



IK GHG Emissions Report

2021



Annual Overview

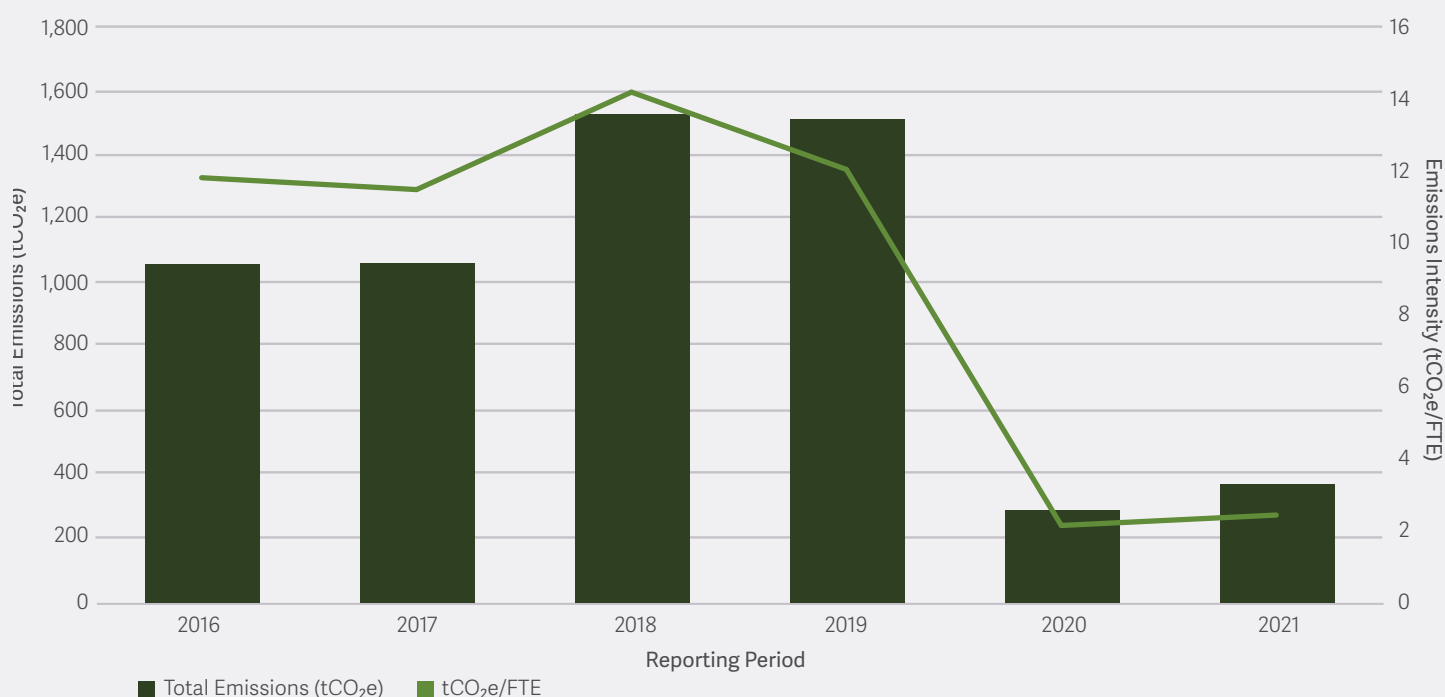
IK Partners ("IK") is committed to measuring, reducing and communicating our greenhouse gas ("GHG") emissions on an annual basis, as a part of our commitment to address climate change.

In 2021, IK's total operational GHG emissions across all offices amounted to 369 tCO₂e, an absolute increase of 26% compared to 2020. Business travel forms the largest part of our emissions and during 2021, as restrictions on travel were lifted, we saw an increase in emissions. However, our total emissions were still 76% lower than pre-pandemic rates in 2019 and 65% lower than our 2016 base year, indicating that business travel had not yet resumed to its former frequency. Our emissions intensity (FTE) also decreased by 80% compared to 2019 and our base year 2016.

Following the GHG Protocol, our carbon footprint analysis breaks down GHG emissions into scope 1, 2 and 3 (categories 1-14). As in previous years, IK does not generate scope 1 emissions since we do not own or control any vehicles or facilities producing direct GHG emissions. This overview thus focuses on scope 2 and 3 emissions by measuring the indirect emissions from electricity consumption, business travel as well as the procurement and disposal of selected goods across all IK offices.

IK is committed to continuously improving the accuracy of the data collection process and our carbon footprint calculations. In previous years, scope 2 emissions were calculated using the UK Government's Department of Environment, Food and Rural Affairs ("DEFRA") emission factors, irrespective of the office location.

Figure 1. Our Historic GHG Emissions



This reporting period has seen us refine our calculations to use country-specific emission factors based on the European Residual Mixes 2021 published by the Association of Issuing Bodies ("AIB") which reflect the difference in national grid energy mixes. Additionally, we extended the methodology to measure our market-based emissions which reflect the increasing proportion of renewable energy consumption across IK offices. Scope 3 calculations continue to use emissions factors from DEFRA.

After supporting our portfolio companies ("PCs") in measuring their carbon footprint, this report for the first time also includes IK's financed emissions (scope 3, category 15). IK's financed emissions were equal to 14,358 tCO₂e covering 73% of IK's total invested capital across 38 of our PCs. We look forward to both extending the involvement of PCs in emissions monitoring and continuing to report our financed emissions in the coming years.



Science Based Targets



To strengthen our contribution to the mitigation of climate change, we have set science-based GHG emissions reduction targets ("SBTs") and in July 2022, got them approved by the [Science Based Targets initiative](#) ("SBTi"). Our SBTs cover both IK's internal operations as well as our PCs where we are majority investors. Following the SBTs, we aim to reduce GHG emissions in line with the Paris Agreement goals to limit global warming to 1.5C above pre-industrial levels by the end of the century and prevent the worst impacts of climate change.

Under this commitment, we plan to achieve the following targets:

1. Reduce IK's scope 1 and 2 GHG emissions by 54% by 2030 from a 2019 base year; and
2. In scope 3, achieve 26% of portfolio coverage of eligible investments by invested capital having SBTi validated targets by 2026 and 100% by 2040 from a 2021 base year.

Figure 2. IK's Scope 1 and 2 Target

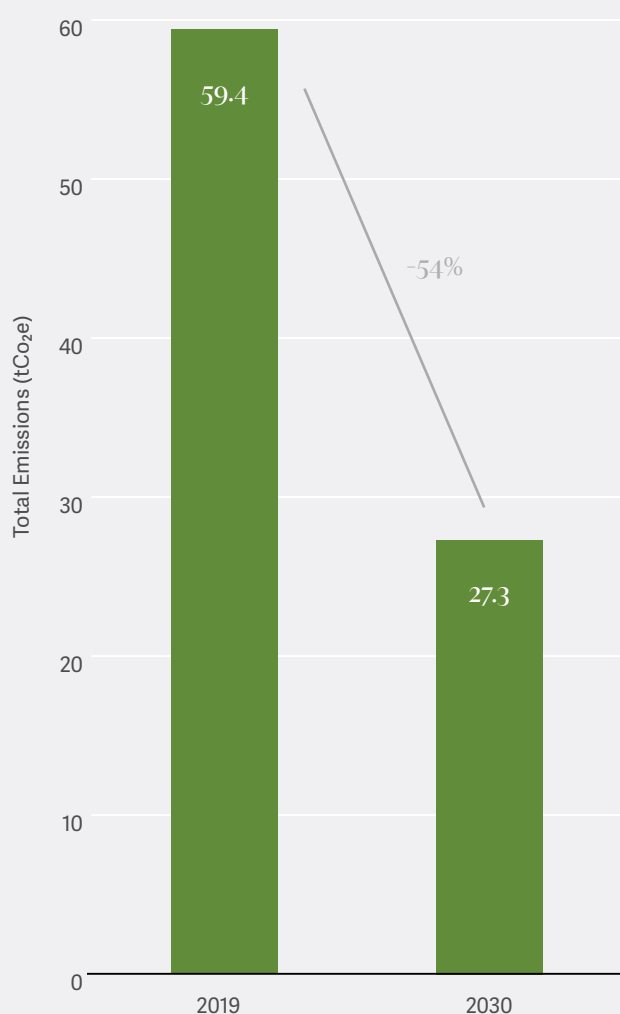
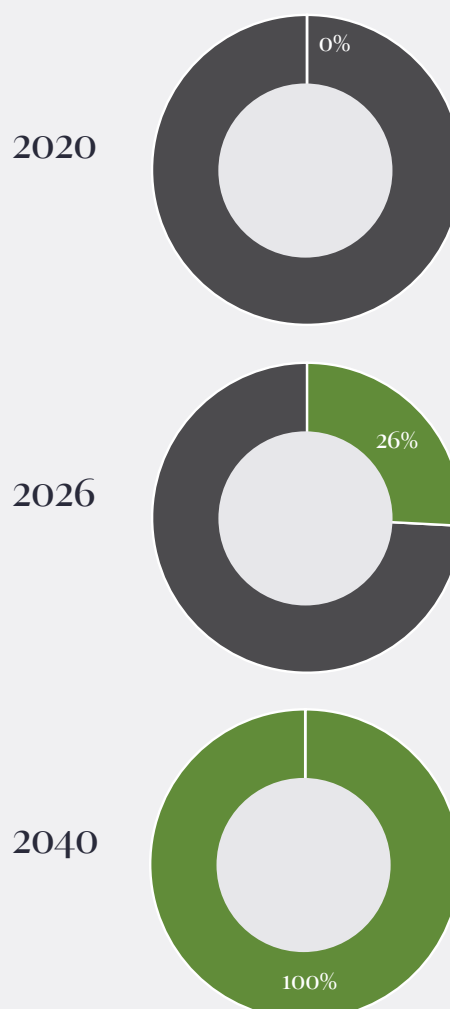


Figure 3. Portfolio Coverage Target



Performance Overview

In 2021, IK's total location-based scope 2 emissions were equal to 52 tCO₂e, a 9% increase compared to 2020-owing to an increase in electricity consumption as employees returned to the office. IK's London and Amsterdam offices procured 100% of energy from renewable sources, accounting for 30% of IK's total energy consumption. The consumption of renewable energy helps IK avoid almost 50% of electricity-related emissions, with our total scope 2 emissions equating to 25 tCO₂e under the market-based methodology in 2021.

As in previous years, 84% of total emissions come from scope 3. The large majority, 91%, of scope 3 emissions arise from plane travel, contributing 290 tCO₂e. Following air travel, we also recorded emissions from taxi journeys and purchased goods contributing 19 tCO₂e and 8 tCO₂e respectively.



Figure 4. Breakdown of IK Operational Scope 3 Emissions

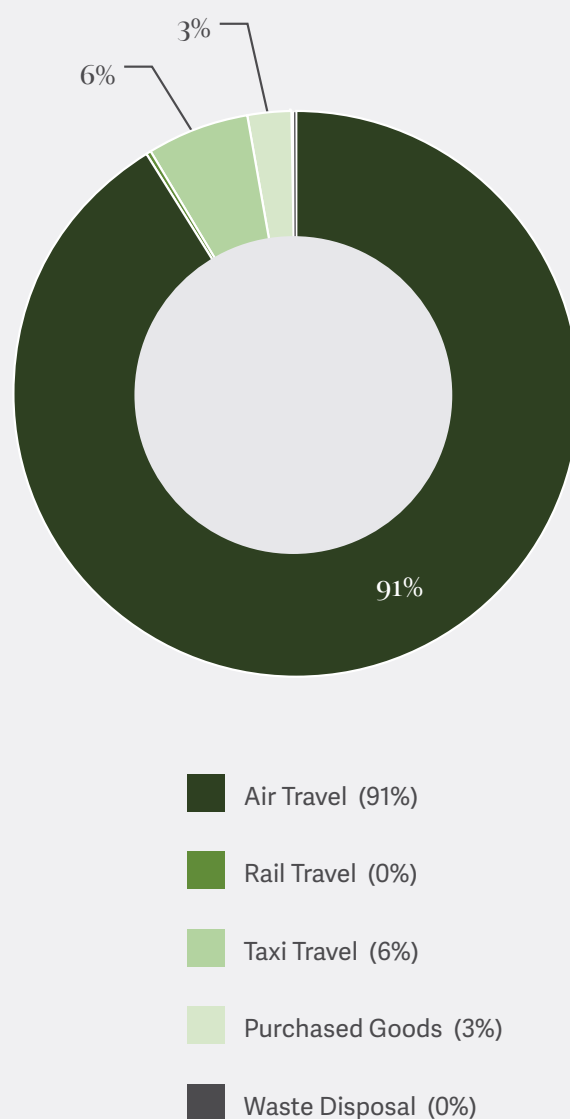
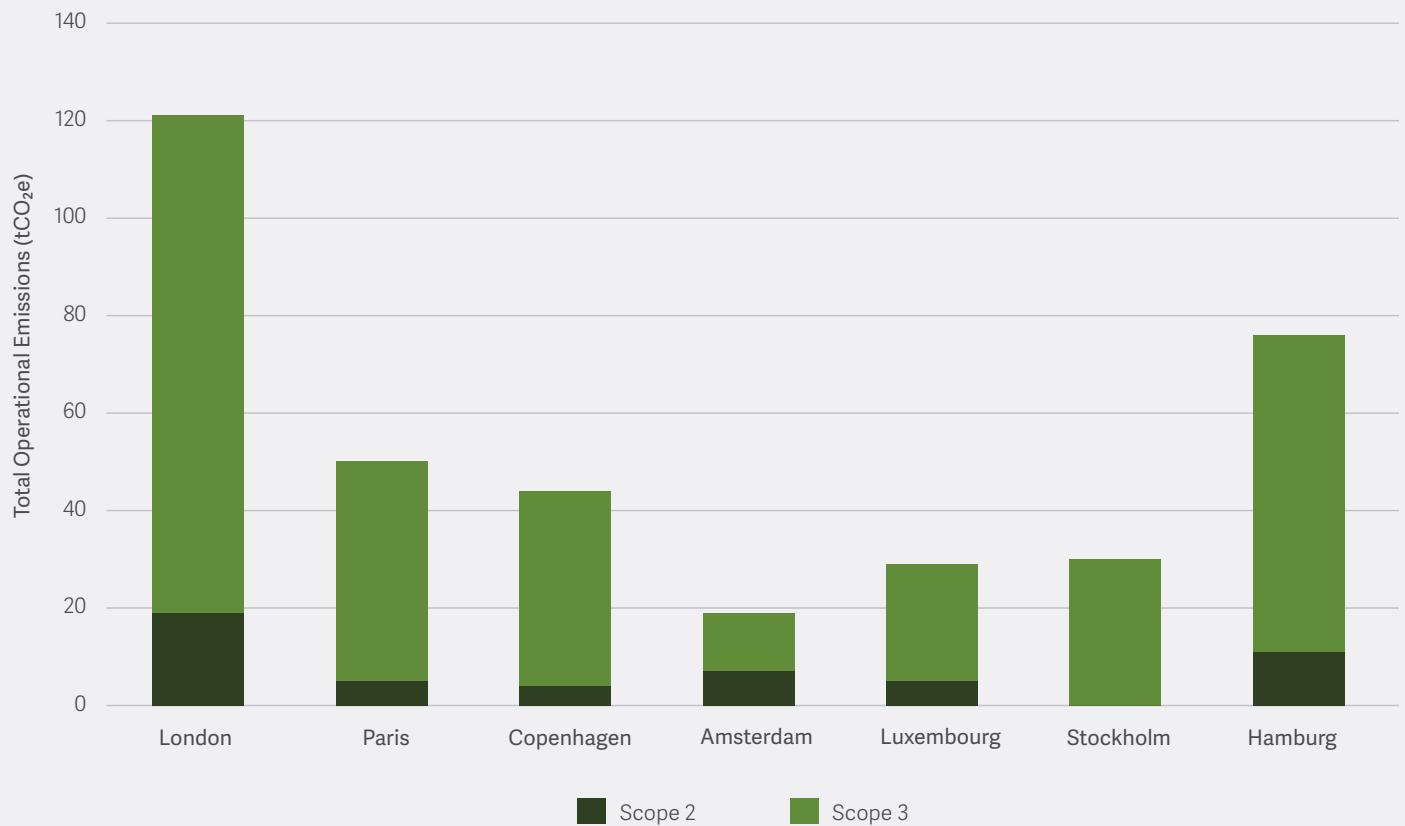


Figure 5. Total Operational Emissions across all IK Offices



Financed Emissions

We partnered with expert consultancy CO₂Logic (part of the South Pole Group) to support our PCs in calculating their scope 1 and 2 emissions for 2021. This project contributed to increasing our PCs' understanding of the sources of GHG emissions from their operations, as well as identifying potential decarbonisation measures. CO₂Logic worked with 29 companies held by IK Mid Cap and Small Cap funds to obtain accurate data across their different activities and sites of operation. In the cases where data was not available, conservative proxies were used by CO₂Logic. Going forward, we will continue encouraging our PCs to monitor their carbon footprint annually, improve their methodology and expand their reporting to cover scope 3 emissions.

In 2021, IK's total financed emissions were equal to 14,358 tCO₂e across 38 of our PCs, covering 73% of invested capital as of December 2021. This number includes the 29 PCs who worked with CO₂Logic but also nine additional companies that calculated their 2021 emissions independently. Of the total emissions, 68% were captured in scope 1 and 32% in scope 2.

Across IK's key investment sectors which are Business Services, Healthcare, Consumer and Industrials, the latter three are typically energy intensive as they require electricity and natural gas for their operations. Together, these sectors formed 88% of portfolio emissions.

Figure 6. Financed GHG Emissions Breakdown per Sector in 2021

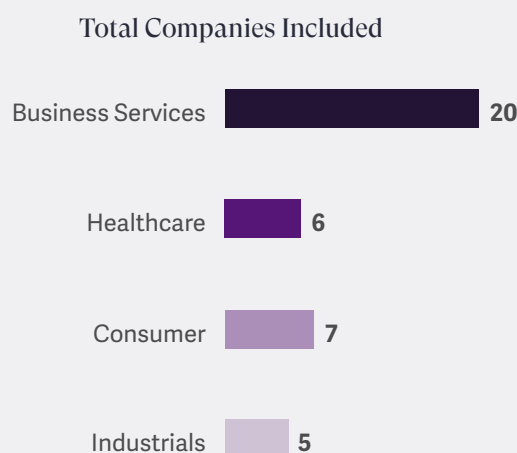
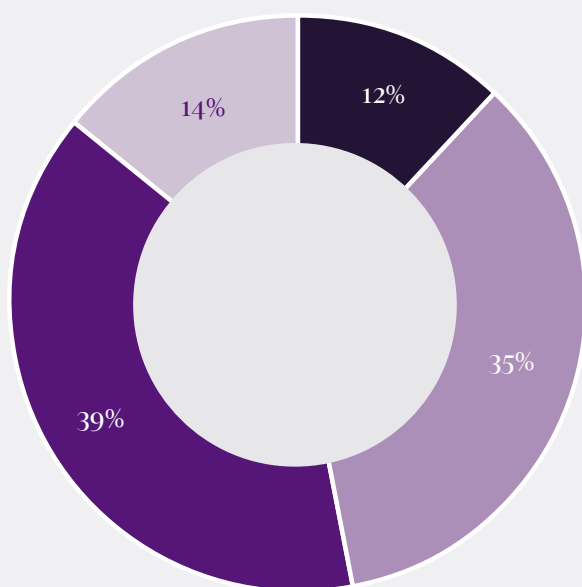
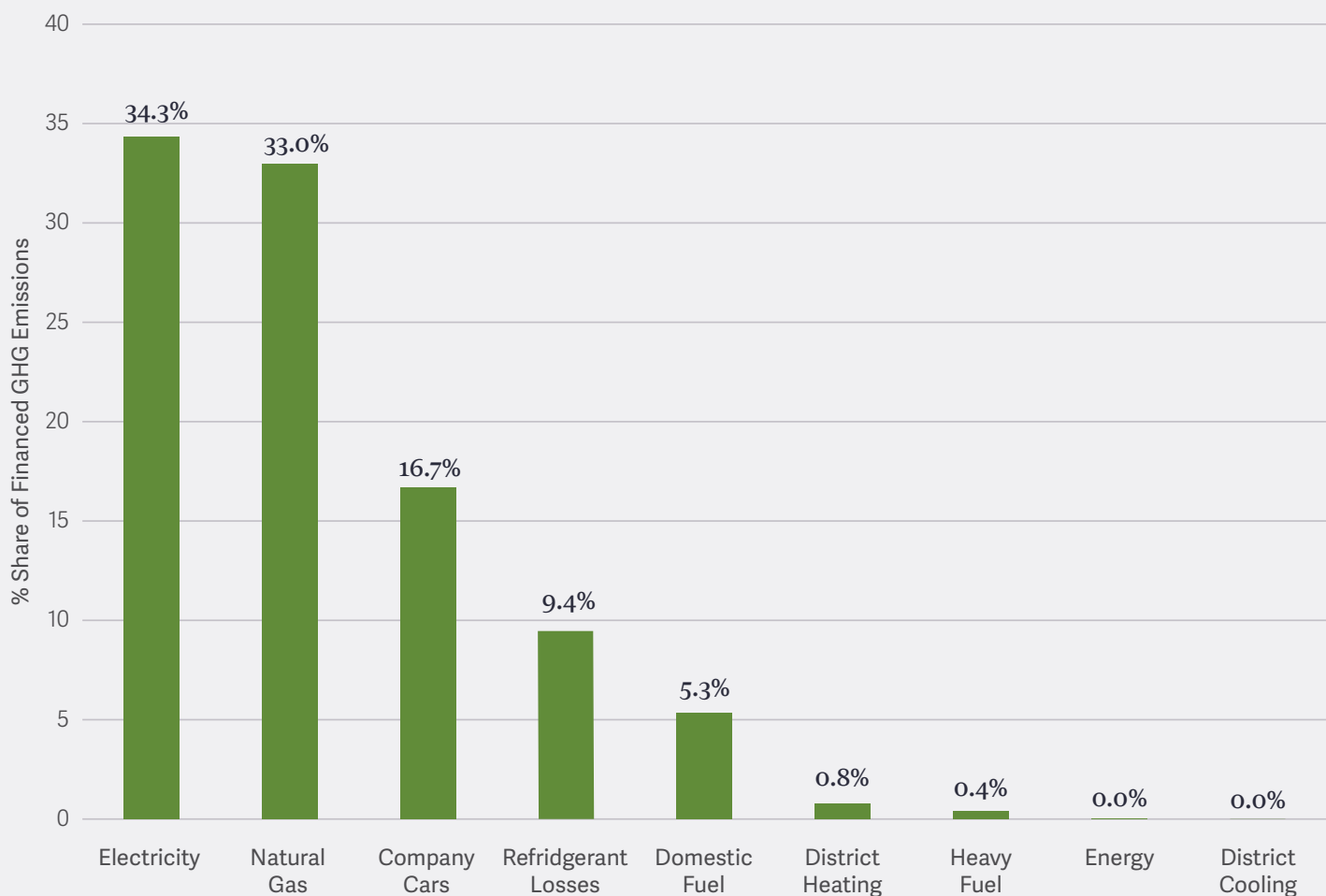


Figure 7. Financed GHG Emissions Breakdown per Source in 2021¹⁾



When looking into sources of scope 1 and 2 emissions in our portfolio, electricity contributed the largest share of 34%. 10% of all electricity procured was from green sources, and we expect this number to increase in the coming years.

Natural gas contributed to 33% of portfolio emissions used predominantly for heating and, in some cases, for production processes.

Emissions related to company cars amounted to 17% across our portfolio, with most cars having diesel or gasoline engines. However, some companies have shown enthusiasm towards increasing the proportion of electric vehicles within their fleet.

Almost 10% of emissions from our portfolio were due to fugitive emissions caused by refrigerant losses. Compared to carbon dioxide ("CO₂"), gases used for refrigeration have a much higher global warming potential.

1) The breakdown of emissions is based on the 35 included PCs which reported the sources of their emissions.

Methodology Overview

IK's GHG emissions are calculated in accordance with the methodology outlined in the [GHG Protocol's Corporate Standard](#) and the [Value Chain \(Scope 3\) Accounting and Reporting Standard](#). Our GHG emissions are presented in tonnes of carbon dioxide equivalent (tCO₂e), a unit used in carbon accounting to represent the seven GHGs relative to the global warming potential of CO₂.

Scope 1

In accordance with the GHG Protocol, scope 1 emissions include all direct GHG emissions created from sources that are owned or controlled by the reporting entity. Since IK does not own or control any facilities or company vehicles directly emitting GHGs, we have not reported a value for scope 1 emissions.

Scope 2

Scope 2 emissions include all indirect emissions arising from purchased energy and the related emissions from the power production plant that supplies the energy. The GHG Protocol provides two methodologies for calculating scope 2 emissions: the location-based and market-based approach. The location-based approach is mandatory and must be included in the final value. Our calculations, however, also included the market-based approach to reflect reductions in emissions due to an increase in renewable energy procurement. The location-based approach takes the annual kilowatt hours ("kWh") purchased from each IK office and multiplies this by the country-specific emissions factor. For the UK, the emissions factors from DEFRA were used. For the rest of our European offices, data from the AIB were used. These databases are updated annually and the emission factors reflect the breakdown of different energy sources within the national grid of each country. The latest data releases were used for the calculation, for the UK 2021 values were used, whereas, for the AIB the latest version was from 2020. For the market-based approach, our calculations used the total kWh purchased, however, the emissions factors reflected the energy source and used supplier-specific emissions factors.

Scope 3

Scope 3 emissions include all other indirect GHG emissions which are generated from IK's value chain and operations, broken down into 15 sub-categories. This year we are reporting on four of the sub-categories of scope 3:

Scope 3.1 Purchased Goods and Services

This category calculated the indirect emissions associated with the purchasing of goods and services. Each IK office provided inventory lists which included the total weight of all purchased paper, bottled and canned drinks. This data was then multiplied by the corresponding cradle-to-gate emissions factors from DEFRA (2021).

Scope 3.5 Waste Generated in Operations

This category includes all future emissions which result from waste generated in the reporting year. IK implements recycling initiatives and therefore, the total waste generated from the purchased paper, bottled and canned drinks was calculated, under the assumption that 100% of each good was recycled through closed-loop methods and the corresponding emissions factors were used from DEFRA (2021).

Scope 3.6 Business Travel

Data was collected from each IK employee who had travelled for business-related activities in vehicles owned or operated by a third party. The data included the total kilometres travelled, the mode of transport used, the fuel type and the travel class. Once this data was aggregated, the emissions associated with business transport were calculated using emissions factors from DEFRA (2021).

Scope 3.15 Investments

GHG emissions from IK's investments are not included in the scope 1 and 2 calculations since our calculations use the "operational control" approach and therefore all emissions are classified as indirect. Scope 1 and 2 emissions from PCs are allocated to IK based on the proportional share of investment throughout the reporting period. The proportional share is calculated in line with the [Partnership for Carbon Accounting Financials](#) ("PCAF") Global GHG Standard:

$$\text{Attribution Factor} = \frac{\text{Value of Equity and/or Debt in the PC}}{\text{Total Equity + Debt}}$$

The attribution factor is then multiplied by the total scope 1 and 2 emissions of each PC.

Environmental Statistics

	2021	2020	2019	2018	2017	2016
Energy Consumption (kWh)	349,595.50	258,618.42	213,351.33	216,783.83	53,931.05	-
Passenger Business Travel (km)	1,573,280.70	1,311,065.93	3,705,922.01	3,693,106.00	2,663,364.13	2,741,861.00
Air	1,404,005.82	1,105,804.18	3,571,288.27	3,587,305.00	2,586,962.00	2,641,354.00
Rail	79,128.00	130,992.42	62,709.70	58,249.00	49,453.13	68,764.00
Taxi	90,146.88	74,269.33	71,924.04	47,552.00	26,949.00	31,743.00
Purchased Goods (tonnes, t)	8.16	2.13	8.25	2.44	5.10	3.35
Paper Purchase	3.51	2.13	8.25	2.44	5.10	3.35
Bottle Purchase	3.22	-	-	-	-	-
Canned Drink Purchase	1.43	-	-	-	-	-
Number of Employees	155	139	126	108	93	90

GHG Emissions Footprint

	2021	%	% YoY	2020	2019	2018	2017	2016
Scope 1	0			0	0	0	0	0
Scope 2								
Location-Based (tCO₂e)	51.83	100%	9%	47.35	59.36	61.37	18.96	-
Market-Based (tCO₂e)	24.74	48%	-41%	42.20	-	-	-	-
TOTAL Scope 2	51.83	14%	9%	47.35	59.36	61.37	18.96	-
TOTAL Scope 2 per Employee	0.33		-2%	0.34	0.47	0.57	0.20	-

Scope 3

Business Travel (tCO₂e)	309.49	84%	28%	241.23	1,445.42	1,464.10	1,040.20	1,056.30
Air	289.60	94%	29%	224.79	1,433.84	1,456.10	1,035.40	1,050.30
Rail	1.13	0%	-36%	1.76	0.37	0.70	0.60	0.80
Taxi	18.76	6%	28%	14.68	11.21	7.30	4.20	5.20
Purchased Goods (tCO₂e)	7.87	2%	401%	1.57	6.10	1.80	3.77	2.48
Paper Purchase	3.22	41%	105%	1.57	6.10	1.80	3.77	2.48
Bottle Purchase	3.22	41%	0.00	-	-	-	-	-
Canned Drink Purchase	1.43	18%	-	-	-	-	-	-
Waste Disposal (tCO₂e)	0.09	0.02%	90%	0.05	0.18	0.05	0.11	0.07
Paper Waste Disposal	0.07	87%	65%	0.05	0.18	0.05	0.11	0.07
Bottle Waste Disposal	0.01	10%	-32%	0.01	0.02	0.00	0.00	0.00
Canned Drink Disposal	0.00	4%	-					
TOTAL Scope 3	317.45	86%	31%	242.85	1,451.70	1,465.95	1,044.08	1,058.85
TOTAL Scope 2 & 3	369.28	100%	27%	290.20	1,511.06	1,527.32	1,063.04	1,058.85
TOTAL PER EMPLOYEE	2.38	-	14%	2.09	11.99	14.14	11.43	11.76

Financed Emissions

	2021	%	% YoY	2020	2019	2018	2017	2016
Total Financed Emissions (tCO₂e)	14,358	-	-	-	-	-	-	-

If you have any questions, please contact esg@ikpartners.com

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