Redwheel TCFD entity report 2024

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About Redwheel

Redwheel is a specialist, independent, investment organisation with a clear purpose: To invest with conviction for current and future generations and the world in which we live.

Headquartered in the UK, Redwheel is employee-owned with €16.6bn ($17.7bn) assets under management as at 30 April 2024, and over 170 permanent employees primarily based in London, Miami and Singapore; other offices are located in New York and Copenhagen.

The firm has seven investment teams specialising in active equity strategies across four capability sets: Value and Income; Emerging & Frontier Markets; Active Engagement and Sustainable & Thematic. The firm also offers a range of convertible bond strategies.

Redwheel's approach gives its investment teams a high degree of autonomy regarding their investment processes. Consequently, the incorporation of environmental, social and governance considerations, and the resource dedicated to it, will vary across teams.

In line with their investment freedoms, each investment team is responsible for the integration of sustainability considerations within their respective investment processes, consistent with firm-level policies. Adopting this approach has proved to be the best way to ensure that responsible investing is put into practice in a meaningful and genuine way, helping to maintain alignment between our interests and those of our clients.

Our investment teams are supported by specialists split across three centralised multi-disciplinary sustainability teams.

172

WE HAVE 172 PEOPLE INCLUDING 59 DEDICATED INVESTMENT PROFESSIONALS WORKING ACROSS 7 INDEPENDENT TEAMS

WE SPECIALISE IN PROVIDING SOLUTIONS FOR

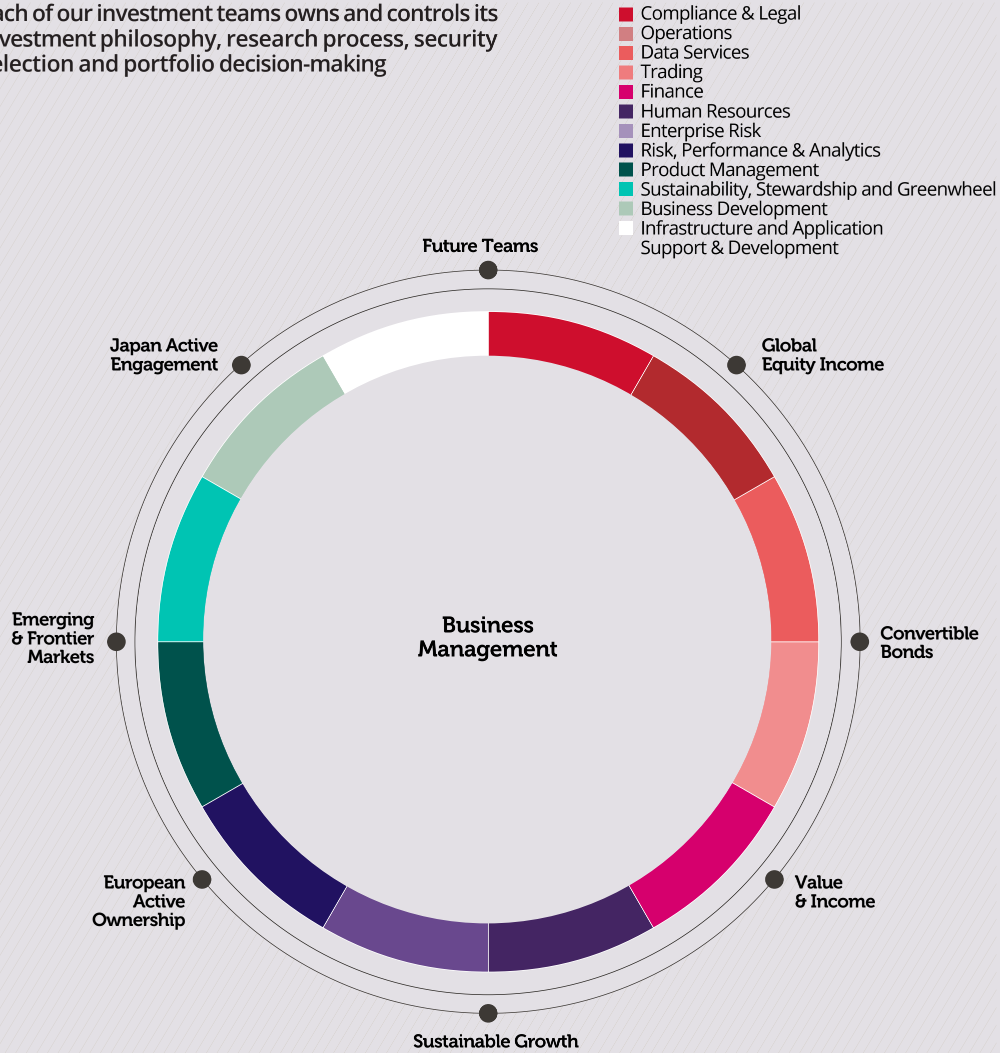
- Convertible Bonds
- Emerging & Frontier Markets
- European Active Ownership
- Global Equity Income
- Japan Active Engagement
- Sustainable Growth
- Value & Income

We manage $17.7bn as at 30 April 2024 for our clients, from offices in London, Miami, Singapore, New York and Copenhagen

$17.7bn

Source: Redwheel.

Each of our investment teams owns and controls its investment philosophy, research process, security selection and portfolio decision-making



Source: Redwheel

About this report

The structure of this report largely follows that recommended within the guidance issued by the Task Force on Climate-related Financial Disclosures[1] ("the TCFD"). The report has been prepared in line with the rules and guidance set out in the Environmental, Social, and Governance Sourcebook ("ESG Sourcebook")[2] issued by the UK's Financial Conduct Authority ("FCA").

Redwheel Group comprises a parent company and a number subsidiaries; "Redwheel" is the trading name utilised by the entities within the Group. This report is primarily focussed on its UK domiciled companies which are authorised and regulated by the FCA; RWC Partners Limited and RWC Asset Management LLP ("RWC LLP").

RWC Partners Limited is the intermediate parent company, providing the governance structure and support to other entities within Redwheel; this includes the Portfolio Risk Committee, Product Management Committee, Sustainability Committee, Valuation Committee, Counterparty Committee and Enterprise Risk Committee. RWC Partners Limited is exempt from TCFD disclosure requirements[3].

RWC LLP is the UK domiciled asset management subsidiary of RWC Partners Limited.

As RWC LLP provides portfolio management services to its clients and these are captured within its "TCFD in-scope business", it is therefore the assets managed by RWC LLP on which this report focuses.

In a number of instances, portfolio management responsibility may be delegated by RWC LLP to another Redwheel entity. Where this is the case, and where TCFD reporting obligations similar to those introduced by the FCA also apply, this report should be understood as the parent level report to the extent that such reporting is acceptable as part of meeting local-market regulatory compliance expectations[4].

This report uses 'point in time' data extracted from internal systems as at 31 December 2023. The quality and consistency of carbon data is improving rapidly but remains far behind the quality and consistency of counterpart financial data. Disclosures should therefore be understood as having been prepared on a "best-efforts" basis.

This Redwheel TCFD entity report 2024 was prepared by members of the Redwheel Climate Steering Committee and approved by the Redwheel Board in June 2024. The report has been prepared in good faith. We anticipate that future editions will utilise a similar structure and that the breadth and depth of the analysis presented will expand over time.

1 For more information, see https://www.fsb-tcfd.org/
2 The ESG Sourcebook is available online at https://www.handbook.fca.org.uk/handbook/ESG.pdf
3 RWC Partners Limited relies on the exemption set out in ESG 1A.1.2 of the FCA Handbook
4 This report is intended to meet RWC Singapore (Pte.) Limited's requirements under the Monetary Authority of Singapore's Guidelines on Environmental Risk Management

Foreword from the Chair

Peter Clarke, Non-Executive Chairman

As a fiduciary of our clients' capital, it is critical that climate-related risks and opportunities – both from climate change itself and the deep system transitions required to mitigate it – are identified and actively managed. It is critical also that we effectively communicate to clients the work we are doing in this regard, as part of our commitment to act in their best interests.

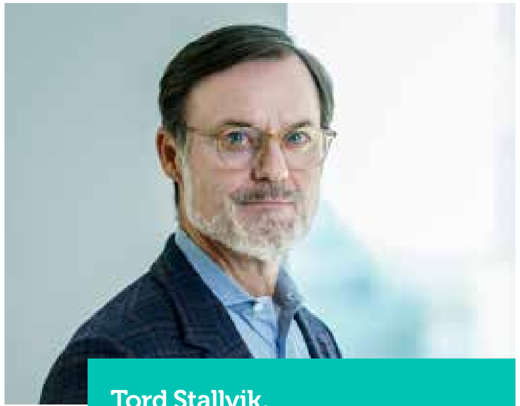
We therefore support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As a global business we also welcome the consistent reference by regulators internationally to the work of the TCFD when setting disclosure expectations. Reporting to a common framework will support clearer conversations on climate-related issues between our industry and the providers of capital, as well as between investors and issuers.

Work to produce subsequent iterations of this report will help us live up to our purpose as a business which is "to invest with conviction for current and future generations" but we decided early on to approach the production of our first TCFD report as an opportunity to build capacity and catalyse action internally.

Over the last two years, we have invested heavily in our sustainability infrastructure, developing specialist in-house resource and procuring data and technology services to support analytics in relation to sustainability more broadly and climate more specifically. This has enabled us to introduce new related governance processes and layers of oversight, and to launch new investment products that place increased emphasis on sustainability considerations within the investment process. In parallel, we have also made commitments to support sustainability initiatives such as the Institutional Investors Group on Climate Change (IIGCC), which helps us to develop our thinking around climate change. We are active participants in the wider discourse relating to climate too, and attended COP27 to learn more first-hand about this complex and fast-evolving area.

In writing this report, we have learned that the data, models and tools we have at our disposal are useful up to a point, but all have inherent limitations. This means we don't have answers right now to all the questions we are being asked. But we are willing to put resource into meeting the challenge, and to developing and maintaining strong partnerships between our central business, our investment teams and our clients in relation to our climate strategy. In this way, we hope to ensure that our approach remains thoughtful and intentional, and that it strikes an effective balance between the inherent collective desire of everyone at Redwheel to support the achievement of real-world decarbonisation efforts and our core priority – to generate investment returns for our clients.

Foreword from the CEO



Tord Stallvik,
Chief Executive Officer

For our firm, our clients, society more broadly, and the planet as a whole, climate change has the potential to have a significant impact. This impact is already being felt but will become more pronounced over the medium to long term.

As long-term investors, we therefore welcome the efforts of the TCFD to enhance transparency and standardise reporting as regards the identification and management of climate risks and the extent to which opportunities are foreseen and targeted. This report sets out how Redwheel is now organising itself to take account of climate related risks and opportunities in the context of our global operations and our investments.

We take seriously our obligations as a responsible business and as a responsible investor. We want to make sure also that our approach evolves in a manner that is strategic, reflecting our purpose as a business whilst continuing to help our clients meet their savings needs and investment objectives. The issues presented by climate change are manifold and complex; there is often a lot of nuance to appreciate when making decisions and deep thought is therefore often required. Simple problems are few and far between.

The members of Redwheel's Executive Committee ("ExCo") have joint responsibility for appraising commercial and investment risks and opportunities. The Committee is comprised of seasoned professionals with significant international industry experience, supported by an array of central business units that individually and collectively are actively engaged in helping Redwheel deliver its client proposition. ExCo works closely with the Redwheel Board to set and implement the Redwheel business strategy which, to a significant extent, is defined by our overall commercial strategy which itself reflects the specific commercial strategies adopted in respect of the investment products and services that our investment teams provide. It is for this reason that development of Redwheel's climate strategy has focussed so significantly on the relevance of climate risks and opportunities to the investment processes adopted by our investment teams.

Within our investments business, as part of fulfilling fiduciary duties to our internationally distributed client base, every one of our investment teams takes a holistic approach to the consideration of sustainability factors within investment processes. All investment products benefit from our teams adopting a holistic approach to investment research and the proxy voting recommendations that all teams receive from our corporate governance research provider emphasise climate considerations as standard. Those products powered by our Greenwheel research team – and which therefore sit within the Enhanced Integration, Transition or Sustainability categories of the Redwheel Product Matrix – also feature explicit consideration of sustainability considerations within wider aspects of the investment process such as security selection, portfolio management and / or stewardship. Two of the Greenwheel-powered products we have launched in the last 12 months explicitly consider climate issues within research and company engagement.

Introduction

Climate: reporting to date

In the wake of the ratification in 2016 of the Paris Agreement, there has been a rapid proliferation of market, regulatory and legislative initiatives relating to climate change. Some of those relating to the financial services sector target organisations such as ourselves directly (in our capacity as a manager of third party assets), whilst others are more focussed on key counterparties in the ecosystem – whether that be our asset-owning clients, the companies in which we invest, investment consultants, or otherwise banks and insurers. We are also subject to legislation targeted at private corporate entities in the markets in which we have a registered corporate presence.

The requirement for Redwheel to produce a TCFD report arises under regulation announced by the Financial Conduct Authority ("FCA") in 2021, which followed on from work conducted by the Climate Financial Risk Forum[5] (jointly convened by the FCA and the Prudential Regulatory Authority). We have not historically produced a focussed assessment of Redwheel's approach in relation to climate considerations; our approach has largely been driven by the need to respond effectively to client demand to see examples of climate considerations integrated within investment processes and the need to maintain compliance with the UK Government's Streamlined Energy and Carbon Reporting policy.

We have therefore used the introduction of the FCA requirement to catalyse and accelerate our thinking in relation to climate considerations, and set out in the pages that follow our strategy in this regard.

Preparing for TCFD Reporting

We decided early on that we wanted our work to be meaningful and genuine, reflecting our values and purpose as a firm that invests globally and which has operations and clients spread around the world. In preparing for the production of this, our first TCFD report, a key aspect of our approach has therefore been to take advice, to ensure that prior to preparing our report we had a good understanding of the core requirement, the direction of travel, the outlook for some of the key climate-focussed market initiatives, and a sense of how the decisions we take today might dictate the issues we would need to address in future.

To this end, we appointed Carbon Intelligence (now part of Accenture) to provide consulting support enabling us to draw repeatedly on the deep knowledge of senior subject-matter experts as we considered how best to proceed, and periodically to test our evolving thinking on how to develop an effective climate strategy. The nature and intensity of our interactions

[5] https://www.bankofengland.co.uk/climate-change/climate-financial-risk-forum

with the Carbon Intelligence team varied over time but included multiple interviews with our senior leaders and portfolio managers to identify areas where education was needed, discussions regarding the positioning of our business and our investment strategies, briefings on new regulatory and market initiatives, and analysis of how peers within the UK market have approached TCFD reporting and 'transition planning' more broadly.

Through a combination of teach-ins, presentations and debates involving our Climate Steering Committee (and also involving additional members of our ExCo from time to time, including our CEO) we have been able to refine our thinking in relation to climate e.g. around the conceptualisation of climate risks that our business faces today and may face in future, the management of climate considerations within investment processes, the implications of portfolio target setting, and the potential consequences of making net-zero commitments through reference to market-based initiatives. We have also been able to develop our understanding of the strengths, weaknesses, overlap and inter-dependencies of potentially relevant frameworks and resources such as:

- TCFD Final Report and Implementing Guidance
- NACE – the classification system used within the European Union to distinguish economic activities by type – relevant when considering how to define carbon intensive sectors
- SASB – the Sustainability Accounting Standards Board® which sets out for 77 separate industry classifications the environmental and social factors, including climate factors, considered to be material to valuations
- FCA climate scenarios (as outlined in the FCA's ESG Handbook)
- Network for Greening the Financial System ("NGFS") scenarios
- IEA climate scenarios including the Sustainable Development Scenario ("SDS")
- One Earth Climate Model ("OECM")
- IIGCC Net Zero Investment Framework ("NZIF")
- Investor Climate Action Plans ("ICAP") – and the ICAP Expectations Ladder and Guidance
- Science Based Targets Initiative ("SBTI")
- Net Zero Asset Managers Initiative ("NZAMI")
- Net Zero Asset Owner Alliance ("NZAOA")
- Transition Plan Taskforce ("TPT")

Given the extent of our direct insight into Redwheel's operational footprint, early on we also assumed that our business is most significantly exposed to climate risks through the investments made by our portfolio managers. Accordingly, we have in parallel spent significant time and resource using some of the tools and products available in the market to understand how in practice underlying climate-related data relevant to our investments is currently sourced, cleaned and used, how estimates are generated, how data changes through time, how and when specific data items are updated in the feeds investors receive, and what the pathway is for product development.

This work has been extensive and challenging but we hope puts in place the foundations of an approach that will prove to be intellectually robust, will enable us to be true to ourselves, and will help to support the delivery of real-world change over time.

It will, in short, enable us to be strategic in our own terms: it encourages us to continue to learn about climate issues, the intersection of climate and investment, the rewards and risks associated with action and inaction, and through annual reporting, creates a framework through which we can challenge our ambition levels year on year and continue to aim high.

We hope in particular that the next instance of this report will describe how we are integrating more deeply the consideration of climate-related risks and opportunities (as well as scenario analysis) within financial planning, and how we are approaching portfolio target setting in a manner that facilitates a 'light touch' approach to governance and oversight. There remains much work to be done between now and then though but we accept that this is the price we must pay for adopting an approach that is properly bespoke to us, maintains alignment with our values and our purpose, and preserves our ability to respond effectively to evolving client needs over time.

Governance
Board Oversight of Climate-Related Risks and Opportunities

Ultimate responsibility within Redwheel for overseeing climate-related risk and opportunity, and for defining Redwheel's risk appetite, rests with Redwheel's Board of Directors. Day to day management of the company including the management of climate issues is delegated by the Board to the Redwheel Executive Committee ("ExCo"). A number of our ExCo members also sit on the Board.

Within our current governance structure, our Sustainability Committee, Portfolio Risk Committee and Enterprise Risk Committee are the committees principally responsible for overseeing the identification and management of sustainability and climate-related risks and opportunities. Board representation on these committees helps to ensure direct involvement in debate and discussion on issues of relevance including the business response to the climate emergency and the nature and scale of climate-related impacts on our business. The involvement of Board Directors and ExCo members also helps to ensure an appropriate flow of information to the wider Board, which supplements the regular updates provided by ExCo members on issues of strategic importance (which include sustainability and climate related issues) which are themselves informed by participation in relevant Redwheel committees and the minutes of those committees.

REDWHEEL BOARD OF DIRECTORS
Oversight of & ultimate responsibility for climate risks

REDWHEEL EXECUTIVE COMMITTEE
Management of climate risks (and opportunities)

Sustainability Committee	Enterprise Risk Committee	Portfolio Risk Committee	Product Management Committee	Counterparty Committee
Monitor & challenge investment teams	Oversight of risk management framework	Holistic analysis of portfolio risk exposures	Oversight of product governance framework	Oversight of risks stemming from counterparty relationships
Chair: CEO	Chair: Redwheel Board Chair	Chair: Non-Executive Director	Chair: Head of Strategic Change Management	Chair: COO

COMMITTEE	ROLE/MANDATE	CHAIR	MEMBERSHIP/COMPOSITION	FREQUENCY
Sustainability Committee	Responsible for overseeing, monitoring and challenging Redwheel's investment teams on their individual approaches to integrating sustainability (including climate) considerations in their investment and stewardship activities, while taking account of evolution in regulatory and client expectations. The Redwheel Climate Steering Committee is a working group established under the Sustainability Committee. The Steering Committee was set up to oversee the development and implementation of Redwheel's climate strategy.	CEO	Head of Investments; Head of Business Development; General Counsel and Chief Compliance Officer; Head of Sustainability Strategy, Governance & Policy; Head of Stewardship & Regulatory Change; Head of Greenwheel; and a representative from the Product Team.	At minimum quarterly
Enterprise Risk Committee	Responsible for oversight of the Redwheel Risk Management framework and for reviewing top and emerging risks and escalations. Specifically not responsible for oversight of risk within investment portfolios.	Redwheel Board Chair	Chief Financial Officer; Enterprise Risk Manager; Chief Operating Officer; Head of IT Applications; Head of IT Infrastructure; Head of Operations; Head of Marketing and Investor Services; General Counsel & Chief Compliance Officer; Head of Product Management; Head of Data Services; Head of Sustainability Governance, Strategy and Policy.	Quarterly with monthly action reviews

COMMITTEE	ROLE/MANDATE	CHAIR	MEMBERSHIP/COMPOSITION	FREQUENCY
Portfolio Risk Committee	Responsible for monitoring portfolio risk exposure. Involvement of the Head of Sustainability Strategy enables the committee to remain aware of any perceived increase in exposure to sustainability risk factors including climate change.	Non Executive Director	Head of Investments; Head of Risk, Performance and Analytics; General Counsel & Chief Compliance Officer; Head of Product Management; Head of Sustainability Strategy, Governance and Policy; Head of Central Dealing.	Monthly
Product Management Committee	Responsible for establishing and operating a robust product governance framework and to ensure products meet evolving regulatory standards.	Head of Strategic Change Management (formerly Head of Product Management)	Head of Investments; Head of Business Development; General Counsel and Chief Compliance Officer; Chief Operating Officer; Head of Sustainability Strategy, Governance & Policy; Head of Stewardship & Regulatory Change; Head of Product Management.	Quarterly
Counterparty Committee	Responsible for overseeing and monitoring the risks associated with material counterparty relationships.	Chief Operating Officer	Head of Central Dealing; Enterprise Risk Manager; Head of Operations; General Counsel & Chief Compliance Officer; a representative from the Risk, Performance and Analytics team.	Quarterly

Guiding strategy

The majority of climate related risks to Redwheel are considered to materialise only in the medium to long term. Accordingly, the Board sees it as appropriate that the scheduled annual reviews of Redwheel's corporate strategy should provide the main opportunity for members to consider sustainability and climate issues and their relevance to Redwheel. However, ExCo members are expected to report relevant updates to the Board as and when relevant. The review cycle is therefore supplemented by periodic discussions in between formal review events, meaning that in practice strategy-related conversations may take place more frequently.

The Redwheel Board views climate risk as one of the most significant risks to our organisation. Relevant considerations are therefore integrated into the wider programme of discussions and decisions that take place at Board level. These include:

- Reviewing and guiding commercial strategy – e.g. expanding the product offering through the development of strategies with an enhanced emphasis on sustainability
- Major plans of action – e.g. investing in the establishment of central sustainability expertise and procuring data and tools
- Risk management policies – e.g. supporting management in practice through the creation of a Climate Steering Committee
- Annual budgets – e.g. relating to operational expenditure on our offices, and expenditure on dedicated sustainability resources
- Business plans – e.g. for each ExCo member, incorporating as appropriate the consideration of sustainability factors within the work of the functions overseen
- Performance objectives – e.g. the extent to which it might be appropriate to introduce specific goals and incentives
- Monitoring implementation and performance – e.g. regular review of summary notes provided by members of ExCo on the work of Redwheel's central business teams
- Overseeing capital expenditures, acquisitions and divestitures – e.g. reflecting on sustainability considerations when investing in the development of strategic partnerships

Responsibility for ensuring that there is adequate Board expertise in relation to climate related issues and time allocated to discussing climate matters in meetings rests ultimately with the Board Chair, as advised by ExCo. As requested, Redwheel's sustainability specialists provide support on climate related matters, including facilitating Board training. Responsibility for the setting of specific climate goals and targets and agreeing the form of management information necessary to enable the Board to exercise effective oversight of the company's approach to managing climate-related risks and harnessing related opportunities rests with the Redwheel ExCo.

Management's Role in Assessing and Managing Climate Related Risks and Opportunities

Redwheel's ExCo is responsible for reviewing and responding to climate related risks and opportunities facing Redwheel as a corporate entity and in the context of Redwheel's investments on behalf of its clients. The manner in which identification and management is affected is discussed below but differs on the corporate side and the investment side with our Chief Operating Officer ("COO") and Chief Financial Officer ("CFO") leading on the former and our Head of Investments leading on the latter. Both the COO and Head of Investments are members of the Climate Steering Committee established by the Redwheel Sustainability Committee which is chaired by our CEO.

Responsibilities

Whilst accountability for the assessment and management of climate related issues sits ultimately with our CEO, in practice responsibility for understanding and delivering different aspects of the business response is distributed across the executive team. When assessing the areas of the business that may affect or be affected by climate change, it has been agreed that primary responsibility should be assigned as follows:

- Redwheel's operational emissions measurement, monitoring and management – co-owned by our COO and CFO given the evident operational and commercial impacts
- Assessing the evolving market conditions and climate-related needs and preferences of clients and consultants – Head of Business Development
- Navigating relevant regulatory environments – General Counsel and Chief Compliance Officer
- Incorporating climate change into risk and attribution, product design and development, firm level policies and thematic research – Head of Investments
- Investment team advisory – Head of Investments
- Leveraging sustainability-related data via systems and tools to enable (1) the incorporation of climate-related risk into the investment processes of investment teams and (2) effective oversight – COO and Head of Investments
- Incorporating climate-related risks and opportunities into learning and development goals and into compensation outcomes – CEO

Organisational structure

In addition to the committee structure already described, our ExCo meets formally on a monthly basis, with individual ExCo members interacting regularly in between meetings and a group catchup scheduled weekly. Other key forums used to communicate and debate issues relating to strategy and climate include:

Heads of Investment Teams

A monthly meeting for ExCo members to share with the Heads of Redwheel's Investment Teams updates on strategically important matters, ensure alignment of goals and objectives, and to give and receive updates on new and evolving issues in particular those relating to clients and investment performance. Issues that are routinely raised/discussed at this meeting include:

- Strategic and tactical objectives for the organisation
- Provision of support to investment teams from the central business
- Business financial performance issues
- Personnel and resourcing changes
- Performance/capacity questions

Redwheel Sustainability Forum

A monthly meeting attended by sustainability champions of each investment team who are responsible for leading the conversation within investment teams on matters relating to responsible investment and, in practice, for considering and distributing to relevant team members information received from Redwheel's sustainability specialists who lead Forum conversations. The Forum thus serves as a platform for collaboration, discussion and debate across investment teams in relation to responsible investment and for disseminating perspectives on developments and practices, including in relation to climate. Across 2023, the Forum focused regularly on climate change themes, with further sessions held to focus on biodiversity, and human rights, stewardship, and supply chain risks through a commodity lens. Whilst sessions are most typically supported by in-house sustainability specialists, expert guest speakers are also brought in from time to time. Conversations are recorded where possible to enhance access to content and improve learning outcomes.

Redwheel's sustainability specialists

In-house sustainability expertise is provided by our three sustainability and stewardship teams who provide support and challenge to Redwheel's Investment Teams.

Strategy, Governance and Policy

Led by Olivia Seddon-Daines and responsible for policy design, sustainability strategy setting, building and operating governance processes, communication and advisory with investment teams, and communication with a range of internal and external key stakeholders. Olivia is supported by Djolan Captieux on data issues, and James Morant on project management issues.

Stewardship and Regulatory Change

Led by Chris Anker who provides support to investment teams as regards engagement and proxy voting and, working closely with the Legal and Compliance teams, monitors and evaluates global regulatory initiatives relating to responsible investment.

Thematic Sustainability Research team ("Greenwheel")

Led by Stephanie Kelly. Greenwheel's remit is to produce thematic sustainability research commissioned by Redwheel investment teams and support Redwheel's responsible, transition and sustainable investment strategies at each stage of the product life cycle. Stephanie is supported by a team of specialists with experience from within and outside the asset management industry. Her team includes Jessica Wan who leads social research and Paul Drummond who leads climate and environment research both of whom joined in 2023. The final member of the team, Anna Polise, joined in 2022 as Climate Research Analyst.

The leads of the sustainability and stewardship functions report directly to Redwheel's Head of Investments who provides executive level sponsorship for activities relating to responsible investment.

The Redwheel Climate Strategy

Our climate strategy is simple: educate ourselves, challenge ourselves, support our clients.

Underpinning our strategy, and building on our Policy on Responsible Investment, is a position paper recording Redwheel's current climate beliefs and commitments, as well as the expectations that Redwheel has of its investment teams as regards the integration of climate considerations within investment processes. This document is available at:
https://www.redwheel.com/uk/en/individual/resources/

Processes for identifying and assessing climate-related risks

Defining time-horizons

When considering climate-related issues, our approach is to frame conversations using the following definitions for time-horizons[6]:

- Short term – up to two years hence
- Medium term – between two and 10 years hence
- Long term – 10+ years hence

These definitions were adopted in recognition of the fact that, across our investment teams, investment modelling normally projects forwards on a roughly 3-5 year basis (including an assessment of the risks that are likely to impact an investment over the relevant period, the ability of related companies to manage and mitigate those risks, and in consideration of how the nature and potential severity of risk changes over that time).

For each of the time horizons mentioned above, the tables below set out what we currently perceive to be the principal climate-related risks that are most likely to arise in that time frame and which we believe have greatest potential to create a material financial impact on Redwheel, whether as a corporate entity or as a fiduciary investing assets on behalf of clients. Categories are established through reference to the recommendations laid out in the TCFD Implementing Guidance (2021)[7]. Input and challenge to the debate around principal short, medium and long-term risks was provided by members of our Climate Steering Committee as well as our Enterprise Risk Manager. Examples of potential impact are provided for illustrative purposes only.

[6] Please note this is not an indication of target or anticipated investment holding periods which will vary across investment teams and across investments.

[7] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

Short term risks

TYPE	CATEGORY	PRINCIPAL RISK(S)	EXAMPLES OF POTENTIAL IMPACT
Transition	Policy and Legal	New or amended policy/regulation	Higher operational costs (upskilling education and training, new staff, data, tools etc.) to meet expanded requirements in relation to client servicing, due diligence etc.
	Reputation	Governance and risk management prove ineffective in practice	Third-party assessments (e.g. those of clients and investment consultants) become less positive, leading to erosion of brand value
		Misleading communications and/ or regulatory non-compliance	Exposure to additional costs through regulatory enforcement / litigation
Physical	Acute	Increased severity of extreme weather events	Periodic disruption to our business, our clients' businesses and the companies in which we invest on their behalf

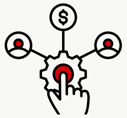
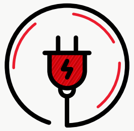
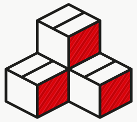
Medium term risks

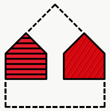
TYPE	CATEGORY	PRINCIPAL RISK(S)	EXAMPLES OF POTENTIAL IMPACT
Transition	Market	Product line-up does not meet market's climate investment expectations	Changes in client preference resulting from increased awareness of transition risks (assets under management impacts or reduced revenue)
		Bifurcation of shareholder base, distinguishing those willing and able to hold the most carbon intensive assets from those that are not	Cost of capital increases for those carbon-intensive companies that have most concentrated shareholder base
	Technology	Decision making capability is frustrated by the inability to integrate effectively new sources of climate-related information	Investment in the achievement of a higher state of technological development must be accelerated, implying additional maintenance costs going forwards
Physical	Chronic	Rising mean temperatures	More sustained disruption to our business, our clients' businesses and the companies in which we invest on their behalf Stranded assets (operational)

Long term risks

TYPE	CATEGORY	PRINCIPAL RISK(S)	EXAMPLES OF POTENTIAL IMPACT
Transition	Market	Disruption driven by climate factors increases the volatility of security prices for a wide range of issuers	Increased volatility of portfolio returns for clients (most particularly in equities, to a lesser extent in fixed income given fixed term of securities)
Physical	Chronic	Rising mean temperatures	Reduced ability to access coastal/estuarine office locations and transport infrastructure Stranded assets (physical)

Building on this approach, and again with reference to the recommendations laid out in the TCFD Implementing Guidance, the following tables set out what we perceive to be the principal climate-related opportunities that are most likely to emerge over time and when the benefits would likely accrue.

TYPE	PRINCIPAL OPPORTUNITIES	EXAMPLES OF POTENTIAL IMPACT
Resource efficiency and resilience 	Short – Use of recycling Medium – Reduced resource consumption per unit of output Long – Move to more efficient buildings	Corporate Short – Builds awareness and preparedness Medium – Helps maintain output levels by reducing exposure to short term supply constraints, making businesses more resilient Long – Reduces exposure to variable overheads directly associated with fixed assets
		Fiduciary Long – Patient capital flows to those companies that are most resilient to supply-side shocks
Energy Source 	Short – As supply increases, switch to lower emission sources of energy Medium – Harness novel energy sources using new technologies Long – Participation in the carbon market	Corporate Short – Reduce operational emissions
		Fiduciary Medium – Companies adapting effectively to evolving standards likely to maintain/enhance attractiveness to investors Long – Deeper and more liquid carbon markets enable more effective carbon accounting
Products and services 	Short – Development of new products and services through R&D and innovation Medium – Shift in consumer preferences Long – Development of climate adaptation and insurance risk solutions	Corporate Short – Increased attractiveness to investors for those companies offering solutions to climate challenges Long – Cost of capital goes down for companies well-aligned to market expectations on climate preparedness Fiduciary Short – Scope for those managers offering products that invest in climate solutions (as currently understood) to increase assets under management Medium – Scope for those managers able to service evolving client demand most effectively to increase assets under management

TYPE	PRINCIPAL OPPORTUNITIES	EXAMPLES OF POTENTIAL IMPACT
Markets 	Short – Access to new markets (inc. asset manager partnerships) Long – Access to new markets (inc. asset owner partnerships)	Fiduciary Short – Development of innovative service offerings (including proprietary research capabilities) provides opportunities to shape the policy response, access new markets and catalyse the delivery of solutions to real-world economic challenges Long – Service offerings evolve to become more partnership focussed, supporting asset owners to achieve specific longer-term goals

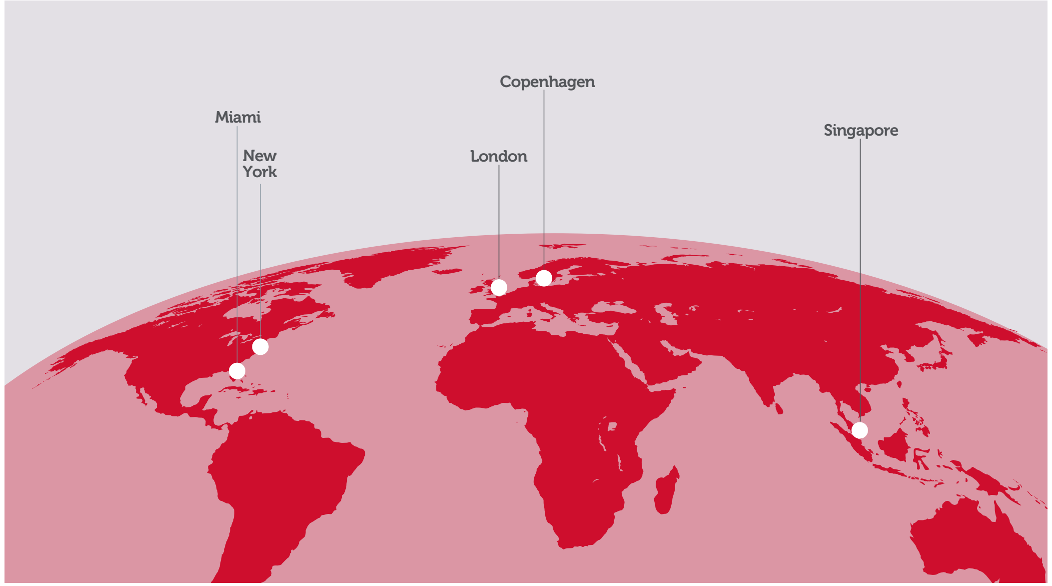
The process used to determine which risks and opportunities could have a material financial impact on Redwheel

Members of our Climate Steering Committee reviewed the framework advanced within the TCFD Implementing Guidance document and reflected on which specific transition and physical risks they considered in their collective experience will most likely be of particular significance within the time horizons discussed above. Within this work, it was assumed that our business is most significantly exposed to climate risks through the investments made by our portfolio managers; the potential direct impact of climate risks on Redwheel as a corporate entity has therefore been assessed only in a general sense at this time[8].

Debate on which risks have greatest potential to be of particular significance to our investments was informed by what we had learned from regular conversations over the prior year with a third party consultant, as well as our interactions with peers, in-house sustainability specialists including our Greenwheel climate research lead, and through participation in the various forums and initiatives of which we are a member – a number of which focus explicitly on climate and 'just transition' issues.

Risks and opportunities: an analysis

From the corporate perspective, the principal climate risks that we face are physical and directly attributable to the buildings in which we have offices, all of which are in coastal/estuarine locations. At the time of writing, Redwheel does not own physical assets but leases office space in:



We are cognisant though that we are also exposed to physical climate risk indirectly, for example where counterparties have fixed assets. Some of our most important counterparties include the following:

- Exchanges that we use when trading securities with other market participants
  - as an active manager of emerging and developed market equities and convertible bonds, we may place trades at over 50 separate venues in a given month. The majority are now fully computerised but nonetheless the ability of trading venues to move from one location to another can be relatively constrained
- The companies from whom we purchase goods and services
  - whilst we do not typically have direct relations with highly capital intensive businesses, any such company reliant on natural resources in particular would have a substantially fixed asset base and thus a physical climate risk exposure that could be hard to avoid/mitigate
- Our clients
  - we service the needs of clients located around the world, from the UK to Australia; each has exposure to physical climate risk that varies by location

From the investment perspective, the principal climate risks that we face as a business and the significance of these reflects the aggregate exposure of our investment teams to climate risks and the volume of assets that each has under management. The specific risks faced by each team reflect the nature of the opportunity set that they face as investors, and the decisions made around security selection and portfolio management having due regard for the expectations of clients and the design of investment products; the composition of relevant performance benchmarks may also provide an objective reference point.

[8] In terms of our operational footprint, Redwheel offices are rented from third-party landlords. Aspects of energy and utility provision are subject to ongoing discussion via tenant meetings, but it should be noted that Redwheel has no direct influence over the selection of individual providers or the initiation of energy reduction initiatives that would require input from landlords or their building management agents. In terms of third party data systems, cloud computing capabilities are hosted by Amazon Web Services which is powered using 100% renewable energy. As a capital-light asset management business, in the near term we consider our direct exposure to climate risk factors to be both low and well mitigated.

By way of example, within the strategies managed by our Emerging & Frontier Markets team, portfolio countries and companies are generally considered to face physical climate risks that are similar to the broader market; whilst some emerging and frontier markets are considered particularly vulnerable to physical climate risks, many are considered to have capacity to adapt and mitigate associated risk factors noting particularly the relatively low number of assets with potential to become stranded.

Analysis of 36 countries conducted in relation to four key weather perils – namely floods, tropical cyclones, winter storms (in Europe), and severe thunderstorms – suggests that fast growing Asian economies like Thailand, China, India and the Philippines are likely to be most impacted[9].

China is considered by the team to face significant physical risks from climate change and extreme weather events – such as flooding, heatwaves, and drought across the country, resulting in significant economic losses – with extreme weather scenarios likely to become increasingly common. The country's transition to a low-carbon economy requires overcoming systemic industrial shifts and regulatory challenges, and enhancing global climate cooperation – all of which pose multifaceted transition risks.

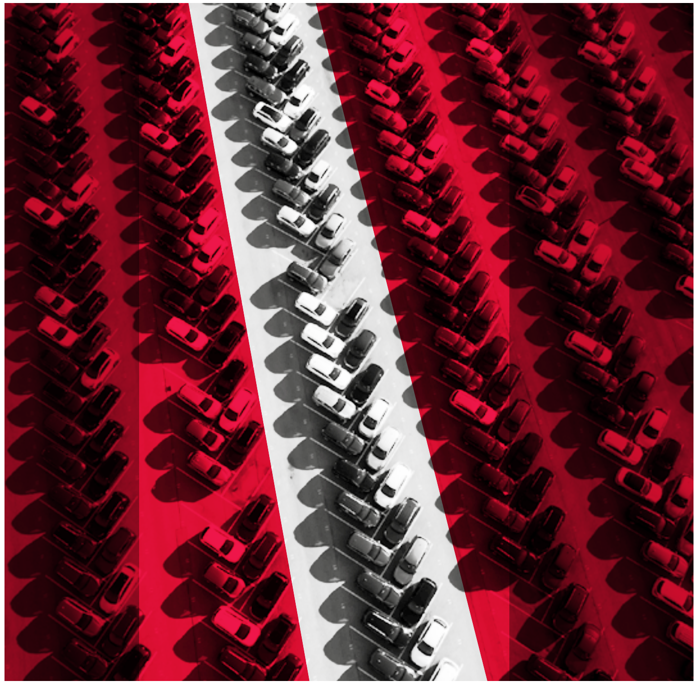
Transition risks for portfolio countries and companies are generally considered to reflect broader market transition risks. Within focus markets, companies in the following sectors are generally considered to be particularly vulnerable: Energy; Materials; Utilities; Transportation; and Agriculture.

Meanwhile, for our Sustainable Growth team who manage our Clean Economy product, the need for the world to address its exposure to transition and physical risk provides an investment opportunity. The investment universe for the strategy comprises companies whose products and services relate to cleaner transportation and energy systems, adaptation of society to the impacts of climate change, or the preservation of natural capital and it is these companies on which the team focuses. Whilst this means the strategy allocates to carbon intensive sectors, notably utilities and industrials, the team in particular seeks to invest in companies that are taking action to address unmitigated climate risk in their own operations, and support customer efforts to do the same. The product thus supports decarbonisation of the global economy with the benefit to investors and the planet greatest where unmitigated climate risk levels (and the cost of carbon emissions) for companies are high but declining.

For our Convertible Bond team, transition risks are considered to be most prevalent in businesses that operate legacy productive/high carbon-emitting assets e.g. an energy business with old thermal coal plants. Whilst the team is exposed to the energy and utilities sectors, its products are designed to prohibit investment in issuers that derive 10% or more of their revenue from thermal coal. The resultant impact means that utilities and energy exposure tends to be concentrated in companies that are more focused on renewable assets, decarbonising their supply chains and have robust plans to mitigate such risks. Physical risk exposure is considered to be geographically diversified, given the team's global focus; it is also considered to be relatively limited due to the team's overweight to the asset-light Technology sector with physical risk exposure reflecting particularly the team's investments in telecommunications-tower operators and utilities providers, all of which rely on physical infrastructure.

[9] Swiss Re Institute, https://www.reinsurancene.ws/climate-change-set-to-increase-economic-losses-us-and-philippines-most-exposed-swiss-re/

Climate-related risks and opportunities: consideration within financial planning, strategy development, and the management of Redwheel as a corporate entity



How identified climate-related issues have impacted and informed our approach to date

Investing in subject matter expertise

Over the last 5 years Redwheel has made a significant investment in its internal resources dedicated to sustainability and now has 8 full-time specialists (including project management support) helping Redwheel and its investment teams to deliver responsible investment in practice for clients. Areas of specific focus include stewardship[10], sustainability data, product design and development, and thematic research on systemic risks topics (such as climate change, human rights and biodiversity).

This investment has proved successful and we are proud to have achieved our goals relating to becoming a UK Stewardship Code signatory and obtaining high ratings with both a major investment consultant with established pedigree in responsible investment and the UN Principles for Responsible Investment.

Investing in expansion of our product range

In parallel to strengthening our central resources, from our ongoing work engaging with clients and from monitoring trends in the wider market, our conviction has hardened on the significance of the growth opportunity available in confronting critical global challenges such as climate change.

It is as a result of this that, during 2022, we began recruiting for a new portfolio management team that could help us respond to investor interest in related themes and the desire to allocate capital to sustainability-focussed products. Members of our new Sustainable Growth team joined in stages across 2023, with three new investment products launched toward the end of that year – all three of which sit within the "Sustainable" category of the Redwheel Product Matrix.

At roughly the same time, we also recruited additional portfolio management and analyst resource into our Emerging and Frontier Markets team, which enabled us to launch another sustainability-focussed product targeting opportunities in emerging markets. We have also converted an existing product into a Transition fund focused on opportunities in the UK, and launched another looking across the globe.

Each of these five new products is supported by our Greenwheel team who provide research linked to relevant sustainability themes, advice on the design and implementation of sustainability strategies and the development of "Theory of Change" documentation, as well as related insights on the perspectives of clients and the wider market.

[10] For details of our stewardship approach including our involvement in stewardship initiatives relating to climate change, please see the Redwheel Stewardship Report available on our website.

Enhancing our corporate approach

As highlighted above, the potential direct impact of climate risks on Redwheel as a corporate entity have been assessed only in a general sense at this time. From work undertaken by a group of volunteers from within our business (the Redwheel Environment and Climate Taskforce, otherwise known as REACT) we have established though that the emissions for which we are accountable relate primarily to travel and accommodation associated with visiting clients as well as the companies in which we invest. Scope 1 and 2 emissions remain appreciably lower.

We remain intent on achieving net-zero emissions within our direct operations going forwards and so, during the course of 2023, our 2022 emissions (Scope 1, Scope 2, and Scope 3 Category 6)[11] were verified by an independent third party (Earthly) who also helped to arrange the purchase of a number of offsetting credits; as a safety factor, we purchased credits to offset 1.1 times our 2022 emissions. Further detail is provided below in the section on Risk Management.

Furthermore, to encourage the adoption of more sustainable travel, our business now pays for offsets only when booking standard class flights for our staff; the cost of offsets is billed to individuals when alternative options are used.

Whilst focussing our efforts primarily on our own operations, we also monitor for climate risks within our supply chain, mirroring the increasing expectations over supply chain due diligence in relation to our investments. For strategically important counterparties, our Enterprise Risk framework requires regular assessment of conformance to standards of good practice; the questions we put to our most strategically important providers have since 2021 included questions on approaches to the management of climate risk.

Looking ahead: how climate-related issues serve as an input to Redwheel's financial planning process, the time period(s) used and how these risks and opportunities are prioritised

As a relatively small business that generates revenues only from the provision of asset management services, we adopt a selective approach to marketing our investment products. We do not, for instance, market our products direct to the retail investment community. Our principal distribution counterparties are institutional asset owners, private banks, investment consultancies, and wealth management platforms. Key within our approach is to build and maintain positive and enduring relationships with asset allocators, in order to establish ourselves as trustworthy partners.

Responsibility for setting and executing the Redwheel commercial strategy rests primarily with our Head of Business Development, Jane Nicholls and a key aspect of Redwheel's approach to financial planning comprises her assessment of the commercial outlook for our individual investment strategies. More broadly, financial planning conversations are also informed by the ongoing assessment by our wider ExCo of the risks and opportunities to which we are exposed as a business; issues considered by the ExCo to be high complexity and high significance (e.g. TCFD reporting) will be more likely to be prioritised for attention.

For our Greenwheel-supported strategies, the extent to which portfolio managers are required to integrate climate considerations within investment processes can and does vary. Nonetheless, meeting client expectations as regards the breadth and depth to which climate issues should be considered can be a key consideration when appraising the anticipated future profitability of relevant products.

In terms of financial planning relating directly to Redwheel as a corporate entity, as described above, it has been assumed that Redwheel is most significantly exposed to climate issues through the investments made by its portfolio managers; the potential direct impact of climate risks on Redwheel as a corporate entity has therefore been assessed only in a general sense at this time. For instance, financial planning incorporates forecast increases to insurance premiums in relation to the offices that Redwheel leases; given its location within Florida, our Miami office is particularly exposed to extreme weather events. The area regularly experiences hurricanes and lightning storms but in recent years there has been an increased incidence of extreme flooding in Miami. Accordingly, insurance premiums for property owners and lessors in the area have increased, although it is not possible for us to assess how much of the cost is directly attributable to climate change as a risk factor.

On the cost side, forecasts are prepared and updated regularly, for instance, to take into account changes to the anticipated costs of procuring third party climate-related products and services as well as the costs associated with building and maintaining specialist in-house sustainability resources. Conversations with relevant members of our ExCo are led by members of our Finance Team, who also engage with the leaders of our individual business units to understand what costs are foreseen in relation to existing contracts, what has been done to oversee variable costs, and to capture new anticipated costs. Financial planning also incorporates a forecast of the cost of carbon offsets that need to be purchased each year in order for Redwheel to maintain net-zero emissions in the context of its operations on an annual basis.

In future years, we hope to undertake more sophisticated analysis of the resilience of our business model to differing policy scenarios which should help improve the accuracy of forecasting the need for future investment in climate mitigation/adaptation initiatives.

[11] For more on the concept of scopes, see the Greenhouse Gas Protocol Corporate Reporting Standard: https://ghgprotocol.org/corporate-standard

Scenarios: informing strategy development and financial planning

Over the past two years, multiple briefings have been held for our ExCo, our Sustainability Committee, our Climate Steering Committee, our investment teams (via our monthly Sustainability Forum), and for our wider workforce. Amongst other things, these sessions have been provided to help improve our collective understanding of the evolving expectations in relation to the consideration of climate issues within business strategy development, and the desirability of undertaking climate scenario modelling in parallel as a means to demonstrate operational resilience. Sessions were led by a mixture of external expert speakers and in-house specialists, and have sought particularly to –

- highlight the principal scenarios available to corporates and investors, and how related models have been constructed,
- provide guidance on the development pathways of those scenarios,
- cross-reference to other initiatives where scenarios and models play a fundamental underpinning role (e.g. the Net Zero Investment Framework promoted by the Institutional Investors Group on Climate Change of which we are a member)
- help identify the providers of third party solutions that might help us incorporate scenario modelling within investment/business decision making, and ultimately
- raise awareness of the need for action if the most severe impacts of climate change are to be avoided.

Third party tools are available to investment teams in order to help gain a sense of portfolio positioning versus climate scenarios. During the first quarter of 2024, the number of scenarios available through these tools has been expanded to help assess alignment not just to IEA scenarios but also to the One Earth Climate Model ("OECM") and the Network for Greening the Financial System ("NGFS") Climate Scenarios Phase 3 model.

SDS Scenario

Implied Temperature Rise models have emerged to offer an indication of the degree of end of century warming associated with the global economic model evolving in future to mirror how investment portfolios appear today. Related tools are still in relative infancy and continue to face challenges including complexity and opaqueness regarding key assumptions, variation in approach, and limited data and scenario fidelity and availability.

Whilst Redwheel has begun to use these tools, we are being cautious about interpreting outputs, not least given that the weighting to individual portfolio constituents should be expected to vary through time as an outcome of portfolio management.

The tool on which we are currently focusing development work uses a methodology that attempts to model the IEA Sustainable Development Scenario ("SDS"); this scenario assumes policy measures globally become more stringent over time, resulting in the achievement of the Paris Agreement goal of keeping end of century warming well below 2 degrees. SDS broadly corresponds with the NGFS 'Below 2°C' scenario (which sits within the NGFS 'Orderly Transition' quadrant).

Over the next 12 months, we plan to enhance our approach to make use of a wider range of scenarios (including scenarios sitting in the NGFS 'Disorderly' and 'Hot House World' quadrants).

Plans for transitioning to a low-carbon economy

Over the course of the last few years, we have discussed repeatedly whether or not to develop formalised plans to transition to a low-carbon economy, set greenhouse gas emissions reduction targets, or join initiatives that set a commitment binding on its members to achieve net zero. Conversations have been extensive but we have reached the conclusion that doing so on an ill-informed basis would put at risk our ability to fulfil our fiduciary responsibilities to our clients in what continues to be a very challenging investment environment.

The goal we have currently set is to achieve and sustain net-zero emissions in the context of our operations on an ongoing basis. Our focus is therefore on reducing where we can our Scope 1 and Scope 2 emissions, recognising that a certain amount of emissions will always be generated; this is certainly the case for Scope 3 emissions associated with visiting our clients and the companies in which we invest. As an asset management business investing primarily in equity and fixed income (and owning no land), it is difficult to bring assets that are natural carbon sinks onto our balance sheet as a counterweight for residual operational emissions. Rather than purchase fixed assets, we prefer instead to purchase high quality carbon emissions offsets; proceeds fund projects that abate and sequester the emissions that we produce as a direct result of our operations. We expect the price of offsets to increase over time and so our approach should naturally lead to increased emphasis over time on behavioural change and making improvements that reduce, to the full extent possible, our company Scope 1 and 2 emissions.

We recognise though that the emissions associated with the investments made by our investment teams (Scope 3, category 15) are likely to be more significant than those associated with our own direct operations and business travel. Within our ongoing work we are now in the process of defining a governance approach that would apply to all teams and which would, in essence, provide a defined menu of options from which investment teams would need to choose if seeking to adopt climate-related targets at portfolio level. This is likely to include options in relation to:

Coverage
- achieving and maintaining an agreed proportion of portfolio assets under management ("AUM") invested in securities issued by companies that meet a particular quality threshold e.g. companies have set a science-based target

Decarbonisation
- achieving and maintaining an agreed level of absolute/relative portfolio performance versus one or more relevant climate metrics/indicators e.g. Weighted Average Carbon Intensity, Carbon Footprint per $m invested (equity only)

Solutions
- maintaining an agreed proportion of portfolio AUM invested in securities issued by companies whose products and services are considered to represent climate solutions

The specific potential that stewardship has to help achieve portfolio goals will likely also be reflected within guidance, as will the need for recognition of client and wider market expectations on the speed/ambition of related work, in particular as regards the desirability of ensuring that the transition to a low-carbon economy is a just transition. There will be trade-offs to consider as the transition unfolds; we expect that a transition that is just and mindful of wider social and environmental goals will be complex to navigate and our climate beliefs will be challenged and reviewed as evidence and experience around trade-offs develops.

How climate-related risks and opportunities are factored into relevant products or investment strategies

As mentioned in the Foreword provided by our CEO, and consistent with the Redwheel Policy on Responsible Investment, within our investments business every one of our investment teams takes a holistic approach to the consideration of sustainability factors within investment processes.

All investment products thus benefit from our teams adopting a holistic approach to investment research; some products also feature explicit consideration of sustainability considerations within wider aspects of the investment process such as security selection, portfolio management and/or stewardship.

Two of the products we launched in the last 12 months explicitly consider climate issues within research and engagement. Together, these products are referred to as our climate engagement funds. For these products, the portfolio manager looks for opportunities to invest in companies that are willing and able to transform their business model and support the transition to a low-carbon economy. Engagement plays a key role in helping to build the case for change.

Across all our products, where proxy voting authority sits with or is delegated to Redwheel, the recommendations that all teams receive from our corporate governance research provider ISS emphasise climate considerations as standard. Further detail on our expectations and commitments in relation to stewardship can be found in the Redwheel Stewardship Policy.

Product/investment strategy sensitivity to the transition to a low carbon economy

The extent to which our products and strategies may be affected by the transition to a low carbon economy is, in the near term, largely a reflection of the individual investment opportunities that exist within target universes. The products and strategies that we offer have a very low degree of overlap across teams in terms of constituents; as at 31 December, fewer than 20 companies were held by multiple investment teams and in respect of 8 of these, aggregated investments in individual names summed to less than $1m in value (i.e. less than 0.01% of total AUM). However, there are several companies in respect of which our investment teams are significant owners (>5% of issued share capital); a failure of these companies to transition effectively could have a significant effect on the commercial success of related strategies, and so the scope for stewardship to encourage companies to ensure that they are effectively prepared for the transition is similarly significant.

Not all companies in target markets/sectors will be similarly attractive to our investment teams though; valuation, growth prospects and capacity to embrace change are all factors that our teams may also be considering as part of the development of an investment case. As such, it should be recognised that investment opportunities may present amongst companies that are poorly positioned for the transition (although over the longer term, we would expect them generally to fare worse than companies that are better positioned). Similarly, the mechanics of individual capital markets may mean that market participants derive no benefit from investing in companies making efforts to address sustainability risks and climate risks more specifically.

Looking further into the future, the design of individual investment approaches, and the emphasis placed on climate issues within these, is likely to have increased significance for our products and strategies. Failure to meet the expectations of clients as regards the integration of climate considerations within the investment process – as part of supporting them to help facilitate the transition to a low-carbon economy – could ultimately put at risk the ability of our investment teams to retain their mandates to manage related assets.

Resilience

Resilience of strategy

The resilience of our business strategy is largely a reflection of the resilience of our commercial strategy. In this context, it should be remembered that there can be no return on investment without taking risk. Across our investment teams, investment modelling normally projects forwards on a roughly 3-5 year basis, including an assessment of the risks that are likely to impact an investment over the period and the ability of related companies to manage and mitigate those risks. Beyond this, there is significant uncertainty associated with modelling potential returns-on investment as well as in forecasting the risks to which investments will be exposed, and so our teams do not tend to make investments that assume returns materialise only after such an extended period.

Given that all teams adopt an holistic approach when conducting investment research, we believe that in the short term our products and strategies are generally reasonably resilient to physical climate-related risks. By resilient, we do not mean that our strategies and products are insulated and immune from physical climate risks, nor that we are effectively compensated for the climate-related risks that we take (although this is an important consideration), but that the worst effects of climate change are considered unlikely to have a material negative impact on portfolio returns over the relevant period.

Resilience to transition climate risk meanwhile varies in accordance with the geographies and sectors to which our investment teams are exposed.

We recognise though that adopting an incrementalist approach may not necessarily help to achieve long-term goals; assessing resilience only over the short term may give a false impression of a portfolio's true resilience to climate risks. We know that the world is not currently on track to limit end of century global warming to no more than 1.5°C above pre-industrial levels, which is very much what supporters of the Paris Agreement hope will be delivered by the global economy becoming net-zero by 2050.

In this context, we hope in future to take greater account of the tools and products available in the market to assess the alignment of portfolios over the long-term to global decarbonisation efforts. We recognise that there is however significant uncertainty about the policy pathway that will be adopted by governments internationally as part of fulfilling their commitments to support the delivery of the Paris Agreement. It is for this reason that scenario analysis can be helpful; by offering an assessment of the resilience of portfolios to different policy pathways, and by taking a view on the perceived likelihood of those policy pathways being adopted, we can establish a view on the sensitivity of portfolios to shifts in the policy landscape and in

turn derive measures both of resilience (i.e. climate value at risk) and of the level of end of century warming implied by extrapolating from portfolio level to the level of the global economy.

Over the last year, we have spent significant time and effort building understanding of the world of scenario analysis working with our two principal providers of climate analytics, Sustainalytics and ISS-ESG, and a third party consultancy, to understand the limitations of inputs to models and of the models themselves, as part of establishing confidence in the outputs we receive. We continue to work closely with our providers, offering regular feedback to support continued improvement and enhancement of products and tools. For the time being, as we are yet to gain comfort that the level of accuracy suggested is appropriate and that the nature, frequency and potential impact of climate related risks is identified appropriately, we continue to view outputs relating to the positioning of portfolios and of the warming that is implied as indicative only. At the same time, we continue to improve our understanding of the relative merits of using IEA scenarios, NGFS scenarios, and the OECM within our approach. Recognising that the FCA TCFD-reporting requirement leans towards the use of NGFS scenarios particularly, we hope that future editions of this report will be able to offer a sense of the positioning of our business and our portfolios against the NGFS scenarios and of how this informs the integration of climate considerations within strategies.

Whilst the approach above reflects a 'single materiality' perspective, it should be noted that for all sub-funds in our UCITS product range a 'double materiality' standard is applied; for these products, our investment teams have committed to promote environmental and/or social characteristics in part through the consideration of the Principal Adverse Impacts ("PAI") of investments on sustainability factors. For each sub-fund, key reference PAI indicators are defined, relevant in context to the investment strategy; for all sub-funds, climate related metrics are included within the key reference PAI indicators. This applies also for one sub-fund which has sustainable investment as an objective.

Exposure to climate-related risks and opportunities

All our investment strategies may be affected by climate-related risks and opportunities, both as they are conceptualised today, and as they come to be conceptualised in future. All investments are exposed to physical and transition risks. Evaluating whether the climate risks to which investee companies exposure are appropriately mitigated, and whether there is a reasonable prospect that given the residual risk investors will be adequately reimbursed within a relevant time frame, are key considerations when determining how strategies are exposed to climate risk and the extent to which underlying assets and revenue streams are resilient to climate change.

In a similar fashion, all strategies stand to benefit from climate-related opportunities although decisions to allocate to related companies will depend significantly on a wider range of factors consistent with the investment process as specified. Those strategies focussed on investing in climate solutions will however tend to allocate preferentially to companies whose products and services could be considered to represent climate opportunities e.g. solar power, water management technologies, etc.

Looking ahead: how strategy could change

The extent to which any of our strategies may change to address more directly climate risks and opportunities will need to take into consideration a wide range of factors including:

- the extent to which doing would imply adjustment to the investment strategy
- the additional resource required to support new related processes and the integration of new sources of insight
- the confidence of the investment team in any new climate-related inputs to the investment process, both in a qualitative and a quantitative sense
- the willingness of existing clients to remain invested as a result of any change in strategy
- the extent to which the adjusted strategy would be attractive to new clients

The potential impact of climate-related issues on financial performance (e.g. revenues, costs) and financial position (e.g. assets, liabilities)

As our confidence in using the underlying data, as well as related tools and techniques, increases we expect to be able to expand our approach to performance attribution and develop the ability on a systematic basis to profile portfolio returns with respect to climate factors. At this time, work remains in its infancy (attribution remains challenged in particular by corporate data on emissions and other climate metrics updating far less frequently than conventional financial performance data). The analysis we have in mind that could potentially be undertaken in future includes assessments -

- To identify the contribution to portfolio risk/returns of investments in high emitting sectors
- To identify the contribution to portfolio risk/returns of investments in companies that make a significant contribution to total portfolio emissions
- To identify the contribution to portfolio risk/returns of investments in companies that make a significant contribution to WACI

By knowing more about the extent to which portfolios benefit from investing in companies that are significant determinants of the portfolio's climate characteristics, we should be better able to manage the overall portfolio positioning whilst still maintaining compliance with other conventional parameters e.g. sector allocation.

As mentioned above, we hope also that in future we will be able to make greater use of tools that support the assessment of portfolios against NGFS scenarios, given the high degree of alignment to FCA 'orderly', 'disorderly' and 'hothouse world' scenarios, and other scenarios besides.

Risk Management

As foreshadowed in the discussion of our Climate strategy, the process for identifying and assessing climate related risks extends from our ongoing efforts to determine, manage and mitigate those risks that could have a material financial impact on Redwheel whether that be in a corporate or an investment sense. Our approach draws on the insights of risk management experts from across our business.

Risk management – general

Redwheel's Enterprise Risk Team is responsible for monitoring and recording those risks assessed as being the principal operational risks faced by our business, and for supporting appraisal of the effectiveness of related controls.

Responsibility for the management of specific individual operational risks is assigned to individuals across our business. These "Risk Owners" are responsible for ensuring that the likelihood and potential impact of each risk is assessed effectively (both measures are assessed on a scale of 1-5) and at an appropriate frequency, and that the effectiveness of mitigations is fairly recorded in the Enterprise Risk Register which is maintained and overseen by the Enterprise Risk Manager.

Leveraging the Enterprise Risk Framework, management information is produced and reported to our Executive Committee on a regular basis for the purposes of ongoing assessment of risk levels within the business. Oversight of the Enterprise Risk Register is provided by the Enterprise Risk Committee which meets at least quarterly to provide governance and monitoring of the principal risks affecting the business and to identify and capture new risks and establish the need for related mitigation. Assessment of the investment risk levels of our portfolios is specifically excluded from the scope of the Enterprise Risk Committee's responsibilities.

The Enterprise Risk Committee is attended by members of the Executive Committee, our Head of Sustainability Strategy, and is chaired by the Non-Executive Chairman of the Redwheel Board. Other members include:

- Head of Operations
- Head of IT Applications
- Head of IT Infrastructure
- Head of Data Services
- Head of Product Management
- Head of Marketing and Investor Services

Climate risk – general

In relation to climate change, across 2023, meetings were held regularly between our Enterprise Risk Manager, Head of Strategic Change Management and our Head of Sustainability Strategy to help conceptualise and identify the principal climate-related risks relevant to Redwheel within the time horizons discussed above, and to calibrate expectations as to how the mitigation of risks in practice should be effected across our various business activities. The Risk Owner recorded in the Enterprise Risk Register as responsible for managing climate risks to Redwheel on an ongoing basis and for making recommendations on related controls, liaising with individual departments as appropriate, is our Enterprise Risk Manager. We have taken this decision on ownership in view of the need to ensure that the related work we do directly relevant to our operational footprint/handprint (which is ultimately overseen jointly by our COO and our CFO) and the related work we do directly relevant to our investment activity (which is ultimately overseen by our Head of Investments) remains well co-ordinated.

Climate risk management – corporate perspective

In line with the preceding discussion, the potential direct impacts of climate risks on Redwheel as a corporate entity have been assessed only in a general sense at this time. More granular assessment may follow in future, but our decision has been informed by the fact that, as a capital light asset management business, the emissions directly associated with our operations (Scope 1 and Scope 2) are already low as compared to companies in more capital intensive sectors. In addition, much of the energy that powers our operations globally is renewable, and the cloud computing capabilities that we use are fully powered by renewable energy.

As highlighted above in the Strategy section, from work undertaken by a group of volunteers from within our business (the Redwheel Environment and Climate Taskforce, otherwise known as REACT) we have established that the bulk of the emissions directly attributable to our operations relates to travel and accommodation associated with visiting clients as well as the companies in which we invest. In order to help ensure that we achieve our stated ambition to become net-zero within our operations, as well as REACT members and other company representatives continuing to engage landlords (via service agents, as needed) to encourage the adoption of more sustainable business practices (and so reduce the emissions associated with the servicing of the buildings in which our offices are located), we have in parallel sought to incentivise the adoption of more sustainable travel arrangements; whilst Redwheel continues to pay for all work-related travel costs including offsets when standard class flights are booked, where business/first class seating is required the costs of offsets are borne by the individual.

During the course of 2023, our 2022 emissions were verified by an independent third party (Earthly). To ensure that we achieved operational net-zero for 2022, we worked with Earthly to arrange the purchase of a number of offsetting credits; as a safety factor, the emissions offsets represented by purchased credits were equivalent to 1.1 times the value of our 2022 emissions. The underlying projects that we supported were chosen by members of REACT. These are described in outline below:

- Rimba Raya – a peatland conservation project in Indonesia (Borneo)
- Manoa – a reforesting and forest protection project in Brazil (Rondônia)
- Culm Moor – a project converting a dairy farm to woodland in the UK (Devon)
- Seaweed Farming – a project focussed on the expansion and sustainable management of seaweed beds in the UK (Cornwall)

In addition, Redwheel is donating £31,200 over the next three years to the Woodland Trust, a company limited by guarantee (Company Number: 1982873) and a registered charity, Charity Number England and Wales: No.

294344, Scotland No. SC038885 whose registered office is at Kempton Way, Grantham, Lincolnshire NG31 6LL to absorb 1,200 tonnes of carbon dioxide, through the planting of at least 6,400 trees, helping with our strategy to reduce our business carbon footprint.

Climate risk management – investment perspective

As a fiduciary, responsibility for appraising investment risks relating to climate change rests with the portfolio managers and analysts of our investment teams.

Redwheel has an approach where its investment teams have a high degree of autonomy with regards to their investment process and, as such, the approach to incorporation of sustainability considerations adopted by each investment team will differ accordingly, as will the resource dedicated to it.

In line with their investment freedoms, each investment team is also responsible for developing internal procedures for integrating sustainability considerations within their respective investment mandates, consistent with firm level policies. Adopting this approach has proved to be the best way to ensure that responsible investing is put into practice in a meaningful and genuine way, helping to maintain alignment between our interests and those of our clients. That said, all teams recognise the importance of climate considerations within portfolio management and corporate efforts in relation to emissions reduction, emissions management and carbon intensity regularly feature in investment theses across all teams. This is in line with our collective belief as responsible investors that companies that manage effectively the environmental and social liabilities created through the course of operations are generally better positioned to benefit over the long term as they will tend to be – on a relative basis - more resilient than peers to the advent of regulation and also at a lower risk of litigation.

Ultimate responsibility for governance and oversight of responsible investment activity rests with the Redwheel Sustainability Committee. This Committee has been set up to monitor and challenge our investment teams on their individual approaches to integrating sustainability considerations in their investment and stewardship activities, while taking into account evolution in regulatory and client expectations. The Sustainability Committee meets at least quarterly and typically meets monthly in order to provide effective oversight of the sustainability claims made by our investment teams in particular in relation to the integration of sustainability considerations within investment processes (research, security selection, portfolio management, stewardship) as appropriate. Monitoring takes the form both of regular review of portfolio characteristics in terms of sustainability factors, and direct discussions with investment teams including constructive challenge on the breadth and depth of integration activities undertaken in practice.

As there is no central analyst resource within Redwheel focussing on specific individual investments, it is the responsibility of the individual investment teams to utilise in-house and third-party research services appropriately. Guidance and advice is provided as required by the central Sustainability functions. Formal oversight is provided by the Sustainability Committee. External resources utilised by the investment teams are embedded within their respective investment strategies and as part of their risk management and research processes. Teams may also draw on these sources for information ahead of engaging with investee companies. Information on the external resources commonly available to our investment teams is provided below in the section on "Product-level considerations".

Internal resources of potential relevance include the research produced from time to time by our Greenwheel thematic research team, as well as the presentations and briefings that our investment teams receive on a monthly basis via the Redwheel Sustainability Forum. Training relating to climate has been both general and specific but remains focussed on helping teams to appraise risk and opportunity in a manner that is consonant with their investment time horizons. Most recently, sessions have covered the following themes:

- Climate Scenarios and Transition Pathways
- Climate litigation
- The outlook for green hydrogen
- Just Transition - the intersection of climate, biodiversity and human rights

Looking forwards, to enhance the assessment of product exposure to climate risks, the development of robust tools and systems to support investment performance attribution with respect to climate factors remains an area of active interest. We anticipate this work being conducted as a close partnership between on the one hand our Sustainability teams (given the specific focus on climate) and our Risk, Performance and Analytics Team (as our in-house specialists with specific expertise in bringing consistency to the assessment and decomposition of market risk as well as the investment risk exposure of our products). Further detail

on the work of our Risk, Performance and Analytics Team ("RPA") is provided on the following pages. For now the assessment of size and scope of portfolio climate risks is not centrally co-ordinated but is instead effected by relevant stakeholders primarily through synthesising information from multiple sources including:

- Company reported information and, in the absence of reported data, estimates thereof
- Investment teams leveraging their collective experience of assessing regulatory landscapes across sectors and geographies, integrating specialist sustainability and climate focussed research and insights as considered appropriate
- Information made available via the climate-focussed third-party tools to which our investment teams have access and which offer a sense of portfolio positioning with respect to various climate metrics

Regulatory compliance

As a financial services business, with offices in multiple countries, Redwheel is subject to oversight by numerous regulators. Maintaining regulatory compliance is a critical aspect of preserving our licence to operate.

First line of defence

Primary responsibility for ensuring that our business meets its regulatory obligations rests with the Heads of our Investment Teams and members of our Executive Committee; this is the first line of defence. Collectively, these individuals are responsible for the risks that Redwheel takes and for those it takes when investing on behalf of its clients. Detail on the engagement work undertaken by our investment teams in relation to climate considerations is provided below.

Second line of defence

The second line of defence comprises the collective efforts of our Compliance, RPA, and Enterprise Risk Teams.

Compliance

Our Compliance Team is responsible for promoting a strong compliance culture within the organisation and for ensuring Redwheel operates in accordance with all relevant regulations across the jurisdictions in which it operates. Huan Ke, General Counsel and Chief Compliance Officer, leads our Compliance Team. Huan reports directly to the Redwheel CEO Tord Stallvik; both are members of the Redwheel Board.

Within the Team's general approach all compliance functions are carried out within Redwheel; none is outsourced although Redwheel may use reputable third-party advisers as and when required, including Lymon and ACA. Compliance monitoring covers operational risk management arrangements; compliance and general controls; and the competence, expertise, authority and access to appropriate information for personnel performing controlled functions. Monitoring is undertaken daily, weekly, monthly, quarterly, semi-annually and annually as required.

Redwheel's Compliance and Legal Team additionally maintains a regularly updated 'Regulatory Radar' which seeks to capture all current and upcoming regulatory changes and communicates this to the wider business. At each meeting of the Redwheel Board of Directors a report is prepared which notes regulatory developments and raises any notable issues. No less than annually, compliance policies and procedures are reviewed to determine their adequacy and the effectiveness of their implementation.

In relation to climate, as individuals and as a business, we recognise that only through broad collective action can we hope to respond effectively to the climate emergency. Our senior leadership regularly highlights the importance of climate considerations to Redwheel, and the work of our individuals and teams in relation to environmental issues is also frequently highlighted e.g. in all-staff Business Update meetings and in our monthly internal newsletter. By communicating perspectives both from the 'top down' and the 'bottom up', we can better support the fostering of a culture of inclusion and agency which ultimately should facilitate deeper integration of climate considerations within our second line of defence.

At the time of writing, a key consideration for our Compliance function is to ensure we take effective action to eliminate the risk of "greenwashing", which in essence is the misrepresentation of climate and environmental commitments, ambitions and/or achievements. Greenwashing is a high priority matter for regulators internationally and our own efforts to avoid involvement in activity that might be considered as greenwashing acknowledge this. Discussion and debate on the need for and design of effective training and controls has been a regular feature of discussions held between our Head of Compliance and our Head of Sustainability Strategy, in particular how to build on the existing discourse within Redwheel around climate to frame the relevance of climate risk to our business, how to conceptualise relevant transition/physical risks, and how to guide on what effective risk management approaches might need to look like in practice. These discussions have extended from earlier work we undertook to address regulatory requirements introduced by the Monetary Authority of Singapore (applicable to our Singapore subsidiary) which first came into effect in June 2022. Through the communication of the mantra to "only do what you say, and only say what you do", our Compliance Team – as part of the second line of defence – hope to ensure that Redwheel's communications remain free of greenwashing and thus represent an accurate description of the manner in which climate risks are being managed in practice.

Risk, Performance and Analytics ("RPA")

Whilst ultimate responsibility for risk management rests with our portfolio managers, they are supported in this task by the central RPA Team, which is independent of the investment teams and has an exclusive focus on understanding and reviewing the investment risks and performance drivers within the Redwheel managed portfolios. The team is led by Davide Perilli who reports to the Head of Investments and Executive Committee member Arthur Grigoryants.

Through Arthur, there is regular interaction between our RPA and Sustainability teams although separate dedicated sessions have also been arranged to discuss the significance of climate issues within the assessment of portfolio risk. These meetings have involved members of the RPA team, our Head of Investments, our Head of Sustainability Strategy, and our Greenwheel Climate Research Lead.

The RPA Team updates the Portfolio Risk Committee (the forum in which Redwheel senior management is kept abreast of investment risk across portfolios) on a daily basis with respect to areas of particular interest within the portfolios. The team also maintains on-going dialogue with the portfolio managers to ensure all investment risks are fully considered, understood and commensurate with the respective manager's conviction and investment approach, including all "softer" elements of risk taking (e.g. consistency of views; style attributes versus portfolio manager philosophy).

The Portfolio Risk Committee ("PRC") is chaired by Nicky Richards, Non-Executive Director of Redwheel. The minutes of committee meetings are shared with the firm's Executive Committee for further distribution to senior management. The Committee convenes formally on a monthly basis to discuss material issues and any resolutions, where necessary. PRC members are updated daily, at the close of play, of any meaningful portfolio risk exposures and market dynamics that are pertinent to the funds. Any anomalous exposure or atypical behaviour for the strategies would be raised by the RPA team to senior managers and members of the PRC for discussion and possible remedial action as and when they occur. Furthermore, Portfolio Managers are regularly invited to present and discuss relevant portfolio risk matters and strategic changes with the PRC. This also provides a framework for an effective and objective risk challenge to the investment team on relevant issues.

The RPA Team also updates multiple relevant portfolio risk analytics on a daily basis which are shared with Portfolio Managers, PRC members and senior management via an interactive Investment Risk Platform. Extracts of the Investment Risk System are also part of the material presented and discussed at each PRC meeting. All PRC members also receive a summary Risk Dashboard, which monitors a number of risk metrics (including options exposures, FX exposures, as well as multiple ex-ante risk measures) across all funds and places them within the context of each strategy's historical behaviour. All typical levels communicated to investors as well as informal "trigger" levels, are maintained and monitored within the platform. Regulatory limits are captured on a pre-trade basis by the Compliance Team via the Charles River Compliance System. Huan Ke, Chief Compliance Officer & General Counsel, is a member of the PRC and updates the Committee on regulatory limits and investment guidelines breach and resolutions.

Enterprise Risk

The operation of our Enterprise Risk function is described in detail below. Any emerging or live risk to Redwheel may be captured on the Enterprise Risk Register; only those that are considered material and requiring of mitigation will be formally recorded and tracked.

The Enterprise Risk Manager David Harris reports to our Chief Financial Officer Cressida Williams who is a member of the Redwheel Board.

Broader defence

Within the work we do to ensure that our first and second lines of defence are robust, relevant teams may draw on expertise available elsewhere within the business. For instance, our Head of Stewardship and Regulatory Change has a responsibility to monitor for the announcement of new regulatory initiatives relating to sustainability considerations; where announcements provide a clear indication of an intention to amend or introduce regulation relating to the products and services that Redwheel offers to its clients, alerts are sent to our Compliance function so that the Regulatory Radar can be updated appropriately.

The role of our Enterprise Risk Function

Risk Register

The Enterprise Risk Register details the risks scored by all of the risk owners, using a '5x5' scoring methodology. The methodology allows us to assess our risks on both an inherent and residual basis, whilst also giving an efficacy score for the controls we have in place to mitigate each risk. Risks scored with an inherent risk score of 25, a residual risk score of 15 or more, or a controls efficacy score of 15 or more, are considered as key risks.

The Risk Register is reviewed and updated annually by the Enterprise Risk Manager. Risks with a residual risk score of 15 or more are subject to formal annual review by the wider Enterprise Risk Committee. When conducting these reviews, the goal is to identify scope to further mitigate risk; if deemed not possible, or not cost effective to do so, agreement is sought from the Committee (and ultimately the Redwheel Board) to accept the level of risk subject to close monitoring.

Other key risks are reviewed in depth with risk owners no less than once every 3 years.

Risk incidents

In addition to maintaining the Risk Register, the Enterprise Risk Manager is also responsible for assessing incidents reported into the risk framework and as well as potential new risks highlighted by Redwheel colleagues. Responsibility for reporting an incident rests with the individual that discovered it. At the point of discovery, both the risk owner for the area and the Enterprise Risk team are informed. The Enterprise Risk team also remains informed whilst investigations are carried out.

The lead manager responsible for the department within which an incident occurred is responsible for conducting analysis of the investigation and identification of the root cause of the incident. As required, the Enterprise Risk team will provide support to help review the chain of events, reach a clear understanding of what happened and determine what if any risk exposure remains. Once investigations are complete, it is the responsibility of the lead manager to assist with the implementation of appropriate mitigations, and to ensure that related control enhancements are made to reduce or eliminate the probability of the incident reoccurring.

All forms of incident are to be reported into the Enterprise Risk database, with the report template capturing various details such as incident date, risk department impacted, a description of the incident, and (in due course) action taken to resolve the incident and the mitigations agreed. The report workflow ensures that all reported incidents are signed off internally by relevant stakeholders.

A pack of Management Information is produced from the Enterprise Risk Framework on a regular basis, for the purposes of ongoing assessment of the risk management approach; the Enterprise Risk Committee receives the pack on a quarterly basis, with an equivalent provided to the ExCo bi-annually.

In terms of using a formalised risk classification approach, we draw on the Basel II operational risk categories when categorising incidents; however, these categories are not yet formally adopted within reporting or Management Information.

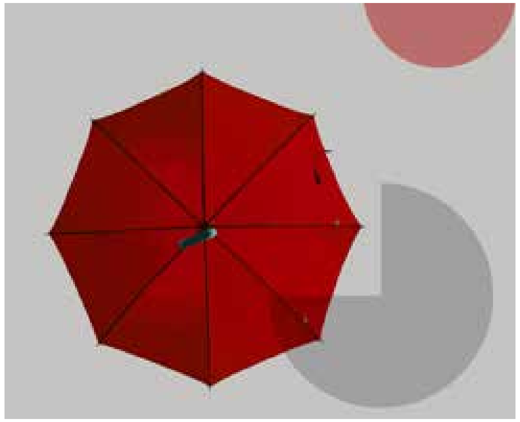
Enterprise Risk Committee

The Enterprise Risk Committee meets at least quarterly to review the Enterprise Risk Register. The Committee operates in accordance with its terms of reference which sets out its obligations with respect to the management and responsibilities of the Committee members. The Committee has been established to provide governance and monitoring of the risks affecting Redwheel and to identify additional risks and establish mitigation required for those risks. The Committee provides oversight of the enterprise risk framework, the grading of the level of each risk and the performance of the mitigating controls. Portfolio risk is specifically managed through a separate governance structure, with the key risks also recorded within the enterprise risk framework for completeness.

The Enterprise Risk Committee is attended by 3 members of the Executive Committee, including our Chief Financial Officer, and is chaired by a Non-Executive Director of the Redwheel Group, allowing for an effective escalation route to the Board, for any key risks or concerns identified by the Committee.

Climate

Specific detail on the role of our Enterprise Risk function as regards climate risks is provided above under "Risk Management – general".



"Within the work we do to ensure that our first and second lines of defence are robust, relevant teams may draw on expertise available elsewhere within the business."

The role of our investment teams as stewards of client capital

Redwheel's overall approach to stewardship (incorporating both engagement and proxy voting) is set out within the Redwheel Stewardship Policy which is available on our website[12].

Over the lifetime of an investment, stewardship will be undertaken as part of the ongoing process of information discovery and the review of investment theses (i.e. as an input to investment research), as well as to commend investee companies to adopt new approaches where our teams believe that change is required. Depending on the size of holding, our track record of engaging with the issuer, and other factors besides, engagement may be undertaken either directly or through participation in collaborative initiatives. We do not however outsource engagement to third-parties, although we will from time to time participate in collaborative engagement initiatives that are led by other investors. Engagements may be conducted virtually, or in person (either with analysts visiting the company, or company representatives attending our offices when passing through London, Miami or Singapore). Engagement with individual companies is normally conducted by members of our investment teams who also bear responsibility for prioritising resources and for timing outreach and intervention; central Stewardship resources are typically only involved where engagements are collaborative in nature.

The specific issues reflected within stewardship will also vary in accordance with the nature of the investee company's business model. For capital intensive businesses, stewardship will (on a relative basis) tend to focus more on issues in respect of which risk events may not fully crystallise until some time into the future (e.g. climate change), whereas for capital light businesses the issue of climate change may be less pressing given the lower probability of future corporate emissions being 'locked in' as a result of the decisions being made today by management. Accordingly, engagement may be more likely to focus on other issues for these companies.

Within our proxy voting process, vote recommendations are provided to us by the specialist corporate governance research organisation Institutional Shareholder Services (ISS), and take the form of the ISS Climate Voting Policy. This policy builds on ISS' well-established benchmark policy which focuses exclusively on corporate governance matters, but gives greater emphasis to climate risk management considerations within the analysis that supports vote recommendations. In this way, where climate risk management is considered poor, default recommendations will reflect this automatically. Where requests are practical and not readily addressed through other means, we will also generally support shareholder proposals requesting greater disclosure of corporate environmental policies and practices. We reserve the right however to exercise discretion in favour of management where proposals are unclear or fail to take proper account of the company's response to climate change. During the course of 2023, our teams faced 9 shareholder proposals focussed on climate change; 4 were supported by all teams that held relevant securities, 4 were opposed, and 1 received mixed support.

Examples of engagement work relating to climate considerations (as well as the adjacent issues of biodiversity and human rights) are included within the Redwheel Stewardship Report[13].

[12] Ibid.
[13] For the full Redwheel Stewardship Report, see http://www.redwheel.com

Climate Action 100+

ClimateAction100+

In March 2021 Redwheel joined ClimateAction100+. In our initial involvement with the initiative, our focus was to support the engagements being undertaken with two companies: Indian conglomerate Reliance Industries, and oil and gas major Shell.

Over time, we have looked to expand our involvement and are now actively involved in the work of four further engagement groups including those focussing on Samsung Electronics, Petrobras, Anglo American (where we have been welcomed as a member participant following pro-active outreach to share research thoughts and to stimulate debate on the company's positioning) and Centrica (which we are now co-leading).

Together with the other co-lead of the Centrica engagement, we have helped to develop an effective partnership with the company. Working together, we were also able to secure Centrica's signature on a letter sent by investors (and including many members of the CA100+ Centrica engagement) to the UK's Minister for Energy Security and Net Zero encouraging amendment to the mandate provided by His Majesty's Government to the UK energy regulator, OFGEM, an organisation for which the minister's department had an oversight responsibility. On behalf of the CA100+ group, the co-leads also wrote to OFGEM later in the year to underscore the points already made to the minister, subsequent to the minister in question moving post within government. Amendment to OFGEM's mandate, to better reflect government ambition in relation to becoming a net-zero economy, was announced In November.

Detail on the CA100+ initiative, its goals, and a list of target companies are available at:

https://www.climateaction100.org/

Product-level considerations

At a conceptual level, transitional and physical climate change risks are assessed consistently across all our equity strategies as each offers open ended "long-only" investment products.

For our convertible bond strategy, transitional and physical climate change risks are assessed in a manner that is broadly consistent with the equity approach noting that, whilst the strategy is also open-ended, investments are made in individual securities that have a defined maturity; given the nature of bonds, the focus therefore is on risks considered likely to occur before a relevant bond matures.

Redwheel's investment teams use a variety of tools and resources in the course of investment management; some are procured centrally by Redwheel (in view of being perceived as relevant to multiple Redwheel investment teams) whilst others are procured directly by the teams themselves. Decisions on which tools and products to use, and how they should be used within investment processes, rest with individual investment teams.

In terms of the tools and resources that are used to assist in the identification and assessment of material climate related risks, all investment teams have access to:

- Financial and non-financial data and research (e.g. Bloomberg, Sustainalytics, ISS, ISS-ESG, SDI-AOP)
- Company and industry reports
- Conventional and specialist broker research
- Insight and commentary from organisations of which we are a member
- Mainstream and specialist media sources
- Third party public reports (e.g. academic papers, research from think tanks, NGO accounts)

Of these, the data provided by Sustainalytics is used both by investment teams and by Redwheel's Central Resources to monitor a variety of core issuer- and portfolio-level carbon metrics, oversee positioning over time, and report out to clients how our portfolios are positioned when viewed through the lens of the Sustainalytics dataset. ISS-ESG meanwhile is used to generate an alternative profile of portfolios for internal comparison purposes and to gain insight on the positioning of portfolios relative to a wider range of factors such as climate policy scenarios, implied temperature rating and climate value at risk.

In preparing for the production of this report, it was agreed at an early stage that:

- Data used as an input to analytics should be high quality, ideally company-reported, updated in a timely fashion and accurately represented
- The sourcing of data should be transparent
- In the absence of company-reported data, methodologies used to generated estimates should be clearly understood
- The methodologies underpinning 'off the shelf' products should be clearly understood

Data quality assurance in particular has been a major area of focus and work continues to address various issues we have identified in the climate-focussed products and services that we receive. It is for this reason that whilst issuer level climate data may be used as an input to the holistic research undertaken by all teams at Redwheel to offer a sense of a company's general positioning on a variety of climate metrics (as opposed to its specific performance against a particular factor), and whilst this same data may be used to monitor evolution in the positioning of portfolios over time (the outturn of the application of relevant investment approaches), at this time only a small number of our investment products go so far as to integrate climate considerations within the security selection and/or portfolio management processes explicitly. As our confidence increases, we anticipate being able to adopt more robust approaches to the integration of climate related data and products within investment processes.

For the purposes of assessing investment exposure to high intensity sectors, mapping is undertaken at the GICS sub-industry level, drawing on the definitions provided in the TCFD Implementing Guidance[14], using financial information provided to us by FactSet.

[14] Ibid.

Risk management in practice

Investment

The Redwheel Policy on Responsible Investment sets out Redwheel's overarching commitments in relation to responsible investment, and its current expectations as to how responsible investment should be delivered in practice by its investment teams.

As well as articulating our rationale for being a responsible investor, the Policy sets out in a manner structured to represent the key steps of a generic investment process – research, security selection, portfolio management, stewardship – how Redwheel investment teams should approach the integration of sustainability considerations (including systemic sustainability risk factors such as climate). A brief summary of the Policy is provided below[15].

Within research, all investment teams are encouraged to undertake proprietary analysis of investments, with the involvement of experienced analysts that have specific knowledge of the companies and markets they cover. Specific catalysts for undertaking research vary, but may include the anticipated opportunity to derive benefit from supporting the relevant company's attempts to harness climate-related opportunities. Holistic assessment of the risks associated with individual investment opportunities should incorporate the consideration of those sustainability factors judged by the analyst to be most material in context. Where relevant, this should include those transition and physical climate risks considered to be of particular relevance within the time horizon of the anticipated investment. Whilst Redwheel obtains independent sustainability data and research from specialist organisations, as well as third-party peer-reviewed frameworks such as the Sustainability Accounting Standards Board® materiality map, investment teams remain free not only to determine the sustainability risks and opportunities deemed most material in context to a specific investment, but also to disagree with the opinions provided. Combination and comparison of such inputs can though, on a case by case basis, help teams both to identify factors considered to have potential to be material to long-term valuations.

Regarding security selection, the commitments applicable to specific investment products are of particular relevance. With reference to the Redwheel Product Matrix, the majority of Redwheel's "ESG Integrated" investment products do not incorporate negative sustainability exclusions (screens)[16] to prevent exposure to companies involved in relevant activities, even those companies for which there might otherwise be considered to be a compelling investment case. However, for our "Sustainable" fund range, screens are regularly applied, typically including screening in respect of coal producers which provides clients with reassurance as to how exposure to companies engaged in the production of thermal coal is controlled; similar screens are also applied to our "Enhanced Integration" and "Transition" funds. Through these processes, exposure to climate risks can be kept in line with client expectation.

Portfolio management meanwhile involves the ongoing assessment and resizing of selected investments relative to one another. As the levels of risk associated with individual investments change over time, active risk management incorporates the ongoing resizing of positions to reflect both revisions to weighted projections of potential returns over the short, medium and long term and assessments of the likelihood of relevant risk events (and the potential severity of them) occurring within those time frames. In this way, the overall risk-return profile of investment products is managed to meet stated product commitments. Only where products make relevant formal commitments will portfolios also be managed to maintain a minimum level of investment exposure to companies providing climate-related opportunities.

Having invested, engagement with portfolio companies should be undertaken both to support information discovery and to commend adoption of new business practices and/or amelioration of business impacts. Through discussion and debate, Redwheel's investment teams are thus able to enhance their understanding of the approaches adopted by the companies in which they invest as they evolve, and also help them to develop improved risk management capabilities over time (including in relation to climate risk).

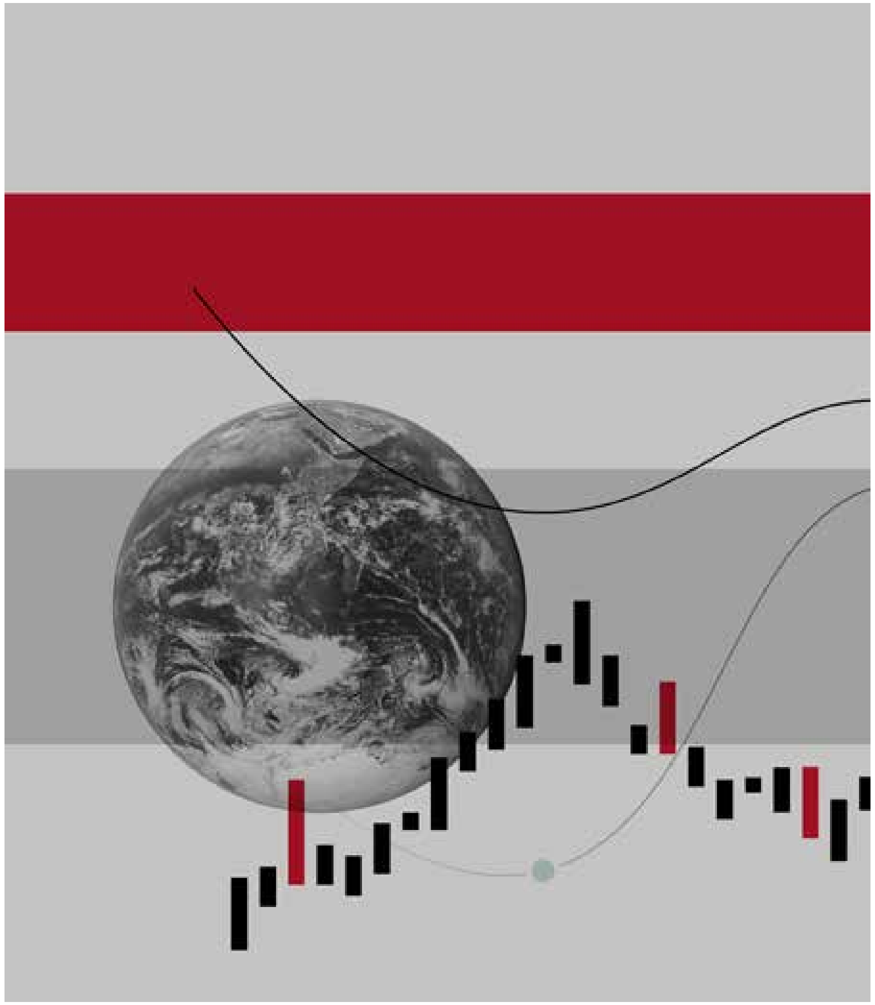
[15] For the full Redwheel Policy on Responsible Investment, see http://www.redwheel.com
[16] All Redwheel funds are subject to the firm-wide Controversial Weapons Policy and the exclusions that are described within it.

Redwheel "Climate engagement" strategies	Responsible Global Income strategy	Redwheel Clean Economy strategy
– Focuses on fundamental, bottom-up analysis with a valuation discipline when selecting companies for investment – Specific focus on carbon intensive companies that have set out transition plans or which are considered to demonstrate the ability to transition – Using engagement, companies are encouraged to improve their transition plans and to accelerate plans where appropriate. The engagement strategy draws on industry-supported assessment frameworks to maximise the chances of achieving progress through common goals and collaboration. Engagement focuses on the assessment of a company's performance against the assessment framework – When progress is not as expected, an escalation mechanism may be employed	– General focuses on good quality, cash generative companies with realisable dividend yields – Specific focus on issuers that are compatible with the long-term climate change objectives of the Paris Agreement. Business model profitability and cash flows are assessed against a scenario that assumes the introduction of carbon pricing – A consistent price per tonne of carbon emitted is applied to all businesses analysed as a means to help ensure that the business demonstrates sound environmental characteristics along with the financial ability to suffer carbon costs and the cost of transition	– Focuses on high-quality, growth-oriented companies that have a positive impact on the environment through being active in the clean economy, in particular companies involved in low carbon transport, smart energy, agriculture and food industry, or natural resource preservation – Strategy seeks to support the United Nations Sustainable Development Goals ("SDGs") by investing in companies that contribute to targets defined by one or more SDGs, in particular those acting positively towards environmental themes – At least 50% of assets under management are maintained in sustainable investments, as defined by the Redwheel Sustainable Investments framework

Corporate

In terms of our business approach to managing climate risk, extensive description is provided above under "Climate risk management – corporate".

Metrics and Targets



Climate-related risks and opportunities - metrics

When evaluating our investment products for the presence of climate-related risks and assessing the significance of these, we routinely use standardised sets of metrics that are relevant to the asset class.

The core metrics used when assessing the exposure of equity products to climate related risks and opportunities (where emissions are allocated on an equity ownership basis, relative to market capitalisation), and the units of those metrics, align to the recommendations set out within the TCFD Implementation Guidance and are summarised below:

Used when analysing products in respect of the Scope 1 and 2 emissions of portfolio constituents

- "Owned" Scope 1 Emissions (tCO_2e)[17]
- "Owned" Scope 2 Emissions (tCO_2e)[18]
- Total "Owned" Scope 1 & 2 Emissions (tCO_2e)
- Carbon Footprint (Scope 1 & 2) (tCO_2e/USDm Invested)
- Weighted Average Carbon Intensity (WACI) (Scope 1 & 2) (tCO_2e/USDm Revenue)

Used when extending analysis to consider the Scope 3 emissions of portfolio constituents

- "Owned" Scope 3 Emissions (tCO_2e)[19]
- Total "Owned" Scope 1, 2 & 3 Emissions (tCO_2e)
- Carbon Footprint (Scope 1, 2 & 3) (tCO_2e/USDm Invested)
- Weighted Average Carbon Intensity (WACI) (Scope 1, 2 & 3) (tCO_2e/USDm Revenue)

Other metrics

- Portfolio Allocation to Carbon Intensive Sectors (%)
- Implied Temperature Rise (°C)
- Portfolio Allocation to Companies with GHG Reduction Targets (by category) (%)
- Portfolio Allocation to Companies engaged in the Extraction/Production of Fossil Fuels (%)

These same metrics are also used to assess counterpart benchmarks, assuming an investment of equivalent value in a basket of securities representing the constituents of the benchmark and with investments made at the benchmark weight. Comparing values derived for products to those derived for benchmarks offers insight into the extent to which portfolios are positioned more or less favourably as compared to an equivalent investment at the benchmark. Carbon Footprint metrics are assessed on a per USDm invested basis, to control for any change in assets under management through time; this is independent of the volume of emissions generated by the companies whose securities are held within an investment product.

[17] Scope 1 emissions are direct GHG emissions that occur from sources owned or controlled by the reporting company.
[18] Scope 2 emissions are indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by the reporting company.
[19] Scope 3 emissions are all indirect emissions (excluding Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

For our fixed income products, of the metrics mentioned above, monitoring tends to focus on Weighted Average Carbon Intensity, Portfolio Allocation to Carbon Intensive Sectors, and Allocation to Companies with GHG Reduction Targets (by category). For these metrics, emissions are not allocated on an equity ownership basis and so they remain relevant in a fixed-income context. A further complication for our fixed income team is that investments are held mainly in convertible bonds; these are bonds which may convert into equity, and it is not always the case that the issuer of the bond and the issuer of the equity are the same. Understanding potential portfolio exposure climate risks and opportunities may thus require investments to be remapped to a different issuer. Given the asset class, allocation to green bonds is another metric that is routinely tracked by the investment team.

Associated methodologies are as shown opposite:

Carbon Footprint

An indicator of the absolute scope 1 and scope 2 carbon emissions attributable to a fund from its investments, based on equity ownership and the current portfolio value to enable comparison with other funds. Carbon Footprint is expressed in tons CO_2e/\$M invested.

Formula

$$\frac{\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{issuer's market capitalisation}_i}\right) * \text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{current portfolio value (\$M)}}$$

Weighted average carbon intensity ("WACI")

An indicator or the carbon efficiency of a fund calculated by summing the product of the weight of each company (issuer) in the portfolio with that company's carbon to revenue intensity. WACI is expressed in tons CO_2e/\$M revenue.

Formula

$$\sum_{n}^{i}\left(\frac{\text{current value of investment}}{\text{current portfolio value}}\right) * \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's \$M revenue}_i}$$

Carbon Intensive Sectors

Carbon Intensive Sectors are specific sectors/industries/industry groups of the MSCI General Industry Classification System that are considered to represent groups of companies that are typically carbon intensive. Relevant groupings comprise: Energy; Chemicals; Construction Materials; Metals & Mining; Paper & Forest Products; Capital Goods; Transportation; Automobiles & Components; Homebuilding; Beverages; Food Products; Financials; Electric Utilities; Real Estate.

Implied temperature rise ("ITR")

The ITR metric introduces the concept of a carbon budget and assesses how much a company or a portfolio can emit without projected global warming exceeding the Paris Agreement goal of limiting the end of century global temperature rise to well-below 2°C.

GHG emissions targets

Science-based targets ("SBT") are targets set by investee companies that are considered in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement; to pursue limiting global warming to 1.5°C above pre-industrial levels. Portfolios are analysed to establish the allocation to companies in five categories: Approved SBT; Committed SBT; Ambitious Target; Non-Ambitious Target; No Target.

Fossil fuels

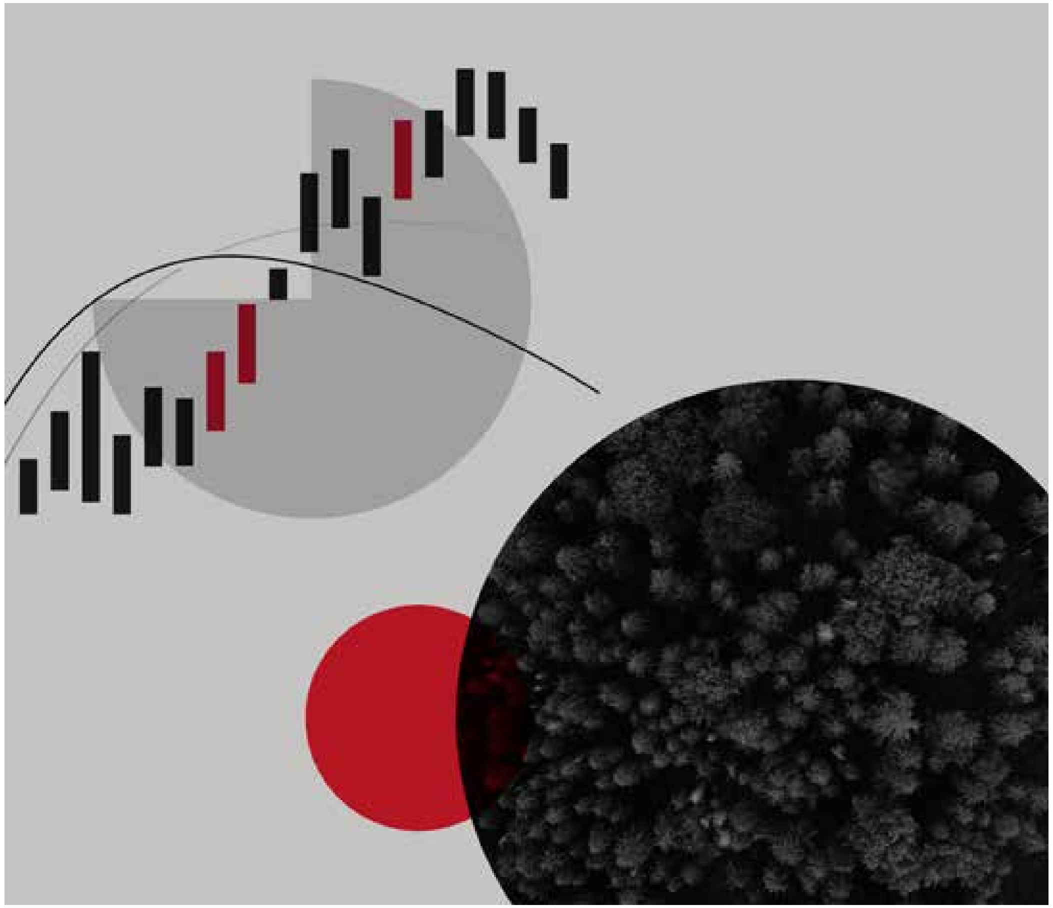
Companies engaged in the Extraction/Production of Fossil Fuels comprises (i) companies that derive any revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite; (ii) companies that derive any revenues from the exploration, extraction, distribution (including transportation, storage and trade) or refining of liquid fossil fuels; and (iii) companies that derive any revenues from exploring and extracting fossil gaseous fuels or from their dedicated, distribution (including transportation, storage and trade).

Metrics are assessed across our product range on a regular basis. For our UCITS fund range, carbon footprint and WACI are included on monthly fund factsheets; we made the decision to include these metrics on the UCITS factsheets as part of a desire to demonstrate our commitment to transparency but also in recognition of the increasing interest of climate issues to investors in relevant products.

Analysis is prepared on a best efforts basis, through the combination of holdings data, benchmark data, financial data and sustainability data, noting that the update frequency of data sets can and does vary, as does data coverage across data sets. All underlying data is subject to quality assurance both by the relevant provider and by Redwheel, involving input from our Data, Sustainability and Project Management teams. Any data issues identified are reported to the relevant provider for investigation; depending on the nature of the issue, underlying data may be corrected manually or removed from the data set entirely (which of course impacts data coverage).

Interpretation of analysis remains an area of active discussion, not least given the lack of standardisation of company reported data and the frequently observed significant separation in time of financial data for a given period and related emissions data. The 'double counting' of emissions when conducting analysis using Scope 3 emissions data remains an area of particularly significant challenge, although we do note that Scope 3 emissions can be significant for many companies.

For our own part, Redwheel encourages improved disclosure by companies in relation to climate change (as well as forests and water security) through supporting the annual CDP Non-Disclosure Campaign. Having started supporting CDP at the end of 2021, Redwheel first became a supporter of the Non-Disclosure Campaign in 2022. The 2023 edition of the campaign saw letters sent to 1,590 non-disclosing companies, signed by 288 financial institutions including Redwheel. The response rate was strong, with 20% of targeted companies engaging with CDP to improve understanding of how to enhance disclosures.



At present, specific targets set with respect to climate metrics are not formally incorporated into the design and operation of any of Redwheel's investment products although some are of particular relevance for products in our UCITS fund range given their role in demonstrating how the environmental characteristics of products are attained. Products are however routinely monitored by the Redwheel Sustainability Committee against core climate metrics; in this way, significant deviation of portfolio positioning can be identified and brought to the attention of Redwheel management who will, as needed, challenge portfolio managers on matters of portfolio construction and the reasons for rotating in to less/more carbon efficient companies. In mounting challenge, we are careful to take account of the wider perspective; for instance, has portfolio/benchmark data coverage changed through time? In which sectors is the portfolio manager investing? Within those sectors, is the manager selecting low carbon intensity companies or high carbon intensity companies? What is the benefit for clients from the manager making these investments?

The Weighted Average Carbon Intensity of four of our investment products is as shown below, reflecting the composition of portfolios and benchmarks as at 31 December 2023, to offer a sense of how numbers can vary across our product range:

	Portfolio WACI[20]	Portfolio coverage[21]	Benchmark WACI[20]	Benchmark coverage[22]	WACI Difference[23]
Redwheel Global Emerging Markets	211.3	98%	419.7	99%	208.4
Redwheel Next Generation Emerging Markets	469.7	91%	290.0	62%	-179.7
Redwheel Global Convertibles	181.2	95%	315.2	100%	134.0
Redwheel Global Equity Income	71.6	100%	127.6	100%	56.0

NB: For more information on our investment products including investment policy, objective and the approach to sector allocation, please refer to our website.

[20] Scope 1 & 2 (t CO_2e/USDm Revenue)
[21] % of net asset value
[22] % of net asset value equivalent
[23] Benchmark WACI minus Portfolio WACI

Incentives

At Redwheel, there is no specific link between climate considerations and remuneration outcomes. Sustainability risks are integrated by all investment teams within their investment processes. To the extent applicable, remuneration decisions for investment team members will therefore take into account each team's approach to the integration of sustainability risks.

Carbon price

For one or our investment teams, a shadow carbon price is used formally to assess the extent to which companies have the ability to suffer shocks to cash flows. Investing in companies whose balance sheets are resilient to future adversity represents a core aspect of the team's approach and for one of the teams' products, the assessment of investments includes modelling of ongoing profitability subject to the introduction of carbon pricing through regulation.

Trend analysis

Conceptually, we would like to do more in the way of trend analysis, to monitor and demonstrate how the credentials of our products change through time. As indicated above, we have obtained data and developed systems to enable us to generate analysis of our products using standardised metrics and informed by market standard data. However, we remain acutely aware that further investment in underlying data and systems is needed if confidence in the statistical significance of the outputs generated is to improve. For instance, there is currently no commonly agreed approach to addressing the impacts of acquisitions and disposals made by a company following disclosure of carbon emissions which tend to be annual only. Agreeing approaches to the adjustment of emissions data through time would help smooth analysis and make reported carbon data more meaningful.

Furthermore, whilst third-party data providers are often criticised in relation to the accuracy of sustainability data provided to clients, we have seen numerous examples of company reported data that is patently inaccurate. The lack of standardisation in company reported data represents a particular challenge for investors, exacerbated for Redwheel by the fact that around half the assets managed are in emerging markets where disclosure standards tend to be lower than for developed economy counterparts. Global efforts to enhance the oversight of reported corporate sustainability data should over time see the quality of reported data improve, which in turn should in future make trend analysis more informative. For now though, the quality of emissions data that is published internationally remains variable.

Lastly, it is not the case that the climate positioning of products should be expected to trend down over all time periods. For instance, within our climate engagement product series, the portfolio manager invests in companies that are considered willing and able to transition. If the share price of an investment rises (for instance because of the issuer having developed a new technology) prior to an engagement reaching completion, the portfolio manager's sell discipline may force the position to be closed on the basis of valuation. Where capital is recycled into a company still early in its own transition journey, product positioning may worsen in the short term. It is important therefore also to consider what should investors in a given investment product expect to see? Is short term volatility unusual or to be expected?

Alignment of products to scenarios

Conceptually, analysis driven by forward-looking climate metrics offers investors a way to hypothesise how things may come to pass.

One such metric is "Implied Temperature Rating" which offers insight into the degree of end of century warming associated with the emissions trajectory of an investment portfolio, given a particular scenario. Related tools are still in relative infancy and continue to face challenges including complexity and opaqueness regarding key assumptions, variation in approach, and limited data and scenario fidelity and availability.

Another forward looking metric is "Climate Value At Risk" which is defined as the probability distribution of the present market value of losses on global financial assets due to climate change[24]. It includes only the effect on asset values of climate impacts (i.e. adaptation costs and residual damages). It does not include mitigation costs[25].

We continue to work with our teams to explore how best to integrate the consideration of climate scenarios into investment decision-making processes, with "Implied Temperature Rating" and "Climate Value at Risk" as potentially useful outputs that could be added to the list of metrics we regularly monitor. We have learned from using the tools available to us today that assessment of the alignment to global warming scenarios is currently challenged by the fact that, when forecasting forwards, "off-the-shelf" models assume that the characteristics of portfolio companies as they are today persist into the future; these models do not take significant account of, for instance, a company's previously announced plans to decarbonise over the same period or to dispose of carbon-intensive assets prior to the period ending. As such, the analysis appears somewhat prone to error.

Using the tools available to us, it appears that the majority of our products are aligned to the delivery of global warming in excess of 1.5°C. Whilst we have one product which appears currently to be fully aligned to the delivery of 1.5°C, the remainder align to higher values. The primary tool we use is the one provided to us by ISS-ESG which enables us to derive a measure of expected warming using a methodology that draws on the IEA Sustainable Development Scenario ("SDS"); this scenario assumes policy measures globally become more stringent over time, resulting in the achievement of the Paris Agreement goal of keeping end of century warming well below 2 degrees. The SDS broadly corresponds with the NGFS 'Below 2°C' scenario (which sits within the NGFS 'Orderly Transition' quadrant).

Over the next 12 months, we plan to conduct similar analysis using a wider range of scenarios (including scenarios sitting in the NGFS 'Disorderly' and 'Hot House World' quadrants). We intend to include related analysis in next year's reports.

As client expectations become clearer as to how portfolios should be expected to align to scenarios (which we expect to increase as market standards develop in relation to methodologies and data continues to improve), we can then give thought to the need for the investment processes of relevant products to be adapted formally to introduce different approaches to any of research, security selection, portfolio management and/or stewardship.

[24] Economist Intelligence Unit. The Cost of Inaction: Recognising the Value at Risk from Climate Change. (2015).
[25] Dietz, Simon & Bowen, Alex & Dixon, Charlie & Gradwell, Philip. Climate value at risk of global financial assets.) London School of Economics and Political Science (2016)

Emissions – Scopes 1, 2 and 3

In line with the definitions set out within the GHG Protocol[26], we consider our Scope 1 emissions to represent the emissions for which we are as a business directly accountable. Our Scope 2 emissions represent emissions associated with the production of the energy we consume that powers our offices.

Our Scope 3 emissions meanwhile are primarily those emissions associated with the companies in which our portfolio managers invest on behalf of clients (Category 15, "Investments") although business travel (Category 6) is also considered significant in context.

Scopes 1 and 2

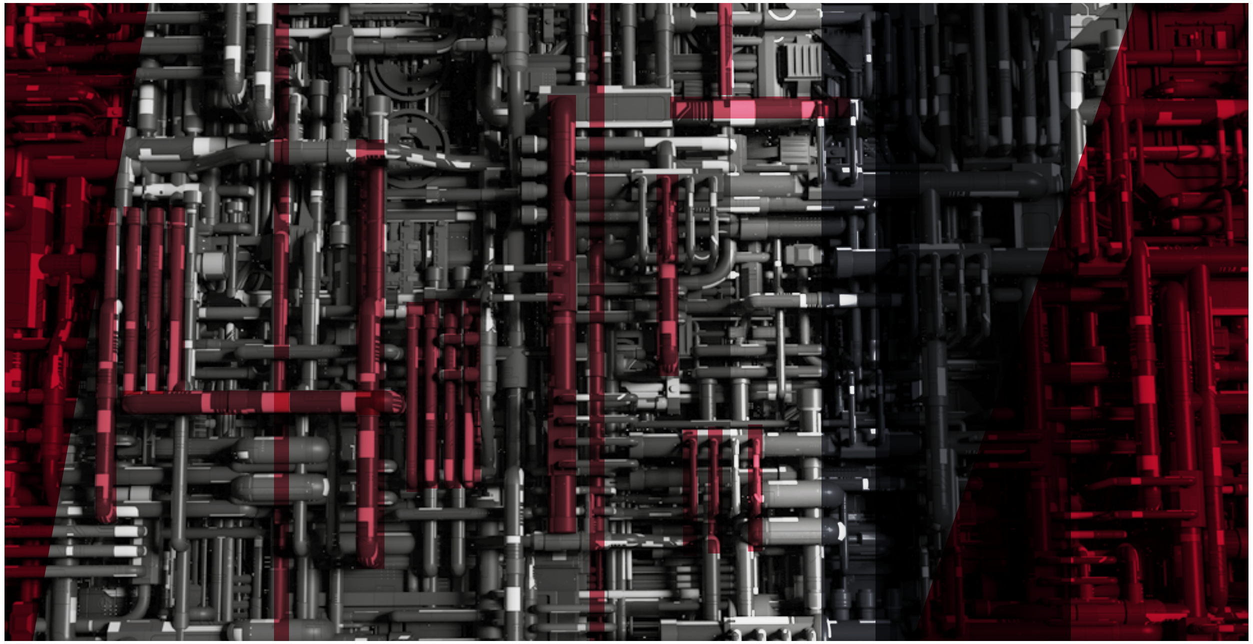
As mentioned previously, our operational emissions (Scope 1 and 2) are considered to be low; as a capital-light asset management business, we do not operate industrial equipment, nor do we own corporate vehicles, and much (albeit not all) of the energy we procure to power our systems is renewable.

Notwithstanding this, we are committed to running our organisation and managing climate risk in a way that is consistent both with the expectations of our clients and the challenge being put to investee companies by our investment teams. To this end, in 2022 we committed to achieve net-zero emissions in the context of our own operations going onwards. Our actions to reduce our operational emissions are informed by a strong belief that collaboration and communication are the most effective tools to drive behavioural change. We also view positive changes, however small, as worthwhile contributions to the collective global goal of reducing the world's carbon emissions. More detail is provided below.

Our UK Scope 1 and Scope 2 annual emissions are disclosed every year, within our annual report and accounts, in line with the requirements of the Streamlined Energy and Carbon Reporting recommendations. Data is disclosed on a calendar year basis.

UK emissions and energy use	Units	2022	2023
Emissions from activities for which the company own or control including combustion of fuel and operation of facilities (Scope 1)	tCO_2e	4.0	2.8
Emissions from purchase of electricity, hear, steam and colling purchased for own use (Scope 2)	tCO_2e	16.0	18.4
Total gross Scope 1 & 2 emissions	tCO_2e	20.0	21.2
Energy consumption used to calculate above emissions	kWh	100,087	100,202
Intensity ratio : "Total gross Scope 1 & 2" to "number of full time equivalents"	tCO_2e per person	0.15	0.14

[26] ibid



On a groupwide basis, our historic Scope 2 emissions are considered to be as follows:

	Category	2019	2020	2021	2022	2023
Scope 2 (tCO_2e)	Electricity	47.3	41.8	40.8	39.6	43.3
	Gas	34.4	36.8	36.7	32.6	31.2
	Water	1.9	1.3	0.5	0.7	0.5
Total (tCO_2e)		83.7	79.9	78.1	72.8	75.1

Scope 3

Financed emissions, and the emissions associated with business travel and hotel accommodation undertaken to see clients and the companies in which we invest on their behalf, represent the bulk of our Scope 3 emissions. Extensive detail on our approach to measuring, monitoring and managing the carbon credentials of our investment products is provided in the preceding sections.

Our approach to business travel

A core part of our client proposition is that our investment teams travel to visit clients and also the investee companies around the world.

The emissions associated with business travel represent over 90% of our total operational emissions. Business travel emissions peaked in 2022 at 2,935 tCO_2e before dropping back markedly in 2023 to 1,432 tCO_2e. The majority of business travel emissions are attributable to the work our Emerging & Frontier Markets Team does in terms of site visits and due diligence to gain perspective on the credentials of the companies in which they invest across relevant markets on behalf of clients.

Whilst Redwheel continues to pay for all work-related travel costs including offsets when standard class flights are booked, where business/first class seating is required the costs of offsets are borne by the individual.

For investment teams the class of flight taken is agreed with the Head of the Team.

For non-investment staff, including the Executive Committee, short-haul flights (up to 5 hours) are booked as economy class as standard. Long-haul flights (over 5 hours) are booked as premium economy (or equivalent). Where a meeting is to be attended soon after arrival, business class travel may also be authorized.

On a groupwide basis, our historic Scope 3 (Category 6) emissions are considered to be as follows:

	Sub-category	2019	2020	2021	2022	2023
Scope 3 (tCO_2e)	Mileage	4.2	0.9	1.9	4.5	2.8
	Flights	1,525.0	447.9	127.5	2,935.3	1,431.6
	Hotels	44.5	13.5	6.8	53.4	47.8
Total (tCO_2e)		1573.7	462.3	136.2	2993.2	1482.2

REACT

Key within our approach to bringing down our corporate carbon emissions has been the creation of the Redwheel Environment and Climate Taskforce ("REACT") which was established in 2022 with a remit to measure and improve our organisation's operational emissions. The group is comprised of staff from multiple departments who have joined the group motivated by the opportunity to collaborate, learn and make a difference. The accountable executive for the work of REACT is Redwheel's Chief Operating Officer.

In its work, REACT focusses on -

- Understanding how to make use of market standard approaches such as the Greenhouse Gas Protocol toolkit guidance to record and model company emissions
- Identifying the primary sources of Redwheel's Scope 1 and 2 emissions (and Scope 3 emissions other than those relating to investments)
- Ensuring that information is captured and recorded on our emissions, our activities to reduce operational emissions, and our interactions with vendors where the approach to emissions management is challenged

Having collected and analysed data on our Scope 1 and Scope 2 emissions and also the emissions associated with travel and hotel accommodation – for each year from 2019 to enable baseline monitoring - an independent third party was appointed to audit findings and provide verification.

Once verified, credits were purchased to offset 1.1 times our 2022 emissions as a safety factor. Proceeds supported a number of projects as outlined in the Strategy section above; we have in parallel made a donation to the Woodland Trust to fund the planting of 6,400 trees.

The funding of projects is not a goal in itself; we would much rather reduce our own operational emissions as far as possible and forego the need to purchase offsets. Recent work to reduce our operational footprint includes:

- Since 2022 we have engaged with the owner of the multi-tenant building in which our London is located to encourage a switch to green gas and electricity for tenants. With this having been agreed, our London office scope 2 emissions have fallen to zero.
- We have similarly sought to engage the owners of our other principal offices in Miami and Singapore. In Miami, we continue to encourage efforts to identify a provider of clear energy to the building in which our offices are located. In Singapore, the same applies, although we have learned that the building in which our offices are located has been operationally carbon neutral since 2021 although this does excludes consideration of the heating and electricity usage of tenants.

Other actions we have undertaken to drive more incremental change in behaviours include:

- Participation in tenant committees, helping us to offer constructive challenge to the decisions of the managers and owners of the buildings in which our offices are located
- Proactively changing light fittings in our Miami office to reduce energy consumption and heat generation
- Proactively changing air conditioning timings in Miami to reduce overnight and weekend usage
- Removal of desk bins in London office and replacing with a smaller number of recycling stations, including dedicated bins for take-away coffee cups and lids. A dedicated food waste bin has also been installed in the central kitchen to reduce emissions from waste
- Introduction of a salary sacrifice scheme through which in-scope staff can lease electric vehicles

Successful supplier engagement

When engaging with our largest suppliers to better understand their plans to decarbonise, we keep the "80/20 rule" front of mind.

As a relatively small business, we are mindful when engaging with our service providers (who can be small but can also be very large e.g. Microsoft or our auditors PWC) of how much influence we can realistically exert in terms of challenging existing approaches. We are always interested to know how our vendors approach the management of climate risks, but recognise at the same time that our ability to exert influence may be limited.

Nonetheless, it has been rewarding to note, seemingly as a result of constructive challenge received from Redwheel, that one large supplier has started to measure its emissions, an act which is helping it to garner significant new client interest. A second supplier meanwhile has taken the decision to implement an emissions reduction plan as a result of a knowledge-sharing exercise conducted by Redwheel.

Going forwards, improving the coverage and accuracy of vendor emissions data is likely to remain an area of active interest.

As regards the emissions associated with our investment products, comprehensive analysis is available on demand; otherwise, summary data for products within our UCITS fund range is provided on factsheets which are published monthly. A side-by-side comparison of the Weighted Average Carbon Intensity and the Carbon Footprint of products within our UCITS fand range (as at 31 December 2023) is shown in the table on the following page, with units rebased to Euros to facilitate comparison between products.

UCITS Investment Products - comparison

		Carbon Footprint (tCO_2e/EURm Invested)		Weighted Average Carbon Intensity (tCO_2e/EURm Revenue)	
Investment Product	Benchmark	Product	Benchmark	Product	Benchmark
Redwheel Asia Convertibles	Refinitiv Asia ex Japan Hedged (USD)	-	-	316.04	371.83
Redwheel Biodiversity	MSCI ACWI	173.45	101.18	143.14	158.15
Redwheel China Equity	MSCI China	76.62	435.11	76.58	263.94
Redwheel Clean Economy	MSCI ACWI	191.12	101.18	324.63	158.15
Redwheel Global Convertibles	Refinitiv Global Focus Hedged (USD)	-	-	181.19	315.15
Redwheel Global Emerging Markets	MSCI Emerging Markets	188.53	336.76	211.28	419.69
Redwheel Global Equity Income	MSCI World	42.84	74.02	71.61	127.59
Redwheel Global Intrinsic Value	MSCI World	142.51	74.02	99.90	127.59
Redwheel Life Changing Treatments	MSCI ACWI Healthcare	4.17	5.99	15.58	18.83
Redwheel Next Generation EM	MSCI Frontier Emerging Markets	340.17	190.97	469.74	289.96
Redwheel Responsible Global Income	MSCI World	14.45	74.02	36.73	127.59
Redwheel Sustainable Emerging Markets	MSCI Emerging Markets	39.93	336.76	98.96	419.69
Redwheel UK Climate Engagement	FTSE All Share	163.98	82.19	85.92	76.14
Redwheel UK Value	FTSE All Share	113.90	82.19	68.39	76.14

Climate-related risks and opportunities – targets and performance

Investment

As mentioned above, our products do not tend to be designed to incorporate formally climate-related targets.

However, the design of certain of the products in our UCITS fund range means that the attainment of environmental characteristics must be evidenced over time. We achieve this through the systematic consideration of product positioning in terms of climate-related Principal Adverse Impact indicators which are established on an absolute basis; looking across our products, indicators currently used include –

- GHG Intensity of investee companies
- Investments in companies without carbon emission reduction initiatives
- Carbon footprint
- Exposure to companies active in the fossil fuel sector

For all products, portfolio managers are required to comment annually on ongoing efforts to reduce or avoid Principal Adverse Impacts ("PAI"); where specific PAI indicators are used to evidence the attainment of a product's environmental characteristics, portfolio managers are expected to prioritise their efforts to address related factors above the wider set of PAI indicators.

Meanwhile, for our climate engagement products, the portfolio manager invests in companies that are considered willing and able to adapt to the transition to a low-carbon economy. There are no formal targets for these products although the portfolio manager's overarching goal for both is to support the delivery of transition through engagement. As engagements progress, records are updated on the system that is maintained and monitored by our Central Stewardship Team. The progress of engagements is tracked against the following framework:

- Engagement initiated – issues communicated to target
- Basic response received, substantive response pending
- Substantive response received, continue to monitor
- Substantive response received, further dialogue required
- Objective achieved successfully / engagement complete
- Objective not achieved successfully / engagement failed
- Objective abandoned / engagement halted

Further detail on our broader ambitions in relation to the setting of targets at product-level is provided in the section above focussing on Risk Management.

Corporate

For comments on the setting of climate-related targets and the performance of our core operations in a related connection please see the section above focussing on Risk Management.

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Information Required for Offering in Switzerland of Foreign Collective Investment Schemes to Qualified Investors within the meaning of Article 10 CISA.

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The representative and paying agent of the Redwheel-managed funds in Switzerland (the “Representative in Switzerland”) FIRST INDEPENDENT FUND SERVICES LTD, Feldeggstrasse 12, CH-8008 Zurich. Swiss Paying Agent: Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich. In respect of the units of the Redwheel-managed funds offered in Switzerland, the place of performance is at the registered office of the Swiss Representative. The place of jurisdiction is at the registered office of the Swiss Representative or at the registered office or place of residence of the investor.

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Contact us

Please contact us if you have any questions or would like to discuss any of our strategies.

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