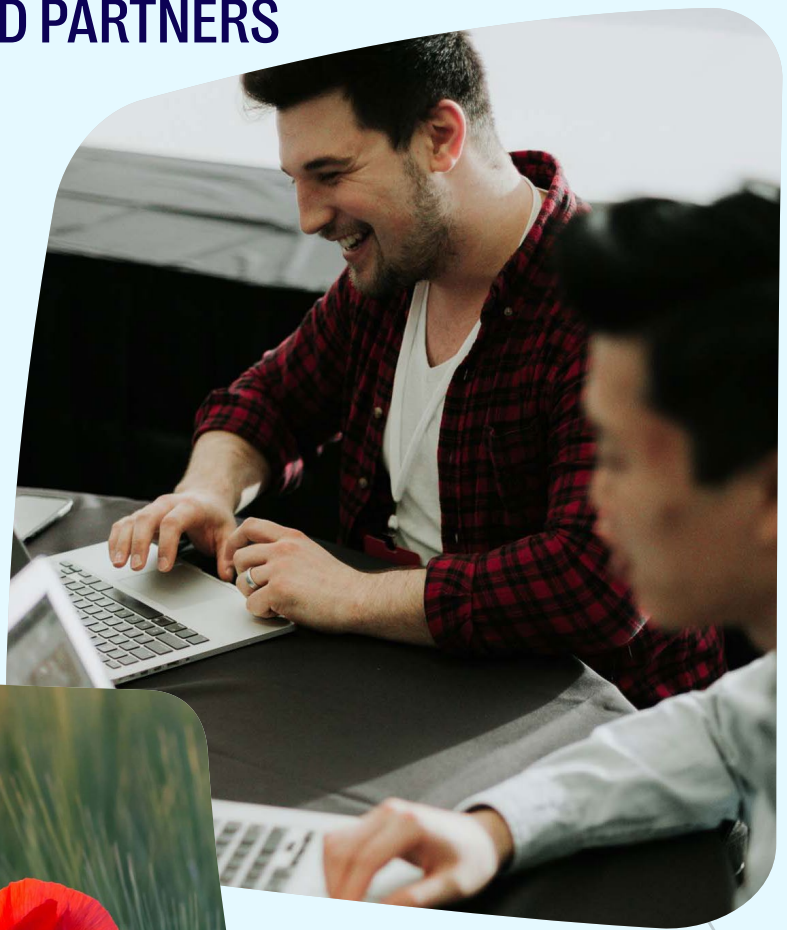


CLIMATE MODULE

SUPPLEMENTARY QUESTIONNAIRE FOR
PRIVATE EQUITY LIMITED PARTNERS



ABOUT THIS CLIMATE MODULE

This climate module is designed to help private equity limited partners (LPs) understand and evaluate a general partner's (GP's) approach to managing climate-related risks and opportunities. It has been developed via engagement with over 100 LPs globally and in collaboration with the Institutional Limited Partners Association (ILPA), and Initiative Climat International (ICI).

Available in PDF and Excel formats, it provides a set of questions covering climate-related governance and investment practices that supplement the PRI's broader responsible investment due diligence questionnaire (DDQ) for private equity limited partners. It is intended for LPs conducting due diligence on new blind pool funds.

The climate module is divided into four sections:

- Governance
- Pre-investment
- Post-investment
- Reporting and disclosure

It supports a more streamlined and harmonised approach to climate-related due diligence, reducing duplication and increasing efficiency for both LPs and GPs, increasing capacity for sustainability value creation, while also improving the quality of information available to investors.

The PRI appreciates that one size does not fit all. LPs may need to use additional climate-related questions considering their specific needs and requirements. The PRI encourages LPs to use the questions in the module as a standard baseline, to which additional questions, where necessary, may be added. The module is intended to be used by LPs when conducting climate-related due diligence, and its use is not expected or required outside of that context.

LPs are encouraged to adopt this as a standard component of their due diligence process with GPs. GPs are encouraged to adopt and use it for populating due diligence data rooms as standard.

Guidance for completing the module

When answering the questions in this module, please provide information on climate-related risks and opportunities that could reasonably have a material impact in the short, medium or long term on future financial performance, including but not limited to: valuations, cash flows, ability to raise capital and/or cost of capital.

LP expectations on sophistication and maturity of GP climate practices may be greater in industries and/or sectors with greater exposure to physical and/or transition risks (e.g. industrials vs software). For further clarity on limited partner expectations generally, see the [ILPA ESG Assessment Framework Climate Supplement](#).

For clarity on the degree of portfolio company alignment with the low-carbon transition, see [ICI PMDR Guidance](#) and/or [IIGCC NZIF Private Equity Component](#).

Definitions

Climate-related risks are the potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and transition risks. (IFRS S2, Appendix A)

The questions and explanatory notes in this module refer to both physical and transition risks related to climate change. The terms physical risk and transition risk are defined as follows:

- Climate-related physical risks are risks that result from climate change and that are event-driven (acute physical risks) or arise from longer-term shifts in climatic patterns (chronic physical risks). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns, including changes in precipitation and temperature that could lead to sea-level rise, reduced water availability, biodiversity loss and changes in soil productivity.
- These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply chain disruption. The entity's financial performance could also be affected by changes in water availability, sourcing and quality, and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety. (IFRS S2, Appendix A)
- Climate-related transition risks are risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology. (IFRS S2, Appendix A)

The questions and explanatory notes in this module also refer to climate-related opportunities, which are defined as the potential positive effects for an entity arising from climate change. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity. (IFRS S2, Appendix A)

QUESTIONS

| GOVERNANCE | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Question | Yes / No | Explanatory notes |
| 1. Do you have (or will you have by the time of the fund's investment) a climate policy or other governance mechanism that will apply to this fund? | Yes No | This question seeks to identify and understand the formal governance document(s) that set out how climate-related risks and opportunities will be managed for this fund, which may be covered in a general responsible investment policy or equivalent. Include (as applicable): 1) the fund's stance on climate (e.g. any commitments to international standards, industry guidelines, reporting frameworks or initiatives); 2) the scope of any such commitments; 3) implementation strategies and action plans for integration into the investment process and ownership phase; and 4) any other relevant information. If such information is spread across multiple documents, please describe where such information is available. |
| 1.1. Provide details and/or link(s). | | |
| Free-text response to 1.1: | | |

| GOVERNANCE | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Question | Yes / No | Explanatory notes |
| 2. Will senior-level governance bodies and/or roles at your firm have designated accountability for climate-related risks and opportunities related to this fund? | Yes No | This question seeks to understand the governance structure(s) in place to oversee climate-related risks and opportunities for this fund, including: 1) identification of the senior-level governance bodies and/or roles at your organisation accountable for climate-related risks and opportunities (e.g. board, senior management, investment committee); 2) how climate-related responsibilities are assigned to these bodies or individuals (e.g. included in terms of reference, role descriptions, remuneration frameworks); |
| 2.1. Provide details of your approach to climate-related governance for this fund. | | 3) how climate-related risks and opportunities are incorporated into oversight of strategy, major decision-making and risk frameworks; 4) actions to ensure appropriate skills and oversight capability (e.g. training, external advisory input); and 5) any other relevant information. |
| Free-text response to 2.1: | | |

GOVERNANCE

| Question | Yes / No | Explanatory notes |
|-------------------------------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. For this fund, have you set (or will you set) decarbonisation targets or goals? | Yes No | This question seeks to understand: 1) what type(s) of decarbonisation target(s) or goal(s) you have (or will) set for this fund (e.g. interim, short-term emissions reductions, net zero); 2) time horizon(s) for target(s) or goal(s); 3) how target(s) or goal(s) will be monitored and how often they will be reviewed; |
| 3.1. Provide details. | | 4) whether target(s) or goal(s) will be validated by a third party; and 5) any other relevant information. |

Free-text response to 3.1:

| PRE-INVESTMENT | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Question | Yes / No | Explanatory notes |
| 4. Will you conduct due diligence on climate-related risks and opportunities, where believed to be material, for potential investments of this fund? | Yes No | |
| 4.1. Describe your approach to due diligence for climate-related risks and opportunities. If applicable, include example(s) from a recent fund. | | <p>This question seeks to understand your approach to climate-related due diligence, including:</p> <ol style="list-style-type: none"> 1) how you will determine whether climate-related risks and opportunities are material; 2) which frameworks and/or tools you will use to identify and assess both transition and physical risks and opportunities; 3) whether you will use forward-looking data; and 4) any other relevant information. |
| Free-text response to 4.1: | | |
| 4.2. Describe how material climate-related findings from the due diligence process will be used to inform investment decision-making and value creation plans. If applicable, include example(s) from a recent fund. | | <p>This question seeks to understand how material climate-related findings from the due diligence process will inform decision-making. For example, how it will:</p> <ol style="list-style-type: none"> 1) affect deal approval (e.g. enhanced diligence, conditional approval); 2) influence valuations (e.g. higher capex assumptions for compliance or adaptation); 3) shape ownership strategy (e.g. climate-related value creation initiatives). |
| Free-text response to 4.2: | | |

| POST-INVESTMENT | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Question | Yes / No | Explanatory notes |
| 5. For this fund, where material, will you actively engage with portfolio companies on climate-related risks and opportunities? | Yes No | |
| 5.1. Describe your approach to engagement with portfolio companies on climate-related risk management and value creation. If applicable, include example(s) from a recent fund. | | <p>This question seeks to understand how you conduct climate-related stewardship and engagement with portfolio companies, including:</p> <ul style="list-style-type: none"> 1) board and management dialogue; 2) supporting management teams in assessing exposure to transition and physical risk; 3) decarbonisation and resilience planning; 4) value creation initiatives; 5) capacity-building; and 6) any other relevant information. |
| Free-text response to 5.1: | | |
| 5.2. Describe your approach to broader climate-related portfolio management. If applicable, include example(s) from a recent fund. | | <p>This question seeks to understand how you conduct climate-related portfolio management beyond direct engagement with portfolio companies. For example, conducting scenario analysis or other climate risk modelling, providing cross-portfolio training and resources or sharing best practice.</p> |
| Free-text response to 5.2: | | |

| POST-INVESTMENT | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Question | Yes / No | Explanatory notes |
| 6. For this fund, will you measure and monitor climate-related key performance indicators (KPIs)? | <div>Yes</div> <div>No</div> | |
| 6.1. If yes, indicate whether this will include: <ul style="list-style-type: none"> ■ absolute Scope 1 and Scope 2 greenhouse gas (GHG) emissions ■ absolute Scope 3 GHG emissions ■ GHG emissions intensity metric(s) ■ percentage of portfolio companies with decarbonisation plans, goals and/or targets ■ exposure to physical and/or transition risk (i.e. value-at-risk metric(s)) ■ other relevant metrics | <div>Yes No</div> <div>Yes No</div> <div>Yes No</div> <div>Yes No</div> <div>Yes No</div> <div>Yes No</div> | |
| 6.2. Describe your approach to measuring and monitoring climate-related KPIs, including commentary on any KPIs you will collect and how they will be used. If applicable, include example(s) from a recent fund. | | <p>This question seeks to understand your approach to the measurement and monitoring of key climate-related KPIs and how you intend to use these metrics to inform portfolio management, including:</p> <ol style="list-style-type: none"> 1) sources of data (e.g. if emissions data will be collected from portfolio companies, derived from third-party sources or estimated); 2) calculation methodologies with reference to any frameworks used; 3) cadence of monitoring metrics; 4) use of metrics for portfolio management, benchmarking, target-setting, portfolio company engagement etc.; and 5) any other relevant information. |
| Free-text response to 6.2: | | |

| REPORTING & DISCLOSURE | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Question | Yes / No | Explanatory notes |
| 7. For this fund, will you provide climate-related reporting to limited partners? | Yes No | <p>This question seeks to understand how you will provide climate-related disclosures to the limited partners in this fund, including:</p> <p>1) framework(s) to be used (e.g. TCFD/IFRS S2, SFDR PAIs, PMDR, EDCI, SBTi, NZIF PE Component, NZAOA Target-Setting Protocol);</p> <p>2) climate-related targets and metrics to be disclosed;</p> <p>3) format to be used (e.g. standalone reports, integration into fund-level reporting, ad hoc disclosures);</p> <p>4) frequency (e.g. quarterly, annually); and</p> <p>5) any other relevant information.</p> |
| 7.1. Describe your approach to climate-related limited partner reporting, including commentary on framework(s) to be used, intended format and frequency. If applicable, include example(s) of climate-related reporting from a recent fund. | | |
| <p>Free-text response to 7.1:</p> | | |

The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org



The PRI is an investor initiative in partnership with
UNEP Finance Initiative and the **UN Global Compact**.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org



United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: www.unglobalcompact.org

