TDR Capital

Taskforce on Climate-Related Financial Disclosures Report

31 March 2024

Foreword

As a hands-on investor focused on driving sustainable, long-term growth at our portfolio companies, we place significant importance on the contribution of strong environmental, social and governance (ESG) performance towards building successful companies. A key element of this is recognising our responsibility to support the move towards a low-carbon economy. Both the risks and opportunities associated with climate change will have an impact on our current and future investments, with the recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD) providing a helpful framework to guide our approach to climate risk management.

In this disclosure, we outline our climate-related progress against the four TCFD pillars at the firm level and across our portfolio companies. This includes outlining areas of future focus and our engagement with portfolio companies in this ongoing journey of climate integration, awareness raising and stakeholder engagement.

As outlined in this report, we are committed to integrating climate-related risks and opportunities across all stages of the investment lifecycle. This includes assessing climate risk within the due diligence process for potential investments and then supporting portfolio companies during our ownership period to assess and build resilience to manage the impacts of climate risks and opportunities on their businesses. We work with our portfolio companies to analyse and monitor their carbon emissions, with the objective to set emissions reduction targets, and understand current and future value creation opportunities.

We recognise that we cannot work in isolation from the industry, so we have joined initiatives that support the private equity sector. This includes joining the ESG Data Convergence Initiative (EDCI) and becoming a member of Initiative Climat International (iCI). We look forward to continuing our partnership with investors, portfolio companies, industry-led initiatives, and other key stakeholders to support the integration of climate-related considerations within our decision-making processes.

Unless otherwise stated, the information contained herein is up to date as of 31 March 2024. This report is not intended to be updated for changes made after this date.

The TDR Partners

Compliance Statement

This disclosure is written with reference to the four pillars of TCFD and includes details of qualitative outputs of scenario analysis including our approach. This year's disclosure reports on the findings of the analysis and we are working towards embedding these, and more widely climate risks and opportunities, into our business and using these results to inform our decision-making.

Blair Thompson, Partner

TDR Capital LLP

Executive Summary

We recognise the positive contribution that strong ESG management can have on the sustainable, long-term growth of our portfolio companies. This includes the contribution companies can make towards the creation of a low-carbon economy. It is therefore important to understand the climate risk and opportunity profile for each of our portfolio companies. This also helps to understand how associated climate risks and opportunities will have an impact on current and future investments. The recommendations from the Taskforce on Climate-related Financial Disclosure (TCFD) provide a helpful framework to guide our approach to climate risk management and the identification of opportunities across the portfolio.

In this, our first TCFD disclosure, we provide an outline of our climate-related progress against the four TCFD pillars at both the firm level and for a number of our portfolio companies. We have outlined areas of future focus and engagement with portfolio companies in this ongoing journey of climate integration. This disclosure shares the completed scenario analysis for 8 of our 15 portfolio companies, with the expectation to extend this out to a further three companies before 31 March 2025[1].

A summary of our progress to date for each of the TCFD pillars is shown below:

TCFD Pillar	Progress to date
Governance	The Management Committee is responsible for all matters in relation to the day-to-day running and administration of TDR Capital LLP ("TDR"). The Management Committee receives quarterly climate-related updates from the Responsible Investment Committee for discussion and any required decision-making. Where necessary, issues will be discussed with TDR's Investment Committee. The Investment Committee is the formal decision-making body in relation to investment and divestment decisions in respect of the TDR managed investment funds and, as part of these activities, considers climate-related issues in respect of potential investments.
Strategy	We have conducted scenario analysis for many of our current portfolio companies to assess physical and transition risks and opportunities over the short, medium and long term under a low and high emissions scenario. This has helped to understand our portfolio level exposure to climate-related risks and opportunities and the impact these can have on the valuation of the assets we own in the short term, as well as the performance of the portfolio in the medium and longer term. Our strategy and planning have also been shaped around the identified climate-related risks and opportunities, where we have developed lines of engagement with portfolio companies to assist in managing climate risks and capitalising on potential opportunities to enhance resilience going forward.

[1] As of 31 March 2024.

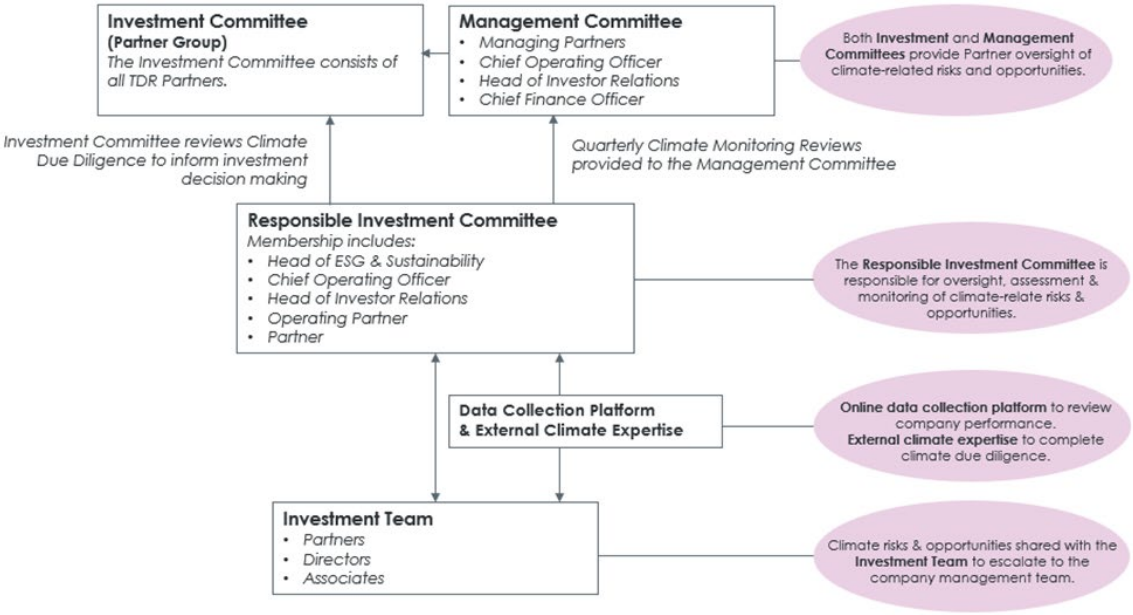
TCFD Pillar	Progress to date
Risk Management	We have embedded climate risk and opportunity analysis into our risk management processes. This includes integrating physical and transition climate risk and opportunity analysis into due diligence assessments of prospective investments to ensure consideration of climate risk during the pre-investment stage. For portfolio companies, we seek to support portfolio companies to understand and assess climate-related risks and to identify and develop risk mitigation and value creation plans. This may include encouraging the setting of science-based targets, development of decarbonisation plans, and keeping track of annual ESG KPIs via our online data collection platform.
Metrics & Targets	To track the climate progress of our portfolio companies, we collect ESG KPIs on an annual basis. This includes data on Scope 1, 2 and 3 carbon emissions, water and energy consumption, waste production and biodiversity metrics to track operations in vulnerable nature spaces. We have set a near-term target for over 70% (by number) of our portfolio companies to have completed scenario analysis by the 31 March 2025. Three of our portfolio companies have set near-term science-based targets, with others also likely to state a future commitment.

1. Governance

Ensuring a strong governance framework is embedded into our organisation as a core component for business longevity. At TDR, we recognise this and have integrated climate-related considerations into our governance processes across different levels.

A description of the processes to establish strong governance, including the details of those responsible for actioning governance, is provided below and shows specific roles and reporting lines amongst the Committee levels of management:

Figure 1: Organogram of the governance structure and reporting lines in relation to ESG within TDR Capital as of 31 March 2024.



1.1 Oversight of Climate-related Risks and Opportunities

The Management Committee of TDR, is responsible for all matters concerning the day-to-day running and administration of TDR including providing oversight of consideration of climate-related risks as they relate to TDR. The Responsible Investment Committee conducts climate risk and opportunity monitoring reviews every quarter which report against the TCFD framework pillars. During these quarterly reviews, the committee also assesses progress against climate-related targets and goals. This also includes the monitoring of quarterly ESG reports received from portfolio companies. The output from these reviews is regularly reported to the Management Committee for discussion and appropriate action.

The Investment Committee is the formal decision-making body in relation to investment and divestment decisions for TDR managed funds, and reviews and discusses climate-related considerations in respect of potential investments.

For prospective investment opportunities, the deal teams are primarily responsible for overseeing due diligence ("DD") which would normally include an internal ESG red flag report and a climate risk and opportunity DD report, which would be expected to include scenario analysis assessments of physical and transition climate-related risks over the short (2030) and long (2050) term. Physical risk is analysed under a high-carbon scenario (IPCC SSP5-8.5) and transition risk is analysed under a net zero scenario. Examples of climate issues identified within climate risk DD reports include hazard specific impacts such as extreme heat, and transition specific risks such as the increased pricing of greenhouse gas (GHG) emissions. Findings from the DD reviews are reported to the Investment Committee as part of the investment decision making process.

1.2 Partners' Role in Assessing and Managing Climate-related Risks and Opportunities

There are multiple roles within TDR's governance structure to either assess or manage climate risks and opportunities within the firm and across our portfolio companies. Some of these are described below.

The Chief Operating Officer and the Head of Investor Relations both sit on both the Responsible Investment Committee and the Management Committee and report to the Management Committee and Investment Committee on related issues as part of the portfolio company reviews which may involve leading discussions on opportunities, risks and/or incidents that occurred during the past quarter.[2]

[2] Responsible Investment Committee roles include leading on initiatives relating to climate change, supporting TDR's approach to responding to regulatory climate-related requirements, GHG emissions reporting and reviewing TDR's physical and transitional risk and opportunity exposure of underlying Portfolio Companies (PCs). It is guided by a committee Terms of Reference document which highlights its climate-related responsibilities, including quarterly reviews of PC ESG performance and collating annual ESG KPIs, which include references to climate-related matters and performance indicators.

The Head of ESG & Sustainability works alongside the Investment Team and takes the lead in completing the ESG red flag report and climate risk analysis as part of pre-acquisition due diligence, with the latter usually completed by a third-party climate expert. A deep-dive review, completed by a specialist consultancy in the relevant field of study, is actioned where any concerns have been identified in the risk analysis. During the ownership period of our portfolio companies, the Head of ESG & Sustainability will work with portfolio companies to understand ESG risks and work together on identified opportunities – which include climate. Any concerns identified through regular engagement and portfolio company reporting are shared with the Investment Team to escalate to the company management team for their attention and appropriate response/action.

2. Strategy

2.1 Conducting Scenario Analysis to Identify Current and Future Climate Risks and Opportunities

Climate-related scenario analysis has been completed for eight of our portfolio companies (phase 1) in order to consider the potential impacts of climate change on their operation. This was based on a physical and transition risk and opportunity screening assessment.

TDR considers the following time horizons to be relevant to its portfolio companies:

- **Short-term**: Within the next three to five years.
- **Medium-term**: Between five to ten years into the future.
- **Long-term**: Ten to twenty years into the future.

Using these time horizons, we identified and assessed how a range of climate-related risks and opportunities could impact our portfolio companies' business, strategy, and financial position, across the most critical assets (five key assets assessed for each portfolio company). With the support of third-party consultants and through engaging with key stakeholders across the portfolio companies, we identified several potentially relevant physical and transition risks and opportunities to assess under different climate scenarios.

Our approach to scenario analysis is in line with best practice guidance and includes two physical and two transition scenarios over a variety of time horizons. Additional details are laid out in Table 1.

Table 1: Description of the physical and transition scenarios used in scenario analysis

Physical Scenarios Used		Transition Scenarios Used	
IPCC SSP5-8.5: 4.4°C mean warming by 2100	This is a business-as-usual scenario which has continued high emissions with no additional climate policies. This scenario is justified in line with the push for economic and social development coupled with the exploitation of abundant fossil fuel resources and the adoption of resource and energy intensive lifestyles around the world. It assumes: • current CO_2 levels double by 2050, and there are many challenges to mitigation, with few challenges to adaptation, and • energy demand triples by 2100 and is dominated by fossil fuels.	**NGFS Current Policies: 3°C mean warming by 2100**	This scenario assumes that only currently implemented policies are preserved, leading to emissions growth until 2080 and around 3°C of warming and severe physical risks. This scenario can help central banks and supervisors to consider the long-term physical risks to the economy and financial system if we continue on our current path to a "hot house world".
IPCC SSP1-2.6: 1.8°C mean warming by 2100	This scenario is aligned with the current commitments under the Paris Agreement. It implies the world reaches net zero emissions in the second half of the century by shifting towards a more sustainable path and emphasising more inclusive development, driven by an increasing commitment to achieving development goals. Renewables account for more than half of the energy supply by 2050, and there are few challenges to climate mitigation and adaptation.	**NGFS Net Zero 2050: 1.5°C mean warming by 2100**	This scenario assumes an ambitious transition takes place across all sectors of the economy. It emphasizes the importance of decarbonising electricity supply, increasing electricity use, increasing energy efficiency, and developing a net zero position around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (< 0.1°C) of 1.5 °C in earlier years. Physical risks are relatively low, but transition risks are high.
Time Horizons	2030 and 2050	2030, 2040 and 2050	

2.2 Scenario Analysis Findings

Scenario analysis findings are shown in Tables 2 and 3 for those portfolio companies for which we have undertaken climate-related scenario analysis. The tables contain descriptions of the physical and/or transition risks and opportunities that may impact our portfolio companies in the short, medium and long term across different scenarios.

For our first year conducting this scenario analysis, it was decided that physical risk scenario analysis would be undertaken on the five assets considered to be at the highest risk for each PC. Therefore, the physical risk identified is not likely to be representative of the risk to the entire business but instead provides an understanding of the highest risk exposure.[3]

The results reveal several climate-related risks and opportunities that may impact the operations and revenue of portfolio companies in the medium to long term. Additionally, it highlights themes of a low-carbon economy that we and our portfolio companies need to recognize. These results can be used to inform our strategy for protecting and creating value throughout the ownership period and on exit.

[3] For Asda, David Lloyd, and EG Group, scenario analysis was undertaken by the portfolio companies directly. However, the scenarios used across these PCs align with the scenarios and methodology outlined in Table 1, in line with the recommendations of the TCFD. Scenarios include a below 2°C warming scenario and a 3°C warming scenario.

Table 2: Summary of the physical climate risks and opportunities for high-risk assets identified during the scenario analysis

	Risk/Opportunity Item	Description of Impact	Potential Financial Impact
Stonegate Group	**Risk:** Extreme rainfall flooding and river flooding causing site damage.	The risk of extreme rainfall flooding and river flooding may cause damage to trading sites, impacting the physical asset, employees and customers.	Reduction of revenue Increased OpEx and CapEx costs
	Opportunity: A rise in extreme heat events and a fall in extreme cold impacting consumer behaviour.	A combination of a fall in extreme cold and a rise in extreme heat has the potential to change consumer behavior directly linked to Stonegate's pubs and social drinking hubs. This may result in customers being more likely to engage with Stonegate's services and cause an increased demand during extreme heat events.	Potential positive impact on revenue (subject to further analysis)
Hurtigruten Expeditions & Hurtigruten Norway	**Risk:** Coastal flooding causing risk of physical damage to offshore sites, particularly ports.	Risk of offshore and coastal flooding to Hurtigruten, especially at the Trondheim, Reykjavik and Dover Ports. If port infrastructure is not closely inspected, monitored and updated accordingly, the impact of flooding could be detrimental to the accessibility of Hurtigruten vessels and present health and safety risks to employees, passengers, and locals.	Reduction of revenue Increased CapEx and OpEx costs
	Risk: A combination of increased extreme heat events and reduced extreme cold can shift consumer patterns and behaviour.	A combination of a fall in extreme cold and a rise in extreme heat has the potential to change the regions that are accessible and appealing to tourists. Hurtigruten expeditions range from Arctic to tropical regions, meaning that the Company may see a shift in tourism away from colder expeditions towards ones that are compatible with the temperature increase.	Impact on revenue (subject to further analysis)
NKD Group	**Risk:** Extreme winds and storms and coastal flooding can impact supplier sites and cause delays in supply chains.	The impacts of extreme winds and storms and coastal flooding on some of NKD's key supplier sites, particularly in Bangladesh, may be significant. These impacts may cause disruptions to NKD's supply chain, negatively impacting product availability and overall sales.	Reduction in revenue

	Risk: Water stress and drought can increase costs for NKD's clothing producers.	The risk of water stress and drought can raise concerns of a potential increase in water costs for production. Higher costs of water for suppliers may drive up the overall purchasing price of clothing items.	Increased OpEx costs
Aggreko	**Risk**: Extreme winds, storms, and flooding causing physical damage to offices, warehouses, and stored items.	The impacts of extreme winds, storms and flooding may cause physical damage to assets and sites which could result in increased costs for relocation/repair of items, cleanup of sites, and could cause disruptions to site operations. If damage to electricity infrastructure also occurs, operations may also be disrupted.	Reduction in revenue Increase CapEx costs
	Risk: Water stress and drought posing a risk to water-dependent equipment testing and repair processes.	Water stress and drought could result in limited water availability at Aggreko's sites, posing a health and safety risk to staff, and impacting water-dependent equipment testing/repair processes. This could result in increased costs to source alternative water supplies and could disrupt Aggreko's service offerings.	Reduction in revenue Increased OpEx costs
ASDA	**Risk:** Impact of extreme heat on fresh poultry.	For the fresh poultry supply chain, heat stress from extreme temperatures can have multiple negative impacts, including chicken fatalities and the spread of disease. These can increase costs for the supplier, as well as increasing supply chain vulnerability. Acute or longer-term lack of availability may reduce customer sales.	Reduction in revenue
	Risk: Water stress and drought pose an impact on fresh tomato growth and production.	Loss of agricultural production due to combined heat and droughts is one of the four key future risks for Europe. Tomatoes are a key regional and national agricultural output that will be affected by climate change, with general warming projected to cause a decrease in yield, and specific acute water shortages and droughts already contributing to crop loss, reduction in planting, and greater supply-chain vulnerability.	Reduction in revenue

David Lloyd Leisure	**Risk:** Extreme weather events causing physical damage to sites.	Extreme weather events can result in additional OpEx (utility costs), insurance costs, costs of buildings write-off and purchase/construction of new buildings.	Reduction in revenue Increased OpEx and CapEx costs
EG Group	**Risk:** Changing climate and more frequent extreme weather events.	An increase in extreme weather events may cause damage to physical assets which could result in increased costs for relocation/repair of items, cleanup of sites, and could cause disruptions to site operations.	Reduction in revenue Increased OpEx and CapEx costs
Jollyes	**Risk:** Extreme heat impacting operations.	An increase in extreme heat is likely to lead to an increase in cooling requirements across stores and warehouses, leading to a rise in OpEx associated with energy usage and cost.	Increased OpEx costs

Table 3: Summary of the transition climate risks and opportunities identified during the scenario analysis

	Risk/Opportunity Item	Description of Impact	Potential Financial Impact
Stonegate Group	**Risk:** Rising stakeholder concern and the build-up in scrutiny towards Stonegate's transition efforts.	With the general shift to a low-carbon economy, driven by policy and regulatory measures- Stonegate is likely to face scrutiny over its transition efforts (e.g. transition plan, decarbonization). This could lead to conditional access to capital, for example, tied to GHG emissions performance metrics such as the carbon intensity of Stonegate's operations.	Access to capital
	Opportunity: Switching to renewable energy sources is under Stonegate's direct control in the near and long term to reduce direct costs.	Current energy consumption offers an area of opportunity for GHG emissions reduction. This would reduce exposure to fossil fuel energy price changes.	Reduction of direct OpEx costs
Hurtigruten Expeditions & Hurtigruten Norway	**Risk:** The capital costs associated with low carbon technologies for vessels.	The long lifetime and high capital cost of the vessels means that suboptimal low carbon technology selection would have significant adverse financial impacts on the business. Investment decisions in vessels with new propulsion system types will need to be grounded in robust techno-economic analysis.	Increased CapEx costs
	Opportunity: Hurtigruten can decarbonise its shipping fleet with low-carbon shore power.	Hurtigruten's plans to decarbonise its shipping fleet, including operation of fully electric vessels (Sea Zero), is a key transition opportunity that would reduce reliance on fossil fuels (bunker fuel). This opportunity scores a moderate opportunity level across all time horizons driven by the scenario trends in investments in non-fossil related electricity.	Reduction of direct OpEx costs

NKD Group	**Risk:** Increasing petrochemical material prices.	As economies decarbonise, hydrocarbon supply could fall, increasing the volatility of petrochemical feedstock prices. Therefore, the costs of associated products could increase and may be passed through to NKD by its suppliers. Increased product prices could cause customer demand to potentially fall, and cause a reduction in revenue as a result.	Increased direct OpEx costs Reduced revenue
	Opportunity: NKD can engage with suppliers and its leased real estate customer locations to prioritise electrification.	High or volatile natural gas prices could drive electrification and/or renewable electricity sourcing. This presents an opportunity to engage in rapid electrification to increase resilience.	Reduction of direct OpEx costs
Aggreko	**Risk:** Alternative fuels supply constraints resulting in alternative fuel supplies failing to meet demand.	The majority of Aggreko's total power fleet composition is diesel powered but Aggreko's diesel generators are compatible with and can be switched to lower carbon drop in fuels like renewable diesel. Renewable diesel supply has increased rapidly over recent years. Reduced demand from road transport due to electrification could further increase the availability of renewable diesel for Aggreko's diesel fleet. Feedstock constraints and increased global demand for renewable diesel could reduce availability. Monitoring future low-carbon fuel policy developments and availability of lower carbon fuels will be key in mitigating this risk/adapting as well as promoting alternative lower carbon solutions including renewables, gas and hybrid energy solutions incorporating energy storage.	Reduction in revenue Increase CapEx costs
	Opportunity: Opportunity to sell low-carbon products as a result of increasing demand for Aggreko's products and services.	If fossil fuel prices become more volatile and legislation around climate change increases, customer demand for low-carbon products is likely to increase. This trend is heightened by the push for increasing electrification, and grid instability increasing demand for Aggreko's products and services. This provides an opportunity for Aggreko to increasingly invest in low-carbon technologies.	Increased revenue

ASDA	**Risk:** Exposure to carbon pricing may impact ASDA's direct costs of production.	ASDA's exposure to carbon prices is greater over the next 5-7 years in the optimistic scenario, this is because higher carbon prices would be required to more strongly curb physical climate change and to keep the world to the 1.5-degree target. This may cause an increase in ASDA's costs of production due to the need to pay higher prices on emitted carbon.	Increase in direct costs
	Opportunity: An increase in the opportunity to provide more meat alternative products for consumers.	There is an increased awareness among consumers of the environmental impacts of consumption, not only through carbon emissions but also through biodiversity loss and plastic and water pollution. There is a commercial opportunity to fulfil consumer preferences with new products, labels and certifications, or innovative consumption models. This could lead to increased product sales, as well as potentially open new types of consumer activity.	Increased revenue streams
David Lloyd Leisure	**Risk**: Mandates on and regulation of existing products and services can impact David Lloyd's compliance record and reputation.	Mandates may cause gas usage to become expensive (through higher carbon taxation). Additionally, David Lloyd may face emerging building and planning regulations under a low-carbon economy. With higher gas prices, this may be difficult to achieve.	Increased CapEx costs Reputational impacts
EG Group	**Risk:** Reduced demand for petrol and diesel.	There may be reduced demand for petrol and diesel resulting from the energy transition, and increased climate change regulation such as the phase out of petrol and diesel vehicles. This could impact sales, leading to reduced revenue.	Reduced revenue
	Opportunity: Growth in demand for electric vehicle charging.	As a result of the energy transition, there may be a growth in demand for electric vehicles (EV) charging and lower carbon fuels, accelerated by climate change regulation such as the phase out of petrol and diesel vehicles. This may create an opportunity for growth in the market for lower carbon fuels and EV charging points.	Increased revenue streams

Jollyes	**Risk:** Increase in pass-through costs.	Products such as canned pet food, fish pet equipment (fish tanks, filtration systems, cleaning accessories) and bird accessories could be impacted by increased costs of upstream raw materials such as lithium, cobalt, nickel, and copper as the low carbon transition takes place.	Increased OpEx Reduced revenue
	Opportunity: Increased opportunity to sell low-carbon products.	Changes in customer sentiment as awareness of climate issues grows may create revenue growth opportunities to sell pet food with non-animal proteins and reduced use of soy/palm oils.	Increased revenue

2.3 Impact of Climate-related Risks on our Strategy and Portfolio Company Engagement

We acknowledge that climate-related risks and opportunities may have a material impact on the value of many of our portfolio companies (as described in Tables 2 and 3) for instance as a result of impacts to the portfolio company reputation, revenue streams, and costs.

We are evolving our internal processes to respond to climate-related risks and opportunities across our portfolio, planning for climate-related expenditures, and working to establish a system for ongoing risk identification and management, alongside effective governance to ensure oversight.

To achieve this, we are also working to ensure our investing professionals are equipped with the necessary knowledge and skills to deliver and support portfolio company engagement and performance against ambitious commitments, such as near-term science-based targets. This includes conducting workshops for investment professionals in the firm on topics such as Net Zero.

2.4 Enhancing Resilience through Direct Engagement

Interpretation of the scenario analysis results suggests that across the eight assessed companies, we face a low to moderate overall risk from the impacts of climate change. This is mainly due to the low significance of risks associated with physical climate events, coupled with the identification of a moderate to high level of transition opportunities in the short and longer term.

To equip ourselves to maintain resilience towards climate-related risks and capitalise on the identified opportunities from the scenario analysis, we have worked with several portfolio companies to assist in managing their identified risks and capitalising on potential opportunities. Further details, including a case study of successful portfolio company engagement to manage climate-related risks and opportunities are outlined in the 'Risk Management' section.

We consider that there is always room for improvement, particularly in how we assess the potential impact of climate related risks and appropriate actions to take to mitigate such risks. For instance, in the future we will look to financially quantify our most significant risks and opportunities to better understand our exposure and market opportunities, and to inform appropriate resource allocation and company-level planning.

3. Risk Management

3.1 Embedding Climate Risk

Due Diligence

As part of our pre-acquisition due diligence, we identify and assess physical and transition climate risks and opportunities. This includes reviewing a target company's net zero plans, GHG emissions profiles, and energy and carbon management. Results are shared with our Investment Committee to consider the potential impact of climate-related risks and opportunities on the financial valuation of the target, and compatibility with TDR's climate and sustainability strategy.

In 2023, we also extended our vendor due diligence process to integrate physical and transition climate risk analysis, recognising the importance of these to protect and enhance value on exit.

Ownership

During the ownership period of our portfolio companies, we manage climate-related risks and opportunities by actively engaging with the management teams of portfolio companies to identify and develop mitigation or value creation plans. An example of mitigation plans includes the operational work carried out to explore carbon reduction target setting with portfolio companies, whilst encouraging the setting of science-based targets validated by the SBTi. See Case Study 1 below for more details.

Reporting mechanisms are established, where shortly after a new investment is made, a process is agreed for the quarterly reporting of material risks and opportunities, and the submission of c.50 annual ESG KPIs by each portfolio company. These portfolio company ESG reports are reviewed quarterly by our Responsible Investment Committee. Any concerns will be escalated to the Investment Teams or Management Committee.

To further engage and upskill portfolio companies on how to identify, assess and manage climate-related risks and opportunities, we hold annual ESG Forums and ad-hoc webinars to facilitate discussions and knowledge sharing on climate-related risks and opportunities.

Case study 1

Embedding an ESG Strategy for Portfolio Company: LeasePlan[1]

LeasePlan, a global mobility solutions provider, has become an industry leader in sustainability by reducing its emissions and transitioning to electric vehicles. With our support during our ownership period, LeasePlan was able to develop a 'Driving to Zero' strategy to deliver real impact.

Our support to LeasePlan involved consistent operational engagement across key ESG themes, including climate. This supported our exit strategy by positioning LeasePlan as a market leader in zero carbon mobility, supported by a robust decarbonisation roadmap and verified Science Based Targets.

See additional details in Table 4.

[1] Known as Ayvens following the sale of LeasePlan to ALD Automotive.

Table 4: Summary of engagement work conducted to support a portfolio company with its ESG and climate strategy and risk identification and assessment

Key Pillar	Support offered by TDR during ownership
Strategy and Governance	We supported LeasePlan with the creation of an industry leading ESG & Sustainability strategy, appointing a team of experienced sustainability professionals to lead on delivery across fifteen priority areas. Senior Management remuneration was linked with ESG targets.
Transition to zero carbon mobility	During our ownership LeasePlan has positively led and changed the industry's conversation with leading NGOs, the World Economic Forum, and Climate Group's EV100 Organisation around climate change and the transition to electric vehicles. This includes an aim to achieve net zero tailpipe emissions from LeasePlan's funded fleet by 2030.
	To support the increasing demand for EVs, LeasePlan launched its Electric Programme to help support customers' ambitious decarbonisation strategies.
	LeasePlan's successful Green Bond programme funded the purchase of EVs to continue to support the transition to zero carbon mobility.
Climate	Following TDR's identification of a need for climate-related risk/opportunity analysis, LeasePlan completed a comprehensive Group-wide climate risk assessment, scenario analysis and financial quantification modelling exercise.

4. Metrics and Targets

4.1 Climate-Related Metrics

We have partnered with a third-party provider to introduce an ESG data platform tool that supports the collection and analysis of ESG data points from our portfolio companies. The platform automates data collection and reporting, allowing us to more easily assess how our portfolio companies are managing key ESG risks and opportunities, including those that are climate-related. The platform also helps us communicate key information to our investors and other key stakeholders.

The platform obtains annual calendar year data on c.50 ESG KPIs across each of our portfolio companies. Climate-related metrics include Scope 1, 2 and 3 carbon emissions, water and waste management, energy consumption and metrics on biodiversity to track operations taking place in

vulnerable nature spaces. We are also able to track decarbonisation progress from one year to the next.

At the firm level (in relation to TDR Capital LLP as a standalone entity), we disclose our Scope 1, 2 and 3 (business travel only) emissions within our Annual ESG & Sustainability Report. We recognise the importance of improving data collection and reporting and aim to work towards calculating and disclosing our full Scope 3 emissions in the coming years. To calculate key climate-related metrics, we follow a methodology in line with the GHG Protocol and obtain external verification on an annual basis.

4.2 Climate-Related Targets

We have set near-term targets for scenario analyses to be completed for our portfolio companies. The short-term target is to extend scenario analysis to a further three portfolio companies (phase 2) which would result in 11 out of 15 portfolio companies having completed scenario analysis by 31 March 2025.

Some of our portfolio companies, such as David Lloyd Leisure and Hurtigruten have committed to setting science-based targets, including pledging to submit their targets for validation and approval by the Science-Based Targets Initiative (SBTi). As more of our portfolio companies undergo the scenario analysis exercises and continue engagement with us, we aim to foster the wider setting of science-based targets by more of our portfolio companies.

In addition to helping conduct more scenario analyses for portfolio companies, we have set internal goals that we will work towards to manage our group level climate-related risks and opportunities. Our longer-term aims might include setting an internal carbon price, disclosing historical climate-related data, and calculating and disclosing our GHG efficiency ratios. Our continued efforts, along with assigned KPIs to track regular progress are as follows:

Internal Action		KPI – 31 March 2025
Internal Training and Upskilling	Conducting climate awareness training for all our professionals.	100% completion rate
	Refreshing new joiner induction by introducing a new mandatory climate awareness training module.	100% completion rate
Portfolio Company Engagement	Delivering annual portfolio company ESG forums to discuss climate risk amongst portfolio companies.	Deliver annual PC ESG Forum
	Working with portfolio companies to improve the accuracy and coverage of reported GHG emissions data, including Scope 1, 2 and 3 emissions.	13/15 portfolio companies reporting scope 1&2 emissions. 8/15 portfolio companies reporting scope 1,2&3 emissions.

Internal Action		KPI – 31 March 2025
	Increasing the proportion of portfolio companies with action plans to reduce their Scope 1 and 2 emissions.	13/15 portfolio companies
	Exploring the setting of carbon reduction targets across our wider portfolio.	Ongoing
	Apply a decarbonisation roadmap to portfolio company performance, encouraging and documenting progress throughout the year.	Qtly reporting of roadmap to Management Committee

5. Focus Areas

Over the past year, we have made progress towards our climate-related ambitions and we have improved our understanding of our climate-related risks and opportunities. This has included undertaking climate scenario analysis with our portfolio companies and seeking to more strongly integrate it into our risk identification and management processes.

TDR is committed to building on the progress it has made over the past year. Below we have outlined a brief action plan to strive for stronger internal alignment with the TCFD, while improving our understanding of our climate-related risks and opportunities to improve our entity and portfolio companies' resilience to climate change. We will work towards delivering this action plan before 31 March 2025.

At the Firm-level:

- Introduce climate awareness training for all investment professionals and as part of TDR's induction programme.
- Provide training on climate-related issues and technical updates on the regulatory landscape to the TDR Partners.
- Deliver a Net-Zero presentation to all TDR investment professionals.
- Continue engagement with initiatives such as the initiative Climate International (iCI) to promote climate resilience and adaptation across the wider private capital ecosystem.
- Carbon offset TDR's Scope 1 and 2 (plus Scope 3 business travel) emissions on an annual basis whilst working towards our own reduction goals.

Engagement with portfolio companies:

- Further strengthen portfolio company data collection and reporting, particularly with regards to reporting Scope 1,2 and 3 emissions.
- Provide virtual science-based target training for all portfolio companies.
- Complete Scenario Analysis for a further three portfolio companies, resulting in the coverage of over 70% of TDR portfolio companies by 31 March 2025.
- Increase the number of portfolio companies reporting Scope 1, 2 & 3 emissions.
- Increase the number of portfolio companies covered by emission reduction targets.
- Public disclosure of portfolio companies carbon emissions data in TDR's Annual ESG & Sustainability report.