Task Force on Climate-related Financial Disclosures Report 2023

Entity Level Report

1st January 2023 to 31st December 2023

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1. Foreword

I am delighted to introduce Charles Stanley & Co. Limited's (Charles Stanley) inaugural entity report on the Task Force on Climate related Financial Disclosures (TCFD) for the calendar year 2023.

This first publication represents the latest stage in our evolution and progression with regards to responsible investment and indeed the formalisation of ESG considerations across our business. These annual reports are a reflection of where we are at a given time along our continuing journey.

Charles Stanley has been focusing on clients and delivering service as a key principle since foundation in 1792. This focus on client service has not waivered and the courses it has taken have been shaped by the circumstances of each age. Many would argue that global warming and climate change is the key challenge of our age. We have a responsibility to serve our clients and indeed wider society by conducting our business with a keen awareness of the likely impacts of both our own activities and those carried out on behalf of clients.

Investment management sits at the heart of our activities on behalf of clients and our capital markets analysis has always included both financial and non-financial risks, including those which are nowadays termed ESG. Climate change and the responses to it will shape both the world which our clients and their descendants grow into, and the commercial risks and opportunities facing the companies in which we invest in. Indeed, we acknowledge the role that we and the wider financial services community can play the sustainable transition of our economy.

This report shares insights into our approach to climate risk. We recognise that there are new, exciting investment opportunities available as solutions to global challenges. The consideration, of both risk and opportunity, are an additional ingredient to our investment approach that will help ensure we continue to provide leading client service in the form of maximised risk-adjusted returns, underpinning our client's continuing prosperity and peace of mind.

In summary, while recognising the gravity of the current climate prognosis, we are optimistic that human creativity, operating within an appropriate political and economic framework conducive to the design and implementation of solutions, has the capacity to address climate risks. The financial sector clearly has a role and we are committed to play our part, both with regard to our own activities and those executed in support of and on behalf of our clients.

Paul Abberley
Chief Executive Officer

2. Compliance Statement

In support of the UK government's commitment to have economy-wide Task Force on Climate-related Financial Disclosure (TCFD) reporting by 2025, the UK's Financial Conduct Authority (FCA) made TCFD reporting mandatory for certain asset managers under their new Policy Statement (PS) 21/24.

These new rules have been implemented in two phases.

- Phase 1 from June 2023, applied to the UK's largest asset management firms with over £50 billion in assets under management (AUM).
- Phase 2 applies to those asset managers with more than £5 billion in AUM. With discretionary AUM standing at £16.4 billion (31 March 2024) Charles Stanley is in scope of the rules.

For this inaugural TCFD entity report, we have detailed how the organisation takes climate-related matters into account when managing or administering investments on behalf of clients whilst also outlining the key risks and opportunities facing our business that we will consider moving forward.

Using Part 4, section D of the TCFD Annex, entitled 'Asset Managers' as guidance, Charles Stanley has disclosed against the four key pillars and 11 key recommendations of the TCFD. Please see Section 5 (page 7). This table also includes potential actions to be taken in the year ahead and beyond that will enable Charles Stanley to demonstrate closer adoption of the TCFD recommendations.

Therefore, this TCFD entity report, including any third-party or group disclosures cross referenced, represents Charles Stanley's alignment to the recommendations provided by the TCFD and establishes our compliance with the rules under the FCA's PS21/24.

Paul Abberley
CEO

3. Legal Disclaimer

The contents of this TCFD entity report are compiled in recognition of the United Kingdom's regulatory landscape in line with the Financial Conduct Authority's adoption of the Financial Stability Board's Task Force on Climate-related Financial Disclosures, under the rules of the Policy Statement 21/24. The contents of this report reflect the approach taken by Charles Stanley & Co. Limited, specifically relating to TCFD in-scope business that is carried out from the United Kingdom.

In addition, any metrics, targets, goals, impacts, policies, or forward-looking statements referred to in this report represent solely a statement of intent by Charles Stanley, and no other entity, to comply with the mandatory requirements of the FCA's TCFD regulation.

Nothing in this report should be understood to state or imply that Charles Stanley's U.S. parent company, Raymond James Financial, Inc., will make any disclosures or take any action in connection with its operation of any business in the United States of America, or any other country outside of the United Kingdom.

The inclusion of information in this report should not be construed as an assertion that such information is material to, or would have any particular financial impact on, the business of Raymond James Financial, Inc., and its consolidated subsidiaries.

4. Introduction

At Charles Stanley, we recognise the growing potential threat that a changing climate possesses and the possible financial instability that this could bring. The acknowledgement of this has been driven by significant national and international cooperation, including the 2015 Paris Climate Agreement and its commonly associated goals, as well as the UK Climate Change Act 2008 (2050 Target Amendment) Order 2019, where the UK Government committed to a 100% reduction of greenhouse gas (GHG) emissions by 2050, compared with 1990 levels.

Charles Stanley has been a signatory to the UN's Principles of Responsible Investment since 2015 and we continue to engage and further enhance the broader application and development of the key responsible investment principles throughout the industry.

This TCFD entity-level report demonstrates our alignment with the recommendations of the TCFD. It brings together relevant information from our Responsible Investment Policy Statement, Risk Policy, and our Stewardship Policy.

The report then summarises our response to each of the recommendations and establishes our compliance with the FCA's PS21/24.

This report will be updated annually to incorporate the progress made in line with our roadmap towards full regulatory alignment with the recommendations of the TCFD.

5. TCFD Compliance Summary 2023

TCFD recommendation	Summary of disclosure	2023 Status	2024 Objectives
Governance | Disclose the organisation's governance around climate-related risks and opportunities.			
a. Describe the Board's oversight of climate-related risks and opportunities.	The Charles Stanley Board bears ultimate responsibility for the oversight, governance and direction of the business and affairs of the company. This includes our approach to responsible investing and how investment decisions take into consideration ESG-related issues, including specific environmental themes, challenges or opportunities facing a company.	Partially aligned	We will investigate the options to formally integrate climate-related risks/ overarching topics into the board-level discussions and decisions when reviewing and guiding the business strategy.
b. Describe management's role in assessing and managing climate-related risks and opportunities.	The Responsible Investing Committee, chaired by the Chief Investment Officer, has been delegated the responsibility for managing the investment linked climate-related issues that are facing Charles Stanley. This includes having continued oversight and development of our Responsible Investing approach and capabilities. The day-to-day accountability for Responsible Investing lies with our investment managers and financial planners. Our client facing staff are enabled to create bespoke solutions for our clients that can take into consideration climate-related issues. Operationally, the Chief Operating Officer and relevant facilities departments will oversee the business specific climate risks and management of these.	Partially aligned	To develop this further, we will explore the possibility of introducing a formal process for climate-related risks to be considered by the Responsible Investing Committee and our investment managers.

Strategy | Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.			
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Charles Stanley recognises that climate-related risks and opportunities will have implications for our business and investment strategies. We currently assess risks over the short-term (<12 months), medium-term (1 year – 5 years) and long-term (5 – 25 years).	To be aligned	We intend to undertake a climate-related risk and opportunity identification exercise to understand the potential impacts within each time horizon.
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	We undertake regular scenario analysis of emerging and future events to assess potential outcomes and develop our management responses. To date, this has not considered climate-related matters and the scope of their potential impacts are yet to be fully evaluated.	To be aligned	We plan to undertake a climate-related risk and opportunity identification exercise to assist us in better understanding the potential impacts on our business strategy and investment decision making process. Moving forward, where climate-related risks and opportunities are identified, they will need to be formally monitored, explored and assessed on a regular basis, alongside a timescale impact assessment.
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Based on the options and the possible consequences of climate change, we have applied a "Delayed Transition" scenario to our macroeconomic asset allocation process. This helps us understand the impacts a changing climate might have on our long-term return forecasts.	To be aligned	To enhance our long-term return forecasts, we are planning further analysis of additional climate-related scenarios and risk assessment. In addition, to enhance understanding of the possible impacts on our investments, we will continue to review and assess the applicability of these scenarios, and other tools (e.g. Climate Value at Risk VaR), to help us quantify scenario assessments.
Risk Management | Disclose how the organisation identifies, assesses, and manages climate-related risks.			
a. Describe the organisation's processes for identifying and assessing climate-related risks.	We operate a risk identification and assessment process under which all our businesses regularly consider changes in the profile of existing and emerging risks, including ESG-related issues.	To be aligned	Work is currently being done to see how the identification, assessment and management of specific climate-related risks can be integrated into our overarching risk management framework and how this can be applied to our product and investment strategies.
b. Describe the organisation's processes for managing climate-related risks.	Our risk management framework is a comprehensive approach to entity risk management, which allows us to assess the implications of any potentially material financial impact.	To be aligned	

c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	In addition, ESG and climate-related issues are recognised within our review of emerging risks for the firm and ESG-related matters are included within our stress testing considerations	To be aligned	
Metrics and Targets | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.			
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	We have calculated and disclosed the emissions associated with our discretionary managed investments and business operations. We have also calculated and disclosed the weighted average carbon intensity (WACI) of our investment holdings, where coverage or appropriate data is available.	Partially aligned	To be determined upon conclusion of a formal review into how we can appropriately implement our full alignment to this recommendation.
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We have disclosed our Scope 1, 2 and 3 emissions associated with our investment holdings and our business operations for the most recent year and prior years where data is available.	Partially aligned	To be determined upon conclusion of a formal review into how we can appropriately implement our full alignment to this recommendation.
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We have not set any targets regarding management of climate related risks / opportunities. Prior to any potential future setting of a carbon reduction target, we intend to establish an effective engagement strategy to help investees reach their decarbonisation goals through real world change rather than divestment.	To be aligned	We plan to develop a pathway for defining key metrics for our operations and investments and will observe these. We are continuing our journey towards aiming to reduce our carbon emissions within our operations.

6. Governance

Board oversight of climate-related risks and opportunities

Charles Stanley & Co. Limited (Charles Stanley) is wholly owned by Raymond James Wealth Management Limited (RJWM), a subsidiary of Raymond James Financial, Inc. (NYSE: RJF). The Board of Directors of RJWM (RJWM Board) has responsibility for the oversight, governance and direction of the business and the affairs of RJWM and its subsidiaries in the UK.

Specifically, the RJWM Board provides challenge, oversight and approval of Charles Stanley's strategy and business plan. The RJWM Board is responsible for monitoring the performance of Charles Stanley, and its other UK subsidiaries, in relation to the strategic objectives that are set, in addition to ensuring that an effective risk management framework is in place.

The Board of Directors of Charles Stanley (CS Board) has responsibility for the oversight, governance and direction of the business and affairs of Charles Stanley. Also, the CS Board is accountable for providing the primary input, challenge, and oversight of Charles Stanley, including business strategy and planning; whilst ensuring adherence to applicable legal and regulatory obligations, with an appropriate client focus.

In addition, the CS Board oversees the activities of the Chief Executive Officer (CEO) and the supporting Executive Committee in the day-to-day running of Charles Stanley. The CS Board periodically reviews the financial and business performance of Charles Stanley and ensures that appropriate risk management and internal controls operate over Charles Stanley's strategy, operations, decisions and performance.

Day-to-day accountability for Responsible Investing (RI) lies with our investment managers and financial planners as they create bespoke solutions for our clients. The Responsible Investing Committee (RIC) is responsible for the continuing oversight and development of our RI approach and capabilities. The RIC reports to the Investment Committee (IC), operating on a three pillared approach (see further below). The CS Board meets quarterly and is currently informed of relevant ESG-related issues on an ad hoc basis.

Role of Management

Figure 1: Charles Stanley's Governance Structure

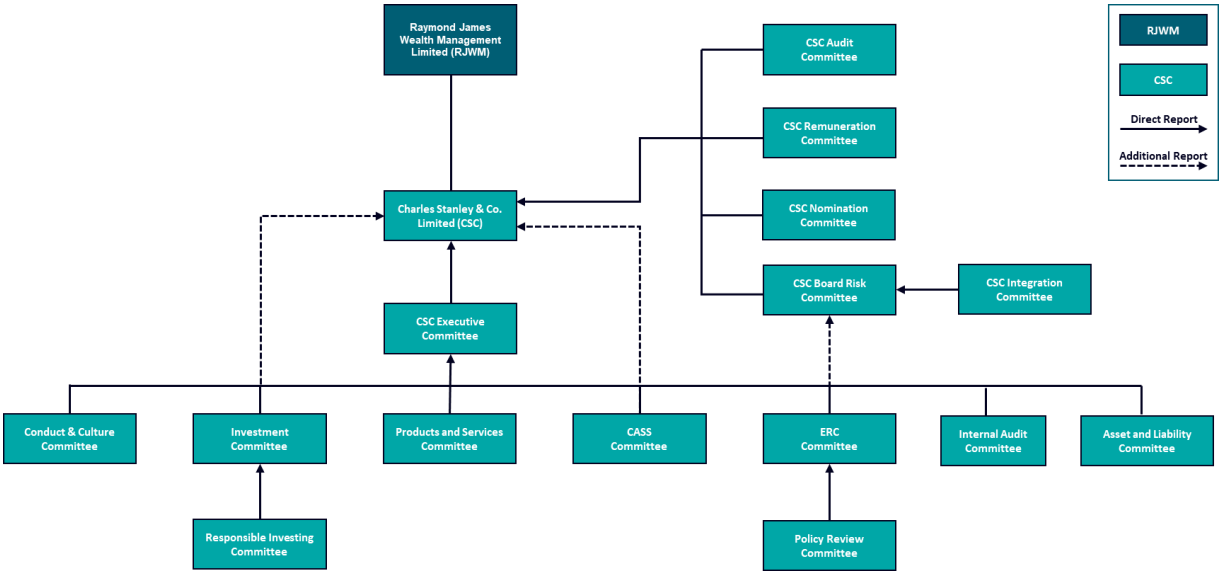

Figure 2: Charles Stanley's Climate related considerations delegation

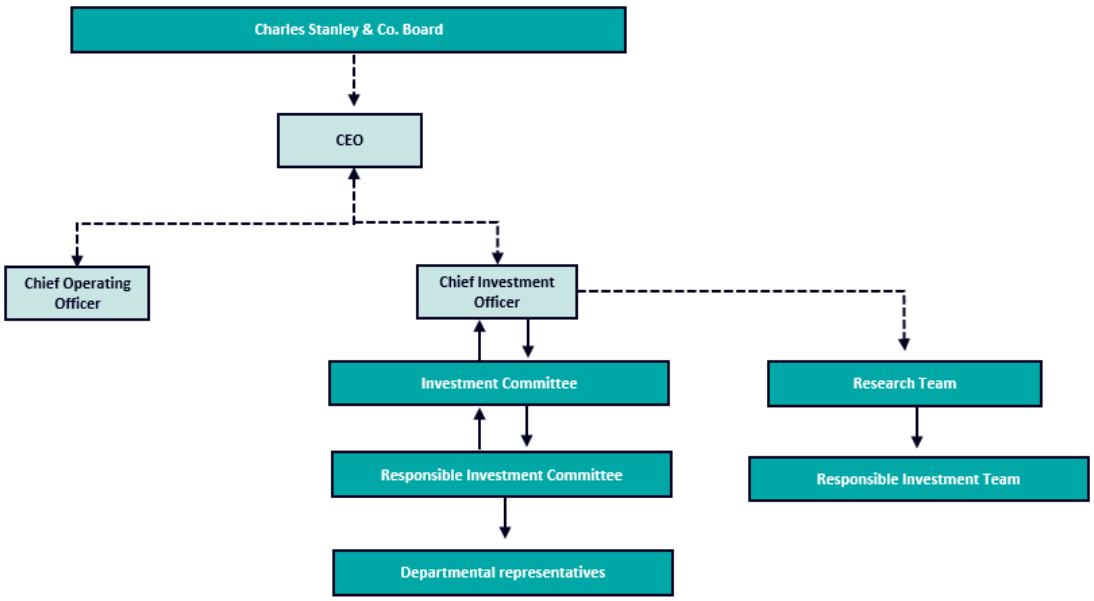

Table 1: Charles Stanley's Role and Responsibilities

Individual/Committee	Climate-related responsibility
Charles Stanley Board	The Charles Stanley Board has overall responsibility for the oversight, governance and direction of the business and affairs of the Company. The CS Board will further incorporate considerations of climate risk in the future.
Chief Executive Officer	Our CEO is accountable for implementing the decisions arising from Board discussion on relevant issues, in cooperation with our Chief Investment Officer (CIO) and Chief Operating Officer (COO).
Chief Investment Officer and Chief Operating Officer	Inform management and business research groups of relevant topics. Operational business emissions fall under COO whilst investment portfolio emissions and analysis fall under the CIO and RIC.
Responsible Investing Committee (RIC)	Our Responsible Investing Committee monitors, manages and addresses ESG-related issues alongside other sustainability related topics that have an impact on our operations, processes and investment decisions.
Enterprise Risk Committee (ERC)	The Enterprise Risk Committee provides the business operational and entity oversight of climate considerations.

At Charles Stanley, we recognise that climate-related risk needs to be managed throughout the organisation. However, as stated above, day-to-day responsibility for climate risk lies with investment managers and financial planners. The RIC is responsible for the continued oversight and development of our RI approach and capabilities. This governance structure ensures that risks are identified and only taken within approved risk appetite levels, such that there is a clear delineation between risk taking and oversight responsibilities.

The organogram, Figure 1, demonstrates the existing organisational and governance structure of the group and the committees that implement this oversight.

Chief Investment Officer and Chief Operating Officer

Figure 2 highlights the management of climate-related risks and opportunities and also highlights a key distinction of oversight between our business operations and our investment activities. Operational business emissions and related activities will be overseen and managed by the COO. Meanwhile our investment management book, associated carbon emissions and climate risk will be overseen and managed by the CIO and delegated throughout the business accordingly (RIC, Investment managers, centralised offerings & Research).

We will continue to evolve and further formalise these climate-related responsibilities at management-level throughout the organisation. This will include establishing processes to monitor progress in relation to managing climate-related topics. As part of our roadmap towards enhanced alignment with the recommendations of the TCFD, we will further formalise relevant roles and responsibilities.

Enterprise Risk Committee (ERC)

The Charles Stanley ERC provides the framework for effective internal controls and risk management practices that are maintained with respect to the risks impacting Charles Stanley. This committee, via the Chief Risk Officer and the CEO, advises the CS Board on risk matters, including climate risk.

The Responsible Investing Committee

The Responsible Investing Committee (RIC) was formed in 2021. It was created to monitor, manage and address ESG-related matters alongside other sustainability-related topics that have an impact on Charles Stanley's operations, processes and investment decisions. The RIC meets at least quarterly, and has three pillars of focus:

1. Knowledge and Regulation
2. Stewardship and Engagement
3. Policy and Implementation

Members and attendees of this committee include individuals from Research, Asset Management, Compliance, Investment Management Services (IMS), Financial Planning, Commercial Analytics, Business Change and Marketing.

The RIC is responsible for developing, maintaining and overseeing the firm's Responsible Investing Strategy (see below), taking into account client outcomes, the interests of shareholders and the firm's risk appetite.

The remit of this committee going forward, chaired by the CIO, will be expanded to formalise responsibilities for climate-related investment matters, ensure monitoring processes are in place, and to refine the method through which climate-related matters are considered in all relevant processes throughout the organisation.

Training and capacity building

At Charles Stanley, our investment managers undertake annual training on ESG and responsible investing practices. Historically, training specifically related to climate and other key ESG related topics has been available at the discretion of individuals for their CPD (Continuing Professional Development).

Further TCFD and climate specific training is planned for individuals at Charles Stanley to support the roll out of portfolio carbon emission reporting later in 2024. This is to upskill investment managers and equip them to inform, educate and discuss appropriately with clients. Climate-related upskilling activities are planned for the CS Board and Executive Committee, specifically in relation to TCFD training, climate risk and carbon reduction target setting.

To support the wider business and enhance our capacity the centralised research team has evolved with the creation of a Responsible Investment team. In December 2023, we established and filled two new positions: *Head of Responsible Investing* and *Responsible Investing Analyst*. This team, with the support of the broader Research Team, will focus on developing, implementing, and managing the RI strategy.

7. Strategy

As a leading UK wealth management company, Charles Stanley recognises that climate-related risks and opportunities can have implications on our business and investment strategies. We currently assess risks over the short-term (<12 months), medium-term (1 year – 5 years) and long-term (5 – 25 years). To date, we have not undertaken a formal climate-specific risk and opportunity identification exercise to understand the issues that may impact our operations or portfolio within each time horizon. However, ESG and climate-related matters are recognised within our review of emerging risks for Charles Stanley, and ESG-related matters are taken into account within our stress testing considerations (see Risk Management section of this report, page 16).

Our comprehensive approach to entity risk management (see pages 16-19) allows us to assess the potential financial implications of various risks for the company. We undertake regular scenario analysis of emerging and future events to assess potential outcomes and develop management responses. The aim of this is to enhance our operational and financial resilience. We also undertake stress testing, which includes a consideration of severe but plausible events or changes in economic circumstances that could impact the viability of our business.

This does not yet incorporate considerations of climate-related risks. However, we plan to formally incorporate climate-related considerations and scenario analysis into these processes.

Differing climate change scenarios are likely to have different impacts on long-term returns. Therefore, as part of our macroeconomic asset allocation process, we have factored in climate assumptions to our long-term return forecasts. Based on the options and the possible impacts of climate change, we have chosen to utilise a “Delayed Transition” [1] scenario – highlighted in the chart opposite.

At the date of this report, we have not utilised investment climate scenario analysis metrics – such as Climate Value at Risk (VaR) – or implied temperature rise type assessments. We have explored the potential for these tools and found that they are still at an early stage of development within our industry, and that they need further refinement to be more user friendly.

We continue to review and assess these tools to help monitor and manage risk and to evaluate how different frameworks could potentially help quantify our scenario analysis assessments in the future.

[1] https://www.ngfs.net/ngfs-scenarios-portal/

Our plans to transition to a low-carbon economy

At present, we have not developed a climate transition plan or defined any emission reduction targets. This is primarily due to the significant degree of operational change we continue to experience as a result of our recent acquisition by Raymond James Financial, Inc. and the subsequent process of integration with Raymond James Investment Services Limited (Raymond James) in the UK. However, this integration is enabling us to realise key business synergies that will help us reduce our environmental impact through newly realised efficiencies and streamlined projects.

To this point Charles Stanley as an organisation did not want to set a carbon reduction target without a full understanding of how this could practically be achieved. A key focus for the preparation for this initial TCFD entity report has been to set forth a clear and concise understanding of how Charles Stanley governs climate-related matters and our total carbon emissions footprint, with regards to both our business operations and investment activities.

With the bulk of our data collection processes established and operationally developed, we plan to review, analyse, and observe trends in emissions across our business operations and investment activities. This will then enable us to make more informed decisions and regarding how we can reduce emissions across our business model where possible.

From an operational perspective, we seek opportunities to optimise our resource usage and promote sustainable resource management. For example, one benefit arising from our integration with Raymond James is our recent home office relocation of our London head office from 55 Bishopsgate to 25 Ropemaker Street. Our new office location is in a highly-rated 'BREEAM' certified building, with much higher energy efficiency and environmental standards. This has already been a positive factor for a reduction in our operational footprint and will provide further benefits in 2024 and beyond.

Reducing the environmental footprint of our own operations is something over which we have a greater degree of control and will now be an area of focus in the coming years. The challenges surrounding emissions data capture and quality are significant, but we appreciate that this is an important coordinated effort for the UK, and the world, to meet the overarching goal of reducing carbon emissions.

In line with the UK Government's commitment to Net-Zero targets, we plan to develop a pathway for defining key metrics for our operations and investments. We are continuing our journey to aim to reduce carbon emissions within our operations.

With regards to our investment activities, which make up a far more significant proportion of our total carbon footprint and the material function of our business, we take a pragmatic approach to the challenges we face. As our Responsible Investment Policy Statement highlights, we believe that investors have the ability and voice to enact change, and it is the responsibility of investors to use this voice to ensure that investee companies are prepared for the impacts of climate change, whilst also taking appropriate steps in reducing their own carbon emissions.

The CS Board realise that we do not have standalone sustainability strategies or investment products that are wholly dedicated to helping enable a transition to a lower carbon economy. However, on an individual basis, the organisation does make investment recommendations linked to the transition to a low carbon economy that can be put into portfolios. For example, there are renewable energy and other infrastructure investment trusts which are held as allocations in client portfolios aligned to this theme.

8. Risk Management

Our risk management framework

At Charles Stanley, we recognise that our exposure to climate-related risks primarily arises through the investments we make on behalf of our clients. Whilst we have not yet specifically identified and assessed these climate-related risks, our existing risk identification, assessment, and management framework is comprehensive and can assist us in identifying potential harm to our clients, the markets, or Charles Stanley, and in ensuring that they are appropriately managed. We will use this risk management framework to inform and develop our approach to the identification, assessment, and management of climate-related risks. This will also ensure that they are integrated effectively into our overall risk management process.

Risk identification and assessment

At Charles Stanley, we operate a risk identification and assessment process under which all our businesses regularly consider changes in the profile of existing and emerging risks. This process assesses risks that are inherent within our business processes and products, in addition to those that arise due to changes in the environments in which we operate. Our internal risk scoring matrix allows risks to be assessed relative to one another, so that we can better understand their potential significance.

As the Strategy section details, we undertake regular scenario analysis of emerging future events to both assess possible outcomes and develop appropriate management responses to strengthen operational and financial resilience. We also undertake stress testing, which includes a consideration of severe but plausible events or changes in economic circumstances that could impact the viability of Charles Stanley. We rely on this stress testing undertaken as part of the ICARA (Internal Capital Adequacy and Risk Assessment) process, within our risk management framework, to understand the potential impacts of ESG on our investment valuations.

We plan to update our risk appetite assessment to incorporate climate-related risks. This will include the development of appropriate metrics to monitor and manage climate-related risk.

Risk management

There are eight core components to the framework (see Figure 3). This framework details some of the processes we have in place for identifying, assessing, and managing risks. Climate change is currently positioned as a strategic risk within our risk management framework. It is cross-cutting and links to several other risks within our framework.

Figure 3: Charles Stanley's Risk Management Framework

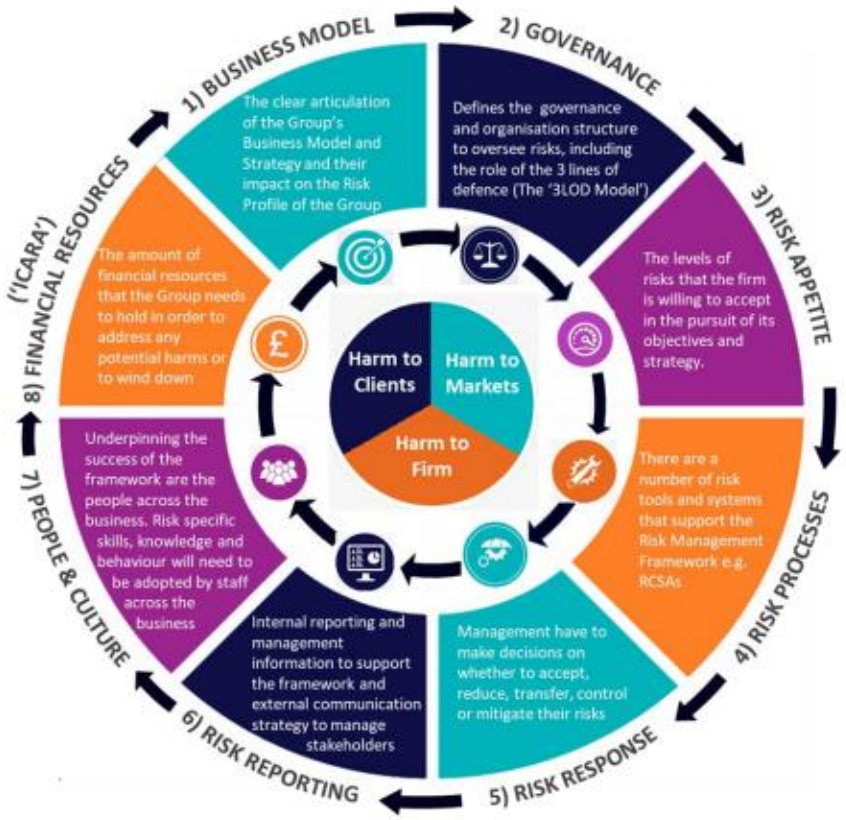

Table 2: Charles Stanley's Risk Framework Components

Stage	Description
Business model and strategy	The firm is expected to consider the impact of its business model and strategy on its current and future cash-generative powers. The analysis of Charles Stanley's business model and strategy is undertaken as part of the Internal Capital and Risk Assessment (ICARA) process.
Governance	We deploy a 'three lines of defence' risk governance model whereby the business is responsible for risk taking within the parameters of our risk appetite and accountable for managing risks in line with our risk policies.
Risk appetite	The Charles Stanley Board approves the firm's Risk Appetite Statement. This has been developed in line with our risk taxonomy and definitions, which are designed to ensure that there is appropriate coverage of all risk types to clients but also to the markets or to Charles Stanley. The Statement is reviewed annually to ensure it reflects the appetite of the Group.

Stage	Description
Risk processes	All staff and managers are responsible for identifying, assessing, and monitoring risks within our business. A range of processes has been established to support this framework, which is ultimately supported by the Risk team.
Risk management	Line management are responsible for the appropriate management of their risks, this includes ensuring approvals are in place for risk management processes, ensuring controls are implemented, undertaking control testing, monitoring risks that are maintained within the firm (or relevant business division) risk appetite, monitoring relevant planned actions, and maintaining appropriate delegation of actions.
Risk reporting	Ongoing reporting to senior management and the Executive and Control Committees, and to the Boards and Board Committees, provides required insight.
People and culture	Our people and the importance of setting the "right culture" at the top of the business underpin the success of our risk management framework. We consider four main drivers to demonstrate the Group's culture (our purpose and values, governance arrangements, leadership and approach to rewarding and managing people). These drivers are translated into expectations in terms of risk culture and positive behaviours within the business.
Financial Resources (ICARA)	The Group's core measure of overall risk exposure is risk-based capital. The Group's Internal Capital and Risk Assessment (ICARA) process sets out the approaches to calculating risk-based capital requirements for the different types of risk that the Group may be exposed to.

Integrating Climate Matters into our Investment Process

We have policies and procedures in place that allow our investment managers to integrate some ESG measures when constructing and monitoring client portfolios. This better enables our investment managers to assess the relevant ESG risks and opportunities to which investments and overall portfolios are exposed.

Our Responsible Investment Policy Statement

Throughout 2023 and into early 2024 we finalised significant updates to our Responsible Investment Policy Statement which saw us formalise three key philosophical beliefs:

1. Financial services can have a positive influence in the transition to a more sustainable economy.
2. Environmental, social and governance factors can represent both risks and opportunities and can therefore be significant for long-term investment outcomes.

3. It is important that responsible investing approaches consider the current situation, direction of travel and longer-term goals.

The Responsible Investment Policy Statement is intended to support these philosophies whilst continuing to allow investment managers and their clients discretion over investment holdings and styles.

At Charles Stanley, we take a broad approach when evaluating the merits of an investment. Taking a multifaceted approach to including responsible investment in our investment process, which includes observing the principles of stewardship and engagement, considering ESG in our investment analysis, and voting on client holdings where appropriate. We plan to further integrate climate-related matters into these ESG factors.

We believe combining top-down and bottom-up research helps us to better achieve our central purpose: to maximise risk-adjusted returns for our clients by appropriately taking into account key risk factors, including ESG, when assessing and investing in companies, highlighting the opportunities and risks around the sustainability of business models that drive long-term growth. We take a bottom-up approach to ESG analysis. This is carried out by our research analysts and investment managers. At present, ESG is one of many factors we consider when forming a view of the risks and opportunities that companies and industries face. However, it is not an overriding investment objective. If a company has, or develops, serious ESG issues which could have a major impact on its future performance, this will be flagged to the investment managers. It would be preferential to engage with the company, rather than divest a holding. We continue to evolve our RI capabilities and our processes. A key part of this will be to ensure that climate-related risks and opportunities are specifically assessed for our investments.

To help our ESG analysis, we currently use data from a leading ESG ratings provider. Since we are a wealth manager, our clients are predominantly retail clients who do not have their own policies on stewardship and engagement. Where our clients are institutional investors, such as charities and pensions funds, we consider their stewardship and investment policies. Negative and positive values-based screening is client-led and is not imposed on clients unless they request us to devise a portfolio that uses these approaches.

At Charles Stanley, we acknowledge that climate change poses a threat to people and the planet in addition to financial risks. We will therefore continue to expand our research, tools and analytical processes to incorporate climate-related risks and opportunities.

Additional information can be found in our Responsible Investment Policy Statement.

9. Metrics and Targets

We believe that metrics are essential for measuring and understanding climate-related risks / opportunities, however we have not set any targets at this point.

Our investments

We have calculated emissions associated with our discretionary managed investments (see Table 3 below). The carbon data in the tables below was taken from the most recently available - 31st March 2024.

Our carbon data coverage has improved year-on-year (details included in the notes below).

Table 3: Emissions from investment holdings

Metric	Units	Mar 2024	Mar 2023
Total emissions (entity* investment)	**tCO_2e**	**6,205,678.94**	**4,846,587.14**
Scope 1 and 2	tCO_2e	622,802.30	530,383.11
Scope 3	tCO_2e	5,519,162.36	4,289,552.55
Sovereign	tCO_2e	63,714.27	26,651.48
Carbon footprint	**tCO_2e/£m invested**	**529.11**	**540.95**
Scope 1 and 2	tCO_2e /£m invested	55.17	60.45
Scope 3	tCO_2e /£m invested	488.45	490.24
Sovereign	tCO_2e /£m invested	142.65	141.56
Weighted average carbon intensity (WACI)	**tCO_2/£m sales**	**1,041.25**	**-**
Scope 1 and 2	tCO_2e /£m sales	119.17	-
Scope 3	tCO_2e /£m sales	956.62	-
Sovereign	tCO_2e /£m sales	0.14	-

**Note, entity includes equity and corporate bonds and funds. Data capture for WACI in 2023 was unavailable.*

In terms of data coverage (2024 vs 2023):

Total Entity coverage increased to 73% vs 64%.

Breakdown:

- ***Equity and corporate bond:*** *73% vs 61%*
- ***Sovereign:*** *53% vs 68% (coverage declined)*
- ***Funds****: 74% vs 67%*

Although overall emissions from our underlying investments in the above tables have increased compared with the previous financial reporting year, this is primarily due to an increase in the availability of emissions data.

The carbon footprint provides a representation of the emissions per £1m invested based on the investments that have appropriate data. As methodologies mature, we expect our data coverage to improve, and that the improvements in quality of data will help highlight where entities are actively lowering emissions and/or portfolios are reflecting lower emission holdings. We expect that, in future, we will be better able to understand the emissions outputs and to determine what is driving these.

The Weighted Average Carbon Intensity (WACI) metric looks at how much carbon a singular business emits relative to its business activity measured in total revenue. This datapoint is then aggregated into portfolios or funds and can further be computed across portfolios, or indeed our entire investment book.

See the methodology below for more information.

Methodology

The Scope 1, Scope 2 and Scope 3 GHG emissions associated with our investments have been calculated by BITA Risk Ltd and are aligned to the calculation methodologies provided by the Partnership for Carbon Accounting Financials (PCAF). In addition, please see the investment metrics methodologies below:

Metric	Methodology	Interpretation
Total carbon emissions The absolute GHG emissions associated with a portfolio's investment, expressed in tonnes of CO_2e	$tCO_2e = \sum\left(\frac{value\ of\ investment}{Issuer's\ enterprise\ value + cash} \times Issuer's\ GHG\ emissions\right)$	Provides the absolute carbon footprint of a portfolio
Carbon footprint Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes of CO_2e per £m invested	$tCO_2e/£m\ invested = \frac{\sum\left(\frac{value\ of\ investment}{Issuer's\ enterprise\ value + cash} \times Issuer's\ GHG\ emissions\right)}{portfolio\ value\ with\ emission\ data\ (£m)}$	An intensity metric that can be used to compare portfolios or benchmarks across the industry
Weighted Average Carbon Intensity (WACI) Measures a portfolio's exposure to carbon intensive companies, expressed in tonnes of CO_2e per £m sales	$tCO_2e/£m\ sales = \sum\left(\frac{value\ of\ investment\ with\ emission\ data}{portfolio\ value\ with\ emission\ data} \times \frac{Issuer's\ GHG\ emissions}{Issuer's\ £m\ revenue}\right)$	A useful intensity metric to compare the carbon intensity of portfolios or benchmarks

Targets

Charles Stanley has not defined a carbon emission reduction target or decarbonisation pathway for our discretionary investment holdings. As a business that builds portfolios for clients with a focus on maximising risk adjusted returns, we would not want to set a rigid carbon emission reduction target, without having first established an effective engagement strategy that can help investees reach their decarbonisation goals.

However, we do recognise that financial services can have a positive influence on the transition to a more sustainable economy. In order to accomplish this, tracking and measuring our impact can be used to help mitigate risk and capture opportunities. Therefore, if we do identify a carbon emissions reduction framework that better mitigates climate risk on behalf of our clients' investments, we will further explore and review those options.

Remuneration

Performance metrics related to ESG issues or climate emissions are not currently included within remuneration considerations at the executive level. We think it is important to highlight that our aggregated investment emissions are an outcome from the work of our network of investment managers, products and services. As a business we can ensure we provide the tools and facilities to ensure clients get the best service. Respecting client preferences is our key priority however we look to identify and explain key risks in all of our clients' portfolios.

As highlighted above in our philosophies, we strive to be active and responsible investors, engaging on key issues we believe to be important for clients whilst also managing climate risk.

Our Operations

At Charles Stanley, we measure, report and monitor our annual Scope 1, 2 and 3 GHG emissions, in addition to GHG emissions intensity (per Full Time Employee). We use a financial control approach, as opposed to an operational control approach. We generate GHG emissions through our use of office spaces and branches for which we have financial responsibility for heating, cooling, lighting and operating office equipment, in addition to employee travel. See Table 4 below.

Reductions in both electricity and gas consumption contributed to the reductions in emissions for 2022-2023 compared to 2021-2022. Total GHG emissions in 2022-2023 were 445.65 tCO_2e. Electricity consumption in FY2022-2023 was lower than in the previous reporting period, partly due to the extended financial period in FY22 due to the integration with Raymond James in addition to fewer offices within the reporting period. Gas consumption has also reduced by a considerable amount when compared to the previous years.

Table 4: Our operational carbon footprint

Metric	Units	2022-2023	2021-2022	2020-2021
Our operations				
Total GHG emissions	tCO_2e	445.64	492.83	497.34
Scope 1	tCO_2e	29.33	140.86	30.84
Scope 2 (location-based)	tCO_2e	299.40	264.94	427.65
Scope 3*	tCO_2e	116.91	86.62	38.84
GHG emissions intensity (Scope 1, 2 and 3)	tCO_2e/employee	0.50	0.58	0.63

* Scope 3 data figures only include category 6 Business Travel, specifically only including transport mileage claims and do not include any other components of business travel.

Methodology

Charles Stanley has collated data related to its Scope 1, 2 and 3 emissions and energy use for activities over which it has financial control. All emissions and energy use relate solely to UK activities.

We have also included an intensity ratio in the format of emissions in tCO_2e per employee.

Carbon emission factors have been sources from the UK Government GHG Conversion Factors for Company Reporting 2023 and calculations have been undertaken in line with HM Government Environmental Reporting Guidelines: including Streamlined Energy and Carbon Reporting Guidance March 2019. These guidelines are aligned to the GHG Protocol Methodology.

10. Next Steps – in 2024 and beyond

Looking forward, we plan to undertake the following steps in relation to the four pillars of the TCFD:

Governance

- Continue to formalise processes and governance structures in relation to the ownership, oversight, and delegation of climate-related matters. This will primarily involve expanding the remit of the RIC.
- Ensure climate-related matters are a standing agenda item at RIC meetings, which occur at least quarterly.
- Improve training and understanding in relation to climate-related risks and opportunities across the company.
- Undertake a TCFD gap analysis to identify existing gaps and define actions to improve alignment to the recommendations of the TCFD.
- Develop a climate dashboard to monitor exposure and key climate risk areas.

Strategy

- Undertake an initial (qualitative) climate scenario analysis to identify the risks and opportunities that may impact our business in the short-, medium-, and long-term, and define appropriate mitigation measures.
- Identify key priority climate-related financial risks for further in-depth analysis and evaluation of impact.
- Assess the extent to which Charles Stanley can commit to developing and disclosing a Climate Transition Plan.

Risk management

- Formally integrate considerations of climate-related risks into the existing risk management framework and risk taxonomy.

Metrics and targets

- Develop a pathway for defining key metrics and targets for our operations and investments. We are continuing our journey to aim to reduce our carbon emissions from our operations.

Appendix 1: Glossary of Terms

Term	Description
Climate transition plan	A climate transition plan sets out how an organisation will aim to transition its business to the low carbon economy, aiming to align its operations, assets, portfolio, and business model to meet Net-Zero
Environmental, Social, and Governance (ESG)	Environmental (e.g. emissions), Social (e.g. labour standards) and Governance (e.g. board diversity and accountability) are three research factors used to help inform investment decisions
Financed emissions	Our financed emissions metric measures the GHG emissions which Charles Stanley finance through its investments under Scope 3 Category 15. This includes investment companies' Scope 1 and Scope 2 emissions.
Net-Zero	Achieving a balance between the carbon emitted into the atmosphere, and the carbon removed from it.
Scope 1	Direct emissions from sources owned and controlled by Charles Stanley.
Scope 2	Indirect emissions from the consumption of purchased electricity, steam, heat and cooling.
Scope 3	All other indirect emissions linked to the company, excluding financed emissions.
tCO_2e	Stands for tonnes of carbon dioxide (CO_2) equivalent. There are several greenhouse gases which contribute to warming the earth at different extents, such as carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). Rather than providing metrics for each gas, they are converted into tonnes of CO_2e for reporting purposes.

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