

Task Force on Climate-Related Financial Disclosure (“TCFD”) Alignment

Governance

GIP seeks to thoughtfully integrate and manage ESG risks and opportunities throughout the investment life-cycle, from origination to exit, with the goal of enhancing positioning and long-term value and delivering results. Climate-related risks and opportunities are a component of its approach. See [“Approach and Integration”](#) and [“ESG Investment Life-Cycle Integration”](#)

GIP has a dedicated ESG team with responsibility for ensuring the consistent application of our approach to ESG and climate risk management, working hand in hand with our Investment and Business Improvement teams and portfolio companies. The team is led by a GIP Partner who reports directly to the Office of the Chairman and advises the Investment Committee. In addition, to accelerate the desired intensity of improvements and to provide detailed oversight, GIP created a cross-functional ESG Committee in 2020. GIP’s ESG Committee oversees the ESG program, including climate action. The ESG Committee reports to the Office of the Chairman, which reviews the progress and implementation of ESG and climate programs. See [“GIP Environmental, Social and Governance Policy”](#)

Strategy

GIP views the acceleration of climate action and the energy transition as a strategic opportunity and potential value driver for our target sectors and portfolio companies. We equally recognize it poses significant challenges and risks to be factored into our evaluation of new investments.

In 2021, GIP announced its public support of TCFD and aligned our own practices with TCFD’s guidance. Further, GIP has aligned itself and actively engages with leading organizations focused on climate change. See [“Responsible Investing Memberships”](#)

- We integrate climate considerations into our investment processes. Our decarbonization assessment framework, aligned with TCFD, serves as a critical element of GIP’s diligence. We want to understand potential physical risks and decarbonization plans to assess the adequacy of future climate-related plans as we invest. See Risk Management below for details.
- To inform our thinking on climate risks we have evaluated and continue to evaluate the physical and transition climate risks of our portfolio companies, with the help of expert advisors. We have analyzed the sectors and geographies in which we invest for climate risks as well as the resiliency of portfolio companies in our equity funds using scenario analysis representing various warming pathways and time horizons, as appropriate.

- GIP expects our businesses to take action to reduce their carbon emissions footprint, proactively understand and manage their climate change risks and establish comprehensive decarbonization plans and net zero strategies. As part of our decarbonization action, we also monitor closely the cumulative net zero alignment of our funds.

Risk Management

We take a materiality-based approach to integrating ESG considerations, including climate, into our investment processes (See [“Approach and Integration”](#)). Our decarbonization assessment framework focusing on climate risks and opportunities, aligned with TCFD, serves as a critical element of GIP’s diligence.

We take a consistent and structured approach to determining decarbonization risks and opportunities. We consider a range of qualitative factors, including possible changes to laws and regulations or technology disruptions, as well as the reputational risks of a particular investment. We stress test our base case financial models to different climate transition scenarios, as appropriate and depending on the asset, sector and country. We also consider the potential physical risks during due diligence, as appropriate. The impacts of severe weather events are an increasing reality, and seeking to understand and mitigate those ahead of their negative effects is a priority for us.

Understanding the risks and opportunities of investments helps us with our strategy for working with the company in the future. It also helps us to identify value creation opportunities through decarbonization. During ownership, we regularly assess the decarbonization and TCFD maturity of our portfolio companies.

Metrics & Targets

During our ownership, we aim to better understand actual progress toward decarbonization. Over the last couple of years, GIP has expanded its climate analysis and reporting to evaluate the impact of our approach. Our analysis incorporates (i) portfolio company emissions data; (ii) fund level carbon footprinting and emissions intensity analysis; (iii) assessment of emissions reductions and net zero targets against benchmarks; and (iv) the net zero alignment of our funds.

- 92% of our portfolio companies track Scope 1 & 2 emissions¹;
- 64% of our portfolio companies have net zero targets, and 82% have GHG emissions reduction targets¹; and
- 51% of our portfolio companies are TCFD aligned.¹

GIP, with the help of a climate data analytics platform, estimates missing emissions data and reports portfolio company carbon footprint information comprehensively. Scope 1 & Scope 2 emissions for GIP Flagship Funds for 2023 were 4,812,839 and 595,753, respectively.²

For additional information See [“ESG 2023 in Numbers”](#)

¹ Statistics shown on this page represent aggregate portfolio data for GIP’s Flagship Funds (GIP II, III, IV and V), GIPA I and II, GIP Core, GIP EM, SMAs and Continuation Funds as of 31 December 2023. Percentages based on number of portfolio companies.

² Includes GIP Flagship Funds (GIP II, III, IV and V). Scope 1 & 2 GHG emissions measure carbon emissions allocated to each Fund using an equity ownership approach. Company emissions are fully allocated to the equity of each portfolio company. Where reported data for Scope 1 & 2 is not available, emissions have been estimated by an external company, ICE Data Services.

Note: References to “as appropriate” herein reflect the determination of GIP’s ESG team in their sole discretion.