



Basis of Preparation

Baseline Climate Report CY21 and CY22

Basis of Preparation

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Introduction

Metrics Credit Partners Pty Ltd (ABN 27 150 646 996) (Metrics) is a leading Australian alternative asset manager specialising in private debt, equity, and capital markets.

Metrics is a wholly owned subsidiary of Metrics Credit Holdings Pty Ltd (ABN 66 150 647 091) (MCH), which is responsible for the reporting of the Metrics group under the Australian Accounting Standards. Importantly, MCH will be responsible for the reporting of the Metrics group under the proposed Australian Sustainability Accounting Standards, and accordingly oversees the Metrics group's climate-related disclosures.

As part of its commitment to supporting the principles of environmental sustainability, MCH has measured and publicly reported on the carbon emissions footprint of the Metrics group through its Baseline Climate Report.

Our reporting of carbon emissions data was guided by the following:

Standards:

- ▶ ISO 14064-1:2019 - Greenhouse gases Part 1
- ▶ Greenhouse Gas (GHG) Protocol - A Corporate Accounting and Reporting Standard
- ▶ GHG Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard
- ▶ Partnership for Carbon Accounting Financials (PCAF) – The Global GHG Accounting and Reporting Standard for the Financial Industry (Part A, 1st and 2nd Editions)

Guidance:

- ▶ GHG Protocol - Scope 2 Guidance
- ▶ GHG Protocol - Scope 3 Calculation Guidance

- ▶ New Zealand Ministry for the Environment – Measuring Emissions: A Guide for Organisations
- ▶ Australian Department of Industry, Science, Energy and Resources - Australian National Greenhouse Accounts

Our Baseline Climate Report covers MCH's operational emissions for the calendar years ended 31 December 2021 (CY21 and our baseline year) and 31 December 2022 (CY22), including the emissions associated with Metrics' investment activities as an asset manager. This document serves as the Basis of Preparation (BoP) for our Baseline Climate Report, reporting on:

- ▶ Scope 1 emissions (direct emissions from owned or controlled sources);
- ▶ Scope 2 emissions (indirect emissions from the generation of purchased energy);
- ▶ Applicable Scope 3 emissions (indirect emissions not included in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions) including:
 - Category 1: Purchased Goods & Services
 - Category 3: Fuel & Energy Related Emissions not included in Scope 1 and 2
 - Category 5: Waste Generated in Operations
 - Category 6: Business Travel
 - Category 7: Employee Commuting
 - Category 15: Investment Emissions (also referred to in this document as financed emissions); and
- ▶ Portfolio temperature scores.

This document outlines the principles, methodologies, and assumptions utilised in measuring the aforementioned emissions sources.

Boundary

Organisational boundary

We apply the operational control approach as defined by the GHG Protocol to determine the scope and boundary of our emissions measurement. Thus, 100% of emissions are accounted for an entity where the group corporate entity, MCH, had the ability to direct the operating policies of the business as of the last day of CY21 or CY22, respectively. Metrics is the asset management business of the group, under which sit our Category 15: Investment Emissions.

In this document, references to measured emissions take into account the organisational boundary as set out above. Further analysis of the boundaries of Scopes 1, 2 and 3 are presented below.

Scope 1 and 2 reporting boundary

Metrics group entities operated out of four offices in CY21 and CY22: two in Sydney and one each in Melbourne and Auckland (there was also one employee working remotely from Ireland in a shared working hub in CY22. There are no material Scope 1 and 2 emissions for this office space as the employee joined in December of the CY22 reporting period).

Direct and indirect emissions sources for the Metrics group include:

- ▶ Scope 1: Natural gas consumption in the Melbourne office for CY21 only (eliminated in CY22). Other Scope 1 sources of emissions may include diesel consumption and refrigerant loss as a result of business operations (however, these sources were not present for CY21 or CY22).
- ▶ Scope 2: Electricity consumption from our four offices in Australia and New Zealand.

Scope 3 reporting boundary

We have considered all Scope 3 emissions, as set out by the *GHG Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard* and have undertaken an assessment to determine which categories would be considered material and relevant to our operations. A Scope 3 boundary assessment is completed on an annual basis for reporting purposes.

The below assessment has been completed to determine which categories are to be included in our emissions inventory. Refer to the section headed *Value Chain Emissions (Scope 3: Categories 1, 3, 5, 6 and 7)* for definitions of the below categories.

NO.	CATEGORY	RELEVANT AND MATERIAL	JUSTIFICATION
1	Purchased goods and services	Yes	Contributes the majority of total emissions associated with the Metrics group's operational carbon footprint.
2	Capital goods	No	Not applicable.
3	Fuel and energy related emissions not included in Scope 1 or Scope 2	Yes	Emissions from fuel and energy related emissions represent <1% of our operational Scope 3 emissions. Due to the availability of data, this has been included in our measurement for 2021 and 2022.
4	Upstream transportation and distribution	No	Not applicable. Any upstream transportation and distribution is included in Category 1.
5	Waste generated in operations	Yes	Emissions from waste generated in operations represent <1% of our operational Scope 3 emissions. Due to the availability of data for estimation, this has been included in our measurement for 2021 and 2022.

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NO.	CATEGORY	RELEVANT AND MATERIAL	JUSTIFICATION
6	Business travel	Yes	Emissions from business travel has been included in our measurement due to the rapid growth of the Metrics group's business in recent years, this is likely to be a material category in the future.
7	Employee commuting	Yes	Represents the second largest source of operational Scope 3 emissions for the Metrics group.
8	Upstream leased assets	No	Not applicable.
9	Downstream transportation and distribution	No	Not applicable.
10	Processing of sold products	No	Not applicable.
11	Use of sold products	No	Not applicable.
12	End-of-life treatment of sold products	No	Not applicable.
13	Downstream leased assets	No	Not applicable.
14	Franchises	No	Not applicable.
15	Investments	Yes	Most material source of Scope 3 emissions. Calculated separately to operational emissions. Refer to the section headed Financed Emissions (Scope 3: Category 15) below.

Operational Emissions

Scope 1 and 2 Emissions

The measurement of Scope 1 emissions from natural gas usage was based on invoice data.

The measurement of Scope 2 emissions from grid-supplied electricity is measured using both the location-based and market-based approaches, predominantly based on invoice data.

CATEGORY	DATA SOURCE	MEASUREMENT METHODOLOGY
Scope 1 - Gas	Invoices	<p>Scope 1 emissions were measured by multiplying actual energy consumption (sourced from invoice data) by relevant emissions factors from government or international sources.</p> <p>No material Scope 1 emissions sources were recorded in CY22 following the decommission of our gas accounts.</p> <p>Please refer to Appendix A for relevant emissions factors used.</p>

CATEGORY	DATA SOURCE	MEASUREMENT METHODOLOGY
Scope 2 - Electricity	Invoices & Estimations	<p>Scope 2 location-based emissions were measured based on actual electricity consumption for the period based on invoice data. Where invoice data was not available for a site in a given month, an estimate based on actual electricity consumption for this site was used. Where invoice data is not available for a portion of the period, consumption is measured by applying an average figure based on available monthly consumption figures in the relevant year for the relevant office. Electricity consumption was multiplied by relevant emissions factors to measure Scope 2 location-based emissions.</p> <p>Scope 2 market-based emissions were measured following the same process as above using relevant market-based emissions factors offset by carbon credits retired during the period.</p> <p>No carbon credits or offsets were applied for market-based emissions in CY21 or CY22.</p> <p>Please refer to Appendix A for relevant emissions factors used.</p>

Value Chain Emissions

(Scope 3: Categories 1, 3, 5, 6 and 7)

Definitions of Scope 3 categories relevant to the Metrics group, as per the *GHG Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, are provided below:

- ▶ **Category 1 - Purchased goods and services:** This category includes all upstream (i.e., cradle-to-gate) emissions from the production of products purchased or acquired by the reporting company in the reporting year. Products include both goods (tangible products) and services (intangible products). This category includes emissions from all purchased goods and services not otherwise included in the other categories of upstream Scope 3 emissions (i.e., Category 2 through Category 8).
- ▶ **Category 3 - Fuel and energy related emissions not included in Scope 1 or Scope 2:** This category includes emissions related to the production of fuels and energy purchased and consumed by the reporting company in the reporting year that are not included in Scope 1 or Scope 2. Category 3 excludes emissions from the combustion of fuels or electricity consumed by the reporting company, since they are already included in Scope 1 or Scope 2.
- ▶ **Category 5 - Waste generated in operations:** This category includes emissions from third-party disposal and treatment of waste that is generated in the reporting company's owned or controlled operations in the reporting year. This category includes emissions from disposal of both solid waste and wastewater. Only waste treatment in facilities owned or operated by third parties is included in Scope 3.
- ▶ **Category 6 - Business travel:** This category includes emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and passenger cars.
- ▶ **Category 7 - Employee commuting:** This category includes emissions from the transportation of employees between their homes and their worksites. Emissions from employee commuting may arise from:
 - Automobile travel
 - Bus travel
 - Rail travel
 - Other modes of transportation

Companies may include emissions from teleworking (i.e., employees working remotely) in this category.

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- ▶ **Category 15 - Investments:** This category includes Scope 3 emissions associated with the reporting company's investments in the reporting year, not already included in Scope 1 or Scope 2. This category is applicable to investors (i.e., companies that make an investment with the objective of making a profit) and companies that provide financial services. Investments are categorised as a

downstream Scope 3 category because the provision of capital or financing is a service provided by the reporting company.

The following table outlines our measurement approach and data sources for all relevant Scope 3 emissions. Category 15 is covered separately in the following section due to its importance and complexity.

CATEGORY	DATA SOURCE	MEASUREMENT METHODOLOGY
C1 – Purchased Goods and Services	Profit & Loss Statement	<p>Category 1 emissions were measured using a spend-based method (as per <i>GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard</i>) by obtaining fund expenses and administrative expenses (excluding GST) from the MCH group's Profit & Loss accounts and multiplying the economic value of goods and services by relevant industry-average emissions factors.</p> <p>Please refer to Appendix A for relevant emissions factors used.</p>
C3 – Fuel and Energy Related Emissions Not Included in Scope 1 or Scope 2	Profit & Loss Statement	<p>Category 3 emissions included in our inventory are:</p> <ul style="list-style-type: none"> ▶ Emissions generated by the extraction, refining and transportation of purchased fuels (cradle-to-gate or well-to-tank (WTT) emissions). ▶ Emissions generated by the extraction, production and transportation of fuels consumed in the generation of purchased electricity. ▶ Transmission and distribution losses of purchased energy (electricity or natural gas) that is consumed (i.e. lost) in a transmission and distribution supply system. <p>Emissions were measured by multiplying the energy consumption covered in Scope 1 and Scope 2 by relevant emissions factors.</p> <p>Please refer to Appendix A for relevant emissions factors used.</p>
C5 – Waste Generated in Operations	Estimation	<p>Category 5 emissions were measured by multiplying the estimated weekly volumes of waste for each office by the office operating weeks in the period and relevant emissions factors. Emissions from wastewater were measured using a per capita emissions factor and employee count for Metrics. In the absence of an Australia-specific emissions factor, an emissions factor published by the NZ Ministry for the Environment was used and adjusted to assume 50% of the average annual water consumption per person was consumed in Metrics' offices.</p> <p>Density conversion factors are retrieved from the New Zealand Government's 'Calculation and payment of the Waste Disposal Levy' Guidance.</p> <p>Please refer to Appendix A for relevant emissions factors used.</p>

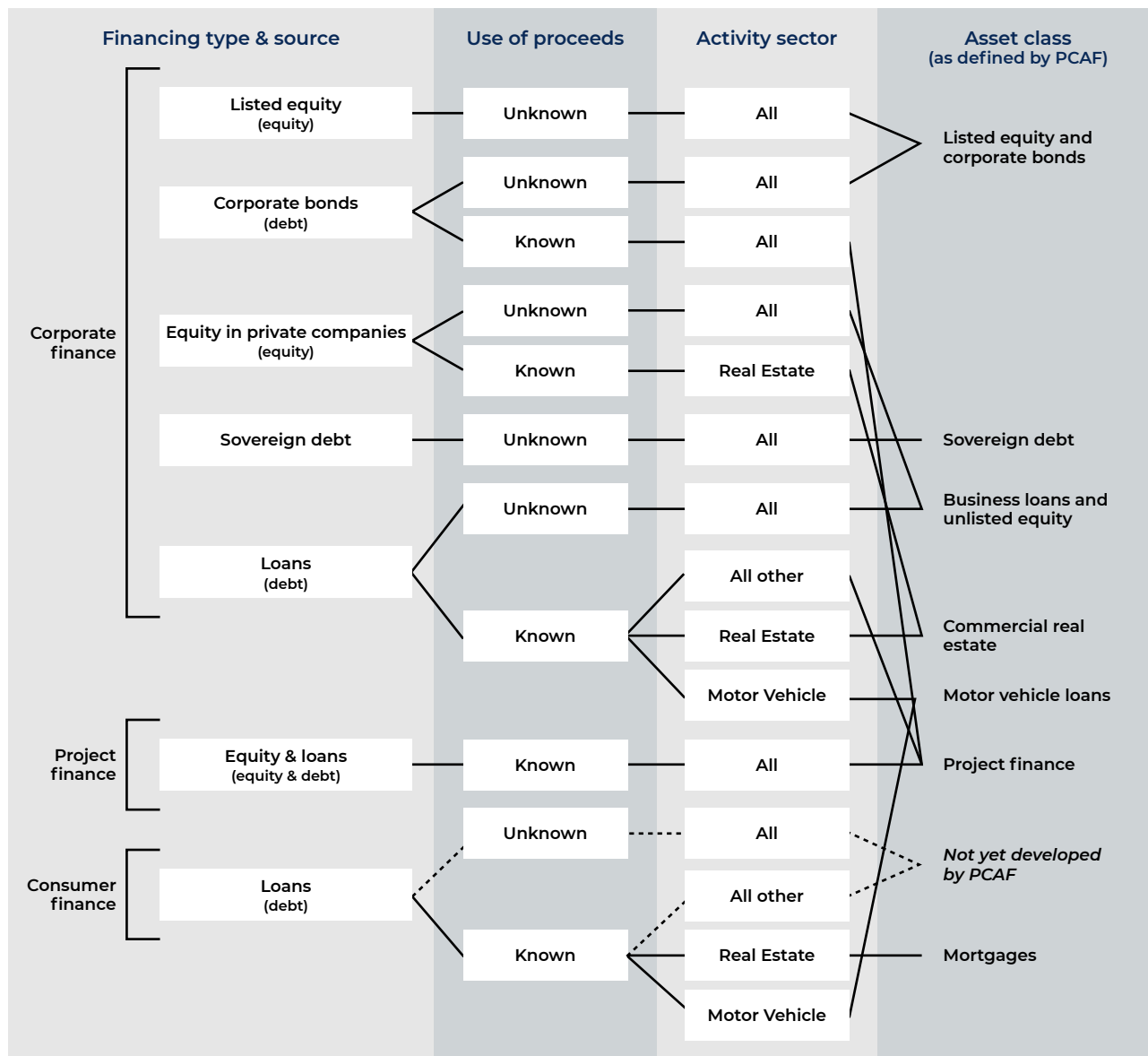
CATEGORY	DATA SOURCE	MEASUREMENT METHODOLOGY
C6 – Business Travel	Travel Manager's Staff Travel Data and Profit & Loss Statement	<p>Category 6 emissions were measured based on a mix of actual data (i.e. flight distance, hotel stay nights) and spend data (taxi and mileage claims).</p> <p>Travel data for CY21 and CY22 was provided by the Metrics group's travel service provider including flight routes, flight class, hotel stay nights and number of rooms. Emissions were measured by:</p> <ul style="list-style-type: none"> ▶ Measuring and then multiplying flight distance travelled by relevant emissions factors; and ▶ Number of hotel stay nights by relevant emissions factor. <p>Spend on taxi and mileage claims were converted to km travelled using an average Sydney taxi fare and the Metrics group's mileage reimbursement rate and multiplied by relevant emissions factors.</p> <p>Please refer to Appendix A for relevant emissions factors used.</p>
C7 – Employee Commuting	Estimation	<p>Category 7 emissions were measured by multiplying estimated distance travelled, assumed based on government statistics mode of transport and relevant emissions factors broken down by total headcount per office location as at the last day of the period (provided by our Finance team).</p> <p>The distance travelled was estimated by multiplying the following:</p> <ul style="list-style-type: none"> ▶ Average commuting distances <ul style="list-style-type: none"> – Source 2022: ABS and Stats NZ – Source 2021: DIRD, 2025 ▶ Working days during the period (adjusted for COVID-19 lockdowns at each location) <ul style="list-style-type: none"> – Source: workingdays.org ▶ Average working days in the office <ul style="list-style-type: none"> – Source 2022: assumed at 1.5 days or 30% – Source 2021: BITRE, 2023 <p>The average mode of transport was estimated based on region and broken down by car – single occupancy, and public transport – bus, using relevant regional based statistical assumptions (Source: BITRE, EHINZ, gov.uk).</p> <p>Please refer to Appendix A for relevant emissions factors used.</p>

Financed Emissions

(Scope 3: Category 15)

We relied upon PCAF's guidance (*The Global GHG Accounting and Reporting Standard for the Financial Industry (Part A, 1st and 2nd Editions)*)

when choosing an approach to measure financed emissions of Metrics' portfolio. Based on the guidance below, we were able to determine the asset classes to be measured:



Metrics' Scope 3 financed emissions include the following three PCAF asset classes:

- ▶ Business loans and unlisted equity
- ▶ Commercial real estate
- ▶ Project finance

Together, these asset classes cover 81 and 82% of our portfolio as of 31 December 2021 and

31 December 2022, respectively. Loans that are advanced to funds rather than for borrowers' operations (i.e. fund management, wealth management) and loans that are used for construction and renovation of commercial real estate were excluded from our measurement as these assets are not covered by the PCAF Standard.

ASSET CLASS	PCAF DEFINITION
Business Loans and Unlisted Equity	<p>Business loans include all on-balance sheet loans and lines of credit to businesses, nonprofits, and any other structure of organisation that are not traded on a market and are for general corporate purposes, i.e., with unknown use of proceeds as defined by the GHG Protocol. Revolving credit facilities, overdraft facilities, and business loans secured by real estate such as CRE-secured lines of credit are also included. Any off-balance sheet loans and lines of credit are excluded. For financing products such as revolving credit facilities, bridge loans, and letters of credit, which are commonly provided by financial institutions, only those loans outstanding on the year-end balance sheet of the financial institution are covered by this asset class.</p> <p>Unlisted equity includes all on-balance sheet equity investments to businesses, nonprofits, and any other structure of organisation that are not traded on a market and are for general corporate purposes, i.e., with unknown use of proceeds as defined by the GHG Protocol. Unlisted equity is also referred to as equity investments in private companies (i.e., the financial institution obtains shares of the company) throughout the Financed Emissions Standard.</p>
Project Finance	<p>This asset class includes all on-balance sheet loans or equities to projects or activities that are designated for specific purposes, i.e., with known use of proceeds as defined by the GHG Protocol. The financing is designated for a defined activity or set of activities, such as the construction and operation of a gas-fired power plant, a wind or solar project, or energy efficiency projects. To calculate emissions, only the financed (ring-fenced) activities are included. Emissions and financials related to existing activities outside the financed project but within the financed organisation are not considered.</p>
Commercial Real Estate	<p>This asset class includes on-balance sheet loans for specific corporate purposes, namely the purchase and refinance of commercial real estate, and on-balance sheet investments in commercial real estate when the financial institution has no operational control over the property. This definition implies that the property is used for commercial purposes, such as retail, hotels, office space, industrial, or large multifamily rentals. In all cases, the owner of the building uses the property to conduct income-generating activities.</p> <p>Metrics has not measured emissions relating to construction and renovation of commercial real estate as the PCAF Standard does not provide a suitable methodology to measure those emissions. As the building is often constructed by a third party (i.e., a construction company) contracted by the project developer, the emissions of the construction are normally reported under Scope 3 of the project developer during the building's construction phase. As such, it can be impractical for the lender to measure financed emissions of a construction or renovation loan unless the project developer reports construction emissions. Accordingly, measuring emissions associated with loans for construction and renovation of commercial real estate is optional under the PCAF Standard.</p>

Within the commercial real estate asset class, special consideration was given to assets relating to the development of land, as follows:

- ▶ No emissions were considered for vacant land (and if there were vacant properties and no construction activity on the land for the entire reporting period then this asset was classified as land and no emissions sources were linked to the asset).
- ▶ If there were tenanted properties on the land, these assets were classified as Commercial Real Estate. No materiality threshold was applied.
- ▶ Any future development plans were not considered i.e. if there were no construction activities on site during the reporting period then we classified that asset as vacant land, and no emissions were considered.

Data Quality Scores

Metrics has adopted the PCAF Standard's hierarchy of emissions measurement options based on the availability of data for each asset class. The applicable data quality scores for each calculation option are shown in the section below.

We have reported the respective data quality scores in line with the calculation options utilised for calculating the financed emissions disclosed within our Baseline Climate Report. To disclose

the best representation of data quality, PCAF requires that financial institutions normalise the data quality scores for each asset class to the total outstanding loan or investment amount. The method for determining the weighted average data quality score for an asset class is:

$$\frac{\sum_{i=1}^n \text{Outstanding amount}_i \times \text{Data quality score}_i}{\sum_{i=1}^n \text{Outstanding amount}_i}$$

Measurement of Financed Emissions Under Each Relevant Asset Class

To measure our financed emissions, we used the following PCAF hierarchy of calculation options for each relevant asset class based on data availability.

Business Loans and Unlisted Equity

OPTION	DATA QUALITY SCORE	EQUATION
1a	1	<p>For business loans and equity investments to/in private companies:</p> $\sum_c \frac{\text{Outstanding amount}_c}{\text{Assessed enterprise value}_c} \times \text{Verified company emissions}_c$ <p>For business loans to listed companies:</p> $\sum_c \frac{\text{Outstanding amount}_c}{\text{EVIC}_c} \times \text{Verified company emissions}_c$
1b	2	<p>For business loans and equity investments to/in private companies:</p> $\sum_c \frac{\text{Outstanding amount}_c}{\text{Assessed enterprise value}_c} \times \text{Unverified company emissions}_c$ <p>For business loans to listed companies:</p> $\sum_c \frac{\text{Outstanding amount}_c}{\text{EVIC}_c} \times \text{Unverified company emissions}_c$
3a	4	<p>For business loans and equity investments to/in private companies:</p> $\sum_c \frac{\text{Outstanding amount}_c}{\text{Assessed enterprise value}_c} \times \text{Revenue}_c \times \frac{\text{GHG emissions}_s}{\text{Revenue}_s}$ <p>For business loans to listed companies:</p> $\sum_c \frac{\text{Outstanding amount}_c}{\text{EVIC}_c} \times \text{Revenue}_c \times \frac{\text{GHG emissions}_s}{\text{Revenue}_s}$
3b	5	$\sum_c \text{Outstanding amount}_c \times \frac{\text{GHG emissions}_s}{\text{Assets}_s}$

Where _c = borrower or investee company and _s = sector.

Definitions & Data Inputs

DATA INPUT	DATA DEFINITION / DATA INPUT
Outstanding Amount	<p>For business loans, this is defined as the value of the debt that the borrower owes to the lender (i.e., disbursed debt minus any repayments). It will be adjusted annually to reflect the correct exposure, resulting in the attribution to decline to 0 at the end of the lifetime of the loan (i.e., when it is fully repaid). Uncalled commitments (including uncalled guarantees) are not considered to be an exposure to the investee, and no reduction in exposure to an investee is taken to result from the delivery of any collateral by an investee.</p> <p>For unlisted equity, the outstanding amount is the outstanding value of equity that the financial institution holds in the private company. It is measured by multiplying the relative share of the financial institution in the respective investee by the total equity of the respective investee according to its balance sheet.</p> <p>Outstanding amounts are captured in Metrics' portfolio management systems and retrieved as of 31 December of the relevant reporting period (calendar year end).</p>
Assessed Enterprise Value or Evic (Company Value)	<p>For business loans to unlisted entities, the company value is the assessed enterprise value of investee companies determined by our internal valuation analysis as part of our ongoing asset monitoring¹. Our valuation analysis is based on comparable public company valuations, comparable transaction valuations and a discounted cash flow valuation.</p> <p>For business loans to listed companies, the company value is the enterprise value including cash (EVIC) being the sum of the market capitalisation of ordinary shares at fiscal year-end, the market capitalisation of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests - no deductions of cash or cash equivalents are made to avoid the possibility of negative enterprise values.</p> <p>The assessed enterprise value and EVIC are captured as of 31 December of the relevant reporting period or of the closest twelve-month period available (for example we may use financial year end 2022 instead of calendar year end 2022 data for an investee company that reports under that regime). Sourced from the investee companies' asset monitoring reports which comprise a combination of public data and data from investee companies' balance sheets.</p>

¹The PCAF Standard calls for the use of Total Equity + Debt to be used as the denominator for business loans to unlisted entities. We have deemed the assessed enterprise value to be a more appropriate measure of investee company values in recognition of the nature of the assets (i.e. private assets) and to ensure consistency in the measurement of company valuations throughout the business.

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DATA INPUT	DATA DEFINITION / DATA INPUT
Verified Company Emissions	Retrieved from investee companies' public disclosures for the relevant reporting period. Where investee companies' reporting does not align with Metrics' calendar year reporting period, we use the closest twelve-month period available (for example we may use financial year end 2022 instead of calendar year end 2022 data for an investee company that reports under that regime).
Unverified Company Emissions	We may rely on either investee companies' public disclosures or data provided directly to us by our investee companies through engagement. Where investee companies' reporting does not align with Metrics calendar year reporting period, we use the closest twelve-month period available (for example we may use financial year end 2022 instead of calendar year end 2022 data for an investee company that reports under that regime).
Revenue	Revenue data is captured as of 31 December of the relevant reporting period or of the closest twelve-month period available (for example we may use financial year end 2022 instead of calendar year end 2022 data for an investee company that reports under that regime). Combination of public data and data from investee companies' income statement reported to Metrics.
GHG Emissions / Revenue	Revenue-based emissions factors retrieved from the PCAF database.
GHG Emissions / Assets	Asset-based emissions factors retrieved from the PCAF database.

As per the PCAF Standard, for Business Loans and Unlisted Equity, financial institutions shall report the absolute Scope 1 and Scope 2 emissions of borrowers and investees across all sectors. For reporting the Scope 3 emissions of borrowers and investees, the PCAF Standard follows a phase-in approach which requires Scope 3 reporting for lending to and making investments in companies depending on the sector in which they are active i.e. where they earn revenues. For sectors where

Scope 3 emissions reporting is required, the financial institutions shall separately disclose these absolute Scope 3 emissions, including the specific sectors covered. Metrics has measured Scope 3 emissions for all investee companies under this asset class. As such, our Scope 3 disclosures for this asset class include the Scope 3 emissions of all borrowers, not only of those borrowers operating in sectors required to be reported under the PCAF Standard.

Project Finance

OPTION	DATA QUALITY SCORE	EQUATION
1b	2	$\sum_p \frac{\text{Outstanding amount}_p}{\text{Total equity} + \text{debt}_p} \times \text{Unverified project emissions}_p$
3a	4	$\sum_p \frac{\text{Outstanding amount}_p}{\text{Total equity} + \text{debt}_p} \times \text{Revenue}_p \times \frac{\text{GHG emissions}_s}{\text{Revenue}_s}$
3b	5	$\sum_p \text{Outstanding amount}_p \times \text{Revenue}_p \times \frac{\text{GHG emissions}_s}{\text{Revenue}_s}$

Where p = project and s = sector.

Definitions & Data Inputs

DATA INPUT	DATA DEFINITION / DATA INPUT
Outstanding Amount	<p>For debt, the outstanding amount is the value of the debt the borrower owes to the lender (i.e. disbursed debt minus any repayments). No reduction in the value of the debt the borrower owes is taken to result from the delivery of any collateral by a borrower.</p> <p>For equity, the outstanding amount is the outstanding value of equity the financial institution holds in the project. It is measured by multiplying the relevant share of the financial institution in the respective project.</p> <p>Outstanding amounts are captured in Metrics' portfolio management systems and retrieved as of 31 December of the relevant reporting period.</p>
Total Equity + Debt	At the start of the project, the total equity and debt is the total financing available for the project (total debt plus equity to realise the project). In subsequent years and once the project has reached its operating phase / the project has been delivered we adopt the assessed enterprise value. The assessed enterprise value of investee companies is determined by our internal valuation analysis as part of our ongoing asset monitoring. Our valuation analysis is based on comparable public company valuations, comparable transaction valuations and a discounted cash flow valuation.
Unverified Company Emissions	Unverified project emissions were obtained through data provided by our investee companies through engagement. Where investee companies' reporting does not align with Metrics calendar year reporting period, we use the closest twelve-month period available (for example we may use financial year end 2022 instead of calendar year end 2022 data for an investee company that reports under that regime).
Revenue	Revenue data is captured as of 31 December of the relevant reporting period or of the closest twelve-month period available (for example we may use financial year end 2022 instead of calendar year end 2022 data for an investee company that reports under that regime). Data from investee companies' income statement reported to Metrics.
GHG Emissions / Revenue	Revenue-based emissions factors retrieved from the PCAF database.

Commercial Real Estate

OPTION	DATA QUALITY SCORE	EQUATION
2B	4	$\sum_{b,e} \frac{\text{Outstanding amount}_b}{\text{Property value at origination}_b}$ <p style="text-align: right;"> <i>x Estimated energy consumption from statistics_{b,e}</i> <i>x Floor area_b x Average emission factor_e</i> </p>

Where _b = building and _e = energy source.

Definitions & Data Inputs

DATA INPUT	DATA DEFINITION / DATA INPUT
Outstanding Amount	The outstanding amount is the value of the loan or investment on the financial institution's balance sheet. Outstanding amounts are captured in Metrics' portfolio management systems and retrieved as of 31 December of the relevant reporting period. No reduction in the value of the loan or investment is taken to result from the delivery of any collateral by a borrower.
Property Value at Origination	Property value at loan origination is sourced from our Property Portfolio team. If property value at loan origination data is unavailable, the latest property value available is utilised and fixed for future periods of financed emissions accounting. The property value includes the value of the land, buildings and any improvements. When a loan is modified (i.e. loan amount is increased, renewed, refinanced or extended) and a new property value is obtained as part of the transaction, the property value at origination is updated to the property value at the time of modification.
Estimated Energy Consumption and Average Emissions Factor	<p>Building type, location-specific and floor area-based emissions factors were:</p> <ul style="list-style-type: none"> ▶ Retrieved from PCAF database; and ▶ Sourced and measured based on industry and government reports. <p>For loans secured by one or more assets with mixed uses pooled assets, we apply the highest emissions factor option based on the use with the highest Scope 2 emissions. For example, where the assets funded under one loan include retail and residential real estate, we use the emissions factor with the highest Scope 2 value between the two categories (being retail in this example).</p> <p>For buildings with mixed uses, the predominant use of the building was considered when selecting the type of emissions factor to be applied.</p>
Floor Area	Total floor area of the property being financed sourced from our Property Portfolio team.

Portfolio Temperature Score

Three methods are currently supported by the Science Based Targets initiative (SBTi) for setting targets on Scope 3 portfolio emissions:

- ▶ the Sectoral Decarbonization Approach
- ▶ the Portfolio Coverage Approach, and
- ▶ the Temperature Rating Approach.

The latter two methods require assessing the targets disclosed by the companies within a financial institution's portfolio. Financial institutions can use the Temperature Rating Approach to determine the current temperature rating of their portfolios and take actions to align their portfolios to ambitious long-term temperature goals by engaging with portfolio companies to set ambitious targets.

Metrics has committed to using the Temperature Rating Approach, and specifically to:

- ▶ align its Scope 1 & 2 portfolio temperature score within the SBTi asset classes corporate loan, private equity and project finance from 3.2°C in 2021 to 2.3°C by 2027, and to
- ▶ align its Scope 1 + 2 + 3 portfolio temperature score within the SBTi asset classes corporate loan, private equity and project finance from 3.2°C in 2021 to 2.5°C by 2027,

following the 'Financial Sector Science-Based Targets Guidance v1.1' provided by the SBTi which is aligned to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C.

The Metrics group has chosen a 1.5°C ambition for its operational Scope 1 and 2 targets as well as its Portfolio Temperature Rating target for Scope 1 and 2. The Portfolio Temperature Rating target for Scope 1, 2 and 3 is aligned with a 2°C ambition.

To use the Temperature Rating Approach, financial institutions determine the current temperature score of their portfolio based on the public GHG emission reduction targets of their investees (these targets include science based targets and any other valid public GHG targets that meet the method criteria).

The Temperature Rating Approach is an open-source framework to enable the translation of corporate GHG emission reduction targets into temperature scores at a target, company, and a portfolio level. The method provides a protocol to enable the aggregation of target level scores

to generate a temperature rating for a company based on the ambition of its targets. Finally, the method defines a series of weighting options that can enable financial institutions and others to produce portfolio level temperature ratings.

The SBTi has developed a codebase to function as a calculator for the temperature scoring methods (SBTi Finance Temperature Scoring and Portfolio Coverage Tool or tool). This tool is fed with data to generate temperature scores at the company and portfolio level, in addition to providing analytics on target setting and company emission reduction ambitions. The code reflects the logical steps that are outlined in the publicly available *SBTi Finance Temperature Scoring & Portfolio Coverage Tool User Guide, Version 1.0*.

To calculate temperature score and portfolio coverage, the tool requires several types of data, including:

- ▶ Portfolio data - information on an asset level including investee company identifiers, and investment values.
- ▶ Investee company data - specifically, fundamental data (ISIC, country, region and industry classifications, as well as revenue and enterprise value), reported or measured GHG emissions, target data: information about GHG emissions reduction targets set by individual companies, including a) target type, b) intensity metric, c) coverage, d) reduction ambition, e) end year, f) start year, g) base year, h) Scope 1, 2 & 3 Emissions, and i) achieved reduction.

Fundamental data and GHG emissions data is captured as part of our annual emissions measurement as outlined in previous sections of this document.

Target data includes all publicly announced GHG emissions reduction targets for each investee company in the portfolio. Data is obtained for the relevant reporting period. Where investee companies' reporting does not align with Metrics calendar year reporting period, we use the closest twelve-month period available (for example we may use financial year end 2022 instead of calendar year end 2022 data for an investee company that reports under that regime).

Once the data is gathered, it is then anonymised and added in templates provided by the SBTi tool (<https://sciencebasedtargets.github.io/SBTi-finance-tool/index.html>). Subsequently, this data is uploaded on the SBTi-provided tool which calculates the temperature score for Scopes 1, 2 and 3.

Appendix A: Emissions Factors

COMPONENT	REGION	REFERENCE DOCUMENT / SOURCE
Operational Emissions (Scope 1 and 2)		
Natural Gas, Refrigerants, Electricity	Australia	<i>Australian National Greenhouse Accounts Factors – DCCEEW (2023)</i> Electricity, Natural gas distributed in a pipeline, Residual Mix Factor (National)
Electricity	New Zealand	<i>Residual Supply Mix for electricity certification – NZECS (2022/23)</i> National Supply Factor, Residual Supply Factor
Value Chain Emissions (Scope 3)		
C1 – Purchased Goods and Services		
Purchased Goods and Services (Various)	Australia & New Zealand	<i>EORA database 2017 (Lenzen, 2013) (Lenzen, 2012)</i> economic input output (EIO) emissions factors. The relevant EORA factors were converted from US dollars (USD; 2015 rate) to Australian or New Zealand dollars (NZ/AUD; 2017 rate) and adjusted to account for inflation up to December 2021 and December 2022.
C3 – Fuel and Energy-Related Emissions Not Included in Scope 1 or Scope 2		
Well-to-Tank Natural Gas	Australia	<i>Australian National Greenhouse Accounts Factors – DCCEEW (2023)</i> Electricity, indirect consumption of natural gas
Well-to-Tank Electricity		
Well-to-Tank Electricity (Generation)	New Zealand	<i>Greenhouse gas reporting: conversion factors 2022 – DEFRA/BEIS (2022)</i> Manual calculation due to changes in 2023.
Transmission & Distribution Losses Electricity	New Zealand	<i>Measuring emissions: A guide for organisations: 2022 summary of emissions factors – MfE (2023) adj</i> Transmission and distribution losses for electricity consumption
C5 – Waste Generated in Operations		
General Waste - Landfill	Australia	<i>Australian National Greenhouse Accounts Factors – DCCEEW (2023)</i> Municipal solid waste
General Waste – Landfill	New Zealand	<i>Measuring emissions: A guide for organisations: 2022 summary of emissions factors – MfE (2023)</i> Waste (unknown composition); Office waste; Without LFGR
Wastewater	New Zealand	<i>Measuring emissions: A guide for organisations: 2022 summary of emissions factors – MfE (2023)</i> Domestic wastewater – Average for wastewater treatment plants, per capita
C6 – Business Travel		
Business Travel (Various)	Australia	<i>Greenhouse gas reporting: conversion factors 2023 – DEFRA/BEIS (2023)</i> Hotel stay, Business travel – air, WTT Business travel – air, Business travel – land, WTT Business travel – land

COMPONENT	REGION	REFERENCE DOCUMENT / SOURCE
C7 – Employee Commuting		
Average Car Average Bus	Australia	<i>Greenhouse gas reporting: conversion factors 2023 – DEFRA/BEIS (2023)</i> Business travel – land, WTT Business travel – land
Working From Home	New Zealand	<i>Measuring emissions: A guide for organisations: 2022 summary of emission factors – NZ Ministry for the Environment (2023)</i> Working from home NZ, with heating The New Zealand working from home factor source was also utilised for Australia and the UK with adjustment.
C15 – Financed Emissions		
Business Loans and Unlisted Equity Option 3a/3b Project Finance Option 3a/3b		<p>Extracted from PCAF’s database (https://db.carbonaccountingfinancials.com/).</p> <p>Metrics classifies investees based on their S&P industry classification which is then matched to PCAF’s levels 1-3 classification (as per the PCAF supplementary mapping document). If deemed appropriate, and based on our understanding of our investee companies’ business operations Metrics may deviate from the proposed PCAF mapping when selecting emissions factors from its database.</p> <p>For both the CY21 & CY22 reporting periods PCAF emissions factors for Australia or New Zealand were used.</p> <p>Year: 2019 (latest available at the time of measurement and reporting) Emissions factor unit: tCO₂e/M. Euro Activity variable: Revenue and Assets (depending on the use of methodology option 3a or 3b).</p> <p>Conversions to AUD from EUR based on RBA data and inflated to the relevant reporting period from 2019 based on the RBA calculator.</p> <p>https://www.rba.gov.au/statistics/historical-data.html#exchange-rates https://www.rba.gov.au/calculator/</p>
Commercial Real Estate Residential Buildings		<p>Emissions factors measured based on Australian government national and state-level statistics and publications, including:</p> <ul style="list-style-type: none"> ▶ <i>Estimated dwelling stock, June 2022</i> (https://www.abs.gov.au/statistics/industry/building-and-construction/estimated-dwelling-stock/jun-quarter-2022) ▶ <i>Average Floor Area of New Residential Dwellings</i> (https://www.abs.gov.au/articles/average-floor-area-new-residential-dwellings#new-other-residential-dwellings) <p><i>2021 Residential Baseline Study for Australia and New Zealand for 2000 to 2040</i> (https://www.energyrating.gov.au/industry-information/publications/report-2021-residential-baseline-study-australia-and-new-zealand-2000-2040)</p>
Commercial Real Estate All Other Buildings		<p>Emissions factors measured based on Australian government national and state-level statistics and publications, including:</p> <ul style="list-style-type: none"> ▶ <i>Commercial Building Baseline Study 2022</i> (https://www.dcceew.gov.au/energy/publications/commercial-building-baseline-study-2022) ▶ <i>Australian National Greenhouse Accounts Factors 2023</i> (http://www.dcceew.gov.au/)



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