Vert Asset Management

2022 Climate-related Corporate Strategy

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

VERT ASSET MANAGEMENT

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We are supporters of the **Task Force for Climate-Related Financial Disclosures (TCFD)** – an international effort to normalize climate-related financial disclosures and make it common practices for companies. The Task Force on Climate-related Financial Disclosures (TCFD) asks companies to report on governance, strategy, risk management, and metrics and targets.

In 2018, we formally endorsed the TCFDs.

In 2019, we engaged our portfolio companies on the TCFDs.

Also in 2019, we voluntarily reported TCFD responses in the PRI annual questionnaire.

In 2020, we integrated the TCFDs into our annual impact report.

We publish the a TCFD stand alone report to increase accessibility, transparency and to reinforce our belief in the efficacy of the framework.

We start with a contextual overview of the TCFDs and how it fits into how sustainability frameworks have evolved over the last 25 years.

This report was originally included in the Vert 2022 Annual Impact Report released in Q2 2023.

Task Force on Climate-Related Financial Disclosures:
Contextual Overview

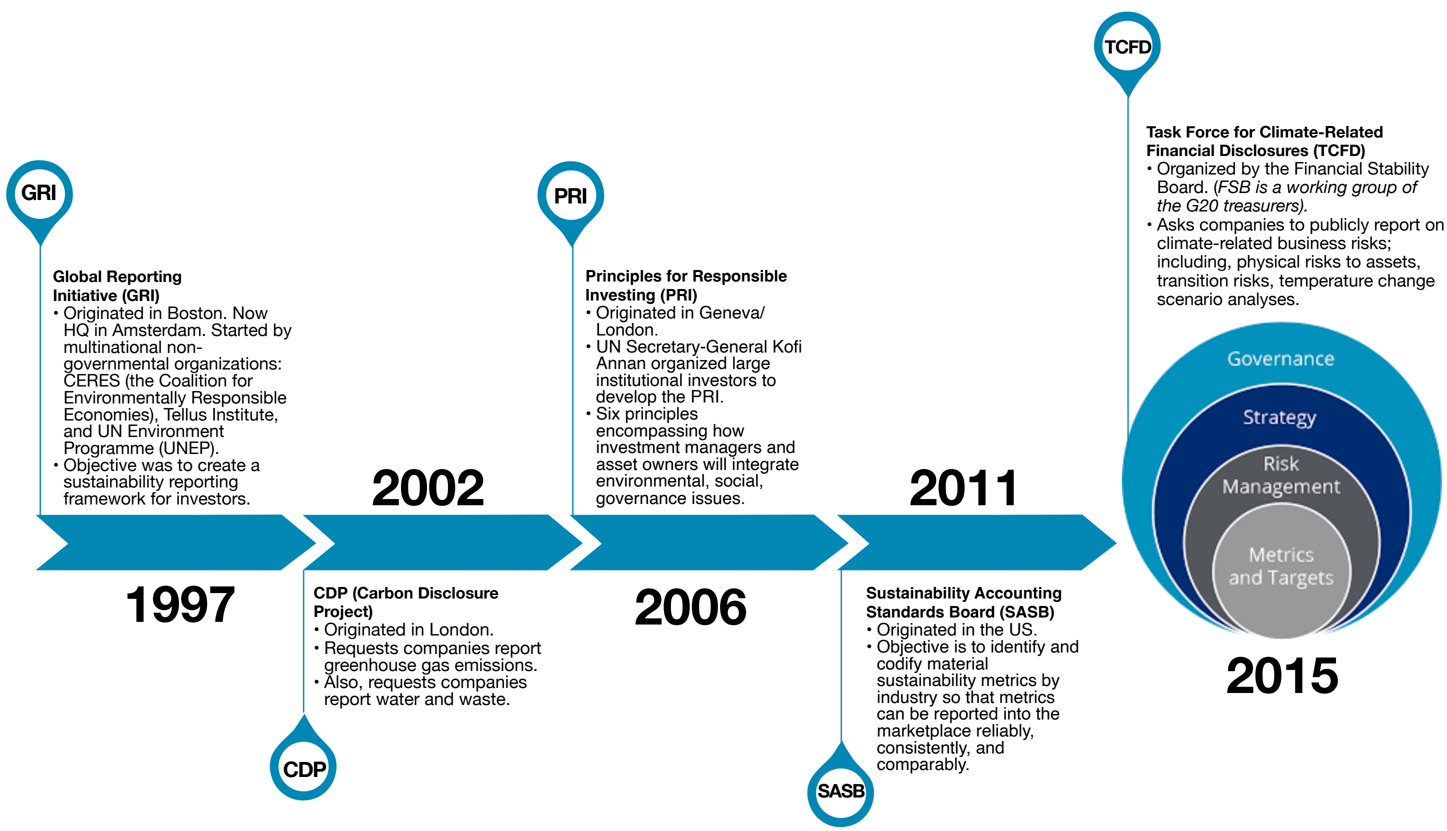
Climate risk is investment risk.

The Task Force on Climate-related Financial Disclosure was developed by the G20. The G20 is the diplomatic convening of the largest 20 national governments. In the 2015, national banks and treasurers of the G20 agreed to put climate risk on the map. The heads of the largest international financial institutions called for all types of companies to report their climate risk from a business management perspective, just as they would any other type of business risk. This is significant because until the TCFD, calls for climate risk disclosures came mainly from the non-profit sector.

The TCFD is a task force of the Financial Stability Board (FSB). The FSB was set up to coordinate the G20 national financial authorities and international standard setting bodies on regulatory and financial sector policies. G20 countries are made up of largest developed nations including the US, UK, EU among others. It also includes the International Monetary Fund (IMF), the World Bank and international standard-setting, regulatory bodies including International Accounting Standards Board (IASB), International Organization of Securities Commission (IOSCO).

In 2015, Mark Carney (Governor of the Bank of England) and Michael Bloomberg (former Mayor of NY City) led the Task Force in reducing the 400+ sustainability questions that all companies report down to a unified and streamlined business risk management approach.

TCFD wants companies to report how they are addressing climate risk in their business strategy and governance structure. It asks about their risk management plans and their targets to transition their business to a low carbon economy. Furthermore, it requires companies to think long-term how their businesses would fare in a 2*C or 4*C temperature increase scenario.



BUSINESS FOR GOOD: Our 2022 TCFD Report

Our 2022 TCFD report covers our approach to the operational resilience of our business as well as the climate risk of our investment products.

Governance

Board oversight of climate-related risks and opportunities	Climate-related risks and opportunities are governed by our founders. Sustainability and transition to a low-carbon economy underpins our investment products, education services, and engagement efforts. We do not have a formal board, but our Advisory Board includes a thought-leader on sustainability, an academic expert in finance, and a financial industry veteran. Management confers with these experts regularly.
Management's role in assessing and managing climate-related risks and opportunities	Senior Management implements a firm-wide strategy to identify climate-related risks across the business and its services. The CEO leads the Investment Research Group, which designs the investment strategy and selects securities. The CEO is also part of the portfolio management team to provide additional oversight for climate-related issues.

Strategy

Climate-related risks and opportunities over short, medium and long term	**Short term 1-3 Years** Rapidly evolving demand for climate-risk products and financial services regulatory oversight covering ESG products.	**Medium term 3-7 years** Higher temperatures, drought, and extreme weather events will change the way risks are managed.	**Long term 7-15 years** Decarbonizing the economy will increase demand for different types of investment products.
Impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	Our approach to building investment products recognizes climate change and decarbonization. 100% of our strategies incorporate energy transition concepts and we exclude the fossil fuel companies in our real estate strategy. We engage our portfolio companies on climate-related risks including responses to TCFD, adaptation and mitigation plans, and net-zero pathways. Our business operations are currently climate neutral. We calculate our Scope 1, Scope 2, and Scope 3 (business travel) energy use. We have revised our position on voluntary offsets, and are no longer participating.		
Resilience of organization's strategy considering different climate-related scenarios	Our strategy allows our investment approach and our business operations to respond with agility to climate-risks. We are regularly updating our risk assessments as climate change scenarios are updated. We have assessed our investment product through the 2 Degrees Investing Initiative scenario analysis tool PACTA (Paris Agreement Transition Assessment). The results confirmed our own analyses that an investment will suffer losses if portfolio companies does not integrate climate-risk mitigation strategies.		

BUSINESS FOR GOOD:
Our 2022 TCFD Report (continued)

Risk Management

Processes for identifying, assessing and managing climate-related risks and integration of those processes into overall business risk management	Our process for identifying climate-related risks is part of our investment strategy and portfolio construction process. We evaluate a company's raw data on emissions reduction over a 5 year period. We also evaluate their climate change policies and adaption strategies and whether they have adopted a net-zero pathway. We also engage companies on their climate risks such as sea-level rise, flood, heat stress, water stress, and extreme weather. We monitor and comply with all applicable laws and standards. We participate in industry groups to monitor and understand emerging "best practices". We joined B Corp Climate Collective and SME Hub to ensure we were working on the next iteration of requirements for a service business.

Metrics and Targets

Metrics used to assess climate-related risks and opportunities in line with strategy and risk management processes	In our investment strategy, we use a company's annual emissions over the past 5 years, their decarbonization goals and their exposure and mitigation efforts to physical climate risk. We also engage companies on their climate issues including climate risks, TCFD, science-based targets, and planning for net-zero goals. In our business operations, we strive for operational efficiency in our energy use and we prioritize video meetings over air travel to in-person meetings.
Disclosure of Scope 1, 2, and if appropriate Scope 3 and related risks	We are committed to voluntarily gathering and reporting our Scope 1, Scope 2, and Scope 3 emissions. We began offsetting our residual emissions in 2019 with verified carbon offset projects through Cool Effect. Our financed emissions (Scope 3) represent the majority of the emissions for our company. In 2021, we formalized our commitment to track the emissions of companies in our mutual fund.

Carbon Footprint

GHG emissions in Metric Tonnes CO_2 Equivalents	2017	2018	2019	2020	2021	2022
Scope 1 refers direct emissions created by assets owned by the company.	0	0	0	0	0	0
Scope 2 is for indirect emissions i.e. purchased energy for office use.	4	4	4	4	5	5
Scope 3 is for indirect emissions created in the supply chain and by any asset not owned by the company i.e. business travel and commuting. *This figure does not include emissions of companies within our investment portfolio.*	25.16	17.31	12	5.32*	2.5*	4.85
Total GHG Emissions	29.16	21.31	16	9.32	7.5	9.85

Targets used by the organization to manage climate-related risks and opportunities and performance against targets	Our targets are to 1) use our investment platform to communicate to our stakeholders the importance of climate-change and the transition to a low-carbon economy, 2) build education materials to communicate to financial intermediaries the demand for sustainable investing, 3) to use our own operations as a lab to better understand the challenges we are asking of our portfolio companies.

**Scope 3 emissions category 6 business travel is not reflective of normal travel demands in years prior to the pandemic. We expect that as conferences return to in-person these Scope 3 emissions will increase to pre-pandemic levels.*

DISCLOSURES

This was prepared by Vert Asset Management, LLC, a federally registered investment adviser under the Investment Advisers Act of 1940. Registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. For more information please visit: https://adviserinfo.sec.gov/ and search for our firm name. This is for informational purposes only and is not to be construed as an offer or a recommendation to buy or sell a security.

Any return expectations provided are not intended as, and must not be regarded as, a representation, warranty or predication that the investment will achieve any particular rate of return over any particular time period or that investors will not incur losses.

Past performance is not indicative of future results.

All opinions and estimates constitute the firm's judgment as of the date of this report and are subject to change without notice. The information herein was obtained from various sources. Vert Asset Management, LLC does not guarantee the accuracy or completeness of such information provided by third parties. The information given is as of the date indicated and believed to be reliable. Vert Asset Management, LLC assumes no obligation to update this information, or to advise on further developments relating to it.

B Corp Certification is a legal commitment. To qualify, an entity is required to amend its articles of organization to address accountability and outline a financial purpose that includes environmental and social contributions on par with the financial return generated by the company. B Corp requires the qualifying entity to assess their environmental management, supply chain, employee and well-being policies and governance policies.

The company's Carbon Footprint is a total of greenhouse gas emissions calculated from USD dollars spent on direct, indirect, upstream and downstream (limited to business travel and commuting) totaled and reported annually. We use the GHG Protocol's Corporate Accounting and Reporting Standard for guidance for our entire inventory development process. Scope 1 emissions are derived from assets owned by the company such as real estate or transportation. Scope 2 emissions are calculated by totaling purchased electricity and/or natural gas for lighting, heating, and cooling for the building type and square footage occupied by the business. Scope 3 emissions are emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties. We use the distance-based method which involves multiplying activity data (i.e., vehicle-kilometers or person-kilometers travelled by vehicle type) by emission factors (typically default national emission factors by vehicle type). Vehicle types include all categories of aircraft, rail, subway, bus, automobile, etc.

We purchase verified carbon offsets for our carbon footprint through Cool Effect.

All rights reserved. No part of this report may be reproduced in any form or incorporated into any information retrieval system without the permission of the copyright owner.

© 2023 Vert Asset Management LLC. All rights reserved.

VERT
ASSET MANAGEMENT

Vert Asset Management
85 Liberty Ship Way
Suite 201
Sausalito, CA 94965
Phone: 415-650-7179

www.vertasset.com
www.vertfunds.com

Certified
B
Corporation