



Task Force on Climate-
related Financial
Disclosures – United
Kingdom Addendum

June 2024



Task Force on Climate-Related Financial Disclosures 2023 Report UK Addendum – First Sentier Investors

First Sentier Investors Holdings Pty Limited (“**First Sentier Investors**” or “**FSI**”) is a global asset management group with £127.2 billion assets under management as of 31 December 2023. FSI is home to investment teams and brands including FSSA Investment Managers, Igneo Infrastructure Partners (Igneo), RQI Investors (formerly known as Realindex Investments) and Stewart Investors. In November 2023, we added to these brands by forming a strategic partnership with AlbaCore Capital Group Limited (AlbaCore), a European alternative credit manager. FSI holds a majority ownership in AlbaCore.

FSI operates a number of FCA authorised and regulated entities in the United Kingdom. For the purpose of complying with the FCA’s Disclosure of Climate-related Financial Information, this UK report is issued by the following in-scope UK entities (together the “UK Entities”);

- i) First Sentier Investors (UK) Funds Limited,**
- ii) First Sentier Investors (UK) IM Limited, and;**
- iii) First Sentier Investors International IM Limited.**

Accordingly, this UK report covers each of the above UK Entities and should be read together with FSI’s firmwide [Climate Change Statement](#) (aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations). FSI applies a consistent approach to managing climate-related risks and opportunities across the firm. As such, there are no material deviations to be noted in the UK Entities approach to managing climate risks and opportunities. The UK Entities Boards will review and sign off this addendum annually.

AlbaCore have published their own TCFD aligned report which should be referenced for further details (available at [AlbaCore Capital Group](#)).

All data in this addendum is as of 31 December 2023 with a reporting period of 1 January 2023 to 31 December 2023. Similarly, FSI’s firmwide Climate Change Statement covers the period up to 31 December 2023. Additionally, FSI is a signatory to the Net Zero Asset Managers (NZAM) Initiative and, as such, we are committed to managing our investments in accordance with the requirements of the initiative.

Compliance Statement

In addition to the above, we confirm that the disclosures in the UK addendum and FSI’s 2023 Climate Change Statement, insofar as they relate to the UK entities, comply with the requirements of Chapter 2 of the FCA’s Environmental, Social and Governance sourcebook.



Gary Cotton, EMEA Managing Director

Strategy

At First Sentier Investors, our purpose is to deliver sustainable investment success for the benefit of our clients, employees, society and our shareholder, and our vision is to be a provider of world-leading investment expertise and client solutions, led by our responsible investment principles.

Whilst our investment teams provide quite differentiated investment capabilities, they all share a common commitment to responsible investment, with climate change being one of the four key themes that we prioritise as a firm.

Our climate strategy is centered on ensuring transparency of disclosure on climate change, with the aim to align investments with the goals of the Paris Agreement towards net zero, understand and manage climate-related financial risks, and influence companies and the flow of capital to accelerate climate transition.

FSI has the ambition to reduce greenhouse gas emissions across its investment portfolios in line with a target of progressing towards net zero emissions by 2050 (or sooner) and across its business operations in line with a target of net zero emissions by 2030 (or sooner). Further details on FSI's strategy can be found in our Climate Change Statement. Additionally, FSI have articulated our formal net zero transition strategy in our [Climate Change Action Plan](#), and more broadly, climate change is a key feature of our group-wide Responsible Investment strategy.

Governance

UK Board Oversight and Management responsibility

FSI's current structure, as it relates to assessing and managing climate-related risks and opportunities, involves UK entity boards receiving biannual reporting. UK Boards are kept apprised of FSI's evolving approach and progress in managing such risks. Board oversight and escalation of climate-related risks and opportunities follows FSI's global governance framework. Further details can be found under the Governance heading in the FSI's Climate Change Statement.

In response to the fast-changing regulatory environment, in 2023, FSI updated our global governance structure to better support our boards and senior management with oversight and advisory functions. From January 2023 our Responsible Investment Steering Group was restructured into the Global Responsible Investment Executive Committee (GRIEC) and is responsible for setting the direction for Responsible Investment and Climate Strategy, approval of the Responsible Investment policy framework and oversight of FSI's adherence to global Environmental, Social and Governance ("ESG") regulation.

Risk Management

FSI’s risk culture is based on doing the right thing by our clients, employees, society and our shareholder. The FSI Holdings Board, senior management and employees are expected to be risk-aware, and understand the role they play in managing risks, and the value that effective risk management adds to the organisation.

FSI’s philosophy with respect to responsibilities for risk management can be articulated in the 3 Lines of Accountability/Defence Model:



This model applies to climate-related risks within our business and investment strategies as follows.

	Climate-related non-investment risks	Climate-related investment risks
Line 1	Corporate Sustainability	Investment teams, RI team
Line 2	Risk Management Compliance	Investment Product Research and Assurance
Line 3	Internal and external audit	

Our Risk Appetite Statement (RAS) sets out the risk appetite for each of FSI’s material risk categories and contains qualitative statements of risk appetite and risk tolerances and is supported by key risk indicators (KRIs). Responsible Investment Risk is a category of Investment Management Risk, one of the seven material risk categories identified in the RAS, and climate change is referred to as a key area of focus under this risk category in the Risk Management Strategy (RMS). Responsible Business Risk is a category of Strategic Risk. Both relate to climate change.

Details of FSI’s operational material climate related risks and opportunities, along with mitigation strategy and key performance metrics can be found in the Climate Change Statement. Risks have been grouped under market and business transition, reputational, regulatory and legal risk, and physical risk.

The key climate-related risks we identify and manage across our investments, and how we assess the impact of these risks on investment performance, are outlined in the individual Investment

team Climate Change Statements on our website. We take a proportionate approach to managing climate-related risks, and the climate information we disclose is proportionate to the amount of data available; the degree that climate-related risks are considered in each investment team's investment; and our risk management processes.

Scenario Analysis

Having piloted the use of climate scenario analysis over several years for a number of portfolio's, in 2021 we appointed Institutional Shareholder Services ESG as a scenario analysis provider to understand how aligned our portfolios are with various pathways to a low-carbon economy, using the International Energy Agency Sustainable Development Scenario (SDS), Announced Pledges Scenario (APS), and Stated Policies Scenario (STEPS). Top-down climate scenario analysis poses challenges, including the large number of assumptions we needed to get comfortable with before selecting a provider and the lack of available and up to date data. However, we do find that this forward-looking analysis allows us to gain a more complete picture of a portfolio's expected carbon emissions over time, as well as improvements on the commitments the underlying companies have made for the future. This is particularly the case when combined with backward looking metrics such as historical carbon emissions, together with an assessment of how prepared a company is to transition to a low carbon economy. The extent to which individual investment teams use this analysis is outlined in their team's Climate Change Statements and public TCFD product reports-

Metrics & Targets

In this section, we outline entity-level carbon emission metrics for each of the UK Entities AuM.

Emissions metrics (GBP)	FSIUKF ⁱ	FSIM ⁱⁱ	FSII ⁱⁱⁱ
Total Scope 1&2 emissions (tCO ₂ e)*	687,656	711,921	1,439,645
Total Scope 3 emissions (tCO ₂ e)	5,998,866	6,220,558	3,044,862
Total Scope 1,2&3 emissions (tCO ₂ e)	6,686,522	6,932,479	4,484,507
Carbon footprint			
Scope 1&2 emissions (tCO ₂ e) per \$Million invested	48.96	49.85	124.58
Weighted average carbon intensity (WACI)			
Scope 1&2 emissions (tCO ₂ e) per \$Million revenue	176.84	175.77	438.59
Emissions data availability and disclosure			
% of total AUM invested in holdings where reported Scope 1&2	90.9%	90.3%	94.1%
% of total AUM invested in holdings where estimated Scope 1&2	7.2%	7.7%	2.4%
Metrics providing additional insights into climate-related risks and opportunities			
% of total AUM invested in companies exposed to fossil fuel	5.1%	5.0%	2.1%
% companies with targets approved by Science-Based Targets Initiative	26.3%	26.2%	23.2%
% companies who have committed to set targets approved by the Science-Based Targets Initiative	14.0%	13.6%	15.6%

Data is as at 31 December 2023

ⁱFSIUKF: First Sentier Investors (UK) Funds Limited

ⁱⁱFSIM: First Sentier Investors (UK) IM Limited

ⁱⁱⁱFSII: First Sentier Investors International

Emissions attributable to FSIUKF and FSIM significantly overlap due to the underlying AUM and the separate regulatory permissions of each entity i.e FSIUKF, in its capacity as authorised corporate director of First Sentier Investors ICVC ("ICVC"), appointing FSIM as the delegated investment manager of the ICVC

* tCO₂e refers to tonnes of carbon dioxide equivalent.

Source: ISS ESG, Science Based Targets initiative

The data set out above are estimates based on data sourced by First Sentier Investors. This data is current as at 31/12/2023. It is based on information and representations sourced from third parties (including portfolio companies), which may ultimately prove to be inaccurate. No assurance is given or liability accepted regarding the accuracy, validity or completeness of this data and no reliance should be placed on it by any third party.

Targets

First Sentier Investors has the ambition to reduce greenhouse gas emissions across its investment portfolios in line with a target of progressing towards net zero emissions by 2050 (or sooner) and across its business operations in line with a target of net zero emissions by 2030 (or sooner).

Most of our investment teams pursuing active management strategies have developed a range of targets at team, portfolio and/or company level that they wish to pursue over the short, medium and long term. The initial proportion of our total assets under management (AUM) to be managed in line with our net zero ambition was 44.5% (based on total FSI AUM as at 31 December 2021). We aim to continuously increase the proportion of assets and investments covered by formal net zero targets over time as more methodologies and data become available, as set out in our Climate Action Plan. In the second half of 2023, a major accomplishment was the addition of the eligible proportion of our Cash and Short-term Deposits to our net zero ambition. This led to a considerable increase in our Global AUM committed to be managed in line with our net zero ambition to 65.7% (based on AUM as at 31 December 2023).

First Sentier Investors (UK) Funds Limited acts as UK Alternative Investment Fund Manager (“AIFM”) to Scottish Oriental Smaller Companies Trust (the “Trust”) plc (an unauthorised AIF listed on a recognised exchange). As required under ESG Sourcebook 2.3.2, the Trust’s UK TCFD public product report can be found at the following location- [Documents and factsheets - The Scottish Oriental Smaller Companies Trust](#)

Glossary

Greenhouse Gas (GHG) Emissions: The seven gases mandated under the Kyoto Protocol and to be included in national inventories under the United Nations Framework Convention on Climate Change (UNFCCC)—carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).

Scope 1 Emissions: Direct GHG emissions that occur from sources owned or controlled by the reporting company.

Scope 2 Emissions: Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.

Scope 3 Emissions: All other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions and downstream emissions.

Carbon footprint: the carbon emissions of a portfolio per US \$m invested. Scope 1 and 2 emissions are allocated to investors based on an Enterprise Value ownership approach i.e. if an investor owns 10% of a company's total enterprise value including cash (EVIC), then they own 10% of the company and therefore 10% of the company's emissions. This is then normalised by portfolio value.

Weighted average carbon intensity: portfolio weighted average of each company's carbon intensity (scope 1 & 2) per US \$m sales.

Total carbon emissions: this metric measures the absolute carbon emissions associated with a portfolio (Scope 1 and 2) expressed in tCO₂e1. Scope 1 and 2 emissions are allocated to investors based on an enterprise value ownership approach (as with the carbon footprint).

Fossil fuel companies: This indicator shows the average number of fossil fuel companies (as defined by MSCI) per portfolio. This includes companies involved in extraction or production, and/or those that own reserves

Carbon footprint reports for each investment team, and an explanation of how each measure is calculated, is available on the FSI website.

Portfolio emissions and carbon footprint are based off Enterprise Value as a proxy for company size, as recommended in the most recent [Partnership for Carbon Accounting Financials \(PCAF\) Standard](#)

Legal Notices

Important information

This material is for general information purposes only. It does not constitute investment or financial advice and does not take into account any specific investment objectives, financial situation or needs. This is not an offer to provide asset management services, is not a recommendation or an offer or solicitation to buy, hold or sell any security or to execute any agreement for portfolio management or investment advisory services and this material has not been prepared in connection with any such offer. Before making any investment decision you should consider, with the assistance of a financial advisor, your individual investment needs, objectives and financial situation.

We have taken reasonable care to ensure that this material is accurate, current, and complete and fit for its intended purpose and audience as at the date of publication.

To the extent this material contains any measurements or data related to environmental, social and governance (ESG) factors, these measurements or data are estimates based on information sourced by the relevant investment team from third parties including portfolio companies and such information may ultimately prove to be inaccurate.

No assurance is given or liability accepted regarding the accuracy, validity or completeness of this material and we do not undertake to update it in future if circumstances change. To the extent this material contains any expression of opinion or forward-looking statements, such opinions and statements are based on assumptions, matters and sources believed to be true and reliable at the time of publication only. This material reflects the views of the individual writers only. Those views may change, may not prove to be valid and may not reflect the views of everyone at First Sentier Investors.

To the extent this material contains any ESG related commitments or targets, such commitments or targets are current as at the date of publication and have been formulated by the relevant investment team in accordance with either internally developed proprietary frameworks or are otherwise based on the Institutional Investors Group on Climate Change (IIGCC) Paris Aligned Investment Initiative framework. The commitments and targets are based on information and representations made to the relevant investment teams by portfolio companies (which may ultimately prove not be accurate), together with assumptions made by the relevant investment team in relation to future matters such as government policy implementation in ESG and other climate-related areas, enhanced future technology and the actions of portfolio companies (all of which are subject to change over time). As such, achievement of these commitments and targets depend on the ongoing accuracy of such information and representations as well as the realisation of such future matters. Any commitments and targets set out in this material are continuously reviewed by the relevant investment teams and subject to change without notice.