



Redwheel TCFD Entity Report

2025



For professional investors only

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About this report

The structure of this report largely follows that recommended within the guidance issued by the Task Force on Climate-related Financial Disclosures¹ (“the TCFD”). The report has been prepared in line with the rules and guidance set out in Chapter 2 of the Environmental, Social, and Governance Sourcebook² (“ESG Sourcebook”) 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 its Group. This report is primarily focussed on its UK domiciled company which is authorised and regulated by the FCA; RWC Asset Management LLP (“RWC LLP”).

RWC LLP is a UK domiciled asset management firm which provides portfolio management services to its clients. These services are captured within its “TCFD in-scope” business and therefore the assets managed by RWC LLP are the primary focus of this report.

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 are similar to those introduced by the FCA also apply, this report should be understood as fulfilling those obligations to the extent that such reporting is acceptable as part of meeting local-market regulatory compliance expectations.³

This report uses ‘point in time’ data extracted from internal systems as at 31 December 2024. 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 2025 was prepared by members of the Sustainability Committee and approved by the Redwheel Board in June 2025. 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.



Tord Stallvik

Chief Executive Officer

27 June 2025

1 For more information, see [Task Force on Climate Related Financial Disclosures](#).

2 The ESG Sourcebook is available on the [FCA website](#).

3 This report is intended to meet RWC Singapore (Pte.) Limited’s requirements under the Monetary Authority of Singapore’s Guidelines on Environmental Risk Management

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 all live. Headquartered in the UK, we are a majority employee-owned firm with US\$17.7bn assets under management, supported by 177 permanent employees primarily based in London, Miami, Singapore and Copenhagen.

Our organisational model emphasises management independence, investment team autonomy, and a focus on achieving our clients' long-term goals. We have seven investment teams specialising in four active equity capability sets: Value and Income; Emerging & Frontier Markets; Active Engagement & Ownership and Thematic & Sustainable and one team who manage 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.

177 

We have **177** people including **65** dedicated investment professionals working across **8** independent investment teams

\$17.7 bn

We manage **\$17.7bn** for our clients, from offices in London, Miami, Singapore and Copenhagen.



Our capabilities

We specialise in active equities in four capability sets and offer a range of convertible bond strategies.

- Emerging & Frontier Markets
- Value & Income
- Thematic & Sustainable
- Active Engagement & Ownership
- Convertible Bonds

Foreword from the Chair



Peter Clarke

Non-Executive Chairman

As the global investment landscape teeters on the brink of profound transformation, investors are faced with unprecedented challenges and opportunities.

For many in the global investment community, we currently stand on the cusp of consequential change. Consensus-based approaches to resolving geopolitical issues appear increasingly at odds with those that are more polemic. The concomitant shift in approaches to the agreement of terms of trade seems likely also to put significant strain on investors across asset classes and geographies, who for much of the period since 2007 have enjoyed the relative luxury of operating in a largely benign policy environment - barring some notable exceptions.

The political response to climate change is similarly increasingly at odds with the expectations of long-term focussed investors. As concerns mount that the planet may already be sliding past 1.5°C of warming on a global basis, the strength of national policy ambition seems to be coming back under scrutiny. Of course, abandoning existing policy pathways in favour of pursuing other priorities does not affect the realities of climate change. Economic development underpinned by fossil fuel energy has been the overwhelming driver of the warming our planet has experienced to date. Unless future growth is driven by more efficient and alternative forms of energy, warming, and its effects, will worsen. Additionally, investors with long-dated liabilities need to be able to generate investment income now, in that future world, and at all periods in between. However, in the absence of constructive policy pathways that enable us all to escape the worst impacts of climate change, ultimate beneficiaries

may find themselves underprepared for life in a significantly warmer – and more volatile – world, even if the performance of their investments proves robust in the interim. We simply do not know for certain what may be in store should the global temperature continue to rise.

Responsibility for setting national climate policy pathways rightly rests with governments of course. However, policy development should not happen in a vacuum. Relevant stakeholders need to be involved along the way if policy outcomes are to have broad support; this should also include investors to whom sectoral policies may not apply directly but whose investments may stand to be affected by any changes.

Contributing to the development of public policy, however, poses a challenge for many. Even when involvement occurs, it can be hard to demonstrate that it has had an impact. Expertise can be expensive to procure, and when not bought in, takes time to build; networks take time to develop without which it may be difficult to gain access to decision makers. Seizing opportunities to contribute as they arise can also be challenging when faced by multiple competing priorities. For smaller managers lacking dedicated resources, this will feel like a significant hurdle.

Nonetheless, it is becoming ever clearer that asset owners look favourably upon organisations that seek to engage in public policy advocacy. In this connection it is encouraging to know that, at Redwheel, portfolio managers and sustainability experts regularly collaborate to develop views around the climate positioning of companies and sectors, the sufficiency of climate policies, and that related views are, in turn, routinely brought to the attention of the organisations of which Redwheel is a member in order to inform their advocacy work. Only through collaboration and the proactive sharing of views can investors hope to avert the worst impacts of a failure in government policy. It is heartening to know that Redwheel is doing its part.

Foreword from the CEO



Tord Stallvik
Chief Executive Officer

Our stated purpose is to invest for current and future generations and the world in which we all live. By this we mean taking into account, the near-, medium-, and long-term interests of our clients. In order to do this, we need to manage our own organisation in a sustainable manner, which we do by keeping a focus on alignment between the outcomes sought by our clients and how we deliver investment solutions to them.

Investment teams come to Redwheel because we give them a home where they have the freedom to articulate their own investment views.

Investment teams come to Redwheel because we give them a home where they have the freedom to articulate their own investment views. All of our teams take an active approach to investment management and whilst we have a number of firm-level policies that dictate at a high level what our portfolio managers can and cannot do, the main investment constraints they face are those they impose on themselves. This permissive approach helps create a tight alignment of interests between portfolio manager and client; we know that when clients come to us it is primarily to access the intellectual capital of our portfolio managers and their analyst teams, which is why we work so hard to ensure that they retain functional autonomy over their investment processes.

In what has proved for us and so many others to be a difficult 12 months to navigate, we have seen strong performance in several of our strategies, and have continued to invest in our business, notably the successful integration of our new Ecofin team into Redwheel. This acquisition – of an experienced group of investors with a proven track record focussed on investing in clean energy opportunities within the infrastructure and utilities spaces - demonstrates our continuing commitment to provide access for clients to resilient investment solutions.

There have been other bright spots too. One particularly positive development I have witnessed has been the deepening of knowledge across our investor and corporate communities regarding climate-related issues. Our sustainability specialists continue to lead in this area, facilitating internal discussions and debates within our Sustainability Forum, and steadily expanding the amount of work they do as coaches ahead of our investors engaging the companies in which they invest. They have also been integral to the work we have done as a business to think about climate issues when we engage with our suppliers, when we speak to the landlords of the buildings in which we operate, how we contribute as a business to public policy advocacy initiatives, and how we develop policy and set internal standards that help us to achieve our enduring goal of being net-zero in the context of our own operations.

I mentioned previously that the issues presented by climate change are manifold and complex; my views here have not changed. If anything, it is getting even harder to do the right thing as shifting regulations exacerbate the risk of elevating expectations as to what can be reasonably inferred from analysis prepared using data which is still often inaccurate or poorly substantiated. We continue to invest in understanding climate data and investor frameworks, and we think about how to make sound decisions whilst avoiding making perfection the enemy of good. But needless to say, there remains much still to do.

Introduction

Summary

Back in 2015, the Task Force on Climate-related Financial Disclosures (TCFD) was formed by the G20 Financial Stability Board. A decade on, the world feels like a much less certain place than it was when the Paris Accord was agreed; one thing that is certain though is that the TCFD's reporting framework has firmly established itself as a key tool for investors, companies and regulators seeking to adopt a standardised approach to understanding climate risk exposures and explaining how these are being managed.

This report, our second Entity-level TCFD report, describes our approach to conceptualising and identifying climate-related risks, how we assess and manage those risks, and how we harness climate-related opportunities. The report covers both our own core business operations as well as the investments we make in respect of the capital clients entrust to us. Analysis and thinking is presented as at 31 December 2024.

Overview of our approach

We remain on a journey of continuous learning and improvement. We accept that there remains work still to do to develop our understanding of the risks and opportunities we face relating to climate change and to embed related considerations within decision making processes.

Much of the governance and oversight apparatus that we have put in place remains as previously described and our sustainability teams remain vital drivers of the work we do; the work they do tracking market developments, sharing insights and perspectives, and providing briefings to our business and our investment teams, ensures we continue to improve and progress. Our Greenwheel team in particular provides a much valued centre of excellence for investment teams seeking to improve their understanding of issues relating to climate, and plays a key role in developing the

education programme we provide through our Sustainability Forum. This monthly meeting provides a key opportunity for members of all our investment teams to come together to debate the materiality of sustainability issues in investment terms - and, by extension, the implications for investment products and processes of adapting the way that sustainability issues are taken into account - leveraging sophisticated tools and research developed by our Greenwheel colleagues.

We continue also to put significant effort into understanding the data we receive. Whilst in recent months we have been undertaking a major project to upgrade our core data infrastructure, we have continued to allocate significant time and resource to understanding how in practice the data that powers the tools and products available in the market 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 pathways are for product development.

What's next?

Looking to the future, and consistent with our intention that our approach should be intellectually robust, enable us to be true to ourselves, and help support the delivery of real-world change over time, our aims are to:

- Further embed ownership and accountability for the integration of climate considerations across relevant business units
- Develop a richer set of Management Information with which to assess the ongoing progress of our climate initiatives
- As we reach consensus on how we will integrate climate issues into decision making processes, formalise these as enduring commitments in policy terms



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 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 has historically helped to ensure direct involvement of our directors in debate and discussion on issues of relevance including the nature and scale of climate-related impacts on our business.

It has also helped to ensure an appropriate flow of information to the wider Board, to supplement 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

Sustainability Committee

Role: Monitors and challenges Redwheel's investment teams on their individual approaches to integrating sustainability (including climate) considerations in their investment processes and stewardship activities, while taking account of evolution in regulatory and client expectations.

Chair: Chief Executive Officer

Members: Head of Investments; General Counsel and Chief Compliance Officer; Head of Sustainability Strategy, Governance & Policy; Head of Stewardship & Regulatory Change; Head of Marketing; and a representative from the Product Team.

Frequency: At minimum, quarterly

Enterprise Risk Committee

Role: 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.

Chair: Redwheel Board Chair

Members: General Counsel & Chief Compliance Officer; Enterprise Risk Manager; Chief Technology Officer; Co-Head of Compliance; Head of IT Applications; Head of IT Infrastructure; Head of Operations; Head of Marketing and Investor Services; Head of Client Management; Head of Sustainability Governance, Strategy and Policy.

Frequency: Quarterly with monthly action reviews

Portfolio Risk Committee

Role: 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.

Chair: Head of Investments

Members: Head of Risk, Performance and Analytics; General Counsel & Chief Compliance Officer; Head of Client Management; Head of Sustainability Strategy, Governance and Policy; Head of Dealing.

Frequency: Monthly

Product Management Committee

Role: Responsible for establishing and operating a robust product governance framework and to ensure products meet evolving regulatory standards.

Chair: Head of Client Management

Members: Head of Investments; General Counsel and Chief Compliance Officer; Head of Sales; Chief Technology Officer; Head of Sustainability Strategy, Governance & Policy; Head of Stewardship & Regulatory Change.

Frequency: Quarterly

Counterparty Committee

Role: Responsible for overseeing and monitoring the risks associated with material counterparty relationships.

Chair: Chief Technology Officer (former "COO")

Members: General Counsel & Chief Compliance Officer; Head of Operations; Head of Dealing; Enterprise Risk Manager; a representative from the Risk, Performance and Analytics team.

Frequency: Quarterly

Guiding Strategy

Scheduled annual reviews of Redwheel's corporate strategy provide the main opportunity for Board members to consider sustainability and climate issues and their relevance to Redwheel.

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.

Considerations of climate risk are 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 that emphasise the consideration of sustainability factors within the investment process.
- Major plans of action – e.g. continued investment in sustainability-related data, systems and tools.
- Risk management policies and processes – e.g. supporting management in practice through adding climate-related risk to the Enterprise Risk Register where it has been assessed and will continue to be on an ongoing basis.
- 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 considerations 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. Redwheel's sustainability specialists are available to the ExCo and Board to provide support on climate related matters, including facilitating training.

As regards responsibility for the setting of specific climate goals and targets applicable to Redwheel and its subsidiary businesses, and for agreeing the form of management information that should be provided to the Board to enable it to exercise effective oversight of Redwheel's approach to managing climate-related risks and harnessing related opportunities, this 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 Technology Officer (formerly "COO") leading on the former given his continuing oversight of critical business infrastructure and our Head of Investments leading on the latter.

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 – owned by our Chief Technology Officer.
- ❑ Assessing the evolving market conditions and climate-related needs and preferences of clients and consultants – Head of Sales.
- ❑ Navigating relevant regulatory environments – General Counsel and Chief Compliance Officer.
- ❑ Incorporating climate change into risk and attribution, product design and development, firm level policies, thematic research and 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 – Head of Investments.
- ❑ Incorporating climate-related risks and opportunities into learning and development goals and into compensation outcomes – CEO.



Organisational structure

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 Responsible Investment leads 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 serves as a platform for collaboration, discussion and debate across investment teams in relation to responsible investment and for disseminating and sharing perspectives on developments and practices, including in relation to climate. Across 2024, the Forum focused regularly on climate change themes, with further sessions held to focus on human rights and biodiversity. Whilst sessions are most typically supported by 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.

Sustainability Forum sessions



Q1 24

Land rights and free, prior, and informed consent (FPIC) – Presentation and discussion of Greenwheel research on the challenges and practical solutions for businesses and investors in respecting land rights and upholding the right to free, prior, and informed consent.

Climate Litigation - Academics from LSE presented key results from an extensive review of the impact of climate litigation on share prices of oil and gas companies, and how this might evolve in future.

Critical materials and responsible mining – Presentation and discussion of Greenwheel's Responsible Mining Framework for Investors which addresses the key environmental and social risks and impacts in the sector.



Q2 24

Decarbonisation of shipping & steel – Presentation and discussion of Greenwheel research on the challenges to decarbonisation in the shipping and steel sectors, potential options and characteristics, the policy environment, and their potential evolution.

Forced Labour – Presentation and discussion of the key findings from the Greenwheel Forced Labour Risk Index.

AI and Human Rights – Presentation and discussion of the human rights risks found in the AI value chain impacting workers, communities, and end-users.

Redwheel's sustainability specialists

In-house sustainability expertise is provided by our three sustainability and stewardship teams who provide support and challenge to our investment teams and wider business.

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 and Emma Kurtz.

Stewardship and Regulatory Change

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

Thematic Sustainability Research team ("Greenwheel")

Greenwheel's remit is to produce thematic sustainability research commissioned by Redwheel investment teams and to support Redwheel's responsible, transition and sustainable investment strategies at each stage of the product life cycle. Subject-matter specialists include Jessica Wan who leads social research, and Paul Drummond who leads climate and environment research.

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



Q3 24

Climate adaptation – Presentation of the Greenwheel adaptation 'theory of change'; i.e. setting out improving resilience and reducing exposure to the physical risks associated with climate as an investible theme.



Q4 24

The Greenwheel Global Adaptation Capacity Index (GACI) – Presentation and discussion of the GACI; an index created to understand the broad ability of different countries to adapt to climate change based on their economic, institutional and social characteristics.

The complex (from an accounting standpoint) topic of Avoided Emissions – presentation and discussion of Greenwheel's 'investor guide to avoided emissions', which sets out the different methods used to calculate avoided emissions, their benefits and drawbacks, and key principles for investors to consider when using or interpreting.



The Redwheel Climate Strategy

Our strategy to understand and manage climate-related risks and opportunities

Our approach to climate related issues whether through an operational or investment lens remains simple: educate ourselves, challenge ourselves, support our clients.

Underpinning our strategy, and building on our Policy on Responsible Investment, is the Redwheel Climate Beliefs and Commitments paper which outlines how we and our investment teams are currently thinking as regards the integration of climate considerations within investment processes. This document is available on the Redwheel website.

Whilst climate remains a key area of focus for our senior leadership, recognising the strength of the polarised debate taking place in the market around the adoption of climate targets, over the course

of the last 12 months, and in light of being in the process of both of a major data renewal exercise and introducing a new investment team (Ecofin) to our business (both of which require significant time and attention from our senior leadership), we paused further development of our climate strategy. It should be noted though that the expertise of the newly onboarded Ecofin team enables us to offer clients access to an expanded product range that now offers solutions which deliver capital to companies who are driving the energy transition and are set to benefit from growing renewable energy demand globally. This speaks to our purpose as a business which is to invest with conviction for current and future generations and the world in which we all live. Meanwhile, having a state of the art data infrastructure in place will enable us to accelerate the work we are already doing on a quantitative basis.

Defining time horizons

The following time horizons underpin conversations relating to climate-related issues:¹

- Short term (<2 years)
- Medium term (between 2 and 10 years)
- Long term (10+ years)

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 three time horizons, the tables below detail what Redwheel continues to perceive to be the principal climate-related risks most likely to arise in that time frame and which are believed to have the 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.² Categories are established through reference to the recommendations laid out in the TCFD Implementing Guidance (2021). 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.

Short term risks

Type	Category	Principle risk(s)	Examples of potential impact
Transition	Policy and Legal	New or amended policy/ regulation.	Navigation creates short and long-term operational costs.
	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.
	Reputation	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.

¹ Please note this is not an indication of target or anticipated investment holding periods which will vary across investment teams and across investments.

² Categories are established through reference to the recommendations laid out in the [TCFD Implementing Guidance \(2021\)](#)

Medium term risks

Type	Category	Principle 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).
	Market	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.

Long term risks

Type	Category	Principle 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	Principle opportunities	Examples of potential impact
Resource efficiency and resilience	<p>Short – Use of recycling</p> <p>Medium – Reduced resource consumption per unit of output</p> <p>Long – Move to more efficient buildings</p>	<p>CORPORATE</p> <p>Short – Builds awareness and preparedness.</p> <p>Medium – Helps maintain output levels by reducing exposure to short term supply constraints, making businesses more resilient.</p> <p>Long – Reduces exposure to variable overheads directly associated with fixed assets.</p> <p>FIDUCIARY</p> <p>Long – Patient capital flows to those companies that are most resilient to supply-side shocks.</p>
Energy Source	<p>Short – As supply increases, switch to lower emission sources of energy</p> <p>Medium – Harness novel energy sources using new technologies</p> <p>Long – Participation in the carbon market</p>	<p>CORPORATE</p> <p>Short – Reduce operational emissions.</p> <p>FIDUCIARY</p> <p>Medium – Companies adapting effectively to evolving standards likely to maintain/enhance attractiveness to investors.</p> <p>Long – Deeper and more liquid carbon markets enable more effective carbon accounting.</p>
Products and services	<p>Short – Development of new products and services through R&D and innovation</p> <p>Medium – Shift in consumer preferences</p> <p>Long – Development of climate adaptation and insurance risk solutions</p>	<p>CORPORATE</p> <p>Short – Increased attractiveness to investors for those companies offering solutions to climate challenges.</p> <p>Long – Cost of capital goes down for companies well-aligned to market expectations on climate preparedness.</p> <p>FIDUCIARY</p> <p>Short – Scope for those managers offering products that invest in climate solutions (as currently understood) to increase assets under management.</p> <p>Medium – Scope for those managers able to service evolving client demand most effectively to increase assets under management.</p>
Markets	<p>Short – Access to new markets (inc. asset manager partnerships)</p> <p>Long – Access to new markets (inc. asset owner partnerships)</p>	<p>FIDUCIARY</p> <p>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.</p> <p>Long – Service offerings evolve to become more partnership focussed, supporting asset owners to achieve specific longer-term goals.</p>

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

Members of the Climate Steering Committee we set up in preparation to produce our first TCFD entity report 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; would 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.¹

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:

- London
- Miami
- New York
- Singapore
- Copenhagen

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.

Summaries of how some of our investment teams think about climate risk are provided on the next page.

¹ 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.

Emerging & Frontier Markets Team

Portfolio countries and companies are at the heart of the global energy transition, uniquely positioned to supply critical raw materials for electrification and decarbonization while also facing heightened exposure to climate and biodiversity risks.

Developing economies contend with acute physical risks—such as extreme weather and resource insecurity—often worsened by infrastructure gaps, yet many demonstrate strong adaptive capacity, as seen in the Philippines, where adaptation measures are being supported by institutions such as the ADB, IFC, and CIF.

At the same time, these markets are home to innovators in renewables, EVs, and battery technology, and the Emerging & Frontier Markets team actively invests in clean energy infrastructure to help economies leapfrog fossil-fuel dependence. However, the team recognises also that biodiversity loss is a top global risk, threatening ecosystem services and economic stability - especially in countries like Colombia, Peru, and South Africa, where nature underpins a significant portion of GDP. The team therefore integrates nature considerations alongside climate action as part of balancing efforts to achieve environmental and social goals. The team ensures that climate initiatives support a just transition by safeguarding nature, energy access and economic progress, recognizing that narrowly focused strategies risk undermining development if they neglect either climate or nature considerations or, for that matter, the needs of local communities.

Ecofin Team

Infrastructure investments are considered to be exposed to both physical and transition climate risks, each potentially posing distinct threats to asset values and long-term returns.

Physical risks - such as extreme weather events, flooding, and heatwaves - can directly damage infrastructure assets, disrupt operations, and drive up maintenance costs.

Transition risks, on the other hand, stem from policy changes, evolving market preferences, technological innovation, and regulatory shifts associated with the move to a low-carbon economy. These can lead to stranded assets, sudden devaluations, or reduced demand for carbon-intensive infrastructure, impacting profitability and asset viability.

Value and Income Team

The transition to a low carbon economy necessitated by global warming is one of the most important non-financial company risks faced by companies held by the team. The transition is happening now, and few companies are immune to it. The biggest unknown with regards to the transition is the pace of the transition, including the speed of technological development. Other risks include the additional policies, laws, and regulations that will be introduced to support the transition.

Financial companies face both risks and opportunities. Lending to fossil fuel companies may lead to impairments due to stranded assets if fossil fuel demand reduces faster than expected. They may also face asset impairments on renewable energy assets if demand for low carbon energy does not materialise as fast as expected. Banks may be subject to legal, reputational and brand risks for their involvement with carbon intensive sectors. Banks may lose customers due to their association with fossil fuel companies and may also lose customers for refusing to do business with fossil fuel companies. All that said, banks are also seeing opportunities to lend or facilitate financing to low carbon sectors as the transition proceeds.

Meanwhile, mining companies such as Anglo American that are focused on copper should benefit if copper demand increases as anticipated given the outlook for EVs and electrification.

The value of companies held by the team may also be affected by physical climate risk. Changing weather patterns - resulting in droughts, flooding, wildfires, more severe storms, and heat stress - increase the risk of damage to property and plant, or of curtailed production. They also increase supply chain risks and risks to employees and communities in which companies operate.

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 7 full-time specialists (plus project management support) helping Redwheel and its investment teams to deliver responsible investment in practice for clients. Areas of specific focus include stewardship,¹ sustainability data, governance and oversight around corporate and investment approaches to sustainability, and thematic research on systemic risk topics (such as climate change, human rights and biodiversity). This investment continues to bear fruit 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

Over recent years, in parallel to strengthening our central resources, from our ongoing work engaging with clients and from monitoring trends in the wider market, our conviction 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 were positioned 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 also converted an existing product into a Transition fund focused on engagement opportunities in the UK.

More recently, we acquired assets from Ecofin whose infrastructure strategies enable us to direct capital towards the kind of large projects that need funding if the global energy system is to address effectively the challenges it faces in capturing the full benefit of capital and goodwill flowing towards the renewable energy sector. We have separately developed a partnership with a private equity firm specialising in helping climatetech firms achieve scale.

Each of the 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 support in developing “Theory of Change” documentation.

Enhancing our corporate approach

As highlighted above, the potential direct impact of climate risks on Redwheel as a corporate entity are 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.

Our approach is to achieve net-zero emissions within our direct operations and so our 2023 emissions (Scope 1, Scope 2, and Scope 3 Category 6)² were verified by an independent third party 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 2023 emissions. Further detail is provided below in the section on Risk Management.

¹ 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.

² For more on the concept of scopes, see the [Greenhouse Gas Protocol Corporate Reporting Standard](#)

Furthermore, to encourage the adoption of more sustainable travel, our business has now formalised a revised travel policy. Detail on this is provided in the section on Metrics and Targets.

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 Chief Executive Officer Tord Stallvik, working closely with Global Head of Sales Frances Selby, and a key aspect of Redwheel's approach to financial planning comprises their 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.

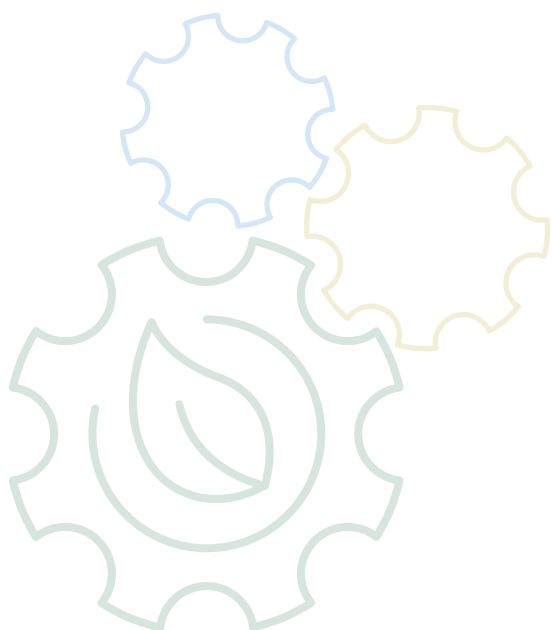
For our Greenwheel-supported strategies, the extent to which portfolio managers are required to integrate climate considerations within investment processes can and does vary. Nonetheless, meeting client expectations as regards the breadth and depth to which climate issues should be considered can be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

Meeting client expectations regarding climate issue integration is crucial when evaluating future profitability of our investment 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 Executive Committee 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.



Scenarios: informing strategy development and financial planning

As a pre-cursor to our original TCFD entity report, multiple briefings were held for our ExCo, Sustainability Committee, Climate Steering Committee, investment teams (via our monthly Sustainability Forum), and our wider workforce; in part, these were intended to help improve 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 speakers and in-house specialists, and sought particularly to –

- highlight the principal scenarios available to corporates and investors, and how related models have been constructed historically,
- 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)
- 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 was 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 enabling our product level scenario analysis to take better account of forecast performance under the NGFS ‘Orderly Transition’, ‘Disorderly’, and ‘Hot House World’ models given the high degree of alignment.

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 implementing a governance approach that would apply in policy terms 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

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.

For our climate engagement strategy, 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 low degree of overlap across teams in terms of constituents; as at 31 December 2024, 35 companies were held by multiple investment teams and in respect of 8 of these, aggregated investments in individual names summed to less than \$10m in value. 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 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, it is our intention that future editions of this report will 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 actively managed 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 and financial position

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
- in companies that make a significant contribution to total portfolio emissions
- in companies that make a significant contribution to Weighted Average Carbon Intensity (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.



Risk Management

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.

Enterprise Risk

The Enterprise Risk team is responsible for the monitoring and recording of non-investment risks across the business.

Known risks are captured in the Enterprise Risk Register. The register is maintained by the Enterprise

Risk Manager. The Enterprise Risk Manager is responsible for ensuring the register remains current by confirming the frequency of each Risk Owner's review and amendments.

In addition to this, the Enterprise Risk Manager assesses incidents reported into the risk framework and potential risks highlighted by the business lines.

A suite of Management Information is produced from the Enterprise Risk Framework on a regular basis, for the purposes of risk assessment, and this is presented to the Executive Committee on a periodic basis, and to the Enterprise Risk Committee on a quarterly basis.

Enterprise Risk is a second line function and is independent from all other departments.

Two items on the Enterprise Risk Register summarise the risks associated with climate change. One is focused on investment related risks, the Risk Owner for which is the Head of Investments; the other relates to the risks associated with our business operations and strategic objectives in relation to climate change, the Risk Owner for which is our Chief Technology Officer.

The Enterprise Risk Manager, David Harris reports to our General Counsel and Chief Compliance Officer Huan Ke who is a member of the Redwheel Board.

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. 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. This is then reviewed and updated annually.

Each risk on the register has an owner assigned, being a member of the Executive Committee. Each owner is responsible for ensuring the rating of likelihood and impact of each risk is appropriately scored and that the mitigation assigned to each risk is fairly scored. All risk owners are responsible for keeping the register updated, with review, oversight and agreement from 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.

The Enterprise Risk team conducts independent reviews of risks identified by risk owners with an aim to review all of the key risks that have been identified by risk owners. All key risks are reviewed in depth with risk owners no less than once every 3 years.

Risk incidents

The individual who discovers an error is responsible for escalating it. Escalation is required to be made at the point of discovery to a member of the Executive Committee. The Enterprise Risk team is also made aware that an error has occurred and is kept closely informed whilst the investigation is carried out. The Senior Management responsible for the department where the error occurred is also responsible for conducting the analysis of the incident. Where required, the Enterprise Risk team will provide support to the Senior Management concerned, to review the chain of events, to reach a clear understanding of what happened and to determine if any open exposure exists. It is also the responsibility of the Senior Management concerned to assist with the implementation of mitigation, ensuring that control enhancements are implemented where possible to try and reduce or eliminate the probability of an error reoccurring.

All forms of incident are to be reported into the Enterprise Risk framework. The incident report template captures various details such as incident date, risk department impacted, a description of the incident, action taken to resolve the incident and the mitigations agreed. The report workflow ensures that all reported incidents are passed through various levels of sign off, departmental, compliance etc. Where financial recompense may need to be considered due to a fund or account being negatively impacted by an incident, the incident report item will require review by the CFO, before being passed to the Finance team for the payment to be made.

Redwheel's Enterprise Risk Committee meets at least quarterly and is attended by several members of the Executive Committee and is chaired by the Non-Executive Chairman. The review of Management Information extracted from the Enterprise Risk Framework forms part of the agenda and includes details of errors reported since the last meeting, including mitigations put in place or those that are due to be implemented.

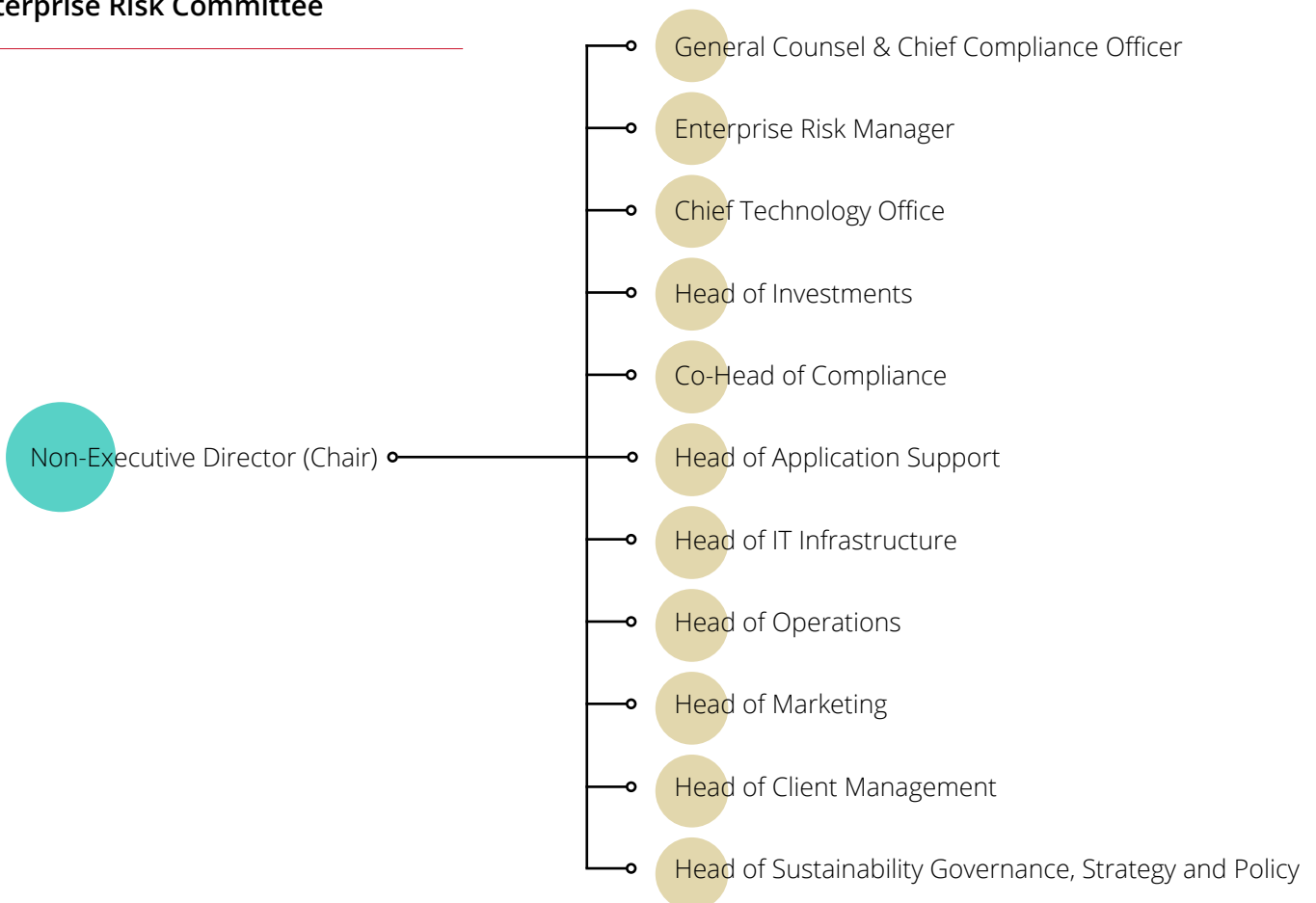
In terms of using a formalised risk classification approach for reported incidents, we draw on the Basel II operational risk categories when categorising incidents; however, these categories are not yet formally adopted within reporting or Management Information.

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. Portfolio Risk is specifically excluded from the scope of responsibilities. 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 5 members of the Executive Committee, including our General Counsel & Chief Compliance Officer, and is chaired by a Non-Executive Director of the Redwheel Group, allowing for an effective escalation route to the Board of any key risks or concerns identified by the Committee. The full membership comprises:

Enterprise Risk Committee



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.

As a fiduciary, responsibility for appraising investment risks relating to climate change in the investment context 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 manner that is meaningful and genuine, helping to maintain alignment between our interests and those of our clients. That said, all teams recognise the potential significance of climate considerations within portfolio management and so 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 on a relative basis they will tend to be 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 resources 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. Recent sessions have covered the following themes:

- Decarbonisation within shipping and heavy industry
- Investment opportunities in climate adaptation
- Avoided emissions accounting
- Assessing physical climate risk (with guest speakers from Carbon Tracker)

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

Second line of defence

The second line of defense consists of our Compliance, RPA, and Enterprise Risk Teams.

Compliance

Our Compliance Team is responsible for promoting a strong compliant 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 the Compliance Team. Huan reports directly to Tord Stallvik, Redwheel CEO; 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 IQ-EQ 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 via internal newsletters. By periodically 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.

A key consideration for our Compliance function remains to ensure that we take effective action to eliminate the risk of "greenwashing" within our communications, which in essence reflects 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 continues to be 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 driver 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. 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 Arthur Grigoryants, Head of Investments. 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.

Enterprise Risk

The operation of our Enterprise Risk function is described in detail above.

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 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.

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 2024, our teams faced 11 shareholder proposals focussed on environmental issues including climate change; 6 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.

1 The Redwheel Stewardship Policy and the Redwheel Stewardship Report can be accessed on our website.

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 strategies (Global and Asian), 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.

Data quality assurance remains 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 carbon intensive sectors, mapping is undertaken at the GICS sub-industry level, drawing on the definitions provided in the TCFD Implementing Guidance,² using financial information provided to us by FactSet.

² Taskforce on Climate-related Financial Disclosures, Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (October 2021)

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 and Centrica.

In 2024, as part of the ClimateAction100+ Centrica collaboration, Redwheel took part in three workshops with Centrica's Environment Strategy Team involving a deep-dive into assessing emission disclosures, alignment benchmarks and decarbonisation strategies.

The team also met with Centrica's Chairman where his succession, political developments in the UK and the company's strategy were discussed. In addition, the team highlighted the very positive and constructive collaboration with Centrica's management team over the last two years. This was followed by a letter to the Chairman written on behalf of ClimateAction100+ group which identified opportunities for Centrica to address areas of weakness in their next climate transition plan.

Later in the year, the team met with Centrica's new in-coming Chairman, the Chair of the Safety, Environment and Sustainability Committee and Head of Environment to discuss climate issues. A separate call was also held with the new Chairman for a wider discussion on company strategy.

Through our long running engagement with Centrica, we believe we have been a force for the company to engage more deeply in the transition, through building internal resource and improving both board and management knowledge on the energy transition. This means they are better equipped to deal with the challenges of the transition and can deliver a clearer message to shareholders. This is supportive of value creation for shareholders. The engagement and collaboration will continue in 2025.

Detail on the CA100+ initiative, its goals, and a list of target companies are available on their [website](#).



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 .

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).

Redwheel UK Climate Engagement Strategy

Focuses on fundamental, bottom-up analysis with a valuation discipline when selecting companies for investment.

There is a 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.

Redwheel Responsible Global Income Strategy

The Strategy generally has a focus on good quality, cash generative companies with realisable dividend yields.

There is a 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.

Ecofin Listed Infrastructure Strategy

Focuses on investment opportunities in sustainable infrastructure sectors globally, principally in OECD markets.

There is a specific focus on issuers that own and operate assets which are essential to the functioning of developed economies and to economic development and growth, notably utilities and transportation-related assets (such as roads, railways, ports and airports). Utilities comprise a substantial proportion of the Strategy's net assets, being those involved in the generation, transmission and distribution of electricity including the production of electricity from renewable sources; the transport, storage and distribution of gas; the abstraction, treatment and supply of water and the treatment of wastewater; and the provision of environmental services such as recycling and waste management.

Corporate

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





Metrics and targets

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 many of our investment teams. To this end, in 2022 we made a commitment to achieve net-zero emissions in the context of our own operations.

Operational emissions measurement

Scopes 1 and 2

Our primary operational emissions (Scope 1 and 2)¹ are considered to be low in context; as a capital-light asset management business, we do not operate industrial equipment, nor do we own corporate vehicles, and where possible the energy we procure to power our offices is renewable.

Our UK Scope 1 and Scope 2 annual emissions are measured and 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.

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

UK emissions and energy use	Units	2022	2023	2024
Scope 1	tCO ₂ e	4.0	2.8	3.8
Scope 2	tCO ₂ e	16.0	18.4	17.6
Total gross Scope 1 & 2 emissions	tCO ₂ e	20.0	21.2	21.3
Associated energy consumption	kWh	100,087	100,202	100,628
Intensity ratio: "Total gross Scope 1 & 2" to "number of full-time equivalents"	tCO ₂ e per person	0.15	0.14	0.18

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

	Category	2019	2020	2021	2022	2023	2024
	Electricity	47.3	41.8	40.8	39.6	43.3	43.5
Scope 2 (tCO ₂ e)	Gas	34.4	36.8	36.7	32.6	31.2	30.4
	Water	1.9	1.3	0.5	0.7	0.5	0.6
Total (tCO₂e)		83.7	79.9	78.1	72.8	75.1	74.5

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.

Our approach to measuring, monitoring and managing the carbon credentials of our investment products (our "financed emissions") is provided later in this section.

Detail on our historic Scope 3 (Category 6) emissions (relating to business travel and hotel accommodation) is provided below:

	Category	2019	2020	2021	2022	2023	2024 (incomplete)
	Mileage	4.2	0.9	1.9	4.5	2.8	3.8
Scope 3 (tCO ₂ e)	Flights	1,525.0	447.9	127.5	2,935.3	1,431.6	1,455.1
	Hotels	44.5	13.5	6.8	53.4	47.8	70.2
Total (tCO₂e)		1,573.7	462.3	136.2	2,993.2	1,482.2	1,529.1

As regards other Scope 3 categories, emissions associated with 'Purchased goods and services' (Category 1) are reviewed periodically, with analysis focussed on those suppliers of greatest financial significance to Redwheel.

Operational emissions management

As a business we maintain net-zero emissions in the context of our own operations. How best to do this remains an area of active focus for our executive.

REACT

Redwheel Environment and Climate Taskforce

Established in 2022, the taskforce's goal is to measure and improve our organisation's operational emissions.

Key within our approach to reducing 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, and which collected data on our operational emissions - and also the emissions associated with travel and hotel accommodation - for each year from 2019 to enable baseline monitoring. 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 Technology Officer who has responsibility for overseeing much of our physical infrastructure.¹

In seeking to manage our corporate emissions effectively, we are particularly mindful of the following questions:

- For Scope 1&2 emissions, what level of reduction is achievable in practice on an absolute and relative basis? What levers of influence are available to us that can help us achieve this?
- What measures can we identify to help reduce the emissions associated with our business travel (Scope 3, category 6), whether on an absolute or relative basis (e.g. relative to revenues/assets etc.)?
- Can we justify the cost of increasing the accuracy of emissions measurement?

- What expectations should we have of our suppliers? What level of internal resource should be allocated to reviewing the progress of our suppliers in relation to their emissions performance?
- How do we ensure that the offsets we purchase and the projects we finance are of sufficient quality to ensure that our overall approach remains credible?

While we concede we do not yet have all the answers to these questions, our efforts and activities 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 goal of reducing global carbon emissions.

Engaging with landlords

Across the footprint of our operations, we aim to engage constructively as a tenant with the landlords of the buildings in which our offices are located.

In London, during the year, we have continued to engage with the owner / operator of the multi-tenant building in which our head office is located, principally via formally established tenant committees, but also via a 1-to-1 in-person meeting arranged in the Autumn specific to the landlord's sustainability initiatives so that we could provide direct feedback from our perspective as a building user.

In Miami we have in recent years engaged with our landlord to reduce the energy intensity of the office space through adoption of more efficient technologies and by optimising operating patterns.

In Singapore the owner / operator of our building has now taken very significant steps making sustainability commitments and a pathway to net zero by 2050. For 2023 they have reported greater progress than the pathway requires.

¹ REACT, although established in 2022, analysed our emissions back to 2019 to provide a better year on year comparison capability. The offsets were also purchased from 2019.

Supplier engagement

For emissions outside of our direct control, we need our suppliers to join us on our decarbonisation journey. Only through understanding our supplier base can we target and engage with those suppliers that contribute the most to our emissions footprint. The commitments of our most significant suppliers are reviewed on an annual basis. As a result of this review and follow on engagement, one of our suppliers has put in place a sustainability plan which they hope in time will help them achieve net zero emissions.

Our approach to business travel

Redwheel encourages its staff to be thoughtful when making arrangements for business travel, but recognises that it is essential in certain roles. The need is felt most keenly by members of our distribution and investment teams who face greatest pressure to travel long-distance to engage with our globally distributed client base and to conduct due diligence on the companies in which we invest on behalf of clients.

Our investment professionals will therefore normally be offered a range of flight options when travelling by air on business whilst non-investment staff are typically expected to fly Economy or Premium Economy (long-haul only). When booking travel, staff are expected to be mindful of the implied emissions associated with the chosen transport option and to opt for the lowest emissions option where travel time is comparable.

Short Haul

Where Economy flights are to be taken as part of travel for work-related reasons, Redwheel will fund in full the cost of purchasing equivalent emissions offsets. Where Premium Economy flights are to be taken (e.g. due to meetings taking place shortly after arrival), the additional offsetting costs are met by the individual concerned or their team. Business and First-class flights may be paid for by Redwheel only on an exceptional basis.

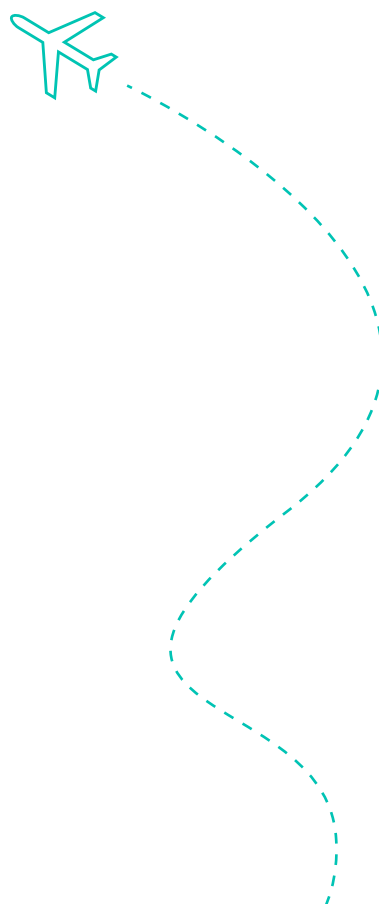
Long Haul

Where Economy or Premium Economy class flights are to be taken as part of travel for work-related reasons, Redwheel will fund in full the cost of purchasing equivalent emissions offsets. Where Business flights are to be taken (e.g. due to meetings taking place shortly after arrival), the additional offsetting costs are met by the individual concerned or their team. First-class flights may be paid for by Redwheel only on an exceptional basis.

Our approach to the use of carbon offsets

Currently, our operational emissions are verified by an independent third party with a safety margin of 10% applied ahead of purchasing offsets as part of an annual reconciliation exercise.

Whilst the sustainability impacts associated with any offsets purchased will always remain a key consideration, we are at the same time keen to ensure that the organisations that stand behind the offsets remain viable. It is with this in mind that we believe our approach could change in future, for instance, rotating away from a “project finance” model towards direct funding of organisations without which work to facilitate future carbon sequestration at scale could be comprised.



Financed emissions measurement

As part of evaluating our exposure to climate related risk and its significance in context, every year we assess the emissions associated with the issuers whose securities are held by our portfolio managers on behalf of clients (Scope 3, Category 15, “Investments”). More frequently, we also assess the emissions characteristics of our product range using the following standardised metrics:

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

- “Owned” Scope 1 Emissions (tCO₂e)
- “Owned” Scope 2 Emissions (tCO₂e)
- Total “Owned” Scope 1 & 2 Emissions (tCO₂e)
- Carbon Footprint (Scope 1 & 2) (tCO₂e/USDm Invested)
- Weighted Average Carbon Intensity (WACI) (Scope 1 & 2) (tCO₂e/USDm Revenue)

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

- “Owned” Scope 3 Emissions (tCO₂e)
- Total “Owned” Scope 1, 2 & 3 Emissions (tCO₂e)
- Carbon Footprint (Scope 1, 2 & 3) (tCO₂e/USDm Invested)
- Weighted Average Carbon Intensity (WACI) (Scope 1, 2 & 3) (tCO₂e/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 normalised 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.

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). This reflects the fact that in a fixed-income context it is not appropriate to allocate emissions on an equity ownership basis. 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 related equity are the same company. 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.

Since our previous report, we have moved to adjust our approach to assessing carbon footprint to refer to EVIC (Enterprise Value including Cash), which brings our approach into closer alignment with the recommendations set out in the “Measuring Portfolio Alignment – Technical Considerations” paper issued by the Financial Stability Board’s Portfolio Alignment Team.²

² Measuring Portfolio Alignment, Technical Considerations, Portfolio Alignment Team (2021)

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.

In January 2024 the Sustainability Strategy Governance and Policy team expanded to welcome Djolan Captieux whose mandate is to increase scrutiny over third party sustainability data providers and, working closely with central data and project management teams, put greater emphasis on quality and assurance in relation to sustainability data.

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 necessarily 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.

Comprehensive analysis of the emissions associated with our investment products is made available on demand; summary data for products within our UCITS fund range is also provided on monthly factsheets.



Associated methodologies



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 CO₂e/\$M invested.

$$\frac{\sum_i \left(\frac{\text{current value of investment}_i}{\text{issuer's enterprise value including cash}_i} \right) \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{current portfolio value (\$m)}}$$



Weighted average carbon intensity ("WACI")

As regards other Scope 3 categories, emissions associated with 'Purchased goods and services' (Category 1) are reviewed periodically, with analysis focussed on those suppliers of greatest financial significance to Redwheel.

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



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).

Financed emissions management

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 2024 edition of the campaign saw letters sent to a record 1,998 non-disclosing companies, signed by 276 financial institutions including Redwheel. The response rate remained strong, with 20% of targeted companies engaging with CDP to improve understanding of how to enhance disclosures. As corporate disclosure standards improve internationally, investors will be increasingly better able to take account of the emissions of the companies in which they invest.

At present, specific climate targets 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 this 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 2024, to offer a sense of how numbers can vary across our product range:

	Portfolio WACI ¹	Portfolio coverage ²	Benchmark WACI ³	Benchmark coverage ⁴	WACI difference ⁵
Redwheel Global Emerging Markets	223.6	90%	437.8	100%	214.2
Redwheel Next Generation Emerging Markets	396.0	79%	248.0	62%	-148.0
Redwheel Global Convertibles	152.7	93%	341.3	100%	188.6
Redwheel Global Equity Income	64.6	97%	106.6	100%	42.0

1 Scope 1 & 2 (tCO₂e/USDm Revenue)

2 % of net asset value

3 Scope 1 & 2 (tCO₂e/USDm Revenue)

4 % of net asset value equivalent

5 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 of 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.¹ It includes only the effect on asset values of climate impacts (i.e. adaptation costs and residual damages). It does not include mitigation costs.²

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 continues to appear somewhat prone to error.

We are mindful also that there remains significant debate around the extent to which portfolio managers should be expected de facto to manage portfolios in alignment to scenario. With greater clarity on formal expectations, we can give greater 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. Our Redwheel Climate Beliefs and Commitments paper sets out our high-level thinking as to how this might best be done, and ultimately concluding there are three principal options that should be considered if making a formal commitment to manage financed emissions:

- Via making a commitment to engagement
- Via adoption of a threshold level of investment in climate solutions
- Via the integration of decarbonisation commitments into portfolio management

1 Economist Intelligence Unit. The Cost of Inaction: Recognising the Value at Risk from Climate Change (2015)

2 Dietz, Simon & Bowen, Alex & Dixon, Charlie & Gradwell, Philip. Climate value at risk of global financial assets.) London School of Economics and Political Science (2016)

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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Redwheel TCFD Entity Report

2025

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