



Taskforce on Climate-related Financial Disclosures (TCFD)

Product Level
Disclosures (FY2024)



Gresham House
Specialist investment

Executive Summary

Purpose of this document

This document is published by Gresham House Asset Management Limited (GHAM) and provides the product-level climate-related financial disclosures of our funds in scope of Chapter 2 of the Environmental, Social and Governance sourcebook (ESG Sourcebook) of the FCA Handbook. We have prepared this report in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) with the aim to provide clients, shareholders and other key stakeholders with a better understanding of the climate-related risks and the climate-related opportunities our products have exposure to.

Governance & Risk Management

Gresham House's entity level governance and risk management processes are applicable at the product level and are outlined in this document. Further information can be found in our entity level International Sustainability Standards Board (ISSB) aligned Sustainable Investment Report.

Strategy & Metrics

The sections of this document covering climate-related risks and opportunities, and metrics will be reported at the product level.



Governance

At Gresham House, robust governance structures underpin our commitment to sustainability, ensuring that environmental, social, and governance (ESG) considerations are embedded across our investment processes, risk management frameworks, and corporate strategy.

Sustainability oversight, including oversight of climate related risks and opportunities, is led by the Board of Directors, who retain ultimate accountability for sustainability-related risks, opportunities, and long-term value creation. The Board integrates sustainability into its oversight of corporate strategy, investment planning, risk and performance management.



The Group Management Committee (GMC) ensures that sustainability is operationalised, working closely with the Investment Committees, which have a direct responsibility at strategy and portfolio level, and review investment proposals to ensure sustainability is embedded into investment decision-making.

To support informed decision-making, the Board is regularly updated on sustainability matters and equipped with the knowledge needed through training and external expertise.

A newly established Net Zero & Nature Steering Committee, with senior sponsors from across the business, is responsible for shaping the Group's strategic direction on climate and nature. This is supported by a Net Zero & Nature Working Group comprising champions from across the investment divisions, helping to implement asset-class-specific plans and embed net zero and nature considerations in strategic planning.

Our dedicated Sustainable Investment (SI) team serves as a centre of excellence and strategic enabler. The team provides investment and operational teams with the tools, frameworks, and subject-matter expertise needed to integrate ESG considerations across all strategies. The SI team works in close collaboration with investment teams to embed sustainability into decision-making, stewardship and reporting. This ensures ESG is not just centrally managed but owned by each investment division.

Our governance framework ensures that sustainability- and climate-related considerations are factored into:

- Investment due diligence and asset selection
- Portfolio risk assessments and resilience planning
- Performance monitoring and active ownership
- Stewardship and engagement with investee companies

Our risk management processes are reinforced by internal controls, structured reporting, and periodic reviews, with oversight from both the Board and executive management.

Sustainable investment policies

Gresham House's sustainable investment policies outline our principles, expectations, and approach to managing ESG risks and opportunities. These policies apply at both Group and asset-class levels and provide a consistent foundation across all investment strategies.

We adopt a structured process for policy development, review, and implementation to ensure alignment with evolving market standards, regulatory requirements, and stakeholder expectations. Regular reviews ensure our policies remain relevant and effective in guiding responsible investment practices.

Risk management

Effective risk management is a core component of our business strategy and corporate culture.

At Gresham House, we maintain a comprehensive, structured risk management framework that ensures sustainability- and climate-related risks are integrated across all levels of decision-making and investment practices.

Governance of risk

The GHAM Board has ultimate responsibility for risk management, including setting the Group's risk appetite and strategic direction. Risk oversight is supported by Group Audit Committee, which reviews risk management processes, challenges risk owners, and ensure appropriate mitigation actions are completed.

Sustainability- and climate-related risks are fully embedded in this framework. The Group Risk Register catalogues key risks and serves as a critical tool to evaluate materiality, likelihood, impact, and controls. "ESG and climate change" is designated a Level 1 strategic risk, ensuring Board-level visibility and accountability.

The First Line of Defence (1LOD), our investment teams, hold day-to-day responsibility for identifying and managing risks, including sustainability risks, throughout the investment lifecycle.

The Second Line of Defence (2LOD), including the central Risk and Compliance teams, provide oversight and challenge. This includes participation in executive level forums such as the AIFM Risk Committee, chaired by the Group CFO.

Quarterly risk reports from portfolio managers and risk owners are submitted to the Risk Management Function and reviewed by the AIFM Risk Committee.

ESG and climate-related risk oversight

The ESG and climate-related risk category encompasses both systemic transition risks, such as regulation, reputation, or market shifts, and physical risks arising from climate change, such as extreme weather events, biodiversity lost, or water stress. We formally assess ESG-related risks, including those linked to climate, at four key stages:

- 1 New Product Development – ESG risks are considered during the product design process via the Group's due diligence checklist, which is reviewed and approved by the Group Management Committee.
- 2 Investment Decision-Making – ESG risks must be considered and documented in investment proposals, supported by tools such as the Gresham House ESG Decision Tool and formally approved by the Investment Committee.
- 3 Ongoing Portfolio Monitoring – ESG risks are reviewed quarterly at portfolio meetings and by the AIFM Risk Committee. Where required, sustainability disclosures are integrated into quarterly portfolio and risk reports for SDR and SFDR-labelled funds.
- 4 Annual Stress Testing – Long-term scenario analyses are used to stress test climate and nature risks. Results inform portfolio reviews and are escalated to risk oversight bodies.

Mitigation and controls

Gresham House adopts tailored mitigation strategies based on the nature and materiality of the risks identified:

- Due diligence and monitoring: ESG risks, including those related to human rights and environmental impacts, are identified pre-investment and actively managed throughout the investment lifecycle.
- Active ESG risk dialogues: Portfolio managers engage with stakeholders to identify, monitor, and act on material ESG issues, including those affecting biodiversity, water resources, and climate change.

Governance of climate-related risks

Our governance approach to climate and nature-related risks is structured around global frameworks, including TCFD, which support our efforts to strengthen risk management and enhance transparency across our investment platform.

The Board receives regular updates on climate-related risk assessments, ensuring that material risks are integrated into financial and operational planning. Management committees oversee the implementation of targeted climate strategies, leveraging industry-leading tools and frameworks to assess potential impacts, and reinforcing our role in advancing climate resilience and nature- positive investments.

To maintain accountability, sustainability targets are embedded within key performance indicators (KPIs), with progress monitored and reported to the Board. These targets inform decision-making and ensure that our investment approach remains aligned with a just transition to a low-carbon, nature-positive economy.

Strategic Equity Capital plc

Strategy

The Strategic Equity Capital (SEC) plc investment team target superior long-term returns by engaging with companies, applying rigorous due diligence and developing a deep understanding of each investment. Governance is the most important ESG factor in the investment processes. Board composition, governance, control, company culture, alignment of interests, shareholder ownership structure, and remuneration policies are important elements that will feed into investment teams' analysis and the company valuation.

Environmental (including climate change) and social factors are assessed as risk factors during due diligence to eliminate companies that face environmental and social risks that cannot be mitigated through engagement and governance changes.

Integration of climate considerations in the investment process

Climate-related considerations are integrated into the lifecycle of each investment as part of broader ESG analysis as follows:

1 Initial appraisal

Identify material ESG matters requiring further investigation during due diligence. If certain risks are unlikely to be sufficiently managed or mitigated, we may choose not to proceed at this stage.

2 Due diligence

Utilising our ESG Decision Tool and engaging with management, we assess material ESG risks and opportunities that could drive value. Specialised consultants may be employed to provide additional insights.

3 Investment appraisal

A summary of the ESG analysis is included in every Investment Committee submission. We outline appropriate risk mitigation strategies and ensure that the business is receptive to implementing necessary improvements.

4 Ownership and engagement

We engage regularly with boards and management teams, focusing on strategic, financial, and operational matters, including ESG factors, and consistently exercise our voting rights.

Climate-related opportunities

SEC plc's investment strategy is primarily focused on companies operating in parts of the economy that it believes are benefiting from long-term structural growth trends and in sectors where the investment team has deep expertise and networks. As a result, the investment team can invest in companies exposed to climate-related opportunities based on size, sector, financial strength and valuation. Climate-related risks

Climate-related risks are assessed qualitatively during due diligence and ongoing monitoring. Where material, we consider the exposure of companies to transition risk or physical risk. We use third-party ESG data to supplement internal research, recognising that data quality in the small-cap universe can vary.

As well as risk analysis undertaken through completion of the ESG Decision Tool, research can be used to inform engagement objectives that the investment team work with companies on throughout the holding period.

Engagement

Being an active, long-term steward of our investments is an important part of being a responsible investor and therefore the investment team actively incorporates engagement and voting activities into their investment process over time. The ability to influence change at portfolio companies will partly depend on the proportion of the company we own. Over the coming years we will endeavour to improve the level and accuracy of our climate risk analysis within the strategy.

Metrics & Targets

The calculation date for the metrics reported in the table below is 31 December 2024.

Financed Emissions

The emissions (measured in tCO₂e) reported in the table below represent the financed emissions of the fund. This metric is calculated as the weighted average of the underlying companies' emissions attributed to SEC plc's investment and represents the greenhouse gas emissions attributed to SEC plc's investment portfolio. The larger the financed emissions reported, the greater the fund's contribution to climate change. Since this metric is an absolute rather than intensity-based measure, the greater the AUM of the fund the larger the financed emissions (all else being equal).

The carbon footprint (measured in tCO₂e/£million invested) reported in the table below represents the financed emissions divided by the fund's AUM and measures how much emissions are associated with a £1 million investment in the fund. The larger the carbon footprint, the greater the fund's contribution to climate change. As an intensity-based measure, this metric helps investors to compare the emissions profile of different funds. Many factors including country exposure, sector exposure and idiosyncratic company factors can influence carbon footprint.

The weighted average carbon intensity (WACI) (measured in tCO₂e/£million revenue) reported in the table below represents how carbon intensive, on average, the companies in the portfolio are based on their revenues. The larger the WACI, the more carbon intensive the underlying companies, although it does not necessarily follow the greater the fund's contribution to climate change. As an intensity-based measure, this metric helps investors to compare the carbon intensity of different funds. Many factors including country exposure, sector exposure and idiosyncratic company factors can influence WACI.

	Unit	2023	2024
Scope 1 + 2			
Financed Emissions	tCO ₂ e	964	2,713
Carbon Footprint	tCO ₂ e/£million invested	6.1	17
Weighted Average Carbon Intensity	tCO ₂ e/£million revenue	15	22
Scope 3			
Emissions	tCO ₂ e	11,477	25,947
Carbon Footprint	tCO ₂ e/£million invested	72	166
Weighted Average Carbon Intensity	tCO ₂ e/£million revenue	164	180
Total (Scope 1, 2 + 3)			
Emissions	tCO ₂ e	12,441	28,660
Carbon Footprint	tCO ₂ e/£million invested	79	183
Weighted Average Carbon Intensity	tCO ₂ e/£million revenue	179	202
Scope 1, 2 + 3 emissions reported	% of AUM	21%	25%
Scope 1, 2 + 3 emissions estimated	% of AUM	79%	75%

Portfolio Analysis

To assess where the portfolio companies are in their transition to net zero, portfolio analysis was conducted to determine the proportion of companies held reporting their full carbon footprint, and the proportion with credible net zero targets. This information can then be used to inform engagements with portfolio companies, to support them in the transition to net zero.

	% of Holdings
Net zero target	75%
Target covering Scopes 1, 2 and 3	44%
Target validated by SBTi	31%

Gresham House does not currently have data in relation to climate value-at-risk or implied temperature rise.

Exposure to Carbon Intensive Sectors

SEC plc does not have concentrated or high exposure to carbon intensive sectors.

The investments in SEC plc are all UK companies and they are not expected to be impacted materially by climate change and associated physical and transition risks. Additionally, the anticipated impact of climate change is not expected to differ materially among 'orderly transition', 'disorderly transition' and 'hothouse world' scenarios.

Data Limitations

The accuracy and representativeness of disclosed metrics depends on data coverage. Currently, only 38% of SEC plc's portfolio holdings report Scope 1, 2 and 3 emissions. For the remaining companies, emissions have been estimated using the average carbon intensity of their sectors as a proxy and the revenue of the companies held.

Additionally, we do not independently review the quality of climate data reported by portfolio companies, but we believe the use of company-reported data is appropriate for the purposes of this report.

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