Quilter WealthSelect Sustainable Active 7 Portfolio TCFD report 2024

Published: June 2025

This report provides you with information on the impact of the portfolio on climate change and the exposure of the portfolio to climate-related risks, consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and Chapter 2 of the FCA's ESG Sourcebook for product-level TCFD reporting.

For more information about our approach to climate-related governance, strategy, and risk management, please read the ***Quilter Affluent TCFD report 2024***.

This report is for the 12-month period up to 31 December 2024.

Investment objective

The portfolio aims to achieve capital growth over a period of five years or more, whilst seeking to support sustainable solutions to environmental and social challenges that help to achieve the objectives of the UN Sustainable Development Goals. The Environmental, Social, and Governance ("ESG") risks of the portfolio will be managed and exposure to unsustainable activities minimised while maintaining a smaller carbon footprint than the reference index.

For more information on the portfolio, the latest factsheet can be found ***here***.

Information on the data used in this report

For comparison purposes, we show the same information for the MSCI All Country World Index (MSCI ACWI) as we do for the portfolio. The MSCI ACWI is a market index that includes a wide range of global companies, so is an appropriate comparator.

The data used in this report is mostly available for companies. This primarily includes equities (company shares) and bonds (corporate debt and loans). The climate indicators shown in this report are based on the available data and then scaled for the rest of the portfolio (except for total carbon emissions where such scaling is not needed). Also, the portion of the portfolio and the MSCI ACWI that we have data for varies between metrics, so we show a 'data coverage' percentage for each of the climate indicators. If the portfolio has a lower level of data coverage, for example 50% or lower, then the validity of the information is reduced.

The portfolio size, emissions data, and calculation methodologies may change, so any comparisons made between different reporting years could be misleading.

For more help understanding the numbers and terms used in this report, please refer to the 'Additional information' section and the 'Glossary' from page 4 onwards.

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Carbon emissions

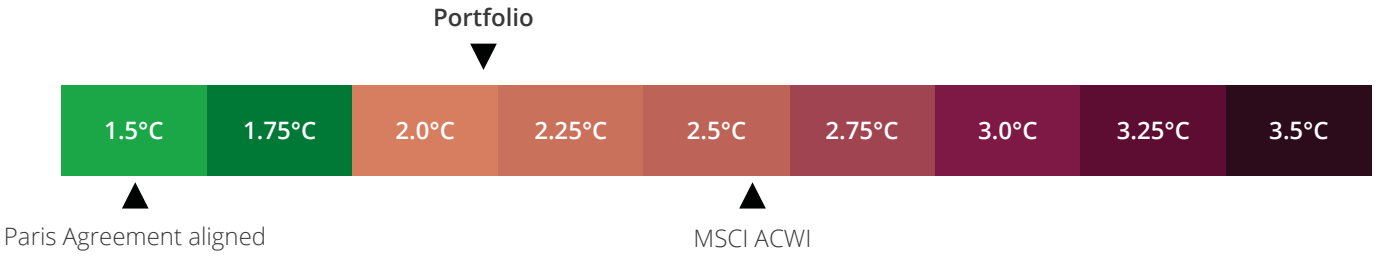
Carbon emissions, or the financed emissions, are the total carbon emissions of the underlying holdings of the portfolio.

	Portfolio (2024)	MSCI ACWI	Portfolio (2023)
Total carbon emissions – the amount of carbon emissions produced by the underlying holdings of the portfolio expressed in metric tonnes of CO2 equivalent (tCO2e).			
Scope 1 and 2	**1,452.1**	-	836.8
(Data coverage)	*(77.1%)*	-	*(75.6%)*
Scope 3	**19,906.7**	-	12,934.7
(Data coverage)	*(77.1%)*	-	*(75.7%)*
Total carbon footprint – the amount of carbon emissions produced by the underlying holdings of the portfolio per US$1m invested expressed in metric tonnes of CO2 equivalent per US$1m investment made (tCO2e/US$1m)			
Scope 1 and 2	**30.9**	39.9	35.8
(Data coverage)	*(77.1%)*	*(99.9%)*	*(75.6%)*
Scope 3	**423.4**	414.8	553.4
(Data coverage)	*(77.1%)*	*(99.9%)*	*(75.7%)*
Weighted average carbon intensity (WACI) – an average figure of the emissions intensity per US$1m of revenue generated by each of the underlying holdings of the portfolio, weighted by their respective allocation, expressed in metric tonnes of CO2 equivalent per US$1m in revenue received (tCO2e/US$1m revenue)			
WACI (Scope 1 and 2)	**88.8**	113.7	80.1
(Data coverage)	*(81.0%)*	*(99.9%)*	*(79.5%)*

Please note, the figures shown for 2023 have been recalculated and may differ from those published in the 2023 TCFD report. This is due to underlying data coverage and methodology changes from last year.

Implied temperature rise (ITR)

Implied temperature rise (ITR) is an estimate of how aligned the portfolio is with the global temperature rise limit of 1.5°C above pre-industrial levels set by the Paris Agreement. It measures how much the global temperature may rise if the decarbonisation efforts of the underlying holdings of the portfolio and the economy continue as currently. ITR is primarily driven by the undershoot or overshoot of the decarbonisation trajectory of the underlying holdings of the portfolio relative to the carbon budgets set to achieve the Paris Agreement.



	Portfolio	MSCI ACWI	Paris Agreement
Implied temperature rise (ITR)	**2.1°C**	2.6°C	1.5°C
(Data coverage)	*(77.4%)*	*(99.8%)*	-

Climate value at risk (Climate VaR)

Climate value at risk (Climate VaR) estimates the potential financial loss or gain caused by climate change in three climate scenarios.

Climate policy and technology developments to enable a transition to a low-carbon economy (transition components) and the physical risks of climate change (physical risk component) could significantly impact the future value of the portfolio. Climate VaR is the sum of the effects of the transition components and the physical risk component on the value of the underlying holdings of the portfolio by the year 2100 in three global temperature rise scenarios.

	Orderly transition (1.5°C)		Disorderly transition (2.0°C)		Hot house world (3.0°C)	
Risk and opportunity drivers	**Portfolio**	MSCI ACWI	**Portfolio**	MSCI ACWI	**Portfolio**	MSCI ACWI
Climate policy	**-8.8%**	-9.6%	**-3.7%**	-4.4%	**-2.0%**	-2.3%
(Data coverage)	*(72.4%)*	*(99.9%)*	*(72.4%)*	*(99.9%)*	*(72.4%)*	*(99.9%)*
Technology opportunities	**+6.0%**	+1.5%	**+2.2%**	+0.4%	**+1.3%**	+0.2%
(Data coverage)	*(66.6%)*	*(93.0%)*	*(66.6%)*	*(93.0%)*	*(66.6%)*	*(93.0%)*
Physical risk	**-1.1%**	-1.7%	**-1.7%**	-2.5%	**-2.2%**	-3.3%
(Data coverage)	*(72.2%)*	*(99.8%)*	*(72.2%)*	*(99.8%)*	*(72.2%)*	*(99.8%)*
Climate VaR	**-3.9%**	-9.8%	**-3.2%**	-6.5%	**-3.0%**	-5.3%
(Data coverage)	*(70.4%)*	*(97.6%)*	*(70.4%)*	*(97.6%)*	*(70.4%)*	*(97.6%)*

Please note, the data coverage for climate VaR is the average data coverage for the three risk and opportunity drivers.

Potential impacts on the value of the portfolio for each climate scenario

	Transition risks	Primarily transition risks, but also some physical risks	Physical risks
Main drivers of impact	– Gradual carbon pricing and early policies adoption so effects are steadily priced in. – Gains from exposures to sectors and regions supporting the green transition but carbon-intensive sectors lose value. – Sizable early expenditures to adjust to regulations and a transitioning economy, but the market remains stable.	– Abrupt carbon pricing shifts and divergent climate policies cause sharp, unexpected costs. – Sudden changes in asset values due to climate-related policies and events, especially for carbon-intensive sectors and in certain geographies. – Increased market volatility and economic complexity.	– More frequent and severe climate events impair assets and disrupt supply chains. – Irreparable loss of natural resources and stranding of assets, especially in vulnerable geographies drive major market losses. – Macroeconomic stress and system-wide instability.
Potential impact on the portfolio	*Realised losses are front-loaded due to rapid economic change needed to achieve the transition. However, physical risks of climate change become manageable, minimising market disturbance. Equities are affected more compared with fixed-income holdings because of less disruptive market corrections in an orderly transition.*	*The overall effects may only be realised in the medium term, but market uncertainty and unmanaged physical risks will shock asset prices, specifically for holdings in regions more vulnerable to climate change. Equities are especially impacted by this volatility, but market fluctuations will also impact pricing and yields of fixed income.*	*While predictable 'business-as-usual' profits are enjoyed initially, the build-up of climate change effects will cause significant ecological, socio-economic, and economic disruption, which will impact all markets, sectors, and regions in the medium to long term. As a result, both equities and fixed-income holdings will be impacted in this scenario.*

Additional information

Scope 1 and 2 carbon emissions

This refers to the amount of directly produced scope 1 and scope 2 GHG emissions, for which the underlying holdings of the portfolio are responsible, measured in tonnes of carbon dioxide equivalent (tCO2e) emissions. 'Carbon dioxide equivalent' is a methodology to convert the emissions of other greenhouse gases, such as methane, into the equivalent carbon dioxide emissions to allow for easier comparisons.

Scope 3 carbon emissions

The amount of *indirectly* produced (or value chain-generated) GHG emissions, for which the underlying holdings of the portfolio are responsible, measured in tonnes of carbon dioxide equivalent (tCO2e) emissions. It represents emissions produced from related products or services that are not directly generated at companies but are produced because of companies. Scope 3 tends to be much larger than scope 1 and 2 but is difficult to track and report.

Financed emissions

Financed emissions are the total carbon emissions attributed to investing activities and are calculated according to standards established by the Partnership for Carbon Accounting Financials (PCAF). They are the direct (scope 1 and 2) and indirect (scope 3) emissions generated by companies that are financed or invested in by financial organisations. Therefore, the total carbon emissions of all the underlying holdings within the portfolio represent our financed emissions.

For each underlying investment, the calculations are:

$$\left(\frac{\textit{current value of investment}}{\textit{issuer's EVIC}} \times \textit{issuer's Scope 1 \& Scope 2 GHG emissions}\right) \text{ and } \left(\frac{\textit{current value of investment}}{\textit{issuer's EVIC}} \times \textit{issuer's Scope 3 GHG emissions}\right)$$

Carbon footprint

The carbon footprint consists of the emissions of the companies invested in, apportioned to the investment amount. It represents the amount of emissions produced per US$1m investment made, which means that it can be used to compare between different investments on the same basis. The position weight compares the value of the investment against the company's market value (enterprise value including cash (EVIC)). Please note, we provide a scope 1 and 2 carbon footprint and a separate scope 3 carbon footprint.

The calculation is:

$$\frac{\dfrac{\textit{aggregated position value}}{\textit{Enterprise Value Including Cash (EVIC)}} \times \textit{company emissions } (tCO_2e)}{\textit{portfolio value (\$m)}}$$

Weighted average carbon intensity (WACI)

WACI represents the carbon intensity in tonnes of carbon dioxide equivalent emissions produced for every US$1m of revenue of each of the underlying holdings of the portfolio, multiplied by its weight. It represents the average carbon intensity on a weighted basis responsible for generating the equivalent emissions for each US$1m revenue received. It is another type of climate indicator that allows for comparisons between different investments. Please note, our WACI does not include scope 3 emissions as the data quality is not yet high enough.

The calculation is:

$$\frac{\textit{value of investment (\$)}}{\textit{total portfolio value (\$)}} \times \frac{\textit{company emissions } (tCO_2e)}{\textit{company revenue (\$m)}}$$

The standardised framework for these calculations is set by the Greenhouse Gas Protocol.

Climate value at risk (Climate VaR)

Climate VaR is a way to quantify the potential losses or gains in certain future scenarios of climate change and how we respond to it. To get the climate VaR, the impacts from three main risk and opportunity drivers are estimated for a certain timeframe and then added up. Climate VaR is usually used as a medium- to long-term, forward-looking indicator and our values shown are for the year 2100 based on the climate scenarios used.

Climate scenarios

The climate scenarios were created by the Network for Greening the Financial System. Each scenario makes different assumptions about how the transition and the physical risks related to climate change will impact the economy and therefore the value of the underlying holdings of the portfolio. The three NGFS scenarios used for our climate VaR analysis are:

- **Orderly transition (1.5°C)** – assumes climate policies are introduced early and become gradually more stringent, reaching global net zero CO2 emissions by around 2050 and likely limiting the global temperature rise to 1.5°C above pre-industrial averages.
- **Disorderly transition (2.0°C)** – assumes climate policies are delayed or divergent, requiring sharper emissions reductions achieved at a higher cost (and with increased physical risks) in order to limit the global temperature rise to below 2.0°C above pre-industrial averages.
- **'Hot house world' (3.0°C)** – assumes only currently implemented policies are preserved, current commitments are not met, and emissions continue to rise (with high physical risks and severe social and economic disruption) and failure to limit the global temperature rise.

Climate scenarios are made up of different socio-economic, emission-related, and physical climate pathways modelled to produce potential future outcomes due to climate change and its consequences. They help to imagine different outcomes based on various factors, such as how much we reduce greenhouse gas emissions or how technology evolves. These scenarios are not predictions but possible futures that help us understand the potential impacts of climate change and plan accordingly. They can be used by scientists, policymakers, and businesses to address and adapt to climate change.

Climate VaR components

Climate VaR combines the transition and physical risks and their associated impacts from climate change. The transition components take into account potential policies or regulations to address climate change as well as potential innovations and technology adoption required to move away from fossil-fuels and other carbon emitting activities. The physical component of climate risk incorporates geophysical and ecological impacts, such as weather changes, sea level rises, storms and floods as well as the consequential impacts on businesses, supply chains, and infrastructure such as disruptions and damage.

Each of the components contribute towards an aggregate climate VaR, which is presented as a percentage change to the monetary value of the portfolio by the year 2100. Climate VaR is a newly adopted metric with varying assumptions, inputs, and methodologies currently in use. Our climate VaR data comes from our data provider, MSCI, which offers climate data solutions to us and many of our peers. It should not be seen as a decisive prediction of the future, but rather a possible outcome due to significant factors that can change the value of the portfolio.

Implied temperature rise

Implied temperature rise (ITR) gives an estimate of how much the temperature may rise by 2100 based on the current carbon performance, ambitions, and actions of the companies the underlying holdings of the portfolio invests in within the wider economy. Another newly adopted metric, it is a forward-looking indicator used as an easy way to gauge whether the underlying holdings are on track to achieve the Paris Agreement goals. It takes into account current emissions of the underlying holdings, their decarbonisation plans, and their credibility in achieving targets, along with global, regional, and industry-level emissions, and decarbonisation pathways and plans. It is used primarily as an alignment indicator and is not a precise estimate for future temperature rise.

For more information on the climate value at risk and implied temperature rise data points we use and the methodologies, please view MSCI's ***Climate Value-at-Risk*** and ***Implied Temperature Rise*** information documentation available at ***msci.com***.

Glossary

Assets under management (AuM)

AuM is expressed as the amount of money managed in a unit of currency.

Carbon intensive sectors

Carbon-intensive sectors are industries that emit significant amounts of CO2 and other greenhouse gases. Examples include energy production, aviation, steel, cement, and chemical manufacturing.

Carbon pricing

Carbon pricing is a policy tool that assigns a cost to emitting carbon dioxide (CO2) and other greenhouse gases, encouraging businesses and individuals to reduce their emissions by making it more expensive to pollute.

Climate policy

Climate policy is the new regulations at national and international level to enable a transition to a low-carbon economy that impact carbon-related activities.

CO2 equivalent (CO2e)

CO2e is a metric used to express the impact of each different GHG in terms of the amount of CO2 that would create the same degree of warming so that the impacts of different GHGs can be compared. The emission of different greenhouse gases (GHG) warms the earth at different intensities. For example, releasing one tonne of methane into the atmosphere has a greater warming potential than releasing one tonne of CO2.

Decarbonisation trajectory

A decarbonisation trajectory outlines the planned path and timeline for reducing carbon emissions over time to meet specific climate targets, such as achieving net-zero emissions by 2050.

Enterprise value including cash (EVIC)

EVIC is a measure of the total company value (market capitalisation of the company, preferred equity, minority interest, total debt, cash, and cash equivalents).

Greenhouse gas (GHG) emissions

Greenhouse gas (GHG) emissions refer to the release of gases into the atmosphere that absorb and retain heat within the Earth's surface, akin to a greenhouse. The most important greenhouse gases include carbon dioxide, methane, and water vapour. Other significant greenhouse gases include nitrous oxide, ozone, and fluorinated gases. In carbon accounting (used to estimate GHG emissions), we convert emissions from other GHGs into carbon dioxide equivalents.

Greenhouse Gas Protocol

Greenhouse Gas Protocol is the leading global standard for measuring and managing emissions known as 'carbon accounting'. It provides a comprehensive framework for tracking carbon emissions and other greenhouse gases across operations, supply chains, and climate initiatives.

Green transition

Green transition, broadly speaking, refers to the shift from a fossil-fuel-based economy to one that is sustainable, low-emissions, and resilient to climate change.

Green revenues

Green revenues refer to income that comes from products, services, and economic activities that have a positive environmental impact. This includes revenues generated from activities such as renewable energy production, energy efficiency solutions, and other environmentally sustainable practices.

Net zero transition

Net zero transition implies reducing greenhouse gas emissions to zero and balancing any remaining emissions with carbon removal efforts, aiming for net zero emissions by 2050.

Network for Greening the Financial System (NGFS)

NGFS is an industry group of central banks and supervisors which develops climate-related risk management resources for the finance sector. It worked in collaboration with a global academic consortium to develop a range of future scenarios that can be used to assess potential future climate risks to economic and financial systems

The Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 parties at COP21 in Paris on 12 December 2015. Its goal is to limit global warming to well below 2°C, preferably 1.5°C, compared to pre-industrial levels.

Partnership for Carbon Accounting Financials (PCAF)

PCAF is a global collaboration of financial institutions that aims to measure and disclose the greenhouse gas (GHG) emissions associated with their investments and loans. PCAF provides a standardised framework to help these institutions assess their environmental impact and align their strategies with global climate goals.

Physical risks

Physical risks include temperature increases that cause sea levels to rise, and extreme and more frequent weather events (with the associated business interruption and damage across operations and supply chains).

Scope 1 emissions

Scope 1 emissions are a company's direct emissions from owned or controlled sources. For example, while running its boilers and vehicles.

Scope 2 emissions

Scope 2 emissions are indirect emissions from the generation of bought energy. For example, the electricity a company buys for heating and cooling buildings.

Scope 3 emissions

Scope 3 emissions are the result of activities from assets not owned or controlled by a company, but that the company is indirectly responsible for within its value chain. Scope 3 emissions include everything that is not included in Scope 1 and Scope 2 emissions.

Stranded assets

Stranded assets are assets that have become obsolete or non-performing due to changes in the market, regulatory environment, or other external factors, making them unable to earn their original economic return.

Technology developments

Technology developments are the technological changes required to deliver energy-efficient, lower-carbon products and services that would disrupt existing markets

Undershoot and overshoot

Undershoot and overshoot refer to the deviation from a target or expected outcome. Overshoot occurs when something exceeds its target or intended level, while undershoot happens when it falls short of the target.

Important Information

All data is as at 31 December 2024. The data was sourced from MSCI via FactSet in May 2025 using the most up-to-date data available, which may differ from the data used elsewhere and in other reports. We use reported and estimated data in our calculations. All figures are rounded to one decimal place.

Please note, the portfolio size and emissions data that calculations are based on fluctuate, and methodologies may change between reporting years, so year-on-year comparisons made may be misleading.

Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments may go down as well as up and investors may not get back the amount originally invested. Exchange rates may cause the value of overseas investments to rise or fall.

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