Task Force on Climate-related Financial Disclosures

In this section

Introduction

Climate change is one of the most pressing threats facing our planet today. We recognise that what we do at Johnson Matthey has impacts – both positive and negative. Our solutions help our customers to reduce greenhouse gas (GHG) emissions and the new technologies we are designing will help further accelerate the transition to a low-carbon future. But our operations have their own environmental impact, creating GHG emissions, using water and producing waste.

Our business strategy is shaped around the opportunities and the risks that our changing climate presents. We have set ourselves the target of achieving net zero by 2040; our Scope 1, 2 and 3 long-term target ambition has been recognised as aligned with the SBTi's 1.5°C mitigation pathways.

The disclosures in this report are consistent with the TCFD recommendations.

Governance

Given the nature of our business, and how closely aligned our strategy is to a warming world, climate-related risks and opportunities have been on the board's agenda for many years.

Role of the board and its committees

The board is responsible for setting and overseeing the implementation of the group's strategy, including the annual budget and detailed business plans. In doing so, it considers climate-related issues, including when approving requests for capital expenditure or new initiatives.

The responsibilities of the board and its committees in relation to climate-related issues and the broader sustainability agenda are set out in our Matters Reserved for the Board and in our Audit Committee and Societal Value Committee (SVC) Terms of Reference.

See the Matters Reserved for the Board and Terms of Reference for our committees within the Corporate Governance Framework document on our website: matthey.com/governance

The SVC focuses more closely on the governance of sustainability matters, including our response to climate change. The SVC meets three times a year, see pages 89 to 91 for composition and more information about its work in 2023/24.

Together with the Nomination Committee, the board ensures that, among the directors, it has the necessary sustainability and climate-related expertise.

→ For more details of our non-executive directors' skills and experience, see pages 77-79

The Audit Committee monitors and assesses the level of assurance over TCFD and climate-related issues and performance metrics. The committee is also responsible for reviewing the effectiveness of internal control and risk management, which includes climate-related risk.

The Remuneration Committee set three ESG targets within the group's Long-term Performance Share Plan (PSP): two climate related targets and a DI&B target. Our senior leaders and directors participate in this PSP. This clearly reflects our intent to contribute to an acceleration of the transition to a net zero world and creating a diverse, inclusive and engaged company. Details of the PSP targets set for 2024 can be found on page 127.

Role of management

The board delegates responsibility for running the business to the Chief Executive Officer (CEO); this includes overall responsibility for climate-related issues. The CEO is supported by the Chief Sustainability Officer (CSO) and the Sustainability Managers who together develop our sustainability vision, goals and targets.

The CSO is responsible for prioritising our sustainability agenda and threading all elements into our business, providing updates to the Group Leadership Team (GLT) on the steps taken to develop or implement our sustainability strategy, including key metrics, risks, opportunities and our roadmaps to net zero by 2040.

At a business level, there are work streams for advancing specific aspects of sustainability.

→ For more information on our governance structure see page 80

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Governance structure for climate-related issues

Level	Committee/forum	Attendees	Frequency	Objectives	
Board	Societal Value Committee	• Committee members • CSO • External experts as required	three times a year	• Formal board governance committee on sustainability • Gives direction and oversight of ESG strategy, goals, performance	Representation for sustainability topics in parallel board committees – e.g. Audit, Nomination and Remuneration
GLT	GLT	• CSO – responsible overall for climate-related issues • Other GLT members	Monthly (CSO updates as required)	• Agree and formally approve global sustainability strategy and goals • Monitor roadmaps and ensure resources in place to deliver strategy and targets	
Business	Sustainability work streams	• Sustainability managers • Operations and commercial sustainability leads • Sustainability initiative owners from global functions	Bi-monthly	• Build and agree roadmaps to targets • Ensure delivery of roadmaps • Discuss new and emerging topics • Ensure customer needs on sustainability are proactively met	Sustainability leads by business and function
Other internal stakeholders		• Sustainability champions • OneJM scenarios team	As required	• Encourage grassroots initiatives • Ensure our strategy is based on the latest understanding of climate scenarios	

In addition to the internal stakeholders listed above, we regularly engage with external stakeholders, such as think tanks and non-profits, to ensure our sustainability strategy is built on a concerted approach.

Strategy

Our business strategy is based on our purpose of catalysing the net zero transition for our customers through enabling the necessary transitions in energy, chemicals and automotive, underpinned by circularity. Climate change offers us many business growth opportunities through our products and services, as well as some risks. However, the pace at which the world will adapt to the impacts of climate change is uncertain. So that we properly understand and are resilient to these uncertainties we maintain climate-change scenarios to frame the ambiguities in our long-term business strategy of an increasingly volatile and complex environment.

Climate scenarios for evaluating transition risks and opportunities

Our climate scenarios are used by all our businesses as a common basis for planning, forecasting and stress testing their strategy and assumptions on growth. These scenarios, which project the impact of climate change on our operational and commercial performance, are essential in informing our strategic decisions, such as how we invest in R&D and assets, or which new products to develop. We also use climate scenarios to consider the resilience to changing weather patterns of our own operations, those of our strategic suppliers and our core supply routes.

Our three transition scenarios represent three global temperature rise pathways.

- **Rapid transition scenario** (aligned to 1.5°C) – net zero achieved globally by 2050, in line with the goal of the Paris Agreement to limit the world's temperature rise to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C. This reflects swift and decisive action regarding policy interventions and decarbonisation commitments.
- **Pragmatic evolution scenario** (aligned to 2°C) – net zero achieved globally by 2080, which reflects a step-up in policy interventions and decarbonisation commitments compared with today, but not as decisive as under the rapid transition scenario.
- **Slow transition scenario** (aligned to 3°C) – net zero not achieved by 2100, reflecting a global lack of urgency on climate change with limited policy or legislative interventions.

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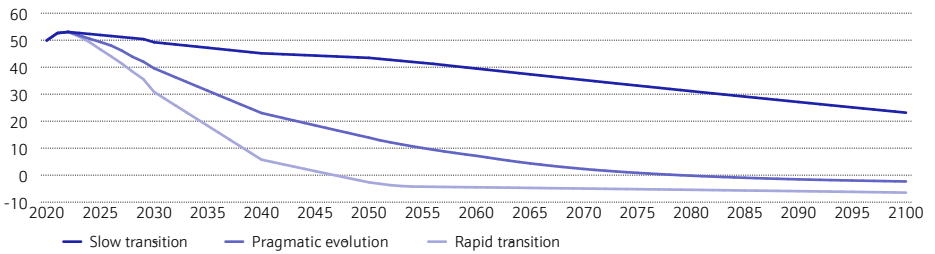
We developed our climate scenarios internally, with support from external experts, and also using the latest available research from the International Energy Agency (IEA). The IEA inputs included three scenarios: the Net Zero Emissions Scenario (supporting our Rapid Transition scenario), the Announced Pledges Scenario (supporting our Pragmatic Evolution scenario), and the Stated Policies Scenario (supporting our Slow Transition scenario). Our methodology breaks down the different energy sources (electricity, hydrogen, gas, coal, oil, renewables, biomass and others) and considers forecasts for each source by demand type: transport, buildings, industry, power and heat. We developed in-house forecasts for specific source / demand combinations close to our areas of expertise in automotive, chemicals, hydrogen and other industries, while ensuring that, at a macro level, we remained within IEA's forecasts. During the last year we have also started to link availability of critical raw materials to our scenarios, since this will likely have a significant impact on the rate of the clean energy transition progresses, and allows us to consider risks associated with both direct access to such materials and potential geopolitical impacts to such access.

We update our scenarios at least annually to reflect changes in external drivers, incorporating the latest from internationally recognised sources alongside our own forecasts. Our updates in the last year point towards an acceleration in demand for clean hydrogen in the medium to long term across scenarios, both for direct use and in producing sustainable fuels for both aviation (SAF) and maritime (clean ammonia and methanol), reflecting policy mandates and targets.

For example, during the past year, the International Maritime Organisation significantly increased its emissions reduction ambitions, from a 50% reduction by 2050 (compared to the 2008 baseline year) to an intention "to reach net-zero by or around, i.e. close to, 2050". We are also seeing increased focus on the potential for hydrogen-powered aviation in the longer term (post 2035), both using hydrogen in internal combustion engines and in fuel cells.

We model scenarios up to 2100, but look at shorter-term horizons, specifically 2030 and 2040, to inform our strategic and operational decisions. In the shorter term we also consider the impact of factors such as higher interest rates and current lack of policy clarity, on the ability of projects to move towards a Final Investment Decision, which can impact near-term energy transition developments. The table below details the main qualitative and quantitative assumptions we used for our 2040 scenarios. We use the Pragmatic evolution scenario as our base case for our strategic planning.

Total anthropogenic emissions ($GtCO_2/yr$)



Climate scenarios for evaluating physical risks

Changing weather patterns as the climate warms may result in physical risks to our assets and supply chains. We have evaluated the exposure of all our assets, with specific deep dives where needed, and those of our strategic suppliers to these risks.

We used the Shared Socio-economic Pathways (SSPs), the latest climate change modelling scenarios from the Intergovernmental Panel on Climate Change (IPCC). The SSPs produce forward-looking climate data by running climate models driven by assumptions about future global GHG emissions, together with plausible future socio-economic development metrics (economic growth / GDP, demographics, land use and urbanisation), and incorporating the likely implementation of adaptation and mitigation measures. The three SSPs we considered, for the locations of all our own operations and those of our strategic suppliers, are shown in the table below. Four time horizons were considered – 2020 (our baseline), 2030, 2040 and 2050 to identify the top hazards and how they are likely to change.

Scenario	Assumed temperature increase (relative to 1850-1900)
SSP 1-2.6	Best estimate of 1.7°C warming by 2041-2060, and 1.8°C by 2081-2100
SSP 2-4.5	Best estimate of 2.0°C warming by 2041-2060, and 2.7°C by 2081-2100
SSP 5-8.5	Best estimate of 2.4°C warming by 2041-2060, and 4.4°C by 2081-2100

SSP 5-8.5 is an extreme scenario that is unlikely to arise, but is useful for stress testing. We use it to test the resilience of our key sites.

Market Sector	Metric (2040)	Unit	Rapid transition	Pragmatic evolution	Slow transition
Global	Total primary energy demand	Exajoules (EJ)	500-550	600-650	650-700
	Renewables supply (excluding use of biomass)	% of total energy supply	c. 40%	c. 26%	c. 17%
Automotive	Global sales of zero-emissions vehicles	% of total automotive sales	c. 90%	c. 75%	c. 50%
	Global sales of fuel cell electric vehicles	% of total automotive sales	c. 10%	c. 7.5%	c. 5%
Hydrogen	Global hydrogen production	Mt p.a.	350-400	300-350	150-200

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Our climate-related transition risks and opportunities

Through our scenario work, we identified three distinct potential climate-related impacts, which represent both risks and opportunities for our business.

We use our climate scenarios to evaluate these risks and opportunities in the short (0–3 years), medium (3–10 years) and long term (10+ years), in line with our usual business planning timescales. We believe the Pragmatic evolution climate scenario is most likely to occur, so have used it as the base case for assessing our transition impacts, and the other two scenarios to stress test the sensitivity and resilience of our business plans

Primary driver of impact	Opportunities (with time horizons)	Risks (with time horizons)	Management of impacts[1]	Financial impacts (after management)	KPIs to monitor impacts
1. Changing customer demand for our products due to climate awareness					
Regulation • Tightening emissions standards for vehicles • Government incentives or taxation for energy production or use based on carbon footprint (e.g. IRA and ETS) • Targets and mandates for the increased use of low-carbon alternatives, such as sustainable aviation fuels (SAFs), clean hydrogen, bio-based feedstocks • National Hydrogen Strategies **Markets** • Shifts in customer preferences	Opportunities for new products: **Energy** • Performance-dictating components for electrolytic hydrogen generation (short/medium term and beyond) • Processes, equipment and catalysts for the production of sustainable aviation fuels (short/medium term and beyond) • PGM-based technologies enabling the energy transition, along with recycling solutions enabling circularity **Chemicals** • Low-carbon solutions for the chemicals industry (e.g. CCUS-based hydrogen, processes and catalysts reducing carbon intensity) (short term and beyond) **Automotive** • Performance-dictating components for fuel cells vehicles (medium term and beyond) • Emission control catalysts for hydrogen combustion engines (medium/long term)	Without adaptation of our portfolio, there is a long-term risk that we may not have a financially viable future business model as society transitions to net zero. Main risks include: • Inability to invest and scale up rapidly to manufacture new products for new sustainable markets (short/medium term) • Uncertainty in the rate of market evolution and technology adoption, including the penetration of sustainable fuels and hydrogen technologies, which could affect profitability (short/medium term) • Reduced demand for existing autocatalyst products for internal combustion vehicles (medium/long term)	We focus on managing our existing businesses effectively, with an increasing focus on sustainable chemicals and energy. • We are closely monitoring the changing market environment drivers including evolving government policy on hydrogen, emissions standards, carbon taxation and incentives such as IRA and EU Green Deal Industry Plan • We update our climate scenarios at least once a year to inform our strategic decisions • For our growth businesses we are investing in new production assets, forming long-term upstream and downstream strategic partnerships to enable us to play to our strengths to accelerate growth and maintain capital expenditure in line with market expectations • For our maturing businesses, we have a plan to reduce our cost base to improve efficiency and cash flow • We have divested businesses not core to our growth strategy to simplify and focus • We keep investing in innovation to make sure we have products that differentiate us in all our markets	**Growth** Accelerating profit growth coming from businesses related to sustainable solutions. Clean Air remains on track to deliver our cash generation target of at least £4.5 billion by 2030/31	• Tonnes of GHGs avoided by customers using our products (target set for 2030) • % sales aligned with SDG7 and SDG13 • % R&D spend aligned with SDG7 and SDG13

1. Impact management activities described in this column are all ongoing or have been implemented.

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Primary driver of impact	Opportunities (with time horizons)	Risks (with time horizons)	Management of impacts[1]	Financial impacts (after management)	KPIs to monitor impacts
2. Increasing demand for low-carbon manufacturing					
Markets • Shift in customer preferences towards products with a low-carbon footprint **Regulation** • EU REDIII (mandates 42% of all industrial hydrogen used in EU must be green by 2030) • Carbon taxation mechanisms in countries of operation e.g. ETS and Carbon Border Adjustment Mechanism • Rules on recycled content of consumer goods and the need for companies to declare the carbon footprint of their products	• Commercial advantage if we adapt our manufacturing plants to low-carbon operation faster than our competitors (short/ medium term) • Save future carbon taxation costs, which will reduce operating costs and give us price advantage as schemes become more widespread and expensive (medium term) • As the world's largest recycler of secondary PGMs, we could benefit from the increased demand for goods with low-carbon and/or recycled critical raw material content (short/medium term)	Medium-term risk that we cannot transition our operations and supply chain for net zero at the correct pace to meet customer demand for low-carbon products. • Loss of customers and failure to attract new customers due to reputational damage if we do not transition fast enough to cleaner energy solutions in our operations (medium/long term) • Greater capital required to upgrade our assets and site infrastructure to transition to low-carbon manufacturing (medium term) • Inability to engage suppliers to reduce Scope 3 emissions; PGMs market conditions leading to an increased share of primary PGMs used in our products • Inability to access the alternative renewable energy sources needed to reduce natural gas use in our operations (medium/long term) • Loss of competitive advantage due to increased costs to us and our suppliers of goods and logistics due to carbon taxation on raw materials and fossil-fuel derived energy (medium term)	• We have set challenging 2030 GHG reduction targets, in line with a 1.5°C trajectory, and published roadmaps to decarbonise our manufacturing operations • We are actively engaging with our suppliers to reduce our Scope 3 emissions, and have updated our Responsible Sourcing Principles accordingly. See page 50 for more details • We use an internal carbon price for our capital investment decisions and the board consider sustainability reviews of all investment decisions £5 million and above to help us make the right choices for decarbonising our operations for net zero in the long term • We regularly review global carbon pricing trends and ensure our long-term scenarios are consistent with different levels of carbon prices • We monitor trends in customer requests for product carbon footprint, Life Cycle Assessment (LCA) and recycling information	Exposure to direct carbon taxation on our manufacturing operation is not forecast to be material in our three year viability period	• Scope 1, 2 and 3 GHG emissions (target set for 2030) • Number of customer requests for low-carbon and recycled content in products • Current and forecast direct exposure to carbon taxation in 2030 for our operations
3. Increasing stakeholder expectations of corporate climate policy and performance					
Reputation • Increased concerns or negative feedback from stakeholders **Legal** • Exposure to litigation	• Developing and delivering robust climate policy will increase our long-term business resilience, attracting shareholders and employees aligned with our values (short term and beyond) • Delivering our net zero commitment and science-based targets will help us demonstrate sustainability leadership, and increase our profile with new customers and shareholders (medium term and beyond)	• Investors, employees and wider society are scrutinising companies' sustainability commitments ever more closely. Failing to meet their expectations could damage our reputation, losing us customers, making it difficult to attract and retain staff, and ultimately increasing the risk of shareholder action (medium/long term) • Our plans for meeting our sustainability commitments are not deemed sufficiently detailed or credible (short/medium term) • We fail to meet these commitments (medium term)	We continue to monitor and manage the expectations of our stakeholders as follows: • SVC monitors our governance of climate-related issues • Developing and monitoring a net zero roadmap to 2040, with targets set for 2030, supported by detailed roadmaps • Maintaining regular dialogue with investors • Market scanning and benchmarking of targets to ensure our climate-related policies and commitments meet the highest expectations	Reputational risk has not been quantified.	How we score on leading ESG platforms: • CDP climate change score • DJSI, Sustainalytics and MSCI climate scores • Progress towards our 2030 sustainability targets for GHG emissions

1. Impact management activities described in this column are all ongoing or have been implemented.

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Our climate-related physical risks and opportunities

Changing weather patterns as the climate warms may result in physical risks to our assets and supply chains. They could damage our sites and disrupt production, leading to loss of sales and increased costs, as well as posing risks to our employees. They could also hamper our access to strategic raw materials through supply chain disruption, either at our suppliers' sites or in transit. These physical risks can be grouped into two categories:

Acute, which are extreme events such as tropical cyclones, thunderstorms, severe flooding events, droughts, heatwaves and wildfires.

Chronic, which are gradual changes like rising sea levels that damage coastal property, or sustained changes to temperature and rainfall.

Primary driver of impact	Opportunities (with time horizons)	Risks (with time horizons)	Management of impacts[1]	Financial impacts (after management)	KPIs to monitor impacts
4. Disruption to our operations resulting in damage to or loss of assets, increased costs and harm to our employees					
Physical risks (acute and chronic) • Increased frequency, severity and variability of extreme weather events and natural disasters	• Competitive advantage by improving our business resilience and controls through diligent climate-related screening of assets, and integration with business continuity plans (medium term)	• Damage to our key sites, equipment or stock from severe weather (wind, rain and drought) if any increased risk is not effectively mitigated, leading to disruption of supply to our customers (medium term) • Insurance of our sites could become inadequate or more expensive if a site is at very high risk of weather-related disruption (medium term) • Increased employee EHS incidents if sites are not adapted to increased risk of heat wave (medium term)	• Our ten most important manufacturing sites identified as being located in areas with increasing risk from high rainfall are undergoing deep-dive assessments of their resilience and implementing mitigation as required. Following last year's pilot we have completed a further four sites this year • There are mitigation action plans to accompany the five physical risk assessments. The risks and associated action plans have been added to our global enterprise Risk Management process, ensuring progress is tracked and reported and the climate risk is integrated into individual site's risk management and risk ownership. • Integration of weather-related risks in business continuity plans and follow-up action plans • Climate change assessment considered as part of due diligence for new investments for growth. • We use the WRI tool to monitor where clean water availability could be at risk in the long-term, see page 43 • We regularly review the type and limit of insurance available for climate risks to our portfolio	• High-level analysis of our ten most critical locations shows that there is no material financial impact from climate change risks on the quantifiable hazards (flood and windstorm in the medium term)	Proportion of physical asset value exposed to a climate change-related high or very high hazard levels by 2030: • Number of sites in water-stressed areas • Amount of water consumed in areas of high or extremely high baseline water stress

1. Impact management activities described in this column are all ongoing or have been implemented.

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Primary driver of impact	Opportunities (with time horizons)	Risks (with time horizons)	Management of impacts[1]	Financial impacts (after management)	KPIs to monitor impacts
5. Disruption to our supply chain (upstream and downstream) hampering our access to strategic raw materials (including metals) and products, and increasing costs.					
Physical risks (acute and chronic) • Increased frequency, severity and variability of extreme weather events and natural disasters	• Engaging with our suppliers to help them manage climate risks to their sites could enhance our relationships with them and save us money (medium term) • Increase in business resilience through more diligent and frequent screening of our suppliers' assets (e.g. through integration with business continuity plans) (medium term)	• Disruption of supply of key raw materials risks our ability to deliver goods on time to customers, resulting in loss of sales and future business and damage to our reputation (medium term) • Insurance cover of suppliers is inadequate, and uncertainty over the future level of increased risk responsibility that will be assumed by suppliers and/or JM relating to climate risks, or if physical risks should be transferred (medium term, three to ten years)	• Climate risk is integrated into our principal risk management structure and supplier partnering framework (SRM). We undertake quarterly reviews of the risks identified, supplier remediation plans and alignment with company and category strategies • Our approach in case of high risks related to climate emergencies is to work with strategic suppliers to integrate specific climate mitigating actions to improve their resilience or switch to alternative suppliers • We ensure that the type and limit of our suppliers' insurance is in line with our own risks and external obligations (medium term) • We continue to develop a diversified supply portfolio, with emphasis on dual sourcing at supplier and site levels	No issues identified in the last year.	Number of weather-related supply chain disruptions.

1. Impact management activities described in this column are all ongoing or have been implemented.

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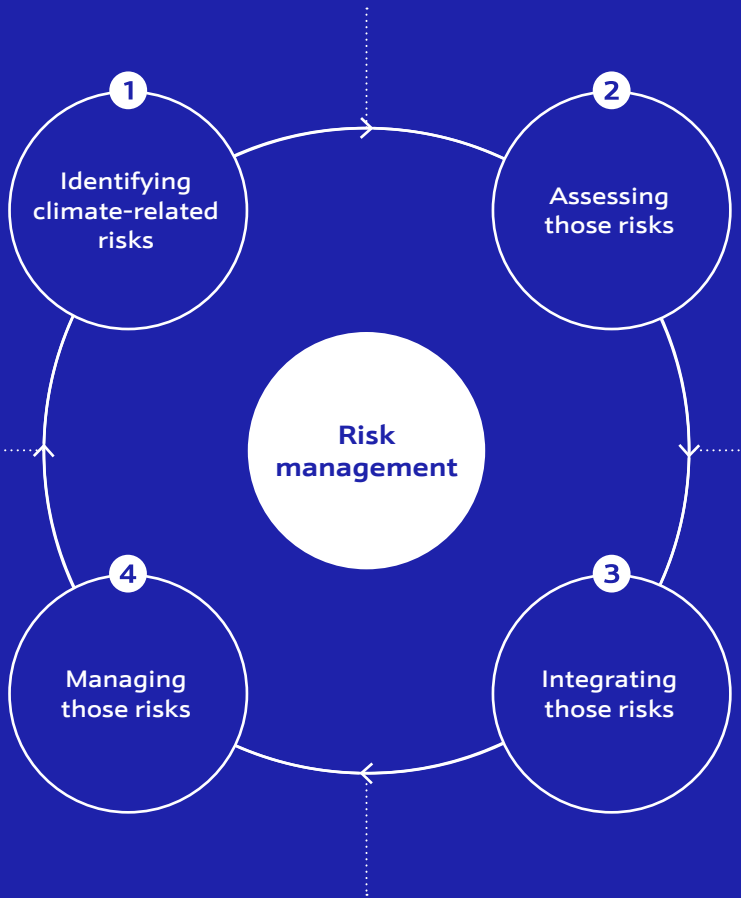
Risk management

All our climate-related risks are subject to our global enterprise risk management process, which provides a systematic approach of understanding, evaluating and addressing all identified risks (see page 63 for more information).



1 Identifying climate-related risks

We continually review and evaluate our climate-related risks against industry best practice, peer benchmarking and risks identified by business leads and subject matter experts as well as new and emerging risks.

We believe our climate risks are in line with industry and legislative expectations.

2 Assessing those risks

We also use external third parties to evaluate physical climate risks at our locations and those of our suppliers. With the four assessments conducted this year, we now have detailed site resilience assessments for five of our top ten highest risk manufacturing locations. This determines the requirements for areas we need to focus on in the short, medium and long term.

3 Integrating those risks

Through our enterprise risk framework, climate-related risks and opportunities are integrated into our strategic decision-making. Climate change considerations are part of how we operate, and climate is included in our bottom-up operational risk management process, providing a clear view of climate-related risks across the organisation. For instance, Principal Risk 1 is directly related to the first transition risk identified as part of TCFD guidance – see page 64 for more details.

4 Managing those risks

The Societal Value Committee (SVC) oversees our sustainability strategy, including managing our climate-related risks. These risks may have a direct or indirect impact on our Principal and Business risks, and are therefore managed alongside and integrated within the enterprise risk management process.

To drive consistency, each risk in our enterprise risk process, including climate-related risks, has been assigned a risk owner and sponsor. These individuals are senior stakeholders who are accountable for reviewing, monitoring and assessing the magnitude of the risk as well as overseeing the implementation of appropriate mitigations.

All of our principal risks are reviewed formally, twice a year, by the GLT and the Board.

→ For more information on our risk management approach, please see pages 62 to 70

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Metrics and targets

The metrics and targets we use to help us manage our climate risks and opportunities effectively are shown below. They were identified in the climate-impact tables on pages 56-59 and their values are summarised here. Our Scope 1, 2 and 3 greenhouse gas (GHG) emissions targets have been verified by the Science Based Targets initiative as consistent with the UN Paris agreement on climate change's 1.5°C pathway, and a full breakdown of performance in all categories over the last five years can be found on page 41.

Metric description	Climate-related risk	Target type	Baseline year	Baseline value	2030 target	2023/24 performance	More on page
GHG emissions avoided per year using technologies enabled by JM products and solutions, compared to conventional offerings (tonnes CO_2e)[1]	1	Absolute	2020/21	223,946[2]	50 million	1,110,057	37
% sales aligned with SDG7 and SDG13	1	Intensity	2020/21	6%	No target	8%	36
% R&D spend aligned with SDG7 and SDG13	1	Intensity	2020/21	22%	No target	23%	36
Total Scope 1 and Scope 2 GHG emissions (market-based) (tonnes CO_2e)[1]	2,3	Absolute	2019/20	405,770[2]	227,231	282,403	41
Scope 3 GHG purchased goods and services (tonnes CO_2e)	2,3	Absolute	2019/20	3,433,660[2]	1,991,523	2,531,576	41
% recycled PGM content in our products	2	Intensity	2021/22	70%	75%	69%	42
Potential exposure to carbon taxation in 2030	2	Intensity	2021/22	Not disclosed	No target	Not disclosed	61
CDP climate change score	3	Absolute	2019/20	B	A	A-	1
% physical asset value exposed to high weather-related hazard by 2030	4	Intensity	2020/21	35%	No target	39%	58
Water consumed in regions of high baseline water stress (m^3)	4	Absolute	2020/21	417,704[2]	No target	402,254	43
Number of supply chain disruptions due to severe weather	5	Absolute	2020/21	Not disclosed	0	0	59

1. Metrics are linked to long-term Performance Share Plan (PSP) for senior directors.
2. Rebaselined to remove divested businesses, please see page 210 for more information.

Internal carbon pricing (ICP)

We use a shadow carbon price in our capital investment business case assessment process. Although the ICP is not a real cost of the investment, it demonstrates what the impact would be of the carbon taxation forecast for 2030 and beyond, and we use it to evaluate and compare potential investments. We expect the ICP to play an increasingly important role in influencing our investment decisions, as carbon impacts come under increasing scrutiny from key internal and external stakeholders.

We are using the ICP for Scope 1 and 2 emissions for the asset when operational, with the intention to extend this to Scope 3 in the future. We chose not to apply ICP to emissions related to the development of the project itself, such as equipment manufacture, or to construction-related emissions, since such emissions are both short term and generally minor in relation to the overall life of the asset. The price applied in 2023/24 was £100/tonnes CO_2e, with sensitivity analysis conducted at £50/tonnes CO_2e and £150/tonnes CO_2e.