Octopus Climate Change Fund

Annual Sustainability Review

2025

Contents

This report presents sustainability information highlighting the positive change achieved by the companies invested in by the fund throughout 2024[1]. This progress stems from the companies' efforts in addressing climate change. 83% of companies are producing products or services aiming to provide solutions to environmental challenges.
17% of companies are environmental leaders setting standards for business practices in their sector of the economy.

[1] Some of the information in this report comes from sustainability/impact disclosures made by the companies invested in and as such the period reflected is the year to 31 December 2024

Reflections on positive change

Our thoughts as a team

Investing in companies providing environmental solutions during 2024 was not without its challenges. Financial headwinds from high inflation and elevated interest rates, combined with political uncertainty from the US, created a complex backdrop. Yet, focusing solely on short-term financial performance doesn't capture the full picture. While long-term returns (five years or more) remain important, this fund is about more than numbers, it's about positive change, and that's why you invest.

Earlier this year, we listened to your feedback through our survey. You told us you wanted more insight into the positive change created by the companies in the fund.

The need to invest in companies contributing to our response to climate change has never been more urgent. 2024 was the hottest year on record globally, with temperatures approaching 1.5°C above pre-industrial levels[1], a threshold climate scientists warn we must avoid exceeding over the long term.

The Climate Change Fund is designed to invest in our future by backing companies that deliver innovative, practical solutions within their sectors. These businesses are driving progress by reducing reliance on fossil fuels, in areas like electric grid infrastructure, low-carbon products, and breakthrough technologies. They are enabling efficiencies across products and processes, helping to decarbonize supply chains in areas like precision agriculture and product life cycle solutions.

We hope this report brings to life some of the tangible examples of positive change your investment has supported and highlights the exciting opportunities ahead for sustainable businesses.

Stephanie Gilliver – Head of Responsible Investing, Octopus Money Direct

[1] Source: World Meteorological Organisation – press release 10th Jan 2025

Reflections on positive change

Thoughts from the experts we work with

A challenging backdrop for climate solutions

July 2024 marked the hottest month ever recorded, with global temperatures surpassing 1.5°C above pre-industrial levels[1]. The impacts are being felt already as Antarctic sea ice hits record lows, and mass coral bleaching events occurred across oceans. These stark indicators of environmental stress highlight the urgency of climate action, yet the economic environment has not always been supportive. Policy challenges emerged, particularly in the US and while regulation remains important, recent developments underscore that we cannot rely solely on policy to drive positive change. The financial case for climate solutions must stand on its own merits because fundamentally, addressing environmental challenges is not just good for the planet, it's good business.

Reasons for optimism

Despite these challenges, there are encouraging signs. Innovation continues to accelerate as companies adapt and evolve to meet environmental needs. Over the past year, companies in the portfolio have helped improve solar panel efficiency, reduced emissions in construction, and one company alone recycled more than 30% of the pigmented High-Density Polyethylene (HDPE) plastic bottles produced in the United States[2], turning them into stormwater drainage solutions. These efforts reflect a broader truth: unmet environmental needs represent significant, untapped sources of demand. As climate change increasingly intersects with food security, migration, and geopolitical stability, the case for climate solutions becomes even stronger. Positive impact is not a passing trend it is a structural growth opportunity. While political and policy shifts, and a challenging interest rate environment have undoubtedly created headwinds for companies delivering climate solutions, we believe that over the long term, focusing on high-quality businesses, those capable of strong financial performance while solving real-world environmental challenges, offers compelling investment opportunities.

Blair Couper – Investment Director, Aberdeen Investments

[1] Source: World Meteorological Organisation – press release 13th Aug 2024
[2] Source: Advanced Drainage Systems (ADS) – annual sustainability report 2024

Key measures of change

octopusmoney direct

Measuring non-financial performance of the fund through sustainability metrics

Fund level measure	Metric	2024	Comparison	Description
Climate change mitigation	Tonnes of CO_2e avoided	825mn	Equivalent to the energy use from 110 million homes for a year[1]	The companies held through the 2023-24 reporting period have produced products with the potential to avoid emissions[2]
Contribution to environmental sustainability	% green revenues	63%	N/A	The percentage of the companies providing environmental solutions classified as green revenues[3]
Plans to reduce emissions	% companies with a net zero Science-Based Target (SBTi)[4]	30%	10% of benchmark (MSCI AC World Index)	The percentage of companies with an approved net zero SBTi
	% companies with a near-term Science-Based Target (SBTi)	72%	43% of benchmark (MSCI AC World Index)	The percentage of companies with an approved near-term SBTi

[1] EPA greenhouse gas equivalence calculator: Greenhouse Gas Equivalencies Calculator | US EPA

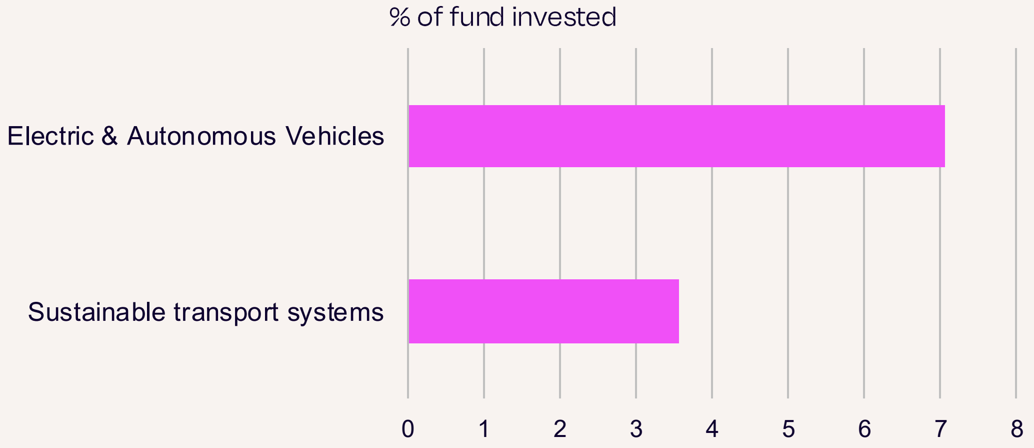
[2] Avoided emissions refer to the reduction in greenhouse gases that occur when a product or service replaces a more carbon-intensive alternative. However, methodologies for calculating avoided emissions are still in early stages of development and lack standardisation. As a result, our Investment Adviser, Aberdeen, relies on companies to disclose this information themselves, which may vary in quality and consistency. Importantly, avoided emissions should not be netted off against a company's own operational or value chain emissions, as they do not reflect direct reductions within the company's footprint but rather potential system-wide benefits.

[3] Green revenue refers to our Investment Adviser, Aberdeen's estimate of company specific exposure to products that contribute to environmental sustainability. These figures are estimated using Aberdeen's proprietary methodology based on publicly available data which may differ from company reported numbers or third-party data providers. A higher green revenue demonstrates a higher purity to the theme; however, this should not be interpreted as having a higher impact. The % shown is based on holdings as of 31/12/2024 and excludes the Leadership companies.

[4] Science-based targets are the greenhouse gas (GHG) emissions reduction goals that are aligned with what climate science says is necessary to meet the objectives of the Paris Agreement, specifically, limiting global warming to well below 2^{0}C and ideally 1.5^{0}C above pre-industrial levels. The targets are calculated using methodologies developed by the Science Based Targets initiative (SBTi) ensuring they reflect the latest climate science.

Deep dive into solution providers

Investing in companies providing solutions for sustainable and efficient transportation



Top 5 holdings	Country	Weight
WABTEC	USA	3.56%
BYD Co	China	2.58%
Analog Devices	UK	2.08%
NXP Semiconductor	USA	1.93%
Samsung SDI	South Korea	0.47%

Source: Aberdeen PLC. Position sizing as of 31/12/2024

Case study: BYD Company

Driving the future of electrification

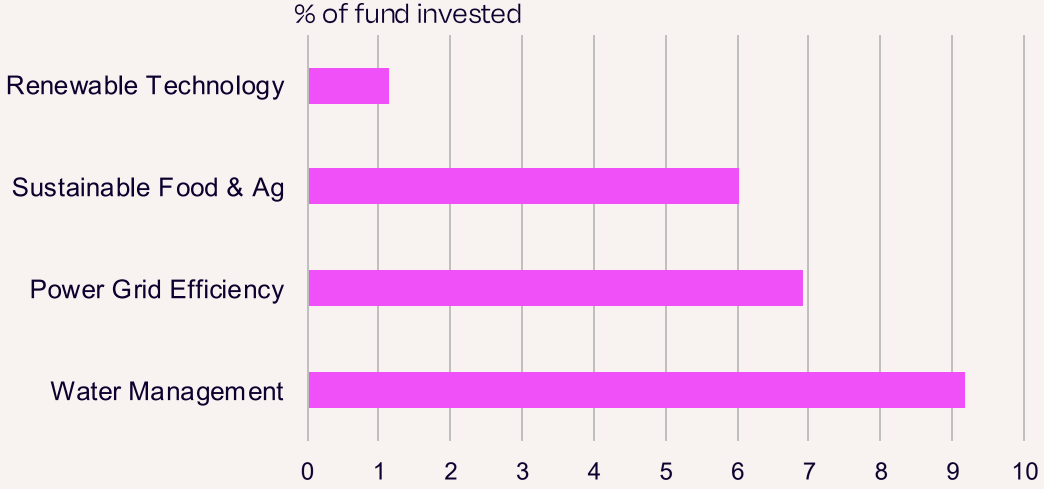
BYD Co is a standout in the global shift to clean transport, addressing a critical environmental need by making electric vehicles (EVs) more accessible and scalable. The Intergovernmental Panel on Climate Change (IPCC) Report found that internal combustion engine (ICE) vehicles contributed roughly 16% of global energy-related CO2 emissions in 2019. With over 4.2 million new energy vehicles (NEVs) sold in 2024[1] more than any other automaker globally, BYD is accelerating the shift away from fossil fuels at a meaningful scale. Its dual focus on battery electric and plug-in hybrid vehicles allows it to serve a wide range of markets, including those with limited charging infrastructure. This, combined with its leadership in battery technology and commitment to having ownership of its supply chain, positions BYD as a key enabler of reducing vehicle emissions.

From a financial perspective, BYD offers a compelling investment case. Its deep supply chain management from battery manufacturing and semiconductor production to vehicle assembly and logistics drives cost efficiency, supply chain resilience, and margin stability. The company's ability to produce high-quality EVs at scale and at lower price points than competitors has enabled rapid global expansion, with overseas sales growing over 70% year-on-year. Whilst the domestic Chinese competitive landscape is a risk that needs to be monitored, BYD is clearly driving the way to an electric future.

[1]Source: IPCC 6th Assessment Report on Climate Change 2022: Mitigation of Climate Change. IPCC_AR6_WGIII_FullReport.pdf
Source: BYD Sustainability report 2024
Source: Aberdeen Plc Research

Deep dive into solution providers

Investing in companies providing solutions to generate low-carbon power and in sourcing key resources



Top 5 holdings	Country	Weight
Ecolab Inc	USA	3.54%
Deere & Co	USA	3.45%
SSE Plc	UK	3.09%
American Water Works	USA	2.96%
Veralto Corp	USA	2.70%

Source: Aberdeen PLC. Position sizing as of 31/12/2024

Case study: Deere & Co

Cultivating a Low-Carbon Future in Agriculture

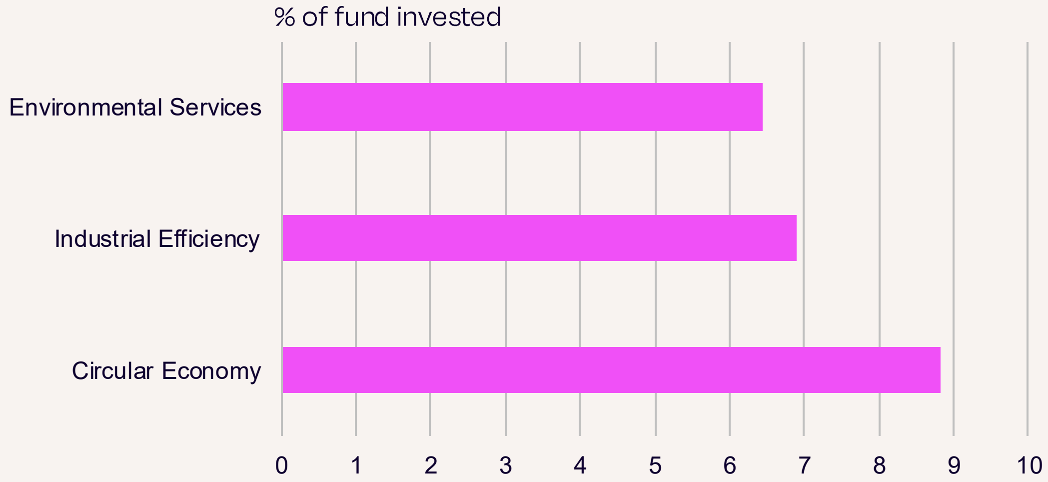
Deere & Co is playing an important role in reducing emissions from agriculture by **equipping farmers with precision technologies that reduce waste, emissions, and input costs.** Innovations like ExactShot, which cuts fertilizer use by up to 60%, and autonomous electric tractors, Deere is helping farmers operate more efficiently and sustainably. In 2024, Deere reported **197 million acres of land were "sustainably engaged"** through its digital platforms, and its technologies enabled a 17% increase in crop protection efficiency and a 5% reduction in customer CO_2 emissions relative to a 2021 baseline.

From a financial perspective, Deere remains a high-quality company, with a vast global dealer network, and a strong business model. In 2024, it generated **$51.7 billion in revenue and $7.1 billion in net income**, supported by over **3,700 dealers worldwide** who provide critical aftermarket services and financing solutions. Deere's supply chain management and digital ecosystem create high switching costs and recurring revenue streams, while its controlled approach to resource allocation and innovation pipeline position it well for long-term growth. As the agriculture sector modernises, Deere stands out as both a solutions provider to environmental issues and a compelling investment opportunity.

Source: Deere Sustainability report: business-impact-report-2024.pdf
Source: Aberdeen Plc Research

Deep dive into solution providers

Investing in companies providing environmental solutions in the life cycle of products and services



Top 5 holdings	Country	Weight
TSMC	Taiwan	3.42%
Waste Management	USA	3.27%
WSP Global	Canada	3.18%
Coats Group	UK	3.08%
Graphic Packaging	USA	3.01%

Source: Aberdeen PLC. Position sizing as of 31/12/2024

Case study: Coats Group

Stitching sustainability into every seam

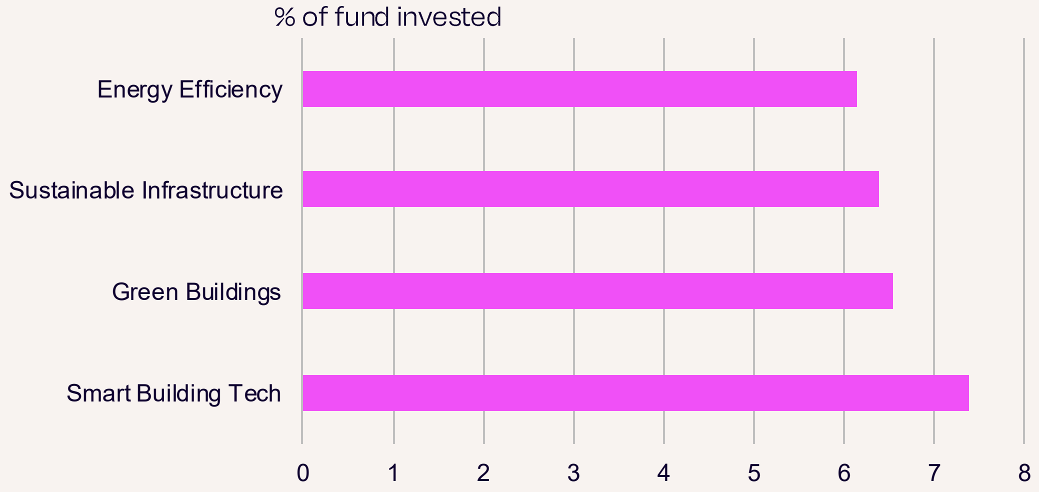
The global textile industry is a major contributor to climate change, responsible for **8–10% of global carbon emissions**, more than international aviation and shipping combined. With demand for clothing and footwear expected to rise by **63% in the next decade**, the sector faces a significant challenge in aligning with the 1.5°C climate pathway[1] agreed by science. Energy-intensive manufacturing processes, complex supply chains, and high-water usage make sustainability a critical priority for brands and consumers alike.

Coats Group is leading the way in addressing this challenge. As the world's largest manufacturer of industrial threads used in garments and footwear from many of the most popular global brands, Coats is transforming its operations through innovation. In 2024, **46% of its raw materials were recycled or biomass sourced**, including millions of plastic bottles repurposed into high-performance threads. With a dominant market share and strong growth in recycled products, Coats combines environmental leadership with a compelling financial case, making it a key enabler of sustainable fashion.

[1] Source: What does the IPCC report mean for the fashion industry? : Fashion Revolution
Coats Sustainability Report: cdn.coats.com/wp-content/uploads/Coats-Group-plc-2024-Sustainability-Report.pdf
Source: Aberdeen Plc Research

Deep dive into solution providers

Investing in companies providing solutions for sustainable urbanisation and infrastructure



Top 5 holdings	Country	Weight
Autodesk	USA	3.91%
Trane Technologies	USA	3.78%
Schneider Electric	France	3.62%
Equinix	USA	3.32%
Kingspan	Ireland	3.10%

Source: Aberdeen PLC. Position sizing as of 31/12/2024

Case study: Trane Technologies

Powering building efficiency

Buildings account for **16% of total global greenhouse gas emissions** when you include the impact of operating the building, with heating and cooling alone responsible for roughly half of that[1]. Reducing the emissions in this sector is critical to meeting global climate goals, and Trane Technologies is at the forefront of this transformation. Through its **Gigaton Challenge**, Trane has already helped customers avoid **237 million metric tons of CO_2e** since 2019, a reduction of **80 million metrics tonnes of CO2e in 2024 alone** and is on track to cut **1 gigaton by 2030**. This is equivalent to the annual carbon emissions of Italy, France and the UK combined. Its advanced Heating, Ventilation and Air Conditioning (HVAC) systems, heat pumps, and next-generation refrigerants deliver dramatic efficiency gains and lower global warming potential, while AI-enabled building optimisation can reduce energy use by up to **25%** and emissions by **40%**.

Trane is uniquely positioned to take advantage of this opportunity. Regulatory enablers like the EU Green Deal and UK Green Buildings are accelerating demand for electrification and heat pumps in areas where Trane leads globally. Additionally, the changing climate itself acts as a driver for demand growth for their HVAC solutions. By combining hardware innovation with digital and AI-driven solutions, Trane moves beyond equipment manufacturing to become a high-margin climate solutions **provider**. With strong market share, a global service network, and sustained investment in research and development, Trane offers both environmental impact and financial strength, making it a compelling investment opportunity to help reduce emissions in the building sector.

[1] Source: IPCC 6th Assessment Report on Climate Change 2022: Mitigation of Climate Change. IPCC_AR6_WGIII_FullReport.pdf

Source: Trane Technologies 2024 Sustainability report: Trane Technologies 2024 Sustainability Report

Source: Aberdeen Plc research

Deep dive into environmental leadership

Investing in companies leading the drive for environmental efficiency in their sector of the economy

Top 5 holdings	Country	Weight	MSCI ESG Rating[1]	Carbon emissions target[2]
Microsoft Corp	USA	5.82%	A	Carbon negative by 2030
Accenture	USA	3.87%	AA	90% emissions reduction by 2040 from 2019 baseline
AstraZeneca	UK	3.09%	A	98% emissions reduction by 2026 from 2015 baseline
L'Oreal	France	2.41%	AA	57% emissions reduction by 2030 from 2019 baseline
Novo Nordisk	Denmark	1.72%	A	Zero scope 1&2 emissions by 2030

[1] The MSCI ESG Rating is designed to measure the resiliency of companies to long-term ESG risks and opportunities. The most highly rated companies are leading the management of key ESG risks. The ESG Ratings range from leader (AAA,AA), average (A,BBB,BB) to laggard (B,CCC).

[2] Carbon emissions target is the published target made by the company as part of their environmental commitments.

Source: Aberdeen PLC. Position sizing as of 31/12/2024

Case study: Microsoft Corp

Leading the tech race to net zero.

Microsoft continues to lead the technology sector in climate ambition and transparency. The company set the most ambitious target to be carbon negative, water positive and have zero waste whilst protecting ecosystems by 2030. They reduced Scope 1&2 emission (direct from operations and from energy purchased) by 6.3% by 2024 relative to a 2020 baseline and sourced 80% of its electricity from renewables. It also invested **$761 million through its Climate Innovation Fund and secured over 5 million metric tons of carbon removal contracts (funding carbon removal solutions such as reforestation and soil restoration)**, setting a benchmark for proactive climate action and disclosure integrity among Big Tech peers.

However, the rapid growth of **AI and cloud computing** has emerged as a significant challenge, driving **Scope 3 emissions (from supply chains and purchased products) up by 30.9% since 2020**. Microsoft is tackling this challenge through supplier mandates for **100% carbon-free electricity by 2030**, sustainable hardware design, and low-carbon building materials. Microsoft's combination of aggressive carbon removal investments, transparent reporting, and long-term negative emissions goal positions it as the most forward-looking player in the industry relative to peers.

Source: Microsoft 2024 Environmental Sustainability Report
Source: Aberdeen Plc research

Using investor influence for positive change

Being an active owner by engaging with companies on their progress and using voting rights to have a say on important topics as a shareholder

Our Investment Adviser, Aberdeen, selects the companies the fund invests in and carries out active ownership activities. They use engagement as a vital tool to influence positive change on sustainability and other material issues, helping drive long-term improvements for stakeholders. Through constructive dialogue, they can deepen their understanding of business models, assess management quality, and encourage better practices that support value creation and risk mitigation. Engagement is central to responsible investing and it's a core part of building trust and long-term partnership with investee companies.

Engagements	Number
Entities Engaged	24
Total[1]	68
Environmental	42
Social	21
Governance	29
Priority[2]	6

[1] Total engagements can include more than topic in each engagement

[2] Priority engagements are in depth meetings on specific environmental, social or governance issues

Source: Aberdeen PLC. Engagement Data as of 31/12/2024

Case study: Autodesk (governance topic)

Autodesk is a US software company specialising in design and simulation software that empowers architects and engineers to create climate-friendly buildings by optimising energy efficiency, material usage, and environmental impact from the earliest design stages. Its software supports sustainable practices through advanced modelling, enabling smarter decisions that reduce carbon footprints and promote greener construction outcomes.

We had a meeting with the Chairman of Autodesk's board of directors after allegations regarding management manipulation of cash flow numbers to hit short-term targets which resulted in their annual filings being delayed to the US Securities and Exchange Commission (SEC). We quizzed them heavily on the internal investigation and processes they have in place. They assured us that no wrongdoing occurred, and they have taken appropriate action to ensure a similar situation does not reoccur. We encouraged them to improve their remuneration policy, transparency and communication with the market, and for the outgoing Chief Financial Officer's position to be formally reviewed.

Source: Autodesk FY24 Impact Report
Source: Aberdeen Plc research

Disclaimer: As with all investing, your capital is at risk. If you choose to invest with Octopus Money Direct, the value of your investments can go down as well as up and you may get back less than you invest.