Downing's Sustainability and Responsible Investment Report

2024

Downing

Contents

Welcome from the CEO and COO

As we approach our 40th anniversary, we reflect on the core values that define Downing. Our commitment to integrity and cultivating a distinctive, positive company culture has always been paramount. Since our founding in 1986, our focus has evolved to prioritise renewable energy investment, support needs-based care, aid the development of new homes, and help smaller companies grow - all while helping our investors reach their financial goals. The report highlights this progress and developing focus on integrating sustainability and transparency across these activities. We hope you find it informative, easy to navigate, and enjoyable to read.

Welcome from the Head of Sustainability

For an investment firm, we're evolving our approach to place greater emphasis on sustainability throughout our activities. We incorporate material sustainability factors into our investment decisions and engage in thoughtful dialogues on the subject. Transparency in our outcomes is demonstrated through annual reports like this one.

Sustainability encompasses varied factors. We identify seven key factors as most relevant and material: setting accountability targets, reporting greenhouse gas emissions, providing climate disclosures, sharing stories of responsible investing and active ownership, ensuring external reporting and verification of our approach, and anticipating sustainability themes for 2025.

Roger Lewis

Roger Lewis

Head of Sustainability and
Responsible Investment

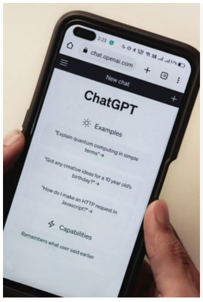
Top sustainability themes in 2025

Visible climate impacts from invisible greenhouse gases

The effects of greenhouse gases are becoming increasingly evident. Floods on parched, drought-stricken ground where rainwater fails to be absorbed, and wildfires occurring in previously unaffected seasons, rendering homes and communities uninsurable. Recent examples from Spain and Los Angeles show the risk, with more likely to follow.

Maturing ESG practices

Environmental, Social, and Governance practices continue to evolve. While there are criticisms such as lack of material impact, confusion, and not aligning with strict fiduciary definitions of shareholder primacy persist, our stance is clear. We believe that well-governed assets, climate systems, future risks, and the welfare of future generations are all crucial themes.



AI's dual impact on sustainability

The rise of AI has two significant implications for sustainability. Increased use of chat tools and the electrification and digitization of everything drive higher power demand. While renewable energy should meet this demand, the climate and emissions impact is concerning if it does not. Additionally, responsible AI use has become a new ESG investment and engagement topic.

Mixed signals from policymakers

Geopolitical tensions and their impacts on land, resources, and lives pose a risk that sustainability could be deprioritized in favour of military spending. This mixed signalling from policymakers creates uncertainty about the future prioritization of sustainability initiatives.

Part 1

Sustainability

Chapter 1:

Our portfolio in numbers

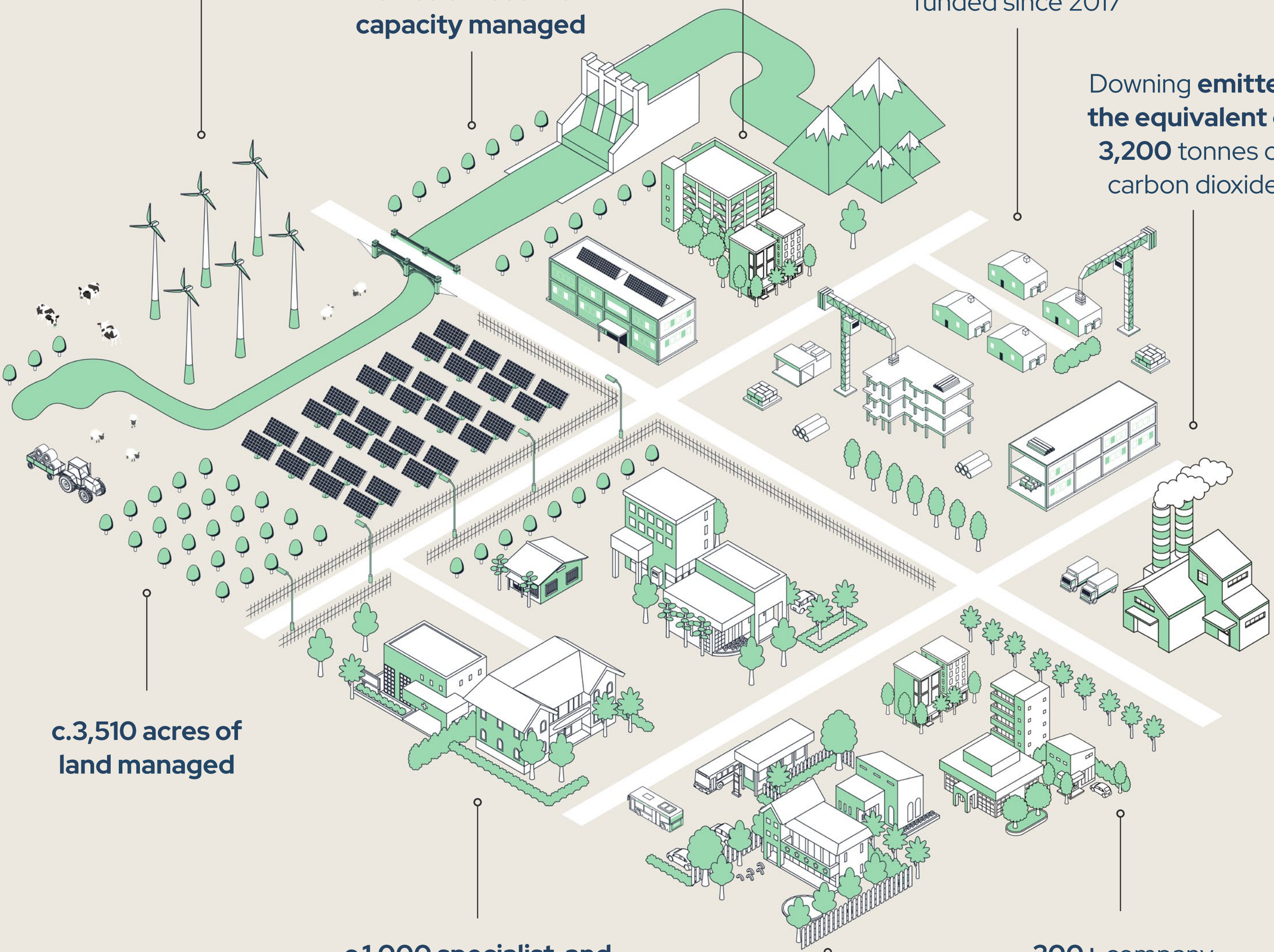
c.16,400 core renewable and infrastructure assets

40+ ESG scorecards completed for listed equity companies and managers

c.248 million cubic metres of reservoir capacity managed

c.2,050 property constructions funded since 2017

Downing **emitted the equivalent of 3,200** tonnes of carbon dioxide



c.3,510 acres of land managed

c.1,000 specialist and elderly care home places in the current portfolio (includes in development sites)

200+ company meetings **voted** at, engagement held with **61 public companies, 110 times**

740 special education needs school spaces created since 2017 (includes in development sites)

Figures correct as at December 2024

Highlights from 2024

January

Engaging with five European companies to provide investor perspectives on biodiversity disclosures, following the release of TNFD in Q4 2023

February

Remaining a signatory to the UK Stewardship Code, showing a commitment to achieving outcomes for sustainability and preserving value of investments through active and engaged ownership

March

Beginnings of a response to new rules from Defra on credits to achieve biodiversity net gain on development – housing or renewables – projects in England

April

Scope 3 Category 15 financed emissions calculated for year two, with increased coverage

May

Ready for the FCA's anti-greenwashing rule with a review of all marketing collateral and a checklist for new items we publish

June

Celebrating Pride with an extremely fun, all-company social event

July

Beginning to use AI more in listed equity ESG analysis: web scraping to get the data about companies, and linguistic programming to summarise this – 200 pages to 40 pages – into info to review and score

August

Joining the Solar Stewardship Initiative to contribute to, and use, ESG, procurement and traceability standards in the sector, alongside solar manufacturers

September

Downing Hydro was awarded three stars for the GRESB assesment and placed in 2nd place out of six European hydropower investors for its sustainability

October

Policy engagement with the FRC on the updated UK Stewardship Code, and publishing our Stewardship report as a signatory to the Code

November

Ready for the FCA's naming and marketing rule with a disclosure to allow using restricted words, in context

December

Impressive UNPRI results as all modules but one get five stars out of five. This provides an independent and external verification of our approach and benchmarking to our peers

2025

Signatories and memberships

Collaboration and sharing expertise are fundamental to responsible investment at Downing. As part of our contributions to the sustainability sector, we support the below initiatives, and actively participate in their various initiatives.

Certified B Corporation

GRESB

Green Economy – London Stock Exchange

GRI

IIGCC – The Institutional Investors Group on Climate Change

Quoted Companies Alliance

UK Stewardship Code

UKSIF – UK Sustainable Investment and Finance Association

TNFD – Taskforce on Nature-related Financial Disclosures

TCFD – Task Force on Climate-related Financial Disclosures

Investors in People

Our ESG materiality assessment

Downing completed its materiality assessment in 2023.

Two concepts are applied:

1. Dual materiality – the impact of ESG factors on Downing, and the impact of Downing to wider sustainability outcomes. This meets standard sustainability materiality disclsoures (eg the EU non-financial reporting directive), and our obligations as a B Corp to show regard to stakeholders.

2. Dynamic materiality – impacts to financial and investment return, particularly likely in future (eg regulatory, technology or market developments).

Targets

We have set bold and ambitious targets for 2023 to 2028. Through these, we will be able to deliver well-governed companies, net environmental gain and encouraging impacts to people and societies.

Below we share the targets, baseline from 2023 and progress in 2024.

	Detail	2023 Baseline	2024 Progress	2028 Target
1	Promote renewable power and energy efficiency (measured in MWh).	3,260 assets, 185 MWh	Loans 16,332 assets, 600.5 total capacity	Improvement vs 2023 but no fixed number as dependent on fundraising. 2023 baseline: 13,431 assets, 523.4 total capacity (megawatt peak, or MWp).
2	Enhance sustainability among UK residential property developers.	0	Loans with sustainability integrated were issued. The term is 18-24 months, so we expect these first ones to start to complete in 2025.	0
3	Maintain, or improve, high corporate governance scores.	Average score in ESG scorecards: 72.5%	60% (off target).	Average score in ESG scorecards: 90%
4	Achieve shareholder protection: for cyber-threats (customer or employee data breaches, harm to reputation, fines or penalties and interruption to operations), and for listed equity (protection for minority investors vs controlling and pre-emption rights). All are assessed by specific questions on ESG scorecards.	Not assessed	All new investments had ESG analysis completed; the corporate governance module looks at shareholder protections; remedial actions also took place as needed.	Improvement in shareholder protection questions on ESG scorecards

	Detail	2023 Baseline	2024 Progress	2028 Target
5	Improve our B Corp score from 80 out of 120 at certification, to at least 90 at the next reporting cycle in 2025, and higher by 2028.	80 (2022)	Trending above 90, and will be finalised in August 2025.	90 (next certification in 2025), then higher
6	Promote quality care and the places available. Improvement vs 2023 (3,592 places) but no fixed number as dependent on fundraising.	~1,600 places	5,487 places in early years education, elderly care, funeral care, specialist care and specialist education.	Improvement vs 2023 but no fixed number as dependent on fundraising

The 10 factors that are material to Downing are:		Dual materiality	Dynamic materiality	
		Downing	Private Markets	Downing Fund Managers
		All activities	Investment and Engagement	Investment and Engagement
Corporate Governance Pillar	Effective practices: boards, annual elections, pay for creating value, pre-emption…		Private Equity	
	Strong policies (eg anti-corruption, anti-bribery, training, whistleblower…)		All teams	
	Data security and cyber protection		Private Equity	
Climate and Natural Capital Pillar	Climate change and greenhouse gas emissions reduction		Energy & Infrastructure	
	Biodiversity		All teams	
	Land use and land change		All teams	
Diversity, Outcomes And Human Capital Pillar	Stakeholder engagement (communities, users, tenants, customers)		All teams	
	Job creation and economic impact (regeneration, new jobs…)		All teams	
	Diversity, equality & inclusion		Private Equity	
	Health and safety		All teams	

Some materiality **Strong materiality** **No materiality**

This will inform our focus areas for investment integration (a risk or low score in one of these areas is of greater concern), engagement (these are subjects we will discuss) and reporting and KPIs including the targets above.

B Corp Impact Assessment

We recognise that we have stakeholders including staff, clients, communities and the planet, and that we have a duty of care to all of them. This is shown by our legally binding commitment to being a B Corp since 2022. And with a three year reporting cycle to show impact, below are some highlights that we will be sharing with B Corp in 2025.

	B Corporation	Downing
Governance	"Governance evaluates a company's overall mission, engagement around its social/ environmental impact, ethics, and transparency."	"We incorporate social and environmental impact into decision-making because we consider it important to the success and profitability of our business."
Workers	"Workers evaluates a company's contributions to its employees' financial security, health & safety, wellness, career development, and engagement & satisfaction"	"We report our staff numbers and measures towards colleagues' financial security, health, wellness & safety, career development, engagement and satisfaction."
Community	"Community evaluates a company's engagement with and impact on the communities in which it operates, hires from, and sources from."	"Creating jobs, procuring from local suppliers, charitable giving and engaging with suppliers for sustainability are all important."
Environment	"Environment evaluates a company's overall environmental management practices as well as its impact on the air, climate, water, land, and biodiversity."	"A key focus as renewable energy investors: cutting fossil fuel emissions. Impacts on nature, biodiversity, water, and waste, affect our investments and operations."
Customers	"Customers evaluates a company's stewardship of its customers through the quality of its products and services, ethical marketing, data privacy and security, and feedback channels."	"We ensure quality control, gather feedback, monitor satisfaction, and uphold policies for ethical marketing and customer engagement. We also protect client data privacy and security."

The Downing Foundation

Supporting small charities to make a big difference

The Downing Foundation was set up in 2020 and sits at the heart of our culture. It reflects our desire to build a more inclusive, compassionate and connected society.

We partner with smaller charities to help them go further, enabling them to grow their impact within their chosen focus areas. We don't just fundraise – we roll up our sleeves and get involved.

Staff-nominated charities

Every three years, our team votes to choose charities we'll support through the Foundation. In December 2022, we chose as our London Charities:

Spread a Smile
Bringing joy, entertainment and support to seriously ill children and their families.

Hearing Dogs for Deaf People
Training dogs that transform the lives of people who are profoundly deaf, making everyday life safer and more accessible.

Tibbs Dementia Foundation
Offering comfort, activities and support to people with dementia, and guidance for their families.

We have recently begun supporting two new charities and we are now proud to also support:

Eilidh Brown Memorial Charity
Based in Glasgow, this charity provides accommodation for children and their families going through chemotherapy.

Alla Kvinnors Hus
Based in Stockholm, UK translation 'All Women's House'. This charity is a safe haven for people who have suffered from domestic violence. The charity is also working to educate and change attitudes in schools, showing the impact of domestic violence.

The Downing Foundation

Supporting small charities to make a big difference

Real support – in more ways than one

Throughout 2024, we've held multiple fundraising events. From bake sales to sponsored golf events, our team has been hands-on, but our support goes beyond money.

We've also given our time – joining families for days out at London Zoo and the theatre and hosting an exhibition in our office for an artist living with dementia.

We raised and donated over **£100,000** in just twelve months and are proud of what we're achieving together. We hope to continue this support into 2025 and beyond.

Part of a wider goal

The Foundation is just one part of how we support our community and colleagues. In 2024, we trained eight Mental Health First Aiders to lead our wellbeing strategy. We're working with Investors in People to improve support – from clearer career progression to better learning systems. In May 2024, we received Gold accreditation. We're committed to raising the bar across environmental, governance, and social practices to drive better standards for employees, suppliers, and the communities we serve.

Want to know more?

If you'd like to find out more about the Downing Foundation or get involved, please get in touch: **foundation@downing.co.uk**

Chapter 2:

Environmental data

Emissions and sustainability data

Human life cannot exist without damaging the environment. This activity puts over 50 billion tonnes of greenhouse gases into the atmosphere each year. Here we show how much of this Downing was responsible for. Downing's carbon footprint was calculated following the GHG Protocol methodology. Below are the GHG inventory parameters considered for the reporting year:

Boundary:	Downing
Reporting period:	FY24: 1 June 2023 to 31 May 2024
Boundary approach:	Operational control approach: Under the operational control approach, an organisation accounts for 100% of emissions from operations over which it or one of its sub-organisations has operational control.
Calculation standard:	The Greenhouse Gas Protocol Standard (revised edition)
Facilities covered:	Operational emissions; 4 Offices (London, Cardiff, Glasgow, Sweden)
Scope 1:	Refrigerant leakages
Scope 2:	Electricity
	Natural Gas
Scope 3: (breakdown by category)	Category 1: Purchased goods and services
	Category 2: Capital Goods
	Category 3: Fuel- and energy-related activities
	Category 4: Upstream transportation (courier services)
	Category 5: Waste
	Category 6: Business travel
	Category 7: Employee commuting (incl. work from home)
	Category 13: Downstream leased assets
	Category 15: Investments
Emission factors applied:	DEFRA/DESNZ, EPA, IEA, AIB (full details in GHG inventory calculation workbook)
	2023 emission factors applied

Emissions numbers (absolute)

As office-based, service-providing organisations, asset managers have limited emissions. Through activities by over 200 staff and operating in 15,600 sq. ft. of office space in London, Cardiff, Glasgow and Sweden, Downing LLP emitted the equivalent of 3,200 tonnes of carbon dioxide equivalent*, up from 2,300 tonnes in 2022-2023 because of the growth of our business and increasing number of employees.

* This measure – tCO2e – accounts for the different heat-trapping properties and time spent in the atmosphere of the seven main types of greenhouse gas, translated into one standard unit. One tonne of carbon is not the same as one tonne of carbon dioxide

		tCO2e	% total (ex cat 15)
Scope 1	Refrigerant leakages	4	0.1%
Scope 2	Electricity (market-based)	47	1%
	Electricity (location-based)	25	1%
	Natural Gas	15	0.5%
Scope 3	Cat 1: Purchased goods and services	2628	82%
	Cat 2: Capital goods	0	0%
	Cat 3: Fuel- and energy-related activities	11	0.3%
	Cat 4: Upstream transport	1	0.1%
	Cat 5: Waste generated in operations	19	1%
	Cat 6: Business travel	329	10%
	Cat 7: Employee commuting (incl. WFH) (market-based)	135	4%
	Cat 7: Employee commuting (incl. WFH) (location-based)	131	4%
	Cat 13: Downstream leased assets (market-based)	12	0.4%
	Cat 13: Downstream leased assets (location-based)	7	0.2%
Total emissions (Market-based)		**3,201**	
Total emissions (Location-based)		**3,170**	

Financial year 2023 to 2024 change in market-based emissions excl. Cat 15 (%)

Emissions scope / category	FY 24 (tCO2e)	FY 23 (tCO2e)	FY22 to FY23 YoY change (%)
Scope 1	**4**	**6**	**-40%**
Refrigerant Loss	4	6	-40%
Scope 2	**63**	**80**	**-21%**
Electricity	47	22	115%
Natural Gas	15	58	-73%
Scope 3	**3,134**	**2,300**	**36%**
Cat 1: Purchased Goods and Services	2,628	1,827	44%
Cat 2: Purchased Capital Goods	0.00	0.00	–
Cat 3: Fuel- and Energy-related Activities	11	25	-57%
Cat 4: Upstream Transportation	1.5	0.8	85%
Cat 5: Waste Generated in Operations	19	34	-45%
Cat 6: Business Travel	329	*271	21%
Air	140	86	63%
Rail and Road	85	120	-30%
Hotels	97	54	79%
Other misc travel expense	8	10	-27%
Cat 7: Employee Commuting (+WFH Emissions)	135	132	2%
Commuting	103	98	5%
WFH	31	34	-7%
Cat 13: Downstream Leased Assets	12	10	15%

Emissions comments

No material sources of combustion are owned or operated by Downing and minor leakages for cooling can reasonably be estimated (Scope 1). The amount of purchased electricity is up slightly compared to the previous period, but then fewer amounts of natural gas are used (Scope 2). Estimates are still used for some offices, but these continue to decrease and are replaced with actual data for ~80% of the total.

Of the eight Scope 3 categories that apply, meaningful amounts of tCO2e are present in:

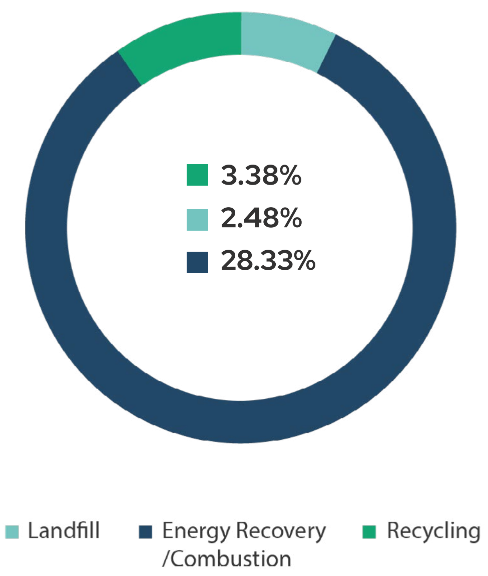
- Purchased goods and services (Category 1): 2,628 tCO2e. This remains the largest emissions contributor, increasing from 78% in FY23 to 82%. The top three suppliers are IT service desk support – which replaces internal emissions for the activity – securities custody services and printing. All are areas of focus for options to reduce through engaging with the suppliers.

- Business travel (Category 6): 329 tCO2e. Again this is 10% of the total. Staff trips – two per year – are an important part of our culture, and are included here as well.

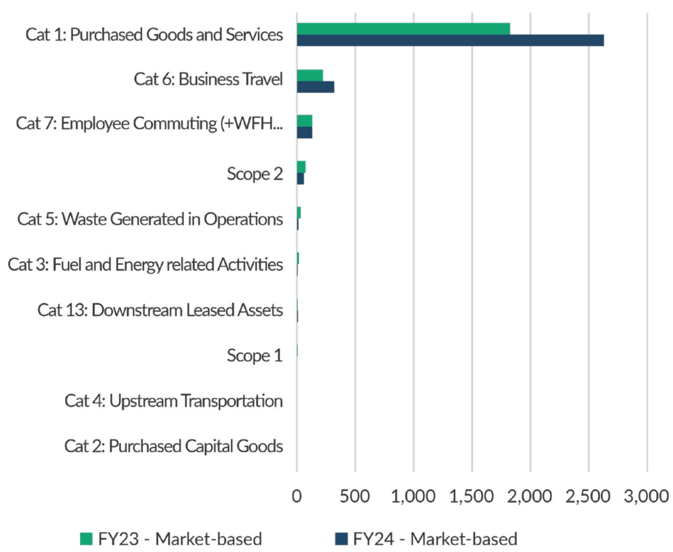
- Employee commuting and working from home (Category 7): 135 tCO2e. No changes to last year (132 tCO2e). All colleagues come in three days a week, which reduces WFH impacts but increases commuting ones.

- Waste (Category 5): 19 tCO2e. This is a low number and less than last year (34 tCO2e). However waste is an important metric for land use impacts and for moving from pollution and landfill towards circularity. Our London office reports actual data (estimates for other offices for now), and landfill has been mostly avoided.
    - Waste by volume is 106 tonnes, of which 54 tonnes was sent for mixed recycling.

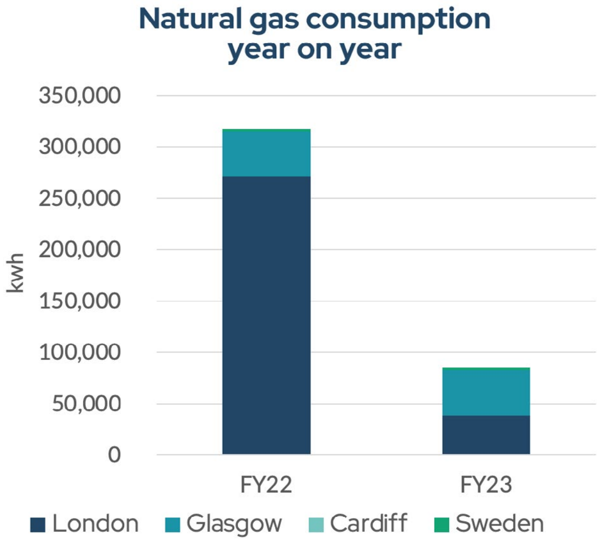
Breakdown by disposal method (tCO2e)

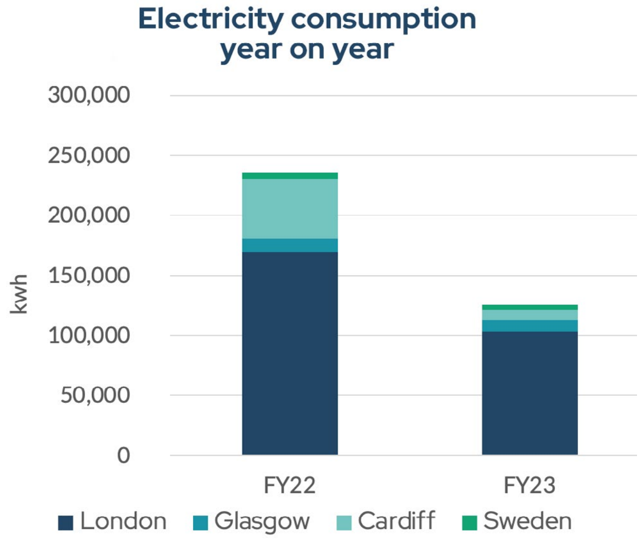


Market-based emissions comparison between FY23 and FY24 (tCO2e)



The detail below shows energy consumption at Downing and source of these emissions.





Data sources and inputs for all the above calculations are as follows:

Location	Facility Size (sq. ft.)	FTE	Office occupancy rate	Refrigerant losses	Natural Gas	Electricity
London	12,000	162	Estimated 50%	Estimated based on refrigerant quantity	12 months natural gas consumption provided	12 months electricity consumption provided
Glasgow	2,602	24	Estimated 50%	N/A	11.4 months natural gas consumption provided	12 months electricity consumption provided
Cardiff	1,050	14	Estimated 50%	Estimated based on sqft	N/A	8 months electricity consumption provided
Sweden	28	11	Estimated 50%	District cooling applied with zero refrigerant use	Estimated gas consumption per sqft based on provided sqft	Estimated electricity consumption based on provided sqft

Reported data | **Mix of reported and estimated data** | **Estimated data**

Emissions numbers (intensity)

Combined with these absolute numbers, intensities are useful to show how much carbon (Scopes 1, 2 and 3 excluding Category 15) Downing must emit in order to generate £1m of revenue, or how much carbon one Downing colleague emits while performing their role.

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The revenue intensity is

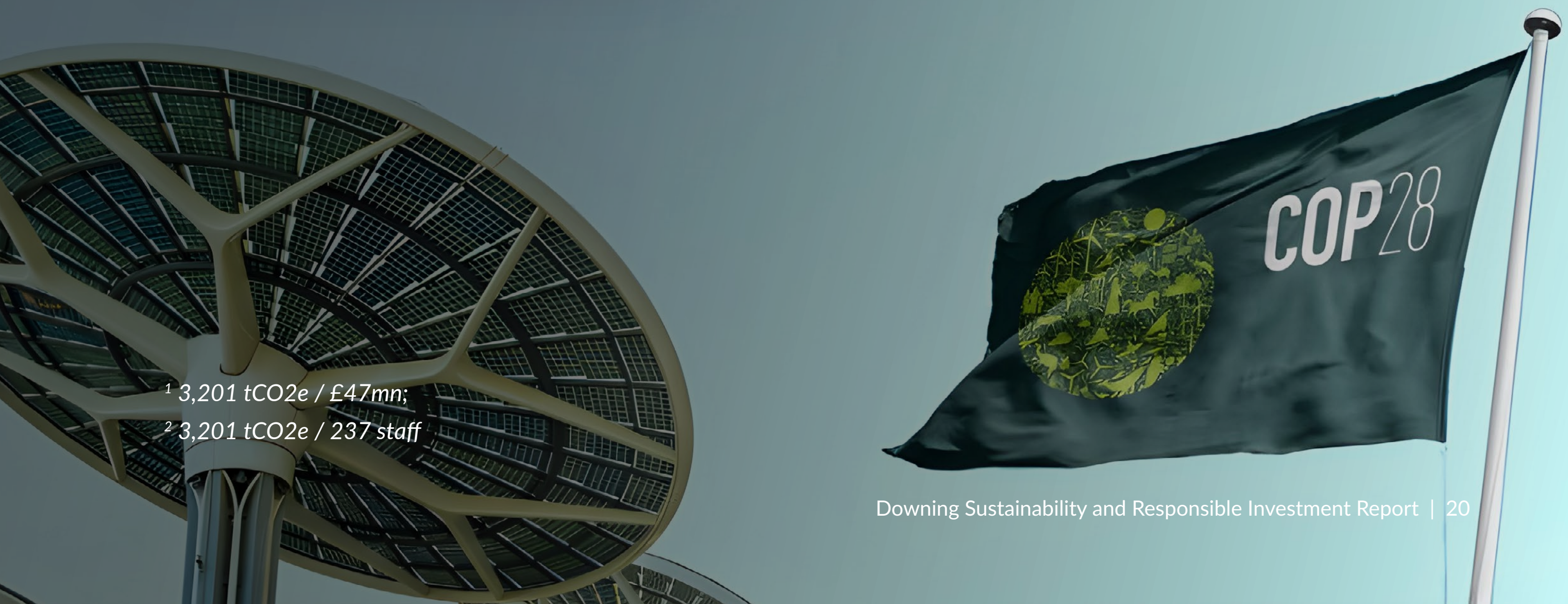
68 tonnes per £1mn

(vs 39 tonnes last year)[1]

The colleague intensity is

13.5 tonnes per employee

(vs 11.2 tonnes last year)[2]



[1] *3,201 tCO2e / £47mn;*
[2] *3,201 tCO2e / 237 staff*

What really matters: Financed emissions from investments

Financed emissions (Scope 3 category 15) have been calculated by ourselves and reviewed and verified by Agendi.

> Downing's investments emit 336k tonnes of carbon.

Investment Type	Scope 1, 2, 3 Emissions (tCO2e)
Listed Equities	278,365
VT Downing Unique Opportunities Fund	5,087
VT Downing European Unconstrained Income Fund	169,121
Downing AIM Estate Planning Service	45,381
VT Downing Small & Mid-Cap Income Fund	58,777
Private Equity	825
Infrastructure Asset Management	57,311
Total	336,501

Straight away we can see the significance of Scope 3 Category 15; it is 100 times bigger than Downing's own emissions.

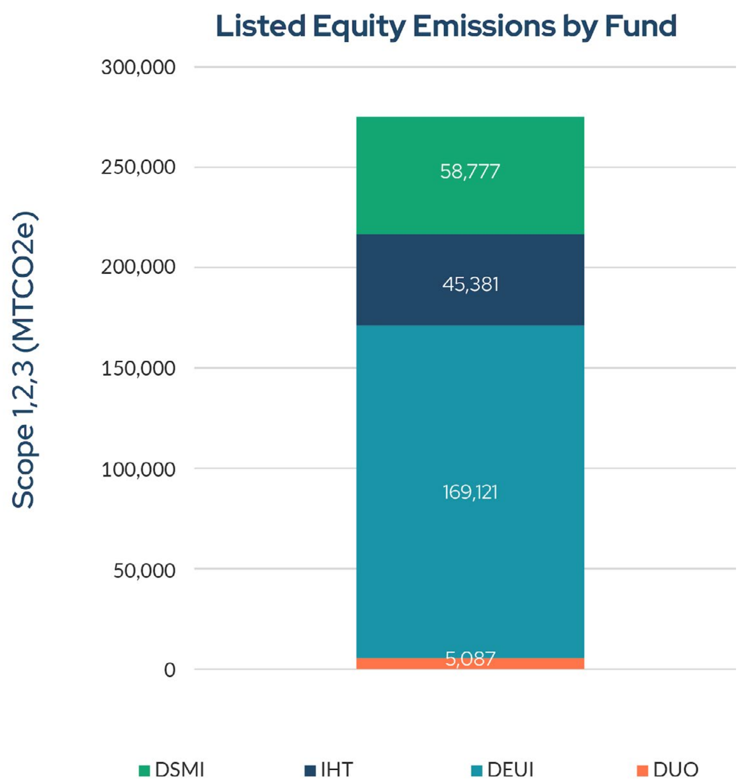
Comments by asset class

Listed equities makes up most investment-related emissions at 278,365 tCO2e. The VT Downing European Unconstrained Equity Income fund has a contribution of 50% of total financed emissions. This is due to certain holdings like Bayer, Schneider Electric and Volkswagen, whose emissions, climate ambition and governance are important for our stewardship activities, including dialogues and voting.

We also assess whether our listed equity holdings have made their own commitments to net to zero carbon by 2050. Just over half (73 out of 136) have, which makes our engagement task one of monitoring their progress towards this. And we look at the quality of their reported data using a PCAF[3] scale, from 1 (best, externally verified) to 5 (worst, estimates). The average score here is 2.3.

As an intensity, these listed companies collectively emit 124 kilogrammes of carbon to generate £1m of revenue. This low number reflects the size (small caps), sector (eg, technology) and region (UK).

For **Infrastructure**, Bagnall Energy Limited makes up 17% of total financed emissions. This holds gas peaking assets – since sold – which are needed to complement the intermittency of renewables, and provide baseload power to the power grid still. And all renewable assets do consume some power (Scope 2) and cause emissions (Scope 3) in their operation and maintenance.



Coverage

Emissions reporting covers 100% of infrastructure assets. It is being phased in for private equity portfolio companies; existing ones are live and shown above, and for new holdings it is a priority ESG action to onboard to our emissions platform within our first year of investment. For listed equity, approximately three quarters report their full emissions, including Scope 3. And in the meantime, Agendi have made estimates based on sector and size, using the EEIO[4] methodology in the Greenhouse Gas Protocol. Thus ~70,000 tCO2e for listed equity is based on estimates, and it is hoped to reduce this number and increase actuals in future.

[3] *Partnership for Carbon Accounting Financials. This looks at the fund holding out of total shares in issuance, and applies this percentage to the revenue and to the scope 1, 2 and 3 emissions of the company.*

[4] *Environmentally-extended input output (EEIO) models estimate energy use and/or GHG emissions resulting from the production and upstream supply chain activities of different sectors and products in an economy.*

Partnering with our sustainability consultant

Agendi is a specialist climate and sustainability consulting firm. For the third year, Downing has engaged Agendi for a full inventory of our greenhouse gas emissions. We advocate the transparency and complements of this approach over self-reporting emissions. Agendi provided data collection, calculations of operational emissions and reviewing financed emissions, quality checking and presentation of results.

Agendi give us areas to improve the accuracy of our GHG inventory, and ultimately to begin to reduce the tonnes of CO2 reported. As in previous years, replacing estimates with actuals and engaging with suppliers and colleagues are always ongoing. Sustainability features in procurement alongside cost and specifications, including in procurement policies. Developing a waste registry for all offices is a target still. And a big focus for 2025 will be increasing the percentage of investments whose actual emissions we report in Scope 3 Category 15 (see previous section) to enable a full Scope 3 inventory and then the Downing decarbonisation strategy.

The Power of Peat. From PIUs to PCUs – A new approach to compensating for emissions

We do not claim to be carbon neutral. Indeed, such claims, which are common but a marketing gimmick instead of meaningful action on climate, are due to be outlawed by the EU in 2026 and potentially by the UK as well.

Instead, we are making a contribution to future net zero carbon through supporting a quality scheme in the UK. This reflects Downing as a UK-headquartered partnership.

Peatlands are a significant carbon store when filled with water in their natural state; the remains of animals and plants are prevented from decomposing and emitting carbon. Human activity has degraded peatlands (as it has other types of natural capital) through draining, burning and changing the land use for agriculture or fuel. This has meant that a carbon store, or 'sink', becomes a source instead.

Downing has purchased Units equal to 573 tonnes for a restoration project in Aberdeenshire (Delnadamph: Site 1 – The Fèithe / Markit Environmental Registry - Public Reports). This shows continuation with our previous financial year, where we purchased 510 units in the same project.

Following the Peatland Code, these Pending Issuance Units – otherwise known as a promise to deliver – are planned to save carbon in future. The conversion is important. As the project progresses and the peatland is restored to a good condition, PIUs will become Peatland Carbon Units that are guaranteed, with independent verification, to have removed carbon. It is at this time that Downing's operational emissions from 2024 can be said to have been compensated for. This conversion is expected in the 2030s, hence our 'contribution to future net zero' claim.

Our intention is to achieve environmental benefit and internalise some of the external polluting. We believe that used this way, carbon schemes can form part of a response to climate change, particularly when there is also focus on reducing and removing, instead of just avoiding, emissions. Other benefits from the peatland project that informed our decision include biodiversity gain, job creation and protection from flooding.

By restoring degraded peatlands, we help secure carbon storage, biodiversity, and flood protection for the future.

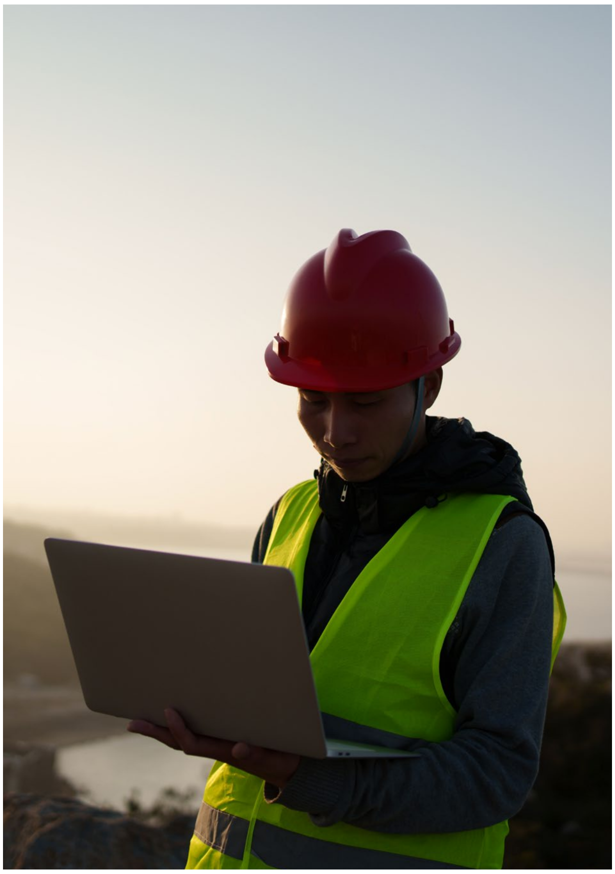
Climate and nature-related financial disclosures for all

We publicly support Climate-Related Financial Disclosures and the purpose of responding to the systemic financial market risk of climate change by integrating climate as a factor to governance, strategy, risk and activity metrics. We are pleased to share our climate disclosures below for the third consecutive year. This year we have also started to follow the recommendations of the Taskforce on Nature-related Financial Disclosures (September 2023 version). We present a combined disclosure, with content specifically for nature clearly identified.

Introduction

Disclosure and transparency is an important part of our wider approach to sustainability and responsible investment. We are committed to implementing the recommendations and best practices of the CFD. This is in order to provide all our stakeholders with decision-useful information on the climate-related risks and opportunities that impact our business, and the governance structures in place to manage these.

We manage climate as an investor and as a corporate. Here we provide our comprehensive corporate CFD disclosure that covers the 11 recommended disclosures across the four elements of Governance, Strategy, Risk Management and Metrics & Targets below (source: TCFD, Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures, 2017 & 2021). We also reference and include the Supplemental Guidance for Asset Managers when appropriate.



1. Governance

a) Describe the Board's oversight of climate-related and nature-related risks and opportunities.

At a Board / Executive Committee level, our Chief Executive has responsibility for climate-related risks and opportunities, and for Downing's response to climate change.

The Executive Committee monitors progress against mitigating sustainability risks, including climate, by meeting three times a year as an ESG Committee. This considers specific reports, reviews business and financial performance, as well as strategy, initiatives, risks and governance. This includes climate-related problems when relevant and brought to the Board's attention by the Sustainability Committee. In 2024, this included financed greenhouse gas emissions and initial awareness of physical risk to real assets given their locations.

> The Downing Sustainability, Responsible Investment and Climate Response Policy

This holistic view of climate extends to the Boards of Downing's investment vehicles and trading companies that are formed to run its investments. Some of these in turn do their own TCFD disclosures, where the directors consider the risks and opportunities of climate.

To ensure ongoing oversight and management of these risks, training for the Executive Committee on climate-related risk is provided by our internal S&RI team.

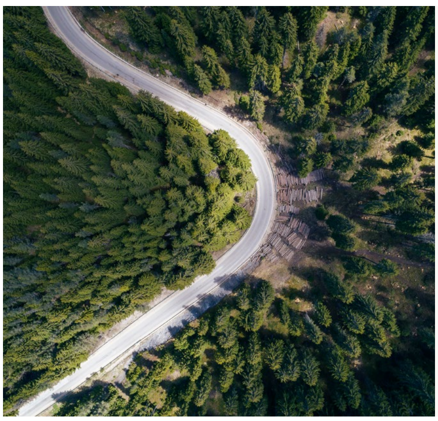
b) Describe management's role in assessing and managing climate-related risks and opportunities

Overall responsibility for managing the risks and capitalising upon the opportunities of climate is assigned to the S&RI team, which in turn works with appropriate teams to implement the strategies. This covers the two main investment classes at Downing: Private Markets and Listed Equity.

This responsibility is met via the Downing Sustainability, Responsible Investment and Climate Policy.

Wider climate developments are monitored by the Head of S&RI. This includes the development of prices on carbon emissions trading or taxes, and regulatory requirements.

Through various tools and data inputs, climate continues to be considered in investment strategies at both top-down allocation and bottom-up fundamental research levels. It is also a subject for engagement at two levels: basic (report emissions, report under TCFD) and advanced (impact to revenue and cash flows under various scenarios of warming, and sources of capital for transition spend).



TNFD addition for Governance:

Board and management oversight is mainly on climate, but nature is introduced in management's role. First, it is a question on pre-investment ESG scorecards: 'What is the company's impacts to nature?' and 'Which ecosystem services does the company depend on?'. And second, it is a subject for engagement, to encourage investee companies' own TNFD.

2. Strategy

Climate-related risks and opportunities cover all aspects of our business, from pre-investment research and investment decisions to generating financial return to meet our clients' required outcomes.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

We define time horizons as short (this and next financial year, so until March 31st 2026), medium (two to five years) and long (over five years) term, and consider both transition and physical risk. Assessments to determine risks and opportunities cover regulation, emerging regulation, technology, legal, market, reputational, products and services, as well as acute physical and chronic physical.

Specific risks we have identified as an investor in each time horizon include:

Type	Time	Impact
Transition: Market	Short-term	• Material increases in energy prices due to supply shocks impacting investee companies' operating costs. • Impacts to investee companies' from new environmental or carbon taxes in order to internalise previously external negative impacts. Both can reduce a company's revenue, and therefore affect investors through income or valuation. • Changes to investor preferences and demand for green / ESG funds.
Physical: Acute	Medium-term	• Damage to assets (ours or investments') from extreme weather events. This can lead to write-downs to asset book values and increases in insurance premiums if the probability of extreme weather increases.
Transition: Reputation	Medium-term	• Increased stakeholder concern or negative stakeholder feedback for failing to comply with ESG or climate requirements. • Sector stigmatisation for investments in certain sectors, such as fossil fuels where no plans for abatement or transition exist.
Transition: Policy	Medium-term	• Ongoing requirement for compliance at a corporate level. • Impacts on investees, for example from carbon taxes.
Physical: Chronic	Long-term	• Reduced infrastructure asset performance due to changing long-term weather patterns. • Higher temperatures can influence the functioning of equipment at investee companies and lead to an increase in fuel consumption or lower performance and staff productivity levels (where outdoor work is required eg, agriculture).

Specific opportunities we have identified in each time horizon include:

Type	Time	Impact
Market	Short- to medium-term	• Continued growth in demand for new types of renewable power generation and transport, and for companies or infrastructure assets in these sectors. • Benefits as a responsible investor, by evidencing the ESG impacts delivered through our investments.
Products & Services	Short- to medium-term	• Revenue opportunities from investments in renewable energy, driven by the Paris Agreement (2015) and signatories' own emissions reduction commitments. • Investor desire for climate-friendly investment strategies/ products (with a sustainability label under FCA rules).
Resource Efficiency and Energy Source	Medium-term	• Reduced operating costs and increased production capacity at investee companies.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Our strategy and business are influenced by climate change in the following ways.

- **Investment decisions (Private Markets and Listed Equity):** Under the Natural Capital pillar is a dedicated module for climate change. This assesses climate-related risks and opportunities for a new investment in the due-diligence processes. For example, below are the questions for listed equity:
  - > Is the company exposed to climate transition risk: policy & legal (pricing or reporting emissions), technology (substitution), market (customer behaviour, materials), reputation (stakeholder concern)?
  - > Is the company, its location, assets or suppliers exposed to climate physical risk: acute (increased severity of extreme weather) or chronic (changes in precipitation, weather, temperatures or sea levels)?
  - > Is there sufficient board oversight for ESG and climate factors?
  - > Is the company exposed to climate opportunity: resource efficiency (more efficient processes, recycling), energy sources (lower emissions, new technologies), products & services (lower emissions), markets (new, public sector incentives), resilience (renewable energy, energy efficiency)?
  - > Assess the quality of GHG emissions data using the PCAF data quality score table for listed equity
  - > Is there evidence that the company is disclosing and actively managing its Scope 1 & 2 emissions (this year and over time)? Note emissions (actual, intensities and sectoral) are reported annually separately
  - > What are the TPI / Management Quality and Carbon Performance results?
  - > HOLT Carbon Linker analysis for the impacts to cash flows of a company's decarbonisation pledges

- **Products and services (Private Markets):** new opportunities to invest and derive financial returns, as in the short- to medium-term we expect to see v growth in demand for energy & infrastructure investment in decarbonisation

- **Adaptation and mitigation activities (Listed Equity):** climate and UN Sustainable Development Goal #13 (Climate Action) is an important subject of our stewardship activities, both collaborations (Climate Action 100+) and targeted discussions. This includes monitoring the emissions of companies whose stocks we hold where data is available (see the financed emissions / Scope 3 Category 15 above)

- **Exclusions Policy (Private Markets and Listed Equity):** assets with the potential to create excessive climate change impacts are excluded. These are specified as any with greater than five per cent revenue from the following:
    - Mining to extract thermal coal
    - Developing significant new thermal coal assets
    - Mining companies to extract other non-renewable energy sources with high greenhouse gas impacts: oil and tar sands
    - Power generation with electricity generated by coal
    - Power generation with plans to expand coal capacity

- **Financial planning – operating costs:** we acknowledge that climate data to identify physical and transition impacts for any investment is becoming increasingly important.

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

We plan to introduce climate-related scenarios in future to inform our corporate strategy and risk management framework.

We expect these to be 'common reference scenarios' without any adjustments given our nature as an office-based, services company. As such we will consider multiple scenarios to select those that are most suitable, and note the requirement of TCFD to have at least one 2°C scenario. Likely sources will be the IEA eg, World Energy Outlook given our renewable energy assets and Stated Policies as an indicator of latest sentiment. And the IPCC's Representative Concentration Pathways.

We explain in Governance b) above that ESG research has started to include nature now; another mitigation activity has been joining Nature Action 100 and speaking to companies in the food and agricultural sectors – located in the US and in Asia – about their assessments, ambitions and governance for nature.

TNFD addition for Strategy:

Particular risks to biodiversity from hydropower assets – fish sticks and flows – are identified and mitigated, and discussed in the annual report for the fund that holds these assets (www.doretrust.com). The location of these assets is the Nordics / Northern Europe.

3. Risk management

As a financial institution, our business is exposed to both risk and opportunity from climate change. Our risk framework enables us to identify, understand and manage all risks, including climate.

a) Describe the organisation's processes for identifying and assessing climate-related risks

We view climate risks as material to investment risks. The identification and assessment of climate-related risks to our holdings is included in investment-level research and analysis within individual investment strategies. This research is focused on understanding the materiality of transition and physical climate risks.

b) Describe the organisation's processes for managing climate-related risks

As an active investment manager, an integral part of our investment process across asset classes is engaging with investee companies to encourage change. Investment teams are responsible for considering climate as a topic in investment analysis as part of ESG integration, alongside all other material financial risks. We aim to mitigate, or resolve, any risks identified throughout the investment process with actions that are agreed in pre-investment research, and then advanced in post-investment stewardship.

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

Climate risk is not seen as an independent risk but is understood to be a factor affecting various risk areas. Downing has a risk register and a quarterly risk committee (for listed equity) where climate is one of five risks considered. The others are regulatory risk, investment risk, stewardship risk and risk to firm.

Our Risk Management and Compliance functions are part of the second line of defence. We are continuing to develop risk-management tools and research that are focused on assessing companies' climate-risk exposure and resilience.

TNFD addition for Risk Management: The universal approach of ESG integration and then active ownership picks up nature risks and exposures as well. For companies that have high dependencies or impacts to biodiversity, eg, a French fashion group, nature becomes a material sustainability factor in our process.

4. Metrics and targets

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

We split metrics to assess climate-related risks and opportunities by investment area (Private Markets and Listed Equity), type of risk (physical and transition) and stage (pre-investment analysis or post-investment stewardship).

Private Markets: for Energy & Infrastructure, an ESG scorecard is used. This identifies materiality factors like the type of asset and its location, followed by a detailed assessment. Questions include exposure to transition and physical risk and opportunity, and how these are managed. In 2025, we plan to introduce more detailed metrics of exposure to physical risks using data from insurers (e.g. catastrophe models) and technical advisors. Mitigation strategies and targets will follow.

Listed Equity: for transition risk at company level, we publicly support the Transition Pathway Initiative and its metrics of management quality and carbon performance. CDP data is also referenced for present and historical periods. We focus on small caps; CDP covers this investible universe reasonably well. TPI does not, but we aim to mimic its indicators. For both transition and physical risk at company level, we refer to ESG research and scoring from third-party providers, which can include weighted average carbon intensities and net zero commitments.

Engagement: benchmark indicators from the Climate Action 100+ initiative provide useful metrics to assess and discuss an asset's climate risk and opportunity performance: net zero ambition, GHG reduction targets (long, medium, short term), decarbonisation strategy, green capex alignment, lobbying activity, climate governance, consideration of people impacts, and TCFD disclosure.

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

As an organisation categorised by TCFD as Financial/Asset Manager, our main exposure to climate risk and opportunity is to revenue (income statement) and assets & liabilities (balance sheet).

This exposure covers the below and applies to both ourselves as a corporate and to our investments:

1. GHG emissions
2. Energy
3. Water
4. Land use
5. Location
6. Risk mitigation

In the Sustainability Performance and Data section of this report (above), we report our annual greenhouse gas emissions voluntarily and in accordance with the Greenhouse Gas Protocol.

c) Targets to manage climate-related risks and opportunities, and performance against targets

The Downing Renewable Energy (DORE) Trust has targets to achieve net zero greenhouse gas emissions. This is in its objective as an Article 9 fund under the EU's Sustainable Finance Disclosure Regulation.

TNFD addition for Metrics and Targets:

We have metrics used in ESG analysis, which informs engagement. Generally these are less developed than emissions are for climate analysis and engagement. However biodiversity metrics for our renewables assets are in the SFDR principle adverse impacts and Taxonomy alignment; also ENCORE for hydropower and its dependencies (surface water, the water cycle and climate regulation), and impacts (to water use and ecosystem use). For listed equity, where companies report metrics like Mean Species Abundance, Potentially Disappeared Fractions, Species Threat Abatement and Restoration and their own Corporate Biodiversity Footprints, then these are considered. We note however that it is almost exclusively only large caps that report, with a bias for European companies.

Part 2

Responsible Investment

Chapter 3:

Integrating ESG into investment

A universal approach

Our approach to ESG is embedded throughout the entire lifecycle of an investment. This process is driven by the three E's: ESG Scores, Engagement, and Emissions. Each of these pillars works together so that we assess and manage corporate governance, natural capital and human capital risks, and surround this with active ownership and reporting and transparency. This universal flow does not differ for funds, asset classes and geographies:

ESG Scores

Our proprietary ESG Scorecard is central to integrating material factors into listed equity and private markets investments. It provides a structured approach to identifying material exposures, risks and opportunities, guiding investment decisions, monitoring ongoing performance, and informing future engagement. Using our ESG scorecard and data, in 2024 we have researched the sustainability at:

> 33 new listed equity companies and 12 private markets investments.

Questions are unique to each asset class that we invest in and includes modules on climate change, biodiversity, human capital, and corporate governance.

Private Markets green-to-brown financing ratio

This ratio shows, from of all Downing investments, what is the balance of good investments for outcomes on sustainability versus other investments?

> The result for private markets is a ratio of 1.65:1. Or for every £1 invested in brown assets, we have £1.65 of green.

Green here is defined as sectors that contribute clearly to environmental and societal outcomes: clean energy (Battery Storage, Hydro, Solar, Wind) and quality care for vulnerable and future people (Elderly Care, Early Years Education, Specialist Care and Specialist Education). In September 2024, from a total of £1.52bn, £0.95bn was in these sectors. (The other sectors at £0.57bn are Data Centres, Fibre, Grid Services, Hotels, Property Development, Pubs, Reserve Power (gas peakers), Shipping, Private Credit, Wedding Venues.)

As with all investors, and given our core sectors of renewables, quality care and well governed companies, we expect this ratio to continue to increase with more green (eg, last year we reported 1.3:1).

Chapter 4:

Stewardship

Integrating and evolving active ownership:

Our active ownership and stewardship is driven by:

- Factors and themes identified during pre-investment
- Unexpected company or sector-level surprises, and the need to mitigate any emerging problems
- Resource allocation – investment colleagues and the S&RI team typically engage
- Being a signatory to the UK Stewardship Code (2020), the UN Principles of Responsible Investment, and a public supporter of the International Corporate Governance Network Global Stewardship Principles (2024)
- A strategic focus, a specific plan and approach for each engagement, and a clear agenda for each interaction with investees

Our stewardship is also driven by two guiding principles:

- A collaborative, partnership approach that achieves environmental or societal outcomes, or produces well-governed assets
- Recognition that companies make decisions themselves and our role as active owners is to inform and provide context and rationale for why these changes are recommended/required.

We have four types of engagement activity. All apply to listed equity, and numbers three and four apply to private markets.

1. **Bulk campaigns**
   letters and workshops that deal with a common problem at multiple companies
2. **Collaborations**
   detailed further below, and including policy advocacy
3. **Soft**
   informative and keeping in touch
4. **Targeted**
   outcome focused

All listed equity and private markets stewardship activity is logged in an Engagement Tracker to monitor companies' progress and performance, as well as manage escalations.

For voting in listed equity, we advocate that companies are accountable to all of their shareholders instead of just the biggest, and that a vote is a powerful right. We publish how we have voted, with rationale when against, on our website:

Website link:
Stewardship Report for Q4 2023 to Q3 2024

Real outcomes from our stewardship can be seen in these five short case studies.

Case Study 1

Lancashire Holdings Listed Equity

Context

We engaged with Lancashire, an insurance company, to review our ESG Scorecard. The meeting also provided an opportunity to deepen our understanding of the company's approach to ESG and its integration into their operations.

Activity

During the meeting, we discussed Lancashire's governance, particularly focusing on their ESG strategy, who is responsible for its implementation (an ESG Committee of the board), and how it is being carried out across the organization. As an insurance company, physical risk was a material topic, and we explored how they manage these risks within their business. The conversation extended to their social impact, focusing on how they treat and monitor employee satisfaction, along with plans for Taskforce on Nature-related Financial Disclosures (TNFD). We also explored 'insured emissions', a new concept.

Insuring an asset, like providing debt or equity to it as an investor, means liability for its emissions, and other impacts like waste. And as for investors, there is guidance for insurers to report these impacts, which we can expect the sector, and this company, to start to report.

Outcome

This allowed us to clarify Lancashire's approach to governance and ESG topics. Lancashire's willingness to engage on their TNFD planning and their consideration of environmental factors in underwriting demonstrates their commitment to evolving sustainability practices.

Case Study 2

Talga Group Listed Equity

Context

We engaged with Talga Group to discuss their ongoing efforts to improve sustainability across their operations. The discussion was broad, but the original agenda item was their Re-moss project.

Activity

During a virtual meeting with the CEO and head of sustainability of Talga Group (based in Australia), we discussed the Re-moss project in detail, focusing on its environmental impact and sustainability goals. Additional discussions included the Life Cycle Assessment (LCA) of their products and how they can enhance their CDP disclosures and align with the Taskforce on Nature-related Financial Disclosures (TNFD) framework. Talga sought our views on nuclear hydropower energy, reflecting their exploration of energy alternatives. We explored their preparations for the new European recycling regulations and discussed their research on recycled graphite. We shared insights on the financial benefits of biodiversity, which Talga is considering integrating into their broader sustainability approach.

Outcome

The engagement fostered a collaborative dialogue, with Talga welcoming our assistance in preparing for future ESG disclosures and regulatory changes. This meeting provided us with valuable insights into Talga's strategies on biodiversity and recycling, knowledge which we can leverage in engagements with other companies. The conversation also solidified our ongoing relationship with Talga, positioning them to align more closely with industry-wide sustainability standards and stakeholder expectations.

Case Study 3

Private Equity

Context

An operator of pubs in the north of England, needed to get its colleagues and sites thinking about sustainability.

Activity

We helped the board directors draft a sustainability policy that is suitable for the sector. Factors include waste, refrigeration, vehicles, energy, gambling (slot machines), alcohol (addiction – support vs encouraging) and communities. We have also commenced onboarding (eg, collecting invoice data) the company for reporting emissions; as an operator of buildings, some of which are old, this is an important part of the new sustainability approach and policy.

Outcome

The policy has been approved by the board and is live. And the first year of emissions data is expected by the end of 2024, after which how to reduce (eg, energy efficiency) will become a subject for enagement.

Case Study 4

Private Credit

Context

We offer loans to UK house builders that are linked to sustainability.

Activity

We designed a framework to use the ESG score to cover multiple KPIs and targets (physical risk, operational and embodied carbon, and water, waste and biodiversity measures), and then an economic outcome for meeting these targets, with reporting and verification as well. Engagement discussions review the results of ESG scorecards on behalf of investment committee, and offer ideas on how to improve the score. For example, solar water heating (domestic hot water), air source heat pumps, mechanical ventilation with heat recovery, integrated roof-mounted photovoltaic panels, individual battery storage, Smart Home Energy Management, triple glazing, maximum heating temperature (eg, 22°C) or window sensors to switch off the heating if a window or external door is open, cavity wall insulation, passive by design (ie, little external energy is required to heat or cool the house).

Outcome

Discussions with multiple borrowers about sustainability in general and then specifics like this, including potential financial impacts (eg, loan interest rate drops by up to 100 basis points). And the first of these loans is expected to complete in Q4 2024.

Case Study 5

Multi Manager Funds Listed Equity

Context

For our Fox Multi Manager Funds, we completed 39 scorecards for our managers and have engaged with 13 of these managers so far. Each manager completed an ESG Questionnaire which provided the information to assess. Similar to our other scorecards, the questions are focussed around three pillars and each is ranked from 0 to 5:

> **Corporate** – ESG oversight, resources and policies.

> **Investment & Climate** – ESG investment philosophy and climate risk management.

> **Stewardship** – engagement and voting process and evidence.

We follow a similar process with regards to using the results to inform our engagements.

Activity

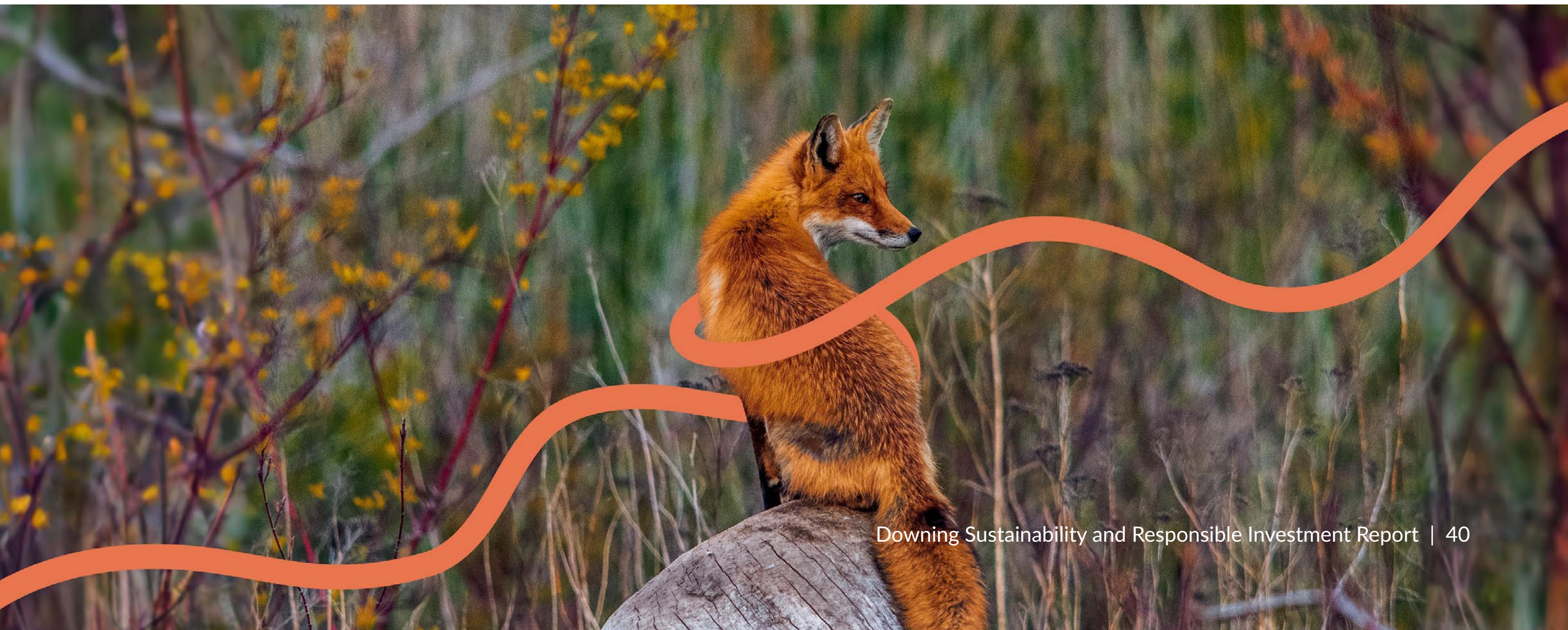
We engaged with a fund manager to discuss their approach to ESG and explore opportunities for enhancing their sustainability practices. This engagement was initiated following an analysis of their performance through our ESG scorecard, which identified pre-engagement questions. a common question this period has been: net zero commitment made, so what's the progress?

In our meeting, we discussed the manager's ethical values and philosophies, offering guidance on how they could formalize their ESG policies. We emphasised the importance of recognising climate change as a risk and an opportunity and explored their engagement approaches with stakeholders. The manager shared examples of their previous engagements, allowing us to gain insight into their ESG efforts so far. Following the meeting, we provided ESG analysis on their holdings and arranged a follow-up meeting to continue discussions on the items raised.

Manager reviews are scheduled by region and by sector; UK and Europe were the main focus over this period, and emerging markets and US are coming next.

Outcome

The manager was receptive to our suggestions, acknowledging the value of formalising their ESG approach. The scheduled follow-up meeting will focus on deepening our collaboration and ensuring that the company continues to enhance its sustainability.



We speak to policymakers: Macro Stewardship

Attention continues on market-wide, or systemic, risks that cannot be diversified away. These include geopolitics, climate change, war, extreme weather events, and societal inequalities. Recognising these, we view policy advocacy and promoting a well-functioning financial system as integral responsibilities of investors.

We actively engage with our peers, industry associations and policymakers for change. Through memberships and collaborations, we contribute to industry consultations, offer insights to policymakers, and keep informed of relevant developments. Below is a table highlighting our policy advocacy.

Initiative	Activity
Letter to UK government	Clarity on UK's ongoing commitment to net zero and decarbonisation. Signed by £1tr of investors.
Letter to UK government	Letter requesting a dialogue and consultation with investors about corporate governance requirements for listed companies.
2024 Global Investor Statement to Governments on the Climate Crisis	Letter to encourage clear policies, disclosures and transition strategies.
Investor roundtable with MPs	Ahead of the election, meeting with three Labour MPs for investor expectations of government. This included climate transition plans, sequencing of new rules, clarity on fid duty and centralised co-ordination. Expect focus subgroups next.
LAPPF and CCLA letter	Letter to FTSE companies asking for a climate transition plan. Follow on engagement dialogue is proposed now.
Planet Tracker Petrochemical Statement	Statement for high plastic risk companies (including some held by DFM) to consider disclosures, toxicity, governance and international agreements.
ICGN engagement with EU	As the new College of Commissioners is being appointed, a group of investors is planning to engage for policies that promote good stewardship and governance. This is a less direct market for us so will monitor initiatives from afar and contribute if relevant.
Guides and resources: - QCA ESG - IGCN GSP - IIGCC Methane	Contributor to working group discussions and then co-author to guides for: - Small companies to integrated ESG with the Quoted Companies Alliance. - The 2024 update to the International Corporate Governance Network's Global Stewardship Principles. - Investors to understand methane, not just carbon, emissions.
IIGCC UK Policy Working Group	Continuing membership and the latest agreed priorities are operationalising GB Energy, sector roadmaps for decarbonising and nature.

We work well with other investors: Collaborations

As strong advocates of collaborations and with many years of such experience, below are highlights for this period.

Collaboration	Company And Purpose	Activity, Outcome and Changes Made
Climate Action 100+	Multiple companies, discussing decarbonisation against benchmark indicators Utilities, Chemicals and Steel working groups: contributing to wider direction on the initiative	EDF, Bayer and Iberdrola: semi-annual reviews of updated benchmark results, and planning for the next phase of the engagement and scorecard updates.
Nature Action 100	Multiple companies, discussing nature risk	Going through the six asks – with a focus on governance – with Wilmar and Mondelez. As these were first calls, progress so far on nature also came up.
UNPRI Advance	Siemens: exploring rights (of land and of self determination) in Western Sahara	Support investor (signing letter and contributing to agenda and meetings). Two calls with the company but still more of 'this is what we do' instead of 'we are listening'.
Ceres Food Emissions 50	Mondelēz: emissions reduction	Support investor (signing letter and contributing to agenda and meetings).
FAIRR Waste and Pollution	WH Group & Yara: new engagement on impact of agriculture to nature	Support investor (signing letter and contributing to agenda and meetings).
CDP Non-Disclosure Campaign	Multiple public companies that do not participate	Collaborating investors, signing the letter and requesting a call to explain CDP.
CDP Science Based Targets	Request for certain companies (2,100+ total) to make science-based emissions reduction targets	Support investor (signing letter and contributing to agenda and meetings) for companies that we hold.
Mining 2030	Planning reforms for a greener sector for 2030+	Support investor and awaiting detail for how we can contribute with which companies (subject will be the toxic tailings waste).
Net Zero Engagement Initiative	Ence Energia y Celulosa: requesting targets for net zero, emissions reduction and disclosure	Discussion of their net zero plans in detail, and suggestions to improve eg, SBT and sector specifics.
FAIRR Sustainable Aquaculture	MOWI – review benchmark results	Planned to commence in Q4 2024.

As a signatory to the UK Stewardship Code, we produce an annual stewardship report that has more detail and is available here: 2024 Stewardship Report.

What to expect when you're engaging

For assets that we invest in, we have expectations statements for sustainability. These aim for a pragmatic balance that supports companies to achieve change and are not hard rules that prevent investment if the expectations are not met. They reference our policies and principles including the UN Global Compact, the UK Stewardship Code and the UN Principles of Responsible Investment.

For any investment that receives debt or equity capital from Downing, we will likely engage on:

- A willingness from management teams to communicate with us as investors on material ESG factors.
- A response to climate change and wider natural capital. This starts with the reporting of operational greenhouse gas emissions as fundamental.
- A credible approach to corporate governance at board, management and investor protection levels.
- Ideally, a policy that applies sustainability – including the three expectations above – to the way a company is managed and the impacts that it has.

These are an important foundation for us in engagements, and are intended for boards and management. They are part of our wider approach to engagement – discussed above – as a collaborative partner that wishes to support companies.

Chapter 5:

Hide nothing, share everything

PRI Principles for Responsible Investment

We were pleased to score well in the assessment for 2024 and get external recognition for material progress. **Out of 3,123 investment managers reporting, we scored five stars out of five for every module bar one.** This covers policies, commitments, strategy, engagement and then ESG for each asset class. Last time, Downing scored all four stars.

Policy Governance and Strategy

★★★★★

Direct
Listed equity, Active fundamental

★★★★☆

Direct
Private equity

★★★★★

Direct
Infrastructure

★★★★★

Global Real Estate Sustainability Benchmark

Downing Renewables & Infrastructure Trust Plc (DORE), on behalf of Downing Hydro AB, a Swedish entity holding over 30 hydropower sites, was proud to announce its 2024 results in the GRESB sustainability benchmarking assessment. GRESB is an independent and standardised sustainability benchmark used by investors and clients; we view it as the most thorough, consistent and investor-useful framework for assessing the sustainability of a building or infrastructure asset. We have now participated for two consecutive years.

The main performance highlights saw Downing Hydro AB:

- Achieve 90 points out of 100, surpassing the GRESB average in all categories.
- Rank 1st out of 695 GRESB participants for the performance component.
- Rank 2nd out of six hydroelectric power generation managers in Europe overall.

Strengths and areas performing better than peers identified by GRESB include:

- Leadership and management policies in place at levels that go from the investment manager's (Downing) policies, to DORE's own commitments.
- Exceptionally strong capabilities in performance reporting and sustainability metrics, including for greenhouse gas emissions and wildlife habitat management.

GRI – Global Reporting Initiative

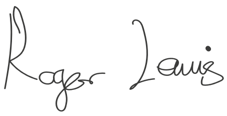
GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	Legal name: Downing LLP Ownership: partnership Location of headquarters: London Counties of operation: UK, Sweden
	2-2 Entities included in the organization's sustainability reporting	Downing LLP
	2-3 Reporting period, frequency and contact point	January 1st to December 31st 2024. Annual reporting. Contact Roger Lewis, Head of Sustainability & Responsible Investment
	2-4 Restatements of information	None
	2-5 External assurance	None for total report, external consultant for financed emissions
	2-7 Employees	B Corp Impact Assessment
	2-9 Governance structure and composition	FRC Stewarship Code Principle 2: Link
	2-15 Conflicts of interest	FRC Stewardship Code Principle 3: (link above)
	2-22 Statement of sustainable development strategy	ESG Policy: Link
	2-23 Policy commitments	
	2-24 Embedding policy commitments	
	2-27 Compliance with laws and regulations	
	2-28 Membership associations	
GRI 3: Material Topics 2021	3-1 Process to determine material topics	FRC Stewardship Code Principle 1: (link above)
	3-2 List of material topics	This report. Pages 9-10
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	UN Global Compact Communication on Progress: https://cop.unglobalcompact.org/view/9178
	205-2 Communication and training about anti-corruption policies and procedures	
GRI 207: Tax 2019	207-1 Approach to tax	ESG Policy: (link above)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	This report. Pages 16-23
	302-3 Energy intensity	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	For our renewable energy assets, see pages 34-45: Link Wider strategies for nature and biodiversity net gain are being created and will be reported under the new GRI 101: Biodiversity 2024 standard in future. Our first TNFD disclosure is in this report.
	304-2 Significant impacts of activities, products and services on biodiversity	
	304-3 Habitats protected or restored	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	This report. Page 18
	305-2 Energy indirect (Scope 2) GHG emissions	This report. Page 18
	305-3 Other indirect (Scope 3) GHG emissions	This report. Page 18
	305-4 GHG emissions intensity	This report. Page 21
	305-5 Reduction of GHG emissions	This report. Page 19
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	This report. Page 17
	306-3 Waste generated	This report. Page 17
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	B Corp Impact Assessment
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	UN Global Compact Communication on Progress: Link
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	

Epilogue

The climate is changing. The shorthand term for sustainability and responsible investment, ESG, is maturing. AI is booming. And policymakers have much to contend with: Russia-Ukraine, Isreal-Hamas, immigration and nationalism, inflation, trade wars, energy security and hybrid and cyber warfare. Plus sustainability, and the ideas of continuation and balancing natural, human and produced capital.

Here we have covered the last megatrend in much detail; now, we return to our job of investing for return and caring about the world.

Roger Lewis



Head of Sustainability and
Responsible Investment

Contact

If you would like to find out more, please get in touch using the details below:

Email:
sustainability@downing.co.uk

Phone:
+44 (0) 20 8057 9535

Website:
downing.co.uk