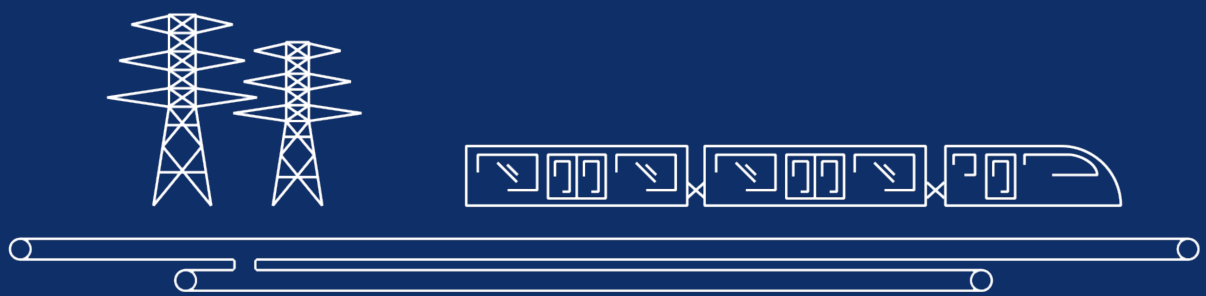
DALMORE CAPITAL

CLIMATE POLICY FRAMEWORK

Net Zero and Climate Approach



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INTRODUCTION

Dalmore Capital Limited's ("Dalmore") Climate Policy Framework (CPF) offers an overview of our climate vision, interim Net Zero commitment, and targets, aligning with the Paris Aligned Investment Initiative and the Net Zero Investment Framework, with specific guidance for Infrastructure.

The CPF builds upon Dalmore's ongoing commitment to Climate-Related Financial Disclosure (TCFD) and the reporting of our financed Greenhouse Gas (GHG) emissions. We present our vision and the current baseline emissions summary for 2022.

A phased approach to defining metrics and targets will enable systematic tracking of progress towards Net Zero, assisting us in making informed decisions to drive sustainability and environmental responsibility at Dalmore Capital. By disclosing our overall commitment and interim targets, we demonstrate our strategy to achieve Net Zero by 2050, in accordance with UK requirements, while maintaining a strategic focus on fiscal responsibilities.

Guidance and relevant sectoral pathways necessary to establish Net Zero targets at both fund and asset levels continue to evolve, as does our approach. This policy will be reviewed at least every two years, with targets reported annually in the Dalmore Capital Environmental, Social and Governance (ESG) Highlights Report.

BOUNDARY AND SCOPE

Dalmore Capital's CPF primarily focuses on and is underpinned by our Financed Emissions (calculated in accordance with the GHG Protocol), which represent over 99% of our total GHG emissions. Dalmore has adopted an **Operational Control** approach in line with the GHG Protocol. Under this approach, emissions related to assets within our control, will be classified under Scope 1 and 2, while emissions related to our assets that fall outside of our direct operational control are accounted for under the Scope 3 category of Financed Emissions[1].

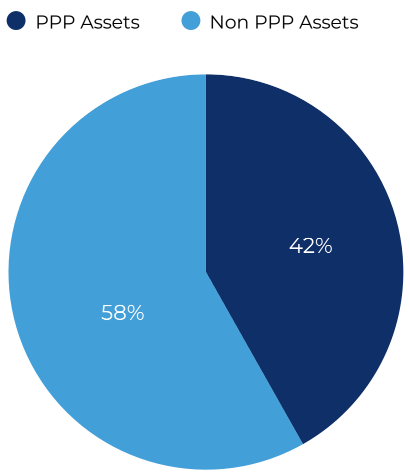
Dalmore Capital is an infrastructure-only asset manager with a portfolio comprising:

- Public-Private Partnership/Public Finance Initiative (PPP/PFI) investments in education, healthcare, roads, rail, and social infrastructure;
- Utilities in energy transmission and water; and
- Rail leasing stock.

As active managers, we recognise the impact our role can have on our portfolio companies in achieving Net Zero. While investor influence and control often correlate with ownership share, for many of our PFI/PPP projects (where we may have 100% ownership), the Public Sector counterparts are the ultimate asset owners and users. The complex contract structures of PPP projects present additional barriers to decarbonisation initiatives. Despite these challenges, both Dalmore Capital and our Public Sector counterparts are committed to Net Zero, and we are working with public sector clients to explore collaborative opportunities and achieve our collective goals.

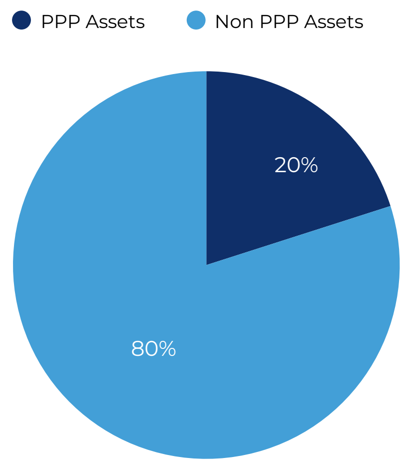
In defining our Net Zero boundary and scope, we have included all PPP assets in our long-term targets in line with the UK Government's commitment to achieving Net Zero by 2050 across all public sector bodies. PPP portfolio companies represent 42% of our AUM by value and account for 20% of our total financed emissions. However, they constitute 94% of our portfolio companies by number and represents significant engagement requirements, necessitating longer timescales with regards to engagement. Our interim targets have focused on our non-PPP AUM, which includes our large utility and energy portfolio companies which account for 80% of our total financed emissions. The split of our assets by sector can be seen in Figure 1 and Figure 2 details the % financed emissions for Non-PPP vs PPP assets.

Figure 1: Portfolio % AUM by value per asset category



¹ Financed Emissions calculated in accordance with PCAF for Project Finance and GHG Protocol for asset level GHG emissions calculations.

Figure 2: % of total financed emissions per asset category



GOVERNANCE AND STRATEGY

At Dalmore Capital we recognise that effective governance and a comprehensive portfolio strategy form the foundation for aligning our portfolio with the broader actions to attain our Net Zero goal. Our Executive and leadership team have a clear role in assessing and managing climate-related targets.

Our board has overall responsibility for governance activities and several key committees are in place to ensure climate governance is fully embedded in formal decision-making. Figure 3 shows the key structures and committees' that govern aspects of climate reduction interventions[2].

The ExecCo will assess annual emissions data to monitor progress and encourage continuous improvement.

As a business, we have a good understanding of short-, medium- and long-term horizons for climate interventions, while considering the lifespan of key assets and products. Our strategy is to continue to engage with the Institutional Investors Group on Climate Change (IIGCC) investment strategy, focusing on high emitting projects in our portfolio that are not 'Aligned' or just 'Aligning' to IIGCC framework, highlighted in our targets below.

We are working to improve the integration and consideration of climate- related targets into our governance processes and throughout our assets.

Figure 3: Dalmore Capital Organisational Chart

² For more detail, our current governance structure is outlined in our Responsible Investment Policy.

SUMMARY OF 2022 BASELINE

Dalmore Capital has actively been improving and progressing its carbon reporting since launching our first ESG survey in 2019 through:

1. Enhanced asset GHG data collection (annual ESG survey).
2. Established 2022 as our baseline due to improved data collection and to represent a more typical year post the Covid pandemic. 96% of our AUM by value provided actual Scope 1 and 2 emissions, with the remaining assets' emissions estimated based on sector proxy values.
3. Begun to collate Scope 3 emissions across all our assets and report the data where available. We expect our Scope 3 emissions to vary overtime as more data becomes accessible from suppliers and subcontractors, and methodologies for estimating Scope 3 emissions evolve.

We have calculated financed emissions from our investments for the year 2022, applying the Greenhouse Gas Protocol's methodology and Partnership for Carbon Accounting Financials (PCAF) guidance for apportioning emissions related to investments. Table 1 provides a summary of our Total Financed Emissions.

The baseline GHG emissions will be used to track our portfolio companies' performance overtime in meeting their net zero targets and overall emission intensity. Our reporting metrics include energy and GHG emissions as specified by SFDRs Project Adverse Indicators.

Establishing an initial GHG emissions inventory has allowed us to identify interim targets and priority of assets with whom to engage. While we have made best efforts to collate accurate data, our calculations are based on information provided by our assets, and we expect figures may fluctuate overtime as reporting continues to improve. We have set a target for 100% Scope 1 and 2 emissions to be reported by 2025.

Table 1: Summary of Baseline Data

Year	Scope 1 emissions (tCO_2e)	Scope 2 emissions (tCO_2e)	Scope 3 emissions (tCO_2e)	Total Emissions (tCO_2e)
2022	317,297	24,903	130,000	472,200

PROJECTED EMISSIONS

Dalmore Capital's Scope 1 and 2 Financed Emissions, are not forecasted to show significant variation beyond 2026[3], assuming no net zero targets are implemented (Business As Usual or BAU). To illustrate our current alignment status, we have mapped the stated emissions reduction commitments of our PPP sector and our portfolio companies against the SBTi's cross-sectoral pathway. This is shown in Figure 4 and 5.

Achieving Net Zero by 2050 will require government investment and the realisation of commitments, such as decarbonising the grid supply. This will also depend on the support and investment from our public sector counterparts in the decarbonisation initiatives proposed across our assets. Our collaborative engagement with the government, industry, and investment in carbon initiatives will play a crucial role in achieving Net Zero across our portfolio.

As an example, our investment in **Cory Riverside** represents a significant proportion of our projected emissions.

Cory, a leader in UK recycling and waste management, operates an Energy from Waste (EfW) facility in Bexley, South London, which diverted approximately 790,000 tonnes of residual waste from landfill last year. It is currently developing its second facility, Riverside 2, at the same location and plans to install carbon capture technology that will service both facilities and capture about 1.3 million tonnes of CO_2 annually by 2030. The carbon capture facility has been designated a Nationally Significant Infrastructure Project in the UK, thus eligible to apply for planning permission through the Development Consent Order process, expected to be submitted in 2025.

Cory has committed to exclusively working with Viking CCUS to explore the potential transportation and storage of captured CO2 into the Viking CO_2 transportation and storage project via ABP's Port of Immingham. The captured CO_2 is planned to be shipped to the Port of Immingham, then transported via a new CO_2 import terminal to be permanently stored within the Viking depleted gas fields in the southern North Sea.

[3] Our forecast includes increase in emissions from the current expansion of our Cory Waste to Energy plant which will be operational in 2026. Our forecast will be updated to reflect new acquisitions or stakes where significant changes occur, (none are anticipated at this time).

Figure 4: Projected PPP assets Emissions Scope 1 and 2

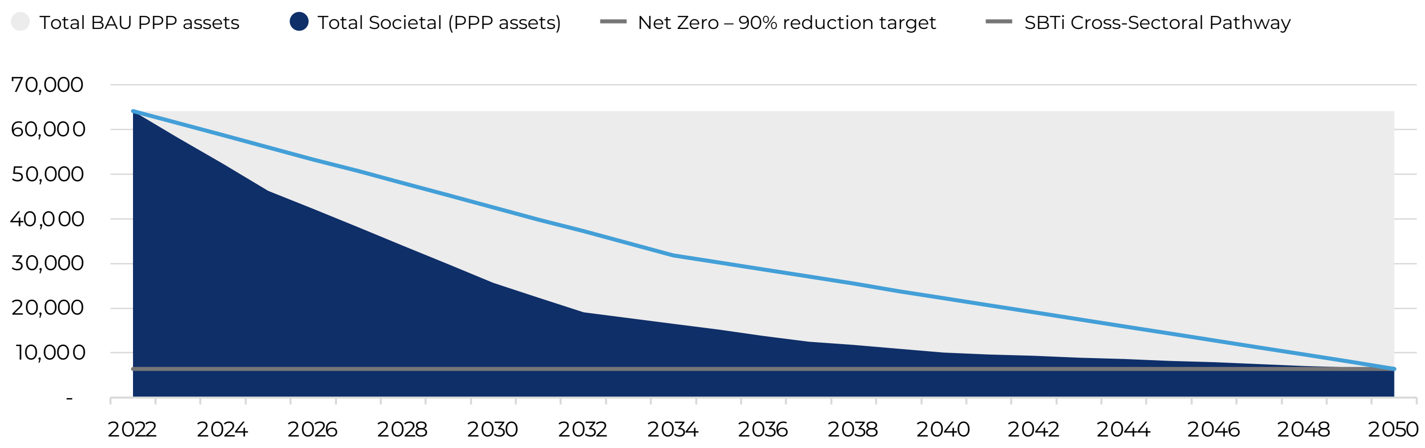
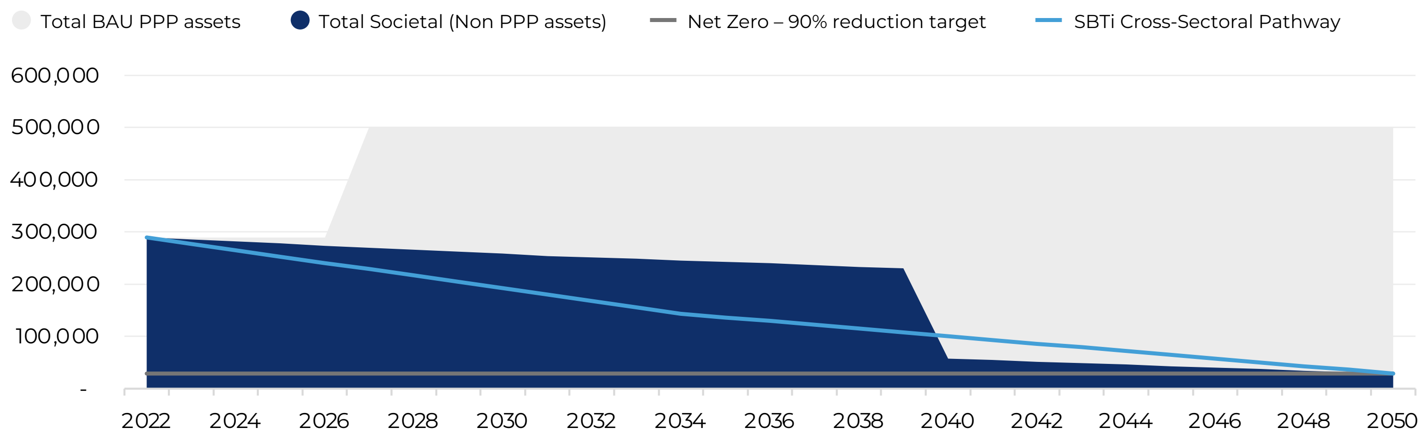


Figure 5: Projected non-PPP Emissions Scope 1 and 2



CHALLENGES AND ASSUMPTIONS

Dalmore Capital's analysis of projected emissions have been based on and shaped by a coherent set of assumptions. These include the following:

Business As Usual (BAU) Scenario:

- Dalmore Capital's analysis incorporates financed emissions calculation to determine the BAU rate. The modelling shows the proportion of emissions financed by Dalmore Capital within each asset.
- For GHG emissions data as reported by assets through our annual ESG survey, only Anglian Water, Cory and Cadent have audited GHG emissions, but collectively they represent 62% of the total financed emissions. We expect the emissions to fluctuate as data collection improves across our full portfolio.
- For non-PPP assets the completion of Cory Riverside 2, in 2026, has been included in the BAU scenario.

Policies and Net Zero Commitments for PPP assets:

- Targeted emission reductions have been implemented for each asset, tailored to sector-specific baselines and contextual demands.
- Assets located in Scotland have been given particular attention due to Scotland's ambitious Net Zero target set for 2045[4]. This necessitated a granular approach to segmentation, especially within the healthcare and education sectors, to align with regional Net Zero objectives.

Asset Specific Strategies have been used for non-PPP assets:

- For our energy sector assets, notably **Cory and Cadent,** the modelling integrates the Net Zero trajectories and emission reduction strategies disclosed in their reports. The successful realisation of these strategies relies on the assumption that both entities will fulfil their Net Zero objectives. Cory's investment strategy is anchored in the advancement of solar generation and the implementation of a Carbon Capture, Utilization and Storage (CCUS) project for their Energy from Waste (EfW) process. Cadent is committed to transitioning to 100% renewable energy procurement and is pioneering hydrogen technology to facilitate 5GW of hydrogen production within their operational region by 2030.
- For Porterbrook, the only non-PPP asset without a specific decarbonisation pathway, the general transport decarbonisation pathway has been applied.

[4] https://www.gov.scot/policies/climate-change/

NET ZERO TARGETS AND OBJECTIVES

Dalmore Capital has chosen to align its Climate Policy to the Paris-aligned Investment Initiatives (PAII) Net Zero Investment Framework for Infrastructure[5]. 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.

Dalmore Capital's vision statement and commitments:

At Dalmore Capital we strive to continuously improve and assess climate related risk across our asset portfolio. We actively encourage decarbonisation measures across our assets and work through collaborative engagement with government and industry to achieve Net Zero objectives.

PORTFOLIO COVERAGE TARGET

Dalmore Capital's portfolio coverage target focuses on assessing alignment with net zero of its Non PPP portfolio companies which represents 80% of our financed emissions and 58% of our AUM by value. The long-term goal is for all Non PPP portfolio companies to be deemed to be 'net zero', 'aligned' or 'aligning'.

Interim Target:

60% of non PPPs aligned or aligning by 2030.

100%
Non PPP portfolio companies to be net zero aligned or aligning by 2040

Portfolio Coverage Alignment Target

ENGAGEMENT THRESHOLD

Stakeholder engagement is a key element of our strategy to reaching net zero. Our Engagement Threshold target involves engaging with identified high-emitting assets across our portfolio. In parallel to this we will also gain an understanding of how we can best support our public sector clients to achieve their net zero objectives by 2050 across our PPP portfolio companies.

Interim Target:

Engagement goal of **70%** financed emissions to be aligned with a net zero pathway, or the subject of **direct** or **collective engagement and stewardship** actions over the next 3 years for our PPP assets.

90%
Financed Emissions subject to direct engagement and stewardship action by 2030

Engagement Target

This Climate Policy Framework is designed to ensure efficient progress, monitoring, and continuous improvement. Our phased approach, mentioned later in this report, not only provides Dalmore Capital with flexibility and adaptability, but also offers opportunities to broaden stakeholder engagement.

[5] PAII-Net-Zero-Investment-Framework_Implementation-Guide.pdf (parisalignedassetowners.org)
IIGCC_Guidance-for-infrastructure-assets-NZIF_Final_March23.pdf (hubspotusercontent-eu1.net)

OUR APPROACH AND NEXT STEPS

Dalmore Capital is taking a phased approach to implementing interventions and setting metrics, to help reach our Net Zero objectives.

Our cross-sector approach is to implement actions across three-phases and outlines the current strategy in adopting overall portfolio Net Zero alignment and engagement targets. Implementing these interventions is a key enabler for Dalmore Capital's journey towards Net Zero, in line with UK requirements whilst maintaining a strategic focus on fiscal responsibilities.

Dalmore Capital is dedicated to delivering long- term investor value, while positively impacting communities and the environment, through its infrastructure investment.

PAII and INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE

Dalmore Capital is committed to aligning with the Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework.

We are considering joining IIGCC, the investor network in the UK responsible for engagement and implementation of the framework in Europe and the development of specific guidelines for infrastructure assets.

We will be working with external parties to assess our targets and our current portfolio alignment. As investors we commit to achieving Net Zero emissions by 2050 for 80% of our financed emissions and supporting our public sector clients for the remaining 20% of our financed emissions through engagement. We will continue to refine our strategy based on review of our alignment with PAII Framework and evolving guidance.

Figure 6: Dalmore Capital Phased Approach Example

Phase 1: 2023

The objective of Phase 1 (this Policy) is to:

- Establish our commitment to Net Zero by setting medium- and long-term targets across our portfolio.
- Identify relevant Net Zero Framework against which we will monitor progress.
- Report Scope 1 , 2 and 3 (where material to the asset) baseline against which to monitor changes and progress overtime.
- Project our portfolio emissions out to 2050 considering sector decarbonisation policies and assumed growth of our existing assets.
- Establish the scope boundaries of our interim targets.

Phase 2: 2024-2026

Phase 2 will further help to integrate Net Zero sustainability measures into our current operations:

- We will work with external parties to establish the alignment status of our portfolio against the IIGCC framework.
- Track and report on engagement activities across our portfolio.
- Continue to report our financed emissions, increasing our Scope 1, 2 and material Scope 3 emissions reporting to 100% of our AUM by value.
- Report against asset specific KPI's to address our overall alignment target of 100% AUM by 2040, acknowledging the varying approaches that will be required across the different infrastructure sectors we invest in.

Phase 3: 2026-2030

Phase 3 will allow Dalmore Capital to mature its approach whilst maintaining our core vision:

- We will focus on working towards the interim targets we have set and define further activities where required to achieve our long-term goals.
- We commit to reporting progress against our targets annually through our ESG Report.
- As frameworks evolve and our understanding and data collection continue to mature, we will review our targets and approach where necessary.

ANNEX 1: ASSUMPTIONS

Policies and Net Zero Commitment Reduction Assumptions	
1) Reductions for each sector are modelled on the following reports. This means the reductions modelled are based off the trajectories of these reports:	
Accommodation and other Social Infrastructure – "Net Zero Strategy: Built Back Greener, 2021"	68% reduction by 2030 90% reduction by 2050
Education – "Sustainability and Climate Change: a strategy for the education and children's services systems, 2023"	50% reduction by 2032 75% reduction by 2037 90% reduction by 2050
Energy and Utilities – Asset specific decarbonization plans use for Cory Riverside, Anglian, Cadent and Blyth	**Cory Riverside**: 90% reduction by 2040 **Anglian:** 74% reduction by 2030 **Cadent**: 43% reduction by 2036 90% reduction by 2050 **Blyth**: 90% reduction by 2050
Healthcare – "Delivering a Net Zero National Health Service, 2020"	80% reduction 2032 90% reduction by 2040
Justice, Defence and Emergency Services – "Ministry of Defence Climate Change and Sustainability Strategic Approach, 2021"	51% reduction by 2025 57% reduction by 2030 90% reduction by 2050
Transport – "Net Zero Highways, 2021"	55% reduction by 2030 90% reduction by 2040
2) Where the reports mentioned above did not specify a % reduction but e.g. targets 'Net Zero by 2045' we have assumed this is 90% off the baseline.	
3) A linear extrapolation has been applied to work out the percentages in the middle years. These % reductions were then applied to the Total Financed Scope 1 and 2 emissions except for Cory Riverside. For Cory, it has been assumed that a significant carbon reduction and the resulting achievement of the Net Zero target is possible only with the implementation of its CCUS facility.	
4) Assets located in Scotland (28) have been given particular attention due to Scotland's ambitious Net Zero target set for 2045. This necessitated a granular approach to segmentation, especially within the healthcare and education sectors, to align with regional Net Zero objectives.	
5) For **Cory Riverside** it has been assumed that the 90% reductions in the emissions are generated by the implementation of CCUS. Cory sustainability report suggest additional measures that will be implemented to reduce carbon emissions, but the reduction has not been disclosed as part of the report. We are also assuming that these reduction are minor compared to the CCUS implementation and for this reasons have not been modelled.	
6) Targeted emission reductions have been implemented for each asset, tailored to sector-specific baselines and contextual demands. For instance, if these targets spanned until 2045 with benchmark years, we have deducted these reductions annually from the baseline data.	
7) The decarbonisation of the grid has not been modelled separately in the societal interventions as it is already included in the specific sectoral or asset decarbonization pathways.	

ANNEX 2: OVERALL PORTFOLIO EMISSIONS SCENARIO

Figure 7: Projected Portfolio Emissions Scope 1 and 2

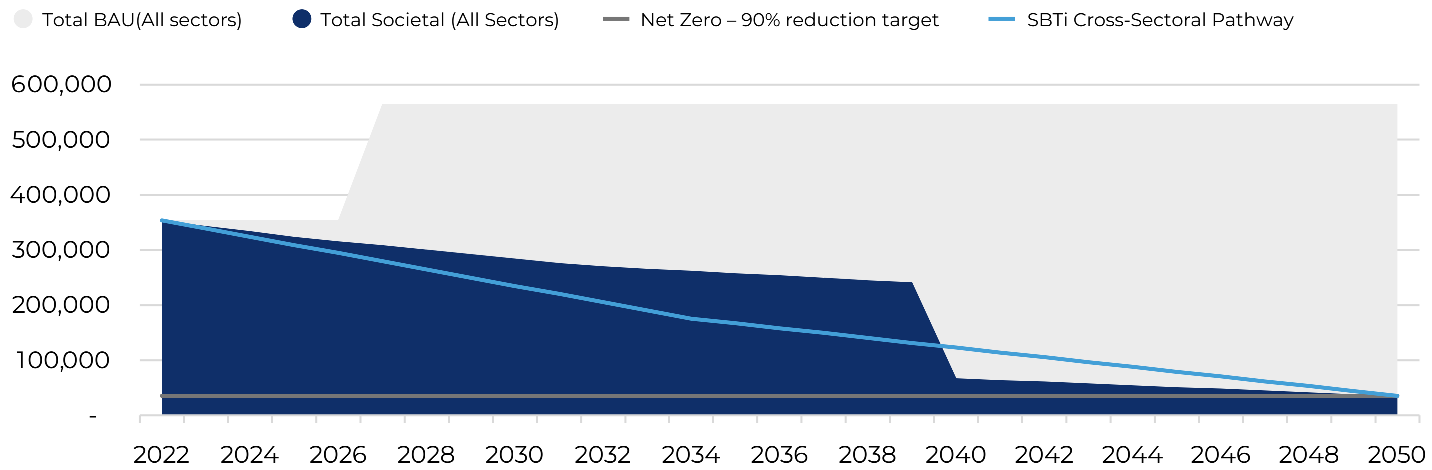
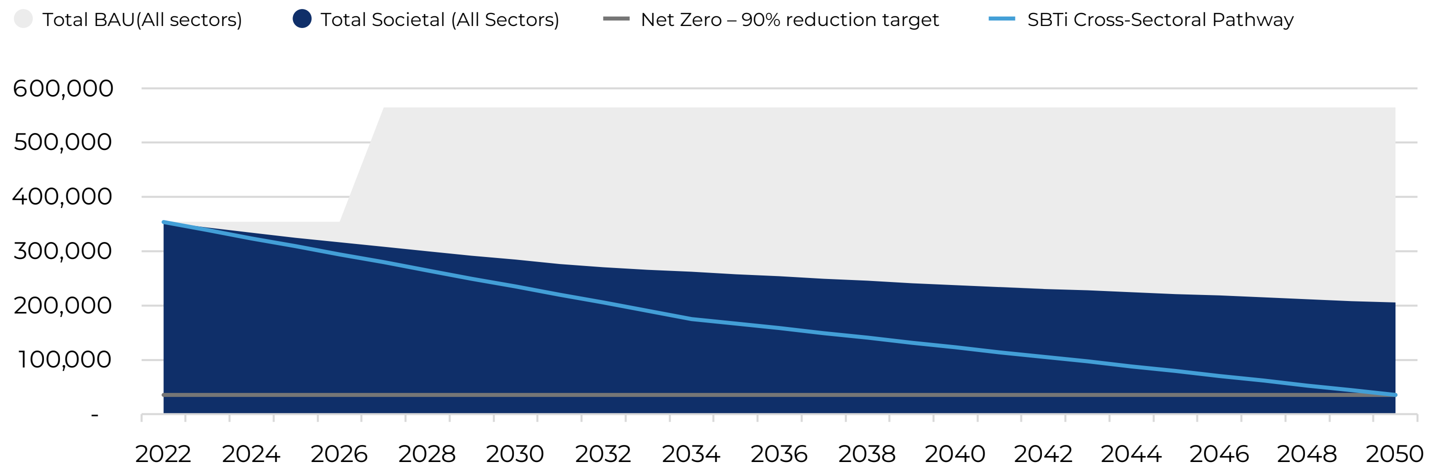


Figure 7 illustrates how at portfolio level achieving our Net Zero target is dependent on the implementation of Cory's CCUS (Carbon Capture and Storage).

Figure 8: Projected Portfolio Emissions Scope 1 and 2 assuming no implementation of Cory Riverside CCUS



The scenario modelled in Figure 8 demonstrates that Dalmore Capital's Net Zero target cannot be achieved without Cory Riverside constructing its carbon capture facility.

Climate Policy Framework	
Policy Owner:	ESG and Compliance
Policy Approver:	Executive Committee
Effective Date:	June 2024
Last Review Date:	June 2024

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