ECO Advisors Ltd
TCFD Disclosure

Describe the board/management's oversight of climate-related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities.

Board members and management, including the CIO, have formal oversight over and accountability for responsible investment, including climate-related risks and opportunities. Board members are also the portfolio managers, and in every relevant sector investment decisions take into account climate change risks. These are the same staff who set and monitor the investment decision making process. Climate change, including risks and opportunities, are an important part of the firm's ESG selection process. We have an extensive database we use to assess climate change risk, which is a core part of our process.

Describe the organization's processes for identifying, assessing, and managing climate-related risks. How is it integrated into the organization's overall risk management?

The identification and management of climate-related risks is fully integrated in our investment process through our ESG based stock selection process. During our ESG base materiality assessment (stage one of our company scoring process) for each company in the investable universe we use data relating to material ESG factors in the Environmental Pillar, Social Pillar and Governance. This of course includes many metrics relating to climate change and associated risks. Climate change related key issues are analysed and incorporated with other ESG key issues into a peer relative ESG materiality score. In industries where we consider climate related risks material we choose to hold companies that manage these risks most effectively through positive best in class relative to peers screening. We also manage these risks by selecting worst in class companies that manage climate risks poorly for our short book.

At the firm level, as a small boutique asset manager with a limited physical footprint, our climate related risks are minimal; however, we strive to ensure we minimize our environmental impact via our business travel policies and our choice of vendors providers and assessment of our own carbon emissions. Further details can be found in our Firm's ESG Policy document.

Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

At the firm level, our focus is on climate-related opportunities: as a business, we aim to provide strategies that reflect and incorporate climate risk considerations and awareness in our investment process.

Specific financial risks in different asset classes:
Climate change vulnerability is a key component of our security selection process in the banking and insurance sectors (equities). Financial (lending or insurance) risks arise due to the combination of regulatory concerns around stranded assets for business models as well as potential physical risks to companies.

Equities are long duration investments, and we see climate risks and opportunities affecting potentially every sector beyond a 3-5 year time horizon, due to potential changes from regulation, consumer demand, and business model risks. The risks are greatest for businesses affected either by stranded assets or firms financing or insuring these assets (energy, banks, insurance) while the opportunities are greatest for firms offering mitigation and adaptation technologies that will be needed to achieve global climate goals.

Specific sectors and/or assets that are at risk of being stranded:
There are several, primarily energy and utilities, although regulatory trends are increasing risks across sectors. For example, in the container shipping industry new emissions regulations risk devaluing asset prices of more polluting container ships. Therefore, a core part of our security selection in this industry is the company's focus on emissions reduction across its fleet.

Stranded asset risk (primarily in energy, banks and insurance) may apply both to shorter term horizons as well longer term horizons beyond 5 years as the timing of carbon price changes and regulatory changes is uncertain.

Assets with exposure to direct physical climate risk:
Any company with significant physical assets has physical climate risk exposure. For example, in the utilities sector a key metric in our stock selection process is the exposure of the company's plant equipment and operations in areas that have high risk of climate induced damage, such as wildfires or floods.

Businesses with real assets/fixed physical assets, such as property, plants and machinery, have long term exposure to physical climate risks. Whilst many sectors could be impacted, we see utilities, energy, industrials, and materials as particularly vulnerable.

Assets with exposure to indirect physical climate risk:
Indirect physical climate risks apply to many sectors, particularly industrials. For example, in the semiconductor industry risks such as flooding or drought (eg. in Taiwan) could put facilities at risk in operations or supply chains that are in high risk zones.

Virtually all companies also have potentially significant long term risks due to business model changes (for example, travel and leisure companies servicing areas that become less appealing for tourism due to heatwaves, etc). These long term risks can be difficult to model and measure; evaluating a company's governance and policies on environmental risks today is a good proxy for its ability to adapt and manage future long term climate risks to its business in the longer term (longer than a 5 year horizon).

Specific sectors and/or assets that are likely to benefit under a range of climate scenarios:
Companies that are innovating climate solutions, green energy, eg. biofuels, wind energy, solar, battery technology, energy efficiency. Companies that provide engineering consulting services to all of the above.

Clean energy and firms providing climate solutions are likely to be long term structural beneficiaries. Metrics like the MSCI Low Carbon Transition Score can help to identify assets and candidate companies in better positions to gain under more adverse climate scenarios (as the urgency of action should create demand and market opportunity). We believe these risks and opportunities are relevant both today and in the long term (longer than 3-5 years).

Specific sectors and/or assets that contribute significantly to achieving our climate goals:
Considerations for opportunities for clean energy are part of our stock selection criteria. We see the sectors that will help contribute most to climate goals in the long term are linked to those

that benefit from a range of scenarios. Clean energy/tech solutions are not only long term beneficiaries but are the areas where the likelihood of benefiting is most direct. The list of sectors that could contribute to climate goals in the long term could be quite broad.

Other climate-related risks and opportunities identified:
Our investment process in equities seeks to recognise climate-related considerations and apply these considerations to our investment process today (short term horizon), even if these risks may only fully arise over a long term horizon (more than 3-5 years). As equities are a long duration asset extensively discounting future growth, we do not distinguish between longer term and shorter term climate related risks, but seek to position today to ensure the portfolio is robust to longer term climate risks, where possible, through our ESG data analysis. In essence, we aim to recognise longer term thematic climate risks and treat them as considerations today.

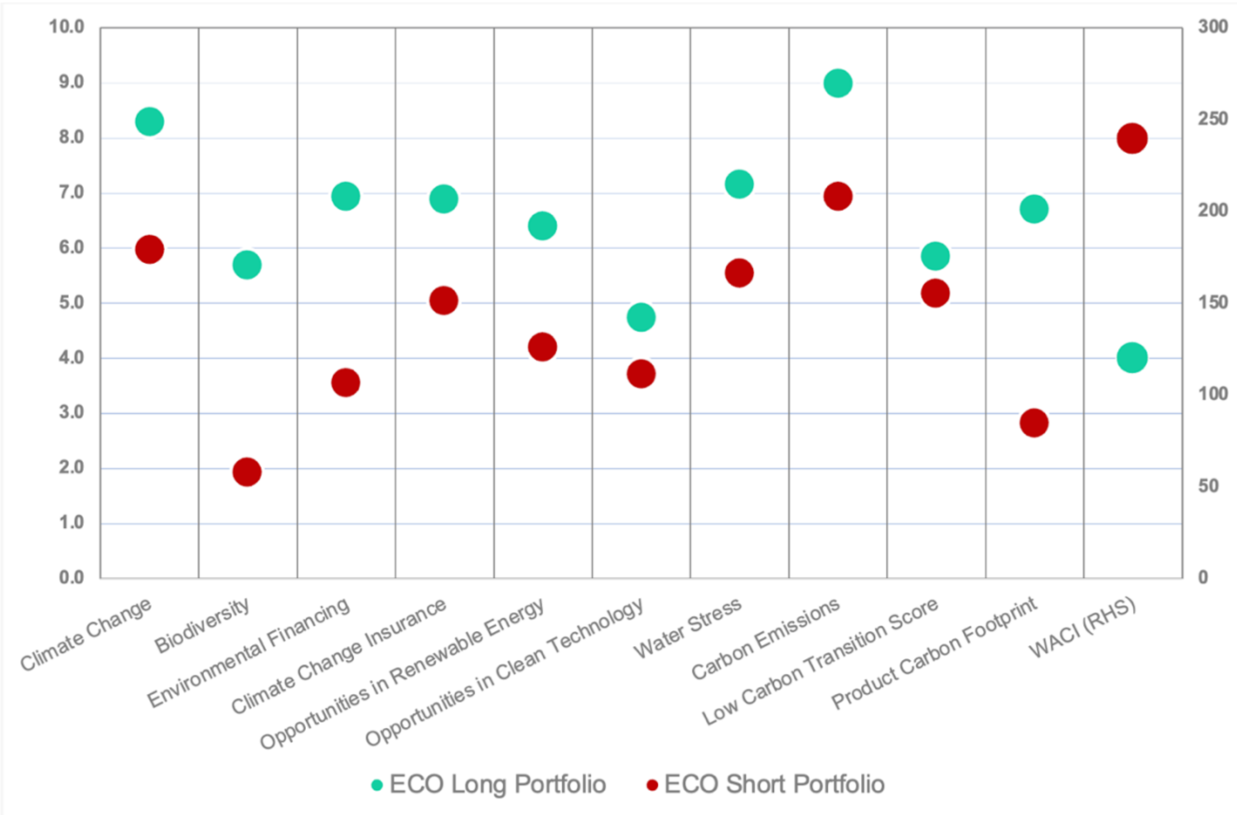
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

As a small boutique investment manager, our direct exposure to climate related risks are minimal, as the firm has limited fixed assets and firm value resides in the team's IP and intangible assets. However, climate related opportunities – via our ESG focused investment process – is integral to our long term business strategy and plans. We believe that incorporating climate considerations in the Firm's investment strategies offers an opportunity for growth by delivering best-in-class products to our institutional fund investors and clients. Recognising this opportunity is central to our business strategy.

Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

As we have discussed, given the firm's asset base is primarily intangible assets, we believe our business is resilient to climate change and will be able to mitigate and adapt to climate change impact over the medium and long term as needed. We focus the following response on the Firm's flagship investment strategy, where we look to establish a resilient investment framework in the face of climate change scenarios.

As a market neutral long short strategy, we believe one of the most important methods to assess the resilience of our investment strategy to climate change scenarios is to compare the long side of the book to the short side of the book using a range of climate-change risk and opportunity metrics. In order to demonstrate that our strategy is resilient to climate change stress scenarios, we seek to ensure that the aggregate profile of the long book relative to the short book is consistently superior across this range of metrics. The below chart demonstrates that across a broad range of climate change risk and opportunity metrics, including climate change, water stress, climate change insurance, opportunity in clean tech, low carbon transition score, weighted average carbon intensity, and several others, the portfolio is well positioned when comparing the long side of the book relative to the short side of the book. Whilst we have some skepticism around applying quantitative performance simulated future scenarios to specific temperature rise estimates, the results of our analysis reinforce our assessment that the portfolio is resilient to climate scenarios involving rising temperatures.



Data as of 31 July 2023. Chart illustrates weighted average score of selected MSCI ESG key issue Scores (0=worst, 10=best) for both our long and short portfolios. For illustrative purposes only.
Source: ECO Advisors, MSCI
WACI measures Portfolio weighted average CO2 emissions <metric tonnes, scope 1&2> per $1m of sales revenue. Source: ECO Advisors, MSCI, Refinitiv

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Again, we focus our response on our Firm's investment strategy. We use many climate-related metrics as part of the E pillar of our ECO ESG scoring process. A number of these include carbon emissions, product carbon footprint assessment, climate change vulnerability, opportunities in clean tech, water stress. Examples are displayed in the chart above.

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

While the Firm's exposure to climate related risks we believe to be minimal, ECO Advisors takes our corporate ESG responsibilities seriously. Our office is powered by 100% renewable energy, we request and review the ESG policies of our key suppliers and vendors, and look to encourage ESG transparency and best practice at these firms. Once a year, ECO Advisors assesses our corporate CO2 footprint. We then offset our carbon emissions for the year, making our office Net Zero. In 2023 our carbon footprint is approximately 1.4 ton CO2e per year, which derives from an average footprint of 0.28 ton CO2e per employee.

In our portfolio, where we are able to vote at company AGMs our voting policy supports shareholder and board initiatives to work towards Paris Agreement alignment, TCFD disclosure, low carbon initiatives, greenhouse gas emissions transparency and other environmental reporting. In companies with a market cap of USD $50 billion, we expect to see Paris Agreement alignment, or measurable steps being taken towards alignment. In companies with a market cap of less than US $50 billion, we expect a commitment to a carbon reduction target. If these commitments are not present, we will communicate our expectations to the company. We encourage transparency and data around environmental, social and governance factors. We have metrics that help us understand the distribution of companies in our portfolio with Paris Agreement alignment or targets, as well as approved Science-Based Targets.

Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

At the Firm level, our exposure to climate risks and climate related footprint is minimal, and we do not set explicit targets for climate risk reduction; with regard to climate-related opportunities, our business strategy aims to capitalize on continued interest and demand climate-aware investment strategies in order to grow assets and our client base. We do not have explicit climate opportunity targets, other than focusing on climate-aware investing as part of our firm's investment strategy and client offering.

At the investment strategy level we seek to show a consistent spread between our long and short books on the metrics disclosed above. We also seek to prevent adverse impacts on the environment and broader society. We have committed to this as part of our Article 8 SFDR and LuxFlag ESG classifications. Further information on these targets are available upon request.