WINTON

30 JUNE 2024

Task Force on Climate-Related Financial Disclosure

Entity Level Report

Winton Capital Management Limited

1. Introduction

1.1 Background

The UK Financial Conduct Authority ("**FCA**") has introduced mandatory climate-related reporting for UK asset managers, aligned with the recommended disclosures of the Task Force on Climate-related Disclosures. These are set out in Chapter 2 of the FCA's ESG Sourcebook (the "**TCFD Rules**"). Firms-in-scope of the TCFD Rules must publish a management-entity level disclosure.

This report has been produced in accordance with the TCFD Rules by Winton Capital Management Limited ("**WCM**"). It relates to the assets managed by WCM as the alternative investment fund manager in respect of alternative investment funds (the "**AIFs**") and the assets managed by WCM on behalf of managed accounts and the sub-funds of the Winton UCITS Fund ICAV (the "**UCITS**") (together, the "**Portfolios**"). Product-level reports for individual Portfolios are provided on request.

This report covers four key areas in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (the "**Task Force**")[1] :

- **Governance:** Governance framework for climate-related issues,
- **Strategy:** Climate-related strategy related to the Portfolios.
- **Risk Management:** WCM's risk management framework and its relevance to climate-related risks.
- **Metrics and Targets:** Aggregated climate-related disclosures for the Portfolios.

2. Governance

2.1 Senior Management Oversight

WCM is a wholly owned subsidiary of Winton Group Limited ("**Winton**"). Winton's governance arrangements are consolidated at the parent level through the Winton Group Board, the Executive Management Committee (the "**EMC**") and other key meetings. The EMC has responsibility for the implementation of the commercial strategy and the oversight of the investment management activities and risk, as well as the deployment of technology.

Environmental, Social and Governance ("**ESG**") matters have been delegated to an ESG Committee which is chaired by Winton's Chief Operating Officer. The ESG Committee is responsible for overseeing the implementation of Winton's ESG strategy, including climate-related issues and reviewing the effectiveness of processes, policies and procedures where relevant to ESG matters. The ESG Committee reviews climate-related issues, including the metrics related to TCFD disclosure as an annual agenda item.

The ESG Committee has assigned responsibility for the implementation of ESG matters to the appropriate teams:

Topics	Implementation	Oversight
Accountability and responsible implementation	Co-CIOs and Investment Management	ESG Committee
Industry engagement	ESG Committee	
Asset selection: investment signals	Co-CIOs and Investment Management	
Asset selection: negative screening	Investment Operations	
Asset selection ESG-related exposure	Co-CIOs and Investment Management	
Asset ownership	Investment Operations and Compliance	

Further information on Winton's approach to these topics and their relevance to the Portfolios is described in WCM's Responsible Investment Policy.

[1] https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf

3. Climate Strategy

3.1 Investment Management

WCM operates a range of quantitative and systematic investment strategies and applies these strategies to a diverse investment universe, including physical securities and/or derivatives across equities, fixed income, commodities and currencies. Different combinations of the investment strategies and the markets and instruments that they are applied to are available to investors via Managed Accounts and through pooled investment vehicles including AIFs and UCITS.

WCM's Responsible Investment Policy describes how the integration of ESG and climate-related considerations is at an earlier stage of maturity in many of the types of strategies that are applied by WCM, including those that trade derivatives across government bonds, commodities and currencies, both long and short. As a percentage of investment exposure, approximately 10% of WCM's assets under advisement relate to long equities and corporate bonds where the integration of ESG and climate-related considerations has become more developed in the industry.

Currently, the Portfolios do not target ESG or climate=related objectives. For example, the AIFs and UCITS managed by WCM are categorised as Article 6 funds under the Sustainable Finance Disclosure Regulation and therefore do not promote environmental or social characteristics and do not have a sustainable investment or a reduction in carbon emissions as their objective.

In respect of the managed accounts, WCM can take a more client-centric tailored approach to integrating clients' own climate objectives into their portfolios and can work with individual clients to understand their requirements and how these can be implemented through the investment process.

The ESG Committee keeps industry, regulatory and client-related initiatives and developments under review and considers how these may guide the firm's climate strategy in respect of the management of the Portfolios or the design of new products.

3.2 Risks and Opportunities

The Task Force divides climate-related risks into two major categories: 1) risks related to a lower-carbon economy and (2) risks related to the physical impacts of climate change. The Task Force also considers climate-related opportunities associated with efforts to mitigate and adapt to climate change; for example, through resource efficiency 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.

The Task Force is focused on how companies are impacted and are exposed to these risks and opportunities. WCM has considered these risks and opportunities in relation to long positions in equities and corporate bonds, which as described above, currently represents approximately 10% of the Portfolios' investment exposure.

The Portfolios' exposure to individual companies is highly diversified and comprises many small positions across a wide range of companies and industries, with position and sector limits mitigating concentration risk. Moreover, these positions evolve in response to a range of technical and fundamental data inputs and are hedged with offsetting positions in other corporate securities and/or index futures to produce a market-neutral investment profile. Together, these portfolio characteristics suggest that the Portfolios are not materially exposed to particular companies or sectors that would result in material impact on the value of the assets.

However, industry and market developments associated with climate-related risks and opportunities may result in WCM's research process identifying investment signals related to these themes and the Co-CIOs and the Investment Management function will review such developments.

4. Risk Management

4.1 Integration of Climate-Related Risks

As a systematic investment manager, the day-to-day management of portfolio risk is inseparable from the portfolio management function. Setting the level of leverage, internal risk limits, allocations and exposures across the quantitative investment strategies is the role of the Co-CIOs and the Investment Management team, including the Portfolio Risk function.

Given the nature of WCM's investment strategies as described in Section 3, climate-related risk is not specifically a factor that is integrated into WCM's investment decision or investment risk process. Climate-related risk is generally managed as part of the overall risk management process which is designed to ensure that investment strategies are diversified and do not hold concentrated positions which mitigates the risk that any specific ESG or climate-related event or condition will have a material negative impact on the overall value of the Portfolios.

5. Metrics and Targets

5.1 Targets

WCM's Portfolios do not target ESG or climate-related objectives and the firm has not set ESG or climate-related targets. The ESG Committee reviews climate-related metrics, benchmarks these against relevant peers and seeks to understand the drivers behind metrics that may be outliers.

5.2 Information about the Metrics

Scope 1, scope 2 and scope 3 carbon dioxide emissions are sourced for corporate issuers from Sustainalytics. These emissions are reported by companies annually or in some cases estimated by Sustainalytics.

- Total carbon emissions: This measure attributes to the Portfolios the estimated tonnes of carbon dioxide produced annually by companies, as a percentage of the companies' enterprise value. Enterprise value reflects the combined value of the companies' equity and debt. For example, if the Portfolios' exposure to a company's shares and debt collectively represents 2% of the company's enterprise value, then 2% of that company's carbon emissions are attributed to the Portfolios.
- Carbon footprint: This measure takes the estimated total carbon emissions and divides this figure by the Portfolios' notional exposure to the relevant companies measured in millions of US dollars. The aim of the carbon footprint measure is to enable comparisons between funds of different levels of assets under management. This is possible if the reported carbon footprints are based on the same methodology and data.
- Weighted average carbon intensity (WACI): This measure seeks to capture the "carbon efficiency" of the companies to which the Portfolios have exposure by using revenue as a proxy for economic activity. Carbon intensity is calculated by dividing tonnes of carbon dioxide produced annually by each company by each company's annual revenue in millions of US dollars. The weighted average is then found by multiplying this measure of carbon intensity by the Portfolios' notional exposure to the company divided by the Portfolios' total notional exposure. Again, comparisons between funds are possible if the reported WACI is based on the same methodology and data.

To accommodate different approaches to analysing the data we have split the metrics to show:

- Metrics for direct exposure (physical/cash securities);
- Metrics for indirect exposure (derivatives relating to single issuers); and
- For each of the above, metrics for long positions and short positions separately.

5.3 Emissions from Direct Exposure as at December 2023:

Metric	Long	Short
Total carbon emissions, scope 1 and 2 (t/CO2e)	130,634	91,703
Total carbon emissions, scope 3 (t/CO2e)	490,217	535,487
Carbon footprint, scope 1 and 2 (tCO2e/mil USD invested)	100.9	68
Carbon footprint, scope 3 (tCO2e/mil USD invested)	372.7	358
WACI, scope 1 and 2 (tCO2e/mil USD revenue)	137.3	104.5
WACI scope 3 (CO2e/mil USD revenue)	557.7	656.1

5.4 Emissions from Indirect Exposure as at December 2023:

Metric	Long	Short
Total carbon emissions, scope 1 and 2 (t/CO2e)	286,511	288,983
Total carbon emissions, scope 3 (t/CO2e)	2,201,688	1.353.178
Carbon footprint, scope 1 and 2 (tCO2e/mil USD invested)	146.2	158.2
Carbon footprint, scope 3 (tCO2e/mil USD invested)	814.7	692.1
WACI, scope 1 and 2 (tCO2e/mil USD revenue)	155.7	262.8
WACI scope 3 (CO2e/mil USD revenue)	1,091.2	1,400.3

6. Compliance Statement

6.1 Confirmation of Compliance

The Chief Compliance Officer (SMF16 and SMF17) confirms that this report has been prepared in accordance with the requirements in the TCFD Rules:

Adam Waghorn

Chief Compliance Officer

Important Information

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