LDC Financed Emissions – Methodology Document

Reporting period	January – December
Unit	tCO_2e
Definition	LDC's financed emissions are the Scope 1 and 2 emissions of our portfolio companies. Market-based Scope 2 emissions will be used as a preference, where available. In time, and in line with PCAF, we will consider including the Scope 3 emissions of our portfolio companies, where available and practical.
Scope	LDC has an ever-changing portfolio, with multiple new investments and exits completed each year. In line with PCAF and the ICi and ERM Private Equity Sector Guidance, our financed emissions only include companies for which we have held an investment in for the entire 12 month reporting period. This includes 'follow on' investments (where LDC is not the primary investor). By only accounting for a full 12 months of reporting, this reduces the fluctuations which would occur from part-year reporting e.g. for 3 months where the investment is held. Exclusions: • **New investments –** any portfolio company that we first invested in during the 12 month reporting period (and so do not have a full 12 months of data). New investments are only included in their first full 12 month period of reporting. For example, if we invest in a company in July 2023, its emissions would first be included in our reporting for the 2024 reporting period. This allows us to work with the portfolio company to ensure they have either reported emissions or physical activity data for their first year of reporting, thereby increasing the accuracy of our financed emissions disclosure. • **Exits –** any portfolio company that we have exited during the 12 month reporting period. For these companies, they will only be included for their last full 12 month period in which they are in the portfolio. There are some exits where we will concurrently re-invest in the company (a 'follow on' investment). For the purposes of our financed emissions, these companies are considered to have been in the portfolio for the full 12 month reporting period. However, in order to account for our different equity share as a result of the re-investment, we will apply a different attribution factor (see below) for the portion of the reporting period for which the company was a 'follow on' investment.
Data collection	We follow a hierarchy when requesting data from our portfolio companies. In order of preference, we request: 1. **Reported emissions** - verified or unverified Scope 1-2 emissions data 2. **Physical activity data** - primary physical activity data that can be used to calculate Scope 1-2 emissions (e.g. kWh of gas and electricity used) 3. **Economic-activity data** - economic activity data that can be used to calculate carbon emissions (e.g. revenue in GBP). This data is provided to LDC as part of regular financial reporting.

	Every portfolio company that is a primary investment (where LDC is the main investor) is requested to provide physical activity data on a monthly basis and, if available, reported emissions data (Scope 1-3) on an annual basis. Due to the level of influence we have, physical activity and reported emissions data is not requested from LDC's 'follow on' investments. For these companies, we will include them in our financed emissions as far as practically possible using publicly available emissions data (e.g. SECR disclosures) or via the economic-activity based methodology using environmentally-extended input output (EEIO) factors. When a portfolio company has significant challenges in collecting the data it will be excluded from the data collection process and the economic-activity based methodology will be used.
Portfolio company reporting period	Portfolio companies have differing 12 month reporting periods. For ease and consistency, we request that portfolio companies provide emissions data for the 12 month period that most closely aligns with LDC's reporting period (Jan-Dec). For many portfolio companies, this will be their most recently calculated annual Scope 1-2 emissions. Due to calculation timelines and data availability, a portfolio company might not be able to calculate its Scope 1-2 for its most recent reporting year before we aggregate and calculate our financed emissions. In these cases, we request the company provides us with the most recently calculated Scope 1-2 emissions data.
Calculation methodology	In line with PCAF and ICi / ERM, the following calculation methodology is used: • *Financed emissions = Portfolio company Scope 1-2 emissions x Attribution factor*
Attribution factor	LDC's equity share (%) in a portfolio company as at the end of the reporting period (or the nearest point to this that is available).
Exclusions	Any companies for which we are unable to obtain reported emissions, physical activity, or economic-activity data (and which there is no data available in the public domain, e.g. Companies House) will be excluded.