



CITY OF LONDON
Investment Group PLC

Annual TCFD & GHG Emissions Report

City of London Investment Group PLC
77 Gracechurch Street, London, EC3V 0AS

Produced by ECO3 Partnership Ltd
Compliance Period 1st July 2023 to 30th June 2024

Revision 1.0

September 2024

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City of London Investment Group PLC, in collaboration with ECO3 Partnership Ltd

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1. Introduction

This report responds to the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) and the listing requirement of LR 9.8.6, for the financial year ended 30th June 2024.

City of London Investment Group PLC (CLIG) is an established asset management group listed on the London Stock Exchange, consisting of two wholly owned subsidiaries that invest primarily in closed-end funds (CEFs) for the benefit of their respective clients. As a listed company, we disclose environmental initiatives at a Group level in our Annual Report and Accounts.

It sets out the extents to which CLIG PLC incorporates climate-related risks and opportunities into governance, strategy, risk management and metrics and targets, and reconfirms the expectations of our Clients.

For simplicity we have also embedded our Streamlined Energy and Carbon Reporting (SECR) into this report, in line with the Companies (Directors' Report) and Limited Liability Partnerships (Amendment) Regulations 2018.

Our subsidiary, City of London Investment Management Company Limited (CLIM), which is regulated by the Financial Conduct Authority (FCA), has published a separate and voluntary TCFD entity report, pursuant to the ESG Sourcebook rules issued by the FCA.

Operational emissions development in period:

In terms of operational emissions reductions, with reference to scopes 1 & 2, the majority of our offices have now transitioned to renewable energy tariffs for electricity, resulting in market-based emissions benefits in period.

We have also progressed our greenhouse gas (GHG) offsetting strategy for scope 3 business travel emissions.

Key takeaways from our environmental summary this year include:

- **A reduction of 26 tCO₂e scope 1 & 2 market-based emissions.**
- **An increase of 255 tCO₂e in business travel**, as a result of a focus on marketing efforts, additional meetings with clients and prospects. We also held our first Group Strategy meeting for all employees and our Board in September 2023 after a gap of four years. To mitigate the increase in travel, we have purchased **verified Gold Standard offsets**. Further details regarding our offset strategy, and the Sustainable Development Goals (SDGs) supported, is provided within the relevant section below.

2. Governance

2.1. Board Oversight

Our Board remains committed to maintaining high standards of corporate governance throughout the group. The oversight and structure of our Governance committees remains unchanged in period. Key personnel changes have been defined in the Director's Report of the 2024 Annual Report and Accounts.

With respect to overseeing our approach to climate change, board oversight is structured as follows:

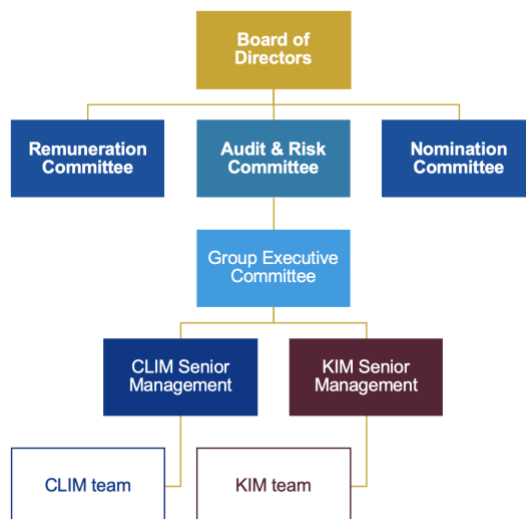


Figure 2-1 Corporate Governance Structure

The CLIG Board of Directors has the ultimate responsibility for identification and management of climate risk.

The Audit & Risk Committee (A&R) has oversight of the reporting of climate risk. A&R is also responsible for monitoring the quality of internal control, ensuring that the financial performance of the company is properly measured and reported on, meeting with the auditors and reviewing reports from the auditors relating to accounting and internal controls.

Our approach to overseeing climate-related risks and reporting is summarised within our **Audit & Risk Committee Terms of Reference**, which was revised in February 2024.

For further details, please see: <https://clig.com/wp-content/uploads/2024/02/AuditRisk-Com-2-24.pdf>

Our investment policies and objectives are reviewed annually to ensure that it meets our shareholder's needs. Performance is measured against a total return benchmark, based on an appropriate index for the investment policy. More information on our annual reviews and benchmarking strategy can be found in our Annual Stewardship Report 2024.

2.2. Management oversight

There has been no substantive change in period. The Group Executive Committee (GEC) oversees the daily responsibilities of the Group's two operating subsidiaries, CLIM and KIM, and this includes the environmental impact of the two businesses. The GEC has responsibility to bring climate matters to the A&R and Board of Directors.

Senior management in KIM and CLIM support the assessment of climate-related risks and opportunities. At CLIM, the oversight includes the portfolio managers who are responsible for implementing stewardship for their respective strategies, with the assistance of a UK based governance and ESG specialist. This ensures a coordinated response where a closed-end fund is held across multiple strategies within CLIM.

3. Strategy

3.1. Identification of Climate Risks & Opportunities

At investment management level

Our business model remains focused on exploiting discount volatility in CEFs on behalf of our clients to achieve capital growth and outperform relevant benchmark indices as necessary.

Improving CEF governance has been a key objective since our business was founded, but neither CLIM nor KIM select CEFs solely based on their ESG characteristics. Their business models are to implement investment strategies that exploit discount volatility in CEFs.

With respect to CLIM, further details (for non-US persons) regarding our SFDR disclosure are detailed here:

<https://citlon.com/sustainable-finance-disclosure-regulation-sfdr/>

CLIM's investment process is driven predominately by capitalising on CEF discount inefficiencies. The ESG characteristics of the underlying CEF portfolios are not the primary reason for selection. However, we appreciate that ESG ratings require consideration, and we therefore encourage CEFs to be more explicit regarding the integration of ESG factors into their investment process. CLIM's research teams conduct annual due diligence on the investment manager of each CEF investment. ESG issues are considered as part of this process, with the assistance of Sustainalytics ESG Risk Ratings. This work is undertaken in order to understand better the sustainability performance of the underlying CEF portfolios.

We appreciate that climate risk may materialise over the short and medium term, and at the Group level, we continue to monitor the landscape of climate-related risk drivers, which may cause us to consider possible future downside risks to our balance sheet and conversely alternative opportunities.

Further details regarding CLIM's Stewardship & Corporate Governance, Voting Record & Press Releases are available within the 'ESG for Clients' section of our website, as well as our Annual Stewardship Report located at: <https://citlon.com/esg-clients/>

At CLIG corporate level

Recognising that climate risk manifests through the physical effects of changing weather patterns and by efforts to reduce and eliminate the GHG emissions that drive those physical risks, we have identified a series of risks, and their associated drivers, across three-time horizons- 1) Short Term, which is 0-5 years, 2) Medium Term, which is 5-10 years, and 3) Long Term, which is 10+ years.

- **Physical risks** resulting from climate events and hazards can be subdivided into acute and chronic risks.
 - **Acute physical** risks include weather related or exacerbated events, that are increasing with climate change, such as floods, hurricanes, and wildfires.
 - **Chronic risks** consider gradual, long-term trends such as rising average temperatures and sea levels. The Intergovernmental Panel on Climate Change (IPCC) climate modelling forecasts increases to both of these categories, which could create physical hazards to business property and other assets in the built and natural environment, as well as indirect impacts from supply chain disruption. Financial performance could also be affected by changes in water availability, extreme temperature changes affecting our premises and operations, as well as the transport needs and safety of our employees.
- **Transition risks** manifest from the transition to a lower-carbon economy. They entail extensive policy, legal and technology risks as well as changes in consumer pressures/preferences to address the mitigation and adaptation requirements to combat climate change.

Transition risks and opportunities are particularly important in the near term, whilst **physical risks** are increasingly important over longer time horizons, although these will vary by asset class and risk type.

We have commenced a review of potential climate risk exposure, including risk drivers and how they could translate to CLIG across three initial time horizons. A summary of key risks, their drivers and potential transmission routes are illustrated below.

High impact Medium Impact Low Impact

Risk Category	Financial risks				Business risks				
Sub-category	Market	Interest Rates	Credit	Liquidity	Strategic	Operational	Technology & resilience	Regulatory compliance	Reputational
Short Term (0-5yrs)									
Medium Term (5-10 yrs)									
Long Term (10+ yrs)									

Table 3-1 Climate risk exposure over time

Risk Category	Sub-category	Risk drivers	Risk driver description	Potential method of transmission to CLIG
Financial risks	Market	Physical & Transitional risks	<ul style="list-style-type: none"> Particular market/asset sectoral declines Market adjustments to pricing of climate risks Climate event impacts on clients 	<ul style="list-style-type: none"> Investment product supply and demand shift Climate risks & opportunities that could impact the value of assets Reduced revenue from decreased demand for goods/services
	Interest Rates	Physical & Transitional risks	<ul style="list-style-type: none"> Inflationary pressure could be created by increasing carbon prices & increasing investment demand from climate change 	<ul style="list-style-type: none"> Potential to increase differentials between geographical zones, and or general interest rate environment Policy uncertainty could lead to higher investment premiums
	Credit	Physical & Transitional risks	<ul style="list-style-type: none"> More stringent criteria resultant from climate driver 	<ul style="list-style-type: none"> Climate risk could impact client creditworthiness or collateral/assets held by CLIG
	Liquidity	Physical & Transitional risks	<ul style="list-style-type: none"> Market condition changes impacting access to stable sources of funding Drop in deposits from climate impact to BAU models 	<ul style="list-style-type: none"> Climate disruption could impact client access to capital, creating potential constraints to access capital and/or resulting in declines in their wider asset bases and lower investment Early exit potential could increase
Business risks	Strategic	Physical & Transitional risks	<ul style="list-style-type: none"> Future sustainability drivers or concerns of our clients Pace of development of green products 	<ul style="list-style-type: none"> Potential for client sentiment to change over time Focus on discount volatility may not leverage new investor profiles (consumer generational preference/product shift)
	Operational	Physical & Transitional risks	<ul style="list-style-type: none"> Climate resilience of operations 	<ul style="list-style-type: none"> Increasing frequency or magnitude of climate events may disrupt our operations, increasing potential for operational loss or error Abrupt and unexpected shifts in energy costs
	Technology & resilience	Physical & Transitional risks	<ul style="list-style-type: none"> Acute and chronic physical risks 	<ul style="list-style-type: none"> Costs to adopt/deploy new practices and processes The increasing severity of climate events could disrupt operations, our assets and supporting infrastructure. R&D expenditure in new technologies
	Regulatory compliance	Physical & Transitional risks	<ul style="list-style-type: none"> Concerns around own or products GHG footprint, or compliance disclosures 	<ul style="list-style-type: none"> Increasing legal and regulatory compliance risk associated with climate-sensitive investments and businesses Potential legal liabilities or litigation increase related to product based disclosures
	Reputational	Physical & Transitional risks	<ul style="list-style-type: none"> Defining and meeting climate commitments Green product disclosures & labelling Climate strategy variance across geographical regions 	<ul style="list-style-type: none"> Changing customer or employee perceptions of our contribution to or detractor from the transition to a lower-carbon economy

Table 3-2 Climate risk drivers and potential transmission routes

3.2. Impact of Climate Risks & Opportunities

We acknowledge that the gradual change potential in physical risks is happening now and will only increase over the coming decades.

Transition risk is more time pressing and will likely have a higher impact on CLIG's operations in the short and medium term. We continue to enhance our processes linking the impact of climate related risks and opportunities, presented in Table 3.3 below, to our strategy and financial planning.

Risk Category	Financial Impacts	Financial Opportunities
Market	<ul style="list-style-type: none"> Reduced demand for services due to shift in consumer preferences Further abrupt and unexpected shifts in energy costs Change in revenue mix and sources, resulting in decreased revenues Re-pricing of underlying assets (e.g., land and fund valuations) 	<ul style="list-style-type: none"> Increased revenues through access to new markets Increased market resilience due to diversified investment opportunities
Operational	<ul style="list-style-type: none"> Increased operating costs (e.g., from higher compliance costs or increased insurance premiums & costs to reduce emissions trajectory) Write-offs, asset impairment, or early retirement of assets due to policy changes 	<ul style="list-style-type: none"> Reduced operating costs (e.g., payback through energy efficiency measures and reduced operational demand/consumption) Benefits from optimised workforce management and planning (e.g., improved health and safety, employee satisfaction) resulting in lower costs

Risk Category	Financial Impacts	Financial Opportunities
Reputational	<ul style="list-style-type: none"> • Reduced revenue from decreased demand for services • Reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention) • Reduction in capital availability 	<ul style="list-style-type: none"> • Reputational benefits resulting in increased demand for our services

Table 3-3 Financial impacts and opportunities from climate risk

Climate related transitional opportunities are summarised in Table 3.4.

Opportunity category	Climate related opportunities
Market & offering	<ul style="list-style-type: none"> • Potential medium to long term access to new markets • Ability to diversify business activities • Shift in consumer preferences
Resilience	<ul style="list-style-type: none"> • Participation in renewable energy programs (market-based) and adoption of energy efficiency measures • On site renewable energy generation
Reputational	<ul style="list-style-type: none"> • Reputational benefits resulting in increased demand for goods/services, and own approach towards GHG mitigation
Operational efficiency	<ul style="list-style-type: none"> • Move to more efficient buildings or refurbishment of existing • Reduced operational usage and consumption- water, materials & waste • Transportation policy changes and humanitarian offsetting of necessary flights for business travel

Table 3-4 Climate opportunities

3.3. Scenario Analysis

As noted previously, neither CLIM nor KIM select CEFs solely based on their ESG characteristics. Their business models are to implement investment strategies that exploit discount volatility in CEFs. Nonetheless, we have considered outline scenarios, more specifically the Network for Greening the Financial System (NGFS) climate scenarios (Orderly, Disorderly, Hot house world, Too little, too late scenarios).

The scenarios generally consider pathways ranging from a positive scenario where climate policies, investment and action are introduced early, and become gradually more stringent, through to scenarios that consider failure and/or a late transition which fails to limit physical risks.

Business-as-usual scenarios, i.e., currently implemented policies, are estimated to lead to a world that is at least 3°C hotter. The key focus in the industry however is to reach net-zero emissions by around 2050, limiting global warming to 1.5°C above pre-industrial levels. The NGFS scenarios are based upon complex modelling of physical and socio-economic systems. A summary of the outline scenarios considered are:

Current policies: assumed that only currently implemented policies are preserved, leading to high physical risks. Emissions peak in 2080 leading to 3°C of warming which will cause severe physical risks.

Delayed transition: assumed global annual emissions peak in 2030 before declining, followed by stringent climate policy implementation to limit warming to below 2°C.

Below 2°C: assumes that climate policy will continue to increase in stringency over time with immediate implementation. Giving a 67% chance of limiting global warming to below 2°C. Although this sub-scenario assumes increasingly climate policy intensity it is not as stringent as 'Net Zero 2050'.

Net Zero 2050: is an ambitious scenario that limits global warming to 1.5°C through strict climate policy implementation coupled with rapid technological innovation to reach net zero by 2050.

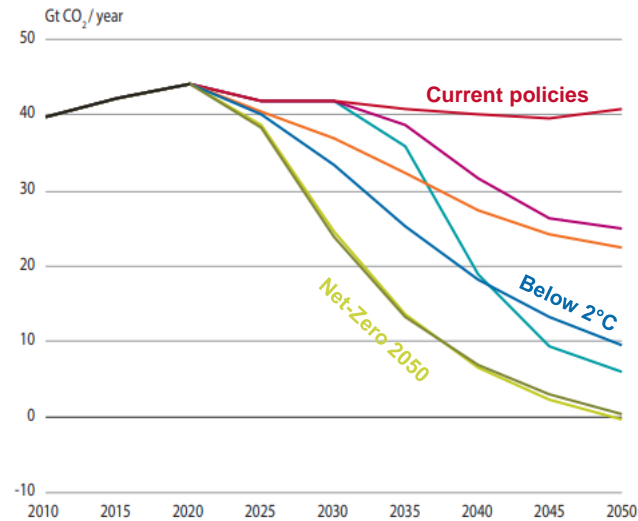


Figure 3-1 NGFS Emissions projections under varying climate scenarios

Source: IIASA NGFS Climate Scenarios Database, Remind Model. Labels added for clarity.

The NGFS scenarios provide a useful framework for understanding how different pathways could impact the environment, financial markets and global economy. The scenarios emphasise the importance of timely and coordinated climate policies to minimise both transition and physical risks and highlight the significant economic and financial consequences of delayed or insufficient action.

As noted previously, our focus remains on relative investment performance. We manage client assets relative to a benchmark, but do not screen out investments based on sustainability risks.

Our clients do not instruct us to manage against a benchmark that has an ESG screen. Consideration of the scenarios does however ensure that we are not blindsided by the economic impacts of climate change and supports more informed decision-making.

4. Risk Management

4.1. Materiality

A critical focus within CLIG is listening to our stakeholders, particularly our clients, to meet their investment requirements.

Materiality considers the threshold at which issues become sufficiently important to our investors and stakeholders, that should be reported publicly. When assessing materiality, we consider how the Group is affected by climate change, as well as the Group's own impact on the climate. We appreciate that the needs of our stakeholders, and indeed the developing sustainability reporting frameworks, will evolve over time. We will continue to assess our approach to materiality so that we continue to report on what is of relevance to our clients and stakeholders. The impact from climate change, at present, relates primarily to our operational impact.

Our focus remains on relative investment performance. We manage client assets relative to a benchmark, but do not screen out investments based on sustainability risks.

4.2. Identifying & assessing climate risks

We have reviewed key risks outlined within the Carbon Disclosure Project (CDP) and within the TCFD documentation. We continue to develop our materiality determination processes.

A list of applicable risks to CLIG have been defined and codified to support further assessment on an ongoing basis. Our process has not changed since our previous report. Where appropriate, selected climate risks will be embedded into our risk framework.

Climate Risk Category	Sub-Type	Risk Code	Risk Map ID	Identified risks
Transition Risks	Policy and Legal	T.PL.01	R.01	Increased pricing of GHG emissions
		T.PL.02	R.02	Enhanced emissions-reporting obligations
		T.PL.03	R.03	Mandates on and regulation of existing products and services
		T.PL.04	R.04	Exposure to litigation
		T.PL.05	R.05	Regulation and supervision of climate-related risk in the financial sector
		T.PL.06	R.06	Investing that could create or contribute to systemic risk for the economy
		T.PL.07	R.07	Carbon pricing mechanisms
	Technology	T.T.01	R.08	Substitution of existing products and services with lower emissions options
		T.T.02	R.09	Costs to transition to lower emissions technology
		T.T.03	R.10	Unsuccessful investment in new technologies
		T.T.04	R.11	Transitioning to lower emissions technology
	Market	T.M.01	R.12	Changing customer behaviour
		T.M.02	R.13	Uncertainty in market signals to climate risk
		T.M.05	R.16	Rise in risk-based pricing of insurance policies (beyond demand elasticity)
		T.M.06	R.17	Loss of clients due to a fund's poor environmental performance outcomes (e.g., if a fund has suffered climate-related write-downs)
		T.M.07	R.18	Contraction of insurance markets, leaving clients exposed and changing the risk parameters of the credit
	Reputation	T.R.01	R.19	Shifts in consumer preferences
		T.R.02	R.20	Negative press coverage related to support of projects or activities with negative impacts on the climate (e.g., GHG emissions, deforestation, water stress)
		T.R.03	R.21	Stigmatization of sector
		T.R.04	R.22	Increased stakeholder concern or negative stakeholder feedback
Physical Risks	Acute	P.A.01	R.23	Increased likelihood and severity of wildfires
		P.A.02	R.24	Increased severity of extreme weather events such as cyclones and floods
		P.A.03	R.25	Heatwaves

Climate Risk Category	Sub-Type	Risk Code	Risk Map ID	Identified risks
Physical Risks		P.A.04	R.26	Coldwaves / frost
		P.A.05	R.27	Droughts
		P.A.06	R.28	Heavy precipitation (rain, hail, snow/ice) floods
	Chronic	P.C.01	R.30	Changes in precipitation patterns and extreme variability in weather patterns
		P.C.02	R.31	Deforestation
		P.C.03	R.32	Water stress
		P.C.04	R.33	Rising mean temperatures
		P.C.05	R.34	Rising sea levels

Table 4-1 Climate risks- Transitional & Physical considerations

4.3. Managing climate related risks

We continue to develop our approach to help integrate climate-related risk into our decision process at the Group level. Climate risk remains an emerging risk, but it is not currently considered a significant risk for the Group.

4.4. Integration into risk management processes

We will consider reviewing the manner in which we have introduced the management of climate risk into our Group level risk management framework.

Consideration will be given as to whether we could enhance our risk management processes with the integration of specific climate risk training, strategic planning or processes and controls. Any material climate risks and opportunities identified will be actioned as necessary on an ongoing basis. We have a fiduciary duty to oversee our client's assets which they have entrusted us to manage.

ESG is considered at the level of both the CEF corporate and the underlying CEF portfolio. CLIM is a large investor in CEFs and at the corporate level prioritises governance factors over underlying portfolio ESG issues when assessing a potential holding prior to purchase.

In 2023, 65 CEF portfolios were analysed (64 in 2022) using Sustainalytics data, representing 71% of CLIM's FuM at the calendar year end (vs 70%). In those CEF portfolios that were analysed, Sustainalytics covers 94% of the underlying securities on a size weighted basis.

Sustainalytics does not cover unlisted companies and has limited small cap coverage. Small cap securities tend to score poorly which, in CLIM's view, often reflects their weaker disclosure and a relative lack of resources available to develop relevant policies as opposed to poor ESG practices. Lower scores for smaller companies are not necessarily indicative of higher ESG risk. Given the fixed capital structure, CEF investment strategies generally have longer investment horizons and a majority employ active, fundamental, bottom-up processes that favour opportunities in smaller companies. Accordingly, CLIM's CEF portfolios are typically overweight smaller and mid cap securities.

Overall ESG risk for all CLIM portfolios as at end December 2023, using Sustainalytics, was 2.9% lower than their respective benchmarks. By strategy, overall ESG risk for the EM strategy was 2.2% below benchmark and for the international equity and opportunistic value strategies it was 4.1% lower. Weighted average carbon intensity in those CEF investments which made the relevant disclosures was over 40% lower than their respective benchmarks. CLIM does not set targets for these measures.

Figure 4-1 illustrates the distribution of securities held in client portfolios as at end 2023, according to their overall ESG risk compared to their specific benchmark.

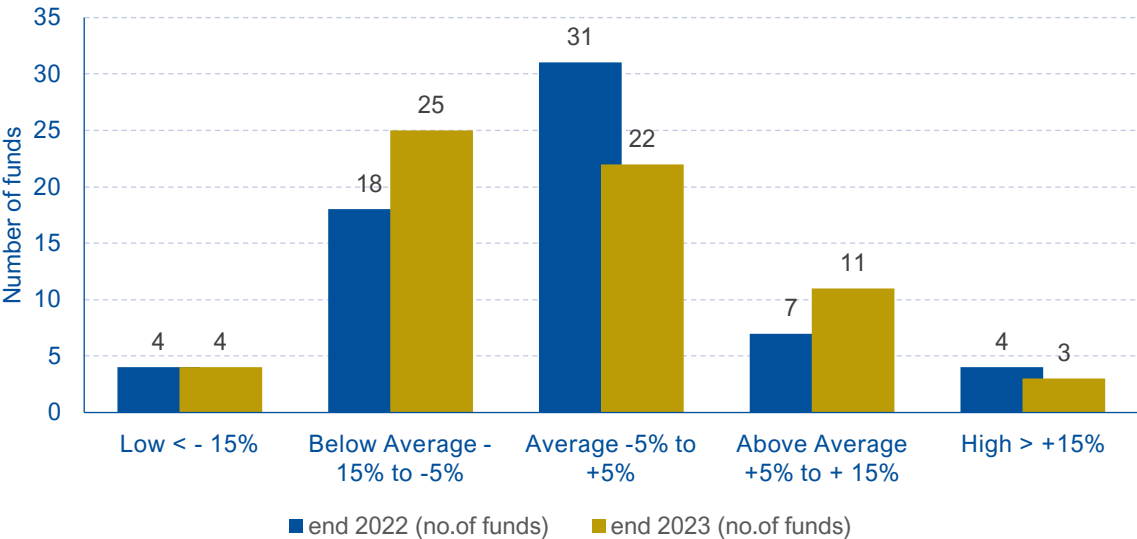


Figure 4-1 CLIM’s CEF investments overall ESG risk vs benchmark.

Please also refer to our Responsible Investment Statement and further detail of our own risk management approach on our website. Further information is also provided in our Annual Stewardship Report.

<https://citlon.com/wp-content/uploads/2024/03/AnnualStewardshipReport3-24.pdf>

5. Metrics & Targets

The following section relates to our own operational emissions footprint.

In terms of reducing our GHG emissions, note the following:

1. Regarding scope 2 market-based emissions, the electricity procured for our London office is underpinned by Renewable Energy Guarantees of Origin. At Rochester, the office is supplemented by renewable energy credits for wind power generated in New York State. From February 2024 onwards, our West Chester office has been supported by renewable energy credits, purchased from solar and wind resources.
2. We have offset our business travel emissions for the first time in period. Further information is provided within section 5-4.

The benefits and emissions reductions from these programmes can be seen within our Scope 2 market-based emissions, whilst the net effect of our offset programme (set against business travel) is shown within scope 3.

5.1. Streamlined Energy & Carbon Reporting

This following sections summarise our Streamlined Emissions Carbon Report (SECR) for City of London Investment Group PLC (CLIG), required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Scopes 1-3 emissions have been assessed for the year ended 30/06/2024.

The methodology used is the Greenhouse Gas Protocol, using UK Government conversion factors produced by the Department for Business, Energy & Industrial Strategy (BEIS 2023, issued 7th June 2023 & BEIS 2024, issued 8th July 2024) and US EPA & eGRID factors published on 5th June 2024, and the latest Singaporean EMA data. Our methodology and the extension of our scope 3 emissions assessment is presented section 5.3 & 5.5.

The market-based method for calculating scope 2 electricity emissions was used within this assessment. A location-based factor has also been calculated for comparison. This is effectively the grid 'average emission' factor for electricity in the UK, comprised of natural gas, renewables, nuclear, coal, oil, pumped storage, biomass, interconnectors etc.

With respect to scope 1 fugitive emissions, there were no leakage/maintenance reports which highlighted the purchase, disposal, topping up or discovery of refrigerant leaks in period.

5.1.1. Energy consumption summary

We have used a financial control boundary. The energy consumption used to calculate emissions for Scopes 1 & 2 was 479,594 has increased slightly in period (388,589 kWh last year), primarily through the concurrent closure of Coatesville and the opening of our larger West Chester office, as well as an increase in consumption at our Rochester and Singapore offices. Our new West Chester office is in a location that is accessible to employees by foot, bike, public transportation and automobiles (the Coatesville office was only accessible by automobile).

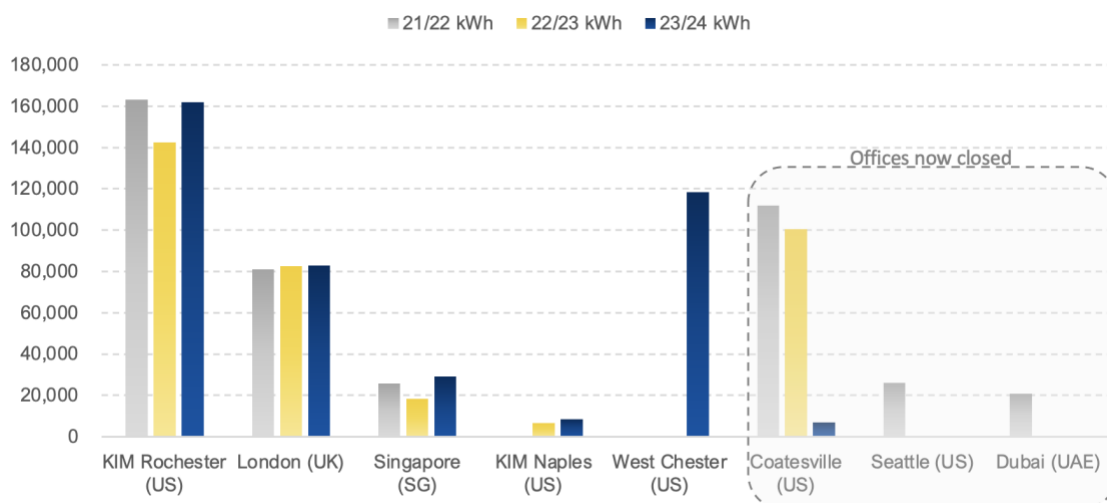


Figure 5-1 Year-on-year comparison of electricity consumption and office closures

5.1.2. **Scopes 1 & 2 emissions comparison**

Our scope 1 & 2 market-based emissions have reduced by **25.72 tCO₂e** from last year, as a result of the following measures:

- Procurement of a green electricity contract for our London office.
- Purchase of wind energy credits for our Rochester office (US).
- Purchase of Renewable Energy Credits (RECs) for our West Chester office (US).

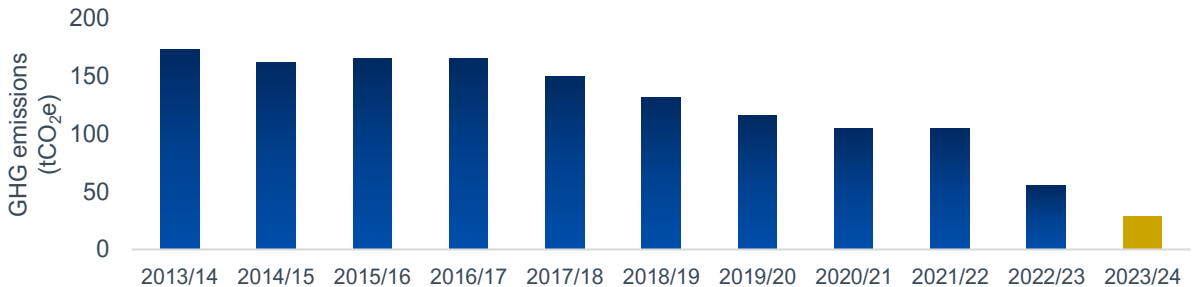


Figure 5-2 CLIG YoY comparison of Scopes 1 & 2 emissions combined (tCO₂e)

Our associated scope 1 & 2 intensity ratio has reduced from **0.91 tonnes CO₂e/FTE** in our revised base year (y/e 2022), to **0.25 tonnes CO₂e/FTE** this year, with a reference value of 118 FTE in period.

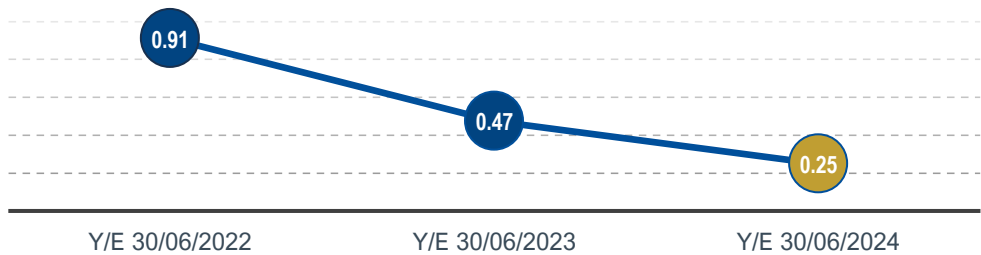


Figure 5-3 CLIG YoY Scopes 1&2 intensity ratios (tCO₂e/FTE)

5.2. Scopes 1-3 emissions summary

A summary of our emissions is presented below. Further detail regarding our methodology is presented in section 5-5.

Year ended 30th June 2024

GHG Emissions summary

tCO₂e

Scope 1: 13

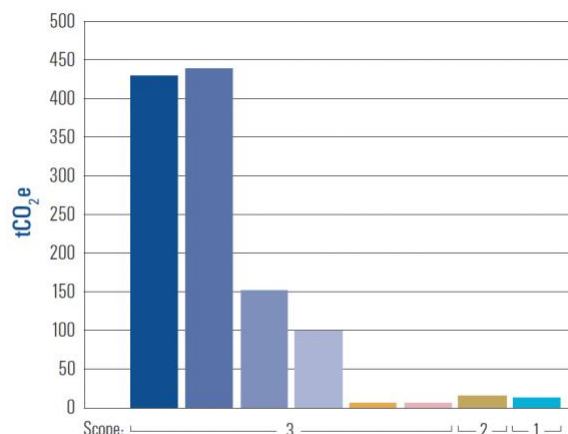
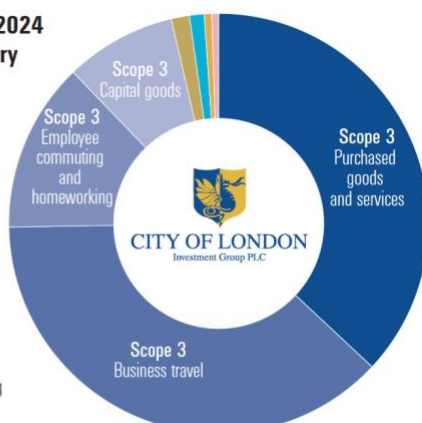
Scope 2 (MB): 16

Scope 3: (net

emissions*): 671

*including verified carbon offsets

- Scope 3: Purchased goods and services
- Scope 3: Business travel
- Scope 3: Employee commuting and homeworking
- Scope 3: Capital goods



Scope	Emissions type	Scope 3 category	Indicator name	Year ended 30th June 2024	Year ended 30th June 2023
Scope 1 – Total direct GHG emissions					
Scope 1 Total (tCO₂e Global)				13.06	6.91
Scope 1	Direct	N/A	Company facilities – Stationary Combustion (gas) (Non-UK only)	13.06	6.91
	Direct	N/A	Company vehicles	–	–
	Direct	N/A	Fugitive Emissions	–	–
Scope 2 – Indirect energy related emissions					
Scope 2 (market-based) sub-total (tCO₂e Global)				16.32	48.19
Scope 2	Indirect	N/A	Purchased electricity for own use (location-based) (UK)	17.15	16.55
	Indirect	N/A	Purchased electricity for own use (location-based) (Non-UK)	72.02	55.93
	Indirect	N/A	Purchased electricity for own use (market-based) (UK)	0.00	0.00
	Indirect	N/A	Purchased electricity for own use (market-based) (Non-UK)	16.32	48.19
Scopes 1 & 2 Total					
Scopes 1 & 2 (market-based) sub-total (tCO₂e Global)				29.38	55.10
Scope 3 – Indirect emissions					
Scope 3 total (tCO₂e Global)				1,131.03	1,039.58
	Carbon offsets	6	Verified carbon offsets purchased and retired in period (offset of business travel plus contingency)	(460.00)	
Scope 3 net total (tCO₂e Global)				671.03	
	Upstream	1	Purchased goods and services	428.59	533.27
	Upstream	2	Capital goods	100.11	134.65
	Upstream	3	Fuel & energy related activities (not included in scope 1 and scope 2)	6.57	3.80
	Upstream	5	Water & Waste generated in operations	6.25	6.25
	Upstream	6	Business travel	437.86	183.01
	Upstream	7	Employee commuting & homeworking	151.65	178.61

Figure 5-4 CLIG Scopes 1-3 GHG emissions summary

5.3. Scope 3 emissions methodology

The Scope 3 Standard divides scope 3 emissions into upstream and downstream emissions.

- **Upstream emissions** are indirect GHG emissions related to purchased or acquired goods and services.
- **Downstream emissions** are indirect GHG emissions related to sold goods and services.

Where relevant to our organisation, we report estimated scope 3 emissions for our business according to the 15 categories defined in the GHG Protocol.

The most significant contribution to our scope 3 emissions in our value chain is from upstream emissions.

Our scope 3 emissions estimates, and inventory are summarised in the following sections, with further detail on the calculation boundaries methodologies, materiality, assumptions and references used to calculate the scope 3 emissions estimates for each relevant category for year-end 30/06/2024.

Our scope 3 estimates will be reviewed annually, supported by supply chain data improvement and engagement over time, where practicable.

A scope 3 screening exercise was conducted to rule out wider scope 3 categories which were deemed to be not relevant or material to our business.

Figure 5-5 compares scope 3 emissions with the previous reporting year. Business travel has increased significantly as anticipated. A historical comparison of business travel emissions is shown in Figure 5-6, which illustrates the post COVID rebound and mitigation from our offset programme.

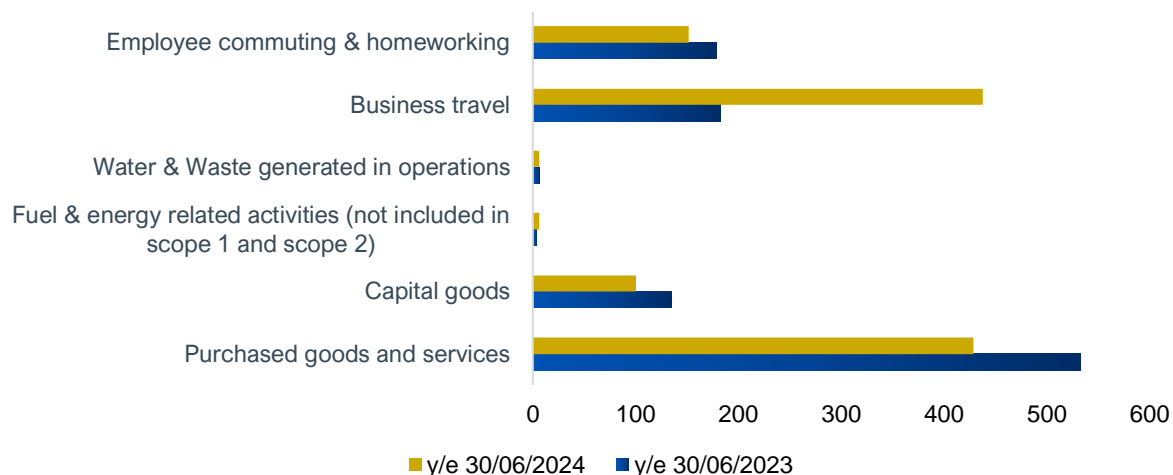


Figure 5-5 Scope 3 emissions comparison (tCO₂e)



Figure 5-6 Business travel emissions comparison & offsets purchased

5.4. Verified carbon offsets

CLIG PLC recognises the importance of minimising our environmental impact where possible. Business travel remains an essential part of our operations. We have chosen to mitigate our emissions from business travel by purchasing carbon offsets.

Towards the end of 2023, 173 carbon credits were purchased for a variety of climate projects, and we have since purchased a total of 460 credits, including a small contingency (which would in effect offset the utilities emissions from our Singapore office).

This will offset all of our business travel, including flights, mileage and hotel stays. Our purchased offset projects demonstrate additionality and permanence, ensuring that they are impactful and sustainable over time. Each carbon project used in our offsetting strategy meets at least three of the UN Sustainable Development Goals. The SDGs we have considered within our programme are shown below.



Figure 5-7 Key Sustainable Development Goals (SDGs) relevant to our carbon offset programme

Project Name	Project Location	Project Category	Relevant Sustainable Development Goals
100 MW Solar Power Plant	Maharashtra, India	Renewable Energy	<ul style="list-style-type: none"> Affordable and Clean Energy Decent Work and Economic Growth Climate Action
Improved cookstoves for Conservation	Makera Gallery Forest, Rwanda	Land Use Activities and Nature-based Solutions	<ul style="list-style-type: none"> Good Health and Wellbeing Affordable and Clean Energy Climate Action
WithOneSeed Community Forest Program	Democratic Republic of Timor-Leste, South East Asia	Community-based Energy Efficiency	<ul style="list-style-type: none"> Zero Hunger Life on Land Climate Action

Table 5-1 Details of our Gold Standard carbon offsetting projects

5.5. Scope 3 methodology

The following sections provide details on our methodology regarding scope 3 emissions.

5.5.1. Category 1 Purchased goods & services

Category 1: Purchased goods and services			
GHG Protocol Category description:	Upstream (i.e., cradle-to-gate) emissions from the extraction, production and transportation of goods and services purchased or acquired by the reporting company in the reporting year, where not otherwise included in categories 2 to 8.		
Estimation methodology, estimated value & materiality:	Spend-based Industry Classification GHG factors	428.59 tCO₂e	Material
Notes	<p>Includes paper purchased (0.73 tCO₂e).</p> <p>Scope 3 category 1, purchased goods and services, is an estimate determined through analysing spend on goods and services and categorising them into relevant UK & US industry classification codes.</p> <p>Exclusions: Excludes Human Resources costs, premises costs, depreciation & expenditure related to other scope items scope 1-3 categories.</p>		

Table 5-2 Scope 3 category 1 summary

5.5.1.1. Calculation methodology

A spend-based method, as described in Scope 3 Guidance, is used to calculate these emissions, using spend-based data (the economic value of the goods and services) with a combination of sector specific, and where possible, geography specific emissions factors.

Spend data is broken down according to CLIG's internal taxonomy codes and allocated to the most appropriate product group category available from US & UK industry classification codes.

These values are then applied to calculate overall emissions estimates for this category.

5.5.1.2. Data Sources

Annual spend data is extracted from our internal systems. Emissions factors are sourced from US & UK national databases, classified by economic & emissions activities.

5.5.2. Category 2 Capital Goods

Category 2: Capital Goods			
GHG Protocol Category description:	Upstream (i.e., cradle-to-gate) emissions from the extraction, production and transportation of capital goods purchased or acquired by the reporting company in the reporting year, where not otherwise included in categories 1 to 8.		
Estimation methodology, estimated value & materiality:	Spend-based Industry Classification GHG factors	100.11 tCO ₂ e	Material
Notes	<p>Scope 3 category 2, capital goods, is an estimate determined through analysing spend on capital goods and categorising them into relevant UK & US industry classification codes.</p> <p>Exclusions: no exclusions</p>		

Table 5-3 Scope 3 category 2 summary

5.5.2.1. Calculation Methodology

A spend-based method, as described in Scope 3 Guidance, is used to calculate these emissions, using spend-based data (the economic value of the goods and services) with a combination of sector specific, and where possible, geography specific emissions factors.

Spend data is broken down according to CLIG's internal classification of capital goods and allocated to the most appropriate product group category available from US & UK.

These values are then applied to calculate overall emissions estimates for this category.

5.5.2.2. Data Sources

Annual spend data is extracted from our internal systems. Emissions factors are sourced from US & UK emissions data, classified by economic & emissions activities.

5.5.3. Category 3 Fuel & energy related activities

Category 3: Fuel & energy related activities			
GHG Protocol Category description	Emissions related to the extraction, production, and transportation of fuels and energy purchased or acquired by the reporting company in the reporting year, not already accounted for in scope 1 or scope 2.		
Estimation methodology, estimated value & materiality	Hybrid	6.57 tCO ₂ e	Not material
Notes	<p>Our methodology only includes Transmission & Distribution losses.</p> <p>We will further extend to consider well to tank (WTT) losses for electricity and natural gas moving forward.</p>		

Table 5-4 Scope 3 category 3 summary

5.5.3.1. Calculation Methodology

The 'average-data' method as described in the Scope 3 Guidance is used to calculate these emissions. Industry-average scope 3 emissions factors for each fuel type (including well to tank losses) or natural gas/electricity source (i.e., grid) are applied to the relevant consumption volumes to calculate overall emissions estimate for this category.

5.5.3.2. Data Sources

Fuel and energy consumption data is sourced by ECO3 Partnership Ltd from supplier invoices.

5.5.4. Category 5 Water and Waste generated in operations

Category 5: Waste generated in operations			
GHG Protocol Category description	Emissions from third-party disposal and treatment (in facilities not owned or controlled by the reporting company) of waste generated in the reporting company's operations in the reporting year.		
Estimation methodology, estimated value & materiality	Average data and waste-type specific	6.25 tCO ₂ e	Not material
Notes	This also includes emissions from water supply in addition to wastewater and office waste.		

Table 5-5 Scope 3 category 5 summary

5.5.4.1. Calculation methodology

The 'average-data' method as described in the Scope 3 Guidance is used to calculate these emissions. UK government scope 3 emissions factors for each waste type, category and method of recycling, as well as emission factors for wastewater and water consumption volumes to calculate the overall emissions estimate for this category.

5.5.4.2. Data sources

Water and wastewater data is sourced from available supplier invoices. Where certain offices did not have access to this information, waste, water & wastewater volumes were benchmarked from other offices in our portfolio.

5.5.5. Category 6 Business travel

Category 6: Business travel			
GHG Protocol Category description	Emissions from the transportation of employees for business-related activities during the reporting year (in vehicles not owned or operated by the reporting company).		
Estimation methodology, estimated value & materiality	Hybrid- primarily distance and some spend-based data for, as well as no. of nights for hotels	437.86 tCO ₂ e	Material
Notes	This includes air travel, US grey fleet, hotel stays Exclusions: emissions from business travel activities for which spend data is not available are excluded		

Table 5-6 Scope 3 category 6 summary

5.5.5.1. Calculation methodology

For flights, the distance-based method as described in the Scope 3 Guidance is used to calculate these emissions, with industry average emissions factors applied based on whether the flight distance is categorised as being short, medium or long-haul. Radiative forces have been applied.

For hotel accommodation, spend-based data, as well as the number of nights and location of the hotel are used to calculate these emissions, based upon the geographic location of the overnight stay.

For grey fleet, mileage data was utilised.

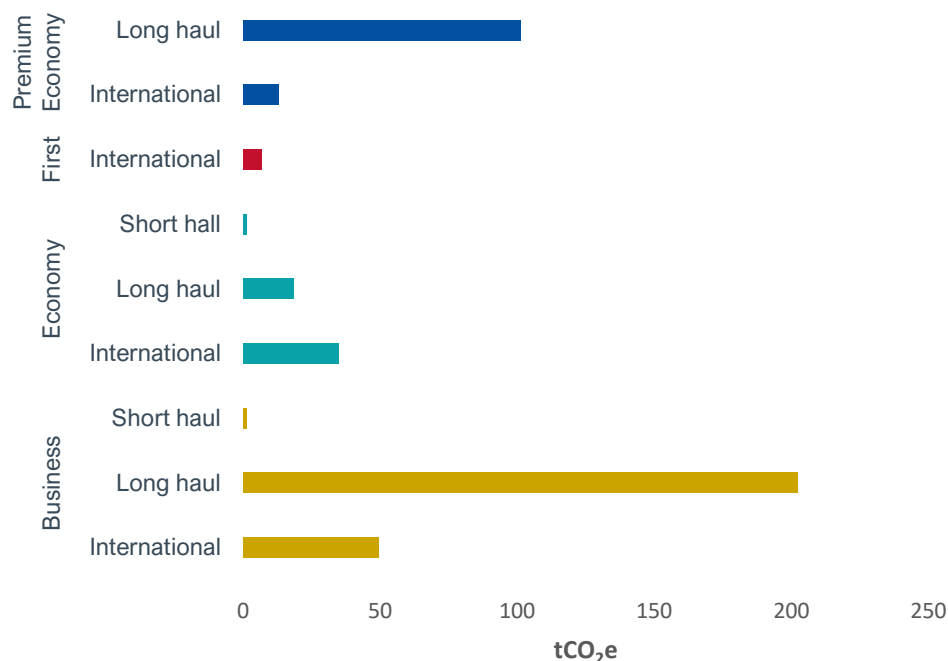


Figure 5-8 Business travel emissions by class

5.5.5.2. Data sources

Data is sourced from CLIG's expenses system and utilises BEIS factors. Data is segregated by flight type and haul classification.

5.5.6. Category 7 Employee commuting & teleworking

Category 6: Business travel			
GHG Protocol Category description	Emissions from the transportation of employees between their homes and their worksites during the reporting year (in vehicles not owned or operated by the reporting company).		
Estimation methodology, estimated value & materiality	Average data	151.65 tCO ₂ e	Material
Notes	<p>This includes teleworking (i.e., working from home). The methodology for working from home has been updated to reflect the new UK Government factors for homeworking emissions, due to the increased importance of estimating emissions from homeworking during/post the Covid pandemic.</p> <p>Exclusions: no exclusions noted</p>		

Table 5-7 Scope 3 category 7 summary

5.5.6.1. Calculation methodology

Estimated using actual headcount, HR data, estimated commuting distances and vehicle/transport types derived from databases, census data and government analysis. Emission factors and data from a series of consumption and technological databases for computing, heating and lighting data, as well as weather-based heating and cooling data has allowed us to profile and estimate emissions resultant from working from home.

5.5.6.2. Data sources

The information has been sourced from commuting trends by city, HR data and governmental census/city/regional focused data.

5.6. Proposed Targets & future actions

Limiting the average global temperature rise to 'well below 2°C above pre-industrial levels' and pursuing efforts to limit the rise to 1.5°C above pre-industrial levels, in line with the Paris Agreement, is a critical challenge facing the global economy. Our net zero target considers alignment with the UK's legally binding requirement to reduce its greenhouse gas emissions by 100% from 1990 levels. The net zero target for the UK was defined in the Climate Change Act 2008 (2050 Target Amendment) Order 2019.

We are targeting operational net zero by 2050. We will be developing a Group climate strategy that will set out our near-term 2030 and long-term 2050 net zero targets. This will consider the actions we are taking across various climate pillars. Implementation of our operational decarbonisation strategy will be led by our Group Executive Committee and representatives from CLIM & KIM, and overseen by the ARC.

Operational net zero targets under consideration:

- **Pillar 1-** Reduce absolute Scope 2 (market-based) GHG emissions to 0 by 2027.
- **Pillar 2-** Reduce absolute Scope 1 and 2 (location-based) greenhouse gas (GHG) emissions by 40-50% by 2030 from a 2022 baseline. We are actively considering the role of appropriate and practicable low and zero carbon technologies (LZCs) at our sites to support the reduction of our Scope 1 & 2 emissions, and associated energy consumption.
- **Pillar 3-** Reducing and offsetting business travel with additionality and permanence. Due to our geographical spread and client base, we are reviewing our policies. Our approach will consider reducing what we can in the first instance, and then offsetting necessary business travel through verified schemes, such as Gold Standard. We note recent market developments, specifically from The Integrity Council for the Voluntary Carbon Market and their ongoing carbon-crediting programs that meet the high-integrity criteria set out in its Core Carbon Principles (CCPs). Gold Standard is amongst the programs to become CCP-eligible. Any future offsets procured will also consider CCP labelling. The group remains open about documenting its emissions and documenting the steps we are taking to avoid, eliminate and reduce where we can, and to offset what we cannot. One of the perennial themes at CLIG is constant improvement, and so we look forward to seeing how carbon offset standards evolve and how we can best position ourselves to ensure any offsets we purchase are put towards robust emissions reduction projects.
- **Pillar 4-** We will consider implementing KPIs and annual reductions in our scope 3 emissions. This may include the volume and quantity of our operational waste, material usage and water consumption. We appreciate that this will require a level of engagement with our supply/value chain to reduce these emissions. It will support our stewardship role in promoting sustainability throughout our business operations.

