EQUISTONE

2023 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

For the 1 January 2023 to 31 December 2023 reporting period

Introduction

Equistone's inaugural 2023 TCFD report represents a significant milestone for the firm in our responsible investment journey.

Over the past year, we have made progress in defining a strategy to enhance both the Firm's and our stakeholders' understanding of priority climate-related business risks and opportunities[1]. We have been focused on identifying Equistone-tailored insights around how climate-related information can lead to decision-useful financial information and how to translate these insights into ever-more resilient business practices. Simultaneously we have worked to educate the entire firm on the importance and relevance of this work.

In terms of our approach, climate risk and opportunity management is a fundamental pillar of ESG and as such, Equistone's approach to developing a robust climate strategy is embedded within our overarching ESG framework. This ensures that we are striving to connect the dots between various aspects of our programme and relying heavily on stewardship (active engagement of our portfolio companies) to drive outcomes. For example, we are working to approach climate risk in the same vein as ESG due diligence and that we link climate risk management to the corporate governance standards we implement across the portfolio. At the end of the day, ensuring our approach is joined up rather than siloed enables consistent and seamless application.

In both our annual ESG review and Responsible Investing and Stewardship Policy, we provide a comprehensive overview of the way we have structured our approach to ESG integration. This includes a description of our governance and oversight structure that establishes accountability across the Firm as well as supporting guardrails and guidance for implementation. The following TCFD-aligned disclosures are consistent with and to some extent summarise the information provided in these publications. For further detail, we have linked relevant sections at the conclusion of each disclosure.

While Equistone's work on our climate strategy has significantly progressed over 2023 as well as the first half of 2024, we acknowledge that we are only just embarking on an extensive learning process, alongside the rest of the industry. In short, we have plenty to learn and are looking forward to refining our approach over the coming years as well as continuing to make tangible accomplishments. Given our climate strategy roadmap is a

[1] The Equistone Group comprises Equistone Partners Europe Limited, including its German, Swiss and Netherlands branches, Equistone Partners Europe SAS and certain unregulated group entities, including Equistone Partners GmbH, Equistone LLP and Equistone (UK) LLP

cornerstone of our approach, we have outlined planned actions and initiatives under each section to transparently indicate our direction of travel.

Over the coming year, our ultimate objective will be to utilise our climate strategy to generate practical insights for our portfolio companies to act on, linking to our overall approach to stewardship. We look forward to providing an update on our climate work this time next year.

Recommended disclosures

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
1. Describe the board's oversight of climate related risks and opportunities 2. Describe management's role in assessing and managing climate-related risks and opportunities	1. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term 2. Describe the impact of climate-related risks and opportunities on the organisation's businesses strategy, and financial planning 3. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2'C or lower scenario	1. Describe the organisation's processes for identifying and assessing climate-related risks 2. Describe the organisation's processes for managing climate-related risks 3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	1. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process 2. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks 3. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against target

GOVERNANCE

1. Describe the board's oversight of climate-related risks and opportunities.

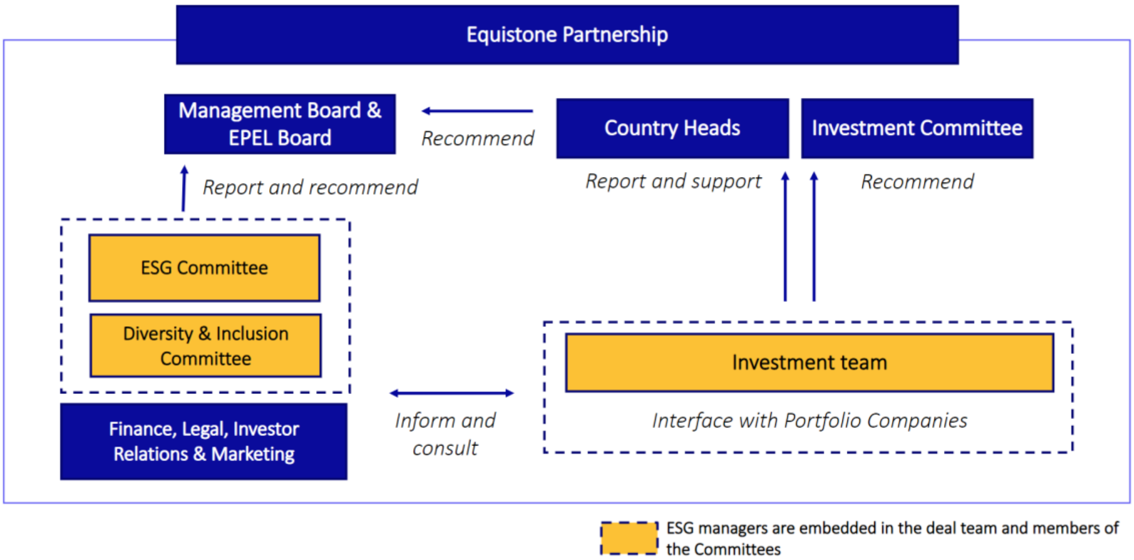
As part of our update to our Responsible Investing and Stewardship Policy in 2022, Equistone expanded oversight for our ESG activities, including management of climate-related risks and opportunities.

The Management Board oversees aspects of the Firm's approach to climate as part of their formal oversight and accountability for our responsible investment strategies and objectives. On at least an annual basis, the Board is convened for an ESG-dedicated session where we review in detail progress against our objectives and planned initiatives within a longer-term roadmap. The Board also receives regular updates on our overall approach via different routes, including our ESG Managers, ESG Committee and Deal Teams.

Accomplished in 2023	Planned for 2024 onwards
› Updated the Responsible Investment and Stewardship policy to explicitly include climate	› Update formal governance documents to include climate risk responsibilities › Improve ESG / climate risk governance structure and framework

- Convened a 3-hour dedicated Management Board session on Equistone's ESG (including climate) strategy
- Carried out Board training on Science-based Targets initiative, a core element of our strategy to managing climate risk
- Outlined core climate KPIs and standardised reporting to introduce on a quarterly basis

- Convene annual Board ESG session to review climate strategy
- Carry out Board training on climate risk and opportunity
- Implementation of standardised reporting with climate KPIs



2. Describe management's role in assessing and managing climate-related risks and opportunities.

Equistone's ESG team is responsible for the development and day-to-day implementation of our ESG programme, which includes the Firm's approach to managing climate risks and opportunities. ESG Managers are embedded in Equistone's deal teams and form part of the ESG Committee's membership.

The ESG Programme – Equistone's method of integrating ESG across the investment lifecycle – includes evaluation of climate risk and opportunity at the pre-investment phase, inclusion of relevant actions in 100-day and longer-term ESG roadmaps, and documentation and communication of milestones reached at exit. Deal team members have a shared responsibility to ensure delivery of our programme across the portfolio in accordance with our Responsible Investing and Stewardship policy. To ensure accountability and appropriate incentives, Equistone introduced ESG KPIs into Equistone employees' variable remuneration for 2024. For further information around our approach to integrating climate risk into our investment process, please see the Strategy section of our disclosures.

Our ESG Committee and our Audit & Compliance Committee have specific responsibilities connected to climate considerations, including oversight of our strategy, operations, implementation of policies and disclosures. This year, both committees partook in our first annual climate risk training to better understand our disclosure requirements and input into the development of our approach. This training will be carried out annually going forward.

The Committees feed recommendations regarding evolution and monitoring of our climate strategy to the Board. As we look to further formalise our governance structure around climate, we will amend the Terms of Reference for both committees to document responsibilities and provide guidelines around required input.

Management teams at our respective portfolio companies also have a significant role to play in the delivery of our climate strategy. Management teams are ultimately responsible for the achievement of ESG roadmaps, which can include recommended steps on climate risk management. Integration of ESG criteria in variable remuneration will also apply to portfolio companies' management teams of all new acquisitions starting in 2024. These KPIs will link to the portfolio company's ESG strategy, including Equistone's ESG priorities, including decarbonisation target or SBTi achievement.

Accomplished in 2023	Planned for 2024 onwards
› Management Board approval of ESG KPIs linked to variable compensation across the entire Firm as well as portfolio management teams › Carried out climate risk / TCFD training for the ESG and Audit & Compliance Committees › ESG Team development of climate risk strategy roadmap	› Implementation of ESG KPIs in variable compensation › Amend relevant committees' Terms of Reference to reflect various roles and responsibilities to inputting into Equitone's climate strategy › Renew annual training on climate risk for both Committees › Expand our climate risk training to deal team members and central functions › Creation of a cross-functional working group to input into continued development of our climate strategy › Develop climate risk training for management teams

STRATEGY

1. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Equistone is an independent, mid-market private equity firm that acts as a strategic partner to management teams across Benelux, France, Germany, Switzerland and the UK. The Firm has a core focus on six sectors: Business Services, Consumer, Industrials, Technology, Media and Telecommunications, Financial Services and Healthcare.

For the purpose of our climate risk and opportunity analysis, we have identified three time horizons in line with the TCFD's recommendation to look at risks and opportunities in the short, medium and long-term that align to our business model. These are:

- Short-term: 0 to 5 years or the typical holding period of an investment;
- Medium-term: 5 to 10 years, or a typical fund's holding period as well as the expected holding period of a potential buyer;
- Long-term: 10 to 20 years, or reasonable period of visibility for the Group as a whole.

In conducting our first analysis, we aligned with our investment strategy and mapped key risks and analysis by our primary sectors. This represents a simplified and initial view; given our Pan-European presence and broad sector focus, the impact and materiality of the risks and opportunities identified in the table below will naturally vary across geographies, business models and investment types (e.g., majority vs. minority position). Over time, we expect to enhance our ability to understand risks and opportunities at a level that is bespoke to each of our investments to produce more tailored insights.

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

Equistone has recognised that our largest opportunity for mitigating climate change is aligning to Science-Based Targets, so the Firm has committed to and validated decarbonisation targets under the Science-Based Target initiative. For further information, please see the Metrics and Targets section.
In the table on the following page, we have documented the impacts associated with the climate risks and opportunities we have identified at the Firm and sector level.

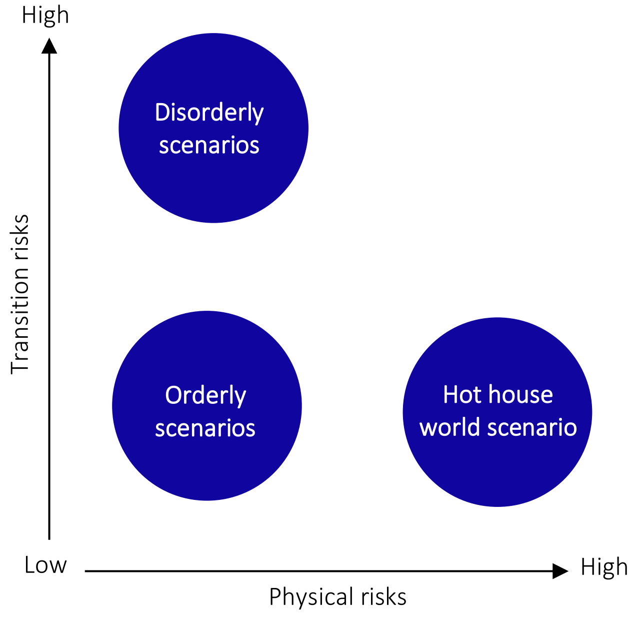
	RISKS		OPPORTUNITIES	
	Short to Medium	Long	Short to Medium	Long
FIRM	› Enhanced regulatory requirements and climate-related disclosure obligations for firm, funds and investments › Increased severity and frequency of weather events and changes to climate patterns › Reduced market demand for higher carbon funds / investment strategies without appropriate climate-risk management approaches and/or without positive climate impact	› Enhanced regulatory requirements and climate-related disclosure obligations for firm, funds and investments › Materialisation of severe acute and chronic physical risks that impact Equistone's direct operations and supply chain › Increased climate-litigation risk › Significant shifts in market demand for higher carbon funds / investment strategies without appropriate climate-risk management approaches and/or without positive climate impact	› Building internal expertise and capability to proactively manage risks and advise portfolio › Adjustment of investment strategies to meet growing demand for responsible investment and supporting a decarbonising economy › Enhancement of reputation from delivering on sustainability outcomes through investment strategies and stewardship with portfolio companies › Potential attraction of new investors through new strategies supporting the transition to a low-carbon economy	› Ability to shape industry best practice and support evolution of approach to climate risk and management, leading to more coordination across the industry and improved ability to respond to regulatory changes › Attraction of staff with strong climate risk and opportunity management skills and drive due to enhanced reputation (stronger employee engagement proposition)
ASSETS	› Reduced market demand for higher carbon products/commodities and increased demand for energy-efficient, lower-carbon products and services › Enhanced regulatory requirements and climate-related disclosure obligations › Increased severity and frequency of weather events and changes to climate patterns	› Increased business interruption and damage across operations and supply chains › Enhanced regulatory requirements and climate-related disclosure obligations › Increased climate-litigation risk › Higher carbon prices	› Building internal expertise and capability to proactively manage risks and opportunities › Opportunity to enhance reputation and brand value › Opportunity to develop new products and/or services with greater climate credentials › Potential attraction of new customers through low-carbon products / services	› Expansion into new products, services and markets due to established climate risk and opportunity expertise › Attraction of staff with strong climate risk and opportunity management skills and drive due to enhanced reputation (stronger employee engagement proposition)
IMPACT	› Increased business interruption and damage across operations and supply chains › Increased costs to invest in technology upgrade or process changes to build resilience to future risks › Increased cost for adequate internal resources to navigate and comply with regulatory change › Increased cost of analysing and mitigating physical risk profile of assets › Increased asset-level expenditure or capital investment deployed towards climate risks and opportunities › Increased input/operating costs for high carbon activities › Greater difficulty in fundraising and lower fund performance and impact on track record › Lower asset valuations › Increased cost of access to capital for exposed sectors › Negative stakeholder perception and impact on reputation for companies that do not transition quickly enough	› Rebalancing the portfolio of assets to manage exposure to climate risks › Senior management remuneration increasingly linked to climate considerations › Increase in the proportion of assets and/or operating, investing, or financing activities materially exposed to physical risks › Potential need to reconsider leasing strategy alongside monitoring of Equistone's direct and indirect exposure › Increased cost of analysing and mitigating physical risk profile of assets › Cost associated with climate-related litigation › Increased cost of compliance with regulatory changes › Compounding of stakeholder perception and reputational impact that can damage social license to operate	› Adapting the business model in line with increased demand for sustainable investment strategies › Diversification of revenue streams within portfolio companies › Differentiation from competitors › Increased customer / investor base › Continued investment in climate-risk and opportunity related skills and capabilities across the organisation › Higher fund performance and impact on track record › Higher asset valuations › Positive stakeholder perception and impact on reputation for companies that are transitioning	› Growing need to continue raising profile and participating in industry dialogue to contribute to and advance the conversation around climate risk and opportunity management › Increased longer-term business model resilience on continued path of adaptation and mitigation › Continued investment in climate-related risk and opportunity related skills and capabilities across the organisation › Compounding of stakeholder perception and reputational impact that can enhance social license to operate

3. Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Equistone’s approach to scenario analysis has been informed by the climate scenarios framework developed by the Network for Greening the Financial System (NGFS). The framework identifies three transition categories under which various scenarios exist:

- **Orderly scenarios:** Early introduction of proactive climate policies that become more stringent over time coupled with ambitious action limit physical and transition risks.
- **Disorderly scenarios:** Delayed, reactive and divergent action leads to more disruptive and unanticipated change and higher transition risk.
- **Hot house world scenarios**: Limited, globally uncoordinated and insufficient action leading to several and irreversible physical risks

The NGFS scenarios are meant to show a range of lower and higher risk outcomes. The diagram below, adapted from the NGFS framework, shows the three scenarios Equistone has considered in our scenario analysis exercise by their degree of transition and physical risks.



In the table on the following page, Equistone has performed an initial qualitative assessment of our resilience against three scenarios identified by the NGFS framework: Net Zero, Delayed Transition, and Current Policies. We explored each scenario’s overall level of physical and transition risks driven by the level of policy ambition, policy timing, coordination and technology levers applied. In summary, Equistone’s resilience is increasingly tested across scenarios with rising implied temperature increases. With our current approach to climate risk management, proactive approach to shifting our assets to prepare for a decarbonizing economy and internal resourcing and capabilities, we are able to adapt to a “Net Zero 2050” world. In a “Current Policies” scenario, however, it is difficult to predict with any reliability the physical risks that the Firm will face, given their severity and compounding factors involved.

	SCENARIO DESCRIPTION	PHYSICAL RISK	TRANSITION RISK			
		Policy Ambition	Policy Reaction	Technology Change	CO2 Removal	Regional Policy Variation
ORDERLY	**Net Zero 2050** limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050. Some jurisdictions such as the EU reach net zero for all GHGs.	1.5 °C With warming potential limited to 1.5°C, acute and chronic climate impacts are likely to be limited. For physical risks that do materialise, Equistone has committed to expanding out physical risk assessments through the help of a sophisticated platform that can analyse exposure based on geographic location. With adoption and integration into our risk management processes, Equistone should be able to effectively manage risk stemming from this scenario's warming trajectory.	Immediate and smooth Impacts include increased carbon pricing, enhanced emissions reporting obligations, mandates on and regulation of existing products and services and exposure to litigation. Likely to result in higher costs of compliance for funds and investments and increased due diligence costs. Opex increases at firm and asset level to ensure adequate resourcing.	Fast change Impacts are as described below. Financial risk is concentrated at asset level, with particular sectors (e.g., consumer, industrials) more exposed than others (Telecommunications and Media, Business Services). Likely to result in greater Opex and Capex for portfolio companies and investment in internal resourcing at Equistone to support portfolio companies.	Medium use Coupled with immediate and smooth policy reaction and medium variation in regional policy approaches, could result in increased costs at asset and firm level in a system where companies are required to pay for associated emissions removal (e.g., similar nature to offsetting). Current resilience is high given decarbonisation strategy Equistone has in place for all new investments.	Medium variation Impacts similar to immediate and smooth policy reaction; increased costs associated with enhanced compliance requirements at fund and asset level. Current resourcing model (3 FTEs, internal legal and compliance and external legal advisor support) enables some resilience but likely to incur additional costs given increased variation.
DISORDERLY	**Delayed transition** assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. CO2 removal is limited.	1.8 °C Financial impacts related to acute and chronic impacts include, but are not limited to: reduced revenues and higher costs across portfolio companies due to lower sales/outputs, decreased production capacity (e.g., supply chain interruptions, transport difficulties, negative impacts on workforce); write-offs and early retirement of assets (e.g., those in high-risk locations); increased operating costs (e.g., higher insurance premiums), increased capital costs (e.g., damage to facilities). Equistone will likely require enhanced capabilities in analysing and mitigating physical risk profile of its assets and impacts may lead to wider strategy impacts (e.g., industrials could become increasingly costly to invest in as a core sector).	Delayed With delayed policy action, impacts described above are intensified (e.g., higher emissions prices, enhanced climate-related disclosure obligations, increased regulatory pressure and litigation risk for assets not prepared for transition to a low-carbon economy). Less predictability around degree of policy change (e.g., disorderly; stringent enforcement likely to be required). Cost of compliance likely to be substantial for higher climate-risk sectors (e.g., industrials) as well as at firm level (e.g., current resourcing model would need additional FTEs and cost of external support would increase).	Slow/Fast change Technology changes include substitution of existing products and services with lower emissions options and costs to transition to lower emissions technology; financial impacts include shifting demand for products and services, greater R&D expenditures in new and alternative tech, capital investments and write-offs of existing assets and costs to adopt/deploy new practices and processes. Follow-on impacts affecting competitiveness of current and potential investments in certain sectors. Degree of change is unpredictable given disorderly policy reaction leading to greater uncertainty in resilience.	Low use Scenario assumes low availability and use of this technology, translating into greater impact on other "levers"; Economic and financial impacts increase with limited availability of carbon dioxide removal meaning the transition must be more abrupt in other parts of the economy. Limited impact on Equistone (firm, fund and asset level).	High variation Assumption that impacts are highest for countries and regions that face higher emissions reductions, higher carbon prices, lower fossil fuel exports, or higher physical risk damages. Equistone's geographical exposure (largely UK and EU) will result in less regional policy variation overall than with broader geographic exposure, but given uncertainty around EU country-specific policy divergence, hard to foreshadow degree. Stronger financial impacts as a result from increased compliance requirements – coupled with delayed policy reaction, likely to result in significant risk to high climate-impact sectors like industrials.
HOTHOUSE	**Current Policies** assumes that only currently implemented policies are preserved, leading to high physical risks.	3°C+ Severe and irreversible climate impacts lead to chronic changes in living conditions affecting health, labour productivity, agriculture, ecosystems and sea-level rise. Severity and frequency of severe weather events will also change. Potential financial impacts described above are intensified. Despite hypothesis that put central Europe at lower risk than drier or wetter regions (e.g., lower than average decrease in physical labour productivity, lower than average increase in annual precipitation), it is difficult to accurately foreshadow impacts. In this scenario, resilience is difficult to gauge given the compound effect across impacts and expectation that the global economy would be severely impacted.	None – current policies Greater resilience than preceding two scenarios given limited policy change to what is currently being experienced. Current internal resourcing through three dedicated ESG Managers with central function support sufficient to navigate policy changes. Costs to obtain external third-party support in meeting regulatory requirements remains at current levels or low, compared to other scenarios. Assumes pricing of GHG emissions does not materialise for majority of Equistone's sectors and costs currently being handled by industrials is adequately managed (based on current policies).	Slow change Greater resilience than preceding two scenarios given current pace of technological change and limited impact. Current approach taken at firm and asset level sufficient to navigate any changes.	Low use Scenario assumes low availability and use of this technology, translating into greater impact on other "levers"; Economic and financial impacts increase with limited availability of carbon dioxide removal meaning the transition must be more abrupt in other parts of the economy. Limited impact on Equistone (firm, fund and asset level).	Low variation Greater resilience than preceding two scenarios. Current internal resourcing sufficient to navigate policy changes; One ESG Manager located in each major jurisdiction (enhanced with third-party legal advisor support) currently enables Equistone to navigate regional policy variation. Anticipating degree of variation similar to current policies (e.g., those in place before 2024), there is sufficient capabilities to handle firm compliance and provide support to assets to navigate. Low associated financial impact from this risk category.

When we look at the principal risks faced, we can draw several conclusions around processes that we need to put in place to identify, assess and manage impacts stemming from these risks.

Risk	Actions Required
Increasing regulation, associated costs with enhanced compliance requirements and reputational and liability risks linked to non-compliance	› Ensure adequate training for internal functions tasked with compliance (e.g., ESG Team, Legal and Compliance Team, Audit and Compliance Committee) › Implement horizon scanning with external legal ESG advisor support to maintain sight on emerging regulations › Monitor resourcing levels as policy / regulatory requirements increase, with particular emphasis on regional divergence
Exposure to varying degrees of physical risk, at firm and asset levels	› Identify appropriate external physical risk assessment tool / platform to support in risk assessment at asset level › Although limited impact on Equistone's direct operational footprint and leasing strategy, continue to monitor and include office sites in physical risk assessments › Integrate climate considerations into supplier selection › Ensure adequate training for internal functions tasked with understanding financial risk (e.g., ESG Team, Finance team)
Various financial risks at firm, fund and asset level	› Continued implementation of approach to climate risk and opportunity management including through data collection, analysis and benchmarking, ESG roadmaps and ongoing stewardship activities › Where possible, initial tracking of OpEx and CapEx linked to climate requirements to build forecasting capabilities › Incorporation of climate considerations into Equistone's strategies through involvement of ESG team in conversations and committees › Continued board involvement in monitoring ESG and climate performance of assets and funds
Cross-cutting	› Continue participating in industry dialogue to contribute to and advance the conversation around climate risk and opportunity management

RISK MANAGEMENT

1. Describe the organisation's processes for identifying and assessing climate-related risks.

Equistone's assessment of climate-related risks is fully integrated across our investment lifecycle, detailed below. At each stage, we have identified appropriate processes that enable us to generate useful climate risk insights across the holding period. Prior to investment, our ESG Team leads in the analysis of material physical and transition risks and the impact these may have on financial performance. If the target is in a high-risk sector (e.g., manufacturing), more detailed technical analysis is completed that provides a deeper dive into the compliance and reputation of the company. Where appropriate, external advisors may be requested to provide support and expertise, for example reviewing a potential target's decarbonisation plan and trajectory to assess achievability of targets. Deal team members are involved in reviewing findings, which are included in investment committee (IC) materials for discussion by the Investment Committee.

Climate Risk Integration Across the Investment Lifecycle

Sourcing	Due Diligence	Holding	Exit
› Exclusionary criteria applied limiting investment in sectors with critical degree of exposure (or contribution to) climate risks › Consideration of material climate risks with investments in more sensitive sectors associated with adverse sustainability impacts	› Analysis of material climate risks and opportunities and impact on financial, operational performance › Third party enhanced due diligence where necessary › Incorporation of findings into IC materials and discussion by relevant Equistone bodies	› Inclusion of mitigation actions in post-acquisition plans and longer-term ESG roadmaps › Raising management team awareness of climate risks and opportunities (in alignment with TCFD and the Corporate Sustainability Reporting Directive (CSRD) › Establishing climate risk and opportunity KPIs for ongoing monitoring at the board level › Annual ESG data reporting on a wider subset of climate indicators › Debrief sessions to review climate risk profiles with portfolio companies › Use of stewardship framework to progress companies to improve risk profiles	› Similar to ESG performance, capturing improvements on climate risks and opportunities pursued throughout the life of the investment (e.g., through a comparative analysis of risk profiles pre-investment and near exit) › Documentation and communication of climate risk management milestones and improvement

Given climate-related risks shift over time, and our understanding of the climate-related risk exposure of a company improves following acquisition, we update our understanding on at least a yearly basis. As part of our annual ESG data collection cycle, we collect a number of climate-related metrics and indicators (for more information, please see metrics and targets). As part of this, portfolio companies are required to measure and disclose their GHG emissions, the existence of any GHG emission reduction target, progress against targets, status of various decarbonisation initiatives and intentions to address any other climate-related risks. We use this data to measure progress of a company against its pre-acquisition baseline and compare it to wider industry performance using the EDCI benchmark.

At the organisational level, we aggregate findings from individual portfolio companies' risk profiles to better understand exposure at the fund and firm level. We report on our exposure to climate risks to the Management Board on at least a yearly basis through KPIs described in further detail in the Metrics and Targets section and highlight takeaways and implications.

We have also committed to conducting scenario analysis at the Firm level on an annual basis for now as we continue to refine our process, eventually moving to a cycle of refreshing our analysis every 2 to 3 years.

Accomplished in 2023	Planned for 2024 onwards
› Review and expansion of climate-related metrics collected from portfolio companies › First historical analysis completed of portfolio company performance improvement on climate indicators from 2022 to 2023 › First qualitative scenario analysis performed › Screening of potential climate risk analysis solutions / platform providers	› Subscription to a climate risk analysis solution / platform to perform more detailed analysis and onboarding into annual ESG programme › Integration of climate risk and opportunity into Equistone's core sector groups › Quantitative scenario analysis › Continued analysis of climate indicators across the portfolio

2. Describe the organisation's processes for managing climate-related risks.

Just as Equistone's ESG strategy and programme relies heavily on stewardship or active engagement with portfolio companies to mitigate and manage ESG risk, our approach to climate will gradually evolve to do the same. Over time, our approach will centre heavily on working with portfolio companies to identify, evaluate and understand risks, set decarbonisation targets and strategies as well as integrate this all into governance, strategy and risk management structures.

Prior to investment, any actions required to mitigate identified climate risks are incorporated into the initial 100-day plan. As part of conducting a more thorough ESG baseline assessment, we cover a range of indicators around climate. This helps to further develop and refine our 100-day plan and starts to feed into the longer-term ESG roadmaps we develop with each portfolio company.

As described in our Responsible Investing and Stewardship Policy, throughout the holding period our ESG team works closely with portfolio companies to support progress against ESG roadmaps. This includes, but is not limited to, meeting with management teams and boards; linking variable compensation to ESG KPIs, upskilling senior leadership teams, debriefing on the portfolio companies current ESG and climate performance in relation to Equistone's wider portfolio and industry groupings, as well as working one-on-one with sustainability teams to support execution of initiatives. Equistone's resourcing model for our ESG function – e.g., three ESG Managers embedded into the deal team each covering Equistone's core regions – enables an approach to stewardship that is locally-tailored.

Having recently received validation for our near-term Science-based Targets, engagement with all new acquisitions (Fund VII and onwards) will focus on establishing decarbonisation pathways and validating under the Science-based Target initiative when possible. Existing portfolio companies are also being encouraged to establish decarbonisation plans. For more information around our targets, please see the Metrics and Targets section.

Finally, as discussed in the Governance section, the ESG team reports on climate strategy progress and KPIs up to the board for discussion. Our ESG and Audit and Compliance Committees also play a role in managing climate-related risks.

Accomplished in 2023

- Pan-European Scope 3 emissions webinar to discuss decarbonisation across value chain
- European CSRD webinar
- Targeted engagement with specific portfolio companies on climate risk and opportunity management

Planned for 2024 onwards

- TCFD upskilling webinars across the portfolio
- Release of climate risk profiles to each portfolio company as part of annual ESG data debrief
- Refinement of ESG roadmaps to include more climate risk actions and milestones
- Launch of board-level climate risk training across the portfolio

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

Climate-related risks and opportunities, under the umbrella of ESG, is integrated into Equistone's overall risk management approach through several channels. At the portfolio level, the ESG team, embedded in the deal team, is in continuous conversation with deal team members and Equistone board representatives around the status of companies in addressing and mitigating risks. ESG Managers provide updates on the portfolio through regular deal team meetings. Progress against ESG roadmaps, which include climate-related targets or milestones, will be reviewed in annual performance reviews, as part of implementing ESG KPIs in variable remuneration 2024 onwards, ensuring shared accountability in delivery.

At the Firm level, ESG and climate is reviewed and discussed by the board in detail at least yearly, with quarterly reporting planned for 2024 onwards. The Audit and Compliance Committee will become more involved in reviewing outputs from our scenario analysis and in incorporating findings into wider key risk management processes, including our internal capital and risk assessment (ICARA) process.

Accomplished in 2023	Planned for 2024
› Started development of standardised board reporting › Involvement of the Audit and Compliance Committee and central functions in reviewing and approving our inaugural TCFD disclosures	› Implementation of Board reporting on relevant climate KPIs › Incorporation of climate scenario analysis findings into our internal capital and risk assessment (ICARA) process

METRICS AND TARGETS

1. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Equistone has collected climate-related metrics since the launch of its annual ESG questionnaire in 2022. Since then, we have expanded the indicators we collect to better capture and understand climate risks across the portfolio including Principle Adverse Impact indicators as specified under the Sustainable Finance Disclosure regulation (SFDR). Together, these metrics help us to track and assess climate-related risks and opportunities. The list of metrics we collect at firm, fund and portfolio company levels include:

- Scope 1, 2 and 3 GHG emissions
- Scope 1&2 Emissions intensity [Tonnes CO2e/EURm revenue]
- Share of renewable energy consumption [% kWh renewable energy / total kWh energy consumption]
- [Fund and portfolio company level only] Share of companies reporting Scope 1 and 2 emissions
- [Fund and portfolio company level only] Share of companies reporting Scope 3 emissions
- [Fund and portfolio company level only] Share of companies with a decarbonisation target
- [Fund and portfolio company level only] Share of companies with SBTi-validated targets
- [Fund and portfolio company level only] Share of investments active in the fossil fuel sector
- [Fund and portfolio company level only] Share of non-renewable energy consumption
- [Fund and portfolio company level only] Share of non-renewable energy production
- [Fund and portfolio company level only] High impact climate sector exposure GWh/EURm revenue

2. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks.

Firm-level

METRIC	UNIT	FIRM- 2023
Scope 1	tCO2e	72.4
Scope 2	tCO2e	3.0
Scope 3	tCO2e	-*
Share of renewable electricity	%	100%

*Scope 3 emissions of Equistone (Categories 1 to 14) have not been finalised before the publication of this report. The report will be updated once Scope 3 emissions data have been finalised.

Portfolio-level

METRIC	UNIT	PORTFOLIO - 2023
Scope 1 (PAI 1.1)	tCO_2e	172,095
Scope 2 (PAI 1.2)	tCO_2e	105,510
Share of companies reporting Scope 1 & 2 emissions	%	80%
Scope 3 (PAI 1.3)	tCO_2e	1,564,187
Share of companies reporting Scope 3 emissions	%	49%
Total GHG Emissions (PAI 1.4)	tCO_2e	1,841,792
Scope 1 & 2 Emissions intensity	tCO_2e/€Mio revenue	26
Carbon footprint (PAI 2)	Tonnes CO_2e/EURm invested	186
Share of companies with a decarbonisation target	%	62%
Share of companies with SBTi aligned target	%	6%
Share of investments active in the fossil fuel sector (PAI 4)	%	0%
Share of non-renewable energy consumption (PAI 5.1)	%	69%
Share of non-renewable energy production (PAI 5.2)	%	3%

Between 2022 and 2023, more of our portfolio was able to provide Scope 1 & 2 data, with an 9ppt increase in the proportion of those reporting it. Some are currently updating their emissions data, so we expect this upward trend to increase when final figures become available later in the year. Significantly, the share of portfolio companies with a GHG reduction target grew from 59% in 2022 to 62% in 2023. Adm Group was the first in our portfolio to have its SBTi targets validated, followed by CH&CO. Camusat also committed to the SBTi and is waiting for its targets to be validated. Efforts by portfolio companies to lower their emissions intensity paid off this year, resulting in a reduction from 36 tCO_2e/m€ revenue reported in 2022 to 26 tCO_2e/m€ in 2023. The increase in renewable energy consumed by companies we are invested in contributed to this reduction.

3. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The Science-Based Targets initiative (SBTi) provides a clearly defined pathway for companies to reduce GHG emissions in line with the Paris Agreement, which aims to limit global warming to 1.5C.
In 2023, Equistone committed to the SBTi and submitted decarbonisation targets for validation at both the Firm and portfolio levels:

› To reduce Equistone’s own Scope 1 and 2 emissions by 42% by 2030 from a 2022 baseline; and
› For 33.33% of our eligible portfolio by invested capital to set validated SBTi targets by 2028.

As of June 2024, Equistone’s targets have been validated. Our Science-based Targets are currently the primary target Equistone will use to manage climate-related risks and opportunities and our performance, given the initiative’s focus on absolute emissions reduction and cover Scope 1 to 3 emissions which therefore reduces our Firm’s and our portfolio companies’ exposures to a range of transitional risks. As we improve the quality of the data we collect across the portfolio, we will review the potential to set additional targets.
In terms of monitoring performance against our Science-Based Targets, Equistone began working with an ESG data collection platform in 2023 to streamline our data collection, analysis and monitoring process. We have set up the system to enable quarterly tracking against targets, which will feed into the standardised reporting we discussed in the Governance section. Metrics, including performance against our SBT but also the share of companies with decarbonisation plans, sourcing renewable energy and greater climate risk exposure, will be reported to the board on a bi-annual basis. The ESG Team will monitor progress on a quarterly basis.

Accomplished in 2023

- Committed to the Science-Based Target initiative and set near-term targets
- Adoption of ESG data collection software to streamline climate metric collection, analysis and monitoring
- Expanded metrics to include additional climate risk indicators
- Range of work with portfolio companies to calculate Scope 1 to 3 emissions baselines and improve data quality
- Led several Science-based Target introductory sessions with management teams to educate on the Initiative

Planned for 2024 onwards

- SBTi targets validation
- More comprehensive mapping of Equistone's own Scope 3 emissions
- Continued targeted support to portfolio companies to improve underlying data quality for Scope 1 and 2 emissions and expand Scope 3 baselines
- Ongoing review and revision of metrics, as relevant