TCFD report 2024

Contents

A note from our CEO

I am pleased to share Mattioli Woods' first report on climate-related financial disclosures, aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

As a regulated entity with governance at our core, we celebrate our efforts in social responsibility, charity, and education for our clients and employees.

The urgency to accelerate climate action is undeniable, as evidenced by the record-breaking warmth of 2023 and the increasing impact of extreme weather events. Acting responsibly is a key part of our culture, and we are committed to balancing the transition to a more stable economy while delivering exceptional outcomes for all our clients.

Our goal is to integrate climate-related considerations into our strategic planning and risk management frameworks. This report highlights our journey, the progress we have made, and our plans for the future as we strive to build a more sustainable and resilient business.

Thank you for your support.

Ian Mattioli MBE

Who is Mattioli Woods?

Mattioli Woods is a full-service wealth, asset manager and employee benefits group. Our purpose is to deliver exceptional client outcomes for our clients' financial planning, wealth, asset management and employee benefits needs in a responsible manner. We are growing organically by expanding our network of 138 core consultants and complementary investment management offering, and through the acquisition and integration of complementary businesses, with the aim of enhancing the Group's client proposition while delivering strong shareholder returns. Our overriding passion is to deliver the best possible outcomes for the people who trust us to look after their wealth, assets and employee benefits. It is a responsibility we feel privileged to shoulder, whether that be through pensions, investments, or new innovations.

Employee benefits

Over a £15 billion in advice and administration assets

Private Equity and Asset Management

Personal Wealth

960 members of staff

Pensions advice and administration

11 Offices across the UK

Property management

Investments

Over 11,000 clients

Our values

At the core of Mattioli Woods' vibrant culture is a set of values that brings out the very best in our people. Our open and honest communication builds trust and collaboration, while our flexibility and diversity create a culture that allows our staff to progress and develop. Our business is built on the integrity and expertise of our people. We are a team, working together to deliver great outcomes for our clients with passion being the base ingredient of the help and advice we offer.

Our people

Developing our people

Mattioli Woods encourages development regardless of an employee's role within the Group. There are structured training programmes for those who are wanting a career in financial services, which are open to internal and external applicants. Mattioli Woods invests time in apprenticeships and degrees as well as professional accreditations, in addition to training on the job, all of which feed into growing our talent pool. We have recently introduced a talent management process to facilitate the growth of robust development programmes for our teams.

Equal opportunities

Mattioli Woods is committed to promoting equality of opportunity for all employees and job applicants and aims to create a working environment in which all individuals can best use their skills, free from discrimination or harassment, and in which all decisions are based on merit. Mattioli Woods does not discriminate against employees on the basis of any protected characteristic under the Equality Act 2010. The protected characteristics are gender, sexual orientation, marital or civil partner status, gender reassignment, race (including colour, nationality, ethnic or national origin), religion or belief, pregnancy or maternity, disability, and age. The principles of non-discrimination and equality of opportunity also apply to the way in which employees treat visitors, clients, customers, suppliers and former team members.

Diversity and inclusion

At Mattioli Woods, we believe that freedom from discrimination and equality of opportunity are an employee's basic rights. We aim to have a respectful and supportive workplace that enables us to attract and retain a diverse workforce that represents our clients and the community.

We believe that workplace diversity is not limited to the demographic categories like race and gender, there are other factors such as age, background, race, religion, gender and many more. It is important to Mattioli Woods that all employees feel included and have a voice to highlight concerns.

Modern slavery

As part of the financial services sector, Mattioli Woods recognises it has a responsibility to take a robust approach to modern slavery and human trafficking. We are therefore absolutely committed to preventing both activities (in all its forms) in all areas of our business, and in our supply chains. Mattioli Woods operates a strong approach to the identification of modern slavery risks and human trafficking and the steps to be taken to prevent both in our operation through due diligence checks and audits. There is also a whistle blowing policy available for employees to follow should they need or want to.

Gender pay reporting

As one of the UK's leaders in the financial services industry, Mattioli Woods continues to build a fair and inclusive workplace, a place where our colleagues continue to grow in the environment around them. To ensure we continue with this growth, we monitor and discuss our endeavours, with the gender pay gap being one of the most important metrics we track. We believe having a diverse and inclusive workforce is important for innovation, and this is why we believe Mattioli Woods is as successful as it is today. Our report looks at our gender pay gap information. We recognise there is a gap, which is why our Gender Pay Gap report sets out our plans on how we are working towards closing the gap.

Making a difference

Making a difference within our local communities matters to us. Each year, we sponsor businesses, sports and community awards. Over our history, our business has benefited from winning numerous awards and we feel it is right to help other businesses reap the rewards of such accolades. In addition, we sponsor a variety of local clubs, business and sports-related events across the country. In 2022, we announced British Heart Foundation as our national charity partner, and every year the Group's associate company Amati has a commitment to donate 10% of its profits to good causes. We engaged our staff to suggest charities and causes they felt deserving of a donation, enabling the Group to support numerous charities throughout the UK, including those that are local to where our staff live.

Responsible practices

At Mattioli Woods, we are always looking at ways to improve our business. Alongside the current implementation of energy-efficient equipment and the transition to an 86% hybrid fleet, there is a plan in place to help improve the reduction of our carbon footprint. One way we are looking to do this is improving upon our waste reduction and recycling. Further implementation of a comprehensive waste management system is underway, and we are looking to improve our green supply chain practices based on this too, including using recycled plastics within our marketing material etc. Renewable energy integration is also part of our strategy and we are exploring the viability of Renewable Energy Credits (RECs) to help support the production of renewable energy. As part of our strategy, we are also investigating the option of carbon offsetting for our unavoidable emissions, alongside looking to support afforestation projects. It is also important for us to ensure we are capturing our carbon footprint effectively and continue to use our carbon tracking tools. We want to make sure carbon reporting becomes even more effective and easier to communicate to our shareholders.

Short-term goals

- Continuing to monitor paper usage and target reduction
- 90% hybrid fleet
- Understanding our carbon usage
- Reduction of waste to landfill
- ESG investment options for clients
- Championing education

What this report will describe

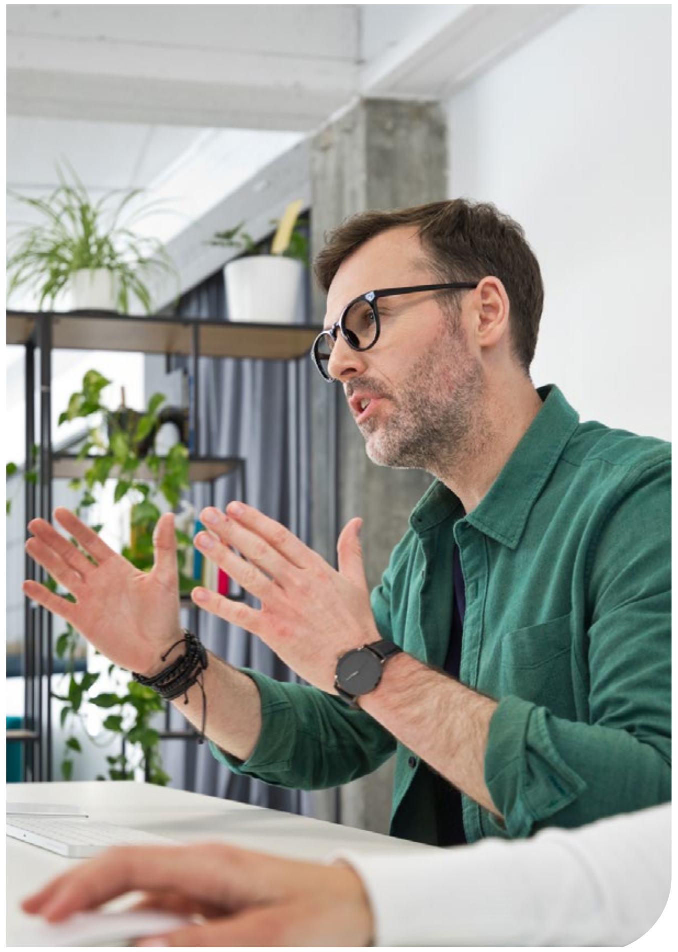
This report will present information on Mattioli Woods' efforts towards implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It will also reflect on our progress towards identifying and managing climate risks and opportunities within our business strategy. We will also be describing how climate change may impact our business and how we can successfully transition to a lower-carbon economy and adapt to a warming world. Our understanding of the challenges around climate change continues to evolve and we will update our mitigation plans accordingly.

Mattioli Woods has adopted the recommendations of the TCFD. Using their framework, this report provides a progress update across each of the TCFD pillars: governance, strategy, risk management, and metrics and targets. It sets out our current understanding of the strength and resilience of our strategy and business model under different climate scenarios.

The process of climate scenario analysis is rapidly evolving. We expect the approaches, tools and data quality to mature over time, which will help contribute to accurate data and understanding of climate risks and opportunities. As we continue to investigate our data and supply chain, these assessments will be integrated into our strategic planning and risk frameworks to help strengthen our adaption to climate change.

Our learning process

We are continuing our commitment to transparency and accountability in our efforts to minimise and mitigate our environmental impact and work towards carbon neutrality. However, it is important to acknowledge that our journey towards this is an evolving process, and we recognise that we are continually learning and adapting along the way. We are committed to constantly trying to improve our business and are proud of the progress we are making thus far. We do of course, recognise that our journey is ongoing and that there is always room for improvement. We appreciate your support and understanding as we strive to become better stewards of the environment and build a more sustainable future for generations to come.



Governing responsibly

The overseeing of climate-related risks and opportunities is embedded at the highest level at our company. We are continually developing our corporate governance structure in recognition of the urgency of climate action and in response to our increasing understanding of the impact of climate change on our business.

What is governance?

Governance is essential for maintaining stability, managing risks, ensuring compliance, and upholding the trust of stakeholders. By being transparent and establishing robust governance structures and processes, it allows us to navigate the complexities of the financial landscape while simultaneously safeguarding our reputation and upholding our accountability.

Governance structure

PLC Board

- Audit Committee
- Risk and Compliance Committee
- ESG Committee
- Remuneration Committee
- Executive Committee
- Nomination Committee

Board of Directors

Our Board of Directors oversees the strategic direction and management of climate-related risks and opportunities. They are committed to integrating climate considerations into our business strategy and operations.

Executive Committee

The Executive Committee is responsible for implementing the Board's strategies and ensuring that climate-related objectives are met across all business units.

ESG Committee

Established in 2022, the ESG Committee reviews our environmental, social, and governance (ESG) agenda. They monitor progress towards our sustainability targets and ensure alignment with our long-term strategy.

ESG Engagement team

This team works on specific ESG initiatives, including printing, travel, Net Zero 2050 targets, equality, diversity, and inclusion (ED&I), and operations.

Workstreams

- **Printing:** Reducing paper usage and implementing sustainable printing practices.
- **Travel:** Transitioning to a 75% hybrid fleet and reducing travel-related emissions.
- **Net Zero 2050:** Setting and meeting targets for net-zero emissions by 2050.
- **ED&I:** Promoting equality, diversity, and inclusion within our workforce.
- **Operations:** Integrating sustainable practices into our daily operations.

Climate change governance

When we talk about climate change governance, we are referring to the systems, structures, policies, and processes put in place to address and respond to the challenges posed by climate change. This is important to Mattioli Woods because it provides the framework for collective action to address an extremely pressing issue. By fostering national cooperation, implementing mitigation measures, managing risks, and promoting sustainable practices, climate change governance mechanisms can help build a resilient business and sustainable future for all. We also want to ensure these systems, structures, policies and processes help to increase and promote our accountability within the context of climate change. We also acknowledge that this report will help us to remain transparent through our continued disclosure.

Board training on climate risks

We provide ongoing training for our Board members on climate risks to ensure they are well-equipped to make informed decisions.

Management of climate risks

Our team manages climate risks by implementing mitigation strategies and integrating climate considerations into our business planning.

Reporting structures for risks

We have established robust reporting structures to monitor and manage climate risks, ensuring that these are communicated effectively across the organisation and disclosed publicly as part of our TCFD report.

Opportunities

We identify and seize opportunities to enhance our sustainability efforts, such as developing new sustainable products and services.

Board level governance

- The Board is responsible for Mattioli Woods' strategy, organisation and oversight of climate-related matters and monitors progress toward our climate change goals and targets.
- In 2022, we set up a Board-level ESG committee. The committee reviews Mattioli Woods' ESG agenda and progress against our internal targets in sustainability and how its long-term strategy relates to its ability to create shared value.

As an asset manager, we have an important role to play when managing our investment portfolios. Managing climate-related risks and opportunities are just part of our role and we have to be mindful of the impact our decisions as an asset manager can have, both negatively and positively. We have chosen to integrate ESG factors, including climate-related risks and opportunities, into our investment research process and we regularly review and provide ESGi ratings (our proprietary ESG rating process) to our holdings to manage ESG risks. Before we invest, all our investments pass through analysis, debate and various discussions before being voted on, with rationale provided for the investment case. We also comply with the FCA's guiding principles on ESG for our Responsible Equity Fund (REF), which has an ESG theme. Our compliance monitoring is reported to various committees, ensuring the REF assets continually meet our ESGi criteria of a 'C' rating or better. As the ESG regulatory landscape continues to evolve, with the new anti-greenwashing rules and the imminent UK Sustainability Disclosure Requirements coming into force, our reporting framework, ESG processes and oversight will naturally evolve with KPIs and targets monitored through our committee framework including the ESG Committee.

Strategy

This section aims to:

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

b. Describe the impact of climate-related risks and opportunities on our strategy.

c. Describe the resilience of our strategy, taking into consideration different climate-related scenarios.

Our strategy

This year, we began to develop our climate change strategy, which hopes to cover all areas of our business including our operations, supply chain and investments.

Where is the world today?

The Intergovernmental Panel on Climate Change report sets out the economic, planetary and human impacts of exceeding a 1.5°c average global warming. Their findings conclude that we need to decarbonise by 2050 in order to have more than a 50% chance of avoiding climate breakdown.

Where do we want to be?

We aim to limit our business to a 1.5°c Paris Agreement goal. This means halving our carbon footprint and reducing our carbon emissions by 2050. Alongside this, we want to use our scale and influence during the transition and encourage others to do the same.

Where are we now?

In order to set credible and ambitious net zero targets, we need to understand where we are today. As mentioned previously in the report, we adopt a continuous learning approach and recognise that we are a growing business and our footprint reflects that.

How we have evolved

Our approach to climate risks and opportunities is an ever-growing journey. We continue to evolve and learn, looking to collaborate with external initiatives for guidance, advice and direction. This will help to influence our strategy, engagement activities, approach to education and assessment of our goals.

Pre 2020

2015 - started our ethical portfolios which seek to avoid investment in certain areas

2015 - Custodian REIT begins SECR data reporting

2020

Began reporting our SECR data in our annual report

2021

- Launched our Responsible Equity Fund (REF)
- Launched our ESGi investment approach

2022

- Board-level ESG committee formed
- Hired a full time ESG Partner, dedicated to advancing our ESG plans

2023

- Launched our internal ESG Engagement team who discuss printing, ED&I, travel and Net Zero
- Added sustainability section on our website

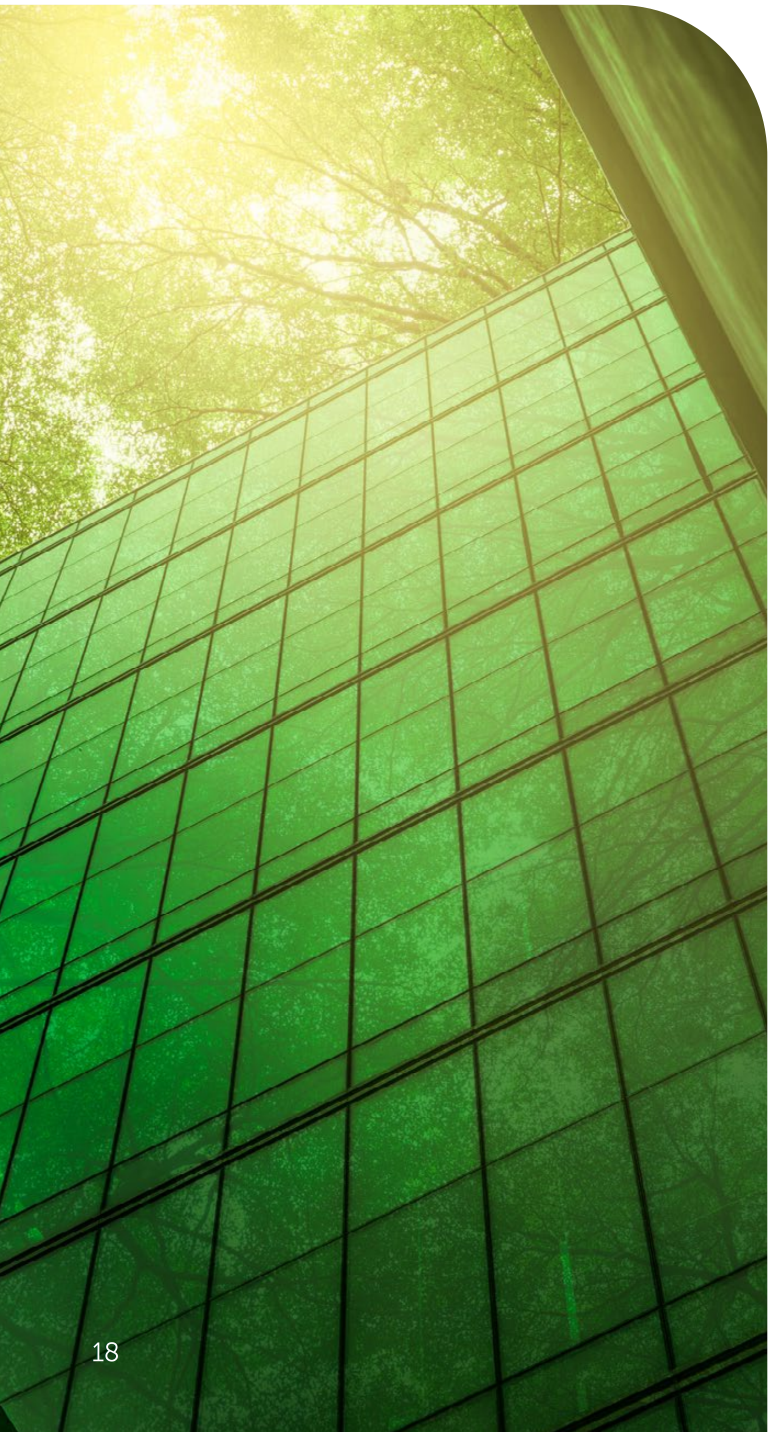
2024

- Published our first TCFD report
- Committed to ESOS disclosure
- Acknowledged our Net Zero plan and the development of our climate transition plan

Where are we today?

From the very beginning of Mattioli Woods, our commitment to being a responsible business has been a core part of our identity. We have consistently prioritised delivering long-term outcomes for our clients, ensuring their success and satisfaction over the years. This dedication is not just part of our history but remains a strategic priority that guides all aspects of our operations. As we move forward, we continue to embed this ethos into our business practices and future plans, ensuring that responsibility and sustainability are at the heart of everything we do.

What are climate-related risks?



Physical risks

Direct impacts of climate change on our operations and investments, such as extreme weather events.

Transition risks

Financial and operational challenges associated with transitioning to a low-carbon economy.

Liability risks

Legal risks related to non-compliance with climate regulations or failure to meet climate commitments.

Physical risks

Climate-related physical risks refer to the potential impacts of climate change on physical assets, infrastructure, and natural systems. These risks can be categorised into acute risks, which are event-driven, and chronic risks, which result from long-term shifts in climate patterns. Both types of risks can have significant implications for businesses, economies, and communities. Acute physical risks include heatwaves, flooding, wildfires, and storms. Chronic risks include rising sea levels, changing precipitation levels and temperature increases.

Implications for our business

Physical risks related to climate change can have widespread and severe impacts on businesses and economies, including:

- **Disruption of supply chains:** Extreme weather events can disrupt supply chains, leading to delays, increased costs, and loss of revenue.
- **Damage to assets:** Infrastructure, property, and equipment may be damaged or destroyed, requiring significant investment in repairs and replacements.
- **Operational interruptions:** Adverse climate conditions can interrupt business operations, leading to reduced productivity and financial losses.
- **Insurance costs:** Increased frequency and severity of climate-related events can lead to higher insurance premiums and reduced availability of coverage.

Transition risks

Climate-related transition risks refer to the potential impacts on businesses and economies as society transitions to a lower-carbon economy. These risks can arise from policy changes, technological advancements, market shifts and reputational considerations. Transition risks can significantly affect business operations, financial performance, and strategic planning.

Implications for our business

Transition risks related to climate change can have widespread and profound impacts on businesses and economies, including:

- **Increased compliance costs:** New environmental regulations and policies may lead to higher compliance costs, necessitating investments in cleaner technologies and processes.
- **Capital expenditures:** To remain competitive and compliant, businesses may need to make significant capital investments in new technologies and infrastructure, impacting financial resources and profitability.
- **Market and revenue shifts:** Changes in consumer preferences towards sustainable products and services can affect market dynamics, leading to shifts in revenue streams and market share.
- **Strategic repositioning:** Companies may need to adjust their business strategies to align with a low-carbon economy, which could involve diversifying product lines, entering new markets or exiting carbon-intensive sectors.
- **Reputation management:** Addressing stakeholder expectations regarding climate action is crucial for maintaining a positive reputation. Failure to do so can result in a loss of brand value and stakeholder trust.
- **Investor relations:** Investors are increasingly considering the ESG factors in their decision-making processes. Companies that proactively manage transition risks may attract more investment and favourable financing conditions.
- **Insurance costs and availability:** The transition to a low-carbon economy may lead to changes in insurance underwriting practices, with potential impacts on premiums and coverage availability for businesses.

Liability risks

Climate-related liability risks refer to the potential legal and financial consequences that businesses may face because of climate change impacts. These risks can arise from litigation, regulatory actions, and non-compliance with climate-related laws and standards. Liability risks can have a significant implication for a company's financial stability, reputation, and operational continuity.

Liability risks related to climate change can have widespread and significant impacts on businesses and economies, including:

- **Legal costs and settlements:** Engaging in litigation can lead to substantial legal expenses, settlement costs, and damage awards. Prolonged legal battles can drain financial resources and divert management attention.
- **Regulatory penalties:** Non-compliance with climate-related regulations can result in significant fines, sanctions, and operational restrictions. This can also damage a company's reputation and stakeholder relations.
- **Reputation damage:** Legal actions and regulatory penalties related to climate issues can harm a company's reputation, affecting customer trust, investor confidence and employee morale. Managing public perception is crucial for maintaining a **positive brand image.**
- **Increased disclosure requirements:** Companies may need to invest in robust reporting systems and processes to ensure compliance with evolving disclosure standards. This includes accurately reporting on climate-related risks and mitigation efforts.
- **Contractual disputes:** Failing to meet climate-related contractual obligations can lead to disputes and potential financial liabilities. Ensuring adherence to sustainability commitments in contracts is essential to avoid legal challenges.
- **Insurance costs and coverage:** Liability risks can lead to higher insurance premiums and impact the availability of coverage. Insurers may adjust the underwriting practices based on a company's exposure to climate-related liabilities.
- **Impact on financing:** Investors increasingly consider climate-related liabilities in their decision-making processes. Companies with high liability risks may face challenges in securing financing or may incur higher borrowing costs.

Impact on our strategy

We are continuously adapting our strategy to address climate-related risks and opportunities. This includes integrating sustainability into our product offerings and operations and setting ambitious targets for reducing our carbon footprint.

Resilience of our strategy

We frequently test the operational resilience of our business strategy and fully manage the climate-related risks to our business. While we carry out scenario analysis on important business services (as defined by the FCA), we currently do not carry out scenario testing for specific climate-related scenarios. This is something we recognise and will incorporate by the next TCFD report.

Our role in managing climate-related risks and opportunities for our client investment portfolios as an investment manager.

As an investment manager, we have a role to play when managing our investment portfolios on behalf of clients. The majority of our portfolios are multi-asset in structure and as such, via our investments in collective investment schemes, we are required to entrust the underlying manager to focus on managing climate-related risks and opportunities within the strategies of the underlying holdings. Therefore, our analysis and engagement on managing climate-related risks and opportunities relates to how the investment managers are integrating the consideration of these factors within their investment management process. It is the process and the input into decision making on which we are focusing during our completion of due diligence. In terms of the Mattioli Woods UK Dynamic Fund, which does invest directly in company shares, climate-related risks are considered as part of the investment case for individual equities. However, the fund is willing to accept these risks if the managers believe the investment case and expected returns are sufficiently attractive.

The climate-related risks and opportunities we have identified for our portfolios over the short, medium, and long term as an investment manager.

Over the medium to long term, the transition to a low-carbon economy may lead to lower sales volumes and/or margins for companies that derive the majority of their earnings from fossil fuels due to a general reduction or elimination of demand for oil and gas products, possibly resulting in underutilised or stranded oil and gas assets. We seek to mitigate this risk by investing in a diverse range of company shares across a wide variety of sectors. The associated opportunity with this risk is the expanding investible universe of renewable energy companies, which Mattioli Woods believes we gain exposure to, provided the underlying companies present an attractive investment case, via a range of actively managed and index tracking funds. For example, within the Responsible Equity Fund, we invest in Greencoat UK Wind, which is a listed renewable infrastructure fund, invested in operating UK wind farms.

The impact of climate-related risks and opportunities on our businesses, strategy, and financial planning as an investment manager.

Mattioli Woods acknowledges that anthropogenic (influenced by people) climate change is occurring now, evidenced by physical effects such as excessive regional heat, wildfires, and floods. However, these events do not easily translate directly into investment risk (or returns). Historical trends are indisputable, showing rising concentrations of carbon dioxide in the atmosphere and increasing ocean and atmospheric temperatures.

The long-term physical and transitional risks depend entirely on the actions taken to reduce greenhouse gas emissions in the short and medium term, as well as on investments made in adaptation. The short and medium-term opportunities lie in the incentives that encourage investment in mitigation and adaptation technologies and services. The short and medium-term risk is that emissions of greenhouse gases may cross the planetary boundary, leading to non-linear changes in climate and weather patterns. These non-linear changes could impact the economic system as it is today, affecting everything from agricultural supply chains to property and infrastructure.

Risk management

This sections aims to:

a. Describe the process for assessing and identifying climate-related risks.

b. Describe Mattioli Woods' processes for managing climate-related risks.

c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Risk management extends far beyond a compliance function; it is central to our business strategy. Day-to-day, our risk assessment process considers both the impact and likelihood of risk events that could materialise and affect the delivery of the Group's strategic goals. Risk owners regularly review and update, where needed, the controls in place to mitigate the impact of the risks, with independent review and challenge given by the Risk Management team.

The Chief Operations Officer is the risk owner of climate-related risks and also chairs the ESG Committee, ensuring discussions filter through to identifying, assessing and managing climate-related risks. Climate-related risks are reviewed on an ongoing basis for changes in their impact and likelihood. Changes are updated by the risk owner and any delegated risk owners. Where any changes occur, these are reported on a quarterly basis to the Risk and Compliance Committee and plc Board.

Throughout the Group, all employees have a responsibility for managing risk and adhering to our control framework. We aim to comprehensively understand the risk exposures across all aspects of our operations and how these risks are likely to evolve over time. This approach ensures we are well-prepared to manage risks and maintain stability through the organisation.

We recognise that climate change scenario testing can be completed for financial services. We are not currently doing this at Mattioli Woods but we aim to have completed this by the next TCFD report.

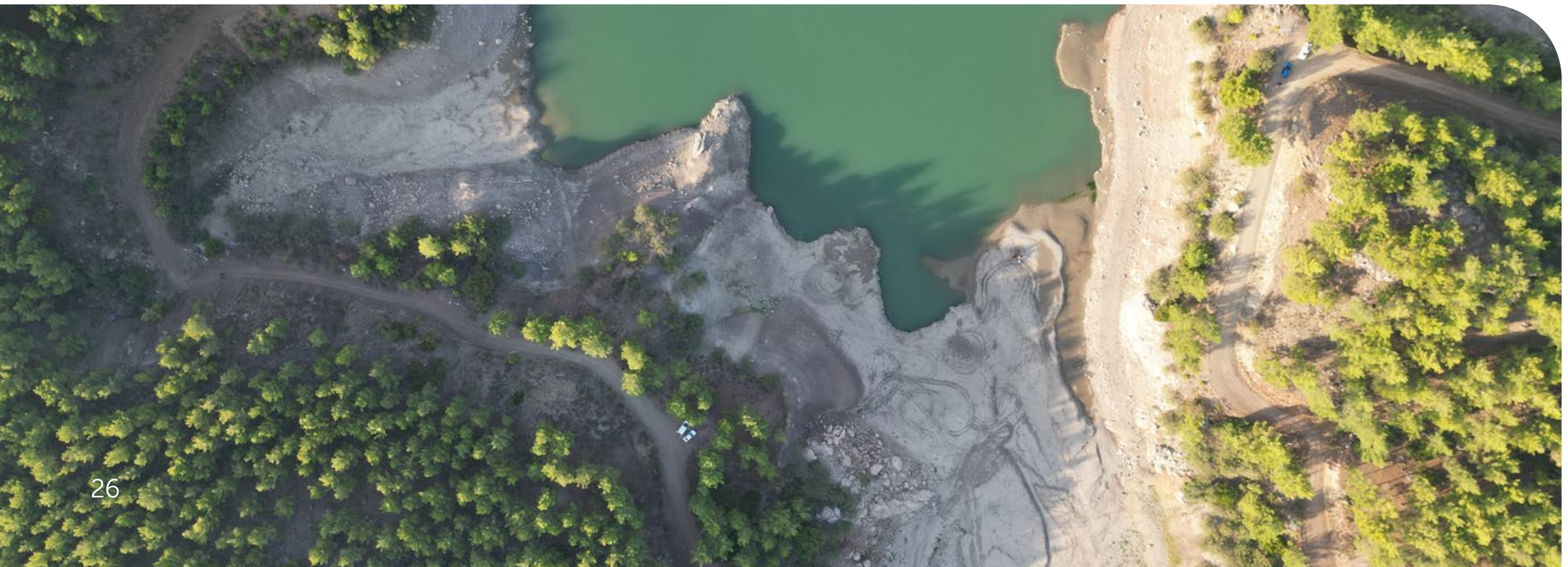
Our processes for managing climate-related risks in relation to our portfolios as an investment manager.

Where we invest in funds, we are required to entrust the underlying manager to focus on managing climate-related risks within the strategies of the underlying holdings. Assessing the manager's process on managing climate risk forms part of our overall due diligence process. Where we invest in passive instruments or direct equities (UK Dynamic) we assess the risk using Portfolio360 by BlackRock, which provides data on exposure to carbon-intensive companies.

How we have determined whether our portfolios have concentrated exposures or high exposures to carbon intensive sectors as an investment manager.

We use data from Portfolio360 by BlackRock and, as at end March 2024, the Mattioli Woods Cautious, Balanced, Growth, Adventurous, Property Securities and Responsible Equity Funds have below benchmark carbon emissions intensity, which measures a fund's exposure to carbon-intensive companies. The figure is the sum of security weight multiplied by the security carbon intensity. The passive suite of funds have a higher carbon intensity than their respective benchmarks, which is to be expected given that these funds invest in instruments that seek to track a benchmark and are not actively managed. We do not, however, consider the exposure to carbon intensive sectors high as the funds most highly contributing to the carbon intensity are a small part of the overall portfolios. The Mattioli Woods UK Dynamic Fund has a higher carbon intensity than its benchmark; however, the positions that account for this are, again, a small part of an overall portfolio. As at end March 2024, the fund has greatest exposure to the consumer defensive and financial sector, which are less carbon intensive areas overall.

For portfolios outside of our funds, we are in the process of applying the same risk management process, and commentary will be disclosed in future reports.



Our processes for identifying, assessing, and managing climate-related risks as an investment manager.

Mattioli Woods integrates the management of climate-related risks into our overall risk management framework through a series of comprehensive steps.

First, we focus on the identification of these risks. This is achieved through regular risk assessments and collaborative efforts across various departments, ensuring a thorough understanding of potential climate risks. Additionally, we gather feedback from stakeholders, including regulatory bodies, to identify emerging climate risks.

Next, we assess these identified risks by prioritising them based on their potential impact and likelihood. We conduct scenario analysis to understand the effects of different climate scenarios on our operations and financial performance. This assessment combines both quantitive metrics, such as carbon footprint and energy consumption, and qualitative factors like regulatory changes and reputational risks.

To manage these risks, we seek to develop and implement effective mitigation strategies. These include enhancing energy efficiency, adopting sustainable business practices and looking to invest in renewable energy. We also explore risk transfer mechanisms, such as insurance, to manage any residual risks. Continuous monitoring and regular reviews are conducted to ensure that any emerging risks are promptly identified and addressed.

Finally, the integration of climate-related risk management into our overall risk management framework is overseen by a dedicated risk and compliance committee, which includes senior management and Board members. This governance structure ensures that climate risks receive appropriate attention at the highest level of the organisation. Our risk management policies are aligned with our sustainability goals, ensuring a harmonious approach to managing climate-related risks.

Through these comprehensive and integrated efforts, we effectively manage climate-related risks within the broader context of our overall risk management strategy.

Metrics and targets

This section aims to:

a. Describe the metrics used by Mattioli Woods to assess climate-related risks and opportunities in line with strategy and risk management processes.

b. Describe Scope 1, Scope 2, and Scope 3 emissions and the related risks.

c. Describe the targets used by Mattioli Woods to manage climate-related risks and opportunities, and performance targets.

Climate-related metrics are generally well understood, though some remain difficult to calculate due to data unavailability or limitations.

Metrics can be expressed in absolute terms, such as Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions measured in tonnes. They can also be presented in efficiency terms, where GHG emissions are reported relative to revenue or market value. Forward-looking metrics, such as implied temperature rise and portfolio warming potential, come with inherent limitations and assumptions.

What are Scope 1, 2 and 3 emissions?

Scope 1 emissions

Direct emissions: Scope 1 emissions are the direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the organisation. These include emissions from combustion in owned or controlled boilers, vehicles and other equipment.

Scope 2 emissions

Indirect emissions from energy: Scope 2 emissions are the indirect GHG emissions from the consumption of purchased electricity, steam, heating and cooling. These emissions occur at the facility where the energy is generated but are attributed to the organisation that uses the energy.

Scope 3 emissions

Other indirect emissions: Scope 3 emissions are all other indirect GHG emissions that occur in the value chain of an organisation, both upstream and downstream. This includes emissions from purchased goods and services, business travel, employee commuting and waste disposal.

Product-level reports

As an investment manager, our funds have their own product-level reports including the carbon intensity and data metrics of each fund. The reports are published by the Authorised Corporate Director – FundRock Partners Limited – and can be accessed here.

We always manage our clients' portfolios in their best interests, including a consideration of climate-related risks and opportunities. As data and software solutions evolve, we can look to develop set targets; however, our current focus is on whether the assets and companies we invest in are meeting the key ESG factors when undertaking our due diligence.

Streamlined Energy and Carbon Reporting (SECR)

This Streamlined Energy and Carbon Reporting (SECR) statement gives Mattioli Woods' annual energy consumption and greenhouse gas (GHG) emissions for the financial year 1 June 2023 to 31 May 2024 and the comparative previous year of 2023.

Emissions disclosed relate to activities for which the company is responsible within the UK, Mattioli Woods plc does not operate outside the UK. Emissions disclosed include, where applicable, combustion of gas from building operations and fuels for business travel, and emissions from the purchase of electricity by the company for its own use, including electric company cars.

GHG emissions relating to operational water and waste, and fugitive emissions resulting from refrigerant gases, were considered immaterial to the company's operations. Sufficient data was also unavailable to support complete and accurate reporting against these sources.

Methodology and data tables

Mattioli Woods has used the main requirements of the GHG Protocol Corporate Standard (revised edition) as a basis to report energy consumption and GHG emissions. Data was gathered at site level to compile the carbon footprint.

DEFRA UK Government Conversion Factors for GHG Company Reporting 2023 have been used to convert activity data into tCO2e emissions. Actual data from supplier invoices was prioritised for reporting; however, in instances where this was not available, consumption data was estimated. The estimation method was chosen based on the number of days in the reporting period for which actual data was available for each asset. If no consumption was provided, then the Better Buildings Partnership (BBP) 2020 Real Estate Environmental Benchmark (REEB) intensities were used to estimate the annual consumption from the floor area. Mileage data was used to convert business travel into both GHG emissions and energy consumption equivalent (kWh).

In 2023, Mattioli Woods was responsible for a total of 1,939,006 kWh energy consumption in its buildings and from fuel purchased for business travel. Of this, 100% was consumed within the UK, and approximately 46% is estimated when 'actual' data was unavailable for the entire reporting period.

Table 1: Mattioli Woods' underlying energy consumption for 2023-2024

Energy consumption source (kWh)	01/06/2023 – 31/05/2024	01/06/2022 – 31/05/2023
Natural gas	394,627	644,571
Electricity	1,061,795	1,113,917
Business travel	482,584	505,987
Total energy	**1,939,006**	**2,264,475**

Table 2: Mattioli Woods' GHG emissions for 2023-2024

Greenhouse Gas (GHG) emissions Scopes (tCO2e)	01/06/2023 – 31/05/2024	01/06/2022 – 31/05/2023	01/06/2021 – 31/05/2022
Scope 1: Direct combustion of fuel from operation of properties and business travel in company-owned vehicles	147	204	135
Scope 2: Electricity purchased for landlord shared services and own use, including electric company-owned vehicles	220	215	169
Scopes 1 + 2: Mandatory carbon footprint disclosure	**367**	**419**	**304**
Scope 3, Category 6: Business travel (employee owned and rented vehicles only)	43	40	22
Scopes 1 + 2 + 3: Voluntary carbon footprint disclosure	**410**	**460**	**326**

In 2024, Scope 1 and 2 emissions decreased by 13% compared to 2023 emissions. This is primarily driven by energy efficiency improvements and a reduction in floor area of 16%, resulting in lower electricity and gas consumption. There has been an increase of 6% in Scope 3 emissions related to business travel compared to the previous reporting period.

Emissions intensity ratio

Mattioli Woods has chosen its intensity ratios as GHG emissions per square foot floor area, as this measure is recommended for all companies per the SECR guidance.

Table 3: Mattioli Woods' chosen intensity ratio

GHG emissions intensity ratio	01/06/2023 – 31/05/2024	01/06/2022 – 31/05/2023	01/06/2021 – 31/05/2022
Scopes 1 + 2 GHG emissions per floor area (tCO2e/SQFT)	0.0036	0.0035	0.0029
Scopes 1 + 2 + 3 GHG emissions per floor area (tCO2e/SQFT)	0.0041	0.0038	0.0031

Despite decreases in electricity, gas, and travel emissions from 2023, these changes are less significant than the decrease in floor area. This has resulted in a 6% increase in total GHG emissions per square foot floor area in 2024.

2024 energy efficiency actions

In the period, we have seen an increase from 80.32% to 86.36% of our company car fleet being hybrid or electric vehicles. We continue to promote the use of hybrid and electric vehicles at Mattioli Woods, including using Tusker as part of our employee benefits options, which has a large range of electric/hybrid cars available for lease. Alongside this, we have implemented electric vehicle charging bays at our Leicester office. This is helping to promote electric vehicles, which have a lower carbon impact compared to traditional fossil fuel vehicles. Additionally, we are continually exploring new ways to enhance energy efficiency across our entire organisation.

While we have seen an overall Scope 1 and Scope 2 reduction, which can be partially linked to a transition to a hybrid fleet versus a non-hybrid fleet, we have also seen a 6% increase in Scope 3 emissions, related to business travel compared to our previous reporting period.

One of the workstreams that the ESG Engagement team is working on is business travel and how we can reduce emissions relating to this. Some of these points include:

- Shared transport to the same location.
- Incentivising public transport use.
- Consideration and promotion of the most energy efficient mode of transport being taken for any journey.
- Education and awareness around the impact on and life changes such as the cars used and how this can impact carbon emissions.

Continued review of office space efficiency and the use of energy efficiency providers.

As we continue to be agile with our office locations for business purposes, we also factor in the potential energy efficiency (electricity and gas) of any new office space. For example, we have consolidated two London offices into one, meaning we get the benefit of more people working in one consolidated office space.

Targets

Reduction in travel

- Survey our members of staff to understand the travel emissions being used outside of our company-owned vehicles - collect this data to start this process.
- Create a workstream with consultants on the importance of the most effective and efficient mode of transport to travel to meetings, e.g. instead of a driver driving them into London, use the train.
- Education and awareness. This is particularly important around our employee benefit- Tusker. We have a great opportunity to increase the use of hybrid cars via our Tusker benefit. This will help make leasing a hybrid vehicle a lot more accessible to members of staff.
- Continue to include Hybrid only vehicles in our fleet.

Reduction in energy usage

- Investigation into our energy suppliers. Ensure we are using energy efficient suppliers and if not, look to transfer to more efficient suppliers.
- Investigate opportunities into carbon offsetting the unavoidable energy emissions we produce.

We have reduced Scope 1 emissions over the past financial year, but we aim to reduce that further. The direct combustion of fuel from operation of properties and business travel in company-owned vehicles has reduced from 204 tonnes to 147 tonnes. We will aim to reduce our Scope 1 emissions in FY 24/25 by 10% on a like-for-like basis but in recognition of our business growth strategy, an absolute reduction may be unattainable, in which case new targets will be set to ensure we are operating as efficiently as we can. We will look to do this by saving on our energy. We are currently complying with the Environment Agency's Energy Savings Opportunities Scheme (ESOS) disclosure, which will help us to identify any opportunities to reduce emissions within our office buildings, owned and rented, by giving us an overview of our energy usage (heating, air conditioning and lighting) when offices are in use and when they are empty. We will also look to include Smart Meters within our offices, which enhances our energy management by providing real-time data on energy consumption, allowing us to monitor and analyse our energy consumption. We can then implement measures to reduce peak-time usage and shift to off-peak periods where energy costs are lower, optimising our energy use and reducing our GHG emissions.

Our Scope 2 emissions have increased over the financial year by five tonnes, from 215 tonnes to 220. We are aiming to reduce our emissions over the next year by 6.8%. We aim to achieve this by contacting our landlords and working with them to ensure renewable energy is being used at offices we are renting from them. We will also consider the viability of carbon offsetting for our rented estate where we recognise there is unavoidable emissions usage. We seek to ensure all new business cars are continuing to be hybrid vehicles.

With these implementations, we can expect our emissions to decrease in the coming financial year. As above, our business growth plans and intention to reduce Scope 1 emissions may have the effect of increasing Scope 2 emissions, at which point we will revisit our targets accordingly.

We will continue to monitor our Scope 3 emissions and will factor the impact in our business decisions. However, the nature and broader definition of Scope 3 emissions means we are still assessing practical targets. We saw an increase in business travel this year as expected in line with pre-pandemic levels. We also encouraged a return to office policy this year for three days a week. We will look to reduce our Scope 3 emissions by in-house education and awareness. Monitoring our employees modes of transportation via a survey and collecting that data will be important as it will show how we travel company wide, not just business critical. We can then implement initiatives, and increase education on the most effective means of transportation for our staff, encourage car sharing, travelling by bus and cycling to work. We will also encourage employees to use our Tusker benefit, which gives employees the opportunity to lease hybrid vehicles, a choice that may not have been available without it.

What does this mean long term?

We recognise the importance of reaching Net Zero. Our target is to reach Net Zero by 2050 in line with the Paris Agreement Goal. Our current trajectory based on an aim to reduce emissions by 10% each year, would see us reach Net Zero by 2035. It is important to recognise that Mattioli Woods has an ambitious growth strategy and that our targets (including practical data sources) are likely to evolve as we identify and consider the business's impact on climate change. We are fully committed to our journey to Net Zero.

Conclusion

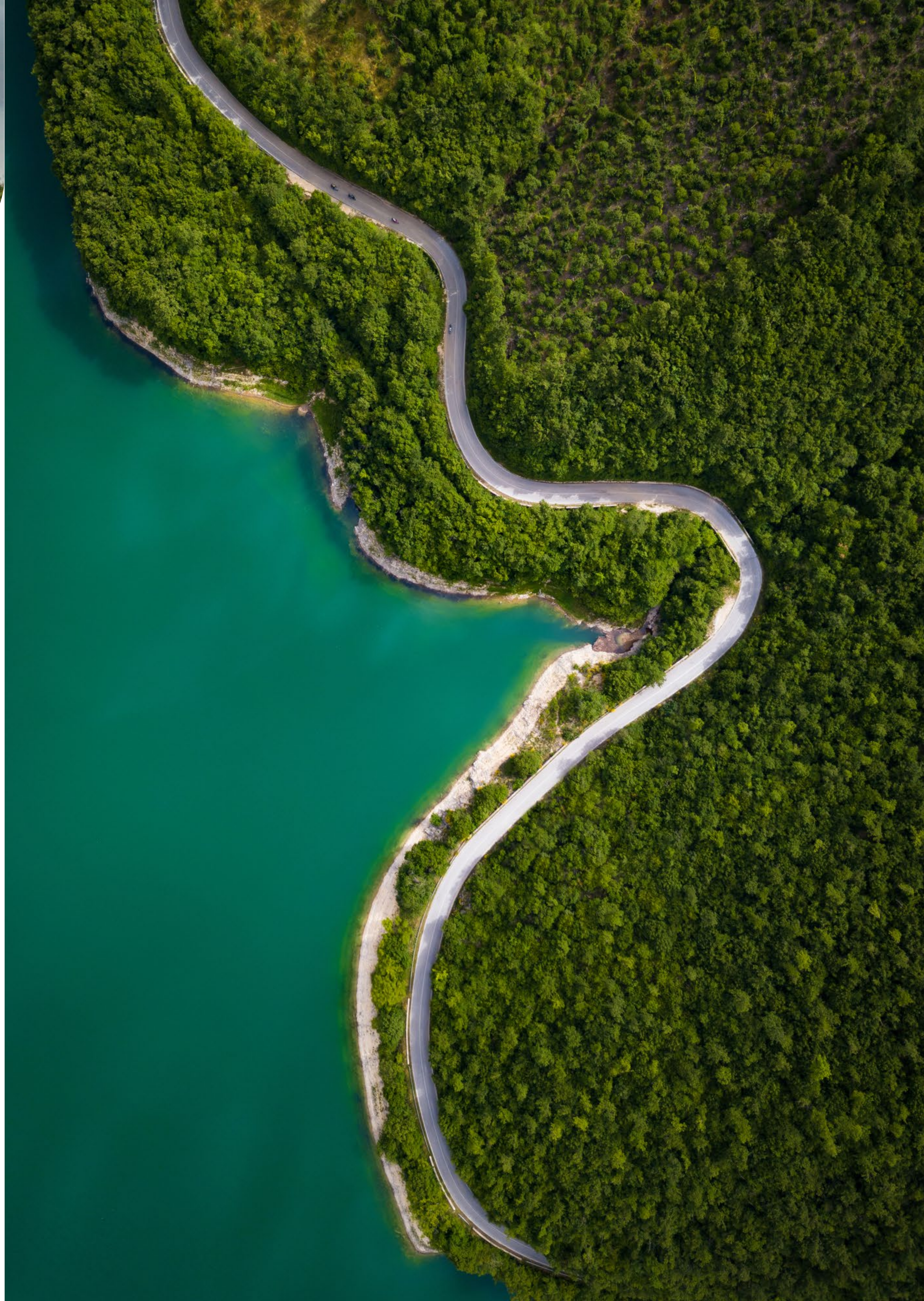
The Task Force on Climate-related Financial Disclosures (TCFD) report emphasises Mattioli Woods' commitment to addressing climate-related risks and opportunities. By identifying, assessing, and managing these factors, we aim to ensure long-term resilience and sustainability for our business and our stakeholders.

Our analysis has highlighted the significant implications of climate-related physical, transition, and liability risks. Physical risks, such as extreme weather events and chronic climate changes, pose direct threats to our assets, operations, and supply chains. Transition risks, driven by evolving policies, market dynamics, and technological advancements, necessitate strategic adjustments to maintain competitiveness and compliance. Liability risks, stemming from potential litigation and regulatory actions, underscore the importance of strong governance and transparent reporting.

Mattioli Woods is proactively integrating climate considerations into our governance, strategy, risk management, and metrics and targets. Our Board's oversight and the dedicated ESG team's efforts ensure that climate-related issues are prioritised in decision-making processes. We are committed to enhancing our energy efficiency and reducing greenhouse gas emissions in line with our business growth.

Looking forward, we recognise that addressing climate-related risks and opportunities is an ongoing journey. We will continue to refine our strategies, improve data collection methods, and engage with third parties to stay informed on emerging trends and regulatory requirements. We are committed to continuous improvement and transparency in our climate-related disclosures, ensuring we remain accountable in the evolving climate landscape.

In conclusion, the insights gained from this TCFD report will guide Mattioli Woods in navigating the complexities of climate change, reinforcing our commitment to sustainable business practices where possible.



Mattioli Woods

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