

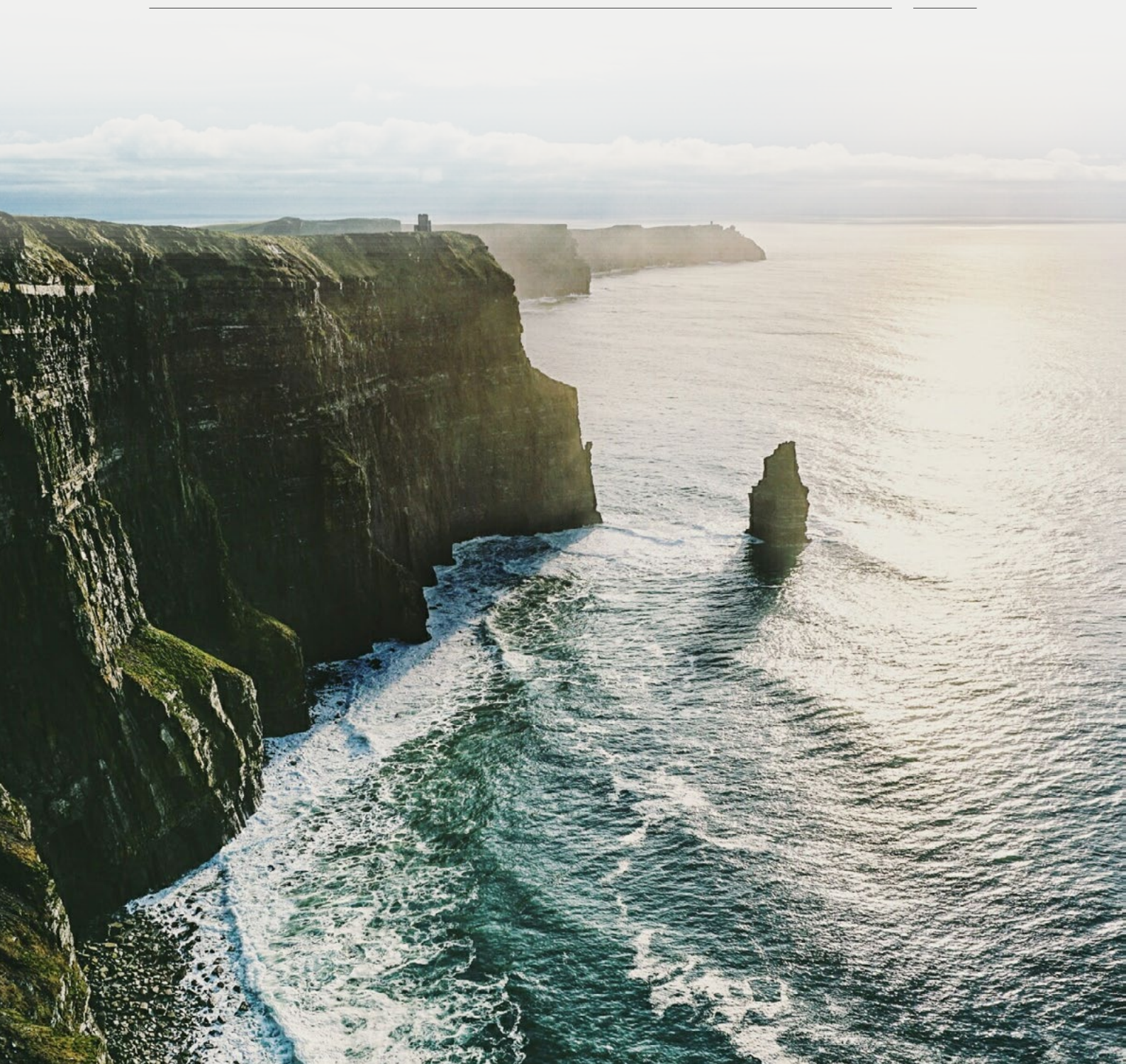
TCFD Disclosures

2023



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Glossary of Terms

Physical risks:

Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g. sea level rise) ¹.

Transition risks:

Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations¹.

Climate-related opportunity

refers to the potential positive impacts related to climate change on an organization. Efforts to mitigate and adapt to climate change can produce opportunities for organizations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organization operates¹.

Stranded assets:

Stranded assets are now generally accepted to be those assets that at some time prior to the end of their economic life (as assumed at the investment decision point), are no longer able to earn an economic return (i.e. meet the company's internal rate of return), as a result of changes associated with the transition to a low-carbon economy (lower than anticipated demand / prices). Or, in simple terms, assets that turn out to be worth less than expected as a result of changes associated with the energy transition.²

¹ 2021-TCFD-Implementing_Guidance.pdf (bbhub.io)

² Stranded Assets - Carbon Tracker Initiative

1. Governance



Recommended Disclosure

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



Disclosure

- DunPort's Board of Directors are accountable for the long-term stewardship of the business, which includes formal oversight and accountability for our Responsible Investment ("RI") policy and practices. The Board is responsible for approving DunPort's RI Policy, which is publicly available on our website.
 - DunPort's RI Policy, refreshed over the past 12 months, outlines the firm's commitment to integrating Environmental, Social and Governance ("ESG") impacts, risks and opportunities ("matters") into investment analysis and decision making, as well as engaging with our portfolio companies to encourage them to incorporate ESG matters into their respective policies and activities.
 - Climate matters fall within the broader universe of ESG matters considered as part of our RI Policy. Understanding and providing oversight and guidance with regards to managing the risks and opportunities of climate change are a core part of the Board's responsibility.
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Recommended Disclosure

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



Disclosure

- The development of DunPort's RI Policy was supported by an internal ESG Working Group consisting of a number of team-members and senior management, together with an external team of specialist ESG consultants.
- The Chief Operating Officer, supported by the internal ESG Working Group, is responsible for overseeing the practical implementation of DunPort's RI Policy, including the integration of climate-related risks in the investment decision making process, and engagement with our borrowers on climate matters.
- Management is responsible for reviewing the RI Policy annually, and considering whether any updates are required. The climate theme is a key area of focus area in this regard.

2. Strategy



Recommended Disclosure

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



Disclosure

DunPort recognises that our material exposure to climate-related risks and opportunities is primarily indirect, through our investment portfolio, rather than through our own operations. It is vital that we identify and assess all material risks and value drivers for a borrower in the context of their sector, strategy and business model, including of course climate risks and climate-related business opportunities.

As a sector-agnostic provider of debt capital, we need a structured yet flexible approach to follow as we assess a potential investee in a new sector. We have therefore adopted the approach outlined in the TCFD Recommendations to identify climate-related matters at a borrower level through the lens of Physical Risks, Transition Risks, and Climate-related Opportunities, taking note of whether those issues are expected to materialise over the short, medium or long term.

As DunPort has a large portfolio of borrowers across different sectors, we describe below some common risks and opportunities identified to date:

Risks

- Acute Physical Risks (Short Term): Increased severity and/or frequency of extreme weather events can be a direct risk for portfolio companies where assets, infrastructure or workers are impacted.
- Chronic Physical Risks (Long Term): Rising sea levels could pose a risk to portfolio companies in the long-term, such as where they have physical assets located in coastal areas at risk of flooding.
- Stranded Asset Risk (Medium Term): As there is a shift towards decarbonisation, there is a risk that certain high carbon assets or sectors may become stranded due to technological, market, regulatory or reputational changes, resulting in financial loss.
- Regulatory Changes (Medium Term): Carbon pricing, taxation and stricter environmental standards may result in additional costs for portfolio companies.
- Litigation (Medium and Long Term): Companies that fail to meet emerging standards or legal requirements for managing climate-related risks may be subject to litigation.

Opportunities

- Technology Innovation (Medium and Long Term): DunPort expects the universe of investment opportunities to expand with the emergence and maturing of businesses that are developing or commercialising green technologies in areas such as sustainable mobility, real estate and manufacturing.
- Energy efficiency (Short Term): Portfolio companies may have an opportunity to reduce operating costs through energy efficiency initiatives, particularly given the increasing availability of grant funding and other supports.

2. Strategy



Recommended Disclosure

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



Disclosure

- DunPort has strict ESG exclusion criteria (negative screening), including certain fossil fuel-based energy production and certain energy-intensive and/or high CO₂ emitting industries.
- As noted above, DunPort expects the universe of investment opportunities to expand with the emergence and maturing of businesses that are developing or commercialising green technologies. Climate change impacts is a theme that is kept under regular review.
- Furthermore, climate-related risks inform our investment decision-making and are evaluated prior to any transaction taking place. This allows for a better understanding of potentially material issues that could affect the risk or return of an investment and ensures that these issues can be identified and addressed as part of the investment process. Climate risks are assessed alongside all other commercial risks of the investment along with actual or potential mitigants. DunPort may require certain actions to be taken by the potential Borrower as a condition precedent or condition subsequent to investment or we may decide not to proceed with an investment if the risk is too high or sufficient mitigants cannot be identified.
- This firm will also consider climate risks when pricing transactions and may consider margin ratchets, i.e., a sustainability-linked loan, if deemed appropriate by the investment team and approved by Investment Committee.
- During the investment holding period, even though DunPort does not have ownership rights over a borrower, we can still influence as a lender of capital. DunPort is committed to engaging with investees to encourage them to promote environmental standards amongst other relevant ESG issues. Our engagement consists of a constructive dialogue with the management of investee companies to discuss their initiatives and future plans in terms of environmental and climate-related matters.
- DunPort's day-to-day business consists primarily of office-based work in Dublin, Ireland and London, UK, and external meetings with current or potential portfolio companies and other stakeholders in Ireland, the UK and the Benelux primarily. Due to the nature of our business, our own operations are less exposed to climate-related risks and opportunities. That said, we believe in leading by example and are taking steps towards carbon neutrality by measuring our carbon footprint for 2023 to set a baseline against which future reductions can be measured.

2. Strategy



Recommended Disclosure

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



Disclosure

- The resilience of DunPort's investment strategy in the face of climate change will be driven by the resilience of our underlying portfolio companies and should be determined based on a bottom-up assessment and climate scenario analysis at a borrower level.
- The companies we invest in have a range of business strategies, with varying degrees of exposure to climate change, depending on industry, geography, suppliers etc. Direct and indirect risks will vary depending on the climate scenario, e.g., companies with suppliers located in areas at risk of natural disasters or extreme weather events.
- To date we have not engaged with our borrowers to understand whether they have carried out climate scenario planning. This is something that we will be exploring as our climate strategy matures.

3. Risk Management



Recommended Disclosure

a. Describe the organization’s processes for identifying and assessing climate-related risks.



Disclosure

- As described above, negative screening is carried out by the investment team as part of initial screening.
- During the initial screening stage, we also carry out extensive sectoral and organisational research to ensure we understand the borrower’s business, its key drivers and risk factors, including material ESG and climate risks and drivers. New, emerging, and changing climate risks that may affect a borrower’s business objectives should be identified at this stage.
- Following the initial screening process, an ESG Due Diligence Questionnaire (“ESG DDQ”), which includes questions on climate and carbon, is completed by a potential investee. This is supplemented by discussions with the investee that informs our assessment of the risks through developing an understanding of the severity of potential effects on business objectives. This also allows us to prioritise the risks to inform decision-making as to the appropriate risk response. This is a key element of our due diligence process.
- Our ESG scoring framework is used by the Investment Team to classify the ESG risk using a Red | Amber | Green rating system. Once an overall ESG Score has been finalised, the ESG scorecard is incorporated in the Investment Papers presented to Investment Committee. A detailed commentary is required across all categories and sub-categories to highlight the nature of any potential risks and to ensure these risks are fully assessed in the investment decision making process. Climate risks are assessed and discussed as part of the Environmental score.

3. Risk Management



Recommended Disclosure

b. Describe the organization's processes for managing climate-related risks.



Disclosure

- As noted above, prior to an investment, DunPort may require certain actions to be taken by the potential Borrower as a condition precedent or condition subsequent to investment or it may decide not to proceed with an investment if the risk is too high or sufficient mitigants cannot be identified. The firm will also consider climate risks when pricing transactions and may consider margin ratchets, that is, a sustainability-linked loan, if deemed appropriate by the investment team and approved by Investment Committee.
- Following an investment, DunPort implements our Credit Monitoring and Evaluation processes to monitor the position of the portfolio companies dynamically and accurately and to engage proactively rather than reactively with investees. Our three-tier approach involves a review of general trading and recent relevant macro or sectoral events. New, emerging, and changing ESG risks should be identified as part of this review and will be discussed with portfolio companies and escalated through the usual procedures where appropriate.
- In addition to this more regular engagement, we survey our investee companies annually on key ESG KPIs, including their carbon footprint, carbon targets and progress against those targets. Climate KPI's are tracked at both an aggregate level and on a borrower-by-borrower basis over time. This is an integrated component of our portfolio management process that better enables us to track and assess climate-related risk across our investments.



Recommended Disclosure

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



Disclosure

- From the outset, DunPort did not want to develop a separate parallel climate risk management system, recognising that it would be most effective if we could integrate climate risk (and broader ESG risks) across our existing investment approach and risk management processes.
- This has been achieved through the development of some bespoke tools, checklists and approaches as outlined above, for example, including climate risks in the ESG questionnaire, ESG scorecard, post-investment credit monitoring process, annual ESG survey amongst others.

4. Metrics & Targets



Recommended Disclosure

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



Disclosure

- On an annual basis, portfolio companies are requested to report certain climate metrics as part of a set of ESG KPIs which are reviewed by the DunPort's Investment Committee, disclosed to our investors and consolidated for external reporting. The climate metrics requested include:
 - Whether the investee measures its carbon footprint and if so a breakdown of Scope 1, Scope 2 and Scope 3 greenhouse gas emissions (where available);
 - Details of any carbon reduction target set;
 - Details of any initiative taken by the company to reduce its carbon footprint;
 - Energy consumption in kWh;
 - Water consumption in litres; and
 - Any climate-related litigation.
- In addition to the above quantitative metrics, there is ongoing qualitative assessment of Physical and Transition Risks and Climate-related Opportunities (as part of ongoing credit monitoring activities).
- As part of the ongoing evolution of our climate strategy, the firm will evaluate the introduction of other metrics that may be helpful to assess and monitor climate-related matters, for example, Weighted Average Carbon Intensity, Revenue eligible for EU Taxonomy amongst others.

4. Metrics & Targets



Recommended Disclosure

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



Disclosure

- During FY2022, DunPort undertook an exercise to collect and evaluate our Scope 1 and Scope 2 GHG emissions, with a view to setting a baseline for future reductions. This was prepared internally using publicly available calculation tools and internal data on energy usage, corporate travel, and other sources of carbon emissions.
 - The firm intends to engage a third-party service provider to review and validate the FY2022 information and consider next steps in terms of calculating our broader Scope 3 GHG emissions, including portfolio-related emissions.
 - DunPort has considered the use of carbon offsets but will not incorporate them into our strategy without being comfortable that the offsets are high quality and would constitute a valid and effective offset of our emissions. DunPort will report on any offsets should they be used in the future.
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Recommended Disclosure

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



Disclosure

- DunPort commits to working with its borrowers to estimate their GHG emissions. In FY22, 17% of DunPort portfolio companies (in number) stated that they had measured their carbon footprint (unverified). The firm is currently considering supports that we can put in place to support our investees in this exercise.
- DunPort is evaluating the introduction of emissions reduction targets, which may be at the level of the portfolio, at the level of individual borrowers, and/or at the level of our own operations.

