TCFD Report

Marlborough Investment Management

January 2024 – December 2024

Marlborough

The Marlborough Group's purpose is to make a difference for individual, intermediary and institutional investors

01. Purpose of this report

Introduction from our Chief Executive Officer – Richard Goodall

At Marlborough Investment Management, we recognise the critical need to accelerate the global transition to net zero. Aligned with the principles of the Paris Agreement, we are dedicated to reducing our environmental impact and addressing climate-related risks within our operations and business practices.

Good governance lies at the heart of Marlborough, driving responsible actions that benefit our stakeholders, employees and the environment. Although we are still in the early stages of our journey, our steady progress reflects a deep commitment to Environmental, Social and Governance (ESG) principles.

The publication of our first Taskforce on Climate-related Financial Disclosures (TCFD) Report last year marked a key milestone. It fostered significant internal improvements and increased transparency, further aligning our practices with the standards set by the Financial Conduct Authority (FCA). This report builds on that foundation, outlining our current position, achievements and future goals for mitigating greenhouse gas (GHG) emissions and addressing climate risks effectively.

About Marlborough

Marlborough Investment Management (Marlborough), an established financial services firm, is a regulated and wholly owned subsidiary of Marlborough Group Holdings Limited.

Marlborough offers a diverse selection of 20 UK-domiciled funds, including a multi-asset range. Our equity funds and others, including our high yield bond fund, are managed by carefully chosen external managers, whilst our global bond fund and multi-asset range are managed in-house to ensure consistency and expertise.

As of 31 December 2024, Marlborough oversaw £4 billion in assets under management (AUM).

Investment Fund Services (IFS) is the Authorised Corporate Director (ACD) for Marlborough's fund range. IFS manages the funds' daily operations in partnership with Marlborough's investment managers. IFS is a wholly owned subsidiary of Marlborough Group Holdings Limited.

The aim of this report

Marlborough is committed to the Taskforce on Climate-related Financial Disclosures (TCFD) framework, ensuring transparent reporting on how it addresses climate risks and opportunities in operations and investments, whilst reducing its environmental impact.

This report outlines Marlborough's integration of the four TCFD pillars: Governance, Strategy, Risk Management and Metrics and Targets. It aligns with the Financial Conduct Authority's (FCA) PS21/24 requirements, ESG sourcebook regulations (chapters 2.1 and 2.2) and Consumer Duty obligations.

Achieving full compliance with TCFD recommendations is an ongoing process, particularly in the complex area of emissions monitoring across direct and third-party investments. However, Marlborough remains dedicated to strengthening its climate-related disclosures, refining its practices, and aligning with industry standards and best practices.

Scope

This report provides an overview of Marlborough's climate-related policies and practices, focusing on how sustainability principles are incorporated into its operations and investment management strategies. It details Marlborough's efforts to integrate climate considerations into risk and opportunity management and outlines its approach to regulatory compliance.

As a UK-regulated entity within the Marlborough Group, the report is limited to Marlborough's corporate activities and investment strategies. Scenario analysis is conducted on assets under management (AUM), excluding managed portfolio solutions (MPS) AUM due to limited transparency in underlying holdings.

Detailed information on the climate-related initiatives of individual funds can be accessed via the Marlborough Group (www.marlboroughgroup.com) and IFS (www.ifslfunds.com) websites.

Consistency with TCFD recommended disclosures

Marlborough is actively progressing towards full alignment with TCFD recommended disclosures. The table below provides an overview of current alignment, areas for improvement and planned actions to enhance disclosure practices.

TCFD recommended disclosure	Current alignment	Implementation status
Governance		
Describe the Board's oversight of climate-related risks and opportunities.	Inconsistent	• Establishing regular discussions at Board level on climate-related risks and opportunities. • The Group Sustainability Committee (SusCo) provides updates on sustainability matters, potential impacts and progress towards related commitments.
Describe management's role in assessing and managing climate-related risks and opportunities.	Partially consistent	• SusCo oversees the organisation's environmental strategy, ensuring effective execution across operations and investments. • SusCo collaborates with the Group Executive Committee (ExCo) to integrate sustainability principles into business practices and escalates material issues for review.
Strategy		
Describe the climate-related risks the organisation has identified over the short, medium and long term.	Consistent	• Regularly reviewing and updating identified climate-related risks to ensure relevance and responsiveness.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Partially consistent	• Establishing a comprehensive framework to evaluate climate-related risks and opportunities and embedding insights into corporate strategy.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Partially consistent	▪ Enhancing scenario analysis to assess the operational impact under various climate-related conditions.
Risk		
Disclose how the organisation identifies, assesses and manages climate-related risks.	Partially consistent	▪ Integrating climate-related risk management into the existing Enterprise Risk Management Framework (ERMF) to ensure a holistic approach across the organisation.
Describe the organisation's processes for managing climate-related risks.	Partially consistent	▪ Expanding processes to ensure all identified climate risks are managed in alignment with existing protocols.
Describe how the process for identifying, assessing and managing climate-related risks is integrated into the organisation's overall risk management.	Inconsistent	▪ Strengthening risk assessment processes across all business areas to comprehensively address climate-related risks.
Metrics and Targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Partially consistent	▪ Expanding initiatives to measure and monitor Scope 3 emissions. ▪ Exploring approaches to managing climate-related investment risks and opportunities.
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Partially consistent	▪ Enhancing frameworks to better integrate operational climate-related risks and opportunities into business strategy and risk management. ▪ Assessing investment risk management within funds overseen by third-party investment managers. ▪ Strengthening the Group's environmental management foundation with a long-term objective of achieving ISO 14001 certification (Environmental Management Systems), to drive sustainability improvements.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance.	Partially consistent	▪ Evaluating Scope 3 interim targets. ▪ Strengthening formal processes to effectively manage operational opportunities.

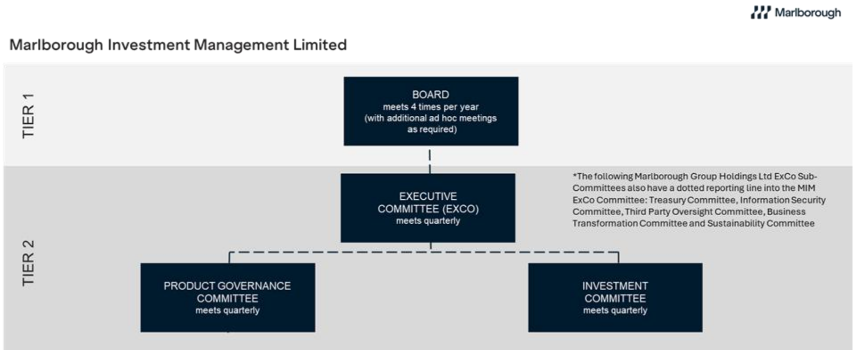
02. Governance

Disclose the organisation’s governance around climate-related risks and opportunities

This section outlines Marlborough's governance framework for managing climate risks and opportunities, highlighting initiatives to integrate climate considerations into business operations.

Describe the Board’s oversight of climate-related risks and opportunities

Marlborough’s governance structure



The Board’s oversight and activities

The Board holds ultimate responsibility for Marlborough’s business strategy and risk management, including climate-related risks and opportunities. It ensures alignment between Marlborough’s values, strategy and operations, embedding climate risk considerations into corporate decision making.

ESG and climate-related issues escalated by the Sustainability Committee (SusCo) are reviewed by the Board to ensure strategic alignment and accountability.

Marlborough's Chief Financial Officer (CFO), Dom Clarke, leads the organisation’s sustainability and ESG strategy, overseeing climate-related targets and initiatives. He directs investments in systems, processes and technology whilst managing outsourced partnerships to help achieve climate objectives and strengthen sustainable business practices.

Summary of the Board’s oversight of climate-related risk and opportunities

Marlborough Board	Responsibilities	Working towards
• **Chaired by:** Marlborough independent non-executive director • **Meeting Frequency:** 4 times a year • **Membership:** 5 members, including ESG lead (Dom Clarke), one independent non-executive director, and one non-executive director	• Oversees strategy and risk management, including climate-related risks and opportunities.	• Ensuring that climate-related risks and opportunities become a regular agenda item at Board and committee meetings. • Expanding Board training on climate risk identification and management.

Describe management's role in assessing and managing climate-related risks and opportunities

The Board has delegated responsibility for overseeing daily operations and executing strategy, including climate-related matters, to Chief Executive Officer (CEO) Richard Goodall. He is supported by the Executive Committee (ExCo), with CFO Dom Clarke acting as the climate sponsor.

The SusCo, operating under delegated authority from the ExCo, was established in 2024 to provide strategic guidance on sustainability matters across Marlborough's operations and investments.

Executive Committee (ExCo)

The Executive Committee (ExCo), chaired by CEO Richard Goodall, oversees Marlborough's daily operations and supports the Board in executing its long-term strategy to create stakeholder value. It ensures the organisation operates within a robust risk management framework, delivering investor-focused products and services whilst maintaining regulatory and operational integrity.

The ExCo upholds Marlborough's culture, values and standards across the organisation. ESG training was formally integrated into the company's training framework during 2024, ensuring all employees completed mandatory sessions to strengthen sustainability and best practice awareness.

Investment Committee

The Investment Committee, chaired by Chief Investment Officer (CIO) Sheldon MacDonald, is responsible for overseeing Marlborough's investment products, including in-house and externally managed funds, as well as the MPS range. It focuses on four key areas: investment due diligence, operational due diligence, performance and risk, with regular forums dedicated to each discipline.

In 2024, the committee maintained its oversight of ESG, engagement and voting policies, integrating sustainability-related considerations across Marlborough's in-house and externally managed funds. During the year, the committee approved an updated engagement policy and introduced a dedicated ESG policy for the in-house multi-asset team, reinforcing its commitment to responsible investment.

Sustainability Committee (SusCo)

The Sustainability Committee (SusCo) was established by the Group ExCo in April 2024 to direct Marlborough's corporate sustainability strategy, ensuring effective governance of operational practices and investment-related initiatives in accordance with UK regulatory standards.

It is responsible for developing, implementing and overseeing sustainability strategies across the Group, identifying and managing sustainability risks, overseeing sustainability-related policies and addressing the impact of sustainability regulations and reporting obligations.

The SusCo's core responsibilities include, but are not limited to:

- Developing and overseeing the Group's environmental operational and investment strategy, subject to approval by Group and entity ExCos / Boards, ensuring alignment with the Group's strategic themes.

- Establishing appropriate processes and controls to execute the Group's environmental strategy at both operational and investment levels.
- Providing oversight of the day-to-day management of environmental risks.
- Developing and managing environmental and sustainability-related policies, approved by the Group ExCo.
- Overseeing existing and emerging sustainability regulations and managing compliance with sustainability-related reporting obligations.
- Ensuring staff remain informed of sustainability developments through training initiatives and recruitment as necessary.
- Monitoring and setting targets for key sustainability metrics, such as emissions reductions.
- Updating the Board on sustainability matters, including activities that may impact the Group and progress towards sustainability-related commitments and targets.
- Driving corporate sustainability initiatives across Marlborough.

Management structures for climate risk assessment and opportunity identification

Committee/team	Responsibilities	Working towards
Executive Committee		
• **Chaired by:** CEO • **Meeting Frequency**: Quarterly • **Membership**: 9 members, including ESG Lead (Dom Clarke)	• Oversees the company's daily operations. • Supports the Board in delivering strategic objectives.	• Assisting in defining the SusCo's mandate and responsibilities. • Embedding sustainability and ESG awareness within company culture.
Investment Committee		
• **Chaired by:** CIO • **Meeting Frequency:** Quarterly • **Membership:** 5 members	• Oversees investment performance and risk management for Marlborough products. • Conducts third-party operational due diligence to ensure robust investment oversight.	• Developing ESG voting and engagement policies for non-SDR funds. • Reviewing and amending ESG, voting and engagement policies for third-party equity funds. • Ensuring holdings align with sustainability principles outlined in investment processes.
Group Sustainability Committee		
• **Chaired by**: ESG Lead (Dom Clarke) • **Meeting frequency:** Monthly • **Membership:** 8 members	• Manages climate-related risks in daily operations. • Establishes policies and procedures to help Marlborough achieve sustainability goals. • Delivers Marlborough's corporate sustainability strategy.	• Embedding climate strategies across the organisation. • Developing approaches to address climate risks in underlying funds.

03. Strategy

This section of the report outlines Marlborough's approach to identifying and managing climate-related risks and opportunities across its operations and investments, detailing actions taken to mitigate risks and enhance opportunities.

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning, where such information is material

In line with TCFD recommendations, Marlborough identifies two key categories of climate-related risks that could affect financial performance and operational resilience:

1. **Physical risks**: These risks arise from the tangible impacts of climate change.
    - **Acute physical risks:** Short-term climate events like floods, heatwaves and wildfires.
    - **Chronic physical risks:** Long-term environmental changes, including rising temperatures and sea levels.

2. **Transition risks**: These risks arise from the challenges associated with the global shift towards a low-carbon economy.
    - **Energy transition:** Movement towards renewable energy sources and reduced reliance on fossil fuels.
    - **Regulatory developments:** Evolving policies such as carbon taxes and sustainability reporting requirements.
    - **Technological advances:** Innovations that drive energy efficiency and decarbonisation.
    - **Market shifts:** Changes in consumer preferences, investor expectations and fluctuations in raw material costs

Beyond these risks, Marlborough recognises several **climate-related opportunities** that support long-term value creation:

- **Resource efficiency:** Reducing emissions and optimising energy use.
- **Alternative energy sources:** Expanding investments in renewables and low-carbon solutions.
- **Sustainable products and services:** Supporting environmentally responsible businesses.
- **Market opportunities:** Identifying high-growth sectors linked to climate resilience.
- **Enhanced resilience:** Strengthening adaptation strategies for long-term sustainability.

Emissions categories

Marlborough's climate impact covers the following greenhouse gas (GHG) emissions categories:

Term used	Definition
Scope 1 greenhouse gas (GHG) emissions	Direct emissions from owned or controlled sources, such as fuel combustion in company-owned furnaces or vehicles.
Scope 2 greenhouse gas (GHG) emissions	Indirect emissions from the generation of purchased energy, including electricity consumed in company-operated buildings.
Scope 3 greenhouse gas (GHG) emissions	Indirect emissions resulting from activities beyond Scope 1 and Scope 2, produced by sources the company neither owns nor controls. For example, Marlborough's Scope 3 emissions include those generated by companies held within its investment funds.

Disclose climate-related risks and opportunities across short, medium and long-term horizons

Time horizons

Marlborough has identified short, medium and long-term climate-related risks and opportunities, defined as follows:

- **Short-term:** Less than 5 years
- **Medium-term:** 5 to 10 years
- **Long-term:** 10 to 20 years

These timeframes differ from Marlborough's investment horizons and recommended fund holding periods. Instead, they are shaped by regulatory requirements, external ESG data (Clarity AI), internal risk management strategies and projected climate impacts. Recognising that climate challenges extend beyond 20 years, Marlborough is committed to ongoing adaptation.

Process for identifying climate-related Issues

Marlborough evaluates climate-related risks using a structured framework aligned with TCFD recommendations. For a detailed overview of how these risks are identified, assessed, and managed, refer to the Risk Management section.

The tables below provide a summary of the climate-related risks and opportunities Marlborough has identified across short, medium and long-term horizons.

Operational risks and opportunities

Potential short-term climate risks affecting Marlborough's operations

Risk identified	Category	Impact	Mitigation measures
Energy costs	Transition risks / market	• Higher operational costs	• Transitioning to renewable energy, targeting 100% renewable power by the end of 2025 through the Renewable Energy Guarantees of Origin (REGO) scheme, whilst exploring alternative solutions. • Monitoring energy consumption to enhance efficiency and sustainability • Partnering with consultants to optimise energy usage and efficiency. • **Key 2024 initiatives**: - Installed 78 solar panels. - Implemented energy-efficient lighting with LED and motion sensors. - Optimised equipment scheduling with timed external lighting and hybrid-aligned processes. - Installed conferencing equipment. - Established preventative maintenance programmes. - Upgraded and replaced plant equipment. - Improved utility monitoring and reporting. • **Future initiatives**: ISO 14001 for Environmental Management Standard accreditation.
Extreme weather events	Physical risks / acute	• Office / equipment damage • Business disruption • Higher insurance costs	• Annual review of Business Continuity & Disaster Recovery plan. • Home-working policy ensures staff can work remotely.
Regulatory changes *(e.g. greenwashing, SDR, carbon credits)*	Transition risks / policy & legal	• Compliance Risks • Higher operational costs	• Ongoing monitoring of policy and regulatory developments, including mandatory reporting obligations and carbon credit requirements.
Scope 1 and 2 GHG emission controls	Transition risks / policy & legal	• Increased operational requirements • Compliance & reputational risks • Stranded assets / devaluation	• Carbon footprint assessment established. • Net zero by 2050 (previously 2040). • 100% renewable power by the end of 2025 through the Renewable Energy Guarantees of Origin (REGO) scheme, whilst considering alternative solutions.
Brand reputation *(e.g. failure in ESG leadership, reporting or transition targets)*	Transition risks / reputational	• Compliance risks • Loss of market share	• Sustainability Governance lead appointed: Dom Clarke (CFO & Board member). • Net zero by 2050 (previously 2040). • Established SusCo in April 2024 to oversee climate and sustainability initiatives. • Compliance & SusCo teams actively monitor reporting developments. • Formed sustainability champions and a formal working group in 2024 to drive progress.

Potential short-term climate-related opportunities for Marlborough's operations

Opportunity identified	Category	Impact	Steps to develop opportunity
Enhancement of Marlborough's transition plan	Resilience	• Lower energy costs • Increased revenue	• Transitioning to 100% renewable energy by December 2025. • Collaborating with CCC Energy to evaluate emissions and identify energy-saving measures. • Partnering with Clarity AI to evaluate financed (Scope 3) emissions from investments made in funds on behalf of clients, ensuring comprehensive environmental impact assessment. • Appointed an ESG consultant to support transition plan implementation and reporting. • Establishing a Group sustainability champions initiative to actively promote sustainability across the organisation. • Mandatory ESG training for all employees • Providing staff training on risks and Marlborough's strategic direction • Future initiatives include ISO 14001 accreditation.
Advancing reporting standards	Resilience	• Revenue growth from best-practice transparency	• Enhancing mandatory reporting to improve transparency • Developing non-mandatory reporting to engage stakeholders • SusCo monitors reporting developments and establishes best-practice criteria. • Strengthening emissions tracking for improved reporting accuracy.
Expanding internal sustainability expertise	Resilience	• Stronger climate strategy & operational sustainability	• Sustainability champions appointed across all departments. • Partnering with ESG consultants and external specialists for informed advice and support, ensuring effective sustainability practices across Marlborough's operations. • Ongoing staff training to build climate expertise.

Potential medium-term climate risks affecting Marlborough's operations

Risk identified	Category	Impact	Mitigation measures
Extreme weather – increasing frequency	Physical risks / acute	• Property damage • Travel & business disruption • Supply chain risks • Higher insurance costs	• Offices are situated in low flood-risk areas. • Climate risk assessments embedded in office location due diligence. • Facilities Coordinator advancing expertise through Environmental Management certification. • Collaboration with third-party suppliers to align climate strategies.
Insurance risks	Transition risks / policy & legal	• Rising insurance costs • Insurance payout ineligibility for inadequate property maintenance	• Annual assessment and renewal of insurance arrangements. • Scheduled preventative maintenance using specialist contractors. • Ongoing financial stability monitoring of insurance providers.
Regulatory changes & climate requirements	Transition risks / policy & legal	• Non-compliance risk • Reputational damage • Increased costs	• SusCo / ExCo review climate updates and report to the Board. • Monitoring FCA-led initiatives (e.g. SDR evolution) and global regulatory exposures.
Scope 3 GHG emission controls	Transition risks / policy & legal	• Operational constraints • Compliance & reputational risks • Increased costs • Stranded assets / forced sales / devaluation of AUM	• Business travel review in progress. • Hybrid working model enables staff to work remotely two days a week. • Cycle-to-work scheme offered to employees. • Enhanced IT facilities support virtual meetings to minimise travel. • Marlborough intends to collaborate with third-party suppliers to monitor emissions and develop climate change strategies.
Talent retention and development	Transition risks / reputational	• Loss of talent • Cultural shifts • Increased recruitment costs • Business disruption	• ESG champions actively promoting sustainability. • Embedding ESG principles in talent development. • SusCo ensuring staff stay informed. • Raising climate awareness and minimising travel. • Exploring ways to partner with suppliers to monitor emissions and refine strategies.

Potential medium-term climate-related opportunities for Marlborough's operations

Opportunity identified	Category	Impact	Steps to develop opportunity
Leveraging third-party ESG expertise	Markets / revenue growth	• Innovation in emissions reduction • Strengthened climate strategy	• Active supplier engagement with contractors and third-party building service providers. • Sharing best practices with leased and serviced assets. • Collaboration with investment managers. • Exploring new business opportunities with specialised ESG investment managers.
Enhancing energy efficiency	Resource efficiency	• Lower energy consumption • Reduced GHG emissions • Cost savings	• Expanding renewable energy sourcing and remote work solutions. • Increasing online meetings to reduce travel. • Developing climate-focused office plans.

Potential long-term climate risks affecting Marlborough's operations

Risk identified	Category	Impact	Steps taken to mitigate risk
Achieving corporate sustainability targets	Transition risks / reputation	• Limited Scope 3 emissions support, hindering 2050 net-zero goal. • Non-compliance risks & fines. • Reputational damage. • Outdated ESG products from investment managers and fund sponsors.	• Staff training & engagement, including "Lunch & Learn" sessions. • ESG remains a Board priority. • SusCo facilitates sustainability communication across the Group. • Ongoing collaboration with an ESG consultant to refine sustainability efforts. • Developing investment manager engagement to assess long-term climate strategies.
Rising average global temperatures	Physical risks / chronic	• Office impact & expansion risks • Increased heating/cooling costs • Power outage risks	• 100% renewable energy contracts targeted by end-2025. • Energy efficiency programme implemented to reduce consumption. • Climate risks prioritised in decisions on refurbishment, relocation and acquisitions.

Potential long-term climate-related opportunities for Marlborough's operations

Opportunity identified	Category	Impact	Steps to develop opportunity
New ESG / sustainability funds	Markets / revenue growth	• Maintains product relevance • Reduces financed emissions intensity	• Collaborating with new and existing investment managers to develop climate-focused investment solutions and sustainable investment strategies.

Investment risks and opportunities

Marlborough's primary climate exposure arises from its investment activities, managed by appointed investment managers.

Marlborough appoints investment managers through a rigorous selection process that evaluates strategy alignment, expected returns, risk management processes, team expertise and collaboration potential. Each manager operates independently, and whilst most funds currently do not integrate specific objectives for managing climate-related risks and opportunities, ongoing assessments help refine investment strategies.

The Marlborough Group Fund Risk Team ensures robust investment risk oversight through daily monitoring of restrictions, stress and scenario testing, and liquidity risk management. For ESG-focused funds, the team verifies alignment with designated ESG ratings and objectives, reinforcing Marlborough's commitment to responsible investing.

Complementing these efforts, the Compliance Oversight Team provides operational risk oversight by reviewing third-party managers' ESG policies, voting and engagement activities, and their integration into investment decisions. Together, these teams deliver a comprehensive approach to risk management, reinforcing Marlborough's commitment to responsible investing.

Potential short-term climate risks affecting Marlborough's investment exposures

Risk identified	Category	Impact	Mitigation measures
Energy costs	Transition risks / market	• Higher costs for underlying investments • Devaluation in AUM for vulnerable assets	• ESG consultant engaged to develop a framework for monitoring emissions across investment funds. • Investment specialists have access to Clarity AI's data, including CVaR scenarios, enabling them to assess climate risks and potential investment impacts.
Extreme weather	Physical risks / acute	• Business disruption resulting in AUM devaluation	• ESG consultant engaged to develop a framework for monitoring emissions across investment funds. • Investment specialists have access to Clarity AI's data, including CVaR scenarios, enabling them to assess climate risks and potential investment impacts.
Regulatory changes *(e.g. greenwashing, carbon credits, emissions policies)*	Transition risks / policy & legal	• Increased costs for investments • Devaluation of securities in high-emission industries • Increased portfolio turnover • Stranded assets	• ESG consultant engaged to develop a framework for monitoring emissions across investment funds. • Investment specialists have access to Clarity AI's data, including CVaR scenarios, enabling them to assess climate risks and potential investment impacts.
Reputational risk *(e.g. exposure to high-emitting Companies or poor sustainability practices)*	Transition risks / market	• Decreased valuations of securities • Increased portfolio turnover • Stranded assets	• ESG consultant engaged to develop a framework for monitoring emissions across investment funds. • Investment specialists have access to Clarity AI's data, including CVaR scenarios, enabling them to assess climate risks and potential investment impacts.

Potential medium-term climate risks affecting Marlborough's investment exposures

Risk identified	Category	Impact	Mitigation measures
Extreme weather – increasing frequency	Physical risks / acute	• Increased damage and maintenance costs • Higher insurance premiums • Business disruption affecting asset valuations • AUM devaluation	• ESG consultant engaged to develop a framework for monitoring emissions across investment funds. • Investment specialists have access to Clarity AI's data, including CVaR scenarios, enabling them to assess climate risks and potential investment impacts.
Regulatory changes *(e.g. GHG emissions policies)*	Transition risks / policy & legal	• Compliance risks affecting investment viability • Increased operational costs • Declining valuations of carbon-intensive assets • Competitiveness disadvantage in sustainable markets	• ESG consultant engaged to develop a framework for monitoring emissions across investment funds. • Investment specialists have access to Clarity AI's data, including CVaR scenarios, enabling them to assess climate risks and potential investment impacts.
Oversight of third-party investment processes	Transition risks / markets	• Limited visibility into third-party fund management • Exposure to fund managers with weak ESG alignment • Reputational risk affecting investor confidence	• Robust due diligence framework implemented to assess climate impact in investment selection. • Exploring integration of ESG factors into third-party management strategies.

Potential medium-term climate opportunities for Marlborough's investment exposures

Opportunity identified	Category	Impact	Steps to develop opportunity
New ESG / sustainability funds	Markets / revenue growth	• Expansion of climate-focused investments • Strengthened competitiveness in sustainable finance • Reduction in financed emissions intensity	• Continued collaboration with appointed investment managers on product development. • Proactive identification of opportunities to enhance Marlborough's product offering

Potential long-term climate risks affecting Marlborough's investment exposures

Risk identified	Category	Impact	Mitigation measures
Climate-related resilience	Transition risks / reputation	• Increased costs from weak climate strategy • Falling asset valuations due to outdated business models	• ESG consultant engaged to develop a framework for monitoring emissions across investment funds. • Investment specialists have access to Clarity AI's data, including CVaR scenarios, enabling them to assess climate risks and potential investment impacts.
Extreme weather	Physical Risks / Acute	• Business disruption leading to AUM devaluation	• ESG consultant engaged to develop a framework for monitoring emissions across investment funds. • Investment specialists have access to Clarity AI's data, including CVaR scenarios, enabling them to assess climate risks and potential investment impacts.

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

Operational exposures

Marlborough is actively implementing sustainable initiatives to minimise its carbon footprint, with a clear objective of achieving carbon neutrality by 2025 and net zero emissions by 2050.

Initially set for 2040, the net zero target was revised to 2050 following a 2024 reassessment, which highlighted challenges in emissions monitoring across direct and third-party investments.

Further details on these measures are provided in the Metrics and Targets section.

Physical Risks

- **Acute physical risks**

Marlborough's geographically diversified office locations mitigate short-term exposure to acute physical risks, as the likelihood of extreme weather events remains low. However, recognising the potential for operational disruptions caused by severe weather, Marlborough has ensured employees have access to remote work capabilities, reinforcing business continuity.

- **Chronic physical risks**

Whilst Marlborough has yet to formalise a strategy for managing chronic physical risks, such as rising temperatures and sea levels, the organisation remains vigilant and prepared to respond promptly to mitigate severe operational disruptions.

To date, Marlborough has not incurred significant costs directly attributable to climate change, with insurance premiums remaining stable and standard flooding excess levels maintained. However, the following cost increases have been identified and are expected to persist in the short to medium term as Marlborough integrates climate considerations into its operations:

- Expansion of resources and expertise to advance climate initiatives.
- Fees for external providers monitoring emissions and climate-related metrics across operations and investment activities.
- Increased electricity expenses associated with transitioning to renewable energy solutions.

Marlborough has incorporated certain climate-related expenses into its financial planning framework and is actively developing strategies to optimise resource allocation and enhance budgeting efficiency. This reflects Marlborough's commitment to sustainability and the incorporation of climate considerations into core financial processes.

Transition risk

- **Policy and legal**

Marlborough closely monitors regulatory and legal developments in climate policy through its Group SusCo, ensuring compliance and strategic alignment. Climate risk awareness is embedded into daily operations, reinforcing Marlborough's commitment to carbon neutrality by 2025 and net zero emissions by 2050 (revised from 2040).

- **Technology**

Through its ongoing partnership with Clarity AI, an ESG data provider, Marlborough enhances emissions measurement across its fund holdings, supporting Scope 3 emissions tracking. This collaboration strengthens its ability to assess climate-related risks and opportunities, ensuring data-driven decision-making and alignment with sustainability objectives.

- **Market**

Marlborough acknowledges the financial impact of evolving consumer preferences and climate-related risks on investment strategies. Whilst the overall composition of its funds is under review, Marlborough remains conscious of potential exposure to stranded assets and is actively evaluating adjustments to its product offerings. Additionally, it is assessing how climate-driven fluctuations in raw material costs affect its operations and investment decisions.

- **Reputation**

Marlborough is refining its net zero strategy to align with a public initiative reflective of its business model, which primarily involves collaboration with third-party investment managers rather than direct investments. This approach enhances transparency, industry best practices and carbon footprint reporting, strengthening its position as a responsible organisation.

To reinforce its sustainability commitments, Marlborough has established the Sustainability Champions initiative, a diverse team dedicated to advancing climate action, fostering employee engagement and accelerating sustainability solutions. This initiative also serves to strengthen talent attraction and retention, reinforcing Marlborough's reputation as a sustainability-driven employer.

- **Investment exposures**

Marlborough delegates the management of its single-strategy equity and high-yield funds to third-party investment managers, selected through a rigorous due diligence process. Whilst these managers oversee daily investment decisions, Marlborough maintains oversight of fund policies, strategic direction and overall investment governance.

Although Marlborough's funds do not operate under formal sustainability criteria, investment managers may incorporate ESG considerations into their decision-making. To ensure alignment, Marlborough collaborates with these managers to strengthen ESG integration at the mandate level, ensuring sustainability principles are effectively reflected in relevant policies.

Whilst current priorities focus on carbon footprint monitoring and generating actionable insights to enhance investment strategies, future initiatives may explore sustainability-linked investment strategies.

- **Investments**

Marlborough recognises that its material emissions arise from investments made on behalf of clients through funds managed by appointed investment managers (refer to the Metrics and Targets section for further details).

To address this, Marlborough is assessing fund emissions monitoring, particularly fund-of-funds exposure, whilst collaborating with delegated managers to enhance climate risk assessment and identify sustainable investment opportunities.

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

Marlborough continues to refine its scenario analysis to assess climate-related risks, strengthen operational resilience, and guide long-term investment strategies. Using insights from Clarity AI, the organisation evaluates fund performance across multiple climate pathways, considering exposure to physical and transition risks, financial implications, technological advances and sentiment shocks. These shocks occur when shifts in investor confidence or awareness of climate risks lead to sudden changes in asset pricing and financial stability.

Transition risks are expected to challenge industries, particularly carbon-intensive sectors, as regulatory frameworks evolve to dictate the pace of change. However, climate adaptation and mitigation technologies present significant opportunities to support the transition towards a low-carbon economy, with emerging innovations reshaping market dynamics and investment strategies.

To ensure a robust strategic response, Marlborough evaluates the projected financial impacts of physical, transition and sentiment shock risks across three climate scenarios:

Climate scenario pathways

Climate scenario pathway	Description	Assumed temperature rise by 2100	Key risks considered
Achieving a net zero economy	• Assesses policy changes, regulatory measures, and associated costs for a structured transition to net zero by 2050. • Evaluates financial risks and opportunities associated with decarbonisation.	1 .5°C	Acute and chronic physical risks, transition risks (excluding sentiment shocks)
Net zero, but with a financial crisis	• Explores effects of a disorderly transition, where delayed policy action leads to sudden market adjustments. • Aggressive corrective measures lead to financial disruption.	1 .5°C	Acute and chronic physical risks, transition risks
High warming	• Examines risks from insufficient emissions reductions, leading to severe temperature rises. • No further climate policies post-COVID-19, resulting in a ‘hothouse world’ scenario.	4.3°C	Acute and chronic physical risks (excluding sentiment shocks due to lack of transition policies)

Potential climate impact assessment on Marlborough fund aggregate returns

Marlborough assesses climate-related investment exposures over 5, 10, and 20-year horizons, based on holdings as of December 2024.

This analysis focuses exclusively on climate impacts, independent of broader market conditions, with data sourced from Clarity AI reflecting end-2024 scenario modelling.

Short-term impact (5 years)

Scenario	Net zero	Net zero financial crisis	High warming
Total impact on returns (%)	**-3.03%**	**-13.47%**	**-1.84%**
Transition risk	0.34%	0.46%	0.00%
Physical – acute	-0.61%	-0.68%	-0.26%
Physical – chronic	-2.76%	-3.12%	-1.59%
Sentiment shock	-	-10.12%	-

The high warming scenario (-1.84%) has the least immediate financial impact, as climate risks remain largely unpriced. The net zero with financial crisis scenario (-13.47%) shows significant financial decline, driven by sentiment shock (-10.12%), reflecting delayed market recognition of transition-related risks.

Medium-term impact (10 years)

Scenario	Net zero	Net zero financial crisis	High warming
Total impact on returns (%)	**-2.21%**	**-11.65%**	**-7.87%**
Transition risk	1.62%	1.77%	0.00%
Physical – acute	-0.73%	-0.79%	-1.08%
Physical – chronic	-3.10%	-3.42%	-6.79%
Sentiment shock	-	-9.21%	-

The net zero scenario (-2.21%) demonstrates relative resilience, with transition benefits (+1.62%) mitigating financial downturns. The high warming scenario (-7.87%) signals intensifying financial pressure, driven by chronic physical risks (-6.79%), reflecting the escalating costs of climate inaction.

Long-term impact (20 years)

Scenario	Net zero	Net zero financial crisis	High warming
Total impact on returns (%)	**-5.49%**	**-14.68%**	**-31.06%**
Transition risk	0.11%	0.59%	0.00%
Physical – acute	-1.08%	-1.11%	-4.29%
Physical – chronic	-4.51%	-4.67%	-26.77%
Sentiment shock	-	-9.49%	-

An orderly net zero transition (-5.49%) keeps long-term financial impacts manageable. In contrast, failure to transition results in severe economic consequences, with high warming scenario losses reaching -31.06%, driven primarily by chronic physical risks (-26.77%), underscoring the escalating costs of climate inaction.

Data coverage & limitations

Coverage Metric	% Data coverage
Marlborough Fund Value Covered	85.34%

This analysis covers approximately £2 billion of Marlborough's UK-domiciled AUM as of December 2024, based on data availability for 85.34% of total AUM, excluding MPS holdings.

Certain asset classes, particularly government bonds, continue to face coverage limitations, as achieving full granularity remains a challenge.

When data coverage falls below 70%, findings should be interpreted with caution, whilst coverage below 50% is considered insufficient, potentially leading to misleading conclusions. This limitation significantly impacts the depth of scenario analysis for funds with substantial exposure to government bonds.

Regulatory alignment & future developments

In line with FCA requirements, all UK-domiciled Marlborough funds maintain a dedicated TCFD report. For funds such as the IFSL Marlborough Conservative Fund, where data coverage remains below 50%, climate scenario analysis commentary is constrained due to the predominance of government bonds holdings.

Marlborough remains committed to enhancing transparency, refining methodologies and improving carbon metric calculations. As regulatory frameworks evolve and data availability improves, the organisation will continue to expand climate-related financial impact disclosures, ensuring a forward-looking approach to climate risk assessment.

04. Risk Management

Disclose how the organisation identifies, assesses and manages climate-related risks

Marlborough integrates climate-related risk management within its Enterprise Risk Management Framework (ERMF) to ensure a structured, systematic, and effective approach to identifying, assessing and mitigating risks.

For details on specific climate-related risks impacting the business, refer to the Strategy section.

Describe the organisation's processes for identifying and assessing climate-related risks

Marlborough risk management objectives and policies

Marlborough's ERMF outlines a comprehensive risk management approach, fostering effective risk ownership within agreed risk appetites across the organisation. Climate-related risks are addressed across enterprise, prudential and investment risk categories, reflecting their dynamic and interdependent nature, which requires a holistic management approach.

Identifying risks

Marlborough is refining its risk assessment processes to strengthen the identification and evaluation of both physical and transition climate risks and their potential impacts on operations and investments. These enhancements are embedded within the ERMF to ensure consistent risk oversight.

Risk registers

Marlborough uses a risk register to effectively identify, manage and monitor risks related to operational, prudential and investment exposures.

- The risk register serves as a structured tool for detecting risks, quantifying potential impacts and prioritising management efforts.
- The Marlborough Risk Team supports departments in maintaining individual risk registers, which undergo formal annual reviews.
- The register includes controls in place to mitigate risks, alongside pre- and post-control assessments, evaluating both likelihood of occurrence and financial and operational impact.
- A bottom-up risk identification process is complemented by a top-down strategic evaluation, developed in collaboration with the Marlborough Board, ensuring a holistic overview of the organisation's risk profile.

Marlborough is expanding its risk registers to capture climate-related risks across operations and investments. This initiative will extend to supply chains, incorporating insights from regulatory developments and industry best practices.

Assessing impact

Climate-related risks are evaluated based on potential impact and likelihood of occurrence, considering:

- Financial, operational, customer, regulatory, legal and reputational implications.
- Direct effects, such as asset degradation and operational disruptions, and indirect effects, including supply chain vulnerabilities and market shifts.
- Likelihood assessments, factoring in regulatory trends, technological advancements and historical climate data.

Risk appetite

Identified climate-related risks are rated and prioritised in relation to other business risks. Strategic initiatives are aligned to support the low-carbon transition, ensuring mitigation strategies address key climate risks.

Describe the organisation's processes for managing climate-related risks

Risk management and mitigation

Marlborough applies its ERMF to ensure a structured, systematic approach to managing climate-related risks:

- Energy-efficient technologies are being adopted to enhance infrastructure resilience and mitigate exposure to physical climate risks, such as extreme weather events.
- Investment in infrastructure upgrades and supply chain sustainability is helping to strengthen climate adaptation efforts.
- Compliance with evolving climate-related regulations and industry standards is actively monitored to ensure adherence to legal requirements.

Risk monitoring and reporting

Marlborough is establishing a structured framework to identify, track and mitigate climate-related risks, ensuring proactive management and strategic decision-making. This framework integrates key risk indicators (KRIs) to provide early warnings, enabling timely intervention and adaptation to evolving climate challenges.

- Ongoing monitoring supports the early identification of emerging climate risks, enabling proactive mitigation.
- KRIs provide insights into critical climate-related threats, guiding intervention strategies.
- Transparent reporting mechanisms ensure stakeholders receive regular updates, including reports to the Board and ExCo.
- Periodic risk reviews allow Marlborough to refine its approach in response to evolving climate trends and regulatory developments.

Describe how the process for identifying, assessing and managing climate-related risks is integrated into the organisation's overall risk management

The following summary describes how Marlborough is refining its risk management approach to address the impacts of climate change.

For additional details regarding climate-related risks and opportunities affecting the organisation, please refer to the Strategy section of this report.

Strategic risk – medium term

Marlborough risk definition	Developing our approach
• Incorrect assumptions about the operating environment. • Failure to respond or inappropriate response to material changes in the operating environment. • Failure to understand the potential impact of strategic responses and business plans on existing risks.	• Integrating climate-related considerations into strategic risk management to ensure long-term resilience and competitiveness. • The Marlborough Board will oversee climate-related risks and opportunities, ensuring their integration into the overall risk management framework. • Climate risks will be incorporated into long-term planning, ensuring alignment with sustainability objectives.

Balance sheet risk – medium term

Marlborough risk definition	Developing our approach
• Exposure to credit, market and liquidity (including capital) risks. • Marlborough's exposure to wider market conditions. • Inability to meet financial obligations in a timely manner (e.g., rising energy and insurance costs due to climate change).	• Integrating climate-related risk assessments into balance sheet management to ensure financial stability and resilience. • Evaluating the financial impact of climate risks on assets and liabilities to maintain a strong, sustainable financial position. • Strengthening financial planning by embedding climate risk considerations into budget forecasting.

Operational risk – short term

Marlborough risk definition	Developing our approach
- Potential losses due to inadequate or failed internal processes, people management, systems or external climate-related events impacting business operations, reputation and profitability. - Oversight of third-party investment processes.	- Incorporating climate-related risk assessments into operational risk management to enhance business continuity and resilience. - Strengthening due diligence and monitoring procedures to assess climate-related risks within third-party investment activities.

Conduct risk – short term

Marlborough risk definition	Developing our approach
- Potential investor detriment from failures in product management, distribution or servicing activities. - Risks that could undermine market integrity, distort competition or result in unfair investor outcomes, regulatory censure, reputational damage or financial loss.	- Embedding climate-related considerations into Marlborough's ethical standards and business practices. - Ensuring Marlborough employees and partners maintain high standards of conduct, reinforcing transparency, integrity and accountability in climate risk management.

Compliance risk – short term

Marlborough risk definition	Developing our approach
- Failure to comply with legal or regulatory requirements, rules, standards or codes of conduct, leading to reputational damage, sanctions and financial loss. - Key climate-related regulatory requirements including: TCFD reporting, UK FCA's SDR, anti-greenwashing, and regulation and reporting of GHG emissions.	- Monitoring regulatory developments to ensure timely integration into Marlborough's policies and risk controls. - Maintaining proactive compliance processes to meet evolving regulatory expectations.

05. Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material

This section of the report presents a comprehensive analysis of greenhouse gas emissions associated with Marlborough's operational activities and the investments managed on behalf of clients across its fund range.

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

Operational emissions metrics

Marlborough has established key metrics and targets to evaluate and manage climate-related risks and opportunities. In collaboration with CCC Energy, a third-party consultant, Marlborough conducts an annual assessment of GHG emissions, ensuring a consistent approach to monitoring and reduction efforts across its UK operations.

Core metrics include:

Scope 1: Gas-based heating at Bolton and London offices, vehicle fuel (tCO2e*)

Scope 2: Purchased electricity for office use (tCO2e*)

Scope 3: Fuel for transport and business travel (tCO2e*)

Additionally, Marlborough manages and maintains 50 air conditioning units, with no refrigerant top-ups or leaks recorded during the reporting period.

All emissions are reported in carbon dioxide equivalent (tCO2e*) to enable standardised comparisons, recognising carbon's significant contribution to climate change.

Investment portfolio metrics

Marlborough employs Clarity AI's climate module to assess GHG emissions across its funds, incorporating the following key indicators:

- Weighted average carbon intensity (WACI)
- Total emissions
- Carbon intensity / footprint

These metrics support investment decision-making, helping identify carbon-related risks and opportunities across the organisation's portfolio.

Disclose Scope 1, Scope 2 and Scope 3 emissions and the related risks

Operational GHG emissions summary

Category	Source	2022 Emissions (base)	2023 Emissions	2024 Emissions	% Change (2022-23)	% Change (2023-24))
Scope 1 (stationary combustion)	Natural gas for office heating	8.06	6.35	8.23	-21.26%	29.63%
Scope 2 purchased electricity (location-based)	Office electricity	25.16	25.15	25.29	-0.04%	0.55%
Scope 2 Purchased Electricity (market-based)	Office electricity	25.16	25.15	22.71	-0.04%	-9.70%
Scope 1 (mobile combustion)	Vehicle fuel combustion	-	-	0.72	-	100%
Scope 3	Vehicle fuel combustion	6.11	8.39	7.41	37.22%	-11.64%
Scope 1 & 2 (location-based)		33.22	31.50	34.23	-5.19%	8.69%
Scope 1 & 2 (market-based)		33.22	31.50	31.65	-5.19%	0.50%
Total (location-based)		39.33	39.88	41.64	1.40%	4.42%
Total (market-based)		39.33	39.88	39.06	1.40%	-2.05%
Number of FTE		83	83	81	-	-1.66%
Scope 1 & Scope 2 intensity per FTE (location-based)		0.47	0.48	0.51	2.13%	6.18%
Scope 1 & Scope 2 intensity per FTE (market-based)		0.47	0.48	0.48	2.13%	-0.39%

Energy consumption summary

Energy consumption (MwH)	2022 (base)	2023	2024	% Change (2022-23)	% Change (2023-24))
Natural gas	44.16	34.77	48.23	-21.27%	38.74%
Electricity	130.10	121.45	122.13	-6.65%	0.57%

Analysis of GHG emissions and energy consumption trends

Scope 1 emissions increased by 29.63%, reflecting higher energy demands at the London site following the return to normal operations post-pandemic.

Scope 2 emissions remained stable, with minimal year-on-year change.

In October 2024, Marlborough transitioned to a Renewable Energy Guarantee of Origin (REGO) contract at the Lichfield site and installed solar panels to generate renewable energy. The excess energy will be supplied back to the grid, contributing to sustainability benefits in future years.

Scope 3 emissions related to vehicle fuel combustion remained consistent, with enhanced fuel usage reporting improving transparency. Marlborough plans to expand reporting to include purchased goods, services and waste.

Total GHG emissions showed mixed results, with location-based emissions rising by 4.42% due to higher energy demands in London, whilst market-based emissions declined by 2.05% following sustainability initiatives such as REGO contracts.

Scope 1 and Scope 2 emission intensity per full-time equivalent (FTE) employee was calculated based on an average of 81 FTEs, defined as employees contracted to work 35 hours per week.

Measures taken to reduce carbon emissions in 2024

Marlborough implemented targeted initiatives to support emission reductions:

- **Transition to renewable energy sources:** Procured electricity under REGO contracts and transitioned Bolton sites to green gas, reducing Scope 1 and 2 emissions.
- **Energy efficiency improvements**: Enhanced operational efficiency to reduce overall energy consumption.
- **Energy planning:** Completed ESOS Phase 3 notification with a detailed action plan for further improvements.
- **Building sub-letting:** Sub-let a Bolton building from June 2024, transferring energy consumption responsibility to the tenant, reducing emissions.
- **Sustainability framework:** Established SusCo under Group ExCo, launching initiatives such as Sustainability Champions and the CSR forum.
- **ESG training initiatives:** Scheduled specialist ESG training for all employees, with tailored sessions for key roles.
- **Hybrid working:** Promoted remote collaboration to reduce travel and energy consumption.
- **Carbon analysis:** Partnered with consultants to optimise energy usage and emissions management.

Marlborough's actions in 2024 reflect its commitment to environmental stewardship, embedding sustainability principles into its operations.

Strengthening the management of Scope 3 emissions, particularly in areas such as travel and supply chain impact, remains a key priority for sustaining progress and achieving long-term reductions.

Investment portfolio emissions (as 31 December 2024)

Carbon emissions metric	Value	Unit	Coverage
Weighted average carbon intensity (WACI) - Scope 1 & 2	78.49	tCO2e / $m sales	99.76%
Weighted average carbon intensity (WACI) - Scope 3	577.19	tCO2e / $m sales	98.65%
Total emissions Scope 1 & 2	143,241.58	tCO2e	99.71%
Total emissions Scope 3	1,303,898.56	tCO2e	98.63%
Carbon intensity / footprint Scope 1 & 2	53.15	tCO2e / $m invested	99.71%
Carbon intensity/ footprint Scope 3	489.10	tCO2e / $m invested	98.63%

For fund-specific emissions data, please refer to the product TCFD report for each respective fund.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against target

Operational targets

Marlborough is committed to achieving net zero emissions by 2050 (revised from 2040) and has set an interim goal of attaining carbon neutrality across its operations by the end of 2025.

Performance against target summary

Emission Scopes (tCO2e)	2022 (base)	2023	2024	% Change (2022-23)	% Change (2023-24)
Scopes 1,2 & 3	39.33	39.88	39.06	1.40%	-2.05%
Scopes 1 & 2	33.22	31.50	31.65	-5.19%	0.49%

Note: Scope 3 emissions currently account only for business travel

Marlborough continues to drive progress towards carbon neutrality, investing in renewable energy, energy efficiency measures and enhanced emissions reporting. Expanding Scope 3 data coverage remains a priority as reporting standards evolve.

Investment-related targets

Marlborough has not established formal portfolio emissions targets but is exploring ways to develop methodologies for tracking and monitoring fund-level emissions. The organisation remains committed to enhancing climate-related transparency and ensuring alignment with emerging regulatory and sustainability standards.

Disclaimer

Whilst every effort has been made to ensure the accuracy of reported figures, neither Marlborough nor its data sources can guarantee absolute precision or completeness. As climate disclosure frameworks evolve, Marlborough will continue to refine its methodologies and improve emissions-reporting integrity, providing stakeholders with reliable and transparent insights.