Climate Resilience

2024

PEMBERTON

Introduction: Climate Resilience 2024

About This Report

This report builds on Pemberton's inaugural 2023 climate disclosure, reaffirming our commitment to transparency in how we identify, assess and manage climate-related risks and opportunities across our operations and investment activities.

We align this disclosure with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), meeting the UK Financial Conduct Authority (FCA) requirements applicable to regulated entities. It covers the business and investment activities of Pemberton Capital Advisors LLP (PCA) – our UK legal entity and investment advisor to Pemberton Asset Management S.A. (PAMSA), an Alternative Investment Fund Manager (AIFM). The structure of this report follows the TCFD's four thematic pillars.

Pillars of the Recommended Climate-Related Financial Disclosures

Governance
The organisation's governance around climate-related risks and opportunities.

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risk Management
The processes used by the organisation to identify, assess and manage climate-related risks.

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Focus and Approach

Given the relatively low climate-related risk exposure of our own operations, our climate strategy focuses primarily on portfolio emissions.

Our investment approach is shaped by the diverse objectives of our limited partners (LPs), who span a broad range of geographies and regulatory contexts. Where climate-related factors are financially material, we integrate them into our investment decision-making to support our overarching goal: delivering strong risk-adjusted returns.

We recognise that climate change presents interrelated risks and opportunities that impact the industries and economies in which we invest. Proactively addressing these factors strengthens risk management and enhances portfolio resilience.

Though the TCFD was disbanded in 2023 after its final status report, its principles continue to underpin global climate disclosure standards. Oversight has transitioned to the International Financial Reporting Standards (IFRS) Foundation, under the guidance of the International Sustainability Standards Board (ISSB). The UK FCAs climate disclosure requirements are expected to update following the UK government's anticipated endorsement of IFRS disclosure standards in 2025.

Transparency and Accountability

Pemberton is focused on building stakeholder confidence in our climate strategy through consistent measurement, clear disclosure, and continuous improvement. Transparency and accountability are foundational to our approach to Responsible Investing.

A key milestone in 2024 was expanding climate analysis across our multi-strategy private credit platform (Section 1.2). For the first time, we now disclose carbon emissions – reported or estimated – for CLOs and NAV Financing, marking tangible progress even as data quality and availability remain a challenge (Section 4.1).

In Direct Lending, we initiated early-stage scenario analyses targeting sectors and regions with elevated climate risk (Section 1.3). We also advanced the disclosed climate data across the strategy to support more forward-looking risk assessments – particularly around transition risk – and to inform portfolio decarbonisation efforts (Section 3.1).

At its core, effective responsible investing depends on meaningful collaboration with our investors. This report is particularly relevant for those seeking to align their investments with climate goals while managing associated risks. In 2024, we enhanced our ability to meet rising LP expectations by deploying an AI-powered tool to track climate-related side letter provisions and identify recurring investor themes – strengthening our overall climate risk governance framework.

"As Chair, I remain committed to ensuring that strong governance underpins the integration of climate considerations across our business. This report reflects our progress embedding climate risk management into our investment approach, reinforced by illustrative case studies and relevant metrics. We are steadfast in our resolve to provide transparency as we respond to growing expectations from investors and stakeholders."

Keith Jones
Chairman

Pemberton's progress against TCFD disclosure framework and requirements

1	Strategy	Disclose actual/potential impacts of climate risks & opportunities on the business, strategy and financial planning, where information is material	2023 Status	2024 Advancement
1.1	Description of climate risks and opportunities	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	●	Supporting summary table framed by time horizons
1.2	Impact of climate risks and opportunities	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	●	All-strategy exposure to potentially elevated climate risk
1.3	Resilience to climate risks and opportunities	Describe the potential impact of different scenarios, including a 2 degrees scenario, on the organisation's businesses, strategy, and financial planning	●	Financial impact under different climate scenarios – Direct Lending
2	Governance	Disclose the organisation's governance around climate-related risks and opportunities		
2.1	Board oversight	Describe the Board's oversight of climate-related risks and opportunities	●	
2.2	Management's role	Describe management's role in assessing and managing climate-related risks and opportunities	●	
3	Risk Management	Disclose how the organisation identifies, assesses, and manages climate-related risks		
3.1	Identification and assessment of climate risks	Describe the organisation's processes for identifying and assessing climate-related risks	●	Continued improvement in data quality, metrics in Direct Lending
3.2	Management of climate risks	Describe the organisation's processes for managing climate-related risks	●	Strengthening operational readiness for LP climate needs
3.3	Integration of climate risks	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	●	
4	Metrics and Targets	Describe the metrics and targets used to assess and manage relevant climate-related risk and opportunities, where the information is material		
4.1	Carbon emissions	Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas emissions, and the related risks	●	Expanded data coverage for Direct Lending, CLOs, NAV Financing
4.2	Climate-related metrics	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	●	
4.3	Climate-related targets	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	●	

Source: Pemberton Capital Advisors LLP.

● Complete

● In progress

Our Commitments

As detailed in our climate strategy, Pemberton's private credit portfolios generally face limited short-to-medium term exposure to elevated climate risk, with notably no material exposure to fossil fuels.[1]

Nonetheless, we recognise that private markets play an important role in supporting sustainable growth among Europe's mid-market companies.[2] The European Commission estimates that SMEs – which includes mid-market firms – contribute up to 63% of the region's total greenhouse gas emissions.[3] While central to Europe's net-zero ambition,[4] these businesses often lag their public market counterparts on disclosure of emissions data and decarbonisation progress.

As a lender to private businesses, Pemberton views it both as responsibility and opportunity to support portfolio companies in managing climate risks and navigating a complex regulatory landscape. Through active engagement, we aim to help ensure borrowers remain compliant with evolving regulations, including disclosure requirements, and are positioned for success in the low-carbon transition. Sustained progress, of course, requires aligned policies and continued government action.

"Three pillars shape our climate commitments: supporting our investors in achieving their climate objectives; helping portfolio companies navigate a shifting regulatory landscape while seizing opportunities arising from the transition to a low-carbon economy; and proactively assessing climate-related impacts throughout our investment process to enable more informed decision-making."

Symon Drake-Brockman
Co-Founder and Managing Partner

Investments

Where we hold a degree of influence, which is greatest as the sole or lead direct lender, we have the following commitment, supported by actions best suited to our asset class.

TARGET

Pemberton has a target* to bring **40% of our direct lending** invested capital into alignment with net zero by 2030 with an ambition of reaching alignment of all private credit assets by 2050.

OBJECTIVE

Supporting our **portfolio companies' preparedness, disclosure and risk mitigation** in relation to climate change regulation, including the European climate law that is legally binding.

ACTION

Engage
To reduce risk and help ensure long term resilience

Disclosure
Encouraging disclosure to enable climate risk/opportunity assessment

Incentivise
Carbon reduction e.g., loan interest margin reduction if target achieved

***Note:** Target alignment is defined as the actions and milestones set out in the Net Zero Investment Framework, Private Debt Guidance, IIGCC, published May 2024.

Group Operations

While Pemberton's climate-related risk exposure is primarily portfolio-driven, we also recognise the importance of managing the impact of our own operations. Our London headquarters occupies 20,000 sq. ft of leased office space within a multi-tenant building. Although we do not control the building's environmental performance targets, we maintain an active dialogue with the property management team and are encouraged by their ongoing decarbonisation initiatives, as outlined below.

Further detail on our operational carbon footprint is provided on page 22.

BREAAM
Headquarters building has a rating of 'Good',* under this globally-recognised assessment for the built environment.

Renewable energy
100% renewable electricity tariff (Scope 2), plus roof solar panels that sell power to the grid.

Decarbonisation
Project underway for gas CHP boiler (Scope 1) to be replaced* by air-source heat pumps.

Emissions offset
While carbon footprint reduction remains the priority, Pemberton's CSR programme involves employees in selecting an annual offset project for Scope 1, 2, and partial Scope 3 (all travel) emissions.

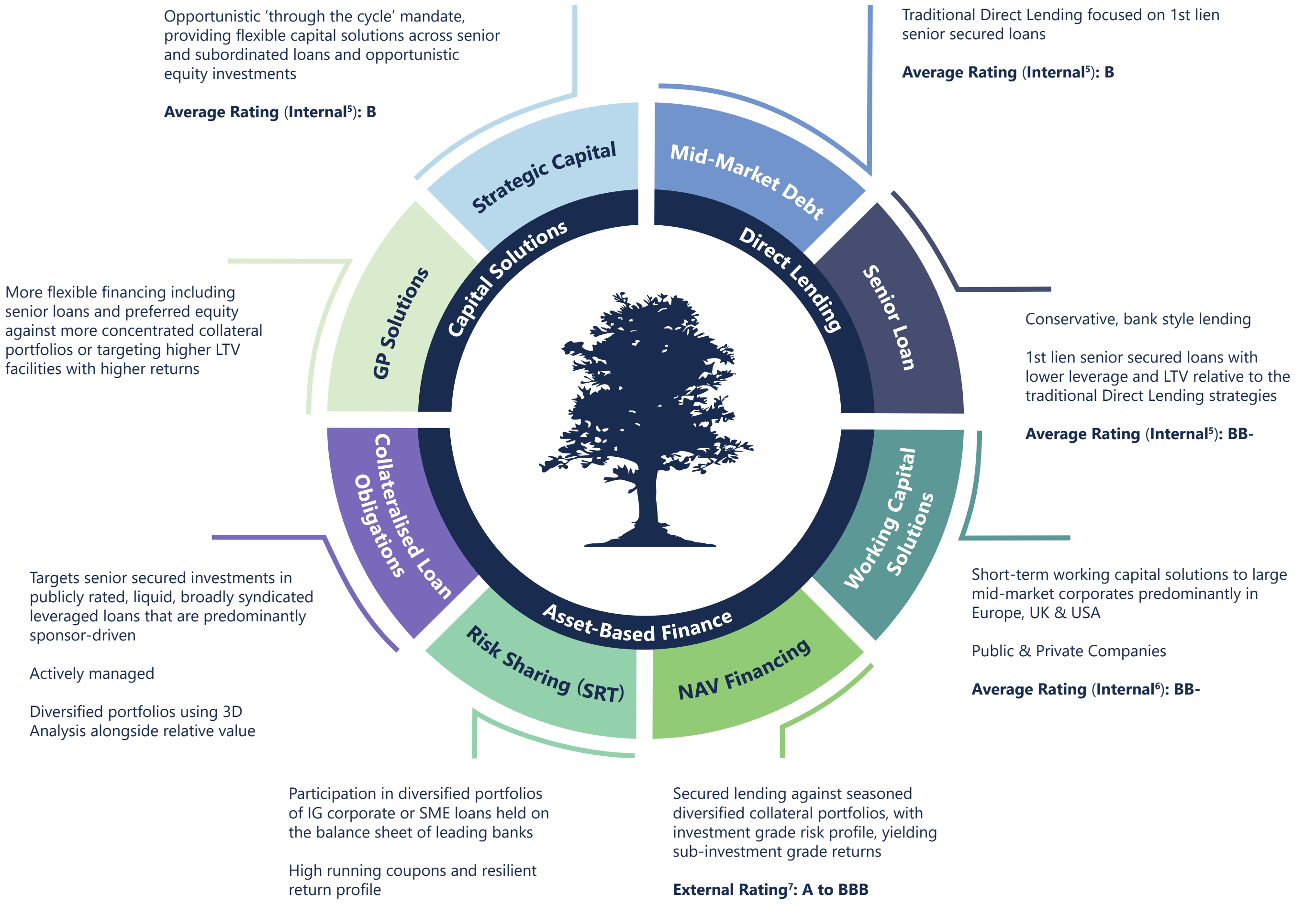
***Note:** The building is expected to regain its BREAAM 'Excellent' rating – previously reported for 2023 – following the replacement of the gas-fuelled combined heat and power (CHP) boiler.

1 As of 31 December 2024, our exposure to fossil fuels remains limited to less than 1% of AUM, primarily through: (a) short-term receivables in Working Capital Solutions (WCS) associated with oil, oil services, and metallurgical coal; and (b) indirect exposure via Significant Risk Transfer (SRT) transactions, where counterparty banks' loans are linked to these sectors.
2 While no standard definition of the mid-market exists, Pemberton generally targets companies with EBITDA between €15–75 million.
2 Flash Eurobarometer 498: SMEs, green markets and resource efficiency, March 2022
4 This goal is enshrined in the European Climate Law and is part of the broader European Green Deal.

Leaders in European Private Credit

Pemberton Asset Management is a leading European private credit manager.

Built on more than a decade of experience and deep credit expertise, we provide innovative, cycle-tested private credit solutions for LPs and GPs. Pemberton's extensive origination network of ten European offices, local market and sector expertise are core characteristics of Pemberton's value proposition. A substantial investment team, a broad and independent credit function and rigorous credit analysis inform our investment approach. We are committed to advancing responsible investing in private credit and fostering long-term value through transparent partnerships.



5 Obligor Rating, S&P equivalent.
6 Insured share class is A-equivalent credit quality.
7 Assets are externally rated.

Pemberton at a Glance

€23.8bn
AUM[8] across 8 strategies

€36.1bn
Invested[9] since inception

310+
Investors across the globe

4,075+
Companies reviewed since 2019

200+
Professionals[10] firmwide

15
Locations[11] across Europe, Australia, the U.S. and the Middle East

2024 Milestones

Private Debt ELTIF

In partnership with Pemberton, Zurich Insurance has launched its first ELTIF, granting eligible investors more flexible access to private assets

NAV Strategic (GP Solutions) First Close

First Close in June 2024 of US$1bn anchored by Abu Dhabi Investment Authority

Santander Partnership

A landmark partnership to launch *invensa*, a global inventory management and solutions company

All figures as of 31st March 2025 unless stated otherwise.
8 Assets under management are defined as committed capital.
9 Across all strategies including recycled capital.
10 Pemberton Group, including consultants, contractors and advisors.
11 Includes one office and two locations in the U.S.

1 | Strategy

The actual and potential impacts of climate-related risks and opportunities on Pemberton's businesses, strategy and financial planning.

TCFD recommended disclosures:

a) Description of the climate-related risks and opportunities Pemberton has identified over the short, medium, and long term.

b) Description of the impact of climate-related risks and opportunities on Pemberton's businesses, strategy, and financial planning.

c) Description of the resilience of Pemberton's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

1.1 Climate-Related Risks and Opportunities

Given the scale of our investment activities relative to our operational footprint – including our London headquarters and network of 10 offices – climate-related impacts are most material at the portfolio level.

Our strategy reflects our commitment to delivering strong risk-adjusted returns while proactively managing material risks and opportunities – including those arising from climate change.

As a credit provider, our exposure to climate risk is primarily linked to how these risks affect a borrower's ability to service debt. For instance, companies with high carbon intensity may become subject to more stringent regulations or face higher transition costs. Similarly, businesses operating in sectors exposed to physical climate risks – such as extreme weather events – may face increased supply chain disruptions or operational instability. Over the lending period, these risks may materialise in various forms, from deteriorating credit quality (e.g. stressed cashflows) to increased likelihood of default.

We assess climate-related risks and opportunities across varying time horizons, tailored to the nature and duration of each investment strategy. Broadly, however, we categorise horizons for our private credit activity as follows:

Short-term (0-3 years)
Related to the assumed asset life of an individual investment, aligned to an average refinancing horizon of three years. In this timeframe, climate risks may directly affect cashflows and impair the portfolio company's ability to meet debt obligations.

Medium term (3-8 year)
Related to the typical legal maturity of loans and the expected lifespan of our funds. A medium-term lens helps to assess future credit risks connected to climate factors, including the viability of future credit arrangements and the resilience of borrowers' business models. Portfolio sectoral exposure is also a key consideration – where evolving regulatory and policy dynamics may either enable or constrain growth.

Longer-term horizon >8 years
Related to broader strategic priorities and the impact of financed emissions, including how we future-proof our business. Ongoing engagement with limited partners regarding their climate-related priorities helps guide long-term portfolio construction and firm-level planning.

Further detail on the climate-related risks and opportunities identified across these time horizons is presented in the table on page 8.

Category		Description	Potential impact to Investees	Potential impact on Pemberton	Time horizon		
Climate-related risks					Short	Medium	Long
Transition	Policy, regulatory and legal	Obligations that require more extensive emissions dislcosure, or impose carbon taxes or pricing	Increased operating costs Risk of missed interest payments, impairments, breached covenants	Increased costs e.g. compliance Reduced fund performance Lower AUM/investor demand	Low	High	Medium
		Greater challenges in navigating differing stakeholder expections in relation to climate action			High	Medium	Medium
		Heightened risk around misleading or inaccurate climate-related statements			Medium	Medium	Medium
	Market, technology and reputation	Disruptive trends that require product or services and supply chain redesigns	Increased operating costs Decreased revenue Risk of missed interest payments, impairments, breached covenants	Reduced fund performance Lower AUM/Investor demand Brand damage	Low	High	Medium
		Sectors or companies adversely exposed to the transition to lower emission technologies			Low	Medium	Medium
		Shifting consumer preferences and reduced demand for products that are carbon intensive			Low	Low	Low
		Market trends that could impact investors' decision to invest in our funds			Medium	Medium	Medium
		Risk from not meeting our commitments			Low	High	Medium
Physical	Acute and chronic	Weather events that could lower asset valuations and ultimately impact fund performance	Increased costs Risk of missed interest payments, impairments, breached covenants	Reduced fund performance	Low	Medium	High
Climate-related opportunities							
Transition & Physical	Products and services	Offerings aligned to resource efficiency and decarbonisation Preparing for resilient supply chains	Increased revenue	Growth in AUM Investor retention	Medium	Medium	Medium
Transition	Market and reputation	Investment propositions that address client preferences Climate-linked financing e.g. reduced cost of captial if borrower meets criteria	Increased revenue	Growth in AUM Investor retention, Brand perception	High	Medium	Medium

Low Impact Medium Impact High Impact

Note: This chart reflects a delayed policy response scenario, in which climate-related impacts are expected to escalate into an increasingly disorderly transition. Under this pathway, transition risks are likely to become more acute beyond 2030, with regulatory interventions potentially becoming more stringent and implemented over compressed timelines – driving up compliance and operational costs. Pemberton continues to monitor these emerging risks and integrate them into the due diligence for new investment opportunities. Exposure to shifting consumer preferences is assessed as low, given our portfolio's orientation toward lower-emission sectors.

1.2 Resilience of Business, Strategy and Financial Planning

While any short-term horizon deterioration in the risk-return profile of individual investments may not materially impact the Group's financial position, we recognise that sustained underperformance of funds – or a failure to align products with the evolving climate preferences of investors – could introduce medium-to-long term risks.

A proactive strategy that ensures the adaptability of our funds to climate-related risks and opportunities, alongside the decarbonisation of our investment portfolios, has an important role to play in strengthening the long-term resilience of our business strategy and our ability to deliver sustainable returns.

Our climate strategy is built around 3 pillars:

Integrate Climate Considerations

Integrating climate considerations in the investment process, as appropriate, to identify, assess, and manage material climate-related risks and opportunities.

Strengthen Data Disclosure

Strengthen data disclosure for carbon emissions and business-relevant decarbonisation plans by portfolio companies.

Invest in Transition Companies

Invest in transition companies that are supported by environmental regulation and policy tailwinds in the transition to a clean energy future.

Integrate Climate Considerations

Portfolio-level carbon metrics offer valuable insight into both sector-specific and broader policy-related risks – key considerations for credit investors focused on downside protection. In private markets, given the illiquid nature of investments, key is to proactively assess a company's cashflow sensitivity to climate-related risks *ex ante*.

As such, climate risk evaluation is an important step in the due diligence process across most of Pemberton's funds. Investments flagged for elevated climate exposure – typically in high-emitting sectors more exposed to regulatory, technological, or market transitions – are recorded in papers reviewed by our Investment Committee.

Portfolio Exposure to Potentially Elevated Transition Risk

As of 2024[12]	Direct Lending[13]	NAV Financing	Significant Risk Transfer	Collatorised Loan Obligations[14]	Working Capital Solutions
% of Unrealised Value with Elevated Transition Risk by Strategy[15]	8%	3%	42%	22%	37%
High-Risk Sectors	Capital Goods & Industrials Construction and Building Materials	Marine Transportation Specialty Chemicals Paper Products	O&G Chemicals Automobiles	Chemicals Electrical Equipment Industrial Conglomerates	Automobiles Chemicals
% of Unrealised Value with Elevated Transition Risk – Pemberton Overall Portfolio	7.45%	0.03%	0.04%	1.03%	0.43%

Note: As TCFD does not explicitly define high-emitting sectors, Pemberton maps its coverage to the IIGCC High Impact Sectors (NZIF Implementation Guide, March 2021), to identify sectors with potentially higher emissions.

12 Unless stated, all data used as of 31st December 2024. If data not available as of this date, we used the latest available figures at the time of conducting the analysis.
13 Using the IIGCC categorisation that aligns to GICs, with the exception of Direct Lending where we use our own internal sector classification.
14 CLO calculation based on committed capital.
15 Values presented represent share of % of Unrealised Value with Elevated Transition Risk with respect to each individual strategy.

Climate Risk Diagnostic

In our Direct Lending strategy, we apply a climate diagnostic to all prospective borrowers, which includes a snapshot of both physical and transition risks exposure. Investments identified as higher risk are prioritised for climate KPIs (key performance indicators) within the ESG Margin Ratchet, and for targeted engagement during ongoing portfolio monitoring.

The climate diagnostic has 3 inputs:

1. Pemberton's coverage is mapped to the IIGCC Net Zero High Impact Sectors[16] to identify those that have potentially high emissions.
2. These sectors are further mapped to three risk types – physical, transition and regulatory risk – as categorised by the SASB Standards Climate Risk Technical Bulletin.[17]
3. Pre-investment data capture of Scope 1, 2 and 3 emissions or, in instances where there is no self-reported data, activity input by prospective borrower to calculate its carbon footprint to minimum PCAF Score 4.[18]

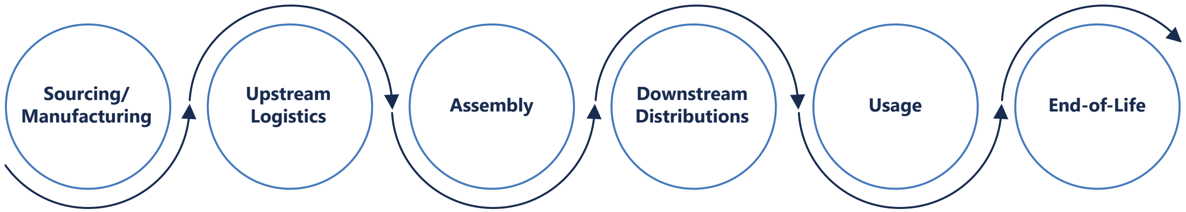
Project Planet

Case Study

Pemberton provided financing to a European mid-market company that manufactures remote surveillance units (RSUs), which are deployed to prevent theft or vandalism in outdoor areas such as wind farms, solar parks, infrastructure and construction sites. Lifecycle analysis[19] showed that approximately two-thirds of the company's emissions occur during sourcing, manufacturing and usage, with Scope 3 – primarily from the operational use of RSUs - accounting for 30% of the total carbon footprint.

Leveraging the ESG Margin Ratchet – a mechanism that adjusts the interest rate margin based on the borrower's performance against defined sustainability targets – Pemberton worked with the PE sponsor and the company to agree a key performance indicator (KPI) focused on phasing out diesel-powered RSUs. The company committed to increasing clean power, primarily solar, by 7% annually from a 2023 baseline, aiming to fully eliminate diesel use by 2031.

Lifecycle assessment of the environmental impact of the product offering.



- **Sourcing/Manufacturing:** Processing emissions from extraction of raw materials and the transformation into finished products.
- **Upstream Logistics:** Transportation emissions of finished products from primary suppliers to Project Planet's operational facilities.
- **Assembly:** Assembly of an RSU unit, with the majority of emissions stemming from energy consumption.
- **Downstream Distributions:** Distribution of RSU units. further transportation emissions.
- **Usage:** Operation of the RSU unit; resulting in emissions from energy consumption over its lifetime.
- **End-of-Life:** Disposal of RSU components, generating emissions during the waste processing.

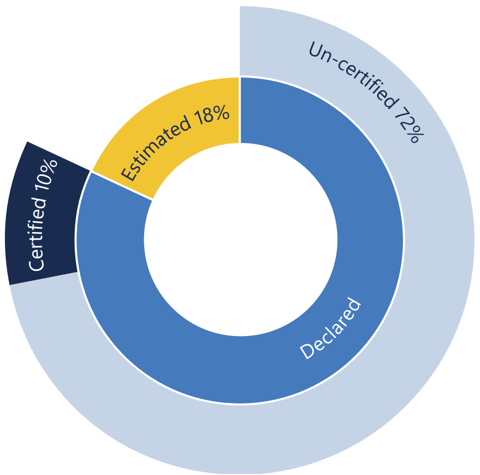
16 IICC Net Zero Investment Framework, Implementation Guide, March 2021
17 https://sasb.ifrs.org/wp-content/uploads/2023/11/SASB-Climate-Risk-Technical-Bulletin-2023-0823.pdf
18 Partnership for Carbon Accounting Financials (PCAF) December 2022.
19 Undertaken by the PE Sponsor

Strengthen Data Disclosure

The breadth and the quality of emissions data we capture is critical to the strength of our climate risk analysis. Carbon intensity, like any other fundamental variable, can help us better assess an investment's risk-adjusted return potential.

Our most advanced data coverage is for Direct Lending portfolios, where we can leverage our position as lead or sole lender to encourage borrower disclosure.

Carbon Emissions Disclosure (Scope 1+2)



Based on number of assets as of 31st December 2024.

FY2024 Portfolio Highlights

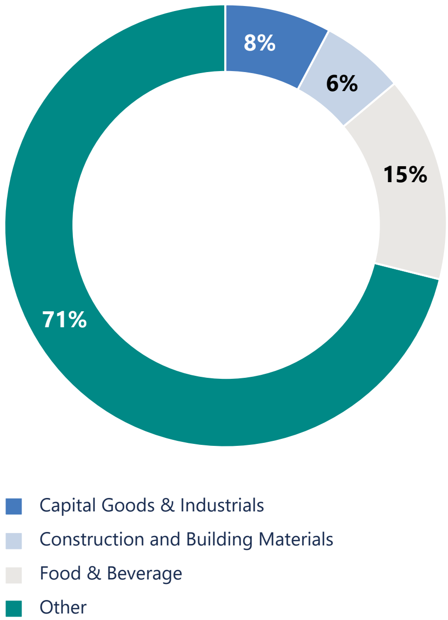
82%	of assets self-declared carbon data (up from 68% in 2023*)
10%	of companies provided third-party certification of emissions data
18%	carbon emissions were estimated using an activity-based methodology[20]

Note: *Figures are based on number of borrowers. Figures are not directly comparable year-on-year, due to changes in portfolio composition as loans are realised and new investments are added.

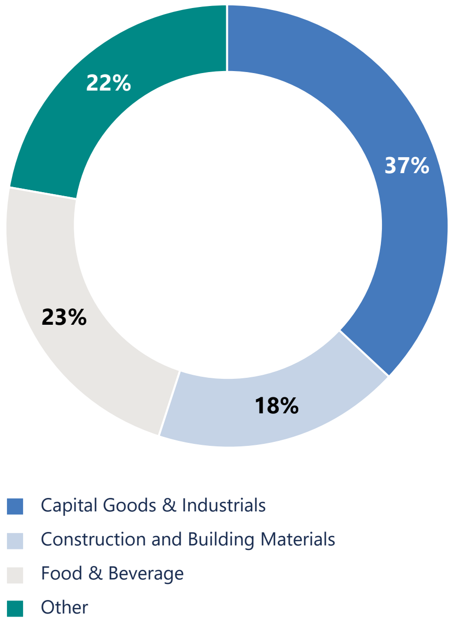
Top Contributing Sectors

Pemberton's Direct Lending portfolio has limited exposure to high-risk climate sectors and no exposure to fossil fuels. However, we have identified three sectors – Capital Goods and Industrials, Construction and Building Materials, and Food and Beverage – that together account for 29% of committed capital but contribute 78% of the portfolio's Scope 1 and 2 emissions. Their disproportionate emissions intensity makes them a clear priority for our climate risk management efforts. It is important to note, however, that this sectoral breakdown offers only a preliminary, high-level view. For instance, a notable share of Scope 2 emissions in Capital Goods & Industrials is attributable to a renewables business, underscoring the need for a lifecycle perspective, including avoided emissions from product use.

Sector by Committed Capital



Contribution to Emissions



20 With the support of a third-party specialist advisor, emissions were estimated using a revenue-based methodology. Industry classification mapping was employed to assign emissions factors, and combined Scope 1 and 2 emissions were calculated using the EXIOBASE model. Scope 3 emissions were estimated using sector-specific benchmarks; however, data quality scores reflect the inherent limitations of proxy-based assumptions.

Climate Risk in Other Private Credit Strategies

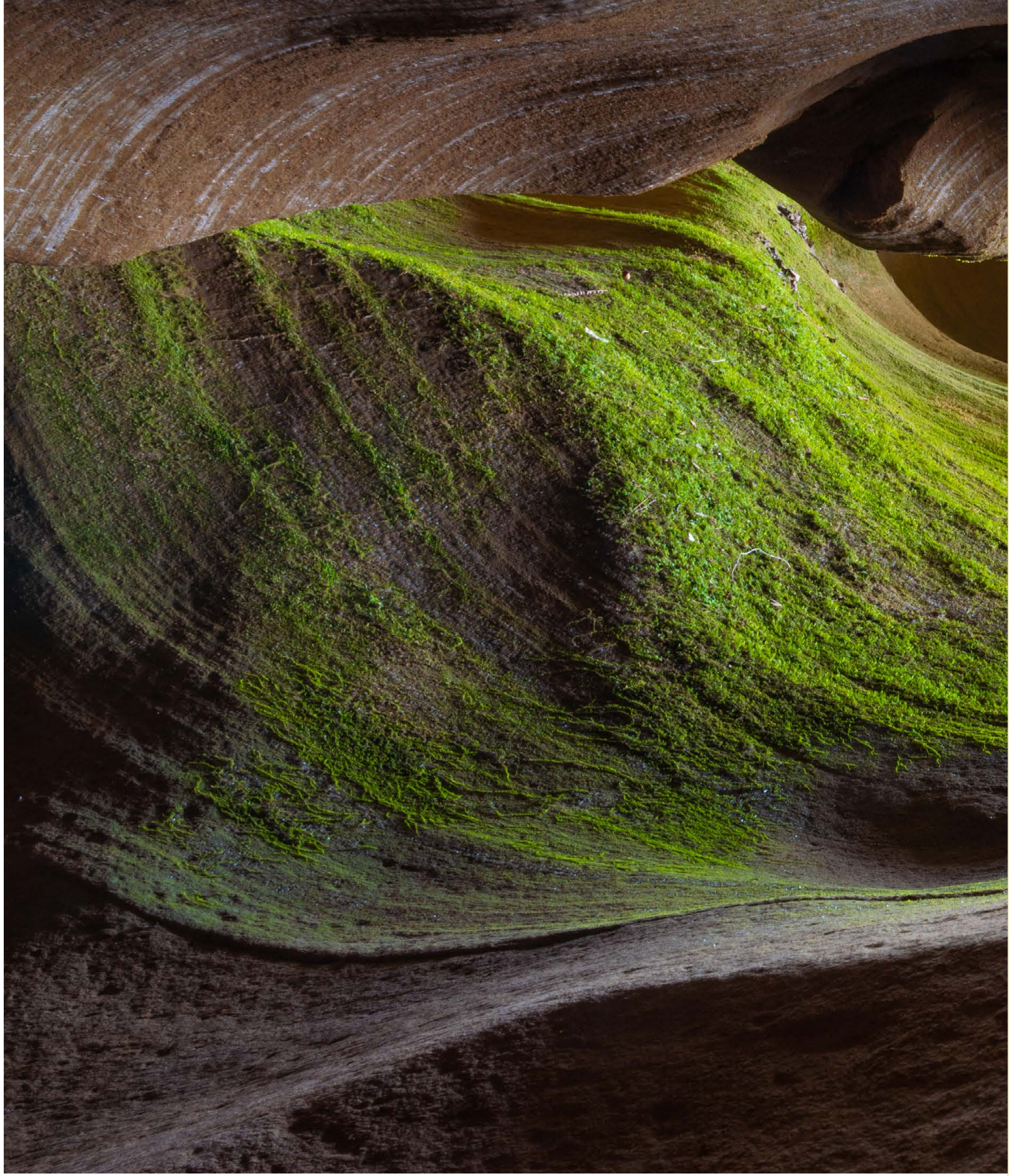
While data availability across other strategies remains limited, Pemberton continues to encourage market participants to enhance their disclosure to enable climate risk assessment:

Collateralised Loan Obligations (CLOs): In collaboration with a third-party data provider, during 2024 we advanced the availability and consistency of reported and estimated emissions data for underlying CLO assets, enabling disclosure for this strategy in this report.

NAV Financing (including GP Solutions): These loans to private equity funds or vehicles have limited look-through to the underlying collateral. A pilot initiative is underway requesting emissions data from PE sponsors for portfolio companies, where available. Meanwhile, estimated emissions[21] are reported for the first time this year.

Significant Risk Transfer (SRT): These transactions involve transferring a portion of the credit risk associated with loan portfolios to investors, while the originating bank retains the assets (and the loans referenced in the transaction are already made). While underlying carbon data for the collateral is inaccessible, we assess banks' fossil fuel lending trends and climate target ambition using public sources.

Working Capital Solutions: While obligor-level data is accessible, the underlying transactions often number in the tens of thousands and lack individual traceability in terms of emissions. As a result, accurately quantifying the carbon footprint of our WCS financing remains a significant challenge.



21 Using a third-party specialist advisory, the methodology applied used a revenue-based approach, industry classification mapping assigned emissions factors, and combined Scope 1 and 2 emissions were calculated using EXIOBASE's model. Sector benchmarks informed Scope 3 estimates, though data quality scores reflect reliance on proxies.

Invest in Transition Companies

Project Volt

Pemberton's integrated credit analysis seeks to identify risks and long-term value drivers, including those related to governance and sustainability factors. For a credit investor, embedding this analysis in the investment process helps to identify and ultimately reduce downside risk. At the same time, applying a climate lens can provide valuable insights into the long-term growth potential of a company.

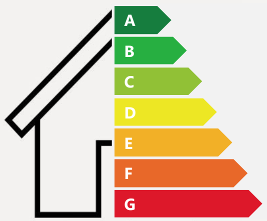
Case Study

For Project Volt, climate-related tailwinds – such as supportive regulation and targeted public investment – were identified as key enablers of the business's sustained growth. Pemberton financed this European mid-market company that partners with housing associations (HAs) and local authorities (LAs) to improve energy efficiency in social housing and public buildings. Its services include EPC (Energy Performance Certificate) upgrades, smart meter installations, insulation, and the rollout of low-carbon technologies such as air source heat pumps (ASHPs) to replace gas boilers.

Decarbonisation and efficiency

Integrated credit analysis for Project Volt identified favourable market shift factors:

- Decarbonisation of HA/LA estates is in early stages, lagging behind 2030 targets.
- Regulations are expected to accelerate investment, driven by new carbon compliance requirements.



1.3 Resilience of Strategy in Different Scenarios

In line with guidance from the UK Financial Conduct Authority (FCA), Pemberton has initiated early-stage scenario analysis to assess the exposure of its Direct Lending Portfolio to transition risks for carbon-intensive sectors. These sectors – representing 29% of the portfolio's committed capital – are the most vulnerable to rising operating and capital costs driven by tightening climate regulations, evolving national energy strategies, and the rapid shift to low-emissions technologies.

In our 2023 report, we introduced the Network for Greening the Financial System (NGFS) climate scenarios as a framework for evaluating potential climate-related credit losses. Building on this foundation, during 2024 we began to explore quantifying the potential financial impact across the direct lending portfolio. We focused on two core NGFS scenarios – **Net Zero (Orderly)** and **Hot House World** – which represent opposite ends of the policy ambition spectrum.

Two contrasting scenarios

+1.4°C | +3°C

More transition risks | More physical risks

Net Zero 2050 | **Current Policies**

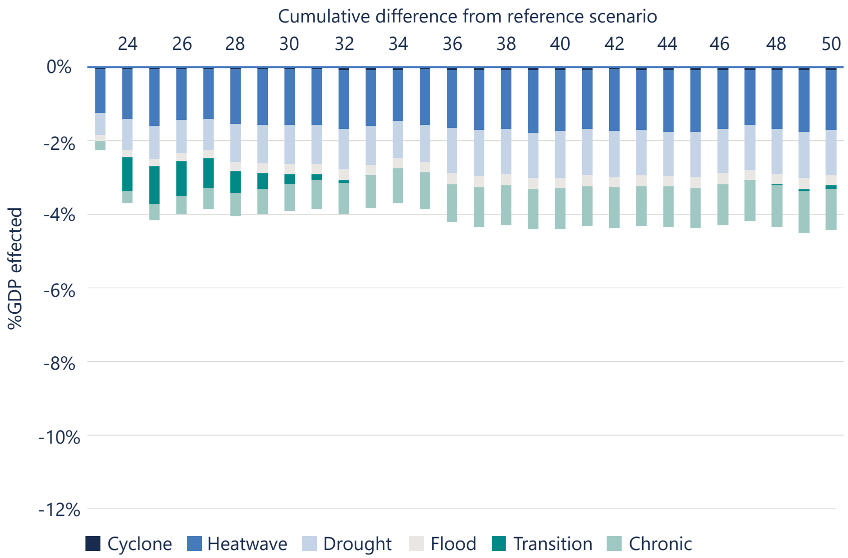
The Net Zero (Orderly) scenario assumes globally coordinated policy action to achieve net-zero emissions by 2050, with tools such as carbon pricing and regulation driving the transition. While it mitigates long-term physical climate risk, it introduces short-term economic pressures – such as inflation and reduced GDP growth – particularly for carbon-intensive sectors.

The Hot House World scenario assumes no significant policy shifts beyond today's measures, leading to continued emissions growth and global temperature increases of ~3°C by 2100. Transition risks remain minimal, but the intensification of physical climate risks – such as more frequent extreme weather events, sea level rise – negatively affecting global economic stability.

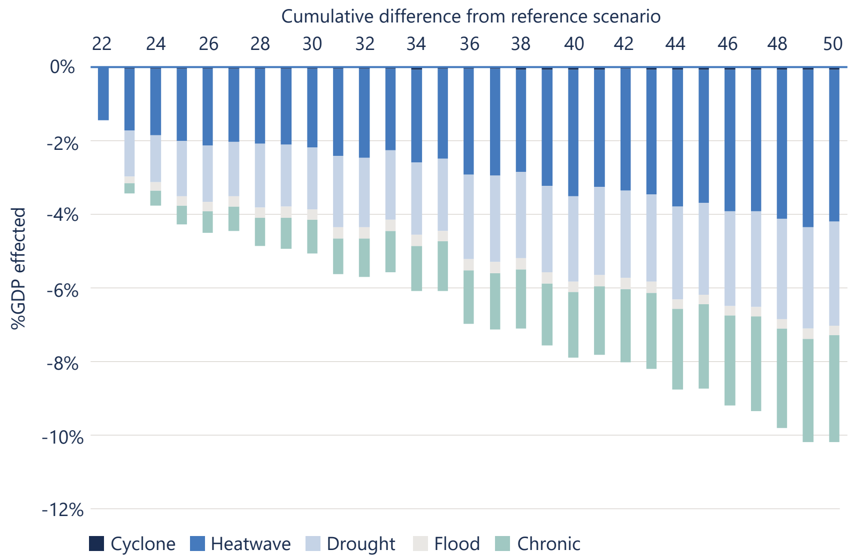
The 2024 NGFS update flags an increasing likelihood of **disorderly transitions** even within the Net Zero pathway, due to delayed policy implementation and economic shocks. Staying on a sub-2°C trajectory may require sudden and aggressive policy intervention, including theoretical carbon prices reaching $300/t$CO_2$ by 2035.

The charts below illustrate the projected GDP impact of these scenarios on Europe. Notably, even in the Net Zero scenario (left-hand chart), physical climate risks are expected to have a greater economic impact than transition risks. In the Hot House World scenario (right-hand chart), European GDP could be ~ 10% lower than in the NGFS reference case,[22] which includes the effect of rising temperatures on factors such as labour and agricultural productivity.

EUROPE: GDP Impact in Net Zero scenario[23,24]



EUROPE: GDP Impact in Current Policies scenario[23,24]



22 NGFS 'reference scenario' that NGFS uses, which is a fictional world where there is not transition nor any climate change.
23 For Illustrative purposes only. Represents NiGEM|Gross Domestic Product (GDP) figures for the NiGEM NGFS v1.23.2[Climate Analytics] and NiGEM NGFS v1.23.2[REMIND-MAgPIE 3.2-4.6] inputs model. Source: NGFS Phase 4 data set, V4.2. April 2024.
24 No changes between NGFS Phase 4 and NGFS Phase 5 modelled data for measuring acute physical risks.

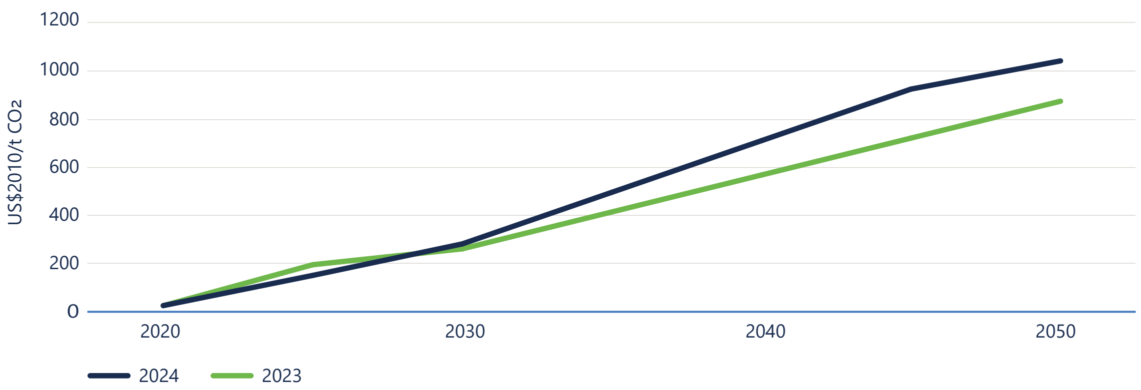
Illustrative Stress Testing: Financial Impact in Net Zero Scenario

To begin to estimate the potential financial impact of transition risks, we applied NGFS Europe-specific shadow carbon prices as a proxy for future regulatory costs – such as carbon taxes and cap-and-trade systems.

As illustration, below is a representative high impact borrower for which we modelled its certified emissions data – adjusted for projected growth – alongside NGFS Europe-specific carbon pricing assumptions through to 2030. Using the borrower's financial base case at the time of investment, we conducted a stress test to evaluate its capacity to service debt under the Net Zero scenario. The analysis focused on key credit metrics – EBITDA, Debt-Service Coverage Ratio (DSCR), and Total Net Leverage – to assess potential financial strain. Consistent with the portfolio's typical three-year refinancing horizon, the assessment was limited to the period through 2030.

Our findings indicate minimal short-term impact on all three financial metrics, suggesting that, for this borrower, there is relatively limited near-term effect of transition risks.

EU "Shadow" Carbon Price: 2023 vs 2024 Net Zero 2050 Climate Scenario[25]



Scenario	Financial Metric	2025	2026	2027	2028	2029	2030
Net Zero 2050 – Europe – Carbon Shadow Prices	EBITDA Margin (%)	(0.50)	(0.60)	(0.70)	(0.80)	(0.90)	(0.90)
	DSCR	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	(0.5)
	Total Net Leverage	0.3	0.3	0.3	0.4	0.4	0.4

Portfolio-wide application of this stress-testing analysis is currently limited by data quality constraints, particularly the lack of comprehensive Scope 3 emissions data for sectors where value chain emissions are material. To address this, we are undertaking targeted engagement with high-emissions borrowers to enhance disclosure and improve the quality of data used in scenario modelling. Our aim is to generate more decision-useful insights that can strengthen risk management and portfolio resilience.

Key Direct Lending Portfolio Insights

Low Exposure to High-Carbon Sectors: Our portfolio is weighted towards lower-emission sectors such as Business Services and Software Consulting, which have limited exposure to energy price volatility and other carbon-related input costs.

Favourable Geographic Distribution: A substantial share of our portfolio is invested in Western European countries- including the UK, France, the Netherlands and Germany – that are actively implementing decarbonisation policies and energy transition initiatives.

Limited Physical Climate Risk: Exposure to geographies projected to face more severe physical climate disruption – such as Southern and Southeastern Europe, particularly Spain and Italy – is relatively low, accounting for approximately 7% the portfolio's unrealised value. While weather events like the 2024 Valencia floods may have short-term economic impacts (estimated at 1–2% GDP reduction for Spain in Q4), these markets remain a limited portion of our risk exposure.

A Resilient, but Adaptive Strategy: Our preliminary scenario analysis indicates that the Direct Lending Portfolio is resilient to both transition and physical risk in the short to medium term.

We note this assessment is subject to several limitations such as an assumption of no change in sector or geographic exposure – appropriate for near-term stress testing – and constraints such as structural illiquidity of private credit and asset quality that may limit our ability to swiftly reallocate away from higher-risk sectors or geographies as climate risks evolve.

As we continue to refine our scenario analysis and risk modelling, we are prioritising internal capability building – training investment teams and embedding climate risk considerations into company-level due diligence.

25 For Illustrative purposes only. NGFS Climate Scenarios Database, REMIND-MAgPIE model (Phase IV & Phase V publications)

2 | Governance

Pemberton's governance of climate-related risks and opportunities.

TCFD recommended disclosures:

a) Description of Pemberton's Board's oversight of climate-related risks and opportunities

b) Description of Pemberton Management's role in assessing and managing climate-related risks and opportunities.

2.1 The Board's Oversight of Climate-Related Risks and Opportunities

The Board agenda prioritises strategy, performance, value creation, culture and conduct, accountability, and risk management. Sustainability matters, including those related to climate, form part of many elements of the Group's strategy and are integrated into the agenda-setting process, where relevant.

Oversight of Responsible Investing (RI) is delegated to the RI Committee, a sub-committee of both the PAMSA and PCA Boards. This Committee is tasked with considering RI strategy, policies, implementation and progress towards targets across the business, including monitoring Pemberton's progress towards our climate commitments. It comprises senior management, including the CEO, Chief Operating Officer, and Chairman, who also chairs the Committee.

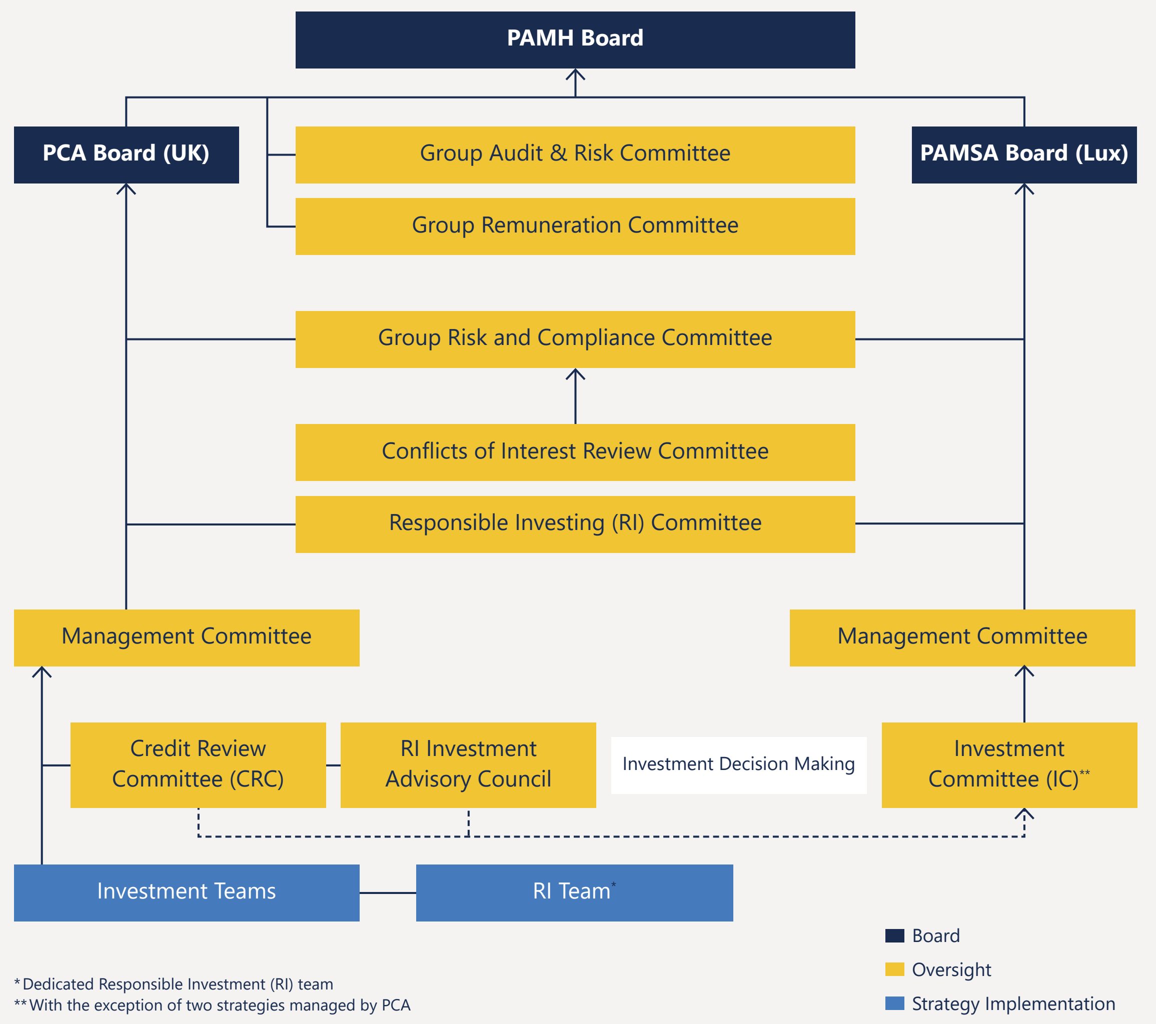
The Committee reviews Management Information (MI) that is summarised to the Board, covering:

- Regulation and Reporting
- Governance and Training
- Portfolio ESG and Carbon Data Monitoring
- Market Positioning
- Pemberton's Corporate Social Responsibility (CSR)

Pemberton's Head of Responsible Investing serves as a Committee member, supporting the design and execution of processes to monitor and report on the RI Policy, including exposure to climate-related risks and opportunities.

In 2024, the Committee's agenda included reviewing the robustness of key performance indicators linked to Pemberton's ESG Margin Ratchet. This mechanism, offered to all direct lending assets, incentivises performance improvements, including achieving carbon reduction targets and a net zero alignment 'bonus ratchet'.

Organisational oversight of climate-related matters

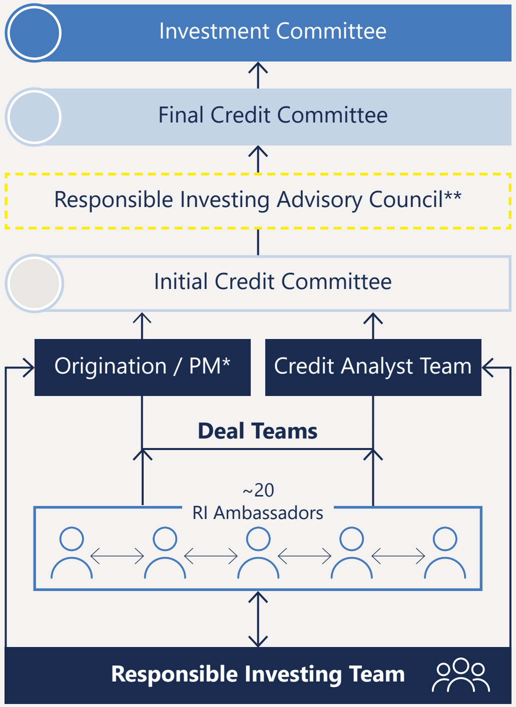


*Dedicated Responsible Investment (RI) team
**With the exception of two strategies managed by PCA

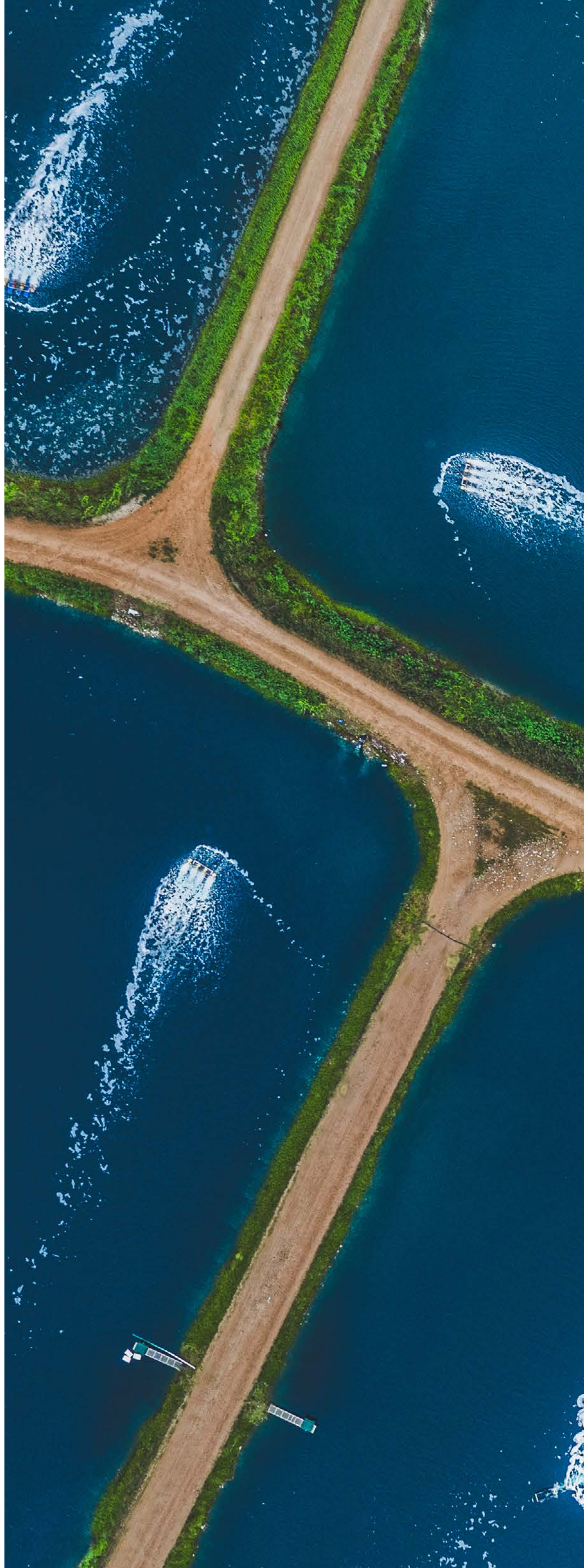
2.2 Management's Role in Assessing and Managing Climate-Related Risks and Opportunities

The PCA Management Committee oversees the Group's strategy and operational effectiveness, including reviewing Responsible Investing priorities and recommending them for RI Committee approval. This leadership team ensures Pemberton's governance framework includes defined roles and responsibilities for RI:

- **Portfolio Managers and Investment Professionals:** Responsible for day-to-day implementation of the RI Policy and integration of climate-related considerations into investment processes.
- **Responsible Investing (RI) team:** Guides and supports investment teams on integration of governance and sustainability factors, advancing data, tools, and frameworks, and providing expertise on climate-related issues.
- **RI Ambassadors:** Represent each investment strategy, adapting the platform-wide approach and policies to the specific attributes of their asset class.
- **RI Investment Advisory Council:** Provides guidance on specific investment opportunities that require deeper expertise and/or decision-making, such as where there are climate-related concerns; chaired by a Management Committee member and including key business heads and the Head of Responsible Investing.
- **Risk Management:** The Group employs a rigorous governance and compliance framework to identify, manage, and monitor all risks – including climate-related risks – and ensure compliance with applicable laws.
- **Training and Guidance:** We promote awareness and build internal capabilities on RI, including on emerging issues and regulatory developments, with targeted training to equip investment teams with guidance and tools to address sustainability and climate-related risks and opportunities.



Source: Pemberton Capital Advisors LLP.
*Portfolio Management.
**Escalated as required.



3 | Risk Management

Pemberton's processes to identify, assess and manage climate-related risks.

TCFD recommended disclosures:

a) Description of Pemberton's processes for identifying and assessing climate-related risks.

b) Description of Pemberton's processes for managing climate-related risks.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into Pemberton's overall risk management.

3.1 Processes to Identify and Assess Climate-Related Risks

Risk management is embedded across the Group through a dedicated Risk team that implements robust governance frameworks and control mechanisms. This ensures comprehensive identification, management, and monitoring of all risks – including responsible investing and climate-related risks – while maintaining full compliance with applicable legislation.

The Group's risk management framework is consistent with the principles of the 'three lines of defence' model, ensuring clear accountability and a well-defined separation of duties between who take on risk and manage risk, risk overseers, and assurance providers. This structured approach is also applied to financial and non-financial risks, including climate-related risks and the identification of related opportunities.

First Line
Investment teams

→

Second Line
Independent oversight and control functions

→

Third Line
Internal audit

First line of defence: Pemberton's investment teams, including the Origination teams, are responsible for identifying the specific sustainability (environmental, social and governance) risks arising out of the investment opportunities, including climate-related risks, supported by the Responsible Investing team (RI team) and, when applicable, the RI Investment Advisory Council.

Second line of defence: Pemberton's Risk and Compliance teams provide oversight of policies and processes, including the implementation of sustainability risk-related policies and processes. In addition, the Risk team monitors portfolio investment guidelines and investment restrictions and takes appropriate action where needed and reports any overruns to the Group Risk and Compliance Committee, which in turn reports to the relevant Board either PCA or PAMSA.

Third line of defence: Pemberton's Internal Audit team acts in a third line defence capacity and includes sustainability risk in its audit planning and supervision.

3.1–3.2 Tools and Metrics to Identify, Assess and Manage Climate Risk

Pemberton's approach to managing the financial risks associated with climate change is embedded in our broader investment strategy and reflects the materiality of our portfolio exposures. Since 2023, our Responsible Investment team has been actively developing and refining tools to integrate climate risk into investment decision-making. Improved access to data and metrics has enhanced our ability to identify and assess risks not only at the sector level, but also at the level of individual borrowers using indicators such as carbon intensity. While these tools are tailored for our direct lending, we plan to expand their application across other strategies, where feasible, to ensure a consistent and scalable approach to climate risk management.

Climate Risk Diagnostic

- Coverage mapped to **High Impact Sectors,** i.e. potentially high emissions
- Sectors mapped to climate risk categories – **physical, transition risk**
- Pre-investment **data capture** of Scope 1, 2 and material scope 3 (estimated where not available)

Net Zero Alignment

- 2050 net zero **commitment**
- **Disclosure** of verified emissions
- Board **oversight** & **strategy**
- Paris-aligned reduction **targets**
- **Monitoring** reduction trend

Carbon Emissions Toolkit

- Financed emissions
- Weighted average carbon intensity
- Carbon footprint
- Sector exposure
- Top holdings
- **DL carbon score** for each borrower

Engagement and Stewardship

Effective climate risk management relies on active engagement with investee companies to assess performance and identify material risks in real-time. While private lenders do not typically hold ownership positions, our role as sole or lead credit provider in direct lending affords us a degree influence. This enables us to support portfolio businesses in prioritising governance and sustainability issues, helping to mitigate risks and drive long-term value creation.

FY2024 Highlights

2024 Carbon Workshop Statistics

44%[26] of Direct Lending assets attended a workshop

Carbon Workshops: In 2024, we continued our climate-focused education programme by hosting three Carbon Workshops for portfolio companies. These sessions – attended by companies representing 44%[26] of our direct lending borrowers – featured external experts and provided practical guidance on measuring carbon footprints, improving emissions disclosure, and developing climate action strategies. The goal: to equip companies with the knowledge and tools to better understand their climate impact and take meaningful steps toward decarbonisation.

ESG Margin Ratchet: Available to all direct lending assets, the ESG margin ratchet incentivises borrowers to meet predefined sustainability targets by reducing loan margins upon achievement. More than a pricing tool, it facilitates meaningful dialogue with PE sponsors and borrowers, helping to identify sector-relevant priorities and set measurable KPIs – such as carbon reduction targets aligned with SBTi[27] guidance for SMEs. A 'bonus ratchet' is offered for progress towards alignment to net zero milestones.

Annual ESG Borrower Questionnaire: Climate change is a core component of our annual ESG Borrower Questionnaire, which evaluates governance and sustainability disclosure. The environmental pillar assesses if borrowers have decarbonisation plans and targets. Our proprietary ESG ratings and carbon scores are published annually in our Responsible Investing Report.

Industry collaboration: A remaining challenge in managing climate risk is inconsistency in relation to comparable climate-related data, and this is amplified in private markets. As such, we are committed to collaboration with industry groups to promote knowledge-sharing, improve climate data standards and support the development of decarbonisation tools and net zero frameworks tailored to private credit.

26 Based on number of borrowers as at 31st December 2024. 47% in 2023 based on borrower count as of 31st December 2023.
27 The Science Based Targets initiative (SBTi) develops standards, tools and guidance to enable companies and financial institutions to set science-based targets in line with the latest climate science.

Memberships

The Initiative Climate International

The Initiative Climate International (iCI) is a global, practitioner-led community of private markets investors that seek to better understand and manage the risks associated with climate change. The iCI counts globally over 250 members; representing USD4.1 trillion as of the end of August 2023.

Pemberton Involvement

We collaborate on the Private Credit Working Group, with the current focus on carbon data advancement.

The UN PRI Private Debt Advisory Committee

The UN PRI Private Debt Advisory Committee (PDAC) supports the design, delivery and dissemination of sustainable investing guidance for our asset class.

Pemberton Involvement

Serving on PDAC includes participation on workstreams to advance knowledge-sharing on best practice in relation to sustainability-linked loans (SLLs) and ESG Margin Ratchets, Stewardship in Private Credit and Net Zero.

Strengthening Operational Readiness for LP Climate Requirements

Beyond the investment-level assessment, our Risk team conducted a comprehensive review in 2024 to ensure the business effectively supports the growing climate-related requirements of our limited partners. These include commitments to report specific climate metrics, adhere to exclusion policies, or align with frameworks like TCFD.

In collaboration with the Investor Relations and Responsible Investing teams, the Risk function led the implementation of an AI-powered tool to manage climate-related side letter provisions. This advanced solution extracts, aggregates, and analyses climate clauses, enhancing our ability to monitor obligations and ensure timely LP reporting.

Through this process, we identified common themes and recurring requirements, which were consolidated into a structured, reportable format. These insights are now routinely tracked for compliance and presented to the Responsible Investing Committee as part of our broader climate risk oversight and governance framework.

Side Letter Universe

- Side Letters
- Notification obligations
- Reporting requirements

Climate-Related

- Notifications upon trigger event
- 21 identified reporting obligations

Funds

- Obligations across distinct funds
- Specific limited partner requirements
- Time sensitive obligations

Group Operations

We take a proactive approach to identifying and monitoring potential business disruption risks, with the goal of enhancing the resilience of our operational infrastructure. Climate-related risks are integrated into our Operational Resilience Policy and are covered under our Business Continuity and Emergency Response Plans.

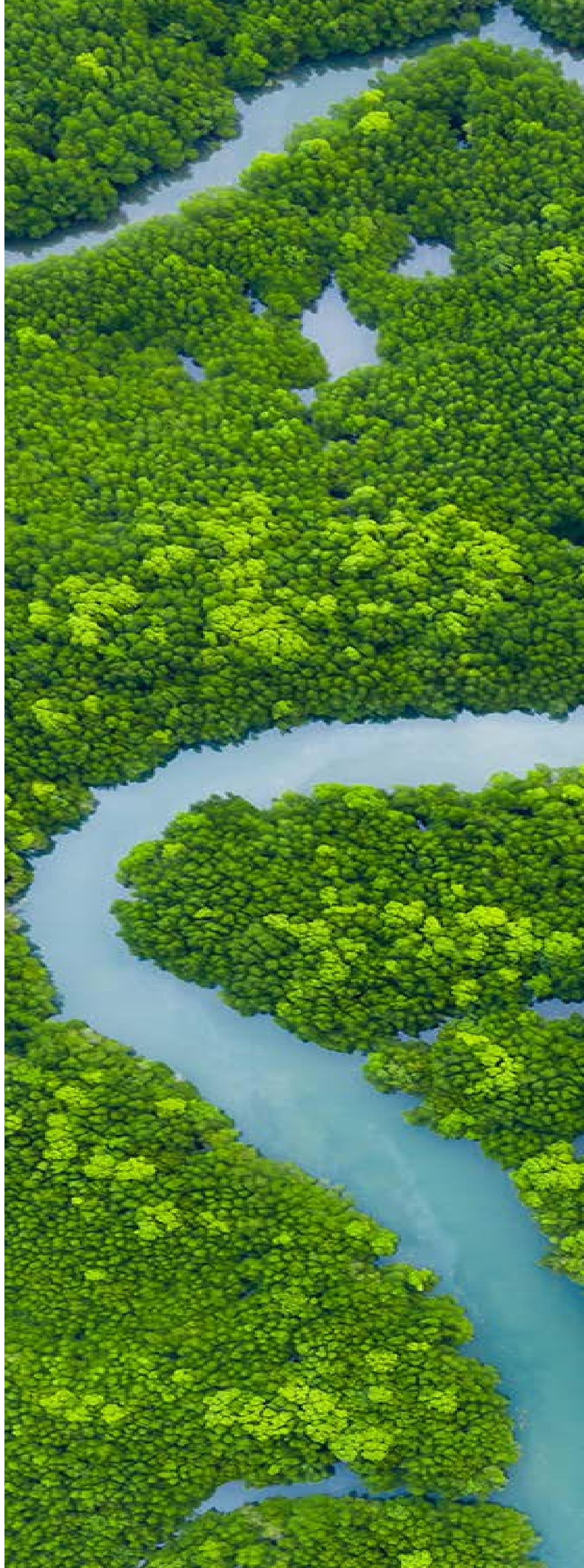
As an office-based organisation with a relatively small physical footprint, we consider the Group's operational exposure to physical climate risks to be limited. Our ability to operate remotely ensures business continuity in the event of climate-related disruptions, and our supply chain – focused primarily on the procurement of business services – has low exposure to climate-sensitive sectors. Nonetheless, we remain committed to reducing our operational emissions and continue to evaluate the sustainability practices and carbon footprint of our office environments.

The table below outlines Pemberton's most recent emissions data from our business operations. Scope 1 and 2 increased during the reporting period, reflecting both our first full year operating from a larger headquarter office space and enhanced data capture for our network of offices. Scope 3 related to business travel also rose, reflecting greater business growth, including increased in-person meetings, stakeholder engagement and inter-office collaboration. We acknowledge the significant impact of business travel in our overall carbon footprint and are actively undertaking measures to reduce it. These include promoting virtual meetings where feasible, adopting sustainable travel options, and offsetting emissions to support our corporate social responsibility and employee engagement programmes. Each year, Pemberton personnel select a dedicated offset project, reinforcing our shared commitment to environmental stewardship.

GHG Emissions[28]	Category	FY24	FY23	FY22	FY21	FY20
Direct Emissions (Scope 1)	Combustion of fuel and operation of facilities	84	49	43	82	74
Indirect Emissions (Scope 2)	Purchased electricity/ heat (location-based)	83	52	30	24	16
	Purchased electricity/ heat (market-based)	44		–	–	–
	Total Scope 1 and 2	**167**	**101**	**72**	**106**	**90**
Indirect Emissions (Scope 3)	Business travel (flights, rail, vehicles, taxis, hotels)[29]	1,602	1,505	1,420	115	203
	Home working & commuting	216	219	130	105	83
	Hotel stays					
	WTT & T&D			23	39	40
	Waste incl. water	5	26	4	2	2
	Postage	0	0	0	0	0
	New Scope 3 categories for FY23					
	Purchased goods and services[30]	8,265	9,582			
	Fuel and energy related activities'	64	23			
	Total Scope 3	**10,088**	**11,355**	**1,577**	**261**	**328**
	Total Gross emissions	**10,255**	**11,456**	**1,649**	**367**	**418**

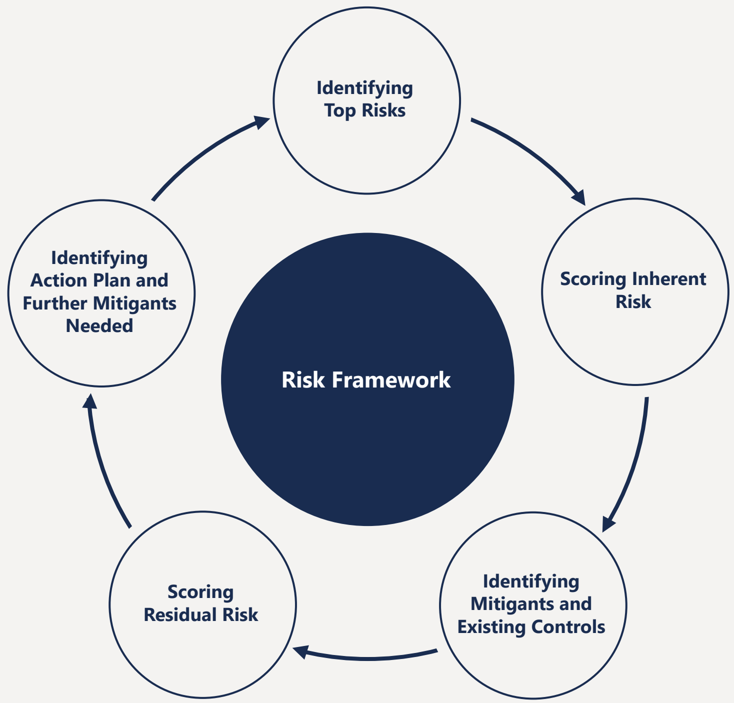
Source: Pemberton Capital Advisors LLP. Emissions calculated by a PCAF-accredited third-party specialist.

28 Numbers in table have been rounded up or down to the nearest metric ton of CO_2e.
29 COVID-19. Employee business travel and employee commuting to and from offices were constrained.
30 2023 was the first year that Purchased Goods and services (PG&S) and fuel and energy related activities were calculated for Pemberton.



3.3 Climate Risk Integration in Risk Management Processes

- Risk management is integrated across the Group with a dedicated Risk function that ensures that both current and emerging risks are measured, monitored, and mitigated where possible.
- The Risk function ensures adequate governance frameworks and controls are in place or will be put in place to measure and manage climate-related risks. This includes the development of policies and procedures to provide insight as well as oversight into climate-related risks that impact both the firm and the funds.
- Top risks are identified by combining a top-down assessment and bottom-up analysis. This is a cross-functional initiative coordinated by the risk function but involves all key stakeholders.
- Clear processes for assessing risks are established for each fund and investment strategy. Across our portfolio management approach, we also take account of a high carbon escalation process on a case-by-case basis via the RI Advisory Council.
- All employees receive training on sustainability as appropriate to their function. Investment teams receive comprehensive guidance so that they are well-positioned to execute effective ESG integration in the investment process.
- Compliance with the policies and procedures, including policies covering the integration of sustainability risks, is considered via a Balanced Scorecard approach as part of total compensation and rewards. The scorecard factors in any late or incomplete training including those related to sustainability, as well as adherence to internal policies and procedures.
- Our monitoring and updating of measurement and management actions to capture climate risks within the risk management framework continues to evolve.



Risk Scoring

- Regulatory Impact
- Reputational Impact
- Impact on Operations

Climate Considerations

- Time Horizon (short vs long)
- Likelihood
- Impact

Source: Pemberton Capital Advisors LLP.

4 | Metrics and Targets

The metrics and targets used by Pemberton to assess and manage relevant climate-related risks and opportunities.

TCFD recommended disclosures:

a) Metrics used by Pemberton to assess climate-related risks and opportunities in line with its strategy and risk management process.

b) Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and related risks.

c) Description of the targets used by Pemberton to manage climate-related risks and opportunities and performance against targets.

4.1 Summary Table to Pemberton's Assessed Portfolios

We present selected climate-related metrics – namely carbon footprint, weighted carbon intensity (WACI) and financed emissions – to provide transparency on Pemberton's exposure to climate-related risk across assessed portfolios. These metrics support our broader risk framework, guiding the identification of high-emitting exposures and informing engagement.

While offering insight, the data has **inherent limitations** as detailed in the following page. Measuring climate performance remains challenging, particularly in private markets due to issues such as data quality, evolving methodologies, and limited data availability.

For **Direct Lending (DL)**, emissions data is sourced directly from portfolio companies. We request evidence of third-party certification of this data, but this remains limited. Where data is estimated it aligns with PCAF Data Quality Score 4.

For **CLO assets**, we rely on a specialist data provider focused on the leveraged finance market. This enables us to apply consistent and comparable metrics across a diversified pool of syndicated loans, despite the fragmented nature of disclosure.

NAV Financing emissions are based on modelled data and should be interpreted with caution. In the absence of underlying portfolio company-level disclosure, estimates require assumptions that may not fully reflect actual emissions. As with DL, estimated data aligns with PCAF Score 4.

Despite these challenges, data quality is improving. Initiatives such as the Partnership for Carbon Accounting Financials (PCAF) and Initiative Climate International (iCI) are enhancing both the availability and decision-usefulness of emissions data in private markets.

While limitations remain, the direction of travel is clear: private market investors are increasingly expected to disclose emissions – particularly where we have a degree of influence over portfolio company governance and sustainability practices.

Financed Emissions by Strategy[31]

Strategy	Financed Emissions (tCO2e)			Carbon Footprint	Weighted Average Carbon Intensity (WACI)	Coverage		
	Scope 1	Scope 2	Scopes 1+2	Scopes 1+2	Scopes 1+2	Declared	Estimated	Total
Direct Lending	141,156.86	277,335.06	412,456.57	32.02	50.53	80%	20%	**100%**
Collateralised Loan Obligations	23,387.30	12,840.01	36,227.31	45.89	59.63	67%	20%	**87%**
NAV Financing	4,018.25	8,586.86	12,605.11	88.49	225.07	0%	100%	**100%**
Total[32]	**168,562.40**	**298,761.94**	**461,288.98**	**33.38**	**52.42**	**78%**	**22%**	**99%**

4.2–4.3 Metrics and Targets

Portfolio-level

Sector Risk: Pemberton currently has no material exposure to high-risk climate sectors such as fossil fuels. We remain committed to tracking and disclosing any future exposure to these sectors as part of our ongoing climate risk oversight.

Transition Risk Assessment Across Strategies: We have identified sectors with elevated transition risk across all our private credit strategies. In direct lending these sectors are prioritised for targeted engagement and scenario analysis to better understand and manage potential vulnerabilities.

Target: In 2023, we set an interim goal for 40% of our direct lending AUM to be managed in line with net zero by 2030. Over the longer term (beyond 8 years), we aim to expand this alignment across all strategies, with an ambition to achieve 100% net zero alignment by 2050.

Asset-level

Portfolio Monitoring: Each direct lending asset is assigned a proprietary carbon score, which contributes to Pemberton's broader ESG rating framework. This enables us to monitor year-on-year progress on emissions disclosure and reduction across portfolio companies. We continue to refine this metric as data availability and quality improve.

Investment Due Diligence: Our climate risk diagnostic tool is embedded in Direct Lending, enabling a snapshot of both physical and transition risks at the investment stage. Climate risk considerations are incorporated in due diligence across most Pemberton strategies, and any identified elevated exposures are documented in Investment Committee materials, ensuring appropriate oversight and risk governance.

Net Zero Alignment: All Direct Lending assets are eligible for an ESG Margin Rachet, which includes a dedicated pricing incentive for portfolio companies to align against defined net zero milestones.[33]

Areas under development and limitations

While we have made good progress, we recognise opportunities to further strengthen our practices. Key areas under development include:

- Ongoing monitoring of progress toward the Group's target.
- Continued enhancement of climate assessments in due diligence, where information is available.
- Evaluating data providers for their potential to support the integration of nature and biodiversity considerations within our broader climate framework.
- Advancing the integration of climate change into our existing risk management protocols.

We also acknowledge the following limitations in this report:

- **Risk Quantification:** Climate risk is inherently uncertain, and the lack of historical data makes quantifying the risks more difficult than other areas of our risk profile.
- **Emissions Coverage:** Carbon emissions data availability remains the biggest challenge when calculating carbon performance metrics such as Weighted Average Carbon Intensity, Total Carbon Emissions or Carbon Footprint. We are using both reported and estimated emissions.
- **Comparability:** Differences in methodologies, data sources, and reporting completeness limit comparability across time and between companies.
- **Private Markets Constraints:** Data quality issues are magnified in private markets, where there is currently no standardised or mandatory emissions disclosure.

31 Each of these metrics will be subject to volatility, including from market movements, so we do not expect related metric data to take a linear pathway going forwards.
32 The total carbon footprint and WACI are calculated as a weighted aggregate, where each strategy's contribution is proportional to its share of the overall portfolio of invested assets.
33 Target alignment is defined as the actions and milestones set out in the Net Zero Investment Framework, Private Debt Guidance, IIGCC, published May 2024.

Glossary

This glossary lists key terms used in this report and aims to provide transparency and clarity on our interpretations and definitions. Where applicable, we aim to incorporate relevant third-party frameworks and standards into our definitions.

Carbon Neutrality: Carbon neutral means that any greenhouse gas (GHG) emissions derived from a defined scope of the company's activities are balanced by an equivalent amount being removed, including using offsets.

Climate risk is evaluated through two lenses:

- **Transition risk:** the risk that asset values may decline because of changes in climate policies, or changes in the underlying economy due to decarbonisation. These risks emerge from policy, legal, technology, and market changes as the economy shifts towards using less carbon.

  Examples: Carbon regulation (e.g. tax or cap and trade systems) • Energy-related technology changes (e.g. rise of low-carbon sources of energy such as renewables) • Shifting customer preferences • Liability (e.g. litigation against companies due to a lack of action)

- **Physical risk:** the risk to properties, collateral, or investments due to specific climate-related weather events and longer-term shifts in the climate. Physical risk has the potential to reduce the financial value of assets. Risks related to the physical impacts of climate change include acute risks and chronic risks.

  Examples: • Acute physical risks (e.g. increased severity of extreme weather events, such as cyclones and floods) • Chronic physical risks (e.g. changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures and sea levels) • Air pollution • Water stress • Forest and land degradation.

Materiality: Defines ESG issues that have – or have the potential to have – a substantial impact on an organisation's ability to create or preserve economic value.

Net Zero: Achieving an equal balance between GHG emissions produced and GHG emissions removed from the atmosphere.

Paris Agreement: The Paris Agreement, adopted within the UNFCCC[34] in December 2015, commits participating countries to limit global temperature rise to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C, adapt to changes already occurring, and regularly increase efforts over time.

Partnership for Carbon Accounting Financials (PCAF): An industry-led initiative enabling financial institutions to measure and disclose greenhouse gas (GHG) emissions of loans and investments.

Scenario Analysis: A plausible description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces (e.g., rate of technological change). As noted by the UK FCA, "in a world of uncertainty, scenarios are intended to explore alternatives that may significantly alter the basis for 'business-as-usual' assumptions".[35]

Scope 1 Emissions: Direct GHG emissions that occur from sources owned or controlled by the reporting company – i.e. from combustion in owned or controlled boilers, furnaces, vehicles, etc.

Scope 2 Emissions: Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.

Scope 3 Emissions: All other indirect GHG emissions (not included in Scope 1 and 2) that occur in the value chain of the reporting company. The 15 Scope 3 GHG Protocol categories consist of:

- Purchased Goods and Services
- Capital Goods
- Fuel and Energy-related Activities (Not included in Scope 1 and 2)
- Upstream Transportation and Distribution
- Waste Generated in Operations
- Business Travel
- Employee Commuting
- Upstream Leased Assets
- Downstream Transportation and Distribution
- Processing of Sold Products
- Use of Sold Products
- End of Life Treatment of Sold Products
- Downstream Leased Assets
- Franchises
- Investments

34 The United Nations Framework Convention on Climate Change is the UN process for negotiating an agreement to limit dangerous climate change (https://unfccc.int/)
35 https://www.fca.org.uk/publication/corporate/cfrf-guide-2023-scenario-analysis-guide-asset-managers.pdf

Disclaimer

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