CALEDONIA
INVESTMENTS
Time Well Invested

TCFD Report 2024

Year ended 31 March 2024

CALEDONIA
INVESTMENTS
Time Well Invested

Contents

Sustainability

We are committed to building our business for the long term. To this end, we consider the sustainability of the investments we make and aim to operate our business in a sustainable manner. Our approach includes addressing the climate challenge in a positive way, engaging and encouraging the companies and funds in which we invest to establish net zero targets and robust plans for meeting their commitments.

The purpose and scope of this report

The purpose of this report is to provide our shareholders and other stakeholders a better understanding of our exposure to climate-related risks, our strategic resilience to these risks and the climate-related opportunities for our business.

This report is our response to, and is consistent with, the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). It sets out an explanation of how Caledonia Investments plc ('Caledonia') is progressing on the assessment, management and governance of climate-related risks and opportunities for both our investment portfolio and our business operations. Progress is described in accordance with each of the four TCFD reporting pillars - Governance, Strategy, Risk management and Metrics and targets. This report supplements the summary disclosures in our 2024 Annual Report. A summary against the core recommendations can also be found in Appendix I.

We have comprehensive governance and risk management frameworks in place which, together with several data sources and our analysis capabilities, enable us to seek to understand and manage climate risks and opportunities. We will continue to improve our knowledge and understanding, evolve our approach and report on our progress.

TCFD reporting pillars

Governance
Disclose governance around climate-related risks and opportunities.

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

Risk management
Disclose how the organisation identifies, assesses and manages climate-related risks.

Metrics and targets
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Each section of this report considers:

Our investment portfolio
We aspire to invest in long-term, sustainable businesses. Understanding the impact of climate-related factors on earnings and the extent to which these are reflected in valuations will become increasingly important. The key role which we can play is to engage with and encourage the companies and funds in which we invest to establish net zero targets and put robust plans in place for delivery.

Our business operations
We seek to operate our business in an efficient manner and to reduce our climate impact where feasible. We have set out a plan to manage and improve our environmental performance over time.

Our role in addressing the climate challenge

Addressing the threats and consequences of climate change will require significant structural change in societies and economies. This will lead to value creation and destruction across companies, industry sectors and investment portfolios. Against this backdrop we recognise a need to support the journey to net zero. We are committed to supporting a sustainable future as we deliver investment performance for our shareholders over the longer term.

The climate challenge and the transition to net zero

We recognise the challenges of climate change and the likely material risk this poses for the investments which we make, potentially from regulation, adjustments in consumer preferences or pressure to reduce carbon emissions and address broader environmental issues.

As a company committed to sustainability, we plan to continue to reduce our operational carbon footprint with relevant targets and plans. However, our biggest environmental impact is through the companies and funds we own – emissions from our investment portfolio are orders of magnitude greater than our operational emissions. For this reason, we focus on engaging with our investee companies and funds. Our role as an active owner provides the opportunity to challenge and drive change across multiple businesses and sectors in pursuit of superior risk-adjusted returns.

Our approach

We have set an expectation that the businesses in which we invest should target net zero emissions (Scope 1 and Scope 2, market-based) by 2050. We recognise that the pace of planning and delivery of this commitment will vary across the businesses in our investment portfolio, and we anticipate that many will achieve this target more swiftly. We will keep this commitment under review as we gain confidence in the ability of our underlying holdings to achieve the target more rapidly. We are in the process of implementing suitable reporting to enable us to monitor and track progress and have made good progress in this area during the year.

We intend to use our position as an investor to encourage progress on reaching net zero. Where we own listed securities, we will use our influence through engagement and voting to encourage companies to plan and demonstrate the actions they have taken to address climate risks and opportunities. For the private businesses where we own significant positions, we will seek to ensure that these companies understand and manage their own environmental impacts, and encourage them to invest in suitable technology to improve energy efficiency and make a successful transition to renewable energy and a low carbon future. For our fund investments, we will encourage managers to consider the risks and opportunities presented by climate change in their investment selection process and in the future to promote initiatives to reduce emissions from the businesses within their funds.

We have established absolute greenhouse gas emission targets for future emissions from our business operations, aiming to achieve net zero emissions for Scope 1 and Scope 2 (market-based) by 2030 through the elimination of gas used for heating and further energy efficiencies. We will also continue to ensure that all our electricity is procured from renewable sources. Excluding our investment portfolio, our Scope 3 emissions principally arise from business-related international air travel. We will monitor these emissions and look for opportunities, where appropriate, to reduce our impact.

Governance

We have clear governance structures in place for decision-making and oversight of our strategy.

The board is collectively responsible for Caledonia's success. It sets the company's strategy, ensures that the necessary financial and human resources are in place to enable the company to meet its objectives and reviews management performance. We are continuing to embed an assessment of climate-related risks and opportunities into our strategic approach. The board is ultimately accountable for the oversight of climate-related risks and opportunities that could impact our business.

Caledonia has a well-defined governance framework, appropriate for a relatively small business, based on delegated authority. The board has adopted a formal schedule that sets out those matters which it specifically reserves for its own decision and those which are delegated to board committees and executive management. The Chief Executive Officer ('CEO') is responsible for the development and implementation of the strategy for the business. The board receives briefings on sustainability matters, including climate-related issues, through a well-defined reporting framework.

Our Responsible Investment/Responsible Corporate ('RI/RC') Working Group, chaired by the CEO, advises and assists in the development and implementation of Caledonia's approach to sustainability matters, including those which are climate-related issues. The board is updated periodically on progress of the RI/RC Working Group and in 2024 received specific sustainability updates from each of Caledonia's three investment pools, which included climate-related matters and, where relevant, progress against climate targets.

The annual bonus award for our executive directors is determined by a combination of corporate financial performance and personal objectives. The board's Remuneration Committee reviews these measures and objectives, which includes RI/RC elements, annually.

In this TCFD reporting pillar we have described Caledonia's governance around climate-related risks and opportunities. The key topics covered in this section are:

a. the board's oversight of climate-related risks and opportunities

b. management's role in assessing and managing climate-related risks and opportunities.

The board's oversight and activities

The board is responsible for approving Caledonia's strategy, including sustainability and climate-related risks and opportunities. The board has delegated overall responsibility for the delivery of the strategy to the CEO. Our governance and reporting frameworks enable the board to have oversight of the climate-related risks and opportunities which could impact our business. The board receives updates on the progress of our RI/RC Working Group as part of the CEO's regular reporting.

The board conducts deep-dive reviews of the activity and performance of each of Caledonia's three investment pools annually. An assessment of climate-related risks and opportunities, together with appropriate metrics, was incorporated into reporting during the year ended 31 March 2024, to provide enhanced visibility of progress.

The board reviews and approves the approach to TCFD-aligned disclosures alongside other reporting, supported by the work of the Audit and Risk Committee ('ARC'). The board has also approved this TCFD Report.

Risk management

We have a risk management framework in place to identify risks and opportunities. Risks associated both with our investment portfolio and our operations, including those that are climate-related, are reviewed and discussed with the ARC at least biannually. The board receives a high-level summary of this review process and debates any principal or emerging risks, agreeing appropriate management and mitigation actions.

Oversight of our investments

The CEO, supported by the Investment Committee ('IC'), is responsible for developing and implementing our investment strategy and the day-to-day management of risks and opportunities in our portfolio, including those linked to climate change.

The IC considers and formally approves new investments, taking into account a broad range of risks and opportunities, including those which are climate-related. New investment proposals include consideration of ESG related factors. The IC also monitors performance and risk across the three investment pools. The CEO reports formally at each board meeting, including key decisions made by the IC, and where appropriate highlights any key risks and mitigations which have been identified.

Oversight of our business operations

Day-to-day accountability for the management of our business, including sustainability and the impact of climate change, is held by the CEO, supported by the key functional managers responsible for business operations. These include the Chief Financial Officer ('CFO'), the Company Secretary and the Facilities Manager. This group has devoted significant time over the past two years to develop a deeper understanding of climate-related risks and opportunities. The key areas for continued focus include improvements to the efficient operation of our office building, exploring options to manage the impact of business travel and provision of less carbon-intensive IT services, together with improving business resilience. These activities are reviewed by the senior management team and reported to the board.

Training

We operate an induction programme for all new board directors. This helps familiarise them with their duties and Caledonia's culture, strategy, business model, risk management and governance arrangements. The induction process is regularly reviewed to ensure it remains appropriate. Committee briefings are provided as new members are appointed.

In 2022, the board participated in training and knowledge-building sessions on Environment, Social and Governance ('ESG') matters, including climate change, to improve understanding and awareness of the potential impact on our investment portfolio and business operations. This training was also delivered to our investment teams and has been supplemented by additional pool specific training activities.

This year we also invited an external consultant to provide a TCFD-specific training session for members of the RI/RC Working Group and the Private Capital team. The session covered an introduction to climate change, climate risks and opportunities, financial risks and a high-level overview of the TCFD framework, its objectives and requirements, together with specific implications for the Private Capital pool. Our Private Capital team remain up to date with British Private Equity & Venture Capital Association ('BVCA') training, some additional training with a broader ESG focus. Relevant members of our Private Capital team have been actively involved in climate change scenario analysis completed on portfolio companies coupled with training, knowledge-transfer and guidance from an external consultant. We will continue to offer relevant training to staff as required.

Remuneration

The remuneration structure for our executive directors includes two variable pay elements:

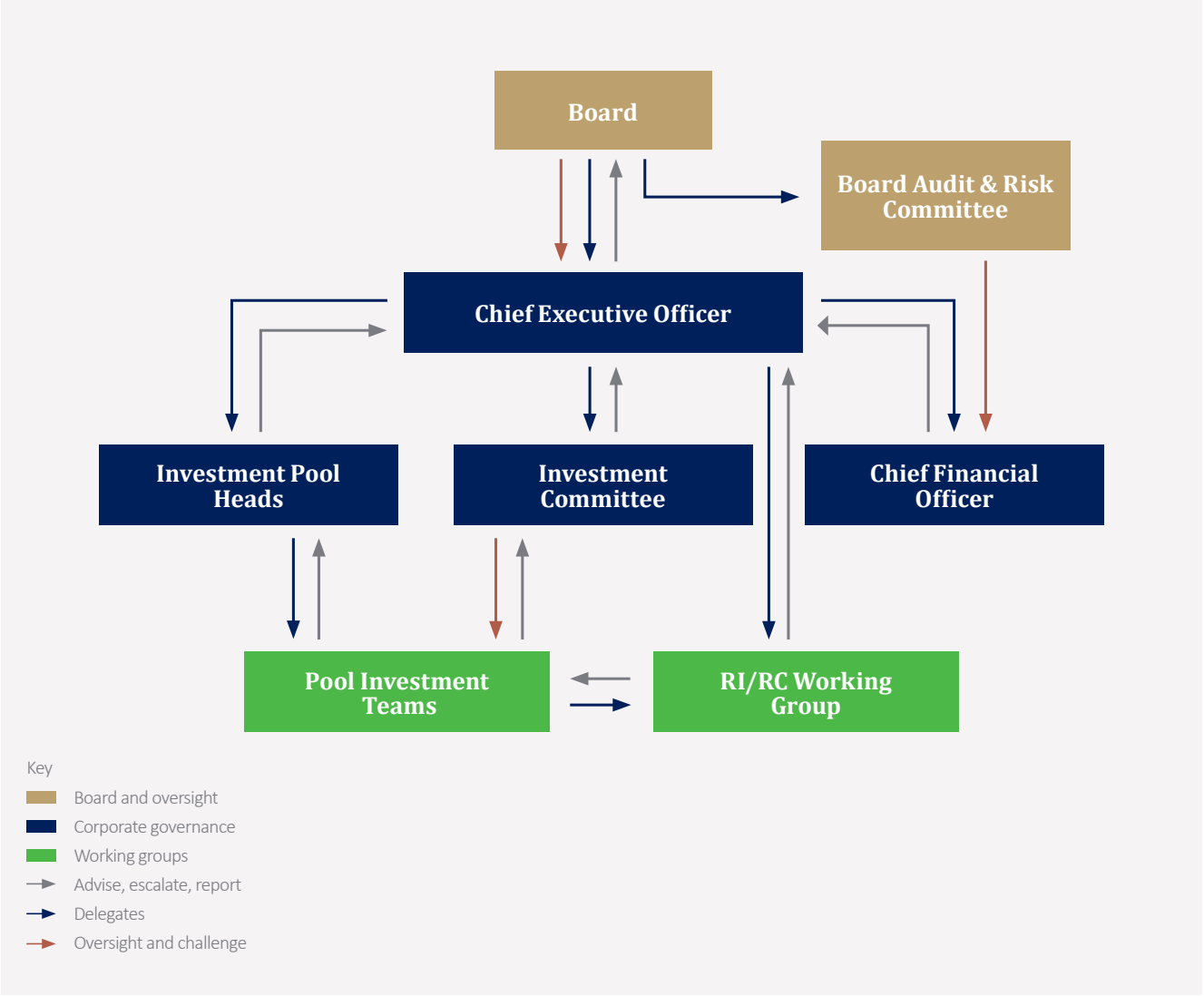
a. short-term incentive (bonus) to reward performance on an annual basis against key financial and personal objectives

b. long-term incentive to motivate the delivery of long-term shareholder value.

The structure of the annual bonus includes an assessment of delivery against personal objectives, which include elements related to responsible investment and being a responsible corporate.

Climate governance structure and management's role

Assessments of climate-related risks and opportunities are incorporated within our business strategy. The board delegates specific responsibilities to its committees and the CEO, who may delegate further. Assessments of climate-related matters have been embedded into our existing governance structure, which has been augmented by the RI/RC Working Group, as illustrated below.



Further information on each of the committees is provided on the following page.

Committee	Committee Information	Description
Board Audit and Risk Committee ('ARC')	**Chair** Independent non-executive director **Membership** Independent non-executive directors **Meetings** A minimum of three per year	The ARC is responsible for financial reporting, risk management and internal controls, and external audit. The ARC receives reports on principal and emerging risks at least biannually and provides an update to the board on its activities. Climate-related risks are included in the principal risks for the business.
Investment Committee ('IC')	**Chair** CEO **Membership** Investment pool heads and those leading an investment strategy, the CFO and the Company Secretary **Meetings** Ordinarily fortnightly	The IC considers and formally approves new investments and realisations, taking into account a broad range of risks and opportunities, including those which are climate-related. Other matters considered include the day-to-day management of the company's business where not delegated elsewhere.
Responsible Investment/ Responsible Corporate ('RI/RC') Working Group	**Chair** CEO **Membership** Senior representatives from each investment pool, the CFO, the Company Secretary and other key corporate managers **Meetings** Monthly	The RI/RC Working Group advises and assists in the development and implementation of Caledonia's approach to sustainability matters which includes climate-related issues. The board is updated periodically on progress and receives updates from each of the three investment pools regarding climate-related matters and on progress against climate targets at least annually.

Strategy

We are continuing to develop our strategic approach to incorporate the assessment and management of climate-related risks and opportunities.

As a long-term asset owner, we recognise our responsibility to support the transition to a lower carbon economy. This is why we have set an expectation that the businesses in which we invest should target net zero emissions by 2050 (Scope 1 and Scope 2, market-based). We are developing our capability to identify and assess actual and potential impacts of climate-related risks and opportunities on our investment portfolio. This will allow us to adapt our business model, strategy and financial planning where impacts are considered to be material.

Our business is impacted by a broad range of risks and opportunities. This reflects the diverse nature of our investment portfolio, although it should be noted that our analysis shows that high carbon-emitting industries (for example oil and gas) and certain geographic regions, where Caledonia has very low exposure, are more likely to experience an elevated level of transition risk. We have considered both physical and transition risks over three time horizons. We anticipate that the businesses and funds in which we invest will develop plans to address climate-related risks and opportunities which impact them. We expect to use this information, as it becomes available, to enhance our understanding and risk assessment activity.

The availability of robust data and quality information is a prerequisite to effective analysis. We have used the most recent data and information for the constituent businesses in the Public Companies pool using MSCI's One platform. This data has been used to support a scenario analysis exercise, which has provided valuable insights to confirm the resilience of the pool to both physical and transition risks, under various climate scenarios.

This year, we have expanded our analysis to include the Private Capital pool. With the help of an external consultant, we have identified key climate change risks and opportunities facing portfolio companies and performed qualitative scenario analysis to assess potential risks and opportunities.

We anticipate that similar information will be developed for the constituents of the Funds pool in the coming years, to broaden our scenario analysis to cover a greater proportion of our investment portfolio.

Our business operations have a modest carbon footprint when compared with the impact of our investment portfolio, with all our employees operating from a single location in central London. However, we are committed to minimising our direct impact on the environment and mitigating the risks posed by climate change. We have therefore set a target to achieve net zero Scope 1 and Scope 2 emissions (market-based) by 2030. We have already taken actions to reduce our energy usage and since 2021 our electricity supply is sourced from 100% renewable sources.


WHAT
relatable theme

Caledonia's strategy to address actual and potential impacts of climate-related risks and opportunities, where material, is outlined below. In this TCFD reporting pillar we have described:

a. the climate-related risks and opportunities we have identified over the short, medium and long term

b. the impact of climate-related risks and opportunities on our business, strategy and financial planning

c. the resilience of our strategy, taking into consideration, where feasible, different climate-related scenarios, including a 2°C or lower scenario.

We have sought to address each of these three elements in respect of both our investment portfolio and our own operations in the following pages.

Our investment portfolio

Our strategic aim is to achieve capital appreciation and dividend growth for our shareholders over the long-term through disciplined investment and careful stewardship of the assets in our portfolio. We believe that responsible investment and business success go hand-in-hand and have started to take steps to ensure that ESG factors, including those linked to climate change, are fully considered in all stages of our investment journey.

We invest across three asset pools: public companies, funds and private capital. While each pool has its own strategic allocation of capital, investment strategy and target return, all adhere to a common set of investment principles, including environmental responsibility, which shapes our responsible investment approach.

Our investment portfolio is well-diversified across the various asset pools, with limited direct exposure to carbon-intensive sectors such as oil and gas and industrials.

Each year we carefully select a small number of new investments in proven, well-managed and sustainable businesses across a wide range of industry sectors and geographies. We seek to avoid investment in businesses that cause material harm to the environment unless they have a clear strategy to reduce their impact over time.

1. Climate-related risks and opportunities

As a long-term investor, we believe it is important to consider all risks and opportunities (including those which may arise from climate change) in our investment approach for both new and existing investments which could have a material financial impact on long-term investment returns. Climate-related risks have been considered in the context of two major categories, in line with TCFD guidelines:

- **Physical risks:** risks related to the physical impact of climate change which can be caused by acute weather events (for example cyclones, hurricanes, or flooding) or longer-term changes in climate patterns (for example sustained higher temperatures)
- **Transition risks:** risks arising from changes in policy, laws, regulations, technology and market demand or market perception driven by the transition to a lower-carbon economy.

We have sought to identify the key physical and transition risks and their potential financial impact on our investment portfolio and on Caledonia as a whole, over the following time horizons:

- 0 to 5 years (short term)
- 6 to 10 years (medium term)
- 10+ years (long term)

To help determine the risks and opportunities which could have a material financial impact on our investee businesses (and in turn our investment returns), we considered our investment portfolio's exposure by location and industry as at 31 March 2024. For our Public Companies pool, we do not anticipate this exposure changing significantly in the future as we believe having a portfolio of well-diversified businesses, held on a long-term basis, is key to optimising and sustaining long-term investment returns. For our Private Capital pool, this exposure could change in the future as we invest and divest portfolio companies, in line with our strategic model.

(i) Climate Risks

The table below lists the key climate-related risks we have identified for both our Public Companies and Private Capital investments.

Risk	Description	Impact on investee companies	Impact on Caledonia
Transition risk: Policy and legal	Risk arising from changes in climate change regulations and reporting requirements	• Decreased revenues due to reduced customer demand • Increased operating costs due to higher legal and compliance costs • Decreased company valuation	• Lower investment returns
Transition risk: Technology	Risk from failing to substitute existing goods/services with lower-emission options and invest in lower-carbon energy efficient technologies	• Increased capital investment in new technologies • Write-offs and early retirement of existing assets • Decreased revenue due to reduced customer demand for high-carbon goods and services • Decreased company valuations	• Lower investment returns • Increased cash requirements to support investee businesses
Transition risk: Market	Risk arising from changes in the market including customer behaviour and cost of raw materials	• Decreased revenues due to reduced customer demand • Decreased gross margins due to changes in product mix • Increased operating costs – for example waste treatment • Decreased company valuations	• Lower investment returns
Transition risk: Reputation	Risk of negative reputational considerations as a result of the transition, including shifts in customer preferences and sector stigmatisation	• Decreased revenues due to reduced customer demand • Increased marketing costs to address reputational weakness • Decreased employee retention • Decreased company valuations	• Lower investment returns
Physical risk	Risk from acute or chronic changes in climate patterns	• Decreased revenues due to lower production driven by supply chain disruption • Increased operating costs due to higher insurance premiums • Increased capital expenditure due to damaged facilities • Decreased company valuations	• Lower investment returns • Increased cash requirements to support investee businesses

In the short term, we anticipate the key risks to our portfolio will be driven by regulation and changing consumer behaviour as the world transitions to a lower-carbon economy. Although the timing and severity of these transition risks remains uncertain, it appears likely that these will have a significant effect on high carbon-emitting industries (for example oil and gas) and geographically exposed regions. Historically, Caledonia has had very low exposure to these sectors and regions.

In the medium to long term, physical risks appear likely to be more prevalent as acute and chronic changes to climate patterns become more severe and frequent. This type of event could impact our investment portfolio both directly (for example by damaging premises) and indirectly (for example through supply chain disruption). However, the severity and scope of impact will largely depend on the sector and geographical exposure of our investment portfolio.

(ii) Climate Opportunities

There are various opportunities arising from climate change which could benefit our investment portfolio in the short, medium and long term, which are outlined in the table below. The timing and magnitude of the benefit to our business will be determined by the ability and willingness of our investee companies to exploit the opportunities that arise and the competitive environment in which they operate.

We anticipate that technological advancements may pose a challenge in the short term for some investee companies, but we believe that all should be able to capitalise on lower-carbon, energy efficient technologies in the medium term.

Opportunity	Description	Impact on investee companies	Impact on Caledonia
Resource efficiency	Develop more efficient production and distribution processes and reduced water usage	• Decreased operating costs due to efficiency improvements • Increased revenues due to enhanced production capacity • Increased value of fixed assets	• Increased investment returns
Energy source	Switch to lower emission energy sources	• Decreased operating costs	• Increased investment returns
Products and services	Develop lower emission products and services – capitalise on shifting consumer preferences	• Increased revenue due to increased demand for products • Improved market reputation	• Increased investment returns
Markets	Diversify business activities into new markets which benefit from the transition to a lower carbon economy	• Improved market share	• Increased investment returns

2. Scenario analysis – Resilience assessment

Over the last decade we have seen extreme weather events become all too frequent. Climate change has been on the top of government agendas across the globe; however, progress to address this issue has been slow. The speed of transition to a low carbon economy could have various implications for our investments.

We have undertaken a scenario analysis to consider a range of possible outcomes on our investments under various climate scenarios and to assess the resilience of our Public Companies and Private Capital investments to climate-related risks.

a) Public Companies pool

To assess the resilience of our investments in the Public Companies pool we used the MSCI One platform to collate data currently available for each company within the pool. The analysis, considered exposure to physical risks, transition risks and technology opportunities, together with the potential financial impact under various climate scenarios. This was undertaken using the MSCI One platform Climate Value at Risk ('VaR') model to enable full transparency and provide full coverage of the listed securities held in the pool. We have not sought to verify the underlying data used in MSCI's Climate VaR model and assume no responsibility for the accuracy or completeness of this data.

MSCI's Climate VaR model assessed, for each portfolio company, the potential impact of physical and transition risks and opportunities until the end of the century under multiple climate scenarios and converted this into a monetary value. This allowed us to identify investments which are either less resilient to climate change or could potentially benefit from climate change and take appropriate action to protect and sustain long-term investment returns (see 'Our approach to managing climate-related risks and opportunities').

(i) Physical risks methodology

To determine the impact of physical risks on individual companies in the Public Companies pool, we considered each company's current exposure to ten climate-related hazards which varied depending on sector and geographical location of the facilities owned or used by each company. The climate-related hazards covered five acute risks (for example wildfires and tropical cyclones) and five chronic risks (for example extreme heat and cold), under the Network for Greening the Financial System ('NGFS') Orderly scenario (as described below). MSCI's Climate VaR model calculated how this exposure may change from today's climate to one in 2100 under the following scenarios:

- **Average scenario:** the most probable scenario calculated on the expected average value of the cost distribution.
- **Aggressive scenario:** the worst-case scenario based on the 95th percentile of the cost distribution. It assumes the most significant physical impacts as a result of an increase in the frequency and severity of extreme weather events.

The climate exposure impact is then converted to a financial impact and aggregated across all the facilities of each company within our Public Companies pool.

(ii) Transition risks methodology

To assess the financial impact of transition risks and opportunities for the Public Companies pool, we considered the current exposure of each portfolio company to changes in:

- **Policy** (across Scope 1 and Scope 2 carbon emissions)
- **Technology**

A company's exposure to more qualitative factors, such as changing consumer behaviour (**Market** risk) or market perception (**Reputational** risk) is not factored into MSCI's Climate VaR model.

The exposure to changes in policy and technology varied depending on each portfolio company's sector and geographical location and the Nationally Determined Contribution pledges. The financial impact resulting from each company's exposure to these transition risks was based on the projected costs of policy actions to limit global warming and the projected revenues from technological advancements which were calculated using technology and policy-based carbon price estimates.

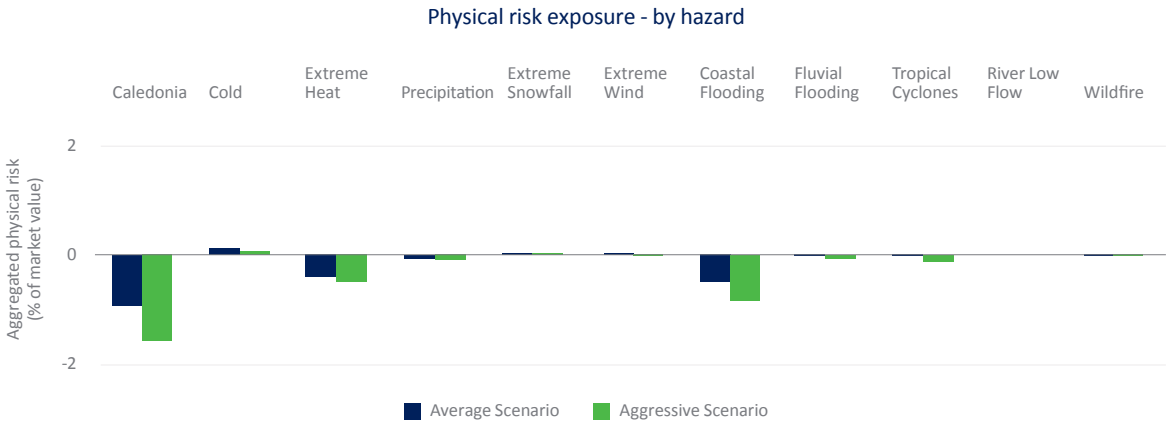
Using MSCI's Climate VaR model we were able to assess how each portfolio company's current exposure to the above transition risks may change from today's climate to one in 2100 under three NGFS scenarios. These scenarios assume different global temperature and emission trajectories, energy demand and prices.

- **Orderly:** Limits global warming to 1.5°C through early adoption of climate policies which gradually become more stringent. It assumes carbon emissions will sharply decline between 2020-2050, reaching carbon neutrality by 2055 after which they become negative until 2100. Companies in carbon-intensive sectors, such as oil and gas, would be particularly affected due to falling demand for their products/services and rising carbon prices.
- **Disorderly:** Like the Orderly scenario, global warming is limited to 1.5°C and net zero is reached around 2055, but there is a delay and divergence of the climate policies being introduced across countries and sectors. This results in a delayed but more severe transition impact driven by higher carbon prices from 2030 onwards compared with the Orderly scenario.
- **Hot House:** Assumes world temperature increases to 3°C above pre-industrial levels due to insufficient climate policies. Carbon emissions remain constant between 2020-2030 and then gradually decrease but fail to reach zero by 2100. Future carbon prices are unlikely to change and therefore the transition impact is negligible under this scenario. However, without appropriate policy action it is likely that the physical risk will be greater.

(iii) Scenario Analysis

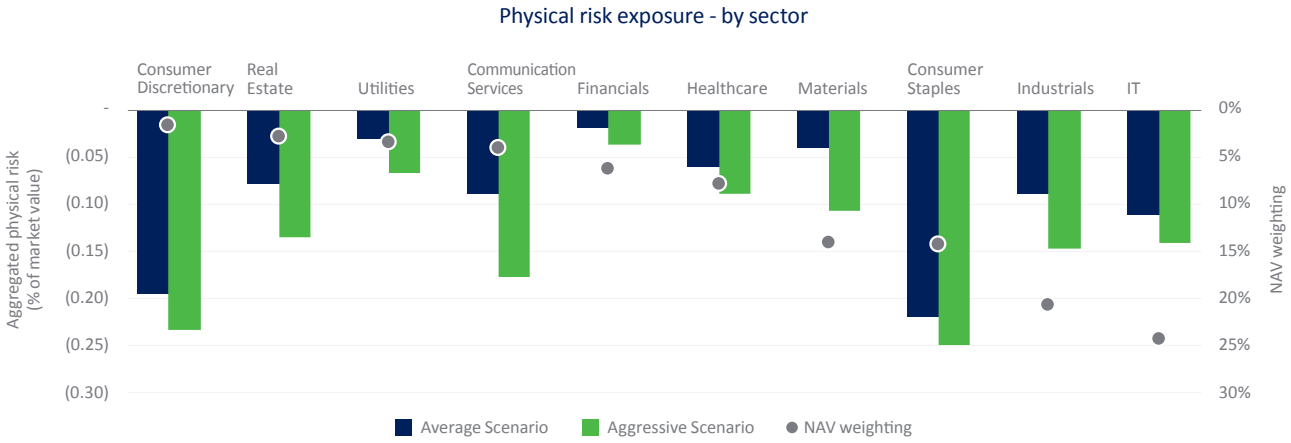
Physical risks

Based on our scenario analysis we observed that Caledonia's Public Companies pool is susceptible to extreme heat and coastal flooding.

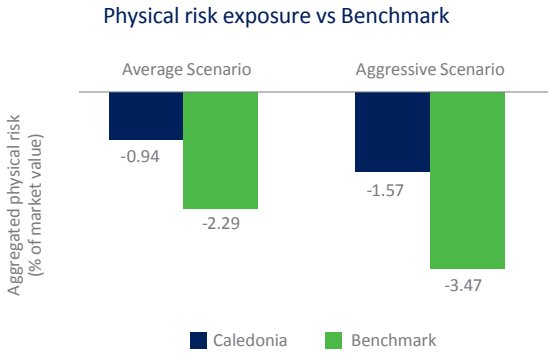


Companies with a large physical footprint such as those operating in the consumer staples and consumer discretionary sectors will be the most at risk from these extreme weather events. However, the financial impact on our portfolio (even under the Aggressive scenario) is estimated to be c.1.5% given our limited exposure to these sectors.

We also note that the physical risk exposure is highly concentrated, with the top three most at risk companies representing almost 40% of the total physical risk exposure but contributing c.12% of the pool's market value as at 31 March 2024.



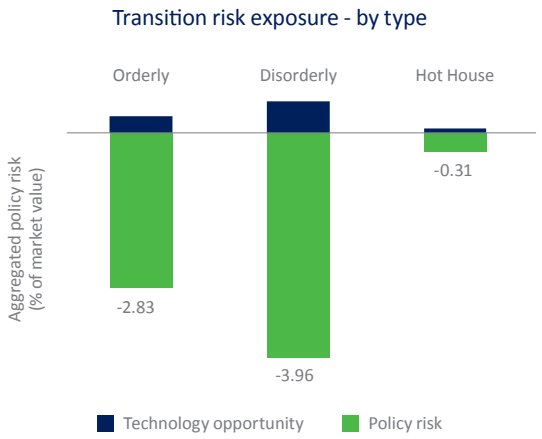
The MSCI World Index is used as a benchmark for our TCFD reporting as this has a similar sector exposure to that of our Public Companies pool.



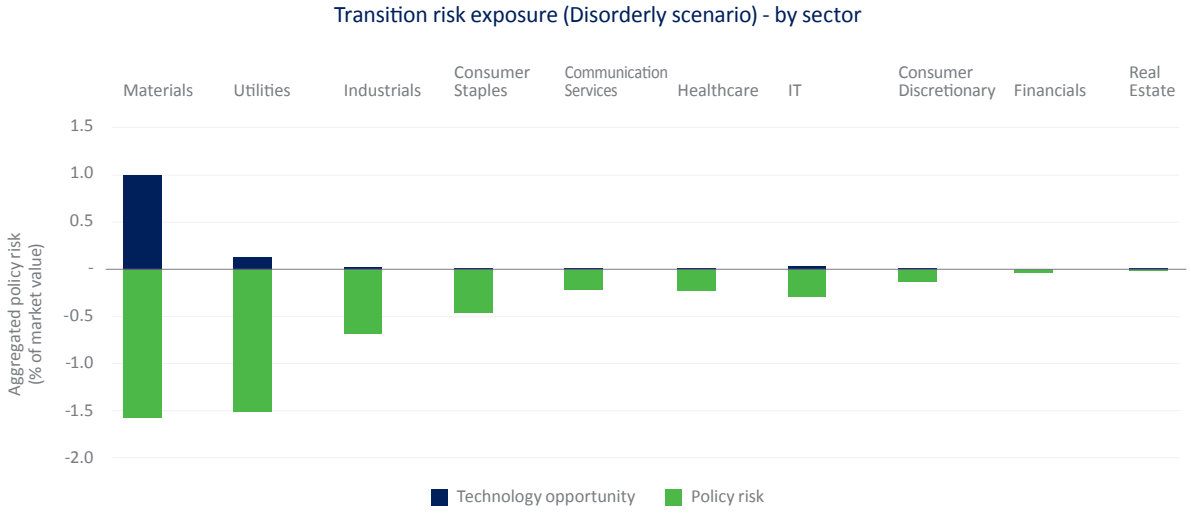
The Public Companies pool is more resilient compared to the benchmark, under both an Average and Aggressive physical risk scenario given its limited exposure to capital-intensive companies with large physical asset footprints. We anticipate maintaining a low level of exposure to such businesses.

Transition risks

The analysis shows that the Public Companies pool will be adversely impacted to some extent from policy amendments to tackle climate change over the coming years. The magnitude of the financial impact from this risk will be more pronounced under a Disorderly scenario where high carbon prices could have an adverse impact, particularly on companies in carbon-intensive sectors such as utilities, materials and industrials.

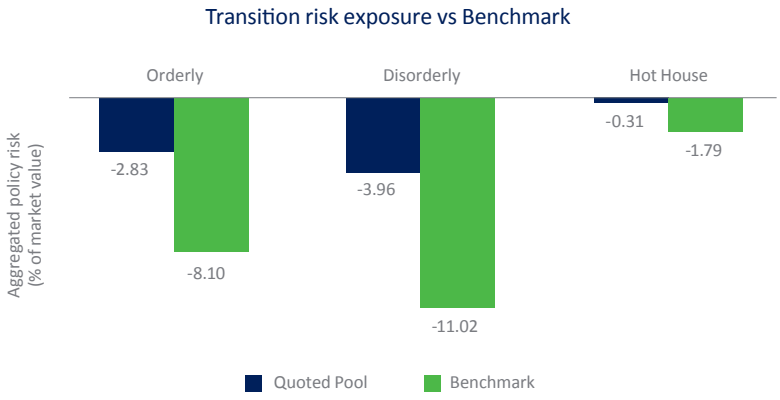


Our policy risk exposure is highly concentrated under both an Orderly and Disorderly scenario with approximately 45% to 55% of the policy risk exposure arising from three portfolio companies that have a combined contribution of less than 8% of the pool's market value as at 31 March 2024.



It is worth noting that even under a Disorderly scenario (where the policy risk exposure is greatest), more than 80% of the companies in our Public Companies pool could generate future green revenues by offering technological improvements to support the transition to a low-carbon economy. The biggest opportunities arise within our materials and utilities sectors due to their large share of low carbon revenue.

Finally, we observed that the Public Companies pool is potentially more resilient than the benchmark given its limited exposure to carbon-intensive sectors such as oil and gas and industrials.



Scenario analysis conclusions

Our scenario analysis has shown that the Public Companies pool is considered to have a lower exposure to both physical and transition risks compared to the benchmark, reflecting its limited exposure to high carbon emitting companies with large physical footprints. The physical risk exposure under the Average scenario and the transition policy risk exposure under the Orderly scenario are small.

The key risk to the Public Companies pool that could have the most material impact on investment returns and slow down our portfolio's journey to net zero would arise from any delays or divergence in making policy changes across countries and sectors (Transition risk - Disorderly scenario).

There is significant concentration of risk within the portfolio:

- in the case of physical risk exposure, approximately 40% of the total physical risk exposure is generated by the top three portfolio companies considered at risk (representing less than 12% of the Public Companies pool's market value)
- in the case of policy risk exposure, approximately 45 to 55% of the policy risk exposure under both an Orderly and Disorderly scenario arises from three portfolio companies (representing less than 8% of the Public Companies pool's market value).

We have reviewed the risks associated with the companies identified through this process as being particularly vulnerable to climate-related risks, together with the mitigation plans that have been developed to address the identified risks. On the basis of this review, we believe that the management of these companies is taking appropriate action to address the risks and are making good progress to decarbonise their businesses. We are, therefore, comfortable to continue to hold our positions in these businesses but will carefully monitor the delivery of their future plans. We will review progress periodically and take appropriate action if we identify a shortfall in positive progress.

We believe our core investment approach remains resilient and is unlikely to change. However, our financial planning may adjust to manage our exposure to these risks, whilst seeking to access other opportunities and strengthen our portfolio's resilience to climate-related risks.

b) Private Capital pool

This year we have progressed our TCFD reporting to include the Private Capital portfolio.

The scope of the analysis in this section covers all eight of our investee companies in the portfolio as at 31 March 2024.

We have undertaken qualitative climate scenario analysis, with support from an external consultant, to review the potential impact that climate-related risks could have on our investee companies. The analysis included identifying and evaluating the likelihood and impact of company-specific transition and physical risks and opportunities over the short, medium, and long term. These were considered under three NGFS climate scenarios (Orderly, Disorderly and Hot House).

The findings at an investee company level were aggregated to provide an overall view of the climate risks and opportunities which our Private Capital pool is exposed.

The analysis is qualitative in nature given the lack of data available. Unlike the Public Companies pool, there is no distinction between the methodology applied for physical and transition risks. The scenario analysis was tailored to the characteristics of all eight companies in the portfolio and was performed with reference to each company's sector and geographic footprint. The private companies within our portfolio do not operate under the same reporting requirements as Caledonia; each of them is on an independent journey and at varying stages of maturity. The scenario analysis focused on risk identification and encouraging climate risk to be explicitly and appropriately incorporated into the individual company risk frameworks. The qualitative analysis was however influenced by Caledonia and performed in line with the TCFD recommendations.

Climate scenarios and time horizons

To assess the climate-related risks and opportunities, we selected the same three NGFS climate scenarios as the Public Companies pool.

We believe these scenarios are appropriate to allow us to analyse the potential impacts on our investee companies.

We have assessed the climate-related risks and opportunities over the short, medium and long term.

- Short term: 0 – 5 years
- Medium term: 6 – 10 years
- Long term: 10+ years

These time horizons are aligned to the Private Capital investment horizons and wider business planning.

Risk evaluation

The risks identified through the review process are summarised below. As an investment business, materiality was considered with reference to the relative value of investee company in the portfolio.

We assessed the potential impact and likelihood of a risk or opportunity occurring for each time horizon and climate scenario.

Risks and opportunities were considered through discussions with our employees who are appointed to investee company boards, review of publicly available comparable businesses and internal data. Physical risks were also considered in respect of the physical locations of investee company operations and supply chains.

Because the portfolio is sector agnostic, climate risks and opportunities were initially grouped according to similarities in their potential area of impact on the businesses. In accordance with the TCFD recommended definitions we aggregated the climate-related risks into two (1) risks related to the transition to a lower carbon economy ('transition risks') and (2) risks related to the physical impacts of climate change ('physical risks'). Within transition risks we considered market, policy and legal, reputational and technological risks. Within physical risks we considered both chronic and acute risks.

The overall portfolio level assessment was determined by the relative value of each investee company within the Private Capital pool.

Qualitative scenario analysis – risks

The following table outlines the aggregated climate-related risks to which our Private Capital pool is exposed.

At the pool level, based on the scenario analysis performed and the data available, each of the risks were considered to have a low impact, primarily due to the diversified nature of the portfolio by industry, sector and geography.

Overall transition risks were considered to have an impact in the short to medium term. However, physical risks are likely to be more impactful over the longer term.

Risk type	Risk description	Our assessment	Scenario with the highest impact
Transition: Policy & Legal	Increased costs to meet enhanced sustainability regulatory and reporting requirements	At the portfolio level, this was considered medium likelihood and low impact, with most companies exposed to this risk	Orderly and disorderly
Transition: Market	Increased costs for the portfolio companies due to changes in their respective markets	At a portfolio level, this was deemed to have a low likelihood and impact. All portfolio companies were exposed to this risk, primarily due to the risk of changes in consumer demand for more sustainable products and increases in energy costs / investments into renewable energy sources	Orderly and disorderly
Transition: Reputation	Reputational risks associated with perceived inadequate response to climate change (or negative climate impacts)	At a portfolio level, this was deemed to have a low likelihood and impact. Two investment companies in the portfolio are considered to be exposed to this risk	Orderly and disorderly
Transition: Technology	Increased costs in developing and implementing lower emissions technology and costs incurred due to write off/early retirement of existing assets that are made redundant by the transition to a low carbon economy	At a portfolio level this was deemed to have a low likelihood and impact with only one company regarding it as a risk	Orderly and disorderly
Physical: Chronic	Increased likelihood of extreme weather events and chronic temperature changes impacting portfolio companies through disrupted supply chains, production capacity and investment returns.	At a portfolio level this as deemed low likelihood and impact due to the relatively small physical footprint of our portfolio companies and supply chain	Hot House
Physical: Acute	Impact of increased frequency and severity of extreme weather events on operations and supply chains		

Qualitative scenario analysis – opportunities

The following table outlines the aggregated climate-related opportunities from which our Private Capital portfolio could benefit.

Opportunity type	Opportunity description	Our assessment
Products and services	Increased market share / revenues by developing more sustainable products or increased demand for lower emission and more sustainable products	At the portfolio level this was considered the most significant opportunity for all eight of our portfolio companies. Whilst not currently a core focus for the majority of our portfolio companies, products or service offerings that take advantage of new technology and greater efficiencies are continually assessed
Energy source	Reduced exposure to increases in fossil fuel prices and carbon taxes by switching to lower emissions sources of energy	At the portfolio level, this was considered a low impact opportunity but one that requires low effort. However, this is an important area for many of our portfolio companies, representing the initial steps on the journey to a more sustainable business
Resource efficiency	Reduced operating costs by improving natural resource and energy efficiency	

Risk evaluation conclusions

With respect to the current Private Capital portfolio, currently we believe neither the risks, or the opportunities have the potential to materially impact our strategy or financial results, either in the short or long term. We and the Private Capital pool companies will continue to review the identified risks and opportunities regularly revisit this assessment. We note the risks and opportunities inherent in the portfolio may undergo significant changes as assets are acquired and disposed of in line with the pool's investment strategy.

3. Our approach to managing climate-related risks and opportunities

Our strategy, business model and financial planning considers new and existing investment opportunities, enabling us to evaluate potential returns and associated risks, and build a suitable, diverse portfolio aimed at delivering healthy long-term returns for our shareholders.

Our objective is to assess whether our investee companies are managing their climate risks, capturing the opportunities arising from the transition to a low carbon economy and are on the journey to achieving net zero emissions by 2050 (Scope 1 and Scope 2, market-based). This requires thorough review of their transition plans, plans to decarbonise their businesses and a suitable assessment of climate-related risks and opportunities. We plan to monitor transition plans of investee companies, including their net zero commitments, and take the following steps to help meet our goal:

(i) Communicate climate expectations

Over the year we have had several discussions with all the pools to validate that our interests are aligned towards achieving net zero emissions by 2050 (Scope 1 and Scope 2, market-based). This is particularly relevant to our private assets in the Private Capital and Funds pools.

(ii) Improve data collection and analysis

Obtaining reliable carbon data is key to better assess asset-specific climate change risks and opportunities and to build resilience. This year we expanded our climate analysis by reviewing the carbon footprints and assessing the resilience of the strategy of the portfolio companies to climate-related risks and opportunities. We assessed the resilience of the strategies under different climate-related scenarios, including a 2°C or lower scenario for both the Public Companies and the Private Capital pools.

Our biggest challenge will be obtaining carbon data and supporting information for our Funds pool investments. We currently plan to address this challenge by:

- using the Weighted Average Carbon Intensity ('WACI') of relevant sectors within the MSCI North American and MSCI Asia index as a proxy to estimate the carbon footprint of the Funds pool; and
- assessing and scoring each manager on their approach to ESG risks and understanding positive themes around sustainable development with the help of an external consultant.

We expect to provide further disclosure on the baseline data for the Funds pool as reliable data becomes available in the future.

(iii) Prioritise and engage

We expect each of our investee businesses to be aware of their climate-related risks and opportunities, reduce their carbon footprint, take steps to transition to a low carbon business model and strengthen their resilience. Our engagement efforts will focus on companies with relatively high levels of carbon emissions that represent a significant allocation of capital and where we feel that insufficient progress has been made to decarbonise the business. The level of influence we can exert on the investee businesses will vary across our asset pools given the varying levels of our ownership and involvement.

Where we own a significant stake in listed companies, we will use our influence as investors through engagement and voting to encourage material carbon emitters to prepare and demonstrate the actions they have taken to address key climate risks and opportunities. Amongst other factors we expect to vote in favour of resolutions which are aligned with our net zero ambitions and vote against the board directors of companies that are falling behind on their climate change journey.

For material carbon emitters in our Private Capital pool where we own significant positions, we will engage with the underlying portfolio company boards to ensure that they understand their own environmental impacts and stay abreast of regulatory and market developments. We will also encourage them to develop their commercial offering to ensure that it remains attractive to their customers, and meet broader stakeholder expectations. We anticipate that these businesses will invest in suitable technology to improve energy efficiency and make a successful transition to renewable energy supplies. In the unlikely case that the impact from climate change is deemed to be materially damaging a business, we may assess the need to change its business model.

There may be fund managers within our portfolio which invest in high carbon-emitting industries. Where we have significant influence with the General Partners, we will encourage them to actively consider the risks and opportunities of climate change in their investment selection process and promote initiatives to reduce emissions from the businesses within their funds.

(iv) Monitor progress

We expect to set interim targets and develop climate dashboards and tools to monitor progress against these targets with the help of external climate specialists where necessary. Fund managers will be encouraged to provide reporting and insight on initiatives to reduce emissions from businesses within their funds, but we anticipate it will take some time until we have comprehensive reporting from this part of our portfolio.

(v) Escalate

Where investee companies fail to make sufficient progress towards meeting their net zero goals and no longer fit in our investment strategy, we may consider divestment.

Our business operations

We believe in leading by example and are committed to minimising the impact of our own operations on the environment and mitigating the risks posed by climate change. We have therefore set a target to achieve net zero emissions by 2030 (Scope 1 and Scope 2, market-based) and have already made significant progress towards achieving this goal.

1. Climate-related risks and opportunities

The table below outlines the key physical and transition risks and their financial impact on our operations, over the following time horizons:

- 0 to 5 years (short term)
- 6 to 10 years (medium term)
- 10+ years (long term)

(i) Climate Risks

Risk	Description	Timeframe	Impact on Caledonia
Transition risk:	Increased pricing of Greenhouse gases ('GHG') emissions	short/medium term	Increased operating costs (legal, compliance, travel costs)
Policy and legal	Enhanced emissions reporting obligations	short/medium/long term	
Physical risk	Disruption in operations due to extreme heat or flooding	short/medium/long term	Increased operating costs, capital expenditure and insurance premiums (severity differs across timeframes)

(ii) Climate Opportunities

Opportunity	Description	Timeframe	Impact on Caledonia
Resource efficiency	Increased use of recycling and reduced water usage	short/medium term	Lower GHG emissions and lower operating costs
	Use more efficient modes of transport	long term	Lower GHG emissions but possibly higher operating costs
Energy source	Switch to lower emission energy sources	short/medium term	Lower GHG emissions Medium term reduction in operating costs and increase in the value of the office building

2. Impact on our business operations, including strategy and financial planning

Our own operations have a modest carbon footprint compared with the impact of our investment portfolio, with our employees operating out of a single office located in central London. We have already undertaken several initiatives to reduce our emissions which arise mainly from travel and energy consumption. We have sought to reduce waste, paper usage and ensure environmental issues are considered in the supplier selection process.

(i) Energy consumption

Our central London office was fully refurbished in 2017 and provides energy efficient solutions including highly insulated walls, triple glazed windows and sensor-operated lighting. Where practical, all non-essential systems and equipment are turned off during out of office hours.

In September 2021 we moved our electricity supply to 100% renewable sources. We intend to explore future opportunities to move away from the use of gas for heating by 2030. We have implemented additional energy efficiency initiatives such as installation of LED office lighting and heating/cooling timers. We will continue to explore further energy efficiency initiatives for our office.

(ii) Travel

Over the last few years, we have installed video conferencing facilities in our office and have rolled out technology solutions to facilitate homeworking.

Most of our employees commute to our office using public transport and are also encouraged to reduce their own carbon footprint and make healthy decisions through our Cycle to Work scheme.

We continue to believe that our business benefits from employees returning to some office-based working and from travel to assess and monitor our investments in the UK and overseas. Our aim is to reduce our carbon emissions from business travel to a minimum without the need for carbon offsets by exploring alternative ways of doing this in-house, such as supporting renewable energy solutions for businesses within our Private Capital pool.

We have already seen the adoption of renewable energy sources within our Private Capital pool. For example, one of our Private Capital portfolio companies has recently undertaken a large scale implementation of solar panels to reduce its purchased energy requirements.

Through a workshop, we have educated our employees about the impact of business travel to help drive a change in behaviour.

We will continue to adapt our approach to address climate-related risks and anticipate developing further specific initiatives into our transition plans. As technology develops, we hope to take advantage of opportunities as they arise to reduce our overall emissions in line with our stated strategic objective.

3. Resilience of our operational climate change strategy

Physical risks are likely to have the greatest impact on our operations and, depending on the severity of the event, could result in us being unable to operate from our central London office for a period of time. However, over the last few years, we have created a hybrid operating model and, through our experience of the Covid-19 pandemic, have proven that we can effectively function remotely if required. We will consider the potential impact of climate change on our business continuity plans.

Based on our desktop review, we believe our operations are resilient to physical risks, including under the scenario where global warming is limited to 2°C or lower. The financial impact from transition risks on our underlying costs is likely to be immaterial, particularly given the dominance of the investment portfolio relative to our operations.

Risk management

Identifying, assessing and managing climate risks to protect investments and our business operations.

To meet the challenges presented by climate change, the global economy will need to transition to a net zero alternative, the repercussions of which will raise opportunities and risks for investments within our portfolio and for our business operations. Climate change risk management is being embedded into our existing processes.

The board sets strategy and has collective responsibility for the management, direction and performance of the business. Climate-related risks are being incorporated into our strategy and, in discharging it's responsibilities, the board is ultimately accountable for the oversight of climate-related risks that could impact the business.

In recognition of the importance of climate-related risks to our business, 'ESG and climate change' has been identified as one of our principal risks. This means that actions to manage and mitigate this risk, together with key developments, are reviewed by the ARC at least biannually with material changes elevated to the board for consideration. This level of review seeks to ensure full visibility at board level of any emerging climate-related risk issues.

Climate-related risks are assessed and managed in accordance with our corporate risk framework and process. Each area of the business is responsible for identifying, monitoring and reporting on relevant risks and controls, with appropriate oversight from the relevant corporate departments. We recognise that climate change is a pervasive risk across many of our principal risk categories. Across the business, senior managers are responsible for identifying these climate-related risks and assessing the impacts either to their area of investment portfolio or to their functional specialism, depending on their role.

We analyse potential climate-related risks through the lens of both physical and transition risks over the short, medium and long term and using both internal and external analysis. Many of our key processes are being, or have been, adapted to incorporate climate-related risk assessments, including our approach to investment research and decision-making, active ownership and engagement with our investee companies and funds, and ongoing assessment and monitoring of our own business operations.

In this TCFD reporting pillar we have described Caledonia's current processes and future plans to identify, assess and manage climate-related risks. The key items covered in this section are:

a. our processes for identifying and assessing climate-related risks

b. our processes for managing climate-related risks

c. how our processes for identifying, assessing and managing climate-related risks are integrated into our overall approach to risk management.

Risk management framework

The board sets strategy and has collective responsibility for the management, direction and performance of the business. Assessments of climate-related risks continue to be incorporated into our strategy and, in discharging its responsibilities, the board is ultimately accountable for the oversight of climate-related risks that could impact the business. Non-executive director oversight of the risk management framework process is exercised through the ARC, a board committee. Risks associated with climate change are considered throughout our risk management processes.

Each area of the business is responsible for identifying, monitoring and reporting on relevant risks and controls. The executive oversight of risk is delegated by the CEO to the CFO. The CFO has responsibility for ensuring that there is a risk and control framework in place for the business. In the framework, heads of each business unit take the lead role with respect to identifying potential risks within their respective area, including those relating to climate change, and implementing and maintaining appropriate controls to manage these risks. Line management is supplemented by key support functions such Finance, Tax, Human Resources, Facilities Management and Company Secretarial with further oversight from Risk Management.

Risk management process

We operate the following standard process to address risks across both the investment portfolio and business operations.

Identification

- 'Top-down' and 'bottom-up' approach to identifying key risks across the business
- Line management responsible for identifying detailed risks relevant to their area, including climate-related risks
- Includes risks within the investment portfolio and our business operations

Assessment

- Key risks are documented and discussed with relevant senior managers
- Each key risk is assessed together with a review of planned mitigating activity
- Outcome of this review is presented to the IC and ultimately reviewed by the ARC and, where appropriate, the board

Management

- Key mitigating actions to manage identified risks are delivered by relevant areas within the business
- Monitoring of progress is carried out by management, with oversight provided by the review of the Risk Dashboard by the IC and ultimately by the ARC and, where appropriate, the board

We operate a biannual process to assess the risks faced by our business using a 'top-down' and 'bottom-up' approach. The 'top-down' approach is facilitated by Risk Management based on discussion with senior managers and subject matter experts around the business. Emerging risks are considered as part of this process. The 'bottom-up' approach is driven by discussions with each area of the business on issues that they have identified from a variety of sources, both internal and external, and the resulting mitigating actions which they are planning to undertake. The results of these assessments are used to inform our internal key risks, are presented to the ARC and, where appropriate, to the board.

As part of this process, we specifically highlight 'ESG and climate change' as a principal business risk. We define this risk as having two main components. Firstly, risk in relation to successfully incorporating ESG matters and climate change impacts into our investment approach. Secondly, risk in not identifying opportunities to support our approach to ESG matters, deliver strong returns and manage the risks to meet evolving stakeholder expectations.

However, we recognise that climate change is a pervasive risk across many of our principal risks and we provide some insight on this in the table on page 30. At a more detailed level, key managers across the business are responsible for identifying climate-related risks either within the investment portfolios they manage, or in functional areas of our business operations for which they are responsible. Risks within the companies and funds in which we invest are identified through ongoing research using in-house expertise and external data, together with reporting from investee businesses. Our business operations use third party resources to ensure a good practice approach is taken to identifying risks and addressing them in a timely manner.

Management of climate risks

Climate change risk management is being implemented into our existing processes and controls across the business. Key processes, and how these have been further developed to integrate climate-related risk assessments, are set out below.

(i) Investment research and recommendations

Our investment staff make recommendations on companies and funds to include within our investment portfolio based on detailed research and analysis. In order to review climate-related risks within this investment analysis, we have continued to develop an approach to support the assessment of each portfolio's exposure to climate-related risks and opportunities. Analysis to date has focused predominantly on quoted equities and our companies in the Private Capital pool. We plan to adopt a similar approach for our private assets in the Funds pools but expect that relevant data to support this analysis will not be available for some time.

The analysis undertaken is a mix of qualitative and quantitative assessment. The qualitative assessment is the result of proprietary insights, third party information, meetings and interviews. For quoted equities we make use of company published data and external data, available on the MSCI One platform and includes Carbon Emissions and ESG analysis.

We are currently working closely with the core portfolio companies in the Private Capital pool to develop and embed carbon emissions reporting. We have made good progress this year with a number of the portfolio companies already gathering and reporting Scope 1 and Scope 2 data within defined perimeters. We will continue to review and assess the quality of the data received with a view to enhancing our external reporting in the future.

We are in the process of obtaining suitable proxy emissions data from our Funds pool investee companies.

(ii) Investment decision-making

New investment decisions are approved by the IC, based on the recommendations of the individual investment pools. In the case of investment values above a specific threshold, board approval is required.

The IC will receive a paper and presentation from the relevant investment pool outlining the case for a new investment. This includes the key information about the company or fund. Information on the proposed investment will include an analysis of the key risks identified and a summary of relevant ESG matters. This seeks to ensure that climate-related risks are identified and considered prior to an investment decision being made.

The performance of each investment pool is reviewed biannually by members of the IC and subsequently by the board. At these reviews, emerging climate-related risks will be highlighted, together with analysis of their potential impact. ESG matters are formally addressed at least annually. These processes seek to ensure that key risks relating to existing investments, including those of a climate-related nature, are identified and, if necessary, escalated in a timely manner. New processes have been introduced during 2023 to collect climate-related KPIs for the major investee businesses in the Private Capital portfolio.

(iii) Company engagement

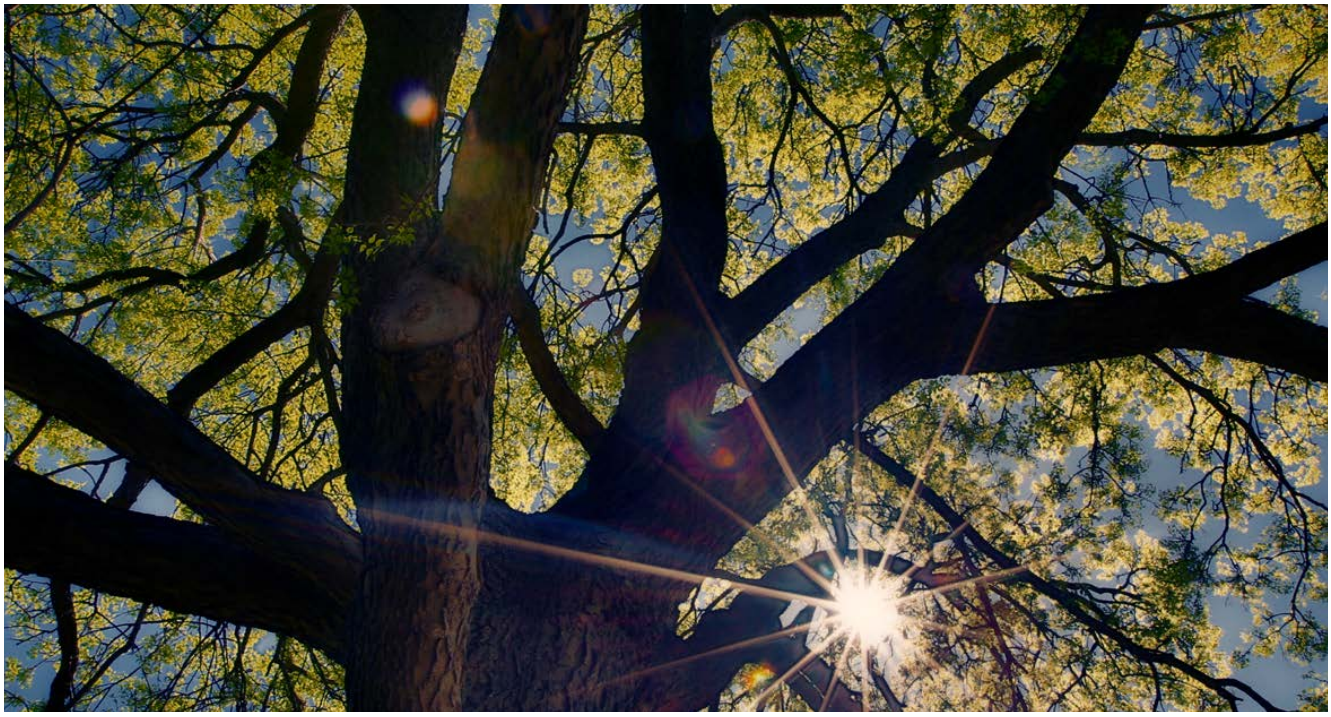
A fundamental part of our active investment approach is to fully engage with the companies and funds in which we invest. The level of engagement and influence we can exert on the investee businesses will vary across our asset pools given the varying levels of our ownership and involvement. As investors Caledonia's own balance sheet on behalf of our shareholders, we will take an influential role in investee companies' progress to decarbonise. Our ownership efforts seek to encourage improved disclosure from our investee companies and funds, covering core emissions data and information to allow fuller assessment of climate-related risks. We are refining and adapting our voting behaviour to support climate-related resolutions to listed companies where we consider them to be appropriate.

Our Private Capital team has worked to enhance established risk management processes within its portfolio companies to explicitly incorporate climate-related risks. The risks identified have been shared with each portfolio company for inclusion in their respective risk registers. The exercise has broadened discussions with investee companies on climate-related matters.

(iv) Management of our own operations

Our business operations, as previously described, are relatively straightforward with a small number of employees based in a single central London office location. We have undertaken a desktop review of climate-related risks that would impact our business operations and, based on a review of currently identified physical and transition risks, we do not currently believe that we are exposed to any material climate-related risks. We will continue to keep this area under review.

Should we identify a material climate-related risk to our business operations, we would seek to put a suitable mitigation plan in place to either resolve the issue or devise an alternative solution to enable us to continue to operate. If a physical event were to prevent our ability to operate, we have business continuity arrangements in place.



The impact of climate change on our principal risks

Below we detail the extent to which climate change impacts each of our principal risks. Those considered high impact are suitably highlighted.

Principal risk and description	Climate change impact
Strategic Risks in relation to the appropriateness of the business model to deliver long-term growth in capital and income. Strategic risks include the allocation of capital between public and private equity, and in relation to geography, sector, currency, yield and liquidity.	**High impact** Climate change is expected in the medium term to impact shareholder considerations on investment strategy. Failure to meet these expectations and still deliver performance targets would be seriously detrimental for the business.
Investment Risk in respect of specific investment and realisation decisions. Investment risks include the appropriate research and due diligence of new investments and the timely execution of both investments and realisations for optimising value.	**High impact** Investment performance may be impacted if the focus on sustainability leads to poorer performance outcomes.
Market Risk of losses in value of investments arising from sudden and significant movements in public market prices, particularly in highly volatile markets. Private asset valuations have an element of judgement and could also be impacted market fluctuations. Caledonia's principal market risks are therefore equity price volatility, foreign exchange rate movements and interest rate volatility.	**High impact** Market returns may be significantly impacted by climate change risks in the short to medium term, both physical and transition risks impacting market valuations and yields.
Liquidity Risk that liabilities cannot be met or new investments made due to a lack of liquidity. Such risk can arise from being unable to sell an investment due to lack of a market or from not holding cash or being able to raise debt.	**Not high impact** Liquidity management, in isolation, is not directly impacted by climate change risk.
ESG and climate change Risks in relation to the successful incorporation of ESG matters and climate change impacts into our investment approach. Identifying opportunities to drive our approach to ESG matters, deliver strong returns and manage the risks to meet evolving stakeholder expectations.	**High impact** Importance of this issue recognised through a separate, clearly articulated risk.
Regulatory & legal Risks arising from exposure to litigation or fraud or failure to adhere to the tax and regulatory environment. Caledonia operates across a number of jurisdictions and in an industry that is subject to significant regulatory oversight.	**High impact** Numerous climate-related regulatory requirements being implemented. Failure to comply could have significant adverse consequences.
Operational Risks arising from inadequate or failed processes, people and systems or from external factors. Operational risks arise from the recruitment, development and retention of staff, systems and procedures and business disruption.	**Not high impact** Operational activity may be impacted to some degree by climate change, but not currently assessed as a high impact issue.

Metrics and targets

Monitoring the progress of our investee businesses and our business operations to deliver on our collective commitments.

To hold ourselves accountable against our strategy, we are continuing to improve our analysis and disclose more metrics and targets where we consider these to be material. As part of this process, we will investigate options for new data sources to aid us in showing an increasingly holistic view of the carbon emissions of our investments and our own operations.

Our investment portfolio

Key metrics – Public Companies pool only (data not yet available for Private Capital and Funds pools, but expected to be developed in future):

- Financed* Scope 1 and Scope 2 carbon emissions is 19.3k tonnes CO_2e
- Financed* Scope 1 and Scope 2 carbon footprint is 16 tonnes CO_2e/$m invested
- Financed* Scope 1 and Scope 2 weighted average carbon intensity ('WACI') is 60 tonnes CO_2e/$m sales
- proportion of companies in the portfolio targeting net zero by 2050 is 93%.

Targets – Public Companies pool portfolios only (as above):

- minimise transition risk across the portfolio
- all portfolio investee businesses to achieve net zero emissions (Scope 1 and Scope 2, market-based) by 2050, or earlier where feasible.

Our business operations

Key metrics (for year ended 31 March 2024):

- Scope 1 greenhouse gas emissions are 14 tonnes CO_2e
- Scope 2 location-based greenhouse gas emissions are 59 tonnes CO_2e
- percentage of renewable electricity consumption is 100%
- Scope 3 business travel greenhouse gas emissions are 376 tonnes CO_2e.

Targets:

- minimise transition risk
- business operations to achieve net zero emissions (Scope 1 and Scope 2, market-based) by 2030, or earlier if feasible
- maintain sourcing of renewable electricity at 100%
- manage international business travel in an informed manner.

*Relates to Caledonia's share of the investee companies' carbon emissions based on the investee companies' latest annual reports.

In this TCFD reporting pillar we disclose the metrics and targets we use to manage climate-related risks and opportunities. The key items are as follows:

a. the metrics we use to assess climate-related risks and opportunities in line with our strategy and risk management process

b. the Scope 1, Scope 2 and, where appropriate, Scope 3 greenhouse gas ('GHG') emissions and related risks

c. the targets we use to manage climate-related risks and opportunities and our performance against them.

Overview

We are continuing our progress to improve and disclose more metrics and targets where such information is considered to be material. As part of this process, we will be investigating options to source additional data to aid us in showing an increasingly holistic view of the carbon emissions of our investments and our own operations. In this report we have included our plan to further develop our disclosure in future years.

Our investment portfolio

a) Methodology for metrics and targets

We have continued monitoring and reporting the Scope 1 and Scope 2 carbon emissions of the Public Companies pool and have compared these to the baseline emissions formed in 2023.

In addition we continue to monitor and manage the climate risks and opportunities of the investee companies in the Public Companies pool against a set of metrics and track their progress towards achieving net zero emissions by 2050.

The table below illustrates our climate change strategy goals and the metrics we use to track our progress against them for the Public Companies pool. The methodology for these metrics is included in Appendix II.

Category	Metrics	Climate strategy goals
Progress metrics	**Primary metrics**	
	Total GHG emissions (Scope 1 and Scope 2)	Minimise transition risk
	Carbon footprint	Net zero emissions
	WACI	(Scope 1 and Scope 2) by 2050
	Other metrics	
	Green revenue exposure	Capture green opportunities
	Companies with net zero target of 2050 or earlier	Net zero emissions
	Companies with top quartile management score	(Scope 1 and Scope 2) by 2050
Risk management metrics	Policy climate VaR	Minimise transition risk
	Physical climate VaR	Minimise physical risk
	Technology opportunities VaR	Capture green opportunities

b) Data source and limitations

Carbon emission data for our public equity investments was obtained from the MSCI One platform. MSCI collects the data from publicly available sources, including annual reports, the Carbon Disclosure Project ('CDP') and government databases. All carbon emission data collected is classified per the GHG Protocol methodology to enable aggregation and comparability across investee companies and sectors. We have not sought to verify this data and assume no responsibility for its accuracy or completeness.

As previously mentioned, our net zero target by 2050 applies only to Scope 1 and Scope 2. We recognise that there are potentially significant Scope 3 GHG emissions associated with companies in our investment portfolio; however, there is not yet sufficient and reliable data available to quantify these emissions.

Due to a development to the MSCI One platform we have updated our metrics from using Market Capitalisation to Enterprise value including cash ('EVIC') as the denominator. We have restated the 2023 comparative to an EVIC calculation. The update to EVIC only impacts 'total carbon emissions' and 'carbon footprint' calculations.

The data held within the MSCI One platform lags behind our reporting date. 2024 primarily reflects data reported by investee companies from 1 June 2022 to 31 May 2023. The 2023 comparative primarily reflects data from 1 June 2021 to 31 May 2022.

c) Progress metrics

(i) Primary metrics

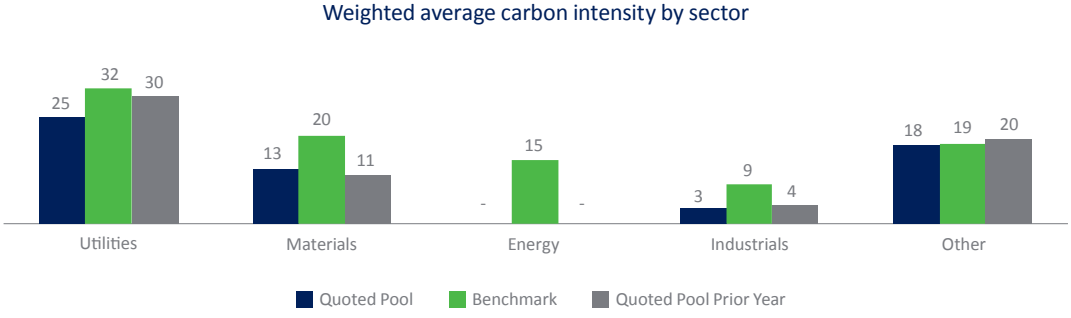
We have outlined below the primary metrics used to determine the Scope 1 and Scope 2 GHG emissions generated by our Public Companies pool versus prior year and the MSCI World Index which is used as a benchmark as this has a similar sector exposure to that of the pool.

Latest annual reported data	Scope	Portfolio (2024)	Benchmark (2024)	Variance vs benchmark	Portfolio (2023)	Units
Total carbon emissions	1 and 2	19,345	48,894	-60%	16,315*	Tonnes CO_2e
Carbon footprint	1 and 2	16	39	-58%	15*	Tonnes CO_2e / $m invested
WACI	1 and 2	60	95	-37%	65	Tonnes CO_2e / $m sales

*Restated to EVIC calculation

As illustrated in the table above, the Public Companies pool has a significantly lower total carbon footprint and WACI compared with the benchmark. This is primarily due to our careful selection process of proven, well-managed and sustainable businesses. The companies in the pool tend to have a lower carbon intensity than the benchmark (even in most of the high carbon emitting sectors such as materials, energy and industrials).

Our Public Company investments have seen a 19% increase in total carbon emissions over the last year. This is due to the 2023 comparative primarily relating to the period 1 June 2021 to 31 May 2022, which was heavily impacted by the Covid-19 pandemic. The 2024 data primarily relates to the 2022, where the impact of the Covid-19 pandemic on emissions was less significant.



Within our Public Companies pool, 75% of the total carbon emissions are generated by five companies that have a combined contribution of 17% of our NAV. There is no plan to divest these holdings, due to carbon alone, as we believe that their respective management teams are taking appropriate action and making good progress to decarbonise their businesses.

Although these companies are in the utilities and materials sectors, which are currently the highest emitting sectors in our Public Companies pool, our scenario analysis has shown that these companies also have the potential to generate green revenues by providing technological improvements to support the transition to a low carbon economy.

(ii) Other metrics

In addition to the primary metrics already disclosed, for our Public Companies pool we also consider various other metrics, (including green revenue exposure, plus policy and physical climate VaR), to manage our climate-related risks and opportunities and seek to ensure we are on track to achieve net zero emissions by 2050. Further information on the methodology used to calculate these metrics can be found in Appendix II.

The following table shows other key climate metrics we use to monitor companies in our Public Companies pool are managing their climate risk exposure and have a decarbonisation plan.

Other metrics	Portfolio (2024)	Portfolio (2023)
Companies targeting net zero for Scope 1 and Scope 2 by 2050	93%	93%
Companies with top quartile carbon management score	68%	71%
Green revenue exposure	6%	6%

The majority of the companies in our Public Companies pool (with two notable exceptions) have plans to achieve net zero emissions by 2050 or sooner, giving us comfort that they are aligned to our goal. The two companies that have yet to establish net zero targets contribute c.8% of the pool's total carbon emissions and, based on our knowledge and engagement of the companies and their commitment to good corporate governance, we believe they will establish appropriate targets.

It is also worth noting that 68% of the companies in our Public Companies pool have a top quartile carbon management score, indicating that they have the capability and resources to manage their climate risks and opportunities. This gives us further comfort that the companies we invest in will achieve their net zero target by 2050. We will continue to monitor progress on these metrics.

Targets and ongoing monitoring

Our aim is to achieve net zero emissions for Scope 1 and Scope 2 (market-based) by 2050 across all our investment pools. The individual investment teams will monitor and track each investee company's progress against this target and monitor relevant risk management metrics to ensure climate-related risks and opportunities are appropriately managed and that we are on track to achieve our net zero targets.

As set out in our strategy section (page 9), the investment teams will prioritise engagement with relatively high emitting investee companies that represent a significant allocation of capital where insufficient progress has been made against targets.

We are currently working closely with the core portfolio companies in the Private Capital pool to help them establish carbon emissions reporting. We have made good progress this year, with a number companies already gathering and reporting Scope 1 and Scope 2 data within defined perimeters, to us. We will continue to review and assess the quality of the data with a view to enhanced reporting in the future.

Over time we will seek to develop our metrics and methodology further as the quality of the data improves and more information becomes available for our Funds pool.

Our business operations

The metrics and targets shown below are used to measure and manage the climate-related risks and opportunities for our business operations and track our progress against our climate strategy. Further information on the methodology used to calculate the primary metrics can be found in Appendix II.

Category	Metrics	Climate strategy goals
Primary metrics	Total GHG emissions (Scopes 1, 2 and 3)	Net zero (Scope 1 and Scope 2, market-based) by 2030
Other metrics	Energy consumption	Reduction in energy consumption
	Waste generated	Reduction in waste generation
	Waste recycled	Zero waste to landfill
	Water consumption	Reduction in water consumption

1. Data source and limitations

The data has been prepared in accordance with the regulations within the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which implement the Government's policy on Streamlined Energy and Carbon Reporting.

The sources of GHG emissions are from companies directly involved in managing our investment activity and included in our consolidated financial statements. These emissions have been calculated in accordance with the GHG Protocol guidelines using GHG conversion factors sourced from the UK Government's Department for Business, Energy & Industrial Strategy.

Scope 2 emissions are a result of the electricity generated for our use and have been calculated using both a location-based and a market-based methodology. The location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). The market-based method reflects emissions from the electricity that we have purchased. All of our electricity has been supplied from renewable sources since September 2021.

The reporting period noted in the data tables below is 1 April to 31 March inclusive. We have chosen 2020 as our baseline year as it is a fair representation of our normal business operations before the impact of the Covid-19 pandemic.

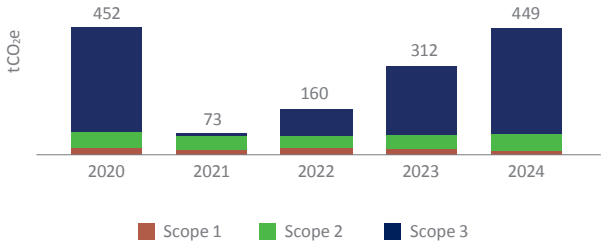
2. Progress metrics

(i) Primary metrics

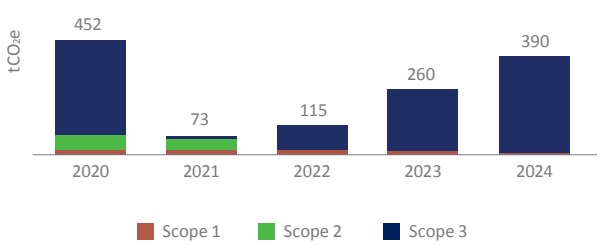
Our total carbon emissions, both on a location-based and on a market-based method, have been steadily increasing over the last two years driven by growth in business travel following the easing of international travel restrictions, post the Covid-19 pandemic.

During 2021 we switched to sourcing all our electricity from a renewable energy supplier which resulted in a significant reduction in our market-based Scope 2 carbon emissions. Almost all our waste is recycled and all waste water is returned to the sewer. The resulting carbon emissions from water consumption and waste generation are captured within 'other' Scope 3 emissions in the table below and are deemed to be immaterial emission sources.

Total GHG emissions (Location based)



Total GHG emissions (Market based)



		Tonnes CO_2e				
Scope	Source of GHG emissions - year to 31 March	2020	2021	2022	2023	2024
Scope 1 (direct emissions)	Combustion of fuel & facilities operation, including company car use (sold in Apr-22)	24	19	21	16	14
Scope 2 (indirect emissions)	Electricity purchase for own use(location-based)	57	47	45	52	59
	Electricity purchase for own use (market-based)	57	47	-	-	-
Scopes 1 and 2 - location-based		**81**	**66**	**66**	**68**	**73**
Scopes 1 and 2 - market-based		**81**	**66**	**21**	**16**	**14**
Scope 3 (indirect emissions)	Business travel	371	7	94	243	375
	Other	-	-	-	1	1
Total – location-based		**452**	**73**	**160**	**312**	**449**
Total – market-based		**452**	**73**	**115**	**260**	**390**
KPI – location-based	**Total emissions per average number of employees**	**7.5**	**1.2**	**2.6**	**5.0**	**6.3**
KPI – market-based	**Total emissions per average number of employees**	**7.5**	**1.2**	**1.9**	**4.2**	**5.5**
Average number of employees		**60**	**61**	**61**	**62**	**71**

Notes:

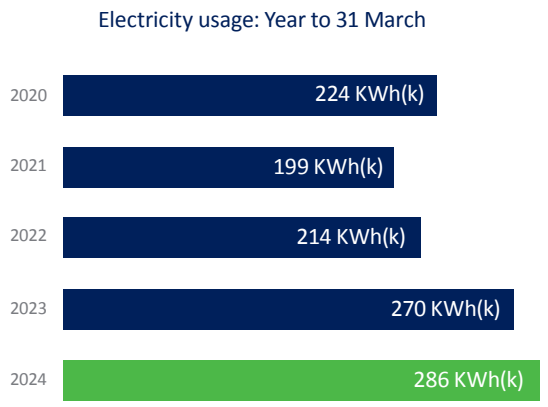
1. These emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard guidelines using UK Government GHG Conversion Factors for Company Reporting.
2. Caledonia consumes all its water from the mains which we understand is sourced from outside high stress areas, with all its waste water currently being returned to the sewer. The resultant CO_2 emission from its use of water are <1 tonne.
3. Caledonia has a mix of recycled and general waste; the related Scope 3 GHG emission data is included under 'Other' in the table above.
4. Location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). The market-based method reflects emissions from 100% renewable sourced electricity that we have chosen to purchase.
5. 100% of our reported emissions are in the UK, involving business travel primarily departing or arriving in the UK. Accordingly, this table does not include a column indicating the yearly UK proportion of global emissions.
6. The sources of GHG emissions shown in the table above are from the companies included in the consolidated financial statements. Under the Streamlined Energy and Carbon Reporting ('SECR') regime we are not required to report any emissions from companies that are not included in our consolidated financial statements.
7. Caledonia does not release any hazardous air pollutants. Caledonia only has material hazardous waste in the form of batteries and print toner, both of which are responsibly recycled.

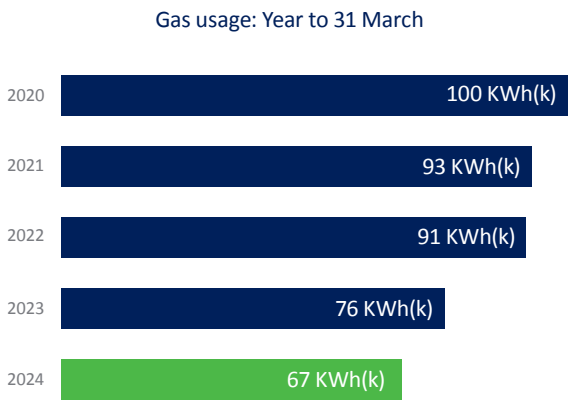
The carbon emissions from our own operations are c.2% of the carbon emissions from our Public Companies pool investments (449 tonnes CO_2e vs 19,345 tonnes CO_2e respectively), supporting our assessment that our most significant environmental impact is through the companies and funds in which we invest.

Our carbon emissions primarily relate to business travel. Whilst travel emissions have increased year-on-year, they are slightly above our baseline year of 2020, a fair representation of pre-Covid-19 pandemic travel. Whilst we continue to manage business travel through increased use of video conferencing, since 2020 the value of our portfolio has increased by 64% and the proportion of our portfolio overseas has more than doubled. Attending, portfolio company board meetings, AGMs and other meetings in person contact is an important aspect of our approach to stewardship and good governance.

(ii) Other metrics

Electricity usage has increased since 2020 primarily due to our decision to increase our security presence to 24 hours a day for the safety of our employees and facilities. In 2023 an external provider was engaged to conduct an Energy Savings Opportunity Scheme ('ESOS') assessment audit of the energy used in our office building which may help us to identify further cost-effective energy saving measures. Four of the eight findings have since been implemented, relating to installation of LED office lighting and heating / cooling timers, the remaining four are currently under review.





Other metrics	Unit	2020	2021	2022	2023	2024
Electricity usage	KWh(k)	224	199	214	270	286
Gas usage	KWh(k)	100	93	91	76	67
Water consumption	m^3	Data not available but will be tracked going forward			798	1,166
General mixed waste	tonnes				-	-
Mixed recycling	tonnes				-	-
WEEE waste	tonnes				-	-
Confidential waste	tonnes				2	2
Waste generation	tonnes				2	2
Waste recycled	%				99%	99%

Notes:
1. Our waste is driven by confidential waste. Whilst we have general, mixed and WEEE waste these only all amount to significantly less than 1 tonne (0.022 tonnes). When comparing to prior year all our waste has decreased except for confidential waste which has increased by 1%.

Looking forward, we expect our transition planning to primarily focus on finding technological solutions to replace our gas boilers with low-carbon emitting technologies when feasible.

3. Targets and ongoing monitoring

Our aim is to achieve net zero emissions for Scope 1 and Scope 2 (market-based) of our own operations by 2030 through the elimination of gas used for heating, further energy efficiency initiatives particularly in areas such as lighting, cooling and IT equipment, and continuing to ensure that all electricity is procured from renewable sources.

Although this target timeframe does not apply to our Scope 3 emissions, we continue to monitor these emissions given their magnitude. We believe that our business benefits from staff returning to international travel to assess and monitor our overseas investments, principally in North America and Asia. Our aim is to manage travel in an informed manner; however, we are reliant upon technological advancements to achieve net zero emissions from aviation. As we gain experience and knowledge around our GHG emissions we will continue to look to enhance our carbon emissions disclosures to include more of our Scope 3 indirect emissions, for example carbon emissions from working from home and staff commuting to the office.

Appendix I
Summary disclosures

This table provides a summary of the disclosures aligned with the TCFD framework.

Recommended disclosures	Our response
Governance (pages 5-8) • Describe the Board's oversight of climate-related risks and opportunities. • Describe management's role in assessing and managing climate-related risks and opportunities.	• The board has collective responsibility for the management, direction and performance of Caledonia and is accountable for business strategy. Climate-related risks and opportunities are being integrated into our strategy. Ultimately the board is accountable for the oversight of these risks and opportunities. • The board has delegated overall responsibility for the delivery of strategy to the CEO, who then has authority to delegate further whilst retaining responsibility for delivering the strategy. Climate-related risks and opportunities are considered in the investment approval process.
Strategy (pages 9-24) • Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. • Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning. • Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• The major element of risk lies in our investments. We identify, track and monitor these risks. Any concerns are addressed through company engagement. • Risks to our investee companies include physical risks affecting operations and transition impacts arising from the move to a net zero economy. These can negatively impact investment returns. • Opportunities will arise in sectors that stand to benefit from the transition to a net zero economy, such as those focused on energy efficiency, renewable energy, or climate change adaptation. • The resilience of our investment portfolio is strong based on a diverse portfolio designed to deliver long-term returns and with limited exposure to high carbon emitting companies. • We have obtained data and analysis from the MSCI One platform to support the evaluation of our Public Companies. For our Private Capital pool we used an external consultant to aid our evaluation of our Private Capital pool resilience. We anticipate obtaining data to allow a similar analysis of our Funds Pool in the future. • For our business operations we plan to reduce energy consumption, move away from gas, maintain our 100% use of renewably generated electricity and to manage our business travel efficiently. • Our business operations have a high degree of resilience.
Risk management (pages 25-30) • Describe the organisation's processes for identifying and assessing climate-related risks. • Describe the organisation's processes for managing climate-related risks. • Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisations overall risk management.	• Climate-related risks are analysed through the lens of both physical and transition risks over the short, medium and long term and via both internal and external analysis. • Climate-related risk has been integrated into our existing processes. Our review process for all principal risks, including those that are climate-related, ensure appropriate visibility of the key issues and mitigating actions. • The process of identifying, assessing and managing climate-related risks has been embedded into our corporate risk management framework. Each area of the business is responsible for identifying, monitoring and reporting on relevant risks and controls, with appropriate oversight from the relevant corporate departments. • Principal risks include 'ESG matters and climate change'. The ARC reviews the principal risks at least biannually, including covering actions to manage and mitigate climate-related risks, plus any key developments. Issues are elevated to the board where considered material.
Metrics and targets (pages 31-38) • Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. • Disclose Scope 1, 2 and if appropriate Scope 3 GHG emissions and the related risks. • Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• Our investment portfolio is the major source of our emissions and climate-related risks. We review GHG emissions using absolute and intensity measures. • We currently only have data for our Public Companies emissions. The data for these assets show Scope 1 and Scope 2 emissions of 19.3k tonnes CO_2e for our Public Companies pool. We anticipate data becoming available for our remaining assets in future reports. • Our target is to minimise transition risk across the investment portfolio and for all investee businesses to achieve net zero emissions (Scope 1 and Scope 2, market-based) by 2050, or earlier if possible. • For our business operations (latest annual data): > our Scope 1 GHG emissions are 14 tonnes CO_2e > our Scope 2 location-based GHG emissions are 59 tonnes CO_2e, with all our electricity renewably sourced > our Scope 3 business travel emissions are 449 tonnes CO_2e. • Our target is to achieve net zero emissions across Scope 1 and Scope 2 (market-based) by 2030, with 100% renewable electricity sourcing. • We will continue to manage international business travel to be as efficient as possible.

Appendix II
Metric methodology and definitions

1. Metric methodology

Metric	Formula
Total carbon emissions	$\sum \left(\frac{\text{current value of investment}}{\text{issuer's enterprise value including cash}} \times \text{issuer's Scope 1 and Scope 2 GHG emissions} \right)$
Carbon footprint	$\frac{\sum \left(\frac{\text{current value of investment}}{\text{issuer's enterprise value including cash}} \times \text{issuer's Scope 1 and Scope 2 GHG emissions} \right)}{\text{current portfolio value (\$m)}}$
Weighted average carbon intensity	$\sum \left(\frac{\text{current value of investment}}{\text{current portfolio value}} \times \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}}{\text{issuer's \$m revenue}} \right)$
Scope 1 emissions from own operations	$tCO_2e = \sum \left(\frac{\text{total energy consumed* relevant fuel energy type emissions factor } (kgCO_2e)}{1{,}000} \right)$
Scope 2 emissions	$tCO_2e = \sum \left(\frac{\text{total electricity consumed* relevant fuel energy type emissions factor } (kgCO_2e)}{1{,}000} \right)$
Scope 3 emissions (business travel)	$tCO_2e = \sum \left(\frac{\text{total usage or mileage travelled* relevant emissions factor } (kgCO_2e)}{1{,}000} \right)$
Scope 3 emissions (water consumption)	$tCO_2e = \sum \left(\frac{\text{total water consumed } m^3 \text{ * relevant fuel energy type emissions factor } (kgCO_2e)}{1{,}000} \right)$
Scope 3 emissions (waste produced)	$tCO_2e = \sum \left(\frac{\text{total waste consumed kg* relevant fuel energy type emissions factor } (kgCO_2e)}{1{,}000} \right)$
Waste recycled	$\frac{\text{waste recycled (kg)}}{\text{total waste (kg)}}$

2. Metric definitions

Transition climate VaR	By using each country's GHG emissions reduction targets MSCI's database allocates these reductions by sector and eventually to a firm level to provide insight into the reductions required and ultimately the costs associated with such emissions reductions. MSCI's Climate VaR model considers how each portfolio company's current exposure to the above transition risks may change from today's climate to one in 2100 under three Network for Greening the Financial System (NGFS) scenarios. These scenarios assume different global temperature and emission trajectories, energy demand and prices: **Orderly:** Limits global warming to 1.5°C through early adoption of climate policies which gradually become more stringent. It assumes carbon emissions will sharply decline between 2020-2050, reaching carbon neutrality by 2055 after which they become negative until 2100. Companies in carbon-intensive sectors such as oil & gas would be particularly affected due to falling demand for their products/ services and rising carbon prices. **Disorderly:** Like the Orderly scenario, global warming is limited to 1.5°C and net zero is reached around 2055, but there is a delay and divergence of the climate policies being introduced across countries and sectors. This results in a delayed but more severe transition impact driven by higher carbon prices from 2030 onwards compared to the Orderly scenario. **Hot House:** Assumes world temperature increases to 3°C above pre-industrial levels due to insufficient climate policies. Carbon emissions remain constant between 2020-2030 and then gradually decrease but fail to reach zero by 2100. Future carbon prices are unlikely to change and therefore the transition impact is negligible under this scenario.
Physical climate VaR	MSCI's Climate VaR model considers each company's current exposure to 10 climate-related hazards; this varies depending on the sector and geographical location of the facilities owned or used by each company. Extreme weather data over the past 35 years is used to set a historical baseline. The climate-related hazards cover five acute risks (such as wildfires and tropical cyclones) and five chronic risks (such as extreme heat and cold). The model then calculates how this exposure may change from today's climate to one in 2100 under the following scenarios: **Average scenario:** This is the most probable scenario and is calculated based on the expected average value of the cost distribution. **Aggressive scenario:** This is the worst-case scenario and is based on the 95th percentile of the cost distribution. It assumes the most significant physical impacts as a result of an increase in the frequency and severity of extreme weather events. The climate exposure impact is then converted to a financial impact and aggregated across all company facilities within the Public Companies portfolio.
Technology opportunities VaR	Technology opportunities VaR for each company is calculated by taking a company's present value of future green profits and dividing this by the company's enterprise market value. Future green profits are based on a company's aggregated patent scores relative to sector peers and current green revenues in each sector. The number and quality of patents act as proxies of a company's R&D investment and therefore a good indicator of future market innovation potential. Technology opportunities VaR for each company is calculated by taking a company's present value of future green profits and dividing this by the company's enterprise market value. Future green profits are based on a company's aggregated patent scores relative to sector peers and current green revenues in each sector. The number and quality of patents act as proxies of a company's R&D investment and therefore a good indicator of future market innovation potential.
Green Revenue	As defined by MSCI green revenue derived from products or services related to alternative energy, energy efficiency, green building, pollution prevention, sustainable water, and sustainable agriculture.
Green Revenue Exposure	As defined by MSCI green revenue exposure is green revenue expressed as a percentage of the total revenue derived from the portfolio.
Companies with net zero target of 2050 or earlier	Count of all firms with a net zero target for Scope 1 and Scope 2 in the year 2050 or sooner.
Companies with top quartile management score	These are firms in the top quartile of the ESG management score. The ESG management score is based on ratings giving in both the Social and Environmental pillars. It assesses areas such as strategy, track record and programs. Each of these elements is given a score from 0-10 then a weighted average is taken.

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