TSL Corporate Policy: Climate-Related Risk Management

1. Governance and Oversight

Objective: To establish a clear chain of accountability, ensuring that climate-related risks are evaluated with the same rigor as traditional financial and market risks.

- Board of Directors: The Board holds ultimate responsibility for the firm's climate risk strategy. It is required to review the firm's climate risk exposure, policy effectiveness, and regulatory compliance posture at least annually.
- Risk Management Committee (RMC): The RMC, comprising senior management and lead analysts, is tasked with executing the Board's directives. The committee meets quarterly to assess whether underlying portfolio holdings are adequately mitigating physical and transition risks to protect the portfolio's absolute returns.

2. Relevance and Materiality Assessment

Objective: To systematically determine which funds are subject to baseline or enhanced climate risk management and disclosure requirements based on the nature of their underlying assets.

- Relevance: The investment team must evaluate whether physical risks (e.g., extreme weather, supply chain disruptions) or transition risks (e.g., carbon pricing, shifting consumer mandates) are present within the sector, geography, or specific operations of the target assets.
- Materiality: If relevant, analysts must assess whether these risks could have a material impact on the enterprise value or future cash flows of the portfolio.
- Review Cycle: Relevance and materiality assessments must be formally re-evaluated on an annual basis, or immediately following a significant market, regulatory, or operational event.

3. Investment and Risk Management Integration

Objective: To protect against the permanent loss of capital by ensuring that climate liabilities are rigorously quantified and integrated into the firm's fundamental valuation architecture.

- Due Diligence: Analysts must review the audited ESG, TCFD, and sustainability disclosures of target companies. The focus must remain squarely on quantifiable actions, such as capital expenditures (CapEx) allocated for flood defenses, energy transition costs, or supply chain decarbonization.

4. Data Sourcing and Verification

Objective: To establish an auditable, verifiable process for tracking the environmental footprint of portfolio companies.

- Primary Sourcing: Environmental performance data, specifically Scope 1 and Scope 2 greenhouse gas (GHG) emissions, must be sourced exclusively from audited public filings, verified sustainability reports, or accredited third-party clearinghouses (e.g., CDP).

5. Investor Disclosure Protocols

Objective: To provide transparent, fact-grounded communication to investors regarding how their capital is being stewarded in the face of climate realities.

- Entity-Level Disclosures: As a baseline requirement, TSL will publish an entity-level disclosure statement outlining the firm's Governance, Investment Management, and Risk Management processes.
- Distribution: These disclosures will be included in the annual investor reporting packages.
- Material Changes: Any material shift in the firm's climate risk methodology, or a significant change in the materiality assessment of a specific fund, will be communicated to investors in a timely manner.