ONE PLANET SWF NETWORK

EXECUTIVE BRIEF

WORKSTREAM: HARMONISING CLIMATE DATA FOR PRIVATE MARKETS. THE ONE PLANET CLIMATE DISCLOSURE GUIDANCE FOR PRIVATE MARKETS

TABLE OF CONTENTS

1. Executive Summary

The One Planet Sovereign Wealth Fund Network (the Network), which includes members from the One Planet Sovereign Wealth Funds (OPSWF), the One Planet Asset Managers (OPAM) and the One Planet Private Equity Funds (OPPEF), was established to accelerate efforts to integrate the opportunities in the transition to a low greenhouse gas emissions (GHG) economy, and address the risks related to climate change in the management of large, long-term and diversified asset pools.

Sovereign Wealth Funds (SWFs) own approximately 16% of global private equity assets under management and are therefore in a unique position to promote long-term value creation and sustainable outcomes in the private markets.[1]

[1] SSGA: How do Sovereign Wealth Funds Invest?; April 2022

Given the growing climate change challenge and its increasing effect on investment behaviour and decision making, all companies in the finance sector need to understand and assess their exposure to climate-related risks, the management of these risks, and how they are positioned to capture the opportunities in the markets' transition to a more sustainable future. In recognition of this need, OPSWF and OPAM endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2020.[2] At that time, OPSWF outlined that 'where companies and managers are not reporting material financial risks in line with the TCFD… we will offer guidance on disclosures and use engagement to drive progress in the market.'

Recognising the Network's influence in the private equity (PE) space and the investment risk that results from the lack of climate-related data disclosure from private asset managers, the Network has produced the One Planet Climate Disclosure Guidance for Private Markets (Disclosure Guidance). This guidance is a result of wide-ranging interviews, research and a collaborative internal discussion across the Network.

The Disclosure Guidance represents the operationalisation of OPSWF members' existing endorsement of TCFD and is designed to complement and align with existing investor climate frameworks. The TCFD outlines four sections of disclosure: Governance, Strategy, Risk Management and Metrics and Targets. The Disclosure Guidance is intended to showcase how private asset managers can disclose in accordance with the Metrics and Targets element of the TCFD. It outlines five levels of climate data disclosure maturity for private assets, starting with an ambitious yet achievable first step on carbon footprint estimation that can be implemented immediately across private markets strategies, which gradually progresses to comprehensive fully measured, reported and verified footprints. In fact, some private asset managers are already achieving the higher levels of Disclosure Guidance today.

The Disclosure Guidance also identifies the core metrics to begin or support the development of effective analysis on climate-related risks and opportunities for private assets.

In alignment with our objective to offer guidance on disclosures and to use engagement to drive progress on TCFD implementation, the Network strongly encourages private markets asset managers to meet the expectations of Level 1 of the Disclosure Guidance, including estimating carbon footprint, by year end 2023.

By developing and promoting the use of the Disclosure Guidance, the Network hopes that climate data disclosure across the private asset manager industry will accelerate. Increased disclosure will enable and increase market integration of quantitative climate analysis into investment processes and drive more informed decision-making.

[2] OPPEF was established in 2020 and subsequently endorsed the recommendations of the TCFD in 2021

2. The One Planet Network's Private Assets Influence

Members of the Network hold an influential leadership role in the private markets sphere given their collective scale, global reach and experience.

The Network is comprised of 45 members, including 18 SWF members through OPSWF, 18 asset managers through OPAM, and 9 private investment firms through OPPEF.

The Network represents over $37 trillion of assets under management (AUM) and ownership, with representation from around the world. As the world's only SWF-focused climate initiative, many of the world's largest SWFs are represented within OPSWF.

In relation to PE, recent studies suggest SWFs as a group own roughly 16% of global PE AUM, driven by significant growth over the last decade as SWF asset allocations to private markets increased from 13% of their total in 2007, to 26% in 2020. This is particularly true of SWFs in the Middle East & North Africa, whose average PE allocations are estimated at 35%.[3] With PE AUM growth forecasted to outpace other asset classes in the coming years, this figure is likely to increase.

OPSWF members invest both directly and indirectly - via funds - into private assets. Within the Network, OPPEF is entirely focused on private markets and provides support and knowledge exchange to their SWF peers and clients. Across the Network, most of the world's largest PE firms are represented through either a Limited Partner (LP) or GP position.

3. The Network's Support of the TCFD

In 2020, both OPSWF and OPAM endorsed the recommendations of the TCFD. OPPEF, established in 2020, followed by endorsing TCFD in 2021. At the time of the initial announcement in 2020, the Network outlined that, 'where companies and managers are not reporting material financial risks in line with the TCFD… we will offer guidance on disclosures and use engagement to drive progress in the market.'

As significant investors into private markets, OPSWF are acutely aware of the lack of robust climate data within the private markets sphere. This issue limits the analysis and understanding of current and future potential environmental and financial impacts related to climate change, and reduces the ability of the financial sector to accurately measure financial flows acting to support the climate transition.

In line with its original announcement on TCFD support, the Network convened to review how it might play a stewardship role in addressing the issues presented by a lack of robust climate data in the private

[3] SSGA: How do Sovereign Wealth Funds Invest?; April 2022

assets space. The objective was to provide pragmatic guidance in support of the operationalisation of the recommendations of the TCFD across the private markets. The guidance should not only deliver stronger climate data to enable the possibility of better financial and environmental outcomes for the Network members, but also for the private markets sector as a whole.

4. Background: The Data Problem and Opportunity

The Network spent several months in discussions, conducting interviews with market participants and undertaking desktop research to understand the challenges as well as the potential solutions and opportunities that surround the availability of climate data in private markets.

Climate as a value creator – transition opportunities

Sustainability issues create significant short- and long-term financial risks and opportunities to business. This is especially true in both the climate and private markets space.

In McKinsey's latest Global Survey on valuing ESG programmes, 83% of C-suite leaders and investment professionals say they expect that ESG programmes will contribute more shareholder value in five years than today. Just 3% of respondents said they believe such programmes reduce shareholder value.[4]

The case in private markets is even clearer. In 2020, the consultancy Environmental Resources Management (ERM) conducted a study focusing on ESG issues in private markets of more than 50 PE firms. 93% of respondents overwhelmingly agreed that focusing on ESG themes would generate good investment opportunities.[5]

Of all ESG issues, a 2022 study by Bloomberg[6] across a range of market actors found that 55% of respondents saw environmental factors as likely to contribute the most to a company's shareholder value. As preferences from the public become greener, and governmental policy develops to meet decarbonisation targets, companies will face strong market tailwinds for sustainable products and practices. In contrast, those with negative environmental externalities will face increasing challenges.

A lack of private markets climate data delays implementation

A 2022 joint study from the Institutional Limited Partners Association (ILPA) and Bain found that fewer than 25% of GPs were able to provide data on scope 1 and 2 emissions when it was requested.[7] The 2021 report from the US environmental-focus investor group Ceres, in partnership with ERM, highlighted, among other things, limited access to high quality data and the lack of universally adopted and mandated frameworks

[4] McKinsey & Company: The ESG Premium: New perspectives on value and performance; February 2020
[5] Ceres & ERM: The Changing Climate for Private Equity; June 2021
[6] Bloomberg Media: Sustainable Future Study; July 2022
[7] ILPA & Bain: LPs and PE firms embrace ESG; 2022

and standards as key obstacles hindering faster integration of climate considerations into PE investment practices.[8]

While reported data from public entities has increased significantly in quality and quantity in recent years, disclosure from private entities remains low. In 2021, a joint analysis by CDP and Bain estimated that companies representing two thirds of global public market capitalization reported environmental data to CDP, of which 88% reported scope 1 and 2 greenhouse gas emissions. However, for the same period, it was estimated that companies representing less than 1% of global private market capitalization were reporting environmental data to CDP, of which only 49% reported scope 1 and 2 greenhouse gas emissions. The difference was even more stark for scope 3 emissions, with only 29% of reporting private companies providing scope 3 emissions versus 70% of their public peers.[9]

There are regional variations to this issue. While existing and incoming regulation across Europe and some major Asian financial centres such as Hong Kong and Singapore are set to mandate carbon reporting for some large private companies, there currently exists no similar private company reporting requirement in the US or in many developing markets. Given more than half of global private market AUM is in vehicles targeting North American investments,10 this reporting gap is substantial. Furthermore, across most developing markets, the carbon reporting regulatory environment and carbon measurement ecosystem are in the early stages of development. This adds incremental complexity for local businesses to collect and disclose reliable climate data and negatively impacts the ability of investors to integrate the impacts of climate change into investment decision-making processes.

The challenge of gathering and reporting climate data

The lack of fundamental data prevents informed decision making by investors, resulting in the assumption of unknown and unquantified risks and potentially sub-optimal financial and environmental outcomes.

Importantly, private entities and companies in the emerging and developing markets are no less exposed to climate risk than their public and developed market peers. Indeed, the nature of PE lends itself well to transforming companies to take advantage of, and become more resilient to, the climate transition. As the Science Based Targets initiative (SBTi) highlights, 'through their long-term investment strategies and considerable influence over their portfolio companies, PE firms or GPs are well positioned to support portfolio companies for a low-carbon transition'.[11]

Guidance that currently exists in the market is limited when specifically looking at climate data disclosure in private markets. The TCFD, for instance, identifies that investors should disclose GHG emissions for assets they own where data and methodologies allow. From the Network's experience and research, it became clear that the average GP is struggling to deliver the first and most basic step of climate data disclosure: how to initiate the collection and disclosure of emissions data. To that end, many private asset

[8] Ceres & ERM: The Changing Climate for Private Equity; June 2021
[9] Bain & Company: Closing the Public-Private Environmental Transparency Gap; May 2022
[10] McKinsey & Company: Private Markets Annual Review 2021; March 2022
[11] SBTi: Private Equity Sector Science-Based Target Guidance; November 2021

managers that do not currently disclose climate data are not reluctant to do so, but rather struggle with a lack of resources and/or tactical knowledge on how to implement the gathering and reporting of climate-related data to their stakeholders.

The multitude of disclosure frameworks, which may make sense to the ESG professional, are a source of confusion to non ESG-dedicated practitioners. Bringing clarity to such parties by indicating a clear and appropriately achievable starting point, as well as a path to improved performance over time, will help non-specialised market practitioners take the crucial first step of initiating the process of climate integration into the investment and asset management process. Overcoming this barrier will also help enable GPs and others to operationalise existing and sophisticated climate-related tools and frameworks that exist in the market, some of which are outlined in the Appendix. Another challenge is a lack of a universally agreed taxonomy for what constitutes as 'green' activities.

The climate data gap leads to significant investment risk and lost opportunities

Limited or non-existent data reduces the potential to create and deliver strong value creation models, and similarly misses risks that a portfolio company may be exposed to, potentially destroying value.

- **For GPs,** better data on the climate performance of their portfolio companies will help management teams identify the climate-related risks and opportunities to which they are exposed. The ability to implement effective climate-related value creation and risk mitigation and adaptation strategies will increase as the quality and coverage of actual climate-related data develops.

  An additional challenge identified by GPs is the numerous and varied LP climate data requests which takes significant internal resource. Such inefficient data requests results from the multitude of ESG reporting standards and frameworks, as noted above. The lack of standardization is not only a considerable strain on resources, but also inhibits convergence around a common data gathering and reporting regime. A clear articulation of base climate data requirements adopted by a material group of LPs would allow GPs to provide more data with less resources by enabling them to focus resources on driving delivery of a single output for a wider group of stakeholders. This would have the substantial added benefit of freeing up GP ESG and asset management team resources to focus on developing value creation and resilience plans for their portfolio companies.

- **For Asset Owners,** the inconsistency and lack of climate data within private markets limits the ability to establish portfolio-wide climate strategies and to fully integrate climate-related opportunities and risks into their portfolio decision-making. According to McKinsey, LPs remain below their target allocations for private market asset classes,[12] suggesting that as institutional investors increase their private asset allocations in the coming decade, this issue will only compound.

  If asset owners are provided with comprehensive climate data, they can greatly increase the insight

[12] McKinsey & Company: Private Markets Annual Review 2021; March 2022

they have into their individual investments as well as their wider private market portfolios. In turn, this would provide asset owners with a significant opportunity to implement portfolio-wide decarbonisation and/or low emission strategies, including consideration of circular approaches (e.g. Circular Carbon Economy[13]) through the integration of asset- and portfolio-level climate considerations into their investment lifecycle in a manner consistent with their individual operating model and objectives.

As the market for private assets grows over the coming years, with PE AUM forecast to almost double between 2020 and 2025, having tripled in the preceding 10 years,[14] these problems will compound if a solution does not emerge.

Based on the above and being well placed to offer stewardship and clear guidance on the practical implementation and operationalization of TCFD, the Network identified two key market needs. First, to encourage and guide the significant majority of private market companies to measure and report their emissions for the first time by providing the Network's shared view on an appropriate starting point for private asset climate data disclosure. Second, to provide insight into what incremental levels of improving climate data disclosure maturity may look like.

5. Principles of the Network's Disclosure Guidance

Based on the Network's research and conversations with a wide range of market participants, a number of guiding principles have been identified to inform the establishment of the Disclosure Guidance:

1. Leverage existing consensus on TCFD to drive voluntary implementation

TCFD is now supported by over 2,600 firms across the globe, including 1,069 financial institutions responsible for $194 trillion worth of assets. It is being endorsed by private and public bodies alike, forming the basis of country reporting requirements across many jurisdictions such as the European Union, the UK, New Zealand and Singapore. Collectively, the Network is a supporter of the recommendations of the TCFD and seeks to promote the principles of the TCFD through effective stewardship as LPs.

2. Focus on improving core data

The lack of climate data is a first principles problem: without robust climate data, it is impossible to take meaningful and informed investment decisions in relation to climate considerations. Furthermore, all market participants and stakeholders can benefit from the improved decision-making, transparency and insight that comes with stronger data quality. Any guidance that the Network provides should focus solely on strengthening the quality and coverage of climate data disclosure to improve strategic analysis

[13] https://www.cceguide.org/resources/
[14] Ceres & ERM: The Changing Climate for Private Equity; June 2021

for investment decision-making. How different organizations utilize improved data will be driven by the various operating models, requirements and objectives of each organization independently.

3. Concentrate on mature private equity

The lack of robust climate data affects the whole private markets sphere. However, there is much variation in how different strategies operate within this broad asset class. Asset classes such as private debt, strategies within PE such as pre-revenue venture capital and secondaries, and built assets in the construction phase have unique challenges, which are recognised as outside the scope of this initial exercise.

Private equity-style portfolio companies in the buyout and operating infrastructure and real estate markets are at a stage of maturity and have operating models, which can generally allow for disclosure and effective incorporation of climate integration strategies.

4. Harmonise the 'ask' for private assets climate data

One common theme from GPs is their frustration and confusion in reporting climate data to LPs. As outlined earlier, LP climate disclosure requests can be numerous and inconsistent, due to the relative nascency of the topic and the many frameworks and disclosure requirements that exist.

Many private market participants clearly outlined preference for a common set of disclosure points. LPs are in a position to be able to unify and simplify such data requests, and any guidance the Network develops should help establish this consensus, while recognising that adoption of such disclosures must consider regional and national laws and regulations.

5. Identify the starting point to initiate the journey

Interviews with GPs outside of the Network suggested that many firms are in favour of developing their climate data disclosure and integration strategies, but are unsure how to begin and then continue the journey. This was especially true of smaller, more resourceconstrained GPs, as well as investors located in jurisdictions where climate reporting is in its regulatory nascency.

Articulating clear guidance on a first step achievable by all market actors will help identify a common baseline for climate reporting as well as enable the necessary market momentum to build around a common approach. Once this has been established, the path forward to more complete climate disclosure should be more identifiable and tangible for market actors from both an internal process and a technical point of view.

6. Move the market, not just the leaders

Most climate collaborations currently focus on developing best practice, doing important work by forging a path, which leads the way for the market.

However, the majority of market participants are not members of such initiatives and do not adopt their recommendations, as evidenced by the finding from ILPA and Bain that fewer than 25% of GPs were able to provide data on scope 1 and 2 emissions all or most times it was requested.

Given OPSWF members' market position holding significant LP positions across the private markets fund universe, OPSWF is uniquely positioned to influence and address the market as a whole and to establish and provide momentum behind an achievable first step for all private asset managers to begin or accelerate their climate integration journey.

7. Take action in anticipation of regulation

Climate data regulation is increasing worldwide, albeit with notable regional differences. In many countries, regulation currently is, and will continue to, affect climate reporting requirements from private assets. Providing guidance and engagement on basic, commonlyagreed climate data disclosure can help prepare GPs and their portfolio companies to be appropriately positioned for potential regulatory changes.

8. Recognise the specific needs of developing countries

Generally, financial market participants in developing countries have much less access to quality climate-related data. This is due to a variety of reasons, such as a lack of regulatory enforcement, limited resource and local expertise. While the collection and reporting of data is less mature, firms in such countries can be particularly vulnerable to the adverse effects of climate change. The Network recognised this, in determining an achievable first step for market participants.

6. The One Planet Climate Disclosure Guidance for Private Markets

Aware of the current situation of climate data disclosure in private markets, and the inherent risks that investors face because of this, the Network drew on market dialogue and the principles identified above to develop the One Planet Climate Disclosure Guidance for Private Markets, **as presented on the following page.**

.

The goal of the Disclosure Guidance

The objective of the Disclosure Guidance is to articulate a basic level of climate data disclosure that private asset managers can action immediately, as well as to set out an achievable potential evolution of data disclosure maturity. In progressing through the levels of maturity, the quality of data, the coverage of this data, and the level of insight into climate risk management increases. As such, they represent OPSWF members' existing endorsement of TCFD by providing guidance to private assets managers on TCFD's Metrics and Targets element. By developing and promoting usage of this Disclosure Guidance, the Network hopes that climate data disclosure across private markets will accelerate, helping to address the issues and risks outlined in this Brief.

The Disclosure Guidance in practice

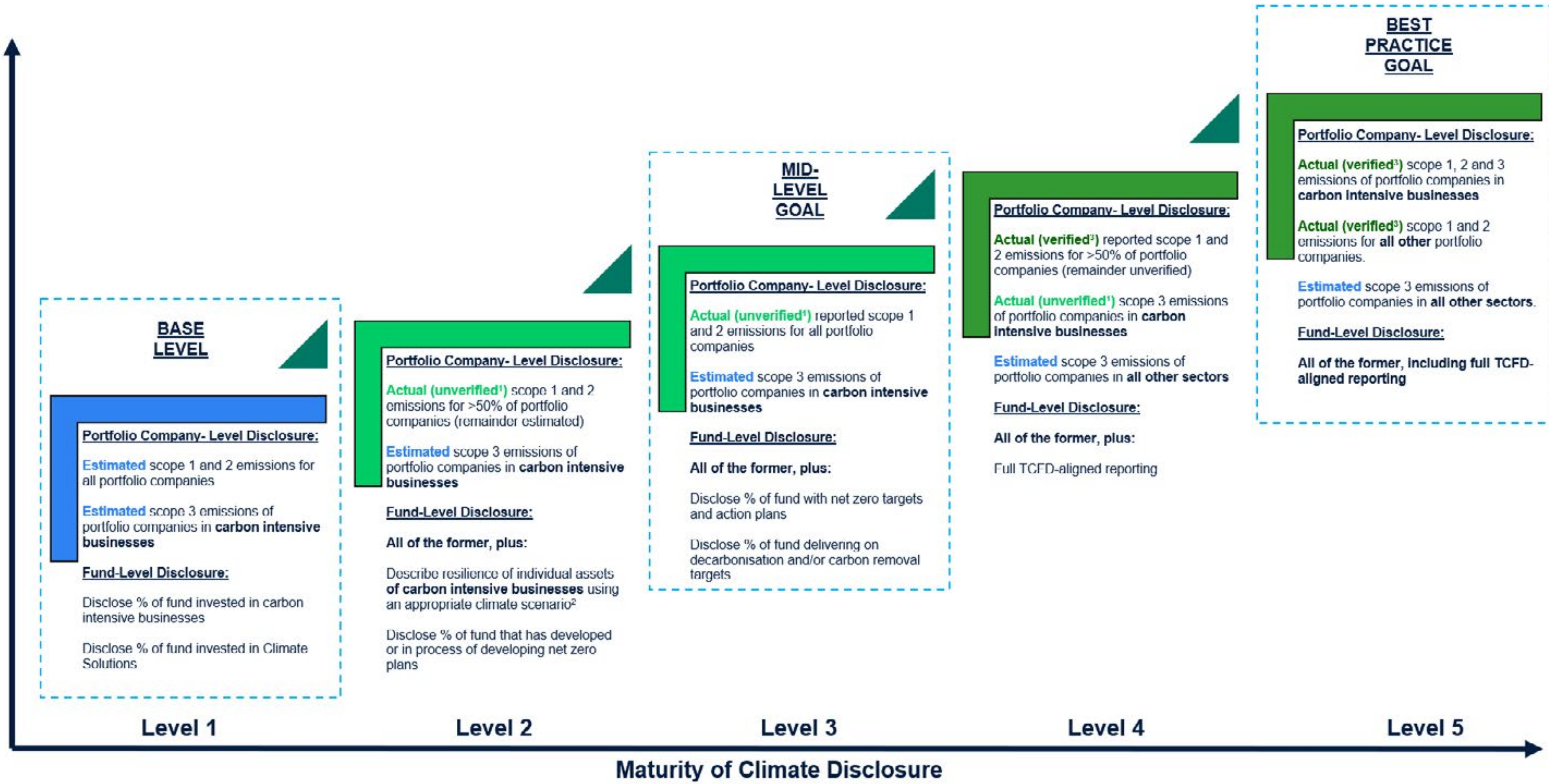
The Disclosure Guidance sets out five levels of maturity and outlines base climate data that private markets asset managers can begin to effectively incorporate into their strategies, and that LPs believe can be decision-useful for their own practices. It identifies two types of reporting from GPs; at the portfolio company level and at the fund level:

- **Portfolio company level:** The Disclosure Guidance outlines basic estimated GHG emissions data as Level 1 disclosure. While estimated data is an appropriate starting point, GHG emissions disclosure should evolve to contain actual reported (but unverified) data, and, finally, actual reported and fully verified data, as efforts are made to increase data availability and resources.

- **Fund level:** The Disclosure Guidance identifies easily aggregated data as a start point, before moving to more focused, TCFD-style disclosure.

More complete guidance and FAQ on the Disclosure Guidance is presented in the Appendix.

One Planet Climate Disclosure Guidance for Private Markets



[1] refers to reported emissions being calculated in line with the GHG Protocol without verification by a third-party auditor
[2] an appropriate climate scenario would include alignment with 1.5 or 2 degree pathway and with a country's Nationally Determined Contribution
[3] refers to reported emissions being calculated in line with the GHG Protocol and verified by a third-party auditor, e.g., by a standard acceptable to CDP

This Guidance has been designed to cover the following strategies within the private markets space: buyout and growth private equity, private equity style strategies in the infrastructure and real estate sectors (operating only)

Level 1 as an achievable first step for all

Level 1 Disclosure has been identified as fundamental and achievable for private asset market participants[15]. It is notable that many private market actors are currently at a higher level of maturity than Level 1, and it is encouraged that all firms strive to be at the highest level of maturity they can expect to reach. However, Level 1 represents a level of disclosure feasible for private asset managers15, given that basic climate data can be estimated from common company operational and financial data and using free publicly available tools. Basic resources have been identified in the Appendix to assist market participants to achieve Level 1 disclosure and beyond.

In alignment with our objective to offer guidance on disclosures and to use engagement to encourage progress on TCFD implementation, the Network strongly encourages private markets asset managers to meet the expectations of Level 1 of the Disclosure Guidance, including estimating carbon footprint, by year end 2023.

Outlining the pathway to increasing maturity

The Disclosure Guidance identifies the fundamental level of climate data disclosure and describes improvements in the maturity of disclosure. While the development of estimated data is a good and necessary start to understanding high-level risks and opportunities, more decision-useful data for portfolio companies will emerge when actual carbon footprints are available and deeper analytical approaches, such as scenario analysis, are performed and reported. As such, private market asset managers are encouraged and expected to progress the maturity of their climate data disclosure in line with higher Levels of the Disclosure Guidance.

As climate regulation develops globally and the market continues to progress at pace regarding climate-related issues, the Network expects to revisit the Disclosure Guidance over time.

7. Conclusion

Given both their influence and long-term investment horizons, SWFs and the Network are in a unique position to promote long-term value creation and sustainable market outcomes.

One particular area that the Network recognises as a significant and poorly defined risk to their asset pools results from the lack of climate data within their private market portfolios. Climate data is a first principles issue: without access to this data, investors cannot identify or analyse the climate-related risk and potential opportunities that exist in their portfolio companies, and by extension, their overall portfolios.

[15] OPSWF has recognized these investment strategies as in-scope of the Disclosure Guidance: buyout and growth private equity, and/or private equity-style strategies in the operating infrastructure and real estate sectors. Out of scope strategies include: private debt, pre-revenue venture capital, assets in the construction phase within infrastructure and real estate, and private equity strategies such as secondaries and fund-offunds are not in scope. Implementation of the Disclosure Guidelines should always consider relevant legal and regulatory environments.

The One Planet Climate Disclosure Guidance for Private Markets, which has been developed by a material group of LPs with the support of market-leading private asset manager peers, is designed to directly address this issue. It recommends basic climate data disclosures that should be implemented by private asset managers, and presents a potential pathway that can lead to strong climate data disclosure maturity.

The Network strongly encourages private markets asset managers to meet the expectations of Level 1 of the Disclosure Guidance, including estimating carbon footprint, by year end 2023.

8. Appendix

Guidance on the Disclosure Guidance: FAQ

1. What is meant by estimated, actual reported, unverified and verified emissions?

Estimated: GHG emissions are estimated based on a company's geographic location, sector involvement and size and are driven using common financial and operational measurements (e.g. revenues or number of employees).

Actual Reported: GHG emissions are calculated in line with the GHG Corporate Protocol based on actual company activity data, such as energy used and other inputs used in the production/ business process. GHG emissions are then calculated from these inputs based on relevant emissions factors identified by local government or other means, and reported.

Unverified: Reported emissions that are not third-party verified.

Verified: Reported emissions that are verified by a reputable third party, to a standard acceptable (for example) to CDP[16].

2. How is the materiality of climate issues considered? What counts as carbon intensive businesses?

Scope 1 and 2 emissions are identified as basic climate data relevant for all companies. The Disclosure Guidance recommends that at least estimated, material scope 3 emissions be reported. Carbon intensive businesses may be those defined internally, or by market standards such as the Partnership for Carbon Accounting Financials (PCAF) and the EU Technical Expert Group on Sustainable Finance.

3. What counts as 'Climate Solution' investments?

The Network has purposefully left this open-ended given the variety of national and market-based approaches. It is left to the private asset manager to internally define what they consider as a Climate Solution and should be defendable. Investments in carbon removal strategies, as referenced in Level 3 of the Disclosure Guidance, such as carbon capture and storage (CCS) or nature-based solutions, can be particularly impactful climate solution investments. Examples of classifications and/or approaches to determine climate solutions include:

- National and regional taxonomy frameworks
- ICMA Green Bond Principles
- Taxonomies developed by ESG Data Providers
- Definitions guided by Circular Carbon Economy framework as endorsed by G20 leaders

4. What investment strategies/ asset classes does the Disclosure Guidance cover?

The Disclosure Guidance has been designed to cover the following strategies within the private markets space:

- Buyout and growth private equity
- Private equity-style strategies in the infrastructure and real estate sectors (operating only)

For the avoidance of doubt, debt, pre-revenue venture capital, assets in the construction phase within infrastructure and real estate, and private equity strategies such as secondaries and fund-of-funds are not in scope.

5. How is the Disclosure Guidance aligned with TCFD?

The TCFD outlines four sections of disclosure: Governance, Strategy, Risk Management and Metrics and Targets. The Disclosure Guidance is intended to showcase how private asset managers can disclose in accordance with the Metrics and Targets element of the TCFD.

6. Is this yet another framework?

No. The Disclosure Guidance is not a framework, but rather framework-agnostic guidance to private asset managers articulating a common view of climate data reporting maturity for private assets. It is aligned with industry-wide frameworks, including PCAF. Implementation of the Disclosure Guidelines should always consider relevant legal and regulatory environments.

The Network recognised that almost all existing climate investor tools and frameworks assumed the ability to conduct and disclose a GHG emissions footprint. Through its market engagement, the Network recognised that for many private asset managers, the barrier to climate data reporting and integration

[16] CDP: Verification standards accepted by CDP

was a result of either (1) a lack of internal priority, (2) being unsure how to start this process with limited internal resource and knowledge, (3) unavailable data, and/or (4) lack of resources.

The Disclosure Guidance identifies a pragmatic and actionable first step and a potential pathway that all market actors may consider today and describes a pathway to advanced climate reporting over time. It creates a common ask from a material group of LPs to help provide the catalyst for action.

7. How is the Disclosure Guidance aligned with climate science? Is the Disclosure Guidance ambitious enough?

The Network is acutely aware of the priority of the climate crisis and urges all market actors to include climate considerations into their business and investment strategies as a priority. The Network encourages all private asset managers to strive to reach the highest level of maturity possible in the Disclosure Guidance, that some private asset managers are already close to achieving, and to integrate this data effectively, aligned with science and their respective requirements into their investment decision-making processes.

Through its market engagement, the Network recognised that for many private asset managers, the barrier to climate data reporting and integration was a result of either (1) a lack of internal priority, (2) being unsure how to start this process with limited internal resource and knowledge, (3) unavailable data, and/or (4) lack of resources. The Disclosure Guidance is a description of relative levels of climate data reporting maturity. It identifies pragmatic and fundamental disclosure as an actionable first step, and a potential pathway that all market actors can pursue over time. It may also help to facilitate the creation of a common ask from a sizeable group of LPs to help provide the catalyst for action.

8. Private asset managers differ significantly in resources; is the Disclosure Guidance too ambitious for many firms?

The Network spoke to private asset managers that demonstrated a broad range of geographies, team size, investment ticket size, sector focus and other factors. Because basic climate data can be estimated from common company operational and financial data and using free publicly available tools, the Network believes that Level 1 of the Disclosure Guidance is an achievable first step for any private asset market participant today. Resources have been identified in the Appendix to assist market participants to achieve Level 1 disclosure and beyond.

9. How does the Disclosure Guidance treat OECD and non-OECD countries?

.The Disclosure Guidance does not differentiate companies or private asset managers based on location. Differentiation between developed and developing markets may be considered as the Network revisits the Disclosure Guidance in later stages in light of developments relating to fundamental disclosures (Level 1). The Disclosure Guidance, for now, has been intentionally designed to provide achievable disclosure guidance first step for any private market participant today and to describe a potential pathway to advanced climate reporting over time.

10. How will SWF members action the Disclosure Guidance? What questions will be asked to GPs?

Recognising the diversity of OPSWF member mandates and legal contexts, it is up to each individual SWF member how they wish to action the Disclosure Guidance with their private market asset managers.

11. What will SWFs do with this data?

Recognising the diversity of OPSWF member mandates and legal contexts, it is up to each individual SWF member how they wish to incorporate climate data into their respective investment processes.

12. What will happen if a GP does not disclose climate data as outlined in the Disclosure Guidance?

Recognising the diversity of OPSWF member mandates and legal contexts, it is up to each individual SWF member how they wish to implement the Disclosure Guidance into their respective investment mandates.

13. Will there be a reporting mechanism going forward regarding GP alignment of the Disclosure Guidance from OPSWF members?

There is currently no formal reporting mechanism regarding GP alignment to the Disclosure Guidance.

14. How does the Disclosure Guidance align with regulation?

The Disclosure Guidance has been designed to complement, and in cases, anticipate incoming market climate regulation. It is the Network's view that providing guidance and engagement on climate data disclosure can help prepare our private asset managers and their portfolio companies to be prepared for potential future regulatory requirements in all jurisdictions.

15. What about environmental issues beyond GHG emissions?

The Network was created to accelerate efforts to integrate the opportunities in the transition to a low GHG emissions economy, and to address the risks related to climate change. While the Network recognises the importance of other environmental issues beyond GHG emissions, they are beyond the scope of this work
.

16. Will the Network update the Disclosure Guidance in the future?

Both global climate regulation and the market's reaction to climate issues is developing at pace. Recognising this, the Disclosure Guidance has been designed to showcase maturity as we see it today. One goal of the Disclosure Guidance is to better understand where the market currently stands on climate data disclosure. As this emerges, and as the global ecosystem develops, the Network may update its guidance.

EXTERNAL GUIDANCE AND RESOURCES

The Network has identified resources to help private asset managers:
1. Implement the Disclosure Guidance; and
2. Integrate climate related issues into the investment process

If you believe there are additional resources, which would be useful to include, please get in touch with the One Planet Secretariat at secretariat@opswf.net

GHG emissions reporting guidance and tools

GHG Protocol

GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.

The GHG Protocol provides, among other things:
- GHG Protocol Scope 1 and 2 Calculation Tool
- GHG Protocol Scope 3 Evaluator

Other Tools

In addition, the Network has identified a number of online, free-to-use tools, which may help investors conduct GHG emissions footprints (estimated or otherwise). This is not an exhaustive list. If you believe there are additional resources, which would be useful to include, please get in touch.

Tool	Purpose
Berkeley Cool Climate Tool	*Estimated emissions for US based companies*
Cool Farm Tool	*Estimated emissions for the agricultural sector*
Berkeley Carbon Calculator	*Estimated emissions for the forestry sector*
Carbon Fund Business Emissions Calculator	*Basic unverified emissions for US based companies*
Global Business Carbon Calculator for SMEs	*Basic unverified emissions for SMEs*

The Network also has experience working with and employing a range of consultants to provide estimate, unverified and verified GHG emissions footprint exercises. Please get in touch if you would like more information on options.

Investor-focused GHG emissions reporting guidance

iC international (iCI)'s Greenhouse Gas Accounting and Reporting for the Private Equity Sector
iCI is a global community of private market investors seeking to understand better and manage the risks associated with climate change. Members commit to sharing knowledge, tools, experience and best practice among peers to help build and manage both climate aligned and climate-resilient portfolios.

It has developed guidance on GHG accounting and reporting for the private equity sector, which provides actionable guidance on alignment with unverified and verified components of the One

Planet Climate Disclosure Guidance for Private Markets. Partnership for Carbon Accounting Financials

(PCAF)'s Global GHG Accounting and Reporting Standard for the Financial Industry
PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

The harmonized accounting approach provides financial institutions with the starting point required to set science-based targets and align their portfolio with the Paris Climate Agreement. PCAF enables transparency and accountability and has developed an opensource global GHG accounting standard for financial institutions, the Global GHG Accounting and Reporting Standard for the Financial Industry.

Climate-focused investment frameworks

TCFD: Task Force on Climate-Related Financial Disclosures
Endorsed by the One Planet Network, the TCFD provides recommendations on the types of information that companies should disclose to support investors in appropriately assessing and pricing risks related to climate change, and in turn what investors should report to their beneficiaries.

ILPA ESG Assessment Framework
ILPA released this ESG Assessment Framework as a resource for limited partners looking to build a tool to evaluate and understand the various stages of ESG integration that peers are observing among general partners in the market today. It is designed to help LPs evaluate and benchmark GP responses to due diligence efforts, inform goal-setting conversations with GPs and measure ESG integration progress over time.

Investor Agenda Investor Climate Action Plans (ICAPs)
The ICAPs provide investors with clear expectations for issuing and implementingcomprehensive climate action plans, including steps investors can take to support the goal of a net-zero emissions economy by 2050 or sooner. The framework aims to help investors navigate existing expectations and initiatives on climate change.

ESG Data Convergence Initiative

The Initiative's participating firms have agreed to report on a core set of ESG metrics across six categories and drawn from existing frameworks. The categories include greenhouse gas emissions, renewable energy, board diversity, work-related injuries, net new hires, and employee engagement.

IIGCC's Paris Aligned Investment Initiative

IIGCC's Paris Aligned Investment Initiative (PAII) looks at how investors can align their portfolios to the goals of the Paris Agreement. It has recently developed resources to help investors in the Private Equity and Infrastructure space.

Net Zero Asset Managers Initiative

The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

UN-convened Net Zero Asset Owners Alliance

The Net Zero Asset Owners Alliance is an international group of institutional asset owners aiming to transition their investment portfolios to net-zero GHG emissions by 2050. They also provide guidance and methodologies on alignment across asset classes.

Science Based Targets initiative (SBTi) Private Equity Sector Guidance

The SBTi Private Equity Sector Guidance helps enable PE firms to set targets for operations and investment portfolios aligned with the emission reductions needed to stay in line with well-below 2°C and 1.5°C climate scenarios.

PRI

The PRI is the world's leading proponent of responsible investment. It has significant guidance and tools regarding environmental issues across asset classes.

9. Appendix - Statement

Thursday, October 6th, 2022, Abu-Dhabi, United Arab Emirates – the One Planet Sovereign Wealth Funds Network, in consultation with the One Planet Asset Managers and One Planet Private Equity Funds, comprised of 46 CEO members representing the world's leading sovereign wealth funds, asset managers and private investment firms releases the "One Planet Climate Disclosure Guidance for Private Markets"

As the effects of climate change continue to become increasingly apparent, we unite to reaffirm our endorsement of the One Planet Sovereign Wealth Fund Framework and our collective support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

We believe that by having both size and long-term investment horizons, sovereign wealth funds are in a unique position to promote long-term value creation and sustainable market outcomes.

A fundamental barrier exists in measuring, managing, and mitigating our portfolios' climate impact due to the struggle to access reliable data, most evident in private markets, on which to base our strategies.

As part of our aim to bridge the gap in improving the quality of climate and environment-related financial information available not only to ourselves but across the financial system, OPSWF, in consultation with the OPPEF and OPAM, has developed the One Planet Climate Disclosure Guidance for Private Markets (Disclosure Guidance), which was released in an executive brief today.

The Disclosure Guidance provides clear and actionable articulation of increasing levels of climate data disclosure from private market participants. Its purpose is to offer guidance on disclosures to help implement TCFD recommendations. Level One of the Disclosure Guidance has been specifically designed as a first step that is achievable by all direct private market asset managers today.

Accordingly, in alignment with our objective to offer guidance on disclosures and to use engagement to drive progress on TCFD implementation, we strongly encourage private markets asset managers to meet the expectations of Level One of the Disclosure Guidance, including estimating carbon footprint, by year end 2023.

With more accurate and standardised data on climate issues, global financial markets participants can make more informed decisions. This will help not only to reduce risk for individual investments and portfolios, but also reduce systemic risks facing the financial system.