Climate Report 2024

Aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Certified B Corporation

palatine

As our planet and societies face unprecedented environmental and social challenges, we see private equity as a force for good. At Palatine, we recognise that climate change is the most significant threat to the future of our planet and that its impacts are materially felt across our portfolio, whether through acute physical risks or the broader transition to a low-carbon economy. Climate-related risks present both challenges and opportunities, and our response is a vital part of building resilient businesses and future-proofing value. Our climate action is continually assessed and evolving to ensure our approach remains ambitious, credible, and aligned with leading practice. This TCFD-aligned disclosure reflects our integrated approach to risk management, the pursuit of long-term resilience, and the important action as a responsible investor driving positive change in the transition to a net-zero economy.

What’s inside

INTRODUCTION

Our philosophy centres on driving positive outcomes across our portfolio by scaling businesses sustainably to create long-term value and positive impact on society, the environment, and the economy. For over 15 years, we have embedded responsible investment at the heart of our culture. This commitment, which we define as ‘positive equity,’ is a core aspect of our approach and is articulated in our Investment Code, guiding us to deliver sustainable growth and optimal returns for our investors.

We recognise that climate change poses a significant challenge, with potential material impacts on our portfolio from both physical risks and the transition to a low-carbon economy. As responsible investors, we are actively advancing our approach to identify, manage, and mitigate these risks through our sustainability strategy. Aligned with the Paris Agreement, our efforts support the transition to a low-carbon economy while reinforcing our commitment to sustainable growth and responsible investment.

Our funds

We invest from two private equity funds, with a strategy focused around ESG, value enhancement and building strong relationships. We also have a Growth Credit fund, which shares our mission of being a force for good and enhances our ability to support an increasingly important part of the economy.

buyout

Sustainable Returns: Our Buyout Fund invests in dynamic and visionary management teams looking to drive their business through their next phase of sustainable growth.

impact

Returns with Purpose: Our pioneering Impact Fund invests in commercially driven businesses with a mission to positively impact on society or the environment.

growth credit

Regional Focus: Our Growth Credit Fund seeks to level-up the growth credit market across the UK regions by supporting maturing, high-growth tech companies in those regions.

Purpose of the report

This report reaffirms Palatine's continued leadership in ESG and marks our second disclosure aligned with TCFD. It provides an updated overview of our approach to identifying, assessing, and managing climate-related risks and opportunities, with a focus on their relevance to potential investments, existing portfolio companies, and our internal climate strategy.

The scope remains focused on our private equity funds, enabling a targeted approach to embedding climate considerations within these key areas of our business. Our methodology is grounded in strong governance and emphasises raising both internal and external climate awareness.

With this report, we aim to enhance transparency around how climate factors inform our decision-making and operations, supporting long-term resilience and sustainable growth. We also report on our progress against science-based targets, reinforcing accountability as we work towards meaningful emissions reductions. Future reports will continue to deepen insights into the climate impact of our investments and our alignment with broader sustainability goals.

Sustainability strategy and climate commitment

Our sustainability strategy is built around three core themes: Climate and Nature, Inclusion and Diversity, and Wellbeing and Engagement, each with strategic goals. These are reviewed annually, and steer Palatine and our portfolio towards making improvements in ESG. Relevant to this report, we will explore the Climate and Nature targets and provide a progress update.

These commitments reflect our broader goal of contributing to the global transition to a low-carbon economy, while supporting the resilience and growth of our portfolio companies.

Target 1: Evaluate and commit to a science-based target (SBT) in 2023 and certify by 2025.

In 2023, we submitted our SBT to the Science Based Targets initiative (SBTi) and received validation of our target in May 2024 (read more on page 19). As part of our ongoing commitment to continuous improvement and growth, we have established a new nature focused target to drive action in this increasingly important area:

NEW TARGET: Embed nature-positive principles across the investment lifecycle and fully align with the Taskforce on Nature-related Financial Disclosures (TNFD) framework by 2030.

Target 2: Achieve net zero operations by 2028.

We are still working on this. In 2024, 95% of the electricity used in our three offices was renewable[1], up from 76% in 2023.

Target 3: 100% of portfolio companies to have set an SBT by 2032.

This is a new target for 2025. Whilst we understand that carbon offsetting has a role to play in the transition to net zero, reducing emissions and setting validated targets is our priority. Therefore, this replaces the previous offsetting target. Our interim target for 2028 is 60% portfolio coverage. To date, we have achieved 3% progress, with two additional portfolio companies – Morro and Papilo – currently in the process of setting science-based targets. To support further uptake, we have developed the Palatine SBTi Playbook (read more on page 19), providing practical guidance to help companies move towards setting validated decarbonisation targets.

1. Defined as being backed by a renewable energy certificate or REGO.

Importance of climate risks and opportunities to Palatine and private equity

Climate risk is a critical factor in our investment strategy and portfolio management. As we enter the latter half of this decisive decade for climate action, the path to 2030 will determine whether we can achieve long-term climate stability. Our approach focuses on building resilience across our investments while supporting the transition to a low-carbon future. By integrating climate considerations into our investment process, we aim to enhance due diligence, better manage risk and unlock opportunities for sustainable value creation aligning with our commitment to responsible investing and long-term sustainable growth.

"We will consider climate related matters in our investment strategy and support our portfolio companies to actively monitor and manage their climate change risks and impacts.

Palatine PE supports the United Nations' Sustainable Development Goals, and we relate our work, and that of our portfolio, to them where there are strong contributions and outcomes aligned to the aims of the goals.

We believe this will bring the goals to the attention of new business audiences."

Palatine Investment Code

Governance

BOARD OVERSIGHT

The Board plays a critical role in overseeing climate matters at Palatine. Climate issues are embedded within Palatine’s broader investment philosophy and governance structures, ensuring they are considered at the highest levels of decision-making.

At the highest governance level, Palatine’s Impact Managing Partner sits on the Board and has direct oversight of climate and ESG matters. Regular updates are provided to the Board by the Senior Sustainability Director, who manages the Sustainability Team and works closely with all partners across the business.

Climate-related policies, including Palatine’s Climate Policy, general Investment Code, and ESG policy are reviewed annually by the board. The Group Managing Partner and Senior Sustainability Director sign off on these reviews, ensuring that Palatine’s climate strategy is continuously aligned with global standards and internal goals.

The Board also approves an annual ESG budget, which includes specific provisions for climate-related initiatives. This process ensures that climate risks and opportunities are regularly assessed and integrated into both short- and long-term business planning. Senior leadership, through Board-level oversight, remains committed to addressing climate issues and supporting significant initiatives, such as our science-based targets validation in 2024 and the introduction of a formal, internal sustainability strategy in 2022.

GOVERNANCE STRUCTURE AND MANAGEMENT’S ROLE

Sustainability Team

Palatine’s Sustainability Team is directly involved across the entire investment lifecycle, from deal structuring to portfolio management and exit processes. The team serves as a dedicated ESG resource for both Palatine and its portfolio companies, ensuring climate and broader sustainability concerns are effectively integrated at every stage. While climate factors are assessed internally, external expertise is also sought when necessary to strengthen our sustainability efforts.

The Senior Sustainability Director leads the sustainability team, which is made up of the Sustainability Manager and Sustainability Executive and directly reports to the Impact Managing Partner. This leadership structure ensures consistent dialogue across the business, with climate issues being regularly communicated at both operational and governance levels. The team is responsible for delivering ESG due diligence and baseline assessments, annual ESG and climate reporting, carbon footprinting, and ensuring climate impacts are continuously monitored. The team is also focused on upskilling both internal teams and portfolio companies on sustainability practices, including setting and achieving climate targets.

Investment and Portfolio Teams

A high level of oversight on climate matters also exists from the very beginning of the investment process, all the way to exit. The investment teams work in close collaboration with the Sustainability Team to ensure any material climate matters are assessed and managed throughout the deal lifecycle. This starts with initial deal screening and extends through due diligence, investment committee approval, and post-deal portfolio management.

Quarterly ESG discussions at board meetings ensure that climate performance is continuously monitored and aligned with Palatine’s sustainability goals.

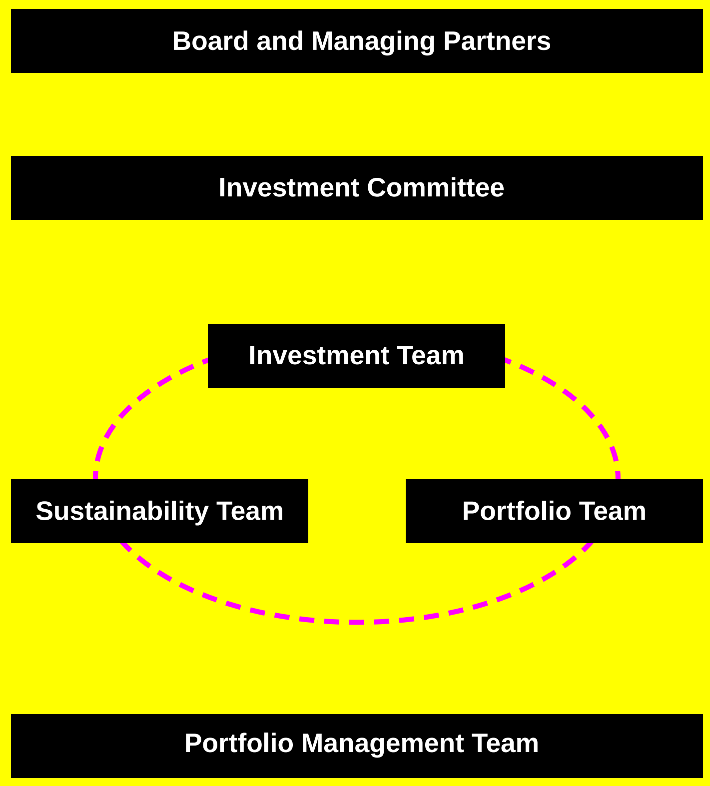
Investment Committee

The Senior Sustainability Director is present at all Investment Committee meetings, ensuring that climate-related factors are included in all investment papers and discussed with the Investment Team and relevant Managing Partner.

Portfolio Board Oversight

Portfolio companies are encouraged to mirror Palatine’s governance structure and commitment to climate matters by appointing a board-level ESG lead. ESG updates, which may include climate and carbon related KPIs, are standard items on quarterly board agenda, ensuring climate considerations are consistently considered at the highest level and are aligned with Palatine’s sustainability goals. This structure enables material climate risks to be identified, escalated, and monitored, supporting continuous improvement in the sustainability performance of portfolio companies.

GOVERNANCE STRUCTURE OF CLIMATE-RELATED ISSUES



Strategy

As the climate landscape continues to evolve, we recognise the increasing need to build a deeper understanding of how climate-related factors could impact our business and portfolio. This ongoing evolution reinforces the importance of continuous analysis and adaptation in our approach.

CLIMATE RISKS AND OPPORTUNITIES

In shaping our climate strategy, we have identified several key physical and transitional risks that may impact our portfolio and are actively working to strengthen our approach to managing them.

RISKS

Physical risks

- **Flooding:** Increased rainfall and surface water flooding could pose risks to infrastructure, operations, and supply chains, particularly for portfolio companies with assets located in flood-prone or poorly drained areas. These events can lead to property damage, business interruptions, and increased insurance premiums.
- **Heatwaves:** More frequent and intense heatwaves are expected to impact workforce productivity, energy demand, and operational efficiency. Companies may face increased cooling costs, health and safety concerns, and accelerated wear on equipment and building infrastructure.
- **Storms and wind damage:** Severe storms and high winds have the potential to damage property, disrupt transportation and logistics, and lead to delays in service delivery. Increased frequency of such events could result in higher repair and maintenance costs for affected businesses.
- **Water stress:** Although most portfolio companies are not water-intensive,changing rainfall patterns and the potential for summer droughts could impact supply chains, particularly where key suppliers operate in water-stressed regions. This may lead to competition for resources, supply disruptions, and increased operational costs.
- **Sea level rise:** Long-term sea level rise could exacerbate coastal flooding and erosion risks, posing threats to any assets, infrastructure, or suppliers located in low-lying coastal areas. While the short-term exposure is limited, these risks may grow in significance over time.
- **Temperature rise:** Gradual increases in average temperatures may affect long-term building performance, increase cooling energy requirements, and alter seasonal demand patterns. For some sectors, these changes could also affect material durability and increase maintenance needs.

We recognise that the impact of physical climate risks varies by geography and operational profile across our portfolio. We have started mapping location-specific exposures and integrating physical risk assessments into our investment monitoring and engagement activities.

Transitional risks

As the UK accelerates its transition to a low-carbon economy, Palatine and our portfolio companies face a range of regulatory, market, and reputational disruptions. Staying ahead of these changes and adopting sustainable practices will be crucial to mitigate the impact of these transitional risks.

While we are still in the process of fully understanding these risks and the evolving landscape, we have identified the following key transition risks:

- **Regulatory changes and climate disclosures:** Stricter climate regulations are emerging globally, mandatory reporting under the SECR framework, ESOS compliance, and climate-related financial disclosures in the UK. These regulations may require businesses to enhance energy efficiency, adopt low-carbon technologies, and increase transparency on carbon emissions and climate risk strategies.
- **Shifts in customer requirements:** Increasing demand for climate commitments and action from customers means that companies are expected to align with climate goals, such as science-based targets or Net Zero commitments. Failure to meet these expectations, especially in tenders or contracts, could impact competitiveness, reduce market opportunities, and hinder long-term growth.
- **Technological disruption:** Advances in clean and low-carbon technologies are changing industries rapidly. While most of our portfolio is not reliant on carbon-intensive technologies, there is an increasing pressure to work with low-carbon suppliers.
- **Reputational risk:** As expectations for sustainability increase from both investors and the public, companies that are seen as lagging on climate action or engaging in greenwashing could face reputational damage. Transparent and effective climate action is essential to avoid these risks.
- **Energy transition and cost volatility:** As the UK energy grid shifts to renewables, businesses may face short-term volatility in energy prices or need to invest in alternative energy sources (e.g. heat pumps, solar). Businesses with older or inefficient energy systems may be disproportionately affected.

These risks have the potential to create material financial impacts at both operational and strategic levels. We are proactively integrating climate risk considerations into our investment decision-making and supporting portfolio companies in embedding them into their long-term strategies.

On page 9, we present the results of our climate risk assessment, informed by responses from our annual ESG data request, in which portfolio companies reported on their exposure to physical and transitional climate-related risks. This assessment has allowed us to identify high-level risk themes across our portfolio. As we progress, we are enhancing this analysis by evaluating climate risk through the lens of invested capital, and aim to better understand where our climate-related financial exposure is most concentrated. This will support more informed risk management, capital allocation, and engagement strategies going forward.

Risk level	Assessment criteria
Low	Minimal impact on operations, with little to no financial or operational disruption. The sectors are either well prepared for this risk, or the risk does not significantly affect their business model.
Medium	The risk has the potential to disrupt operations or incur moderate costs, but these can typically be managed with contingency plans or slight adjustments. There is a moderate chance of impact, but not critical to overall business continuity.
High	The risk can severely disrupt operations, lead to significant financial losses, or cause long-term damage to business performance. These sectors are highly exposed and vulnerable. Without significant intervention, the risk can have major consequences.

CLIMATE RISK ASSESSMENT BY SECTOR

			Hospitality	Consumer	Business services	Tech services	Financial services	Healthcare	Social housing	Education	Environmental services & TIC
			Sectors								
Percentage by invested capital			5.53%	8.52%	11.90%	16.11%	17.98%	10.91%	4.11%	2.31%	22.63%
Risks	**Physical**	Flooding	High risk	Medium risk	Medium risk	Medium risk	Low risk	High risk	High risk	Medium risk	Medium risk
		Heatwaves	High risk	Medium risk	Medium risk	Medium risk	Medium risk	High risk	High risk	Medium risk	Medium risk
		Storms and wind damage	High risk	Medium risk	Medium risk	Medium risk	Medium risk	High risk	High risk	Medium risk	Medium risk
		Water stress	Medium risk	Low risk	Low risk	Medium risk	Low risk	Medium risk	Medium risk	Low risk	Low risk
		Sea level rise	Medium risk	Low risk	Low risk	Low risk	Low risk	Medium risk	Medium risk	Low risk	Low risk
		Extreme cold events	Medium risk	Medium risk	Low risk	Low risk	Low risk	Medium risk	High risk	Medium risk	Medium risk
	Transitional	Regulatory changes and climate disclosures	Medium risk	Medium risk	Medium risk	Medium risk	High risk	Medium risk	High risk	Medium risk	High risk
		Shifts in customer requirements	High risk	High risk	Medium risk	Medium risk	Medium risk	Low risk	Medium risk	Medium risk	Medium risk
		Technological disruption	Medium risk	Medium risk	Low risk	Low risk	Low risk	Low risk	Medium risk	Low risk	Medium risk
		Reputational risk	High risk	High risk	Medium risk	Medium risk	Medium risk	Medium risk	High risk	Medium risk	Medium risk
		Energy transition and cost volatility	High risk	Medium risk	Medium risk	Medium risk	High risk	Medium risk	High risk	Medium risk	Medium risk

Low risk · Medium risk · High risk

OPPORTUNITIES

Engaging proactively in climate strategies continues to present valuable opportunities for Palatine and our portfolio companies, particularly as the regulatory, investor, and market landscapes evolve:

- **Energy efficiency and cost savings:** Improvements in energy efficiency through building upgrades, process optimisation, and smart technologies can reduce operating costs and carbon emissions, particularly in sectors such as hospitality, healthcare, and construction where energy use is high.
- **Value creation and exit readiness:** Demonstrating climate leadership through robust net zero strategies, validated SBTs, risk assessments, and adaptation planning enhances enterprise value. Climate-aligned businesses are increasingly attractive to investors seeking resilient, future-fit companies. It also enables Palatine to respond confidently to growing LP expectations around climate risk integration.
- **Innovation and clean technology adoption:** Supporting the adoption of low-carbon technologies (e.g. electric fleets, green materials, digital emissions tracking) positions portfolio companies to respond effectively to both regulatory change and shifting customer demands – especially relevant in environmental services, construction, and technology sectors.
- **Competitive advantage through sustainability leadership:** Companies that actively reduce emissions and environmental impact are better positioned to attract customers, talent, and capital. This is particularly material for consumer-facing and service-based businesses where climate performance directly influences brand reputation.
- **New market opportunities in the low-carbon transition:** The transition to a net zero economy is creating demand for new services and solutions. We continue to work closely with our portfolio companies to help them identify ways to support their clients in navigating this transition and unlock growth opportunities.
- **Resilience and business continuity:** Taking early action to build resilience to physical climate risks (e.g. flooding, extreme heat) will help safeguard assets and operations, especially in sectors with site-based activity or regional dependencies. This strengthens long-term operational stability across the portfolio. In pursuing these opportunities, it will ensure that our portfolio companies are not only resilient to climate risks but also well-positioned to create value in a transitioning global economy.

IMPACT ON KEY ASPECTS OF BUSINESS

We recognise that climate-related risks and opportunities are influencing several core aspects of our business model. As regulatory, investor, and customer expectations continue to evolve, we are adapting our internal processes and investment approach to reflect this shift.

Portfolio performance

- **Revenue:** Shifts in customer expectations and growing demand for sustainable products and services are creating opportunities for value creation, particularly for companies able to demonstrate robust emissions reductions, credible net zero plans, and low carbon offerings. Failure to act could result in reduced competitiveness and lost market share, especially in consumer, travel, and service-based sectors.
- **Costs:** Short-term costs may arise from compliance with evolving regulations, implementation of energy efficiency upgrades, and insurance repricing. However, we expect these actions to drive long-term cost savings, operational resilience, and access to favourable financing terms.
- **Business resilience:** We are supporting portfolio companies in embedding climate risk into strategic planning to strengthen resilience to physical and transition risks. This includes identifying site level exposures and sectoral vulnerabilities, which informs both company level adaptation plans and our own risk oversight as investors.

Investment pipeline

We continue to integrate climate considerations into investment decisions, particularly within our Impact Fund, where alignment with the low-carbon transition is a key value driver. Increasingly, we are applying climate risk screens across all funds to identify businesses that are not only managing downside risks but are also well-positioned to capture upside opportunities from sustainability trends and market shifts.

IMPACT ON FINANCIAL PLANNING

Climate-related factors are considered in our financial planning and capital allocation processes. While we are still refining our approach to quantifying financial impacts through scenario analysis, we are taking steps to understand how climate risks and opportunities may influence future revenue potential, cost structures, insurance exposure, and portfolio resilience. This evolving analysis is informing our long-term strategy, valuation processes, and engagement priorities.

CLIMATE EDUCATION

All businesses share a responsibility to lead in the global effort to decarbonise, which is why carbon education is a core focus of our sustainability strategy.

In 2024, we continued our Future Proofing Value programme through the ESG Intelligent Board event, which brought CEOs and portfolio leaders together for a day of learning, inspiration, and upskilling. A key focus of the event was exploring the role of businesses in the transition to a net zero economy, highlighting the urgency of reducing greenhouse gas emissions by 45% by 2030. Companies were encouraged to integrate carbon accounting (including scope 3 emissions), short and long-term targets, carbon reduction actions, and supply chain engagement into their strategies. The event also underlined the importance of credible science-based targets, robust transition plans, and practical carbon reduction levers as foundations for resilience and long-term value creation - reinforcing that SMEs, such as those in our portfolio, stand to gain significantly from decarbonisation through cost savings, regulatory readiness, and competitive advantage.

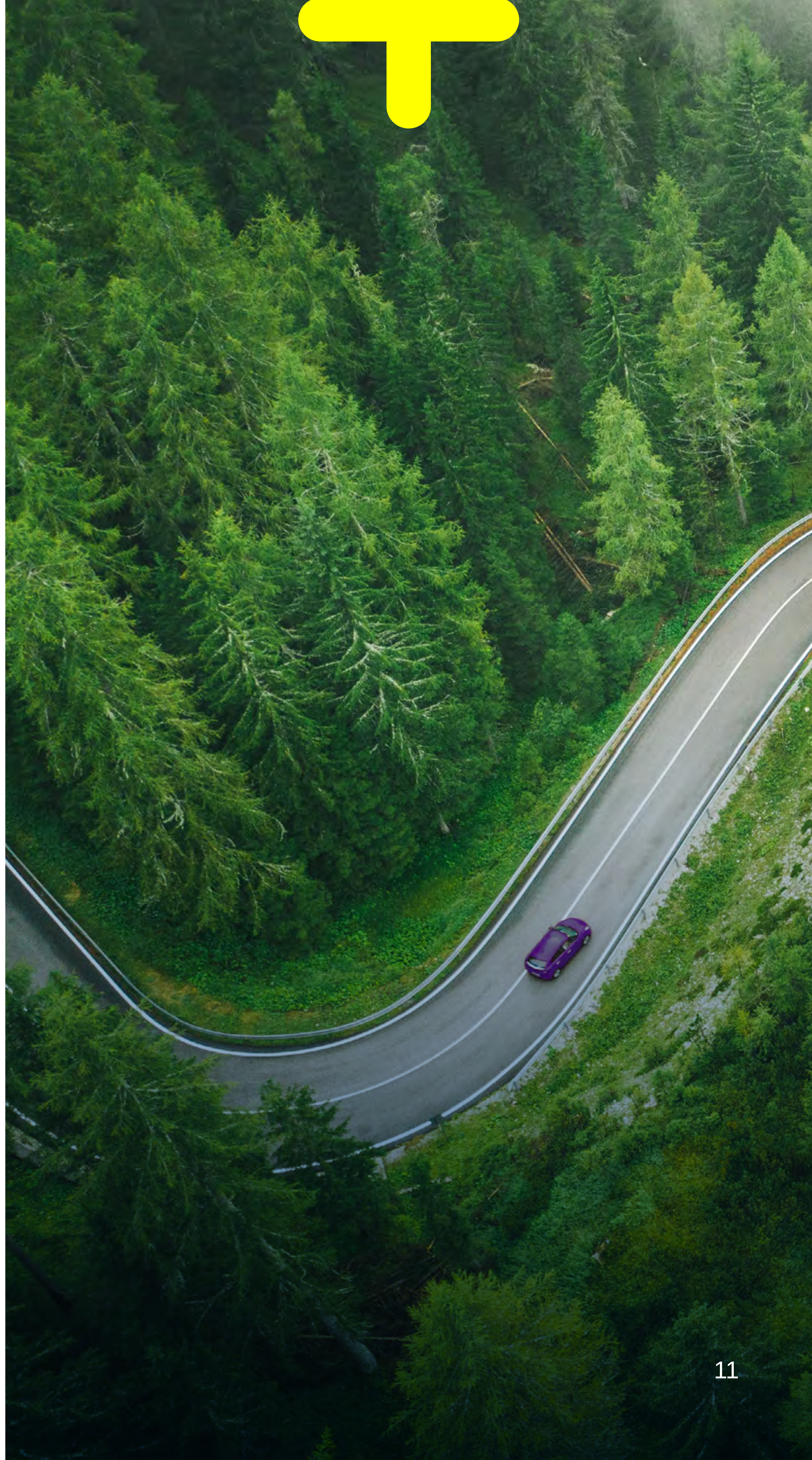
World's first private equity firm to become a Carbon Literate Organisation

310 people trained since 2021 across Palatine, our portfolio, and investors

Annual sessions ongoing to maintain a carbon-literate portfolio

FUTURE CLIMATE SCENARIOS AND PLANNING

While our existing risk management framework is robust, we recognise that climate change introduces a distinct set of challenges due to its complexity, long-term nature, and inherent uncertainty. To address this, we are strengthening our approach by integrating climate-specific risk considerations and enhancing our ability to assess a range of plausible future scenarios. This work will support a more comprehensive understanding of how different climate trajectories could affect Palatine over time and will inform our strategic planning and financial risk assessment. As part of our ongoing climate strategy, we are committed to embedding scenario-based analysis into our risk management processes.



CLIMATE STRATEGY

Our climate strategy is rooted in our commitment to reducing emissions and supporting the transition to a low-carbon economy. Climate risk is an integral part of our ESG due diligence, baseline reviews, and Investment Committee considerations. We have taken important steps to address climate risks and opportunities:

ACHIEVEMENTS TO DATE

2020 We joined Initiative Climat International to engage in cross-sector collaboration to create methodologies and materials to support the industry and wider economy to transition to a low carbon future.

2021 We have been training our portfolio companies, our team, and our investors in Carbon Literacy and have achieved Silver-level accreditation. We have trained 310 people to date and continue to educate within our team, portfolio, investors, and wider network.

2023 Finalised and submitted our SBTs in 2023, validated by SBTi in 2024. Read more on page 19.

2024 Embedded climate risk analysis into the annual portfolio ESG information request for 2024.

2024 Reduced operational emissions by 4.4% from 2023. Emissions from our direct operations remain negligible, while those associated with energy use decreased, supported by a 25% increase in renewable energy consumption across our offices.

2024 Climate risks identified and mapped across our portfolio sectors as seen on page 9.

2026 From 2026, we will be working with Flotilla, a software consultancy focused on sustainability, which will provide enhanced tools and analytics to measure, track, and benchmark emissions

What's Next?

- Improve visibility of climate risks and opportunities across the portfolio.
- Use insights from the climate-related risk questions in the annual ESG information request to support the portfolio in conducting analysis of transitional and physical climate risks.
- Explore the use of climate impact accounting to quantify the monetary value of potential climate impacts across the portfolio.
- Enhance our understanding of biodiversity risks and dependencies to ensure a comprehensive approach to managing climate-related risks.
- As we gain a more detailed understanding of these risks, opportunities, and impacts, we will further strengthen our climate strategy to ensure it remains robust and aligned with evolving regulatory requirements and market expectations.

Risk Management

RISK MANAGEMENT

Processes for identifying climate-related risks

At Palatine, we understand that identifying and managing climate risks is essential for long-term resilience. We have an established process for screening material climate risks as part of our investment process framework.

How risks are systematically identified

Climate risks are identified during the ESG due diligence and baseline review processes. We screen for potential environmental risks, including those related to climate change and gather relevant information from our portfolio companies to evaluate how their operations may be impacted by both physical and transitional climate risks and how they are placed to manage them.

Our baseline review provides a detailed snapshot of each company's sustainability practices. This review includes a focused discussion on climate-related risks with the relevant company teams, particularly through the lens of their environmental management practices. We also identify the appropriate SBT validation route for each company and explore any barriers that may be present in setting and validating an SBT.

PRE-DEAL

ESG screening: Climate-related risks are screened at a high level and communicated among the Deal Team.

ESG due diligence: A deep dive into environmental management is conducted, where climate risks are discussed with the leadership team. These risks are then included in the baseline review report, which outlines recommended actions to mitigate identified risks.

Investment Committee: All climate-related risks identified are included in the Investment Paper, along with RAG rating to reflect the company's ability to manage these risks. Climate is discussed as part of the broader ESG agenda, led by the Senior Sustainability Director, ensuring that climate risks are carefully considered during investment decisions.

POST-DEAL

Debrief: Following the investment, recommended actions from the baseline review are discussed with the relevant teams, and immediate next steps are agreed upon to mitigate risks.

Ongoing monitoring:

- Annual ESG performance reviews: An annual ESG assessment is completed on all portfolio companies, including carbon footprint calculation and climate-related risk management. Performance is scored and reported to portfolio companies, investment teams, and investors.
- Quarterly ESG reviews at Board meetings: Climate-risks are included quarterly in Board Meetings, where materials these are included in ongoing risk management discussions.

EXIT

The aim is to equip companies to address future climate risks under new ownership. This process ensures that climate-related risks are identified, managed and mitigated throughout the investment period, positioning the company for long-term resilience.

Management of climate-related risks

We are integrating climate-related considerations into the broader risk management frameworks of our portfolio companies. This starts with building awareness and capability to identify and respond to both physical and transitional risks. We actively engage with company leaders to ensure these risks are understood, monitored, and managed.

Integration with overall risk management

As climate-related risks become increasingly important to the long-term sustainability of our investments, we are integrating these considerations into our overall risk management strategy. We recognise that climate risks are closely linked with wider business challenges, and therefore aim to align these with our existing practices.

While we are still working on fully embedding them into our risk frameworks, our ongoing efforts include incorporating climate considerations into portfolio monitoring and management processes. Over time, this will enable a more cohesive approach, ensuring that both transitional and physical risks are addressed alongside other business concerns.

SUPPORTING THE CLIMATE TRANSITION

As part of our commitment to responsible investment, we actively support companies that deliver climate risk assessments and strategies, enabling businesses to navigate the challenges posed by climate change. Two key investments in our portfolio, Papilo and Morro, are at the forefront of providing these services.

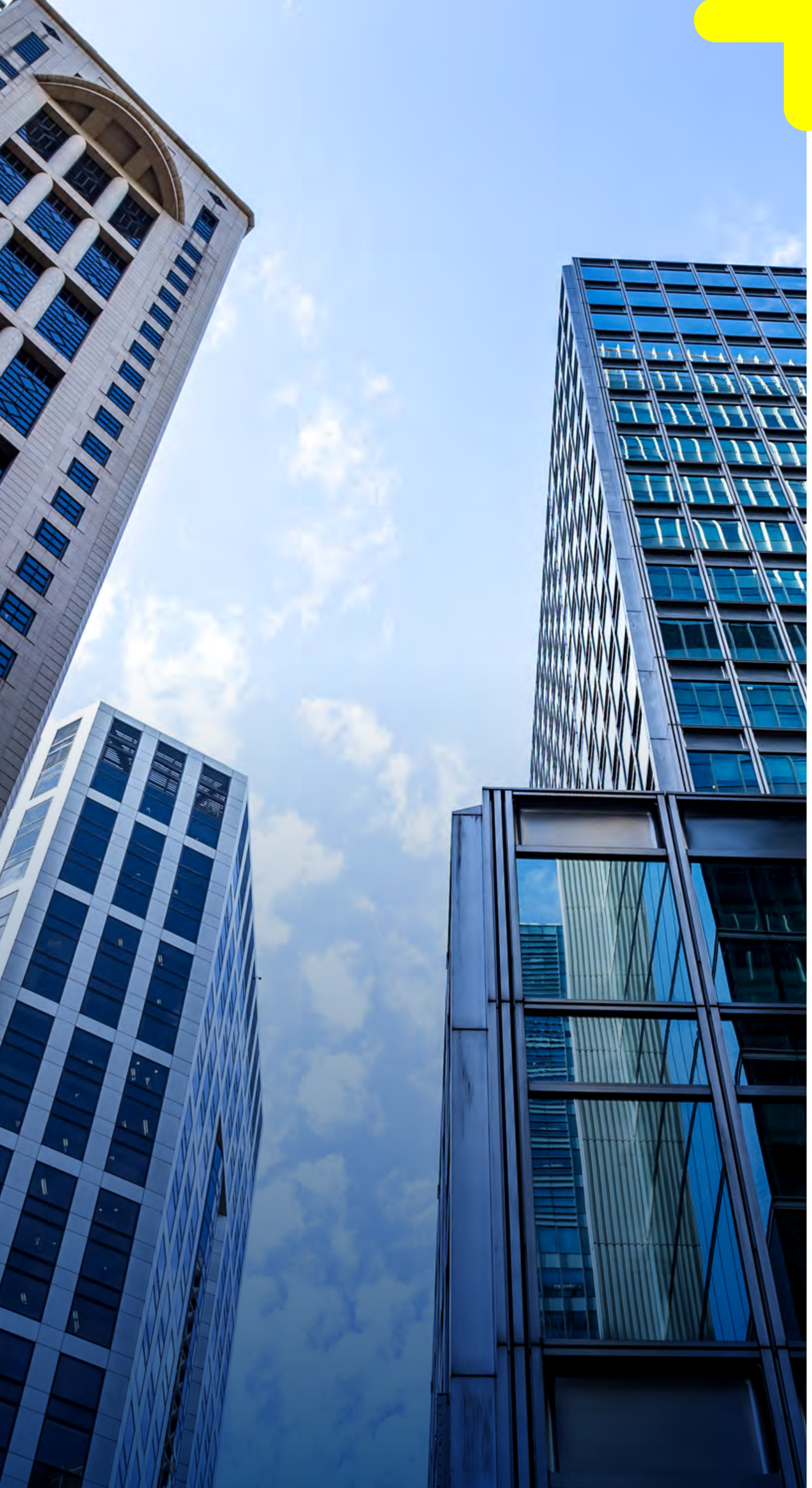
papilo

One of Papilo's biggest clients announced that it will cease procurement from suppliers that have not established science-based targets within two years. Papilo's early progress on sustainability positions it strongly to retain this key relationship. In response, Papilo has pledged to set an SBTi-validated target by the end of 2025, ensuring alignment with client expectations and industry best practice. The company also delivers carbon literacy training across its team, embedding a culture of sustainability and strengthening its ability to meet Net Zero goals.

MORRO

Morro has proactively begun its decarbonisation efforts - demonstrating leadership within a carbon-intensive sector where action is both complex and essential. Over the course of the last 2 years, Palatine has worked closely with the business to establish a robust carbon footprint, identifying key hotspots. Morro has committed to setting a validated science-based target. A decarbonisation plan has been developed, identifying measures such as phasing out white diesel in favour of biodiesel, procuring renewable electricity, as well as onsite solar generation at its Innovation Hub.

Metrics and Targets



OUR OPERATIONAL CARBON FOOTPRINT

To support our climate-related risk management efforts, Palatine follows the Greenhouse Gas (GHG) Protocol for measuring and managing our carbon emissions. The footprint calculations are also used to track progress against our SBTs, ensuring alignment with international climate goals.

Palatine delivered another year of measurable carbon reductions across its operations in 2024, with significant progress driven by strategic decarbonisation actions. Emissions from our direct operations remain negligible, while those associated with energy use have decreased, supported by a 25% increase in renewable energy consumption across our offices.

In our scope 3 reporting, we have expanded our boundary to include Category 7, Employee Commuting, following guidance from the Greenhouse Gas Protocol to capture emissions from travel to office locations and home working arrangements.

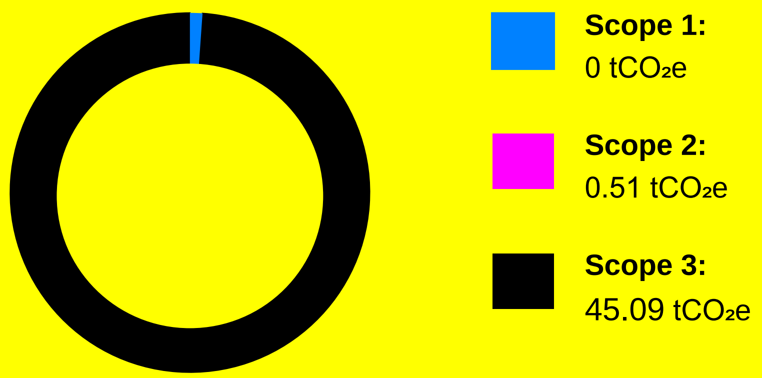
2021
C6: Business travel

2022
C3: Fuel- and energy-related activities (FERA), **C6:** Business travel

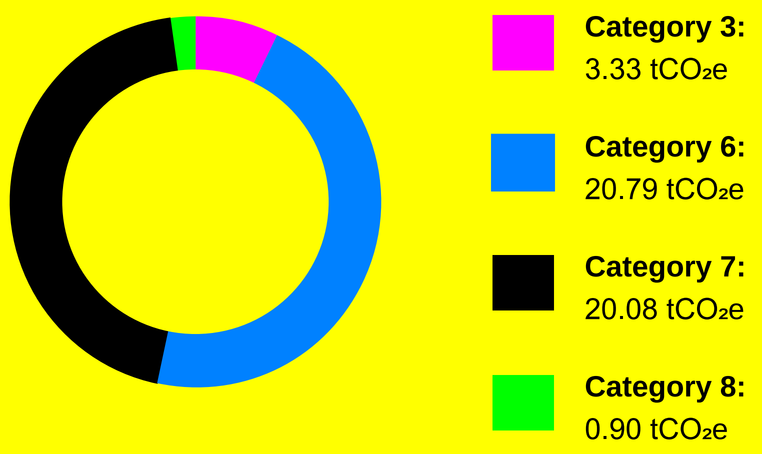
2023
C3: FERA**, C6:** Business travel**, C8:** Upstream leased assets

2024
C3: FERA**, C6:** Business travel**, C7:** Employee commuting**,**
C8: Upstream leased assets

OUR OPERATIONAL CARBON FOOTPRINT



SCOPE 3 BREAKDOWN



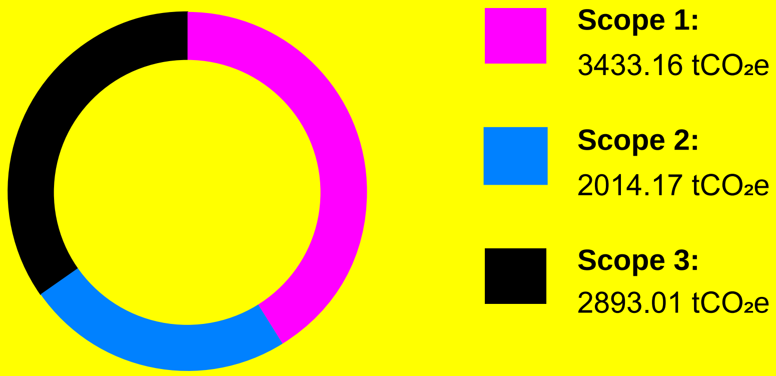
ACCOUNTING FOR CARBON IN OUR PORTFOLIO

We have been measuring our portfolio carbon footprint since 2018. An approach was developed to establish a credible output at reasonable effort to gather the data from the portfolio. The methodology for calculating the company and portfolio carbon footprint has been based on the GHG Protocol Corporate Standard and the government conversion factors for GHG reporting have been used to convert the activity data into a tonne of carbon dioxide equivalent figure. Activity data has consisted of primary data, where possible, obtained from both physical meter readings and financial records. In the absence of data, some approximations and assumptions have been used, however, we consider it to provide a reasonable overall illustration of Palatine's climate impact.

In 2024, scope 1 emissions decreased by 73% compared to 2023, largely driven by the exit of one of our highest emitting portfolio company NRG Riverside, alongside the impact of decarbonisation measures at Morro and other portfolio companies.

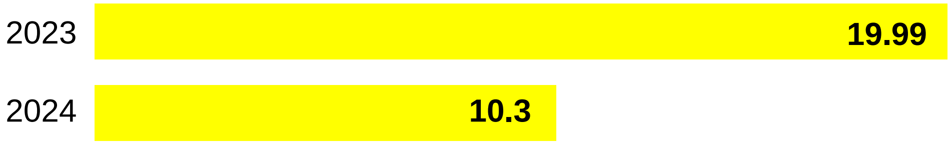
8340 tCO_2e = Total portfolio carbon footprint (50% decrease from 2023)

CARBON IN OUR PORTFOLIO

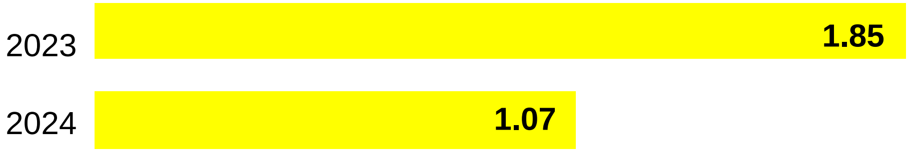


Due to the fluid nature of private equity portfolios, there are inherent challenges with reporting the carbon footprint at the portfolio level, making it difficult to make year-on-year comparisons. As a result, we have also been reporting the carbon footprint normalised by employee headcount and revenue.

Emissions per £m revenue:



Emissions per employee

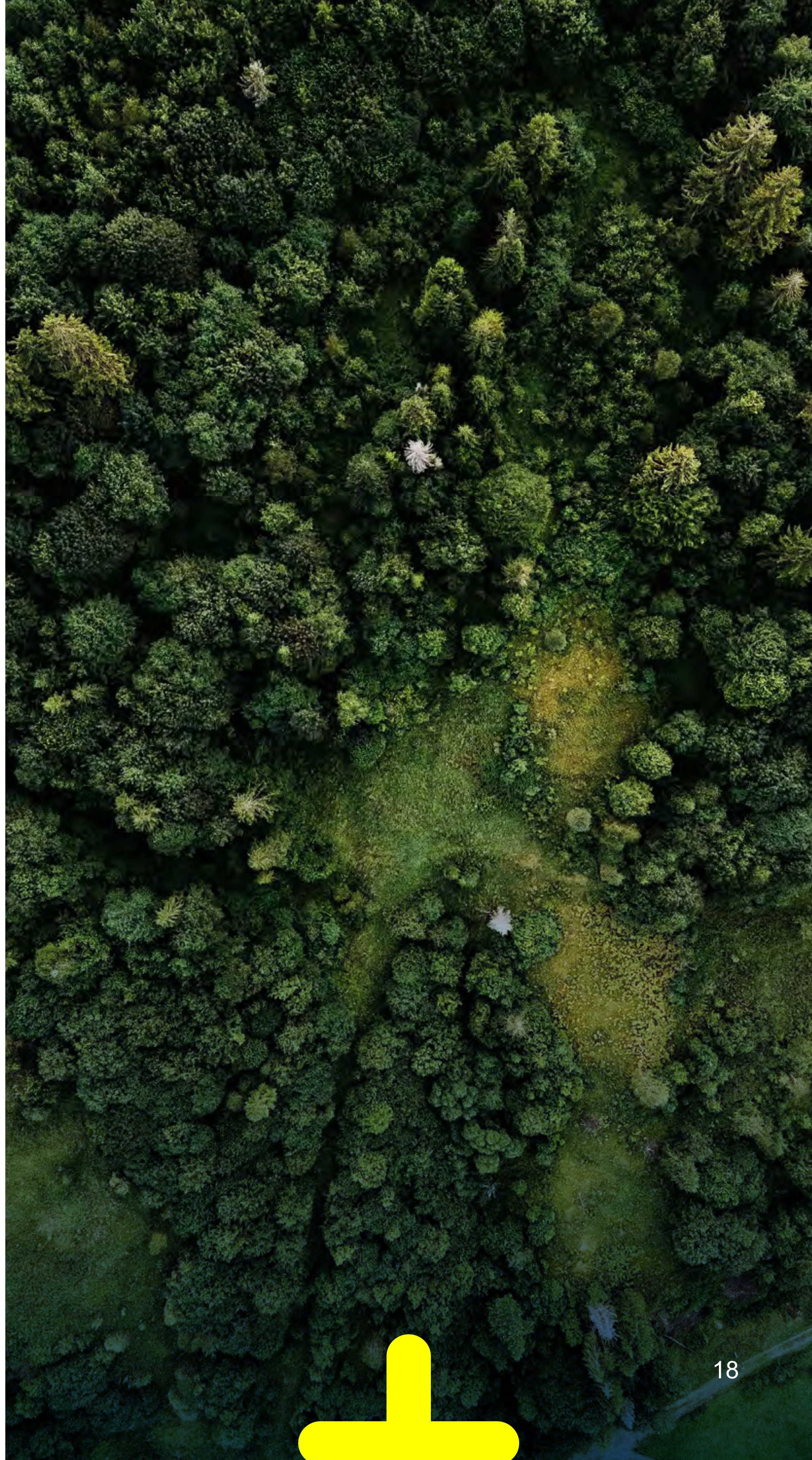


Renewable electricity remains a critical lever across the portfolio, though reported scope 2 emissions increased by 30.8% in 2024. This reflects changes in portfolio composition, contributing to higher electricity-related emissions than in previous years. Expanding renewable sourcing will be a key area of focus going forward.

2088 tCO_2e saved through procuring green energy across the portfolio

We continue to see more companies making the switch to procuring green energy as a cost-effective way to minimise their carbon footprint. 69% of our portfolio now procures green energy. We monitor this KPI and encourage our businesses to make the switch and have been seeing more companies switch to a green energy tariff.

Scope 3 emissions increased by 18.8%. Reporting continues to be limited, currently covering only claimed business mileage. This represents only a fraction of Category 6, Business Travel – we expect reported scope 3 figures to increase as we expand the reporting scope through our partnership with Flotilla.



PROGRESS AGAINST OUR SCIENCE-BASED TARGETS

We advanced our trailblazing approach to sustainability by setting ambitious science-based targets for reducing greenhouse gas emissions in our own business and across our portfolio. We believe that these validated targets further solidify our position as the sustainability pioneer within the mid-market.

The target is split into absolute emissions reductions in our operational emissions (scope 1 and 2) and our financed emissions (scope 3, category 15). As interpreted by the SBTi, the latest science requires us to reduce our emissions from gas and electricity by 42% by 2030 and increase science-based target portfolio coverage to 60% by 2028. What these targets mean and how we achieve them is explained below.

Operational emissions: Reduction of absolute scope 1 and 2 greenhouse gas emissions by 42% by 2030 (from a 2022 base year).

The target covers our scope 1 and 2 emissions. Palatine's scope 1 emission are nil. As such, our scope 1 target is to maintain this. To meet our scope 2 target, Palatine endeavours to minimise energy use and ensure that the electricity we procure is generated from renewable sources rather than fossil fuels. The electricity supply is at the discretion of our landlords; however, we have been engaging with them to switch to renewable electricity since 2021. In 2024, 95% of electricity used in our three offices was renewable[1], up from 76% in 2023.

Portfolio emissions: 60% of invested capital to have set science-based targets by 2028 and 100% of invested capital by 2032.

This target accounts for the emissions we finance through our investments (scope 3). Financed emissions are accounted for using the scope 1 and 2 footprints of all our portfolio companies. However, as we do not have operational control of all these businesses, our target is a 'target of targets'. We aspire to have 100% of our portfolio set a science-based target by 2032. Therefore, by 2028, we are targeting 60% portfolio coverage (invested capital).

With climate risk in mind, we have started targeting those companies in the portfolio most at risk. Target companies are in the construction and environmental services sectors, with 24% of the current Palatine portfolio falling into these. These sectors flag as medium-high risk on a number of the physical and transitional risk indicators, as seen on page 9.

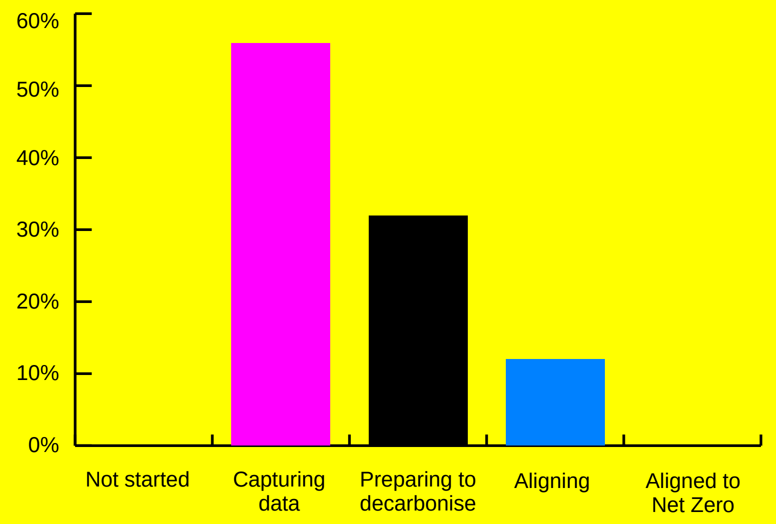
By the end of 2024, 3.1% of invested capital was covered by validated targets, an early milestone towards our interim target of 60% coverage by 2028. Two portfolio companies are already on track to validate their targets in 2025, helping to accelerate progress.

To continue with this momentum, we have developed a tailored SBTi Playbook, aligned with the Private Markets Decarbonisation Roadmap (PMDR). The PMDR provides a common language, in PE, to disclose decarbonisation progress of portfolios. Our step-by-step framework is designed to guide companies from an early stage – where they have limited understanding of their climate impacts - through to measuring and reporting a carbon footprint and setting validated science-based targets. The Playbook is structured into five self-drive modules:

1. **Not started**
2. **Capturing data**
3. **Preparing to decarbonise**
4. **Aligning**
5. **Aligned to Net Zero**

It maps out the journey from first measurement to net zero alignment. Each module provides clear learning outcomes, practical templates and trackers, sector-specific decarbonisation levers, and signposts to trusted external resources. To embed accountability, SBT requirements are written into our legal agreements: all new portfolio companies must validate their SBTs within two years of investment, during which time they are expected to complete the first four Playbook modules and set their target.

PORTFOLIO PROGRESS AGAINST THE PMDR MATURITY SCALE



Using PMDR to track decarbonisation progress, in 2024 we saw all portfolio companies moving beyond the 'Not Started' stage. 50% of our portfolio companies are now in the 'Capturing Data' stage, 32% are in 'Preparing to Decarbonise', and 12% are in 'Aligning'. This distribution demonstrates growing maturity across the portfolio and provides and strong platform to accelerate the transition towards science-based targets.

1. Defined as being backed by a renewable energy certificate or REGO.

> "There is a climate emergency, and we have a small window where we can make a change. We need to make big changes and make them quickly to reverse some of the terrible things we're seeing at the moment."
>
> **Beth Houghton, Impact Managing Partner at Palatine**

Conclusion

This second TCFD-aligned Climate Report marks an important step forward in Palatine's journey to understand, manage, and disclose climate-related financial risks and opportunities. Building on the foundations laid in our inaugural report, we have deepened our analysis by drawing on improved data from our portfolio companies, expanding our assessment of physical and transition risks, and started evaluated risk exposure through the lens of invested capital.

This year's report also reflects growing maturity in our approach to governance, climate integration, and forward planning. We are refining our processes to ensure that climate considerations are embedded more consistently across our investment cycle, portfolio engagement, and board-level oversight.

We will continue to evolve our approach by enhancing scenario analysis, aligning with emerging global frameworks, and integrating nature and biodiversity into our broader sustainability strategy. Through this work, we aim not only to meet stakeholder expectations, but to position Palatine and our portfolio for long-term, sustainable value creation in a rapidly changing world.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Want to know more?
Get in touch with Steph Wall: stephanie.wall@palatinepe.com