

Climate Risk Report

2026





Executive Summary

Climate change increasingly influences financial markets and investor preferences. Victory Capital systematically assesses and addresses climate-related risks and opportunities to serve a broad range of investment objectives. This report presents our initial assessment of potential climate risks facing our organization, while acknowledging that our climate risk management framework continues to evolve.

Our assessment methodology aligns with Task Force on Climate-related Financial Disclosures (TCFD) recommendations, providing a structured approach to climate risk evaluation.

This report outlines our governance structure, risk assessment methodology and strategic approach to climate-related financial risks. Based on comprehensive analysis of our industry positioning, and business model, we have determined that climate-related risks currently represent a low overall risk to our long-term sustainability. *This assessment is based on current information and methodologies and may change as climate science, regulatory requirements, and market conditions continue to evolve¹.*

Where we have identified emerging risks, Victory Capital maintains strong positioning to navigate the evolving climate landscape through:

- Robust governance framework with integrated Board, executive, and management oversight
- Proprietary climate risk assessment model developed in alignment with industry best practices
- Diversified climate investment solutions that enable us to serve evolving client needs across the risk spectrum

The detailed analysis supporting these conclusions, along with our forward-looking risk mitigation strategies, follows in the comprehensive sections of this report.

¹ **Forward-Looking Statements** This report contains forward-looking statements regarding Victory Capital's climate risk assessments, strategic positioning, and future capabilities. These statements are based on current expectations, estimates, and projections about climate-related risks and opportunities. Actual results may differ materially from those expressed in forward-looking statements due to various factors, including changes in climate science, regulatory requirements, market conditions, and the inherent uncertainty in climate risk modeling. Victory Capital undertakes no obligation to update forward-looking statements except as required by applicable regulations.

Governance

Victory Capital has established a multilayered governance structure to identify, assess and manage climate-related financial risks and opportunities. This framework is designed to ensure appropriate oversight across all organizational levels.

Operational Oversight

The Responsible Business team, in collaboration with Compliance and other key stakeholders, has established a Climate Risk Working Group to develop our comprehensive climate risk framework.

The Working Group operates in collaboration with the Responsible Investment (RI) Committee, ensuring that climate-related considerations are integrated into Victory Capital's broader governance and risk management framework through clear lines of responsibility and regular reporting mechanisms spanning management committees, executive leadership and the Board.

Management and Executive-level Oversight

At the management level, the **RI Committee** provides oversight of governance, systems and controls related to each Investment Franchise's approach to Responsible Investing, including climate-related financial risks. The RI Committee also oversees the climate risks framework conducted by the Climate Risk Working Group.



The Committee is chaired by the Director of Responsible Business and includes senior professionals from various departments involved in governance and oversight.

Its responsibilities include:

1. Overseeing the Responsible Investment processes at each Investment Franchise and Solutions Platform
2. Ensuring alignment among marketing materials, disclosure documents and documented Responsible Investment processes

3. Reviewing and approving firmwide external reporting, including the annual Responsible Business Report
4. Conducting annual compliance monitoring of Responsible Investment aspects of investment strategies, particularly those that formally integrate RI factors
5. Overseeing the climate risk framework developed and maintained by the Climate Risk Working Group

Each Victory Capital Investment Franchise maintains its own Responsible Investment Process documentation, which is reviewed and approved annually by the RI Committee. This documentation covers approaches to ESG integration (including climate-related considerations), exclusions, engagement and proxy voting, where applicable.

The RI Committee reports its annual activities and strategic initiatives to the **Compliance Committee**, which includes Victory Capital's most senior executives and serves as the primary conduit between operational compliance functions and executive leadership. This Committee ensures that any identified material climate-related risks are escalated appropriately, facilitating strategic alignment and timely action.

Board-Level Oversight

The **Nominating and Governance Committee** of the Victory Capital Holdings, Inc. Board of Directors provides ultimate oversight for Responsible Business initiatives and assesses potential business risks from material non-financial matters, including climate-related risks. The Director of Responsible Business provides quarterly updates to the Nominating and Governance Committee, ensuring that identified material risks, opportunities and trends, including those related to climate change, receive appropriate attention at the highest governance level.



Strategy

Investment management firms face dual climate-related challenges: economic transformation pressures from the global shift toward carbon neutrality, and to a lesser extent, direct environmental impacts. Victory Capital's Climate Risk Working Group has developed a comprehensive quantitative climate risk assessment framework that enables systematic evaluation and prioritization of climate-related risks across our business operations.

Climate Risk Framework Summary

Our methodology employs a multidimensional approach evaluating each identified climate risk across five core dimensions: likelihood of occurrence, timing of potential impact, financial consequences, strategic business implications and potential cascade effects that could amplify impacts across our operations.

The model generates two distinct outputs: an initial **core risk rating** considering timeframe, likelihood and financial impact, followed by an **adjusted risk rating** incorporating enhancement multipliers for cascade and strategic risks. This weighted calculation emphasizes financial impact as the primary driver while ensuring probability and timing provide appropriate management context.

Our methodology incorporates enhancement multipliers for both cascade and strategic risks, which creates an inherent overlap in risk weighting that we acknowledge may represent a limitation in our current model design. We recognize that our model may have additional blind spots or methodological limitations beyond this identified overlap, particularly in how the multipliers interact with underlying risk factors or capture emerging climate dynamics. We have assessed this methodological limitation and

determined that it does not materially affect our risk categorization conclusions, given that all identified risks fall within negligible or low-risk categories.



Given the nonstatistical nature of our model outputs, we applied business knowledge and subject matter expertise to determine appropriate thresholds for translating quantitative risk scores into categorical risk ratings. This ensures that risk categorization reflects the practical business significance of identified climate exposures rather than purely mathematical distributions.

Our quantitative framework supports systematic risk prioritization across four categories: negligible risks requiring minimal oversight through routine processes; low risks managed through annual monitoring; medium risks receiving active management and review; and high risks warranting comprehensive monitoring and action planning.

This structured approach ensures climate risk management efforts remain proportional to assessed risk levels while enabling dynamic reassessment as climate science, regulatory requirements, and market conditions evolve.

Below we discuss the outputs of our Climate Risk Model.

Climate Categories

Transition Risks emerge from society's shift toward a lower-carbon economy, including regulatory changes, technological disruptions, evolving market preferences, and reputational impacts.

Physical Risks represent direct climate change consequences:

- *Acute risks*: Extreme weather events (hurricanes, floods, wildfires)
- *Chronic risks*: Long-term climate shifts (sea level rise, temperature changes, drought patterns)

Climate Opportunities encompass potential benefits from climate developments: new clean technology markets, resource efficiency improvements, and products supporting climate adaptation.

Transition Risk

Risk Type	Potential Impact on Victory Capital	Time Horizon	Core Risk Rating	Adjusted Risk Rating
Policy and Legal	<ul style="list-style-type: none"> • Increased compliance costs and potential regulatory penalties from evolving climate risk regulations, SEC disclosure requirements and mandatory integration of climate considerations into investment processes in certain jurisdictions • Legal exposure from challenged ESG marketing claims or inadequate climate risk management practices 	Immediate <1 year	Negligible	Negligible
Technology	<ul style="list-style-type: none"> • Investment requirements for advanced ESG data analytics platforms and climate risk transparency tools to meet evolving client reporting demands 	Immediate <1 year	Negligible	Negligible

Market	<ul style="list-style-type: none"> Shifting client preferences toward climate-aligned products, creating potential AUM outflows from funds lacking climate risk integration Portfolio risks from stranded assets in high-carbon sectors and market volatility driven by evolving climate policies and valuation models 	Medium Term 3-7 years	<i>Negligible</i>	<i>Negligible</i>
Reputation	<ul style="list-style-type: none"> Increased scrutiny from institutional clients and risk of mandate exclusion due to inadequate climate risk management practices Reputational damage from greenwashing accusations or high-carbon portfolio investments that contradict stated climate commitments 	Medium Term 3-7 years	<i>Negligible</i>	<i>Low</i>

Physical Risks

Risk Type	Potential Impact on Victory Capital	Time Horizon	Core Risk Rating	Adjusted Risk Rating
Acute	<ul style="list-style-type: none"> Business continuity risks from extreme weather events disrupting Victory Capital's operations (offices, data centers) and key vendor services Portfolio performance impacts from acute physical risks affecting underlying portfolio companies 	Immediate <1 year	<i>Negligible</i>	<i>Negligible</i>

Chronic	<ul style="list-style-type: none"> Increased operational costs from rising temperatures affecting Victory Capital's facilities and operations 			
	<ul style="list-style-type: none"> Changing geographic risk profiles requiring portfolio adjustments and strategic repositioning 	Extended >15 years	Negligible	Negligible
	<ul style="list-style-type: none"> Portfolio performance impacts from chronic physical risks affecting portfolio companies 			

Strategic Opportunities

While climate change presents significant risks, it simultaneously creates strategic opportunities for investment managers who can effectively navigate this evolving landscape. Victory Capital's approach leverages our diverse investment expertise and client-driven strategies to capitalize on these emerging opportunities.

Investment Process Integration

Each Investment Franchise maintains a unique investment process involving extensive proprietary research. Through this research, each team looks at a wide range of factors, which may include ESG and climate related factors they determine to be material to the investment risks and opportunities.

Client-Centered Philosophy

Victory Capital's climate strategy reflects our fundamental recognition that clients bring diverse investment philosophies and climate-related objectives. Our approach centers on authentic alignment rather than uniform mandates, enabling us to serve both values-oriented clients seeking climate integration and performance-focused clients prioritizing risk-adjusted returns.



This client-centric philosophy drives our selective participation in industry initiatives—we engage only in programs that we believe can deliver meaningful value across our diverse client base. Our shared service model and centralized operations enable seamless integration of client-driven climate preferences, while our separate account capabilities provide truly customized solutions for clients requiring specific climate-related approaches, such as investment restrictions, specialized reporting, or tailored stewardship strategies.

Operational Capabilities

Our shared service model and centralized operations support our client-centered climate approach detailed above, enabling seamless integration of diverse climate preferences across our platform.

Each of our Investment Franchises has access to climate-related data that enables them to monitor climate-related metrics and specific risks, as well as produce tailored climate-related reporting for clients upon request.

Climate Solutions

We offer a range of products that seek to capitalize on climate transition opportunities and mitigate climate-related risks, spanning from catastrophe bonds and other insurance-linked securities to energy transition infrastructure and climate-aligned corporate bond strategies. Victory Capital is also well-positioned to develop bespoke climate solutions for institutional clients upon request, leveraging our diverse investment expertise and operational flexibility to meet specific client objectives, and risk parameters.

While we are able to provide such solutions, the AUM in these climate-focused strategies represents approximately 1% of our total AUM and is not a material part of our business. Additional details on some of these products and solutions can be found in the appendix.



Risk Management

Victory Capital has integrated climate risk management into our broader organizational risk framework through our Climate Risk Working Group, which operates under the governance structure detailed previously.

Climate Risk Management Process

Our risk management process follows a systematic four-phase approach:

1. Risk Identification and Scoping

We identify climate-related risks across transition and physical risk categories as defined in our Strategy section, then scope these risks for relevance to Victory Capital's asset management business model and operational footprint.

2. Quantitative Risk Assessment

As detailed in our Strategy section, we employ our comprehensive risk assessment framework that generates both core and adjusted risk ratings.

3. Risk Categorization and Prioritization

Using business knowledge and subject matter expertise, we translate quantitative scores into our four-tier management framework: negligible risks (routine oversight), low risks (annual monitoring), medium risks (active management) and high risks (comprehensive monitoring and action planning).

4. Risk Response and Monitoring

We develop proportional management responses based on assessed risk levels, leveraging existing controls where appropriate and implementing targeted mitigation strategies when necessary.

Current Risk Profile and Management Approach

Based on our assessment, all identified climate risks for Victory Capital currently fall within negligible or low risk categories. The firm's variable cost structure offers natural protection against market volatility, including climate-driven fluctuations, by adjusting its costs in response to changes in assets under management. Additional mitigation factors include our multifranchise model, geographic distribution across multiple office locations, proven remote work capabilities, cloud-based technology infrastructure and established vendor risk management protocols.

Negligible Risk Management

For risks in this category—including policy/legal compliance, technology requirements, market shifts and both acute and chronic physical risks—we employ routine monitoring through existing business processes.

Low Risk Management

Our single low-risk category involves reputational considerations around climate positioning. We manage this through:

- **Governance Oversight:** The RI Committee provides systematic oversight of climate-related processes across Investment Franchises, ensuring alignment between marketing materials, disclosure documents and investment processes
- **Client-Driven Approach:** As detailed in our Strategy section, we serve diverse client climate preferences through tailored solutions, reducing reputational risk through authentic alignment with client objectives
- **Transparent Communication:** We maintain clear disclosure about our climate capabilities and limitations, including the fact that climate-focused strategies represent approximately 1% of total AUM

Dynamic Risk Assessment

Our structured approach enables reassessment as climate science, regulatory requirements, and market conditions evolve, ensuring risk management efforts remain proportional to assessed risk levels while supporting our capacity to deliver consistent client and investor value.



Metrics and Targets

Victory Capital will report greenhouse gas emissions in accordance with applicable regulatory frameworks as they are established. Our reporting approach will be designed to meet regulatory standards while providing meaningful transparency to stakeholders.

Scope 1 and 2 Emissions: Operational Emissions Profile

Victory Capital's direct operational footprint reflects our business model as an asset management firm with relatively modest physical infrastructure requirements.

In 2026, Victory Capital intends to report its Scope 1 and 2 emissions in accordance with applicable climate disclosure requirements.

For Victory Capital, these direct and indirect emissions will represent a relatively minor component of our overall emissions footprint, consisting of:

- Scope 1, Direct Emissions: Natural gas consumption for heating and any fugitive emissions from our office facilities
- Scope 2, Indirect Emissions: Purchased electricity for our corporate offices and data center operations

Given the nature of our operations, these direct and indirect emissions are inherently lower in magnitude compared to capital-intensive sectors such as manufacturing, transportation, or heavy industry.

Scope 3 Emissions: Investment-Related Emissions Considerations

Consistent with the broader investment management industry, we recognize that Scope 3 emissions—particularly those associated with portfolio companies in which we invest on behalf of clients—represent the most significant component of our potential emissions exposure.

Our approach to addressing these investment-related emissions will evolve alongside regulatory guidance and industry best practices.

Approach to Target Setting

At this time, Victory Capital does not anticipate setting specific climate-related targets for our organization or funds. This approach reflects our commitment to authentic climate risk management rather than aspirational goal-setting that may not align with our fiduciary responsibilities or diverse client objectives.

Victory Capital prioritizes building robust climate risk assessment and management capabilities that enable us to serve client needs effectively. This approach ensures that our climate-related activities remain aligned with our core mission of delivering investment outcomes for clients while maintaining the flexibility to adapt to evolving market conditions and regulatory requirements.



Conclusion

Victory Capital's approach to climate risk management reflects our commitment to pragmatic, evidence-based stewardship that serves our clients' diverse objectives. Our established governance framework, coupled with selective climate investment capabilities and operational resilience, positions us to navigate the evolving climate landscape effectively.

Based on our comprehensive quantitative analysis, Victory Capital has determined that climate-related risks to our business are negligible to low in materiality. This assessment reflects both the inherent

characteristics of identified climate exposures and Victory Capital's structural advantages as an asset management firm with a unique, resilient business model.

As we enhance our climate risk assessment capabilities and expand our environmental reporting frameworks, we remain focused on our core mission: delivering investment outcomes for our clients.

We will continue to monitor climate risks through our established governance framework and reassess risk ratings as climate science, market conditions and industry best practices evolve, ensuring our risk management approach remains proportional and responsive to material changes in our risk profile. This positions Victory Capital favorably to help our clients navigate a rapidly evolving investment landscape where climate considerations may increasingly influence market outcomes.

Appendix

Climate Solutions

The following case studies demonstrate Victory Capital existing client solutions and business opportunities related to climate risk.

These examples illustrate our capacity to navigate climate-related risks while capitalizing on transition opportunities, supporting both our risk mitigation objectives and client service capabilities.

Case Study 1

Institutional Client — Net Zero Engagement Program

We developed a sophisticated climate engagement framework to support a pension system's ambitious net zero implementation plan, demonstrating how institutional asset managers can systematically translate client climate commitments into measurable portfolio outcomes.

We developed a multiphase engagement architecture that transforms broad climate commitments into granular, actionable investment management processes. Our framework centers on:

- **Systematic data infrastructure** for portfolio company climate assessment
- **Risk-stratified categorization** enabling differentiated engagement strategies
- **Tiered engagement methodology** prioritizing highest-impact portfolio companies
- **Ongoing progress tracking** with continuous strategy refinement

The framework's key innovation lies in its adaptive methodology, recognizing that effective climate engagement requires different approaches for companies at varying stages of climate materiality and maturity.

Case Study 2

Victory Global Energy Transition Fund — Capitalizing on Climate-Driven Investment Opportunities

Victory Global Energy Transition Fund highlights Victory Capital's strategic positioning to capitalize on the unprecedented investment opportunities emerging from global climate transition initiatives.

This Fund demonstrates how proactive climate-opportunity investing can deliver results while supporting the infrastructure buildout required for a lower-carbon economy.

The Fund operates on the principle that climate transition creates investment opportunities rather than merely risks. By targeting companies essential to the energy transition infrastructure, the strategy seeks to capture value from the multi-trillion-dollar global shift toward sustainable energy systems.

The Fund invests in companies providing critical materials, infrastructure, and technologies necessary for renewable energy deployment, grid modernization, and electrification initiatives worldwide.

Case Study 3

Victory Pioneer CAT Bond Fund — Transforming Climate Risk into Investment Opportunity Through Insurance-Linked Securities

Victory Pioneer Catastrophe Bond (CAT) Fund transforms climate challenges into investment opportunities by investing at least 80% of assets in catastrophe bonds and insurance-linked securities. As intensifying global weather events drive insurers' growing need to cede extreme weather-related risks to capital markets, the Fund is positioned to capture this expanding opportunity while pursuing attractive, uncorrelated returns for investors.

In practice, the Fund allows insurers to transfer specific natural disaster risks—from Florida hurricanes to California earthquakes, from Japanese typhoons to European windstorms—to investors willing to accept these risks in exchange for a premium.

Investors collect these premiums as a return stream, provided that predefined catastrophic triggers—such as a Category 4 hurricane or a magnitude 7.0 earthquake—and predefined insured loss amounts are not breached. The result is an investment return driven by actual climate events rather than market sentiment or macroeconomic factors, providing valuable portfolio diversification during periods when climate-sensitive assets face pressure from extreme weather.

The Fund serves as a vital source of reinsurance capacity, enabling insurers to maintain coverage in climate-vulnerable geographic regions while offering capital market participants access to a compelling and differentiated investment opportunity.

Case Study 4

New Energy Capital — Capitalizing on Climate Transition Opportunities

New Energy Capital (NEC), Victory Capital's alternative asset management franchise, provides institutional investors with direct access to clean energy infrastructure opportunities. Having deployed more than \$1.6 billion across more than 50 investments, NEC targets the underserved small-to-mid-size clean energy infrastructure segment, focusing on operationally differentiated management teams using commercially proven technologies.

Case Study 5

Capitalizing on our Partnership with Amundi — Global distribution of Climate focused strategies

Victory Capital's partnership with Amundi, a global leader in responsible investing, creates a significant growth opportunity driven by increasing global demand for climate investment solutions outside the US.

Through the acquisition of Pioneer Investments (previously Amundi US), Victory Capital manages SFDR Article 8-compliant funds, including the Amundi Funds US Corporate Bond Climate Fund, which seeks total return while reducing carbon intensity through alignment with the MSCI USD IG Climate Paris Aligned Corporate Bond Index.

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