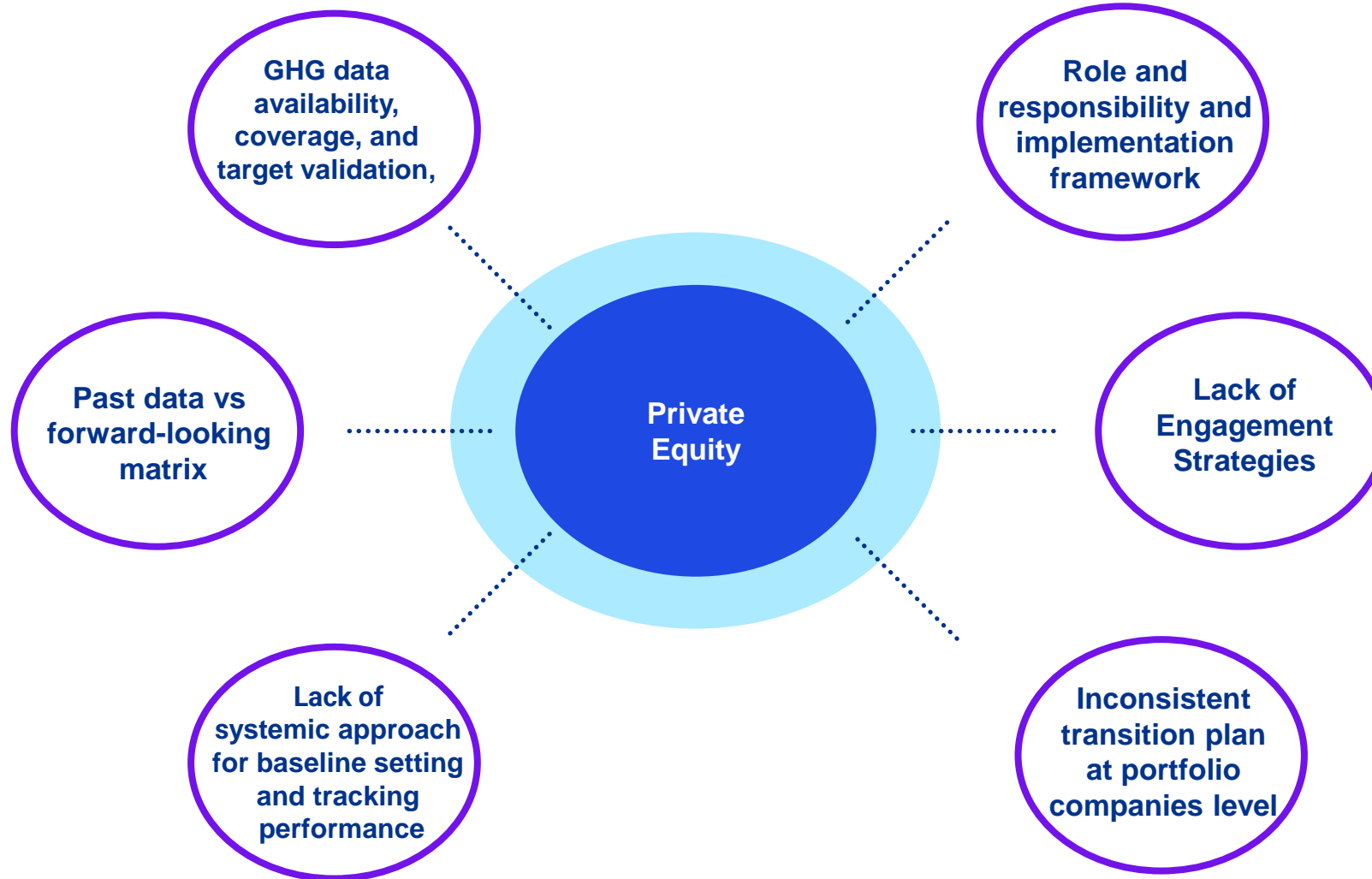




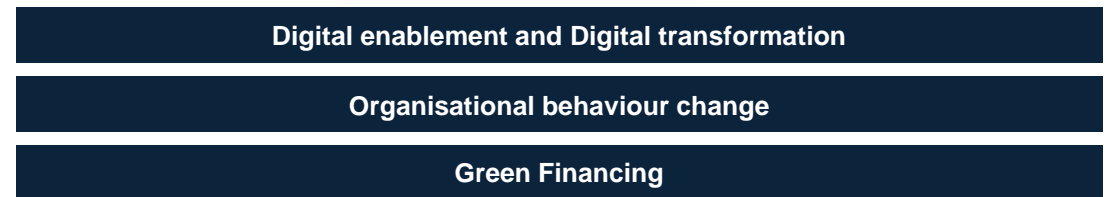
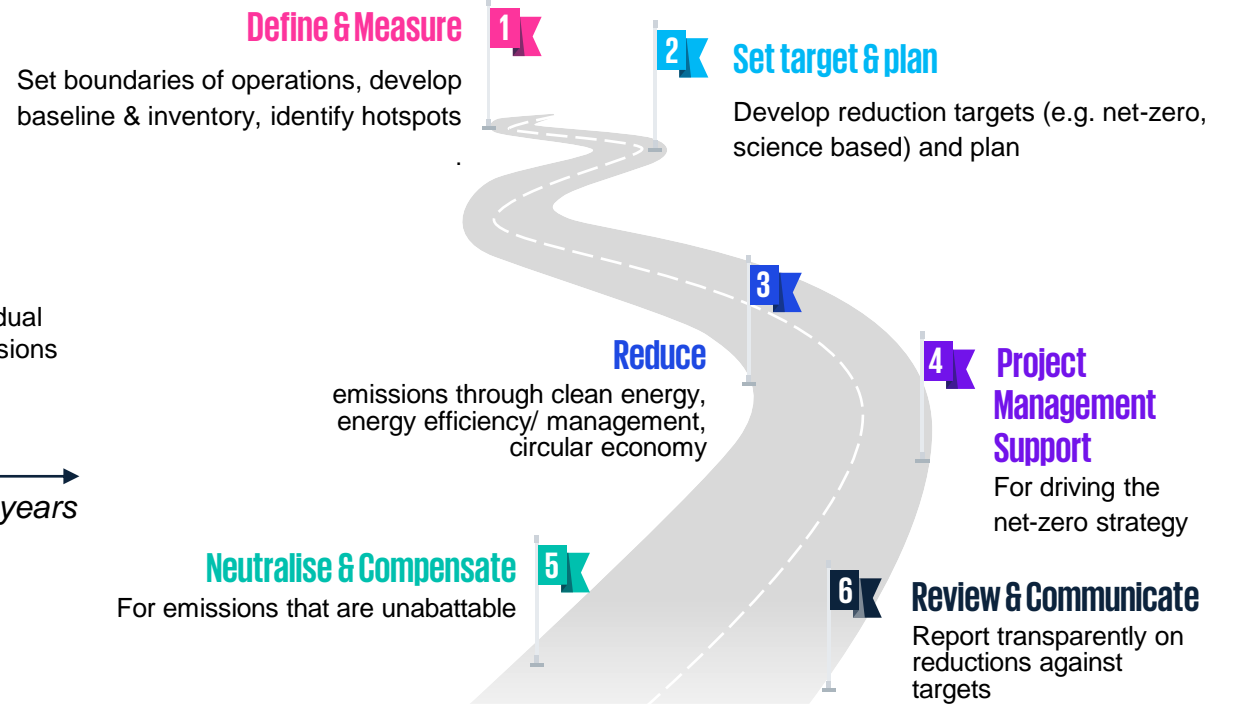
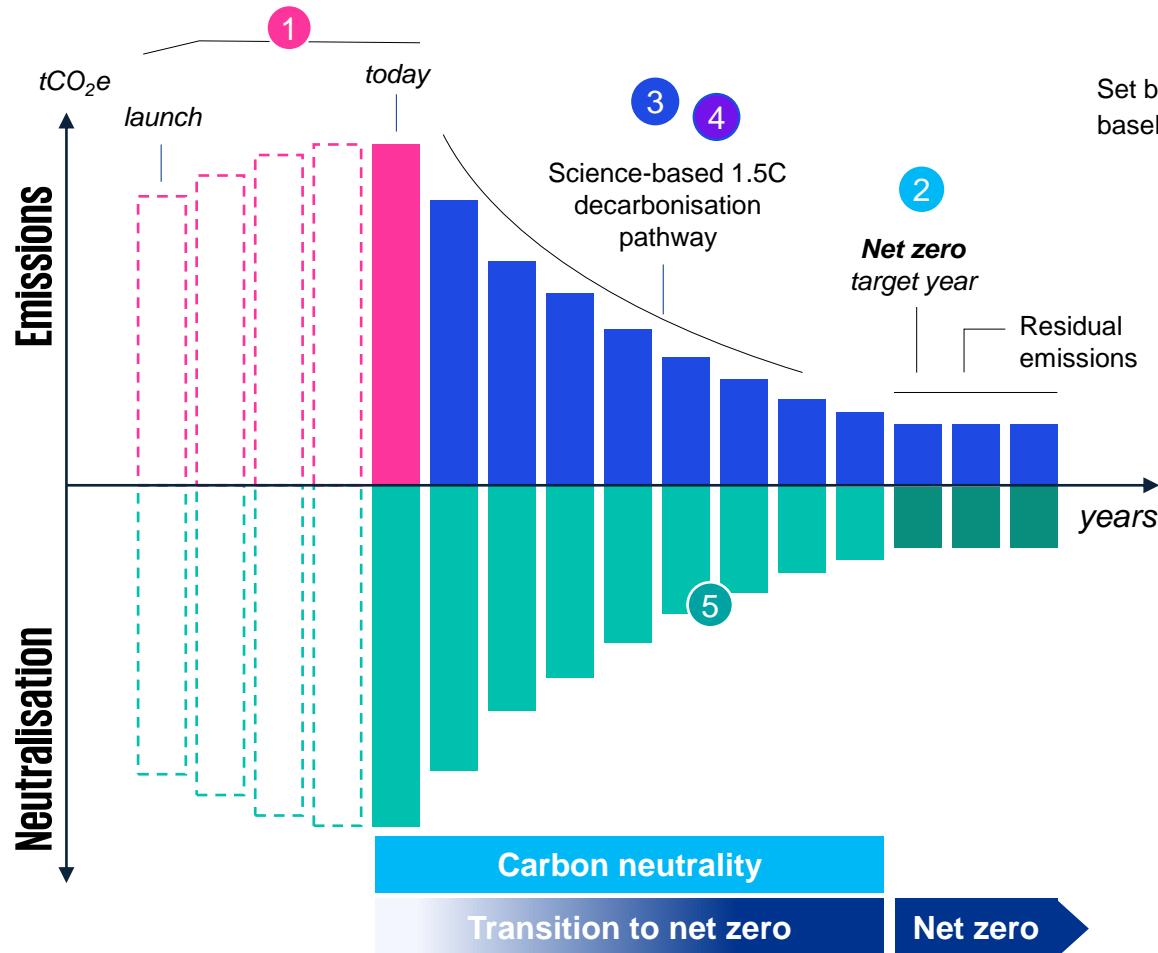
Science Based Target Setting for Private Equity

Feb 2023

Key challenges for Private Equity in SBTi



Systemic approach for baseline setting and tracking performance



Establish forward-looking matrix

Monitoring progress: It is important for PE firms to monitor company progress against their objectives over time using metrics in our climate tools and dashboards.

1 Pre-Investment

Standardized initial screening process considering:

- Exclusion list
- High level risks
- Investment size

Outcome:

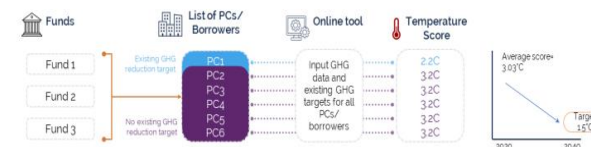
- Full list of exclusionary preferences
- Level of climate due diligence



2 Post-deal Engagement

Fund managers and risk teams to track the pace of transition in portfolios companies :

- For example: Temperature-Rating Model estimates the potential forward-looking environmental impact of your investing activities. Specifically, the model calculates the implied temperature pathway for a snapshot of PE's investment holdings.

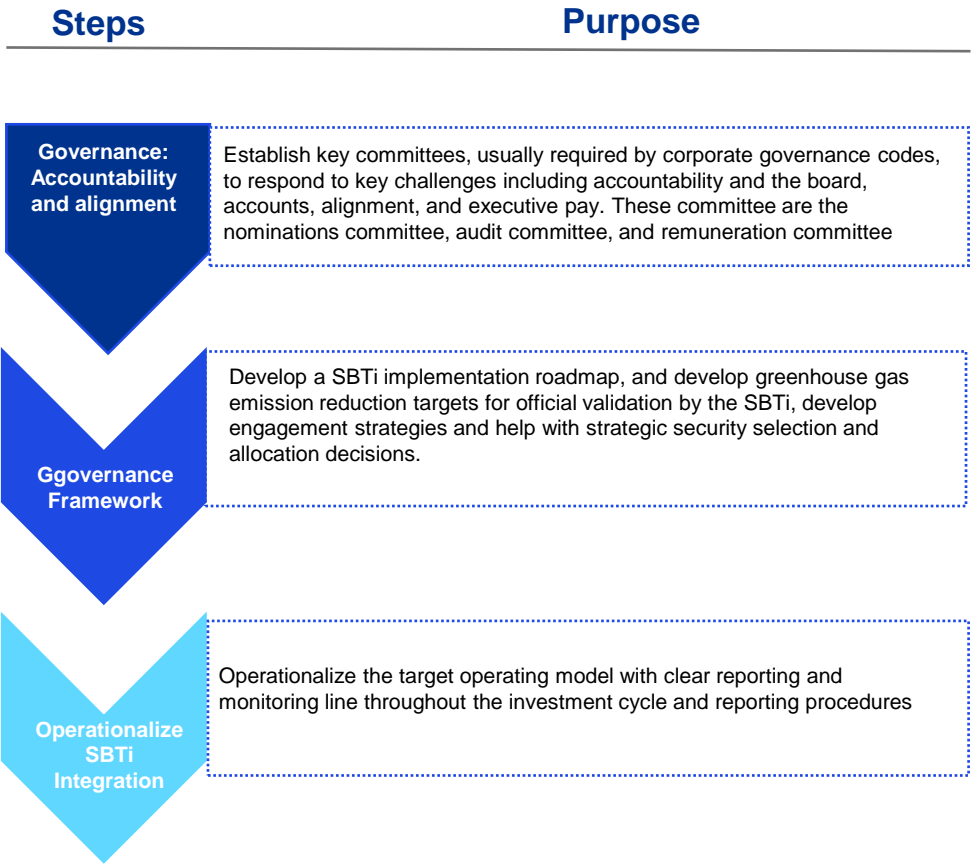


Outcome:

- Ensure investment teams are able to manage the transition thoughtfully, as valuations of better placed companies rise and fall

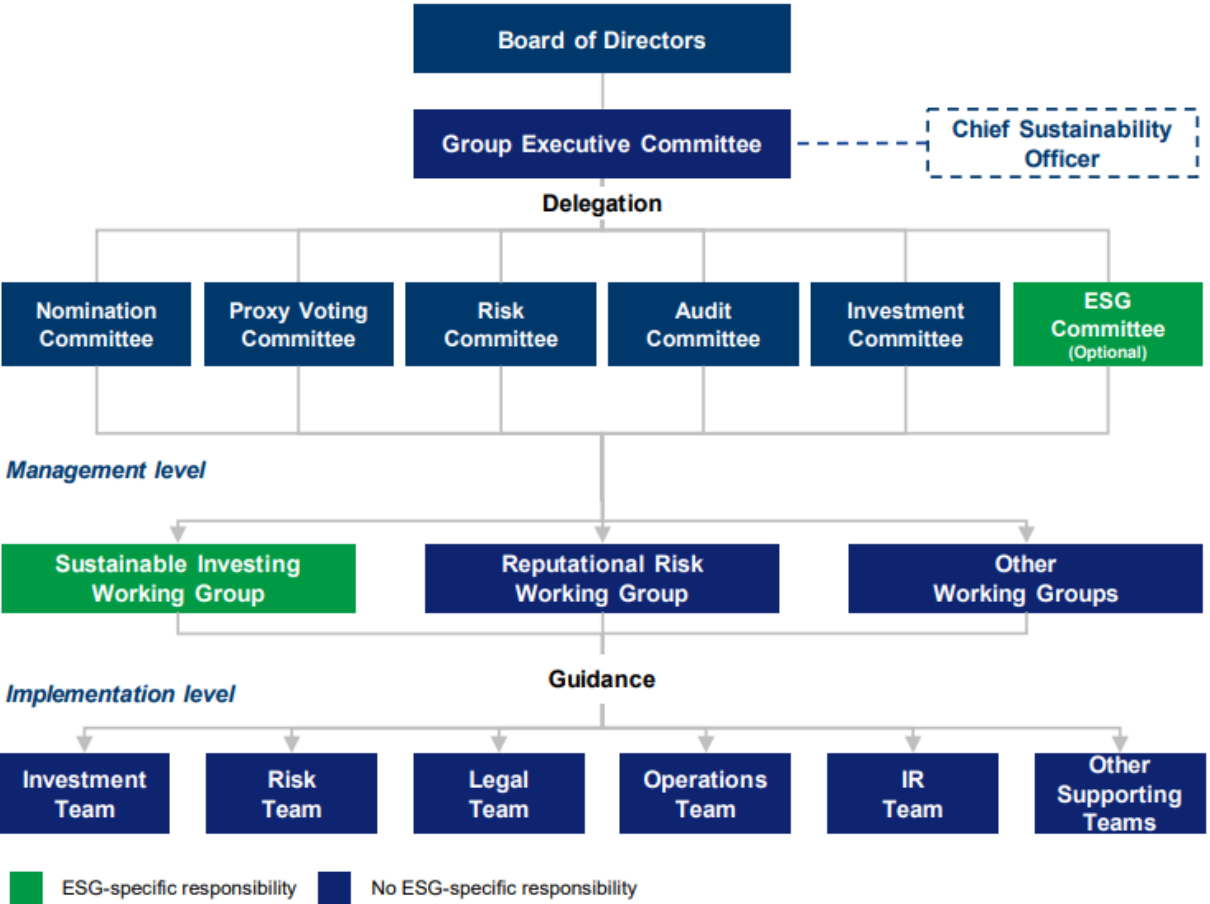
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Establish climate governance framework



Board level

Illustrative

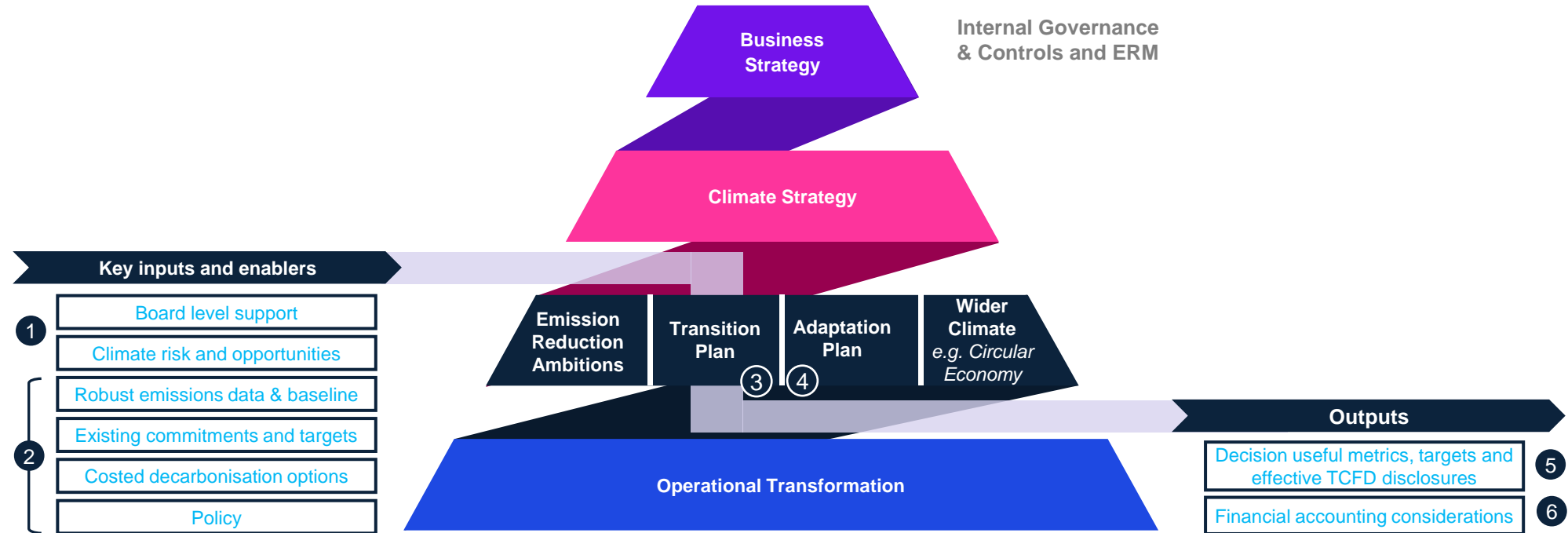


Establish engagement policy and strategies

PE firms should develop an engagement strategy to achieve Paris Agreement alignment of their PCs, assets, and borrowers, through the adoption and publication of time-bound 1.5 degrees Celsius transition plans, as well as influence GPs, LPs and PCs to adopt or align with SBTs where possible and disclose a record of engagement attempts for transparency.



Consistent climate transition plan at portfolio companies level



Key considerations

- 1 Transition & adaptation plans will often involve significant strategic decisions and will require board level engagement to support successful delivery
- 2 Data inputs need to be robust and regularly updated to ensure analysis is accurate, measurable and replicable
- 3 Transition & adaptation planning should complement broader corporate strategy and be integrated with any existing scenario analysis
- 4 As a key mitigation to climate risk, the plans should also be aligned with the existing risk management framework, and risks to plan delivery identified & managed
- 5 Transition & adaptation plans can enable the creation of clear metrics and targets, which should form part of an effective TCFD disclosure
- 6 Where plan delivery has financial implications, these should be reflected in the financial accounts to ensure consistency



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