Davidson Kempner European Partners, LLP

Task Force on Climate-Related Financial Disclosures

Entity-Level Report 2025

1 Introduction

1.1 Davidson Kempner European Partners, LLP ("**DKEP**") is pleased to publish this report in accordance with the UK Financial Conduct Authority ("**FCA**") Environmental, Social and Governance Sourcebook (the "**Sourcebook**"), in line with the recommendations of the Task Force on Climate-Related Financial Disclosures ("**TCFD**").

1.2 DKEP is a limited liability partnership registered in England and Wales (No. OC308054) and is authorised and regulated by the FCA. DKEP is an affiliate of, and investment sub-advisor to, Davidson Kempner Capital Management LP (together with its affiliates, including DKEP, "**DK**" or the "**Firm**"), a global institutional alternative asset management firm.

1.3 Given the nature of DKEP's business as an investment manager that primarily acts as an investment sub-advisor to DKCM, DKEP's Task Force on Climate-Related Financial Disclosures 2025 Report (this "**Report**") focuses on assets managed by DKEP under this sub-advisory mandate.[1] DKEP does not delegate its investment management responsibilities.

1.4 This Report sets out how DKEP integrates sustainability considerations, including climate-related risk and opportunities, in its investment decision-making and in relation to DKEP's internal operations.

1.5 In line with the approach adopted by the broader Firm, DKEP believes that, by considering material sustainability issues (including, where relevant, climate issues such as climate transition) as one of many financial and non-financial considerations in the Firm's investment process, it can generate a more comprehensive view of an investment, enhancing its ability to manage risk, generate returns, and preserve capital for the Firm's investors.

1.6 DKEP benefits from the global application of sustainability principles across the Firm, pursuant to which the Firm, including DKEP, seeks to ensure that its business standards and practices are of the highest quality and consistent with DK's Business Principles and Core Values, focusing on ethical standards, diversity and an inclusive culture, among other values.

1.7 DK is a signatory to the United Nations-supported Principles for Responsible Investment ("**UN PRI**"), a collective international framework for institutional investors, investment managers and service providers that seek to integrate sustainability considerations into investment decision-making and analyses and be active stewards of their investments.

1.8 In addition, in respect of DK's internal operations, DK has in place policies on certain sustainability, diversity and inclusion issues. These include integration of climate considerations into its operations, engaging in social initiatives such as charitable giving and volunteering programs, as well as multiple initiatives relating to diversity and inclusion.

1.9 The disclosures in this Report comply with the requirements set out in chapter 2 of the Sourcebook which forms part of the FCA Handbook.

[1] This Report has been prepared in line with FCA rules and guidance set out in the Sourcebook. Based on the Sourcebook, the DK legal entity in-scope to make this Report is DKEP.

2 Governance

2.1 DKEP was established in 2004 and has been authorised and regulated by the FCA since its establishment. DKEP is overseen by its Governance Committee, which is composed of the members of DKEP and DKEP's Legal Counsel (who holds SMF16 and SMF17 status), alongside DK's global General Counsel and Chief Compliance Officer, and acts as the management body of DKEP. The DKEP Governance Committee meets on a quarterly basis.

2.2 DK has established a Sustainability and Reputation Risk Committee to manage sustainability and reputational risks at a global Firm level (the "**Sustainability Committee**"), which meets at least twice per year and more frequently as appropriate. The composition of the Sustainability Committee includes DK's Managing Partner and Chief Investment Officer and representatives from the investment, portfolio risk, legal and compliance functions across the Firm, including from DKEP. The Sustainability Committee is responsible for defining DK's approach to sustainability, annually reviewing and approving DK's policy on sustainability (see below), reviewing material sustainability and reputational issues escalated to the Committee, overseeing DK's participation as a UN PRI signatory, overseeing any sustainability reporting and reviewing reputational challenges to DK arising in respect of transactions, counterparties, or other such activities or events that may give rise to reputational considerations.

2.3 DKEP does not have its own entity-level sustainability committee or specific sustainability governance framework, as such matters are overseen in accordance with firmwide DK governance arrangements.

2.4 As set out in Section 3 below, at entity-level, material climate risks related to investments are identified, managed and escalated (as appropriate) to the Sustainability Committee.

2.5 **Sustainability Policy:** DK has introduced a firmwide policy on sustainability which sets out DK's approach to taking material sustainability considerations into account in investment evaluation, where appropriate to the specific characteristics of the strategy and/or investment, and other sustainability initiatives in place at the Firm level, such as assessment of the integration of climate considerations into DK's operations and engagement in social, diversity and inclusion initiatives. As referred to above, the Sustainability Committee is responsible for implementing this policy. DK also has other policies to ensure sustainability-related factors are appropriately addressed (e.g., Proxy Voting Policies and Procedures).

3 Strategy

3.1 As outlined above, DKEP does not have a standalone framework to assess climate risks and opportunities. These are instead considered as part of DK's overall framework to assess material risks and opportunities in its portfolios at the Firm level.

3.2 DKEP's investment teams will consider and integrate sustainability risks (including climate risks) in their investment decision-making (where appropriate), having regard to considerations such as the materiality of the relevant sustainability matter, the asset class, and/or investment objectives of the relevant portfolio (see Section 4 below for further detail on DK's specific sustainability assessments). Although DKEP's investment teams generally seek to avoid adverse sustainability outcomes or risks, teams generally do not set investment objectives to seek specific sustainability outcomes or impacts from investments.

3.3 The table below sets out examples of key climate-related risks and opportunities over the short, medium and long term that DKEP considers could be relevant to its assets under management ("**AUM**") and/or its own operations, and their likely impact on its portfolios. As noted above, the extent to which they are integrated within its portfolios and their relative importance, will be determined by DKEP's investment teams having regard to the considerations set out above (in particular, their view on the financial materiality of the relevant climate matter). Though DKEP does not conduct formal transition or other climate scenario analyses, certain investments may be evaluated in light of acute physical climate risks, including droughts, floods, extreme precipitation and/or wildfires.

3.4 The likely impact of climate risks and opportunities on DKEP's portfolios will similarly depend on factors such as the materiality of the relevant climate matter to the portfolio or specific investment(s) within the portfolio, its investment strategy, the level of diversification and hedging, and the extent to which investments held within each portfolio are exposed to the risks, or have the potential to benefit from the opportunities, set out below.

3.5 Short-, medium- and long-term risks to DKEP

Topic	Time horizon	Impact to DKEP and/or its AUM
Reputational	Short to medium term	Negative media coverage and/or climate-related controversies could adversely affect reputation, impact future financial performance and capital raises and result in a loss of future earnings.
Regulatory and legal	Short to medium term	Developments in current/emerging climate regulation and increased regulatory requirements relevant to the investment team could increase compliance costs or impact business and portfolio management activities. Increased regulatory requirements may negatively impact higher-carbon, industrial or conventional business within portfolios.
Physical/operations	Short, medium and long term	Physical impacts resulting from adverse climate events could negatively impact the physical assets on which DKEP depends.
Physical/investment	Short, medium and long term	Increasing likelihood of damage from physical risks to investments which could negatively impact valuations, decreasing the value of AUM and increasing capital expenditure/insurance costs.
Transition	Short, medium and long term	Inadequate management over short-term of carbon exposure in investments could lead to declining market share, higher compliance and operating costs and lower investment returns. There is a transition risk that certain industries/activities become left behind in the longer-term climate transition.
Market	Medium term	Asset value could fluctuate due to climate risks and impact portfolio value. Climate transition innovation could be disrupted by potential factors, including new technologies, market events, and shifts in consumer demand.

Short-, medium- and long-term opportunities for DKEP

Topic	Time horizon	Impact to DKEP and/or its AUM
Investment in innovative assets and new sectors	Short to medium term	There may be scope to invest in innovative assets (e.g., new technologies that emerge to address the climate transition).
Value creation – decarbonisation	Short, medium and long term	Decarbonisation and energy efficiency initiatives could lead to reductions in operating costs, improved cash flows and margins, resulting in a lower cost of capital and higher valuations (e.g., the 'green premium' in respect of real estate assets where environmentally efficient buildings attract higher rental income than properties with a higher carbon footprint).
Value creation – resilience	Short to medium term	The implementation of adaptation measures could lead to increased resiliency in investments and decreased costs (e.g., through lower insurance premiums or climate loss avoidance).

3.6 DKEP's approach to considering climate risks and opportunities (alongside other material factors) is consistent across DK and guides its decision-making and engagement process.

4 Risk management

4.1 As noted above, DKEP considers climate-related risks alongside other investment risks, where material and appropriate, as part of its overall risk framework and does not have a specific climate risk management framework.

4.2 Each of the strategies employed by DK has its own Risk Committee that oversees the risk management of that strategy. Each Risk Committee is chaired by either DK's Executive Managing Partner and Chief Investment Officer or a DK Partner and is comprised of the Chief Risk Officer and one or more primary investment decision-makers that are involved in the management of the strategy. Risk Committees may also include traders and other investment professionals responsible for the particular strategy, investment professionals that are not involved in the management of the strategy and/or certain other DK Partners. Risk Committees generally meet on a weekly or monthly basis.

4.3 At the Firm level, DK understands the importance of conducting its business operations in a sustainable manner and takes into account climate considerations in its operational decision-making. DKEP's offices are supplied with 100% renewable electricity. In addition, DKEP has been focused on improving its energy data collection to form a better understanding of potential changes to its working practices and as a result, has implemented various energy conservation practices to reduce energy consumption in its offices.

4.4 As regards its investment activities, DK applies firmwide screening which aims to ensure compliance with applicable AML and relevant sanctions laws and requires escalation to the Sustainability Committee of any potential investment which has significant involvement in certain sectors, including certain weapons manufacturing and adult entertainment.

4.5 Additionally, DK has developed sustainability assessments for investments in specific asset classes. These are to be completed by investment teams, including DKEP's investment professionals, generally prior to investment, and require escalation where high or negative risks are identified. Investment teams are encouraged to escalate concerns in respect of sustainability assessments to the Sustainability Committee where appropriate. DK is currently considering a formal review and update process for its sustainability assessments.

4.6 The assessments that are undertaken for specific asset classes are set out below:

Corporate – Investment teams are generally required to complete a sustainability assessment prior to investment. This assessment may involve consideration of third-party risk ratings or sustainability risk factors and controversies, and where available, consideration of climate-related data points (e.g., Scopes 1, 2 and 3 GHG emissions, emissions reduction targets, etc). Material sustainability factors are escalated to the relevant investment partner and/or the Sustainability Committee.

Real Estate – Investment teams are required to complete a sustainability assessment prior to investment. This involves considering, amongst other factors, building performance data (e.g., GHG emissions), ratings/certifications, planned or implemented environmental initiatives and energy efficiency solutions. Material sustainability factors are escalated to the relevant investment partner and/or the Sustainability Committee.

Structured Products – Where practicable, the Structured Products team completes a sustainability assessment prior to investment. This process seeks to capture any key sustainability risks and record how the investment team is comfortable with any risks identified. Material sustainability factors may be escalated to the relevant investment partner and/or the Sustainability Committee.

Listed Equities – Investment teams are required to review third-party risk ratings. Companies with a 'high' or 'severe' rating are automatically flagged in the system when an initial trade is entered and the investment team member will need to confirm that they are aware of the rating, have read the issuer's report and have consulted with their manager and/or the Sustainability Committee for approval.

4.7 DK also considers sustainability factors as part of its stewardship activities (the primary objective of which is to maximise the risk-return profile of individual investments). This involves engagement by DK's investment teams with investee companies where material sustainability issues are identified to better understand and manage climate-related risks these companies may present – for example, through meetings/discussions with company management or proxy voting pursuant to the Proxy Voting Policy. The Sustainability Committee oversees stewardship and acts as an escalation point where necessary.

5 Metrics and targets

5.1 DKEP does not use targets to manage climate-related risks and opportunities within its portfolios or AUM overall – this is because as a fiduciary, DKEP must manage assets in accordance with the investment objectives in place for the relevant client. DKEP may assess the need for targets on an ongoing basis and implement these should the need arise.

5.2 Other than in its sustainability assessments described in Section 4 above, DKEP does not utilise climate metrics at the entity level. DKEP may assess the need for additional climate metrics on an ongoing basis should the need arise.

5.3 DK engaged a consultant to measure and calculate GHG emissions for DK's own firmwide operations, leveraging the GHG Protocol and World Resources Institute's GHG Emissions Tool. Working with its consultant, DK has calculated its global firmwide carbon footprint for 2019, 2020, 2021, 2022 and 2023. DK's 2019, 2022 and 2023 carbon footprint data is included in the table below. 2020 and 2021 equivalent data has been excluded from this Report due to the impact of the COVID-19 pandemic on carbon emissions, most notably the significant reduction in such emissions due to lockdowns, the work from home environment and reduced business travel. In 2019, the Firm had a global employee headcount of 380 across 5 offices, generating a total of approximately 1,903.5 metric tons of carbon dioxide equivalent ($MTCO_2e$). In 2022, the Firm had a global employee headcount of 529 across 7 offices, generating a total of approximately 2,234.57 metric tons of carbon dioxide equivalent ($MTCO_2e$). In 2023, the Firm had a global employee headcount of 535 across 7 offices, generating a total of approximately 2,846.19 metric tons of carbon dioxide equivalent ($MTCO_2e$). DK generally seeks to offset its Firm level carbon footprint by purchasing carbon credits.

TOTAL FIRM EMISSIONS[2]	**2019 $MTCO_2e$**	**2022 $MTCO_2e$**	**2023 $MTCO_2e$**
Total Scope 1[3]	0	0	0
Total Scope 2	581.74[4]	532.85[5]	604.07[5]
Total Scope 3	1321.78[6]	1701.72[7]	2242.12[7]
TOTAL Emissions	**1903.52**	**2234.57**	**2846.19**

5.4 **Data gaps:** In respect of the Scopes 2 and 3 GHG emissions disclosed in Section 5.3, DK has used proxy data where actual data was unavailable (e.g., commuter data). Please refer to the related footnotes for further information.

5.5 In addition to these firmwide metrics, DKEP, as a qualifying reporting entity, reports annually on its energy use and carbon emissions in relation to its own operations, pursuant to the UK Government's Streamlined Energy and Carbon Reporting ("**SECR**") policy. The most recent report, which contains certain data on DKEP's carbon footprint, is included in DKEP's annual report for the financial year ended 31 December 2024.

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[2] Emissions have been calculated by DK's consultant using the GHG emissions calculation tool, developed in coordination with the GHG Protocol, the World Resources Institute and the Environmental Protection Agency (EPA) calculation tool for waste generation. Due to the complex nature of calculating emissions, all values included above should be viewed as estimates.

[3] DK does not generate Scope 1 emissions. DKEP's office gas supply operated under an OFGEM-issued renewable gas guarantees of origin ("RGGO") contract for 2022 and 2023. Therefore, the resulting emissions for the London office space is zero for that reporting year.

[4] Scope 2 emissions for 2019 includes energy consumption data for DK's offices in New York, London, Hong Kong and Dublin based on electricity bills. In addition, it includes energy consumption data for DK's Philadelphia office and disaster recovery/data centres calculated using proxy data.

[5] Scope 2 emissions for 2022 and 2023 includes energy consumption data for DK's offices in New York, Philadelphia, Hong Kong and Dublin based on electricity bills. In addition, it includes energy consumption data for DK's Mumbai office, Shenzhen office and disaster recovery/data centres calculated using proxy data. The Scope 2 emissions data above reflects the London office's market-based Scope 2 emissions, and does not reflect its location-based Scope 2 emissions. The London office's market-based Scope 2 emissions were zero for 2022 and 2023 since it was supplied with 100% renewable energy from Good Energy for each of these reporting years. For reference, the London office's location-based Scope 2 emissions were 47 $MTCO_2e$ for 2022 and 52.7 $MTCO_2e$ for 2023 and the Firm's Total Scope 2 Emissions taking into consideration such figures were 1,748.72 $MTCO_2e$ for 2022 and 2,294.82 $MTCO_2e$ for 2023.

[6] Scope 3 emissions for 2019 includes business air travel and employee commute data. Employee commuting data was calculated using proxy data.

[7] Scope 3 emissions for 2022 and 2023 includes business air and rail travel, waste generation and employee commute data only. Waste generation and employee commuting data was calculated using proxy data.

For and on behalf of
Davidson Kempner European Partners, LLP, by its Designated Member

Jogeesvaran (Chris) Krishanthan
30 June 2025