BENGUELA GLOBAL
FUND MANAGERS

Task Force on Climate-Related Financial Disclosures | TCFD)

TCFD Report

For the year ended in February 2024

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About our report

Our TCFD Report contains information about the Benguela Global Fund Managers' climate-related activities, policies, governance, strategy, risk management, metrics, and targets. The report provides information that enables stakeholders to assess our progress in our climate adaptation journey.

TCFD recommendations

The TCFD recommendations were established in 2015, but the recommendations for climate-related financial disclosures were launched in 2017. It is designed to encourage consistent and comparable reporting on climate-related risks and opportunities by companies to their stakeholders. The TCFD recommendations are structured around four core elements and include 11 specific guidelines.

Throughout this report, Benguela Global Fund Managers has sought to provide information on all four pillars and the 11 recommendations as follows:

Governance	Strategy	Risk management	Metrics and targets
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, considering different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Benguela supports the ISSB's new standard, IFRS S2 Climate-related disclosure (S2), which essentially incorporates all the elements of the TCFD recommendations. This includes the four content pillars (governance, strategy, risk management, and metrics & targets) and the 11 specific recommendations from the TCFD framework.

1. Governance

Board oversight

Our Chief Investment Officer (Zwelakhe Mnguni) and Chief Executive Officer (Lesiba Mothata) oversee Benguela's investment processes, including the management of climate-related risks and opportunities, ensuring these factors are integrated into our overall governance framework.

Management's role

Our investment team is responsible for assessing and managing climate-related risks and opportunities, along with other investment risks. This includes integrating climate considerations into our investment decision-making process and ensuring ongoing communication with stakeholders regarding our climate strategy and other company-related issues.

In 2022, we established our qualified ESG team. This team reports to the heads of local and global research. Ultimately, responsibility for the ESG function lies with the CIO and CEO. The dedicated ESG team conducts thorough ESG research, produces comprehensive ESG reports, and addresses companies' ESG issues, all of which contribute significantly to our sustainable investment decision-making process.

2. Strategy

Investment approach

Benguela Global Fund Managers recognize climate change as a significant driver of risk and opportunity within the investment landscape. We actively consider climate-related risks and opportunities throughout our investment strategy, with varying impacts across different time horizons. We integrate ESG factors into our analysis to assess the sustainability and ethical practices of companies, along with the cost of capital and margin of safety assessments.

Climate-related risks and opportunities

Climate-related risks

The summary of the climate-related risks over the short, medium, and long term.

Horizon	Risks factors	Impact on Benguela Global Fund Managers	Investment strategy
Short-Term (1-3 Years)	**Regulatory changes** - immediate regulations such as carbon taxes and stricter emission standards can significantly increase operating costs for high-emitting sectors like coal, gas, oil, utilities, cement, and steel. For example, the EU ETS carbon price.	Future earnings of the fund's investments may not meet our expectations due to higher-than-expected regulatory costs, or costs to adjust.	At Benguela Global Fund Managers, our investment process is based on deep-level, long-term focused research. We consider future risks and expected outcomes in assessing investment opportunities. Our investment analysts are assisted by our ESG analysts in keeping up to date with risks and regulatory changes related to climate change. Furthermore, our Data & Analytics teams regularly review the portfolios for risk exposures.
	Market volatility - natural disasters can cause market volatility, impacting sectors like agriculture, forestry, fisheries, and retail.	Increased market volatility could result in lower risk adjusted returns. This will require increased risk oversight on volatility measures.	
	Reputation risk - companies in high-emitting sectors might face reputational damage, affecting their market value and investor sentiment.	An increase in stock specific risk due to this reputational factor, could weigh on fund performance.	
Medium Term (3-10 Years)	**Transition risk** - industries like oil, gas, and coal face significant transition risks as economies shift towards renewable energy.	The transition will disrupt supply and demand at different paces. This could cause periods of both outperformance and underperformance of legacy energy stocks. The fund risks underperforming the benchmark by being on the wrong side of these movements.	

<table>
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<td rowspan="2"></td>
<td>Supply chain disruptions - climate change impacts, such as extreme weather, can disrupt supply chains in sectors like textiles, chemicals, and agriculture, leading to increased costs and reduced margins.</td>
<td>This will disrupt supply chains in sectors like textiles, chemicals, and agriculture which can lead to operational inefficiencies that could affect Benguela’s investments negatively.</td>
<td rowspan="5">At a stock level we adopt a positive engagement approach rather than screening out companies purely based on poor ESG performance. We actively engage with the management of companies in which we invest or consider investing on behalf of our clients, to discuss ESG concerns. The information gathered from these meetings informs our investment decisions and encourages companies to improve their ESG procedures and policies. We believe this approach effectively enhances corporate responsibility in our investee companies. Our portfolio managers and analysts engage with companies on an ongoing basis, addressing specific ESG issues during conference calls or face-to-face meetings, to promote better ESG practices.</td>
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<td>Stranded assets
Long-term investments in fossil fuels and related infrastructure may become obsolete, led to write-downs and asset impairments.</td>
<td>Benguela’s fund performance could be negatively affected by potential write-downs and asset impairments in fossil fuel industry investments.</td>
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<td></td>
<td>Physical risks
Long-term climate change effects, such as rising sea levels and increased frequency of extreme weather events, can severely impact industries like insurance, shipping, aviation, and agriculture.</td>
<td>The rising variability of outcomes caused by these physical risks, increase the risk of forecast error, and thus increase the risk of unfavorable investment decisions.</td>
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<td rowspan="2">Long-Term (10+ Years)</td>
<td>Regulatory and legal risks Increased global focus on climate change, which could result in more stringent regulations and legal actions against high-emitting sectors, affecting long-term profitability.</td>
<td>Stricter ESG disclosure requirements might necessitate additional resources and processes for Benguela to ensure portfolio alignment. This could lead to higher operational expenses. New regulations might require Benguela to adjust its investment processes to comply with ESG mandates. This could potentially alter Benguela's operational costs.</td>
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<td>Technological obsolescence
failure to innovate and transition to sustainable practices may render traditional technologies and processes in sectors like coal, oil, and gas obsolete.</td>
<td>Benguela risks significant loss of value in its funds if it is invested in companies that fail to transition from these legacy energy technologies</td>
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Climate-related opportunities

A summary of the climate-related opportunities over the short, medium, and long term.

Horizon	Opportunities	Benguela's financial impact
Short-Term (1-3 Years)	**Innovation** The increased recognition of climate related risks, and the need for a swift transition, opens the opportunity to launch fund's that are specifically focused on being positively correlated to this change.	This could create new revenue streams for Benguela Global Fund Managers.
Medium-Term (3-10 Years)	**ESG integration** Companies with strong ESG practices will likely see an improved cost of capital, able to manage risks, and adopt sustainable practices. By recognizing this fact and incorporating it in investment decisions, Benguela could improve fund performance. This should have a positive effect on the business's reputation and ability to gather assets.	This could result in improved fund performance and higher fee revenue for the business.
Long-Term (10+ Years)	**Energy transition** The long-term shift towards a low-carbon economy can benefit various companies and sectors, and Benguela Global Fund Manager's funds could benefit from being positively exposed to these companies. Such companies would include those that are involved in producing the key materials required for the energy transition, including Lithium, Copper and Iron Ore. It would also include utilities producing clean energy, or companies servicing those utilities.	This could result in improved fund performance and higher fee revenue for the business.
	Sustainable materials Increased demand for sustainable materials can drive innovation and growth in sectors like chemicals (bioplastics), textiles (sustainable fabrics), and construction (eco-friendly building materials). Benguela Global Fund Manager's funds could benefit from being positively exposed to the companies at the forefront of this innovation.	This could result in improved fund performance and higher fee revenue for the business.

Integration of ESG factors into financial allocation through the Benguela Quality Score (BQS)

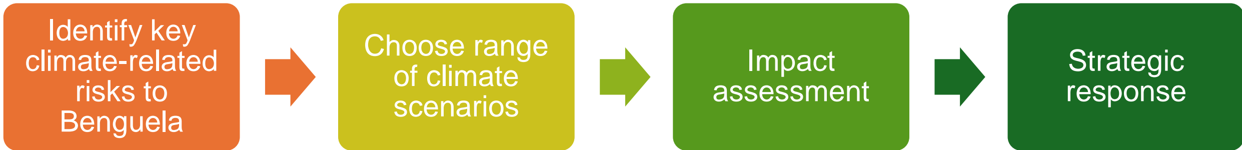
We integrate ESG factors including climate change risks into our financial allocation through the Benguela Quality Score (BQS). to influence:

- Cost of capital: a higher ESG score will result in a lower cost of capital and vice versa. This has a direct effect on valuation.
- Margin of safety: a lower ESG score would require a higher margin of safety before investing.
- Portfolio construction: higher ESG securities have higher portfolio allocation limits even if they show the same valuation above the margin of safety as their lower ESG peers.

Climate change scenario analysis

We consider climate scenarios to evaluate and enhance the resilience of our investment strategies. We consider scenarios such as Network for Greening the Financial System (NGFS) and the Intergovernmental Panel on Climate Change (IPCC), to assess a wide array of potential physical and transition risks. This approach helps us in preparing for diverse climate futures and mitigating associated risks.

The scenario analysis process



A. The Network for Greening the Financial System (NGFS) scenarios (physical & transition risks) +

		Physical risk	**Transition risk**			
Quadrant	**Scenario**	**End of the century (peak) warming – model average**	**Policy reaction**	**Technology change**	**Carbon dioxide Removal ***	**Regional policy variation #**
Orderly	Low demand	1.4 °C (1.6 °C)	Immediate	Fast change	Medium use	Medium variation
	Net Zero 2050	1.4 °C (1.6 °C)	Immediate	Fast change	Medium-high use	Medium variation
	Below 2 °C	1.7 °C (1.8 °C)	Immediate and smooth	Moderate change	Medium use	Low variation
Disorderly	Delayed transition	1.7 °C (1.8 °C)	Delayed	Slow/Fast change	Medium use	High variation
Hothouse world	Nationally determined contributions (NDCs)	2.4 °C (2.4 °C)	NDCs	Slow change	Low use	Medium variation
	Current Policies	2.9 °C (2.9 °C)	None – current policies	Slow change	Low use	Low variation
Too-little-too-late	Fragmented world	2.3 °C (2.3 °C)	Delayed and fragmented	Slow/fragmented change	Low-medium use	High variation

Source: NGFS.

Colour coding indicates whether the characteristic makes the scenario more or less severe from a macro-financial risk perspective -.

Low risk
Moderate risk
Higher risk

+Adapted from NGFS Climate Scenarios for central banks and supervisors. The additional information available at the Network for the Greening of Financial Services ("NGFS") "NGFS Climate Scenarios for central banks and supervisors" https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_for_central_banks_and_supervisors_phase_iv.pdf

***** According to the NGFS, "The impact of carbon dioxide removal (CDR) on transition risk is twofold: on the one hand, low levels of CDR imply an increase in transition costs, as reductions in gross emissions should be obtained differently; on the other hand, high reliance on CDR is also a risk if the technology does not become more widely available in the coming years".

According to the NGFS, "risks will be higher in the countries and regions that have a stronger policy. For example, in Net Zero 2050, various countries and regions reach net zero GHG by 2050 (EU, USA, and Japan), while many others have emission of several Gt of CO_2eq".

- According to the NGFS, "This assessment is based on expert judgment based on how changing this assumption affects key drivers of physical and transition risk. For example, higher temperatures are correlated with higher impacts on physical assets and the economy. On the transition side, economic and financial impacts increase with a) strong, sudden, and divergent policy, b) fast technological change even if shadow carbon price changes are modest, and c) limited availability of carbon dioxide removal meaning the transition must be more abrupt in other parts of the economy, d) stronger policy in those countries and regions".

B. The climate scenario from the IPCC Sixth Assessment Report

Scenario **"Shared Socioeconomic Pathways"**	**Best estimates** **For the period between 1850-1900.**	**In the near term (2021–2040), the 1.5°C global warming is likely or very likely to be exceeded.**
SSP1-1.9	1.4°C	1.0°C–1.8°C
SSP1-2.6	1.8°C	1.3°C–2.4°C
SSP2-4.5	2.7°C	2.1°C–3.5°C
SSP3-7.0)	3.6°C	2.8°C–4.6°C
SSP5-8.5	4.4°C	3.3°C–5.7°C

Source: IPCC.

Adapted from IPCC's synthesis report of the IPCC sixth assessment report (AR6). More information is available on the IPCC: https://report.ipcc.ch/ar6syr/pdf/IPCC_AR6_SYR_LongerReport.pdf

The "Shared Socioeconomic Pathways," describes the narratives of a range of plausible futures that underpin the global climate model simulations included in the IPCC Sixth Assessment Report. According to the IPPC, the "very likely" range is the outcomes with an associated probability of 90-100% for a given scenario. These scenarios cover a range of possible futures but there is no assessment of the likelihood of individual scenarios.

Assessment of the impact on Benguela's investment strategy

By leveraging the NGFS and IPCC scenarios, Benguela Global Fund Managers gain a deep understanding of potential physical and transition risks related to climate change. The NGFS scenarios like "Hot House World" and IPCC's SSP3-7.0 and SSP5-8.5 depict high-risk futures with significant physical impacts such as extreme weather events and rising sea levels. Additionally, NGFS scenarios such as "Net Zero 2050" and IPCC's SSP1-1.9 emphasize rapid transitions to a low-carbon economy with stringent policy implementations and technological advancements.

These scenarios will significantly impact the companies and sectors in which Benguela is currently invested, as well as potential future investments. The analysts consider the risks related to these scenarios when forecasting future cash flows. Portfolio managers consider the risks in the portfolio allocations. Furthermore, stocks more highly exposed to the risks will have lower ESG scores, and consequently lower BQS scores. This will result in:

- Cost of capital: a higher ESG score will result in a lower cost of capital and vice versa, directly affecting company valuation.
- Margin of safety: a lower ESG score will necessitate a higher margin of safety before investing.

- Portfolio construction: securities with higher ESG scores will have higher portfolio allocation limits, even if they show the same valuation upside above the margin of safety as their lower ESG peers.

Benguela's strategy response to climate-related risks

The Benguela Quality Score (BQS) prioritizes companies that manage climate risks better, operate sustainably, and prepare for a low-carbon economy. This signifies better climate risk management and preparedness for a low-carbon economy.

Benguela Quality Score (BQS) and climate resilience integration.

Our overall risk management process is comprehensive and integrates ESG analysis, including climate change risks, into our security analysis as one of the six factors used to derive the proprietary Benguela Quality Score (BQS) as shown below. ESG has been incorporated into our BQS since inception (2014).
We highlight that ESG has been incorporated into our BQS since day one and we believe that incorporating ESG factors into the valuation process enhances investment outcomes and reduces risk to clients' capital. The climate resilient integration is as follows:

- **Lower cost of capital for sustainable companies**
  The BQS assigns a lower cost of capital to firms with strong ESG practices. In a low-carbon future, companies prepared for the transition will experience lower risks and potentially higher returns, justifying a lower cost of capital. This positions Benguela's portfolio for better performance in such a scenario.

- **Margin of safety and ESG risk management**
  The BQS demands a higher margin of safety for companies with weaker ESG scores. This translates to a buffer against potential climate-related risks these companies may face. For instance, a high-emitting company might require a larger discount before Benguela invests, mitigating potential losses if stricter regulations or carbon pricing emerge.

- **Portfolio construction and ESG weighting**
  The higher ESG securities have higher portfolio allocation limits even if they show the same valuation above the margin of safety as their lower ESG peers. This ensures the portfolio prioritizes companies well-positioned for a sustainable future.

The instance where two companies with similar valuations, one with a strong renewable energy focus and another reliant on fossil fuels. The BQS would allocate more weight to the company that relies more on renewable energy due to its positive contribution to an environmental score and overall ESG score, tilting the portfolio towards climate-resilient companies.

Active engagement

Benguela does not exclude companies from our investment universe solely based on poor ESG performance derived from their exposure to physical and transition risks. Instead, we adopt an active engagement approach, which involves discussing climate-related risks and other ESG issues with the management of current and potential investee companies. For example, we encourage companies that do not have robust climate adaptation measures such as commitment to short-term and long-term climate risk resilient targets to put process in place to address this shortfall.

This information is used to inform investment decisions and to encourage companies to improve their ESG procedures and policies. Portfolio managers and analysts at Benguela Global Fund Managers meet with company management regularly, either through conference calls or face-to-face meetings, to address specific ESG concerns, including those related to climate risks. The primary goal of this engagement is to prompt management to enhance their ESG practices and policies, thereby fostering greater corporate responsibility in addressing climate-related risks.

3. Risk management

Benguela Global Fund Managers consider climate change as a risk and the investees' companies are exposed to climate-related risks and opportunities. We believe that through our longer-term investment horizon, climate-related risks can impact a company's business, financial, and sustainable growth risk as well – key pillars of the Benguela Quality Score. The following risk management framework outlines our process for identifying, assessing, responding, monitoring, and integrating the overall climate-related risk management processes into the organization's overall risk management.

Benguela's climate-related risk management framework.

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Risk identification

Benguela Global Fund Managers use a comprehensive strategy to identify climate-related risks, leveraging multiple sources such as Refinitiv (an LSEG Business), CDP (Carbon Disclosure Project), TCFD (Task Force on Climate-related Financial Disclosures) reports, scenarios from NGFS and IPCC reports, regulatory updates, media news flow, company disclosures, and insights from our daily meetings. This approach allows Benguela to foresee both physical risks (e.g., extreme weather events, and rising sea levels) and transition risks (e.g., regulatory changes, carbon pricing).

Through this comprehensive approach, we aim to anticipate both physical risks, such as extreme weather events and rising sea levels, as well as transitional risks like regulatory changes and carbon pricing.

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Risk assessment and response

We take a comprehensive and proactive approach to assess and mitigate climate-related risks. We utilize LSEG's measurement of climate risks, encompassing various ESG data, to gauge our portfolio's overall climate risks. For example, if our portfolio's total emissions exceed the capped SWIX benchmark, we emphasize emissions intensity by analyzing emissions relative to total revenue. This contextualization is particularly relevant given our portfolio's tilt towards larger companies. Importantly, we believe in fostering positive change. We don't simply exclude companies based on ESG performance; instead, we engage with company management to discuss ESG concerns. These dialogues inform our investment decisions and encourage improvements within investee companies. This ongoing communication, facilitated by portfolio managers and analysts during conference calls and meetings, ensures we actively manage climate risks while promoting sustainable practices across our portfolio. Additionally, we assess and respond to climate risks, where we normally vote against companies' climate reports that do not disclose their emission reduction targets or insufficient disclosure.

Our ESG analysts conduct in-depth research on companies and produce ESG reports that cover all the ESG risks to which the companies are exposed. This includes analyzing the impact of climate change.

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Risk monitoring

Benguela Global Fund Managers prioritizes continuous monitoring of climate-related risks within our investment portfolio. Our risk management team and ESG function part of research team assess the portfolio risks regularly. This analysis considers the portfolio's ESG characteristics, Benguela Quality Score, and various metrics benchmarked against industry standards. Additionally, equity analysts and ESG analysts delve deeper during individual company evaluations, monitoring company-specific risk indicators, including climate change risks. To ensure portfolio resilience and sustainability, we leverage ESG data from LSEG. This data allows us to weigh different climate-related characteristics against our portfolio holdings, enabling proactive identification and mitigation of climate risks.

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Processes for managing climate-related risks

Strategic allocation and diversification

We diversify our investment across various sectors and regions to mitigate exposure to climate-related risks. We further prioritize all companies that are resilient to physical and transition risks, however, those companies that are not resilient to climate risks obtain small financial allocations, while actively engaging with portfolio companies to discuss their climate risk management practices and encouraging them to improve their ESG performance.

Active engagement

We regularly engage with company management to discuss climate risk management practices and encourage improvements, while advocating for better corporate policies and practices related to climate risk management.

Research report

Our research/ESG analysts delved deeper into analyzing individual companies on ESG factors which include assessment of the impact of climate risks. Additionally, we produce our in-house ESG research report which contributes to our investment process.

Climate change-related training

We have a qualified ESG function, together with equity analysts who report to the heads of local and global research. This dedicated ESG team conducts thorough ESG research, producing comprehensive ESG reports and addressing company ESG issues that contribute significantly to our sustainable investment decision-making process.

Our ESG team members completed diplomas in Certified Environmental, Social, and Governance Analyst (CESGA) at the European Federation of Financial Analysts Societies (EFFAS). CESGA equips our ESG team with the expertise, credibility, and resources needed to conduct rigorous ESG analysis and contribute to sustainable investing practices at Benguela Global Fund Managers. We do offer internal training to our newly joined employees, and we have a qualified environmental scientist within our investment team dedicated to ESG matters.

Proxy voting

We usually vote in favour of increased disclosure of climate-related risks by companies. We favour companies that are proactive in the fight against climate change. ESG is quantitatively incorporated in our security analysis and in particular, the environmental pillar of our score measures a company's impact on living and non-living natural systems, including the air, land, and water, as well as complete ecosystems. For more information, please visit our Benguela website.

Continuous monitoring

Benguela Global Fund Managers prioritize continuous monitoring of climate-related risks within our investment portfolio. Our risk management and research teams regularly assess portfolio risks by considering ESG characteristics, utilizing the Benguela Quality Score model, and industry-standard metrics.

Furthermore, our research and ESG analysts conduct in-depth evaluations of individual companies, specifically focusing on ESG risks including climate change risks. Additionally, Benguela leverages ESG data from LSEG to weigh various climate-related characteristics against portfolio holdings, enabling proactive risk identification and mitigation. This comprehensive approach ensures the portfolios remain resilient and sustainable in the face of evolving climate-related challenges.

Integration into overall risk management

ESG integration

Our overall risk management process is comprehensive and integrates ESG analysis, including climate change risks, into our security analysis as one of the six factors used to derive the proprietary Benguela Quality Score (BQS) as shown below. ESG has been incorporated into our BQS since inception. We highlight that ESG has been incorporated into our BQS since day one and we believe that incorporating ESG factors into the valuation process enhances investment outcomes and reduces risk to clients' capital.

Benguela Quality scores are calculated over a minimum of 5 years of history and 5 years forward-looking.

The climate-related risks that contribute to the overall ESG score are embedded into the BQS, assessing the quality and sustainability of investments. This influences:

- Cost of capital: a higher ESG score will result in a lower cost of capital and vice versa. This has a direct effect on valuation.
- Margin of safety: a lower ESG score would require a higher margin of safety before investing.

- Portfolio construction: higher ESG securities have higher portfolio allocation limits even if they show the same valuation above the margin of safety as their lower ESG peers.

Comprehensive risk management framework

Climate-related risks, which are part of ESG risks, are evaluated alongside other financial market price, business, execution, sustainable growth, and operational risks within the Benguela Quality Score (BQS) risk management framework, ensuring a holistic approach. Regularly, our in-house team, which includes our investment team (including ESG function), portfolio managers, and data and analytics team, addresses all the risks in our BQS model through cohesive identification, assessment, and management processes. At Benguela, we conduct daily morning meetings, portfolio review meetings, investment meetings, data and analytics meetings, and other relevant meetings to ensure comprehensive risk management.

Investment decision-making

Our investment decisions are based on robust data, insights from news flow, company announcements, in-house research analysis and external studies (including scenario analyses), in-house ESG assessments, in-house reporting, and continuous risk monitoring.

Policy and procedure alignment

We currently don’t have a standalone climate change policy. However, we incorporate climate change into our Proxy voting policy and ESG & IR policy. We ensure that our processes for identifying, assessing, and managing climate-related risks align with regulatory requirements and industry best practices.

4. Metrics

We utilize a variety of metrics to assess climate-related risks and opportunities in line with our investment strategy and risk management process within our SA and global portfolio. The following are the metrics we use to assess climate risks and opportunities.

Metrics	Description
Weighted Average Carbon Intensity (WACI).	We measure the average carbon emissions per unit of revenue or output across the portfolio. A lower WACI indicates a less carbon-intensive portfolio.
Decarbonization rate.	We measure the carbon intensity for the portfolio for the current year and the previous year (total CO2/total revenue) to get the annual percentage reduction in portfolio emissions (Year-over-Year change in carbon intensity).
Emission reduction targets.	We measure the companies with emission reduction targets aligned with the IPCC's 1.5°C pathway/Paris Agreement within the portfolio.
Emissions reduction across Scope 1, Scope 2, and Scope 3.	We identify and calculate the number of companies in the portfolio that have reduced their emissions for each scope (Scope 1, Scope 2, and Scope 3) over a defined period.
Carbon footprint	We measure the total carbon emissions of the portfolio normalized by the total value of the portfolio usually expressed as metric tons of CO2e per million invested.
Benguela environmental performance score	We evaluate a company's environmental performance based on three key areas: emissions reduction, resource reduction, and product innovation. Each area is equally weighted at 100%, contributing to the total environment score. The guideline for each specific criteria ranges from 0% to 100% to score the company's performance.

5. Disclosure and reporting

This is our first climate change report, and we are committed to improve our climate-related reporting and disclosure efforts on an ongoing basis.

6. Conclusion

Benguela Global Fund Managers recognize climate change as part of ESG risk and we incorporate ESG factors into our investment decisions. Our approach to climate-related risks and opportunities is aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We prioritize companies demonstrating climate resilience through the Benguela Quality Score (BQS) which considers ESG factors. We use a comprehensive framework to identify, assess, respond to, monitor, and integrate climate-related risks into overall risk management. The engagement with investee companies on climate-related issues is a key strategy. We use various metrics to assess climate-related risks and opportunities.

7. Our next step

Continue to improve our climate-related financial disclosures, align with TCFD recommendations, and demonstrate our commitment to managing climate-related risks and opportunities in our investment portfolio, includes disclosing the performance of our portfolio emission scopes and targets.