

# TCFD Product Report

IFSL Marlborough European Special  
Situations Fund

June 2026

Covering 1 January to 31 December 2025

## **IFSL Marlborough European Special Situations Fund**

# **Taskforce for Climate-Related Financial Disclosures (TCFD) Product Report**

As at 31 December 2025

## **01. Introduction**

Climate change is a huge challenge, impacting us all.

Climate change matters for your investments because the impacts of climate change and the transition towards net zero emissions will have an impact on how companies respond and on the way markets behave. Extreme weather events, changing government policies and regulation and a move towards cleaner energy are among the factors that can influence the value of the assets in your fund.

As the Authorised Corporate Director (ACD) of your fund, Investment Fund Services (IFS) has a responsibility to be open and transparent about potential impacts. This means providing information as to how climate-related factors could affect the fund we manage on your behalf. This information is designed to show the fund's carbon emissions profile and how its holdings may be positioned for the transition to a lower-carbon economy.

At IFS, we recognise the urgency of addressing climate change and the importance of supporting the global transition to net zero emissions. One of the important global initiatives towards this milestone is the Paris Agreement, an international pledge to tackle global warming signed by nearly all countries in 2015. The target is to limit the increase in average global temperatures to well below 2°C, with the aim of keeping the rise to 1.5°C (compared with pre-industrial levels) by the end of this century.

As ACD, IFS is responsible for ensuring that the fund is managed in line with its strategy and within the regulatory framework, but it does not make investment decisions. Marlborough Investment Management Limited are the fund's investment manager and decide which investments to buy and sell.

## **02. IFS's climate-change strategy and entity report**

We are developing a climate strategy across our business operations but have not yet implemented a strategy for managing climate-related risks and opportunities across our investment funds.

For a greater understanding of the governance, strategy and risk management that IFS has in place to manage the risks and opportunities related to climate change, this report should be read alongside IFS's own TCFD entity report which can be found via the following link:

<http://www.ifslfunds.com/tcf-d-reporting>

## **03. Purpose of this report**

This report is designed to provide investors with consistent metrics and information to provide an understanding of the climate-related risks and opportunities associated with this Fund and its underlying holdings.

## 04. Data coverage

The data in this report is sourced from an independent ESG (environmental, social and governance) data provider – Clarity AI. The reliability of data is directly linked to the overall coverage of underlying investments within the Fund. The higher the coverage, the more reliable the data.

<b>Metric</b>	<b>Data coverage (%)</b>
Weighted Average Carbon Intensity (WACI) - Scope 1 and 2	100.00%
Weighted Average Carbon Intensity (WACI) - Scope 3	99.88%
Total carbon emissions - Scope 1 and 2	100.00%
Total carbon emissions - Scope 3	99.88%
Portfolio carbon intensity/footprint - Scope 1 and 2	100.00%
Portfolio carbon intensity/footprint - Scope 3	99.88%
Climate scenario analysis	99.46%
Fund's exposure to carbon-intensive sectors	97.79%

The data coverage figure for each of the metrics shown above is the percentage of the Fund's value where there is available data to calculate the respective metric. The data tables for the above metrics can be found later in this report.

Where the data coverage for this metric is less than 70%, IFS has deemed it is too low to be relied upon; where it is less than 50% of the Fund's value, the figures may be meaningless.

Low coverage may be as a result of climate or financial data not being reported for the underlying organisations and/or asset types.

Where we have not been able to disclose a particular metric recommended by the regulations, this is highlighted and summarised in our TCFD entity report.

## 05. Climate-related fund information

### **Fund climate-related commitments**

The Fund has not made any climate-related commitments.

### **Strategy for managing climate-related risks and opportunities**

The Fund's strategy is focused on uncovering growth opportunities across the European market, with a bias towards smaller companies. When selecting potential investments, the investment team consider companies' environmental, social and governance (ESG) practices and their effect, which includes climate-related risks and opportunities.

IFS, the Fund's ACD, has not yet implemented a strategy for managing climate-related risks and opportunities across its investment funds, but it has, however, developed a climate strategy across its operations.

### **Management of climate-related risks and opportunities**

The team aims to identify any material climate-related risks through qualitative assessments which cover several ESG topics. The analysis includes ESG fact finds which incorporate the gathering of climate-related risks deemed to be affecting the company and how management are addressing relevant risks. Where the Fund's investee companies are covered by external third-party data vendors Sustainalytics and Bloomberg, the team will also utilise available data to verify their proprietary research. However, given the smaller companies bias, much of the portfolio is not covered by third party ESG data providers.

### **Governance of climate-related risks and opportunities**

The Fund's investment process includes an assessment of climate-related risks and opportunities when selecting underlying securities. While the investment team discusses ESG risks it believes are material with company management, and record and monitor their findings, climate and other ESG-related risks are not formally monitored by the IFS Fund Risk Team as the Fund does not have a climate-related objective.

## 06. Fund climate metrics

This section focuses on carbon and other greenhouse gas (GHG) emissions of the underlying companies in which the Fund invests.

Carbon emissions are the release of carbon-based gases, mainly carbon dioxide, into the air. Greenhouse gases are a group of gases – including carbon dioxide, methane and nitrous oxide – that trap heat in the Earth’s atmosphere. These gases are typically emitted from activities such as generating energy, transport, manufacturing and heating buildings. Higher levels of greenhouse gases from human activity increase global warming and contribute to climate change.

The carbon metrics in this report are designed to help you understand the Fund’s exposure to climate-related risks and the impact of your investment on the environment. The higher the number, the greater the impact.

### Different emission scopes

Greenhouse gas emissions are grouped into three “scopes” to show where emissions come from and how an organisation is directly or indirectly responsible for them. They are grouped as follows:

Greenhouse gas emissions	Definition
Scope 1	Scope 1 are <i>direct</i> emissions and covers emissions a company creates itself, such as burning gas to heat its buildings or the consumption of fuel used in its own vehicles.
Scope 2	Scope 2 are <i>indirect</i> emissions which cover emissions from the electricity the company buys and uses from a power grid or utility company.
Scope 3	Scope 3 includes all other <i>indirect</i> emissions linked to the company’s wider activities occurring up and down its value chain. For investment funds, this means the emissions of the companies they invest in. For example, IFS’s Scope 3 emissions include those emissions generated by the companies within our investment funds.

Scope 1, Scope 2 and Scope 3 emissions are measured in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e). We publish our carbon metrics in line with the recommendations of the Greenhouse Gas Protocol – the world’s most widely used greenhouse gas accounting standard.

Please see the Frequently Asked Questions (FAQs) on our website for an explanation of tCO<sub>2</sub>e: <https://documentlibrary.ams3.cdn.digitaloceanspaces.com/tcfd/FAQ.pdf>

## Weighted Average Carbon Intensity

Weighted Average Carbon Intensity (WACI) shows the portfolio-weighted emissions intensity of investments within the Fund.

This means that the WACI takes into account how much the Fund invests in each company and the amount of carbon emissions each company produces relative to its revenue.

It is calculated by dividing the tonnes of CO<sub>2</sub> emitted by each company by its revenue and aggregating each calculation by the company's percentage weight in the fund.

WACI is measured in tonnes of carbon dioxide equivalent per million US dollars (USD) of revenue (tCO<sub>2</sub>e/\$m revenue). The higher the WACI number, the more the fund is likely to be exposed to highly carbon-intensive industries.

<b>Metric: WACI (tCO<sub>2</sub>e/\$m revenue)</b>	<b>2025 value</b>	<b>2025 coverage (%)</b>	<b>2024 value</b>	<b>2024 coverage (%)</b>
Fund WACI Scope 1 & 2	38.96	100.00%	35.80	92.65%
Fund WACI Scope 3	2,100.44	99.88%	432.50	96.85%

## Total carbon emissions

Total carbon emissions (also known as 'financed emissions') show the total amount of greenhouse gas emissions financed by the Fund's investments for a given year.

This is calculated by considering how much the Fund invests in each company and counting the Fund's share of that company's emissions. These amounts are then added together to give a total figure for the Fund.

A fund's total carbon emissions are measured by tonnes of CO<sub>2</sub>e (tCO<sub>2</sub>e). The higher the emissions of the fund, the greater the extent of the fund's underlying holdings' contribution to GHG emissions.

Total carbon emissions are heavily influenced by the size of the investment in a company. Larger funds tend to have higher total emissions; therefore, this metric is not comparable across funds.

<b>Metric: Total emissions (tCO<sub>2</sub>e)</b>	<b>2025 value</b>	<b>2025 coverage (%)</b>	<b>2024 value</b>	<b>2024 coverage (%)</b>
Fund total Scope 1 & 2 emissions	13,054.84	100.00%	13,334.26	100.00%
Fund total Scope 3 emissions	1,126,314.50	99.88%	249,363.05	99.93%

## Portfolio carbon intensity/footprint

Portfolio carbon intensity (sometimes referred to as the 'carbon footprint' or financed emissions intensity) adjusts the fund's total carbon emissions in accordance with the size of the fund itself. This adjustment is called normalisation and allows different-sized funds to be compared to each other.

This metric can indicate which funds are more carbon intensive. It is calculated by dividing the financed emissions (measured in tonnes of carbon dioxide) by the portfolio value in millions of US dollars invested (tCO<sub>2</sub>e/\$m invested).

The higher the intensity number, the greater the extent of the fund's underlying holdings' contribution to GHG emissions.

<b>Metric: Carbon intensity (tCO<sub>2</sub>e/\$m invested)</b>	<b>2025 value</b>	<b>2025 coverage (%)</b>	<b>2024 value</b>	<b>2024 coverage (%)</b>
Fund Scope 1 & 2 carbon intensity	47.81	100.00%	45.92	100.00%
Fund Scope 3 carbon intensity	4,129.39	99.88%	859.45	99.93%

Data for the climate-related information in these tables is provided by Clarity AI. Cash is included in the coverage calculation. For further information on these metrics and their interpretation, along with limitations, please refer to the glossary on the website.

## Fund's exposure to carbon-intensive sectors

Carbon-intensive sectors are industries whose activities require large amounts of energy and typically rely on fossil fuels, resulting in higher levels of carbon emissions. These sectors – such as energy production, utilities, heavy manufacturing and transportation – tend to release significant amounts of carbon dioxide (CO<sub>2</sub>) and other greenhouse gases into the atmosphere.

We define having 'high exposure to carbon-intensive sectors' as those funds having greater than 33% of assets under management (AUM) exposed to fossil fuels. The below table shows what percentage value of the Fund is exposed to carbon-intensive sectors:

<b>Metric</b>	<b>2025 value (%)</b>	<b>2025 coverage (%)</b>	<b>2024 value (%)</b>	<b>2024 coverage (%)</b>
Exposure to carbon-intensive sectors	0.00%	97.79%	0.00%	96.19%

Data for the climate-related information in this table is provided by Clarity AI. Please note that Clarity AI excludes cash on the data coverage calculation.

The Fund's exposure to carbon-intensive sectors is 0.00%. The Fund is under the 33% threshold and therefore does not have high exposure to carbon intensive sectors.

Where data coverage is not 100%, the actual figure may be higher than that stated above if some of the Fund's holdings fail to provide data relating to their fossil fuels emissions' exposures.

## Climate scenario analysis

Climate change poses significant investment risks and evaluating these risks is important for investors seeking to make informed decisions. Climate scenario analysis can provide an assessment of possible future risks and their likely impact on the Fund. It can also assess the potential impact of investment opportunities likely to result from technological advances.

Climate scenarios are hypothetical constructs around how a fund may be financially impacted by climate change risk. Under Financial Conduct Authority (FCA) rules, we are required to disclose, as far as reasonably practicable, climate scenario analysis for our funds.

### Climate scenario risks

The climate scenarios in this report relate to how the Fund may be financially impacted by the following categories of climate change risks:

**1. Physical risks** – are potential impacts arising directly from climate change, such as damage and disruption from extreme weather events. Physical risks can be both acute and chronic, as defined below, and can impact different industries and geographic regions to varying degrees.

- Acute physical risks: refer to events such as droughts, floods, wildfires and extreme heat waves. These can be experienced immediately.
- Chronic physical risks: refer to longer-term shifts in weather patterns such as sustained higher temperatures or higher ocean levels. Examples of these impacts could include long-term drought and/or population displacement.

**2. Transition risks** – are risks associated with the costs of *transitioning* to a lower-carbon economy. Changing government policy and regulations may impact the value and profitability of certain industries and assets. For example, banks and other financial institutions may be prohibited from (or choose to stop) lending or investing in specific sectors and/or companies in order to support the transition. Shifting consumer preferences to ‘greener alternatives’ may also accelerate new technology adoption and reduce demand for older, more carbon-intensive technologies.

All industries may be affected, but sectors such as energy and utilities might be impacted more. However, these changes may also present *opportunities* for investors who can identify and capitalise on the transition to a low-carbon economy.

**3. Sentiment shock** – is the risk associated with a potential *abrupt market repricing* of assets due to a delayed and sudden awareness of the potentially devastating impacts of climate change.

The risk is incorporated into the ‘*Net zero, but with a financial crisis*’ scenario. It is not relevant for the ‘*Achieving a net zero economy*’ or ‘*High warming*’ scenarios, as these do not anticipate any “shock” element.

### Climate change scenarios

The above risk and impacts are calculated across the three following possible scenarios based on various global warming trajectories and actions taken to achieve a net zero economy.

#### A. Achieving a net zero economy:

In this scenario, governments and businesses act early and steadily to reduce greenhouse gas emissions. Policies to tackle climate change are introduced gradually and clearly, allowing markets and companies time to adapt.

This scenario assumes an average global temperature increase of 1.5°C above pre-industrial levels by 2100. It considers physical risks (acute and chronic), transition risks but not the risk of sentiment shock.

**B. Net zero, but with a financial crisis:**

In this scenario, action to reduce emissions is delayed. When governments and regulators finally respond, policies are introduced quickly and forcefully, giving companies and markets little time to adapt, which results in a financial shock.

**C. High warming:**

In this scenario, global efforts to reduce emissions are limited or ineffective. Climate policies remain weak, emissions stay high and we see an average global temperature increase of 3.7°C by 2100. This scenario may also be referred to as a ‘hothouse world’.

This scenario only considers physical (acute and chronic) risks and assumes that no new government policies around climate control are implemented within transition risk. The risk of sentiment shock is not a contributing factor here.

**Potential climate impact on returns for each scenario**

Climate impacts for the Fund are estimated for each of these three scenarios in terms of Fund percentage returns (due to climate change impacts only) over three different time horizons: short (5 years), medium (10 years) and long (20 years) from the end of 2024. The more negative the number, the higher the potential negative impact on the value of the underlying holdings.

This assessment is based on the Fund’s current holdings as at end of December 2025. We also show these scenarios based on the Fund’s underlying holdings at the end of December 2024 for year on year (YoY) comparison.

**Short term (5 years)**

Scenario	Net zero		Net zero financial crisis		High warming	
	2025	2024	2025	2024	2025	2024
Total impact on returns (%)	1.52%	-1.96%	-10.63%	-13.87%	-5.17%	-1.67%
Transition risk	2.09%	1.66%	1.68%	1.81%	0.14%	0.00%
Physical – acute	-0.27%	-0.63%	-0.62%	-0.71%	-1.38%	-0.23%
Physical – chronic	-0.30%	-2.99%	0.60%	-3.37%	-3.92%	-1.44%
Sentiment shock	Not applicable	Not applicable	-12.29%	-11.59%	Not applicable	Not applicable

**Medium term (10 years)**

Scenario	Net zero		Net zero financial crisis		High warming	
	2025	2024	2025	2024	2025	2024
Total impact on returns (%)	1.94%	-1.28%	-11.28%	-12.22%	-8.94%	-7.05%
Transition risk	3.07%	2.82%	2.56%	2.81%	0.24%	0.00%
Physical – acute	-0.48%	-0.76%	-0.81%	-0.82%	-2.28%	-0.96%
Physical – chronic	-0.65%	-3.34%	0.30%	-3.68%	-6.91%	-6.09%
Sentiment shock	Not applicable	Not applicable	-13.34%	-3.68%	Not applicable	Not applicable

**Long term (20 years)**

Scenario	Net zero		Net zero financial crisis		High warming	
	2025	2024	2025	2024	2025	2024
Total impact on returns (%)	-0.10%	-5.60%	-12.99%	-16.32%	-42.98%	-29.83%
Transition risk	1.52%	0.35%	1.27%	0.67%	0.24%	0.00%
Physical – acute	-0.73%	-1.11%	-1.01%	-1.13%	-15.39%	-4.14%
Physical – chronic	-0.89%	-4.84%	0.09%	-4.99%	-27.83%	-25.69%
Sentiment shock	Not applicable	Not applicable	-13.33%	-10.87%	Not applicable	Not applicable

Coverage	2025 data coverage (%)	2024 data coverage (%)
Data coverage – percentage of the Fund's value covered in this metric	99.46%	97.98%

For further information on these metrics and their interpretation, along with limitations, please refer to the [glossary](#) and [FAQs](#) sections on our website in the fund literature section for your chosen fund range at <http://www.ifslfunds.com/tcfd-reporting>.

Over the long term, an orderly transition to net zero emissions by 2050 is expected to reduce the negative effects of climate change on the economy. Early action on government policies and regulatory intervention to transition to net zero is projected to turn from negative to positive returns for the Fund, based on current holdings. Where net zero is achieved following a financial crisis, the resulting economic disruption leads to lower expected returns in the short term due to a shock to consumers who are taken by surprise.

The High warming scenario –assuming no new government policies around climate change are implemented – suggests significant adverse effects on the Fund's returns over the long term. The potential impact is most pronounced from failure to curb chronic physical consequences from climate change (such as rising sea levels, extreme heat, drought or flooding, for example). The projected, less-negative physical impacts on returns over the short

term simply come from a delayed market pricing reaction to these effects within the High warming scenario. The Net zero scenario considers an early and progressive recognition of these risks, which is detrimental to returns at an earlier stage.

**Methodology updates:**

Clarity AI has recently updated and improved its climate risk models.

Updates to physical risks include:

- alignment to the latest Intergovernmental Panel on Climate Change (IPCC) report assumptions (including a 2100 temperature anomaly of 3.7C instead of 4.3C for the high warming scenario),
- climate change adaptation, and
- country-level impacts following the 2023-24 El Niño event.

As a result, physical risks are higher across regions and sectors in the high warming scenario, but lower in the two net zero scenarios.

Transition risk modelling has also been updated to reflect progress in some low-carbon technologies and reduced reliance on others. Overall, this leads to lower transition risks in the two net zero scenarios compared with earlier modelling.

Year-on-year comparisons of data should be interpreted with caution and should be considered in the context of ongoing methodological development, as well as other changes that may occur.

**Implied Temperature Rise**

Implied Temperature Rise (ITR) is a way of showing how closely a company is aligned with global temperature targets referenced in the Paris Agreement.

Temperature bound	Paris Agreement alignment category
≤ 1.5°C	1.5°C aligned
≥ 1.5°C - 2°C	2°C aligned
>2°C - 3.2°C	Misaligned
> 3.2°C	Strongly misaligned

ITR uses companies' publicly available reported emissions data, near-term emissions reduction plans and makes a forward-looking estimate to show whether a company appears more or less aligned with these global temperature goals.

D. Fund	2025	2025	2024	2024
Temperature Alignment	value (°C)	coverage (%)	value (°C)	coverage (%)
Fund temperature rating Scopes 1 & 2	2.00	59.76%	2.00	63.08%
Fund temperature rating Scopes 3	3.00	59.76%	2.50	63.08%

Data for ITR is provided by Clarity AI. For further information on these metrics and interpretation, along with limitations, please refer to the glossary and FAQs on our website.

With regards to Scope 1 & Scope 2 emissions, the Fund's implied temperature rise is 2.00°C, therefore it is currently categorised as aligned with regards to the Paris Agreement.

With regards to Scope 3 emissions, the Fund's implied temperature rise is 3.00°C, therefore it is currently categorised as misaligned with regards to the Paris Agreement.

Note that not all the Fund's underlying holdings are included in these metrics.

## **Data gaps and assumptions**

We have partnered with Clarity AI, a sustainability data & analytics tech provider, who provide GHG emissions data for over 59,000 companies and 193 sovereigns (countries). Where emissions data is missing, Clarity AI may use its proprietary machine learning algorithms to estimate specific data alongside other estimation models and interpolation techniques.

Not all companies are currently reporting their emissions, and this can vary across different jurisdictions depending on local regulatory requirements and the size of a company. There can often be limited climate data disclosure among smaller companies, and significant data gaps exist within certain asset classes such as government bonds and currencies. Clarity AI is working on various methodologies to increase its emissions data coverage and calculations within the more 'challenging' asset classes.

*Some of the climate metrics shown in the report are based on historical emissions data, which may not be a reliable indicator of future emissions, and these should not be the sole basis on which you base your investment decisions. The forward-looking climate metrics are formulated by models based on a number of assumptions and therefore the resulting impact of climate change on your investments predicted by the model may not actually occur in the future. The sources of the data used in the report include Clarity AI. While every care has been taken in populating this output, it must be appreciated that neither IFS nor the sources used guarantee the accuracy, adequacy or completeness of this information or make any warranties regarding results from its usage.*

*Issued by Investment Fund Services Limited (IFSL), the Authorised Corporate Director of the IFSL fund range. IFSL is registered in England No. 06110770 and is authorised and regulated by the Financial Conduct Authority. Registered office: Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP.*