



JLEN Environmental Assets Group Limited

TCFD Report 2023



TCFD REPORT continued

Introduction

The Task Force on Climate-related Financial Disclosures ("TCFD") was developed in 2015 by the Financial Stability Board to help public companies and other organisations more effectively and consistently report on climate-related risks and opportunities.

Although JLEN, as an investment company, is not required to include a full TCFD disclosure under the Listing Rules of the FCA, the Board and the Investment Manager believe that the nature of JLEN's business and strategy is intrinsically aligned to the goal of a greener and less carbon intensive future and consider TCFD to be a positive step in driving that direction. As a result, JLEN has voluntarily included climate-related financial disclosures in these financial statements.

Limitations of the disclosure

Both the Investment Manager and the Board of JLEN are fully supportive of the TCFD's goals in bringing climate change considerations into mainstream reporting. However, analytical frameworks for evaluating the complex impacts that climate change will have on the markets in which JLEN operates are still in their infancy. As a result, there is currently no standardised way of assessing climate change risks and opportunities and how these are managed by the Company.

The disclosures in this report partially comply with the TCFD recommendations. Further information on the consistency of each disclosure with the TCFD requirements can be found in the table overleaf.

The Investment Manager believes that in time, across JLEN's peer group and the market generally, a more sophisticated approach to considering the climate risks specific to the Company's business will be developed. Following its first report in 2021/22, Foresight, on behalf of JLEN, has worked to further understand its portfolio risks and opportunities and the analysis relating to these is presented in this report. JLEN continues to work on developing its approach to climate-related issues and this will be reflected in future disclosures.



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Governance

➤ See pages 05 to 07



Description:

Disclose the organisation's governance around climate-related risks and opportunities.

Disclosure:

The Company considers that the disclosures below comply with the TCFD reporting requirements:

- a. Describe the Board's oversight of climate-related risks and opportunities.
- b. Describe management's role in assessing and managing climate-related risks and opportunities.

Key initiatives in 2022/23:

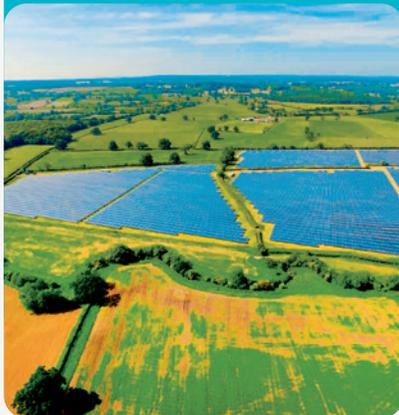
- A detailed workshop on scope 3 emissions calculation methodologies was undertaken with the Board – helping to train the Board members and to gather input and feedback on the proposed approach

Planned initiatives in 2023/24:

- Produce and roll out cyber security policy across the portfolio
- Continue to roll out Ethixbase due diligence checks across JLEN supply chain

Strategy

➤ See pages 08 to 16



Description:

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material.

Disclosure:

The Company considers that the disclosures below partially comply with the TCFD reporting requirements. Work to develop these disclosures further is ongoing, specifically in relation to disclosing how the Investment Manager quantifies materiality, different risk levels and timescales, and financial quantification of impacts.

- a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.
- b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.
- c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Key initiatives in 2022/23:

- JLEN undertook independent scenario modelling of the portfolio in order to measure and assess the physical and transition risks associated with its assets, as well as the financial impact of these sensitivities

Planned initiatives in 2023/24:

- Review requirements for completion of a comprehensive Climate Transition Plan using the Transition Plan Taskforce ("TPT") framework

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Risk management

➤ See pages 17 to 19

**Description:**

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

Disclosure:

The Company considers that the following disclosures comply with the TCFD reporting requirements:

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

Key initiatives in 2022/23:

- Climate risk is embedded in JLEN's risk management framework and climate-risk analysis is included within due diligence processes as part of Foresight's Sustainability Evaluation Tool ("SET")

Planned initiatives in 2023/24:

- Continue to refine and embed assessment of climate risks into the portfolio risk management framework

Metrics and targets

➤ See pages 20 to 22

**Description:**

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Disclosure:

The Company considers that the following disclosures partially comply with the TCFD reporting requirements. The Company does not currently disclose additional TCFD metrics beyond the core metrics reported:

- a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b. Disclose scope 1, scope 2 and, if appropriate, scope 3 GHG emissions, and the related risks.

The Company considers that the following disclosures do not comply with the TCFD reporting requirements.

- c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Work to develop this disclosure is ongoing, specifically in relation to identifying and setting targets related to the carbon metrics disclosed under part (b).

Key initiatives in 2022/23:

- The Investment Manager has calculated estimated scope 3 emissions data using the Partnership for Carbon Accounting Financials ("PCAF") methodology

Planned initiatives in 2023/24:

- Continue to work with the supply chain to calculate scope 3 emissions more accurately
- All assets to have a habitat management plan in place
- Implement biodiversity enhancement on the Future Biogas sites

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TCFD recommended disclosures:

- a) Describe the Board’s oversight of climate-related risks and opportunities.
- b) Describe management’s role in assessing and managing climate-related risks and opportunities.

a) Describe the Board’s oversight of climate-related risks and opportunities

While JLEN’s portfolio of environmental infrastructure assets is not immune to the effects of climate change on an individual asset basis, the Company’s purpose and investment policy is to reduce the rate of further climate change by seeking to invest in assets that either support more environmentally friendly approaches to economic activity, support the transition to a low carbon economy or mitigate the effects of climate change.

In order to further this purpose, the Board and two of its Committees consider climate-related issues as part of their remit in developing, reviewing and guiding the Company’s strategy, major plans of action, risk management policies, annual budgets and business plans. The Board and its Committees also consider climate-related risks and opportunities when setting performance objectives for the portfolio, monitoring implementation and performance and overseeing major capital expenditures. Consideration of climate-related risks is fully embedded into asset acquisition processes, as seen on page 17, and the investment sectors within the portfolio are under regular review to ensure they remain within the Company’s accepted risk tolerances.

The Board, the Risk Committee and the ESG Committee each hold responsibilities in respect of climate-related issues. Summaries of their respective responsibilities are set out in this section.

JLEN Board

- Holds overall responsibility for decision making around climate-related risks and opportunities
- Meets quarterly
- Is advised by the ESG Committee and Risk Committee at each meeting



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a) Describe the Board's oversight of climate-related risks and opportunities *continued*

Risk Committee

- Oversees JLEN's comprehensive risk management framework
- Comprises independent non-executive Directors
- Meets quarterly
- Responsible for identifying, measuring, managing and monitoring – appropriately and regularly – all risks relevant to the Company's investment strategy and to which the Company is, or may be, exposed. This includes climate-related risks
- Advises the Board each quarter on the current and potential risk exposures of the Fund, with particular focus on the Group's principal risks (those with the greatest potential to influence shareholders' economic decisions) and the controls in place to mitigate those risks
- Climate-related physical risk is a principal risk on the Group's risk register
- Other transition risks are specifically identified in the risk register, such as changing power prices and the extent of government support

ESG Committee

- Oversees ESG matters for JLEN
- Meets quarterly
- Responsible for JLEN's ESG strategy, ESG objectives and KPIs, and monitoring ESG progress
- Assesses and prioritises ESG risks and opportunities for the Company, including climate change risks under the TCFD framework and with relevant input from the Risk Committee
- Oversees the ESG and TCFD annual reporting
- Identifies relevant ESG training and opportunities
- Where risks are identified by the Committee, these will be referred to the Risk Committee for further consideration and inclusion in the risk register
- Presents a formal report to the Board at each quarterly Board meeting

Climate change-related training and informational sessions

In 2022/23 the JLEN Board was provided with a detailed update and training session on scope 3 emissions. This session allowed the Board to fully engage on the approach and scope for calculating JLEN's scope 3 emissions, which in turn helped to support the process of gathering data and undertaking the calculations.

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

The Investment Manager's management team holds responsibility for overseeing sustainability and ESG across JLEN's activities. Further information on the management team's skills and experience can be found on page 10 of the annual report. The management team works directly with and is advised by Foresight Group's sustainability team, which comprises sustainability professionals who hold responsibility for ESG and sustainability across Foresight Group. Further information on the sustainability team, can be found on Foresight's website⁽¹⁾. The management team also works closely with the portfolio managers in order to understand and manage climate-related risks and opportunities, as well as to progress the wider ESG objectives of the Fund. The Fund Lead is responsible for ensuring that appropriate governance and policies are in place across the portfolio of assets, and is also responsible for tracking the ESG KPIs.

In addition to discussing individual assets at Investment Committee and other related meetings, broader portfolio-level climate-related risks and opportunities are given a regular platform for discussion in weekly ESG and sustainability catch-ups between the Fund Lead and the management team, as well as further reporting and engagement with the JLEN Board and wider Foresight Group teams as previously described.

(1) <https://www.foresightgroup.eu/about-us/people>.

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

The identification, assessment and management of risks are integral aspects of the Investment Manager's work in both managing the existing portfolio on a day-to-day basis and pursuing new investment opportunities (though the Board has ultimate responsibility for the risk management activities of the Group).

The Investment Manager has established internal controls to manage risks and the management team reviews and considers the Group's key risks, with the Risk Committee, on a quarterly basis. This includes consideration of climate-related risks and will cover new risks arising as well as changes in the likelihood or impact of any particular risk.

Further information on the approach to managing climate-related risks can be seen on pages 17 to 19.

Assessing and managing climate-related opportunities

There are two key opportunities that the management team considers:

Sector opportunities – the JLEN team frequently evaluates opportunities for infrastructure investments that generate lower GHG emissions than precursor infrastructure or that support the transition to a low carbon economy. These opportunities are discussed with, and considered by, the JLEN Board.

Value-enhancing opportunities – the Investment Manager assesses existing portfolio assets for opportunities to enhance climate-related performance and discusses assessment findings with the JLEN Board where appropriate, which holds responsibility for authorising significant proposed enhancements.

At an investment level, consideration of the sustainability credentials of environmental infrastructure and their resilience to climate-related physical risks is undertaken in accordance with a set of sector-specific assessment parameters underlying the five key areas of Foresight's proprietary Sustainability Evaluation Tool.

Emerging transition risks are considered by the Investment Manager's valuation team and these risks are then escalated to the Company's risk register and the Board, if appropriate. Further details of Foresight's approach to sustainability and how this is carried through practically to assessing climate-related risks and opportunities are set out in the risk management section of this report on pages 17 to 19.

Setting sustainability-linked objectives

As a means of incentivising accountability at an individual level, all Foresight employees are obliged to incorporate one or more sustainability-related objective(s) as part of their annual appraisal. Once an objective is set, it acts as a metric of sustainability-related performance at the individual employee level and will be monitored by the employee's Line Manager. Failure to achieve the agreed objective(s) during the appraisal period will be reflected in the overall Performance Grade given to the individual concerned. This commitment is set out in Foresight Group's Sustainability and ESG Policy.⁽¹⁾ While the remuneration policy is not directly linked to the TCFD metrics disclosed in this report, the commitment made by Foresight Group ensures that there is a mechanism in place for inclusion of any such targets in future.

(1) <https://www.foresightgroup.eu/about-us/sustainability>.

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TCFD recommended disclosures:

- a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.
- b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.
- c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

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

AND

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

The top climate-related risks and opportunities identified by JLEN are set out on pages 09 to 14. This year two new risks have been added – reduction in carbon pricing and changes to sustainable investment criteria – and one new opportunity – changes to energy and market pricing of GHG emissions. No material changes to the impact of the risks and opportunities has been identified.

Most of the risks identified in this section are reflected on the Company's principal risk register found on pages 40 to 48 of the annual report. The risks are duplicated here and their impacts and dependencies expanded on in line with the TCFD recommendations. Ongoing assessment and monitoring of these risks is undertaken as part of the wider monitoring of the principal risk register. The risks identified in this section have not been financially quantified to date. The Investment Manager has undertaken a scenario assessment which will help to inform this process in future.

By virtue of its investment policy, JLEN aims to make a significant contribution to reducing GHG emissions and mitigating climate change. As a result, the Investment Manager considers that aspects of climate-related risks may represent opportunities for the portfolio.

The process of assessing risks and opportunities is described in more detail on pages 17 to 19.

The tables on the following pages identify the top climate-related risks and opportunities and JLEN's response to them, demonstrating the impact that the risks and opportunities identified have on JLEN's business, strategy and financial planning. Further information on how the business responds to risk can be seen in the Risks and Risk Management section on pages 38 to 48 of the annual report.

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Top climate-related risks for the Company

Risks	
	<p>Changes to power prices as a result of climate change</p> <p>Extreme weather-related events</p>
Description	<ul style="list-style-type: none"> Lower than forecast power prices due to warmer winters or increased renewables deployment Increased power prices due to short-term shocks/decreased energy supplies from low wind resource or problems in the gas network could lead to governments turning to less sustainable ways of generating energy that are available in the shorter term – e.g. coal <ul style="list-style-type: none"> Extreme weather-related events, either chronic (e.g. changing wind patterns, heat stress, rising sea levels) or acute (e.g. storms, heat wave, drought, floods), causing damage to Company assets or negatively impacting their production
Probability	<p>Likely</p> <p>Likely</p>
Level of residual risk	<p>Moderate</p> <p>Negligible</p>
Time period	<p>Short term (0-5 years), Medium term (5-10 years), Long term (10+ years)</p> <p>Medium term (5-10 years), Long term (10+ years)</p>
Physical or transition risk	<p>Transition (market)</p> <p>Physical (chronic)</p>
Investment Manager response	<ul style="list-style-type: none"> The majority of assets in the portfolio earn revenues that are not dependent on merchant power sales and various mechanisms are in place to help mitigate the risk of lower power prices (see principal risks on pages 40 to 48 of the annual report) Arguments for supporting less sustainable alternatives to manage short-term power price shocks are, on the whole, not supported by society although sometimes short-term pragmatism overrides this when combined with security of supply needs. <ul style="list-style-type: none"> Having conducted a review of the physical risks to the portfolio (see pages 17 and 18), the physical risks are largely localised and the impact of a single event or limited set of events is deemed to have a negligible impact to the overall portfolio; nevertheless, this is kept under close review by the Investment Manager Further information on the mitigations considered against volume of resource can be found in the risk management section on pages 38 to 48 of the annual report
Impact	<p>Strategy, Financial planning, Company's investments</p> <p>Strategy, Company's investments</p>
Risk register	<p>9 7 8 15</p> <p>7 8 15</p>

Risk register key:

- 3 Acquisitions and pipeline
- 6 Reputational
- 7 Volume of wind, solar and rainfall resource
- 8 Volume and cost of feedstock resource
- 9 Power prices
- 11 Portfolio valuation
- 13 Changes in regulation and government support
- 15 Climate change

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Top climate-related risks for the Company continued

Risks		
	Reduction in carbon pricing	Changes to sustainable investment criteria
Description	<ul style="list-style-type: none"> Potential volatility within the carbon pricing markets over the next five to ten years could result in: <ul style="list-style-type: none"> a) a reduction in carbon pricing, making fossil fuels more cost-effective; or b) increased carbon emissions pricing policies which in turn could result in market movement away from centralised baseload power. 	<ul style="list-style-type: none"> As the energy transition proceeds, and scientific knowledge regarding the consequences of particular courses of action increases, there is a risk that activities and assets that were once classified as “sustainable” become reclassified as “unsustainable” with consequences for JLEN’s ownership of such assets Litigation risk if the EU and financial institutions continue to turn away from the Energy from Waste (“EfW”) sector and policy developments penalise EfW assets. This could limit future deployment and impact lifecycle emissions for EfW assets in the Fund’s portfolio
Probability	Likely	Likely
Level of residual risk	Minor	Minor
Time period	Medium term (5-10 years)	Short term (0-5 years), Medium term (5-10 years)
Physical or transition risk	Transition (regulation, market)	Transition (regulation, market)
Investment Manager response	<ul style="list-style-type: none"> The Investment Manager has confidence in its investment strategy and JLEN’s portfolio construction. Its diversified nature mitigates against financial losses that could result from a reduction in carbon pricing, the increased cost competitiveness of fossil fuels and power price reduction JLEN is positioned to benefit indirectly from future increases in carbon pricing which may in turn increase power pricing 	<ul style="list-style-type: none"> JLEN invests in assets that contribute to the acceleration of the energy and sustainability transition and have strong transition characteristics. Third-party expert validation of the sustainability credentials of assets is sought where appropriate. Meanwhile, the Investment Manager assumes an active role in policy discussions and remains abreast of sustainable investment changes and reviews its strategy accordingly The diversified nature of JLEN’s portfolio protects the Fund against overexposure to any one sector. If deemed appropriate in the future, JLEN would review a phase-out of EfW from the Fund’s investment strategy
Impact	Strategy, Company’s investments	Strategy, Company’s investments
Risk register	11 13	6 13

Risk register key:

- 3 Acquisitions and pipeline
- 6 Reputational
- 7 Volume of wind, solar and rainfall resource
- 8 Volume and cost of feedstock resource
- 9 Power prices
- 11 Portfolio valuation
- 13 Changes in regulation and government support
- 15 Climate change

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Top climate-related risks for the Company continued

Risks	
	<p>Changes in regulation and government support for sustainable infrastructure</p> <p>Displacement of existing assets with new or other technologies</p>
Description	<ul style="list-style-type: none"> Changes in regulation to sectors in which JLEN is already invested e.g. energy-from-waste not meeting criteria to be considered aligned to the EU taxonomy Changes in farming regulation which impact the agri AD portfolio Government support for short-term energy solutions that negatively impact the transition to a low carbon future e.g. support of coal <ul style="list-style-type: none"> As more resource and scientific-backed research is dedicated to achieving net-zero goals, technologies could be developed that make current renewables or environmental infrastructure technologies obsolete. An example of this could be fusion power displacing all other forms of energy Other technologies such as nuclear or coal being prioritised in the short-to-medium term
Probability	<p>Possible</p> <p>Unlikely</p>
Level of residual risk	<p>Negligible</p> <p>Minor</p>
Time period	<p>Short term (0-5 years), Medium term (5-10 years)</p> <p>Medium term (5-10 years), Long term (10+ years)</p>
Physical or transition risk	<p>Transition (market, regulation, reputational)</p> <p>Transition (technological)</p>
Investment Manager response	<ul style="list-style-type: none"> Given the diversified nature of the assets, the impact is likely to be limited to a single asset or small part of the portfolio The risk over the long term is considered negligible as other avenues or solutions would be found for the asset or technology affected, such as selling an asset or finding alternative sources of feedstock <ul style="list-style-type: none"> It is considered more likely that new technologies would be developed and JLEN is well positioned to invest in new energy solutions once they become proven at scale. It is unlikely that a single solution would be found for all the energy needs, but if it were, this would necessitate considerable buildout beyond the lifetime of JLEN's assets
Impact	<p>Strategy, Financial planning</p> <p>Strategy, Financial planning</p>
Risk register	<p>13 15</p> <p>3 15</p>

Risk register key:

- 3 Acquisitions and pipeline
- 6 Reputational
- 7 Volume of wind, solar and rainfall resource
- 8 Volume and cost of feedstock resource
- 9 Power prices
- 11 Portfolio valuation
- 13 Changes in regulation and government support
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Top climate-related opportunities for the Company

Opportunities		
	Increased demand for environmental infrastructure and businesses which support the transition to a low carbon economy	Changes to energy pricing and market pricing of GHGs
Description	<ul style="list-style-type: none"> Increased demand for infrastructure which helps to balance the intermittent generation profile of renewables – e.g. battery storage Increased demand for shorter-term solutions to reach net zero by 2050, e.g. CNG refuelling stations and synthetic low carbon fuels as a low carbon transport option while other solutions such as hydrogen power are further developed 	<ul style="list-style-type: none"> The market pricing of GHG emission begins to increase which in turn drives the competitiveness of renewables Future changes to energy prices spurred by a clampdown on fossil fuels. Longer-term view on building out clean energy generating capacity when markets are supportive of renewables and prices are competitive
Level of opportunity	High	High
Time period	Short term (0-5 years), Medium term (5-10 years), Long term (10+ years)	Short term (0-5 years), Medium term (5-10 years), Long term (10+ years)
Physical or transition opportunity	Transition (market)	Transition (market, regulation)
Investment Manager response	<ul style="list-style-type: none"> JLEN is already well positioned to invest in environmental infrastructure sectors that support the transition to a low carbon economy, as can be demonstrated in the market and opportunities section on pages 12 to 16 of the annual report 	<ul style="list-style-type: none"> JLEN is positioned to benefit from future increases in carbon pricing and cost competitiveness of renewables. Equally, there are no immediate carbon pricing payment commitments for JLEN associated with the current or planned portfolio, which limits the impact of any associated risk JLEN is positioned to benefit from future increases in energy pricing and the increased buildout of renewables capacity
Impact	Strategy, Financial planning	Strategy, Financial planning

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Top climate-related opportunities for the Company continued

Opportunities		
	Increased governmental support for environmental infrastructure projects	Technological developments and buildouts in environmental infrastructure
Description	<ul style="list-style-type: none"> Government policies aimed at facilitating the transition to a net zero carbon economy may subsidise certain technologies to increase their uptake or buildout, creating further opportunities for investment by JLEN Government policies aimed to help the transition to reduce the impact on natural resources e.g. Norway's proposed resource rent tax rate in sea aquaculture 	<ul style="list-style-type: none"> As new technologies become better developed, the Company is well positioned to invest in a diversified range of projects Examples of new technologies may include environmental or sustainable infrastructure related to fuels, food production or energy production
Level of opportunity	Medium	Medium
Time period	Short term (0-5 years), Medium term (5-10 years), Long term (10+ years)	Short term (0-5 years), Medium term (5-10 years)
Physical or transition opportunity	Transition (policy and legal)	Transition (technological)
Investment Manager response	<ul style="list-style-type: none"> Government support of emerging sectors will change the risk profile and may open up areas that would otherwise be insufficiently attractive for JLEN investment 	<ul style="list-style-type: none"> Attractiveness of investment opportunities will also depend on the business models as well as the proven nature of the technology
Impact	Strategy, Financial planning	Strategy, Financial planning

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Top climate-related opportunities for the Company continued

Opportunities	
	Changes in weather patterns leading to buildout of certain types of environmental infrastructure or business
Description	<ul style="list-style-type: none"> Changes in weather patterns could lead to opportunities for new types of infrastructure or further investment into existing categories. An example of this could be flood defence infrastructure in response to increased rainfall or sea level rise or controlled environment agriculture facilities in response to higher temperatures
Level of opportunity	High
Time period	Medium term (5-10 years), Long term (10+ years)
Physical or transition opportunity	Physical
Investment Manager response	<ul style="list-style-type: none"> The Investment Manager reviews c.700 deals a year in the environmental infrastructure space, which allows it to take advantage of these opportunities as they arise
Impact	Strategy, Financial planning, Company's investments

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

Resilience

JLEN believes that resilience is supported by owning a portfolio that is diversified by location, technology, resource use and revenue make-up. The Investment Manager engages with a range of specialists across different areas of expertise and levels of the business to help drive and maintain a resilient portfolio. Risks and opportunities are also assessed within the framework discussed on page 17 and on an ad hoc, day-to-day basis.

As new investment opportunities such as emerging sectors evolve, JLEN will consider these as part of its investment strategy. Likewise, if new risks emerge for existing investment sectors, or if the impact of existing risks increases, JLEN will consider this at Risk Committee, ESG Committee and Board level and identify opportunities for mitigation or, if necessary, disposal of assets.

Analysis of climate-related scenarios on the Company's resilience

Overview

The Investment Manager has identified the S&P Global Climonomics platform as offering the most comprehensive analysis across four climate scenarios, integrating not only physical and transition risks, but also climate-related opportunities, to provide a single output that talks to the resilience of the portfolio under different climate futures.

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

Analysis of climate-related scenarios on the Company’s resilience continued

Overview continued

The basis for Climonomics’ analysis is the Representative Concentration Pathways (“RCPs”) generated by the Intergovernmental Panel on Climate Change (“IPCC”). The RCPs represent a wide range of possible changes in future anthropogenic greenhouse gas emissions (“GHGs”) and their impact on atmospheric concentrations of CO₂. The scenarios are best summarised as:

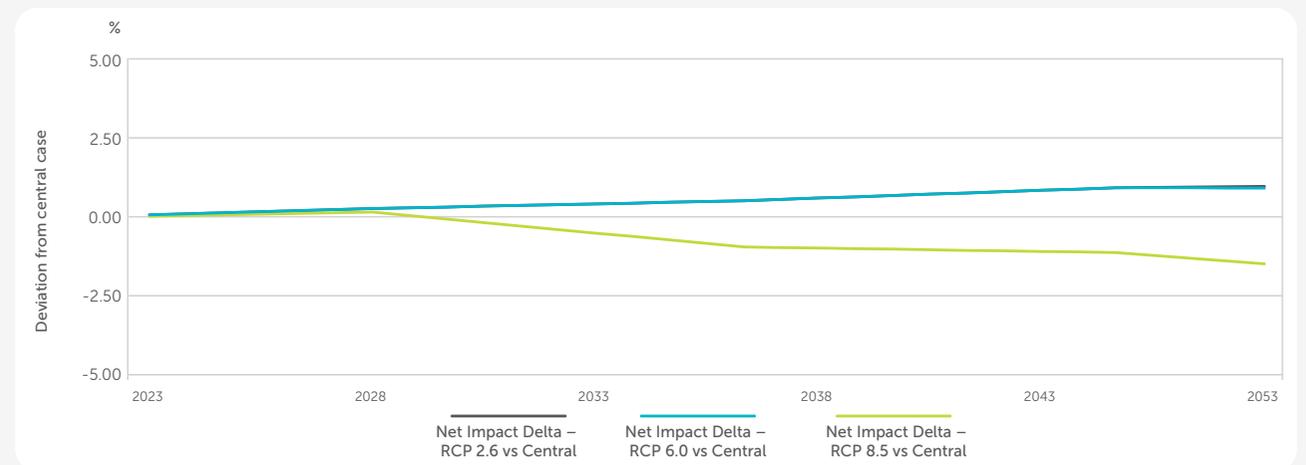
- **RCP 2.6** assumes that emissions peak early and then fall due to the active removal of GHGs from the atmosphere. It is estimated that end-of-century increases in global mean surface temperature will be in the range of 0.9 to 2.3°C.
- **RCP 4.5** implies coordinated action to limit GHG emissions to achieve a global temperature warming limit of approximately 2°C, wherein global emissions peak around 2040 and then decline by 2045.
- **RCP 6.0** assumes a high GHG emission rate with radiative forcing stabilisation only after 2100. It is estimated that end-of-century increases in global mean surface temperature will be in the range of 2.0 to 3.7°C.

- **RCP 8.5** assumes that no major global effort to limit GHG emissions will be brought into effect. It is estimated that end-of-century increases in global mean surface temperature will be in the range of 3.2 to 5.4°C.

Climanomics integrates econometric assumptions driven by high resolution geographic, climate, socioeconomic, business and sector-specific data to the RCPs to quantify climate risk. The models assess both the risks and the opportunities associated with each scenario and generate outputs dependent on asset type. These outputs can then be applied to the Company’s valuation models to estimate the financial impact over the four different scenarios.

Estimates

Assuming the RCP 4.5 scenario as the most likely outcome due to the current global emissions trajectory, the below chart shows the assessed central case and the potential variations between the three remaining scenarios:



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

Analysis of climate-related scenarios on the Company's resilience continued

Estimates continued

Applying these estimates to the Company's Net Asset Value ("NAV"), it is possible to make an assessment of the potential financial impact in each of the RCPs over the years until 2053⁽¹⁾:

RCP 2.6

+1.14p/share

RCP 4.5

Central case

RCP 6.0

+1.09p/share

RCP 8.5

-1.57p/share

In terms of categorisation of risks and opportunities, the Climonomics platform fully aligns with the TCFD framework by assessing:

- **Physical risk** – Analysing atmospheric data related to acute and chronic climate hazards across temperature, precipitation, drought, wildfire, coastal flooding, tropical cyclones, water stress and fluvial-basin flooding to provide a rigorous estimate of risk under various conditions.
- **Transition risk** – Incorporating modelling of hazards associated with a global transition to a low-carbon economy via litigation, reputational, technology and market risk⁽²⁾.
- **Opportunity modelling** – Calculating opportunities derived from resource efficiencies, energy sourcing, changing markets and resilience.

Climonomics' methodology estimates direct financial impacts that the hazards are expected to incur on each asset type. Each asset type's vulnerability is characterised by the specific ways in which it is likely to be impacted (i.e. "impact pathway") by a given climate-related variable. An asset type's overall "impact function" is comprised of these individual impact pathways. The platform has developed an extensive library of detailed impact functions for a wide variety of sectors, all of which are based on peer-reviewed and government-published research papers.

The landscape of scenario analysis is evolving quickly, and current assessments are made with the most credible existing frameworks and input data available. Given the very nature of this analysis, limitations remain. However, the Investment Manager is committed to using best-in-class methodologies to accurately estimate the Company's performance under different climate futures and will continue making the necessary adjustments as the methodologies develop.

(1) This 30-year time horizon represents the asset lifecycle of a typical renewable energy generation asset.

(2) Due to this analysis being conducted with emissions data generated using emissions factors (i.e. not operational data) the 'carbon pricing' transition risk has been excluded from the analysis.

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TCFD recommended disclosures:

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

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

Broadly, climate-related risks and opportunities are split into two categories:

Transition risks:

These are risks related to the transition to a net zero or low carbon future. These risks fall into four categories:

- policy and legal risk;
- technological risk;
- market risk; and
- reputational risk.

Information on the top transition risks for the Company can be seen in the table on pages 18 to 20 and in the Risk and Risk Management Section on pages 38 to 48 of the annual report.

Physical risks:

These are the potential physical impacts of both **acute** extreme weather events and **chronic** changes to climate patterns. In this report the physical risks as set out in the EU taxonomy are considered; more information is set out in the table showing the top risks to the Company on pages 18 to 20.

Foresight, as the Investment Manager, incorporates processes for identifying and assessing climate-related risk as part of its standard due diligence and portfolio management practices.

All potential investments are evaluated in accordance with Foresight's proprietary in-house tool – the Foresight Sustainability Evaluation Tool ("SET") – to ensure that they meet the Investment Manager's definition of sustainable infrastructure, and that climate-related risks are systematically identified, assessed and subsequently managed.

Before any investment goes ahead, an assessment of both physical and transition climate-related risk is made in the Climate Change Resilience assessment parameter of the SET. This parameter is made up of multiple KPIs, each of which is weighted based on internal priority and materiality assessments and scored in line with response bands corresponding to the five-point scale below:

- 5 = High performance
- 4 = Above average
- 3 = Average performance
- 2 = Below average
- 1 = Low performance

The KPIs associated with the Climate Change Resilience assessment parameter include:

- EU Taxonomy alignment assessment (the Taxonomy itself includes a review of physical climate resilience);
- risk heatmap for a number of physical risks using Carbon Brief scenarios to inform future weather patterns;
- liability to pay carbon tax throughout asset life;
- whether a documented stranded asset risk assessment has been made; and
- consideration of climate-related market risks.

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

An average is then calculated to produce an overall score for the Climate Change Resilience assessment parameter, which is reviewed and updated annually by the Portfolio Management team. This quantitative KPI-based approach to assessing a project's exposure to climate risk helps to standardise the quality of climate-related assessment applied across the portfolio and also helps to guide and focus Investment and Portfolio Management team resource on the areas that require the most attention.

If the information required to complete the assessment is not readily available through project documentation, technical advisers may be tasked with conducting further investigation to address any sustainability or climate change-related specific queries. Examples may include an enhanced focus on flood risk under different climate scenarios, or the transitional risk presented by changing market dynamics.

The above-mentioned physical risks are assessed as part of the Climate Change Resilience assessment parameter. A Climate Risk Heatmap is then produced which is used to identify the most material physical risks an asset faces from climate-related extreme weather events, allowing for further investigation to be conducted or mitigation measures to be put in place.

Where material risks are identified, they are considered by the Risk Committee. Mitigation options are discussed and the Committee will determine whether the risk is acceptable under the JLEN risk management framework. The Risk Committee will advise the JLEN Board on the results of their findings. Further information on how this is managed can be found on pages 38 and 39 of the annual report.

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

The output and identified action areas of each assessment parameter of the SET – including Climate Change Resilience – are tabled at the asset company's board meetings to enable implementation of an asset-specific plan to manage any material risks as required. Sector and portfolio-level risks are considered by the Investment Manager and mitigation options are discussed as part of JLEN's comprehensive risk management framework.

A detailed account of the material climate-related risks that have been identified, as well as their impacts and mitigation, can be found on pages 09 to 11.

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

The results of the processes above are incorporated into JLEN's comprehensive risk management framework and risk register, which assesses:

- a measure of the probability of each identified risk materialising; and
- the potential impact that risk event may have on JLEN.

Mitigation actions have been developed with respect to each risk so as first to reduce the likelihood of such risk occurring and secondly to minimise the severity of its impact in the case that it does occur.

More information about the Risk Committee and process for managing the climate-related risks and opportunities can be found on pages 05 to 06. The process itself is shown in the diagram to the right.



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TCFD recommended disclosures:

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities.
- Disclose scope 1, scope 2 and scope 3 greenhouse gas emissions, and the related risks.
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities

To ensure that all potential investments meet our definition of sustainable infrastructure, and that climate-related risks are systematically identified, assessed and subsequently managed, they are evaluated in accordance with Foresight's Sustainability Evaluation Tool ("SET"), which is described further on page 17 and which considers a range of metrics and qualitative datapoints.

The Company's focus for quantitative reporting of exposure to climate-related risk is achieved using the TCFD's recommended core metrics.

TCFD core metrics

Metric	Description	Expressed as	2022/23	2021/22 (baseline)
Weighted average carbon intensity ⁽¹⁾	Portfolio's exposure to carbon-intensive assets	tCO ₂ e/£m revenue	339.9	Not calculated ⁽³⁾
Total carbon emissions ⁽²⁾	The absolute greenhouse gas emissions associated with the portfolio	tCO ₂ e	91,653	75,166
Carbon footprint	Total carbon emissions for a portfolio normalised by the market value of the portfolio	tCO ₂ e/£m invested	112.5	99
Carbon intensity ⁽¹⁾	Volume of carbon emissions per million pounds of revenue	tCO ₂ e/£m revenue	349.9	Not calculated ⁽³⁾
Exposure to carbon-related assets	The amount or percentage of carbon-related assets in the portfolio	%	17%	16%

(1) The Investment Manager is committed to working with third-party MSA providers to continually improve data quality.

(2) In accordance with TCFD methodology, these calculations are undertaken using scope 1 and scope 2 emissions only.

(3) The baseline for these metrics will be 2022/23.

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b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions, and the related risks

Although the Company's investment activities make a significant and quantifiable contribution to climate change mitigation through decarbonisation of the energy system, there are still emissions associated with the operation and maintenance of the portfolio.

The table in this section identifies the scope 1, scope 2 and scope 3 carbon emissions for the Company's operational assets.

Scope 1 and scope 2 data have been collected as part of the quarterly operational reporting and then calculated in accordance with GHG Protocol guidance.

Meanwhile, the Investment Manager continues to work with its supply chain to gain a better understanding of their emissions and enable more accurate calculation of associated scope 3 emissions.

In the interim, the scope 3 emissions presented below have been calculated using the Partnership for Carbon Accounting Financials ("PCAF") methodology, a financial industry-led group that aims to develop and implement a harmonised approach to assess and disclose greenhouse gas emissions associated with investments and loans. The calculation is based on project-specific revenues and on the official statistical PCAF information that provides region and sector-specific average emissions factors. The database has been created to provide PCAF participants with a large set of publicly available emission factors, enabling them

to perform an initial assessment of emissions associated with their investment activities. Even though it is a widely accepted approach, it has its limitations and the data remains generic. The intention is to continually refine this analysis as more of the Company's supply chain begins to report their emissions data.

Scope	2022/23	2021/22
Scope 1 emissions (tCO ₂ e) ⁽¹⁾	82,314 ^{(4),(5)}	68,368
Scope 2 emissions (tCO ₂ e) ⁽²⁾	9,338 ^{(5),(6)}	6,798
Scope 3 emissions (tCO ₂ e) ⁽³⁾	117,843	—
Total	209,495	75,166

(1) Scope 1: direct emissions from owned or controlled sources.

(2) Scope 2: indirect emissions from the generation of purchased energy.

(3) Scope 3: indirect emissions (not included in scope 2) that occur in the value chain of the reporting company. These were not calculated for 2021/22.

(4) Increased scope 1 emissions due to increased production at ETA Manfredonia.

(5) The sum of these figures do not precisely match the total carbon emissions figure on page 20 due to a function of rounding.

(6) Scope 2 emissions increased primarily due to energy consumption from renewables generated parasitic load being removed from calculation methodologies in line with best practice.

Caveats to the data:

- GHG emissions have been calculated in line with the GHG Protocol
- Where it has not been possible to collect specific data, assumptions have been made using appropriate proxy technologies, sites and time periods
- Scope 1 emissions do not yet include fugitive emissions from AD sites (i.e. leaks, flaring, venting). The emissions have begun to be calculated and work is in progress to integrate the results into the full GHG calculations database going forward
- PCAF emission factors have been used to calculate scope 3 emissions. This is calculated from asset revenue data

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c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Ongoing targets

JLEN's ESG-linked loan facility includes a target against generation of clean energy. This target is reported to the Board and to the ESG Committee and can be directly linked to tonnes of CO₂ avoided.

Short-term targets

In 2022/23 the Investment Manager had a target to:

- undertake a full scenario analysis with support from external consultants; and
- undertake a scope 3 emissions calculation exercise.

Both of these targets were achieved in the period and the results are being used to better understand JLEN's climate-related risks and opportunities. The results are also likely to feed into the development of specific targets aimed at managing climate-related risks and opportunities.

JLEN does not have an internal carbon pricing policy.

JLEN records a range of other metrics that help to develop an understanding of the direct and indirect environmental characteristics of the portfolio. These ESG KPIs can be found on pages 104, 108 and 113 of the annual report. To date, no climate-related targets have been set in relation to these ESG KPIs.





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