

ARDIAN Investment UK Limited

**CLIMATE RELATED DISCLOSURES ALIGNED
WITH TCFD RECOMMENDATIONS**

CLIMATE RELATED DISCLOSURES ALIGNED WITH TCFD RECOMMENDATIONS

Introduction

This document forms the first annual report of ARDIAN Investment UK Limited (the “**Firm**”), a private limited company authorised and regulated by the UK Financial Conduct Authority (“**FCA**”) and incorporated under the laws of England and Wales, whose registered office is 1 Grafton Street W1S 4FE London, United Kingdom and with company number n°05654928, which is an entity of the ARDIAN Group (the “**Group**”), consistent with the Recommendations of the Task Force on Climate-related Financial Disclosures (“**TCFD**”).

As a world leading private investment house, the Group seeks to adopt a consistent approach in its strategy and management of client assets, including with respect to climate-related risks and opportunities. This report relates to the assets that the Firm manages as investment manager in respect of portfolio management services and as a fund manager in respect of Alternative Investment Funds (“**AIFs**”). The Firm’s AIFs managed products are referred to as “**Funds**”. Funds addressed in this report include those where the Firm is primary manager and those where it is delegate manager and encompasses the Firm’s Secondaries and Primaries and Private Credit strategies.

The Firm has prepared this report by applying the TCFD Recommendations and Recommended Disclosures to its management activities in respect of the Funds. This report sets out the TCFD aligned entity-level disclosures of the Firm, in relation to climate-related matters, for the reporting period 1 January 2023 to 31 December 2023 (the “**Reporting Period**”). This report might include disclosures relating to the Group (including the Firm) in the extent that they are relevant for the Firm.

This report is the Firm’s first standalone TCFD report and this document is expected to evolve alongside evolution of climate reporting in the asset management industry as there are significant data methodological challenges associated with climate reporting. We have included TCFD-aligned disclosures where it is fair, clear and not misleading for us to do so. We have also explained limitations on our ability to disclose, and the steps being taken to address those limitations.

Compliance Statement

The disclosures in this report comply with the climate-related disclosure requirements in Chapter 2 of the FCA’s ESG Sourcebook.

Michael FERRAGAMO



Signed: 31st July 2024

Part 1 **Governance**

This section of the report discloses the Group and Firm's governance around climate-related risks and opportunities.

(a) The Executive Committee's oversight of climate-related risks and opportunities

The management of climate-related issues is integrated into the Group sustainability governance framework that applies to the Firm. The Executive Committee oversees the Group's sustainability strategy and the implementation of its sustainability policy. Climate related topics are presented to the Executive Committee on an as-needed basis.

At the Firm level, the Board of Directors of the Firm, has oversight of climate related risks. There has been no material item reported to date. As part of the alignment of the Firm with the recommendation of the TCFD, an annual reporting will be made to the Board of Directors of the Firm.

(b) Management's role in assessing and managing climate-related risks and opportunities

The Firm's investment teams are responsible for assessing and managing climate-related risks and opportunities and determine whether an investment opportunity is aligned with the Fund's strategy, considering climate related risks and opportunities when material.

The Sustainability team oversees the development and the implementation of climate-related risk management process and initiatives.

Part 2 **Strategy**

This section of the report discloses the actual and potential impacts of climate-related risks and opportunities on the Firm's businesses, strategy, and financial planning in respect of the Funds where such information is material.

The Firm acts as a primary investment manager or delegated investment manager depending on the investment activities. For Funds where the Firm acts as delegated investment manager, the Firm has the ability to determine the investment strategy for the funds, including the impact of climate risks¹.

(a) Climate-related risks and opportunities of the Firm's investment strategies

Risk management processes are designed to capture exposure to climate related risks at the time horizon relevant for the Firm i.e., short term (<5 years) for fund deployment; mid-term (10-15 years) for fund lifecycle and, long-term (15+ years) for post-exit asset life.

¹The Firm as delegated investment manager for certain Secondaries and Primaries and Private Credit activities.

At the Group and Firm level, climate risks are mostly addressed through a compliance and marketing lens with a short to mid-term focus: (i) emerging climate-related regulation in particular sustainable finance regulations; (ii) ability to meet increasing climate-related requests from investors and (iii) opportunities for new climate-related investment products. These are three factors that will shape the Firm's approach to sustainability.

For indirect Investment in private equity (Secondaries and Primaries), risks associated with invested GPs insufficient integration of climate-related risks in their investment process have also been identified in certain instances. However, no material climate-related risks requiring immediate action were identified through this analysis. Additional analysis is ongoing to better understand its potential impacts and to define appropriate risk management process.

(b) Impact of climate-related risks and opportunities on the Firm's investment strategies

An analysis to identify potential climate-related risks hotspots in the Funds' portfolio was conducted in 2023 to inform ARDIAN's approach to climate-related risks. The analysis covered both transition and physical climate risk. The analysis of transition risks was conducted by reference to a low carbon scenario consistent with net-zero 2050 (IPCC SSP1-1.9). It assumes that regulators, the private sectors, and consumers will align their ambitions with the Paris agreement. For physical risks, the analysis is conducted by reference to a high climate change scenario (IPCC SSP5 8.5) with limited change in current policy and significant deterioration of climatic conditions.

To support the long-term resilience of ARDIAN's activity a climate roadmap covering both investment and corporate activities was presented to the Executive Committee of the Group in 2023. The roadmap is supported by short term targets to contribute to the global objective of the Paris Agreement.² The following objectives are applicable to the Firm and its Funds:

- **Group target applicable to investment activities** (Secondaries and Primaries and Private Credit):
 - 100% of investment decision including a climate risk assessment by 2025;
 - generalize support on climate to priority GPs by 2025 to contribute to improving climate-risk management;
 - ensure reliable and decision useful data for target setting by 2025.

(c) Resilience of the Firm's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

ARDIAN Group's climate roadmap, which also applies to the Firm, is designed to contribute to the objectives of the Paris Agreement. It is a key element in supporting the long-term resilience of ARDIAN's activity.

Also, as part of the roadmap and consistent with regulatory requirements, the Firm will further structure its climate risk mapping through quantitative scenario analysis for the Funds of the Secondaries and Primaries as well as Private Credit activities. To date, no formalized detailed quantitative climate-related risk analysis is available for these investment activities.

² (8) Limit global temperature increase to well below 2 degrees Celsius by the end of the century, while pursuing efforts to limit the increase to 1.5 degrees by aiming to be climate-neutral by 2050.

Note on Transition plans:

The Firm is a UK limited company. The Firm notes that the UK Government committed in June 2019 to a net 100% reduction of greenhouse gas emissions by 2050 compared with 1990 levels. This is referred to as the net zero target. The UK Government stated that net zero means “any emissions would be balanced by schemes to offset an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage”ⁱ.

While the Firm is supportive of the UK Government’s net zero target, the Firm has not integrated an express commitment to the net zero target in its Funds’ management. Indeed, the Firm would require the express agreement of its investors to integrate the UK Government’s net zero target into the Funds’ management, and at the date of this report there is no instruction in respect of the net zero target for any Fund.

Part 3 **Risk Management**

This section of the report discloses how the Firm identifies, assesses, and manages climate-related risks.

(a) The Firm’s processes for identifying and assessing climate-related risks

At management company level: at the Group and Firm level, climate risks are mostly addressed through a compliance and marketing lens with a short to mid-term focus and are informed by the Fund level analysis.

Climate risks are also considered as part of the corporate risk assessment and emerging risk mapping assessment conducted by the Corporate Risk team in collaboration with the Sustainability team. The Corporate Risk team has established a risk assessment strategy that not only addresses specific risks pertinent to ARDIAN entities but also integrates sustainability.

At the Funds’ level: the Firm approach to climate risks is based on the fulfilment of its fiduciary duty to its investors and by considering the potential impact of climate risks on financial performance and risk exposure. The approach is tailored to the specificities of each of investment activities and to the level of control they possess.

- **Monitoring of invested GPs/ equity sponsors (applicable to Secondaries and Primaries and Private Credit activities):** the Firm monitors invested GPs/ equity sponsors climate-related risks management practices through its annual ESG monitoring questionnaire³. This questionnaire monitors progress for each individual GP in integrating climate in its process; the analysis can be consolidated at fund level to monitor indirect exposure to climate-related risks. The climate assessment builds on existing frameworks such as the TCFD or Assessing Low Carbon Transition (ACT). This information also enables the Firm to establish an ESG benchmark of GPs, considered for future potential investments.

³ Invested GPs/ equity sponsors selected on exposure, performance and holding period amongst other factors.

- **Monitoring of portfolio company (applicable to Private credit activity):** climate-related issues are also monitored annually through information gathered as part of the company annual sustainability engagement campaign⁴. Annual collection of key climate-related indicators (including energy consumption, GHG emission and climate-related target in place) allow to monitor portfolio assets transition and is a key component to the climate-related risk management process.

(b) Managing climate-related risks

Climate risk management is integrated throughout the Firm's investment process, from pre-investment to the ownership period. The Sustainability team designs risk management processes in coordination with relevant functions, including the Investment and Corporate Risk teams. Dedicated sustainability leads are assigned to each investment activity to drive the integration of sustainability within the different stages of the investment lifecycle, from product origination to support for portfolio companies/invested GPs during the ownership period, with support from a transversal climate expert.

- **Pre-due diligence phase,** the Investment team conducts a preliminary screening including compliance of the investment opportunity with the Group exclusion list, as established by the Responsible Investment Policy.

For Private Credit, the investment team carries out the ESG analysis using Ardian's sustainability risk screening tool to understand the materiality of climate-related issues for the company, considering both transition and physical risks. The Sustainability team's climate lead is involved to guide discussions based on materiality.

- **Due diligence phase,** the investment team conducts an ESG analysis of a potential investment, considering the Fund's strategy as well as the characteristics of each investment opportunity. A summary of the ESG analysis is included in investment memo submitted to the Investment Committee, which is responsible for the investment recommendation.

For the Secondaries and Primaries activities, the Investment team evaluates the overall commitment to responsible investment by the GPs and the extent to which they integrate ESG issues into their investment processes. For primary investments, ESG considerations account for 10% of the investment decision.

- **Ownership period:** ARDIAN's Sustainability team coordinates the monitoring of portfolio companies, assets, properties, and GPs' ESG performance and engagements where appropriate, in coordination with the Investment team. The results of the annual monitoring campaign serve as the basis for the investment team to engage with the assets and GPs as deemed appropriate.

For Secondaries and Primaries, the climate assessment is shared with the GPs along with recommendations for capitalizing on their strengths and identifying areas for improvement. A dedicated meeting is conducted with GPs whose management of climate issues is deemed insufficient to ensure material risks are covered, understand potential hurdles (e.g., resource constraints), and share best practices.

⁴ 42 private credit portfolio companies included in the annual sustainability engagement campaign.

Part 4 Metrics and Targets

This section of the report discloses the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

(a) Metrics used by the Firm to assess climate-related risks and opportunities in line with its strategy and risk management process

Data is a key enabler for driving sustainable impact on a large scale, understanding portfolio transformation potential, identifying the most effective ways to support companies and GPs in their low-carbon transition, and finding opportunities for experience sharing.

The annual collection of key climate-related indicators as part of the annual sustainability engagement campaign is a key element in the risk management process. Metrics used by the Firm to assess climate - related risks and opportunities in the portfolio include but are not limited to:

Activity	Indicators	2023
Private Credit ⁵	Share of portfolio companies and assets assessing their carbon footprint (%) ⁶	55%
	Carbon footprint of portfolio companies (tCO ₂ e) ⁷	
	Scope 1&2	10,01 ktCO ₂ e
	Scope 1,2&3	114,52 ktCO ₂ e
	Share of renewable energy (%) ⁸	57%
	Exposure to high climate impact sectors (€M) ⁹	0 €M
Secondaries & Primaries ¹⁰	Invested GPs monitoring their carbon footprint (%)	60%
	Invested GPs with a low carbon strategy (%)	36%
	Invested GPs monitoring climate-risk at due-diligence stage (%)	87%

(b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

For corporate activities, the Firm has assessed the carbon footprint of its corporate activity annually (excluding fund investments, which are accounted separately) since 2016. This evaluation encompasses categories of material emissions and is based on the GHG Protocol methodology.

⁵ Covers portfolio companies in the scope of the annual sustainability engagement campaign.

⁶ Based on EU SFDR Principle Adverse Indicators definition

⁷ Based on EU SFDR Principle Adverse Indicators definition (and excluding non-mandatory source of emissions e.g., use-of-sold product when not required)

⁸ *ibid*

⁹ *ibid*

¹⁰ Covers invested GPs in the scope annual ESG monitoring questionnaire.

The Firm corporate GHG emissions – excluding portfolio emissions - for the 2022 calendar year amount to 1712 tCO₂e or 10,9 tCO₂e per employee.

Source of emissions	tCO ₂ e
Scope 1 : direct energy related emissions	-
Scope 2 location based: indirect energy related emissions (electricity and heat)	58,59
Scope 3: value chain related emissions Including purchased goods and services, capital goods, fuel and energy related activities, business travel and employee commuting	1 653,42

Energy efficiency initiatives are currently being identified under the UK Energy Savings Opportunity Scheme (ESOS). In addition, a travel analysis is ongoing to identify actions that can reduce emissions related to mobility, particularly for air travel, and to implement a travel policy supporting emission reduction objectives. Additional reflection is underway on the implementation of a responsible purchasing policy that should contribute to the reduction of group emissions.

(c) Targets used by the Firm to manage climate-related risks and opportunities and performance against targets

Please refer to section “strategy” of this report for a general description of the targets used by the Group and applicable to the Firm to manage climate-related risks and opportunities. The targets were set in 2023, hence no progress report is available at this time.

ⁱ For further details on the UK government’s net zero target, please refer to:
<https://commonslibrary.parliament.uk/research-briefings/cdp-2023-0124/>