

WealthSelect Responsible Passive 8 TCFD Report 2023

Published: June 2024

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 \(TCFD\)](#).

For the purpose of comparison we show the same metrics 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.



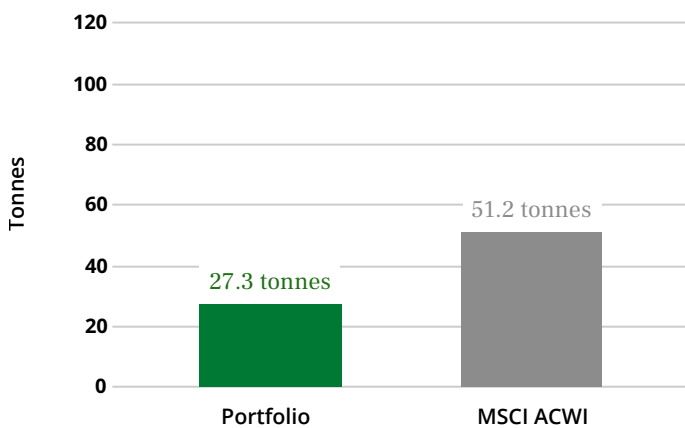
The climate data used in this report is only available for companies, so we can only look at equities (company shares) and corporate bonds (issued by companies). Also, the portion of the portfolio and the MSCI ACWI that we have data for varies from one metric to another, so we show a 'data coverage' percentage under each metric.

The information in this report is based on the available data and then scaled for the rest of the portfolio. If the portfolio has a lower level of data coverage (below 50%) then the validity of the information can become stretched.

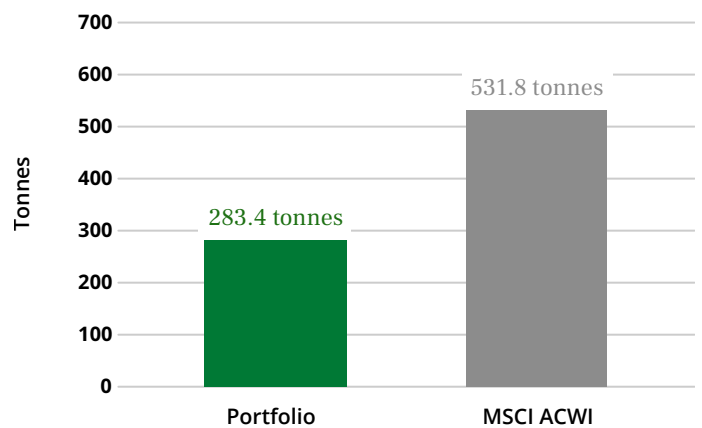
Scope 1 and 2 carbon emissions

The amount of [scope 1](#) and [scope 2](#) emissions that the portfolio is responsible for, 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 1 and 2 emissions per \$1 million invested



Scope 1 and 2 emissions of the entire portfolio



The portfolio has scope 1 and 2 emissions

47%

lower than the MSCI ACWI.

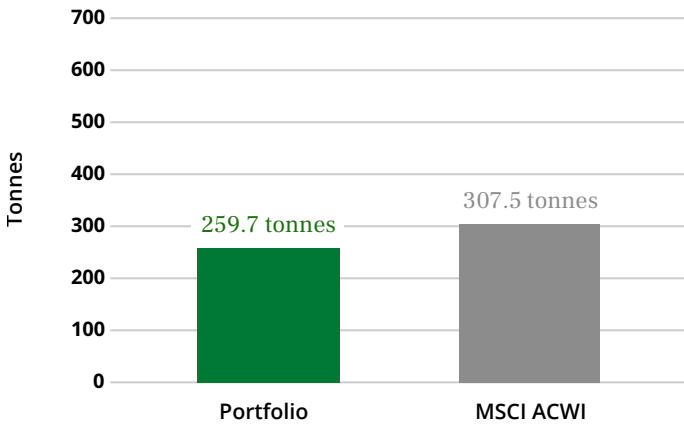
Portfolio data coverage: 89.2%

MSCI ACWI data coverage: 99.8%

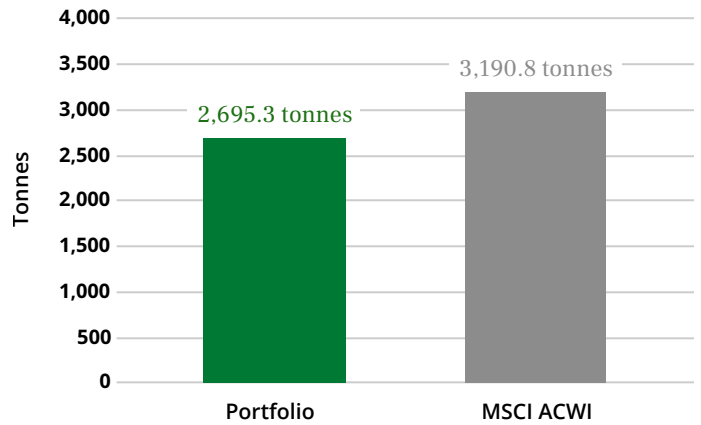
Scope 3 carbon emissions

The amount of [scope 3](#) emissions that the portfolio is responsible for, measured in tonnes of carbon dioxide equivalent (tCO2e) emissions.

Scope 3 emissions per \$1 million invested



Scope 3 emissions of the entire portfolio

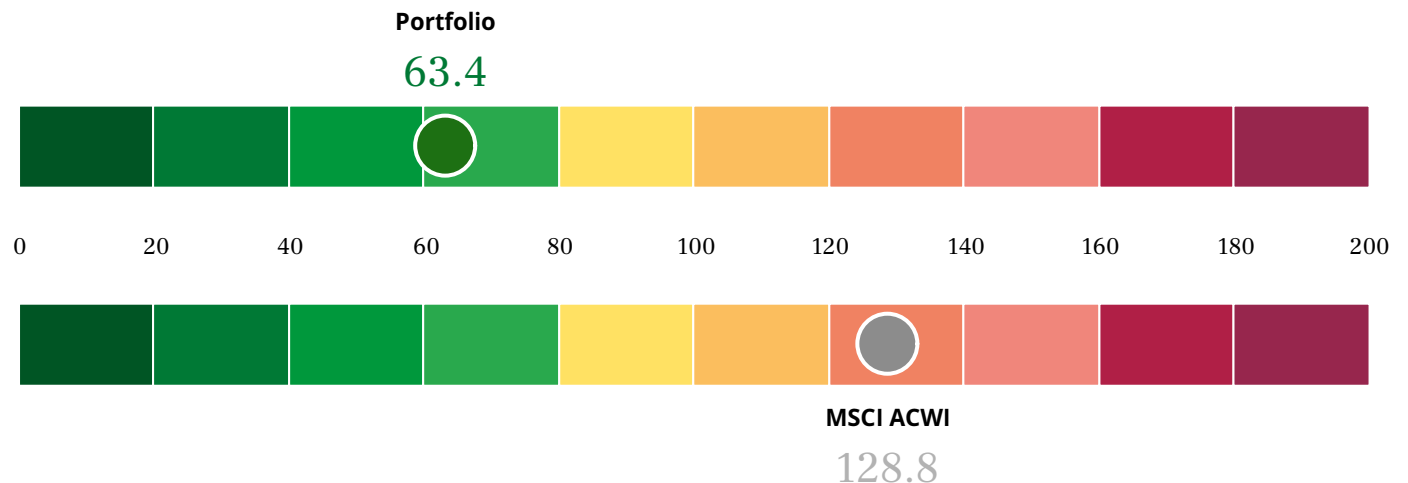


Portfolio data coverage: 75.0%

MSCI ACWI data coverage: 79.2%

Weighted average carbon intensity (WACI)

The carbon intensity (tonnes of carbon dioxide equivalent emissions produced for every \$1m of revenue) of each company multiplied by their weight in the portfolio, i.e. on a weighted basis, the average company in the portfolio is responsible for 63.4 tonnes of carbon emissions for each \$1m it receives in revenue.



Portfolio data coverage: 88.9%

MSCI ACWI data coverage: 99.6%

Climate value at risk

Climate value at risk tries to estimate the potential financial loss or gain to the portfolio as a result of climate change. It measures the potential impact of **climate policy** (new regulations at national and international level impacting carbon activities); **technology opportunities** (increased demand for energy-efficient, lower-carbon products and services that disrupt markets); and **physical risks** (such as temperature increases, sea level rise, business interruption, and damage across operations and supply chains).

The portfolio is assessed under four different scenarios:

- 1. Orderly transition** - assumes climate policies are introduced early and become gradually more stringent limiting the global temperature increase to 1.5°C by 2100
- 2. Disorderly transition** - assumes higher transition risks due to policies being delayed or divergent across countries and sectors but still limits the increase to 1.5°C
- 3. Orderly transition** - assumes climate policies limits the global temperature increase to 2.0°C
- 4. 'Hot house world'** - assumes some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming and the global temperature increases to 3.0°C

For example, based on an orderly transition limiting the global temperature increase to 1.5°C, the portfolio is expected to change in value by -8.9%, compared to a change of -13.0% to the MSCI ACWI.

	Orderly transition (1.5°C)		Disorderly transition (1.5°C)		Orderly transition (2.0°C)		'Hot house world' (3.0°C)	
	Portfolio	MSCI ACWI	Portfolio	MSCI ACWI	Portfolio	MSCI ACWI	Portfolio	MSCI ACWI
Climate policy	-8.8%	-12.0%	-10.2%	-13.9%	-1.8%	-3.0%	-1.7%	-2.9%
Technology opportunities	2.5%	2.2%	3.4%	3.0%	0.6%	0.5%	0.4%	0.4%
Physical risks	-2.6%	-3.2%	-2.6%	-3.2%	-3.9%	-4.5%	-4.8%	-5.5%
Total	-8.9%	-13.0%	-9.4%	-14.1%	-5.1%	-7.0%	-6.1%	-8.0%

Portfolio data coverage: 86.9%

MSCI ACWI data coverage: 97.1%

Commentary

The WealthSelect Responsible Passive 8 Portfolio sits towards the upper end of the risk spectrum and is predominantly invested in equities. Equities typically exhibit a higher degree of risk and as such the portfolio exhibits a higher climate value at risk than the lower risk portfolios. The comments below are in relation to the carbon footprint, weighted average carbon intensity (WACI), and climate value at risk of the portion of the portfolio that can be measured. Where the portfolio coverage is less than 100%, this means there is a portion of the portfolio that cannot be measured.

The portfolio has an objective to manage the overall carbon footprint of the portfolio in relation to the reference index. The portfolio is constructed based on the strategic asset allocation model, where the carbon footprint of the underlying equity regions is incorporated. However, please note the calculation methodology used to calculate the carbon footprint of the portfolio as part of the portfolio objective is different to the calculation methodology used in this report.

The portfolio has a carbon footprint which is significantly lower than the MSCI ACWI, on a scope 1 and scope 2 basis. The portfolio has a lower allocation to emerging markets and a lower allocation to energy, materials and utilities, all parts of the market that have a significantly higher carbon footprint than the MSCI ACWI.

The WACI is significantly lower than the MSCI ACWI, on a scope 1 and scope 2 basis, supported by a lower allocation to emerging markets and higher allocation to the UK, the latter of which has a lower WACI than the MSCI ACWI. The portfolio also has a lower allocation to materials and energy, which have a significantly higher WACI than the MSCI ACWI. Where the portfolio has exposure to sectors that have a materially higher WACI than the MSCI ACWI, namely utilities, the passive funds in which we are investing, are, in aggregate, investing in companies where the WACI is lower than their sector.

Based on the different transition scenarios, the portfolio has lower potential climate value at risk compared to the MSCI ACWI in all four scenarios. The greatest potential for loss is under a 1.5°C disorderly scenario, driven by climate policy risk alongside a smaller impact from physical risk partially offset by technology opportunities. The lowest potential for loss is under a 2°C orderly transition, driven by physical risk and climate policy risk, partially offset by technology opportunities.

Across all scenarios, the allocation to the UK, Europe, and US by region, and financials and energy by sector, are key contributors to climate value at risk.

Stuart Clark, Portfolio Manager

Need additional help reading documents?

More and more of our investors are using screen reading software as a quick and easy way to read their documentation if they are blind, partially sighted, or dyslexic. Alternatively, we can write to you in several alternative formats, such as large print, braille, audio, and OpenDyslexic font.

Find out more about screen readers, accessing your documents online, and our alternative format options at www.quilter.com/document-help.

Important information

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.

www.quilter.com

Please be aware that calls and electronic communications may be recorded for monitoring, regulatory, and training purposes and records are available for at least five years.

The WealthSelect Managed Portfolio Service is provided by Quilter Investment Platform Limited and Quilter Life & Pensions Limited. Quilter is the trading name of Quilter Investment Platform Limited, which also provides an Individual Savings Account, Junior ISA, and Collective Investment Account, and Quilter Life & Pensions Limited, which also provides a Collective Retirement Account and Collective Investment Bond.

Quilter Investment Platform Limited and Quilter Life & Pensions Limited are registered in England and Wales under numbers 1680071 and 4163431, respectively. Quilter Investment Platform Limited is authorised and regulated by the Financial Conduct Authority under number 165359. Quilter Life & Pensions Limited is authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under number 207977. Registered office: Senator House, 85 Queen Victoria Street, London, United Kingdom, EC4V 4AB.

Quilter uses all reasonable skill and care in compiling the information in this communication and in ensuring its accuracy, but no assurances or warranties are given. Investors should not rely on the information in this communication when making investment decisions. Nothing in this communication constitutes advice or a personal recommendation. This communication is for information purposes only and is not an offer or solicitation to buy or sell any Quilter portfolio.

Data from third parties is included in this communication and those third parties do not accept any liability for errors and omissions. Investors should read the important information provided by the third parties, which can be found at www.quilter.com/third-party-data. Where this communication contains data from third parties, Quilter Investors cannot guarantee the accuracy, reliability or completeness of the third-party data and accepts no responsibility or liability whatsoever in respect of such data.