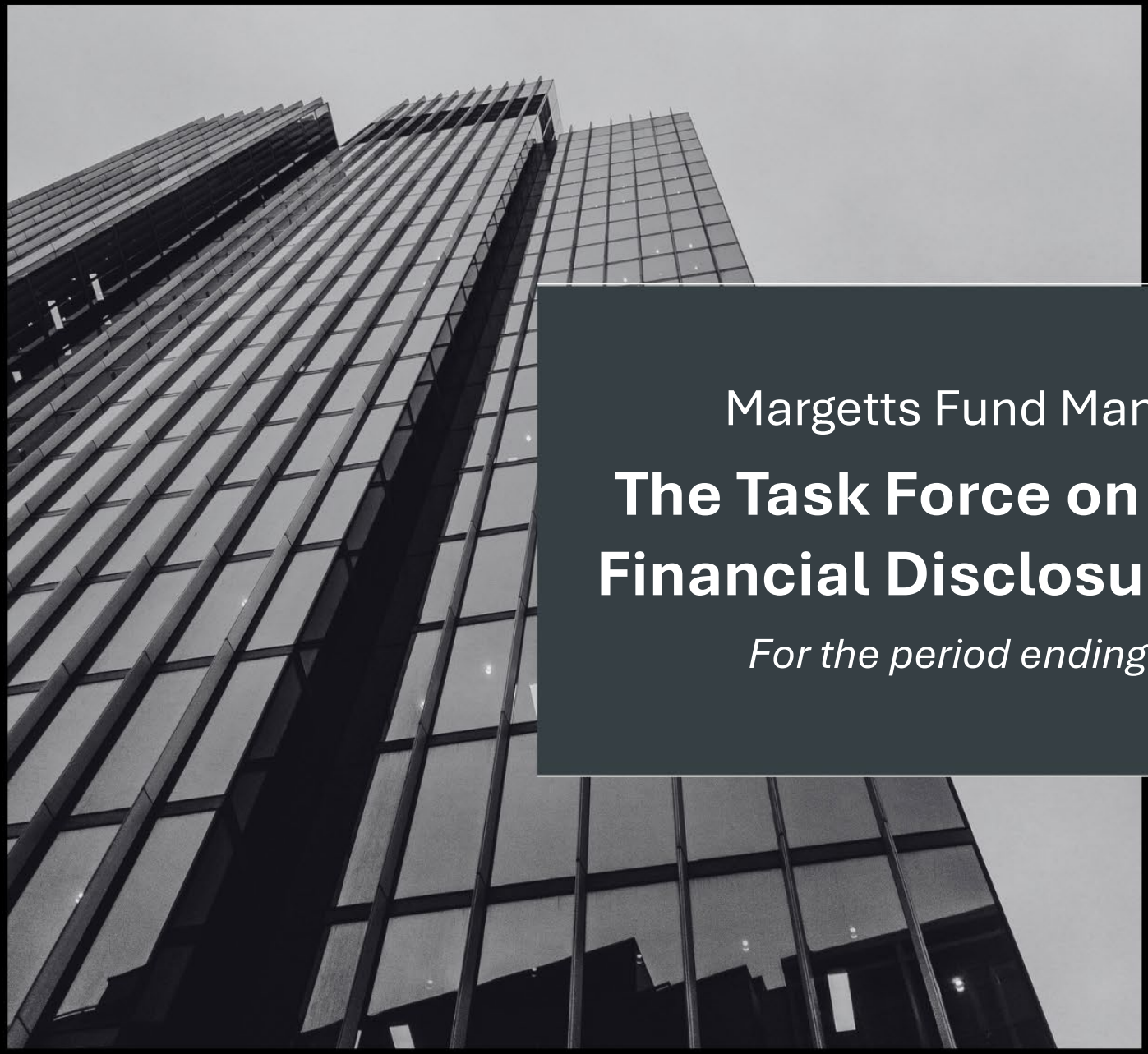

Margetts Fund Management Limited

The Task Force on Climate-Related Financial Disclosures (TCFD) Report

For the period ending 31 December 2024

MGTS

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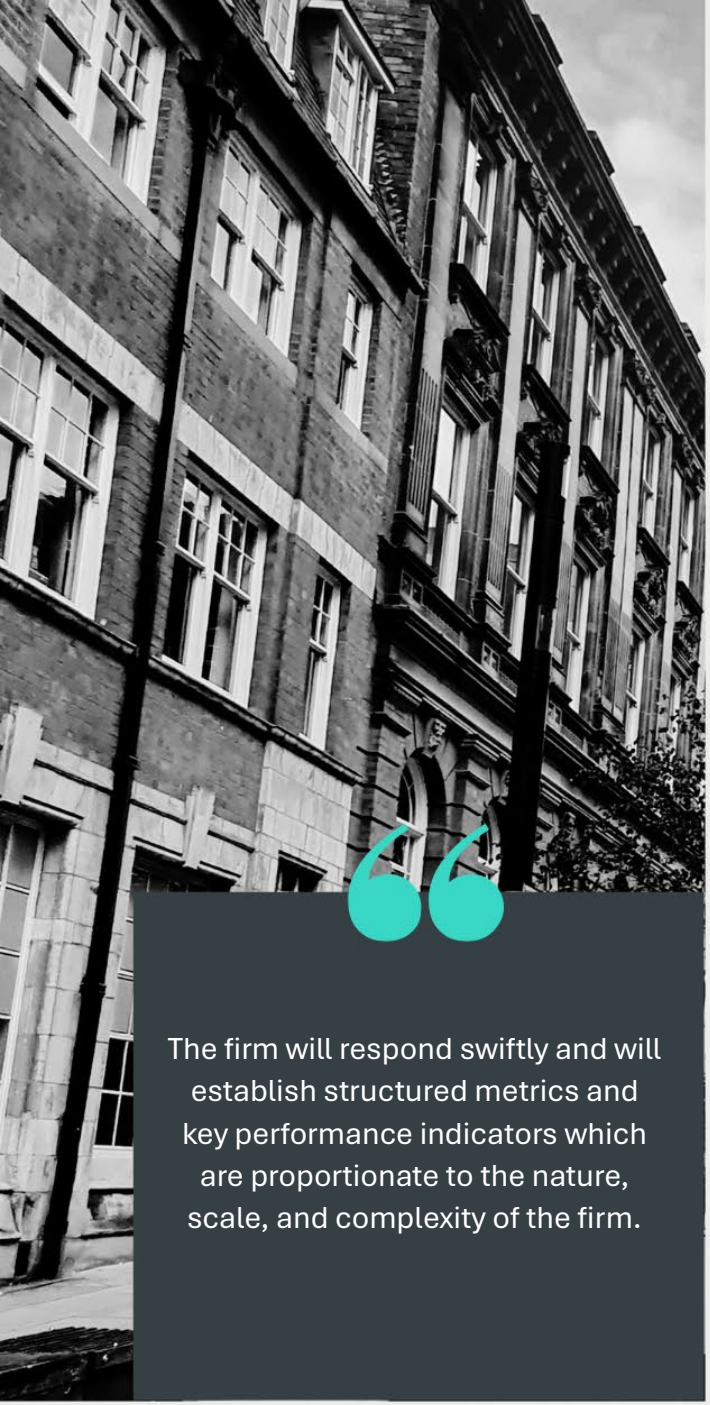


> The firm will respond swiftly and will establish structured metrics and key performance indicators which are proportionate to the nature, scale, and complexity of the firm.

Executive Summary

At Margetts Fund Management Limited (“Margetts”), we are fully engaged with the recommendations of the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (“TCFD”) and the transposition and integration of those recommendations into Chapters 2.1 and 2.2 of the Financial Conduct Authority’s (“FCA”) ESG Sourcebook.

This report outlines Margetts Fund Management's (MFM) progress in implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in line with the FCA’s ESG Sourcebook and as part of a phased transition towards alignment with IFRS Sustainability Disclosure Standards (S1 and S2). Key developments in 2024 include:

- Attainment of B Corp certification (January 2024; impact score: 83.4)
- Launch of a second ethical fund, and preparation for a 2025 'responsible' fund
- Initial climate scenario analysis across short, medium and long-term time horizons and regulatory/market transitions
- Carbon offsetting through Ecologi (35 tonnes) and ongoing work to enhance emissions tracking. Our energy use in 2024 generated 8 tonnes of greenhouse gas emissions.

MFM recognises that it remains in the transition phase and will continue to refine its approach across governance, risk, metrics, and strategy as data quality and regulatory requirements evolve.

Our commitment to TCFD and compliance with the FCA’s rules are underpinned by our core values and our dedication to always acting ethically with honesty, transparency, and integrity.

Purpose of this Report

The purpose of this report is to provide stakeholders with an understanding of MFM’s progress in aligning with TCFD recommendations. It reflects the firm’s transitional stage in addressing climate-related risks and opportunities, with plans for continuous improvement to meet the expectations of the regulator and our stakeholders, and to further embed environmental and social considerations into the firm’s operations and ethos.

Margetts' Structure & Business Activities

MFM operates as an Authorised Fund Manager ("AFM") / Authorised Corporate Director ("ACD") and provides a comprehensive range of services that underpin its commitment to robust oversight and governance. The firm's key business activities include:

- **Independent Host ACD:** Operating authorised collective investment schemes for external sponsors. Typically, the investment management of the collective investment scheme is delegated to an external investment manager.
- **Fund Management:** Directly managing in-house funds, including Risk-Rated Multi-Manager Funds, aligned with investor risk profiles and performance objectives.
- **Transfer Agency:** Managing investor dealing, registration services, and communication to ensure seamless client operations.
- **Fund Accounting:** Valuation of assets and pricing collective investment schemes. Delivering accurate and timely financial reporting.
- **Investment Oversight:** Supervising investment management activities across all operated collective investment schemes to ensure compliance with regulatory standards and alignment with investor objectives and policy.

Assets Under Management (AUM)

£9.8bn

in host ACD funds, managed by third-party appointed investment managers.

£360m

in Risk-Rated Multi-Manager Funds, actively managed in-house.

Environmental Considerations in Operations

MFM operates from a city centre office in Birmingham, a location with low physical climate risk and strong public transport links. We operate remote working practices, and a robust Business Continuity Plan ("BCP") ensures operational resilience and continuity.

MFM also promotes sustainability through:

- A Cycle to Work Scheme, encouraging employees to adopt low-carbon commuting options
- A Salary Sacrifice Scheme for Electric Vehicles (EVs), available to members of the Executive team, supporting a transition to cleaner transportation
- Selection of energy suppliers using renewable energy sources
- Sustainable facilities and processes, including air source heating/cooling, low wattage LED lighting, and paperless operations
- Hybrid working arrangements

In 2024, MFM expanded into an adjacent building to accommodate business growth. Environmental considerations were included in the design and build of the renovation, examples include sensor-based lighting and water conscious toilet systems. The decision to expand into neighbouring offices supports our long-term growth plans without the financial and carbon cost of a move to larger premises.

Future development projects will continue to consider sustainability and environmental impact, aligning with our strategic objective to operate a sustainable and stable business model through strong governance and a commitment to positive environmental and social impact.

Compliance Statement

This report complies with the FCA's ESG Sourcebook requirements (Chapters 2.1 and 2.2). MFM acknowledges the evolving nature of TCFD disclosures and climate-related data and remains committed to enhancing its governance, strategy, and risk management practices in future reporting cycles.

Introduction to the TCFD Pillars

This report is structured around the four key pillars of the Task Force on Climate-related Financial Disclosures (TCFD) framework:

Governance

Risk Management

Strategy

Metrics and Targets

These pillars provide a structured approach for organisations to disclose how climate-related risks and opportunities are managed, ensuring transparency and alignment with regulatory expectations.

The inclusion of these pillars reflects MFM's commitment to integrating climate-related considerations into its operations and strategic decision-making processes. Each pillar addresses specific questions, in line with the TCFD framework and the FCA's ESG Sourcebook requirements.

This approach ensures the report provides decision-useful information for stakeholders, outlining both MFM's current position and the steps being taken to enhance climate-related governance, risk management, and disclosure practices.

MGTS Governance

Oversight of Climate-related risks & opportunities

The Board of Directors (“Board”) is responsible for overall governance and setting the risk appetite for the Firm, including climate related matters.

The Board is made up of Executive and Independent Non-Executive Directors responsible for ensuring that MFM operates effectively and in the best interest of investors in the funds that it operates, shareholders of the Firm and other stakeholders.

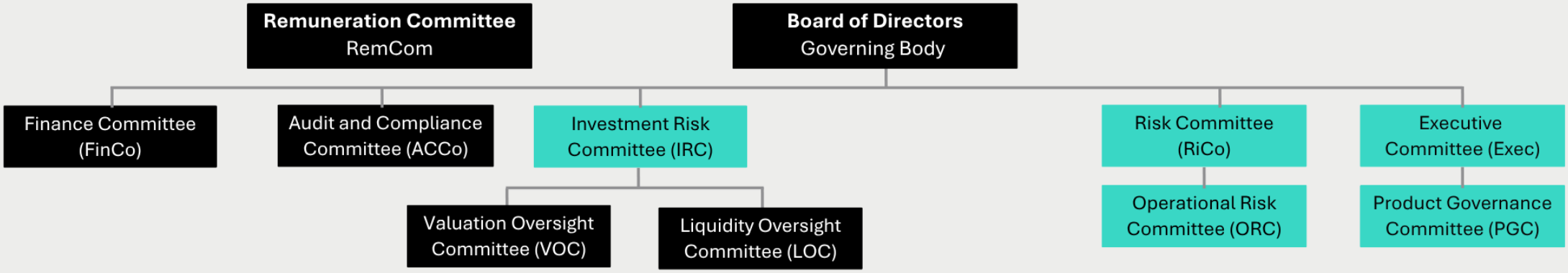
Executive Directors have individual responsibility for day-to-day management of the company. They are responsible for implementing the company's strategy and managing its operations. As of December 2024, no individual director is responsible for overall climate related matters.

Independent Non-Executive Directors (INEDs) are primarily responsible for providing independent oversight and ensuring that the company's governance framework is effective and transparent. INEDs are expected to be independently minded and knowledgeable, providing a balance to the executive directors on the Board.

The Board is supported by a number of committees that have delegated authority to manage the operations of the Firm or to provide oversight, reporting independently to the Board. The next slide shows how they fit into the corporate governance structure, and explains their engagement with climate related matters.

In addition to committees, the Firm has several groups, made up of subject matter experts from across the business and with different levels of seniority. The groups provide management information and recommendations to both the Executive committee and Risk committees.

Committees



The **Executive Committee** has a wide-ranging delegated authority to implement the firm's strategy and manage its operations.

The **Product Governance Committee** supports the Executive Committee by providing recommendations and management information in relation to the adherence of any sustainability or ESG-related objectives of the funds operated by the Firm.

The **Risk Committee** provides oversight and independence to the Executive branch. The Risk Committee identifies, assesses and monitors climate related risks that may impact the Firm's business model or to which the Firm may be exposed.

The **Operational Risk Committee** supports the Risk Committee, focussing on operational risks such as the risk of environmental disasters on operations e.g. the impact on, or access to, systems as a result of extreme weather events such as flooding, or the impact on investors of ineffective controls over the operation of funds which have characteristics of, or objectives related to, sustainability.

The **Investment Risk Committee** monitors and measures risks to investors and oversees the investment strategies of funds operated by the Firm. In relation to climate related matters, its main role is to oversee the investment management of any funds with climate related sustainability features and characteristics which have been described to investors.

Planned Enhancements to Governance (2025)

In 2024, climate-related responsibilities were led jointly by the Chief Operating Officer and the Head of Client Operations. Looking ahead to 2025, there is an initiative as part of a broader update to corporate governance documentation, including revised Terms of Reference and committee structures, to ensure climate matters continue to receive appropriate executive and board-level focus.

Risk Appetite

The Firm's Board and Risk Committee split climate-related risks into three broad headings:

- **Impact on the Firm**
  - Operational disruption
  - Demand for products and services
  - Regulatory / legislative changes
  - Transitional climate related risks

- **The Firm's impact on the environment**
  - Impact of operations on the environment

- **Sustainability / ESG mandates**

Disaster and Business Continuity

This outlines the classification of disasters, which includes natural disasters such as flooding, extreme winds, and earthquakes. This standard sets out the responsibilities and objectives of the firm to ensure the recovery or continuation of vital technology infrastructure, systems, and information following a natural disaster. Additionally, the Business Continuity Plan covers the firm's response to events that negatively impact its ability to deliver on short-term commitments.

Strategy

The Board and Executive Committee review strategy at each of the quarterly committee meetings and during dedicated strategy meetings through the year. Strategy focusses on both short-term and long-term opportunities and risks.

Strategic Developments in 2024

In 2024, MFM achieved several milestones aligned with its strategic ambition to operate a sustainable and stable business model. These are listed on the right-hand side of this page.

These actions are integrated into the firm's broader long-term view of sustainable growth, supporting both commercial and regulatory preparedness.

- Certification as a **B Corporation** in January 2024, reflecting the firm's commitment to measurable social and environmental impact (B Impact Score: 83.4)
- Launch of a **second ethical fund**, complementing the existing offering with higher equity exposure and broader thematic reach
- Engagement with the FCA on a proposed 2025 fund, leading to a **repositioning of the strategy** as a **"Responsible" fund** under SDR guidelines
- **Ongoing product design collaboration** with an existing sponsor aiming to unitise ESG Discretionary model portfolios into three multi-asset funds, expected in 2025/2026
- Internal assessment **recognising a reduction of ESG fund demand**, with strategy increasingly focused on measured response to sponsor demand and sustained governance alignment
- Increased uptake in the **salary sacrifice electric car scheme** and **cycle to work scheme**
- Estimated **35 tonnes of CO2 offset** in 2024 through our partnership with Ecologi

Regulatory Alignment and SDR Readiness

In preparation for the UK Sustainability Disclosure Requirements (SDR), MFM undertook a comprehensive review of fund documentation and marketing material across its full range of products and are pleased to report there were no areas where green washing was considered to be a factor. For our products with characteristics of sustainability, we reviewed and updated disclosures where necessary, strengthening product governance processes, and ensuring alignment with labelling requirements for sustainable investment products.

Although MFM's ethical funds and the proposed responsible fund are currently unlabelled under the SDR regime, they do include sustainability features and therefore require a new Consumer-Facing Disclosure (CFD). This aims to enhance transparency and comparability across the product range, providing consistent ESG-related information to investors regardless of formal label status.

MGTS
Strategy

Impact of Climate Related Risks and Opportunities

B Lab is a non-profit organisation which provides a set of standards to businesses for social, environmental, and governance best practices. B Lab aims to transform the global economy to benefit all people, communities, and the planet by providing an independent measure of a company's entire social and environmental impact, issuing its B Corp certification to companies that meet their standards.

In 2023, MFM updated its strategic objectives to include "operating a sustainable and stable business model through strong governance, consideration for our social and environmental impact both internally and within our wider community." The initial goal to meet this strategic objective was to engage with B Lab to measure the Firm's social and environmental impact with the aim to become certified. We are pleased to announce that in 2024, MFM successfully attained B Corp certification, demonstrating our commitment to achieving the highest standards of social and environmental performance.

In November 2023, the Firm worked with an external sponsor to launch its second ethical fund, to sit alongside an existing ethical fund. The objective of the fund is to provide capital growth over time through investments considered by the Investment Manager to be ethical investment choices, across multiple asset classes, as defined in the Ethical Investment Policy, which is published on Margetts.com. The fund invests in:

- Collective investment schemes that have a stated environmental, social or governance (ESG) objective and policy or a stated socially responsible investment (SRI) objective and policy; or
- Collective investment schemes that focus on property and have an independent accreditation for their ESG or SRI credentials. For example, a Green Star by the Global Real Estate Sustainability Benchmark; or
- Investments that align to one or more of the UN Sustainable goals (THE 17 GOALS | Sustainable Development (un.org)), as measured by the Investment Manager's assessment of the business model.

In 2024, MFM designed and submitted an application to the Financial Conduct Authority (FCA) to launch a "responsible" fund. This fund is the first we have introduced with sustainability characteristics since the implementation of the Sustainable Development Reporting (SDR) rules. The SDR rules, part of the FCA regulations, enhance the transparency and accountability of our environmental, social, and governance (ESG) disclosures.

The Board strategy discussions have included analysis of opportunities for further environmental or sustainable investment funds. The conclusion thus far has been that in the longer term as investor choices evolve and businesses transition, there may be more investor demand for sustainable investment choices, but that in the short-term the Firm would be driven by demand from external sponsors that can provide sufficient demand and distribution.

The Firm's identified risks include:

- **Climate related risks that may have an impact on the Firm**
    - Operational disruption – The risk from climate related matters is included in the operational risk matrix and remained constant throughout 2024. Overall, the risk in the short-term due to climate related matters was considered to be low due to the central location of the office in a major city and resilience planning for multiple connections to the electricity network and internet for office functions, remote working and back up services.
    - Demand for products and services – No risks were identified in relation to the demand for products and services in the short-term. In the long-term, reduced demand for non-sustainable products is considered to be low risk, with potential new demand for more sustainable products. The majority of the funds operated by the Firm are actively managed and therefore investment managers make investment choices based on assumptions about the future. Funds without a sustainable objective are still able to take into account climate related risks on their underlying investment choices, where this is factored into the expected financial returns of investments.
    - Regulatory / legislative changes – Operational risk was identified due to the introduction of the UK SDR regime, implemented in 2024, although this did not materially alter the Firm's risk assessment.
    - Sustainability / ESG mandates – The Firm increased its risk assessment due to the launch of funds with sustainability features and the additional regulatory requirements introduced through SDR, although this was not considered to be material.

- **The Firm's impact on the environment**
    - Impact of operations on the environment – The environmental impact of Firm operations was discussed and generally considered to be low due to the service nature of our operations, central location of offices, with close links to public transport, selection of renewable energy utilities companies, paperless processes, recycling scheme, modern air sourced heating and cooling systems, low wattage lighting and the introduction of hybrid working.

    There were no specific metrics used to measure the impact of climate related matters, which are expected to evolve through 2025/2026.

MGTS
Risk Management

Risk Management

The risk management process for climate related matters is integrated into the Firm's standard risk management process.

The Board set the risk appetite across multiple broad categories in relation to business model risk, operational risk and liquidity risk. Overall, the Board takes a conservative approach to Business Model Risk and has a low-risk appetite for both Operational and Liquidity risks.

The Board has delegated authority for risk management to the Executive Committee, which has delegated authority for day-to-day management. It is the responsibility of the Exec to design and implement strategies to manage climate related risks with its operations and the risk appetite set by the Board. The Executive committee manages short term risks through clear roles and responsibilities of management with delegated authority and provides oversight through regular committee meetings. Decisions relating to the management of longer-term risks stem from strategy meetings and financial projections.

All enterprise risks are identified, measured and monitored by the Risk Committee and its sub-committee the Operational Risk Committee. Risks are measured on an inherent (before controls) and residual (after controls) basis and each is recorded in a matrix that highlights risks relative to each other and relative to the risk appetite of the Firm. The Risk Committee reports directly to the Board each quarter.

External inherent climate related risks are factors that are beyond the control of the Firm, for example global warming and extreme weather events. Examples of controls could relate to the location of offices and facilities within the office to manage the effects of climate related risks, for example heating and cooling, or remote working capability.

Internal inherent climate related risks, includes our management of any funds that have a climate related objective. An example of controls would be our systems and people that provide oversight of the management to ensure adherence with the fund's policy.

Risk Management Q&A

Question	Answer
What is the process for identifying and assessing climate-related risks?	MFM's Risk Committee and Operational Risk Committee consider environmental risks. We have not established methods to quantify the impact.
How are climate-related risks integrated into the organization's overall risk management framework?	Climate-related risks are currently integrated into MFM's broader risk management framework. The process will evolve to improve identification and measurement of specific risks as part of our continual development programme.

What are the key climate-related risks currently facing the organization?	Risks are currently broken down into three main areas:
	- Impact on the Firm
	  o Operational disruption – Severe weather events
	  o Demand for products and services – Demand for sustainable funds
	  o Regulatory / Legislative changes – Requirements to meet required standards
	- The Firm's impact on the environment
	  o Impact of operations on the environment – Energy consumption and carbon footprint of staff travel.
	- Sustainability / ESG mandates – Investment breaches of sustainable funds not performing in line with their mandates.

MGTS
Metrics & Targets

Metrics & Targets Q&A

Question	Answer
What climate-related metrics are used to assess performance?	In line with the requirements of the Streamlined Energy reporting and Carbon Reporting (SECR), MFM consumed approximately 62KWh of energy over its financial year, which increased from approximately 38KWh in 2023. Although the total energy consumed increased, this can be attributed to significant growth. The company's intensity ratio, measure by dividing kgCO2e by revenue, resulted in an intensity ratio of 0.19 per £1m revenue generated, which is the same as the prior year. Our energy consumption is equivalent to 8 tonnes of greenhouse gas emissions.
Are there specific reduction targets for emissions or other environmental goals?	Specific emissions reduction targets have not yet been established. Developing these targets will be aligned with B Corp accreditation goals.
How does MFM monitor and report progress on these metrics?	MFM does not currently monitor or report climate-related metrics. Reporting processes will be developed in 2025/2026 and integrated into governance reporting frameworks.
Does MFM report metrics at a product level?	Product level metrics are available in our product level TCFD report. Available on our website.

MGTS