changing consumer demand, regards lower emission products and services. Evolving client expectations regarding responsible investment and climate-related practices and shifting investor trends to more climate-focused propositions.	Revenue growth and increased market share.	Short Medium	We provide the RIS proposition, designed to support clients with values-based preferences. This service includes an exclusionary strategy ('Avoid') and a sustainability-aligned strategy ('Advance'). Advance may be appropriate for clients seeking exposure to companies that are deemed to be addressing the climate crisis through their products, services, and operational practices, although this is not the strategy's sole focus.
Energy source	Opportunity to purchase electricity from renewable sources.	Reduced operating costs. Reduction in Scope 1 and 2 emissions. Progress towards operational net zero by 2030 target.	Short Medium	In a limited number of offices, we have the autonomy to select our own office service providers. Where this is the case, we make a conscious effort to choose providers that offer the most environmentally sustainable energy solution.
Resilience	Enhancing the Group's ability to maintain operations and service delivery in the face of climate-related disruption.	Improved ability to maintain client service and critical business activities during disruption affecting offices, staff travel, suppliers or technology infrastructure. Potential reduction in operational disruption, remediation costs.	Medium Long	The Operational Resilience Programme provides a framework for understanding how climate-related events could affect the firm's Important Business Services and operational capabilities. Climate-related risks are considered as part of the vulnerability assessment and annual scenario testing alongside other severe but plausible operational scenarios. The firm's Business Continuity arrangements, including remote working capabilities, support resilience where disruption affects premises or critical operational infrastructure. Our facilities management approach also considers resource efficiency and the use of serviced office space, which can support flexibility and reduce exposure to disruption at individual locations.

Time horizon key: **Short** term = 0–5 years, **Medium** term = 5–15 years, **Long** term = 15+ years

Climate-related risks and opportunities and their impact on our business, strategy and financial planning

Brooks Macdonald is dedicated to enhancing its understanding of the risks and opportunities posed by climate change. We acknowledge that, if not appropriately managed, they may affect investment performance and lead to broader reputational risks.

With regards to financial planning, climate-related risks and opportunities are factored into the preparation of the Group's Annual Report and Accounts, with finance processes and forecasts taking climate-related costs into consideration.

Impact on our operational strategy

We are committed to understanding and reducing the environmental impact of our operations. We have set an ambition to achieve net zero across all operations by 2030 and continue to improve our environmental performance by minimising emissions and promoting sustainable practices.

During the year, we continued to refine our office portfolio to support both our business requirements and sustainability objectives. As part of this strategy, we relocated our London Head Office to a BREEAM-certified building. BREEAM is one of the world's leading sustainability assessment standards for buildings, recognising high levels of environmental performance across areas including energy, water, materials, health and wellbeing. This was also part of our mandatory Action Plan published in the EA's website in 2025. This move represents an important step in our sustainability journey and supports our ambition to reduce the environmental impact of our operations. The relocation is

more than a change of address; it is a tangible investment in creating a sustainable, healthy and future-ready workplace.

The move also provided an opportunity to apply circular economy principles on a larger scale. A significant proportion from our previous London office was reused within the Group, including furniture transferred to support the refurbishment of our Altrincham office. Furniture that could not be reused internally was either resold, donated or recycled through specialist partners, ensuring that materials remained in productive use wherever possible.

Our property strategy is reviewed annually and continuously updated to safeguard the health, safety and wellbeing of colleagues whilst considering longer-term environmental performance and sustainability credentials. We remain focused on providing workspaces that support engagement, collaboration, trust, and productivity whilst enabling a flexible and hybrid approach to work.

Impact on our centralised investment process ("CIP")

Asset allocation

From an asset allocation perspective, we do not believe it is currently possible to forecast future climate pathways with sufficient consistency or confidence to justify placing significant reliance on precise outputs from emerging climate-related metrics such as climate Value at Risk ("VaR"). Where supported by the investment case and aligned with clients' best interests, however, we may seek thematic exposure to climate-related opportunities. During the reporting period, investment managers were able to invest in clean energy related infrastructure strategies included on our approved buy list, where suitable for client portfolios. These strategies may benefit from the long-term energy transition and energy security drivers.

Asset selection and monitoring

Our view is that responsible investment principles can be applied most effectively as part of bottom-up asset selection, rather than through top-down asset allocation. Accordingly, this is where our ESG, including climate-related analysis, is primarily focused. We believe that by incorporating an assessment of ESG risks and opportunities we have a more holistic understanding of an asset, helping to inform decision-making and improved client outcomes.

Within the asset selection and monitoring process, analysts responsible for due diligence have access to qualitative and quantitative climate-related information and data, to inform due diligence, with guidance provided on how to assess these and present the outputs in research notes. We also seek to incorporate ESG risks and opportunities into our engagement and voting practices. Further detail is provided in the Risk management section of this report, and in our RI Policy, available on our website.

To support upskilling, the Group has supported research analysts in pursuing ESG training and certifications such as the CFA Sustainable Investing Certificate and the CFA Climate Risk, Valuation and Investing Certificate, where appropriate.

Dedicated proposition for clients with values-based objectives

Our RIS proposition is designed to support clients with values-based preferences. This proposition includes an exclusionary strategy ('Avoid') and a sustainability-aligned strategy ('Advance').

RIS is integrated into the CIP and is designed to pursue long-term risk-adjusted investment returns whilst reflecting responsible investment values. It builds on the established CIP by incorporating values-based objectives alongside financial objectives.

The RIS Advance proposition includes funds that seek exposure to companies that are addressing the climate crisis, and that may benefit from decarbonisation-related and energy transition opportunities. However, this is not the central objective of the service, nor of all underlying third-party funds. We are committed to developing our RIS offering in line with the evolving demands and opportunities of the transition to a more sustainable economy, including client demand and the changing regulatory landscape for sustainable investment.

Reporting available to clients

During the reporting year, we published two dedicated reports for RIS clients, covering a range of sustainability topics designed to enhance clients' understanding of the service and deepen their knowledge of key ESG topics and themes, including topics relating to climate change. We also provided case studies showcasing specific company exposures within the portfolios, along with a breakdown of portfolio alignment to sustainability themes, based on a look-through analysis of the underlying holdings within the Platform MPS portfolios.

Product level TCFD reports for our in-house funds, which are subject to FCA regulatory requirements, are available from the funds' ACD, Tutman. Copies of these public product level TCFD reports are available on the ACD's website here.

Our RI policy and voting policy statements are publicly available on our website.

Climate scenario analysis

As part of our annual TCFD reporting, we continue to provide an entity-level quantitative scenario analysis output. As at 30 June 2026, funds under management ("FUM") under our discretion totalled approximately £18.8 billion¹. This represents the Group's discretionary portfolio² to which the scenario analysis has been applied.

Climate scenario analysis considers multiple different global warming pathways, assessing how projected changes in warming, policy and technology under each scenario may affect the financial performance of assets across different sectors and geographies. Scenarios are projections of what could happen in the future, based on plausible and consistent descriptions of possible climate futures. The TCFD recommends investors consider a set of scenarios, including a '2°C or lower scenario', in line with the Paris Agreement.

The value of scenario analysis lies in its ability to show how investments might perform under different circumstances and scenarios, rather than in its ability to predict exact financial impacts. The exercise facilitates understanding of a company or portfolio's financial sensitivity to climate-related risks and opportunities but should not be used as a predictive tool or forecast of future financial impact.

The scenario analysis output shared in this report is not integrated into our top-down asset allocation process and does not drive investment decision-making. It is provided solely to support transparency and informed discussion about potential exposure to risks and opportunities. We consider this to be a pragmatic approach, given that scenario analysis as an exercise remains subject to material limitations, including sensitivity to assumptions, data availability and quality issues, and differences in scenario

methodologies, assumptions and coverage. Models do not fully capture company-specific transition readiness, adaptation measures or wider macroeconomic effects. More details on the limitations of scenario analysis can be found in Appendix C.

Transition Value-at-Risk

Morningstar Sustainalytics' Transition Value-at-Risk model

Morningstar Sustainalytics has developed a model which enables us to estimate how the value of our Group-level discretionary portfolio could potentially be affected by transition risks of moving to a low-carbon economy between now and 2050; the Low Carbon Transition Value-at-Risk ("LCT-VaR") model. This tool only covers transition risks and does not include the impact from physical risks.

The model covers a number of low carbon transition scenarios selected by Morningstar, provided by the International Policy Response ("IPR") and International Energy Agency ("IEA"). These are based around assumptions across climate policy, technological change, market and demand changes as well as broader socioeconomic trends. The model uses Morningstar financial data and Morningstar Sustainalytics GHG emissions and transition risk inputs, meaning the outputs are dependent on its underlying datasets and methodology.

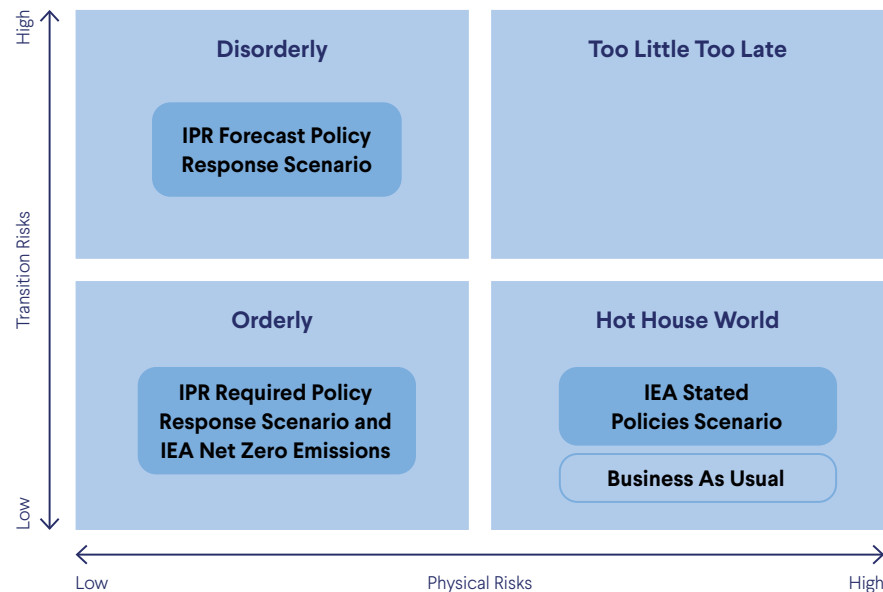
For this year's report, we have been able to consider four climate scenarios. Two of these scenarios represent orderly pathways to net zero, one represents a disorderly pathway, and one represents a 'hot house world' outlook.

Scenario classification	Scenario description
Orderly	The scenarios assume that climate policies are introduced early and gradually become more stringent. Transition risks are more subdued due to immediate interventions, such as strong policies, carbon pricing, technology integration and uptake, and customer preferences and demand.
Disorderly	These are scenarios with higher transition risk due to policies and technology being delayed, or divergent across regions and sectors, such as advanced economies implementing stronger policies sooner, and hard- to-abate sectors not transitioning until post 2050.
Hot House World	These are scenarios that assume some climate policies are implemented in some regions, but global efforts are insufficient to halt significant warming, and critical temperature thresholds are exceeded. Morningstar Sustainalytics currently considers the business as usual scenario, a hot house world scenario, and, for the purpose of this document, will be referred to as hot house world.

Source: Morningstar Sustainalytics

- ¹ Please note that this differs from the Group's year-end reported FUM (£19.3 billion) due to the exclusion of execution-only accounts.
- ² Metrics are calculated by Morningstar Sustainalytics using the discretionary portfolio holdings as at 30 June 2026. All holdings' data used in this analysis has been compiled as at 30/06/2026. The data includes the following items, covering Group-wide FUM and excluding execution-only accounts.
 - (a) Onshore BPS (excluding execution-only/advisory-only accounts, including RIS/Decumulation/Court of Protection, where applicable);
 - (b) Onshore MPS Custody accounts (including RIS);
 - (c) AIM Service;
 - (d) Multi-Asset Funds (including MAF, Levitas, CAM); and
 - (e) MPS Platform Holdings (including BMIS, RIS and the core strategies). All holdings held on external platforms (i.e., within MPS Platform) have been estimated via apportioning the FUM in each model as at 30/06/2026 as per the drifted weight of each asset in each model. Please refer to Appendix B for more detail.

The four specific scenarios used within these classifications, together with their underlying assumptions, are outlined below:



Source: Morningstar Sustainalytics, adapted from Network for Greening the Financial System ("NGFS")

Broad scenario classification	Scenario name	Scenario assumptions
Orderly	Inevitable Policy Response ("IPR") – Required Policy Scenario ("RPS")	• Immediate and smooth policy response • Fast change in tech uptake • Medium variation in policy uptake • Meeting net zero in developed economies by 2040 • Incorporating land use change and nature-based solutions • Lower reliance on carbon capture and assumes • Significant behavioural changes • 50% chance of limiting warming to 1.5°C
	International Energy Agency ("IEA") – Net Zero Emissions ("NZE") Scenario	• Immediate and smooth • Fast change in tech uptake • Medium variation in policy uptake • Medium reliance on carbon capture • 50% chance of limiting warming to 1.5°C

Broad scenario classification	Scenario name	Scenario assumptions
Disorderly	IPR – Forecast Policy Scenario ("FPS")	• Delayed policy response • Pace of tech change dictated by region • High variation in policy uptake • Temporarily exceed carbon budget • Medium reliance on the use of carbon capture • 66% chance of limiting warming to 1.8°C
Hot House	International Energy Agency – Stated Policies Scenario ("IEA STEPS")	• Based on current stated policies • Slow technology change and uptake • Low to medium variation in policy uptake • Warming likely to reach 2.6 – 3°C

How LCT-VaR is calculated

The model assesses how policy and market risks associated with the transition to a low-carbon economy could affect the future value of individual companies. These policy and market risk components are aggregated to produce an overall LCT-VaR estimate.

This model includes two key components:

1. A policy risk model, applied to all companies based on their exposure to scenario carbon pricing.
2. A market risk model, applied to the oil and gas sector, considering the impact of market demand changes on revenue generation.

The results are converted into an overall financial impact using a discounted cash flow model, which takes the cumulative value at risk and applies a present-day value to it. A normalised metric expresses the portfolio's LCT-VaR as a percentage of the total assets of covered holdings, rather than as an absolute monetary amount.

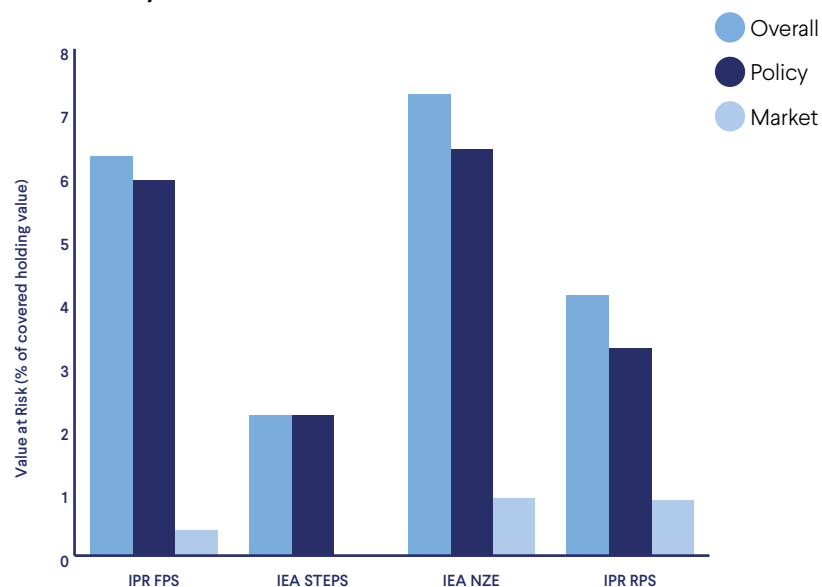
It is important to note that Morningstar Sustainalytics' analysis currently only covers public equities and corporate bonds and is dependent on the quality and availability of underlying data. LCT-VaR can only be calculated where a company has disclosed relevant metrics such as operational locations, revenue and Corporate Tax Rate, and where GHG emissions have been reported or can be estimated utilizing Morningstar Sustainalytics GHG Emissions methodology. In the case of oil and gas companies, LCT-VaR can only be calculated if the company reported annual production in Barrel of Oil Equivalents ("BOE").

The IEA STEPS scenario represents a business-as-usual pathway, so there is no meaningful deviation from the baseline revenue forecast and, consequently, no Market VaR is calculated for this scenario.

Please see Appendix D for more details around the methodology.

The impact of different scenarios on portfolio value³

Transition risk by scenario



³ The Low Carbon Transition Value at Risk metrics are based on coverage of 57.4% of the Group's discretionary portfolio for overall risk and market risk, rising slightly to 57.7% for policy risk.

The analysis shows that for every £100 (GBP) invested, the overall value of the portfolio could reduce by £7.29 (7.29%) in an IEA NZE scenario (orderly), £4.12 (4.12%) in an IPR RPS scenario (orderly), £2.21 (2.21%) in an IEA STEPS scenario, and £6.30 (6.30%) in an IPR FPS scenario (disorderly).

The results are broadly consistent with last year's analysis, with the IEA NZE scenario (Orderly) continuing to show the highest potential impact on portfolio value. This may partly reflect the scenario's more ambitious and broad-based transition assumptions, including the rapid application of climate policy and technology changes across regions and sectors. Under these conditions, companies may have less time to adapt, increasing the potential for higher compliance costs, repricing of carbon-intensive assets and

asset stranding, particularly where transition plans or business models are less developed.

The newly included IEA STEPS scenario ('Hot House world') shows the lowest modelled transition VaR. This is consistent with the less demanding assumptions companies face under this scenario, including a slower pace and lower scale of policy intervention, technological change and emissions reduction. This should not be interpreted as a lower overall climate-risk outcome, as this scenario is associated with higher expected warming and the LCT-VaR model does not capture physical climate risk.

The IPR RPS Scenario, whilst also aligned with a 1.5°C pathway and classified as an orderly transition, results in a lower portfolio VaR than the IEA NZE scenario. This highlights that

scenarios with similar temperature outcomes can produce different financial impacts, depending on their underlying assumptions. In this case, the lower VaR may reflect differences in how the transition is modelled, including assumptions around the timing, regional distribution and sectoral impact of policy and technology changes, as well as the role of land-use change and nature-based solutions within the IPR pathway.

When comparing the IPR RPS and FPS (orderly and disorderly scenarios respectively), the portfolio shows greater modelled exposure under the disorderly scenario. This might reflect the more abrupt adjustment that can arise in a disorderly transition, where delayed policy action may lead to sharper subsequent changes, including higher carbon prices, increased costs and a greater risk of asset stranding. In such a scenario, companies may have less time to adapt to changing policy, technology and market conditions, increasing the potential financial impact on covered holdings.

Across the scenarios, policy risk is the most significant driver of modelled transition risk. Market risk is assessed across a narrower set of sectors, specifically those where demand-side impacts from the low-carbon transition can be more robustly quantified. As a result, the relatively lower market risk output should be interpreted with caution, as it may reflect limited sectoral coverage rather than genuinely lower exposure.

Overall, the outputs should not be used to draw definitive conclusions. However, they suggest that the timing, sequencing and design of transition policy can materially influence modelled financial exposure. The results also indicate that disorderly transition pathways may create greater pressure for companies than a more orderly pathway.

Exposure to physical risks in different climate scenarios

Morningstar Sustainalytics provides data on portfolio exposure to physical risks, expressed as a financial loss amount rather than a VaR metric. Morningstar Sustainalytics consider that building a robust and scalable physical risk model that is comparable to the LCT-VaR model is not currently feasible due to the lack of available adaptation data.

This year, for the Group's discretionary portfolio, we have been able to report the total discounted expected physical climate risk-related damages attributable to the portfolio's ownership or financing of covered companies. This is calculated by multiplying the portfolio's ownership or financing share of each covered company by that company's discounted Expected Total Loss Amount, then summing the results across the portfolio. The company-level metric includes direct and indirect damage to owned assets, with future expected losses discounted at 7%. The output should therefore be interpreted as a present-value estimate, rather than the full undiscounted amount of expected future physical climate risk-related damages.

Morningstar Sustainalytics provides conservative estimates of issuers' relative exposure and vulnerability to the physical impacts of climate change. These estimates consider several factors: the degree of exposure, the relative vulnerability to direct damage to infrastructure, disruption in productivity due to failure of their operations and assets, the vulnerability to damage of critical infrastructure surrounding an asset, and the average risk of damage to the built environment in the region where the company's asset is located.

Only corporates are covered by the analysis, and companies in the financial and real estate sectors are excluded from calculations, due to the challenges in defining a standardised financial metric that accurately reflects their degree of liquidity to cover liabilities and challenges in modelling joint ownership structures. Coverage is considerably lower than it is for the LCT-VaR model, with only 38% of the Group's discretionary portfolio covered by physical risk analysis this year.

The climate scenarios covered by Morningstar Sustainability's physical risk analysis differ from those used to model LCT-VaR. These scenarios are taken from the Coupled Model Intercomparison Project 5 ("CMIP5") and are:

- Representative Concentration Pathway ("RCP") 2.6, which models a world transitioning to a future warming of ~2 °C by the end of the century.
- RCP 8.5 that models the future under a worst-case scenario resulting in global warming ranging from 3.2 °C to 5.4 °C by 2100.

The financial exposure disclosures presented below should be viewed as approximations of physical risk in a financial context. These figures should be interpreted as a relative risk indicator, rather than as a prediction of actual investment losses. They are not intended to be used as strict predictions of future damage and do not incorporate adaptation or mitigation. Further details on methodology are provided in Appendix D.

Under RCP 8.5, the Hot House World scenario, the discounted expected total loss is £115.7 million, which is £21.5 million higher than under RCP 2.6. This represents a 22.8% increase.

Scenario	Discounted expected total loss amount (GBP)
RCP 2.6	£94,221,280
RCP 8.5	£115,734,872

This outcome is reflective of the more frequent and intense extreme weather events such as floods, droughts, wildfires, and heatwaves under this scenario. The risks are likely to be particularly acute for assets located in vulnerable geographies or sectors with high physical exposure, such as infrastructure, agriculture, and real estate. In such a scenario, the financial implications for certain holdings could be material, particularly where companies lack robust adaptation strategies or operate in regions with limited climate resilience.

Climate opportunities

In addition to risks, the transition to a low-carbon economy presents investment opportunities. In an orderly transition scenario, companies that actively contribute to decarbonisation through their operations, products, and services may offer upside potential for investors. In a hot house world scenario, firms that are best positioned to withstand increasing physical climate risks or providing climate adaptation solutions may outperform.

Implications of scenario analysis for our centralised investment process

Whilst scenario analysis does not directly constrain our investment universe or influence top-down asset allocation, it reinforces the importance of considering climate-related risks and opportunities within asset selection and monitoring, and of continuing to develop the quantitative and qualitative inputs that support this process.

Given that a significant proportion of our FUM is invested with third-party managers, we are committed to developing our understanding of how these managers incorporate transition and physical climate risks into their investment processes and stewardship activities. This is supported by the questionnaires we send to fund managers and the fund-level climate data available to research analysts as part of due diligence. We have made progress in incorporating fund-level LCT-VaR and physical risk loss metrics into fund dashboards, enabling analysts to review fund-level outputs alongside relevant peer groups and use them as one input into research and conversations with managers. Our use of these data points remains at an early stage, and we recognise the need to interpret them with caution.

We recognise that approaches will vary by asset class, investment style and vehicle structure, and we seek to reflect this in our due diligence frameworks and engagement activity. The depth of our assessment differs by asset class and investment vehicle, with our most developed approach applied to active equity and corporate fixed income fund analysis, direct infrastructure and property. For these strategies, fund-level climate-related considerations are reviewed and shared with the ASC before a new fund is onboarded. Where concerns are identified through initial due diligence or ongoing monitoring, these may be followed up through further correspondence or discussion with the relevant third-party fund manager.

For passive products, our assessment is primarily focused on the asset manager's firm-level approach to responsible investment, including climate-related practices, rather than the design of the underlying index. We recognise that large passive managers, particularly those operating in the US market, are navigating a complex and evolving

regulatory and political environment in relation to ESG and stewardship. This may limit the extent to which climate-related stewardship practices are adopted at firm level. In this context, our focus has been on encouraging pass-through voting as a stewardship mechanism that can support client choice, rather than divestment.

To date, we have not divested from an existing fund, or declined to invest in a new fund, solely on the basis of its approach to managing climate-related risks and opportunities. Appointed external third-party fund managers are at different stages of developing and embedding their responsible investment approaches, including in relation to climate-related risk management and stewardship. Our preference is to use engagement to encourage improved practices before considering divestment or exclusion. We expect our approach to evolve over time as our understanding of climate-related risks, data quality and manager practices continues to develop.

Further detail is provided in the Risk management section of this report.

Case study

Consulting climate-risk data as part of fund monitoring

Using fund-level climate-risk data, we identified a strategy that exhibited higher modelled transition VaR than its peer group across multiple climate scenarios, according to our third-party data provider. Whilst recognising the limitations around the data, this prompted follow-up correspondence with the fund manager to better understand the drivers of the result and how climate-related risks were considered within the investment process.

The exchange highlighted that the strategy's higher transition-risk profile was largely a function of its value-factor-oriented investment approach, which can result in greater exposure to sectors such as energy and materials. The manager explained that climate-related transition risks are assessed alongside other financially material risks, including their potential impact on future earnings, cash generation and asset values.

Where transition risk is considered material, the fund manager explained that the focus is on distinguishing companies where the market may have over-discounted a manageable transition challenge from those where climate-related pressures could result in a genuine impairment of asset values or earnings sustainability. The manager also provided an example of where carbon pricing, emissions regulation and decarbonisation pathways had informed

its assessment of a particular portfolio company's long-term earnings potential.

The exchange provided additional context behind the quantitative data and indicated that climate-related transition risks were being considered as part of the manager's broader assessment of financially material risks. It also highlighted the value of using climate metrics as a prompt for follow-up due diligence, rather than as standalone indicators of fund quality or risk management.



Risk management

How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

The Group's risk management framework

Climate risk is embedded in our risk management framework and is incorporated under the ESG risk appetite category, which includes Environmental (physical and transition) risks.

The Group's risk management framework consists of the following components:

- **Risk culture.** We promote a risk culture that encourages ownership and management of risk. Risk management is the responsibility of everyone.
- **Risk governance.** The Board is ultimately responsible for the Group's risk management framework but has delegated certain responsibilities to the RCC, a sub-committee of the Board. The Group operates a 'three lines of defence' approach to managing risks across the Group.
- **Risk appetite.** The objective of the Group's risk appetite framework is to ensure that the Board and senior management are properly engaged in agreeing and monitoring the Group's appetite for risk and setting acceptable boundaries for business activities and behaviours. The risk appetite categories, including climate related risks, are reviewed by the ERM, RCC and approved by the Board on an annual basis. KRIs are mapped to the risk appetite categories, with KRI tolerances aligned to risk appetite. The KRIs and tolerances are subject to an annual approval process by the ERM, RCC and Board.

- **Risk reporting.** Risk reporting is presented to ERM and RCC. This includes details of underlying KRIs mapped to the risk appetite categories, breaches, risk events and emerging risks.
- **Risk identification.** The Group adopts a top-down and a bottom-up approach to the identification of risks. The ERM and the RCC have identified the principal risks that could impact the ability of the Group to meet its strategic objectives. In addition, the Group maintains a bottom-up operational Group Risk Register, which is mapped to the Group's risk appetite categories.
- **Risk assessment and management.** All of the risks included in the Group risk register are scored according to probability and impact and assessed on an inherent basis (before the impact of controls) and on a residual basis (after the impact of controls). Where risks are classed as outside the Group's risk appetite, actions must be taken to bring the risk back within appetite.
- **Risk Monitoring.** Risk Monitoring is the ongoing process of tracking the risk environment, assessing changes in risk exposure, and evaluating whether existing controls and mitigation activities remain effective. It acts as the continuous feedback loop that ensures risks are being managed within the organisation's defined risk appetite and tolerance levels.
- **Risk and Control Self-Assessment ("RCSA").** The Group's bottom-up assessment of risk is managed through the RCSA process which supports a comprehensive understanding of risks and controls in place at the operational and business process level. The RCSA process enables the risk and control owners to identify any omissions in the risk environment and to close any control gaps or weaknesses as necessary.
- **Policy governance framework.** The policy governance framework provides minimum standards for managing the key risks that the Group faces. Each Group policy has an Executive Committee-level owner who is ultimately accountable for the design, implementation and maintenance of the policy.
- **Internal Capital Adequacy and Risk Assessment ("ICARA").** The Group conducts an ICARA process to ensure that it has appropriate systems and controls in place to identify, monitor, and, where proportionate, reduce all potential material harm that may result from the ongoing operation of its business. The Group holds financial resources (capital and liquidity) in excess of our minimum regulatory requirements.

service providers, utilities or systems. Using these scenarios, testing is undertaken to stress the impacts these have on our business and our ability to continue to deliver our important business services to our clients.

We recognise the changing severity of climate-related events in the UK and such events could have a material impact on our ability to deliver our services. We continuously look for enhancements in the way we manage third party risk, with enhanced risk monitoring through a new third-party risk management platform. In addition, our Operational Resilience Framework includes joint third-party testing with key outsourcers.

The firm's Business Continuity arrangements, including remote working capabilities, support resilience where disruption affects premises or critical operational infrastructure.

The Group manages the transition risks of climate change for its operations through its net zero by 2030 strategy, the Compliance department's horizon scanning and anti-greenwashing-related activities conducted by the Compliance Advisory function.

Any physical or operational related climate risks are raised and tracked through our COO RMC. This has attendance from property, operational resilience and technology to ensure collaboration in solving related risks. Any material risks will be escalated to our ExCo through our usual risk management process.

Identifying, assessing and managing the climate-related risks related to our operations

With regard to physical risks, as part of the Group's established Operational Resilience Programme, consideration is given to the impact of climate-related events on the operation of the business. Severe but plausible scenarios include events caused by periods of prolonged heat or persistent wet weather. When defining plausible scenarios, we consider the impact to one or more of our locations, transport, people, third-party

Identifying, assessing and managing the climate-related risks related in our investments

Our bespoke and managed portfolio services invest primarily in collective funds that are managed by third parties, or products that track an index, where we do not have direct control over the investments chosen or day-to-day management of the climate-related risks associated with these investments. Bespoke portfolios can invest in direct equities and bonds, should it be appropriate for a client's circumstances. Our Risk Managed Fund range invests across collectives, direct equities and bonds.

For us, assessing, identifying and managing these risks takes the form of:

- Integrating ESG, including climate-related considerations, into the **selection and monitoring** process for buy list assets covered by our research process.
- Using **stewardship**, including engagement and proxy voting, to encourage effective oversight and management of climate-related risks.
- **Collaborating** with peers to develop our approach and contribute to shaping developments in responsible investment practices.

Our approach across these three areas continues to develop. Whilst climate-related considerations are increasingly incorporated into our investment research, stewardship and collaboration activities, we recognise that the supporting processes, data and tools remain subject to ongoing refinement as climate-related data, regulatory expectations, stewardship mechanisms and market practice continue to evolve.

Selection and monitoring

Third-party funds

ESG, including climate-related, factors are evaluated alongside a range of other considerations when determining the overall suitability of a collective fund. This includes funds that do not have specific sustainability-related objectives or criteria.

For funds that are held in, or being considered for, our core products and services (that do not have values-based or sustainability-related objectives), our consideration of ESG factors does not imply that there are restrictions on the investment universe, that ESG factors are systematically prioritised over other relevant investment considerations, that all ESG factors are given equal consideration, or that the resulting portfolio will have any particular characteristics.

Active funds

As part of the process for onboarding new active funds, our due diligence considers how ESG factors, including climate-related risks and opportunities, are integrated by the fund manager. It also considers stewardship practices, governance arrangements and resourcing, where relevant. Our approach is adapted by asset class and supported by a responsible investment scoring framework, which helps promote consistency and monitor progress over time.

As part of fund due diligence, analysts also have access to an ESG dashboard powered by Morningstar Sustainability data. The fund-level dashboard helps identify potentially higher-risk underlying holdings from an ESG and climate perspective and can help identify instances where a fund's exposures could be inconsistent with its stated investment approach.

The dashboard includes a range of climate-related indicators that may serve as proxies for transition and physical climate risks. These include Implied Temperature Rise ("ITR"), GHG Management Ratings, Weighted Average Carbon Intensity ("WACI") as well as LCTR VaR and Physical Total Loss metrics. More detail on these metrics can be found in the Metrics and Targets section and in Appendix D. Using internally defined thresholds, the dashboard applies an amber-rating system to identify areas that may warrant further investigation. Data availability remains a limitation, particularly for certain physical risk-related metrics, and analysis is therefore only undertaken where sufficient coverage exists.

Even where data coverage is high, climate metrics require careful interpretation. The outputs are subject to methodological assumptions, data limitations and differing provider approaches, and therefore we do not view them as standalone buy or sell triggers/signals. Instead, they are used as one input within a wider due diligence and monitoring framework designed to support informed investment decision-making. We expect our approach to interpreting and using these metrics to continue to evolve as methodologies, data quality and industry practice develop.

The qualitative and quantitative inputs described above should be considered both before a fund is approved and as part of ongoing monitoring. Findings are documented in due diligence reports provided to the ASC. To date, these assessments have informed further review and engagement with fund managers, rather than serving as a standalone basis for investment decisions. We believe this is consistent with our fiduciary duty to act in clients' best interests.

Fund-level analysis is supplemented by analysis of how asset managers approach responsible investment at a firm-level. From a climate perspective, this includes reviewing governance and oversight arrangements, the scale and expertise of relevant resources, stewardship practices, and how climate-related risks and opportunities are incorporated into investment processes. Firm-level assessments are made available to the ASC, with completion overseen by the RI team. Where a fund managed by a new asset manager is being considered for inclusion on the buy list, the assessment is formally included within the ASC pack. This firm-level assessment process has been expanded across the buy list and forms part of our ongoing due diligence and monitoring process.

Passive funds

For passive funds, the scope for fund-level ESG integration is generally more limited than for active strategies, as holdings are determined by the underlying index methodology rather than discretionary security selection by the manager. For core portfolios, that do not have values-based objectives, we do not require investment in passive strategies that adopt ESG or climate-related screens, tilts or exclusions.

For passive fund managers, due diligence focuses on firm-level approach to responsible investment.

Direct equities

Our direct equity analysts employ a bottom-up approach to considering ESG factors, including climate-related issues. The teams make their own qualitative research and assessment of material climate-related risks and opportunities, tailoring the approach depending on sector. This is supported by a quantitative data overlay in the form of the centrally provided ESG dashboard. This dashboard is similar to the one used within our collective fund research approach and incorporates some of the same climate-related metrics for triggering further investigation and potential engagement with companies.

Direct government bonds

For direct government bonds, we consider country risk scores that incorporate an assessment of how well a country manages key environmental, social and governance factors. Our approved direct exposure to government bonds is currently limited to Gilts and Treasuries.

Property and Infrastructure investments

We have tailored research and due diligence frameworks to fit the Real Estate Investment Trust ("REIT") and infrastructure context. The research process draws environmental data, obtained from REIT and infrastructure disclosures using company reporting and where possible direct questionnaire responses. Examples of the information that may be captured include Energy Performance Certificate ("EPC") ratings, Global Real Estate Sustainability Benchmark ("GRESB") ratings and BREEAM ratings, carbon emissions, energy/water consumption and the percentage of energy procured from renewable sources. This information is used to inform fund manager engagements and investment recommendations.

Oversight of climate-related metrics

Internally, we provide quarterly reporting of climate-related metrics for our funds, models and portfolios to the RI team, IC and RCC for oversight. Funds, models and portfolios are considered relative to selected peer groups. Climate-related metrics can be difficult to interpret in isolation and should be interpreted with caution. Over time, we expect there to be value in tracking how these metrics evolve, whilst recognising that our approach to using and interpreting them will continue to mature.

Second line oversight of the RIS proposition, which is designed to support clients with values-based objectives, is conducted by the Investment Risk function, to ensure adherence to stated objectives on an ongoing basis. This involves a quarterly RIS Investment Risk Oversight Committee ("IROC") to ensure RIS models adhere to the investment mandate, ESG and risk metrics.

Stewardship

The UN PRI defines stewardship as "the use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social and environmental assets on which their interests depend".⁴ Engagement and voting are key mechanisms through which investors can exercise stewardship.

Engagement with fund managers

Our engagement typically takes place with external fund managers. In our reporting and policy documents, we use the term 'engagement' to include both information-scoping discussions and interactions intended to encourage best practice. We continue to consider both forms of interaction important to our responsible investment approach.

⁴ Principles for Responsible Investment, About stewardship, accessed 23 July 2026, <https://www.unpri.org/responsible-investment/about-stewardship>

Case study

Data-led fund manager discussions on climate risk

Our ESG dashboards help identify areas for further investigation and inform discussions with managers. These conversations often provide important context, particularly where managers challenge third-party ESG and climate risk signals based on their own research, data and analysis, reinforcing the need to interpret climate data alongside qualitative insights rather than in isolation.

For example, in the reporting period, quarterly oversight led us to identify an externally managed emerging markets fund with a materially higher ITR than its peer group, according to our third-party ESG data provider.

The RI team met with the manager to understand the drivers of the result and how transition risk was being considered. The manager shared analysis showing that their alternative approach to modelling transition risk produced a materially improved temperature-alignment outcome. The discussion also covered how climate considerations are incorporated into investment decision-making and stewardship, including how higher-risk holdings are identified and prioritised for engagement. The review provided reassurance that climate risks were being considered within the investment process, whilst also highlighting areas for continued monitoring.

Over the longer term, our objective is to encourage improved climate-related disclosures and practices relating to the identification, assessment and management of climate-related risks. We are mindful that climate-related practices will vary depending on factors such as asset class, investment strategy, regional context, size of the asset manager, client base and regulatory environment, meaning that a single approach will not be appropriate in all cases.

As in the previous reporting period, we engaged with a prioritised set of third-party buy list active equity and bond fund managers. However, our prioritisation approach evolved. Rather than prioritising managers solely on the basis of the value of assets held with active equity fund managers, we considered a broader range of factors, including weaker scores in our firm-level climate assessment (which was informed by questionnaire responses), the size of our investment with the manager, and our assessment of where engagement had the potential to add value.

Much of this engagement was intended to support further information-scoping, including seeking additional context and nuance that may not have been captured through questionnaire responses or other available disclosures. In some cases, discussions were also used to encourage best practice by signposting areas where managers could consider further development.

At the time of writing, engagements with the prioritised managers remained ongoing. Insights gathered will inform our ongoing assessment of each asset manager's approach to identifying, assessing and managing climate-related risks and opportunities.

Engagement and voting with direct holdings

We vote on all direct equity buy list assets. In the first quarter of 2026, we expanded our access to Institutional Shareholder Services ("ISS") Research to include ISS Sustainability research, which we have adopted as our default voting recommendation framework. Our voting decisions are guided by these recommendations, although we retain discretion to vote differently where we consider this to be appropriate.

The ISS Sustainability Policy generally supports standards-based ESG shareholder proposals where these are considered to enhance long-term shareholder and stakeholder value, and to align companies' interests with wider societal considerations. Compared with the standard ISS Benchmark Policy, it applies more stringent expectations on climate governance, emissions disclosure, target-setting and transition planning. It also provides a stronger basis for holding directors accountable where companies do not demonstrate adequate management of climate risks. Further detail is set out in our voting policy statement. We publish an annual overview of significant votes as well as quarterly voting summaries, on our website.

For direct equities, investment trusts, and REITs, we engage with companies where we believe our input can support meaningful progress and add value. Our ability to engage effectively is sometimes constrained by the relatively small size of our shareholdings. We are more likely to engage where our ownership stake is more substantial, for example, in companies within our AIM portfolio service or in property REITs. In the reporting period, our direct engagements focused on governance matters rather than climate-related issues.

Pass-through voting with selected passive fund investments

This year, we evolved our stewardship approach by adopting pass-through voting with selected passive fund managers. Pass-through voting can support closer alignment between our stewardship expectations and voting activity in selected passive pooled fund investments. In the context of climate-related risk, this is relevant because voting can be used to signal expectations on matters such as Board oversight of climate risk, climate-related disclosure and transition planning.

During the reporting period, we participated in pass-through voting programmes offered by two fund managers on our buy list, through which we invest in passive funds. This enabled eligible holdings within selected funds to be voted in line with either the Glass Lewis ESG Policy or the ISS Sustainability Policy. These policies were selected from the options made available by the relevant fund managers, as we considered them to be the closest available fit with the principles underpinning our own voting approach to direct equity holdings.

Encouraging participation in the Net Zero Asset Managers ("NZAM") initiative

In addition to our engagement with a prioritised group of managers, we reviewed whether managers were signatories to NZAM.

NZAM is a global investor initiative for asset managers that commit to supporting the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with efforts to limit global warming to 1.5°C. The initiative was paused for review in January 2025 and relaunched with revised principles in February 2026.

Following the relaunch of the initiative, where managers were not signatories and we considered it to be additive we expressed general support for participation whilst recognising that its relevance may vary by manager. On a case-by-case basis, we sought to understand the reasons for non-participation and whether managers considered their approach to be in keeping with the principles of the initiative (irrespective of formal membership).

Case study

Climate-related voting at NatWest Group

During the 2026 AGM season, we voted against the re-election of NatWest Group Chair Rick Haythornthwaite, in line with the ISS Sustainability recommendation.

Voting against the re-election of a Chair can be used as an escalation mechanism where concerns relate to Board-level oversight of climate-related issues.

Recent changes to NatWest's climate policy had attracted investor attention. These included the removal of a commitment not to provide lending or underwriting to oil and gas companies that lack a credible transition plan or do not report their overall carbon emissions.

ISS Sustainability also identified concerns relating to NatWest's reported move away from SBTi-validated sector targets and the exclusion of financed emissions related to aluminium, cement, iron and steel, and shipping.

As Chair, Rick Haythornthwaite bears ultimate accountability for these directional changes.

Overall, almost 8% of investors voted against the Chair's re-election.

Risk management continued

The pass-through voting applied during the year affected a limited number of holdings and represented a very small proportion of our FUM. One of the programmes was offered as a pilot, and its future continuation was unclear at the time of writing this report. However, we view pass-through voting as an area with potential to develop over time. Its availability and scope remain dependent on each provider's operating model. We have encouraged other asset managers to make this option available where we consider it beneficial and will continue to consider future participation where appropriate.

Collaboration

We partake in industry initiatives and collaborate with peers and external stakeholders to support our understanding of evolving responsible investment practice and, where appropriate, to contribute to the development of standards and expectations. This includes participation in a number of responsible investment-related forums and networks.

We believe collaborative engagement can increase the effectiveness of investor influence on systemic issues such as climate change, promoting greater consistency in expectations placed on asset managers and investee companies. This is one of the driving forces behind our participation in the UK Wealth Managers on Climate Group, which is working to develop a more coordinated approach to climate-related stewardship and manager engagement.

Alongside our participation in industry forums and networks, we participated in an academic research study during the reporting period examining how climate-related financial risks are considered within investment and fiduciary decision-making. This provided an opportunity to share our perspective on how these issues are considered in practice.

Policy engagement is increasingly recognised within the responsible investment industry as an important mechanism for addressing systemic risks, including climate change. This reflects the fact that many climate-related risks are shaped by policy, regulation and market-wide standards, and cannot be addressed by individual company or fund manager engagement alone. We primarily engage with policymakers through our membership of industry associations, including the IA and PIMFA, rather than providing direct responses ourselves.

Through these organisations, we monitor emerging policy developments, review consultation responses and contribute views where appropriate. During the reporting period, this included reviewing industry responses to FCA consultations on sustainability-related disclosures and the regulation of ESG ratings, although we did not provide direct technical input.

Through one of the responsible investment networks in which we participate, we contributed to industry discussions that informed a collective, anonymised response to the FCA's consultation on the proposed regulation of ESG ratings.

The United Nations ("UN") Principles for Responsible Investment ("PRI")

The UN PRI is a widely adopted global framework that encourages investors to incorporate environmental, social and governance ("ESG") considerations, including climate-related risks and opportunities, into investment and ownership practices.

We are a UN PRI signatory and are committed to learning from both the PRI and fellow signatories as responsible investment practices and industry expectations continue to evolve. In the reporting period, we participated in a PRI wealth management event on asset manager stewardship evaluation, which was a valuable peer learning opportunity.

For our external fund managers, we view PRI signatory status as a useful indicator of commitment to responsible investment, as PRI encourages transparency, self-assessment and

continuous improvement. This can support the identification, assessment and management of climate-related investment risks. However, signatory status is not used as a standalone or binary assessment criterion in our manager due diligence, nor is it considered sufficient evidence of the quality or effectiveness of a manager's responsible investment or climate-related risk management practices.

Based on information available to us at the end of the reporting period, all but one of our approved buy list managers were UN PRI signatories, with the remaining manager in the process of re-enlisting at the time of writing.

Metrics and targets

Scope 1, 2 and relevant 3 emissions, excluding financed emissions

In line with the recommendations of the TCFD, we track and report, with the help of a third-party provider, LG Energy Group, the Scope 1, 2 and relevant 3 emissions produced through Brooks Macdonald Group's operational activities. The table below does not include financed emissions, which are presented separately in a subsequent section of this report. Comparative data from the previous year is provided for reference.

- **Scope 1** emissions are direct GHG emissions generated from sources that are controlled or owned by an organisation.
- **Scope 2** emissions are indirect GHG emissions primarily from electricity consumed by a company, but they also include the generation of purchased steam, heat or cooling.
- **Scope 3** emissions are all other indirect GHG emissions that occur in the value chain, both upstream and downstream, but are not directly controlled or owned by the organisation.

We have chosen to include relevant Scope 3 emissions to ensure greater transparency and to reflect the true environmental impact of our operations. Given that business travel (Scope 3, category 6) represents the largest contributor to our carbon footprint, its inclusion is essential for a complete and honest assessment of our sustainability performance. We have not disclosed emissions for Scope 3 categories 1-5 and 7-15 of the GHG Protocol, due to data availability.

Scope 1, 2 and relevant Scope 3 emissions⁵

Source of energy and emissions	Energy consumption (MWh)		GHG emissions (tCO ₂ e)	
	2026	2025	2026	2025
Combustion of natural gas	22.7	23.4	4.2	4.3
Combustion of biogas	8.4	20.6	0.0	0.0
Total Scope 1	31.1	44.0	4.2	4.3
Generation of purchased electricity	390.6	482.1	32.3	7.4
Of which from renewable sources	275.7	446.6	–	–
Total Scope 2 (market based)	390.6	482.1	32.3	7.4
Combustion of fuel in staff vehicles	286.2	236.3	67.9	57.0
Hotel stays	–	–	7.0	7.1
Business travel by third-party services (rail)	–	–	4.5	3.5
Business travel by third-party services (air)	–	–	16.3	19.9
Total Scope 3	286.2	236.3	95.7	87.5
Grand total (market based)	707.9	762.3	132.1	99.2
Intensity per 1000 m ² gross floor area	101.4	135.4	18.9	17.6

⁵ Due to time constraints and the availability of the data all our electricity & gas supplies contain estimations. Landlord supplies were estimated for the entirety of the period using the CIBSE TM46 Benchmarks however our owned sites mainly included estimates covering May-June 2026. These estimations equate to 124,547 kWh of the company's electricity consumption (32%) and 4,597 kWh of the gas consumption (9%). Location-based kgCO₂e/kWh conversion factors for the average UK grid supply have been used to calculate greenhouse gas emissions from electricity and natural gas consumption. Emissions for renewable supplies have been deducted to give the net market-based emissions.

To calculate GHG emissions, we applied location-based conversion factors (kgCO₂e/kWh) aligned with the UK's average grid supply. Emissions associated with renewable energy supplies have been excluded to reflect net market-based emissions.

All conversion factors and fuel properties used in this disclosure have been taken from the 2025 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Energy Security & Net Zero ("DESNZ") and the Department for Environment, Food & Rural Affairs ("DEFRA"). All greenhouse gas emissions have been expressed in terms of their carbon dioxide equivalence.

Compared with the previous financial year, our overall energy consumption decreased by 7%, equivalent to 54.4 MWh. Our energy intensity ratio also decreased by 25%, reflecting the continued optimisation of our office portfolio and workplace strategy. A key contributor to this reduction was the relocation of our London Head Office, where we reduced our occupied space from approximately 27,000 sq ft to 22,500 sq ft whilst moving into a BREEAM-certified building designed to deliver enhanced environmental performance.

Currently, 10 of our 16 UK office locations are supplied by fully renewable electricity contracts. We will continue to identify opportunities to improve energy efficiency, increase renewable energy procurement and reduce the environmental impact of our operations as part of our pathway towards achieving our long-term sustainability objectives.

Compared with the previous financial year, Scope 1 emissions remained largely unchanged at 4.2 tCO₂e (2025: 4.3 tCO₂e). Scope 2 market-based emissions increased to 32.3 primarily due to a lower volume of electricity sourced from renewable supplies during the reporting period. Scope 3 emissions increased during the reporting period, primarily due to a greater proportion of petrol-engine vehicles claiming mileage expenses and increased associated fuel consumption. The combustion of petrol results in higher indirect greenhouse gas emissions across the value chain, contributing to the overall increase in reported Scope 3 emissions compared with the previous reporting period.

Climate metrics for the Group's discretionary portfolio⁶

In the following section, we report on a number of climate metrics for the Group's discretionary portfolio (as at 30 June 2026, FUM under our discretion totalled £18.8 billion). The climate metrics presented have been calculated for us by Morningstar Sustainalytics and can be viewed as potential indicators of the portfolio's exposure to transition-related risks. This year's disclosures present current-year metrics alongside the prior-year comparative figures. Metrics reported in earlier years are available in our previous climate-related financial disclosures. We will continue to review the appropriateness of the metrics we disclose and may update or expand them in future reporting periods as methodologies, data availability and regulatory expectations evolve.

Alongside reported metrics, we provide coverage figures; these indicate the proportion of in-scope assets for which data was available to calculate each metric (percentage of eligible portfolio covered), and the proportion of the overall portfolio covered (percentage of total portfolio covered). The variation in coverage between metrics reflects differences in data requirements, with some inputs potentially unavailable at the time of reporting. Company-level emissions data used in calculations may be either reported or estimated. Data coverage limitations should be considered alongside the value of all metrics.

Assets that are not in scope of the analysis are non-corporate holdings including government bonds, cash and equivalents, derivatives and commodities. These assets are not covered in the analysis due to limitations in data availability and the absence of established applicable methodologies.

We report both absolute and intensity-based emissions metrics. Backward-looking metrics provide a snapshot of the portfolio's current or recent emissions profile, but do not in themselves indicate how investee companies may transition over time. Other metrics are forward-looking and are more suitable for assessing potential future climate alignment or emissions management using issuer targets, transition plans, management actions and modelled assumptions.

⁶ Metrics are calculated by Morningstar Sustainalytics using the discretionary portfolio holdings as at 30 June 2026. All holdings' data used in this analysis has been compiled as at 30/06/2026, as previously described in this report. Please refer to Appendix B for the full detail.

Backward-looking datapoints

- Total carbon emissions (otherwise known as Financed emissions or Absolute emissions)
- Weighted Average Carbon Intensity ("WACI")
- Carbon footprint (also known as Financed emissions per \$M invested).

These backward-looking carbon metrics are disclosed for Scopes 1 and 2, and Scope 3, as defined by the GHG Protocol Corporate Standard. This year, we have also chosen to disclose Scope 3 financed emissions data, despite ongoing concerns regarding data availability and data quality. We consider this level of disclosure to be consistent with wider industry developments and the broader direction of climate-related financial reporting. Scope 3 financed emissions, including year-on-year movements, should be interpreted with particular caution as they are generally more reliant on estimates compared to Scope 1 and 2 emissions, may overlap across company value chains, and can therefore create a risk of double-counting when aggregated at portfolio level. They can also be affected by inconsistent reporting boundaries between issuers.

Forward-looking datapoints

- Portfolio Implied Temperature Rise ("ITR")
- Portfolio GHG Emissions Management Score

These metrics incorporate Scope 1, 2 and 3 emissions, reflecting the methodology and data outputs available from our third-party data provider. As these are forward-looking measures, they are reliant on modelled assumptions, issuer disclosures, estimated emissions data and the provider's assessment of company targets, transition plans and emissions management. This should be considered when interpreting the results, particularly given the additional uncertainty associated with Scope 3 emissions data.

In the below table, we define these metrics in more detail as well as their key limitations. Full methodologies for these datapoints are provided in Appendix D.

Climate metric definitions

Metric	Methodology summary	Limitations
Total carbon emissions	The value refers to the carbon emissions attributable to the portfolio. It is calculated by working out what percentage of each company or issuer the portfolio owns - i.e. a 'fair share' percentage. The portfolio is therefore responsible for that portion of the company's carbon emissions. All holdings are then added together to give the portfolio's absolute emissions in tonnes. This only includes the long portion of the holdings for which the data is available.	Does not allow for comparability across portfolios due to its link to portfolio size. Result changes can be due to changes to enterprise value from a year to another, which can lead to misinterpretations. Not all companies provide emissions data. Company-level data may be reported or estimated by the data provider.
Carbon footprint	The carbon footprint of a portfolio represents a portfolio's absolute emissions, normalised per million dollars invested. It is expressed in metric tonnes of CO ₂ e (tCO ₂ e) per million dollars (USD M) invested.	Sensitive to changes in portfolio value. Does not consider the carbon efficiency of organisations.
WACI	A measurement that shows a portfolio's carbon efficiency (or revenue intensity) for each million dollars (USD M) of revenue. WACI measures carbon intensity per million dollars of issuer revenues, weighted by the percentage of overall fund value. A lower value indicates lower intensity and greater carbon efficiency. Efficiency refers to the greenhouse gas emissions of a company relative to its revenue; how much GHG emissions a company is expending in order to generate \$1 million revenue.	Sensitive to outliers. Revenue tends to 'favour' organisations with higher prices relative to their peers. Can only be used with listed equity and corporate bonds.
Portfolio ITR	ITR is a model from our data provider that gives an indication of the degree the world would warm to if the expected GHG emissions of all companies differed from their net-zero budgeted GHG emissions to the same degree as the portfolio. The ITR is adjusted for the company's future performance and an extensive analysis of its management actions.	Challenges around data quality and complex modelling involved. The metric uses assumptions to project emissions through 2050, which introduces uncertainty. For example, the modelling assumes a baseline emission projected based on historical emission intensity and assumes the company maintains their current market-share under a business-as-usual scenario. Incomplete or inconsistent company disclosures can reduce accuracy.
Portfolio GHG emissions management score	Reflects the portfolio's management quality for a given GHG emissions scope and is calculated as the asset-weighted average of the covered holdings' company-level management scores for a given GHG emissions scope within the portfolio. This is then assigned a categorical description with possible values ranging from very weak to very strong.	Challenges around data quality and complex modelling involved. The metric uses assumptions to project emissions through 2050, which introduces uncertainty. For example, the modelling assumes a baseline emission projected based on historical emission intensity and assumes the company maintains their current market-share under a business-as-usual scenario.

Climate metrics for the Group's discretionary portfolio

Metric	2026	% of portfolio eligible	% of eligible portfolio covered	% of total portfolio covered	2025	% of portfolio eligible	% of eligible portfolio covered	% of total portfolio covered
Total carbon emissions (tCO₂e)								
Scope 1 & 2	576,854.33	66.32%	88.87%	58.94%	552,556.38	65.12%	87.54%	57.00%
Scope 3	6,345,301.59	66.32%	88.41%	58.64%	6,816,569.38	65.12%	87.19%	56.78%
Carbon footprint (tCO₂e/USD M invested)								
Scope 1 & 2	37.18	66.32%	88.87%	58.94%	39.86	65.12%	87.54%	57.00%
Scope 3	411.15	66.32%	88.41%	58.64%	493.62	65.12%	87.19%	56.78%
WACI (tCO₂e/USD M revenue)								
Scope 1 & 2	96.88	66.32%	93.39%	61.94%	88.16	65.12%	91.58%	59.64%
Scope 3	1,136.80	66.32%	91.76%	60.86%	1,039.84	65.12%	89.84%	58.50%
ITR – (°C)								
All scopes (1, 2 and 3)	2.27	66.32%	87.38%	57.95%	2.33	65.12%	85.52%	55.69%
GHG Emissions Management Score - Category								
All scopes (1, 2 and 3)	Strong	66.32%	87.38%	57.95%	Strong	65.12%	85.52%	55.69%

We are cautious in drawing definitive conclusions from year-on-year movements in these metrics and emphasise that there has not been an explicit objective to improve the climate metrics reported. Whilst portfolio-level climate metrics provide a useful indication of overall exposure, we do not currently have sufficient attribution or contribution analysis to determine the relative importance of the factors driving changes in individual metrics.

Depending on the metric, movements may result from changes in portfolio composition, size and value, as well as changes in portfolio company emissions, enterprise values and revenues. Data coverage and methodological developments may also influence metric movements over time. As access to attribution and contribution data improves, we aim to provide more detailed analysis of the factors driving changes in reported metrics in future reporting cycles.

Between 2025 and 2026, **Total Carbon Emissions (Scope 1 and 2)** increased from 552,556 tCO₂e to 576,854 tCO₂e, an increase of approximately 4%. **Total Carbon Emissions (Scope 3)** decreased from 6,816,569 tCO₂e to 6,345,302 tCO₂e, a reduction of approximately 7%. Discretionary FUM increased over the reporting period, which should be considered when interpreting these movements. Increases in FUM and improvements in data coverage may contribute to higher reported absolute financed emissions over time.

The discretionary portfolio's **Carbon Footprint (Scope 1 and 2)** decreased from 39.86 tCO₂e to 37.18 tCO₂e per USD million invested, a reduction of approximately 7%. **Carbon Footprint (Scope 3)** also decreased, from 493.62 tCO₂e to 411.15 tCO₂e per USD million invested, a reduction of approximately 17%. However, movements in the metric can be influenced by changes in portfolio composition, portfolio value, portfolio company emissions

and enterprise values. It should therefore not be interpreted in isolation as evidence that the underlying emissions profile of portfolio companies has improved.

WACI (Scope 1 and 2) increased from 88.16 to 96.88 tCO₂e per USD million revenue, an increase of approximately 10%.

WACI (Scope 3) also increased, from 1,039.84 to 1,136.80 tCO₂e per USD million revenue, an increase of approximately 9%. Changes in WACI may be driven by changes in portfolio composition, portfolio company emissions and company revenues. Given the range of factors that can influence the metric, caution should be exercised when interpreting this movement in isolation.

The portfolio's **ITR** and **GHG Emissions Management Score** remained stable over the reporting period. Both metrics remain subject to modelling assumptions, forward-looking estimates and data limitations.

Coverage improved modestly across most metrics compared with the prior year, which may itself contribute to year-on-year movements. Coverage levels nevertheless continue to vary between metrics due to differences in data availability, estimation techniques and underlying methodologies.

Metrics used to assess climate-related risks and opportunities in line with the Group's strategy and risk management process

The operational Scope 1, 2 and relevant 3 emissions disclosed in this section are tracked and monitored as part of our net zero by 2030 strategy. This strategy is tracked and monitored as part of the COO Risk Committee which meets monthly and any risks against delivery of the 2030 strategy are raised, discussed and managed with the respective business owners.

Internally, we provide quarterly reporting of investment-related climate metrics for our funds, models and portfolios to the RI team, IC and RCC for oversight. Funds, models and portfolios are considered relative to their peer groups. Climate-related metrics can be difficult to interpret in isolation and should be interpreted with caution; we anticipate that our approach to using and interpreting them will continue to mature.

Targets used to manage climate-related risks and opportunities and performance against targets

From an operational perspective, we are dedicated to continuous improvement in our environmental performance, striving to reduce our negative environmental and climate change impacts. As outlined in previous sections of this report, Brooks Macdonald has a formal target in place to reach net zero across all our operations by 2030.

After submitting our first mandatory ESOS Action Plan in March 2025, we completed four of the five actions outlined in the plan, including relocating all employees onto a single floor, moving our head office to a BREEAM Excellent-rated office, completing the sale of our international business and its associated offices, and closing our office in Bury St Edmunds. Our Action Plan is publicly available on the EA website.

We are mindful that our operational emissions are negligible compared to the emissions associated with our investments. We continue to assess net zero target-setting options to cover our financed emissions, engaging with wealth management peers and the asset managers with whom we invest to inform our approach over time ensure that any commitment is considerate of our fiduciary duty responsibilities.

We continue to consider that emissions reduction targets in isolation could prompt a concentration of investment, and risk, in historically lower-emitting sectors and industries. This will not drive real-world decarbonisation and will miss genuine efforts made by companies towards reaching net zero targets. Furthermore, many companies involved in the manufacture of emissions-saving technologies may have a significant carbon footprint of their own, but this data point does not capture the emissions savings created through their products.

Automatic divestment from funds with exposure to carbon-intensive companies is unlikely to bring about emissions reduction outcomes in the real economy or maximise risk-adjusted returns for clients. Instead, we believe that engagement with high emitters is preferable than divestment, at supporting real-world outcomes and managing investment risks. This informs our commitment to iteratively enhancing our due diligence of how asset managers approach engaging and voting on climate-related issues and on developing our own stewardship approach with asset managers and direct equities.

Whilst we have not set quantitative climate-related targets relating to our investments, nor instructed any appointed external fund manager to apply carbon or net zero-related targets themselves, we do continue to assess funds on their net zero alignment using a maturity scale adapted from the Institutional Investors Group on Climate Change's ("IIGCC") Net Zero Investment Framework ("NZIF"). In March 2026, the IIGCC published guidance specific to externally managed funds. We have considered the updates set out in this guidance and incorporated them into our assessment approach for active equity and bond funds.

Appendix A – Glossary

Absolute emissions	The total greenhouse gas emissions attributable to a portfolio or organisation, expressed as an absolute quantity rather than relative to revenue or investment value.
ACD	Authorised Corporate Director. The entity responsible for the operation and oversight of an authorised fund.
ASC	Asset Selection Committee. The committee responsible for reviewing and approving assets for inclusion on the buy list.
Asset	An investable security.
Asset class	A collective term for a group of investable securities with similar characteristics.
Board	Brooks Macdonald Group's Board of Directors.
BPS	Bespoke Portfolio Service.
BREEAM	Building Research Establishment Environmental Assessment Method.
Carbon footprint	A measure of emissions intensity, commonly expressed as tonnes of CO ₂ e per million dollars invested.
CEO	Chief Executive Officer.
CIO	Chief Investment Officer.
CIP	Central Investment Process.
Climate change	Long-term alteration in global or regional climate patterns.
CMIP5	Coupled Model Intercomparison Project 5. A global climate modelling initiative coordinated by the World Climate Research Programme. It provides a standardised set of climate model simulations from leading research institutions worldwide.
COO	Chief Operating Officer.
CO ₂ e	Stands for CO ₂ equivalent, which is the number of metric tons of CO ₂ emissions with the same global warming potential as one metric ton of another greenhouse gas.
CRO	Chief Risk Officer.
EA	Environmental Agency.

Engagement	Engagement involves dialogue and collaboration between investors or stakeholders and companies to encourage them to adopt more sustainable and responsible practices.
EPC	Energy Performance Certificate.
ERMC	Executive Risk Management Committee.
ESG	Environmental, Social, and Governance.
ESG Integration	The incorporation of ESG factors into an investment process, based on the beliefs that ESG factors can affect the risk and return of investments and that ESG factors may not be fully reflected in asset prices.
ESOS	Energy Savings Opportunity Scheme. UK compliance framework for energy audits.
EVIC	Enterprise Value Including Cash. This is calculated by summing the market capitalisation, the total preferred stock/units/securities, the non-controlling/minority interests in equity, and the total debt.
Exclusions	Prohibiting certain investments based on ESG criteria.
ExCo	Executive Committee.
FCA	Financial Conduct Authority.
Fiduciary duty	A legal obligation to act in the best interests of another person or entity, prioritizing their needs above one's own.
Financed emissions	Greenhouse gas emissions associated with loans, investments or other financial activities, attributed to an investor or financial institution.
FUM	Funds Under Management.
GHG	Greenhouse Gas.
GHG Emissions Management Score	A data provider assessment of how well companies manage greenhouse gas emissions, typically aggregated at portfolio level using asset-weighted company scores.
GHG Protocol Corporate Standard	A widely used standard for companies to measure and report greenhouse gas emissions, including guidance on defining organisational and operational boundaries and reporting Scope 1, Scope 2 and Scope 3 emissions.

Greenwashing	Where an organization exaggerates or misrepresents its environmental efforts to appear more sustainable than it actually is.
GRESB	Global Real Estate Sustainability Benchmark.
IC	Investment Committee.
ICARA	The Internal Capital Adequacy and Risk Assessment process.
IEA STEPS	International Energy Agency Stated Policies Scenario. The Stated Policies Scenario ("STEPS") provides a conservative benchmark for future energy developments. It incorporates existing policies and measures, as well as those under active development, but does not assume full implementation of all announced goals.
IIGCC	Institutional Investors Group on Climate Change.
ITR	Implied Temperature Rise.
IPR	Inevitable Policy Response. A forecasting initiative that models the likely acceleration of climate-related policy and market responses as governments act to limit global warming.
KRI	Key Risk Indicator.
LCTR-VaR	Low Carbon Transition – Value at Risk. Models the potential loss in portfolio value as a result of moving to a low-carbon economy, over each year to 2050. The potential loss is expressed as a percentage of the portfolio if there are no transition efforts or policies.
LCT-VaR	Low Carbon Transition Value-at-Risk. A modelled estimate of potential financial impact from transition risks associated with moving to a low-carbon economy.
Location-based emissions	Emissions calculated using average emissions factors for the electricity grid or location where energy consumption occurs.
Market-based emissions	Emissions calculated using emissions factors that reflect contractual energy purchasing arrangements, such as renewable electricity contracts where applicable.
MPS	Model Portfolio Service.
Net zero economy	An economy with no net greenhouse gas emissions.
Net zero transition	The process of moving towards a net zero economy.
NZAM	Net Zero Asset Managers initiative.

NZIF	Net Zero Investment Framework.
ORC	Operational Resilience Committee.
Paris Agreement	International climate agreement to combat climate change.
Pass-through voting	Allows investors to have a say in how asset managers vote on the underlying listed equities in a fund (in proportion to the asset owners' share of the holdings).
Physical risk	The risks associated with long-term changes in the climate and with more extreme weather events which may impact future business activities.
REITs	Real Estate Investment Trusts.
RI	Responsible Investment.
RIS	Responsible Investment Service.
Risk appetite	The level and type of risk an organisation is willing to accept in pursuit of its objectives.
RCC	Risk and Compliance Committee.
RCP	Representative Concentration Pathway which is a framework for describing different possible future radiative forcing levels.
RCP 2.6	Representative Concentration Pathway 2.6. A climate scenario broadly associated with a lower-warming pathway.
RCP 8.5	Representative Concentration Pathway 8.5. A high-warming climate scenario often used to assess severe physical climate risk outcomes.
RCSA	Risk and Control Self-Assessment.
SBTi	The Science-Based Targets initiative which defines and promotes best practice in science-based target setting – the SBTi independently assesses and approves companies' targets in line with its criteria
Scope 1 emissions	Direct emissions from company-owned sources.
Scope 2 emissions	Indirect emissions from purchased electricity or energy.
Scope 3 emissions	Other indirect emissions in a company's value chain.
SECR	Streamlined Energy and Carbon Reporting. UK framework for disclosing energy use and emissions.

Appendix A – Glossary continued

Stewardship	An overarching term encompassing the approach that investors take as active and involved owners of the companies and other entities in which they invest through voting and engagement.
Stranded Assets	Assets that lose value or turn into liabilities before the end of their expected economic life.
Sustainability Disclosure Requirements (“SDR”)	Mandatory disclosure requirements related to sustainability in financial reporting.
TCFD	Task Force on Climate-related Financial Disclosures.
TCFD Product Reports	Product specific reports that align with the TCFD recommendations.
Total Loss Ratio	A physical climate risk metric that expresses expected cumulative damage losses as a proportion of cumulative operating cash flow.
Transition risk	The risks stemming from changes in the economy that will be required to limit global temperature increases.
UN PRI	United Nations Principles for Responsible Investment.
VaR	Value-at-Risk. A measure used to estimate potential loss under specified assumptions and conditions.
WACI	Weighted Average Carbon Intensity which measures a portfolio’s exposure to carbon-intensive companies.



Appendix B – Data Disclaimer

Holdings data

All holdings' data used in this analysis has been compiled as at 30/06/2026. Estimations have been required for assets held outside of our custody (i.e., on differing platforms). The operational capabilities of the underlying platforms we are associated with varies quite widely. For context, less than half of the platforms we are linked to currently have the logistical capabilities to provide exact line-by-line holdings breakdowns as at a specific date. We receive our total FUM held on each platform, within each strategy, on a monthly basis. We then aggregate the amount held within each strategy across all platform providers and subsequently re-apportion the funds as per the weights in our models. We use drifted model weights to reapportion the funds held within our platform MPS solutions (c. £8bn).

Ultimately, we deem the estimation process to be more decision-useful than not, given that the amount of FUM we have within platform providers is extensive and growing. By excluding such a significant portion of our FUM, the TCFD outputs would be distorted and not fully reflective of where we are as an entire business.

Morningstar Sustainalytics data

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Brooks Macdonald relies on Morningstar Sustainalytics to ensure that the data is accurate and that relevant checks have been conducted before being shared with Brooks Macdonald. A significant portion of the assets covered within this report are third-party collective investments. Morningstar Sustainalytics performs a look through to the underlying holdings, to generate climate-related data. The quality and completeness of the data provided in this TCFD report may therefore be impacted by delays or errors in third-party fund managers disclosing their underlying holdings to Morningstar Sustainalytics.

The quality of data relied on to produce climate-related information is not of comparable quality to that of financial reporting. Our understanding of climate change effects, data, metrics and methodologies and its impact continue to evolve. Data provider methodologies are subject to ongoing modifications, beyond our control. This may lead to large-scale revisions of reported data and targets and make them incomparable to previous reports on a like-for-like basis. Where a judgement has been exercised in this report, the estimates or assumptions used may subsequently turn out to be incorrect.

Appendix C – Limitations of scenario analysis

Coverage and data availability

Low Carbon Transition Value at Risk ("LCT-VaR") is not calculated for every issuer in a portfolio. It is available only where the issuer is covered by Morningstar Sustainalytics and where enough underlying data is available. As a result, portfolio-level LCT-VaR results reflect only the proportion of the portfolio that can be modelled.

The calculation uses issuer-level data such as operational locations, revenue, corporate tax rate and greenhouse gas emissions. If reported emissions data is not available, Morningstar Sustainalytics may use estimated data instead. For oil and gas companies, the model also needs annual production data in barrels of oil equivalent.

This means the quality of the output depends partly on the quality and availability of the input data. Coverage may be weaker for private companies, smaller issuers and less transparent markets. Sovereign bonds and government debt are not covered by the LCT-VaR model.

Model scope

LCT-VaR captures selected transition-related policy and market risks. It does not capture every way in which the low-carbon transition could affect a company.

The market risk component is assessed only for oil and gas companies. Potential market-related impacts in other sectors may therefore be outside the model. The metric also does not directly quantify technology risk, reputational risk, litigation risk, changing consumer preferences or company-specific execution risk. These risks may still be financially material, so LCT-VaR should be considered alongside wider qualitative analysis and other climate indicators.

Forecasting and scenario uncertainty

LCT-VaR is a scenario-based estimate, not a prediction of future market performance. It relies on assumptions about future policy, carbon pricing, technology, economic conditions, issuer emissions pathways and the pace of the low-carbon transition.

Actual outcomes may differ from the modelled results if these factors develop differently from the scenario assumptions. This is particularly important over long time horizons, where uncertainty is greater.

Valuation and security-level interpretation

Morningstar Sustainalytics estimates the potential impact of transition risks on an issuer's enterprise value. As it does not seek to predict the future market or financial performance of companies, this report assumes that an issuer's market share and enterprise value remain constant for the purposes of the LCT-VaR calculation (Enterprise value broadly reflects the value of a company's equity and debt financing, adjusted for cash and cash equivalents). This is a limitation because a company's market share and enterprise value may change materially over time as regulation, technology, demand, competition, financing conditions and company strategy evolve.

The calculation also does not tailor the issuer-level financial impact may affect different securities in the capital structure. In practice, equity and debt issued by the same company may respond differently, depending on factors such as seniority, duration, credit quality, capital structure and market pricing.

Appendix D – Morningstar Sustainalytics methodology

Portfolio carbon metrics

Morningstar Sustainalytics provides a comprehensive coverage of greenhouse gas emissions data through the collection of reported company data and proprietary estimated data, which forms the basis of all portfolio carbon footprint and intensity metrics. The carbon metrics provided are calculated according to the GHG Protocol, a global framework to measure and manage GHG emissions.

1. Portfolio 'look through'

Morningstar will first attempt to 'look through' any funds that are held by the portfolio to find underlying, indirectly held holdings. The 'look through' function goes up to 10 portfolios 'deep' – that is, when a portfolio holds a fund and in turn that fund hold other funds, the 'look through' process will assess 10 'levels' of portfolios. The exception to this rule is for funds that are synthetically replicated; for the purpose of the carbon emissions calculations, they will be treated as being equivalent to a portfolio holding derivatives. The derivative holding will not be 'looked through' and for the purposes of the calculations are treated as 'other holdings', that are neither corporate nor sovereign.

2. Portfolio weights

The calculations start with a net long portfolio, also referred to as the adjusted portfolio. Securities that have both long and short positions are 'netted out', meaning the short position weight is subtracted from the long position weight. Any remaining short positions and any currency offsets are removed. The portfolio weight is then recalculated on the netted-out long positions only.

The rescaled weight of a holding in the adjusted portfolio is derived as the holding's original portfolio weight, divided by sum of the original portfolio weights of the netted-out long, non-cash offset holdings.

3. Eligible and ineligible holdings

Morningstar Sustainalytics identify the portion of the adjusted portfolio's holdings that can potentially contribute the required data to derive a given portfolio metric. These are known as eligible holdings. In the context of the portfolio carbon footprint and intensity metrics, eligible holding type means corporate entities (such as equities and corporate bonds) and non-eligible holdings refer to any non-corporate securities, such as cash, commodities, and sovereign and sub sovereign bonds. They then identify which holdings have coverage of the required company-level data; these are referred to as covered holdings. Holdings which do not have the underlying data required are excluded from the calculations, even if they are considered eligible.

Formulas

Metric	Formula
Portfolio Carbon Footprint	The amount in tonnes of total greenhouse gas emissions attributable to the portfolio, per million dollars (USD) invested. The total emissions a portfolio is responsible for is calculated by working out for each unique holding the percentage of that company that the portfolio owns, then summing the share of total emissions each holding is responsible for. The absolute emissions (in tonnes) the portfolio is responsible for is then divided by the total dollar amount (in USD millions) invested in those companies). $\text{Portfolio Carbon Footprint} = \frac{\sum_{i=1}^{EC} \left(\frac{\text{holding size}_i (\text{USD})}{\text{issuer's EVIC}_i (\text{USD})} * \text{issuer's total emissions}_i \right)}{\sum_{i=1}^{EC} \text{holding size}_i (\text{USD})}$ where: Portfolio Carbon Footprint = The amount in tonnes per million USD invested of the relevant emission(s) for which the portfolio is known to be responsible. holding size_i (USD) = The amount in millions of US dollars the portfolio has invested in the relevant underlying covered company. The sum of all holding sizes will be the covered portion of the portfolio. issuer's EVIC_i (USD) = The entire value of the company (enterprise value including cash) in millions of US dollars. This is calculated by summing the market capitalisation, the total preferred stock/units/securities, the non-controlling/minority interests in equity and the total debt. issuer's total emissions_i = The amount, in tonnes, of the relevant emission(s) for which the relevant company is responsible. i = 1, EC = All eligible, covered holdings. These are securities in the adjusted (net long) portfolio that are of the relevant holding type (eligible, E) and for which the relevant underlying data is known (covered, C).

Appendix D – Morningstar Sustainability methodology continued

Metric	Formula
Portfolio Carbon Intensity	Portfolio Carbon Intensity is the asset-weighted average for the portfolio of the underlying holdings carbon intensity and represents the carbon efficiency of its investments expressed as tCO₂e/\$M (tonnes of CO₂e/Revenue in millions of USD). A lower value indicates lower intensity and greater carbon efficiency. Efficiency here refers to the greenhouse gas emissions of a company relative to its revenue; in other words, how much greenhouse gas emissions a company is expending in order to generate \$1 million revenue. $\text{Portfolio Carbon Intensity} = \sum_{i=1}^{EC} W_i^{RC} * \text{Carbon Intensity}_i$ where: Portfolio Carbon Intensity = The asset-weighted average of a company's tonnes of CO₂e per millions of USD revenue of the relevant emissions for all covered companies held in the portfolio. W_i^{RC} = The rescaled weight of the covered holding, which for each covered holding is derived as the original portfolio weight divided by the weight of the covered portfolio. The covered portfolio is the subset of eligible holdings that have relevant input data available. Carbon Intensity_i = Carbon intensity of covered holding. i = 1, EC = All long, covered holdings. These are securities in the adjusted (net long) portfolio that are of the relevant holding type (eligible, E) and where the relevant underlying data is known (covered, C).

Portfolio low-carbon transition metrics

Portfolio implied temperature rise

The implied temperature rise calculation measures to what degree the world is expected to warm if the GHG emissions of all companies differed from their net-zero-budgeted GHG emissions to the same extent as the emissions of the company or portfolio being evaluated. It allows investors to easily understand the GHG emissions overshoot, or undershoot, a company is projected to have in the context of limiting global warming to an increase of 1.5°C compared to pre-industrial levels.

For a portfolio, it is a measure of how much the forward-looking GHG emissions attributable to the portfolio (by way of investing in companies) may overshoot or undershoot the corresponding GHG emissions budget attributable to that portfolio. Morningstar Sustainability aggregate the underlying GHG emissions projections from underlying companies, then aggregate the portfolio GHG emissions budget from underlying companies. This involves calculating a GHG emissions gap and GHG gap percentage between the GHG emissions projections and the GHG emissions budget being evaluated.

The final implied temperature rise is calculated using the GHG emissions gap percentage within the formula outlined below:

Implied Temperature Rise (°C) =

1.5°C + GHG Emissions Gap Percentage

*Global Emissions Budget *TCRE Factor

where:

Implied Temperature Rise (°C) = A measure of surface temperature rise based on the given GHG emissions of a given company or portfolio.

GHG Emissions Gap Percentage = The relative percentage difference between the GHG emissions being evaluated (either Expected or Baseline) and the corresponding net-zero-aligned GHG emissions budget to 2050.

Global Emissions Budget = The cumulative amount of GHG emissions, in gigatons, that can be emitted to limit warming to 1.5 degrees.

TCRE Factor = The Transient Climate Response to Cumulative Carbon Emissions is an IPCC-derived factor that determines the amount of radiative forcing (warming) as degree celsius (°C) per megaton (Mt) of GHG emissions.

The output – the Portfolio Implied Temperature Rise Score All Scopes – is based on projections to 2050 that take into account the strength of the portfolio companies' management of transition risks.

Portfolio GHG Management Score Category All Scopes

GHG emissions management is reflected at the portfolio level by aggregating the underlying company scores using a weighted average approach, as well as offering a classification of the score value for all emissions scopes. For individual companies, the management score indicates the strength of the company's management systems in regard to managing its exposure to the low-carbon transition and is used to determine company-level, expected GHG emissions projections.

The Portfolio GHG Emissions Management Score reflects the portfolio's management quality for a given GHG emissions scope and is calculated as the asset-weighted average of the covered holdings' company-level management scores for a given GHG emissions scope within the portfolio. It is calculated for Scope 1, Scope 2, Scope 3 Upstream and Scope 3 Downstream GHG emissions, as well as for all scopes.

The Portfolio Greenhouse Gas Emissions Management Score Category All Scopes assigns a categorical description to the Portfolio GHG Emissions Management Score for all emissions scopes. Assignment is determined by the same management quality score thresholds as individual companies. The possible values range from Very Weak to Very Strong and include Weak, Average and Strong.

$$\text{Portfolio GHG Management Score} = \sum_{i=1}^{EC} W_i^{RC} * \text{GHG Management Score}_i$$

where:

Portfolio GHG Management Score = The asset-weighted average of a company's GHG Management Score for all covered companies held in the portfolio.

W_i^{RC} = The rescaled weight of the covered holding, which, for each covered holding, is calculated as the original portfolio weight divided by the weight of the covered portfolio. The covered portfolio is the subset of eligible holdings that have relevant input data available.

GHG Management Score_i = GHG Management Score of covered holding.

i = 1, EC = All long, covered holdings. These are securities in the adjusted (net long) portfolio that are of the relevant holding type (eligible, E) and where the relevant underlying data is known (covered, C).

Portfolio Low Carbon Transition – Value at Risk ("LCT-VaR")

Morningstar's LCTR module covers around 10,000 issuers. The model is made up of two types of transition risk – policy risk and market risk.

Policy risk

The policy risk model uses cap-and-trade schemes to calculate carbon prices. A cap-and-trade scheme covers emissions generated by companies in specific sectors. The schemes allow companies to buy and sell emissions certificates. The overall amount is limited and set so that they decrease every year. This can and has led to a rising long-term carbon price in the EU. The largest cap-and-trade scheme is the EU Emissions Trading System ("EU ETS"). Where carbon pricing data is available in a region, it's used as a baseline to calculate future trends and increases. But if a region does not currently have a carbon price, a price from the relevant scenario is used as the baseline. This also forecasts a rising carbon emissions price. Some countries and regions have been quicker to adopt climate policies, and this has pushed up carbon prices. Where the 'real world' price is higher than the scenario price, the real-world value is used. It gives us a more accurate view of policy risk.

Market risk

Market risk measures the potential absolute loss in value a company might experience in a transition to a low-carbon economy. It's based on the assumption that there'll be changes to market behaviour. In particular, there'll be less demand for fossil fuel-based products. Market risk is calculated for companies in oil and gas production only.

To reach the result, the revenue risk that comes from expected changes in demand in the relevant transition scenario is compared to a baseline, the IEA STEPS business-as-usual scenario.

To calculate an issuer's LCT-VaR:

- Expected emissions are projected. These are based on current emissions and split by each global region the issuer is exposed to, as well as each emission Scopes 1, 2 and 3. An assessment is made about how well these emissions are being managed. Strong management suggests that expected emissions will be lower than the baseline emissions, whilst weak management indicates that expected emissions will be higher than baseline emissions.
- Policy risk is calculated, by forecasting policy costs associated with the expected emissions projection for Scope 1, 2 and 3 Upstream GHG emissions. Carbon prices are applied to the regional emissions.
- The market risk for oil and gas production companies is calculated. The market risk model forecasts market risk associated with revenue impacts linked to demand changes under a 1.5°C scenario compared to business as usual.
- A total of policy and market risk is reached for each year to 2050. A 'discount cashflow model' takes the cumulative value at risk and applies a present-day value to it. The final metric is expressed as a percentage of the company's enterprise value (the value of all its shares and debt, including cash).

Appendix D – Morningstar Sustainability methodology continued

To calculate a portfolio's LCT-VaR:

- The Portfolio Low Carbon Transition Value at Risk is calculated as the portion the portfolio owns (using holding size and EVIC), multiplied by the company's LCT-VaR and summed for all covered companies in the portfolio.

$$\text{Portfolio LCT VaR}_c = \sum_{i=1}^{EC} \frac{\text{holding size}_i (\text{USD})}{\text{issuer's EVIC}_i (\text{USD})} * \text{issuer's LCT VaR}_c$$

where:

Portfolio LCT VaR_c = The Low Carbon Transition Value at Risk expressed in relevant currency (c) that is attributable to the portfolio.

issuer's LCT VaR_c = The company-level Low Carbon Transition Value at Risk for a given Transition Risk Type (Overall, Market, or Policy) in the relevant currency, (c).

holding size_i(USD) = The amount in millions of US dollars the portfolio has invested in the relevant underlying covered company. The sum of all holding sizes will be the covered portion of the portfolio.

issuer's EVIC_i (USD) = The entire value of the company (enterprise value including cash) in millions of US dollars. This is calculated by summing the market capitalisation, the total preferred stock/units/securities, the non-controlling/minority interests in equity, and the total debt.

i = 1, EC = All long, covered holdings. These are securities in the adjusted (net long) portfolio that are of the relevant holding type (eligible, E) and where the relevant underlying data is known (covered, C).

- This total is divided by the total holding value of all assets in the portfolio. The result is expressed as a percentage of the portfolio value at risk to 2050.

$$\text{Portfolio LCT VaR \% of Covered Holdings} = \frac{\text{Portfolio LCT VaR}_c}{\sum_i \text{holding size}_{ci}}$$

where:

Portfolio LCT VaR % of Covered Holdings = The applicable Low Carbon Transition Value at Risk divided by the total holding value of all covered holdings.

Portfolio LCT VaR_c = The Low Carbon Transition Value at Risk expressed in relevant currency (c) that is attributable to the portfolio.

holding size_{ci} = The amount, in relevant currency (c), held in the company by the portfolio.

i = 1, EC = All long, covered holdings. These are securities in the adjusted (net long) portfolio that are of the relevant holding type (eligible, E) and where the relevant underlying data is known (covered, C).

Physical Climate Risk Metrics

Morningstar Sustainability's Physical Climate Risk Metrics product is based on a physical climate change impact assessment model. It assesses a company's exposure to acute and chronic climate hazards and the associated financial losses. There are three key data sets of the Physical Climate Risk Metrics product:

1. Probability data on the potential for damage to a company's physical assets
2. Probability data on the potential for disruption to a company's operations
3. Financial data that provides information on the value of the company's physical assets and its ongoing revenues, which are combined with the above probabilities to assess financial exposure

Climate hazards result in both direct risk and indirect risk to a company. Direct risk is due to climate hazards that cause direct damage and loss to its physical assets, whereby:

- Direct damage is estimated by the metrics Asset Damage Risk and High-Risk Assets.
- Direct losses, which estimate non-damage related losses, is estimated by the Productive Capacity Loss ("PCL") metric.

Indirect risk is due to climate hazards that do not directly impact a company's physical assets or employees but can affect a company's financial performance through lost productivity. The indirect risks are captured by the Local Critical Infrastructure Risk ("LCIR") and Regional Risk metrics.

The direct and indirect risks and the associated likelihood of climate hazards are the main data inputs when converting these risks into financial terms. These are assessed at the country and global level for each company.

Financial data on the company's valuation of its physical assets are then used to convert the direct damage risk into an asset-value based financial loss signal. The company's revenue data are used to convert the direct productivity-loss based metric into a revenue-based financial loss signal. The two financial signals combined give the expected losses caused by direct risks. Similarly, the company's revenue data are used to convert the indirect risk metrics into a combined revenue-based financial signal.

The direct and indirect expected financial losses are converted into loss ratios to determine whether the company's level of cash flow can cover its liabilities from physical climate impacts. This gives a conservative estimate of the physical climate risks companies can experience under the two climate change scenarios of RCP 2.6 and 8.5 up to 2050. Exposures are unique to each company due to geographic location and time horizon. The physical hazard exposure is translated into a financial signal to approximate the financial exposure faced by companies over the next decades up to 2050.

Defining financial exposure to climate hazards as a loss ratio, it is calculated as the ratio of the cumulative expected damage loss due to these hazards to the company's cumulative global operating cash flow up to 2050. Both the expected damage loss and operating cash flow are expressed in US dollars. This gauges whether a company can cover future expected losses based on their financial position today.

The physical climate risk metrics of Asset Damage Risk and Productive Capacity Loss combined inform the estimation of the Direct Loss Ratio, which gives the direct financial exposure. Indirect Loss Ratio is estimated by the Local Critical Infrastructure Risk. The direct and indirect exposures are calculated as separate signals to align with the TCFD recommendations. Both combined give a single overall financial exposure signal of Total Loss Ratio. In the methodology both discounted and non-discounted cumulative damages and loss ratios are calculated. Discounting allows for comparison of values across future time periods in terms of present-day values.

The following is the calculation for the Direct Loss Ratio Discounted:

Direct Loss Ratio Discounted_i =

$$\frac{\text{Expected Asset Damage Loss Amount Cumulative Discounted}}{\sum_{t=2022}^{2050} \frac{OCF_{i,t}}{(1+d)^t}} + \frac{\text{Expected Revenue Loss Amount Cumulative Discounted}}{\sum_{t=2022}^{2050} \frac{OCF_{i,t}}{(1+d)^t}}$$

where:

Expected Asset Damage Loss Amount Cumulative Discounted_i

$$= \sum_{t=2022}^{2050} \frac{ADR_{i,t} \times PPE_{i,t}}{(1+d)^t}$$

and:

Expected Revenue Loss Amount Cumulative Discounted_i

$$= \sum_{t=2022}^{2050} \frac{PCL_{i,t} \times Revenue_{i,t}}{(1+d)^t}$$

The following is the calculation for the Indirect Loss Ratio Discounted:

$$\text{Indirect Loss Ratio Discounted}_i = \frac{\text{Expected Indirect Loss Amount Cumulative Discounted}}{\sum_{t=2022}^{2050} \frac{OCF_{i,t}}{(1+d)^t}}$$

and:

$$= \sum_{t=2022}^{2050} \frac{\text{Expected Indirect Loss Amount Cumulative Discounted}_i}{\text{Impact of Indirect Risk on Productivity}_{i,t} \times Revenue_{i,t}} \times \frac{1}{(1+d)^t}$$

The total loss ratio is the sum of the direct and indirect loss ratios for each company, so that for Total Loss Ratio Discounted, the calculation is as follows:

Total Loss Ratio Discounted_i

= Direct Loss Ratio Discounted_i

+ Indirect Loss Ratio Discounted_i



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