

Climate Report 2025

FOR THE 12 MONTHS FROM
01 January 2025 to 31 December 2025

At a glance

WHO WE ARE

£7.2bn

assets under management

as at 31 December 2025

EST.
1993

First fund launched
in 2018

100%

employee
owned

80

employees

including a 28-person investment team

WE OFFER CLIENTS



Real returns

A long-term, best ideas investment approach
aligned with our clients' financial objectives
of growing their assets above inflation



A transparent and
simple approach

Investing primarily in global equities,
to provide a transparent and best
ideas solution for clients



Personal
service

Delivering a partnership approach between
our clients and our investment team



Stewardship

Core to our investment approach

Introduction from



Caroline Stokell
CEO

2025 has been a period of transition in the global response to climate change. While the physical realities of a warming world remain a constant concern, the narrative shifted this year from high-level commitments to the realities of implementation. Against the backdrop of a complex and evolving regulatory landscape, particularly in the US, our focus has remained steadfast: identifying how climate-related risks and opportunities impact the long-term value of the companies in which we invest.

This year, we have observed a maturing in corporate strategy, with companies increasingly moving beyond the announcement of distant net-zero targets to focus on the operational and practical aspects of decarbonisation. This includes investing in energy efficiency, integrating emissions reductions into core business operations and assessing new technologies. As active investors, we view this shift toward tangible, operational progress as a positive sign of business resilience and pragmatic long-term planning.



Ross Ciesla
CIO

We are also proud to share a significant milestone in our own journey. Having reached our initial 2030 portfolio emission reduction targets ahead of schedule, as detailed in last year's report, we have reset our ambitions. We have established new portfolio emissions reduction targets for 2035 for both carbon footprint and weighted average carbon intensity. This extension reflects our commitment to continuous improvement and our belief that continuing to consider physical and transition climate risks is an important component of protecting client capital over the next decade.

Despite the shifting political and regulatory winds in the US and elsewhere, our investment philosophy remains unchanged. We continue to invest in high-quality, resilient businesses that can navigate a low-carbon transition. Our engagement remains focused on ensuring that portfolio companies are not just setting goals, but are actively integrating their environmental goals with reaching their financial and strategic ambitions in the real world.

We hope you find this report informative and that the many engagement examples provide clear insight into how we integrate climate considerations into our research and strategic thinking. We welcome the opportunity to discuss our approach and our stewardship work with you further.

Caroline Stokell
Chief Executive Officer

Ross Ciesla
Chief Investment Officer

Compliance statement

The disclosures in this report are consistent with the TCFD Recommendations and Recommended Disclosures, as well as Annexures C, 'Guidance for all Sectors', and Annexure D.4, 'Supplemental Guidance for the Financial Sector – Asset Managers', where relevant. We have taken reasonable measures to ensure that disclosures are explained clearly and that limitations of the data in the report are also discussed. We view climate-related best practice and disclosures as evolutionary and aim to continue improving our disclosures and work in this area.

This statement is compliant with the FCA's ESG sourcebook (section 2.2.7) and is duly signed by a member of the Navera Investment Management executive team.

Unless stated otherwise, all carbon data in this report has been sourced from Sustainalytics.

All data is at 31 December 2025.

If you would like to discuss this or any other aspects of our stewardship work further, please contact your portfolio manager or Sam Cotterell on the email address below.



This report was written by

Sam Cotterell
Investment Partner
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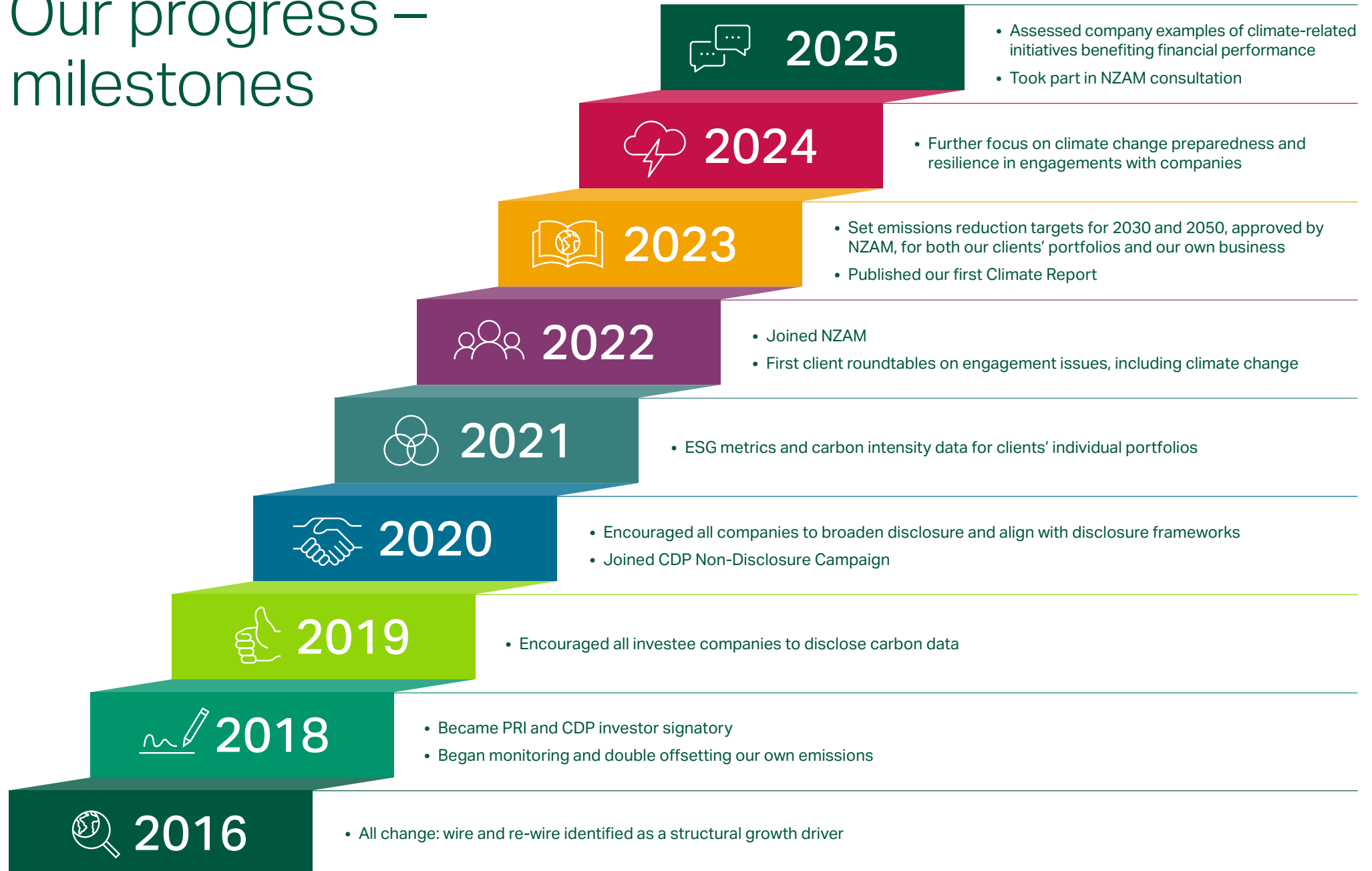
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Our progress – milestones



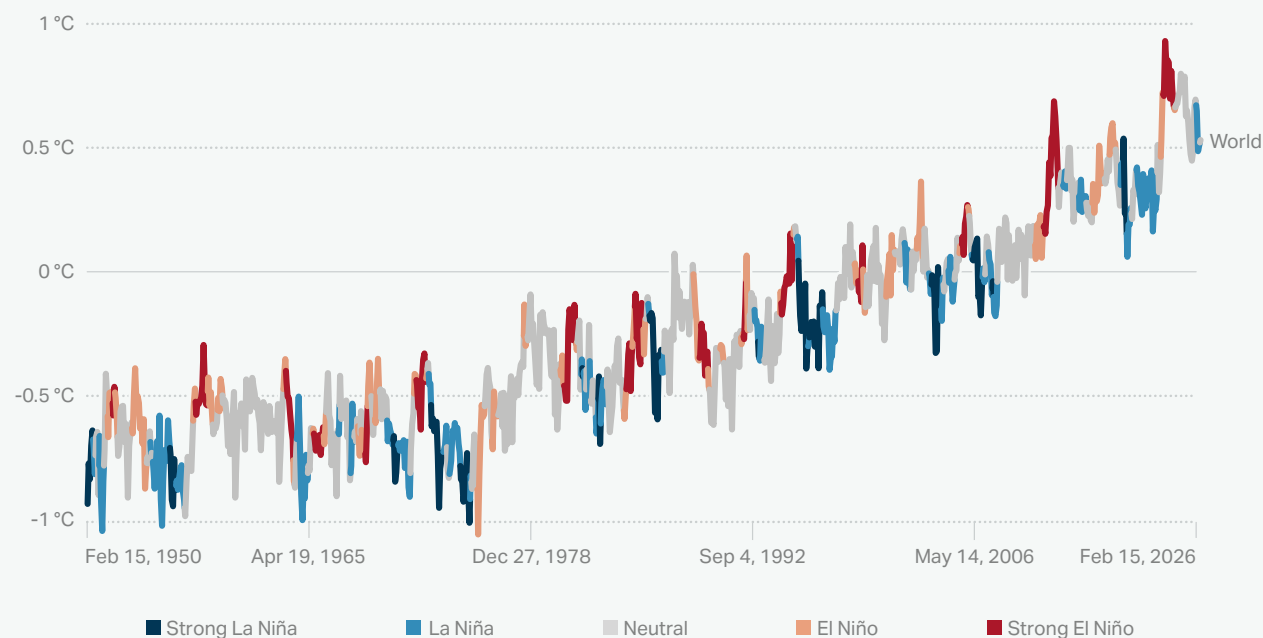
Climate change and our role

The climate context: Sustained warming and extreme events

The effects of climate change continue to present systemic risks to the global financial system, manifesting as both immediate physical disruptions and long-term transition challenges for individual corporations. As an active investment manager, we incorporate these climate-related factors into our analysis to foster resilience across our portfolios.

Following the record-breaking heat of 2024, the warmest year on record, 2025 was confirmed as the third-warmest year globally since the pre-industrial era and the warmest La Niña year on record. This underscores that the underlying warming trend and its consequences remain dominant, regardless of shifting political landscapes. In 2025, global average surface temperatures reached approximately 1.47°C above pre-industrial levels, with nearly 91% of the Earth's surface experiencing above-average temperatures.¹

Figure 1. Global temperature anomalies by El Niño and La Niña conditions



The difference between a month's average land-sea surface temperature and the 1991-2020 average of the same month, measured in degrees Celsius.

El Niño is the warm phase of the Pacific climate cycle, when unusually warm surface waters in the central and eastern tropical Pacific disrupt normal wind and rainfall patterns. La Niña is the cool phase, marked by stronger trade winds and unusually cold Pacific surface waters, which tend to amplify typical weather patterns.

Data source: Contains modified Copernicus Climate Change Service information (2025); NOAA National Centers for Environmental Information (2025)

[OurWorldinData.org/climate-change](https://ourworldindata.org/climate-change) | CC BY

We continue to see the financial consequences of climate change – particularly in the insurance industry. Business interruption lawsuits and homeowner insurance disputes linked to climate disasters (excluding hurricanes) have more than doubled in the US over the past decade. The World Economic Forum estimates that as much as \$610 billion of fixed asset losses per year could be seen across listed companies by 2035.² There is also increasing recognition of the demands placed on resources by our rapidly rising demand for computing power in a data-intensive world. Datacentres are not only raising electricity demand and prices; their water usage has also become an issue, and a point of engagement for us with **Amazon** and **Microsoft** as described later in this report.

A shifting regulatory landscape

The regulatory environment saw a notable divergence in 2025. In January 2025, President Trump initiated the formal process to withdraw the United States from the Paris Agreement, a move that became effective one year later in January 2026. The U.S. Securities and Exchange Commission (SEC) also paused its climate-related disclosure rules and this was compounded in early 2026 by the repeal of the 2009 Greenhouse Gas Endangerment Finding. This ruling, which stated that the buildup of greenhouse gases in the atmosphere endangers public health and welfare, had been the foundation of various US climate rules and disclosure requirements.

However, corporate transparency remains a requirement for many. California continues to lead with its own mandates; the Climate Corporate Data Accountability Act (SB 253) requires companies with over \$1 billion in annual revenue to begin disclosing Scope 1 and 2 emissions based on 2025 data, with the first reporting deadline set for August 2026. Companies with global operations must

still navigate a patchwork of international requirements, including the EU's Corporate Sustainability Reporting Directive (CSRD), necessitating robust data collection regardless of U.S. Federal Government policy shifts.

Energy security continues to be a concern for many countries, as geopolitical volatility such as in the Ukraine and the Middle East has exposed vulnerabilities to global price shocks. This is likely to continue to drive further efficiency gains, investments in grid resilience and more domestic energy production – including renewables and nuclear.

Energy markets: Efficiency, renewables and the AI surge

Global energy demand growth slowed to 1.3% in 2025, down from 2.0% in 2024, yet electricity demand continues to outpace overall energy growth at a rate of 3%.³ China continued to account for the largest share of global energy demand growth, despite a sharp decrease in its demand growth from 2.7% in 2024 to 1.7% in 2025. Energy demand growth in the US accelerated to over 2% and now accounts for nearly one-quarter of global energy demand growth.

- **The role of AI and datacentres:** A primary driver of this demand is the rapid expansion of artificial intelligence. In 2025, electricity usage from datacentres surged by 17%, driven by over \$400 billion in capital expenditure from major technology firms. This is particularly prevalent in the US, where datacentres are expected to account for half of electricity demand growth in the US to 2030. Electricity prices in areas with the largest datacentre growth have risen over 250% in the past five years.

- **Electric vehicles:** Electricity demand due to EVs rose 38% over 2025 as one in four cars sold were electric. This was led by China, where over half of all car sales were electric. Although growth in the US stalled, Europe, the UK and other markets all saw significant increases in electric vehicle sales.
- **Renewable leadership:** Solar photovoltaics emerged as the single largest source of global energy supply growth in 2025, accounting for 25% of new incremental demand. Together, renewables and nuclear power met nearly 60% of all new energy demand globally. Electricity generation from coal declined in 2025, with declines in both China and India. In the European Union, coal power fell below 10% of total generation for the first time. However, fossil fuels still contribute more than half of global electricity generation.
- **Investment trends:** Global investment in the energy transition reached a record \$2.3 trillion in 2025, but grid infrastructure remains a critical bottleneck. Investment in global power grids reached \$483 billion in 2025, but experts suggest this must scale significantly to over \$600 billion annually by 2030 to prevent system failures and support the influx of renewable power. Battery storage is an important element for security of power supplies and is the fastest-growing power technology. 40% more utility-scale battery storage capacity was deployed in 2025 versus 2024 and installed capacity is now 11x higher than in 2021. Battery storage durations are also improving, with a rising number of deployments being capable of lasting four hours or more.

2. Climate insurance legal action surges as property damage costs rise, Financial Times, January 2026

3. IEA Global Energy Review 2026 <https://www.iea.org/reports/global-energy-review-2026>

Beyond carbon: Biodiversity and water scarcity

Our analysis increasingly also encompasses broader environmental risks than carbon. 2025 highlighted growing concerns regarding water security and biodiversity. In the UK, serious river pollution incidents surged by 60%, driven by sewage spills and the detection of 'forever chemicals' (PFAS) in major waterways. Simultaneously, record droughts, including the driest spring in the UK since the 1950s, mirrored severe water shortages in the Global South, impacting crop yields and industrial operations. These developments reinforce the need for companies to evaluate their ecological footprints and water dependencies as material financial risks.

Our role as active stewards of our clients' capital

As active investors, we aim to invest in companies that have strong financial characteristics and benefit from structural growth tailwinds. With a focused portfolio, every holding is a considered position with all risks and opportunities considered. While our analysis encompasses multiple elements and concentrates on financial and strategic considerations, we also consider the risks and opportunities presented by climate change.

Our high ratio of investment analysts to investee companies means we are able to engage directly with our investee companies where helpful. We believe the quality of a company's strategic response to the energy transition and physical climate risk is a meaningful indicator of broader management quality. Proactive engagement enables us to understand companies' viewpoints and evaluate their progress on these issues. Where required, we are prepared to be a critical friend and encourage them to move towards best practice. Some of our portfolio companies also benefit from being essential enablers of increased digitisation and electrification, required to switch to a lower-carbon global economy.

Proactive engagement enables us to understand companies' viewpoints, evaluate their progress and encourage best practice where required.

When we speak to our portfolio companies, many have made significant progress in their own decarbonisation plans and are excited about the opportunities that electrification and decarbonisation present. Our engagements with portfolio holdings and information provided by them directly or through the CDP have revealed specific examples of the financial benefits of climate preparedness, from increased resilience to reduced costs of energy.

Many of our equity holdings do not have a significant carbon footprint in their own operations, but some play key roles in helping their clients or suppliers to decarbonise. We believe that this ripple effect has a real-economy impact, leading to significant momentum for positive change towards a low-carbon future.

We firmly believe in encouraging companies to focus on material issues that directly affect their business resilience and financial performance. We recognise the shifting regulatory landscape, especially when it comes to ESG-related matters. These shifts make it increasingly difficult for companies to keep pace with legal requirements, particularly if they operate across multiple jurisdictions. We nonetheless expect companies to make strategic decisions to promote long-term value creation and resilience and focus on environmental and social goals that align with their financial objectives. Despite global differences leading to challenges in some areas, we will continue to constructively debate these issues with our investee companies and focus on finding common ground to encourage long-term value creation, resilience and success.

Governance

Our governance structure allows efficient and effective monitoring of investments, client outcomes, operations and compliance. As a small firm that is 100% owned by its employees, the culture of our company is of paramount importance to us.

Since our company was founded over 30 years ago, we have been guided by a culture of partnership and a common-sense investment philosophy. This serves one purpose: to protect and grow our clients' wealth for the future.

Our stewardship and engagement work supports our analysis of companies and contributes to our understanding of our investments and ability to meet our clients' financial objectives. For example, we look at the durability of growth prospects, competitive positioning, quality of management, governance structures and capital allocation.

We also incorporate climate issues and other material environmental or social risks. In particular, we encourage investee companies to disclose their emissions, set targets to reduce them and have credible plans for achieving these reductions in their own businesses and across their value chains. We expect companies to have assessed the physical risks of climate change under different future warming scenarios and their resilience and preparedness for events such as wildfires, drought or flooding.

Everything we do is guided by three principles:

1 Real returns

Our investment philosophy is aligned with our clients' objectives – to deliver long-term returns ahead of inflation. We consider risk as the potential for permanent capital loss. We believe in providing a sense of security through common-sense investing.

2 Partnership

We believe in the power of partnership. This cultural mindset is deep-rooted in our team. The investment team comprises 28 experienced investment professionals who are committed to providing a personal service to all our clients. We are 100% owned by our team, creating stability and focusing us on achieving our clients' objectives.

3 Stewardship

When we buy shares in companies, we become business owners. As stewards of our clients' capital, we have an opportunity and a responsibility to contribute to the long-term success of these businesses, taking the time to understand and support their strategy.

Governance structure

Our board has four directors: the Executive Chair, Chief Executive Officer, Chief Investment Officer and Chief Operations and Technology Officer. Our Compliance Officer/MLRO is an attendee. The board oversees the entire business, including strategy, resourcing and risk management. This includes the management of climate-related risks and opportunities. The board delegates specific responsibilities to board committees and working groups (see **Figure 2**). Our governance structure will continue to adapt in accordance with the needs of our business.

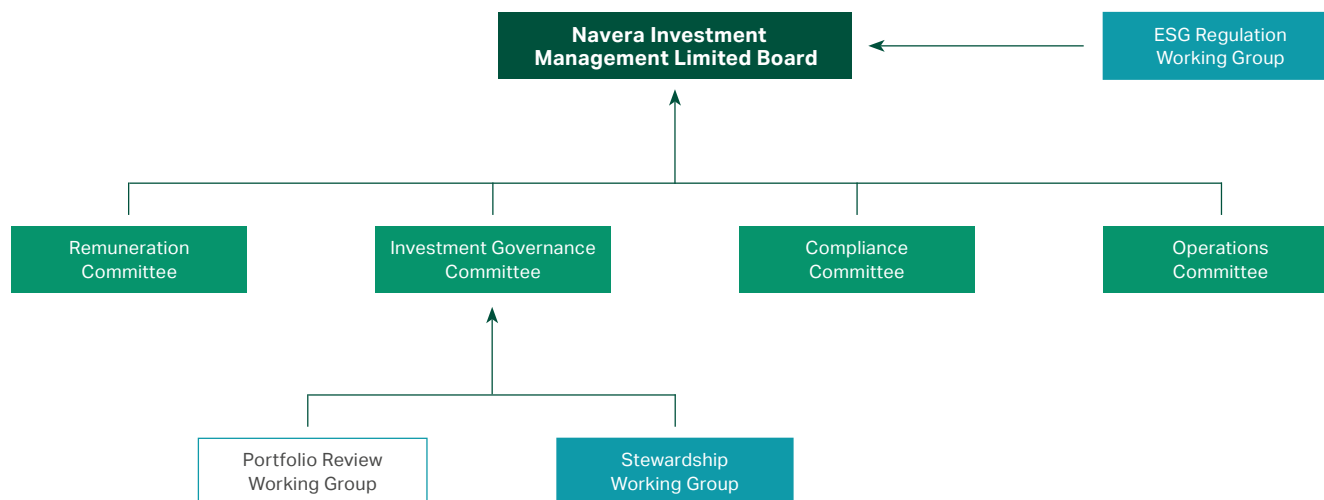
Our investment process is overseen by the Investment Governance Committee, which is chaired by our Chief Investment Officer, Ross Ciesla. Aligned to our clients' objectives, we take a long-term view on our investments and generally expect to hold companies for five years or longer.

Taking a long-term approach helps build resilience into business models.

We believe that encouraging our portfolio companies to take a long-term approach helps build resilience into their business models. This, in turn, increases the resilience of the economies and financial markets in which they operate. Issues such as climate are therefore considered in our analysis, both from a systemic risk perspective and individual companies' exposure to physical climate risk and the required decarbonisation of our economies.



Figure 2. Structure of relevant committees and working groups



Forum	People	Description
NIML Board	Chair: Mark Rayward (Exec Chair) Membership: four, plus one attendee	Oversees strategy, resourcing, financial reporting, risk management and internal controls.
Investment Governance Committee	Chair: Ross Ciesla (Chief Investment Officer) Membership: Deputy CIO, Head of Research, Head of Investment Support, Senior investors, Compliance Officer	Oversees investment process including portfolio performance and outcomes (financial and ESG related), research, dealing and stewardship. Reviews portfolio net-zero targets.
Stewardship Working Group	Chair: Sam Cotterell (Investment Partner) Membership: Senior investors, CEO, Deputy CIO, Head of Research	Oversees implementation of our stewardship strategy, policy and practices. Reviews policies and discusses best practice, including those concerning climate change and disclosures around emissions. Monitors ESG-related data providers.
Portfolio Review Working Group	Chair: Will White (Investment Partner) Membership: CIO, Investment Support analyst	Seeking to ensure and affirm consistent outcomes for clients from a performance and risk perspective. Monitors financial performance, volatility metrics and third-party sustainability risk scores and carbon intensity for all clients.
ESG Regulation Working Group	Chair: Sam Cotterell (Investment Partner) Membership: three board members, Compliance Officer/ MLRO	Oversees the resourcing, policies and processes to manage ESG-related regulatory requirements. Oversees responses to proposed regulation. Monitors our own operational carbon footprint and the financed emissions of NIML.
Compliance Committee	Chair: Alison Fawcett (Compliance Officer/ MLRO) Membership: CEO, Chief Operations and Technology Officer, Head of Client Operations, Head of Oversight and Control	Oversees compliance, risk, regulatory reporting and the regulatory timeline, including ESG issues such as climate change.

Remuneration and incentives

Our incentive policy is designed to align our long-term interests with those of our clients. Equity ownership is a key part of our reward structure and vitally important for the retention and stability of our staff. With merger and acquisition activity still prevalent in the sector, distribution channels appreciate our independence and the alignment of interests with our clients' that this implies.

We are therefore pleased that over 80% of our employees, including all members of our investment team and other senior staff, were equity holders in the business at the end of 2025. Share ownership facilitates an appropriate level of long-term incentive and alignment of interests with our clients, particularly as discretionary investment management is our sole business.

All short-term incentives are discretionary and based on investment results, stewardship work, teamwork, client service and compliance. We do not have sales targets or targets for growth in assets under management.

As part of our annual review process, all staff, including senior managers, discuss teamwork and their contribution to social and environmental issues to ensure responsible and ethical success for the business and for our clients.

Our portfolios

Strategy

We are an independent and employee-owned discretionary investment management business. We have always focused on a single objective – to protect and grow the value of our clients' capital ahead of inflation over the longer term (i.e. five years or more).

Incorporating climate change considerations is a natural part of our analysis given our long-term approach. While our analysis encompasses multiple different elements and concentrates on financial and strategic considerations, we also consider how companies are placed and are responding to their exposures to the energy transition and the financial consequences of this. We consider the financially material risks to each business as well as opportunities that the energy transition and the move to a low-carbon future can present to companies.

In 2025, we held over 150 meetings with senior leaders from the companies we hold or are researching. Of these meetings, 79 were dedicated one-to-one sessions, of which 30% included ESG issues as a primary topic. We voted on 485 proposals at company annual general meetings and sent 32 letters to management as part of our ongoing stewardship efforts. Thirteen of our companies were engaged specifically on climate, often alongside broader governance and operational discussions.

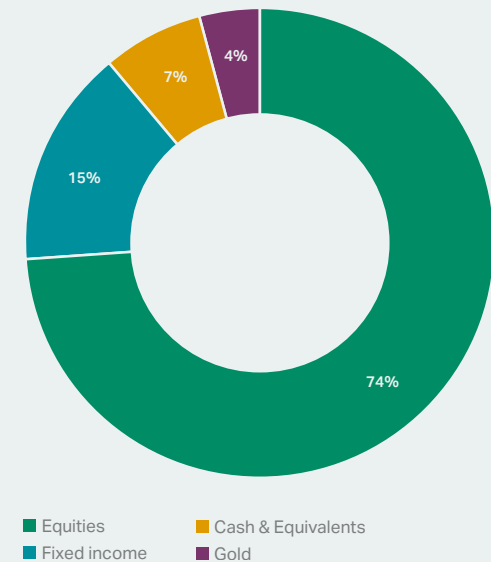
As an active investment manager, we recognise that we have an important role to play in the journey to a low-carbon future and net zero by engaging with and encouraging best practice from our investee companies. Climate change is a systemic risk to the financial system and economies of the world, as well as introducing physical or transition risks at an individual company level. As we moved into the second half of this crucial decade for real energy system change, two themes dominated

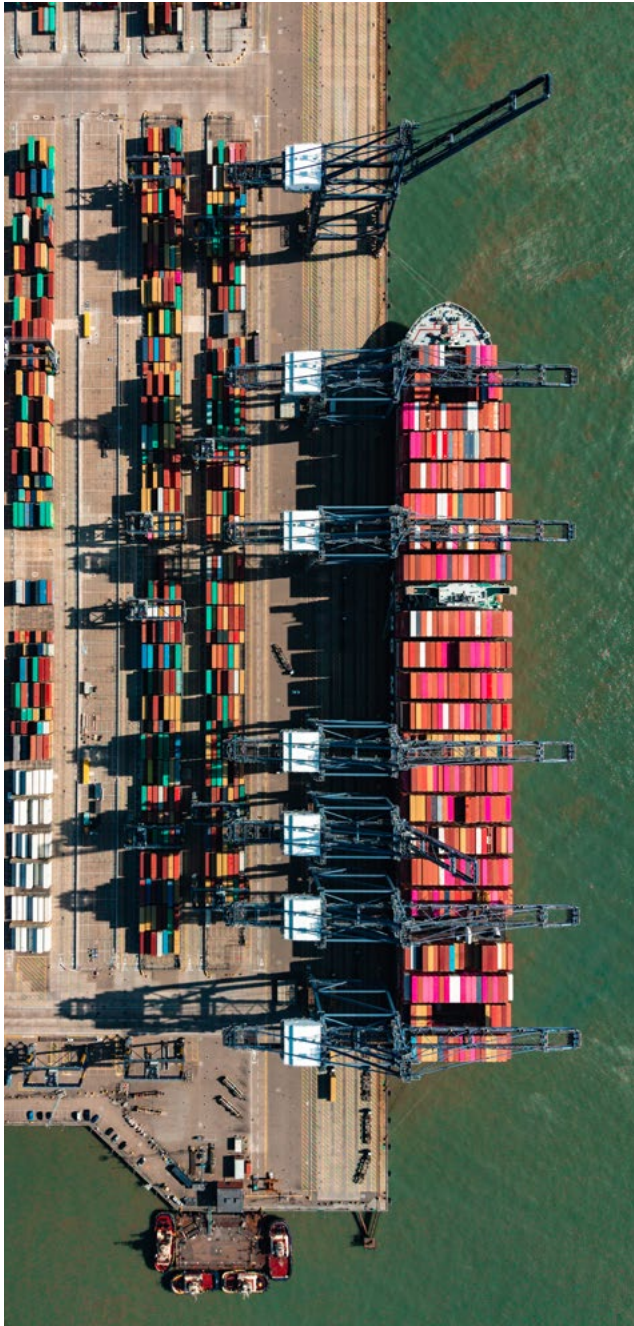
our climate conversations: the operational practicalities of decarbonisation, and how companies are navigating a rapidly shifting political backdrop, particularly in the US.

Asset class considerations

Our climate considerations should be viewed in the context of the relevant holding period and weighting of each asset class. We invest in public global equity markets, high-quality sovereign and listed corporate debt, cash and, where appropriate, gold. We do not invest in private markets (equity or debt), infrastructure or other alternatives. Third-party funds are also not part of our core offering, but we may use them for specialist exposures, such as cash management or to access gold-related investments.

Figure 3. Breakdown of assets under management by asset class





Non-equity holdings

Our non-equity holdings are intended to generate cash-plus returns and provide lower risk profiles than our equity holdings. The weightings to different asset classes within each portfolio reflect the risk appetite of that portfolio and our opportunity set in the equity portfolio.

Our fixed income holdings are 15% of our total AUM, as shown in **Figure 3**. We typically hold investment grade, reasonably short-term debt. Nearly 75% of our fixed income holdings have a maturity of less than 5 years and only <1% have a maturity of over 10 years.

Our corporate bond holdings tend to be held to maturity. Our prime consideration is whether the coupon and par value can be paid over the time horizon of each bond held. We may therefore invest in short-dated fixed income securities issued by companies that we are unlikely to hold in our equity portfolios. In these cases the investment case would rest on the expected financial return and a low likelihood of ESG risks (including climate change risks) resulting in material financial risk during the investment period.

Our corporate bond holdings are 7% of our overall AUM (i.e. 47% of our fixed income holdings). Where these corporate bonds are issued by companies covered by our equity analysts, our research and any engagements with these companies cover both the equity and bond holdings in our investment universe of potential investments. This currently applies to a quarter of our corporate fixed income AUM.

For other corporate bond holdings, alongside our own sector and company knowledge, we use third-party data providers to ensure that we understand the material environmental (and social and governance) risk factors. These providers include Sustainalytics and the CDP.

For risk-management reasons, our sovereign and supranational debt is generally held in the currency of the underlying portfolio. This means we hold UK, US and some European government debt. UK and European governments have set net-zero targets, whereas the US moved away from its climate goals in 2026. US Treasuries account for 12% of our sovereign debt (i.e. 5% of our fixed income holdings and <1% of total AUM). We do not currently consider government debt in our climate metrics in this report.

Gold is typically held through a third-party fund and acts as a diversifier of risks, particularly extreme inflation or policy risk scenarios. The third-party gold fund we use for gold exposures has a commitment to target post-2019 responsibly sourced gold and to promote high ethical standards in the gold market.

Equity holdings

We generally intend to hold our equity investments for at least five years, and often considerably longer. Each investment decision therefore involves considering the medium- and long-term outlook, during which many ESG factors, including climate, are likely to become more prevalent. As shown in [Figure 3](#), equity holdings were 74% of our AUM at the end of December 2025 and are therefore the focus of our research and risk allowance. The majority of this section is therefore of particular relevance to our equity holdings.

Our investment approach creates a focused, best-ideas portfolio of 25-40 equity holdings that we believe can achieve our clients' above-inflation investment objectives. As outlined previously, we aim to invest in companies for the long term and therefore look for high-quality, forward-thinking companies. In all stages of our investment analysis, from initial research to ongoing monitoring and engagements, we consider material risk factors – including environmental factors.

We assess all our investee companies' emissions, exposure to transition risks and also consider whether they are particularly vulnerable to physical risks, such as extreme weather events, rising sea levels or water stress. If we believe there are risks to a business that are unaddressed by management, these will be factored into our decision-making process.

When we undertake our initial research and ongoing monitoring, we look to engage with management in areas where we need more information or have concerns. Given our focus on investing in high-quality businesses with forward-looking management teams, the vast majority of our companies are already considering these issues, although disclosure could be improved in some cases.

If we deem a risk to be material for a company that has little appetite for improvement or constructive engagement, it is highly unlikely that we would invest in that business. If we already had a holding, we would look to exit. Where we sell holdings outright, for any reason, we always write to management to explain our rationale.

Engagement and voting

As stewards of our clients' capital, we believe that engaging with our portfolio companies and voting at company meetings are important ways to promote best practice. Specific company stewardship activities are led by the primary analyst for each company, supported by members of our Stewardship Working Group and other members of our investment team. Given our focused approach and high ratio of investors to investee companies, each primary analyst is able to gain in-depth understanding of specific companies and build relationships with members of their boards, senior management and sustainability teams. In 2025, we engaged with 97% of our holdings, including 1:1 meetings, voted on 485 proposals at company annual general meetings and sent 32 letters as part of our efforts to work with companies for long-lasting change.

Working in partnership with companies means being a critical friend at times and holding management to account, but also providing support and guidance when needed and celebrating progress. We are mindful of the politicisation of ESG and climate concerns, particularly in the US. As an investor in many US companies, this is something we have discussed with management teams. Clear communication with stakeholders about why certain issues are value creative for a company in the long term is essential in this environment. We continue to promote a focus on materiality for each individual business model and not box-ticking exercises.

Examples of engagement follow throughout this section.

Our meetings with investee companies are opportunities to increase our knowledge of industry-specific environmental challenges in practice.

Our approach to climate scenarios

Scenario analysis is a valuable tool for considering potential outcomes in an uncertain world. It can highlight exposure to physical and transition climate risks and provide a framework for considering the likelihood and severity of these risks. Given our focused approach, our scenario analysis is completed with our investment universe in mind.

We have considered scenario analysis in two different ways:

- Qualitative analysis, considering physical risks, transition risks and opportunities.
- Quantitative analysis, specifically Climate Value at Risk and Implied Temperature Rise.

Qualitative scenario analysis

We have undertaken qualitative analysis of physical and transition risks for our investment holdings using scenarios from the Network for Greening the Financial

System (NGFS). We do not judge which outcome is most likely but consider the potential impact on our portfolios of three different scenarios as described in [Figure 4](#).

Figure 5. Scenario analysis: Physical risks for our investment portfolios

Category	Identified risks	Net Zero 2050 1.5°C scenario		Delayed Transition 2°C scenario		Current Policies 3°C scenario		Mitigation strategies for our portfolios
		L	S	L	S	L	S	
Acute	Impact from extreme weather events such as floods, drought, hurricanes or cyclones.	Medium	High	Medium	High	High	High	Encourage companies to conduct risk assessments in their own operations and supply chains with contingency plans in place.
		●	●	●	●	●	●	
Chronic	Impact from sustained higher temperatures, such as higher sea levels or chronic heat waves.	Low	Medium	Medium	Medium	High	High	Encourage companies to conduct risk assessments in their own operations and supply chains and enact climate adaption strategies where required.
		●	●	●	●	●	●	

● Short-term ● Mid-term ● Long-term

L = Likelihood of issue under this scenario S = Significance: level of financial risk to corporates under this scenario

Figure 4. NGFS scenario overview

Net Zero 2050 1.5°C scenario	Stringent climate policy and focus on innovation enable global net zero CO ₂ emissions by 2050. Reasonably orderly transition.
	Carbon prices High
	Technology change Fast change Temperature change progression Rises to a peak in mid-2030s, before reducing slowly.
Delayed Transition 2°C scenario	Annual emissions do not decrease until 2030. After this, stringent policies are required to limit warming to 2°C. Disorderly transition with high transition risks.
	Carbon prices No change to 2030 and then high Technology change Slow change before 2030; Fast change post 2030
	Temperature change progression Rises to a peak c.2050 before slowing or reducing.
Current Policies 3°C scenario	Only current implemented policies are preserved, with no strengthening of these policies. High physical risks as warming is not limited to 1.5–2°C.
	Carbon prices No change Technology change Slow change
	Temperature change progression Temperature continues to rise, surpassing 2°C by 2050 and continuing to rise to 3°C or above.

Figure 6. Scenario analysis: Transition risks for our investment portfolios

Category	Identified risks	Net Zero 2050 1.5°C scenario		Delayed Transition 2°C scenario		Current Policies 3°C scenario		Mitigation strategies for our portfolios
		L	S	L	S	L	S	
Policy and Legal	Costs of non-compliance to existing or new regulations	Medium	Medium	Medium	Medium	Low	Low	Horizon scan on emerging regulation and engagement with our companies. Encourage our companies to plan and act ahead to ensure compliance with future regulation.
		●	●	●		●		
	Regulation increases cost of raw materials or inputs (including carbon prices)	High	Medium	High	Medium	Low	Low	Engagement with companies, encouraging increased take-up of low-carbon energy, proactive with supply chains for compliance.
		●	●	●	●	●		
Technology	Disruptive technology emergence leading to volatility and potential for lower revenues	Medium	High	Medium	Medium	Low	Low	Scan for disruptive technologies and expect our companies to be leaders rather than disrupted.
		●	●	●	●	●		

● Short-term ● Mid-term ● Long-term

L = Likelihood of issue under this scenario S = Significance: level of financial risk to corporates under this scenario

We believe that all companies need to be aware of their physical and transition risks with regards to climate change. Collecting data and building robust policies and processes to reduce emissions, as well as disclosing this information, can offer financial advantages. We encourage companies to focus on potential financial benefits, such as lower costs from renewable energy and avoiding financial penalties that may arise from regulation, such as carbon taxes, or customer preferences for lower-carbon products. Financial loss from failing to prepare adequately for the physical risks of climate change is also becoming a reality.

We have engaged with companies individually on these topics. The most material issues in this area will vary by company, as will the actions they need to take. We use both company reporting, reporting to other organisations such as the CDP and our engagement meetings to assess progress on these issues. Our conversations have generally shifted from setting targets to the practicalities and operational challenges of decarbonisation, as well as continuing dialogue, where appropriate, about physical risks and resilience. We consider meetings with investee companies as opportunities to increase our knowledge of industry-specific environmental challenges, because individuals working on the front line are often best-placed to understand the practical implications of these issues.



Company examples: Operational practicalities of decarbonisation

During our engagement with **AMETEK**, we discussed the company's progress toward its climate goals and the challenges inherent in expanding its reporting framework. The company has achieved a **26% reduction** in Scope 1 and 2 emissions intensity against its 2019 baseline (goal is 40% by 2035), driven largely by organic energy efficiency "Kaizen" initiatives and on-site solar deployment. However, management noted that further gains are becoming incrementally more difficult.

Regarding broader disclosures, AMETEK remains cautious:

- **Scope 3 & CDP:** The company is currently monitoring the evolving regulatory landscape (such as CSRD) before committing to full Scope 3 disclosure or corporate-level CDP submissions. Reporting to Scope 3 and CDP would incur significant incremental costs, so the company is continuously analysing the cost-benefit of such disclosure, while also being mindful of the usefulness of such data given the level of assumptions they would have to make.
- **Renewables:** Renewable energy usage remains at 8%, with the company prioritising on-site solar installations where the financial return is viable rather than setting rigid targets that rely on external infrastructure beyond their control.

Through this dialogue, we gained a clearer understanding of AMETEK's pragmatic, efficiency-first approach to decarbonisation and will continue to encourage more comprehensive transparency as their sustainability resources scale.

Part of our engagement meeting with **Avery Dennison** also focused on operational decarbonisation issues. Management emphasised that sustainability-linked investments are held to the same rigorous financial standards as any other capital allocation, often yielding returns on a par with or higher than traditional projects. Notably, energy efficiency initiatives have generated approximately **\$350 million in savings** over the last decade, contributing to a **60% reduction** in Scope 1 and 2 emissions.

To address Scope 3 emissions, the company is actively working with suppliers to move away from traditional antenna etching. Etching is a major source of emissions due to its reliance on toxic, corrosive chemicals and high-energy processes. Regarding emerging technologies, a 2025 board-level review evaluated Carbon Capture and Storage (CCS) and Direct Air Capture (DAC); while DAC was currently deemed too costly, the company is pivoting toward smaller modular technologies and process improvements – such as UV and IR curing – to reduce reliance on natural gas.

During a meeting with **Broadridge Financial Solutions** we asked why only 1% of the company's electricity usage is provided by renewables. They explained that this is due to political uncertainty in the US around the future of incentives and subsidies for renewables, and noted that they are conducting a cost-benefit analysis to identify where they could install or purchase renewable energy. We will follow up with the company on the results of this analysis. In the interim, the most material impact on emissions will be continuing to increase digitisation rather than physical communications – which also delivers a cost benefit to the company.

Regulatory uncertainty was a key theme in 2025 and Broadridge Financial Solutions' concerns about the future of incentives and subsidies are valid. However, we continue to engage on the subject of renewables, noting that some companies in our portfolio, such as **Align Technology** (now sold) and **Avery Dennison**, have reported cost savings from the installation of renewable energy.

Company examples: Changing reporting in response to political backdrop

Tractor Supply chose to de-emphasise its diversity and carbon emissions reduction initiatives following social media criticism in 2024. We met with the CEO, CFO and investor relations team to discuss what these changes would mean in practice. They clarified that they would henceforth focus on ESG risks and opportunities directly relevant to financial performance. Operationally, there was minimal change and the company still planned to release revised carbon targets and pursue SBTi validation. The CEO's letter to shareholders in Tractor Supply's 2025 stewardship report confirmed this approach, stating: *"Over the past year, we continued our focus on reducing energy expense and lessening our environmental footprint."* In our engagement meeting with the company, we discussed rising insurance premiums in the US due to extreme weather events and the potential effect on margins. The CFO reassured us that, although this is a macro-level issue, most Tractor Supply stores are deliberately located in areas with low climate risk.

However, despite previous assurances, Tractor Supply disclosed in their 2025 annual report (published in February 2026) that they had chosen not to adopt climate targets aligned with the SBTi. We are disappointed by this shift from the narrative communicated over the past two years. We intend to re-engage with the company during 2026 to better understand this decision and encourage management to reconsider.

In a governance outreach call, we enquired why **Thermo Fisher Scientific** had stopped publishing an annual CSR report. We were informed that it has been replaced by an interactive website to allow a more dynamic approach to data sharing. Whilst the CSR discussion is shorter on this site, reflecting shifting US regulatory requirements, we were encouraged to see that comprehensive data tables with time series information continue to be published, even if they are harder to find.

Structural growth opportunities

In a challenging global backdrop, we believe we need to find companies with predictable, compounding growth in order to achieve our clients' financial objectives. We look for companies that have strong balance sheets, durable and resilient growth, and strong moats to protect their businesses and sustain profitability. Companies able to successfully harness opportunities from the energy transition, from a revenue and/or cost perspective, could benefit financially.

One of the ways we find potential investment opportunities is by looking for structural growth drivers. These are multi-decade shifts in our economies that are likely to provide a tailwind of growth over the mid to long term.

Central to the thinking behind our **All change: wire and rewire** structural growth driver is the recognition that meeting the demands of an increasing global population will require efficient and responsible use of our planet's resources. The pace of technological change is causing disruption across all industries as we shift to an increasingly digitised world, and continued development of new technology and materials will be essential to delivering net zero ambitions. Many of our portfolio companies enable electrification and digitisation or help other companies monitor and reduce their environmental impact.



Figure 7. Scenario analysis opportunities for our investment portfolios

Category	Identified opportunities	Net Zero 2050 1.5°C scenario		Delayed Transition 2°C scenario		Current Policies 3°C scenario		NIML Strategy
		L	S	L	S	L	S	
Innovation	New revenue opportunities to meet shifting preferences by innovating and developing new products to match consumer demand or government incentives/regulations	High	High	High	Medium	Medium	Medium	Forms part of our All change: wire and rewire structural growth driver. This incorporates digitisation and automation in the global economy and the need to shift to a lower-carbon world.
		 		 		 		
Efficiency	Cost reduction from focus on resource efficiency — e.g. reducing waste, water usage, circular economy and low-carbon energy	High	Medium	High	Medium	Medium	Low	All companies can benefit from improved resource efficiencies. During engagements with companies we regularly discuss efforts to be more energy efficient, move to low-carbon energy sources, cut waste and obsolescence.
		  		 		 		

 Short-term  Mid-term  Long-term

L = Likelihood of issue under this scenario S = Significance: level of financial risk to corporates under this scenario

Company examples: Digital infrastructure driving energy efficiency gains

Our portfolio includes key enablers of the digital economy – **Alphabet**, **Microsoft**, **Amazon** and **Cadence Design Systems** – each of which is driving a nuanced, multi-layered approach to climate mitigation. While hyperscalers focus on the massive physical footprint of the cloud, Electronic Design Automation (EDA) provides the ‘digital blueprint’ required to make that infrastructure inherently efficient.

Infrastructure and circularity: At the foundational level, our investee companies are reimagining the physical lifecycle of datacentres. **Microsoft** has pioneered the use of mass timber in datacentre construction, a strategy projected to reduce embodied carbon by up to 65% compared to traditional concrete. Beyond the building itself, **Alphabet** continues to lead in operational efficiency, achieving a global Power Usage Effectiveness (PUE) of 1.09. This ensures that nearly every watt of energy consumed is directed toward actual computation rather than overhead, delivering six times more computing power per unit of electricity than five years ago.

Hardware and operational intelligence: Efficiency gains are increasingly driven by the convergence of custom hardware and AI-optimised operations. **Alphabet** uses its proprietary Tensor Processing Units (TPUs) to maximise AI workload efficiency, while **Microsoft** has scaled ‘low-power server states’ to nearly two million units, reducing energy usage on unallocated servers by up to 35%. Furthermore, as thermal management becomes a critical bottleneck, both firms are shifting toward advanced chip-level liquid cooling to sustain performance without the energy intensity of traditional air-cooled systems. Research estimates **Amazon’s cloud infrastructure** (AWS) is up to 4.1 times more efficient than on-premises computing, and when workloads are optimised on AWS, the associated carbon footprint can be reduced by up to 99%.

The multiplier effect: Digital twins and simulation:

The ‘handprint’ of these technologies extends to the broader market through **Cadence Design Systems’** EDA and simulation solutions. Using Cadence Design Systems’ digital twin modelling, datacentre operators can optimise airflow and cooling, with real-world applications showing a five-degree temperature increase and a 10% increase in load capacity without operational risk. Beyond the datacentre, Cadence Design Systems enables decarbonisation in the industrial sector; for example, their Fidelity platform allows for automotive aerodynamic simulations that consume up to 17x less energy than traditional methods.

Company examples: Climate risk creating opportunities to provide better data for insurers

The US homeowners’ insurance market is undergoing a structural repricing driven by escalating climate risk. Direct written premiums in disaster-prone states have surged dramatically – in California, Florida, North Carolina and Texas, direct premiums written have risen over 105% since 2015, with Louisiana seeing a staggering 38% increase in 2024 alone. Yet despite this repricing, the industry remains deeply unprofitable: net combined ratios (claims plus operating costs as a share of premiums) have exceeded 100% for virtually every major insurer across 5-, 10-, 20- and 28-year periods, meaning the industry has consistently lost money on the underlying insurance business.⁴ The root cause is that most regional carriers lack the data science and catastrophe modelling capabilities to price physical risk accurately, and this gap is widening as the frequency and severity of weather events accelerates. **Verisk Analytics**, a portfolio holding, benefits from insurers using its catastrophe modelling platforms to close this capability gap.

Quantitative scenario analysis

To provide forward-looking metrics, we have conducted a transition Climate Value at Risk (CVaR) analysis using Sustainalytics' methodology and data for our portfolios. We have also provided an Implied Temperature Rise using Bloomberg data of our current holdings as a potential guide to where current and committed actions of our portfolio holdings might lead us by 2050. These analyses help inform our engagements and focus on companies that have a larger value at risk from climate considerations and/or are unlikely to meet emissions reduction targets.

1. Low carbon transition – value at risk

The Morningstar Sustainalytics Low Carbon Transition – Value at Risk (LCT-VaR) model we use provides a forward-looking metric that demonstrates how low-carbon transition risk may influence the future value of a company. This incorporates:

- A policy risk model that considers the policy costs associated with a company's emissions.
- A market risk model that considers the potential risks to a company's revenues linked to lower demand for fossil-fuel based products.

The model uses scenarios that share some similarities with the NGFS scenarios we have used for our qualitative analysis.

Scenarios definitions

IPR Required Policy Scenario (RPS) and IEA Net Zero Emissions (NZE) fall under an orderly transition with low transition and physical risk while keeping temperature rise to 1.5°C. The difference between both scenarios is that technological change is assumed to be fast in RPS and moderate to fast in IEA NZE.

IPR Forecast Policy Response Scenario (FPS) falls under a disorderly transition in which transition risks are high due to delayed responses and changing policies but physical risks are low as temperature rises are likely to be limited to 2°C.

The IEA STEPS is a hothouse world which represents a business-as-usual scenario in which transition risks are low but physical risks are high as warming reaches 2.6°C–3°C.

Figure 8. Percentage of enterprise value (including cash) at risk under different scenarios

	IPR FPS	IEA NZE	IPR RPS	IEA Steps	Coverage
Core strategy portfolios*	4.6%	4.2%	2.0%	1.9%	81%
All portfolios	4.6%	4.2%	2.0%	1.9%	80%
MSCI AC World Index	5.3%	6.4%	3.5%	1.8%	96%

The data covers our corporate holdings only (equities and fixed income) and does not include sovereign or supranational debt, funds, gold or cash.

*Core strategies include our pooled vehicles and discretionary portfolios that are not constrained.

We are pleased that the transition risk in most scenarios is expected to be lower for our holdings than for the overall market.

We are pleased that the transition risk in each scenario is expected to be lower for our holdings than for the overall market, except for the business-as-usual STEPS, where it is broadly the same. Given our investment approach of investing in high-quality, predictable and lower capital-intensive companies, we would concur that our companies are less likely to be affected by transition risks.

2. Implied temperature rise

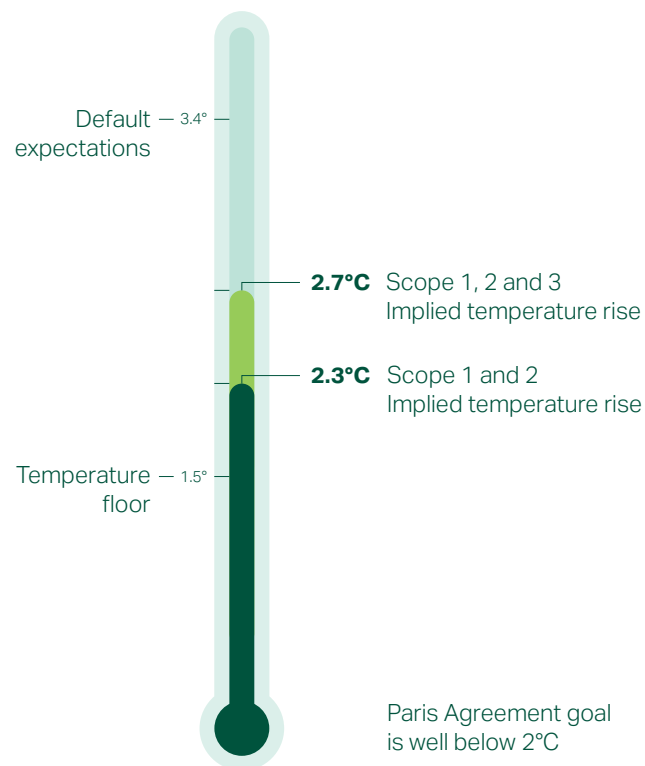
For our implied temperature rise analysis, we used Bloomberg data that follows the CDP/WWF methodology. The data covers our corporate holdings (equities and fixed income) and does not include sovereign or supranational debt, funds, gold or cash.

The implied temperature rise (ITR) metric gives investors and asset owners a standardised, forward-looking metric. It aims to translate diverse corporate targets, in terms of time frame and specific KPIs or scopes used, into long-term temperature trajectories, linked to the ambition of the target. The company's GHG reduction target implies an annual reduction rate that is consistent with an ambition heading toward X°C, under the assumption that all companies behave the same. It does not provide: (a) insights into the company's operational or financial performance, (b) the company's historical GHG emissions or c) evidence of a credible climate transition plan to achieve those goals.

For companies with ambitious and robust targets, the best possible score is 1.5°C (the 'temperature floor'). For companies with no forward-looking targets that meet the criteria, a default score of 3.4°C⁵ is used. This implies that these companies are expected to decarbonise along a 3.4°C pathway, consistent with current global policies. This includes some of our companies that have targets that are not verified by SBTi or submitted to CDP.

Individual company scores can then be aggregated to provide a portfolio score. Aggregated temperature scores for our core strategies and for all our portfolios are shown.

Figure 9. Implied temperature rise for our core strategies



Weighted average temperature scores for our core strategies based on the CDP/WWF methodology

On a Scope 1 and 2 (operational emissions) basis, our portfolios score 2.3°C. Perhaps unsurprisingly at this stage, when Scope 3 (which includes indirect emissions from the value chain of suppliers/customers) is included, the implied temperature rise is 2.7°C. The scores have risen slightly this year primarily due to a methodology update from our data provider to align with the CDP-WWF methodology update as explained in the [Appendix](#). We will continue to engage with companies to improve disclosure and targets and work towards aligning fully with the Paris agreement (keeping temperature rise well below 2°C).

The full table of weighted average temperature scores and the enterprise value and cash emissions weighted temperature score for both core strategies and total AUM is shown in the [Appendix: Implied temperature rise](#).

Disclosure and targets for our core equity holdings

We are pleased that all of our current equity holdings now monitor and report on their operational (scope 1 and 2) emissions. This is despite many of them being based in the US, where there are no federal requirements for them to do so. However, many of them operate in other countries (or US states) where reporting is mandated and others recognise the potential risks and opportunities associated with greenhouse gas reporting.

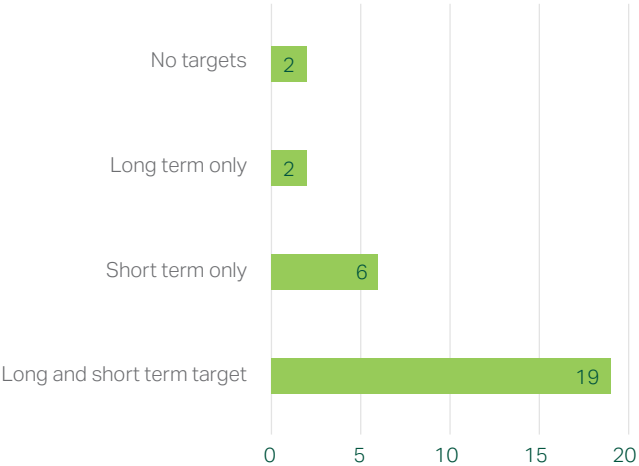
All of our companies monitor and report on their operational emissions.

5. [CDP-WWF Temperature Scoring Methodology](#). Please also see notes on data used and changes in reporting on [page 35](#) of this report.

We are also pleased to note that the majority of our companies have emissions reduction targets, with many disclosing both a shorter-term emissions reduction target as well as a net-zero target (see [Figure 10](#) below). Many of these are science based and we encourage our companies to have their targets approved by the SBTi.

We monitor our companies' performance against their emissions targets. We are delighted to note that some portfolio companies have been able to adopt more

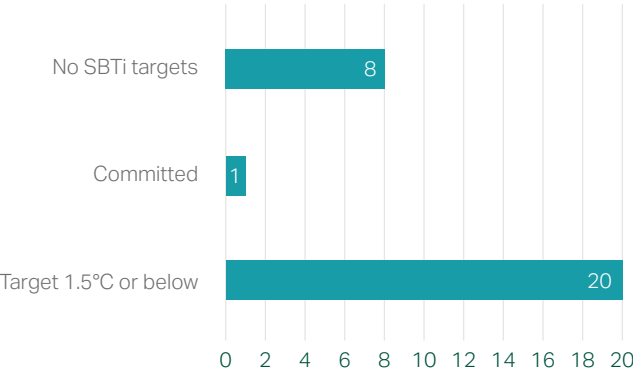
Figure 10. Emission reduction targets of core equities held



Committed — companies which have committed to set approved science-based targets by SBTi within two years

ambitious targets since we first bought them. During 2025, these included [Alphabet](#), [Roche](#) and [Verisk Analytics](#) who have moved from being committed to SBTi to having their targets approved. [Taiwan Semiconductor Manufacturing Co \(TSMC\)](#) has also committed to having absolute reduction targets for scope 1,2 and 3 emissions aligned with SBTi over the next decade using 2025 as a baseline.

Figure 11. Science-based target initiative commitments of core equities held



As part of their emission reduction plans, many of our equity holdings have embraced the use of low-carbon energy in their own operations. Twenty-six of the 29 holdings disclose the amount of renewable energy used across their operations and 19 have targets on renewable use, including 14 that have already achieved their renewable usage targets.

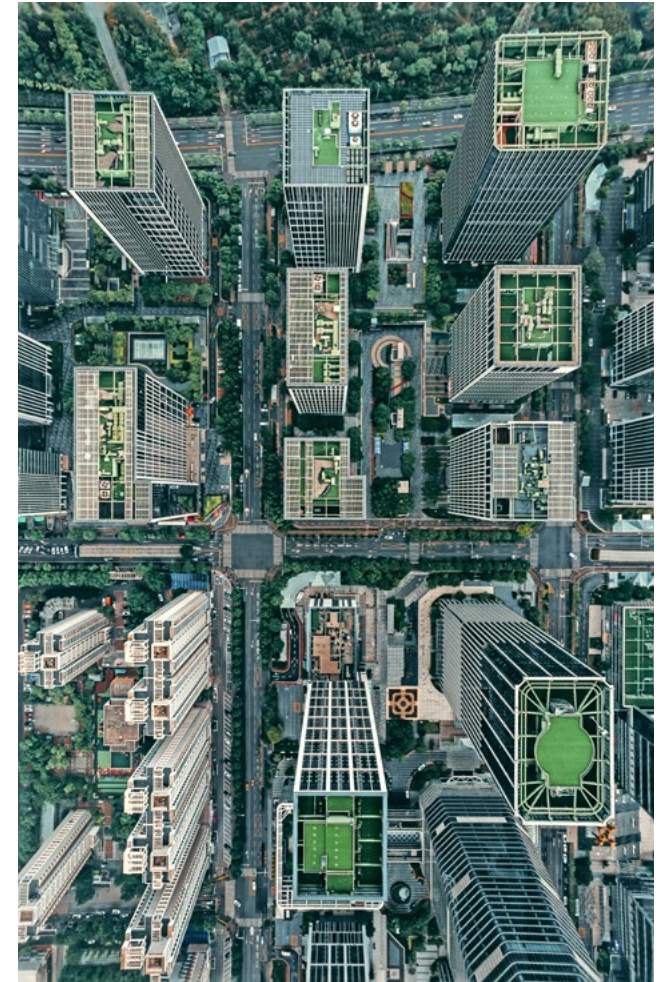
Supporting change in the real economy

While many of our portfolio holdings are not large carbon emitters, it is still important that they actively reduce emissions. However, more significant benefits are likely to result from investee companies helping their clients or suppliers to reduce emissions. Many of our portfolio

companies actively help their clients and/or their suppliers to understand the regulations and related risk exposures. This can provide a competitive advantage for our portfolio companies and strengthen their right to win. We believe that this ripple effect will lead to significant positive momentum for real-world, long-lasting change.

Figure 12. Companies are supporting the real economy to transition through various means

Providing more sustainable products / enabling customers to meet regulatory requirements	Encouraging and educating supply chains to reduce emissions	Collaborating with others to educate supply chains	Anchoring renewable projects through purchase power agreements	Providing funds to invest in new, unproven technologies
• Accenture • AMETEK • Broadridge Financial Solutions • Cadence Design Systems • DSM-Firmenich • Keyence Corp • London Stock Exchange Group • Marsh & McLennan • Verisk Analytics	• Accenture • Bunzl • DSM-Firmenich • Kerry • Next • Roche • Thermo Fisher Scientific • Taiwan Semiconductor Manufacturing Co	CDP Supply Chain Programme – • Accenture • Avery Dennison • Mastercard • Microsoft • Google Not part of CDP Supply Chain Programme – • Roche • Tractor Supply	• Amazon • Microsoft • Alphabet • Taiwan Semiconductor Manufacturing Co	• Amazon – Climate Pledge Fund • Microsoft – Climate Innovation Fund

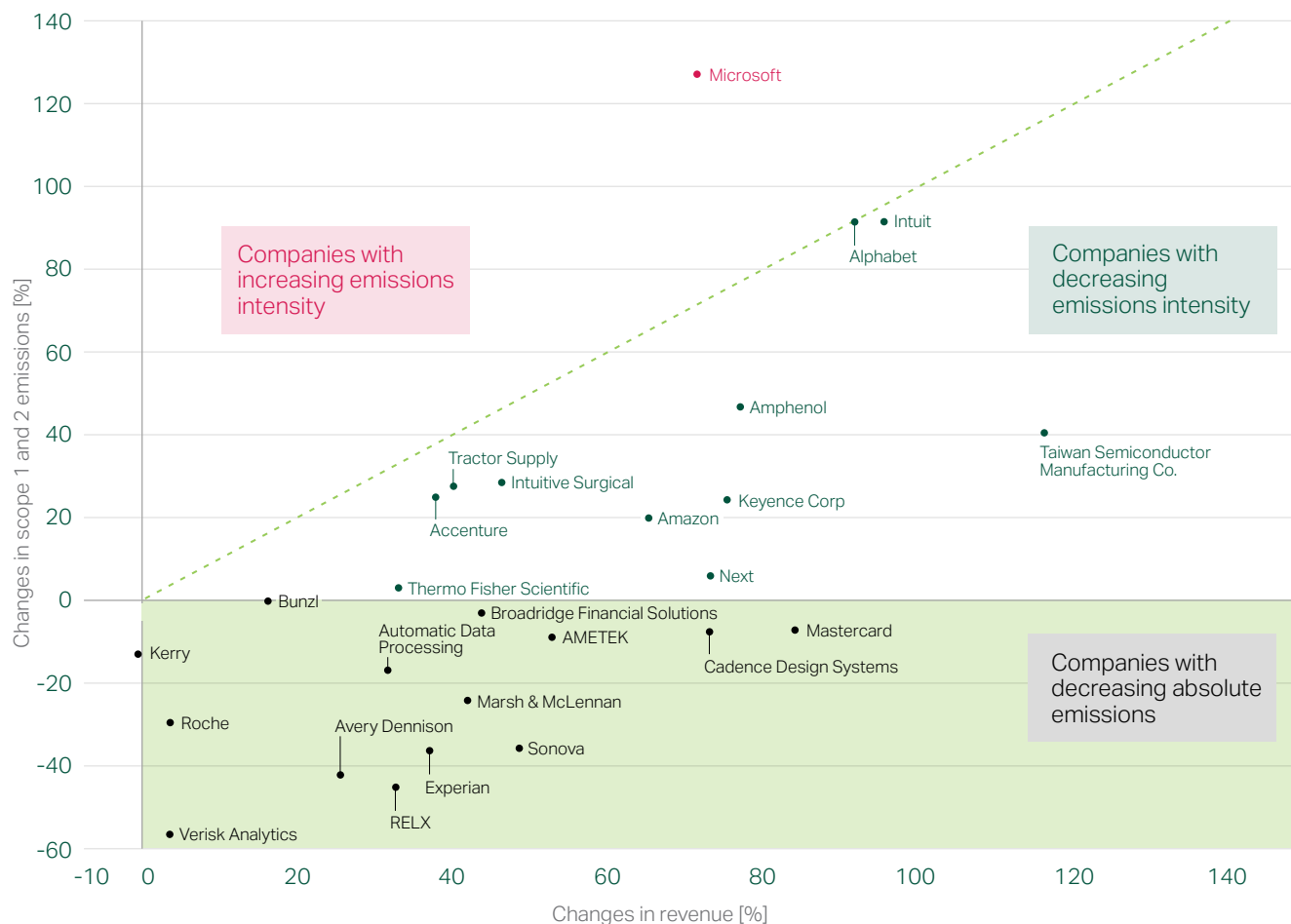


Breaking the link between growth and increased emissions

As discussed, we invest in businesses that exhibit compounding revenue growth and often have structural tailwinds of growth behind them. Some of our companies also make small tuck-in acquisitions as part of their growth strategy. We therefore often look at emissions of companies compared to revenues to help compare performance across companies. As discussed last year, we are delighted that many of our companies have managed to break the link between growth and increased emissions. **Figure 13** shows that the vast majority of our companies have reduced their emissions intensity on a revenue basis (shown below the dotted line) over five years. In fact, many companies owned at the end of 2025 have grown revenues while simultaneously reducing their operational emissions. These are highlighted in green in **Figure 13** and include AMETEK, Automatic Data Processing (ADP), Avery Dennison, Broadridge Financial Solutions, Bunzl, Cadence Design Systems, Experian, Marsh & McLennan, Mastercard, RELX, Roche, Sonova and Verisk Analytics.

Microsoft is the only company in our portfolio that has increased its emissions intensity from 2020 to 2024, with emissions increasing by 127% over the period and revenue increasing by 71%. This is clearly driven by the build-out of hyperscale datacentre capacity to support generative AI and cloud workloads. Chief Sustainability Officer Melanie Nakagawa has openly conceded that “the moon has gotten further away” relative to the moonshot 2030 goals set in 2020, before the AI capex cycle was anticipated. We will continue to monitor and engage with the company on this issue.

Figure 13. Growth in revenue versus growth in operational emissions for core equity holdings (2020-2024)



Source: Morningstar Sustainability

Please note that where companies have taken part in more significant acquisitions or corporate restructuring, they have not been included in this analysis (i.e. London Stock Exchange Group, Labcorp Holdings and DSM-Firmenich). Data is the most recently available five-year period. Data for Intuitive Surgical is from 2021-2024.

Risk management

The board has overall responsibility for risk management, the supporting system of internal controls and for reviewing their effectiveness. We operate an approach of continuous identification and review of business risks.

This includes monitoring of key risks, identification of emerging risks and considerations of risk mitigations, after taking into account risk appetite. The board uses this information to consider the impact of how these risks may affect the achievement of our business objectives. Three primary sub-committees report to the board, including the investment governance committee, which has responsibility for all risks in investment portfolios, including environmental and social risks.

Protect and grow

Our aim is to protect and grow our clients' capital over the long term to provide above-inflation returns. To achieve this, we primarily invest in the equity of a focused number of businesses with the intention of holding each for a five-year or longer time period.

We invest in high-quality businesses with management teams that are focused on the durable success of their businesses and where we see strong company characteristics. These include financial and strategic factors such as balance sheets, management strength, competitive positioning, pricing power and growth prospects. They also include factors such as employee welfare and talent management, human rights in the supply chain, data privacy and security, and environmental factors.

Physical risks from climate change as well as changes to regulation and customer preferences can present both risks and opportunities to companies. We believe these need to be considered and analysed alongside traditional financial and strategic analysis.

Our focus on companies that have predictable and compounding growth, generate free cash flow and demonstrate strong returns on investment naturally precludes us from investing in carbon-intensive sectors such as oil and gas companies, heavy industrials or mining companies. Many of these companies are heavily dependent on a commodity price, are capital intensive and/or are overly cyclical and therefore do not comply with our investment philosophy.

Fewer companies in our portfolios have large operational emissions compared to the main equity indices.

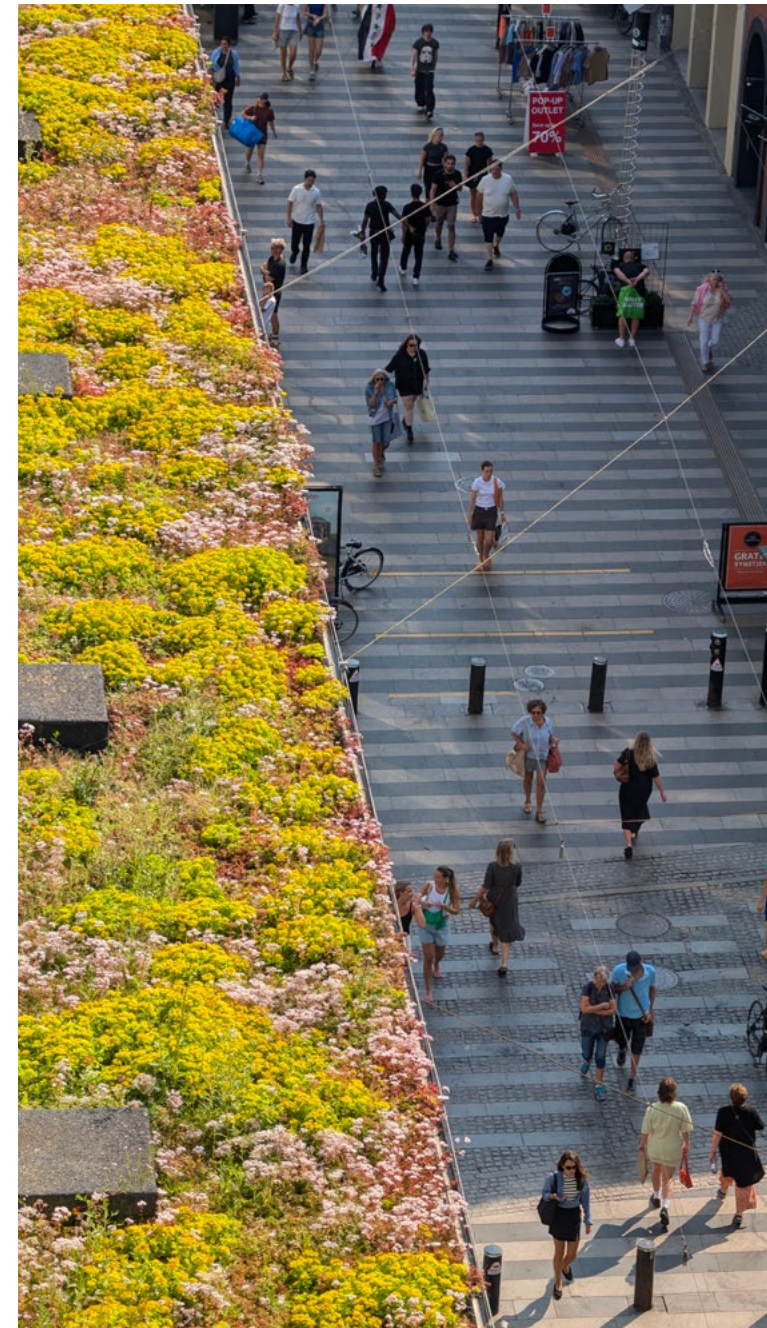
There are, therefore, fewer companies in our portfolios that have large emissions in their own operations than there are in equity indices. The Scope 1 and 2 carbon intensity of our core strategies is 80-85% lower than the MSCI AC World Index. Similarly, most of our companies do not have a considerable impact on nature in their own operations but we do consider these issues where relevant, including water-related risk factors.

Simply having a lower emissions profile does not mean that we are complacent: in our view, all companies have a duty to reduce emissions in their own operations and protect the earth's natural resources that we are moderately or highly dependent on for over 50% of world GDP.⁶ Furthermore, they should also participate actively in the decarbonisation of the real economy through encouraging and enabling their supply chain and customers to do the same.

Our high ratio of investment analysts to investee companies mean we are able to fully understand the material issues facing each business. We then spend time understanding the companies' starting points, the challenges they face and their approaches to building robust strategies to reduce their emissions while continuing to grow their businesses profitably. We do this through company publications, submissions to e.g. CDP, broker research, ESG specialist datasets and through our engagements with companies where appropriate.

Our research analysis focuses not only on what a company does but also how it does it. We believe that the best long-term investments will be in companies with strong financial characteristics and boards and management teams that are concentrating on building the long-term success of the business. This means that alongside strategic positioning, they should have a clear understanding of their environmental footprint, the physical risks from climate change and opportunities or risks presented by the energy transition. In addition, they should understand the importance of securing the required talent in their employee base, ensuring resilience in supply chains and upholding the human rights of workers.

A good understanding of these issues and strong governance practices around them tend to lead to greater resilience. Companies are more likely to have a fuller understanding of their own business so that when the unexpected happens, they can adapt more quickly with confidence.



We spend time assessing the quality of company management, boards and culture to ensure that each company we invest in is prioritising the material risk factors that matter to them. We therefore expect to continue to invest in companies that are leaders in these areas, not laggards.

As global investors, it is important that we understand each company in the context of their regulatory environment and know when companies are 'doing the right thing', without imposing requirements when they are not needed. We do, however, strongly encourage all our portfolio companies to track and reduce their emissions, preferably against a science-based target. Our focused approach means that we can tailor our engagements and requests of companies to reflect their progress in the most material environmental and social risks that they face.

Building our expertise

Environmental research and best practice, along with other sustainability topics, is developing quickly and we therefore aim to constantly develop our thinking. We seek out ideas and best practice from industry groups and experts. We are investor signatories of the UN PRI, CDP and Net Zero Asset Managers initiative, members of the TNFD forum and take part in relevant collaborative engagements. We are proud to be listed as a signatory to the UK Stewardship Code for the fifth consecutive year in 2025.



We aim to constantly develop our thinking and seek out best practice from industry groups and experts.

During 2025, sessions attended by members of our investment team included those organised by:

- Brokers: Bernstein, Jefferies, JP Morgan, Redburn, TD Cowen and UBS.
- Industry bodies and regulators: the CFA Institute, Principles for Responsible Investment (PRI), International Corporate Governance Network (ICGN), Personal Investment Management & Financial Advice Association (PIMFA), and the Financial Conduct Authority (FCA).
- Global organisations: the CDP and Taskforce on Nature-related Financial Disclosures (TNFD).
- ESG data providers: Morningstar, Glass Lewis and MSCI ESG.
- Collaborative engagements such as the Ceres Valuing Water for Finance Initiative

Feedback and key points from such sessions are provided to the wider investment team at our weekly investment team meeting and notes are saved in our research database.

Example of learning: ETS 2

ETS 2 is the EU's new carbon pricing system targeting emissions from fuel combustion in buildings and road transport. It covers roughly 35% of total EU emissions (about 1.29 GtCO₂e based on 2022 levels). The system began with monitoring, reporting and verification (MRV) requirements in 2025, with fuel suppliers required to track and report emissions and hold sufficient permits. However, the financial mechanics only kick in from 2027 (potentially delayed to 2028 if oil prices spike), when over 1 billion allowances will be issued. These allowances will decline annually, tightening supply over time. Unlike the original ETS, all allowances will be auctioned (there is no free allocation) because fuel suppliers are not considered exposed to carbon leakage.

The system is designed to avoid early price shocks via front-loading of allowances, balanced by tighter supply later. A soft price ceiling of €55/tCO₂e is enforced through the Market Stability Reserve, which releases additional allowances if prices rise too quickly. Costs are expected to be largely passed through to consumers, modestly increasing inflation (~1% CPI impact) and household energy/transport expenses. However, at this price level the incentive to switch to low-carbon alternatives remains weak. Far higher carbon prices would be needed to make heat pumps or EVs economically compelling without subsidies. According to BNEF, "a carbon price of between EUR 118 to EUR 332/tCO₂e would be required in France, Germany and Italy to make the use of a heat pump economically comparable to operating a gas boiler." Similarly, "half of the passenger vehicle fleet would need a price of EUR 490 /tCO₂ to incentivise a switch to an EV".⁷ The soft ceiling at €55/tCO₂e therefore means that there will be limited changes in practice.

Example of learning: Japan GX Plan

Japan's GX (Green Transformation) Plan is a large-scale, state-led decarbonisation and industrial strategy, committing over ¥150 trillion (~\$1 trillion) across a decade – around \$100 billion annually. Japan contributes ~2.9% of global emissions (5th largest globally) and is positioning climate policy as a growth lever, with annual public investment equivalent to ~0.33% of GDP (well above the US at ~0.13%).

The framework rests on five pillars which incorporate renewable and EV targets, climate finance, carbon pricing (through a fossil fuel import levy and an emissions trading system) and industrial policy. ¥20 trillion of transition sovereign bonds (2023–2029) are designed to encourage ~¥130 trillion of additional investment across EVs, next-gen energy, grid infrastructure, and buildings. Notably, these bonds have been priced in line with standard JGBs (~0.74–0.75% for 10-year), signalling a minimal green premium but strong market acceptance. The GX Plan is therefore providing significant support for innovation in technology and for SMEs, and a notable return to nuclear, despite political resistance.

Example of learning: Sovereign wealth fund conference – longer-term implications of climate change

Climate change is establishing a profound, structural drag on global economic growth, presenting severe systemic risks to long-term portfolio valuations and capital preservation. Macroeconomic productivity typically peaks at an average temperature of 13–15°C, after which aggregate output declines by 1% to 1.5% for every additional degree of warming. The historical toll is already substantial, with recent warming having stripped tens of trillions of dollars from global income. Looking ahead, the trajectory is highly concerning for global asset allocators: central estimates suggest overall global output could fall by 20–40%. By 2100, every 1°C of warming is projected to drive a 10% reduction in global GDP. Factoring in these massive macroeconomic impacts, the true social cost of carbon is now estimated to be between \$1,000 and \$2,000 per ton, introducing an unprecedented level of forward-looking uncertainty into global markets.

Beyond gradual temperature shifts, immediate capital destruction from extreme weather and the friction of regulatory transitions will directly impact specific assets and broader economic stability. Acute disasters can mirror severe financial crises in scale; for example, a single extreme event like Hurricane Maria erased a quarter-century of economic development in one region in just 12 hours. Even in highly insured, affluent economies like Norway, extreme weather has eroded household wealth – driving average losses of roughly \$13,000 per affected homeowner – and depressed local consumption as local property values drop and business operations are disrupted.⁸ Furthermore, the necessary policy transition toward carbon pricing introduces its own macroeconomic costs. Data shows that a 1% policy-induced increase in consumer energy prices correlates with a 0.25% contraction in real GDP.

7. JP Morgan, Carbon Counts 2025. EU ETS 2: Assessing inflationary impact and screening for stock opportunities, 7th October 2025

8. Weathering the Storm: The Effects of Natural Disasters on Households under Universal Insurance. Norges Bank, BI Norwegian Business School, University of St. Gallen, Swiss Finance Institute. November 2025.
<https://www.riksbank.se/globalassets/media/konferenser/2025/climate-risk-and-commercial-real-estate-19-november-2025/garcia-appendini.pdf>

Example of learning: Impact on resources from AI datacentre build out

We continue to assess the effect of AI on energy usage and grid requirements by engaging with our companies on the issues, attending broker and third-party expert sessions or non-finance conferences related to this issue. We also continue to monitor developments in technologies such as batteries, as well as developments in nuclear energy (fission and fusion). Many portfolio companies are involved in improving energy efficiency in datacentres as described in the [Strategy](#) section on page 10.

As part of our work on datacentres (and particularly AI datacentres) we have considered their water usage, helped by being part of a collaborative engagement on water. The Ceres Valuing Water Finance Initiative is a global, investor-led effort to engage companies with large water footprints to value and act on water as a financial risk and make the necessary changes to protect freshwater resources and build business resiliency. Water scarcity and quality is a systemic risk for the planet. By engaging with some of the largest corporate consumers of water, we aim to improve management and efficiency of water use, as discussed in the following [Microsoft](#) example.

Microsoft: Ceres Valuing Water Finance Initiative Collaborative engagement

October 2024

- We joined CERES' investor group working to engage with Microsoft on their water strategy.

December 2024

- The investor group met to discuss its initial outreach letter, which noted Microsoft's target for being water positive by 2030 alongside our concerns about water withdrawal rates and water quality in Microsoft's supply chain.

March 2025

- The investor group met Microsoft's chief sustainability officer, water lead and ESG engagement director to discuss areas where Microsoft trails its peers under the CERES methodology. The main focus was on Microsoft's disclosure of water usage and replenishment in its operations, as well as insights from its suppliers. Microsoft stated that they expect to achieve a 40% increase in water use efficiency by changing AI datacentre design. The company is also conducting replenishment efforts in water-stressed basins to ensure sustainability as new datacentre capacity is built. While Microsoft is actively managing its direct operations and enforcing its supplier code of conduct, there is limited engagement with suppliers on water data collection and risk analysis, which remains a weakness in Microsoft's current disclosures.

July 2025

- The group held a follow-up call with Microsoft's water lead and ESG engagement director following the release of the company's 2025 environmental report, which included details of the following initiatives:
- Microsoft have cumulatively contracted around 100 million m³ of water replenishment projects from FY22 to FY24.
- This contrasts with their FY24 water consumption of 5 million m³. They are funding a lot more volume than they need to help with scaling.
- The replenishment projects are always in the same locations as their datacentres and relate to the water sources that Microsoft draws from.
- The projects are audited by a third party to confirm contracted volumes and on an ad-hoc basis once projects are established.
- Microsoft's supply chain programme for water is not as advanced as its competitors'. They collect water data from some suppliers but do not have a robust programme for assessing water risk in their supply chain.

We continue to work as part of this collaborative engagement to push for further disclosure on suppliers' exposure to potentially material water risks.

As an investor signatory to the [CDP](#), we are also able to view individual company submissions and we investigated what various companies had identified as material financial risks and opportunities. The results were enlightening, with many companies identifying significant cost savings from energy efficiency programmes and use of renewables. Some companies were considering significant financial risks posed by longer-term climate risks such as sea level rises, increases in extreme weather events and heat and water stress. Information such as this enables us to have better discussions with similar companies and ensure we are focusing on areas of financial materiality.

Internal communications

Sharing information is an important element of our collaborative approach to investment. Information from meetings is shared in our daily morning meetings and in more detail at our weekly team meetings or specific sessions on a topic. Members of the team also frequently provide presentations and training sessions to colleagues. In 2025 these included:

- Focus on financial materiality within our stewardship activities on climate and other areas.
- Updates on regulatory and policy developments and consideration of de-regulation in some areas.
- Updates on our broader engagement activities, such as industry group commitments and collaborative engagements.
- Reporting for our own business, such as our Climate Report and progress against our net-zero commitments.

Meeting notes are available to all team members on FactSet, giving our investment managers access to relevant information in one place. We also have an internal database which collates information on companies held in our portfolios. This includes data relevant to climate change and other ESG-related information from third-party ESG research providers such as Morningstar/ Sustainalytics and Bloomberg, CDP, SBTi and information directly from our portfolio companies.

As our data on ESG issues comes from multiple sources, we continue to build our internal ESG database to track numerous data points for investee companies and companies we are monitoring for potential inclusion in portfolios. The data points we monitor vary by company to ensure that the most material ESG risks for each company are captured. Climate-related datapoints include:

- Ratings from ESG data providers
- Carbon emissions and carbon intensity
- Whether the company has a net-zero target and if so, whether this has been approved by the Science-Based Targets initiative (SBTi)
- CDP and Nature Benchmark scores
- Renewable energy usage and targets.

Monitoring ESG and climate risks in portfolios

Our Portfolio Review Working Group aims to ensure that clients are receiving consistent outcomes from a performance and risk perspective. Alongside monitoring financial performance and volatility metrics, the group also monitors clients' overall corporate sustainability risk scores and weighted average carbon intensity, as provided by Morningstar. Outliers are reviewed in more depth to ensure that outcomes are in line with our clients' mandates, and any concerns that arise are raised with the Investment Governance Committee.

Figure 14. Risk framework (climate change and investments)

Investment team understand the risks and actively incorporate them into investment analysis and decision making. Stewardship Working Group ensure policies and processes are in place to incorporate climate change risks into our engagements.

Investment Governance Committee provides oversight on policy, process and execution.

Third-party ESG data specialists provide independent data to validate or challenge our analysis and insights as well as calculating client outcomes.

Our portfolios

Metrics and targets

Our investment-related emissions

We track emissions associated with all the portfolios we manage. Our focus at this stage is on our portfolio holdings' operational emissions (Scope 1 and 2 emissions). Our targets include all portfolios in our core strategies. These portfolios are unconstrained, meaning that we are able to reflect our best ideas fully without being constrained by tax considerations or particular income or ethical restrictions.

We invest in direct equities, corporate fixed income, sovereign and supranational debt, cash and gold. For emissions purposes, we focus on our equity and corporate fixed income holdings, as the methodology is more developed. Third-party investment funds are a very small part of our core strategy universe (0.2%) and these have also been included in the 2023 data onwards.⁹

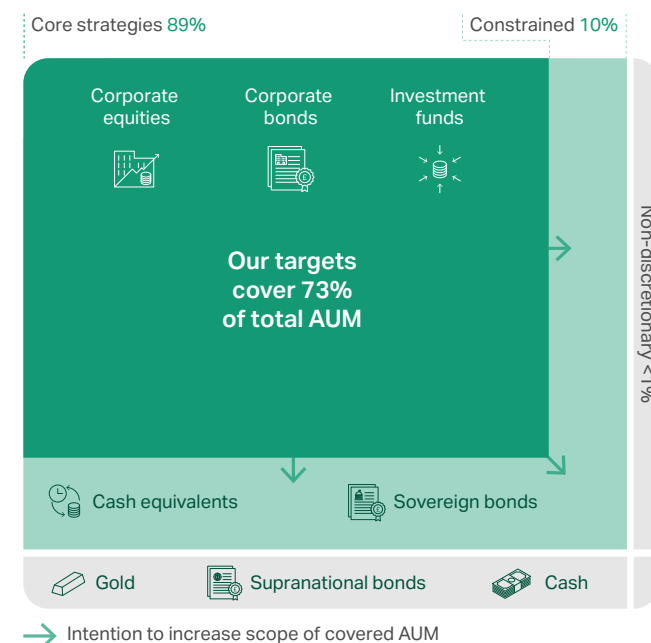
Supranational debt, gold and cash are all considered to have zero carbon emissions under the PCAF¹⁰ methodology we use. We do not include these asset classes in our calculations as changes in weighting in assets classes might influence results. We also invest in the sovereign debt of UK, UK and some European countries. This is largely for risk purposes and sovereign debt is typically in the base currency of the portfolio. Given this and timely data considerations, we continue to exclude sovereign debt from our emissions calculations. Cash equivalents are money market funds and we do not receive emissions data from our provider for these. We intend to continue to use recommendations from PCAF and others to increase and improve our coverage as methodologies and data collection develop.

The portfolios in our core strategies account for 89% of our total AUM.

73% of our total AUM is currently considered for our emissions targets.

Combining the core strategy portfolios and the asset classes considered, 73% of our total AUM is currently in scope for our emissions targets. A further 9% of our overall assets are considered to have zero emissions (cash, gold and supranational debt).

Figure 15. Where our targets are focused, as a proportion of our total AUM



9. Funds provide Scope 1 and 2 data only and do not provide Scope 3 emissions.

10. Partnership for Carbon Accounting Financials: <https://carbonaccountingfinancials.com/>

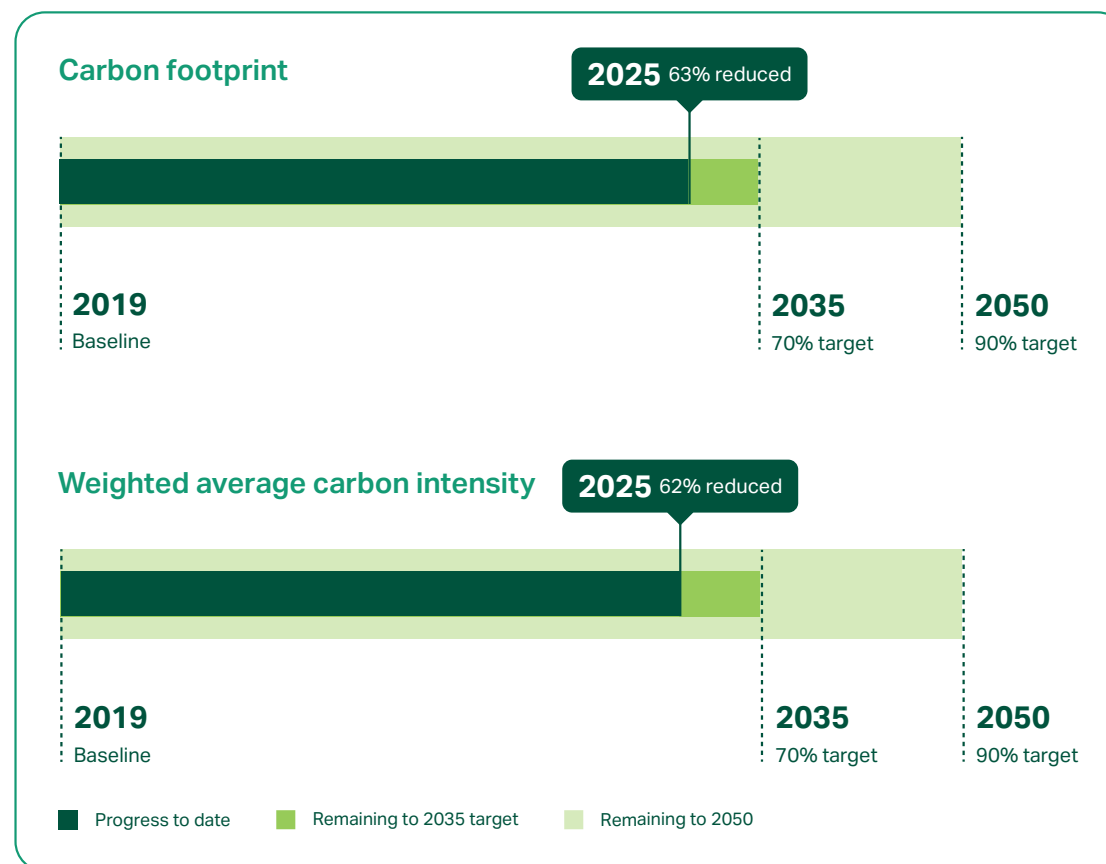
Our targets for portfolio emissions

Given our focus on growing businesses, we concentrate on a reduction in emissions intensity. During 2023, we set our original target of a 50% reduction in our carbon footprint and a target of reducing our weighted average carbon intensity (WACI) by 65% by 2030 from a 2019 baseline. We have reported WACI to our clients for their individual portfolios since 2021. As anticipated in last year's report, having achieved our emissions targets earlier than expected, we have now reset our targets to be more ambitious.

Carbon footprint (also called financed emissions intensity) is the share of emissions based on the percentage of a company that is owned, normalised for value of total assets. Weighted average carbon intensity is emissions as a proportion of revenues and based on percentage weighting within the portfolio. For further details on the methodology used, please see the [Appendix: Emission data methodology](#).

Our new targets aim to reduce both our carbon footprint and WACI of portfolio holdings by 70% in 2035 from our 2019 baseline. Given our progress to date and expectations of a shift in the portfolio to companies with more physical rather than purely digital assets, we expect further progress to be at a slower rate overall and potentially much more variable on an annual basis. Our new targets remain more challenging than IPCC guidelines.

Figure 16. Our targets and progress



We are pleased with our emissions reductions to date. These have been driven by investing in high-quality companies exhibiting the financial characteristics we value, coupled with good governance structures and management teams that focus on the long term. We note that our absolute Scope 1 and 2 emissions of our in-scope assets have reduced by 11% between 2019 and 2024, even though the actual AUM covered has risen by 140%. Please see the [Appendix](#) for full details.

Our absolute Scope 1 and 2 emissions of in-scope assets have fallen 11% while the AUM included has risen by 140%.

Figure 17. Our carbon footprint progression versus target

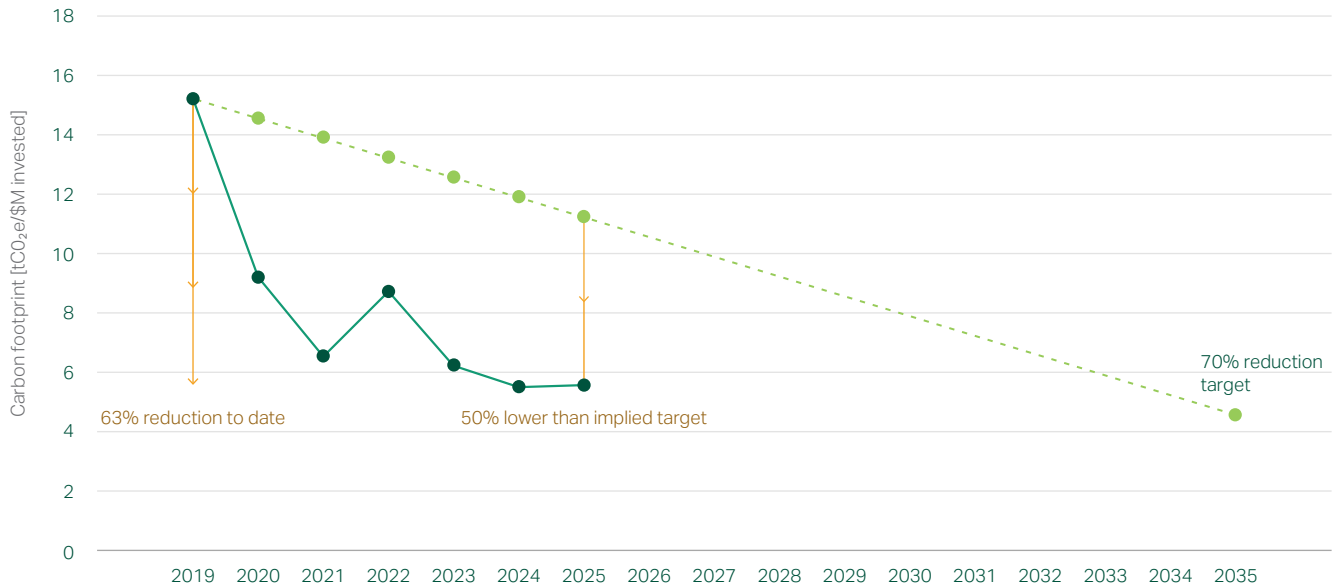
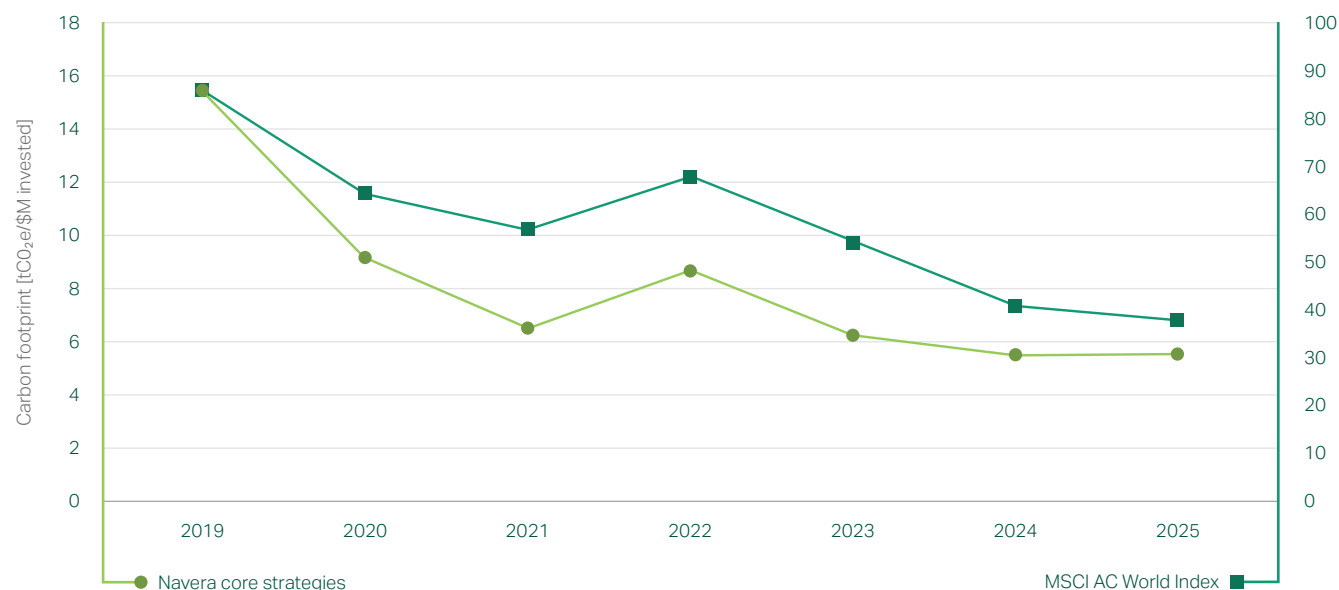


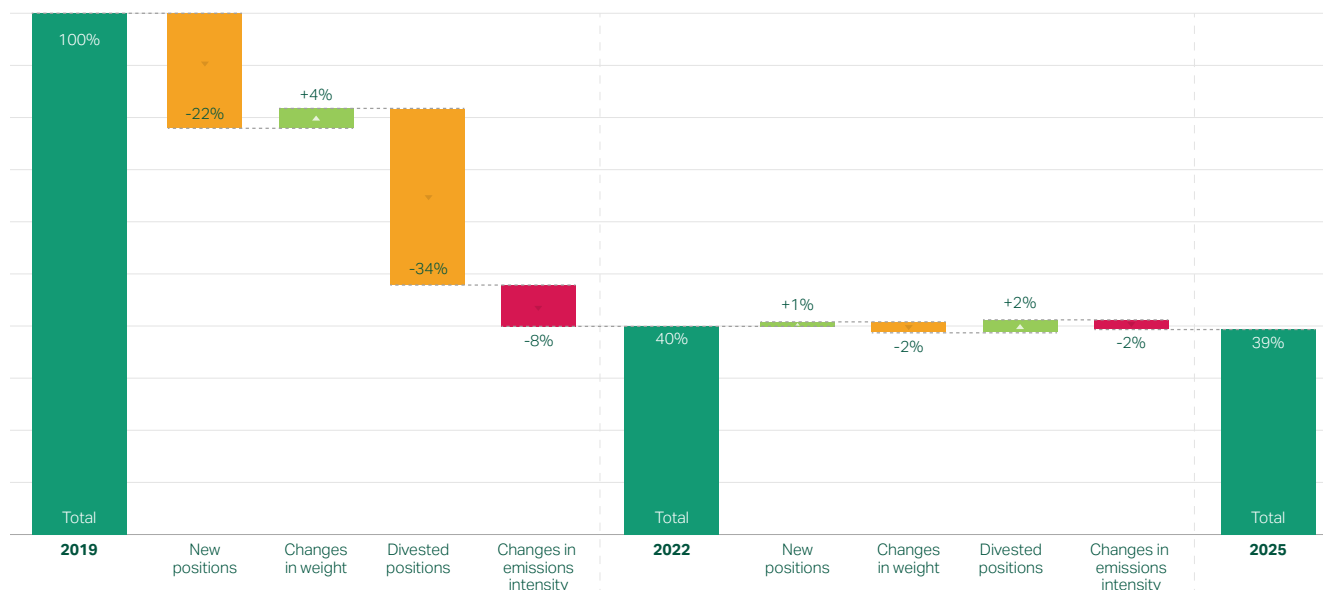
Figure 18. Carbon footprint progression of core strategies versus the broader equity market



Given the type of company we invest in, we recognise that our emissions are always likely to be considerably lower than a global index. We also recognise that, as awareness of the systemic risks of climate change grow and low-carbon energy and other technologies become more widely available, a broader range of corporates are focusing on emissions. We are therefore pleased to show that while our carbon footprint starting point was considerably lower than the MSCI AC World index (15.3 versus 86.4), we have also managed to reduce our emissions by a higher percentage than the index since 2019 (decline of 63% versus 56%).

Between 2019 and 2022 WACI decreased by 60%. Almost half of this reduction was due to divestment from TSMC and Berkshire Hathaway and 22% was due to adding holdings with lower carbon intensity than existing positions. Eight percent was due to an improvement in carbon intensity by companies held, particularly Infineon, Kerry and Avery Dennison.

Figure 19. Attribution of portfolio weighted average carbon intensity progress



Between 2022 and 2025 carbon intensity decreased by a further 1%. Portfolio construction changes had a smaller overall effect to the carbon intensity overall (e.g. adding TSMC back to portfolios increased the carbon intensity whereas the sale of Infineon decreased the intensity). A 2% decrease in carbon intensity at the company level during this second period was predominantly driven by DSM-Firmenich. This second period (2022-2025) is therefore split more evenly between portfolio construction decisions and actual carbon intensity reductions at companies. Changes to portfolio construction is likely to have a considerable effect in either direction going forwards.

Scope 3 emissions

Scope 3 emissions include all GHG emissions in an organisation's value chain that are not in their operational emissions. This includes emissions from supply chains, transportation and the use or disposal of products. According to CDP, on average, 75% of a company's emissions are Scope 3 emissions. In sectors such as oil and finance, Scope 3 emissions often exceed 90% of a

company's total emissions. Scope 3 can therefore be the most material source of an organisation's emissions, even though the organisation is not in direct control of them.

For completeness, we include our Scope 3 emissions in the appendix to this report on a best-efforts basis. Some of the Scope 3 emissions included are based on estimates

from third-party data providers and many companies are still expanding their understanding and data collection abilities for Scope 3 emissions, including reporting on new sub-categories. Please see [Scope 3 emissions – considerations](#) below for further discussion of the benefits and complexities of Scope 3 emissions.

Scope 3 emissions – considerations

Scope 3 emissions are complex to assess because they derive from activities and assets not owned or controlled by the reporting organisation, and include all suppliers and end users. Scope 3 data does not designate ownership of carbon emissions but instead helps to assess overall carbon exposure. Scope 3 can therefore be an indicator of climate transition and physical risk.

Scope 3 emissions often include double counting because value chains are complex and the same emissions may appear in multiple companies' value chains.

It is important to consider Scope 3 emissions in the context of a company's business model. For example, a company that outsources production may have lower operational emissions than a fully integrated business. Outsourcing may reduce operational emissions but could also increase overall emissions if the outsource provider is less efficient or has fewer regulatory requirements to reduce emissions.

By contrast, a company that is increasing its emissions could help the real-world economy to reduce emissions.

This might be by producing products or services that help its customers reduce their emissions, or by taking market share from a company that is higher in carbon intensity.

A company's Scope 3 emissions can also be affected by external factors that are beyond its control or influence, such as decarbonisation of the energy system.

Challenges of reporting, monitoring and comparing Scope 3 emissions are similar to (and often exacerbated by) the challenges we face when considering Scope 1 and 2 emissions. These include:

- Data collection and coverage.
- Quality and accuracy of data.
- Various legitimate approaches for calculation (sector average, spend based versus activity based, change in emissions factors used etc).
- Lack of error analysis.
- Time lags in reporting by companies and inclusion of data in third-party data providers' databases. This means that estimates or prior year numbers are often used, and need to be restated the following year.

- Different ESG databases have different methodologies, so different investors may report different emissions data for the same underlying companies.

Scope 3 emission additional challenges due to the lack of direct control of the reporting company:

- Many portfolio companies and companies in their value chains are based in jurisdictions where reporting is not yet a regulatory requirement.
- Many portfolio companies are just beginning to track these emissions and do not have access to reliable historical data.
- Companies' coverage of Scope 3 is expected to increase over time as more categories and geographies are added to Scope 3. This may lead to multiple restatements of data and difficulties monitoring progress over time.
- There are 15 categories within Scope 3, but companies report only on categories that they consider material. Comparing even Scope 3 emissions from similar companies can therefore be difficult. Further regulation on this issue may help.



Total AUM emissions

This includes all portfolios where we have a discretionary mandate and covers the same asset classes as our core strategy in-scope assets (equities, corporate bonds and third-party funds from 2023). We do not currently have targets for emissions on a total AUM basis, but include them in the interests of transparency in the [Appendix](#). The trends are very similar to our in-scope core strategy emissions (which is as expected, given that our core strategies make up the majority of the AUM). We continue to increase the percentage of our total AUM included in our core strategies.

Important notes on data used and changes in reporting

As discussed in last year's report, there is a timing mismatch between our reporting and our investee companies reporting the latest calendar year emissions data. When preparing this report, the most recently available emissions data for our investee companies was generally their 2024 calendar year emissions. This is the case because investee companies release their 2025 calendar year emissions in May–July of 2026, after our cutoff date needed to prepare this report in a timely manner. So, although we label these figures as our '2025 portfolio emissions', they in fact reflect 2024 investee company emissions numbers but 2025 portfolio security weightings.

As this also happened last year, in this year's report we have restated our 2024 portfolio emissions numbers to reflect the updated calendar year 2024 emissions of our investee companies. These were only released after we published last year's report.

While our 2025 portfolio emissions figures and our restated 2024 portfolio emissions figures are based on the same underlying 2024 investee company emissions, they are different due to portfolio construction decisions made over the year. These include adjustments to asset allocation, addition or removal of individual equities and bonds and changes in portfolio weights of existing holdings.

We expect this trend of restatements to continue, unless there is an enhanced timely release of emissions data by corporates around the world or reporting requirements for UK-based financial services companies are modified to align better with underlying reporting.

Unless otherwise stated, all calculations and aggregations in this report are performed by Navera Investment Management based on underlying carbon emissions data sourced from Sustainalytics.

Our own business

Strategy

Climate change and our own business strategy

While our operational footprint remains relatively modest, we recognise our responsibility to lead by example. We remain committed to our transition toward net-zero, ensuring our corporate actions align with the high standards we expect from our portfolio companies. We have therefore conducted scenario analysis for our own business. As a specialist discretionary investment manager, our primary climate-related exposure is indirect, manifesting through the performance and resilience of our client portfolios, as discussed in the previous sections of this report.



Figure 20. Scenario analysis: Risks for our own business

Category	Identified risks	Net Zero 2050 1.5°C scenario		Delayed Transition 2°C scenario		Current Policies 3°C scenario		Mitigation strategies
		L	S	L	S	L	S	
Transition risks	Policy and Legal	High	Medium	High	Medium	Medium	Low	Governance structures in place to ensure effective resource planning and ability to meet regulatory obligations and reporting requirements.
		●	●	●	●	●	●	
Market	Failure to anticipate disruptive new technologies in our portfolios may result in underperformance compared to objectives and/or peers.	Medium	High	Medium	High	Low	Medium	Continuously test our structural growth trends and consider companies moats to ensure our holdings are well placed. Constant learning culture within the team.
		●	●	●	●	●	●	
Physical risks	Acute	Low	Low	Medium	Medium	Medium	Medium	Strong business continuity plans tested during covid 19 and an office flood. We only have one office in central London.
		●	●	●	●	●	●	
Chronic	Impact on our own operations from sustained higher temperatures that might lead to sea level rise or chronic heat waves	Low	Low	Medium	Medium	Medium	Medium	Strong business continuity plans tested during covid 19 and an office flood. We only have one office in central London.
		●		●	●	●	●	

● Short-term ● Mid-term ● Long-term

L = Likelihood of issue under this scenario S = Significance: level of financial risk to corporates under this scenario

Figure 21. Scenario analysis: Opportunities for our own business

Category	Identified opportunities	Net Zero 2050 1.5°C scenario		Delayed Transition 2°C scenario		Current Policies 3°C scenario		NIML strategy
		L	S	L	S	L	S	
Growth	Potential to increase returns to our clients if we are able to predict and participate in new structural growth trends and/or new technologies through the transition. Strong portfolio returns are likely to increase demand for our services going forwards.	Medium	High	Medium	High	Low	Medium	Investment approach is to invest in high-quality businesses that are focused on the long term. We focus on our structural growth drivers to be a tailwind to growth within our companies, challenging ourselves through horizon scanning for new ideas and constantly educating ourselves about new developments.
		●	●	●	●	●	●	
Efficiency	Decreased costs in our operations by reducing consumption and waste, as well as further moving to renewable energy sources.	High	Low	High	Low	Medium	Low	We already use a renewable energy tariff and focus on reducing waste and recycling. As the UK moves to net zero, we expect to be able to make further improvements.
		●	●	●	●	●	●	

● Short-term ● Mid-term ● Long-term

L = Likelihood of issue under this scenario S = Significance: level of financial risk to corporates under this scenario

We have been tracking our own emissions and double offsetting our remaining emissions since 2018, using vetted, high-integrity carbon removal projects. We have also selected a renewable electricity tariff for our office and, wherever possible, use local, independent and fair-trade suppliers for our office.

Everyone in our business is encouraged to attend presentations held each year to discuss our previous year's carbon footprint and where improvements could be made. Operational efficiency remains a priority; we have moved toward a 'digital-first' approach to minimise paper waste.

We actively encourage employees to travel only where necessary and make responsible choices. At the same time, we recognise that visiting clients and companies is an important part of our service offering and investment analysis.

Our own business

Risk management

Figure 22. Risk framework for Navera Investment Management

Office management and support team record and monitor progress.

NIML board provide oversight and challenge.

Carbon data independently calculated by RSK and CarbonNeutral® company certification from Climate Impact Partners.

The board has overall responsibility for risk management, the supporting system of internal controls and for reviewing their effectiveness. We operate an approach of continuous identification and review of business risks.

This includes monitoring of key risks, identification of emerging risks and considerations of risk mitigations, after taking into account risk appetite. The board uses this information to consider the impact of how these risks may affect the achievement of our business objectives.

Our own activities

While our own emissions are very small (<1%) in comparison to those of our portfolio companies, we believe that we should reduce our own emissions just as we require our investee companies to do so. We are a UK-based business, and the UK has a net-zero target for 2050, alongside targeting an 81% reduction in emissions from 1990 levels by 2035.¹¹

Sustainability is integrated into our corporate culture. We hold annual firm-wide briefings to review our carbon footprint data, fostering an open dialogue where team members contribute ideas for operational improvements and emission reduction strategies.

We have been tracking emissions from our own business practices since 2018. This includes our Scope 3 (non-financed) emissions such as business travel, staff commuting, homeworking, printing, waste and water use. We also monitor our suppliers to ensure that they have strong commitments to environmental targets.

To ensure the integrity of our reporting, we continuously refine our data collection processes, prioritising primary data sources over industry estimates to enhance the precision of our footprint modelling. Our Scope 1, 2 and 3 emissions data (excluding financed emissions) is calculated independently by RSK.

We actively encourage employees to travel only where necessary and make responsible choices. Nevertheless, we anticipate that travel-related data will remain variable; we believe that high-quality investment analysis and client service requires direct, in-person engagement with the companies and clients we serve.

We double offset our remaining emissions, and our employees are involved in choosing high-quality carbon offset projects that are verified and monitored by Verra and the Gold Standard. As a result, we achieved CarbonNeutral® company certification from Climate Impact Partners, in line with The CarbonNeutral Protocol, the leading global framework for carbon neutrality.

As detailed in the climate scenario analysis section of this report, we assess our own exposure to physical and transition risks presented by climate change. While we believe the risk is low, we ensure we have the right systems, business processes and controls to mitigate any exposure to these risks.

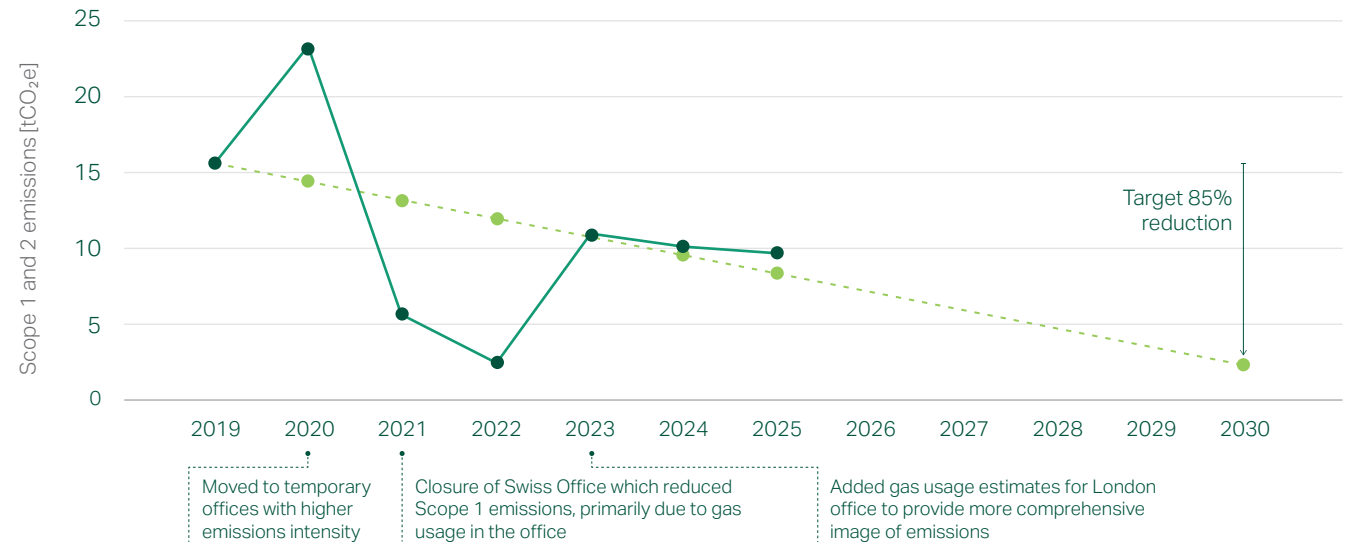
11. <https://www.gov.uk/government/publications/uks-2035-nationally-determined-contribution-ndc-emissions-reduction-target-under-the-paris-agreement>

Our own business

Metrics and targets

Our targets set during 2022 were based on absolute operational emissions (Scope 1 and 2 (market based)) and our Scope 3 emissions per full-time employee equivalent.

Figure 23. Operational emissions compared to target



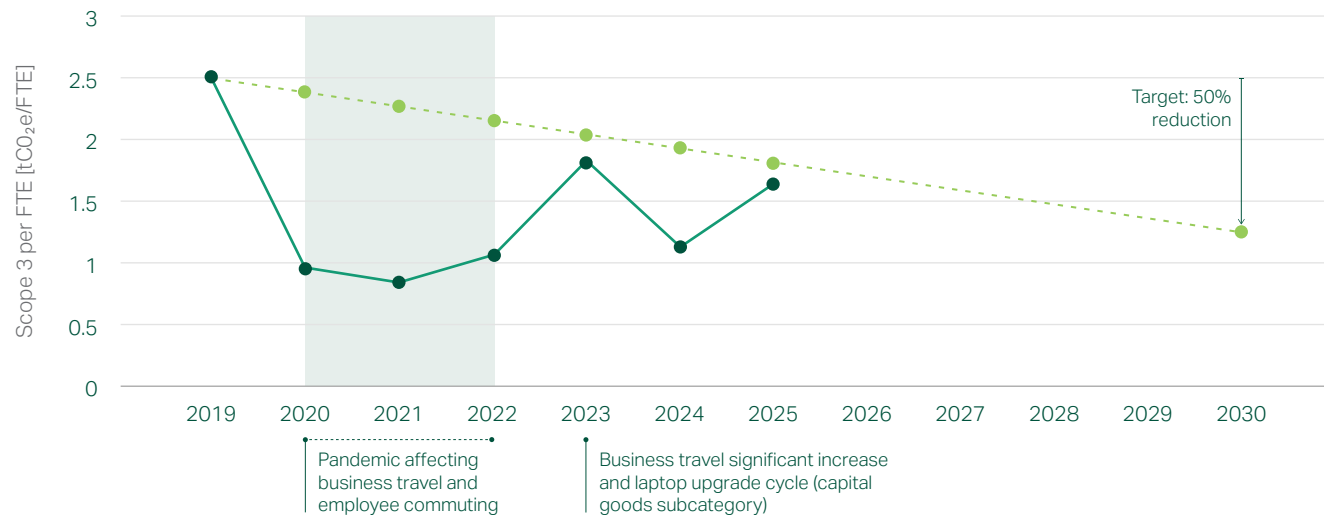
We are pleased that our operational emissions continue to reduce from our 2019 base year. Our historical Scope 1 and 2 data include various one-offs which make consistent comparisons challenging, aside from working patterns being severely disrupted in 2020 and 2021 due to the pandemic. For example, in 2020 we moved offices in London but due to a flood we spent much of the second half of the year in a temporary office facility which had lower energy efficiency. We then moved back to our own offices, which were designed with sustainability in mind. In 2021, we closed our Zurich office. In 2023, we updated our methodology to include our share of gas used in our London office (not previously available from our landlord)

to provide a more comprehensive image of our emissions. Emissions from 2023 are therefore more reflective of our true trend of operational emissions.

Our targets were originally made with reference to market-based Scope 2 emissions, under which our renewable energy tariff has zero emissions. By contrast, a location-based methodology reflects our share of emissions from the overall UK grid. To align with guidance from the ISSB, we provide both market-based and location-based Scope 2 emissions in the [Appendix: Our own emissions](#) section.

We continue to look for ways to be more efficient and reduce our environmental impact. It will be challenging to significantly reduce our emissions to our original 2030 target of an 85% reduction in absolute operational emissions (and a reduction of 90% by 2050). Reaching these targets will require considerable efforts from our landlord and UK infrastructure more broadly, particularly given the changes of scope in the interim as discussed above.

Figure 24. Scope 3 emissions (except financed emissions) per full-time employee equivalent (FTE)



Similarly to our operational emissions, our Scope 3 emissions were severely disrupted through the covid pandemic. This particularly impacted business travel and employee commuting, which are our largest contributors to non-financed Scope 3 emissions at 43% and 23% respectively. Business travel is a requirement both to give excellent service to our clients and to visit our companies and see, first hand, developments around the world.

While our emissions from this sub-category were still lower in 2025 from the catch-up year of 2023, we expect travel-related emissions to remain variable and the largest portion of our non-financed emissions. Given the proportion of travel in our Scope 3 emissions, reaching our 2050 target of a 90% reduction in emissions per FTE will require changes to infrastructure in the UK and globally.

Appendix

Emission data methodology

In line with the TCFD recommendations for Scope 3 Category 15 financed emissions (i.e. emissions from the assets in portfolios we manage), we are reporting the following emissions metrics:

- Absolute carbon emissions (Scope 1 + Scope 2 and Scope 3 separately)
- Carbon footprint (also called 'financed emissions intensity')
- Weighted average carbon intensity (WACI).

The formulae that we have used are as follows:

$$\text{Absolute carbon emissions} = \sum_i^n \left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)$$

$$\text{Carbon footprint} = \frac{\sum_i^n \left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)}{\text{current portfolio value (\$M)}}$$

$$\text{Weighted average carbon intensity} = \sum_i^n \left(\frac{\text{current value of investment}_i}{\text{current portfolio value}_i} \times \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's \$M revenue}_i} \right)$$

There are positives and negatives for each of these measures, which is why we continue to report against all three.

	Description	Positives	Negatives
Total carbon emissions	Absolute GHG emissions associated with assets under management	• Assigns absolute amount of emissions consistent with the GHG Protocol • Can track changes in emissions within portfolios • Allows for attribution of emissions within investments.	• Comparisons between portfolios or providers are difficult due to portfolio size importance • Change in amount of assets managed may mask underlying changes in the emissions • Changes in underlying companies' enterprise values can be misinterpreted.
Carbon footprint (financed emissions intensity)	Emissions are allocated based on % of company owned and normalised for value of total assets	• Allows for comparison across different portfolios • Focuses investors on the higher-emitting companies rather than on largest holdings • Directly attributes emissions per \$m invested.	• Changes in underlying companies market values can be misinterpreted • Sensitive to changes in portfolio value.
Weighted average carbon intensity (WACI)	Emissions are allocated based on portfolio % weights	• Allows for comparison across different portfolios, including different asset classes • Enables comparison across companies in portfolios of different sizes • More easily understood by asset owners • Does not penalise companies for growth.	• Skews to companies held with highest weightings which may not be reflective of emissions profile overall • Tends to favour higher price point companies • Can only be used for listed equities and corporate bonds.

Financed emissions

(Greenhouse gas emissions from our portfolios)

In-scope emissions 2019-2025

Absolute emissions

tCO ₂ e	2019	2020	2021	2022	2023	2024	2025
Scope 1 and 2	43,135	35,869	36,517	41,892	38,353	40,702	38,394
Scope 3	516,252	319,505	669,400	836,243	685,613	630,906	569,087

Intensity metrics

	2019	2020	2021	2022	2023	2024	2025
Carbon footprint [tCO ₂ e/\$m Invested]	15.27	9.22	6.56	8.74	6.26	5.52	5.58
Weighted average carbon intensity [tCO ₂ e/\$m revenue]	53.94	37.45	25.41	20.86	18.87	16.60	20.23

Included AUM (\$)

	2019	2020	2021	2022	2023	2024	2025
In-scope assets (millions)	2,824	3,889	5,568	4,795	6,126	7,367	6,888
% coverage	77%	80%	84%	83%	85%	86%	81%

Total AUM emissions 2019-2025

Absolute emissions

tCO ₂ e	2019	2020	2021	2022	2023	2024	2025
Scope 1 and 2	59,027	49,415	47,113	52,097	48,801	48,127	43,723
Scope 3	664,318	402,133	782,842	976,570	808,612	712,393	631,839

Intensity metrics

	2019	2020	2021	2022	2023	2024	2025
Carbon footprint [tCO ₂ e/\$m Invested]	16.67	10.45	7.22	9.34	6.51	5.65	5.57
Weighted average carbon intensity [tCO ₂ e/\$m revenue]	56.76	40.69	27.01	22.16	17.80	14.64	17.21

Included AUM (\$)

	2019	2020	2021	2022	2023	2024	2025
In-scope assets (millions)	3,540	4,730	6,528	5,581	7,031	8,326	7,597
% coverage	73%	77%	81%	81%	82%	84%	80%

Total AUM (\$)

	2019	2020	2021	2022	2023	2024	2025
Total AUM (millions)	4,835	6,142	8,045	6,930	8,612	9,863	9,503

Includes direct equities and corporate fixed income plus third-party funds (Scope 1 and 2 only) from 2023.

Implied temperature rise

Core strategies	Scope 1 and 2 by % weight [WATS]	Scope 1,2, and 3 by % weight [WATS]	Scope 1 and 2 TR by financed emissions [ECOTS]	Scope 1,2, and 3 TR by financed emissions [ECOTS]
2023	1.95°C	2.57°C	1.91°C	2.57°C
2024	2.04°C	2.47°C	1.94°C	2.71°C
2025	2.30°C	2.66°C	2.20°C	2.85°C
Total AUM	Scope 1 and 2 by % weight [WATS]	Scope 1,2, and 3 by % weight [WATS]	Scope 1 and 2 TR by financed emissions [ECOTS]	Scope 1,2, and 3 TR by financed emissions [ECOTS]
2023	1.94°C	2.56°C	1.95°C	2.57°C
2024	2.04°C	2.46°C	1.95°C	2.70°C
2025	2.30°C	2.66°C	2.20°C	2.84°C

Please note that, as discussed in the [Strategy section on page 36](#), CDP-WWF methodology for implied temperature rise has been modified with higher bands. We have not restated our 2024 numbers but, given the more punitive methodology, we are pleased that there has not been a material negative impact on the weighted average temperature score or the enterprise value and cash emissions weighted temperature score.

Portfolio implied temperature rise

As discussed in last year's report the CDP-WWF updated the methodology for the Implied Temperature Rise (ITR) to reflect recent changes in climate science. However, as at the cutoff for last year's report, our data provider, Bloomberg, had not updated their scores to reflect the new CDP-WWF methodology. So, in the spirit of fair representation, we adjusted the Bloomberg data to apply the temperature floor of 1.5°C and to change the default of no target from 3.2°C to 3.4°C. This year, however, Bloomberg has updated their methodology, which also included switching from a linear annual reduction model to a compound annual reduction model, adjusting the definition of short/medium/long-term periods.

A further change to the calculation was that we have changed from using the mid-term (5-15 years) targets to using the short-term targets. The reasoning behind the change is that most of our investee companies have set 2030 carbon targets which now fall under short-term rather than mid-term. Thus, using the short-term targets provides us greater coverage across our portfolios and provides more decision useful information to users of this report.

We show two different scores that are underpinned by two aggregation approaches, as suggested in the CDP-WWF methodology.

- The Weighted Average Temperature Score (WATS) aggregates the temperature rise across the portfolio according to the weight of the security in the portfolio. This aggregation method is simple to apply and understand. WATS also ensures standardisation of reporting with other carbon reporting such as the Weighted Average Carbon Intensity.
- The Enterprise Value and Cash Owned Emissions Weighted Temperature Score (ECOTS) aggregates the temperature rise across the portfolio according to our share (by ownership) of the emissions generated by each underlying company. The primary advantage of ECOTS is that it assigns greater weight to the most emitting companies in a portfolio. This ensures that investors place proportionate emphasis on companies that need to take most action to achieve the targets of the Paris agreement. ECOTS is aligned to the PCAF method for the carbon footprint of listed equities and corporate debt.

Our own emissions

	2019	2020	2021	2022	2023	2024	2025	% change from 2019
Scope 1 [tCO ₂ e]	15.5	23.2	5.5	2.4	10.8	10.1	9.7	-37%
Scope 2 – Market based [tCO ₂ e]	0	0	0	0	0	0	0	n/a
Scope 2 – Location based [tCO ₂ e]	12.5	26.5	19.1	15.2	16.3	16.4	14	12%
Scope 3 [tCO ₂ e]	121.6	50.1	46.9	63.4	116.02	83.4	120	-1%
Scope 3 / FTE* [tCO ₂ e/FTE]	2.51	0.99	0.87	1.08	1.87	1.16	1.64	-35%

* Scope 3 non-financed emissions per full-time employee (FTE)

Glossary

Assets under management (AUM)	Aggregate value of client assets managed from which we earn operating revenue.
CO₂e/carbon dioxide equivalent	Includes all greenhouse gas emissions (not just carbon dioxide) in a standardised unit to allow comparisons.
Carbon footprint	Emissions are allocated based on the percentage of a company owned, and normalised for value of total assets. Also called 'financed emissions intensity'.
Carbon offsets	Third-party, carbon-negative activities that can be funded to compensate for carbon emissions.
CDP	Formerly the Carbon Disclosure Project, CDP runs a global disclosure system to help manage environmental impacts. Its coverage includes emissions, forests and water.
Climate Impact Partners	A specialist in carbon market solutions for climate action. Climate impact partners issues our carbonneutral® certification and helps us offset our remaining emissions through high-quality, carbon-financed projects.
Core strategies	Core strategies include all discretionary and pooled vehicles that are not constrained (e.g. due to tax or ethical restrictions).
Financed emissions	Absolute greenhouse gas (GHG) emissions associated with assets under management (AUM).
Financed emissions intensity	Emissions are allocated based on the percentage of a company owned and normalised for value of total assets. Also called 'carbon footprint'.
FTE	Full-time employee equivalent.
GHG Protocol	The GHG Protocol establishes comprehensive global standardised frameworks to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions.
Greenhouse gases (GHGs)	Gases that absorb and emit radiation in the atmosphere, contributing to global warming. The Kyoto protocol identifies seven gases as GHGs: carbon dioxide (CO ₂), methane (ch ₄), nitrous oxide (n ₂ o), hydrofluorocarbons (hfcs), perfluorocarbons (pfcs), sulphur hexafluoride (sf ₆) and nitrogen trifluoride (nf ₃).
IEA	International energy agency.
Location-based Scope 2 emissions	This reflects the average emissions intensity of grids on which energy consumption occurs.
Market-based Scope 2 emissions	Emissions associated with the energy a company purchases, rather than the grid average. Scope 2 emissions may therefore reflect direct purchases of renewable energy or renewable energy certificates.

Net Zero Asset Managers initiative (NZAM)	The relevant part of the Glasgow Financial Alliance for Net Zero.
PCAF	Partnership for Carbon Accounting Financials, an industry-led body that develops and implements a harmonised approach to assess and disclose greenhouse gas emissions associated with financial investments.
RSK	An environmental consultancy and partner of Climate Impact Partners. RSK analyse our data to calculate and verify our carbon emissions.
SBTi	The Science-Based Targets initiative is a partnership between the CDP, United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature (WWF). They enable organisations to set ambitious science-based emissions reduction targets.
Scope 1 emissions	Direct emissions from owned or controlled sources.
Scope 2 emissions	Indirect emissions from generation of purchased energy.
Scope 3 emissions	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company. These include upstream and downstream activities. Financed emissions (including investments), purchased goods and services, transportation and distribution, use of sold products are all categories of Scope 3 emissions.
WACI	Weighted average carbon intensity, a measure that can be used to compare portfolio emissions and where company emissions are allocated based on portfolio percentage weights.



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