Frostrow Capital LLP

2024 TCFD Entity Level Report

1. Introduction and Context

1.1 Purpose

Frostrow Capital LLP ("Frostrow" or "the firm") is an independent investment companies group and AIFM which provides a range of services to London-listed investment companies. The firm is regulated by the Financial Conduct Authority ("FCA").

This document fulfils the regulatory requirement under chapters 2.1 and 2.2 of the FCA's Environmental, Social and Governance ('ESG') sourcebook. Chapters 2.1 and 2.2 detail the requirement for firms to prepare and publish a 'TCFD entity report' containing climate-related disclosures consistent with the Task Force on Climate-Related Financial Disclosures ('TCFD') Recommendations and Recommended Disclosures. 2 This TCFD entity report sets out how the firm considers climate-related matters when managing assets on behalf of clients whilst taking account of the fact that Frostrow delegates portfolio management to third party investment managers, encompassing disclosure of Governance, Strategy and Risk Management arrangements, as well as relevant climate-related Metrics and Targets. This report contains entity-level disclosures; whilst some of the disclosures contained in this report may be relevant for product-level reporting, this should not be considered a product-level report.

1.2 Frostrow's Structure and Business Activities

Founded in 2007, the firm is an owner-managed, FCA-regulated limited liability partnership. Its team has over 300 combined years of specialist investment company experience.

Frostrow provides a range of services to its investment company clients including accounting, administration, operations alongside investor relations and marketing. For an number of these clients, the firm acts as Alternative Investment Fund Manager ("AIFM"). Assets under management of the AIFM clients of the firm exceed £5 billion, bringing Frostrow and these AIF clients within the scope of the TCFD disclosure requirements that come into effect for AIFMs with over £5 billion of assets under management from 30 June 2024.

As AIFM, Frostrow does not employ or materially influence the investment policies of its client Alternative Investment Funds (AIFs). These follow investment policies and approaches to ESG matters set by each AIF's independent board of directors, approved by their respective shareholders and enacted by each AIF's portfolio manager. Frostrow therefore unable to materially influence the policies and approaches to ESG matters, including approaches to addressing climate change, adopted by its client AIFs. In its role as an independent AIFM, Frostrow's role includes ensuring that each AIF complies with its agreed policies.

1.3 Our Operations

Frostrow currently employs 25 members of staff (partners and employees) and operates from a serviced office location in central London, using centrally provided core utilities and services – heating, electricity, etc. As a tenant of a serviced office provider, the firm has limited ability to influence the energy suppliers it uses and hence has little influence over the carbon intensity of the energy it uses.

Frostrow is, however, committed to achieving net zero by 2050 at the latest, which it define as a 90% reduction in Scope 1 and 2 emissions against a 2019 baseline with residual emissions balanced through carbon offsets or removals. It is also continuously exploring options to reduce Scope 3 emissions and to bring these within its operational net zero targets.

2. TCFD Overview

TCFD recommendations are built around four thematic areas that are core elements of any organisation operates—governance, strategy, risk management, and metrics and targets

Within each theme, the implementation guidance provided by the TCFD, sets out a number of questions to be addressed by a reporting entity. These are set out, alongside the firm's approach to each of these questions, below.

2.1 Governance

Describe the Board's oversight of climate-related risks and opportunities	Frostrow's Board, which is chaired by the Managing Partner and comprises other partners in the firm or their representatives and a non-executive Board member sets and oversees the firm's business strategy. This includes determining the firm's risk appetite and ensuring processes are in place for managing these risks, including risks related to ESG issues and climate change. The Board also considers the firm's own exposure to climate related risks and the threats and opportunities they represent.
Describe management's role in assessing and managing climate-related risks and opportunities.	The Board receives minutes of the firm's Business Risk Management Committee ("BRMC"). The BRMC is made up of senior management and representatives of the firm's company secretarial, accounting and compliance functions. The BRMC is responsible for embedding the firm's risk appetite, including ESG and climate change risks, into policies and procedures applied to clients and also feeding back on the operation of these policies at the client level to the firm's Board. This two-way mechanism allows management to assess the climate risks and opportunities as they apply to each client, in the context of clients pursuing individual investment policies with a variety of approaches to investment, climate and other risks.

2.2 Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Frostrow's current view is that transition risks and opportunities are particularly important in the short to medium term (3 to 10 years). Over longer time periods (up to 30 years) physical risk are likely to become increasingly important, although ahead of this there is the potential for extreme weather to have short to medium term impacts. In terms of transition risks, the firm considers both the impact of policies that are intended to mitigate climate change, as well as the impact of shifting demand for the firm and its clients' funds resulting from policies implemented to combat climate change. Frostrow also recognises that the transition to a low-carbon economy can also present opportunities for companies and the funds that invest in them that are responding to the

	challenges of climate change and are able to benefit from shifts in market and consumer preferences.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The appendix shows the firm's assessment of climate related risks across policy & legal, technological, market, reputational matters alongside physical risks as they apply to Frostrow. These risks are considered in strategic and financial planning.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The firm has conducted a qualitative scenario analysis looking at the impact of three climate-related scenarios on its operations and strategy. These three scenarios are: 1. a smooth orderly transition that limits temperature rises to about 1.5C above pre-industrial levels this century 2. a volatile, disorderly transition that eventually limits rises to about 1.5C, and 3. a failed, 'hot house' world in which temperatures rise by about 3C The outcome of these scenario analyses is shown in point 4, below.
Describe how climate-related risks and opportunities are factored into relevant products or investment strategies.	Frostrow's AIF clients have appointed a portfolio manager, appointed jointly with their own Board, independent of the firm, each of which has its own approach to the manner and extent to which climate-related opportunities and risks are factored into the investment approach and operation of the AIF. The independent board of each AIF works with the portfolio manager to determine the appropriate approach for its individual fund.
Describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks.	Frostrow's AIF clients have their own appointed portfolio manager, independent of the firm, each of which has its own approach and policies with regards to engagement with investee companies. To the extent possible, Frostrow encourages its client AIFs disclose examples of engagement activity in each AIF's financial statements and other public reporting, providing examples of best practice within the context of the FCA's Sustainability Disclosure Requirements ("SDR") and in particular the anti-greenwashing elements of these rules.

2.3 Risk Management

Describe the organisation's processes for identifying and assessing climate-related risks.	The firm's BRMC considers climate related risks in the context of broader discussions of the risks facing the business at its regular meetings. Key risks, including climate-related risks are elevated to the Board for review

	and incorporation into the strategic and financial plans of the firm. The firm's client AIFs consider climate risks in the context of their own risk identification and management processes. These are made independently of the firm.
Describe the organisation's processes for managing climate-related risks	Material climate-related risks are incorporated, by the Board, into the firm's financial and strategic plans. Progress against these plans is measured by the Board, with any amendment to the firm's operations or to plans made as considered necessary. The firm's client AIFs manage climate-related risks they have identified through processes incorporated into their own governance structures. These are independent of the firm's own processes.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate-related risks are incorporated into the firm's broader risk identification and management process which considers the potential financial and operational impact, and likelihood of risks alongside any mitigation that can be put in place to reduce a risk's impact. The firm's client AIFs have their own processes for identifying, assessing and managing climate-related risks. These are independent of the firm's own processes.

2.4 Metrics and Targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	The primary metric used by the firm to assess climate-related risks and opportunities are, at present, estimated GHG emissions. The firm is exploring additional metrics that may prove of value in this process. The firm's client AIFs disclosure their own metrics in their product-level disclosure documents.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	Scope 1,2, and 3 emissions for the firm are disclosed in the appendix. The firm's client AIFs disclosure their own metrics in their product-level disclosure documents.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The firm's commitment to achieve Net-Zero by 2050, requires a substantial reduction in the firm's GHG emissions in future years. A consistent drop in year-on-year comparisons of Scope 1, 2 and 3 emissions and/or alternative measures which may be adopted in the future, comprises the primary target pursued by the firm.

3.0 Product Level Disclosures

Frostrow Capital LLP acts as AIFM for the following AIFs. As described above, each AIF operates with an independent portfolio manager and is governed by an independent board of directors. The investment objective, investment policies and policies and governance related to climate-related risks are determined independently of Frostrow.

Product-level disclosures required under TCFD can be found on the respective website of each AIF. These are:

The Biotech Growth Trust	https://www.biotechgt.com
Worldwide Healthcare Trust	https://www.worldwidewh.com
Finsbury Growth & Income	https://www.finsburygt.com
Temple Bar Investment Trust	https://www.templebarinvestments.co.uk
Pacific Assets Trust	https://www.stewartinvestors.com/uk/en/institutional/our-strategies/pacific-assets-trust.html
Menhaden Resource Efficiency	https://www.menhaden.com
Augmentum Fintech*	https://augmentum.vc

Note: Augmentum Fintech PLC invests in unlisted fintech companies. These companies are at an early stage of their development and so there is, at present, insufficient information available from these companies, nor is there an appropriate proxy measure, for the production of meaningful product-level disclosures. The AIFM and the Portfolio Manager of Augmentum Fintech, will continue to work with investee companies to develop and enhance disclosures in this area.*

4.0 Scenario Analysis

In order to meet its TCFD requirements, Frostrow has conducted a scenario analysis to evaluate the potential impacts of climate change on our operations, financial performance, and strategy. We considered multiple climate scenarios that align with the goals of the Paris Agreement and broader climate change projections.

The scenarios assessed include:

1. **Orderly Transition Scenario (1.5°C or below)**: This scenario assumes that global efforts to limit warming to 1.5°C or below are successful, with rapid decarbonization of industries and global shifts toward clean energy and sustainable business practices.
2. **Disorderly Transition Scenario (1.5°C or below)**: This scenario assumes that global efforts to limit warming to 1.5°C or below are successful, but are enacted in short order following a delay. This transition comes with higher costs due to divergent policies introduced across sectors and a quicker phase out of fossil fuels. This leads to very large transition risks with rapid decarbonization of industries and global shifts toward clean energy and sustainable business practices.
3. **"Hot House" Scenario (in excess of 3°C of warming)**: This scenario assumes a high-emissions pathway, leading to in excess of 3°C of warming by the end of the century, resulting in severe physical climate risks such as extreme weather events, sea level rise, and temperature extremes.

Methodology

Our scenario analysis utilized a combination of qualitative and quantitative methods to assess the impacts across the following dimensions:

- **Governance**: Impact on our organizational structure, board responsibilities, and decision-making processes.
- **Strategy**: How different climate scenarios affect our long-term strategic goals, market positioning, and resilience.
- **Risk Management**: How risks, both physical and transition-related, are identified, assessed, and mitigated under each scenario.
- **Metrics and Targets**: Key performance indicators (KPIs) used to measure progress against climate-related targets.

Scenario 1: Orderly Transition

Impact on Operations and Financial Performance:

- **Regulatory Risks**: A stringent regulatory environment aimed at achieving net-zero emissions by mid-century may lead to higher compliance costs, and a commensurate reduction in profitability.
- **Market Oportunities**: The major impact on Frostrow will come from the global impact of the changes required to achieve a transition scenario on the investment opportunities for the investment companies managed by Frostrow and the impact this has on investor appetites for investment companies. Under the transition scenario, we expect investor demand for Frostrow managed investment companies to be, in the worst case, largely unchanged, and potentially improved. The extent to which demand may increase will depend on the investment policies pursued by client investment companies and the extent to which they are able to include the beneficiaries of the climate transition within their investment portfolios and strategies.
- **Physical Risks**: The expected rise in global temperatures is manageable under this scenario, but we anticipate more frequent extreme weather events. Given Frostrow's single site of operations and the ability of its team to operate effectively from remote locations, we believe the physical risks to be limited.
- **Long-term Strategy**: Frostrow plans to align its strategy with the global transition to a low-carbon economy and, where possible, influence the investment policies of its client investment companies to adopt best practice in this area.

Financial Impact (Short-Term to Medium-Term):

- Moderate increase in costs related to regulatory compliance, and the cost of transition on key suppliers.

- Potential for decreased income from investment company clients which fail to adopt policies consistent with investor demand for investment companies pursuing climate aware policies.
- Potential for revenue growth from new investment companies pursuing best practice in sustainability.

Scenario 2: Disorderly Transition

Impact on Operations and Financial Performance:

- **Regulatory Risks**: A rapid increase in regulation aimed at achieving net-zero emissions by will lead to higher compliance costs, and a commensurate reduction in profitability. The impact on client investment companies and the companies in which they invest will also bear the costs and operational disruption of adapting to rapid regulatory change.
- **Market Oportunities**: The major impact on Frostrow will come from the impact of rapid changes on the addressable investment universe of its client investment companies and the returns expected from them. Alongside this, the increased economy-wide costs of a rapid adaptation to climate change are likely to lead to higher interest rates – increasing bond yields and reducing demand for equity investment. Under this transition scenario, we expect investor demand for Frostrow managed investment companies to be reduced, potentially materially, while the compensating investment opportunities present in an orderly transition may not be so marked.
- **Physical Risks**: The expected rise in global temperatures is manageable under this scenario, but we anticipate more frequent extreme weather events than would be the case under an orderly transition. Given Frostrow's single site of operations and the ability of its team to operate effectively from remote locations, we believe the physical risks to be limited.
- **Long-term Strategy**: Frostrow plans to align its strategy with the global transition to a low-carbon economy and, where possible, influence the investment policies of its client investment companies to adopt best practice in this area. A disorderly transition is likely to require rapid adjustment of client investment objectives in a world of materially shifted return expectations, which may potentially limit medium and longer term growth and profit prospects for the Firm.

Financial Impact (Short-Term to Medium-Term):

- Significant increase in costs related to regulatory compliance, and the cost of transition on key suppliers.
- Potential for decreased income from investment company clients as return expectations for equities fall and risk-free interest rates rise.
- Reduced potential for revenue growth from new investment companies and falling revenue from existing clients.

Scenario 3: Excess of 3°C Warming (Physical Risk Scenario)

Impact on Operations and Financial Performance:

- **Physical Risks**: Severe climate impacts such as heatwaves, flooding, and droughts could disrupt the Firm's operations. While the direct impact on Frostrow may be limited, given its location and simple business mode, suppliers often utilise offshore operating centres based in locations which wil face greater disruption. This may have an impact on both the pricing and reliability of the provision of services essential to the Firm and its clients.
- **Market Shifts**: We expect costs of capital to rise and the risk appetite of equity investors to decrease in response to the cost of global disruption. This will negatively impact demand for the Firm's investment company clients.
- **Operational Risks**: Extreme weather events may increase operational disruptions, leading to higher costs, potential service disruption and reduced service levels to clients, threatening the Firm's business model.
- **Supply Chain**: The Firm utilises the services of fund accounting, custody and depositary services from firms operating across the globe. A number have operating centres in locations likely to be particularly exposed to severe climate change. This may result in a decline in service quality alongside a rise in costs as these suppliers adjust their operating models.

Financial Impact (Short-Term to Medium-Term):

- Potential increases in capital and operating expenses due to the need for infrastructure reinvestment, disaster preparedness, and insurance.
- Reduced profitability from rising operating costs and a decline in demand for investment companies as a result of declining investor appetites for funds of all kinds and the rising cost of capital and bond yields.
- Longer-term adaptation costs, including amending the Firm's operating model to increase resilience to severe climate change

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Conclusion

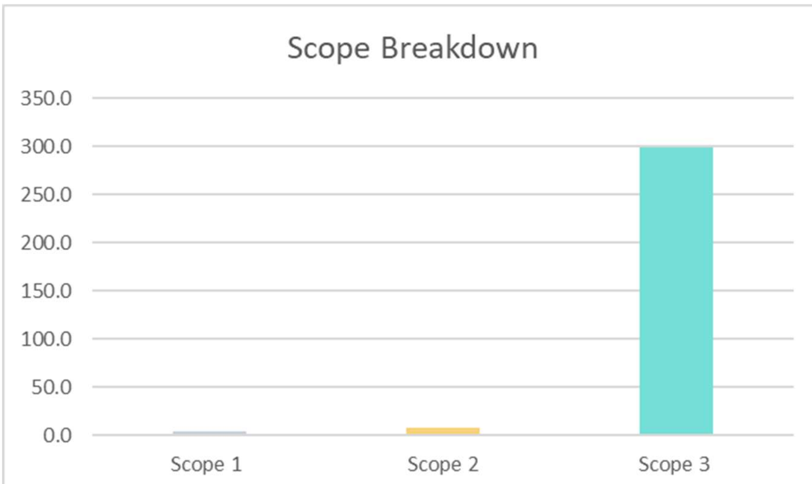
Frostrow's analysis demonstrates that climate-related risks present both challenges and opportunities across different future climate scenarios. While the transition to a low-carbon economy offers significant opportunities and hence create potential new investment themes and opportunities for its underlying clients, the impacts of climate change may also pose considerable risks to the Firm's operations and profitability particularly in high-emission scenarios.

We are committed to managing and mitigating these risks by implementing a clear strategy aligned with the Paris Agreement's 2°C target and transitioning to a more sustainable business model. Moving forward, we will continue to monitor and adjust our strategy in response to evolving climate scenarios, ensuring we are well-positioned for a sustainable future.

Appendix

Estimated Greenhouse Gas Emissions by Frostrow Capital LLP for the year ended 31 December 2023.

Scope	**Description**	**Total Metric Tons of CO_2e**
1	Emissions made directly by an organisation	4.0
2	Emissions made indirectly by an organisation	7.8
3	Emissions made indirectly, associated with the organisation's value-chain.	299.5



Source: Frostrow Capital LLP

Frostrow CAPITAL

Summary of Risks

	Climate-Related Risk	Potential Financial Impacts
Transition Risks	**Policy & Legal**	
	Increased cost of Greenhouse Gas Emissions. Increased reporting obligations. Exposure to litigation. Regulatory constraints limit business opportunities.	Increased operating costs – notably compliance costs and legal/insurance costs. Capital costs incurred in scrapping/writing-off assets or changes in operating model to meet new policies. Potential reduction in demand for services as clients' own margins squeezed by their own cost burden rising.
	Technology	
	Substitution of existing services with lower emission options. Costs of transition to lower emitting technologies. Potentially unsuccessful investment in new technologies.	Write-offs of existing technology/assets. Capital costs and opportunity costs incurred in technology changes – costs of hardware, training, etc. Lack of transparency on GHG emissions from cloud computing infrastructure leads to poor choices when selecting technology partners, with future cost implications.
	Market	
	Changing customer behaviour. Increased costs. Increasing market uncertainty.	Failure of clients to amend policies or objectives renders them less appealing to investors. Increased market volatility renders equity focused investment companies unappealing to investors. Increased costs of active management and compliance with policies renders smaller active managers, who comprise our main client base, uncompetitive against larger investment managers or passive/tracking funds.
	Reputational	
	Shifts in consumer preferences. Stigmatisation of specific sectors or investment approaches. Investor concerns and negative feedback.	Client investment policies may prove unappealing leading to loss of assets/income. Investors lose faith in active investment management as a result of stigmatisation of policies or loss of faith in approaches taken/potential 'greenwashing' concerns leading to loss of clients/income. Costs of shareholder engagement and changes in policy.
Physical Risks	**Acute**	
	Increased severity of extreme weather events	Reduced business capacity due to loss of assets, data and/or the availability and deployment of the workforce both within the firm and within service providers who increasingly operate from geographies with potential greater exposure to climate-change effects. Leading to: - Increased costs - Loss of revenue - Loss of clients as a result of service level declines
	Chronic	
	Increasing variability of weather patterns. Rising temperatures. Rising sea levels.	Increased costs addressing the immediate effects of weather events. Increased operating costs and capital costs including the potential for redeployment of the office/team to mitigate climate impact. Reduced capacity within insurance markets leading to higher premia and/or reduced availability of cover