TROY
ASSET MANAGEMENT

Climate **Report** 2024

All data as at 31 December 2024, unless stated otherwise.

Contents

About this report

Welcome to Troy Asset Management's Climate Report. In this report, we outline our approach to addressing climate-related risks and opportunities, aligning with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The disclosures within this report comply with the climate-related disclosure requirements in Chapter 2 of the FCA's ESG Sourcebook.

While financial markets remain focused on inflation expectations, fiscal dynamics, trade tensions, and the rise of artificial intelligence, climate-related risks are still too often overlooked. Yet the accelerating physical impacts of climate change serve as a stark reminder: exceeding the Paris Agreement's goal of limiting warming to 1.5°C above pre-industrial levels could trigger profound economic disruption. We consider that without timely and effective mitigation and adaptation strategies, the costs of inaction are likely to far exceed the investments needed to address these challenges.

In response to the growing transition and physical risks our investment portfolios face, we have over the course of the year engaged with investee companies on decarbonisation, enhanced climate stewardship, and conducted in-depth analysis on the transition plans of the main contributors to our financed emissions.

The TCFD framework provides investors and other stakeholders with insight into the four areas of Troy's climate strategy:

1. Governance
2. Strategy
3. Risk Management
4. Metrics and Targets

This report covers the 12-month period 1 January 2024 to 31 December 2024. Data disclosed is as at 31 December 2024, unless stated otherwise.

Operational and investment portfolio climate-related exposure

While we distinguish between investment and operational climate risks in this report, we acknowledge their substantial interdependency. The exposure of Troy's investment portfolios to climate change refers to the positive or negative impact climate change may have on the value of the assets we manage on behalf of our clients. Troy's operational exposure to climate change refers to the impact climate change has on all aspects of our business beyond the portfolios we manage on behalf of our clients. This includes, but is not limited to, the direct impact that climate change may have on our physical office space as well as the many indirect implications of climate change on our product offering, operating systems, client reporting and regulatory obligations.

Current scope of investment portfolio climate strategy

This report focuses on the climate strategy Troy has developed in relation to equities. Measuring and mitigating the climate risks and opportunities associated with sovereign debt investments is in its early stages and we outline the initial measures we have taken.

The investment industry is yet to develop adequate tools to measure the emissions attributable to gold-related investments or the channels for engagement and advocacy required to mitigate the associated climate risks.

Limitations

While this report details Troy's steps to mitigate operational and investment portfolio emissions, it is crucial to acknowledge that achieving our decarbonisation targets depends partly on the global economy's pace of decarbonisation. This will depend on factors such as government policy and the availability of low-carbon technologies which are neither within our control nor the control of the underlying companies in which we invest. However, these limitations have not deterred us from being ambitious in our climate strategy and leveraging our position as long-term and active owners to drive change.

Gabrielle Boyle

Head of Research

On behalf of Troy Asset Management Limited

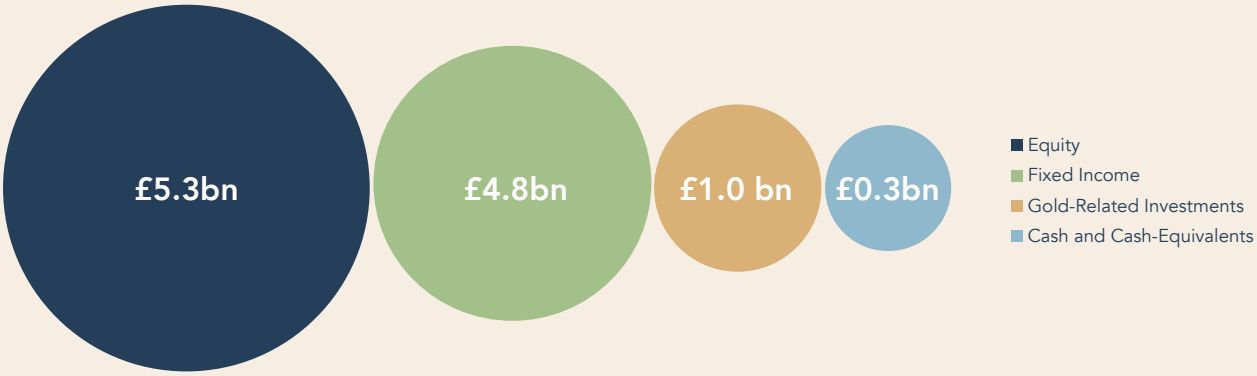
About Troy

Troy was founded in 2000 by the late Lord Weinstock and Sebastian Lyon. Our purpose is to preserve, grow and be a responsible steward of our clients' irreplaceable capital over the long term. Troy's independent structure, robust governance model, and strong cultural values underpin our investment philosophy and long-term approach to managing risk.

Troy believes that a portfolio which suffers fewer and less destructive drawdowns will be in a better position to compound returns over the long run. Troy's strategies emphasise absolute over relative returns and seek to protect and grow the real value of investors' capital over the long term. This protection has been achieved through investing only in what we consider to be high quality assets.

As at 31 December 2024, Troy managed £11.4 billion of assets, across a range of Multi-Asset, UK Equity Income, Global Equity and Global Equity Income strategies. We offer an exclusions-based ethical capability in our Multi-Asset, UK Equity Income and Global Equity Income strategies. We conduct thorough primary research and manage concentrated, low-turnover portfolios of our best ideas. We avoid complexity and invest predominantly in high quality developed market equities, US and UK sovereign debt, gold-related investments and cash and cash-equivalents.

AUM (£) by Asset Class



Source: Troy Asset Management as at 31 December 2024.

1. Governance

Troy has an established governance framework which enables the identification and oversight of climate-related risks and opportunities. This framework is integrated into the firm's governance and management structures, with accountability at both the Board and management level.

Oversight of climate-related risks and opportunities

Troy's independent structure, robust governance model, and strong cultural values form the foundation of our approach to effective stewardship of our clients' assets, including oversight of climate-related risks and opportunities. We remain a privately-owned company which has always sought to maintain a simple organisational structure, overseen by a Board of Directors (the "Board"), including strong representation by experienced Non-Executive Directors.

Troy's Board has delegated responsibilities to various committees, each with specific terms of reference and expertise drawn from relevant areas of the business. Figure 1 shows the governance structure specific to the oversight of and accountability for climate-related matters.

Central to our climate-related governance structure is our Responsible Investment & Climate Committee ("RI&CC"), which is a committee established by, and reporting to, Troy's Board. In relation to climate-related risks and opportunities, the RI&CC's responsibilities include:

- Review and approval of Troy's climate-related policies;
- Approve and oversee Troy's framework to identify, monitor and mitigate climate-related risks to Troy's operations and portfolios;
- Monitor Troy's approach to addressing climate-related risks and opportunities;
- Monitor progress against any climate targets as may be set (including under the Net Zero Asset Managers initiative);
- Review and approval of the appointment of responsible investment and climate-related service providers; and
- Ensure the fulfilment of Troy's obligations under the recommendations of the TCFD

Management information is provided to all members of the RI&CC prior to each meeting to enable it to effectively discharge its duties. A climate report is also provided to the Board annually. The RI&CC includes our Head of Research, Gabrielle Boyle, who is a member of the Management Committee and on Troy's Board, and is ultimately accountable for responsible investment at Troy. The Chair of the RI&CC, Troy's Deputy Chief Investment Officer, has primary responsibility for the integration of ESG into our research process. He reports to the Head of Research and Troy's Chief Investment Officer. This structure ensures that information relating to climate-related issues is able to flow directly to senior management, relevant governance committees and the Board.

FIGURE 1: Troy's climate-related governance structure

BOARD OF DIRECTORS

Quarterly Meetings

Climate-related responsibilities:

- Oversight of climate-related matters and responsible investment; and
- Integration of climate considerations into Troy's wider business strategy, receiving formal reporting including an annual climate report which provides information on the progress against climate targets in respect of the portfolios managed by Troy.

Composition: Troy's Board comprises 10 directors, 4 of whom are Non-Executive Directors.

Executive Board members include: Troy's Chief Investment Officer, Head of Research and Chief Operating Officer.

RESPONSIBLE INVESTMENT & CLIMATE COMMITTEE

Quarterly Meetings

Climate-related responsibilities:

- Review and approval of Troy's climate-related policies such as Troy's Climate Change Mitigation Policy for eligible funds under Article 8 of SFDR[1];
- Approving Troy's framework for identifying, monitoring and mitigating climate-related risks to Troy's operations and portfolios;
- Setting and monitoring progress against climate targets;
- Review and approval of the appointment of climate-related service providers; and
- Ensuring the fulfilment of Troy's obligations under the recommendations of the TCFD.

Composition: Troy's Responsible Investment and Climate Committee has representation from across the business.

Committee members include: Troy's Deputy CIO who sits on the Risk Management Committee and Head of Research who sits on the Risk Management Committee, Management Committee and the Board.

RISK MANAGEMENT COMMITTEE

Quarterly Meetings

Climate-related responsibilities:

- Management and implementation of Troy's risk management framework;
- Oversight of Troy's Risk Management Policy; and
- Oversight of the management of identified climate-related risks.

Composition: Troy's Risk Management Committee is chaired by the company's Chairman and has representation from across the business.

Committee members include: Troy's Chief Investment Officer, Head of Research and Chief Operating Officer.

[1] Article 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

Across every function of the firm, there are people responsible for identifying and considering the risks to which the relevant areas of the business may be exposed to and reporting this to the Risk Management Committee by way of a risk register. Troy's Compliance Team is responsible for the day-to-day management of the risk register, as overseen by the Chief Operating Officer.

Climate-related risks and opportunities in our investment process

Our investment process has long sought to include the non-financial factors affecting an investment's long-term performance and durability. The analysis of climate-related risks is no different.

As climate risks become more significant, our ESG analysis has evolved, ensuring all holdings are assessed for their exposure to climate risks and opportunities as set out in our Responsible Investment & Stewardship Policy. The entire Investment Team is responsible for ESG and climate-related analysis by conducting in-depth, primary research, supported by third-party data providers such as MSCI (for climate data), ISS, Bloomberg, and RepRisk (for controversies data).

2. Strategy

Troy acknowledges the outsized impact of climate-related risks and opportunities associated with our investment portfolios compared to our small operational footprint. Recognising the significant role our assets play in global net zero efforts, Troy has committed to aligning with the goals of the Paris Agreement.

The impact of climate-related risks and opportunities on our operations

As a firm based in a single London office, we believe that our operational exposure to climate risks and opportunities relate primarily to transition risks rather than physical risks.

Physical risks
Physical risks involve event-driven (acute) risks, such as increased severity of extreme weather events (e.g. cyclones, droughts, floods and fires), as well as longer-term shifts (chronic) in precipitation and temperature (e.g. sea level rise).
Transition risks
Transition risks stem from the shift to a lower-carbon global economy, including policy changes, technology shifts, market responses, and reputational considerations.

We anticipate significant industry impacts from climate-related risks and opportunities, affecting investor demands, regulatory expectations, and reporting requirements. All the risks identified have the potential to become opportunities if they are adequately managed. Our risk identification and management processes are detailed in the subsequent section.

The financial performance of Troy is inherently related to the performance of the portfolios we manage. Effectively managing risks and opportunities across our portfolios is critical to the success of the service which we provide. Whilst the exposure of our portfolios to high-impact material sectors[2], i.e., those with a higher carbon footprint, remains limited given our bias towards capital-light and less cyclical businesses, recognising that evolving our investment process to address climate-related issues remains essential to effective business management.

[2] High-impact material sectors are those defined in Appendix 1 of the Net Zero Investment Framework: Implementation Guidance for Objectives and Targets.

Short-Term Climate-Related Risks and Opportunities in Troy's Operations (0-3 years): Data Analytics and Metrics

Evolving data analytics and metrics for climate impact measurement requires continual adaptation. Falling behind in methodologies and the disclosure of relevant data points may hinder our client servicing efforts. Keeping abreast of the evolution of climate metrics and reporting tools to measure climate impact allows Troy to effectively communicate climate-related exposures. Whilst effectively managing the use of such externally provided data and metrics provides an opportunity, the costs involved also present a risk which has to be managed and serve as an input into Troy's budgeting.

Short to Medium-Term Climate-Related Risks and Opportunities in Troy's Operations (0-5 years): Compliance & Regulation

In the short to medium term, compliance and regulatory risks from climate change are significant. Recent financial services industry regulations have been introduced to help consumers navigate the market for sustainable investment products, improving disclosure, and encouraging positive investor behaviours. However, there are differences between the requirements of different regulatory regimes, which brings with it challenges in ensuring that processes meet the differing regulatory requirements.

As previously mentioned, our investment process has long sought to include the non-financial factors affecting an investment's long-term performance and durability, which the consideration of climate-related risks or opportunities naturally fits, therefore, we are well-positioned to respond to regulatory changes and view them as opportunities for adaptation. Whilst addressing these changes and associated client-led requirements present an opportunity there are costs associated with the changes which require initial expenditure and ongoing costs to the business.

Medium to Long-Term Climate-Related Risks and Opportunities in Troy's Operations (5-7 years): Investor Preferences

Changing investor preferences in the medium to long term presents both a risk and an opportunity. As this area matures, there may be increased demand for investment products promoting environmental and social characteristics. However, if preferences shift beyond Troy's current approach of promoting climate change mitigation by way of stewardship, to exhibit greater preference for positive climate impact, e.g., investing in climate solutions, this risk may be amplified. Troy's investment process emphasises companies that exhibit lower volatility and demonstrate a well-established track record of profitability and cash flow. This means that some investments in emerging climate solutions may not align with our investment approach today.

Investor preferences on ESG have become increasingly polarised, with some now also pushing back against it. The polarisation of investor views on ESG presents a challenge — different clients want different things. The risk lies in navigating these diverging expectations. Throughout, we've maintained a clear focus, our ESG integration efforts are grounded in materiality and used solely to support long-term investment returns. This also presents an opportunity; by maintaining a thoughtful, materiality-led approach rooted in investment outcomes, we offer something robust and pragmatic that we hope resonates broadly.

The impact of climate-related risks and opportunities on our investment portfolios

Troy's investment portfolios face both transition and physical climate risks, as outlined in the Risk Management section. Our current climate strategy primarily focuses on identifying climate risks and opportunities within our equity investments. Although our annual ESG analysis of sovereign debt investments incorporates climate-related risks and opportunities, industry tools for measuring emissions in sovereign debt, cash, or gold-related investments are still lacking. We also continue to be limited by the insufficient engagement channels with sovereign issuers as a means of mitigating the emissions associated with sovereign debt, as discussed later in this report.

Troy has minimal exposure to carbon-intensive or 'high-impact' companies[3], meaning that the transition risks our portfolio companies face are less severe than if we were more heavily exposed to certain sectors such as fossil fuels, heavy industrials and transportation. However, our portfolio companies remain exposed to climate-related risks in the ways discussed below. Addressing these climate-related risks has cost implications as it requires investment in third-party data and development of appropriate internal policies and procedures. Further, we consider that all of the below risks have the potential to negatively impact the share prices of the companies in which we invest, in turn impacting performance of the portfolios we manage. As Troy generates revenues through an annual management charge linked to the value of assets managed, negative performance and client redemptions could have a material financial impact by reducing revenues.

Short to Medium-Term Climate-Related Risk in Troy's Investment Portfolios (0-5 years)

The transition to a low-carbon economy affects companies operationally, financially and strategically. We have identified transition risks such as regulatory changes, technological disruption and reputational risks, as key short to medium-term risks for all of Troy's holdings. Investments with a higher carbon footprint face elevated transition risk. Troy employs, at a cost to the company, third-party data to measure financial transition risks, monitor portfolio carbon footprints, and assess company transition plans.

Medium to Long-Term Climate-Related Risk in Troy's Investment Portfolios (5-7 years)

Physical risks from climate change, notably extreme weather hazards and water scarcity, are anticipated in the medium to long term. Water scarcity may have a significant detrimental consequence given the nature of Troy's portfolios and the reliance of many manufacturing processes on water usage.

Troy uses third-party tools to analyse direct and indirect physical risks including MSCI's Climate-Value-at-Risk (CVaR) model. A dedicated assessment in 2024 confirmed that portfolio companies most exposed to physical climate risk are taking measures to manage and mitigate these risks. Climate change, biodiversity, and AI energy intensity are topics we have explored during the reporting period in thematic research carried out by the Investment Team. Our research has allowed us to identify the holdings most vulnerable to environmental risks.

[3] High Impact sectors are those defined by the Net Zero Investor Framework as companies on the Climate Action 100+ focus list; companies in high impact sectors consistent with Transition Pathway Initiative sectors, banks, and real estate are considered high impact for the purposes of this assessment.

Climate-Related Risks Beyond our Investment Time Horizon (7 years +)

Determining climate risks beyond our 5–7-year investment horizon is challenging due to the non-linear nature of climate change. Troy's equity investments are primarily in developed markets with climate commitments, including the US, UK, Japan, Switzerland and Europe. All these geographies have climate commitments in the form of nationally determined contributions (NDCs) which are broadly Paris-aligned.

The potential for delayed and disorderly transitions may extend risks beyond the stated time frame.

Some physical climate risks are already impacting certain regions, with severity likely to increase. The risks associated with warming beyond 2°C above pre-industrial levels and the associated failure to prevent climate tipping points, for example the impact of a material rise in sea level, have the potential to cause physical climate impacts beyond our 7-year time horizon.

Climate-related opportunities in investment portfolios

Climate considerations are integrated into Troy's investment process. However, our investment philosophy makes allocating directly to climate solutions more challenging. We are valuation sensitive and favour well-established, competitively advantaged companies with a track record of profitability. Many emerging climate-related technologies are immature and unprofitable, making it difficult for us to gauge whether they will be financially productive businesses over the long term. As a result, they are typically excluded from our investment universe.

Nevertheless, we evaluate established companies for opportunities in the low-carbon transition, focusing on improvements in resource efficiency, resilience to climate change, and responsiveness to evolving consumer preferences. These aspects present significant opportunities for our investee companies.

Case study: Canadian National Railway

In 2020, we initiated research into North American railroad companies and subsequently invested in Canadian National Railway at the end of 2023 in our Global Income Strategy and at the beginning of 2025 in our Multi-Asset Strategy. While railroad operations are a large source of CO2 emissions, the industry has shown significant progress in enhancing environmental performance, notably through substantial improvements in fuel efficiency, over the past 25 years.

Rail transportation boasts greater environmental performance compared to road transport, with rail operations being over four times more fuel-efficient. With heightened environmental consciousness among customers, the industry is poised to capitalise on the growing demand for logistics solutions with reduced carbon footprints. Freight in North America is still predominantly transported by road, highlighting the opportunity for rail to grow its market share over time.

Case study: National Grid

National Grid plays a critical role in the transition towards net zero as the owner of grid infrastructure assets that are essential for electricity and gas distribution and transmission. We believe that the company is uniquely positioned to capture the opportunities associated with government efforts to reduce emissions as legally binding net zero targets provide major opportunity for investment in the electricity and gas networks. Growth in the next few years will come from offshore wind power transmission in the UK, additional interconnectors & multi-purpose interconnectors to support the transmission of renewables and hydrogen transmission opportunities in the US. Over the next 5 years, National Grid have committed to £29bn of green capital expenditure, largely to connect clean energy sources and advance emissions reduction efforts in existing gas networks.

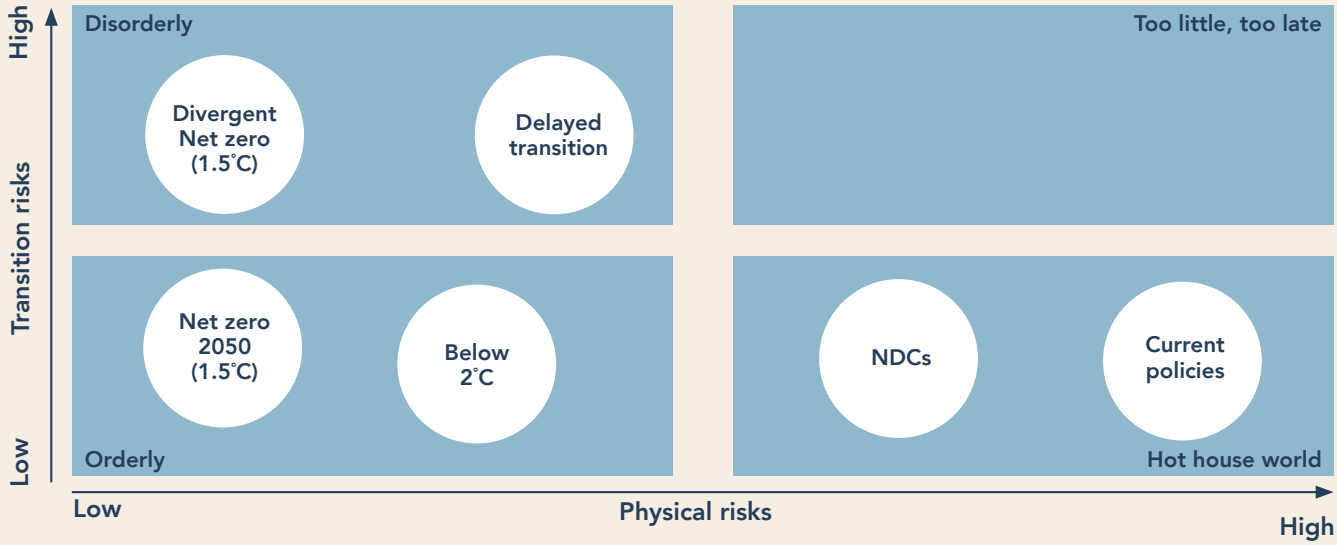
Scenario analysis

Troy has assessed the current exposure of our portfolios to transition and physical risks under different scenarios using MSCI's Climate Value-at-Risk (CVaR) tool. For the transition risk scenarios, Troy has selected those based on the Network for Greening the Financial System (NGFS) scenarios.

This analysis combines future policy environments, technological opportunities, and scenario-based physical risks, providing insight into assets' climate-stressed valuation. The selected scenarios distinguish between orderly and disorderly transitions, considering varying levels of policy ambition (1.5, 2, or 3 degrees rise in global mean temperatures). The 3 degrees scenario is referred to as a 'hot house' scenario and represents a failure to meaningfully transition to a lower-carbon economy.

The 'disorderly' scenarios used have similarities to the UN Principles for Responsible Investment's ("UN PRI") 'inevitable policy response'. MSCI also models an average or aggressive physical risk environment for each scenario, which is based on the geo-location of assets, overlaid with climate hazard models such as extreme weather events.

FIGURE 2: NGFS Scenario Framework



Source: MSCI Climate Value-at-Risk and Network for Greening the Financial System as at 31 December 2024. Positioning of scenarios is approximate based on an assessment of physical and transition risks out to 2100. NGFS scenarios currently do not model a 4+ degrees scenario which would occupy the top right quadrant of the above chart.

The scenarios selected meet the requirements of the Bank of England's 2021 Biennial Exploratory Scenario and are therefore associated with regulatory specified pathways. The scenarios provide a science-based and impartial insight into a variety of different climate outcomes.

We note that scenario analysis is subject to significant limitations and assumptions and therefore the output should be considered within a wider portfolio level risk framework and alongside in-depth stock level analysis.

TABLE 1: Climate VaR % of Troy representative portfolios

Temperature Alignment	Policy Response	Physical Risk	Troy Multi-Asset Strategy* Climate VaR %	Troy Ethical Multi-Asset Strategy* Climate VaR %	Troy UK Equity Income Strategy Climate VaR %	Troy Ethical UK Equity Income Strategy Climate VaR %	FTSE All-Share Index Climate VaR %	Troy Global Equity Income Strategy Climate VaR %	Troy Ethical Global Equity Income Strategy Climate VaR %	Troy Global Equity Strategy Climate VaR %	MSCI World Index Climate VaR %
1.5°C	Orderly	Average	-4%	-3%	-4%	-4%	-21%	-4%	-4%	3%	-10%
1.5°C	Disorderly	Average	-5%	-4%	-5%	-5%	-24%	-5%	-5%	-3%	-12%
2°C	Orderly	Average	-2%	-1%	-2%	-2%	-6%	-2%	-2%	-1%	-3%
2°C	Disorderly	Average	-4%	-1%	-3%	-3%	-10%	-3%	-3%	-2%	-5%
2°C	Disorderly	Aggressive	-5%	-3%	-5%	-5%	-18%	-5%	-5%	-4%	-11%
3°C	Hot House	Average	-3%	-2%	-3%	-3%	-8%	-3%	-3%	-2%	-4%
3°C	Hot House	Aggressive	-7%	-4%	-7%	-7%	-19%	-6%	-6%	-6%	-13%

Disclaimer: For all portfolios only the equity component is considered in the scenario analysis. This means that any cash held in Troy's portfolios is not considered and for our Multi-Asset mandates shown, gold-related investments and sovereign debt are also excluded from the analysis. We also note that the aggregated CVaR figures produced are significantly influenced by a small number of holdings within each portfolio.

Notes to methodology: The 1.5°C Disorderly scenarios use the 1.5°C Orderly Physical Risk scenarios. The Disorderly Physical Risk Scenarios created large distortions in results for 1.5°C warming, creating Physical Climate Value-at-Risk drawdowns that exceeded the Physical Risk outcomes associated with higher degrees of temperature warming. We have consulted MSCI who assisted Troy in making these adjustments to our CVaR modelling.

Source: MSCI ESG Manager, Troy Asset Management as at 31 December 2024.

Interpretation of scenario analysis

Table 1 shows the Climate Value at Risk (CVaR) for each portfolio across various climate scenarios compared to the benchmark index. CVaR is expressed as a percentage of portfolio value at risk, representing the expected percentage drawdown in each theoretical scenario.

Troy's portfolios show little impact from 3 degrees 'hot house' scenarios, however we believe there are considerable limitations in modelling the outcomes of 3 degrees or above scenarios given the possibility of harder to model climate tipping points, supply chain risks and potential systemic failures. Caution is therefore advised when drawing conclusions from lower relative CVaR in these scenarios.

While we provide this data to aid transparency, we believe the limitations of the modelling diminish the value of individual data points.

3. Risk Management

Effective risk management has long been central to Troy's investment philosophy and process. We believe in the importance of capital preservation which lends itself to a more risk-averse approach to investing. Climate change poses transition and physical risks to both Troy's business and our investment portfolios, requiring effective risk identification and mitigation.

Troy's risk identification process

Effective risk management begins with a robust process for identifying risks, assessing their likelihood and potential impact. At a firm level, Troy has a standardised risk management process to identify and assess risks, including climate-related ones. The identification of risks is a live process, which is managed and overseen by Troy's Compliance Team with input from each department. It is reviewed on an annual basis.

Troy's risk register assigns a risk rating to every identified risk which comprises the inherent risk and, post mitigation, the residual risk once the systems and controls have been implemented. The residual risk is considered against the firm's risk appetite.

Identifying climate-related risks in our investment process

Troy's investment approach is informed by a clear understanding that a portfolio which suffers fewer and less destructive drawdowns will be in a better position to compound returns over the long term. Troy only invests in assets that meet our quality threshold. These comprise a select universe of equities, developed market government securities, gold-related investments and cash.

Troy's climate strategy currently relates to our equity investments. We have begun to strengthen our assessment of climate risk and opportunities for our sovereign debt investments using tools such as the Transition Pathway Initiative's Assessing Sovereign Climate-Related Opportunities and Risks (ASCOR) tool. We are yet to extend our climate analysis to our gold-related investments as the necessary industry methodologies and tools are not available.

Equities

Troy's single unified investment process and the integration of the analysis of ESG factors within this process means climate risks and opportunities are assessed in the same way across all equity holdings. Both the physical effects of climate change and the transition to a greener future pose challenges to many businesses; a failure to adapt and build resilience can result in the erosion of profitability, loss of competitive positioning or a decline in the value of a company's physical assets.

This in turn poses an investment risk to the shareholders of those businesses and heightens the likelihood of capital loss. Our integrated responsible investment approach seeks to mitigate investment risks by assessing the exposure of the underlying companies in which we invest to both transition risks and physical climate risk.

As the materiality of climate change has evolved, so too has Troy's integrated analysis of climate risks and opportunities into the fundamental analysis of all existing and prospective equity investments.

Transition Risk

Our exposure to high-impact material sectors, i.e., those in hard to abate sectors with a higher carbon footprint, remains limited given our bias towards capital-light and less cyclical businesses. This goes some way in managing our portfolios' exposures to transition risk.

Troy seeks to avoid investments in companies at risk of having stranded assets or those where transition and physical climate risk could negatively impact asset values. As a result, we typically do not invest in sectors such as utilities, mining, airlines or oil and gas. Where we do have exposure to transition risk it is to less material property, plant and equipment assets and some transport companies. However, we recognise that the emissions profiles of our technology and cloud-based holdings are evolving, particularly as business models shift to support energy-intensive generative artificial intelligence infrastructure. This highlights the need to fully understand such risks and integrate them into our investment analysis and monitoring.

Case study: The Energy Intensity of General Artificial Intelligence

Our research in 2024 explored the environmental implications of generative artificial intelligence (Gen AI), particularly focusing on the substantial energy demands of data centre capacity required for AI training and inference. The International Energy Agency forecasts that the surge in Gen AI workloads could double global data centre electricity consumption by 2026, equating to the energy needs of Sweden.

This trend has significant implications for our investments in big tech. Companies operating large-scale data centres and participating in the AI race such as Microsoft, Meta and Alphabet, face mounting pressures related to energy efficiency, carbon emissions, and grid reliability. These pressures not only impact their operational costs but also their ability to scale AI-driven services and meet their climate commitments.

In 2024, companies like Microsoft, Alphabet, and Meta Platforms have deviated from their net zero carbon emissions pathways due to the required buildout of AI data centres and the energy demands of AI training and inference. To address the energy dilemma, these companies are making significant investments in renewables and nuclear power. For example, Microsoft signed a 20-year agreement to purchase power from the Three Mile Island nuclear plant, which is due to reopen in 2028. Alphabet has partnered with Kairos Power to develop small modular reactors, providing up to 500 megawatts of carbon-free power by 2035.

These investments reflect a strategic shift towards sustainable energy to balance the environmental impact of AI expansion. As investors, we are actively monitoring these developments and have had a dedicated meeting with Microsoft to discuss the intersection of business growth and environmental responsibility. While there is a reputational risk posed to Microsoft and other large technology companies if they fail to meet their decarbonisation targets, there is also a wider opportunity associated with the development of new technological solutions to facilitate lower carbon energy.

Physical Risk

Troy's investment philosophy less obviously helps mitigate exposure to physical risk. This is perhaps best illustrated by Troy's exposure to consumer goods companies which have long been an important part of our sector allocation. These companies typically have long, global supply chains, often including agricultural or horticultural producers, which create greater exposure to physical climate risk.

Over the year, we addressed physical climate risk in several company meetings to understand the precautions and resilience building measures portfolio companies are taking to manage physical risks. We also analysed each strategy's greatest exposures to physical climate risk. The largest exposures relate to multi-national consumer, healthcare, and technology companies. We are reassured that the companies are taking the necessary actions to safeguard business continuity.

Case study: Heineken

Water management is the most financially material environmental issue Heineken faces, as 95% of beer is water and water scarcity driven by climate change poses a growing business risk. Of the 170 breweries Heineken operates globally, 46 are in water-stressed areas. Since launching a dedicated water strategy in 2013, the company has progressed from improving water efficiency to actively replenishing the water used in its products through wetland restoration, rainwater harvesting, and reforestation projects. Heineken has committed to fully balancing every litre of water used in its products within the local watershed in water-stressed regions and aims to reduce water use to 2.8 hectolitres per hectolitre of beer in those areas (down from 3.2 hl/hl), and to 3.2 hl/hl globally (from 3.5 hl/hl) by 2030. This strategy is central to building long-term resilience to physical climate risks, particularly increasing water scarcity.

Following a meeting with Heineken in September 2024, we gained deeper insight into the complexity of aligning localised action with centralised water balancing goals. The discussion underscored why Heineken continues to devote significant incremental resource to its water strategy; it is both reputationally important and essential for maintaining their licence to operate in increasingly water-stressed geographies. The company's long-standing efforts in water restoration, dating back to the 1980s, reflect a proactive approach to non-financial risk management that helps mitigate future operational disruptions and potential cost shocks related to water pricing. Notably, while net zero remains the largest area of sustainability-related capital expenditure, water management is a close second, as the number of identified water-stressed sites continues to rise. Heineken's experience provides a valuable case study in how thoughtful environmental risk management can both protect long-term value and pre-empt rising operational costs from physical climate risks.

Case study: Link Real Estate Investment Trust

Given its relatively high Climate Value at Risk (CVaR) within our portfolios, we met with Link REIT to better understand how the company is managing climate-related risks and opportunities. The company has a clear focus on protecting asset value, particularly from physical risks such as floods and cyclones in Hong Kong and mainland China. Their targeted investments in resilience, such as HK$5 million in flood mitigation measures, have already delivered tangible financial benefits, including a 5% reduction in insurance premiums. The company also conducts scenario analysis to assess its sensitivity to sea level rise and other physical climate impacts. Based on current assessments, it is managing these risks well, with no material impact on property values observed to date.

Identifying climate-related risks in our research

When carrying out fundamental analysis for prospective investments we consider the vulnerability of a company to climate change and other environmental risks as well as opportunities arising from the transition to a low-carbon future. Internal research notes have a dedicated section on environmental risks and opportunities, with specific prompts in the initiation note relating to physical and transition risks.

Climate-related factors considered in Troy's proprietary research may include but are not limited to:

- Carbon pricing and increased regulation;
- Global regulatory changes surrounding climate change mitigation requirements on companies and disclosures by such companies;
- Global energy supply and demand mix, and grid related capital requirements;
- Industrial electrification;
- Disruptive technologies;
- Net zero alignment and transition plans issued by companies;
- Direct and indirect physical risk.

As part of our research, we may draw on various sources including company public filings, output from ESG research providers, and the Climate Action 100+ benchmark or other publicly available resources.

The transition to a low-carbon economy and the growing need for climate adaptation also present significant investment opportunities. We remain disciplined in our stock selection, avoiding the valuation risks associated with "green" companies trading at inflated multiples. We focus on businesses with genuine exposure to end markets poised for long-term growth, ensuring that revenue expansion is backed by fundamental demand shifts rather than speculation.

Examples of recent stock selection benefitting from the transition opportunity include Canadian National Railway, Siemens and Spirax Sarco. Canadian National Railway should benefit from growing demand for lower-carbon logistics solutions as North America's freight market shifts away from road transport (which is four times more fuel consumptive than rail). Siemens is a leader in electrification, automation, and digitalisation across industries, particularly in energy efficiency and decarbonisation solutions. Spirax's steam and thermal energy solutions help industrial clients improve energy efficiency, reduce emissions, and optimise heat recovery.

Identifying climate-related risks on an ongoing basis

As long-term investors we expend a considerable portion of our research effort on monitoring existing holdings. We monitor financial releases and meet with management regularly to build our knowledge of the company and ensure our investment thesis remains unchanged, including any material non-financial factors such as the progress of a company's decarbonisation efforts.

We conduct an annual governance and climate review of all holdings as part of our AGM and voting process. This review provides an opportunity to assess companies' progress along the climate alignment maturity scale and confirm the status of any climate-related engagements.

To monitor the extent of climate risk exposure and companies' decarbonisation strategies we conduct our own qualitative analysis combined with MSCI's climate data which takes into consideration a company's sector (carbon intensity, proneness to stranded asset risk or disruption risk) and geographical location (regulatory changes, carbon

price introduction and physical risk exposure). This enables a better understanding derived from combining the quantitative carbon performance, transition and physical risk exposure data from MSCI with the qualitative analysis undertaken by Troy's Investment Team. This aids us in identifying the companies within each portfolio where climate-related risks are among the most material risks faced by the company. The Investment Team will assess those companies' decarbonisation strategies and may further explore climate issues during meetings with the management or sustainability teams of the companies concerned.

We remain conscious of data limitations from MSCI and other service providers as it relates to estimating scope 3 emissions (those associated with indirect operations from a company's value chain). The proportion of investee companies reporting their scope 3 emissions continues to increase which will improve data quality over time.

Thematic research

In addition to company-specific equity research, Troy also conducts ad hoc thematic research which has informed and helped prioritise our engagement efforts. A number of these thematic pieces have covered climate-related issues allowing the Investment Team to better identify holdings most exposed to various climate-related risks. In 2024, we explored the energy intensity of AI and what impact the increased deployment of AI tools will have on company decarbonisation targets.

Climate maturity scale

Troy's Investment Team has conducted a number of iterative assessments of each equity holding's alignment with a net zero pathway. In accordance with the requirements of our Climate Change Mitigation Policy and commitment under the Net Zero Asset Manager's initiative, each company has been plotted along an alignment maturity scale informed by the Net Zero Investment Framework[4] methodology.

[4] Details of the Paris Aligned Investment Initiative's Net Zero Investment Framework can be found here.

TABLE 2: Climate Alignment Maturity Scale

Alignment Categories	Description	Criteria
Achieving net zero	Companies that have current emissions intensity performance at, or close to, net zero emissions with an investment plan or business model expected to continue to achieve that goal over time.	
Aligned to a net zero pathway	Companies that: • Meet criteria 1-6 for high impact companies or criteria 2, 3 or 4 for lower impact companies; and • Have adequate performance over time in relation to criterion 3, in line with targets set.	**Criterion 3** - Emissions Performance: Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets. For High Impact Sectors Only: **Criterion 6** - Capital Allocation Alignment: A clear demonstration that the capital expenditures of the company are consistent with the achievement of net zero emissions by 2050.
Aligning towards a net zero pathway	Companies that: • Have set a short or medium-term target (criterion 2); • Disclose scope 1, 2 and material scope 3 emissions data (criterion 4); and • Have a plan relating to how the company will achieve these targets (partial criterion 5) but has yet to show sustained performance against those targets.	**Criterion 2** - Targets: Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3). **Criterion 4** - Disclosure: Disclosure of scope 1, 2 and material scope 3 emissions **Criterion 5** - Decarbonisation Strategy: A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and where relevant increases in green revenues.
Committed to Aligning	A company that has complied with criterion 1 by setting a clear goal to achieve net zero emissions by 2050.	**Criterion 1 -** Ambition: A long term 2050 goal consistent with achieving global net zero.
Not Aligning	Any company that has not set a long-term 2050 goal consistent with achieving global net zero.	

Source: Paris Aligned Investor Initiative's Net Zero Investment Framework (NZIF).

We also monitor the CVaR, carbon footprint, implied temperature rise of our portfolios and proportion of holdings with decarbonisation targets validated by the Science Based Targets initiative. This allows the Investment Team to understand the physical and transition risk as well as the carbon footprint of their portfolios.

Sovereign Bonds

Troy's Multi-Asset portfolios and some segregated mandates include investments in sovereign bonds. Assessing the climate-related risks and opportunities for sovereign debt is more challenging owing to a lack of well-established methodologies and frameworks for Paris-aligned investing. The industry has begun to develop new tools such as the Assessing Sovereign Climate-Related Opportunities and Risks (ASCOR) assessment conducted by the Transition Pathway Initiative.

An assessment of climate risk comprises part of our annual ESG assessment of sovereign debt. The assessment includes a review of the international climate conventions that the sovereign is party to, an assessment of climate policies, nationally determined contributions under the Paris accord and longer-term net zero ambitions. In December 2023, the Transition Pathway Initiative (TPI) released its inaugural assessment of sovereigns using the ASCOR (Assessing Sovereign Climate-related Opportunities and Risks) methodology. We are now using this tool to support our assessment of climate risk in sovereign bond investments.

Gold-related Investments

We continue to monitor the development of available methodologies for assessing the climate risks associated with our gold-related investments. Research by the World Gold Council shows that the vast majority of the emissions associated with gold production comes from the energy intensity of mining activity. As such, for Troy's Ethical Multi-Asset mandate, we initiated a holding in the Royal Mint Responsibly Sourced Physical Gold ETC (RMAU). This is the first ETC partially backed by recycled gold bars, which are estimated to have a carbon footprint 95% lower than non-recycled gold bars.

Troy's risk management approach for investment-related climate risks

Troy takes an active ownership approach to mitigating climate risks, and we use active stewardship to encourage real-world emissions reductions. Troy's Climate Change Mitigation Policy outlines the consideration of climate risk in our investment decision-making process for mandates which meet the criteria under Article 8 of the European Union's Sustainable Finance Disclosure Regulation. The Policy is implemented and overseen by the Responsible Investment & Climate Committee.

We believe that the promotion of climate change mitigation can be effectively conducted by:

i. Investing in companies that have Paris-aligned or net zero goals, or a commitment to such alignment or goals; and/or

ii. Pursuing an active ownership strategy that targets alignment with the Paris Agreement or net zero goals.

We assess climate change mitigation by reference to whether a company has a stated net zero ambition and set Paris-aligned targets (these include short and medium-term decarbonisation targets) and discloses its emissions and performance against targets set.

For companies in high-impact sectors, we have used the Climate Action 100+ benchmark to assess whether they have developed a decarbonisation and capital allocation strategy that is compatible with the Paris-aligned targets set[5]. All equity holdings have been assessed against Troy's net zero criteria and plotted along a climate alignment maturity scale shown in Table 2 above.

All holdings identified as 'not aligning' with a net zero pathway in this assessment represent a source of un-mitigated risk. To remedy this, Troy follows an engagement-led approach which encourages these companies to set a Paris-aligned goal/net zero commitment, supported by science-based target-setting and a robust decarbonisation strategy.

Engagement - Promoting Adequate Disclosures

Poor disclosure by companies is often an impediment to carrying out effective research and quantifying the degree of climate-related risk exposure. This in turn limits Troy's ability to mitigate climate risks in our investment portfolios. We firmly believe that the transparent disclosure of climate-related risks and opportunities by companies is a critical first step in promoting well-functioning markets. The majority of our investee companies disclose their emissions and information about their carbon reduction efforts, but where they do not, this can be the basis for engagement.

Case study: Verisign

In 2024, Troy bought Verisign in its Multi-Asset strategy. Verisign operates a critical piece of internet infrastructure, with a highly profitable, regulated monopoly managing the .com and .net domains. It is not a carbon intensive company. It employs less than 1,000 people and operates five small offices, as well as 70 small scale data centres globally. Verisign does not publicly disclose detailed Scope 1, 2, or 3 greenhouse gas emissions data. Neither does it have a net zero target. As part of our engagement with the company to encourage the adoption of a carbon reduction strategy, we asked the company to begin disclosing its emissions. Verisign's emissions profile is likely modest given the nature of its operations, and we do not currently view it as materially exposed to transition risk. However, improved disclosure would provide greater clarity and confidence in this assessment.

Engagement – encouraging decarbonisation and net zero alignment

Troy's definition of an engagement is a "constructive and active dialogue with a specific objective which seeks to deliver an improved outcome on a material issue". While we regularly interact with company management as part of our ongoing research and monitoring, we classify engagements only if they align with this definition. Interactions with management remain an important aspect of our ongoing research and monitoring of investee companies and over 2024 we had dedicated ESG-related meetings with numerous companies. Engagement helps enhance returns to shareholders by aligning companies' behaviour with shareholders' interests, thereby mitigating both financial and non-financial risks and unlocking value from underexplored opportunities.

Any engagement is expected to meet the following criteria:

- There is a clear objective in engaging with a company;
- The matter for engagement must be material; and
- Engagement with the company has the potential to be constructive.

[5] See Climate Action 100+ Benchmark.

To effectively mitigate against climate-related risks, we currently prioritise engagement with all investee companies classified as 'not aligning' to a net zero pathway and frequently engage with companies further along the alignment maturity scale. Companies that are 'not aligning' to a net zero pathway have been identified as laggards in the transition to net zero. When engaging with companies on climate-related matters, we may set objectives including the following:

i. Align climate-related reporting with the recommendations of the TCFD;

ii. Commit to a Paris-aligned pathway by setting a long-term goal of net zero by 2050 or sooner and setting short and medium-term science-based emissions reduction targets for scope 1 and scope 2 emissions;

iii. Develop a climate mitigation / decarbonisation strategy, extending to material scope 3 emissions;

iv. Obtain independent validation for targets such as from the Science Based Targets initiative (SBTi).

As time elapses it is anticipated that alignment with net zero will increase and our approach to engagement will evolve to reflect this as the transition risk to companies will also increase if they are taking insufficient steps, which could lead to increased costs.

Climate Action 100+

Troy also uses Climate Action 100+ as a collaborative engagement platform. The platform is an investor-led initiative that aims to use engagement to improve the alignment of the world's largest corporate greenhouse gas emitters. The organisation has developed a benchmark that assesses corporate alignment with the Paris Agreement against ten headline indicators. Troy is currently an active participant in the initiative's climate engagement with Unilever.

Case study: Unilever

The engagement began in 2021 and has focused on enhancing the company's decarbonisation strategy, increasing climate initiatives and improving customer messaging. The first phase of the engagement closed in April 2021 after constructive discussions with Unilever's Global Sustainability Director. The second phase of the engagement was initiated in 2022. The renewed objectives include enhancing climate-related lobbying disclosure, aligning capex planning with Unilever's climate strategy, and encouraging more disclosure on their scope 3 emissions reduction target. Troy is leading the scope 3 target-setting aspect of the engagement. Troy participated in Unilever's consultation to inform its renewed Climate Transition Action Plan (CTAP) in Q4 2023. We provided input on the plan and were pleased by the more granular emissions reduction targets for scope 3 emissions, aligned with the Science Based Target initiative's Forest Land and Agriculture (FLAG) methodology and associated pathways for land-based emission reductions.

We voted in favour of the company's 'Say on Climate' at their 2024 AGM and remain a participant in the Climate Action 100+ collaborative effort. The next stage of the engagement is to focus on climate accounting and capital expenditures related to decarbonisation.

Escalation and Divestment

Engagements are monitored on an ongoing basis but must be raised with the company at least annually to update on progress. Where we feel inadequate progress has been made and sufficient time has elapsed, we will seek to escalate our engagement. Options include but are not limited to:

- Escalation of the engagement from management to board level;
- Collaborative engagement when either Troy's engagement has proved insufficient to gain traction or we believe other investors' insights would be beneficial;
- When we do not have conviction that management are acting in the best interests of shareholders, we may seek to vote against management on a particular resolution that would adequately reflect our concern; or
- We may consider a partial or complete sale of the holding where other avenues of engagement have been unsuccessful and the issue is of sufficient materiality.

Priority for these engagements is based on our assessment of the perceived impact on the relevant portfolios.

Case study: Fiserv

Fiserv is a global financial services technology company that offers account processing, digital banking, payments, and other solutions. Troy initiated an engagement with Fiserv in May 2021 to encourage the development of emissions reduction targets aligned with a net zero pathway. This was followed by a meeting with the company's Head of Corporate Social Responsibility. As an escalation measure, Troy voted against the ratification of their auditor and Lead Director re-election. We wrote to the company following the vote expressing dissatisfaction and emphasising the importance of progress on their climate change strategy. The company has since begun to report on emissions reduction and progress against short-term carbon reduction and energy efficiency ambitions, however, it is yet to set meaningful long-term goals related to net zero. Troy's engagement with Fiserv is ongoing.

Portfolio Construction

Fund managers will manage their exposures to climate-related risks and seek to mitigate it insofar as they can. If a company is identified as having a high and unmitigated exposure to climate risk this may influence portfolio construction. Where a risk is deemed to be intolerably high, this may constitute grounds for divestment. Such decisions are at the discretion of individual fund managers and are made within the broader context of our fundamental analysis. The case study below provides an example of such an instance.

Case study: Hiscox and Lancashire Holdings

Troy sold Hiscox and Lancashire Holdings from the UK Equity Income Strategy in 2021/22 due to concerns about their inability to appropriately price for increased claims resulting from concentrated physical climate risk through the insurance of property and casualty risk. This has been evident from the increase in "abnormal" storm and wildfire costs that have impaired profits over the past few years.

Having had multiple conversations with the management team, we concluded that despite their best intentions, the structure of the market meant that they were unable to sufficiently increase premiums to account for these heightened risks without materially reducing insurance volumes. This significantly contributed to our decision to exit our holding in these companies.

Engagement with Governments (Sovereign Debt)

Engaging bilaterally with sovereign debt issuers on climate policy is a challenge for smaller investment managers like Troy who do not exert influence over government policymaking. However, given the important role policymakers play in facilitating the transition to a low-carbon economy, Troy has sought to participate in policy advocacy by engaging with governments via investor networks.

We have, at times, added our voice to global investor statements and sign-on letters aimed at encouraging stronger government action and policy alignment with net zero goals. While we believe it is important to support collective efforts that promote more effective climate policymaking, we recognise that, as a small boutique asset manager, our direct influence on government policy is limited. Nonetheless, we contribute where we can and remain committed to supporting broader industry initiatives as we feel such effective policy making will underpin well-functioning markets.

Voting

Troy considers voting to be a vital part of our active ownership activity, investment process and escalation approach. Our aim is to use our voting rights to encourage companies towards best practice and alignment with long-term shareholder interests. We seek to instruct votes on all resolutions on behalf of clients and investors for whom we have voting authority.

We aim to support well-formulated resolutions that require a vote on the climate report, in line with the "Say on Climate" or request companies to publish targets and disclose climate data in line with the TCFD. Where we have engaged with a company on their commitment to net zero and observe that a climate transition plan is either entirely lacking or inadequate, we may seek to vote against the chair of the subcommittee with which responsibility for the company's climate change strategy lies. Where there is no such individual, we may vote against the chair of the audit committee.

Case study: Canadian National Railway

Troy voted in favour of Canadian National Railway's Say on Climate resolution, supporting its detailed Climate Action Plan and net zero strategy. The company has set a 2050 net zero target, backed by near-term SBTi-validated goals and a governance structure that integrates climate oversight at the board level. Its plan focuses on improving fuel efficiency through locomotive upgrades, advanced technologies, cleaner fuels, and data analytics. While electrification of rail remains a longer-term challenge, the company has begun investing in solutions such as battery-electric locomotives. We believe the company is taking a thoughtful approach and supported the proposal, which should reduce its transition risk.

Case study: Unilever

We have been a long-standing member of the Climate Action 100+ engagement group with Unilever, recently becoming a co-lead in 2025. Our primary focus has been on encouraging the company to set more specific Scope 3 emissions targets, given that 98% of its carbon footprint lies within its value chain. We participated in Unilever's 2023 consultation on its Climate Transition Action Plan and welcomed the inclusion of more detailed Scope 3 targets aligned with the FLAG methodology. While progress has been made, challenges remain — particularly around decarbonising chemicals in products, which Unilever is addressing through its R&D. We supported the company's 2024 'Say on Climate' vote and the next phase of engagement will focus on climate-related accounting and capital allocation.

Troy's risk management approach for operational climate risk

Short-Term: Data Analytics and Metrics

The risk that Troy does not adequately respond to the rapidly evolving climate data environment has been mitigated by adding resource and additional capabilities to support the analysis of climate risks and opportunities. Since 2021, the Investment Team have been using MSCI's climate data and believe MSCI offers the expertise and resources for industry best practices. We conduct regular meetings to ensure their continued alignment with our needs. In 2024, the Investment Team also started using RepRisk as a controversies data provider, with its data providing us with another tool to enhance the quality of our research and explore relevant and material topics during company meetings. For example, many companies do not report on instances of human rights abuse or impact of their operations on local communities. RepRisk data provides us with local news sources that raise flags on instances of company misconduct which aid us in our analysis and risk management.

Short to medium-term: Compliance & Regulation

In recognition of the growing compliance and regulatory risks arising from climate change and other ESG-related regulation, Troy created a Responsible Investment & Climate Committee in 2021, a formal subcommittee of the Management Committee, responsible for overseeing the implementation of responsible investment and climate change mitigation at Troy.

The Committee has representation from across the business, which ensures that all areas of the business understand our regulatory requirements and the framework Troy has implemented. We have also sponsored employees' professional qualifications, such as the CFA in ESG investing, to deepen understanding and aid Troy in meeting its disclosure obligations under the relevant regulatory provisions.

Troy also carries out internal training, which may be provided by the Compliance Team, external lawyers or third-party training providers. General compliance training including new or upcoming regulations is also carried out by the Compliance Team annually.

Medium to long-term: Investor Preferences

Troy responded to the increase in investor preferences for Paris-aligned solutions by joining the NZAM initiative in 2021 and committing our open-ended funds to net zero emissions by no later than 2050. In May 2022, our Article 8 funds, which includes all Troy's actively marketed open-ended funds [6], adopted a Climate Change Mitigation Policy. This policy emphasises Troy's commitment to in-depth climate analysis, focus on engagement to influence corporate behaviours, and efforts to mitigate the contribution of our investments to climate change.

[6] This includes the following vehicles: Trojan Fund, Trojan Fund (Ireland), Trojan Ethical Fund, Trojan Exclusions Fund (Ireland), Trojan Income Fund, Trojan Income Fund (Ireland), Trojan Ethical Income Fund, Trojan Global Income Fund, Trojan Ethical Global Income Fund, Trojan Global Income Fund (Ireland) and Trojan Global Equity Fund.

4. Metrics and Targets

Measuring our environmental footprint is the first step to managing it. We have devoted considerable resources to measuring the carbon footprint of our business and our investment portfolios over recent years. Such efforts have allowed Troy to take proactive steps to reduce both climate risk and our operational and portfolio emissions. We published our net zero targets in 2022.

Troy's operational carbon footprint

In recent years, we have considered our own modest operational footprint. In our view, all initiatives work best if they are underpinned at the grassroots level and our commitment to sustainability is no different; it starts in the office and with each employee.

TABLE 3: Troy's Operational Footprint

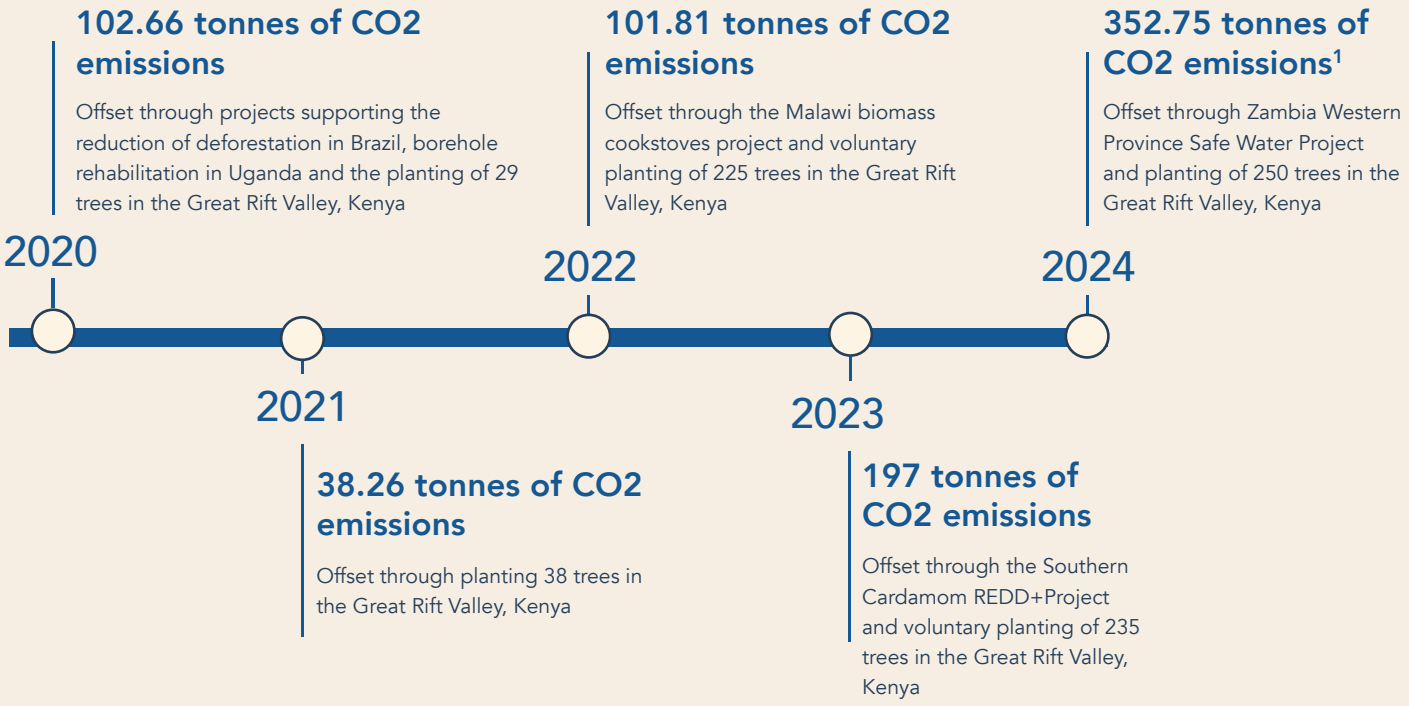
Scope	Activity	Location-based t CO_2e	
		FY 2024	FY 2025
Scope 1 Sub Total		**0.00**	**0.00**
Scope 2	Electricity generation	44.72	27.70
Scope 2 Sub Total (location-based		44.72	27.70
Scope 3	Flights	181.91	202.31
	Taxi travel	9.33	16.45
	Electricity transmission & distribution	4.09	2.98
	Rail travel	1.88	1.89
	Hotel stays	2.71	4.01
	Hire cars	1.08	1.21
	Employee commuting	-	21.74
	Home-workers	-	1.45
	Computing	-	19.50
	Other	-	7.03
Scope 3 Sub Total		**201.01**	**278.57**
Total tonnes of CO2e*		245.73	306.27
Tonnes of CO2e per employee		5.23	6.52
Total Energy Consumption (kWh)		235,749	135,076

Source: Carbon Footprint Ltd, Troy Asset Management as at 30 April 2023 and 30 April 2024.

Notes to Table 3:

- Troy has no material scope 1 emissions as does not own fleet vehicles or have any on-site generation.
- Table 3 addresses Troy's operational emissions only. It does not address the material scope 3 emissions associated with Troy's investment portfolios.
- Improved data collection has enabled the inclusion of some emissions categories this year that were not captured in previous years.
- Operational emissions calculated from 1st May - 30 April

In September 2021, we switched to a green energy tariff, making our on-site electricity 100% renewable. This move is considered in the market-based emissions calculation but not in the location-based emissions methodology[7]. Additionally, we've offset all greenhouse gas emissions through investments in accredited carbon reduction projects. For the fourth year running, we have been recognised as carbon neutral by Carbon Footprint Limited. While measuring and offsetting our carbon footprint are crucial steps, our primary focus is on reducing gross emissions.



[1]Our CO2 emissions have increased due to necessary business travel that supported critical operations and relationship-building

Source: Troy Asset Management. Operational carbon neutrality as defined by Carbon Footprint Limited, which excludes portfolio emissions. Annual emissions calculated to 30 April 2024 (Troy's financial year end). Troy offset its market-based scope 2 emissions rather than its location-based scope 2 emissions. In 2021, we switched to a green energy tariff which has negated all location-based scope 2 emissions.

As a capital-light business, we recognise that our main operational impact on the climate stems from employee travel and other Scope 3 emissions. We continue to host virtual meetings and commit to offsetting carbon emissions from unavoidable travel. Additionally, we're collaborating with our landlord on a green lease, incorporating sustainable initiatives like monitoring environmental performance, smart meters, centralised delivery schemes, efficient waste collection procurement, and agreements to maintain premises' energy performance.

Troy portfolio carbon footprint and climate metrics

Troy has minimal exposure to harder to abate sectors, meaning that the transition risks our portfolio companies face are less severe than if we were more heavily exposed to certain sectors such as fossil fuels, heavy industrials and mining. Our portfolio companies nonetheless have carbon emissions associated with their operations and as owners of their equity, we report below the emissions associated with our investments. Troy's financed emissions, as recommended by TCFD for asset managers, have been calculated in line with the GHG Protocol Corporate Accounting and Reporting Standards.

[7] Definitions of Location-based and Market-based Emissions calculations can be found at Appendix 2 – Glossary of Climate Terms.

	Troy Multi-Asset Strategy		FTSE All-Share Index#	
	2023	2024	2023	2024
Scope 1 (tonnes) EVIC Allocation#	9,639*	8,665	145,718	128,264
Scope 2 (tonnes) EVIC Allocation#	5,720*	8,155	33,239	27,927
Scope 3 (tonnes) EVIC Allocation#	476,995*	476,370	1,854,087	1,727,681
Total Carbon (Scope 1 + Scope 2 tonnes) EVIC Allocation#	15,359*	16,820	178,958	156,191
Carbon Footprint (tonnes/£m invested)	5.4	7.0	62.8	64.6
Weighted Average Carbon Intensity (Scope 1 + Scope 2 tonnes/£m revenue)	22.3	33.7	79.0	68.6
Implied Temperature Rise	1.6°C	1.6°C	2.2°C	2.0°C

*This calculation relates to the equity allocation only. Note that as at 31 December 2024, the Multi Asset strategy's allocation to equities was 30%. The data above does not capture emissions for other asset classes such as sovereign debt, cash or gold-related investments.

	Troy UK Equity Income Strategy		FTSE All-Share Index#	
	2023	2024	2023	2024
Scope 1 (tonnes) EVIC Allocation#	9,011	5,246	113,263	54,837
Scope 2 (tonnes) EVIC Allocation#	11,388	6,801	25,836	11,940
Scope 3 (tonnes) EVIC Allocation#	230,408	145,863	1,441,137	738,646
Total Carbon (Scope 1 + Scope 2 tonnes) EVIC Allocation#	20,398	12,047	139,100	66,777
Carbon Footprint (tonnes/£m invested)	9.2	11.7	62.8	64.6
Weighted Average Carbon Intensity (Scope 1 + Scope 2 tonnes/£m revenue)	28.4	26.8	79.0	68.6
Implied Temperature Rise	1.8°C	1.9°C	2.2°C	2.0°C

	Troy Global Equity Strategy		MSCI World Index#	
	2023	2024	2023	2024
Scope 1 (tonnes) EVIC Allocation#	1,160	712	25,922	18,912
Scope 2 (tonnes) EVIC Allocation#	1,333	925	5,850	4,116
Scope 3 (tonnes) EVIC Allocation#	32,265	18,720	262,318	166,772
Total Carbon (Scope 1 + Scope 2 tonnes) EVIC Allocation#	2,493	1,637	31,772	23,029
Carbon Footprint (tonnes/£m invested)	3.1	3.0	39.3	41.5
Weighted Average Carbon Intensity (Scope 1 + Scope 2 tonnes/£m revenue)	11.5	9.5	97.5	91.1
Implied Temperature Rise	1.7°C	1.9°C	2.7°C	2.4°C

	Troy Global Equity Income Strategy		MSCI World Index#	
	2023	2024	2023	2024
Scope 1 (tonnes) EVIC Allocation#	6,096	4,350	55,242	30,491
Scope 2 (tonnes) EVIC Allocation#	9,148	5,525	12,466	6,636
Scope 3 (tonnes) EVIC Allocation#	170,756	101,624	559,022	268,869
Total Carbon (Scope 1 + Scope 2 tonnes) EVIC Allocation#	15,244	9,875	67,708	37,127
Carbon Footprint (tonnes/£m invested)	8.8	11.0	39.3	41.5
Weighted Average Carbon Intensity (Scope 1 + Scope 2 tonnes/£m revenue)	33.4	33.1	97.5	91.1
Implied Temperature Rise	1.7°C	2.0°C	2.7°C	2.4°C

#Carbon emissions data for the comparator index are not absolute values, they are derived proportionately based on the assets under management within the strategy. This approach ensures that the carbon footprint reflects the specific investment allocations and their corresponding environmental impact. Investors should be aware that the carbon emissions data is for informational purposes only and is intended to offer insights into the environmental impact of the investment strategy compared to the selected index.

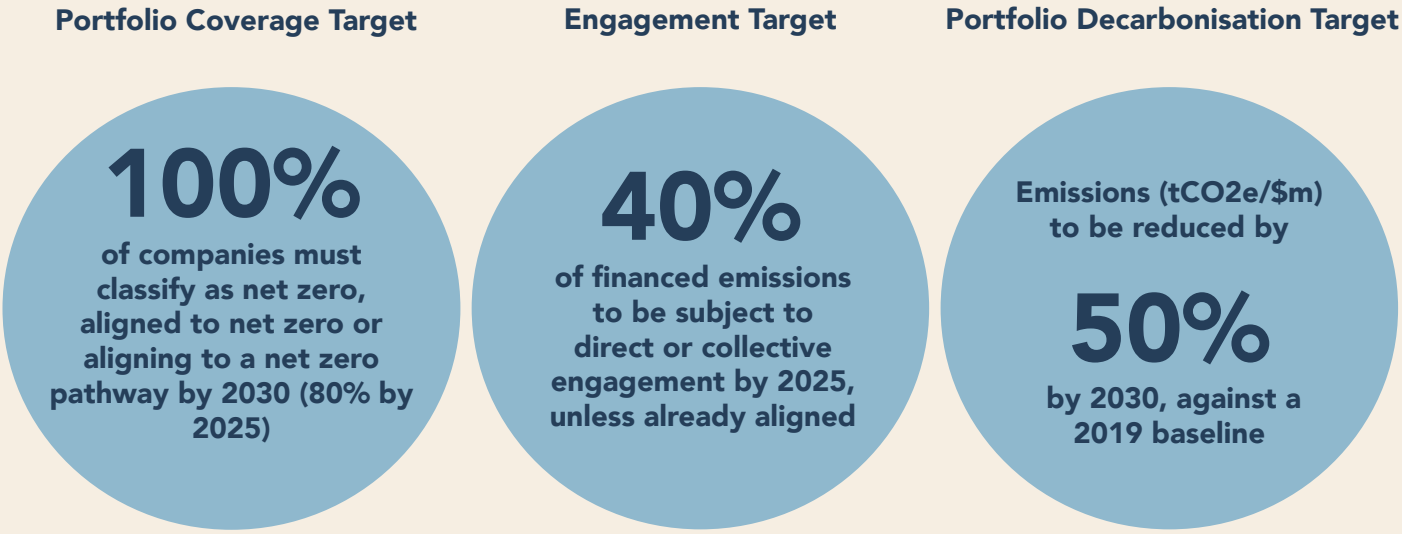
The metrics disclosed in relation to the emissions associated with Troy's equity investments above are those recommended by the TCFD for asset managers and have been calculated in line with the GHG Protocol Corporate Accounting and Reporting Standards. Calculation methodologies for Total Carbon Emissions, Carbon Footprint and Weighted Average Carbon Intensity are included in Appendix 1. Note, Troy has used an equity ownership approach based on enterprise value including cash (EVIC) to calculate its Total Carbon Emissions and Carbon Footprint.

Our targets

Our net zero commitment and targets apply only to equity investments, owing to a lack of established methodology for Paris-aligned investing in sovereign bonds and gold-related investments. As we receive consent from asset owners, we expect to expand this alignment to cover Troy's other portfolios.

For our net zero aligned funds, we have set the following interim targets[8]:

- Portfolio Coverage Target: 100% of companies must classify as net zero, aligned to net zero or aligning to a net zero pathway by 2030 (80% by 2025)
- Portfolio Decarbonisation Reference Target: Emissions (tCO2e/$m) to be reduced by 50% by 2030, against a 2019 baseline
- Engagement Threshold: 40% of financed emissions to be subject to direct or collective engagement by 2025, unless already aligned



Our approach is supported by an active ownership strategy that prioritises constructive engagements on setting portfolio decarbonisation targets. The above targets, supported by our engagement activity, represent only some of the steps along our journey towards alignment with the goals of the Paris Agreement.

[8] Full details of the climate targets set by Troy under the Net Zero Asset Managers initiative can be found here.

Progress against our targets

Net Zero Target		KPI	2022	2023	2024
Portfolio Coverage Target	Proportion of portfolio companies aligning or aligned to net zero	NZIF Climate Alignment Maturity Scale (see table 2)	68%	81%	81%
Engagement Target	Proportion of portfolio emissions subject to engagement	Troy Engagement Data and NZIF Climate Alignment Maturity Scale (see table 2)	18%	13%	15%
Portfolio Decarbonisation Target	Portfolio emissions t CO2e per £m invested	t CO2 e Scope 1 and 2	7.8%	6.8%	8.2%

The assessment was first conducted in February 2022.

For Troy's Engagement Target, many portfolio companies are categorised as aligned and thus our 40% target has already been met. We continue to measure our progress by reference to engagement with those which have not yet set a target. Across all portfolios, as at 31 of December 2024, six companies were yet to set net zero aligned targets. Troy currently has an engagement underway with all of these companies.

Appendix 1

TABLE 4: Recommended metrics for the financial sector by the Task Force on Climate-related Financial Disclosures.

Metrix	Supporting Information	
Total Carbon Emissions	**Description**	The absolute greenhouse gas emissions associated with a portfolio, expressed in t CO_2e
	Formula	$\sum_n^i \left(\frac{\text{Current value of investment}}{\text{issuer's EVIC}} \times \text{Issure's Scope 1 and Scope 2 GHG Emissions} \right)$
	Methodology	Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach. Under this approach, if an investor owns 5 percent of a company's total market capitalization, then the investor owns 5 percent of the company as well as 5 percent of the company's GHG (or carbon) emissions. While this metric is generally used for public equities, it can be used for other asset classes by allocating GHG emissions across the total capital structure of the investee (debt and equity).
Carbon Footprint	**Description**	Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in t CO_2e/£M invested.
	Formula	$\frac{\sum_n^i \left(\frac{\text{Current value of investment}}{\text{issuer's EVIC}} \times \text{issuer's Scope 1 and Scope 2 GHC emissions} \right)}{\text{current portfolio value (£M)}}$
	Methodology	Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach as described under methodology for Total Carbon Emissions. The current portfolio value is used to normalize the data.
Weighted Average Carbon Intensity:	**Description**	Portfolio's exposure to carbon-intensive companies, expressed in t CO_2e/£M revenue.
	Formula	$\sum_n^i \left(\frac{\text{Current value of investment}}{\text{current portfolio value}} \times \frac{\text{issuer's Scope 1 and Scope 2 GHC emissions}}{\text{issuer's EVIC (£M)}} \right)$
	Methodology	Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value), rather than the equity ownership approach (as described under methodology for Total Carbon Emissions). Gross values should be used.

Appendix 2

Glossary of Climate Terminology

Carbon Footprint: Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in t CO2e / £M invested.

EVIC (enterprise value including cash): EVIC refers to the total value of a company, which includes the market value of its ordinary and preferred shares, the book value of its total debt, and any non-controlling interests, without subtracting any cash or cash equivalents.

Implied Temperature Rise: Implied Temperature Rise is a forward-looking climate-focused metric that can be used to assess the net zero alignment of a company or portfolio. It translates the projected greenhouse gas emissions of the companies a portfolio comprises into an estimated rise in average global temperatures over the coming decades.

Owned Emissions: Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach. Under this approach, if an investor owns 5% of a company (calculated as either enterprise value or market cap), then the investor owns 5% of the company's GHG emissions.

Physical risks: Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g. cyclones, droughts, floods and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g. sea level rise).

Scope 1 Emissions: Scope 1 covers emissions from sources that an organisation owns or controls directly – for example burning fuel in a fleet of vehicles.

Scope 2 Emissions: Scope 2 are emissions that a company causes indirectly when the energy it purchases, and uses, is produced. For example, the generation of the electricity that powers a company's operations.

- **Location-based:** This scope 2 emissions calculation methodology reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).
- **Market-based:** This scope 2 emissions calculation methodology reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims.

Scope 3 Emissions: Scope 3 encompasses emissions that are not produced by the company itself, and not the result of activities from assets owned or controlled by them, but by those that it's indirectly responsible for, up (upstream) and down (downstream) its value chain. An example of this is products that are bought from suppliers.

Total Energy Consumption: The total amount of energy consumed measured in kilowatt hours (kWh). This includes the use of electricity.

Transition risk: Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses and reputational considerations.

Weighted Average Carbon Intensity: Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value), rather than equity ownership approach as the 'owned emissions' approach.

Regulatory Information

All data as at 31 December 2024 unless stated otherwise.

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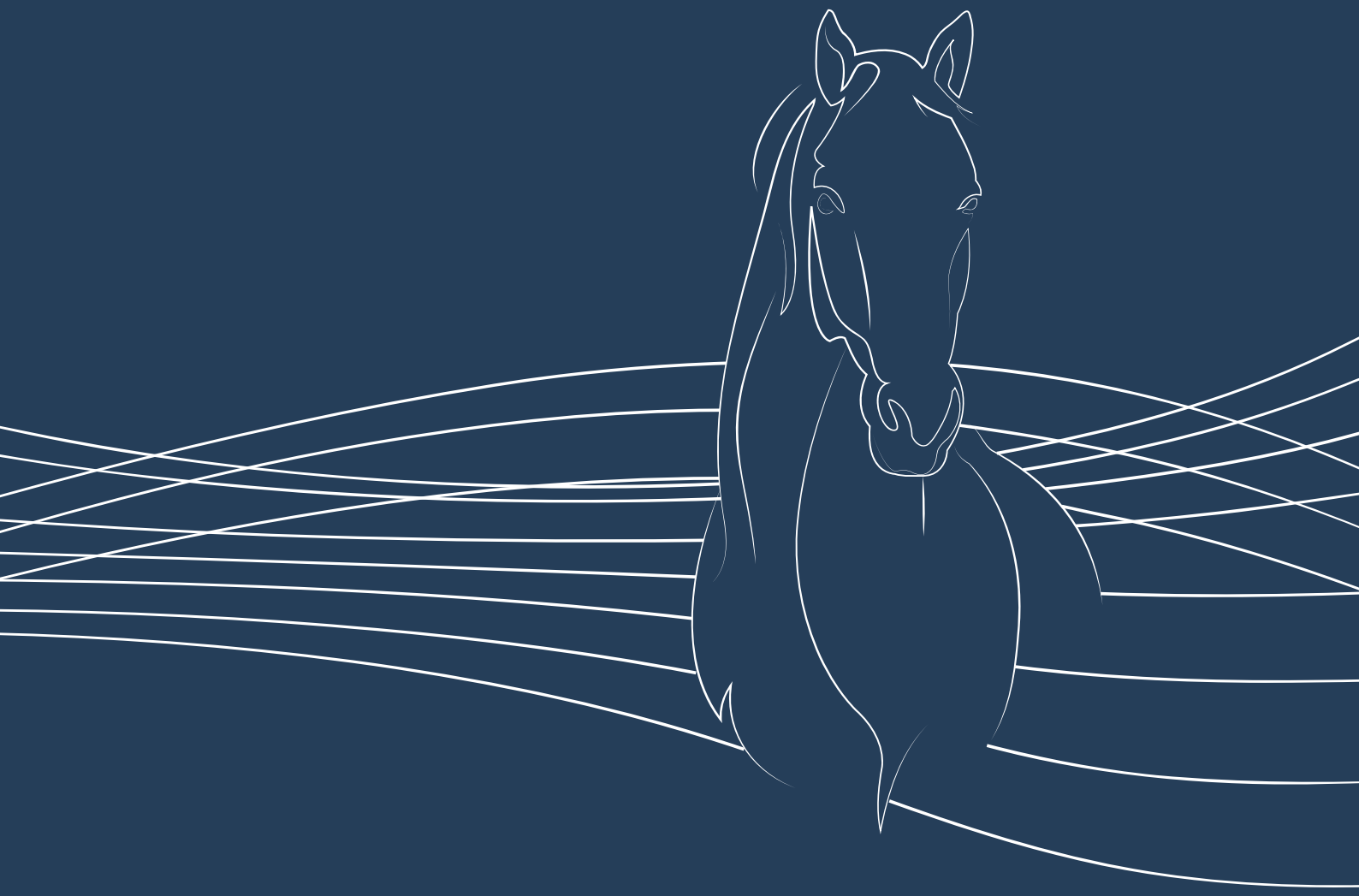

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