



# **Task Force on Climate-related Financial Disclosures (TCFD)**

Product Level TCFD Report

Alliance Trust PLC



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2023 Product Level TCFD Report

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# Section 1 : Introduction

This report is published by Towers Watson Investment Management Limited<sup>1</sup> ('TWIM') in compliance with the product level disclosure requirements set out in Chapter 2 of the Financial Conduct Authority's Environmental, Social and Governance Sourcebook (the 'ESG Sourcebook') and consistent with the recommendations of the Task Force on Climate-Related Disclosures ('TCFD') for the reporting period 1 January 2023 to 31 December 2023. All the data in this report is provided as of 31 December 2023.

Alliance Trust PLC (referred to in this document as 'AT' or the 'Company') is a publicly traded investment company, with investment trust status, listed on the London Stock Exchange that trades as ATST<sup>2</sup>. AT is an Alternative Investment Fund ('AIF') under the Alternative Investment Fund Managers Directive ('UK AIFMD').

The Company has appointed TWIM as the Company's Alternative Investment Fund Manager ('AIFM'). TWIM is authorised and regulated by the Financial Conduct Authority ('FCA') and is a wholly owned subsidiary of Willis Towers Watson Public Limited Company ('WTW'), a United States ('US') listed global leader in financial services solutions.

AT's objective is to be a core investment for investors that delivers a real return over the long term through a combination of capital growth and a rising dividend. AT invests primarily in global equities across a wide range of different sectors and industries to achieve its objective. Through its investment manager, TWIM, AT appoints several third-party investment managers ('[Stock Pickers](#)') with different styles and approaches, each of whom select and invest in stocks for the Company's investment portfolio.

The Company's 2023 Product Level TCFD Report should be read in conjunction with the [TWIM 2023 Entity Level TCFD Report](#) located on the [WTW website](#). The AT 2023 Product Level TCFD Report sets out the approach AT and its AIFM take to address climate-related risks and opportunities within the AT portfolio. The TWIM 2023 Entity Level TCFD Report details the governance, oversight and management of climate-related risks and opportunities on a firm-wide basis by TWIM.

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<sup>1</sup> Company number: **05534464**. Registered office address: **Watson House, London Road, Reigate, Surrey, RH2 9PQ**.

<sup>2</sup> ISIN GB00B11V7W98, more information on the Company can be found on its [website](#). Company number: **SC001731**. Registered office address: **River Court, 5 West Victoria Dock Road, Dundee, Scotland, DD1 3JT**.

## Section 2 : Governance

AT delegates the management of investment risk including climate risk and opportunities to its AIFM, TWIM. The AT Board of Directors retains oversight of TWIM. The Board of Directors of TWIM oversees, for portfolios under its management, all Environmental, Social and Governance ('ESG') matters, including climate-related issues, culture, strategy, compliance, risk, and internal controls as part of the overall governance, budgetary approval, and risk management framework.

The AT Board of Directors maintains oversight of TWIM's management of climate risk through regular reporting, including TWIM's quarterly Responsible Investment and Risk Management reporting. Climate risks are formally captured as part of Investment Performance Risks within AT's risk register which is maintained and reviewed by the AT Board. For more information, please refer to the "How We Manage Our Risks" section of the [Company's Annual Report](#) on [its website](#).

The AT Board of Directors receives updates on the status of environmental issues from TWIM, including updates on the evolving regulatory landscape and on the progress made against targets and ongoing action items.

TWIM manages the climate related risks and opportunities in the Company's portfolio. For further information, please see the [TWIM 2023 Entity Level TCFD Report](#).

TWIM's Alliance Trust Investment Committee ('IC') is responsible for selecting, appointing, and managing the Stock Pickers and the Stewardship Services Provider<sup>1</sup>, portfolio construction and risk management (including climate related risks). The IC has full look-through into individual holdings within the portfolio, allowing them to review climate risks and opportunities at a stock, sector, region, or Stock Picker level. The IC is able to evaluate the portfolio's net zero alignment and how this is evolving over time. Material climate-related risks and opportunities within the portfolio are evaluated by the IC using several tools. These tools incorporate internal and external ESG data sources and stewardship level data from the Stewardship Services Provider and Stock Pickers. The IC assesses and monitors how existing or potential Stock Pickers integrate climate considerations into their investment decisions as well as how they address stewardship (both voting and engagement) on the topic, in the context of what TWIM considers to be best practice. In addition to the work undertaken by the IC, the TWIM Risk Team reviews the portfolio's exposure to climate-change risks and other ESG factors on a regular basis and challenges the IC if concerns arise.

While each Stock Picker invests in accordance with its own investment philosophy, considering the factors that they believe may have meaningful impact on the performance of an investee company, each Stock Picker is expected to have a demonstrable process in place that identifies and assesses material ESG factors including climate risks and opportunities. This is one element considered as part of TWIM's extensive due diligence process on the Stock Pickers, including through quantitative data collection and qualitative assessment.

TWIM acts as a long-term steward of capital. The stewardship responsibilities are carried out on a day-to-day basis by the Stock Pickers and the Stewardship Services Provider, with oversight from TWIM and engagement if appropriate. Stock Pickers are responsible for proxy-voting all shares they hold and engaging with companies. The Stewardship Service Provider provides significant additional engagement activity with the investee companies on important ESG topics, including climate risks.

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<sup>1</sup> To boost the stewardship efforts of the Stock Pickers, TWIM has appointed a Stewardship Service Provider.

Further, the Stewardship Service Provider may provide proxy voting recommendations to the Stock Pickers. The Stewardship Service Provider has extensive experience in stewardship on climate related issues including via collaborative engagements such as [Climate Action 100+](#), of which some of our Stock Pickers are also part.

For further information, please refer to the [TWIM 2023 Entity Level TCFD Report](#) and/or to the [WTW UK Stewardship Code Report](#).

## Section 3 : Strategy

As a long-term focused investor, TWIM recognises that climate-change presents financially material risks and opportunities for the businesses we invest in. Managing investment risks including climate-related risks and opportunities is critical to TWIM.

Climate change presents a broad spectrum of risk and opportunity. These risks could materialise over differing time horizons. The key findings from the [scenario analysis](#) are outlined below. As long-term investors TWIM's focus is often on impacts associated with a longer-term time horizon (generally greater than 7 years). TWIM also recognises that the shocks outlined below could be larger (or smaller) and may well be priced in during a shorter time horizon. As such TWIM analyses the portfolio using several metrics and time horizon lenses.

The key climate-related risks and opportunities to the Company's portfolio which could have a material financial impact on the investments held within the portfolio over the short (0-3 years), medium (3-7 years) and long-term (7-20 years) include:

### 3.1 Transition risk (including regulatory risks)

These relate to risks associated with the transition to a lower-carbon economy and have a potential to materialise in a short- to mid-term time horizon. Some companies and sectors may become obsolete as consumer preferences shift and regulations come into line with a low carbon transition, while others may undergo major and disruptive transformations, and others still may emerge as key beneficiaries. Although many companies across a variety of sectors are likely to be impacted, some sectors such as Energy may be more impacted by Transition risks. Examples of companies with higher Transition risks within the portfolio as of 31 December 2023 include BP PLC, Exxon Mobil, TotalEnergies or Petrobras. These companies are exposed to what is known as "[stranded assets](#)" risk, which is the potential to experience "stranding" of physical/natural assets due to regulatory, market or technological forces arising from a low-carbon transition.

Policy and government intervention potentially increasing to drive action, including increasing disclosure requirements lead to heightened regulatory, reputational, financial and legal risks for companies and investors. Delays in the implementation of appropriate regulations and policies, and divergence of approach across regions and sectors can lead to higher transition risks under a [disorderly scenario](#).

### 3.2 Physical risk

These risks are expected to be mid to longer-term in nature but could materialise in the shorter term. They are also expected to be limited in scope to the effects of climate change-related weather and other natural events on the businesses of invested companies held in the portfolio.

Chronic warming and extreme weather could impact physical assets owned by these companies and climate resilience will be key and may require investment. Physical risks are likely to have a more significant impact on the portfolio in the hothouse scenario given the potential for more severe weather and natural event outcomes impacting operations, infrastructure, company assets, supply chains etc.

### 3.3 Mitigation of climate transition and physical risks

Some measures can be taken to help manage the exposure to climate transition and physical risks within the portfolio, including:

- Maintain climate resiliency and management as key focus for internal governance structures and relevant Committees. This includes evaluation of potential additional portfolio exclusions to address climate related risks.
- Monitoring of the portfolio for material transition and physical risks, as well as other portfolio climate related metrics, and evaluate need for portfolio construction adjustments.
- Improving climate dashboard, metrics and scenario analysis used to measure climate related risks within the portfolio.
- Engagement by TWIM with individual Stock Pickers on the topic of climate risk management and ongoing monitoring of their processes to ensure they evolve with best practice.
- Engagement by Stock Pickers and the Stewardship Services Provider with underlying companies to steer them towards better practices and help manage these risks.
- Engagement by the Stewardship Services Provider and TWIM with regulators, policy makers and industry bodies etc. on climate risk management both individually and through collaborative efforts.

### 3.4 Climate-related opportunities

Efforts to mitigate and adapt to climate change also offer opportunities for some companies in areas such as resource efficiencies and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain. Some holdings within the portfolio as of 31 December 2023, that might benefit from the move to a decarbonised world, include investments in climate solutions such as Signify, a Dutch industrials company which specialises in products such as Light-Emitting Diode ('LED') lighting that help reduce energy production, Kubota, a Japanese multinational corporation, focused on the manufacturing of a wide range of products and technologies to provide solutions in the areas of food, water and the environment, or Andritz, an Austrian industrials company which specialises in environmental solutions including renewable fuels, air pollution control technologies and wastewater treatment plants. Companies such as Microsoft and Nvidia could also benefit given their focus on products that assist in the reduction of energy consumption via IT optimisation services and infrastructure and cloud services.

### 3.5 Climate scenario analysis

Scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver exact outcomes or predictions. Instead, scenarios provide a way to consider how the future might look if certain trends continue or diverge and if certain conditions are met. In the case of climate change, for example, scenarios allow an investment manager to explore and develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect companies within their portfolio in terms of their businesses, strategies, and financial performance over time.

The key climate scenarios that we have considered, which are aligned with those published by the [Network for Greening the Financial System](#) ('NGFS'), are:

**Table 1 – Scenarios**

	Orderly scenario	Disorderly scenario	
	Below 2°C	Delayed Transition Below 2°C	Hot House World
Description	Globally co-ordinated climate policies are introduced immediately, becoming gradually more stringent over time. Companies and consumers take most actions available to capture opportunities to reduce emissions, and the use of <a href="#">Carbon Dioxide Removal</a> ('CDR') technologies is relatively low.	Delays in taking meaningful policy action result in a rapid policy shift around 2030. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy, with availability of CDR technologies limited. Emissions exceed the carbon budget temporarily but decline more rapidly than in Below 2°C.	The world follows a Net Zero 2050 pathway; however the resultant temperature outcome exceeds 2°C due to a lower than expected remaining carbon budget and/or the impact of climate tipping points. Use of CDR technologies is relatively low.
Temperature increase	1.8°C	1.8°C	2.5-3.0°C
Physical risk level	Medium	Medium	High – Very high
Transition risk level	Low – Medium	High	High

Source: NGFS, WTW

For further information on scenarios and their analysis, please refer to Section 6: Scenario analysis in the [TWIM 2023 Entity Level TCFD Report](#).

The three scenarios selected reflect an appropriate range of plausible decarbonisation pathways and are relevant in the context of the Company's portfolio and objectives. There is the potential for more extreme outcomes than reflected in the chosen scenarios. Although consideration has been given to the possibility that carbon budgets are lower than anticipated in existing scenarios, our scenarios do

not currently include climate “tipping points” which, if crossed, would potentially result in future temperatures being higher than predicted for a given level of future emissions and/or the impact of physical risks at a given temperature level being significantly greater than is currently predicted by most economic models for climate change.

### 3.5.1 Climate Value at Risk

Climate Value at Risk (‘CVaR’) is a forward-looking measure of the exposure of a portfolio to climate risks and is based on bottom-up analysis of the impact of climate physical and transition risks on individual companies, by considering a wide range of underlying climate-related issues that are expected to influence the drivers of company cashflows.

The resulting CVaR figures for the AT portfolio under each of the scenarios considered are set out in the tables below (**Table 2** and

**Table 3**). This can be thought of as the potential impact on the portfolio if markets were to immediately price in the expected impact of physical and transition risks under each of the scenarios. We recognise the uncertainty in the underlying assumptions and that, in reality, the shocks experienced could be larger.

For further information, please refer to the [TWIM 2023 Entity Level TCFD Report](#).

**Table 2 – CVaR under climate scenarios (%)**

Scenario	CVaR (% of portfolio)		
	Physical risk	Transition risk	Total
Orderly	-4.2	-1.6%	-5.8%
Disorderly	-4.5%	-4.9%	-9.4%
Hot House World	-15.9%	-4.9%	-20.8%

Source: MSCI, NGFS, WTW

**Table 3 – CVaR under climate scenarios (£m)**

Scenario	CVaR (£m)		
	Physical risk	Transition risk	Total
Orderly	-140.1	-53.4	-193.5

Scenario	CVaR (£m)		
	Physical risk	Transition risk	Total
Disorderly	-150.2	-163.5	-313.7
Hot House World	-530.6	-163.5	-694.1

Source: MSCI, NGFS, WTW

The figures above are based on a portfolio size £3,336.9m (net assets) at 31 December 2023.

### 3.5.2 What does the scenario analysis show?

The CVaR shows the impact across scenarios. The most substantial effects manifest under scenarios associated with the highest temperature outcomes and heightened exposure to physical risks.

Within this context, the selection of Stock Pickers and active engagement emerge as the critical determinant for influencing outcomes. A bottom-up evaluation of transition risk and physical risk exposures informs ongoing monitoring and engagement initiatives with Stock Pickers.

## 3.6 Portfolio temperature alignment

### 3.6.1 Implied temperature rise ('ITR')<sup>1</sup>

ITR provides a portfolio level number in degrees of Celsius demonstrating how aligned the companies in the portfolio are to global temperature goals.

Expressed in degrees Celsius, it is a forward-looking metric that indicates to what extent a company or portfolio of companies aligns with the ambitions of the [Paris Agreement](#) – which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

The portfolio-level ITR uses an aggregated budget approach: it compares the sum of “owned” projected greenhouse gases ('GHG') emissions against the sum of “owned” carbon budgets for the underlying fund holdings. The portfolio's total estimated over/undershoot relative to the carbon budget for different future temperature outcomes is then converted to a degree of temperature rise (°C) using science based Transient Climate Response to Cumulative Emissions ('TCRE') which is the ratio of the globally averaged surface temperature change per unit carbon dioxide ('CO<sub>2</sub>') emitted. The allocation base used to define ownership is [Enterprise Value including Cash](#) ('EVIC') in order to enable the analysis of equity and corporate bond portfolios.

<sup>1</sup> Source: MSCI ESG Research LLC, WTW.

As at 31 December 2023 the ITR for the AT portfolio was 2.3°C.

**Portfolio**



**2.3 °C**

**3.6.2 Portfolio implied temperature rise distribution<sup>1</sup>**

The table below shows the distribution of the individual issuers in the portfolio across different categories of ITR alignment (companies with an ITR of 2°C or less are considered aligned with the goals of the Paris Agreement).

**Table 4 – ITR category**

	<b>Implied temperature rise category</b>	<b>% of companies in category</b>
<b>1.5°C aligned</b>	<=1.5°C	38.7%
<b>2°C aligned</b>	>1.5°C - <=2°C	24.6%
<b>Misaligned</b>	>2.0°C - <=3.2°C	25.7%
<b>Strongly misaligned</b>	>3.2°C	11.0%

The table above shows that despite the portfolio-level ITR of 2.3°C, which falls short of the goals of the Paris Agreement, around 63% of the companies in the portfolio are aligned with the goals of the Paris Agreement and only 11% are strongly misaligned. This said, the latter, combined with the 25.7% of companies which are misaligned with an ITR between 2°C and 3.2°C, presents opportunities for further alignment strategies and engagement initiatives to drive impactful change.

Stewardship activities with many of the companies that are not aligned are ongoing, via both our Stock Pickers and the Stewardship Services Provider. Some of these Stewardship activities are also via collaborative engagement efforts such as the Climate Action 100+.

<sup>1</sup> Source: MSCI ESG Research LLC, WTW.

## Section 4 : Risk management

In 2021, AT and TWIM committed to managing the Company's portfolio in a way that is consistent with getting to Net Zero GHG emissions by 2050. In addition, the aim is to reduce emissions over the medium term on a pathway which may not necessarily show year-on-year improvements, but one that will still be consistent with the goals of the Paris Agreement, of a 50% reduction by 2030 from a baseline in 2019, with limited reliance on the use of Negative Emission Technologies. The principles followed and measures used to assess progress are consistent with the [Institutional Investors Group on Climate Change](#) ('IIGCC')s Net Zero Investment Framework. Our Net Zero commitment is driven by financial considerations – we think it will lead to better risk-adjusted returns, given we believe that the risks and rewards associated with this transition are not currently fully reflected in valuations.

### 4.1 How we assess and manage climate-related risks

For the investments selected within the portfolio we, through our Stock Pickers and Stewardship Services Provider, actively engage with these companies and use voting rights with the aim of achieving positive financial outcomes and positively influencing their climate-change risk strategy.

TWIM integrates the assessment of financially material sustainability risks, including climate risks, into investment management processes alongside other financial metrics. As such, we include consideration of ESG factors in the selection of our Stock Pickers, who in turn include these factors in their investment processes. The Stock Pickers are responsible for taking financially material sustainability risks into consideration in their investment decisions at the security level and are expected to be good stewards of capital. We place particular emphasis on engagement to drive change in harmful business practices that may threaten long-term corporate profitability. Therefore, TWIM engages with the Stock Pickers on various issues including sustainability risk and climate risk management. In turn, the Stock Pickers engage with the companies in which they are investing. In addition, the Stewardship Services Provider engages with companies on sustainability issues to effect change, and TWIM is able to engage with the Stewardship Services Provider on engagement priorities. For more information, please refer to the [TWIM 2023 Entity Level TCFD Report](#).

AT has specific exclusions detailed in its Exclusions Policy agreed between TWIM and the AT Board. While we would much rather encourage positive change through stewardship and engagement activities, we exclude certain types of stocks from the portfolio. For example, in July 2021 we decided to exclude stocks with significant exposure to thermal coal or producing oil from oil sands. We exclude investment in securities issued by companies that:

- Derive more than 25% of revenues from thermal coal mining or sales to third parties;
- Derive more than 50% of revenues from thermal coal power generation; or
- Derive more than 25% of revenue from oil sands extraction.

Thermal coal is by far the most carbon-emitting source of energy in the global fuel mix, and tar sands are among the most carbon-intensive means of crude oil production. Companies with significant revenue exposure to these activities are exposed to significant financially material climate-related risks, and we believe that positive change to manage those risks cannot be brought about by engagement alone.

TWIM has ESG-specific controls to ensure ongoing oversight and compliance, which supports the investment functions in the delivery of strong risk management and governance. This process is embedded in both the Stock Picker due diligence process and the combined portfolio management process. Further details of TWIM's climate-change risk management can be found in the [TWIM 2023 Entity Level TCFD Report](#), found on the [WTW website](#).

## Section 5 : Metrics and targets

Interpretation of climate metrics can be challenging and needs to be done using a holistic approach, looking at a variety of both backward and forward-looking metrics. Historic carbon emissions are backward looking and so tell us about the past but not the future; [scenario analysis](#) and [CVaR](#) attempt to tell us about the future but are based on models and assumptions. These metrics are both decision useful and action-oriented, however no one single metric is perfect, a combination helps eliminate blind-spots and improve understanding of the climate risks inherent in the portfolio.

Not all companies with high carbon emissions now are “bad”, as some are building solutions for a faster decarbonisation. Similarly, companies in industries that are generally considered to be “low carbon”, can hide higher climate-related transition risks. A Software company might have a negligible carbon footprint from its operations, however, if it is exposed to a large client base of oil and gas companies, its transition risks could be significant. Whereas an auto manufacturer, with a high current carbon footprint, may have materially lower transition risks if it is increasingly focused on Electric Vehicles. Although the risks inherent in such companies might not be visible if only looking at pure [Scope 1](#) and [Scope 2](#) emission metrics, digging further into metrics such as CVaR or [Scope 3](#) emissions can help identify companies with “hidden” higher climate related risks, both transition and physical in nature, within their supply chains and subsequently helping to avoid certain blind spots.

**Table 5 – Carbon emissions I**

### **Weighted Average Carbon Intensity ('WACI')**

*(tons CO<sub>2</sub>e / Sales (GBP Millions))*

	<b>Portfolio</b>	<b>Data Coverage</b>
<i>Scope 1+2</i>	94.9	99.8%
<i>Scope 3 – upstream</i>	299.3	99.6%
<i>Scope 3 – downstream</i>	508.9	99.6%

Source: MSCI ESG Research LLC, as at 31 December 2023, using latest available data.

**Table 6 – Carbon emissions II****Footprint metrics on Investor Allocation<sup>1</sup>**

		Portfolio	Data Coverage
<b>Financed Carbon Emissions<sup>2</sup></b> (tons CO <sub>2</sub> e / GBP M invested)	Scope 1+2	58.4	99.8%
	Scope 3 – upstream	154.9	99.6%
	Scope 3 – downstream	337.6	99.6%
<b>Total Financed Carbon Emissions</b> (tons CO <sub>2</sub> e)	Scope 1+2	45,834.2	99.8%
	Scope 3 – upstream	121,475.0	99.6%
	Scope 3 – downstream	264,836.5	99.6%
<b>Financed Carbon Intensity</b> (tons CO <sub>2</sub> e / Sales (GBP Millions))	Scope 1+2	125.8	99.8%
	Scope 3 – upstream	333.3	99.6%
	Scope 3 – downstream	726.7	99.6%

Source: MSCI ESG Research LLC, as at 31 December 2023, using latest available data.

For metric definitions on the above tables ([Table 5](#) and [Table 6](#)) please refer to the [Glossary section](#).

<sup>1</sup> The allocation base used to define ownership is Enterprise Value including Cash ('EVIC'). EVIC is an alternate measure to Enterprise Value (EV) to estimate the value of a company by adding back cash and cash equivalents to Enterprise Value ('EV').

$$\text{EVIC} = \text{Market capitalization at fiscal year-end date} + \text{Preferred Stock} + \text{Minority Interest} + \text{Total Debt}$$

The underlying data used for EVIC calculation is sourced from a company's accounting year-end annual filings. EVIC is updated and reflected once a year as the data is sourced annually.

Source: MSCI ESG Research LLC

<sup>2</sup> Also known as Carbon Footprint

## Section 6 : Statement of compliance

This statement is made in accordance with TCFD disclosures for the year ending 31 December 2023 and has been sent to the Towers Watson Investment Management Limited Board of Directors for approval.

This report was approved by the Directors on 18 June 2024, as reflected by the Director's signature below.



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**Mark Calnan**  
Towers Watson Investment Management Limited  
18 June 2024

# Section 7 : Disclaimers

## Legal Notices

### **MSCI ESG Research**

This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although TOWERS WATSON INVESTMENT MANAGEMENT LIMITED'S ("TWIM's) information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Furthermore, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

### **WTW**

Scenarios are hypothetical constructs and not designed to deliver exact outcomes or predictions. Instead, scenarios provide a way to consider how the future might look if certain trends continue or diverge and if certain conditions are met.

Metrics selected have been used as they are common business metrics for our industry sector. Data timeframe alignment is as close as is reasonably practical. For example, emissions data covers the calendar year reporting period, but revenue figures related to the WACI cover the financial year best aligned to the reporting period.

Scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver exact outcomes or predictions. Instead, scenarios provide a way to consider how the future might look if certain trends continue or diverge and if certain conditions are met.

Some of the goals, targets, commitments, impacts, policies, and programmes described in this disclosure are also dependent on future

actions, collaboration and/or commitments taken by governments, private and public sector firms and wider systems.

A number of risks and uncertainties could cause actual results to differ materially from the results reflected in the forward-looking metrics and statements that are identified within this disclosure. These statements are based on assumptions that may not come true and are subject to significant risks and uncertainties.

Although we believe that the assumptions underlying our forward-looking metrics and statements are reasonable as of today's date, any of these assumptions, and therefore also the forward-looking metrics and statements based on these assumptions, could themselves prove to be inaccurate. Given the significant uncertainties inherent in the forward-looking metrics and statements included in this disclosure, our inclusion of this information is not a representation or guarantee by us that these outcomes will occur.

This disclosure and the forward-looking metrics and statements contained herein (together with other company documents) speak only as of the date made and we will not update this disclosure or these forward-looking statements or other documents. With regard to these risks, uncertainties and assumptions, the forward-looking events discussed in this document, and others, may not occur, and we caution you against unduly relying on these forward-looking statements.

Any assumptions, scenario analysis and metrics used in this disclosure have been derived using a blend of economic theory, historical analysis and opinions provided by external asset managers, and/or advisers. They inevitably contain an element of subjective judgement. Any opinions or return forecasts on asset classes contained in this disclosure are not intended to imply, nor should they be interpreted as conveying, any form of guarantee or assurance regarding the future performance of the asset classes in question. No economic model can be expected to capture perfectly future uncertainty, particularly the risk of extreme events.

This disclosure is not intended by TWIM to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind, or to form the basis of any decision to do or to refrain from doing anything. As such, this disclosure should not be relied upon for investment or other financial decisions and no such decisions should be taken on the basis of its contents without seeking specific advice. Furthermore, this disclosure in no way constitutes an invitation to subscribe for shares in Alliance Trust plc or any other fund. Any reference to underlying funds within a portfolio is only for illustrative purposes and opinions expressed herein may be changed without notice at any time.

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## Section 8 : Glossary

### C

**Carbon Dioxide Removal**: Refers to technologies, practices, and approaches that remove and durably store carbon dioxide (CO<sub>2</sub>) from the atmosphere<sup>1</sup>.

**Climate Action 100+**: Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change<sup>2</sup>.

### D

**Disorderly scenario**: Delays in taking meaningful policy action result in a rapid policy shift around 2030. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy, with availability of CDR technologies limited. Emissions exceed the carbon budget temporarily but decline more rapidly than in Below 2°C<sup>3</sup>.

### E

**Enterprise Value Including Cash**: Is an alternate measure to Enterprise Value ('EV') to estimate the value of a company by adding back cash and cash equivalents to EV<sup>4</sup>.

### F

**Financed Carbon Emissions**: Allocated emissions to all financiers ('EVIC') normalised by £m invested. Measures the carbon emissions, for which an investor is responsible, per GBP million invested, by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalisation)<sup>5</sup>.

**Financed Carbon Intensity**: Allocated emissions per allocated sales. Measures the carbon efficiency of a portfolio, defined as the ratio of carbon emissions for which an investor is responsible to the sales for which an investor has a claim by their equity ownership. Emissions and sales are apportioned based on equity ownership (% market capitalisation)<sup>6</sup>.

### H

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<sup>1</sup> Source: The Intergovernmental Panel on Climate Change

<sup>2</sup> Source: Climate Action 100+

<sup>3</sup> Source: NGFS, WTW

<sup>4</sup> Source: MSCI ESG Research LLC

<sup>5</sup> Source: MSCI ESG Research LLC

<sup>6</sup> Source: MSCI ESG Research LLC

**Hot house world scenario:** The world follows a Net Zero 2050 pathway; however the resultant temperature outcome exceeds 2oC due to a lower than expected remaining carbon budget and/or the impact of climate tipping points. Use of CDR technologies is relatively low<sup>1</sup>.

## I

**Intergovernmental Panel on Climate Change:** Is the United Nations body for assessing the science related to climate change<sup>2</sup>.

## O

**Orderly scenario:** Globally co-ordinated climate policies are introduced immediately, becoming gradually more stringent over time. Companies and consumers take most actions available to capture opportunities to reduce emissions, and the use of Carbon Dioxide Removal ('CDR') technologies is relatively low<sup>3</sup>.

## N

**Network for Greening the Financial System:** It was launched at the Paris One Planet Summit on 12<sup>th</sup> December 2017. It is a group of Central Banks and Supervisors willing, on a voluntary basis, to share best practices and contribute to the development of environment and climate risk management in the financial sector and to mobilise mainstream finance to support the transition toward a sustainable economy<sup>4</sup>.

## R

**Ratio:** The relationship between two groups or amounts that expresses how much bigger one is than the other<sup>5</sup>.

## S

**Scope 1:** Scope 1 GHG emissions are “direct” emissions – those that a company causes by operating the things that it owns or controls. These can be a result of running machinery to make products, driving vehicles, or just heating buildings and powering computers<sup>6</sup>.

**Scope 2:** Scope 2 GHG are “indirect” emissions created by the production of the energy that an organisation buys. Installing solar panels or sourcing renewable energy rather than using electricity generated using fossil fuels would cut a company’s Scope 2 emissions<sup>7</sup>.

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<sup>1</sup> Source: NGFS, WTW

<sup>2</sup> Source: The Intergovernmental Panel on Climate Change

<sup>3</sup> Source: NGFS, WTW

<sup>4</sup> Source: NGFS

<sup>5</sup> Source: Cambridge Dictionary

<sup>6</sup> Source: World Economic Forum, WTW

<sup>7</sup> Source: World Economic Forum, WTW

**Scope 3:** Scope 3 emissions are also indirect emissions – meaning those not produced by the company itself – but they differ from Scope 2 as they cover those produced by customers using the company’s products (downstream emissions) or those produced by suppliers making products that the company uses (upstream emissions)<sup>1</sup>.

**Stock Picker:** A third-party investment manager<sup>2</sup>.

**Stranded assets:** Are defined as assets that have suffered from unanticipated or premature write-downs, devaluation or conversion to liabilities<sup>3</sup>.

## T

**Total Financed Carbon Emissions:** Allocated emissions to all financiers (EVIC). Measures the total carbon emissions, for which an investor is responsible by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalisation)<sup>4</sup>.

## W

**Weighted Average Carbon Intensity:** Measures a portfolio’s exposure to carbon-intensive companies, defined as the portfolio weighted average of companies’ Carbon Intensity (emissions/sales)<sup>5</sup>.

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<sup>1</sup> Source: World Economic Forum, WTW

<sup>2</sup> Source: WTW

<sup>3</sup> Source: Lloyd’s

<sup>4</sup> Source: MSCI ESG Research LLC

<sup>5</sup> Source: MSCI ESG Research LLC

#### About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at [wtwco.com](https://www.wtwco.com).