Cinven

Task Force on Climate-Related Financial Disclosures (TCFD)

Cinven 2022 Disclosure

CONTENTS

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Cinven[1] is pleased to publish its TCFD-aligned disclosure report for the year ending 31 December 2022. The purpose of this report is to share Cinven's approach to managing climate-related risks and opportunities, both at the firm level and at the level of the portfolio companies of the Cinven Funds, with its investors, business partners, portfolio companies and other stakeholders.

Climate change represents a global and multi-generational challenge that is already impacting the health of our environment and affecting economies worldwide. Cinven believes the private equity industry has an important role to play in addressing climate change in a number of ways, including by establishing firm-level climate commitments; working with portfolio companies to decarbonise their businesses; and supporting portfolio companies to develop value creation strategies linked to sustainability themes.

Cinven recognises the potential financial risks emerging from climate change, including those arising from the transition to a lower carbon economy and the physical impacts of climate change. At the same time, the transition to a net-zero economy presents opportunities for the private equity industry to invest in, grow and develop businesses that are mitigating and adapting to the effects of climate change and that are also supporting their customers, and society more broadly, to do the same.

Cinven considers climate change to be a key strategic priority.

Cinven continued to progress a number of important climate-related workstreams in 2022, as set out in its climate strategy. With regards to target-setting, Cinven developed firm-level emissions reduction targets aligned to the Paris Agreement – covering the firm's operational and financed emissions – and submitted these to the certifying body, the Science Based Targets initiative ('SBTi'), in December 2022. These targets were approved and published in September 2023. In addition, in 2022, Cinven agreed a fund-level Sustainability Linked Loan ('SLL') in conjunction with the refinancing of its existing bridge facility. The SLL includes, among others, a target to increase the number of eligible Cinven Funds' portfolio companies with a decarbonisation plan aligned to the Paris Agreement.

In line with these targets and with its commitment to supporting the Cinven Funds' portfolio companies to become more sustainable during the ownership of the Cinven Funds, Cinven continued to work with portfolio companies to set their own science-based targets, develop decarbonisation plans, and identify opportunities for climate-related value creation. Cinven also hosted several climate-themed panel discussions at its 2022 ESG Conference for portfolio companies of the Cinven Funds, to enhance knowledge-sharing on these topics.

Other climate-related workstreams in 2022 involved initiatives to strengthen Cinven's approach to including climate-related opportunities in its deal origination, reviewing the firm's approach to assessing climate risks and opportunities for new investments, and conducting a TCFD-aligned gap analysis to further support Cinven's preparation for mandatory entity-level and fund-level climate disclosures in 2024.

Recognising that addressing climate change will require collaboration, Cinven continues to participate in a number of important groups and initiatives to drive forward the agenda within the private equity sector. Cinven is a founding member of the ESG Data Convergence Initiative ('EDCI') and a member of the initiative's Steering Committee, a member of Initiative Climat International ('iCI'), and is a founding member of the Private Equity Sustainable Markets Initiative Taskforce ('PESMIT'), including Co-Sponsor of the Climate Change Working Group.

Cinven looks forward to continuing its partnership with the Cinven Funds' investors, portfolio companies, and other stakeholders to deliver against its objectives of investing in, developing, and growing sustainable and resilient businesses.

Stuart McAlpine
Managing Partner

Matthew Sabben-Clare
Partner and Chair of ESG Steering Committee

1 This Statement is made by Cinven Limited in its capacity as adviser to the managers of the Cinven Funds. As used in this statement, Cinven refers, as appropriate, to any or all of Cinven Limited and the managers of the Cinven Funds and their respective associates as defined in the UK Companies Act of 2006 as well as any funds managed or advised by any of the foregoing. It describes performance for the fiscal year ending 31 December 2022 and references some progress made during 2023.

In the following report, Cinven outlines its alignment to the four pillars of TCFD: Governance, Strategy, Risk Management, and Metrics and Targets

GOVERNANCE

Cinven's approach to governing climate-related risks and opportunities is integral to the way the firm assesses, oversees and manages ESG more broadly. At the firm level, the boards of directors of the managing general partners of the Cinven Funds (the "Manager Boards"), the relevant committees of the Cinven investment advisers (the "Committees"), and the wider firm engage closely with Cinven's internal ESG specialists on matters relating to climate. At the level of the portfolio companies of the Cinven Funds, Cinven supports the portfolio companies to ensure that climate-related risks and opportunities are appropriately governed by their own boards and management teams.

STRATEGY

Cinven's approach to climate change is a fundamental element of its ESG strategy. In 2022, Cinven formalised a dedicated and enhanced climate strategy, and began to work on its implementation. Integrating understanding of climate risks and opportunities throughout the investment lifecycle is a key pillar of Cinven's climate strategy. In particular, Cinven draws on the results from pre-acquisition due diligence, scenario analysis and carbon footprinting work to inform targets, planning and strategy at the firm level. This includes deal origination, where Cinven has taken an active approach to identifying businesses with climate-resilient growth characteristics. Cinven also supports the portfolio companies of the Cinven Funds to develop their own climate strategies and initiatives, as part of their ESG Value Creation Plans (VCPs).

RISK MANAGEMENT

Cinven's approach to identifying and assessing climate-related risks begins at the origination stage of the investment process, with climate factors forming part of the early-stage screening of investment opportunities. Pre-investment ESG due diligence, which includes climate, is then undertaken for investments by the Cinven Funds. Climate risk screening, and scenario analysis where relevant, help to define and distil climate-related risks and opportunities further. Information sharing and training are also key levers to manage climate-related risks – as well as providing training on Cinven's climate strategy across the firm and portfolio, climate topics featured prominently in Cinven's 2022 ESG Conference for portfolio companies.

METRICS & TARGETS

Cinven collects climate-related data, both at the firm level and at the level of the portfolio companies of the Cinven Funds, to enable it to assess and manage climate-related risks and opportunities. This data includes metrics relating to energy consumption and carbon emissions by Scope. Where possible, Cinven aligns its methodologies for collecting climate-related data to international best practice such as the Greenhouse Gas (GHG) Protocol. One of Cinven's climate focus areas in 2022 was to develop emissions reduction targets at the firm level. Cinven also supported six portfolio companies of the Cinven Funds to set their own science-based targets and to develop decarbonisation plans.

GOVERNANCE

Cinven's approach to governing climate-related risks and opportunities is a core part of the firm's ESG strategy and is integral to the way the firm oversees, assesses and manages all relevant matters related to ESG. At the firm level, Cinven considers climate-related issues when developing and updating its firm-level ESG strategy, strategic initiatives, risk management policies, annual budgets, and business plans. In relation to the portfolio companies of the Cinven Funds, climate-related risks and opportunities are integrated into portfolio company ESG strategies, targets and monitoring plans.

The ways in which the Manager Boards, the Committees and the broader Cinven team monitor, oversee, assess and manage climate-related issues are set out to the right and on the following pages.

Governance and management of climate issues at Cinven

Board oversight of climate-related issues at the firm and portfolio company levels

Board of Directors of the Managing General Partners of the Cinven Funds (the "Manager Boards")

Investment decisions and portfolio company monitoring of the Cinven Funds are the responsibility of the Manager Boards. Topics relating to ESG, including climate, are discussed at board meetings, and the Manager Boards review firm-level activities and portfolio-wide performance in these areas. In addition, the Manager Boards are provided with summary materials from the quarterly ESG Steering Committee meetings on portfolio ESG performance including climate.

Board of Directors of portfolio companies (the "Portfolio Boards")

Cinven requires that the portfolio companies of the Cinven Funds appoint a non-Cinven director to be responsible for ESG, including climate, with ESG performance regularly tabled and reviewed at Portfolio Board meetings.

Cinven is working with the portfolio companies of the Cinven Funds to ensure that each Portfolio Board reviews ESG Key Performance Indicators (KPIs) regularly, including reporting on carbon emissions by Scope and energy consumption including the proportion of renewable energy used (see 'Metrics and Targets' section). Each Portfolio Board is also expected to oversee the portfolio company's Value Creation Plan ('VCP'), including the ESG and climate-related initiatives within this, where in place.

Cinven committee and management oversight, assessment and management of climate-related issues

Firm Executive Committee

Cinven's Executive Committee is responsible for the firm's ESG strategy, and oversees implementation of its ESG Policy, including on climate-related issues. The Executive Committee also approved Cinven's firm-wide climate strategy in 2022 (see 'Strategy' section).

The Executive Committee meets regularly to discuss firm strategy and planning, including strategic priorities such as climate change. It is informed of climate-related developments by the ESG Steering Committee.

Firm ESG Steering Committee

Cinven's ESG Steering Committee provides strategic input to the Executive Committee on the firm's ESG strategy, including climate-related issues. The ESG Steering Committee manages the implementation of Cinven's ESG strategy and ESG Policy across the firm, and ensures the firm's approach to climate change continues to evolve over time. It also meets quarterly to monitor the ESG performance of the portfolio companies of the Cinven Funds, including on climate-related KPIs.

The ESG Steering Committee is cross-disciplinary, including senior individuals with backgrounds in sustainability and climate change, legal and compliance, investor relations, and investment and portfolio management. It receives input from external specialist ESG advisors on climate developments in the market, supporting it in its role of monitoring material ESG and climate matters relevant to the portfolio companies of the Cinven Funds, including new legislation, standards and international best practices.

Firm Investment Committees and Investment Selection Framework (ISF) Committee

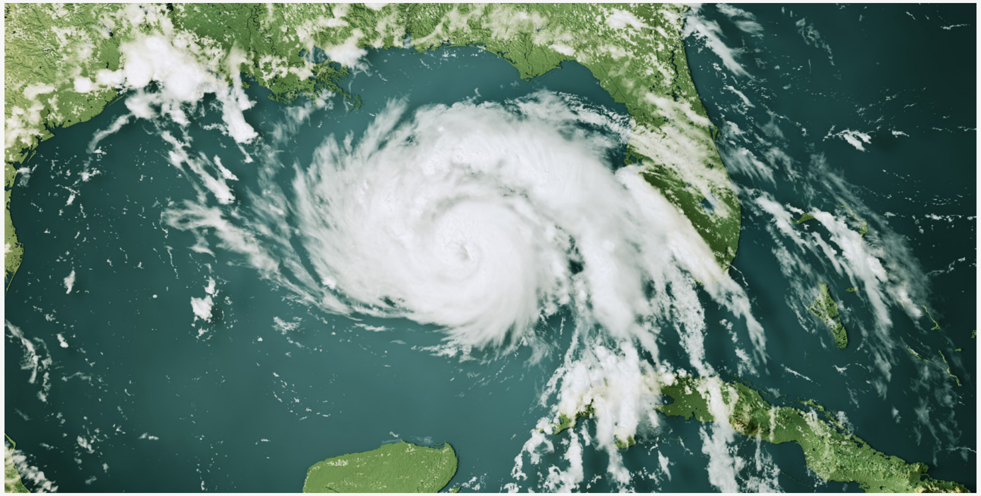
Cinven's Investment Committees determine whether an investment opportunity is aligned with Cinven's ESG Policy and Investment Selection Framework (ISF), both of which consider climate-related risks and opportunities. The ISF Committee was established to provide guidance to the Investment team and Investment Committees in this regard where required. Through the ISF

Committee, climate-related risks in a potential investment opportunity can be identified early and fed into the scope of pre-acquisition due diligence and Investment Committee decision-making.

Pre-investment ESG due diligence is required to be undertaken for all investments by the Cinven Funds, with ESG a mandatory item in Cinven's Investment Committee papers. The Investment Committees review and evaluate the investment thesis in detail, including consideration of climate- and other ESG-related risks, together with opportunities for value creation (see 'Risk Management' section).

Specific management oversight of firm climate-related issues

- Cinven's Managing Partner is a member of the firm's Executive Committee, Investment Committees and ISF Committee. He plays an important role in shaping the firm's approach to climate, and contributes to progressing the ESG agenda of the wider private equity industry. He is a founding member of the Private Equity Sustainable Markets Initiative Taskforce ('PESMIT'), established in 2021, and co-sponsors the Climate Change Working Group within PESMIT (see case study, right).
- Cinven's Chief Administrative Officer (CAO) is a member of the Executive Committee, ISF Committee and ESG Steering Committee. The CAO regularly reports to the Manager Boards on climate-related issues.
- Cinven's ESG Director reports to the Manager Boards periodically, including on issues relating to climate. The ESG Director works closely with the CAO to support the management and oversight of climate-related issues among Cinven's senior leadership team, including engagement with the Executive Committee on climate-related issues as required.
- Other members of Cinven's senior team are involved in assessing and managing climate-related issues at the firm, including Heads of Sector and Regional teams, senior members of Deal teams, and the Portfolio team including the ESG specialists.



Cinven's participation in industry initiatives on climate

Cinven contributes to driving ESG progress in private equity through the firm's active participation in industry initiatives. This includes a leading role in the Private Equity Sustainable Markets Initiative Taskforce ('PESMIT'), where Cinven is co-sponsor of the Climate Change Working Group.
The Climate Change Working Group consists of nine leading private equity firms and aims to leverage the broad reach of private equity to reduce global GHG emissions and accelerate the transition towards net zero by looking at opportunities for private equity firms and portfolio companies to reduce emissions. In 2023, the Working Group published a report on valuing carbon across the private equity investment lifecycle (available here) and has met regularly to collate and develop best practice industry guidance for private equity and portfolio company use.

Cinven is a founding member of the ESG Data Convergence Initiative ('EDCI') and a member of the initiative's Steering Committee. Cinven also participates in the Net Zero Working Group of the Initiative Climat International ('iCI'), where it supported the development of a decarbonisation roadmap for the private equity industry.

STRATEGY

Understanding the climate-related risks and opportunities facing Cinven and its funds' portfolio companies

Cinven proactively seeks to identify, assess and monitor short-, medium- and long-term climate-related risks and opportunities across the Cinven Funds throughout its investment process. The processes for identifying these risks are set out below and in the 'Risk Management' section.

Scenario analysis: assessing risk under different pathways and time horizons

For new investments, Cinven's ESG team works with the Deal team and portfolio company management to identify and assess climate-related risks and opportunities.

Physical risk and opportunity analysis seeks to capture the potential impacts from the change in frequency and/or intensity of different climate change-related events, either acute (e.g. floods) or chronic (e.g. sea level rises).

Transition risk and opportunity analysis seeks to capture the potential impacts from the world moving to a low-carbon economy (e.g. policy, regulatory or market shifts).

In line with TCFD recommendations, Cinven considers physical and transition risks over short-, medium- and long-term time horizons. As part of its risk assessment of the short-term time horizon (up to 2030), Cinven considers the next five years to align with a typical private equity investment cycle. Assessing the medium to long term means that Cinven is also able to consider risks beyond the typical investment cycle. This ensures Cinven has a well-rounded approach to understanding the different climate-related risks that may arise, including the timescales over which they may become material to the Cinven Funds' portfolio companies.

The time horizons considered by Cinven, together with the rationale for selecting them, are set out in the table below:

Up until 2022, for portfolio companies of Cinven Fund 5, Fund 6 and most of Fund 7, Cinven undertook a high-level scenario-based analysis of physical risks and transition risks and opportunities facing the business, with support from specialist ESG advisors. The approach involved generating risk scores by assessing the potential exposure of investments to a series of physical climate events and transition scenario indicators, and combining this with relevant climate data under baseline and future climate conditions.

Time horizons considered in Cinven's scenario analysis

	Time horizon considered in Cinven's scenario analysis	Cinven rationale
Short-term	Up to 2030	Helps to inform investment strategy and incorporates elements of the near-term low-carbon economy transition policies and implementation plans
Medium-term	Between 2030 and 2050	Designed to reflect changes to acute physical climate events and key elements of the transition to a low-carbon economy
Long-term	2050 and beyond	Reflects changes in chronic physical climate events

In assessing physical climate risks and opportunities, Cinven's scenario analysis used the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCPs) 4.5 and 8.5. These were the most up-to-date scenarios available when Cinven's assessments began in 2019. RCPs model different physical climate outcomes based on different levels of greenhouse gas concentrations over time. RCP 4.5 is described by the IPCC as an 'intermediate stabilisation' scenario that assumes future implementation of emissions management and mitigation policies most closely aligned with commitments made under the Paris Agreement. Under this pathway, emissions would be projected to peak around 2040 and then decline before stabilising. RCP 8.5 is a high emissions pathway in which emissions continue to rise throughout the twenty-first century. Described as a business-as-usual scenario, it assumes that no additional climate policies are implemented and therefore models a failed reduction in greenhouse gas (GHG) emissions such that the worst effects of physical climate change are felt.

When considering the low-carbon economy transition, Cinven used the International Energy Agency (IEA) 'Sustainable Development Scenario' (SDS) and 'Stated Policies Scenario' (STEPS) in its scenario analysis (see table below). The Sustainable Development Scenario describes a pathway in which global warming is limited to within 2°C, in line with the goals of the Paris Agreement, through policies constraining fossil fuel demand, markets favouring low-carbon goods and services, and innovation in low-carbon technologies. The Stated Policies Scenario provides a more conservative 'base case' scenario, which accounts for current or developing climate-related policies but does not assume more ambitious decarbonisation ambitions are met.

Physical scenarios and associated time horizons selected for Cinven's scenario analysis

	Representative Concentration Pathway (RCP) 4.5	Representative Concentration Pathway (RCP) 8.5
Source	Intergovernmental Panel on Climate Change (IPCC)	
Description	Considered an intermediate pathway. Assumes implementation of emissions management and mitigation policies in line with commitments made under the Paris Agreement, and includes changes in the energy system to achieve this, e.g. shifts to lower emissions technologies and to deployment of carbon capture technology. Result is an estimated **warming of between 1.7°C and 3.2°C by 2100**.	Considered the high emissions, or business-as-usual, scenario. Sees emissions increasing year-on-year out to the end of the century, leading to around three times today's CO_2 emissions by 2100. Assumes no policy-driven mitigation is enacted, resulting in a failed reduction in GHG emissions, and culminating in a **warming of between 3.2°C and 5.4°C by 2100**.
Time horizons	2030 and 2050	

Transition scenarios and associated time horizons selected for Cinven's scenario analysis

	Sustainable Development Scenario (SDS)	Stated Policies Scenario (STEPS)
Source	International Energy Agency (IEA)	
Description	A "below 2°C" scenario that characterises the effects of the transition to a low-carbon economy. Takes into account climate goals in the energy industry and expectation of all countries to achieve net zero by 2070 (many economies expected to reach by 2050 and China by 2060). The 1.5°C level is exceeded in the early 2030s and the rise in temperature peaks at just under 1.7°C around 2050.	A high-carbon scenario that takes into account current policy settings based on a sector-by-sector assessment of the specific policies that are in place, as well as stated and announced policies by governments around the world. Global average surface temperature rise would exceed 1.5°C around 2030, and emissions in 2050 are around 32 $GtCO_2$.
Time horizons	2025, 2030, 2035 and 2040	

Scenario analysis results

The results of Cinven's scenario analysis revealed certain climate-related risks and opportunities that may have an impact on operations of the portfolio companies of the Cinven Funds in the medium to long term. These results can be used to inform due diligence, as well as investment planning and strategy.

The scenario analysis exercise showed that, over the medium term, physical climate events may pose potential risks to some of the Cinven Funds' portfolio companies assessed, while certain elements of the transition to a low-carbon economy could create opportunities over the short and longer term.

In the summary heatmap below, the portfolio company-level results were aggregated to provide a sector-level overview of the potential climate-related risks and opportunities identified across the portfolio companies assessed. This heatmap is expected to evolve over time as further scenario analysis is conducted on more recent investments and as the portfolio changes – including with expected increased exposure to transition opportunities.

Summary heatmap of Cinven Funds' portfolio exposure (across relevant portfolio companies assessed in Cinven Funds 5, 6, and 7) to physical and transition risks and opportunities in 2030, aggregated to sector level

* Technology, Media and Telecommunications

Qualitative assessment of sector risks and opportunities

Cinven has also separately considered the potential exposure of the six sectors in which its Funds invest to different climate-related risks and opportunities through a qualitative assessment, in consultation with third-party advisers but without the use of climate data. This assessment is generic, rather than Cinven-specific. This exercise can be used to help inform assessment of the potential exposure of each of the different sectors, including to inform due diligence and investment planning and strategy. The table on the following page highlights some of the key risks and opportunities identified in this exercise.

Evolving Cinven's approach to scenario analysis

In 2022-23, Cinven refreshed its approach to assessing climate-related risk and opportunity across its funds' portfolio and for new investments. This included in 2023 conducting scenario analysis to understand and quantify the impacts of physical and transition risks and opportunities on the portfolio companies of the Cinven Funds, in line with upcoming UK regulation on climate disclosures. More detail on this approach will be provided in Cinven's 2023 TCFD report.

Potential exposure of Cinven's six sectors to some key physical and transition risks and opportunities, by sector

	Physical		Transition	
	Acute Risk	Chronic Risk	Risk	Opportunity
Business Services	Damages or blockages to transport routes, disrupting supply chain and limiting product/ service supply and market delivery	Reduction in efficiency due to extreme temperatures, reducing production/service capacity and impacting business operations	Increasing carbon price under the EU Emissions Trading Scheme (EU ETS) and other schemes worldwide levied at point of combustion, raising business costs	Shifting energy supply from fossil fuels to low-carbon options or renewable energy, reducing operational costs; developing new low-carbon products and services, increasing market share/customer demand
Consumer	Damages or blockages to transport routes, disrupting supply chain, limiting raw material supply, product/service supply and market delivery	Reduced production capacity due to disrupted energy supply, extreme temperatures or limitations to water availability for cooling systems	Higher demand for global vehicular and shipping transportation to be powered by electricity, causing increased logistics costs passed on by operators; increasing carbon prices passed down through suppliers, raising business costs; high-carbon products impacting market share and reputation with customers	Shifting energy supply from fossil fuels to low-carbon options or renewable energy, reducing operational costs; developing new low-carbon products and services, increasing market share/customer demand and reputational benefits
Industrial	Damages to infrastructure (e.g. production facilities or product storage), causing disruption to operations and requiring downtime whilst repairs take place	Reduced production capacity due to disrupted energy supply, extreme temperatures or limitations to water availability for cooling systems or manufacturing processes	Increasing carbon price under the EU Emissions Trading Scheme (EU ETS) and other schemes worldwide levied at point of combustion, raising business costs; changing policy/regulatory environment affecting energy use or emissions	Shifting energy supply from fossil fuels to low-carbon options or renewable energy, reducing operational costs; developing new low-carbon products and services, increasing market share/customer demand
Financial Services	Damages to infrastructure (e.g. offices) may cause disruption to operations, requiring downtime while repairs take place	Additional operational expenditure may be required to maintain comfortable working conditions (e.g. additional heating/cooling)	Reduction in revenue due to demand moving away from traditionally stable business investments within 'hard-to-abate' sectors	Opportunity to increase revenue by investing in growing renewable energy market
Healthcare	Damages or blockages to transport routes, disrupting supply chain, limiting raw material supply, product supply and market delivery	Reduced production capacity due to disrupted energy supply, extreme temperatures or limitations to water availability for cooling systems	Higher demand for global vehicular transportation to be powered by electricity, causing increased logistics costs passed onto healthcare businesses by operators	Shifting energy supply from fossil fuels to low-carbon options or renewable energy, reducing operational costs; developing new low-carbon products and services, increasing market share/customer demand and reputational benefits
TMT	Damage to infrastructure (particularly overground) may lead to connection disruption, disrupting service supply and requiring capital expenditure for repairs	Reduced operational efficiency due to extreme temperatures impacting efficiency or damaging transmission cables	Increasing carbon price under the EU Emissions Trading Scheme (EU ETS) and other schemes worldwide levied at point of combustion or passed on by suppliers, raising business costs	Commercial benefits from increased connectivity as technology allows new devices to connect to the internet; developing new low-carbon products and services, increasing market share/customer demand

Key

- Higher risk
- Moderate risk
- Lower risk
- Limited risk/ opportunity
- Lower opportunity
- Moderate opportunity
- Higher opportunity

Informing strategy to ensure resilience in the face of climate change

Cinven's Climate Strategy

In 2022, informed by its assessment to date of climate-related risks and opportunities facing Cinven and the Cinven Funds' portfolio companies, Cinven formalised its climate strategy. The strategy recognises that climate represents a key strategic priority for the firm and one of the highest priority ESG issues for its stakeholders, and signals the firm's ambition with respect to climate change.

Cinven's strategy aims to:

- Reduce the firm's operational emissions; and
- Reduce the firm's financed emissions, by supporting its funds' portfolio companies to reduce their own emissions in line with the Paris Agreement.

The strategy was widely socialised throughout the firm during the course of 2022, including through a training presentation, as well as with the portfolio companies of the Cinven Funds.

Integrating climate considerations into Cinven's strategy on deal origination: Amara NZero

Amara NZero is a B2B distributor of components used in the solar, wind, hydro and electrification end-markets. Drawing on its extensive experience in sustainable energy, Amara NZero is a key contributor to the transition to a low-carbon economy. Amara NZero serves as a value-added supply chain partner for suppliers and clients, distributing a comprehensive portfolio of products and offering services across three divisions: renewables, electrification and energy transition services. The acquisition of Amara NZero by Cinven Fund 7 was signed in April 2023 and completed in August 2023.

Through its detailed subsector work, Cinven's Business Services team had identified the distribution of energy transition products and services as an attractive market in which to invest given its strong, high-visibility and resilient growth characteristics. In reviewing Amara NZero as an investment opportunity, Cinven identified a number of key characteristics including: Amara NZero's direct exposure to the structural growth of the global energy transition market; its position as a value-added energy transition partner to clients and suppliers through its portfolio of products (including electric distribution components, solar photovoltaic panels, inverters and batteries, wind spare parts etc.) and services; and the company's specialist market know-how with its specialised, industry-leading technological expertise and advanced logistics capabilities.

Based on its focus on energy transition and decarbonisation, Fund 7's investment in Amara NZero is well-aligned with Cinven's ESG strategy, which seeks to contribute positively to the environment and society, both at the firm level and through its funds' portfolio companies.

Cinven has worked to implement various key workstreams within its climate strategy during 2022, specifically:

- Identifying key levers for decarbonisation at the firm level (see case study on 'Decarbonisation at Cinven' in 'Metrics and Targets' section);
- Prioritising portfolio companies for decarbonisation during the period they are owned by the Cinven Funds, and working with these companies to set science-based targets and develop decarbonisation plans (see 'Metrics and Targets' section); and
- Undertaking work to support Cinven in sourcing climate-related investment opportunities. The Cinven Funds subsequently made a number of relevant new investments which completed in 2023, including: Master Builders Solutions, which produces chemical admixtures and other sustainable solutions for the construction industry; and Amara NZero, a B2B distributor of components used in the solar, wind, hydro and electrification end-markets (see case study on previous page).

Cinven will continue to evolve its climate strategy and the various workstreams within it in response to an ongoing assessment of climate-related risks and opportunities faced by the firm and its funds' portfolio of investments.

Informing strategy at Cinven portfolio company, Restaurant Brands Iberia: delivering cost savings through a switch to renewable energy

Restaurant Brands Iberia (RBI) is a leading quick service restaurant platform in Iberia and the master franchisee for Burger King in Spain and Portugal, and for the Popeyes and Tim Hortons brands in Spain. Cinven Fund 7 acquired RBI in October 2021. Utility costs represent an average of 3-4% of total revenues for RBI. As part of the company's ESG VCP, the RBI team set out to establish a long-term energy contract to guarantee stability on energy prices, deliver cost savings, and increase the company's investment in renewable energy.

During 2022, Cinven supported six months of negotiations between RBI and several power generators. The process resulted in RBI signing a 10-year Power Purchase Agreement (PPA) with Iberdrola, covering over 75% of RBI's energy consumption (at signing) at a competitive price. The PPA significantly increases the proportion of RBI's energy needs met by renewable energy sources, from 5% in 2022 to approximately 75% in 2024. This PPA, together with solar rooftop development and installation of smart meters across many of RBI's stores and restaurants, represent a significant investment in renewable energy and in long-term energy efficiency.

Integrating climate considerations into portfolio company strategy

Cinven's ESG VCPs are an instrumental lever for embedding plans to address climate risks and opportunities into portfolio company strategies. The ESG VCP initiatives are informed by Cinven's due diligence findings and the climate risk and opportunity analysis undertaken. As part of the ESG VCP process, Cinven seeks to review and prioritise decarbonisation opportunities such as energy efficiency, renewable energy, electrification of vehicles, biodiversity initiatives and/or green product innovation. In addition, if new or additional risks arise during the ownership period of a portfolio company by the Cinven Funds, Cinven seeks to assess and manage them through direct engagement with the portfolio company management and development of incremental workstreams within the ESG VCP.

RISK MANAGEMENT

Cinven's processes for identifying, assessing, and managing climate-related risks, and integration into overall risk management

Investment decision making

Cinven's approach to identifying, assessing and managing climate-related risks begins at the origination stage of Cinven's investment process. Climate factors form part of the early-stage screening of investment opportunities through the application of the ISF (see 'Governance' section) and on a materiality basis in pre-acquisition due diligence processes.

The firm seeks to understand the climate-related risks that might be relevant for an investment, whether current risks, or risks that could materialise as future liabilities or impact the investment thesis overall. Early on, Cinven also evaluates climate-related opportunities and how these might be leveraged during the ownership of the Cinven Funds (see 'Strategy' section). The types of risks and opportunities considered at the pre-investment stage could include, for example, the carbon emissions profile and energy consumption of a company, the company's potential decarbonisation levers (including costs to implement and potential upsides), climate-related products and services, and specific physical and transition risks and opportunities relevant to the company.

The Deal team evaluates climate factors during the investment process to determine the most significant climate-related issues for each company, and how these can be managed during the ownership period of the Cinven Funds. This enables the Deal team to engage with the relevant internal and external stakeholders (including the Investment Committees, Executive Committee, external ESG advisors, limited partners, insurance providers and lenders) appropriately on climate-related risks and opportunities where necessary. Should material ESG risks be identified during this early stage, Cinven evaluates whether further assessment is required on a case-by-case basis. If a material risk is identified, it will be considered by the relevant Investment Committee, ESG Steering Committee, the Manager Boards and, if deemed necessary, the Executive Committee. Where climate risks are deemed to exceed Cinven's risk threshold, Cinven will not pursue the investment opportunity.

Single-use plastics business

Cinven's Consumer team evaluated an investment in a European beverage bottle producer for retailers and A-brands. The company produced packaging for soft drinks and fruit juices in a variety of packaging formats and sizes, offering plastic, glass, aluminium and carton packaging. Manufacturing single-use plastic packaging forms a core part of the business's activities.

As part of its assessment of the investment opportunity, the Cinven Deal team considered its alignment with Cinven's ESG principles and purpose, including Cinven's commitment to avoid investing in companies that cause material environmental harm which cannot be mitigated, remedied or transformed during the relevant Cinven Fund's ownership period, as well as Cinven's core environmental principles including mitigating climate change, responsible production and consumption, protection of water and marine resources, pollution prevention and control and management of waste.

Cinven determined not to proceed with the investment opportunity on ESG grounds.

Ownership

During the Cinven Fund's ownership period, Cinven engages with the management teams of portfolio companies to identify and understand the implications of climate-related risks, whether related to carbon emissions, physical climate events or the transition to a low-carbon economy. Integral to this is the scenario analysis exercise described in the 'Strategy' section, designed to focus the firm and portfolio companies on the material risks presented under different scenarios and timeframes.

Management teams of the portfolio companies are expected to integrate results and recommendations of the near-term risk assessment into business planning, with support from Cinven's Deal teams, Portfolio team and ESG team, as appropriate. This ensures effective oversight of the evolution of both climate-related risks and opportunities at portfolio companies. To support effective management of climate-related risks and opportunities, Cinven has increased its focus on equipping its Deal teams and the Cinven Funds' portfolio companies with the necessary competencies to address ESG risks and opportunities, including a focus on climate. Over the course of 2022, Cinven hosted a series of presentations, panels and workshops for Deal team members and portfolio companies on climate change topics such as science-based targets and measuring carbon footprints. Cinven continues to proactively seek to further enhance its approach to managing climate-related risks, including by optimising its engagement with portfolio company management teams as a key strategic priority, as illustrated by the Restaurant Brands Iberia case study in the 'Strategy' section above.

Managing climate-related risks and opportunities through training and information-sharing across the portfolio companies of the Cinven Funds

In November 2022, Cinven held its annual ESG conference at Cinven's London office, which was attended by representatives from more than 30 portfolio companies. Climate change was a prominent topic across many of the sessions, with Cinven and portfolio company representatives sharing knowledge and experience across topics including:

- Setting climate targets and developing decarbonisation plans;
- Identifying and developing climate-related value creation opportunities; and
- Collecting climate-related data

Cinven continues to work towards further strengthening its management of climate risks and opportunities. In 2022, with the support of external advisors, Cinven conducted a TCFD-aligned 'gap analysis' to identify current strengths and areas for further improvement across the firm's climate-related governance structures, risk management processes, strategy and performance metrics. Cinven is continuing to implement the recommendations that emerged from this gap analysis.

METRICS AND TARGETS

Cinven believes that setting targets and measuring progress is crucial to addressing climate change. Cinven has implemented systems to regularly collect data, both at the firm level and from the Cinven Funds' portfolio companies, to enable it to assess and manage climate-related risks and opportunities and drive forward positive change.

Metrics

Among the broader set of ESG metrics that Cinven collects from the Cinven Funds' portfolio companies are:

— Carbon emissions by Scope 1, Scope 2, and Scope 3 where possible
— Total energy consumption, and the proportion of total energy consumption that is renewable
— Where material to, and relevant for, a portfolio company, additional metrics such as water consumption and waste as bespoke KPIs

Together, the climate-related KPIs are designed to improve performance across the Cinven Funds' portfolio companies including through more effective carbon and energy management. Cinven will continue to work closely with the portfolio companies of the Cinven Funds with the aim of improving performance across these metrics over time, and to shape climate initiatives within the ESG VCPs – for example, to identify additional climate-related opportunities in renewable energy and energy efficiency, considering each portfolio company's sector and geography, and the potential climate impact and return on investment of potential initiatives.

Developing lower-carbon packaging: Partner in Pet Food ('PPF')

PPF is a leading European private and branded label pet food producer, supplying more than 600 customers, including major grocery retailers, supermarkets, specialised pet shops, and veterinarians in c. 40 markets. PPF is one of the largest producers of retailer brand wet and dry pet food in Europe.

PPF's packaging and procurement team has been focused on sustainability for several years. The team sources recyclable packaging for dry pet food for PPF's partners and own brands. In particular, the team has made a number of packaging improvements, including the development and introduction of new packaging (i.e. pouches) that has a lower carbon footprint. Amongst other commitments, PPF has committed to ensuring 100% of its dry portfolio's own sourced packaging material is recyclable by the end of 2024 (please see PPF's 2022 sustainability report for further details here).

Cinven's 2022 Scope 1, 2 and 3 emissions

The firm's Scope 1, 2 and 3 emissions for 2022 are set out in the table on the right. This does not include Cinven's estimated financed emissions.

Operational Emissions	2021 (tCO_2e)	2022 (tCO_2e)	Note
Total Scope 1	**14**	**1.1**	
Natural Gas	1.9	1.1	
Refrigerants and fugitive emissions	11.9	–	Work is in progress to improve data quality; an inventory of offices' refrigerant sources intended to take place in 2024.
Total Scope 2 (Location-based) **Total Scope 2 (Market-based)**	**163** **88**	**178.6** **61.9**	Location-based emissions increased due to a slight rise in energy usage in London and Guernsey offices. Market-based emissions reduced as London office switched to 100% renewable energy in November 2021.
Total Scope 3	**247**	**6,803.7**	
1 Purchased goods & services	**15**	**5,305.5**	Spend-based data. Category 1 saw a marked increase as 2021 data included water supply purchases only; 2022 data includes a more complete inventory of purchased goods & services.
3 Fuel- and energy-related activities	**20**	**78.2**	
5 Waste generated in operations	**1**	**–**	Category 5 was calculated in 2021 but has since been deemed to be immaterial and was excluded from scope for 2022.
6 Business Travel	**99**	**1,488.6**	Category 6 saw a marked increase from 2021 to 2022, in part due to a rise in commercial air travel (fewer flights were taken in 2021 due to Covid-19 travel restrictions). Emissions from hotel and taxi use have also been included for the first time in the 2022 calculations.
Commercial Air Travel	97.5	1,390.9	
Taxi	–	68.6	
Rail Travel	1.7	3.9	
Hotel	–	25.1	
7 Employee commuting	**112**	**–**	For its 2021 footprint, Cinven worked with advisors to estimate emissions from employee commuting. Cinven has not estimated emissions for this category for 2022 and will consider its approach going forward.

Emissions were calculated using the GHG Protocol. This data has not been independently assured. In 2022, Cinven switched to a new provider for its emissions calculations and collected a more comprehensive dataset, which has led to the overall increase in emissions calculated. Some data gaps remain – see 'Notes' column on the emissions table for details.

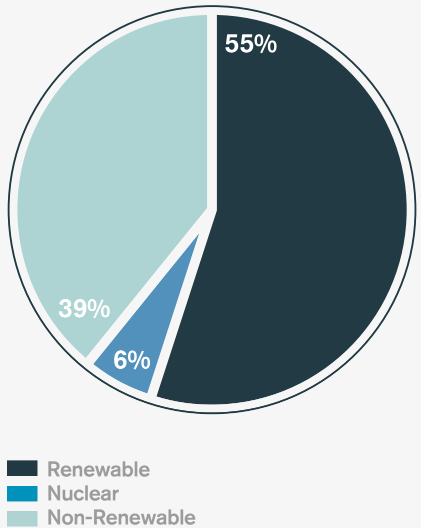
Cinven's Scope 3 category 15 emissions (not included in the table above) encompass the firm's financed emissions, i.e. the total emissions of the Cinven Funds' portfolio companies. Cinven is committed to improving data visibility and is continuing to work towards gathering accurate Scope 3 category 15 financed emissions data. Over the course of 2022, Cinven continued to support its funds' portfolio companies to improve their data collection and data accuracy. Among other things, Cinven identified carbon footprinting software partners and worked with portfolio companies to implement the software, with the aim of enabling more robust and regular reporting of Scope 1, 2 and (where relevant) 3 emissions to Cinven.

As reported in Cinven's 2021 TCFD report, it is clear from the initial estimated 2021 baseline that Cinven's financed emissions comprise more than 99% of the firm's total GHG emissions. This highlights the importance of the firm's continued decarbonisation work with the portfolio companies of the Cinven Funds alongside Cinven's own decarbonisation at the firm level. In particular, Cinven found that approximately 85% of its financed emissions came from four portfolio companies in 2021. This is due to emissions in their production processes and/or value chains. These top four emitters are actively managing their emissions with Cinven's support, including through science-based targets and decarbonisation plans.

Decarbonisation at Cinven

A key lever for helping Cinven reduce its own Scope 1 and 2 emissions is to switch to renewable energy contracts at its offices where practically and financially viable. Cinven is already increasing its renewable energy usage as a percentage of total energy used at its offices. Its London, Milan and Luxembourg offices – which together make up over 53% of Cinven's total office space and over 70% of Cinven staff – run on 100% renewable energy. Further work is underway to improve this percentage, including work by other offices to switch to renewable energy in 2023. More detail will be provided in Cinven's 2023 TCFD report.

2022 Cinven Offices Renewable %



Targets

Cinven believes that private equity has a significant role to play in addressing climate change, and the firm is making commitments to drive towards positive change. The firm and Cinven Funds' portfolio company data collected by Cinven, together with the trends emerging from the data, continue to be utilised by Cinven to inform its approach to target setting, with Cinven able to periodically evaluate how ESG performance is tracking against targets.

Cinven has focused on tangible climate action through near-term goals. The firm submitted firm-level emissions reduction targets to the certifying body, Science Based Targets initiative (SBTi), in December 2022, and the targets were approved and published in September 2023.

Specifically, Cinven's science-based target is to achieve:

42%

reduction in Cinven's absolute Scope 1 and Scope 2 (operational) GHG emissions by 2030 from a 2021 base year.

100%

of eligible private and listed equity investments by invested capital setting SBTi-validated targets by 2030, from a 2021 base year.

Please see here for further detail.

In 2022, Cinven agreed a fund-level SLL in conjunction with the refinancing of its existing bridge facility. The SLL incorporates climate and wider sustainability performance targets. Through the implementation of the SLL, Cinven continues to build on its commitments to ESG and to creating value for the Cinven Funds' investors and portfolio companies, and for wider society, by embedding ESG matters throughout all stages of the investment lifecycle and supporting portfolio companies to become more sustainable during the ownership period of the Cinven Funds. One of the key performance targets of the SLL is the proportion of eligible portfolio companies of the Cinven Funds with a decarbonisation plan aligned to the Paris Agreement.

As part of its work towards achieving its science-based targets and its Sustainability Linked Loan targets, Cinven is proactively engaging its funds' portfolio companies to set their own emissions reduction targets and decarbonisation plans.

Over the course of 2022, Cinven supported six portfolio companies to set science-based targets and develop decarbonisation plans, as well as a number of others that are still in the process of doing so.

KEY FOCUS POINTS FOR 2023

Cinven is committed to building on the progress it has made in recent years, including working on the following climate priorities in 2023:

- Continuing to support the Cinven Funds' portfolio companies to set science-based targets and develop decarbonisation plans, in line with Cinven's commitment to support portfolio companies to become more sustainable during the ownership of the Cinven Funds, and in line with Cinven's own climate targets.

- Further working with portfolio companies to incorporate climate-related initiatives into their ESG VCPs, including reducing carbon emissions, mitigating climate risks and leveraging opportunities associated with the transition to a low-carbon economy.

- Identifying and implementing practical solutions to reduce Cinven's operational (Scopes 1 and 2) emissions.

- Continuing to include climate related-opportunities in Cinven's deal origination.

- Further strengthening portfolio company data collection and reporting, particularly with regards to emissions data.

- Preparing for mandatory entity-level and fund-level climate disclosures by June 2024, as per UK regulation.

- Working with industry initiatives to develop further guidance on decarbonisation for the private equity industry.

Note on regulatory requirements:

This report is not intended to be an FCA-compliant TCFD report. Cinven expects to publish its first FCA-compliant TCFD report by June 2024, in line with regulatory requirements.