

Climate
Report
2023

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About this report

Welcome to Troy Asset Management's second 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, also sets out our decarbonisation ambitions, reflecting our commitment to the Net Zero Asset Managers' initiative (NZAM).

While inflation, interest rate hikes, and geopolitical events dominated the financial news in 2023, climate change should not be forgotten. 2023 saw policymakers, regulators and industry leaders gather at COP28 in Dubai, marking the first global stocktake on the Paris Climate Agreement which was agreed at COP21 back in 2015. In summary, more action is needed as the world remains significantly off track from the goal of limiting global warming to 1.5 degrees Celsius above pre-industrial levels by the end of this century.

In response to the growing transition and physical risk our investment portfolios face, we have over the course of the year engaged with more investee companies on decarbonisation, enhanced climate stewardship, and conducted more 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

Our climate strategy has been informed by the Net Zero Investment Framework, published by the Institutional Investors Group on Climate Change (IIGCC)¹. This document supports the implementation of the recommendations of the TCFD² within the asset management industry by providing additional sector specific guidance.

This report covers the 12-month period 1 January 2023 to 31 December 2023. Data disclosed is point in time data as at 31 December 2023, unless stated otherwise.

¹ The [Net Zero Investment Framework](#), published in March 2021, provides a common set of recommended actions, metrics and methodologies through which investors can maximise their contribution to achieving net zero global emissions by 2050 or sooner.

² In December 2015, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures to develop climate-related disclosures that could promote more informed investment decisions and would enable stakeholders to better understand the financial system's exposures to climate-related risks and opportunities. The Task Force developed a framework with four widely adoptable recommendations applicable to organizations across sectors and industries, as described in the Task Force's 2017, and subsequent 2021, recommendations reports.



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 and address climate risk in portfolios, 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



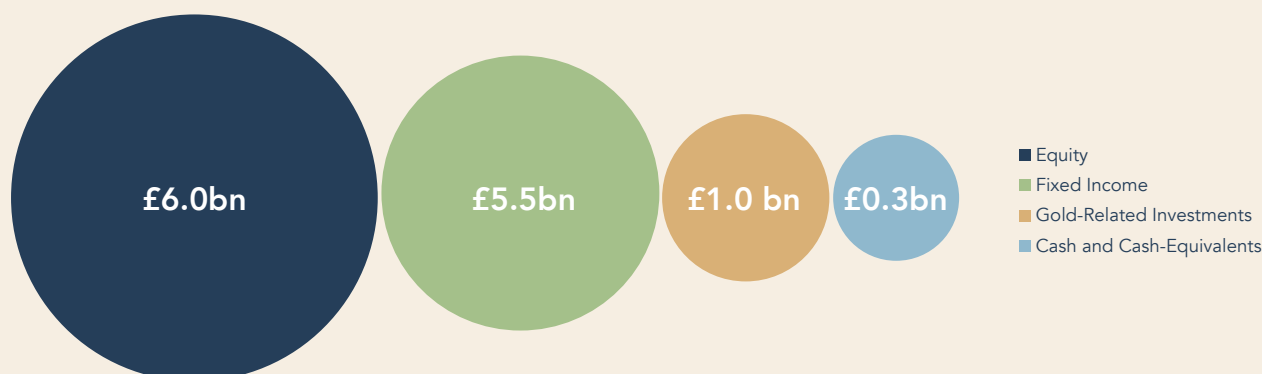
About Troy

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. It is a combination of our purpose and approach to risk that informs Troy's climate strategy.

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 2023, Troy managed £12.8 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 2023.



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. Since inception, we have been overseen by a Board of Directors (the Board), including strong representation by experienced Non-Executive Directors.

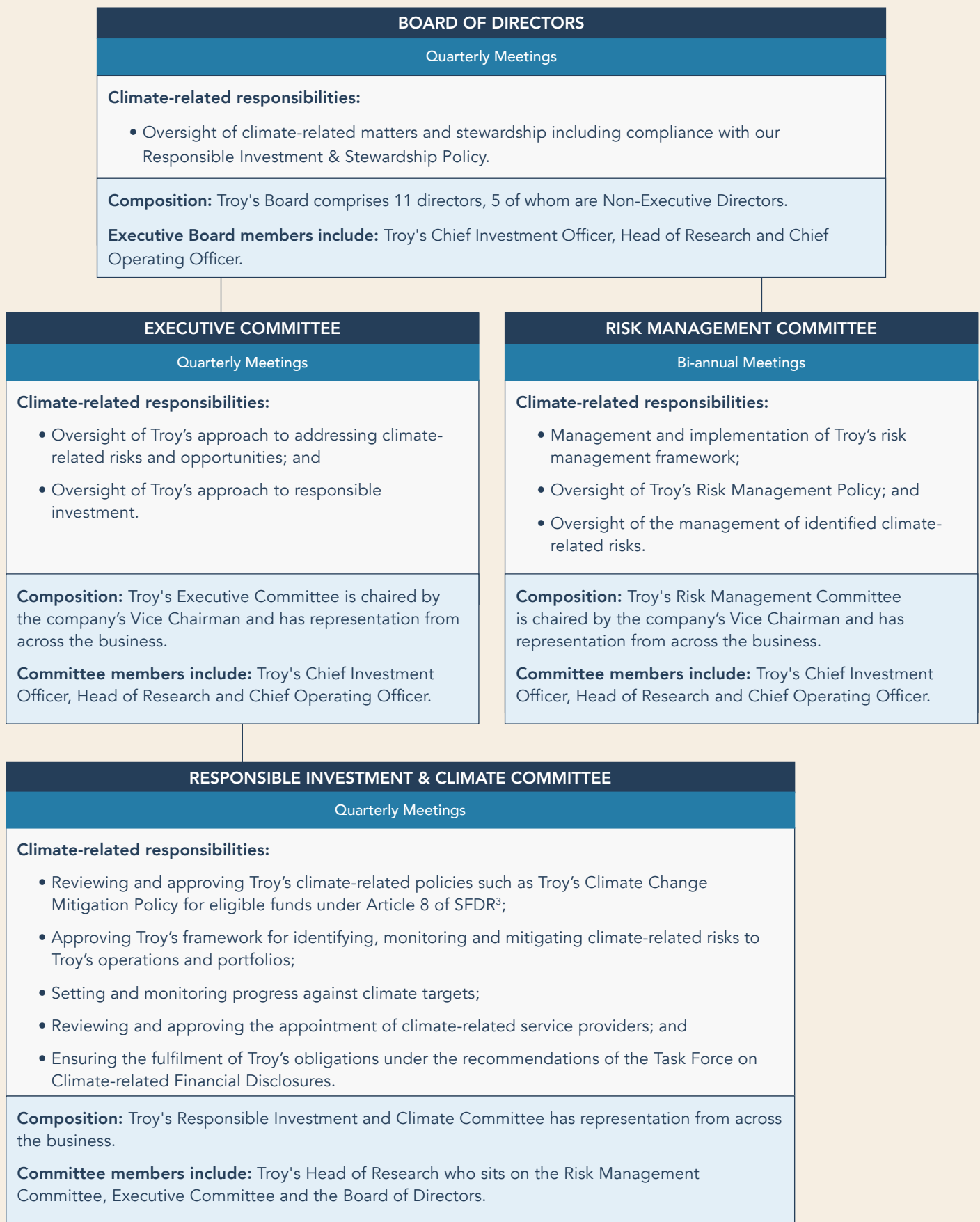
Our governance structure has evolved as the business has grown, with more recent notable changes in relation to oversight of climate-related issues including the creation of the Responsible Investment & Climate Committee in 2021. Troy's Board has delegated responsibilities to various committees, each 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 which has, amongst others, the following responsibilities (as set out in the Committee's terms of reference) which relate to the assessment and management of climate-related risks and opportunities:

- 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);
- Reviewing and approving the appointment of responsible investment and climate-related service providers; and
- Ensuring the fulfilment of Troy's obligations under the recommendations of the Task Force on Climate-related Financial Disclosures.

Management information is provided to all members of the Committee prior to each meeting to enable it to effectively discharge its duties. The Responsible Investment & Climate Committee is a sub-committee of our Executive Committee to which it reports periodically. A climate report is also provided to the Board annually. The Responsible Investment & Climate Committee includes our Head of Research who is a member of our Executive Committee and Troy's Board. The Chair of the Responsible Investment & Climate Committee has primary responsibility for many aspects of climate change and reports to our Head of Research and Troy's Chief Investment Officer, both of whom are members of Troy's Board. This structure ensures that information relating to climate-related issues is able to flow directly to senior management and the Board through committee reporting and oversight, as well as through employee escalation as and when matters may arise.



FIGURE 1: Troy's climate-related governance structure

³ 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 confirming the risks to which the relevant areas of the business may be exposed 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. Each risk has an assigned person responsible.

Climate-related risks and opportunities in our investment process

Troy's Deputy Head of Research is responsible for the integration of environmental, social and governance (ESG) factors into Troy's research process, including climate change, with oversight from Troy's Head of Research and Chief Investment Officer. As Head of Research, Gabrielle Boyle is the senior manager responsible for ESG at Troy. 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. Our fiduciary duty requires us, as stewards of our investors' capital, to consider long-term value drivers in our investment process.

As climate risks become more significant, our ESG analysis has evolved, ensuring all holdings are assessed for their exposure to climate risks (and opportunities where appropriate). This approach is detailed in our [Responsible Investment & Stewardship Policy](#). The entire Investment Team, supported by third-party data providers including MSCI ESG Research, Bloomberg, and the Carbon Disclosure Project, incorporates ESG and climate-related analysis into our investment and stewardship processes.



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. This is why funds which meet the criteria under Article 8 of SFDR promote climate change mitigation⁴.

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

Troy has thought carefully about how we integrate climate-related risks into our business strategy. 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 risk 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 sectors⁴, i.e., those with a higher carbon footprint, remains limited given our bias towards capital-light and less cyclical businesses, we recognise that evolving our business, including our investment process with respect to assessment of climate-related issues, is necessary as part of ongoing business management. Operating costs, revenue and financial planning considerations would be taken into account when assessing any such adjustments to our business.

⁴ See Troy's [Climate Change Mitigation Policy](#).



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 require continual adaptation. Falling behind in methodologies and the disclosure of relevant data points may hinder our client servicing efforts. Conversely, keeping abreast of the evolution of such 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 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 designed with the intention of helping consumers navigate the market for sustainable investment products, improving disclosure, and encouraging positive investor behaviours. We welcome the enhanced regulatory safeguards on ESG and sustainable investment but are not immune to the challenges that new regulations bring. We are well-positioned to respond to regulatory changes and therefore 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 contribute to the 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 appetite in the medium to long term presents both risk and opportunity. As awareness grows, 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.



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 subsequent Risk Management section. Our current climate strategy primarily focuses on identifying climate risks (and opportunities where appropriate) within our equity investments, as industry tools for measuring emissions in sovereign debt, cash, or gold-related investments are lacking. We have reviewed solutions during the year to incorporate the consideration of climate change in our analysis of non-equity asset classes. Our annual ESG analysis of sovereign debt investments incorporates climate-related risks and opportunities. We continue to be limited by the lacking engagement channels with sovereign issuers as a means of mitigating the emissions associated with our investments in sovereign debt, as discussed later in this report.

Troy has minimal exposure to carbon-intensive or 'high-impact' companies⁵, 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 ability to negatively impact the share price 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 all companies operationally, financially and strategically. We have identified transition risks; namely 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 also using responses to the Carbon Disclosure Project and the Climate Action 100+ benchmark for our most carbon intensive holdings to better scrutinise their 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 2023 confirmed that portfolio companies most exposed to physical climate risk are taking measures to manage and mitigate these risks. Climate change, biodiversity, deforestation, and water scarcity are topics we have explored in thematic research carried out by the Investment Team. Our research has allowed us to identify the holdings most vulnerable to these environmental risks.

⁵ 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. We review the status reports published by the Intergovernmental Panel on Climate Change and United Nations Environment Programme's emissions gap report.

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 sustainable and 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. We take a long-term approach to investing the assets within our investment portfolios. Therefore, we do not systematically assess actual and potential effects of climate-related opportunities over specific time horizons, with all analysis focussing on long-term holding periods. Furthermore, it is difficult to assess with any degree of certainty the time horizon during which climate-related opportunities may arise.

Case study: Fastenal



Fastenal specialises in the sale of industrial products including fasteners, tools and safety supplies. While the company itself is not very carbon intensive, its industrial customers are facing increased pressure to reduce their emissions. If Fastenal as a supplier can facilitate its customers' sustainability needs, this will likely further entrench its position in the value chain. Today Fastenal offer approximately 53,000 'green products', including more than 12,350 certified products as well as 40,600+ environmentally preferred products made from textiles, plastics or even packaging with better environmental credentials⁶.

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. 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.

⁶Fastenal define "Green Products" as being products which reduce negative effects on human health and the environment compared to competing products.



Scenario analysis

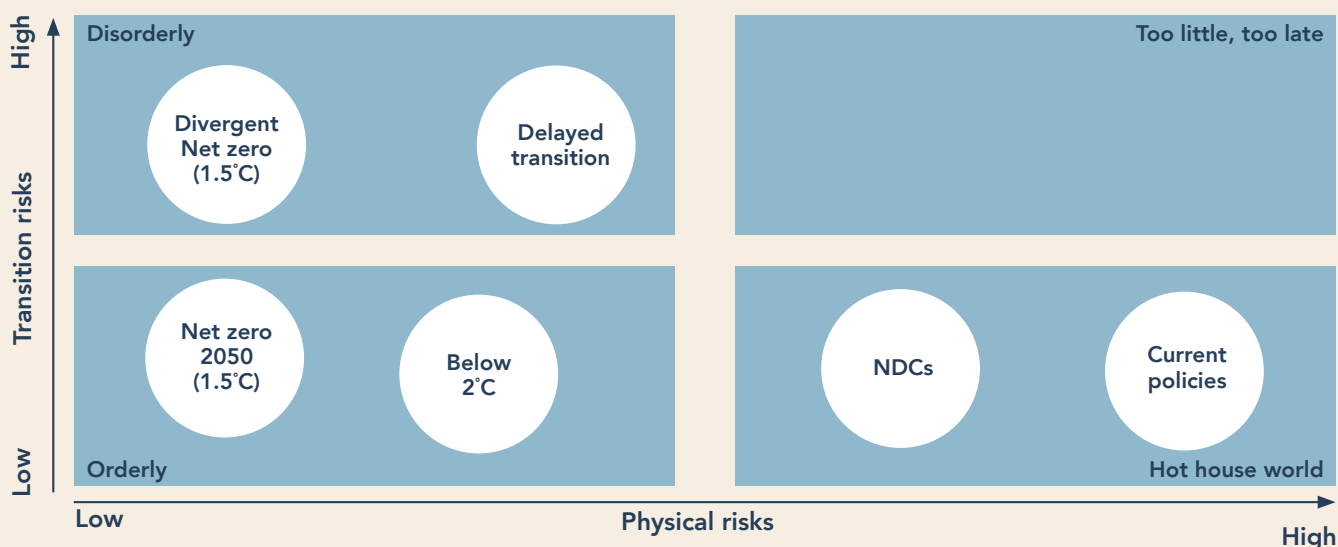
Troy has assessed the current exposure of our portfolios to transition and physical risk under different scenarios using MSCI’s Climate Value-at-Risk (CVaR) tool. For the transition risk scenarios, Troy has selected those based on the Network for Greening the Financial System (NGFS) scenarios.

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 ‘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 shows the relationship between transition and physical risks associated with various scenarios.

FIGURE 2: NGFS Scenario Framework



Source: MSCI Climate Value-at-Risk and Network for Greening the Financial System, as at 31 December 2023.

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.

With that said, 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.

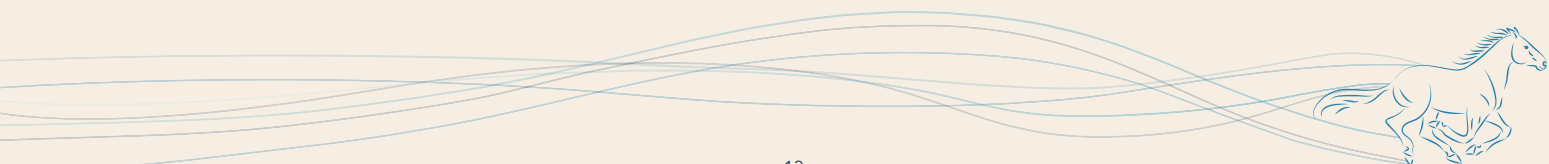


TABLE 1: Climate VaR % of Troy representative portfolios

			Troy Multi-Asset Strategy*	Troy Ethical Multi-Asset Strategy*	Troy UK Equity Income Strategy	Troy Ethical UK Equity Income Strategy	FTSE All-Share Index	Troy Global Equity Income Strategy	Troy Ethical Global Equity Income Strategy	Troy Global Equity Strategy	MSCI World Index
Temperature Alignment	Policy Response	Physical Risk	Climate VaR %	Climate VaR %	Climate VaR %	Climate VaR %	Climate VaR %	Climate VaR %	Climate VaR %	Climate VaR %	Climate VaR %
1.5°C	Orderly	Average	-4%	-3%	-3%	-3%	-24%	-4%	-4%	3%	-11%
1.5°C	Disorderly	Average	-5%	-4%	-4%	-5%	-30%	-5%	-5%	-4%	-16%
2°C	Orderly	Average	-2%	-2%	-2%	-2%	-9%	-3%	-3%	-1%	-5%
2°C	Disorderly	Average	-4%	-2%	-3%	-3%	-19%	-4%	-4%	-2%	-10%
2°C	Disorderly	Aggressive	-5%	-3%	-5%	-6%	-29%	-5%	-6%	-4%	-16%
3°C	Hot House	Average	-3%	-3%	-3%	-3%	-11%	-4%	-4%	-2%	-7%
3°C	Hot House	Aggressive	-6%	-5%	-7%	-8%	-25%	-9%	-9%	-5%	-18%

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 2023.



Interpretation of scenario analysis

Table 1 displays 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. While we provide this data to aid transparency, we believe the limitations of the modelling diminish the value of individual data points. We have used the CVaR analysis to identify holdings shown to be most vulnerable to extreme weather events which has prompted further analysis, this is discussed in further detail in the subsequent section.

Troy's portfolios show little impact from 3 degrees 'hot house' scenarios. 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.



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. As such our processes have evolved to allow for the effective identification and mitigation of such risks.

A discussion of the physical and transition risks faced by both Troy's portfolios and its operations are included in the previous Strategy section of this report.

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 each department and reviewed formally 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 run. 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 primarily relates to our equity investments. We have begun to strengthen our assessment of climate risk and opportunities for our sovereign debt investments but not yet for our gold-related investments as the industry is yet to develop the necessary tools to develop a climate strategy for this asset class.

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 sectors⁷, i.e., those 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 lives and asset values. As a result, we typically do not invest in sectors such as transport, 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 and utility companies.

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 since 95% of beer is water, and water scarcity resulting from climate change is a growing risk to Heineken's business. Of the 170 breweries Heineken operates around the world, 26 are in water-stressed areas. The company started a dedicated water strategy in 2013 that has followed a journey from improving water efficiency to replenishing the water that goes into products. This includes investments in wetland restoration, rainwater harvesting and reforestation.

Heineken has made a commitment to fully balance every litre of water used in products within the local watershed, in areas that are water stressed. The company has also pledged to reduce water usage to an average of 2.8 hectolitres of water per hectolitre of beer (from 3.2 hl/hl) for breweries in water stressed areas and to 3.2 hectolitres of water per hectolitre of beer (from 3.5 hl/hl) on average by 2030. The company's water management strategy is critical in building resilience to physical climate risk in the form of increased water scarcity as global mean temperatures rise.

Case study: Pernod Ricard



Pernod Ricard

Pernod Ricard relies on commodities like grapes, barley, corn, and wheat for the premium spirits it sells. With the hotter summers, many of the grapes in the Cognac region are becoming less acidic and sweeter, which may be problematic for cognac supply 20-30 years from now. The company has been investing in the development of new grape varieties that can withstand climate change and is prioritising regenerative agriculture to enhance ecosystem health and reduce the environmental impact of farming practices with a particular focus on preserving Cognac and Champagne farming regions for brand resilience. By investing in regenerative agriculture, the company is shifting away from conventional practices to promote natural processes, minimising chemical use, and fostering local biodiversity. Pernod has more to do to effectively mitigate physical climate risk, but this is a positive start.

⁷ Defined as companies on the Climate Action 100+ focus list and companies in high impact sectors consistent with Transition Pathway Initiative sectors.



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 establish how well positioned it is to take advantage of opportunities arising from the transition to a low-carbon future. Initiation notes have a dedicated section on environmental risks and opportunities with specific prompts relating to the company's exposure to both 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
- 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, CDP disclosures and the Climate Action 100+ benchmark.

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; this process includes monitoring the development of 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. A number of questions in this assessment relate specifically to climate change given that we deem this to be a systemic risk facing all portfolio companies. This review provides an opportunity to assess companies' progress along the climate alignment maturity scale and confirm the status of any climate-related engagements, which is discussed below.

To monitor the extent of risk exposure, we support our own analysis 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 to identify 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 has increased and in our meetings with companies over the year many have communicated their efforts to enhance their own data collection methods to improve the accuracy of reported scope 3 emissions.



Thematic research

In addition to company-specific equity research, Troy conducts ad hoc thematic research. 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. Recent examples include a piece identifying our holdings most exposed to physical climate risk and a review of the Task Force for Nature-related Financial Disclosure framework.

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 our commitment under NZAM, each company has been plotted along an alignment maturity scale informed by the Net Zero Investment Framework⁸ methodology.

⁸ 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: <ul style="list-style-type: none"> • 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. 	<p>Criterion 3 - Emissions Performance: Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets.</p> <p>For High Impact Sectors Only:</p> <p>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.</p>
Aligning towards a net zero pathway	Companies that: <ul style="list-style-type: none"> • 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. 	<p>Criterion 2 - Targets: Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3).</p> <p>Criterion 4 - Disclosure: Disclosure of scope 1, 2 and material scope 3 emissions</p> <p>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.</p>
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 (SBTi). This allows fund managers 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. The Transition Pathway Initiative published its first assessment of sovereigns using the ASCOR methodology in December 2023. We will explore the suitability of the tool for inclusion in our future assessments of UK and US sovereign debt 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 is 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 risk. This means we use engagement and voting to encourage real-world emissions reductions. We outline below the measures employed to mitigate climate risk in our investment process.

Climate Change Mitigation

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. 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 set⁹. 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.

The implementation of Troy's Climate Change Mitigation Policy is overseen by the Responsible Investment & Climate Committee, which is a formal sub-committee of Troy's Executive Committee.

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. Further details of our risk mitigation efforts are outlined below.

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.

As a signatory to the Carbon Disclosure Project (CDP), Troy has participated in several engagements during 2021, 2022 and 2023. In particular, we played an active role in the CDP's annual non-disclosure campaign to encourage investee companies to respond to the CDP's annual questionnaires on climate, forests and water security through this channel. In 2023, Troy engaged with 8 companies. Troy was the lead investor in engagements with PZ Cussons, AJ Bell and Safestore where we engaged with the companies on behalf of all co-signatories.



The aim of these collaborative engagements was to prompt the companies to respond to the relevant CDP questionnaires and to disclose in line with the recommendations of the TCFD. We had subsequent dialogues with a number of the companies, leveraging our long-standing relationships with them, as long-term investors. We maintain that transparency is important to minimise informational asymmetries between companies and investors, allowing for more effective risk management by the investment industry.

Engagement – encouraging decarbonisation and net zero alignment

We consider engagement a fundamental part of exercising our stewardship responsibilities. 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.

Engagement is also one of the few ways in which public equity investors can deliver real-world emissions reductions. As a result, we prefer this approach over a divestment-led alternative which does not necessarily drive change in

⁹ See [Climate Action 100+ Benchmark](#).



corporate behaviour. Troy seeks to influence management through engagement when we believe it is in the best interests of shareholders to do so. 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.

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:

- Align climate-related reporting with the recommendations of the TCFD;
- 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;
- Develop a climate mitigation / decarbonisation strategy, extending to material scope 3 emissions;
- 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. We will continue to steer investee companies towards the achievement of net zero and will increasingly focus on addressing any shortfalls in the climate strategies of investee companies. To date, we have had several successful engagements with companies that were identified as not aligning, as well as those further on in their decarbonisation journeys.

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



Troy has an ongoing engagement with Unilever via Climate Action 100+. 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 a Shareholder Consultation in December 2023 where we provided early feedback on Unilever's 2024 Climate Action Transition Plan before it goes to shareholder vote during the company's 2024 AGM.



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.

The Responsible Investment & Climate Committee regularly reviews climate engagements with 'not aligning' portfolio companies, facilitating decisions on escalation, aligning with Troy's Climate Change Mitigation Policy. Troy emphasises decarbonisation through engagement rather than a divestment-led strategy. Engagements also target holdings with elevated climate risk, such as those with a higher carbon footprint. 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. Despite ongoing efforts, Fiserv had not disclosed targets or committed to net zero. 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. Troy's engagement with Fiserv is ongoing.



Portfolio Construction

Fund managers will also manage their exposures to climate-related risks and seek to mitigate it insofar as they can. This process is informed by the use of scenario analysis which shows the physical and transition risk sensitivity of individual stocks to different possible climate scenarios (as described in Table 1 of this report). 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 bi-laterally 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.

In 2022, Troy signed the Global Investor Statement to Governments on the Climate Crisis facilitated by the Investor Agenda ahead of COP 27¹⁰. In September 2023, Troy also signed the IIGCC, UKSIF and PRI's joint investor letter on net zero to the UK Prime Minister Rishi Sunak urging the government to uphold ambition and avoid backsliding on key climate policies that will facilitate the achievement of net zero by 2050.

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 sub-committee 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.

¹⁰The demands of the 2022 Global Investor Statement to Governments on the Climate Crisis and a list of signatories can be found [here](#).



Troy's risk management approach for operational climate risk

The Strategy section of this report identified three important areas of transitional climate risk relating to Troy's operations, rather than its portfolios.

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. We appointed MSCI ESG Research as a data provider, using their Climate Change Metrics, following a tender process in 2021. We believe MSCI offers the expertise and resources for industry best practices, and we conduct regular meetings to ensure their continued alignment with our needs. Over the last year, Troy consulted on their methodology developments for their Implied Temperature Rise model. Troy have also added resource in this area by hiring an investment analyst with specific expertise in ESG and climate analysis who is, along with the wider Investment Team, expected to keep abreast of the analytical tools and metrics used by the investment industry to assess climate-related impact.

Short to medium-term: Compliance & Regulation

Although Troy has always adopted an integrated approach to the analysis of ESG factors within our investment process, increased regulatory requirements have required Troy to formalise some aspects of these processes and adopted policies. 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 sub-committee of the Executive 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.

Medium to long-term: Investor Preferences

Troy responded to the increase in investor preferences for Paris-aligned solutions by joining the Net Zero Asset Managers initiative. Committing our open-ended funds to be managed in line with the attainment of net zero aligns with these preferences. In May 2022, our Article 8 funds, which includes all Troy's actively marketed open-ended funds¹¹, 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.

¹¹This includes the following vehicles: Trojan Fund, Trojan Fund (Ireland), Trojan Ethical Fund, Trojan Ethical 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. Troy has formally committed to net zero emissions by no later than 2050.

Troy's operational carbon footprint

In recent years we have given consideration to 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 ₂ e	
		FY 2022	FY 2023
Scope 1 Sub Total		0.00	0.00
Scope 2	Electricity generation	43.28	44.72
Scope 2 Sub Total (location-based)		43.28	44.72
Scope 3	Flights	49.23	181.91
	Taxi travel	4.29	9.33
	Electricity transmission & distribution	3.83	4.09
	Rail travel	0.61	1.88
	Hotel stays	-	2.71
	Hire cars	0.00	1.08
	Home-workers	0.56	-
Scope 3 Sub Total		58.53	201.01
Total tonnes of CO₂e		101.81	245.73
Tonnes of CO₂e per employee		2.26	5.23
Total Energy Consumption (kWh)		203,842	235,749

Source: Carbon Footprint Ltd, Troy Asset Management as at 30 April 2022 and 30 April 2023.

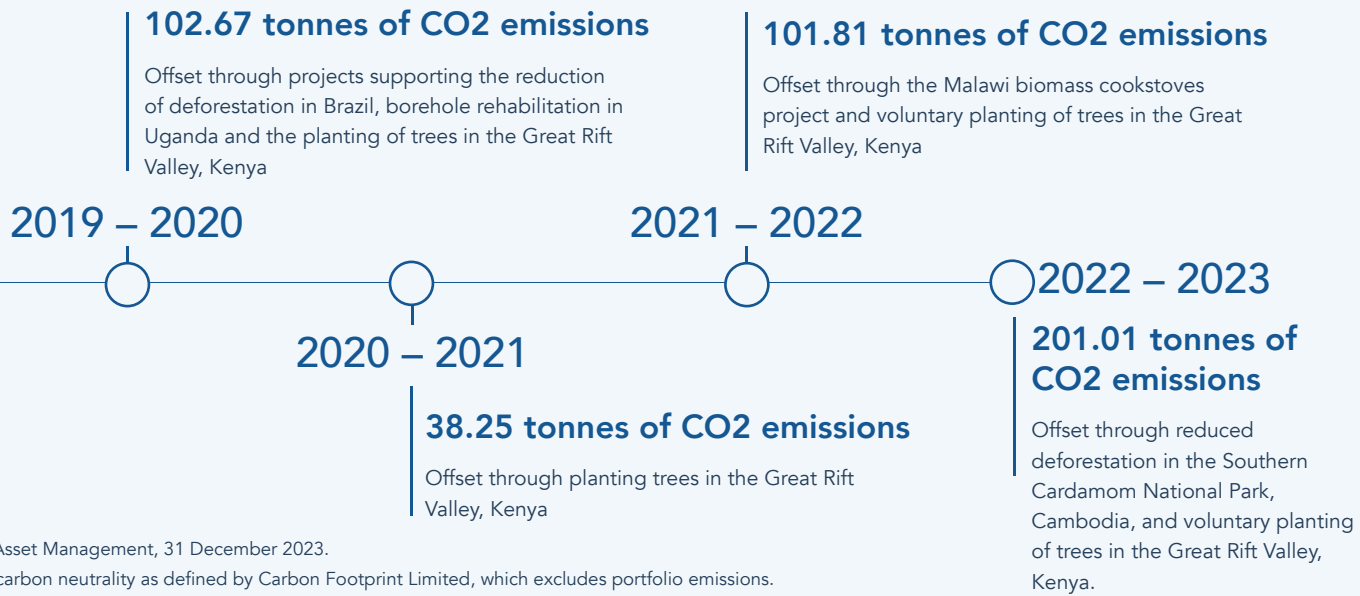
Notes to Table 3:

- 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.
- In FY23 the increase in our carbon footprint has been a result of increased business travel with unavoidable long-haul flights accounting for this increase.
- Operational emissions calculated from 1st May - 30 April (Troy's financial year).

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 methodology¹². 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.

¹² Definitions of Location-based and Market-based Emissions calculations can be found at Appendix 2 – Glossary of Climate Terms.





Source: Troy Asset Management, 31 December 2023.

¹Operational carbon neutrality as defined by Carbon Footprint Limited, which excludes portfolio emissions.

²Annual emissions calculated to 30 April (Troy's financial year end).

³The above emissions are reported as location-based 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 carbon-intensive or 'high-impact' companies¹³, 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. 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). The below table shows the emissions associated with our equity investments for each of our strategies.

¹³ 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.



	Troy Multi-Asset Strategy		FTSE All-Share Index [#]	
	2022	2023	2022	2023
Scope 1 (tonnes) EVIC Allocation [#]	7,592*	9,639*	174,979	145,718
Scope 2 (tonnes) EVIC Allocation [#]	5,299*	5,720*	40,100	33,239
Scope 3 (tonnes) EVIC Allocation [#]	475,260*	476,995*	2,054,948	1,854,087
Total Carbon (Scope 1 + Scope 2 tonnes) EVIC Allocation [#]	12,891*	15,359*	215,080	178,958
Carbon Footprint (tonnes/£m invested)	4.2	5.4	70.3	62.8
Weighted Average Carbon Intensity (Scope 1 + Scope 2 tonnes/£m revenue)	20.1	22.3	90.0	79.0
Implied Temperature Rise	1.6°C	1.6°C	2.4°C	2.2°C

*This calculation relates to the equity allocation only. Note that as at 31 December 2023, the Multi Asset strategy's allocation to equities was 26%. 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 [#]	
	2022	2023	2022	2023
Scope 1 (tonnes) EVIC Allocation [#]	13,330	9,011	180,563	113,263
Scope 2 (tonnes) EVIC Allocation [#]	15,557	11,388	41,380	25,836
Scope 3 (tonnes) EVIC Allocation [#]	374,564	230,408	2,120,518	1,441,137
Total Carbon (Scope 1 + Scope 2 tonnes) EVIC Allocation [#]	28,887	20,398	221,942	139,100
Carbon Footprint (tonnes/£m invested)	9.1	9.2	70.3	62.8
Weighted Average Carbon Intensity (Scope 1 + Scope 2 tonnes/£m revenue)	29.7	28.4	90.0	79.0
Implied Temperature Rise	1.6°C	1.8°C	2.4°C	2.2°C



	Troy Global Equity Strategy		MSCI World Index [#]	
	2022	2023	2022	2023
Scope 1 (tonnes) EVIC Allocation [#]	877	1,160	23,240	25,922
Scope 2 (tonnes) EVIC Allocation [#]	1,033	1,333	4,829	5,850
Scope 3 (tonnes) EVIC Allocation [#]	28,199	32,265	226,841	262,318
Total Carbon (Scope 1 + Scope 2 tonnes) EVIC Allocation [#]	1,910	2,493	28,070	31,772
Carbon Footprint (tonnes/£m invested)	3.1	3.1	45.4	39.3
Weighted Average Carbon Intensity (Scope 1 + Scope 2 tonnes/£m revenue)	11.8	11.5	109.4	97.5
Implied Temperature Rise	1.7°C	1.7°C	2.7°C	2.7°C

	Troy Global Equity Income Strategy		MSCI World Index [#]	
	2022	2023	2022	2023
Scope 1 (tonnes) EVIC Allocation [#]	4,914	6,096	62,102	55,242
Scope 2 (tonnes) EVIC Allocation [#]	7,219	9,148	12,905	12,466
Scope 3 (tonnes) EVIC Allocation [#]	173,221	170,756	606,160	559,022
Total Carbon (Scope 1 + Scope 2 tonnes) EVIC Allocation [#]	12,133	15,244	75,007	67,708
Carbon Footprint (tonnes/£m invested)	7.4	8.8	45.4	39.3
Weighted Average Carbon Intensity (Scope 1 + Scope 2 tonnes/£m revenue)	29.2	33.4	109.4	97.5
Implied Temperature Rise	1.7°C	1.7°C	2.7°C	2.7°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.



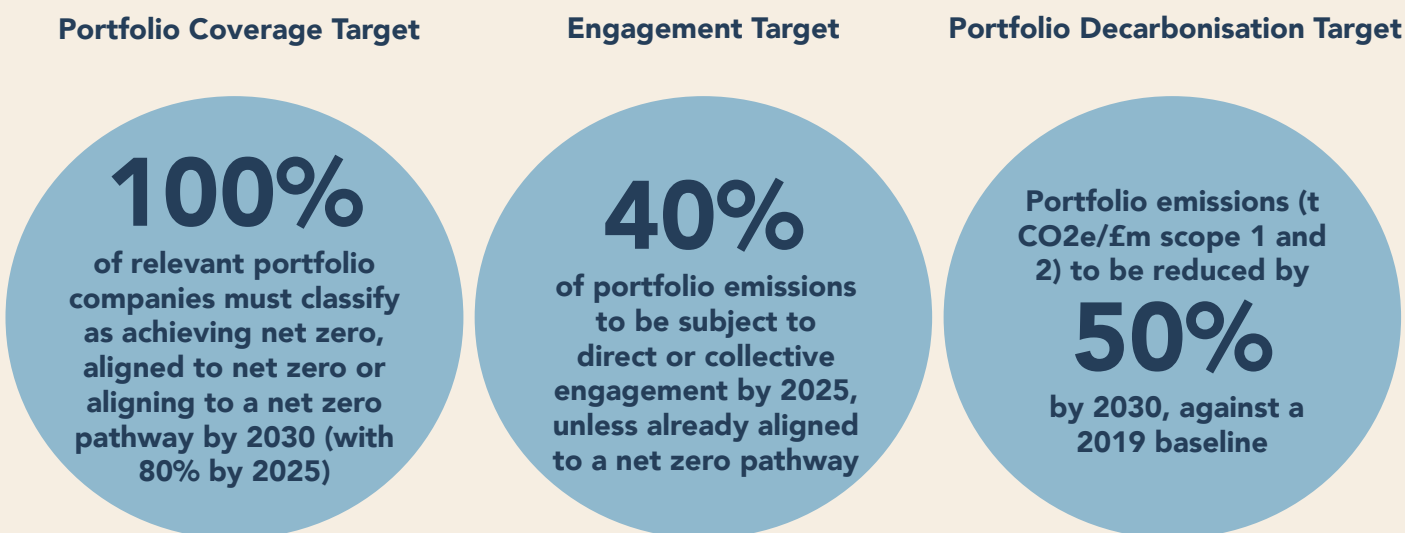
Our targets

Achieving net zero emissions by mid-century is our best chance at staying on track to meet the goals of the Paris Agreement and avoiding the worst effects of climate change. To this end, Troy became a signatory of NZAM in 2021 and published our first formal climate-related targets in July 2022.

While our long-term commitment is to invest all assets under management in alignment with the objectives of the Paris Agreement, we have made an interim commitment to manage Troy's publicly marketed open-ended investment funds in line with a net zero by 2050 target¹⁴. As we receive consent from asset owners, we expect to expand this alignment to cover Troy's other portfolios.

This commitment applies only to equity investments, owing to a lack of established methodology for Paris-aligned investing in sovereign bonds and gold-related investments.

For these net zero aligned funds, we have also set the following interim targets¹⁵:



Our approach is supported by an active ownership strategy that prioritises engagement over divestment. 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.

¹⁴This includes the following vehicles: Trojan Fund, Trojan Fund (Ireland), Trojan Ethical Fund, Trojan Ethical 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.

¹⁵Full 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	2019	2022	2023
Portfolio Coverage Target	Proportion of portfolio companies aligning or aligned to net zero	NZIF Climate Alignment Maturity Scale (see table 2)	N/A	68%	81%
Engagement Target	Proportion of portfolio emissions subject to engagement	Troy Engagement Data and NZIF Climate Alignment Maturity Scale (see table 2)	N/A	18%	13%
Portfolio Decarbonisation Target	Portfolio emissions t CO ₂ e per £m invested	t CO ₂ e Scope 1 and 2	8.4	7.8	6.8

Incomplete data for 2019 alignment status of portfolio companies. 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 2023, seven 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 ₂ e
	Formula	$\sum_n^i \left(\frac{\text{Current value of investment}}{\text{issuer's EVIC}} \times \text{Issuer's Scope 1 and Scope 2 GHG Emissions} \right)$
	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 ₂ e/£M invested.
	Formula	$\frac{\sum_n^i \left(\frac{\text{Current value of investment}}{\text{issuer's EVIC}} \times \text{issuer's Scope 1 and Scope 2 GHG emissions} \right)}{\text{current portfolio value (£M)}}$
	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 ₂ e/£M revenue.
	Formula	$\sum_n^i \left(\frac{\text{Current value of investment}}{\text{current portfolio value}} \times \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}}{\text{issuer's EVIC (£M)}} \right)$
	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.



Regulatory Information

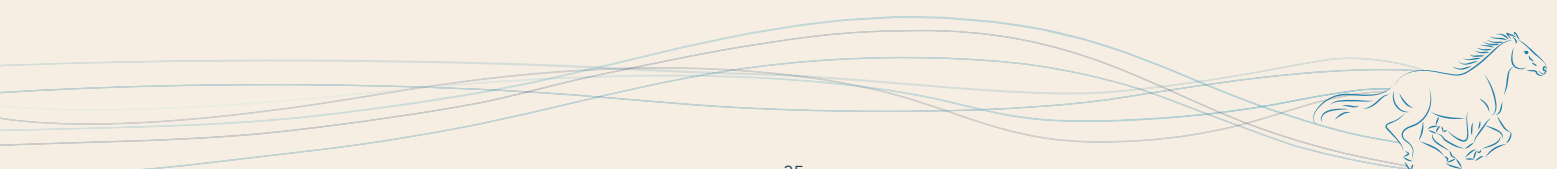
All data as at 31 December 2023 unless stated otherwise.

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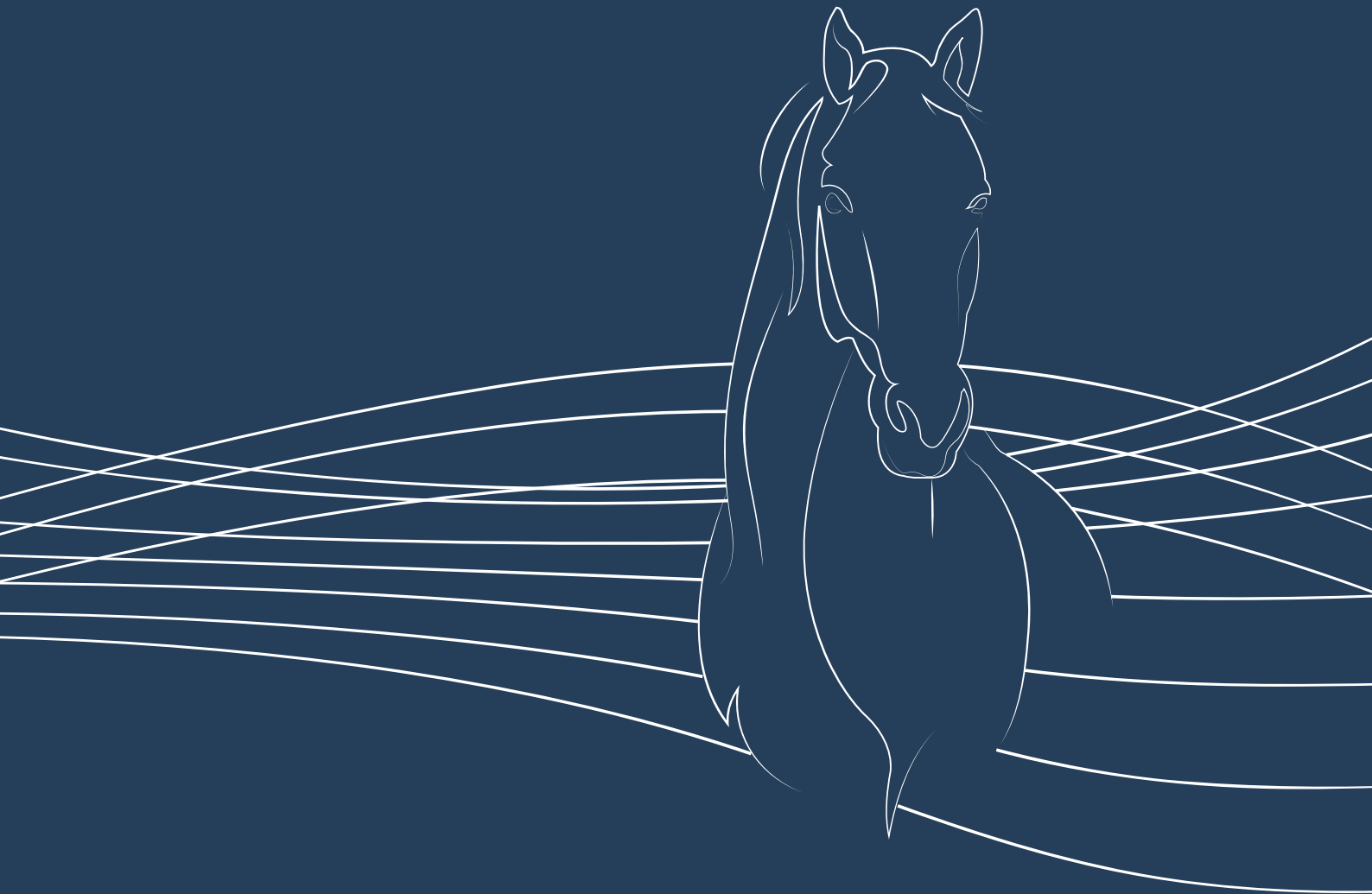
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