

Ambac Assurance UK Limited (“AUK”)
Taskforce on Climate-related Financial Disclosures
(“TCFD”)

24 March 2026

Introduction

Ambac Assurance UK Limited (“AUK”) is incorporated under the laws of England and Wales and is in the non-life financial guarantee insurance business. AUK is a wholly owned subsidiary of Ambac Assurance Corporation (“AAC”), a financial guarantee insurance company domiciled in Wisconsin, United States of America. The ultimate controlling entity is Oaktree Opportunities Fund XII GP, L.P. (“Fund XII”) which is managed by Oaktree Capital Management, L.P. (“Oaktree”). Until 29 September 2025 the ultimate controlling entity was Ambac Financial Group, Inc. (“AFG”) (which has now been renamed Octave Specialty Group, Inc. (“OSG”)). On 29 September 2025, following receipt of regulatory and shareholder approvals, AFG sold all of the issued and outstanding shares of common stock of AAC to American Acorn Corporation (“American Acorn”), a Delaware corporation controlled by Fund XII.

AUK is dual regulated and supervised in the United Kingdom by the Prudential Regulation Authority (the “PRA”) and Financial Conduct Authority (the “FCA”). In 2009, the previous regulator, the Financial Services Authority, curtailed the AUK’s licence to undertake new business and limited its licence to undertaking only run off related activity. Accordingly, AUK is authorised to run off its financial guarantee insurance portfolio in the United Kingdom.

AUK’s principal business activity is portfolio risk management of its existing long term book of financial guarantee business. Financial guarantee insurance written by AUK provides an unconditional and irrevocable guarantee that protects the creditor under a debt obligation’s scheduled terms. AUK makes payments if the issuer or obligor responsible for making payments fails to do so.

AUK’s portfolio comprises 38 financial guarantee obligations with a gross par outstanding of £5.7 billion as of 31 December 2025. The portfolio comprises financial guarantees for essential infrastructure, whole business securitisations, utility obligations, and other bond types, primarily in the UK, which were written by AUK prior to December 2007. The portfolio is contractually scheduled to run off through to 2047, although certain insured transactions can be prepaid and/or unwound under certain circumstances.

AUK seeks to align its financial disclosures with the TCFD recommendations.

Governance

The Board has overall responsibility for overseeing the monitoring and management of the financial risks of climate change. Management provides quarterly updates to the Audit & Risk Committee (“ARC”) on all risks facing the company (including risks presented by climate change) and the ARC, in turn, escalates relevant issues to the Board. With respect to climate-related risks these escalated items will include consideration of the impact of climate risk on insurance exposures and the investment portfolio, together with any actions which may be required to bring AUK into compliance with its climate change risk tolerances.

In addition, on an annual basis the ARC will review the adequacy of the climate risk related disclosures as presented in the annual financial statements, Solvency and Financial Condition Report (“**SFCR**”) or separately within standalone TCFD disclosures.

Under the Senior Managers & Certification Regime, the Chief Risk Officer (Senior Manager Function 4) of AUK is designated as the Senior Manager with responsibility for the financial risks of climate change.

The AUK Head of Portfolio Risk Management (“**PRM**”) and AUK CFO are responsible for the monitoring of climate change risk in the insurance portfolio and investment portfolio, respectively. Any adverse climate change risk or development is required to be reported to the Executive Management Group (“**EMG**”) of AUK, which meets quarterly and considers climate change risks as one of the emerging risks covered by its standing agenda and considers what actions (if any) may be appropriate. Actions may include considerations around management of exposures and divestment or reallocations within the investment portfolio.

To facilitate management’s assessment of climate change risk the Senior Management Team and PRM team undertook training in climate related risk matters in 2021. The Board also undertook this same training.

Strategy

As mentioned in the Introduction above, the company has been in long-term run-off since 2009 and no new policies have been issued since 2007. The last of its outstanding policies matures in 2047. Because it is not issuing new policies, AUK views climate change in the context of its insurance portfolio primarily as a risk to be monitored and mitigated, rather than an opportunity. The company’s insurance portfolio comprises 38 financial guarantees, primarily for essential infrastructure and utilities in the UK, including natural gas and electricity transmission, roads, hospitals, and water and sewage companies, any of which could be adversely affected by climate change. AUK’s insurance policies are both long-term and generally irrevocable, which constrains the flexibility which AUK has to exit insurance exposure which presents material climate change risks.

In assessing the risks presented within the insurance portfolio AUK has grouped its portfolio by industry sector as follows:

- Real Estate
- Industrials
- Utilities
- Healthcare
- Consumer Discretionary
- Government

Risks are concentrated within:

- a. the real estate (and to a lesser extent healthcare) sectors where buildings may require upgrades to meet possible minimum levels of energy efficiency that may be imposed upon building owners in the future, and

- b. utilities where decarbonisation will be critical to achieving the aims of the Paris Agreement and reaching net-zero emissions by 2050. Making this transition will gradually lead to increasing headwinds for the fossil fuel industry, as low carbon sources of power generation and gas and electric infrastructure are put in place. Additionally, within the water utility sector the risks of drought and flooding will also require additional infrastructure spend to manage.

To manage these risks AUK has incorporated assessment of climate risk into its surveillance processes and documents its conclusions on climate change risk within its periodic reviews of each insurance exposure.

In relation to AUK's investment portfolio, while increasing risk is a means to seeking increased investment returns, as a matter of principle AUK does not wish to incur additional climate change risk in its investment portfolio in pursuit of higher investment returns.

AUK has undertaken scenario testing on both its insured portfolio and investment portfolio under five transition scenarios over a 30-year horizon. Scenarios range in severity from a:

- Smooth transition scenario where rapid advancement of green technology, private innovation and tiered environmental regulation and greenhouse gas taxes could achieve a smooth transition to a low carbon world, to a
- Disorderly transition scenario where insufficient sustainable policy action is undertaken to manage global temperatures effectively.

The scenarios show that a disorderly transition would primarily impact future investment returns (which would be diminished by approximately 1% per annum in this scenario) with the impact on future insurance claims being less significant.

Risk Management

The financial risks of climate change are embedded into AUK's Risk Management Governance Framework ("**RMGF**"). The RMGF contains the Board-level Risk Appetite Statement ("**RAS**"), which sets out the Board's appetite and tolerance for a number of risks, including the financial risks of climate change. As noted under Strategy above, AUK has no appetite for increased financial risk from climate change, and thus the RAS sets out the Board's tolerance for these risks. These tolerances are tracked as Key Risk Indicators ("**KRIs**"), which are incorporated into the Risk Dashboard, which is presented quarterly to the ARC and which tracks actual risk versus risk tolerance. Remedial plans for any breaches of these risk tolerances are discussed at each quarterly ARC meeting and escalated to the Board, if necessary and appropriate.

The financial risks of climate change are also assessed and challenged through the firm's Own Risk and Solvency Assessment ("**ORSA**") process. This process includes stress testing and scenario analysis in relation to the risks of climate change to both the insurance and investment portfolios.

As previously noted, AUK's insurance policies are both long-term and generally irrevocable, which constrains the flexibility which AUK has to exit insurance exposure which presents material climate change risks. Therefore, AUK's ability to proactively manage or mitigate climate change risk within its insured portfolio is limited.

Metrics and Targets

AUK evaluates climate-related risk (where available data exists) for both its insurance and investment exposures. For the insurance portfolio, the majority of exposures for which AUK provides financial guarantees relate to unlisted issuers who do not currently publish carbon metrics and therefore available information is limited in nature and typically only available at the industry sector level rather than at the level of individual exposures.

With respect to the investment portfolio AUK utilises carbon intensity scores to assess the climate-related risk. These measure the CO₂ emissions (in metric tonnes) from scope 1 and scope 2 activities (i.e. the emissions of a company in which AUK invests and that company's network's emissions) divided by revenue in \$'m (or divided by GDP for Governments) to determine the carbon intensity of each investment. An overall weighted average carbon intensity for each asset class in which AUK invests and for the portfolio as a whole is then calculated and compared to a benchmark. It should be noted that carbon intensity scores are not available for all investments within AUK's investment portfolio.

As at 31 December 2025 the weighted average carbon intensity data for the investment portfolio is as set out below.

		Carbon Intensity (tCO2e/\$1 million revenue)				
Asset Classes where Carbon Intensity data is available	Weight	AUK Holding	Benchmark	Contribution 2025	Contribution 2024	
US Investment Grade Credit	10.2 %	275.8	252.7	71.9	49.5	
UK Investment Grade Credit	— %	0.0	0.0	0	11.2	
Government Bonds	10.6 %	64.8	64.7	17.6	12.6	
Equities	2.8 %	88.5	111.3	6.4	5.3	
Listed Infrastructure Equities					24.4	
Unlisted Infrastructure Equities	0.7 %	661.6	840.7	11.3	0.0	
Convertible Bonds	1.6 %	257.3	354.1	10.2	11.3	
Liquidity Funds	2.6 %	0.5	0.5	0.0	0.1	
High Yield Debt	3.7 %	114.8	202.1	10.9	13.6	
Senior Secured Loans	4.7 %	112.8	108.1	13.4	21.2	
Global Listed Property	2.3 %	76.6	76.7	4.5	2.0	
Emerging Market Debt					6.2	
Asset Classes where Carbon Intensity is available	39.2 %					
Private Markets, CMBS, Real Estate Debt, Preferred Equities, Emerging Market Debt and Structured Products	34.3 %	N/a				
Illiquid Credit	3.1 %	N/a				
Property, Cash, Own Debt, Directly Owned High Yield, Insurance Linked Securities and Mortgage Reits	23.4 %	N/a				

Weighted Average Carbon Intensity	146.2	157.4
Weighted Average Carbon Intensity (Benchmark)	156.4	159.6
Actual Carbon Intensity as % of Benchmark	93.5 %	98.6 %

AUK's target with respect to the investment portfolio is to remain within 125% of the benchmark weighted average carbon intensity.

AUK holds a number of investments within Article 8 funds for the purposes of the EU Sustainable Finance Disclosures Regulation ("**SFDR**"). Article 8 funds are financial products that promote, amongst other characteristics, environmental and/or social characteristics or a combination of those characteristics. AUK, at this time, is not seeking to set a specific target as to the percentage of its investments which will be targeted toward Article 8 funds/mandates, but will monitor the development of both best practice in this area and the relative performance of Article 8 and Article 6 funds over time in order to be able to come to a judgement on whether adopting a target in this area is appropriate.

As at 31 December 2025 18.4% of investments were held in Article 8 or 9 funds (31 December 2024 35.6 %). The decrease in the allocation toward Article 8 funds during the year came as a result of decreased investment in convertible debt, equity, senior secured loans and high yield debt all of which are Article 8 Funds as funds were redeployed to higher yielding fixed income strategies.

For the insured portfolio AUK makes a climate change risk assessment for each sector of exposure. The assessments are based on Moody's data on each industry sector and considers both physical risks and transition risk factors. A scale of low, moderate, high and very high is used. AUK only has exposure to low and moderate categories. AUK's moderate category exposure is linked to regulated gas and electricity transmission utility and toll road exposures where both physical and transition climate change risks are expected to be moderate. As at 31 December 2025 the breakdown of the insured portfolio according to the climate change risk assessment for each industry sector of exposure is set out below.

Climate Risk Rating	AUK exposure £'m	%
Low	4,652	81.6 %
Moderate	1,051	18.4 %
High	0	— %
Very High	0	— %
Total	5,703	

AUK has a moderate tolerance for risks relating to climate change. Where a particular insurance exposure or investment holding would expose AUK to high or very high climate change risk, management will attempt to devise reasonable remedial plans to either de-risk the insurance exposure (if possible, noting the generally irrevocable nature of its policies) or divest the investment holding at a reasonable price over a reasonable time horizon.

The output from the risk metrics cited above supports the view of management and the Board of AUK that the financial risks posed by climate change to AUK are not material in the near term; however, management and the Board also recognise the difficulty of forecasting the longer-term impact of climate change and acknowledge that more material financial risks to the company could arise from climate change over the medium- and long-term.

Given its size the impact of AUK's own operations on the environment are limited. AUK's own scope 1 and scope 2 emissions are primarily the result of gas and electricity usage for heating and lighting within its office, which occupies one storey of a six-storey building located in London. AUK is a tenant in the building and not responsible for the management of the building such as the provision of heating and lighting systems. As such it is unable to significantly impact the energy efficiency of systems installed which are the responsibility of the landlord. Building emissions related to AUK's occupancy have been estimated using the Greenhouse Gas Reporting Protocol – Corporate Standard methodology and are set out below.

	2025	2024
Electricity – KWh	16,656	19,006
Overall emissions from energy use - CO2 equivalent tonnes	2.9	3.9
Emissions from travel - CO2 equivalent tonnes	12.6	20.9
Total emissions - CO2 equivalent tonnes	15.5	24.8
Intensity metric – tonnes of CO2 per employee	1.7	2.8

As noted in the introduction, AUK is a subsidiary of AAC which is based in New Jersey and therefore AUK has typically incurred the bulk of its carbon footprint as a result of airline travel to visit AAC.