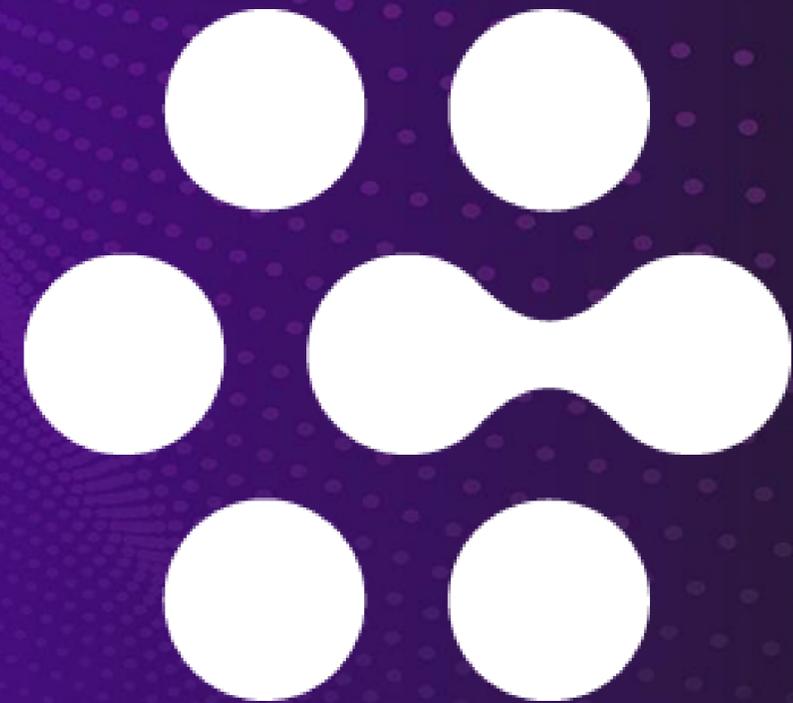


# Task Force on Climate-related Financial Disclosures (TCFD) 2021



# Our Commitments & TCFD

## Gamma and the Environment

Gamma takes its responsibilities towards the environment seriously and we are systematically assessing our environmental impact and developing programmes to minimise it.

In 2006, Gamma recognised that all organisations produce carbon footprints based on their activities. Since that date, we have committed to offsetting our emissions. Gamma has held a Certified Carbon Neutral Company status (conferred by Natural Capital Partners) for sixteen years, during which time we have invested in a variety of Gold Standard and VCS verified carbon offset projects.

Alongside carbon offsetting we have made good progress on investing in internal improvements to our network and energy consumption trends, for example by purchasing 100% renewable energy to power our business in the UK.

From an environmental perspective our investors, our key stakeholders, and our employees are asking us to do more and this ask is increasing as the world starts to experience the negative effects of climate change.

We are pleased to announce our commitment to move from a Carbon Neutral business to become a Carbon net-zero business by 2042, supporting both the Paris Treaty's aims to limit the temperature increase to 1.5°C globally and the UN Sustainable Development Goal 13: Climate Action.

Gamma has also committed to set near- and long-term company-wide emission reductions in line with climate science with the Science-Based Target initiative (SBTi) and the company will seek validation of its target within the SBTi timeframes.



## Task Force on Climate-related Financial Disclosures

In June 2017, the Task Force for Climate-related Financial Disclosures (TCFD) presented a set of recommendations aimed at helping businesses to disclose climate-related financial information in a clear, comparable and consistent way.

The Task Force acknowledged that they were beginning to see a significant increase in demand from investors for improved climate-related financial disclosures as well as unprecedented support among companies for action to tackle climate change.

The TCFD structure consists of a set of core recommendations, based on the themes of governance, strategy, risk management, and metrics and targets (fig. 1). Supporting each of the core recommendations sits a total of 11 recommended disclosures and these are further underpinned by 7 fundamental principles for effective disclosure.

As part of our Environment, Social and Governance agenda, Gamma has committed to disclose in line with the recommendations and structure of the Task Force. This report will share our current response to climate change and detail the considerations that we have made in the past year in assessing the potential impact to our business. The report will show our approach to assessing both the transitional and physical risks that it may pose to our business, along with consideration of the opportunities it will bring.

We will also outline our current challenges and the next steps that we are taking.



## TCFD Core Recommendations

### Governance

- Describe the board's oversight of climate-related risks and opportunities.
- Describe management's role in assessing and managing climate-related risks and opportunities.

### Strategy

- Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.
- Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

### Risk Management

- Describe the organisation's processes for identifying and assessing climate-related risks.
- Describe the organisation's processes for managing climate-related risks.
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

### Metrics and Targets

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

fig.1 Task Force on Climate-related Financial Disclosures (TCFD) – June 2017

# Governance

## Board Oversight of Climate-Related Risks & Opportunities

Through the ESG Committee, the Gamma Board has responsibility for oversight of environmental planning, including all risks and opportunities related to climate change.

The ESG Committee is chaired by Martin Lea, our senior independent non-executive Director, and meets once a quarter.

### ESG Committee Purpose

The main purpose of the Committee is to represent the Board in defining the Company's strategy relating to ESG matters, including all environmental matters, and in reviewing the practices and initiatives of the Company relating to ESG matters ensuring they remain effective and up to date.

Through the ESG Committee, the Board ensures that environmental policies and suitable governance structures are established to align with Gamma's committed environmental targets.

The Board also ensures that the Company

- monitors and reviews current and emerging environmental trends, relevant international standards and legislative requirements
- identifies how those are likely to impact on the strategy, operations and reputation of the Company
- determines whether and how these are incorporated into or reflected in the Company's policies and objectives.

The ESG Committee makes recommendations to the Board in relation to the required resourcing and funding of ESG-related activity, and on behalf of the Board, oversees the deployment and control of any resources and funds.



Our governance structures and ESG Committee activity are detailed in our [2021 Annual Report](#)



fig. 2 Gamma's climate-related governance

The ESG Committee works in conjunction with the Risk Committee to oversee the identification and mitigation of risks relating to climate change, as well as the identification of opportunities relating to climate change. This ensures that the Board has oversight of management's response to climate-related risks.

This is done through the update of a risk register each quarter (as a minimum) and it is expected that more frequent updates will occur against risks that are likely or very likely to occur within the next 5 years.

Climate change risks include both transitional and physical risks. More detail on the Gamma Risk Management process can be found later in this document.

*"We remain strongly committed to our ESG programmes and the overarching principles of the UN Sustainable Development Goals.*

*We will continue to develop Gamma's credentials as an environmentally and socially conscious business partner with high standards of governance, and will endeavour to transparently disclose our progress and performance to all of our key constituents."*

*Martin Lea  
Chair, ESG Committee*

# Governance

## Management Role In Assessing & Managing Climate-Related Risks & Opportunities

Many of Gamma’s Senior Leadership Team (SLT) attend the ESG Committee and the Risk Committee each quarter, including our Chief Strategy and Operations Officer, Chief People Officer, our Chief Financial Officer and the CEO. (see fig. 3)

The ESG Steering Group consists of management roles that are responsible for implementing the ESG strategy and related policies, including environmental matters. The Group is chaired by the Group Operations Director and meets quarterly.

The ESG Steering Group is responsible for assessing and monitoring climate-related risks and opportunities, and agreeing associated planning. These risks and opportunities are managed via the existing Gamma risk management process, reporting into the Risk Committee. As can be seen in figure 3, many of the same SLT roles attend and contribute to both committees.

We have linked a percentage of the annual bonus available to eligible managers, including our Senior Leadership Team and Executive Directors, to our environmental targets and emissions reductions activities.

Group Operations Director	<ul style="list-style-type: none"> <li>Has top-level accountability for sustainable business activity across the Gamma group in the UK and in Europe</li> <li>Provides quarterly updates to the Board-level committees on climate-related risks and opportunities</li> </ul>
Group Sustainability Director	<ul style="list-style-type: none"> <li>Leads management in the identification and assessment of climate-related risks and opportunities, against the short-, medium-, and long-term horizons</li> <li>Using the existing risk management framework, reports climate-related risks and opportunities to the Group Operations Director, including potential financial impact to the Company</li> </ul>
Group Risk & Governance Director	<ul style="list-style-type: none"> <li>Assures the health of the Gamma risk management framework</li> <li>Responsible for reporting material climate-related risks and issues to management and the Board</li> </ul>
Networks Director	<ul style="list-style-type: none"> <li>In operating and running a network, Gamma recognises that there are potential physical risks linked to our data centres. Our business continuity plans ensure that our network performance is maintained and our Networks Director is responsible for managing any potential physical climate-related risks</li> </ul>
Group Procurement Director	<ul style="list-style-type: none"> <li>Has accountability for identifying and managing climate-related risks and opportunities in the supply chain</li> </ul>
Environmental Data Manager	<ul style="list-style-type: none"> <li>Reports into the Group Sustainability Director</li> <li>Responsible for the collation of all GHG data across the Group</li> <li>Contributes key climate-related data to our scenario planning</li> <li>Works with our procurement team to identify risks and opportunities in our supply chain on climate-related matters</li> </ul>



fig. 3 Risk and ESG Committee Attendance

# Strategy

## The climate-related risks and opportunities that Gamma has identified over the short-, medium-, and long-term

### Our Approach

Over the last 12 months, under the stewardship of our Board and Senior Leadership Team, we have extended our environmental programme to both understand our impact on the environment in better detail and develop a plan to reduce any negative impact.

We also undertook a wide-reaching materiality exercise to consult with our employees, investors, shareholders and customers to understand what is most important to them from an ESG perspective. This input has shaped the development of our environmental strategy for 2022 and beyond, with climate change identified as highly important across all stakeholders.



You can find out more about our materiality exercise in the [2021 Annual Report](#)

Gamma has set a carbon net-zero date and we are in the process of developing a carbon reduction plan. We are also further enhancing our awareness of risks and opportunities around the business, both from a strategic and financial perspective. We believe that the commitment to be carbon net-zero by 2042, along with the expected market and economic changes, helps to mitigate the risks that we have so far identified.

Using the TCFD structure and our own risk management framework, we have started to assess the potential severity of risks over the short-, medium-, and long-term, in the UK and our European operations.

### Our Short-, Medium-, and Long-term Horizons

Gamma identifies all risks, including any associated with climate-change, within an existing group-wide risk management framework.

For climate-related risk and opportunities, we have defined our short-, medium-, and long-term horizons in line with our carbon net-zero ambitions.

In our short-term horizon of 0-5 years any priority climate-related risks identified will be managed against the correct risk assessment criteria and process, and escalated via a risk register accordingly.

Although we acknowledge that climate impacts are unlikely to differ significantly between now and 2027, we have chosen to remain consistent with our risk management framework and policy.

Our medium-term horizon has been set between 5-10 years. This allows Gamma to capture emerging risks with reference to climate-related scenarios that develop in the next decade. It is also aligned to the UK Government's Nationally Determined Contribution (NDC) committing the UK to reducing economy-wide greenhouse gas emissions by at least 68% by 2030, compared to 1990 levels.

Finally, our long-term horizon is from 10-30 years, taking us just over the 2050 Paris Agreement Treaty goal of limiting global warming. to "well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels".

### Next Steps

Our understanding of the climate-related risks and opportunities presented to Gamma is under continual development. We are at the start of this development process and have committed to significantly improve our understanding of our own data across our estate and improve our data modelling over the next few years.

Our Group Sustainability Director is engaged with the development of the wider business strategy and we will consider how climate-related issues could impact any further business acquisitions (M&A), as well as informing major capital expenditures and projects.

We have invested in resources to extend our environmental sustainability team and recruited an Environmental Data Manager with dedicated responsibility for defining specific carbon- and waste-reduction activities. We will aim to publish a Carbon Reduction Plan during 2022, aligned to our carbon net-zero interim targets.

Our high-level risks and opportunities will continue to be captured and managed via our existing risk management process and where data does not yet exist, we will strive to improve our data capture methods to enable us to model the impact in the future. We will continue to ensure that all climate-related risks are aligned to the wider organisational risk management policy and framework.

A review of risks and opportunities during 2022 will aim to understand the financial impacts, in line with CDP and TCFD disclosure recommendations.

In addition, we will engage with our employees on all aspects of our work to ensure that emerging risks and opportunities can be identified, owned and mitigated effectively.



# Strategy

## The climate-related risks and opportunities that Gamma has identified over the short-, medium-, and long-term

Climate-related risks have been assessed in line with our risk management framework, and have been assessed overall to have minimal impact in the short- to medium-term.

Risks			
	Increased Carbon Pricing/Taxation (transition risk)	Reputation (transition risk)	Heatwave (acute physical risk)
Description	Gamma's pledge to remain carbon neutral could become prohibitively expensive if emissions reduction activities and supplier engagement are not undertaken.	Lack of action around climate-related matters could potentially lead to stakeholder concern or negative stakeholder feedback, including from our customers and employees.	Potential disruption to power in data centres during a prolonged, extreme heatwave, leading to higher energy consumption and costs for cooling. Any significant disruption caused by a heatwave to the national grid power supply could invoke a failover onto electricity generators.
Likelihood	Very likely	Possible	Possible
Impacts	Increasing carbon taxes, a growing number of offices and an increase in carbon offset costs could have a negative impact on our financial performance. Failure of suppliers to cut their emissions could lead to carbon costs being passed onto Gamma via a Scope 3 change.	Potential stakeholder concern or negative stakeholder feedback. Reduced opportunities to win tenders, leading to lower revenue growth due to reduced demand for products and services.	Increased cost of cooling in our data centres or the cost of failover to back up generators in the event of a full electricity outage. Significant overheating risks have been considered given that our network is critical infrastructure.
Time Horizon	<b>S</b> <b>M</b> <b>L</b>	<b>S</b> <b>M</b>	<b>S</b> <b>M</b>
Financial implications	Increase in carbon offset costs and additional acquisitions has been assessed at <£500k in the short-term, based on a carbon offset price increase to £30 per tCO <sub>2</sub> e by 2030.	Not yet quantified	<£300k
Methodology	Regulatory changes and the implementation of carbon taxes have not yet been announced so not yet assessed. Price increases to carbon offset have been forecast up to 2030 and will be refined as more information becomes available.	Reputational risk is difficult to meaningfully quantify at this point in time. Monitoring of feedback received from bids/tenders will continue through 2022.	We have undertaken a cost calculation exercise of a switch over to back up generators in our main UK data centre, in the event of an extreme heatwave which fully disrupts the power supply to the building. We have estimated costs of a 3 month disruption over the whole summer period.
Our response	A full carbon reduction plan will be developed during 2022 defining our approach. Gamma has an opportunity to work more closely with suppliers on all climate-related issues and help suppliers to cut their own emissions. Gamma will continue to monitor the changes already being seen in carbon offset costs and aim to act decisively and swiftly to reduce the impact.	Our robust governance and activity over the past 18 months on climate change supports our environmental commitments. We have committed to set near- and long-term company-wide emission reductions in line with climate science with the Science-Based Target initiative (SBTi) and the company will seek validation of its target within the SBTi timeframes. Additionally we completed a CDP disclosure for the first time in 2021, expanded our reporting scope for all GHG emissions, and we have started a process to review our supplier base from an environmental impact perspective. We are committed to ongoing disclosure using TCFD guidelines.	A prolonged, extreme heatwave in the UK has been assessed and the cost of cooling in our primary data centre is considered tolerated within the existing operational budget. Existing business continuity planning includes a process for failover if back up generators are required.  During 2022 we will undertake a wider assessment of our European businesses where we recognise the impact of a prolonged heatwave may be greater.

# Strategy

## The climate-related risks and opportunities that Gamma has identified over the short-, medium-, and long-term

Opportunities			
	Services that facilitate reduction in emissions	Emissions reduction planning	Network & IT hardware recycling
<b>Description</b>	Development and provision of solutions to reduce climate-change impact through reduction in travel.	Use of lower-emission sources of energy	Expansion of recycling for end of life and/or inefficient hardware and contribution to greater digital equality in the community
<b>Impacts</b>	<p>Unified Communications as a Service. One of our key strategies in Gamma has been the development of Unified Communications as a Service, providing businesses with mobile, connectivity and voice products and solutions. Using minimal hardware, our collaboration products help our customers reduce the need for travel, enabling fully remote working, either via their laptop or mobile device. This capability has stood our own business in good stead throughout the Covid-19 pandemic and our response to working from home was seamless because of our own product set.</p> <p>We wish to continue to be seen as a provider and enabler of solutions to reduce climate change with associated reputation benefits through connected devices. Through investment in R&amp;D and the strengthening of our software development capabilities, we will continue to develop and offer communications solutions that will help our customers reduce their own environmental impact.</p>	<p>We recognise that there is a key opportunity for us as a group to establish an emissions-reduction plan across all Gamma locations. Our existing UK energy contract is for renewable energy. With the expansion of the company into Europe and with the acquisition of additional UK companies, we believe that there is a opportunity for us to purchase renewable energy across the Gamma estate by monitoring contracts to ensure that renewable energy is purchased once lapsed.</p>	<p>For many years Gamma has used the WEEE directive for the recycling of all hardware if we are unable to use the piece of equipment in another way within the business (e.g. in test kit or labs).</p> <p>We recognise that there will be future opportunities for us to substitute end of life and/or inefficient hardware with lower-emissions hardware options wherever possible. Expanding this will enable greater contribution to the circular economy.</p>
<b>Time Horizon</b>			
<b>Financial implications</b>	The opportunity impact has not been quantified financially.	The impact has not yet been quantified financially.	The impact has not yet been quantified financially.
<b>Methodology</b>	Our ongoing investment in R&D supports new and continued development of our unified communication products and the outlook is that this investment will continue in line with our strategy.	An Energy Review will be drafted in 2022 based on our known energy contract renewal dates. Procurement is heavily involved, with the agreement that all new energy contracts will be renewable energy across our estate.	Currently under investigation to assess potential impact.
<b>Our response</b>	The development and provision of unified communications products and services is at the heart of our Gamma strategy and we believe that this market will continue to expand. Overall the effort to fight climate change is believed to present an opportunity for Gamma since its products generally help customers avoid travel.	The ongoing management of energy through an Energy Review and Carbon Reduction Plan will help us to mitigate an identified risk in carbon offset costs becoming prohibitive as our estate grows – both of these are deliverables for 2022 following on from the publication of our Carbon net-zero plan.	We believe there is an opportunity for us to work more closely with customers and users of hardware that is sent out to them in order to use our products, e.g. routers, encouraging them to return end of life hardware for recycling and/or re-use if appropriate. Additionally there is an opportunity for us to re-purpose hardware and mobile phones for use within the community, enabling greater digital equality.

# Strategy

## Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

### Environmental Planning

Our environmental programme of work has been designed to ensure that an appropriate level of stewardship exists, with the correct resources involved in assessing the impact of all risks and opportunities.

Gamma has invested in resources aligned to climate-related work, including the appointment of a Group Sustainability Director and an Environmental Data Manager. Both roles are dedicated to defining and leading a full programme of carbon reduction activities, assessing climate-change related risks, and seeking out opportunities across our business to influence positive change.

The ESG Committee ensures that any transitional risks relating to policy or regulation are now captured, assessed, and an appropriate response put in place. Gamma assesses government regulation and reporting obligations to ensure that we will not suffer any risks to our reputation through non-compliance. We are also seeking regular assistance from third-party specialists where required.

A key component of the ESG Committee's work during 2021 has been to review and approve our carbon net-zero plans. Gamma has announced its commitment to move from a Carbon Neutral business to become a Carbon net-zero business by 2042, and our work during 2022 will concentrate on a Carbon Reduction Plan.

### Operations

From an operational perspective we are now including environmental risks and opportunities in our facilities planning.

New offices or premises will be assessed against a standard list of factors relating to energy sources, building classification rating, and wherever possible we will negotiate proactive environmental improvement terms into contracts.

The risk assessments of acute weather events and chronic weather pattern changes will be undertaken in more detail for our locations and this will feed into our business continuity planning and inform our future ability to maintain our network.

We will assess our supply chain and risks/opportunities associated with our key suppliers, some of whom run critical infrastructure on which we rely. (see 'Next Steps')

### Strategy

We have recognised that our growth strategy through mergers and acquisitions will potentially have an impact on our carbon net-zero pledge, carbon reduction plans, and possibly our carbon neutral status. We are therefore engaging with the M&A process to ensure that environmental considerations are part of the due diligence process.

### Financial Planning

Proposed carbon reduction activities across our Group will be supported by business cases to justify any additional financial investment although we will seek in the main to carry out carbon reduction activity through our BAU operational costs.

We will apply forecasting to our existing baseline, both for carbon offset credits and an increase in GHG Scope 1 and Scope 2 emissions, to understand the likely financial costs as a result of M&A activity.

Finally, our investment in R&D for our own UCaaS products supports our ongoing product strategy, providing options for our end users and customers to work remotely, thus reducing the need for travel.

### Next Steps

Our understanding of the climate-related risks and opportunities presented to Gamma is ever expanding. We are at the start of this development process and have committed to significantly improve our understanding of our own data across our estate and improve our data modelling over the next few years.

Additional emerging risks are in the process of being identified and assessed for potential financial impact.

- We are defining a programme of work on our supply chain risk, from a location and service perspective. We hope to eventually expand this assessment beyond Tier 1 suppliers.
- We will consider whether there is any financial risk from our larger customers and their approach to environmental stewardship
- We acknowledge that we are reliant on third-party service providers and the infrastructure that they own, operate and maintain. Climate risks may impact on the ability of these service providers to maintain these services and there is merit in engaging with our key suppliers to ascertain their own view of the pertinent climate risks, and their resilience strategies.
- An Energy Review will be published in 2022, highlighting risks and opportunities linked to our move to 100% renewable energy across the Group.

We will also consider extending our key scenario analyses to include a broader range of scenarios, based on the Representative Concentration Pathways (RCPs). This will be used for our own premise locations, as well as used for our key infrastructure suppliers.



# Strategy

The resilience of Gamma's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

## Climate Risk

Three climate scenarios have been used to assess physical risk and how resilient the business is to certain climate aspects. These scenarios were selected to meet TCFD recommendations to assess business resilience under different scenarios, including < 2° C analysis.

Each scenario has been assessed through short term, medium term and long term horizons, the last of which aligns to the Paris Agreement and other governmental net-zero 2050 targets.

### Scenario 1 - Early Policy Action (< 2° C)

What Does It Mean?

- Early, decisive action by society to reduce emissions
- Physical risks are limited compared to business-as-usual scenario

### Scenario 2 - Late Policy Action (< 2° C)

What Does It Mean?

- Delay in policy response to reduce emissions
- Late, sudden action means that risk velocity is greater

### Scenario 3 - No Policy Action (> 3° C)

'Business as usual'

What Does It Mean?

- Global temperatures rise above 3 C
- Physical risks are highest in this scenario

A key part of the Gamma strategy is to gain a position in relevant European markets through acquisition. The risk based processes described have included the impact of business growth.

Our European businesses have been included in our GHG emissions calculations and climate-related risk assessment for the first time in the 2021 reporting period.

Based on the coordinates of Gamma facilities in each country, several factors have been assessed using verified datasets in order to quantify risk. Analysis of physical risk factors in different geographic areas has informed our future planning considerations across Gamma locations, particularly where we have network infrastructure (see fig. 4).

For example, while wildfires may be considered low risk in a whole business context, climate factors and scenario forecasting allow us to appreciate this risk is heightened in Spain and Morocco. Damage to infrastructure from fire therefore becomes a material climate-related risk in these countries, which may not have been previously considered in the absence of climate analysis.

Given that we are a technology-based business using infrastructure across our markets, the physical effects of climate change are measured as a business risk when considering damage or loss of assets.

### Scenario Planning and Development

Gamma is committed to progressing its environmental programme continuously. As part of this ambition, climate risk analysis will also be improved with time.

We will consider extending our key scenario analyses to include a broader range of scenarios, based on the Representative Concentration Pathways (RCPs). This will be used for our own premise locations, as well as used for our key infrastructure suppliers.



fig. 4 Physical risk factors at Gamma facilities

Risk	Scenario	Short-term	Medium-term	Long-term
		2022-2027	2027-2032	2032-2052
Wildfire	1	Low	Low	Low
	2	Low	Low	Low
	3	Low	Low	Low
Extreme Precipitation	1	Low	Low	Low
	2	Low	Low	Low
	3	Low	Low	Low
Flooding	1	Low	Low	Low
	2	Low	Low	Low
	3	Low	Low	Low
Extreme Temperature	1	Low	Low	Low
	2	Low	Low	Low
	3	Low	Low	Low
Sea Level Rise	1	Low	Low	Low
	2	Low	Low	Low
	3	Low	Low	Low
Water Stress	1	Low	Low	Low
	2	Low	Low	Low
	3	Low	Low	Low



Change in magnitude of risk based on climate scenarios and time horizons



# Risk Management

## Gamma's processes for identifying, assessing and managing climate-related risks

### The Gamma Risk Management Process

The Gamma risk management policy outlines a framework to manage risks which arise across our business and helps us to assess substantive financial and strategic impact. The policy aims to achieve the following objectives:

- To empower us to grow in a safe way, by managing risks which arise as Gamma seeks to achieve its strategic objectives.
- To facilitate conversations around risk to make informed decisions as we challenge our boundaries.
- To create trust and assurance for key stakeholders, including our regulators, customers, investors, employees, and wider society.
- To enable us to respond to risks in a timely and proportionate manner, relative to the size of the risks we are facing.
- To provide clarity for our employees on the boundaries within which our business operates and when to challenge them.
- To clearly communicate Gamma's risk management approach to all of its stakeholders

Gamma has defined the risk assessment criteria which looks at the likely impact of a risk across 5 areas (Financial, Legal, Stakeholder Consequences, Management Effort, and Disruption to Operations or Supply Chain) and 4 levels (from minor to severe), and with 4 levels of likelihood. Each of the 4 levels has an associated financial impact (lost profit/increased cost). The current timescales used on our risk management process is up to 5 years.

The impact levels are: Minor (£0-£500k), Moderate (£500k-£1m), Significant (£1-3m), and Severe (>£3m)

The likelihood levels are: Unlikely (to occur in the next 5 years), Possible (could occur in the next 5 years), Probable (likely to occur in the next 5 years), and Very Likely (to occur in the next year or could occur multiple times in the next 5 years)

As part of this process, we have an option to capture emerging risks for anything that is deemed to be a risk with highly ambiguous circumstances.

The risk management process consists of 4 steps

- 1) risk identification
- 2) risk assessment
- 3) risk response
- 4) risk monitoring, reporting and escalation.

### Identifying, Assessing and Responding to Climate-related risks

This process is being used to assess our physical and transitional climate-related risks and the management process will be used to manage and monitor our response to the identified risks.

The Risk Committee will work with other governance committees, including the ESG Committee, to oversee management's response to risks relevant to those committees. This is done through the update of a risk register each quarter (as a minimum) and it is expected that more frequent updates will occur against risks that are likely or very likely to occur within the next 5 years.

The Risk Management Team reviews the risk register and identifies the most significant risks for quarterly review and discussion by the Group Executives.

The Risk Management Team incorporates the outcome of the discussion into the risk register and submits the principal risks to the Risk Committee for its review.

The principal risks are shared with the Audit Committee and the ESG Committee to the extent risks are relevant for their remit.

### Example of integration into multi-disciplinary company-wide risk management process

The trend of increase in carbon offset credit costs, along with the current increase in demand, has been deemed by Gamma to be very likely. Our expanded presence in the UK and Europe through acquisition has increased our emissions in 2021.

Gamma has pledged to remain a carbon neutral company as part of our carbon net-zero plans and we are therefore aware of increasing costs in the near future. We also consider that carbon taxes may become more likely in the future and this is being monitored by our ESG Committee.

As a result, Gamma appointed an Environmental Data Manager to collate relevant data, expand the scope of data included in each of the three GHG scopes (particularly Scope 3) and to define a Carbon Reduction Plan off the back of our carbon net-zero commitment.

Gamma is now in a much improved position to assess the impact, understand external market influences, and calculate a short-, medium-, and long-term financial impact based on likely price increases/taxes.

### Next Steps

Gamma is using the TCFD framework for risk identification and assessment of climate-related risks. CDP 2020 structured our initial review and this will be expanded in the next few months, alongside our existing risk management policy and framework.

Our understanding of risk impact will be developed across our estate using our ESG Working Group and their local knowledge. The Risk Manager will also be invited to join the ESG Working Group.

Our ESG team will develop risk action plans and targets, alongside our wider environmental management projects, to ensure that risks are mitigated wherever possible.

# Metrics and Targets

## Metrics used by Gamma to assess climate-related risks and opportunities in line with our strategy and risk management process

### Climate-related metrics and targets

Over the past 12 months, our key environmental focus has been on the improved collation of primary environmental data across our entire Group. Additionally, our commitments to the Carbon Disclosure Project (CDP) and this TCFD framework have shaped our approach to embedding climate-related risks and opportunities into our existing risk management process.

#### Key Metrics

Gamma has been measuring its greenhouse gas emissions since 2006 and we remain committed to measuring and reducing our GHG emissions. The GHG data is informing our carbon net-zero and carbon reduction plans.

Water and waste are included in our key metrics. We have additionally undertaken a review of the locations in which we operate, and Key Biodiversity Areas (KBAs) will continue to be assessed, including new locations through acquisition.

#### Targets

We are using our baseline to define targets in line with our commitment to become a carbon net-zero business by 2042. We have set near- and long-term company-wide emission reductions in line with climate science with the Science-Based Target initiative (SBTi) and Gamma will seek validation of its target within the SBTi timeframe of 24 months from commitment.

### 2021 Data

A baseline is a quantitative reference providing a basis for comparison of energy/carbon performance over time. Gamma specifies the period to which baseline data applies as one year.

It was important for us to reset our energy and carbon emissions baseline in 2021 for several reasons.

- The first and most important reason concerns the remit to which emissions reporting now applies. The scope of the data presented for emissions and energy consumption in 2021 relates to Gamma's Group activities. While previous disclosures did include small staff operations in Hungary, Poland and Germany, the majority of historical emissions reported derived from UK-based operations.
- The acquisitions of Dean One and gnTel in the Netherlands (now Gamma Communications Nederland), HFO Telecom in Germany, and VozTelecom in Spain, supported by strong organic growth, have increased the number of employees in the business, reflected in the Group's GHG reporting remit for 2021.
- In addition, Gamma has clearly defined its Scope 3 emissions remit (see next page) which includes new emissions sources for the first time in 2021, including IT, upstream emissions, hotel accommodation and employee commuting.

The result of the re-baseline and extended data collation is that we are reporting a 78% increase in GHG emissions for 2021.



You can find out more about our rebaseline and emissions data in the [2021 Annual Report](#)

### Next Steps

We remain committed to assuring our key carbon emissions data across the Gamma Group. During 2022 we will;

- Continue to maintain a GHG inventory to maintain Carbon Neutral status
- Continually improve methodology for primary data collection for the GHG inventory
- Undertake an annual review to assess energy efficiency and carbon costs
- Publish our detailed carbon net-zero emissions plan
- Ensure net-zero emissions plan is validated within SBTi timeframes (before January 2024)
  - Confirm near-term science based target (for 2030)
  - Confirm long-term science based target (for 2042)
  - Confirm approach to neutralising residual emissions
- Publish Carbon Management Plan
- Publish Carbon Reduction Plans for the requisite time periods
- Report on progress towards long-term emissions targets

We also recognise that additional risk assessments are required in our supply chain, both from a location perspective and from a service perspective. This work is now underway and we expect that this data will further inform our climate-related risks and opportunities.



# Metrics & Targets

## Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and related risks

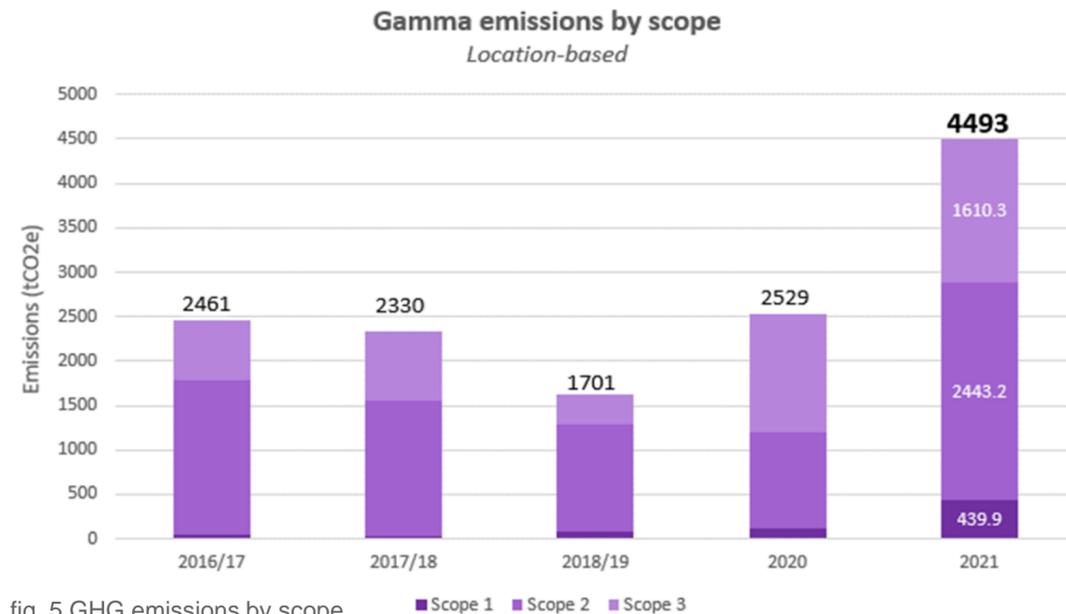


fig. 5 GHG emissions by scope

Scope	Emissions Source Category	2018/19	2020	2021	2022	
1	Direct emissions from owned, leased or directly controlled stationary sources that use fossil fuels or emit fugitive gases	✓	✓	✓	✓	
	Direct emissions from owned, leased or directly controlled mobile sources	✓	✓	✓	✓	
2	Emissions from the generation of purchased electricity, heat, steam or cooling	✓	✓	✓	✓	
		Location	✓	✓	✓	✓
		Market	✓	✓	✓	
3	Purchased goods and services	✓	✓	✓	✓	
		Water supplied	✓	✓	✓	✓
		Consumables supplied	✗	✗	✗	✗
	Capital goods	✗	✗	✓	✓	
		IT equipment	✗	✗	✓	✓
	Fuel and energy related activities	✗	✗	✗	✓	
		Upstream emissions from purchased electricity and fuels	✗	✗	✗	✓
		Transmission & Distribution losses	✓	✓	✓	✓
	Upstream transportation and distribution	✗	✗	✗	✓	
		Outbound courier deliveries of packages	✗	✗	✗	✓
		Third party transportation and storage (production-related)	✗	✗	✗	✓
		Third party transportation and storage (sold products)	✗	✗	✗	✓
	Waste generated in operations	✓	✓	✓	✓	
		Wastewater	✓	✓	✓	✓
	Other waste	✓	✓	✓	✓	
Business travel	All transport by air, public transport, rented vehicles, taxis, ferry	✓	✓	✓	✓	
	Hotel Accommodation	✗	✗	✓	✓	
	Private commuting to and from normal place of work	✗	✗	✓	✓	
Employee commuting	Homeworking	✓	✓	✓	✓	
	Data centre (location)	✗	✓	✓	✓	
	Data centre (market)	✗	✓	✓	✓	
	Data centre (T&D losses)	✗	✓	✓	✓	
	Telecom PoP (location)	✗	✓	✓	✓	
	Telecom PoP (market)	✗	✓	✓	✓	
	Telecom PoP (T&D losses)	✗	✓	✓	✓	

fig. 6 Emissions source categories

## GHG Emissions & Related Risks

While Gamma has reported a significant increase in GHG emissions (fig. 5), intensity ratio results help to reflect the normalisation of energy and carbon management performance over the year.

An increase of ~24% tCO<sub>2</sub>e per sqm in 2021 (fig. 7), associated with short-term carbon inefficiencies in acquiring smaller companies, coupled with an increase in emissions sources (Scope 3 – fig. 6) illustrates the short-term challenge of remaining a growth business while ensuring significant carbon reduction is realised this decade.

Our first formal carbon reduction plan will be published in 2022, and will disclose our progress and any additional plans made to overcome these challenges amongst others.

Interventions and topics to be discussed include:

- Achieving net-zero emissions
- Ongoing improvements to capturing primary data across our estate
- Improving data validation processes and mechanisms
- Increased workforce engagement and group collaboration
- Mergers & Acquisitions (M&A) questionnaires and environmental considerations
- 100% energy supplied by renewable sources throughout office and network
- Improving understanding and reporting of market based emissions
- Business travel carbon reduction initiatives
- Publication of an annual internal energy review



You can find out more about our rebaseline and emissions data in the [2021 Annual Report](#)

## Gamma Emissions Intensity

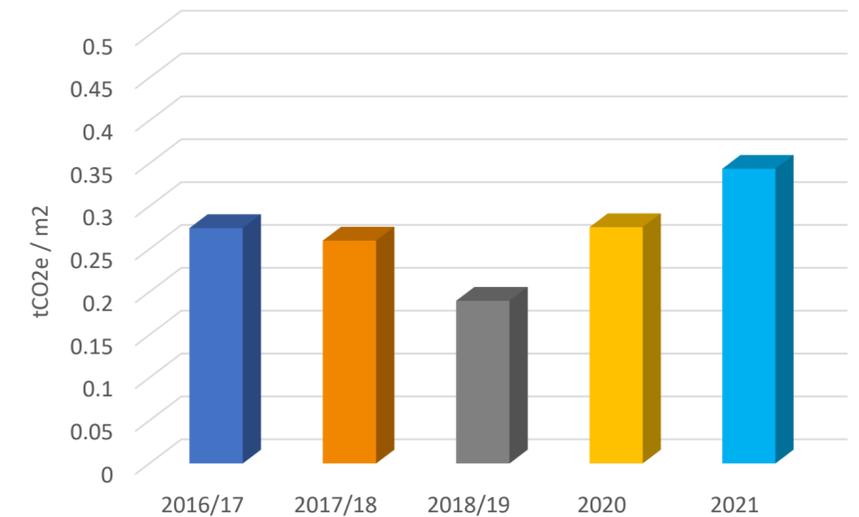


fig. 7 Emissions Intensity Ratio by m2

# Metrics & Targets

The targets used by Gamma to manage climate-related risks and opportunities and performance against targets.

## Gamma Net-Zero 2042

Having considered the risks and challenges involved with making ambitious climate targets, Gamma is pleased to announce its commitment to move from a Carbon Neutral business to become a carbon net-zero business by 2042, supporting both the Paris Treaty's aims to limit the temperature increase to 1.5°C globally and the UN Sustainable Development Goal 13: Climate Action.

Gamma has committed to set near and long-term company-wide emission reductions in line with climate science with the Science-Based Target initiative (SBTi) and the company will seek validation of its target within the SBTi timeframes (i.e before January 2024).

Gamma's net-zero plan will be focused around five, four year carbon reduction periods in order to track progress towards this goal in an accountable manner (see fig. 8)

### Goals

- Gamma will commit to reducing internal carbon emissions through five key reduction periods – the two periods between 2022-2030 will target a 90% reduction of both Scope 1 & Scope 2 emissions, in line with the 1.5°C pathways.
- Gamma will seek to have net-zero plans ratified by external accreditation (SBTi).
- Gamma is committed to maintaining carbon neutral status in the interim period prior to achieving net-zero.

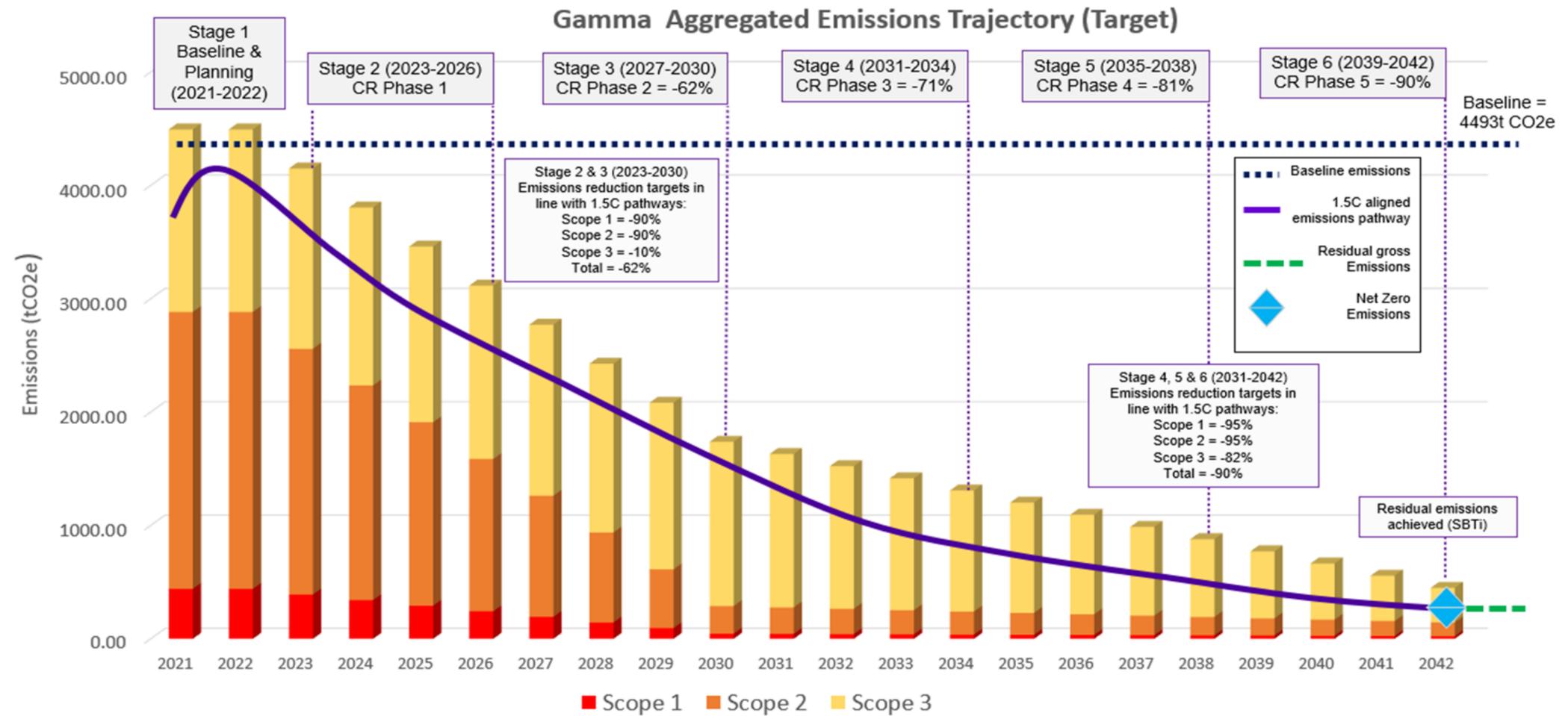


fig. 8 Carbon net-zero trajectory

