

# TCFD REPORT

for the year ended  
31 December 2023







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# CEO Statement of climate-related intent and ambition



**Paul Geddes**  
CEO, Evelyn Partners

**Evelyn Partners recognises that climate change is occurring, and that human activities have already contributed to the 1.6°C of warming above pre-industrial levels as of 2024. Climate change is a systemic risk, posing considerable challenges in its magnitude and widespread nature of impacts.**

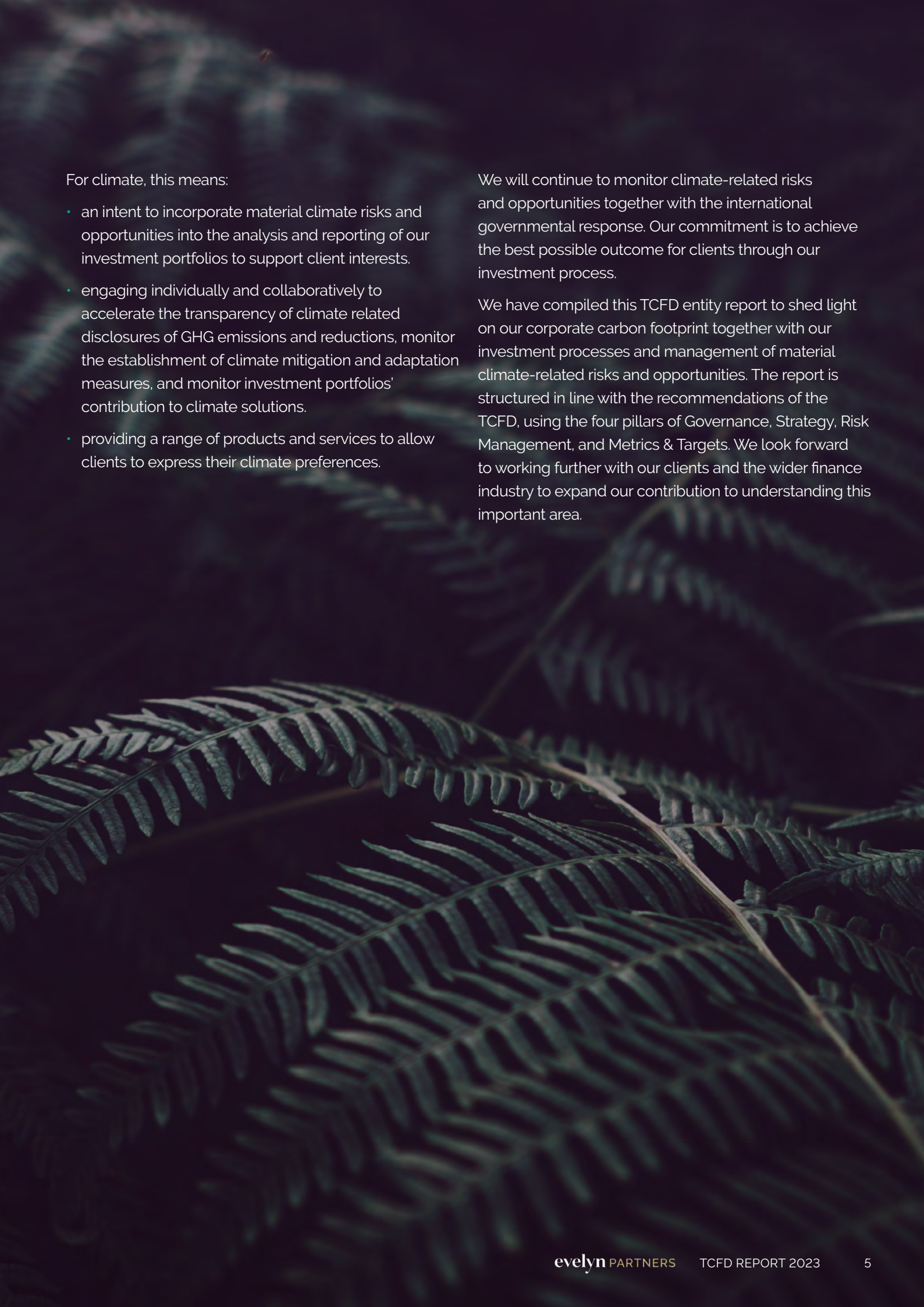
We have supported the goals of the Paris Agreement since 2021, whereby the rise in global average temperatures should be limited to preferably 1.5°C or well below 2°C by 2100. We also support the United Kingdom (UK) Government's commitment to make Task Force on Climate-Related Financial Disclosures mandatory across the UK by 2025. Our support has manifested itself in a commitment to reduce greenhouse gas emissions (GHG) as far as, and as soon as possible, in our own corporate operations.

Climate change results in both physical and transition risks which may influence investment returns. There will also be opportunities arising from climate solutions, for example in the development of new energy supplies, as well as emerging business models focusing on the formidable mitigation and adaptation measures that will be required across the globe to support the transition to a low carbon economy.

Evelyn Partners is committed to understanding the risks and opportunities that climate change poses for its clients and for its own activities. Climate scenario analysis is underway, and this is ultimately expected to inform the investment process and make portfolios more resilient to the challenges ahead.

As a wealth manager, we do not seek to impose values or restrictions on our clients' portfolios unless we are specifically instructed to do so by individual clients, in accordance with their investment mandates. Rather, our assessment of material climate risks and opportunities within the investment process, alongside traditional financial appraisal techniques, improves our ability to identify high quality businesses and strengthens the resilience of the portfolios we build for clients over the long term. We also direct our active engagement programme, using our influence as stewards of our clients' capital, both individually and collaboratively, to improve investee companies' business practices.





For climate, this means:

- an intent to incorporate material climate risks and opportunities into the analysis and reporting of our investment portfolios to support client interests.
- engaging individually and collaboratively to accelerate the transparency of climate related disclosures of GHG emissions and reductions, monitor the establishment of climate mitigation and adaptation measures, and monitor investment portfolios' contribution to climate solutions.
- providing a range of products and services to allow clients to express their climate preferences.

We will continue to monitor climate-related risks and opportunities together with the international governmental response. Our commitment is to achieve the best possible outcome for clients through our investment process.

We have compiled this TCFD entity report to shed light on our corporate carbon footprint together with our investment processes and management of material climate-related risks and opportunities. The report is structured in line with the recommendations of the TCFD, using the four pillars of Governance, Strategy, Risk Management, and Metrics & Targets. We look forward to working further with our clients and the wider finance industry to expand our contribution to understanding this important area.

# Compliance statement

The disclosures in this TCFD entity report, including Group disclosures relied upon and cross-referenced in this report, are consistent with the recommendations of the Task Force for Climate Disclosures (TCFD).

The disclosures cover the following Evelyn Partners entities managing discretionary investments and drawing off a common investment process. They cover our three main entities with more than £5bn of assets under management. In addition, UK entities with less than £5bn of asset under management and overseas companies are denoted with a (v) to indicate voluntary disclosures.

Evelyn Partners Investment Management Services Limited (FCA)

Evelyn Partners Investment Management LLP (FCA)

Evelyn Partners Discretionary Investment Management Limited (FCA)

Tilney Discretionary Portfolio Management Limited (FCA) (v)

Evelyn Partners Securities (FCA) (v)

Evelyn Partners International Limited (Jersey) (v)

Evelyn Partners Investment Management (Europe) Limited (Ireland) (v)

Evelyn Partners Investment Services Limited (FCA) (v)

Reasonable steps have been taken to ensure that disclosures, to the extent they are relevant and/or possible, also reflect sections C and D of the TCFD Annex entitled 'Guidance for All Sectors' and 'Asset Managers', respectively. We plan to develop our disclosures as data improves and in accordance with industry best practice.

This statement is made pursuant to FCA's Environmental, Social, and Governance (ESG) sourcebook (section 2.2.7) requiring a firm's TCFD entity report to include a compliance statement, signed by a member of senior management of the firm.



**Chris Kenny**

Chief Investment Management Director

*21. May 2024*





# Governance

## Introduction

The Board ESG Committee meet quarterly to discuss strategy and progress, while delegating the day-to-day management of its corporate responsibility to the Group Executive Committee (GEC).

The GEC is responsible for setting and monitoring the Group's approach to the corporate responsibility strategy and for implementing the ESG strategy of the Group.

The GEC's activities are co-ordinated by its Chair and divided into four pillars of corporate social responsibility. The strategy of each pillar is considered across the entire business and takes into account the impact on key stakeholders.

Figure 1 lists the pillar leads for 2023, who were all GEC members.

Chris Grigg, Chair of the Board and Chair of the Board ESG Committee, has responsibility for Board oversight of corporate social responsibility. The Board ESG Committee is comprised of Non-Executive Directors. The inaugural meeting took place in March 2023. Paul Geddes, as Group Chief Executive Officer (formerly Chris Woodhouse), has ultimate executive responsibility for corporate social responsibility. During the year, ESG activities were reported to the Board ESG Committee and the GEC on a quarterly basis by the pillar leads.

The ESG strategy informs the ESG policy, which sets out our approach to each element of ESG and how it is considered both operationally and within the value chain: our suppliers, employees, clients, investees and shareholders.

Figure 1: 2023 Pillar Leads



\* In January 2024, Chris Kenny, Chief Investment Management Director, replaced John Erskine as the Responsible Investment pillar lead.



The Risk Management Framework sets the oversight requirements and supports our corporate responsibility strategy.

ESG measures are included in (Key Performance Indicator) KPIs for our GEC members. Achievement of and progress towards these KPIs are reviewed annually and assessed as part of annual performance reviews.

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

The Board has overall responsibility for the business strategy, which includes establishing and achieving the Corporate Responsibility agenda including the environmental strategy and objectives.

The Board ESG Committee and the GEC agree the environment strategy (including the climate strategy) with Andrew Baddeley, the environment pillar lead, Group Chief Financial Officer, and Board member. Updates on progress on the environment strategy and environment risk indicators are discussed at the Board ESG Committee meetings and GEC ESG meetings. The environment strategy continues to evolve with input from the Board ESG Committee and GEC. Both are informed by regulatory and non-regulatory updates.

The Remuneration Committee considers ESG as part of the measures of performance in determining remuneration of the GEC.





Management's role in assessing and managing climate-related risks and opportunities

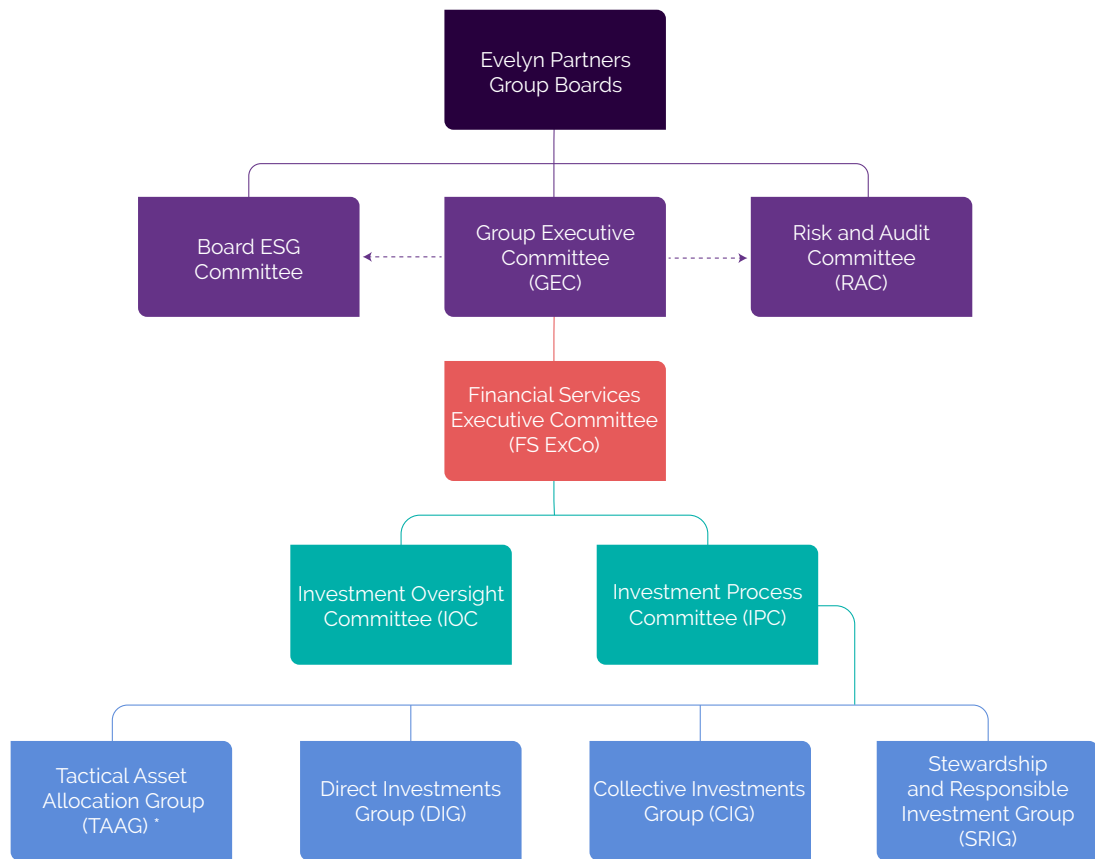
In 2023, to support the environment pillar lead and the environment strategy, we launched an Environment Steering Committee (ESC) followed by an Environment Forum (EF). The role of both is to promote, champion, support and increase awareness of our environment strategy. Due to the broad reach of both by business area and office location, the ESC and the EF input to and act as a sounding board for ideas and initiatives, improving our approach in identifying and managing climate-related risks and opportunities. The ESC is headed by the environment pillar lead, who reports into the GEC and the Board ESG Committee and presents progress against the environment strategy on a quarterly basis. The risk management team assess and report on the risk indicators of each pillar, including the environment.

Responsible investment structure

During the year, John Erskine, the Chief Investment Management Director, led the responsible investment pillar and reported to the Board ESG Committee on progress against the responsible investment strategy quarterly. At the end of 2023, John stepped down as a GEC member and as the responsible investment pillar lead and was replaced by Chris Kenny, Chief Investment Management Director.

The Board has delegated authority to the Investment Process Committee (IPC), who have appointed the Stewardship and Responsible Investment Group (SRIG) to oversee the Group's approach to responsible investment. This includes the data, research and tools required to integrate climate change into our investment decisions. SRIG reports regularly to the IPC. Responsible investment strategy progress is reported by the responsible investment pillar lead, at the GEC ESG meeting and to the Board ESG Committee on a quarterly basis. Progress is also reported to the ESC on a monthly basis.

Figure 2: Responsible investment governance structure



\* which replaced the Asset Allocation Committee (AAC) in March 2024





“ The role of both the Environment Steering Committee (ESC) and the Environment Forum (EF) is to promote, champion, support and increase awareness of our environment strategy. ”



# STRATEGY





## Climate risks and opportunities and their impact on our business strategy and financial planning

Our strategy has been developed following identification of our climate-related risks and opportunities. Our assessment of the risks and opportunities included consideration of both the physical and transition risks associated with climate change. Figure 3 shows the main climate risks and opportunities:

Figure 3: Assessment of risks and opportunities

Physical risk					
Climate-related risk	Acute				
	<ul style="list-style-type: none"> <li>Increased severity of extreme weather events</li> <li>Failure of national infrastructure (electricity, internet)</li> </ul>				
Potential and financial impact	Chronic				
	<ul style="list-style-type: none"> <li>Extreme variability of weather patterns and reduced predictability of weather</li> <li>Rising mean temperatures and rising sea levels</li> <li>Energy and water security</li> <li>Increased risks of failure of digital products and services leading to additional cost of investment in digital channels, platforms, and storage</li> <li>Risk that extreme weather will disrupt our colleagues' and our supply chain's ability to work leading to increased costs relating to contingency planning and additional cost of supplier sustainability risk assessments</li> <li>Potential for conflict affecting global markets and resources increasing costs, including fuel, energy and insurance costs and potentially reducing availability of insurance on assets in "high-risk" locations. This is a global geopolitical risk which will affect most companies and industries</li> <li>Chronic weather impacting our customers and their service requirements potentially leading to reduced revenues and higher costs of workforce</li> <li>Climate-related issues may impact investment values and investment outcomes</li> </ul>				
Mitigating actions					
	<ul style="list-style-type: none"> <li>Through scenario analysis, we assess our exposure to physical risks in our operations, considering the potential impact on buildings, data centres and colleagues</li> <li>Our business continuity plans have been updated and we have invested in back-up plans, storage and enabled remote working</li> <li>We have invested in tools to provide data on the climate-risks of products and to inform our investment strategy in 2024 and beyond. This included third-party research tools and databases to provide our investment managers with core ESG data. The Group also invested in a TCFD Enhanced Climate Metric product and our managed reporting service</li> <li>We have invested in tools to provide data on the climate-risks of suppliers to inform our supply-chain strategy in 2024 and beyond. We partnered with an ESG and credit risk assessment provider to expand our ESG assessments and help monitor ESG risks within the supply chain, provide training to and work with our suppliers to reduce ESG risk</li> </ul>				
Timeframe*	Medium-to-long-term	Likelihood	Likely	Impact rating	High

\* Timeframe – short term: 0 to 3 years, medium term: 3 to 10 years, long term: 10+ years



## Transitional risk – technology

### Climate-related risk

- Costs of investing or adapting digital technology, particularly investment in the custody and investment systems to embed responsible investment into our investment processes
- Increased requirement to recycle outdated technology
- Risk of underestimating the costs and resources of the technology and its implementation

### Potential and financial impact

- Potential resource and expertise constraints on new technology required
- Operational challenges during implementation of new technology
- Additional costs of technology, both capital and operational costs, including new technologies and recycling or repairing equipment
- Under (or over) estimation of costs that may not be adequately captured in financial planning

### Mitigating actions

- Effective planning during implementation of new technologies and inclusion of projects in financial planning
- Continued investment in expertise of new technologies to adapt to increasing regulatory, client and market requirements
- Investment in digital technology to support hybrid working and to new products and services

#### Timeframe\*

Long-term

#### Likelihood

Likely

#### Impact rating

High

## Transitional risk – market

### Climate-related risk

- Changing client awareness and behaviours
- More specific information demanded from clients, particularly for Financial Services clients

### Potential and financial impact

- Failure to capture clients' expectations and choices leading to loss in revenues
- Failure to adapt the investment process to adequately reflect client ESG and climate requirements may lead to poorer client outcomes, which may lead to loss of market share if there is failure to adapt quickly enough to meet market expectations

### Mitigating actions

- We offer clients the ability to diversify their investments over a wide range of sectors, asset classes and geographies and factor ESG and climate risk into our responsible investment approach
- We have enhanced the data available to aid assessment of risks and opportunities for clients

#### Timeframe\*

Long-term

#### Likelihood

Likely

#### Impact rating

Medium

\* Timeframe – short term: 0 to 3 years, medium term: 3 to 10 years, long term: 10+ years



## Transitional risk – reputation

### Climate-related risk

- Changes in consumer preferences
- Increased stakeholder concern or negative stakeholder feedback

### Potential and financial impact

- Potential loss of new and existing clients if our ESG credentials impact the reputation of the Group leading to loss of revenue and/or margins
- Negative impacts on workforce management and planning, impacting employee attraction and retention and potentially increasing recruitment, training and employee costs

### Mitigating actions

- Ensure ability to efficiently and effectively measure clients' preferences
- We continue to strive towards obtaining specific ESG credentials, and are transparent in our reporting. Our strategic focus on deepening our relationship with clients and our ability to offer a tailored solution puts us in a strong position to meet client needs

### Timeframe\*

Medium-to-long-term

### Likelihood

Possible

### Impact rating

Medium

## Resource efficiency

### Climate-related opportunity

- Reduced water usage and consumption
- Relocation to more efficient buildings
- Reduced paper and storage requirements

### Potential and financial impact

- Benefits to workforce of working in more efficient buildings leading to reduced operating costs of facilities, reduced energy and water consumption
- Better workforce planning and greater employee satisfaction, leading to lower costs of attraction and retention of colleagues

### Mitigating actions

- Development of environmental policy to include resource use, waste, food, water etc.
- Colleague climate engagement platform introduced to enhance colleague knowledge and engagement
- Introduced supplier ESG, including climate-related questionnaires to improve sustainability risk assessments

### Timeframe\*

Long-term

### Likelihood

Possible

### Impact rating

High

\* Timeframe – short term: 0 to 3 years, medium term: 3 to 10 years, long term: 10+ years



## Energy source

### Climate-related opportunity

- Use of lower emission and renewable sources of energy
- Use of newer digital technologies
- Use of more energy efficient offices

### Potential and financial impact

- Reputational benefits of being more environmentally friendly
- More efficient offices and environmentally friendly energy sources leading to lower costs in the long-term
- Opportunity to gain competitive advantage through investment in newer technologies
- Reduced exposure to future increase in costs of fossil-fuelled energy and potential carbon taxes

### Management response/actions

- We are increasing the office space occupied by Building Research Establishment Environmental Assessment Method (BREEAM) rated sustainable offices, where possible
- Increasing energy from renewable sources supported by Renewable Energy Guarantees of Origin (REGO) and reducing the risk of long-term supply risk

#### Timeframe\*

Long-term

#### Likelihood

Likely

#### Impact rating

High

## Products and services

### Climate-related opportunity

- Expansion of sustainable investment services and products
- Opportunity to offer new Professional Services to support clients through their journeys to Net Zero

### Potential and financial impact

- Increase in revenue through expansion of products and services and potential to increase market share and offer niche products and services
- Creation of new roles to service new products and services.
- Development and promotion opportunities for colleagues bolstering colleague retention

### Management response/actions

- Offering of Sustainable Managed Portfolio Service (SMPS) and Evelyn Active Portfolios (EAP) Sustainable Portfolios
- Offering tailored solutions to meet client sustainability requirements
- Expansion of Professional Services solutions to support clients in their ESG journey

#### Timeframe\*

Medium-to-long-term

#### Likelihood

Likely

#### Impact rating

Medium

\* Timeframe – short term: 0 to 3 years, medium term: 3 to 10 years, long term: 10+ years



## Markets

### Climate-related opportunity

- More frequent engagements with our investment and financial planning clients as we assess their ESG preferences. This will further strengthen our client relationships
- The availability of further sustainable products and services across all our business sectors
- Opportunity to strengthen the Evelyn Partners brand across wider markets and ensure clients are aware of our broad range of products and services

### Potential and financial impact

- Increased ESG and climate-related metrics assessment within the investment processes
- Increased communication leading to greater awareness of our diverse range of products and services

### Management response/actions

- Offering of SMPS and Evelyn Active Portfolios (EAP) Sustainable Portfolios
- Evelyn Partners awarded 'ESG Initiative of the Year' and 'International Discretionary Fund Manager of the Year' at the International Adviser Awards 2022
- New ESG and climate-related services available to our Professional Services clients

#### Timeframe\*

Medium-to-long-term

#### Likelihood

Likely

#### Impact rating

Medium

## Resilience

### Climate-related opportunity

- Adoption of energy efficient measures
- Resource substitutes/diversification

### Potential and financial impact

- Increased reliability of supply chain as we increase work with our supply chain to reduce their sustainability and climate risks, enhancing resilience
- Availability of sustainable products and services thereby reducing reputation risk, protecting market share and positively influencing the attraction and retention of colleagues
- Increased revenue through new products and services related to ensuring resilience
- Increased market valuation through resilience planning (e.g. technology, land, buildings, financial planning) and increased availability of capital resources at a more competitive rate

### Management response/actions

- Increasing energy from renewable sources supported by Renewable Energy Guarantees of Origin (REGO)
- All management responses/actions covered within other risks and opportunity sections

#### Timeframe\*

Medium-to-long-term

#### Likelihood

Likely

#### Impact rating

Medium

\* Timeframe – short term: 0 to 3 years, medium term: 3 to 10 years, long term: 10+ years

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

### Discretionary and Advisory Services

Our investment research process, upon which all managed products and services rely, integrates ESG factors into our risk assessments and stewardship actions. The firm's investment philosophy has a preference towards the long-term and quality as a factor, which in turn lead to us favouring management teams and third-party fund managers that are similarly aligned.

ESG factors are also taken into account in asset allocation. For example, the research teams use top-down analysis to track the 'energy transition' to a low carbon economy as part of its review of long-term asset allocation.

Investment managers take ESG factors into account during portfolio construction, they have access on their desktop to climate metrics at portfolio level, including Weighted Average Carbon Intensity (WACI) and Carbon Footprint. In addition, they use third-party research tools and databases to access core ESG data to assist in measuring non-financial factors and sustainability risks, in order to provide an overall ESG rating. We plan to introduce forward-looking climate metrics during 2024.

For clients with specific climate-related preferences, these tools also allow investments to be mapped to the 17 Sustainable Development Goals (SDGs) and the Principal Adverse Impacts (PAIs). Climate metrics are well represented in both of these ways of measuring the potential external impacts of investments. Accordingly, we are able to offer clients a bespoke discretionary service which allows climate-related factors to be included. Portfolios can be tailored according to individual client preferences, including screening for non-financial attributes.

This allows us to manage portfolios with restrictions, those choosing "best in class" investments for securities and also tilting portfolios towards investments with sustainable themes. We are also able to provide clients with details of the overall carbon footprint of their portfolios upon request.

Our Irish subsidiary offers clients' portfolios which are screened for adherence to MSCI's interpretation of the definition of a sustainable investment under the EU Sustainable Finance Disclosure Regulation (SFDR). Climate related matters are one aspect of a sustainable investment under EU regulation.

### Products

Our Sustainable Managed Portfolio Service (SMPS) is a UK-based range of strategies, in place since September 2011. The SMPS range provides financial advisers with access to a suite of sustainable discretionary investment management strategies, which include climate-related factors, to cater for different client risk and return objectives.

The Evelyn Active Portfolios are an EU-based open-ended fund of funds which includes two sustainable funds: Evelyn Sustainable Cautious Portfolio and Evelyn Sustainable Adventurous Portfolio (SEAP). The SEAP funds disclose under Article 8 in relation to the SFDR, as the fund "promotes environmental and social characteristics", including climate-related factors.

The SEAP funds and SMPS use both positive and negative screening, with ethical and sustainable objectives as part of their core investment thesis and fund selection criteria. Their investment approach focuses on funds with sustainability themes which actively engage and invest in companies that operate in those areas. These sustainable portfolios also aim to avoid investing in companies with products or services that have a negative environmental or social impact.

Evelyn Partners was awarded 'ESG Initiative of the Year' and 'International Discretionary Fund Manager of the Year' at the International Adviser Awards 2022.



## How each product or investment strategy might be affected by the transition to a low-carbon economy

Our products and services are the product of a common investment process. The extent to which they will be affected by the transition to a low-carbon economy will depend on the speed and the form taken by the transition. The component parts of any such transition include government policies imposing a carbon tax, stranded hydrocarbon related assets and physical risks, such as flooding, together with upsides from new technologies and business practices. These potential risks and opportunities have been emerging for some years and our research teams have been factoring them into our investment process. For example, our in-depth analysis of European oil majors – with their ongoing efforts to manage the risks of stranded assets, together with reinvesting their formidable cash flows into renewable energy solutions – has been a prominent theme.

The accuracy of historical GHG data has improved but more rigour is necessary for financial decision making. Furthermore, historic GHG data is not necessarily a useful guide as to how companies are developing their business models in the light of climate change or how they might be affected by it. As the adoption of carbon reduction targets increases through initiatives such as the Science Based Targets Initiative (SBTi), GHG emissions may decrease although perhaps not sufficiently fast to enable the world to achieve the 1.5°C goal that is sought. However, we view such companies with SBTi targets as those acting to adapt to the challenges of the future, and our quality bias within our standard investment approach looks for companies with these attributes.

Forward-looking risk measurements, such as climate-related scenario analysis, offer a method of assessing the impact of the transition to a low carbon economy together with physical risks on investments. The preparation of this report has included a series of engagements with MSCI to understand the calculations behind scenario analysis using specific examples of underlying holdings. This has demonstrated that, when used at a sector level, the results can provide interesting relative insights.

We recognise that climate-related scenario analysis is subject to many evolving variants, and as a result should be used carefully. Climate scenario analysis was not used for the purposes of asset allocation or portfolio construction during 2023. We are reviewing its applicability and effectiveness in 2024 including any risk mitigations.

Accordingly, in 2023 we continued to use our ongoing qualitative research into individual sectors and companies to assess the impact of a transition to a low carbon economy. Our work in 2024 on climate-related scenario analysis on our investment portfolio as at 31 December 2023 is set out in the following section.

## Scenario analysis: the resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

First, we consider the investment assets we manage, before considering Evelyn Partners as an organisation.

### Overview of climate-related scenario analysis

In 2024, we applied MSCI's Climate Value at Risk (CVaR) methodology to our discretionary managed assets as of 31 December 2023 to assess their resilience to climate change. This methodology recognises that climate change effects can be translated into a balance sheet impact, therefore providing insight into the potential valuation change from climate change per security and per scenario. CVaR assesses both transition and physical risks and opportunities through the aggregation of three underlying pillars:

- Physical risk CVaR: for example, the damage to infrastructure from extreme weather events
- Policy risk CVaR: for example, the imposition of carbon-related taxes
- Technology opportunities CVaR: for example, the development of low carbon technologies arising from the transition

CVaR reflects the costs or income deriving from climate change related risks and opportunities up to the year 2100 depending on the scenario chosen. Climate costs or income are first modelled in detail for the first 15 years under the different climate scenarios. For the period after that until 2100, calculations of climate costs or income become increasingly challenging, uncertain, and imprecise. Therefore, MSCI estimates the cost/income for the later years, which are anchored on the more precise cost/income calculations performed for the earlier 15 year period. By discounting these costs or income to present value and summing all associated costs or income out to 2100, CVaR provides an estimate of the largest possible Enterprise Value including Cash (EVIC) revaluation due to future costs/income driven by the climate scenario selected.

The impact of five scenarios was computed to present a wide range of possible outcomes. These were taken from the six scenarios developed by the Network for Greening the Financial System (NGFS), of which MSCI tools supports five.

- 1.5°C/NGFS/Orderly: an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO<sub>2</sub> emissions around 2050. Major jurisdictions, including the UK, United States (US), EU and Japan, aim to reach net zero for all greenhouse gases by this point.
- 1.5°C/NGFS/Disorderly: reaches net zero by 2050 but with higher costs due to divergent policies introduced across sectors and a quicker phase out of fossil fuels
- 2°C/NGFS/Orderly: gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C
- 2°C/NGFS/Disorderly: assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited.
- 3°C/Hot House World/Nationally Determined Contributions (NDCs): includes all pledged policies even if not yet implemented

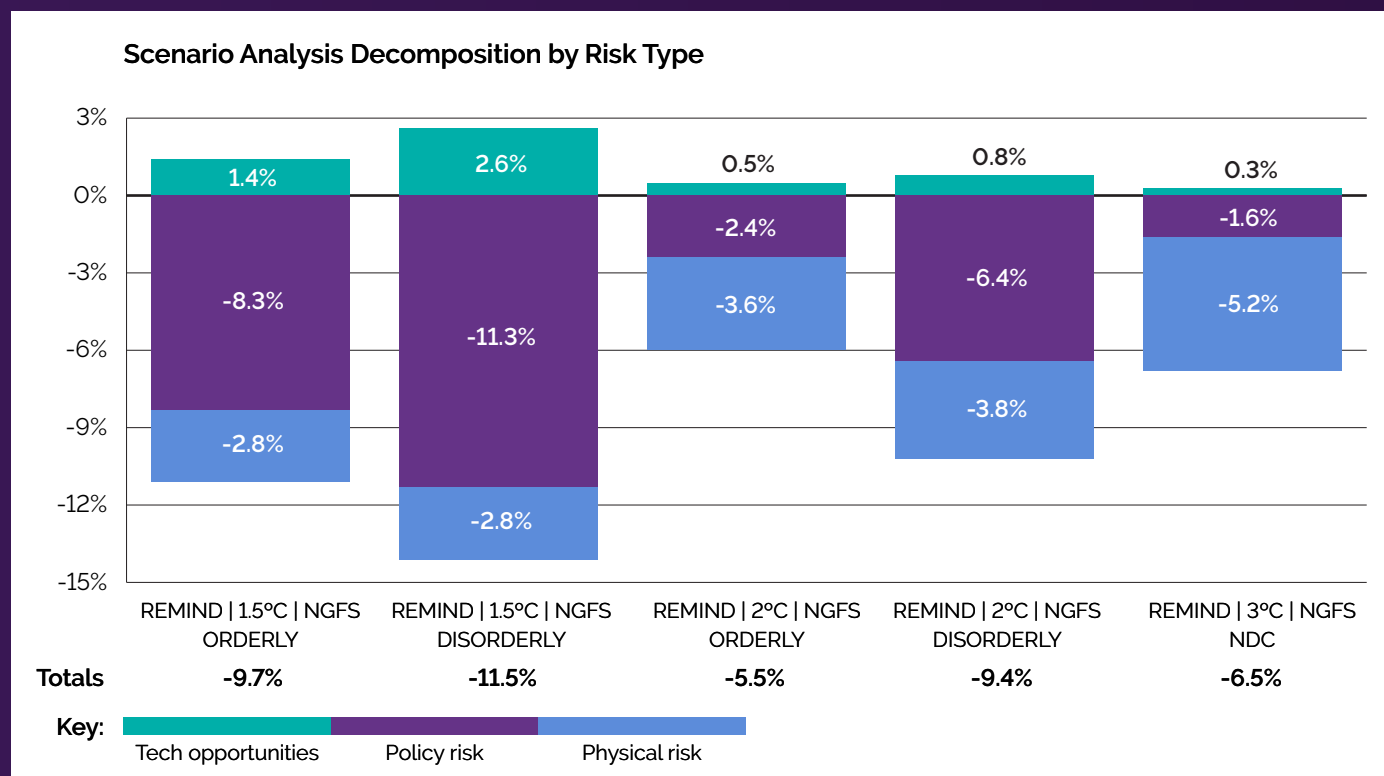
Please see Appendix 1 for more information on NGFS scenarios and Appendix 3 for a glossary of terms and definitions.

### CVaR exposures

Figure 4 illustrates potential losses that could occur under the five scenarios. The component parts of each loss are split up into that due to Policy risk and Physical risk with an offset shown for tech opportunities. We have chosen 'aggressive' Physical risk out of prudence.



Figure 4: CVaR by risk/opportunity type for five NGFS scenarios



Source: Evelyn Partners and MSCI as at 31 December 2023

Please see Appendix 2 for methodology, assumptions and limitations.

Figure 4 underlines the importance of Policy risk which is the biggest contributor to the overall CVaR totals. Policy risk increases under cooler scenarios because greater economic transition is required to keep the world cooler. Orderly scenarios produce lower CVaR losses than disorderly scenarios. For example, taking the disorderly scenarios for 1.5°C and 2.0°C, the transition to a lower carbon economy shows total estimated CVaR losses of 11.5% and 9.4% respectively. The largest contributing factor in both cases is from Policy risk, which makes up 98% and 68% respectively of the two losses.

Figure 4 also shows that Physical risk increases under hotter scenarios. This is likely due to extreme weather events becoming more frequent. Estimates of Physical risk losses across all scenarios range from -2.8% through to -5.2% under a 3°C scenario. We have used MSCI's physical, aggressive risk methodology to assess the potential worst case. The largest contributors for Physical risk estimated losses are

from extreme heat and coastal flooding scenarios, making up around 85% of the overall Physical risk total of 3.8% under a 2.0°C Disorderly aggressive (severe downside risk) scenario.

Physical risks are considerably smaller than Policy risk. Exposed sectors, as set out in Figure 5 below, are similar to those exhibiting a high level of Policy risk. Whilst these include obvious sectors such as energy and utilities, they also include banks, (within the financials & listed funds sector) as well as companies in the Consumer Discretionary and Consumer Staples sectors, demonstrating the potential widespread effects of Physical risk.

Figure 5 sets out the impact of the five scenarios based on the Global Industry Classification Standard (GICS) sectors for our corporate assets. All scenarios are based on MSCI's aggressive Physical risk model as per Figure 4 where data is available. These scenarios show well diversified weights across all sectors. The CVaR contributions are concentrated under each scenario across the main carbon intensive sectors: Energy, Utilities, Materials.

Figure 5: Sector CVaR contributions to five NGFS scenarios with WACI

Sector	Weight %	WACI Contribution (%) <sup>*</sup>	1.5°C NGFS Orderly %	1.5°C NGFS Disorderly %	2°C NGFS Orderly %	2°C NGFS Disorderly %	3°C NGFS NDC %
Communication Services	<b>3.6</b>	1.1	-0.3	-0.3	-0.3	-0.3	-0.4
Consumer Discretionary	<b>5.3</b>	4.1	-0.8	-1.1	-0.5	-0.7	-0.6
Consumer Staples	<b>7.4</b>	5.2	-1.0	-1.4	-0.6	-0.9	-0.8
<b>Energy</b>	<b>2.5</b>	15.0	-2.8	-2.7	-1.3	-2.9	-1.2
Financials & Listed Funds <sup>1</sup>	<b>20.6</b>	4.6	-0.7	-1.0	-0.7	-0.8	-1.0
Health Care	<b>7.8</b>	2.8	-0.4	-0.5	-0.3	-0.4	-0.4
Industrials	<b>8.1</b>	9.7	-0.9	-1.2	-0.6	-1.0	-0.7
Information Technology	<b>9.4</b>	5.9	-0.3	-0.4	-0.2	-0.3	-0.3
<b>Materials</b>	<b>2.9</b>	26.7	-1.7	-2.2	-0.5	-1.2	-0.4
No data available	<b>15.0</b>	0.2					
Real Estate	<b>1.5</b>	1.3	-0.2	-0.2	-0.2	-0.2	-0.2
Sovereign	<b>14.4</b>	0.0					
<b>Utilities</b>	<b>1.6</b>	23.4	-0.6	-0.6	-0.4	-0.7	-0.5
<b>Totals (CVaR per Figure 4)</b>	<b>100</b>	<b>100</b>	<b>-9.7</b>	<b>-11.5</b>	<b>-5.5</b>	<b>-9.4</b>	<b>-6.5</b>
<b>Energy, Materials &amp; Utilities</b>	<b>7.0</b>	65.1	-5.2 (54%)	-5.5 (48%)	-2.1 (38%)	-4.8 (51%)	-2.1 (32%)

Source: Evelyn Partners and MSCI as at 31 December 2023

- Specifically, the contribution to the aggregate CVaR total of these three carbon intensive sectors (energy, materials and utilities) range from 32% under a 3°C scenario through to a 54% contribution under a 1.5°C orderly scenario. However, across the portfolio holdings for all sectors, the portfolio weight allocated to these sectors is 7%.
- Portfolio weights do not necessarily correspond to high CVaR exposures. For example, despite a portfolio weight of just over 20% allocated to the Financials & Listed Funds sector, this contributes only 7-15% across all scenarios to the overall aggregate CVaR total.

Unsurprisingly, the Energy, Materials and Utilities sectors also have the highest WACI, accounting for over 65% of the overall WACI for discretionary assets.<sup>2</sup>

The potential company market value loss under the 1.5°C scenario disorderly is extreme and up to 100%. This occurs where net carbon emissions fall to zero, hydrocarbon resources are abandoned (i.e. the risk of stranded assets), and excess emissions are costly. There would be offsetting but uncertain gains from opportunities in clean energy.

1. This sector includes listed investment trusts which invest outside of the financial sector.

2. The WACI Contribution in Figure 5 is calculated on a different basis to that presented in Metrics & Targets section with regard to collectives. The former presents the breakdown of WACI by sector after look-through of all collectives into their individual constituent holdings, using MSCI's Climate Lab Enterprise tool. The latter computes WACI at the level of each collective and is based on our inhouse proprietary aggregation of GHG matrices. This leads to marginal differences in coverage and therefore intensity. The total WACI in Figure 5 is 82.4 compared to 78.4, as presented in the Metrics and Targets section.



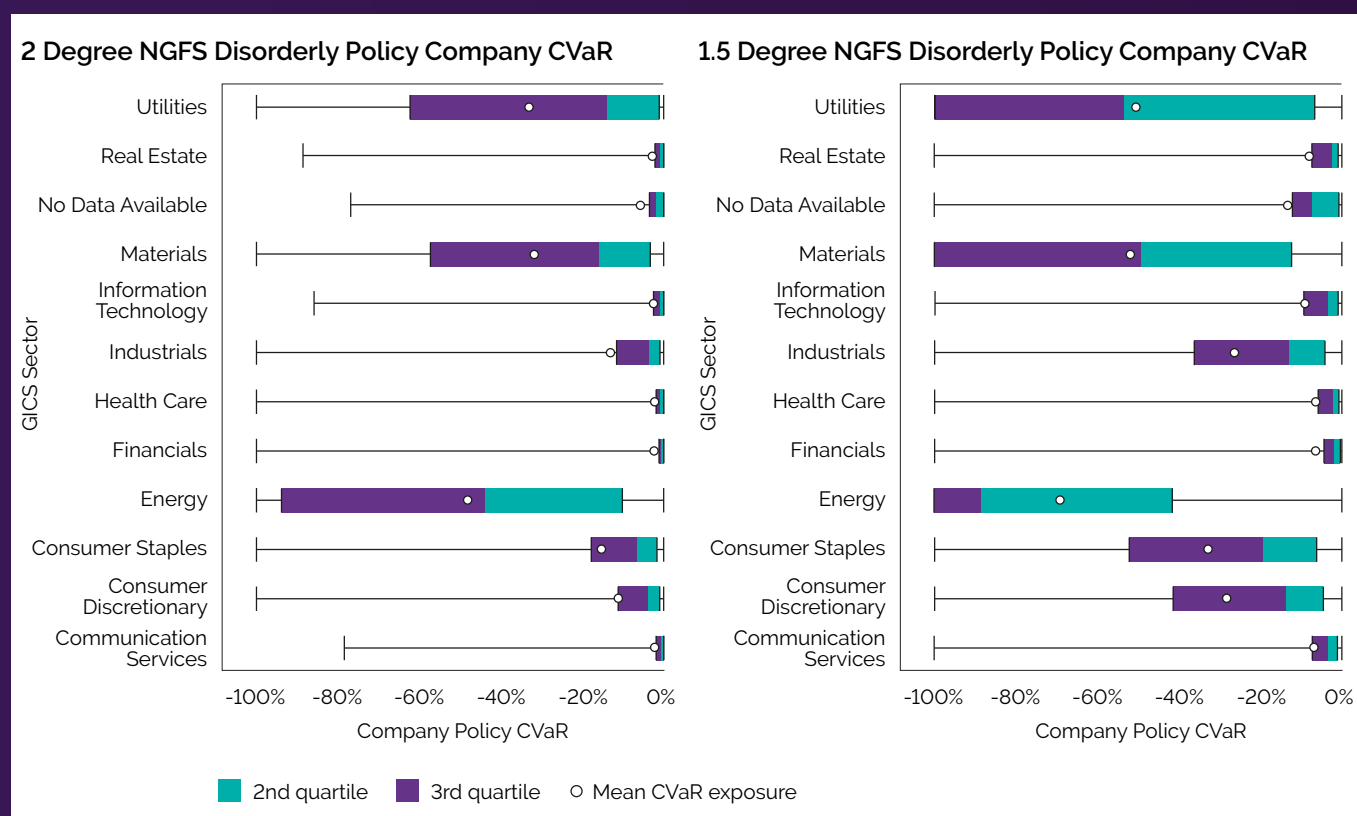
For further company analysis, we have focussed on two of the scenarios (1.5°C and 2.0°C disorderly scenarios) which show where our CVaR figures are worse to ensure that we are exploring all possible eventualities. The top ten companies account for nearly 50% of the Policy risk under a 2°C disorderly scenario, and nearly 40% under a 1.5°C disorderly scenario.

Figures 6 and 7 are box plots showing the range of CVaR exposures for the underlying companies within each sector with respect to Policy risk (which constitutes the largest portion of CVaR) under both 1.5°C and 2.0°C disorderly scenarios (where data is available). The lines splitting each box in two represents the median value which means that 50%

of the data lies either side. The left edge of the box represents the upper quartile with the right edge representing the lower quartile. The horizontal line represents the range of data and the white dot shows the mean value.

These boxplots show widely dispersed variation and potential for extreme losses across all sectors. For example, under the 1.5°C disorderly scenario the Energy, Materials and Utilities sectors show a significant quantum of companies experiencing a 100% potential loss. These three main carbon intensive sectors stand out with the highest average sector losses under both scenarios. The figures also show the increased CVaR Policy risk in moving from a 2°C disorderly scenario to a 1.5°C disorderly scenario.

Figures 6 & 7: CVaR company loss range by sector for 2°C and 1.5°C disorderly scenarios



Source: Evelyn Partners and MSCI as at 31 December 2023

These two scenarios are extreme and designed to show the increased Policy risk if remedial actions by governments are delayed and carbon prices are forced to rise abruptly. Evidence from some countries is more positive for an orderly transition. For example, the UK has halved its territorial GHG emissions between 1990 and 2022 whilst also growing its economy by 79%.<sup>3</sup>

### **Overview of climate scenario analysis – corporate emissions**

It is important to be aware of climate risks and opportunities, including GHG emissions, and that they are embedded within our corporate operations.

The risk from transition, which was assessed in the ESG Scenario Analysis and refreshed in 2023, remains valid and appropriate.

A scenario was considered based upon a significant change in climate (a 2-4% rise in temperature leading to a market drop of 40%); in line with the Bank of England Climate Biennial Exploratory Scenario (CBES) stress testing scenario. This scenario considered the financial and non-financial impacts of climate events on the Evelyn Partners Group and its clients.

We plan to further enhance our climate scenario analysis by assessing climate-related risks to the business over the coming years. It is an iterative process, which will be continued in order to develop our understanding and strategy.

3. UK first major economy to halve emissions – GOV.UK ([www.gov.uk](http://www.gov.uk)) UK becomes first major economy to pass net zero emissions law – GOV.UK ([www.gov.uk](http://www.gov.uk))



“ We plan to further enhance our climate scenario analysis by assessing climate-related risks to the business over the coming years. ”





# RISK MANAGEMENT





## How processes for identifying, assessing and managing climate-related risks are integrated into our overall risk management

The purpose of risk management is to design and develop processes and tools that provide the ability for the Group to identify, assess, monitor and manage risks that are inherent in the Group's business activities, helping the Group to operate within the Board's strategic objectives and risk appetite. The risk management arrangements at Evelyn Partners form part of a strong governance culture.

The Risk Management Framework (RMF) sets the oversight requirements to assist the organisation in identifying and managing risk and build resilience.

At Evelyn Partners, this culture is built upon the Three Lines of Defence governance model as shown in Figure 8.

Primary responsibility for identifying and controlling risks rests with the Group's businesses (the first line of defence). Ultimate responsibility for ensuring the

adequacy and effectiveness of risk management rests with the Group's Board, with oversight provided by the Board's Risk and Audit Committee (RAC).

The Group has a Risk and Compliance function providing the second line of defence. It is led by the Group Chief Risk Officer who has an independent reporting line to the Chair of the Board Risk and Audit Committee and a right of access to the Chair of the Board. The Group Chief Risk Officer is a member of the Group Executive Committee and attends the Risk and Audit Committee meetings.

The third line of defence consists of the internal audit function, which provides assurance to senior management that business processes and controls are operating effectively. The internal audit function identifies any processes and control deficiencies and monitors remediation plans.

Figure 8: Evelyn Partners Three Lines of Defence Model



The risk management framework is underpinned by policies, procedures, and reporting.

The risk management framework includes components that:

- establish methods for identifying and assessing risk
- provide an approach for the capture, reporting and monitoring of risk
- provide appropriate mechanisms for managing risk

ESG and climate risks are identified, processed, assessed and managed in the same way as all other risks and are integrated into the Evelyn Partners Group's overall RMF as described and illustrated below. A consistent approach is considered a benefit of a mature RMF.

The GEC plays an important role in identifying and understanding ESG and climate-related risks and opportunities, and in formulating management actions to monitor and mitigate any identified risks. The GEC agree the approach to existing and emerging climate-related regulation as a part of this process.

During 2023, ESG was assessed as a 'top risk' and a key focus for the Board. Top risks are those deemed to be the most significant risks and are monitored and reviewed at Board level and Executive level.

Key risk assessments consider ESG where appropriate, including the impact of ESG on the Group's business, directly and indirectly.

The ESC plays a leading role in supporting and progressing environment strategy and reporting on the progress throughout the year.

“The Group continues to refine its approach to understanding and managing climate risk.”

## Our processes for managing climate-related risks

As detailed under Governance, the Group Board ESG Committee and GEC meet quarterly. Environment and climate were discussed at each meeting and climate risk indicators were presented including a quarterly emissions report for Scope 1, 2 and travel emissions. Climate intensity ratios and renewable energy as a percentage of total energy utilised was also reported.

There are several key workstreams relating to the understanding and implementation of regulations to deadlines, and design and development of systems and processes.

The Group continues to refine its approach to understanding and managing climate risk.

### Physical risk

Our strategy in mitigating both acute and chronic physical risks is detailed below.

In selecting new offices, environmentally sustainable features are important considerations, and we are therefore choosing to occupy offices which have been BREEAM (Building Research Establishment Environmental Assessment Method) rated. As at 31 December 2023, we occupied 147,000 square metres in such buildings. This represented 41% of our total occupancy.

We continue to invest in digital technology and integrated platforms to support and enhance efficiencies of hybrid and homebased working. This further reduces risks of business disruption because of physical risks. The investment in digital products and services also ensures continuous client service.

To reduce the risk of long-term supply related to fossil fuels, we are increasing energy supplied from renewable sources. In 2023, 98.4% (2022: 83.1%) of our directly procured energy and 67.2% (2022: 60.6%) of our total energy, was supplied from renewable sources supported by Renewable Energy Guarantees of Origin (REGO) certificates. The REGO scheme provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation.



### Transition risk

Our strategy in mitigating transition risks is detailed below:

#### Policy and legal

The Board ESG Committee and the GEC are supported by senior colleagues, the legal and the compliance teams, who keep abreast and provide updates of climate-related regulatory and compliance developments.

Our policies, including the ESG policy, the Environmental Management Framework (EMF) and the environment policy, provide detailed guidance to the business on our approach to the environment both operationally and within the value chain. They are updated to reflect latest regulatory and compliance requirements regularly.

#### Technology

To reduce the transitional technology risk, we continue to invest in the investment management, custody and settlement technology system and have developed the responsible investment dashboards.

We have also invested in third-party research tools and databases to provide our investment managers with core ESG data and tools to assist in measuring ESG factors and sustainability risks for the investments we manage for our clients. In 2023, we also invested in enhanced forward-looking climate risk metrics from MSCI. This will enable us to provide scenario analysis/CVaR metrics for our TCFD reporting and consideration of material climate-related risks within our investment process.

#### Market

We offer clients a bespoke discretionary portfolio management service. Portfolios can be tailored according to individual client preferences, including screening for ESG attributes. Upon request, we are also able to provide clients with the carbon footprint of their portfolios. We have also conducted a survey of our investment managers to understand our clients' attitude to climate risks and opportunities.

“In 2023, we also invested in enhanced forward-looking climate risk metrics from MSCI.”

#### Reputation

As signatories to the United Nations Principles for Responsible Investment (UN PRI) and applicants to the UK Stewardship Code 2020, we provide regular and transparent reporting. We also respond to the CDP climate questionnaire on our progress.

**Engagement activity with investee companies to encourage better disclosure and practices to improve data availability and our ability to assess climate-related risks.**

As responsible investors, the Group practices stewardship and active ownership through regular engagement with companies. This takes the form of informal discussions, as well as more formal voting and collaborative engagement. Through this, the aim is to improve environmental, social and governance performance of companies, along with other stakeholder interests.

## Direct holdings climate disclosure engagement in 2023

The aim of this engagement is to encourage investee companies with high levels of carbon emissions within their operations and low GHG emissions disclosure practises to raise their ambition. We identified the top 20 emitting companies of our holdings in the three most carbon intensive sectors of Energy, Materials and Utilities. We focused on companies that either did not subscribe to SBTi or were not disclosing data to the CDP, or both.

SBTi defines and promotes best practices in emissions reductions and net zero targets in line with climate science. It provides target setting methods and guidance to companies to set science-based targets in line with the latest climate science, includes a team to provide companies with independent assessment and validation of targets and is considered the "gold standard" in target setting for GHG emissions. CDP is a popular voluntary reporting framework that companies are using to disclose environmental information to their stakeholders – either as part of ESG reporting, or beyond ESG reporting. The reporting is completed on an annual basis.

A list of questions was sent to each company, depending on their level of disclosures. Here is a sample of the questions:

- Is it your intention to make commitments with the SBTi or another externally verified target setter over time? If so, when?
- Are you intending to join an externally recognised system for emissions disclosures such as CDP or similar in the future? If so, when?
- Has management (with board oversight) identified key risks and opportunities to the business arising from climate change and considered mitigation plans? If so, please provide details or if not, when this is expected to take place?

- Is the company planning to increase revenue or research and development into climate change solutions? If so, please provide details. Climate change solutions may be defined using the EU's Green Taxonomy as products and services from any of the climate change environment impact themes including alternative energy, energy efficiency or green building, while minimising the negative externalities associated with your operations.

We received a series of early responses in late 2023. As of 31 March 2024, we had received 16 responses and have had seven follow up meetings.

## Collaborative engagement

The Group is a member of several collaborative engagement platforms. This amplifies the impact we can make by working with other investors and industry peers to influence and address various ESG topics, and wider themes.

We are members of the following Forums relevant to climate-related matters:

- **The Investor Forum:** a community interest company set up by institutional investors in UK equities. The forum helps investors work collectively to escalate material issues with the Boards of UK-listed companies.
- **Climate Action 100+:** an investor-led initiative to ensure the world's largest corporate Greenhouse Gas (GHG) emitters take necessary action on climate change. We are part of a working group engaging with one of the world's 100 largest GHG emitters.
- **Nature Action 100:** a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss

During the year, in respect of all matters, we voted at 830 meetings (2022: 787) and sent 177 engagement letters (2022: 149). Our voting activity is published on our website. ([Responsible investing](#) | [Evelyn Partners](#))



## How material climate-related risks are identified and assessed for each product or investment strategy

Material climate-related risks are identified as part of our investment process which is common to all products and services. The identification and assessment process covers ESG risks, of which climate is one example, in two forms:

- I. sustainability risks. These are the risks to investments from climate change.
- II. PAIs. These include key risks to the climate caused by the activities of investee companies.

Throughout 2023, the Evelyn Partners' proprietary Responsible Investment Dashboard has been available to sector leads along with MSCI's ESG Manager, and the former has since been rolled out to all investment managers. These tools provide data on a variety of climate risks as well as core TCFD historical metrics, including WACI. Further data such as CVaR will be made available to the sector leads in due course. Training was provided to investment managers on the dashboard key regulatory concepts and data limitations.

The investment process also relies on research both at the macroeconomic level and for individual security selection to our monitored universe of securities available to investment managers for portfolio construction.

### Macroeconomic research

The research team monitors emerging risks, geopolitical developments, and identifies important long-term trends that may span geographies. This themed approach supports timely identification of systemic issues and supports our commitment to stewardship and responsible investment. Following an enhancement of our central resources, in 2021/22 the team started to provide regular insights into four megatrends that may shape the next decade. Megatrends are powerful, disruptive forces that shape economies, businesses and societies. They drive innovation, steer investment and create new ideas. These themes include high level environmental, social

and governance factors and represent our responsible approach from a strategic level:

- Shifting demographics
- Changing world order and risk to financial systems
- Accelerated energy transition and encouraging enhanced climate disclosures
- Technological revolution

Identifying these trends helps guide us towards opportunities and away from risks. They steer us towards those sectors and industries with a clear runway of growth, enabling us to build better, future-proof investment portfolios. This analysis is provided to investment managers on a quarterly basis as part of our extensive and ongoing macroeconomic research.

### Security selection

The investment process varies between direct investments and collectives. The vast majority of our assets under discretionary management are invested in publicly listed equities, directly or indirectly, so we have focused our efforts on the understanding of climate-related risks and opportunities in this area.

### Direct investments

The research team uses third-party research (including from brokers and MSCI), some primary research, and company meetings. All direct equities considered by our investment process have a rating which encapsulate MSCI's rules-based assessment of the key environmental, social and governance risks and opportunities that could affect its value.

The issues underlying the individual ratings for each sector are aggregated to establish the top five material risks per sector based on MSCI's methodology. This information is then presented to the sector leads at dedicated annual meetings per sector along with the main sector risks identified by the Sustainability Accounting Standards Board. The sector leads then make a final qualitative decision on the top five material risks per sector for the purposes of our investment process.

The climate and nature-related risks and opportunities which we consider as part of our sector analysis are as follows:

- Climate Change Vulnerability
- Biodiversity & Land Use
- Carbon Emissions
- Electronic Waste
- Financing Environmental Impact
- Packaging Materials & Waste
- Product Carbon Footprint
- Raw Material Sourcing
- Toxic Emissions & Waste
- Water Stress
- Opportunities in Clean Tech
- Opportunities in Green Building
- Opportunities in Renewable Energy

A further quarterly review of climate-related risks is undertaken by our research teams for sectors which have climate risks in their top five material risks. The relevant climate metrics, including WACI, for each constituent company are assessed and the information made available for inclusion in our firm wide weekly investment meeting of all investment managers.

Evelyn Partners also assesses a wide range of sustainability impacts as part of the investment analysis in the form of PAI as discussed below.

## Collectives

The research teams monitor a selection of multi-asset funds which then can be used to construct and maintain suitable portfolios.

Due diligence is undertaken on each fund under the following headings:

- Industry bodies: the investment firm/company should be a signatory to the UN Principles for Responsible Investment and/or the UK Stewardship Code, or another equivalent body

- Investment policy: a fund's investment policy should incorporate the principles of the UN PRI and/or the UK Stewardship Code in their approach to responsible investment
- Investment process: the fund manager should be able to describe how ESG is integrated into the investment process
- ESG resource: training should be available to all investment professionals. Additional note will be taken where there is dedicated resource and/or external ESG data providers
- Stewardship: voting and engagement policies are being developed to also cover ESG issues
- Principal Adverse Impacts: the investment firm/company should consider and disclose the PAIs of their investments

Evelyn Partners also uses a third-party platform (Door) to obtain relevant due diligence information on our collectives, in addition to data available through MSCI.

As part of the due diligence process, the research team considers each fund's approach to sustainability risks and factors, as well as their impact through PAI indicators. During 2023, for each fund on our monitored universe, climate-related metrics, such as WACI, have also started to be presented annually to the Collectives Investment Group and our weekly investment meeting.

Collectives are assessed for three categories:

- Funds subject to enhanced ESG integration due diligence: these funds may be eligible for clients with climate-related mandate
- Responsible funds: eligible funds have specific responsible strategies/mandates in place. Evelyn Partners can accommodate bespoke negative and positive screening, or a combination of both, at the request of clients
- Other funds: all collectives are subject to ESG-related due diligence even if they do not qualify for the two categories above



## Principal Adverse Impacts

As stated above, in addition to the consideration of sustainability risks, we also monitor and evaluate PAI indicators and the adverse impacts of investment decisions on sustainability factors, which include climate or nature related PAIs as shown in Figure 9 below.

Figure 9: Principal adverse impacts

Environmental Indicator	Metric
GHG emissions	Scope 1 GHG Emissions
	Scope 2 GHG Emissions
	Scope 3 GHG Emissions
	Total GHG Emissions
Carbon Footprint	Carbon footprint
GHG Intensity of investee companies	GHG intensity of investee companies
Exposure to companies active in fossil fuel sector	Share of investments in companies active in the fossil fuel sector
Share of non-renewable energy consumption and production	The portfolio's weighted average of issuers' energy consumption and/or production from non-renewable sources as a percentage of total energy used and/or generated
Energy consumption intensity per high impact climate sector	The portfolio's weighted average of Energy Consumption Intensity for issuers classified within Nomenclature of Economic Activities (NACE) Code
Activities negatively affecting biodiversity-sensitive areas	The percentage of the portfolio's market value exposed to issuers' that reported having operations in or near biodiversity sensitive areas and have been implicated in controversies with severe or very severe impacts on the environment
Emissions to water	The total annual wastewater discharged into surface waters as a result of industrial or manufacturing activities associated with 1 million EUR invested in the portfolio
Hazardous waste and radioactive waste ratio	The total annual hazardous waste (metric tons reported) associated with 1 million EUR invested in the portfolio
Investments in companies without carbon reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement

SRIG reviews PAIs for our discretionary managed assets on a quarterly basis. These are also provided to the sub-committees of IPC. We extract the highest contributors per PAI indicator and identify any outliers on a specific PAI or across several PAIs. Further analysis is conducted on any significant outliers and are escalated to the relevant investment groups for direct investments and collectives. Relevant actions are then decided upon to mitigate individual PAIs, including engagement with investee companies and fund managers.

“...we also monitor and evaluate PAI indicators and the adverse impacts of investment decisions on sustainability factors...”

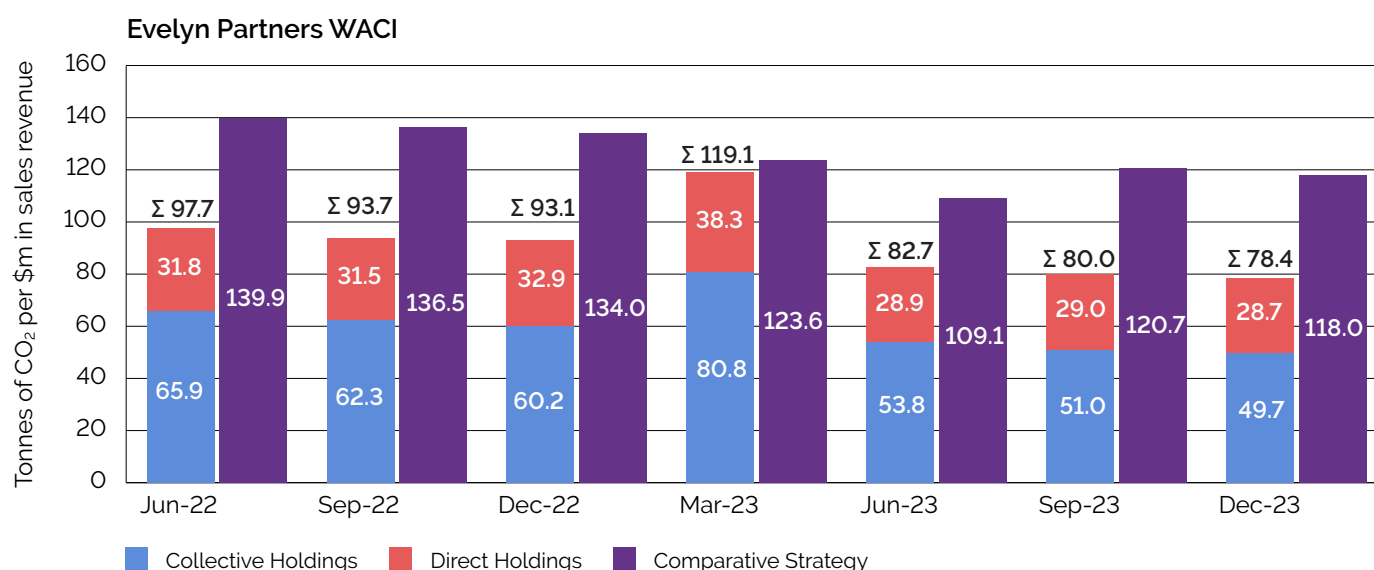
## Our management of material climate-related risks for each product or investment strategy

At this stage, our management consists of data gathering and developing a better understanding of investee company plans combined with engagement and voting. Accordingly, the overall approach to managing climate-related risk has hitherto been largely qualitative and predominantly at the company and sector level. Carbon intensity data is captured and analysed alongside traditional financial measures and management strategy, including climate strategy. These considerations are then integrated holistically into an overall investment view on the company. Where expected returns don't compensate for the downside risk, and engagement with the company does not reassure, it may be downgraded or removed from coverage from our monitored universe.

In 2023, we have focused on gathering historic data on emissions which form part of our discretionary assets and providing investment managers with the ability to view GHG metrics on their portfolios. We have also provided them with a series of training sessions during the year to explain the genesis and reliability of this data. This data has not included GHG measures of potential climate risks in relation to government debt and structured products.

We have also disseminated this data through our responsible investment governance structure on a quarterly basis and to the ESG Board twice a year during 2023. An example of the latter is given in Figure 10 below:

Figure 10: Assets under discretionary management – WACI June 2022-December 2023



Source: Evelyn Partners/MSCI.

WACI portfolio exposure expressed as tCO<sub>2</sub>e/M USD Sales for Scope 1 & 2 carbon emissions of issuers and collectives (reported annually or estimated).

**Comparative Strategy:** This is the risk strategy available to clients with the most discretionary assets (40%) as at 31 December 2023. Portfolio breakdown: MSCI ACWI-ex UK (42%) and MSCI UK IMI (23%) for equities, Markit iBoxx Overall 7-10 years (19%) for Fixed Income – gold, alternatives and cash not within coverage (16%).

**Average data coverage from third party provider MSCI for Holdings: 63.8%.**

**Average data coverage from third party provider MSCI for Comparative Strategy: 67.8%.**



The SEAP funds report PAIs quarterly to investment managers and provide regulatory reporting every six months.

As part of our data assurance and due diligence we have had a series of calls with MSCI to understand these numbers and continue to work with them to improve our disclosures. We will continue to assess the integrity of the data into 2024 prior to making investment management decisions based on these figures.

Climate-related data is, however, considered by our research team as part of their assessment of investments suitable for our monitored universe. Where they consider that management's response to climate change is not credible, the investments could be excluded from our monitored universe.

Individual investment managers operating within our portfolio construction rules may exclude investments based on client-related climate preferences or their own assessment of risk/reward.





# METRICS AND TARGETS





As a UK incorporated, large organisation, Evelyn Partners is required to report its UK energy and GHG emissions information. We have used the main requirements of the Greenhouse Gas Protocol to calculate our emissions. We have reported on all the emission sources required under the regulations.

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

Figure 11 below summarises the energy consumption and global greenhouse gas emissions for the Evelyn Partners Group for the year ended 31 December 2023, measured in metric tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), with comparatives for the prior year. Figure 11 excludes Scope 3 category 15 'financed emissions' which are disclosed at Figure 15 below. Definitions for Scope 1, Scope 2 and Scope 3 emissions can be found at Appendix 3.

The following disclosures relate to the Group's global GHG emissions of its operations and of its value chain. The Streamlined Energy and Carbon Reporting (SECR) emissions are included within these emissions.

*Figure 11: Scope 1, Scope 2 and Scope 3 emissions (excluding financed emissions) for the Evelyn Partners Group for the year ended 31 December 2023*

Scope	Description	Emissions tCO <sub>2</sub> e 2023	Emissions tCO <sub>2</sub> e 2022
1	Direct emissions from the combustion of gas & fuel	245.0	433.6
2	Indirect emissions from the purchase of gas & electricity (location based)	779.9	1,026.2
3	Total Scope 3 emissions, excluding financed emissions	27,577.0	43,036.7
Total emissions, excluding financed emissions		28,601.9	44,496.5

Our Scope 3 emissions are further analysed as follows:

Scope 3 Category	Description	Emissions tCO <sub>2</sub> e 2023	Emissions tCO <sub>2</sub> e 2022
1	Purchased goods and services	21,470.0	35,464.4
2	Capital goods	971.0	2,690.2
3	Fuel and energy related activities	302.7	424.8
4	Upstream transportation and distribution	163.0	187.7
5	Waste generation in operations	56.0	62.1
6	Business travel	1,737.3	1,454.5
7	Employee commuting (and homeworking)	2,877.0	2,753.0
Total Scope 3 emissions, excluding financed emissions		27,577.0	43,036.7

Scope 3 category 13 is captured within Scope 3 category 1-7 emissions. Scope 3 categories 8 to 14 are not applicable to our operations.

Figure 11 above shows that the majority of our emissions, excluding financed emissions, are generated from Scope 3. The largest proportion of Scope 3, excluding financed emissions, are generated from Category 1 – Purchased goods and services (77.9%). Therefore, understanding the ESG and climate risk of the supply chain is a priority. Category 1 emissions have dropped significantly in comparison to the 2022 figures due to a decrease in spend and updated Comprehensive Environmental Data Archive (CEDA) emissions factors. The total spend was 7% less in 2023, despite increasing volumes of trade.

We are engaging with suppliers and are developing our strategy. Category 2 – capital goods emissions were significantly reduced from 2,690.2 to 971.0 (2022: 8,155.0 to 2,690.2). The office fit outs completed in 2023 were far smaller than the larger head office fit out in 2022. Category 7 – Commuting and homeworking rose by 4.5% and Category 6 – Business travel increased by 19.4%. This compares with trading volume growth and an increase in the average number of colleagues of 9.3% and 12.3% respectively. We will focus on this and set targets to reduce this in the coming years.

Figure 12: Market-based energy emissions

Scope	Description	Emissions tCO2e 2023	Emissions tCO2e 2022
Scope 2	Emissions from purchased electricity (market based)	438.6	703.2
Intensity ratio: tCO2e/full-time equivalent (FTE)		0.37	0.50

Figure 12 above shows that our market-based energy emissions which more accurately reflects the choices we have made, are significantly down against the location-based emissions.

The intensity ratio is impacted by our sustainable office choices. This is further supported by the reduction in total energy requirements as shown in Figure 13 below.

Figure 13: 2023 total energy requirements

Renewable energy backed by renewable energy guarantees of origin (REGO) certificates	2023	2022
Total kWh	3,663,428	5,124,395
of which renewable kWh	2,460,747	3,107,863
% of renewable	67.2%	60.6%

We are pleased to report that we continue to increase the proportion of energy provided by renewable sources. Total energy usage was also significantly reduced, down from 5,124,395 to 3,663,428, a reduction of 28.5%.

## Verification of Scope 1, Scope 2 and Scope 3 emissions (excluding financed emissions)

In 2023, a limited level of verification, aligned with the ISO 14064-3: 2019 standard with specification and guidance for the verification and validation of greenhouse gas statements was conducted on the 2022 emissions. Small amendments to the carbon footprint calculation, to correct small data discrepancies, were made during the verification process and these have been reflected in the disclosures above.

A verification of the Scope 1, Scope 2 and Scope 3 emissions reported for the year ended 31 December 2023 will be completed by 30 June 2024.

## Financed emissions of Assets Under Management (AUM)

Assets under administration are set out in Figure 14. We only measure emissions arising from our clients' discretionary portfolios. We do not control non-discretionary assets.

Figure 14: Assets under administration as at 31 December 2023

As at 31 December 2023		
Assets under administration	£'billion	Number of Portfolios
Discretionary assets	42.0	94,149
Non-discretionary assets	17.1	123,540

Total assets under administration	59.1	217,689
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As at 31 December 2022		
Assets under administration	£'billion	Number of Portfolios
Discretionary assets	40.0	93,468
Non-discretionary assets	13.0	113,605
Total assets under administration	53.0	207,073



Figure 15 shows Scope 1 and 2 together with Scope 3 emissions, where data is available, for discretionary assets as at 31 December 2023 combined with the percentage that this represents of the overall portfolios (coverage).

Figure 15: Financed emissions for discretionary assets as at 31 December 2023

Headline metrics	Measurement Unit	31 December 2023	Coverage
Scope 1 and 2 emissions	TCO2e	1,368,868	62.2%
Scope 3	TCO2e	10,771,565	61.0%

Headline metrics	Measurement Unit	31 December 2022	Coverage
Scope 1 and 2 emissions	TCO2e	1,360,570	62.5%
Scope 3	TCO2e	Data not available	

Note: see Appendix 2 for methodology, assumptions and limitations.

In practice, the coverage for Scope 1 and 2 emissions increases to 74.7% when assets are excluded for which there are typically no recorded emissions, such as cash, or where there are no emissions comparable to that of corporates, as in the case of sovereign bonds.

## Metrics used to assess climate-related risks and opportunities in each product or investment strategy, how these metrics have changed over time and their consideration in investment decisions and monitoring

Metrics made available to research teams and investment managers in 2023 included GHG emissions, WACI and the Carbon Footprint of their portfolios for both collectives and direct investments.

Figure 16: WACI & Carbon Footprint for discretionary management as at 31 December 2023<sup>4</sup>

Headline metrics	Measurement Unit	31 December 2023	Coverage
WACI (Scope 1 & 2)	TCO2e/M USD Sales	78.4	63.5%
Carbon footprint (Scope 1 & 2)	TCO2e/M USD Invested	25.5	62.2%

Headline metrics	Measurement Unit	31 December 2022	Coverage
WACI (Scope 1 & 2)	TCO2e/M USD Sales	93.1	63.8%
Carbon footprint (Scope 1 & 2)	TCO2e/M USD Invested	28.2	62.5%

4. Scope 3 data has not been included within the calculations for WACI and Carbon footprint metrics due to data limitations. We will disclose these in future where possible.

The coverage for WACI increases to 76.3% when assets are excluded for which there are typically no recorded emissions, such as cash or no emissions comparable to that of corporates, as in the case of sovereign bonds.

Changes in WACI since 30 June 2022 are presented in Figure 10 in Section 3, Risk management.

The three highest carbon emitting sectors and the top five direct investments within them are also provided to the ESG Board twice a year.

We also provide climate-related PAIs to our responsible investment governance structure. These include GHG emissions, Carbon Footprint, GHG Intensity of investee companies, exposure to companies active in fossil fuel sectors, share of non-renewable energy consumption and production, energy consumption intensity per high impact climate sector and investments in companies without carbon reduction initiatives.

As discussed above, in 2024 we started to use MSCI's CVaR metrics to assess portfolio exposures to transition risks (policy and technology opportunities), and physical risks. Our analysis, using MSCI's Climate Lab Enterprise (CLE) tool, enables us to look-through collective investments to the underlying assets.

## The extent to which assets under management are aligned with a well below 2°C scenario

Figure 17 sets out the asset classes comprising discretionary assets as at 31 December 2023.

Figure 17: Assets under discretionary management by asset class as at 31 December 2023

		£ billion	%
Direct	Equity	10.8	25.7
	Bond	4.0	9.5
Collectives	Alternatives	2.7	6.4
	Equity	17.1	40.8
	Fixed Income	4.2	10.1
	Multi-Asset	2.1	4.9
	Property	0.1	0.1
Other (including Cash)		1.0	2.5
<b>Total</b>		<b>42.0</b>	<b>100</b>

Our investment process did not use implied temperature rise (ITR) metrics during 2023. However, for illustrative purpose, Figure 18 sets out a number of metrics, including ITR for our discretionary assets as at 31 December 2023.

Figure 18: Implied Temperature Rise & related metrics for Discretionary Assets 31 December 2023

	%AUM	Coverage
Implied Temperature Rise (% of portfolio 1.5°C aligned)	30.6%	
Implied Temperature Rise (% of portfolio 2.0°C aligned)	15.3%	
Implied Temperature Rise (% of portfolio >2.0°C<3.2°C misaligned)	9.5%	58.8%
Implied Temperature Rise (% of portfolio >3.2°C strongly misaligned)	3.4%	
Green Revenue	2.5%	Not available
Fossil Fuel Revenue	1.6%	Not available

Source: Evelyn Partners and MSCI as at 31 December 2023

In 2024, we are conducting further analysis on the utility of these metrics for our investment process.



## GHG emissions for assets under management and the WACI for each product or investment strategy

GHG emissions and WACI for total assets under discretionary management are disclosed above.

Evelyn Partners offers seven risk profiles to meet the risk tolerances and attitudes to loss of its clients. The risk profiles constitute a representative index for asset classes within the strategic asset allocation. The propositions

following these risk profiles are offered in a variety of forms such as pooled funds, SIPPs, ISAs and MPS. Some of these forms are subject to separate reporting requirements under FCA rules for on-demand reporting.

The GHG and WACI for each of these seven risk profiles in 2023 is provided below in Figure 19 based on a 2° NGFS Disorderly Physical: Aggressive Scenario. Because of the different amounts invested in each profile, we have used a notional portfolio value of £1,000,000.

Figure 19: Climate-related data for seven risk profiles as of 31 December 2023

	Risk Profiles (increasing risk to seven)							
	AUM	1	2	3	4	5	6	7
WACI (Scope 1 & 2)	78.4	112.9	115.7	116.5	117.7	118.0	119.1	119.2
CVaR %	-9.4	-10.9	-12.4	-13.3	-13.8	-14.3	-14.2	-14.6

Source: Evelyn Partners and MSCI as at 31 December 2023

## Other carbon footprinting metrics

No metrics other than WACI were used in 2023. In 2024, additional metrics are being considered such as Implied Temperature Rise (ITR) and CVaR as explained above. We also plan to enrich our data on sovereign bonds for estimates of WACI and CVaR.

## Our targets to manage climate-related risks and opportunities

We have no quantitative climate targets in relation to our investment portfolios unless they have been set by clients but, in full recognition of the critical nature of climate-related risks and opportunities, we will endeavour to:

- ensure that our products and services enable clients to express climate preferences
- continue to promote climate knowledge and understanding, including by hosting responsible investment events
- continue to invest in our responsible investment capabilities, tools, data quality/coverage and analytics
- expand the application of forward-looking metrics such as CVaR and ITR in our investment process
- implement a revised stewardship and engagement policy in 2024

## Looking forward

As we work towards further alignment with the requirements of the TCFD and improve our understanding of our environmental impact throughout the value chain and reduce our emissions, at the Group level we will:

- Seek to identify all climate-related revenues, costs, assets and liabilities to fully embed climate within financial planning
- Establish further key risk indicators, thresholds and KPIs
- Continue to select sustainable offices and sustainable fit-out of offices
- Continue to monitor the environment impact of each office and set carbon emission reduction targets
- Complete the Energy Savings Opportunity Scheme (ESOS) Assessment in 2024, plus submission of the energy reduction action plan, in compliance with revised regulatory requirements
- Increase our renewable energy percentage on an annual basis
- Monitor the climate-risk impact of the supply chain and further develop the supplier climate-related strategy
- Complete the CDP climate questionnaire and independently verify Scope 1, Scope 2 and Scope 3 emissions, excluding financed emissions

## Concluding comments

Compiling our first full TCFD report has been a rewarding and insightful undertaking, during which a number of important themes have emerged. The most striking one is that climate science is complex and still developing along with the coverage and reliability of data. Given this complexity and pace of change, it is incumbent on Evelyn Partners, as a leading wealth manager, to help educate our colleagues and clients alike. Accordingly, we need to ensure that our range of products and services continues to keep pace with client needs, mindful of the standards set by Consumer Duty for understanding by retail clients.

We have also been encouraged by the objective validation, through WACI and CVaR, of the merits of our investment process with its quality bias. Nevertheless, we will continue to refine our process by identifying high emitting investments and engaging with management teams. The incorporation of climate-related matters into our investment process is a positive step and we look forward to continuing this work in 2024 and beyond.



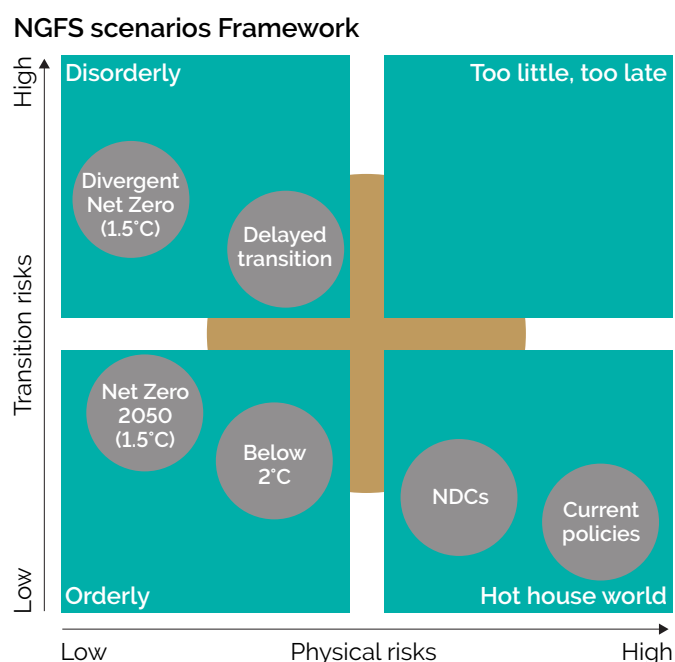


# Appendix 1: Network for Greening the Financial System (NGFS Scenarios)

The NGFS scenarios (2021) explore a set of six scenarios which are consistent with the NGFS framework (see Figure 20 below), which show a range of lower and higher risk outcomes and cover the following dimensions:

- Orderly scenarios assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued
- Disorderly scenarios explore higher transition risk due to policies being delayed or divergent across countries and sectors. For example, carbon prices would have to increase abruptly after a period of delay
- Hot house world scenarios assume that some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts like sea level rise

Figure 20: NGFS scenarios framework



Source: NGFS, see <https://www.ngfs.net/ngfs-scenarios-portal/explore/>

The NGFS define their six scenarios as:

1. **Net Zero 2050**, an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO<sub>2</sub> emissions around 2050. Some jurisdictions such as the US, EU and Japan to reach net zero for all greenhouse gases by this point
2. **Below 2°C** gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C
3. **Divergent Net Zero** reaches net-zero by 2050 but with higher costs due to divergent policies introduced across sectors and a quicker phase out of fossil fuels
4. **Delayed Transition** assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited
5. **Nationally Determined Contributions (NDCs)** includes all pledged policies even if not yet implemented
6. **Current Policies** assumes that only currently implemented policies are preserved, leading to high physical risks

At present, our tool set from MSCI does not enable us to look at physical warming scenarios greater than 3°C. Hence, the range of extreme physical risks is not modelled. There is some evidence that regulatory models developed, such as NGFS, are significantly understating both the transition and physical risks of climate change, such as the 2023 report by the Institute and Faculty of Actuaries and University of Exeter (*The Emperor's New Climate Scenarios: Limitations and assumptions of commonly used climate-change scenarios in financial services*). As of the time of writing, MSCI is in the process of updating its climate scenario models to the latest NFGS Phase 4 models developed. For example, current models might exclude:

- **Transition risks:** Wars and geo-political shocks, policy disruptions, finance (private or public), financial market volatility, stranded assets or labour, the impacts of disruptive technologies, and large-scale migration
- **Physical risks:** Weather (acute physical risk), nonlinear shifts or tipping points and feedback loops



## Appendix 2: Methodology, assumptions and limitations

The majority of our discretionary AUM is held in third-party funds (collectives). Where data is available, either via our own proprietary Responsible Investment dashboard tool, or via MSCI's tools (such as CLE) we have made disclosures and provided an estimate of coverage. We have outlined the key climate metrics used in our disclosures, calculation methodology, and provided limitations and assumptions where relevant to provide context around the data, any gaps and estimates used.

Metric	Methodology	Assumptions/Limitations
Scope 1 and 2 Financed Emissions	Scope 1 and 2 emissions are computed by apportioning the total Scope 1 and 2 emissions of the direct securities and collective instruments in which we invest, based on the size of our holdings as a proportion of the most recently available enterprise value including cash (EVIC). This is commonly referred to as the equity ownership approach for direct investments. It is an industry standard developed by the Partnership for Carbon Accounting Financials which we use to calculate our financed emissions (otherwise known as Financed Emissions Scope 3 Category 15 under PCAF, GHG Protocol).	<ul style="list-style-type: none"> <li>• Due to links with the portfolio value of underlying securities, this approach presents limitations in terms of comparability or benchmarking unless referring to a portfolio of similar value.</li> <li>• No proxy methodology to scale assets*</li> <li>• When reported data is not available, Scope 1 and 2 issuer carbon emissions are estimated in line with MSCI's Scope 1 and 2 estimation model.</li> </ul>
Scope 3 Financed Emissions	Scope 3 emissions are computed by apportioning the total Scope 3 emissions of the direct securities and collective instruments in which we invest, based on the size of our holdings as a proportion of the most recently available enterprise value including cash (EVIC). This is commonly referred to as the equity ownership approach for direct investments. It is the industry standard developed by the Partnership for Carbon Accounting Financials which we use to calculate our financed emissions (otherwise known as Financed Emissions Scope 3 Category 15 under PCAF).	<ul style="list-style-type: none"> <li>• Due to links with the portfolio value of underlying securities, this approach presents limitations in terms of comparability or benchmarking unless referring to a portfolio of similar value.</li> <li>• No proxy methodology to scale assets*</li> <li>• Scope 3 issuer carbon emissions are estimated in line with MSCI's Scope 3 estimation model.</li> </ul>
Carbon Footprint	Carbon Footprint represents the Scope 1 and 2 emissions accountable per USD million invested. The total Scope 1 and 2 Financed Emissions are divided by the total portfolio value and multiplied by USD 1m.	<ul style="list-style-type: none"> <li>• This metric can experience significant fluctuations due to the influence of total portfolio value.</li> </ul>

Metric	Methodology	Assumptions/Limitations
WACI	Weighted Average Carbon Intensity (WACI) is the portfolio's weighted average of its holdings' Issuer Carbon Intensity (Scope 1 & Scope 2 Intensity/USD million revenue). WACI is calculated by taking the Scope 1 and 2 emissions as a proportion of the sales revenue of the underlying investments (in USD millions) and allocating based on portfolio weights.	<ul style="list-style-type: none"> <li>This metric is not linked to a portfolio's value; therefore, comparability or benchmarking is feasible.</li> <li>It includes a proxy methodology whereby estimates of an Issuer's Carbon Intensity is allocated based on portfolio weights that have been rebased to account for missing coverage. This implies that WACI calculations assume that the positions with no data will have a carbon intensity similar to the positions with data.</li> <li>Issuer Carbon Intensity and Weighted Average Carbon Intensity of collectives are provided by our MSCI and we attribute this to our portfolio holdings using a weighted average approach.</li> </ul>
CVaR	MSCI's Climate Value-at-Risk is aggregated as a sum of the 3 components: Policy CVaR, Technology Opportunities CVaR and Physical CVaR. Each component is calculated as a weighted average of underlying security CVaR data based on portfolio weight held by the security for each relevant scenario.	<ul style="list-style-type: none"> <li>This metric is not linked to portfolio value; therefore, comparability or benchmarking is feasible.</li> <li>The measure includes a proxy methodology whereby the underlying security CVaR is allocated based on portfolio weights that have been rebased to account for missing coverage. This implies that CVaR calculations for Policy, Technology Opportunities and Physical Risk assume that the positions with no data have CVaR similar to the positions with data.</li> <li>We use MSCI's look-through capability of collectives to gain access to the underlying constituent securities within each collective holding in our portfolios, thereby improving our overall data coverage of CVaR.</li> </ul>
ITR	ITR is the product of the summation of the aggregated budget approach that compares the sum of financed emission budget overshoot divided by the sum of financed carbon emission budgets for the underlying portfolio holdings, science-based ratio approach of Transient Climate Response to Cumulative Carbon Emissions (TCRE), and the global carbon budget. Adjusted to show the emissions associated with 1 million USD invested in the portfolio.	<ul style="list-style-type: none"> <li>The ITR for each security is provided by MSCI, However we do not compute individual security level ITR based on underlying security data nor do we aggregate security ITR figures at portfolio level.</li> </ul>
Implied Temperature Rise (% of portfolio x°C aligned)	Represents the sum of portfolio weights associated with positions flagged as having a security ITR within the specified temperature range.	<ul style="list-style-type: none"> <li>No proxy methodology to scale assets*</li> <li>We use MSCI's look-through capability of collectives to gain access to the underlying constituent securities within each collective in our portfolios, thereby improving coverage</li> </ul>



Metric	Methodology	Assumptions/Limitations
Green Revenue	Green Revenue for a portfolio is calculated as the weighted average of the securities' percentage of green revenue exposure.	<ul style="list-style-type: none"> <li>• No proxy methodology to scale assets*</li> <li>• We use MSCI's look-through capability of collectives to gain access to the underlying constituent securities within each collective in our portfolios, thereby improving coverage.</li> </ul>
Fossil Fuel Revenue	Fossil Fuel Revenue for a portfolio is calculated as the weighted average of the securities' percentage of fossil fuel revenue exposure.	<ul style="list-style-type: none"> <li>• No proxy methodology to scale assets*</li> <li>• We use MSCI's look-through capability of collectives to gain access to the underlying constituent securities within each collective in our portfolios, thereby improving coverage.</li> </ul>

\*The metrics denoted above do not report data for cash and assets where the methodology is unclear or not applicable such as sovereign debt. For direct equities, corporate debt and collective investments, this methodology reports the portfolio weight based only on data available. We do not apply a proxy methodology to scale assets to account for missing coverage. Therefore, we acknowledge that the disclosure represents a minimum value. However, addressing data gaps or methodological challenges with proxy data could result in the disclosure becoming misleading in this instance.

Looking forward, we may enhance our aggregation methodology in response to evolving industry best practice to include a proxy methodology where portfolio weights are scaled to cover the total portfolio excluding assets such as cash and sovereign debt. This process would assume that positions with no data from our third-party data provider have data similar to the covered positions.

## Appendix 3: Glossary

Glossary	Definition	Source
Absolute Emissions	Emissions attributed to a financial institution's lending and investing activity. Expressed in tonnes CO <sub>2</sub> e	PCAF
Assets Under Administration	The combined total of assets: under discretionary management, advisory management and subject to execution only	Evelyn Partners
Assets Under Management (AUM)	Assets under discretionary management	Evelyn Partners
Carbon Footprint	Tons CO <sub>2</sub> e/USD million invested. Measures the climate impact across different portfolios, normalized by monetary unit invested	MSCI
CDP	CDP is a global non-profit that runs a global environmental disclosure system for organizations including capital markets, companies, cities and governments to assess their impact and take urgent action to build a truly sustainable economy. Each year, CDP takes the information supplied in its annual reporting process and scores companies and cities based on their journey through disclosure and towards environmental leadership	CDP
CO <sub>2</sub> e	The equivalent amount of CO <sub>2</sub> that would cause the same integrated radiative forcing (a measure for the strength of climate change drivers) over a given time horizon as an emitted amount of another GHG or mixture of GHGs	PCAF
Collectives	Collective investments incorporate a broad range of products and structures. They comprise closed ended and open-ended vehicles (both on and offshore, regulated and unregulated). This definition includes passive funds, Non-Mainstream Pooled Investments (NMPs) and structured products	Evelyn Partners
Coverage	The percentage of a portfolio's securities which have data available from MSCI for a given metric	Evelyn Partners
Directs	Direct investments incorporate individual listed equities and bonds	Evelyn Partners
Enterprise Value Including Cash (EVIC)	The sum of the market capitalization of ordinary shares at fiscal year end, the market capitalization of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests. No deductions of cash or cash equivalents are made to avoid the possibility of negative enterprise values. EVIC = Market Capitalization at fiscal year-end date + preferred stock + minority interest + total debt	PCAF
EU Taxonomy	The EU Taxonomy is a classification system that helps companies and investors identify "environmentally sustainable" economic activities to make sustainable investment decisions. Environmentally sustainable economic activities are described as those which "make a substantial contribution to at least one of the EU's climate and environmental objectives, while at the same time not significantly harming any of these objectives and meeting minimum safeguards"	European Union
Financed Emissions	Absolute emissions that banks and investors finance through their loans and investments	PCAF

Glossary	Definition	Source
Fossil Fuel Revenue	This factor identifies the maximum percentage of revenue (either reported or estimated) greater than 0% that a company derives from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties, all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore, unconventional oil and gas, including revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane and fossil fuel (thermal coal, liquid fuel and natural gas) based power generation	MSCI
GHG Protocol	Comprehensive global standardised frameworks to measure and manage GHG emissions from private and public sector operations, value chains, and mitigation actions. The GHG Protocol supplies the world's most widely used GHG accounting standards. The Corporate Accounting and Reporting Standard provides the accounting platform for virtually every corporate GHG reporting programme in the world	PCAF
GICS	Global Industry Classification Standard; a classification system developed by S&P and MSCI	MSCI
Green Revenue	The percentage of revenue for the year, or maximum estimated percent, a company has derived from products, services, or infrastructure projects supporting the development or delivery of renewable energy and alternative fuels, that proactively address the growing global demand for energy while minimizing impacts to the environment	MSCI
Greenhouse gas (GHG) emissions	The seven gases mandated under the Kyoto Protocol and to be included in national inventories under the United Nations Framework Convention on Climate Change (UNFCCC)—carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF <sub>6</sub> ), and nitrogen trifluoride (NF <sub>3</sub> )	PCAF
Implied Temperature Rise	Implied Temperature Rise (ITR) from MSCI is a forward-looking metric expressed in degrees Celsius, designed to show the temperature alignment of companies and portfolios to global climate targets. This metric rests on a remaining carbon budget, which refers to the maximum amount of net greenhouse gas emissions that can be emitted if we are to keep warming well below 1.5°C by 2100. This budget is then allocated to companies based on science-based scenario models depending on factors such as revenue breakdowns, sectors and regions. MSCI then estimate a company's projected emissions based on current emissions and analysis/credibility of stated reduction targets. This is done to assess whether a company is projected to emit carbon below their allocated budget (undershoot) or whether a company is projected to exceed their allocated budget (overshoot). ITR then converts the overshoot or undershoot to an implied rise in average global temperatures this century, expressed in degrees Celsius (°C), meaning how much would the temperature of the world increase if the whole economy had the same carbon overshoot or undershoot as the company in question	MSCI
ISAs	Individual Savings Accounts	UK Govt
Issuer Carbon Intensity (Revenue Intensity)	Represents the reported or estimated Scope 1+2 emissions of an issuer normalized by sales in USD	MSCI



Glossary	Definition	Source
Issuer Emissions	Represents a company's reported or estimated Scope 1, 2 or 3 greenhouse gas emissions. Issuer emissions are reported in CO2e	MSCI
MPS	Managed Portfolio Services	Evelyn Partners
MSCI CLE	MSCI Climate Lab Enterprise tool (CLE): provides a comprehensive view of climate risk across enterprises, strategies, portfolios, and companies. Using scenario analysis, it provides a view of transition and physical risks, calculates GHG emissions based on the NGFS scenarios	MSCI
MSCI's Climate Value at Risk (CVaR)	MSCI's CVaR model aims to provide a quantitative, forward-looking analysis on how climate change may affect the investment return in portfolios. The CVaR metric, expressed as a percentage change from a portfolio's current valuation, assesses how an investment portfolio could be impacted by climate Policy risk and extreme weather (physical climate risks), and benefit by a low-carbon technology transition	MSCI
NGFS	The Network for Greening the Financial System (NGFS) is a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate- and environment-related risk management in the financial sector and mobilising mainstream finance to support the transition toward a sustainable economy. The NGFS partnered with an expert group of climate scientists and economists to design a set of hypothetical scenarios. They provide a common and up-to-date reference point for understanding how climate change (physical risk) and climate policy and technology trends (transition risk) could evolve in different futures	NGFS
PAI	A Principal Adverse Impact (PAI) is defined as negative externalities on ESG Conditions. This is any impact of investment decisions or advice that results in a negative effect on sustainability factors, such as environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters	European Union
Paris Agreement	The Paris Agreement, adopted within the UNFCCC in December 2015, commits participating countries to limit global temperature rise to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C, adapt to changes already occurring, and regularly increase efforts over time	PCAF
PCAF	The Partnership for Carbon Accounting Financials (PCAF) is a financial industry-led initiative. PCAF helps financial institutions assess and disclose the greenhouse gas (GHG) emissions from their loans and investments through GHG accounting. Responding to industry demand for a global, standardized GHG accounting and reporting approach, PCAF developed the Global GHG Accounting and Reporting Standard for the Financial Industry, focusing on measuring and reporting financed emissions. In 2020 the GHG Protocol reviewed and approved the methodologies for listed equity and corporate bonds, business loans and unlisted equity, project finance, commercial real estate, mortgages, and motor vehicle loans. These methodologies are in conformance with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for Category 15 investment activities	PCAF

Glossary	Definition	Source
Physical Climate VaR	Physical CVaR looks to capture the financial burden (or opportunity) borne by businesses as a result of possible climatic consequences resulting from increased levels of GHG emissions. Physical climate risks can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Acute risks occur from rare natural catastrophes including Tropical Cyclones, Coastal Flooding, Fluvial Flooding, River Low Flow and Wildfire. Chronic climate risks manifest slowly over time and include Extreme Heat, Extreme Cold, Extreme Precipitation, Extreme Snowfall & Extreme Wind. Both sets of physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. MSCI provide two views on physical climate risk, average and aggressive scenarios. The average scenario is considering the most likely impact of climate change over the modelled 15-year period. The aggressive scenario explores the severe downside risk and is considered as the worst-case scenario. Physical Risk costs or income are modelled in detail for the first 15 years under the different climate scenarios. For the period after that until 2100, MSCI estimates the calculations of costs or income anchored on the more precise cost or income calculations performed for the earlier 15-year period	MSCI
Policy Climate VaR	Policy CvaR looks to capture how regulations stemming from countries' Nationally Determined Contributions (NDCs) affect a company's activities that produce direct (Scope 1) and indirect (Scope 2 & 3) greenhouse gas emissions. There is a cost to decarbonize and meet national targets in the countries and sectors of operation. This is captured through the required emissions reduction and carbon price estimates associated within the chosen scenario. Policy Risk costs are modelled in detail for the first 15 years under the different climate scenarios. For the period after that until 2100, MSCI estimates the calculations of costs anchored on the more precise cost calculations performed for the earlier 15-year period	MSCI
Science Based Targets Initiative (SBTi)	Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C. Science-based targets provide a clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth. A company is considered under SBTi Coverage if the company has one or more active carbon emissions reduction target approved by the Science Based Targets Initiative (SBTi)	MSCI
Scope 1 Emissions	GHG Emissions directly occurring from sources owned or controlled by the reporting company, i.e., emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc	PCAF
Scope 2 Emissions	Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating, or cooling is generated	PCAF
Scope 3 Emissions	All other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the company. Scope 3 can be broken down into upstream emissions and downstream emissions. Upstream emissions include all emissions that occur in the life cycle of a material/product/service up to the point of sale by the producer, such as from the production or extraction of purchased materials. Downstream emissions include all emissions that occur as a consequence of the distribution, storage, use, and end-of-life treatment of the organization's products or services	PCAF

Glossary	Definition	Source
SFDR	The Sustainable Finance Disclosure Regulation (SFDR) requires financial market participants and financial advisers to inform investors about how they consider the sustainability risks that can affect the value of and return on their investments and the adverse impacts that such investments have on the environment and society	European Union
SIPPS	Self-Invested Personal Pensions	UK Govt
Technology Opportunity Climate VaR	Technology Opportunity CvaR looks to capture the opportunities born out of the changes required to meet the transition to a low carbon economy. It looks to capture which companies may emerge as future innovators and take advantage of these growth opportunities via the successful development or growth of key low-carbon technologies. MSCI's model is based on estimate current low-carbon revenues as well as company-specific patent data. Technology Opportunity income is modelled in detail for the first 15 years under the different climate scenarios. For the period after that until 2100, MSCI estimates the calculations of income anchored on the more precise income calculations performed for the earlier 15-year period	MSCI
Weighted average carbon intensity (WACI)	Portfolio's exposure to carbon-intensive companies, expressed as tCO2e/USD million revenue	MSCI



## Appendix 4: TCFD reference index

The following table shows where the report addresses TCFD's recommended disclosures, including supplemental guidance for asset managers.

Governance		
The board's oversight of climate-related risks and opportunities.	8-9	See also our Annual Report
Management's role in assessing and managing climate-related risks and opportunities.	10-11	
Strategy		
The climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	12-17	
The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	12-17	
How climate-related risks and opportunities are factored into relevant products or investment strategies; how each product or investment strategy might be affected by the transition to a low-carbon economy.	18-19	
The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	20-25	
Risk Management		
How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	26-29	
Describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks.	29-30	Additional detail on engagement statistics and examples can be found in our quarterly client reporting on proxy voting, our Annual Stewardship Report, and in our responses to the 2020 UK Stewardship Code.
Asset managers should describe how they manage material climate-related risks for each product or investment strategy.	31-35	

## Metrics and Targets

The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. 36-40

Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. 39

Describe metrics used to assess climate-related risks and opportunities in each product or investment strategy. Where relevant, describe how these metrics have changed over time. Where appropriate, provide metrics considered in investment decisions and monitoring. Describe the extent to which assets under management and products and investment strategies, where relevant, are aligned with a well below 2°C scenario, using whichever approach or metrics best suit organizational context or capabilities. Indicate which asset classes are included. 39-40

Disclose GHG emissions for assets under management and the weighted average carbon intensity (WACI) for each product or investment strategy, where data and methodologies allow. These emissions should be calculated in line with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF Standard) or a comparable methodology. In addition to WACI, asset managers should consider providing other carbon footprinting metrics they believe are useful for decision-making. 39-41

The targets used by the organisation to manage climate-related risks and opportunities and performance against targets. 41-42

## Appendix 5: Legal notices – use of MSCI ESG Research and ESG Manager data to calculate our investment metrics

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