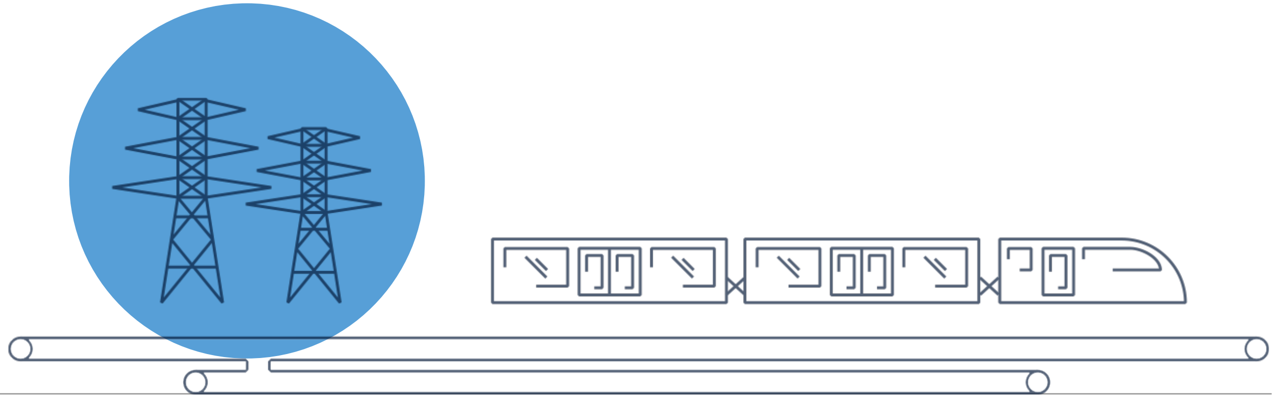



# CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

Reporting Period 1st January to 31st December 2023

## Contents





# About Dalmore Capital

Dalmore Capital is an independent **fund manager** that acquires, manages, and holds **infrastructure assets** on behalf of investors. With Assets Under Management (AUM) exceeding **£5.7 billion** via five flagship funds[1] and associated co-investment vehicles, our primary geographical focus is the UK, although we also manage assets in Ireland, Continental Europe, and Canada.

Our main investment focus is on low volatility assets with minimal exposure to GDP, traffic, usage, or market price risks. We pursue a buy-and-hold strategy for our investments, typically spanning 15 to 25 years, reflecting our **long-term investment approach**.

Our investment portfolio covers **a range of sectors including energy and utilities, education, healthcare, transportation, justice, defence, and emergency services.** Within these sectors, our assets range from schools, hospitals, and care facilities to housing, defence installations, transportation networks, water and energy utilities, waste management, and sustainable energy generation facilities. We invest in essential infrastructure that bring positive socio-economic and environmental benefits by fostering economic growth. Certain of our assets have a key role to play in decarbonising the economy, in particular our energy-from-waste (EfW), rail electric rolling stock and renewables (21 windfarms) projects. The importance we assign to decarbonisation is further demonstrated by our decision to exclude the extraction or generation of electricity from fossil fuel assets from our investment portfolios.[2]

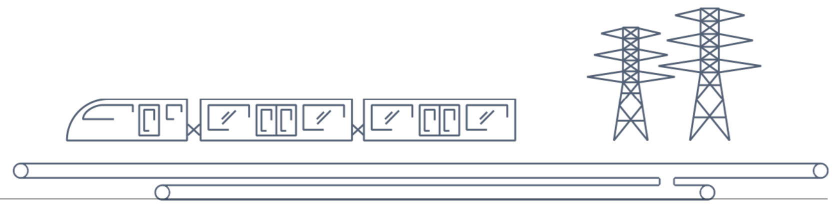
> We are committed to achieving Net Zero by 2050 across our non-PPP[3] portfolio and support the UK Government's commitment to achieving Net Zero by 2050 across all public sector bodies across our PPP assets.

Given the implications for our assets and for the people dependent on these assets, we need to take a long-term perspective in assessing and managing climate change-related risks and opportunities. We have enhanced our governance, risk management, and performance monitoring processes to recognise that climate change presents both risks and opportunities.

[1] As a symbol of a company's main investment strategy or area of concentration, flagship funds are regarded as the principal or most notable funds.

[2] Dalmore Capital holds an investment in Cadent, which operates and maintains the gas distribution infrastructure but does not engage in the retail sale or supply of gas to end consumers. Its role is to transport gas through its pipelines to homes and businesses, while the actual sale and supply of gas is handled by separate gas supply companies.

[3] PPP – Public Private Partnership.



## Understanding Our Assets

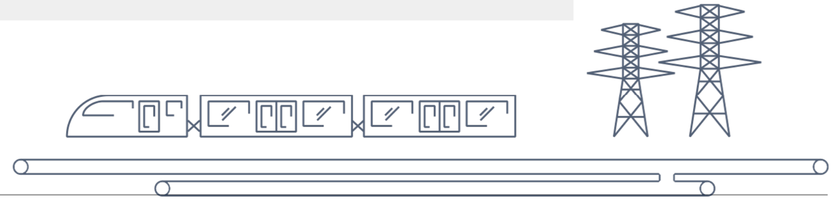
The different types of infrastructure that we invest in need to be considered differently in terms of how climate risks and opportunities manifest and the consequences for how we can implement our ESG Strategy and **Climate Policy Framework**. Our AUM totals **£5.7 billion** via five flagship funds and associated co-investment vehicles. The assets within these funds can be distinguished as Public-Private Partnership (PPP)/Public Finance Initiative (PFI) assets and non-PPP assets. See Table 1 for an overview of the asset types contained in our funds.

PPP assets comprise 41% of our portfolio and account for 20% of our Financed Emissions[4], whereas non-PPP assets comprise 58% of our assets and account for 80% of our Financed Emissions. Dalmore Capital Limited Scope 3 Financed Emissions represent over 99% of total GHG emissions.

### Table 1: Asset types contained in Dalmore Funds

| Fund | Fund Commitments | Primarily PPP | Primarily Non-PPP | Mix of PPP and Non-PPP |
|---|---|---|---|---|
| PPP Equity PIP | £534.4m | Yes | | |
| DCF | £248.7m | Yes | | |
| DCF 3 | £950.0m | | | Yes |
| DCF 4 | £138.0m | | Yes | |
| DII | £440.0m | | Yes | |

[4] Financed Emissions calculated in accordance with PCAF for Project Finance and GHG Protocol for asset level GHG emissions claculations.



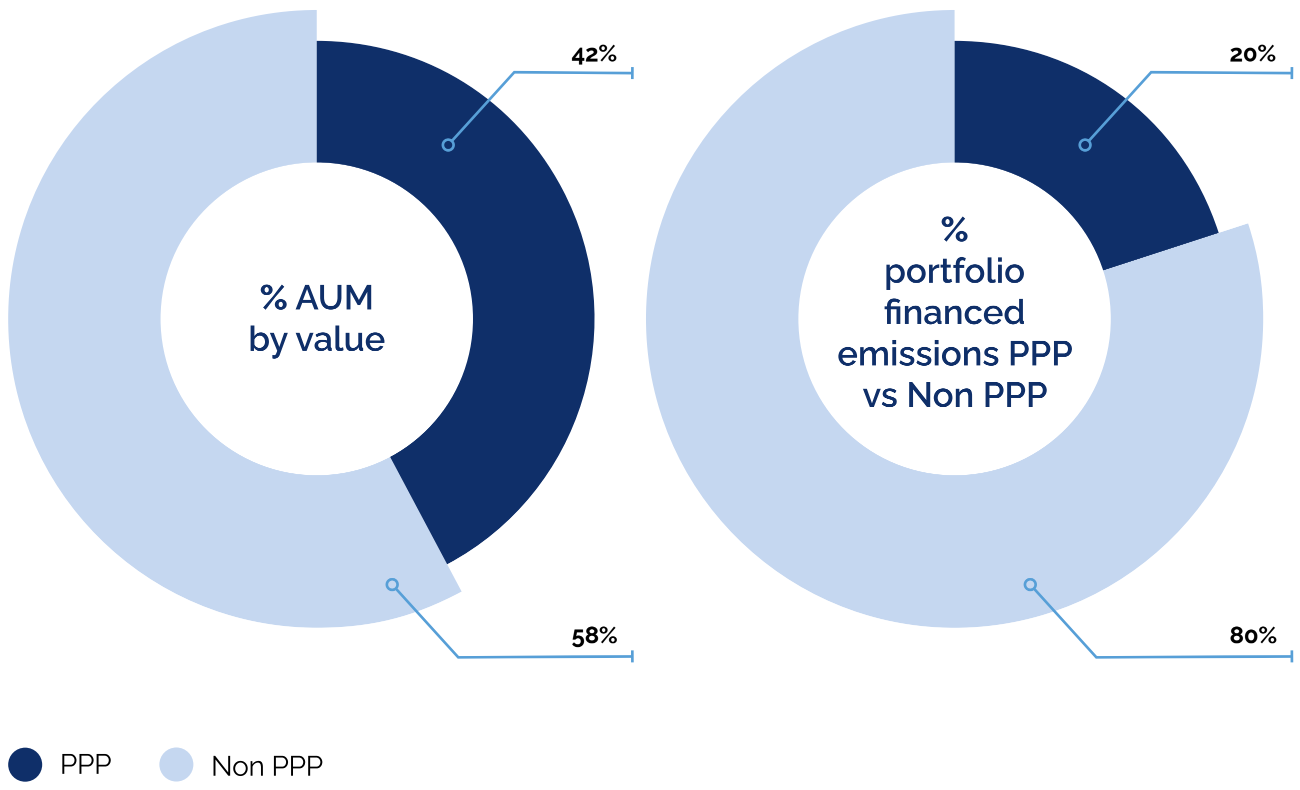
## 01 About Dalmore Capital

Figure 1 shows the split of our assets into PPP and non-PPP (left) and emission % for non-PPP vs PPP assets (right).

In our PPP investments, the concession company has long term agreements with a public sector body but does not have outright ownership or operational control of the assets. Payment is contingent upon the consistent maintenance of the required outputs, or service standards, throughout the project life. At the end of the concession period, the assets are handed back to the public sector body. Variations to the project (for example, use of a different type of heating system) requires agreement with the public sector partner(s), senior lenders and other project stakeholders. In practice changes such as these are challenging to agree and **our ability to implement climate-related improvements in PPP assets is slower and more difficult than in our non-PPP assets.** Despite these challenges, we are committed to exploring all avenues to work collaboratively with our Public Sector counterparts to achieve our collective climate goals.

Among our non-PPP assets, the utilities and energy sectors represent the largest share of our Financed Emissions by value. As such, we have focused our climate strategy on our non-PPP assets where we have greater influence. Where possible, Dalmore takes a board position and influences behaviour and decision-making as a shareholder to achieve positive ESG outcomes.

Figure 1: Dalmore Capital Assets Categories and % of $CO_2e$ Per Asset Category



## Our Approach to Climate Change

We recognise that climate change presents both opportunities and risks to our assets and, therefore, consider climate change throughout the investment lifecycle. We collaborate with our public sector partners and support our portfolio companies achieve Net Zero in a way that preserves and creates value.

Dalmore became a formal supporter of Task Force on Climate Related Financial Disclosures (TCFD) in August 2021. In 2022, we developed a roadmap for TCFD-aligned reporting and climate risk management and established 2022 as our ESG KPI baseline.

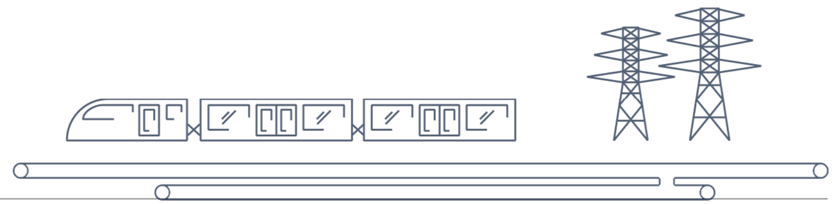
We are committed to aligning with the Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework (NZIF). As part of this commitment, we are considering membership to the Institutional Investors Group on Climate Change (IIGCC), the investor network responsible for engagement and implementation of the framework in Europe and for developing specific guidelines for infrastructure assets.

We have developed a **Climate Policy Framework** (CPF) which outlines our climate vision, including interim Net Zero targets aligned with the PAII-NZIF for infrastructure.

We recognise that the climate regulatory and policy landscape is evolving rapidly. This means that we need to continually improve our understanding and disclosure of climate risks and opportunities. We will continue to strengthen our analysis of climate-related risks and opportunities and our management of these risks and opportunities, in line with our Net Zero commitments.

## About this Report

This report aligns with the TCFD Recommendations. The Financial Conduct Authority (FCA) in the UK requires all companies with over £5bn in AUM, to publish standalone disclosures aligning with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) by June 2024. The report covers the period 01 January 2023 to 31 December 2023 and details how we integrate climate risks and opportunities into our investment strategies, while also assessing our portfolio's resilience to climate change.



# Governance

Dalmore's Board (which comprises the CEO, CFO, CIO and COO) & Executive Committee (which has the same membership plus the General Counsel) have overall responsibility for defining our organisational structure and accountabilities, for ensuring our risk identification and management capabilities are robust, for implementing internal controls, and for taking strategic decisions that reflect the firm's best interests.

The Board and the Executive Committee are working towards further integrating climate in formal decision-making through several key committees and executive reporting functions.

Figure 2, on the following page, shows Dalmore Capital's governance structure and how climate is considered in specific committees.

# 02 Governance

Figure 2: Dalmore Capital Organisational Chart

**Board of Dalmore Holdings Limited**
Responsible for overall governance.

**Executive Committee**
- Governing body and oversight of business.
- Considers and approves all material matters and decisions regarding Dalmore.
- Responsibility for Dalmore strategy.
- Performance against climate-related targets is evaluated by the Committee.

**ESG Committee**
- Is responsible for the oversight of the ESG strategy at a corporate and fund level.
- Overall responsibility for the ESG framework and policy suite designed to meet ESG regulatory obligations and commitments across the business.
- Offers advice and recommendations on climate-related issues to the Board, the Executive Committee, and other relevant committees.

**Investment Committee**
- Is responsible for the approval of all acquisitions.
- Investment committee papers are required to undertake climate risk screening and assessment, with review and input from the ESG Committee.

**Valuation Committee**
- Is responsible for agreeing valuation assumptions for all assets.
- Pre-appraise and approve related valuation decisions thereafter.
- Efforts are underway to also consider climate-related risks and opportunities in the Valuation Committee.

**Asset Management Committee**
- Undertakes performance appraisals of our assets and direct engagement via our participation on company Boards.
- Reports quarterly on the performance of companies where Dalmore has taken a board position, including managements' activities on climate risk mitigation.

**Risk Management Committee**
- Is responsible for Dalmore Capital risk register and oversight of fund level risk registers.
- Overall responsibility for the arrangements and processes relating to risk management, including board risk reporting.
- The Committee reviews exposure to climate-related risks.

# 02 Governance

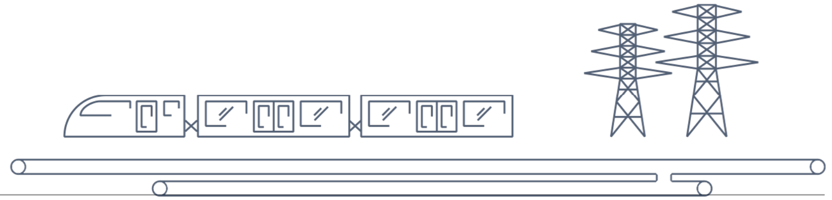
Dalmore's senior management and Investment Committee (IC) exercise oversight and are accountable for responsible investment practices and for the integration of material ESG risks and opportunities into investment decision-making and asset management practices. This includes, where applicable, physical and transition climate-related risks and opportunities. Where Dalmore has significant control over an infrastructure asset, we ensure that the company implements relevant environmental policies and standards. Where Dalmore has a minority investment, we are generally able to obtain board representation and appropriate governance rights.

The **ESG Committee** is entrusted with overseeing the implementation of Dalmore's ESG-related activities, in line with strategy objectives approved by the Board and the Executive Committee. In addition, this committee offers advice and recommendations on ESG matters, including climate-related issues, to the Board, the Executive Committee, and other relevant committees. The ESG Committee reports quarterly to the Board, providing comprehensive input on all ESG-related aspects across the business, covering compliance, performance, and strategy.

The ESG Committee is also responsible for ensuring that climate change is considered by the wider Dalmore team. The ESG Committee, working with the Executive Committee, sets overall objectives/targets for each of Dalmore's asset management teams. These objectives/targets are reviewed annually during performance reviews. They are being expanded to encompass climate change considerations, promoting departmental ownership of achieving our climate goals.

A central action in incorporating climate governance into investment decision-making is through the Investment Committee. Climate risks are a standing item on new investments for the Investment Committee to consider.

Our **asset management team** frequently engages with portfolio company management teams, and where appropriate, directly with stakeholder groups on relevant matters to understand risks and opportunities and drive improvements. The asset management team also meets regularly to review infrastructure assets across funds, to share best practices and to escalate any significant issues. An important monitoring tool available to the asset management team is Dalmore's bespoke ESG survey (which includes questions on climate change), which is completed by the majority of the portfolio on an annual basis. The asset management team uses the findings to determine improvement areas, and identify trends, best practices, and emerging risk categories. See the Risk Management section of this report for examples of climate-related questions included in our ESG Survey.



# 02 Governance

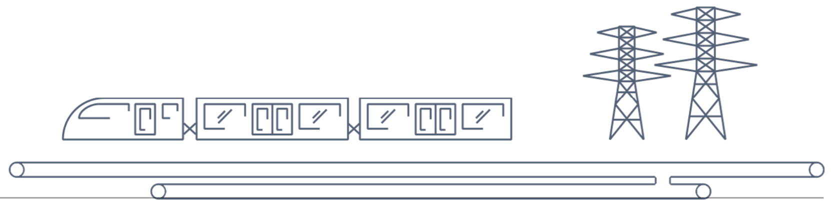
We rely on Asset Directors, employed by Dalmore, for a comprehensive understanding of our holdings. They play a crucial role in managing the assets. Whenever possible, they also hold positions on the boards of the asset organisations. This dual role grants them valuable insight and allows them to directly influence decision-making within the asset companies, further strengthening our overall oversight. We also established Resolis, a subsidiary company, which has taken over the management services of a large proportion of our PPP assets. Resolis works independently and has an agreement to manage the day-to-day activities of over 65 PPP assets.

A priority for 2024 will be to improve the integration and consideration of climate-related targets into our governance processes and in our asset management practices.

resolis.

## Knowledge sharing across the Firm, with our portfolio companies' management teams and with other stakeholders, also occurs with a focus on ESG best practices.

In 2023, we undertook a series of workshops with Partners, Asset Directors, and our SPV Management affiliate, Resolis. These workshops focused on equipping participants with a strong foundation in climate physical and transition risks, and developing their understanding of climate scenario analysis and how such analysis might support investment decision-making. Further workshops were held with Asset Directors to understand key assumptions and assign relevant risk ratings according to asset type and various climate hazards prior to completing the climate scenario analysis. Additionally, workshops were undertaken with asset managers according to sector to provide training and support in understanding key sector net zero objectives and climate risks.



# Strategy

## We recognise that climate change has the potential to directly impact our assets and the strategic context in which we consider new acquisitions and identify opportunities.

We therefore continue to assess climate-related risk across our existing asset portfolio and new opportunities. As a long-term investor, we have a good understanding of short-, medium- and long-term horizons for climate interventions, while considering the lifespan of key assets and products.

As active managers, we have the potential to play an important role in both providing the capital needed for new infrastructure needed to achieve Net Zero and supporting our companies to develop clear decarbonisation transition plans. Whilst maintaining a strategic focus on our fiscal responsibilities, we are committed to aligning our portfolio management strategy with broader initiatives aimed at achieving our Net Zero goal in line with the UK Government's commitment to achieving Net Zero by 2050 across all public sector bodies.

Our long-term investment approach is a buy-and-hold strategy, which makes stakeholder engagement a central part of our risk management approach (see the Risk Management section of this report for more information on how Dalmore has engaged with assets in 2023). Where possible, we actively encourage decarbonisation measures in our assets.

## We have a climate strategy for our whole portfolio, but which requires different approaches for our PPP and non-PPP assets.

**PPP assets:** Improve climate-related data availability and build understanding of climate risks. We engage with the client to share that understanding. Dalmore Capital and our Public Sector counterparts are dedicated to exploring avenues to work collaboratively and achieve our collective Net Zero goals through engagement. Engagement means applying the good practice recommendations set out in the IPA "Decarbonisation of Operational PFI Projects: Handbook of recommended good practice for contracting authorities, 2023" developed jointly via the IPA Net Zero Working Group.

**Non-PPP assets:** Improve climate-related data availability and build understanding of climate risks. We have various levers to manage climate risks in our assets depending on potential for influence and relevance. We work collaboratively with our portfolio companies and prioritise engagement in those assets where we have more control, which are in high-impact sectors. Our non-PPP AUM includes large utility and energy portfolio companies and represents the largest share of our Financed Emissions by value. We have, thus, set interim targets to guide us in prioritising efforts and resources.

Our Climate Policy Framework can be found here and further describes our approach to PPP and non-PPP assets.

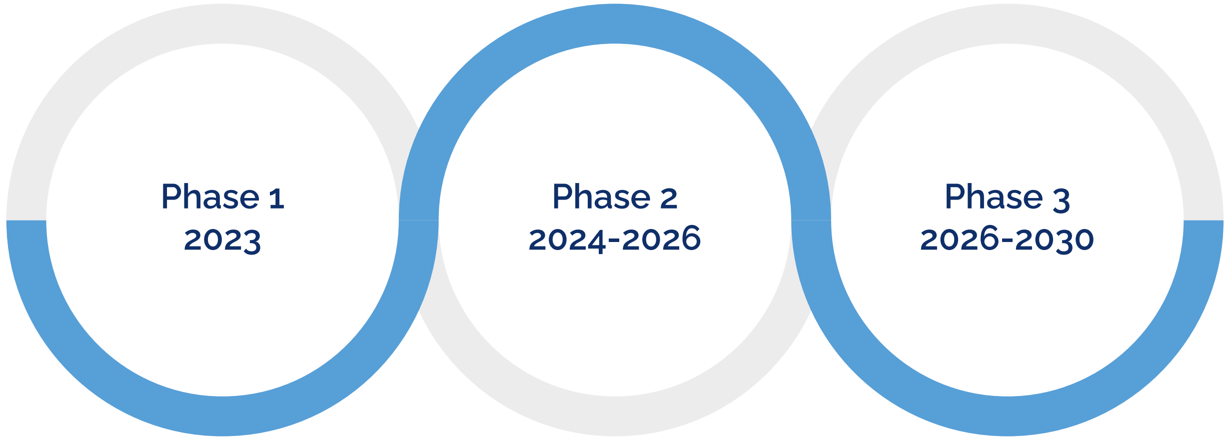
# 03 Strategy

To help reach our Net Zero goal, we have developed a **Climate Policy Framework** (CPF). In this policy framework we introduce a phased approach (see Figure 3) to implementing interventions and setting metrics, following the IIGCC Paris-aligned Investment Initiative (PAII) Net Zero Investment Framework (NZIF) Infrastructure Guidance.

We are committed to achieving Net Zero by 2050 across our non-PPP portfolio and support the UK Government's commitment to achieving Net Zero by 2050 across all public sector bodies across our PPP assets.

# 03 Strategy

Figure 3: Dalmore Capital Phased Approach




**The first phase of our approach – which was undertaken in 2023 – included:**

- Establishing a robust baseline year (2022) with 96% of AUM providing actual Scope 1 and 2 emissions data. Estimates were made for the remaining assets using sector proxy values. Scope 3 data collection is ongoing, with reporting as available while acknowledging potential future variations in methodologies.
- Setting medium- and long-term targets across our portfolio in line with our commitment to Net Zero (see the **Metrics and Targets** section of this report).
- Selecting the IIGCC Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework (NZIF) to monitor progress.
- Defining the scope boundaries for our interim targets.
- Projecting our portfolio emissions out to 2050, taking into account sector decarbonisation policies and the assumed growth of our existing assets.

**During Phase 2 (2024-2026)**, our focus will be on integrating Net Zero sustainability measures into our operations. We will collaborate with external parties to assess the alignment of our portfolio with the IIGCC PAII-NZIF, track and report engagement activities, and expand emissions reporting, aiming to cover 100% of our AUM by value. In addition, we will report against asset specific KPIs to achieve our objective of 100% AUM by 2040 for our Engagement and Net Zero objectives, recognising the need for tailored approaches across various infrastructure sectors. For further details please see our **Climate Policy Framework**.

**Phase 3 (2026-2030)** will mark the maturation of our approach while maintaining our core vision. We will prioritise achieving interim targets, defining additional activities as necessary to reach our long-term goals. Progress will be reported annually through our ESG Report, with periodic reviews of targets and approaches to ensure alignment with evolving frameworks and data insights.

The Paris Aligned Investment Initiative (PAII) is a global investor-led forum to support investors in aligning their investments with the goals of the Paris Agreement on climate change.

It aims to align investment portfolios and activities with reducing GHG emissions and achieving net zero emissions by 2050 or sooner. A key resource developed by the PAII is the Net Zero Investment Framework (NZIF) which provides guidance on how to assess investments across various asset classes, including infrastructure, for alignment with net zero goals.

Robust climate data is a key element in formulating a meaningful climate strategy and conducting effective risk management. An initial step was to establish our GHG emissions inventory which has allowed us to develop interim targets and prioritise climate-related actions such as identifying key assets for engagement. We aim to collect data directly from assets. Many of our assets are able to provide the data with the required accuracy we need, although we expect figures to fluctuate over time as reporting continues to improve. We have set a target for 100% AUM (by value) Scope 1 and 2 emissions to be reported by 2025. This target also forms part of Dalmore Directors' objectives and has been set as an objective for SPV managers within our SPV Management affiliate, Resolis. We will track GHG emissions annually to give us oversight of portfolio emissions reductions aligned to a Net Zero pathway (further detail is available in our **Climate Policy Framework**) and to monitor our portfolio companies' performance in meeting their Net Zero targets and overall emissions intensity. While we review performance to ensure progress, it is important to note that we do not set absolute emission targets because our ability to achieve such targets is driven by factors outside our control (e.g. changes in public policy). More information on portfolio emissions can be found in the **Metrics and Targets** section of this report.

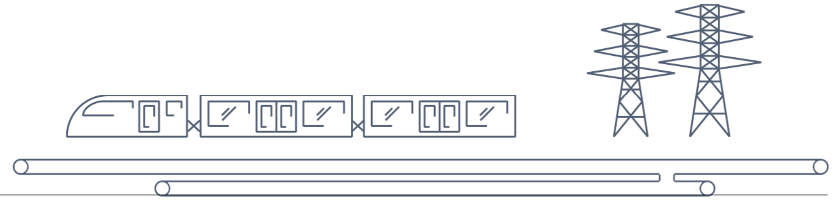
## Our Climate Strategy for Our PPP Assets

Our PPP assets will be subject to engagement and included in our long-term target in line with the UK Government's commitment to achieving Net Zero by 2050 across all public sector bodies. The achievement of our target for these assets will depend on support and investment from our public sector counterparts in the decarbonisation initiatives proposed across our assets. However, the characteristics of our PPP assets (described in the **About Dalmore** section of this report) mean we have not been able to include these assets in our interim targets.

The nature of the highly structured contracts that govern our PPP assets mean that investments to fund decarbonisation projects require variations to these contracts. The majority of significant decarbonisation measures, for example, switching from fossil fuel heating to electrification of heating in public sector buildings, would require use of the variation process if not originally considered within the PPP contract. This requires close collaboration and agreement across all stakeholders as well as access to funding by public sector authorities and often higher transaction costs for public sector authorities. This means that, ultimately, it is challenging for Dalmore to direct decarbonisation measures in these assets. Engagement and other strategic actions, thus, take on increased significance and represent our main opportunity for supporting our PPP assets achieving Net Zero.

Dalmore also has an important role to play by participating in industry and public sector working groups to support wider decarbonisation efforts. We have engaged with the Infrastructure Projects Authority (IPA) as a member of its Net Zero Working Group to establish common GHG metrics, establish a baseline and identify mechanisms to support our public sector PFI projects in meeting public sector decarbonisation commitments.

Dalmore is an active member of the working group supporting the development of the guidance published in 2023, **Decarbonisation of Operational PFI Projects**. We also actively participate in sub-working groups led by investors to develop and improve common data metrics to capture relevant scope 1, 2, and 3 emissions across PPP/PFI projects. This involves identifying challenges and solutions to data collection, establishing sector proxies and benchmarks, identifying outliers, and defining scope boundaries.



## Our Climate Strategy for Our Non-PPP Assets

In 2023 we decided to use the IIGCC PAII-NZIF to structure our net zero strategy for our non-PPP assets. We have set interim targets for our non-PPP AUM, which includes our large utility and energy portfolio companies and represents the largest share (80%) of our Financed Emissions by value. See section on **Metrics and Targets** for our interim and long term targets. The interim targets guide us in prioritising efforts and resources by engaging with identified high-emitting assets across our portfolio that are not 'Aligned' or 'Aligning' to a net zero pathway. We support these assets to build capacity on climate risk management; see Box 1 for a case study showcasing actions taken by Porterbrook to integrate climate. As shown in Figure 4, on the following page, we are actively working with major assets to implement key actions for decarbonisation.

Further detail on how we are engaging with these assets is included in the **Risk Management** section.

porterbrook

### Box 1: Case Study – Porterbrook

| Asset Description: | Provider of Rail Leasing and Asset Management Support |
|---|---|
| Fund | Dalmore Capital Fund (DCF) 4 |
| Infrastructure Sub-sector | Transport |
| Dalmore Investment | 20% |
| Year of Investment | 2021 |
| Representation on Board | Yes |

Porterbook have conducted a detailed review of their climate-related risks and opportunities and published information on their Scope 1, 2 and 3 emissions. We are pleased that Porterbrook has undertaken the following actions:

- Engaged consultant to review climate-related risks and opportunities.
- Developed disclosures in line with TCFD recommendations.
- Established baseline emissions for Scope 1 and 2.
- Produced estimates for traction emissions (Scope 3).
- Developed emissions reduction pathways, showing a good level of alignment with SBTi.

# 03 Strategy

**Figure 4: Examples of Decarbonisation Actions by Dalmore Assets**

### Cadent

- Replaced 1,679 km of old metallic pipe with new plastic pipes that are more resilient and will support the transportation of cleaner, greener energy and in the transition to a hydrogen future.

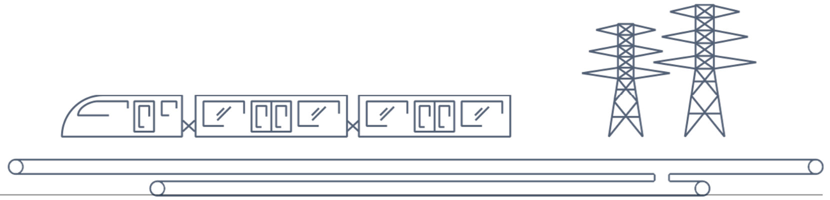
### Cory

- Riverside 1 (EfW facility) was constructed with a freeboard for flood defence of one metre above DEFRA predictions for the most extreme water level at the time of construction.
- Working on a significant carbon capture and storage project to contribute to climate change mitigation by delivering negative emissions.

### Porterbrook

- Investing in "hydroflex" trains – hydrogen-powered trains that offer a clean alternative to diesel locomotives.

We engage in broader stewardship activities outside project-specific engagements. We have been a UN Principles for Responsible Investment (PRI) Signatory since 2013 and are a member of the Global Infrastructure Investor Association (GIIA) ESG Working Group. We are considering joining the Institutional Investors Group on Climate Change (IGCC) in 2024.



# Risk Management

## Climate risk management at Dalmore Capital encompasses:

- Internal due diligence conducted through our various committees on potential investments.
- Project-specific engagement with existing investments, focusing on:
  - understanding & monitoring portfolio emissions;
  - reviewing targets set by assets; and
  - monitoring performance against targets and actively seeking to mitigate emissions from the highest-emitting assets.

## Climate-related risks are considered as part of our risk management processes, which are implemented by our various committees.

The Risk Management Committee, reporting to the Board, provides oversight to ensure risks (including climate) have been identified, assessed, and appropriately managed. The ESG Committee also has responsibility to evaluate climate risks; any material risks identified are escalated to both our Executive Committee during regular asset management reviews and to our Investment Committee, which is required to review and consider the scope of mitigation measures available as part of the investment decision-making process. When significant ESG risks emerge, we conduct thorough assessments to determine whether to proceed with an offer or develop mitigation plans accordingly. Additionally, our portfolio level targets are reviewed and discussed at annual Executive Committee meetings and through the ESG Committee.

## Scenario Analysis

In December 2022, we **engaged a leading climate consultant to undertake quantitative climate scenario analysis** across our portfolio to review climate risks and opportunities across both high and low emissions scenarios for physical (asset level) and transition risks (sector level). This analysis followed TCFD's recommendation to review high emission scenarios and 2°C aligned scenarios.

Climate scenario analysis is a method to explore and develop an understanding of how the physical and transition risks and opportunities of climate change might plausibly impact the business over time.

Scenario analysis forms a key part of Dalmore's approach to assessing and quantifying the impact from climate change.

Climate-related risks and opportunities at Dalmore fall into two broad categories:

- **Physical Risks:** Direct impacts of climate change on the physical environment (e.g., rising temperatures, extreme weather).
- **Transition Risks & Opportunities:** Challenges and benefits of shifting to a low-carbon economy (e.g., policy changes, new technologies).

### Box 2: Overview of the Steps Involved in the Scenario Analysis of Our Portfolio

**Four main steps** were undertaken to generate key risks and opportunities and to understand their potential impacts:

**1. Sector & Project Data Collection**

- Collection of sector data (geographies of operation, input materials & supply chain etc.)
- Collection of asset and project information (asset location, asset type).

**2. Climate Hazard and Indicator Data**

- Selection of climate scenarios and time horizons.
- Climate data (each indicator) was obtained & linked to climate risks/ opportunities (0-1 scale).

**3. Sector & Project Exposure Ratings**

Allocation of sector & asset type specific exposure ratings.

- Transition risks/opportunities were rated by sector based on their impact (operations, supply chain).
- Physical risks were rated by asset type based on their impact (operations, supply chain).

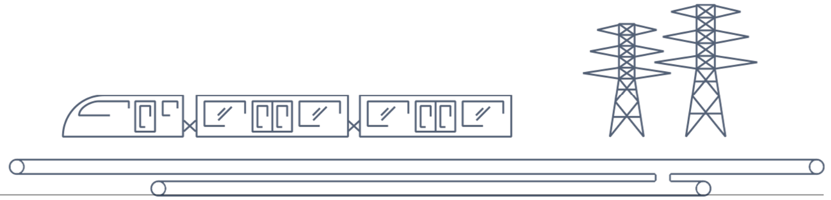
**4. Climate Scores**

The Climate Risk Index from Space Platforms (CRISP) tool combined the results from steps 2 & 3 to calculate Risk Scores for each risk/opportunity.

- Sector-level transition risks and opportunities were determined by aggregating individual ratings.
- Physical risk ratings were combined to calculate a project's overall climate risk score.

These steps generate risk scores[5] at the project-level in case of physical risks and at the sector-level in case of transition risks.

[5] A risk score is a quantitative number used to assess the current and projected impacts from climate hazards.



### Box 3: The Scenario Indicators Used in the Scenario Analysis of Our Portfolio

Once risk scores were generated at the project and sector levels through the steps outlined in Box 2, different **future climate scenarios**[6] and **multiple time horizons** were utilised to view potential changes in these risks over time. We screened most of our assets against both physical and transition risks using the scenarios and time horizons detailed below:

| | Transition Risks | Physical Risks |
|---|---|---|
| **Scenario** | • Current Policies (expected temperature outcome 3˚C)<br>• Net Zero 2050 (1.5˚C alignment) | • SSP1-2.6: 'Low Carbon' – Temperature Outcome ~1.5˚C<br>• SSP5-8.5: 'High Carbon' – Temperature Outcome ~3.8˚C |
| **Time Horizon** | • 2030 – short-term<br>• 2040 – medium-term<br>• 2050 – long-term | • 2030<br>• 2050 |
| **Database** | Network for Greening the Financial System (NGFS) climate scenarios. NGFS was used primarily and supplemented by International Energy Agency (IEA) and Climate Change Committee (CCC) data for specific indicators. | The Intergovernmental Panel on Climate Change (IPCC) AR6 SSPs. |

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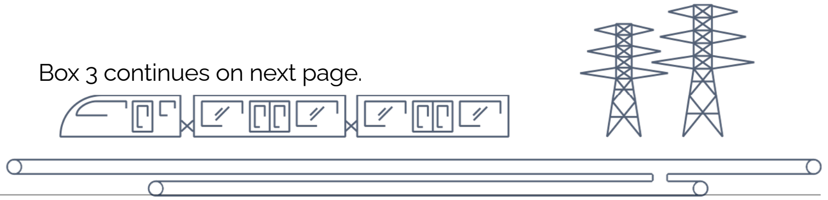
Box 3 continues on next page.



[6] It is important to note that this analysis involved a level of assumptions. The scenarios selected are not predictive of the future but rather illustrate potential possibilities.

## Box 3: The Scenario Indicators Used in the Scenario Analysis of Our Portfolio (continued)

**Scenario indicators:**

- Within physical risks, we looked at nine scenario indicators to give a 'headline' view of the most material climate-related physical risks for Dalmore Capital. Physical scenario indicator data comes primarily from the IPCC AR6, supplemented by additional data sources (e.g., World Resources Institute, European Space Agency). Scenario indicators were mapped to each risk (or 'hazard'), as depicted in figure 5, to assess present day conditions and future projected trends.
- For evaluating transition risk and opportunity, we used fifteen scenario indicators, sourced from the NGFS, to build a comprehensive view of all sectors. These were applied to demonstrate sector specific trends.

Subsequently, exposure ratings[7] were assigned at the asset type level[8] for physical risks, and at the sector level for transition risks and opportunities.

These exposure ratings were then combined to generate projected overall risk scores (based on climate data and a site's exposure rating) for each hazard in both physical and transition categories. These scores have different thresholds because the exposure ratings for climate-related risks and opportunities differ. This is due to the use of CRISP for physical assessments and varying climate data scales for generating risk/opportunity scores for each physical hazard or transition scenario indicator.

**Figure 5: Climate Indicators Were Assigned to Each Physical Risk**

| TCFD Category (Acute or Chronic) | Hazard | Scenario Indicator (Unit) |
|---|---|---|
| Physical – Acute | Extreme Heat | Warm Spell Duration Index (WSDI) (days) |
| | Extreme Cold | Cold Spell Duration Index (CSDI) (days) |
| | Rover Flooding | River Flooding Inundation Depth (metres) |
| | Extreme Rainfall Flooding | Pluvial Flooding Inundation Depth (metres) |
| | Coastal Flooding | Coastal Flooding Inundation Depth (metres) |
| | Tropical Cyclones | Maximum Tropical Cyclone Windspeed (knots) |
| | Wildfires | Forest Fire Danger Index (FFDI) (days) / Maximum Burned Area (km$^2$) |
| | Rainfall-Induced Landslides | Rainfall Induced-Landslide Index (days) |
| Physical – Chronic | Water Stress and Drought | Water Stress (change in water stress category) |

[7] An exposure rating considers the significance of the impact of each climate hazard.
[8] For some projects, assets for more than one type have been used to assess the potential exposure to climate hazards, e.g., M25 which includes 'transport networks' and 'supporting infrastructure (transport)' assets.

## Box 4: Climate Screening Results Summary

**The majority of risk scores are 'minimal' for our PPP and non-PPP assets and are projected to experience minimal change across all future scenarios and time horizons.**

*Fund Summary*

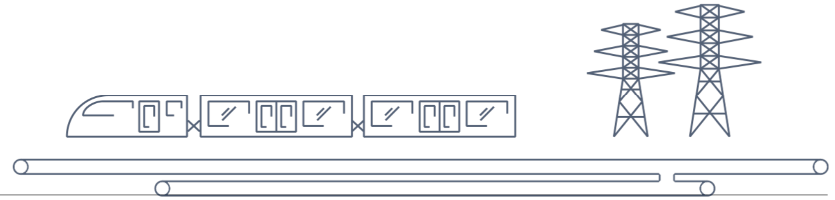
| Fund[9] | Average Risk and Opportunity |
|---|---|
| **PIP** | Average risk and opportunity for PIP is **low/limited** for both physical and transition risks. |
| **DCF** | Average risk and opportunity in the DCF fund is **low/limited** for both physical and transition risks. |
| **DCF 4** | Average risk and opportunity in the DCF 4 fund is **low/limited** for both physical and transition risks. |
| **DCF 3** | Overall, Fund **DCF 3 is also low/limited for physical climate risk**, but due to the regional nature of our assets Anglian Water, Cadent Gas, Thameslink and IEP Great Western the existing baseline risks are considered to be moderate to high leading to a higher risks score compared to our other funds. This is in part due to the regional nature of these projects, leading to more varied results. |

Based on the scenario analysis completed, **we assess climate risks to be low for the majority of our AUM** when compared to other risks we evaluate. Having identified no significant impacts in the high emissions scenario, on aggregate our exposure to climate risk is considered to be low. However, due to the high level screening nature of the analysis conducted and the inherent uncertainties that remain around climate modelling outcomes, we are working with all of our PPP assets to conduct individual climate risk reviews. The majority of our PPP asset concession periods end prior to 2040, at which point the assets are handed back to the public sector. As such we have limited to no residual value at risk.

Our non PPP assets are more complex and do face varying levels of transition risks and are required to review climate risks in line with TCFD.

We have concluded that the climate-related risks in aggregate faced by the portfolio would likely have a **low to medium financial impact** on the Group's operations. In the short term (2-3yrs) we will further develop our screening analysis to assess the potential financial impact of any residual risk identified through our climate assessments.

[9] Our fifth flagship fund, DII, was established to bid for and invest in the Thames Tideway Tunnel project. This is one of our biggest investments and this fund is thus a single asset vehicle. This asset is, however, included in the analysis under asset type 'Water Utilities'.



## Risk Management Actions

Given the low level of climate risk within our portfolio under the range of scenarios considered, we are not focusing on large-scale climate risk management initiatives at this time.

Our risk management efforts are focused on individual asset reviews for assets exposed to specific risks. Each project will:

- Assess its unique climate risks.
- Discuss these risks at the board level.
- Ensure these risks are reflected in the organisation's risk register.

This section will firstly provide a summary of how Dalmore views key climate change risks and opportunities as well as our approach to managing these risks and opportunities. It will then provide more detail on how Dalmore manages climate risk throughout the investment lifecycle.

## 04 Risk Management

| Climate Change Risks and Opportunities | Mitigation/Management Measures |
|---|---|
| **Policy and Legal Risk** | |
| Climate policies focus on either mitigating climate change through greenhouse gas (GHG) reduction or adapting to its effects. These policies could:<br>• **Raise operating costs:** Carbon pricing could raise costs for organisations with significant emissions. This may increase compliance expenses, contingent upon the nature and timing of the change.<br>• **Trigger litigation:** Failure to mitigate or adapt to climate change, or insufficient disclosure on climate risks could see increased litigation against companies and governments for damages caused by climate change impacts. | For the past two years, Dalmore has been actively collecting carbon emissions data directly from our portfolio companies. This data collection is crucial for identifying and quantifying the emissions exposure (risk) across our various sectors. With the help of a robust baseline (2022), we can effectively track progress towards our Net Zero goal. This proactive approach allows us to mitigate potential penalties from future environmental regulations and make informed decisions to reduce our overall emissions footprint.<br>At a portfolio company level, we continue to work with partners and stakeholders to explore opportunities to lower emissions through new technologies, work practices, energy efficiency and design, and access to green tariffs and renewable energy. |
| **Technology** | |
| The timing of technology development and deployment required to achieve significant carbon emissions reductions remains a key uncertainty in assessing technology risk. Along with the cost and the unproven nature of integrating new technologies into existing assets, rapid changes in technology can also be challenging to integrate into development timeframes. | Our investment strategy is focussed on the acquisition of low volatility critical infrastructure. Our investments, particularly those in the energy and utility infrastructure space, are actively investing and undertaking trials to demonstrate the feasibility of technologies that will allow them to transition to a low carbon economy. For example:<br>• Cadent continues to take part in activities to support the transition from gas to hydrogen within its network.<br>• Cory has further developed its plans for a carbon capture storage solution, including relevant planning applications, to help decarbonise its emissions and continue to deliver vital waste management services to London.<br>The nature of PPP projects, as described in the preceding sections of this report, presents challenges against efforts to decarbonise buildings. Dalmore as a member of the Infrastructure Projects Authority (IPA) Net Zero working group is working towards sharing best practices and developing case studies of decarbonisation initiatives through successful engagement. |

Continues on next page.

## 04 Risk Management

| Climate Change Risks and Opportunities | Mitigation/Management Measures |
|---|---|
| **Market** | |
| Investors and markets are increasingly redirecting capital away from products and services that contribute to climate change, impacting stock and asset values which could also result in stranded assets. | Dalmore's investment screening process specifically identifies projects that meet our ESG Framework with climate risk and resilience as a core pillar. How we assess potential new investments is described further later in this section. Our exclusion policy outlines that we will not invest in fossil fuel extraction and production activities to avoid long term investments in projects that are at high risk of becoming stranded in a low carbon economy.<br>As stated earlier, we look to future-proof our existing portfolio companies, where possible, through improved energy performance (design and operational). |
| **Reputation** | |
| An organisation's action or inaction in transitioning to a lower carbon economy poses a potential source of reputational risk as customers and communities continue to expect more from companies. Environmental advocacy groups like Extinction Rebellion may prioritise targeting high-emitting sectors and projects, such as those in gas and energy distribution, that lack well-defined decarbonisation strategies. Moreover, attracting high-quality partners, securing government and community collaboration, and retaining top talent may all become more challenging. Future fundraising may also be made difficult, as investors with a focus on track record, performance, and outcomes may be hesitant to invest. | Our ESG Framework identifies Climate Change as one of the key areas of focus within our Responsible Investment Policy demonstrating to our stakeholders that we understand the importance of transparency and disclosure around climate change. Dalmore has publicly supported TCFD and will continue to improve public reporting on climate risk. |

## Risk Management Through the Investment Lifecycle

### Prior to Investment

Our approach to responsible investment involves considering material ESG risks and opportunities, including climate change, in our assessment of potential new investments and in our management of existing portfolio companies. Climate risks and opportunities are considered prior to investment during due diligence. This includes analysis of material ESG considerations specific to the investment opportunity, through our standard set of ESG due diligence questions, including climate-related questions. Any material climate issues are identified in investment papers and considered by the Investment Committee as part of its approval decision. Where a material ESG risk is identified, careful consideration is given to how this can be mitigated or whether to proceed with an offer. See our *ESG Highlights Report 2022* for further information on how we manage ESG in the investment lifecycle.

### Active Ownership of Assets

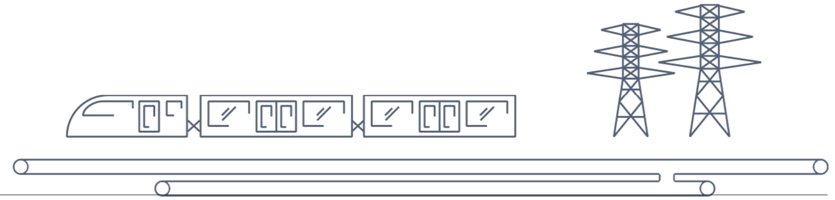
Active ownership is a particularly important management strategy for our non-PPP assets, where we often have significant control and a board seat (which further increases our potential for influence). We work collaboratively with our portfolio companies and prioritise engagement in those assets where we have more control and which are in high-impact sectors.

Our major Energy & Utility portfolio companies – Cadent, Anglian Water, Tideway, and Cory – represent a significant portion of our AUM and contribute substantially to our overall Financed Emissions. Focussed engagement with these assets to improve climate risk management processes and implement decarbonisation actions can, thus, have a major impact. We have provided support for their climate change-related initiatives at the Board level. All these companies currently show a high level of progress in their alignment with TCFD's key recommendations. Most of these assets have dedicated resources allocated to climate and, for some, there is a designated individual responsible for carbon reduction targets. For example, Cory has appointed an EU Emissions Trading System (ETS) specialist and is exploring carbon capture technologies.

**Cadent**

### Cadent: Balancing Transition Needs

Cadent presents a unique situation. Our investment responsibility necessitates ensuring the longevity of the gas network, which currently plays a critical role in the energy transition. We recognise the importance of natural gas as a bridge fuel during this period, while acknowledging the government's ongoing evaluation of hydrogen as a future solution. The policy uncertainty surrounding hydrogen creates a potential for conflict, and we are monitoring developments to ensure responsible and well-informed decision-making for Cadent's future strategy.



## 04 Risk Management

For all our portfolio companies, the primary focus is on improving how they address climate change impacts and optimise energy usage.

- We are supporting companies to meet our aim to have 100% of AUM (by value) providing Scope 1 and 2 emissions by 2025, and 70% to report or estimate Scope 3 emissions by 2026.
- We aim to discuss and share climate-related physical risk screening with 90% of AUM (by value) by 2026. Where assets have not completed their own climate risk reviews, we are sharing the results of our climate screening.
- We are encouraging all portfolio companies to include climate on their risk registers and to introduce climate change as a standing board agenda item by 2026.
- We are ensuring that projects in high-impact sectors or with fossil fuel exposures have undertaken scenario analysis and review of transition risks and have an established a Net Zero policy and decarbonisation plan.

By collaborating directly with our portfolio companies, cascading information, and building capacity for climate risk management, we are looking to complement our top-down assessment and monitoring with a bottom-up approach.

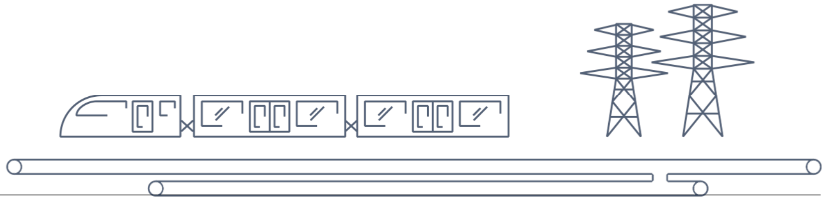
### Portfolio Monitoring

Our primary tool for monitoring performance across our portfolio is our ESG Framework. Our ESG Framework was established to drive focus and structure in our investment approach by addressing material environmental and social issues. Climate change is one of nine key focus areas within our ESG Framework. The aim of this pillar is to promote climate resilience and future-proof our assets. Our annual ESG survey captures metrics and has established a baseline to measure how well our portfolio is doing in the key areas outlined in our ESG Framework.

**We have an ongoing commitment to refine and progress climate disclosures and to strengthen our assessment of risks and opportunities across our assets.**

Over the course of 2022, we engaged directly with portfolio companies through interviews and our annual ESG survey to complete a gap analysis of TCFD alignment at the asset level across our portfolios. We also updated our ESG Survey to better understand our portfolio companies' alignment with TCFD.

In Q1 2023, we undertook a series of feedback workshops by sector following the results of our 2021/22 survey to share outcomes of energy consumption data across the portfolio against relevant sector comparisons and provide background on the TCFD approach to climate risk assessment.



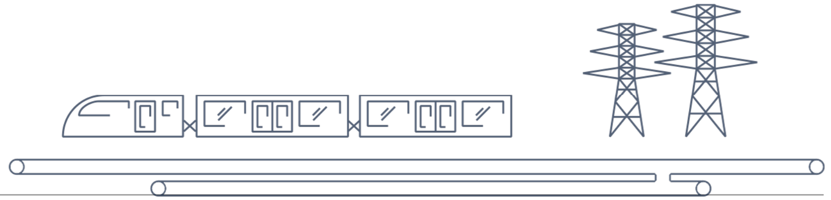
# Metrics and Targets

## Climate Risk and Opportunities

We have set other climate-related targets to focus on direct engagement with our assets and to support them in managing climate risks and opportunities:

| Short Term Target | Target Measure/Attainment Indicator | Progress |
|---|---|---|
| Undertake climate-related physical and transition risks and opportunities screening for 100% of our portfolio by 2023. | Climate-related screening results published (see the **Risk Management** section of this report for climate-related physical and transition risk exposure and opportunity alignment summary). | Complete. |

| Medium Term Target | Target Measure | Progress |
|---|---|---|
| Portfolio companies have used scenario analysis/screening to complete climate risk assessment and update risk register as required; climate risks shared and discussed at board level with mitigation and monitoring actions identified as required. | 90% of AUM by value by 2026.<br>2023 is the first year we have introduced this metric as part of our annual ESG survey. Our non PPP assets (58% of our AUM) have completed their own TCFD reporting and scenario analysis. | New target established 2023.<br>**Baseline:** 61% of AUM Climate risk register 60% AUM board review of climate risks. |



## Climate Change

As an infrastructure-only asset manager, we primarily focus our efforts on our Financed Emissions, given they represent over 99% of our total GHG emissions. A reliable GHG emissions inventory of our Financed Emissions is essential for setting emission reduction targets, for determining which assets to prioritise engagement with, and for credibly and robustly tracking and reporting performance over time.

Dalmore Capital has established 2022 as our baseline year; 2022 was chosen as data collection had improved to a sufficient level and it represented a more typical year post the Covid pandemic. Table 2 provides a summary of our Financed Emissions[10].

### Table 2: Dalmore Capital's Scope 1, 2 and 3 Financed Emissions[11]

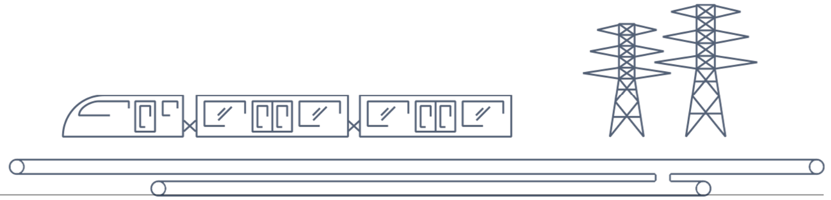
| Year | Scope 1 Emissions ($tCO_2e$) | Scope 2 Emissions ($tCO_2e$) | Scope 3 Emissions ($tCO_2e$) | Total Emissions ($tCO_2e$) | | Financed Carbon Footprint $tCO_2e$ / EUR Millions invested[12] | |
|---|---|---|---|---|---|---|---|
| | | | | PPP Assets | Non-PPP Assets | PPP Assets | Non-PPP Assets |
| 2022 | 317,297 | 24,903 | 130,000 | 93,079 | 379,121 | 13 | 55 |
| 2023 | 299,659 | 24,652 | 128,000[13] | 106,898 | 345,412 | 15 | 49 |

[10] We have applied the GHG Protocol's methodology and Partnership for Carbon Accounting Financials (PCAF) guidance for apportioning emissions related to investments.

[11] Methodology notes:
- The calculation of Scope 1, 2 and 3 emissions follows the GHG Protocol guidance.
- Dalmore's organisational boundary has been defined in line with the Protocol's Operational Control approach.
- Financed emissions calculations have been undertaken in accordance with PCAF methodology applying attribution factor to the absolute Scope 1, 2 and material Scope 3 emissions of our assets. Attribution factors are based on financial data and fair value as of 31 December 2023. Attribution Factor = Fair Value/Asset Value (100% of fair value share) + Net debt.
- Financed emissions calculations excludes projects under construction in or where concession period ended in 2023.
- All Financed emissions Scope 2 calculations are location based.

[12] Euro Millions invested has been adjusted to exclude projects under construction in or where concession period ended in 2023.

[13] The reduction in Scope 3 emissions is largely due to Cory implementing a revised methodology for Scope 3 calculations which have been audited independently.



## 05 Metrics and Targets

To calculate financed emissions, we collect GHG emissions data directly from assets through our annual ESG Survey.

In 2022 96% of our AUM (by value) provided actual Scope 1 and 2 emissions, in 2023 the percentage was 98%. The remaining assets' emissions are estimated based on sector proxy values[14].

Scope 3 emissions collection is more challenging. 46% of our AUM (by value) reported on Scope 3 in 2022 and 66% in 2023. Where Scope 3 emissions are not reported we have estimated based on purchased goods and services and capital spend figures provided by the assets, as well as waste, water and TND losses We expect our Scope 3 emissions to vary over time as more data becomes accessible from suppliers and subcontractors, and methodologies for estimating Scope 3 emissions evolve.

| To Continue Improving our GHG Emissions Inventory we Have Set 2025 Targets For: | Progress |
|---|---|
| 100% of AUM (by value) reporting of Scope 1 and 2 emissions (with less than 5% estimated). | 98% |
| 70% of AUM (by value) to report on Scope 3 emissions. | 66% |

To manage the growing number of data points, we invested in a recognised infrastructure ESG data management platform to collate and analyse our asset level data. To support our ongoing drive to improve data collection and accuracy of GHG emissions, the platform maintains an audit trail of data inputs and includes checks and validation tools to improve data quality and maintain a consistent approach to the calculation of GHG emissions.

[14] The sector and subsector values from CIBSE Energy benchmark dashboard are used as proxy values where assets were not able to report data to calculate emissions.

## 05 Metrics and Targets

Where assets do not calculate and externally report on their Scope 1, 2 and 3 GHG emissions, our survey collects consumption data to calculate $tCO_2e$ based on relevant emission factors. Emission factors are updated annually and are taken mainly from latest emission factors reported by BEIS. To ensure the robustness of our approach, we will collaborate with an external party to verify the methodologies we employ and assess the alignment of our current portfolio with the IIGCC Net Zero Investment Framework guidance.

Dalmore also monitors the following climate-related metrics that support us in decision making (methodology according to 2023 updated SFDR PAI guidance).

We are using the IIGCC Net Zero Infrastructure Framework to guide our efforts, and have set two types of targets:

- **Net Zero Alignment Target for our non-PPP assets**
- **Engagement Target for our PPP assets**

This approach reflects our commitment to supporting the transition to Net Zero while recognising the varying levels of control we have over different types of assets.

| Metric | 2023 |
|---|---|
| Share of non-renewable energy consumption[15] | 67% |
| Share of non-renewable energy production[16] | 18% |
| Exposure to companies active in fossil fuel sector[17] | 15% |
| **Energy consumption per high impact climate sector (GWh/EUR millions revenue)** | |
| Sector D – Electricity, Gas, Steam and Air Conditioning Supply | 0.03 |
| Sector E – Water Supply; Sewerage, Waste Management and Remediation Activities[18] | 5.15 |
| Sector H – Transportation and Storage | 0.03 |
| Sector L – Real Estate Activities | 2.32 |

[15] Where PPP assets have reported using a green tariff this has been accounted for as renewable source.
[16] Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources.
[17] This represents our investment in the Cadent gas distribution network.
[18] Anglian water, Cory Riverside, and Northumberland Waste.

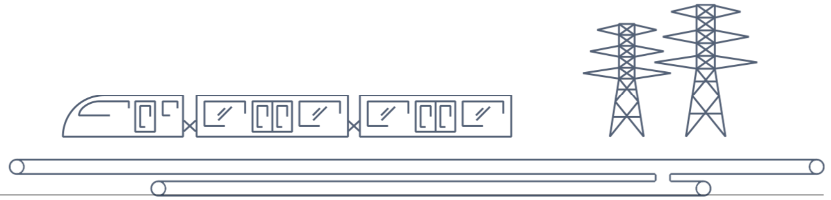
## Our Targets for Our Non-PPP Assets

Our non-PPP assets represent 58% of total AUM by value and 80% of our Financed Emissions[19]. Our coverage target focuses on assessing alignment with Net Zero and we aim to have 60% of our non-PPP assets covered by 2030. We have the two interim targets for our non-PPP portfolio.

| Portfolio Coverage Alignment Target | Progress |
|---|---|
| 100% of our non-PPP assets to be Net Zero aligned or aligning by 2040. | New target established 2023.<br>**Baseline:** Of the 58% AUM by value which represents our non PPP assets. 40% AUM by value have set net zero targets and are reporting against their targets. The alignment of their targets with available sectoral or global pathways will be reviewed over course of 2024-25. 18% AUM by value have not set net zero targets. |

| Engagement Threshold Target | Progress |
|---|---|
| • 70% of financed emissions to be aligning with a net zero pathway, or the subject of direct or collective engagement and stewardship actions in 2025.<br>• 90% of financed emissions to be aligning with a net zero pathway, or the subject of direct or collective engagement and stewardship actions by 2030. | New target established 2023.<br>**Baseline:** 0%, not previously tracked. |

[19] Our focus here is primarily on Scope 1 and Scope 2 emissions. Scope 3 emissions are limited or not available for the majority of our PPP projects.



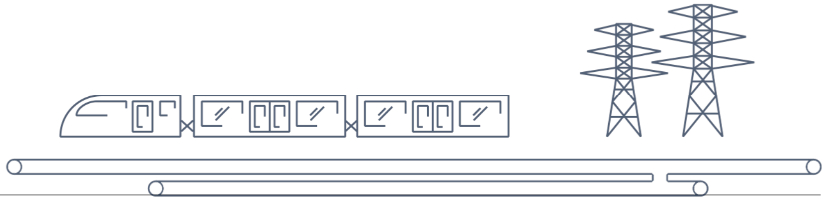
## Our Targets for Our PPP Assets

Our PPP assets represent 42% of our AUM. The UK Government's commitment to Net Zero by 2050 applies to all public sector bodies. However, our Net Zero target currently excludes our PPP assets. Achieving Net Zero for these assets will depend on the support and investment from our public sector partners in the decarbonisation initiatives we propose. Consequently, we prioritise engagement targets for PPPs. Our focus will be on implementing the recommendations outlined in the decarbonisation framework developed by the IPA Net Zero Working Group.

To support the Net Zero goals of our public sector counterparts, we have set the following short term engagement target for our PPP assets. Engagement will allow us to understand the ultimate asset owners' (public sector) ambitions and consider how Dalmore can best support those decarbonisation goals.

See the **Strategy** section of this report for further information on our climate strategy for PPP assets. Box 5 offers an example of the context for setting targets for PPP assets.

| Short Term Target | Target Measure | Progress |
| --- | --- | --- |
| Direct engagement over the next 3 years across our PPP portfolio. Engagement will be measured against implementation of the steps outlined in the guidance framework developed together with the IPA Net Zero Working group to identify and support through variation agreements where possible decarbonisation opportunities across our PPP projects. | 70% of PPP AUM (by value). | New target established 2023.<br>**Baseline:** 0%, not previously tracked. |



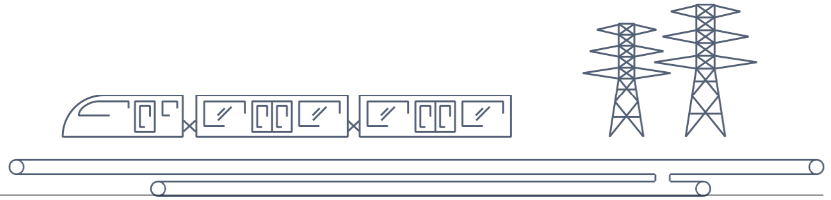
Box 5: Case Study – PIP Fund

PPP Equity PIP is one of Dalmore's five flagship funds. The majority of the assets within the PIP Fund comprise of schools and hospitals where the NHS and the Department for Education have set Net Zero targets across their estates.

- In England, the Department of Education has committed to set science-based targets from 2025, reducing public-sector emissions against a 2017 baseline by: 50% by the end of Carbon Budget 5 (2032) and 75% by the end of Carbon Budget 6 (2037).
- The NHS has set a target for Scope 1 and 2 emissions (the NHS Carbon Footprint) to be net zero by 2040, with an ambition to reach an 80% reduction from 2028 to 2032.
- For the PIP Fund, which is exclusively comprised of PPP assets where we have limited operational control, **our target is in relation to direct engagement on Net Zero with our key stakeholders – Public Sector clients and Facility Management companies.**
- Engagement means applying and tracking our progress against the implementation of the good practice recommendations set out in the IPA "Decarbonisation of Operational PFI Projects: Handbook of recommended good practice for contracting authorities, 2023" developed jointly via the IPA Net Zero Working Group.

Department for Education

NHS



## Our Operational Emissions

It is also important for Dalmore to monitor and manage our own operational emissions. Having undergone changes in 2023 we have set 2022 reset our baseline and intend for our operational emissions to be 2023. We collect and report on Scope 1, 2 and 3 emissions on an annual basis.

**Table 3: Dalmore Capital Operational GHG Emissions**

| | GHG Emissions ($tCO_2e$) | 2023 |
|---|---|---|
| Scope 1: Direct Emissions | Heating (Gas Consumption) $tCO_2e$ | 14.6 |
| Scope 2: Indirect Emissions | Electricity Consumption (Market Based)[20] $tCO_2e$ | – |
| Scope 2: Indirect Emissions | Electricity Consumption (Location Based) $tCO_2e$ | 2.9 |
| Scope 3: Indirect Emissions | Business Travel $tCO_2e$ | 53.6 |
| Total Operational GHG Emissions | Total Scope 1, 2 & 3 Emissions (Location Based) $tCO_2e$ | 71.4 |
| GHG Intensity[21] | GHG Intensity $tCO_2e$/Employee | 2.5 |

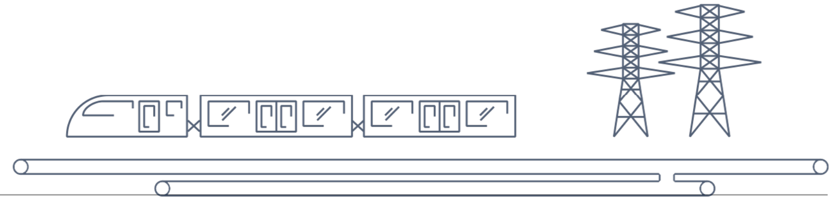
In our operational business, we:

- Procure electricity via REGO-backed green tariffs (where possible/available);
- Improved tracking of our business travel emissions through our expenses system capturing more of our business travel than in previous years;
- Have established cycle-to-work and electric car schemes to support our employees in reducing commuting and personal travel associated emissions; and
- Engage with office landlords to obtain and improve office energy consumption data.

As our operational emissions account for less than 1% of our total GHG emissions, we have not yet established a net-zero target at the operational level. Our focus remains on enhancing data collection procedures.

[20] Electricity supplied to our Edinburgh offices is through REGO backed green tariffs, however we were not able to obtain copies of the utility invoices with relevant emission factors to calculate our market-based consumption. We will continue to work with the landlord going forward to obtain this data. Our London office is a shared workspace, we have used CIBSE Energy Benchmark good practice values for air-conditioned office spaces as our proxy and used a conservative estimate of $100m_2$ total floor area (offices + communal spaces) to estimate our gas and electricity usage for our London leased office space.

[21] Reduction in employees halfway through the year from 49 to 28.



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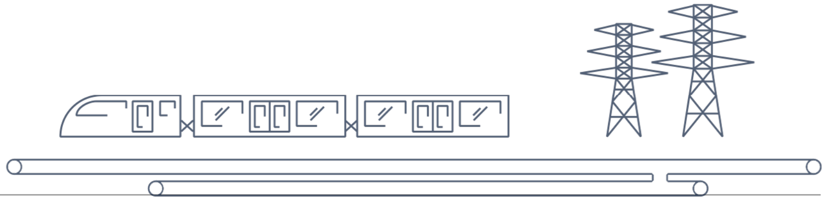

**LONDON**

Mortimer House
37-41 Mortimer Street,
Fitzrovia,
London,
W1T 3JH

**EDINBURGH**

Caledonian Exchange
19A Canning Street,
Edinburgh
EH3 8EG


DALMORE CAPITAL