

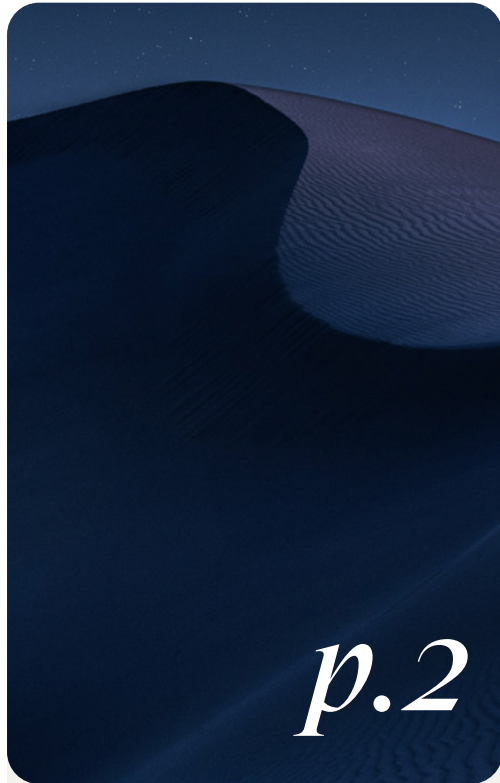
IK Partners

TCFD  
Report 

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 2023



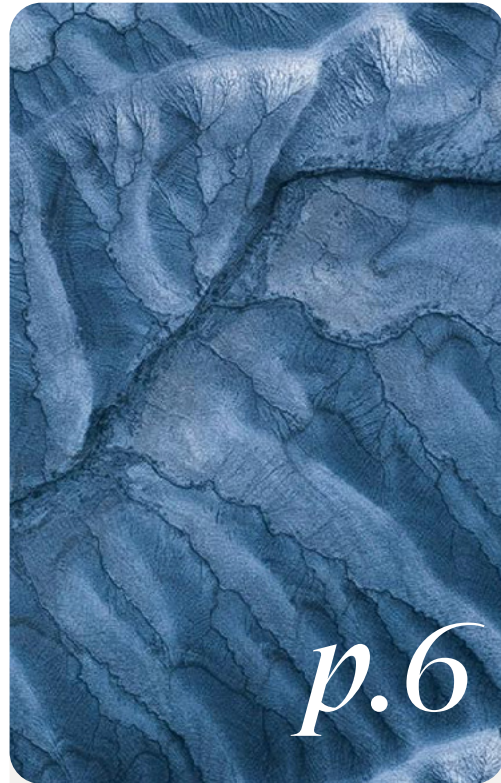


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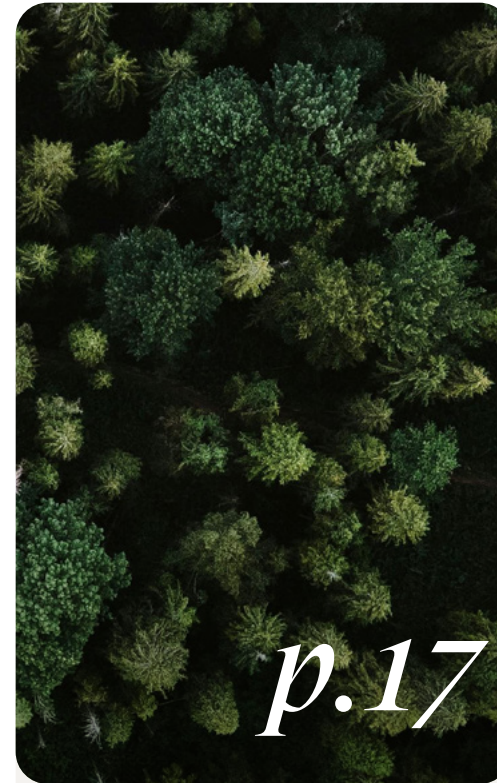


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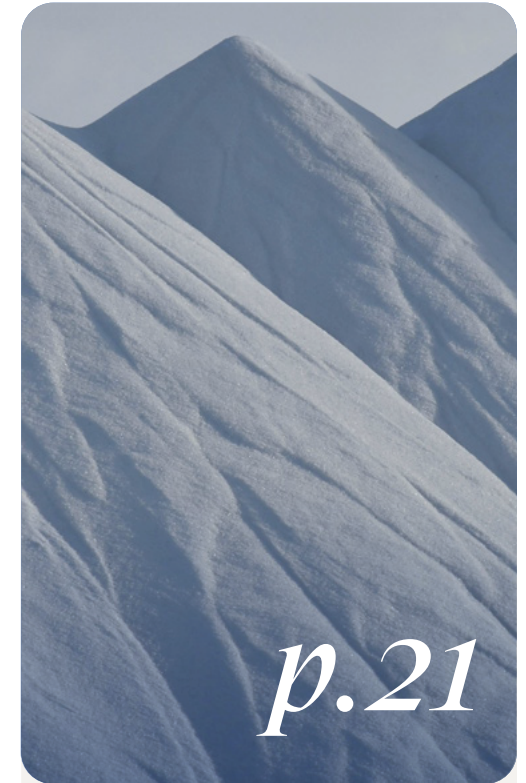


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# CEO's Statement

Welcome to our inaugural Task Force on Climate-related Financial Disclosures (“TCFD”) report, prepared in accordance with the requirements of the UK Financial Conduct Authority (“FCA”). This report marks a significant milestone in our commitment to transparency and accountability in managing material climate-related risks and leveraging opportunities.

2023 was a record-breaking year for climate change, which saw the global average temperature rise to approximately 1.45°C above the pre-industrial baseline. With impacts becoming more severe and frequent, extreme weather events in 2023 — such as heatwaves, droughts and wildfires — served as a stark reminder of the fragility of the world we live in.

At IK Partners (“IK”), climate change has been an area of focus and, since 2016, we have monitored our own emissions, expanding this to include portfolio emissions from 2021. IK supports carbon avoidance and removal projects. Since 2022, we have been purchasing Solvatten units which help to avoid carbon emissions and improve access to clean water for people in Kenya.

In 2023, we reported 100% of our financed emissions across both majority and minority investments, and we are encouraged by the significant increase in the number of portfolio companies measuring their scope 3 emissions, underscoring our dedication to transparency.

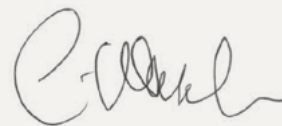
Our climate strategy is robust and forward-thinking. We have adopted the IK Climate Policy, detailing how we consider climate risks and opportunities, reinforcing our commitment to integrating material ESG in the investment process.

As an early mover on science-based targets (“SBTs”), we had our emissions reduction targets verified by the Science Based Targets initiative (“SBTi”) in 2022 and are currently on track to meet our target, surpassing the linear trajectory.

Conducting a portfolio climate scenario analysis, which employs three forward-looking scenarios, helps inform our strategy in line with our fiduciary duties. This process provides insights into the potential impacts of climate change on our investments.

While this report outlines our ongoing efforts and the progress we have made thus far, we remain committed to continuously developing our insights and reporting. This commitment extends beyond meeting our regulatory obligations to addressing the needs of our investors and other stakeholders.

We look forward to updating you on our progress annually.



**Christopher Masek,**  
Chief Executive Officer

→ FOR MORE INFORMATION ABOUT IK PARTNERS, PLEASE VISIT [IKPARTNERS.COM/ABOUT-US](https://www.ikpartners.com/about-us)

“We remain committed to continuously developing our insights and reporting.”

**CHRISTOPHER MASEK,**  
Chief Executive Officer



WATCH THE FULL VIDEO  
HERE: [IKPARTNERS.COM](https://www.ikpartners.com)



# Overview of the Disclosures Aligned with TCFD Guidance

IK believes that climate change has detrimental effects on the planet, people and the economy. The increasing frequency and severity of physical climate impacts, along with the scale of effort required for climate mitigation and adaptation efforts, create a systemic risk with potential material financial implications.

Since inception in 1989, it has been our mission to improve operating performance and generate lasting value for our investors and businesses. We attribute our success in this pursuit to our strategy, which places people at the forefront of everything we do. By joining forces with people we believe in, our Investment, Capital Markets, Operations and ESG teams continue to support the accelerated growth of our PCs.

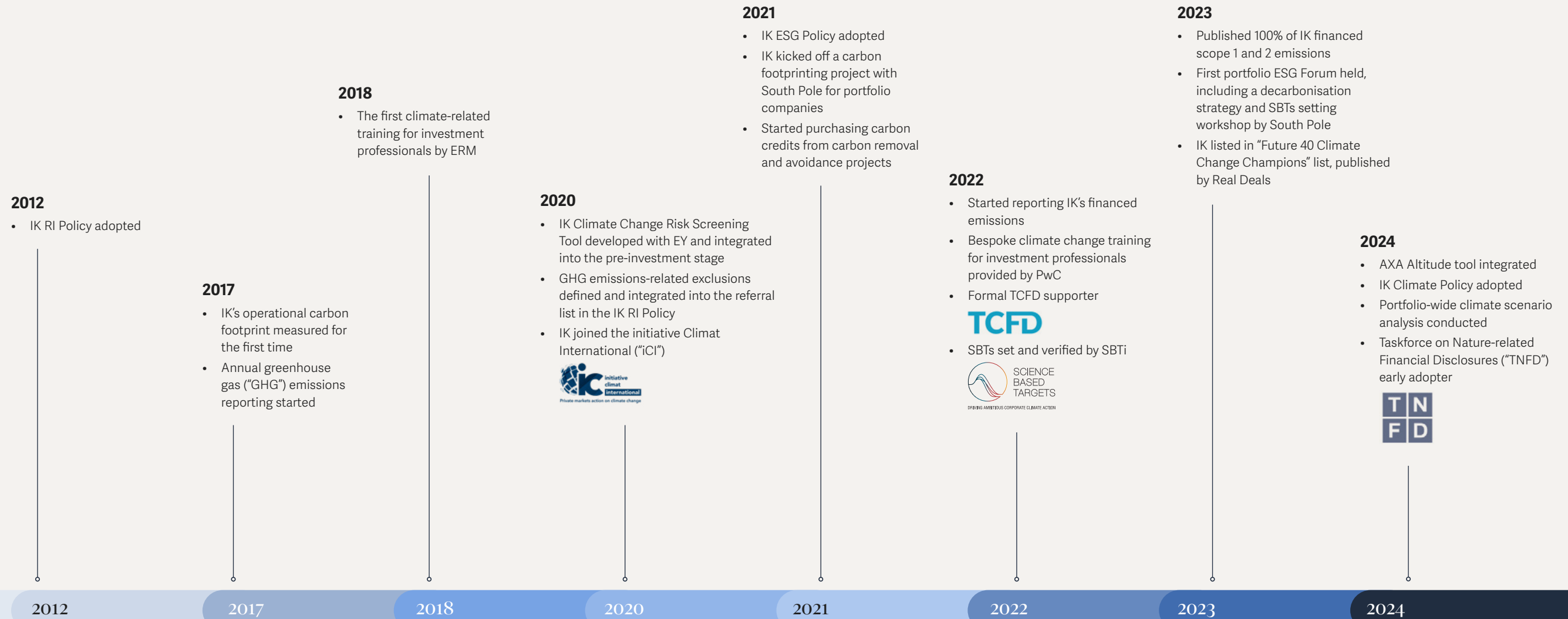
With the objective of enhancing and delivering sustainable value to our investors and businesses, IK is well-positioned to identify, assess and address material climate change risks and opportunities. In doing so, we also seek to contribute to the transition to a low-carbon and climate-resilient economy.

We pride ourselves in having transparent and collaborative relationships with our partners, understanding their priorities and providing them with the necessary support. Recognising the importance of disclosing how climate change risks and opportunities are addressed, to enable effective decision-making for our investors, this report follows the TCFD recommendations and provides details on IK's climate efforts across the four core pillars: Governance; Strategy; Risk Management; and Metrics and Targets.

Governance	Strategy	Risk Management	Metrics & Targets
<p>Built on our Responsible Investment ("RI") and ESG policies and well-established governance capabilities, IK has an effective approach to governance of climate change-related risks and opportunities comprised of:</p> <ul style="list-style-type: none"> <li>• Clearly-defined board oversight and management roles;</li> <li>• IK Climate Policy;</li> <li>• Relevant climate training for IK investment professionals;</li> <li>• Transparency and reporting to our investors.</li> </ul>	<p>Our strategic approach, based on our fiduciary duties, is focused on identifying climate risks and employing actions to manage them, while taking advantage of opportunities, that can be leveraged across:</p> <ul style="list-style-type: none"> <li>• The investment process;</li> <li>• Our investment strategy;</li> <li>• Decarbonisation commitments; and</li> <li>• Collaborative initiatives.</li> </ul> <p>Based on the portfolio-wide scenario analysis using the Altitude tool by AXA Climate<sup>1)</sup>, IK's portfolio is exposed to limited levels of physical and transition climate risks.</p>	<p>IK is well-positioned to assess and manage climate change risks and opportunities in business operations and throughout the investment cycle.</p> <p>Starting from the pre-investment stage, IK utilises the Altitude tool by AXA Climate<sup>1)</sup> to assess the exposure of our assets, funds and portfolio to physical and transition risks and opportunities.</p> <p>Findings from the climate scenario analysis will inform our engagements with portfolio companies. We encourage them to better understand their climate risks and opportunities and disclose relevant ESG information, including carbon emissions.</p>	<p>We are committed to maintaining transparency with our investors and continue our efforts to monitor and report 100% of IK's financed scope 1 and 2 emissions, in addition to IK's operational emissions.</p> <p>IK is also making significant progress against its SBTs set and verified by SBTi in 2022.</p>

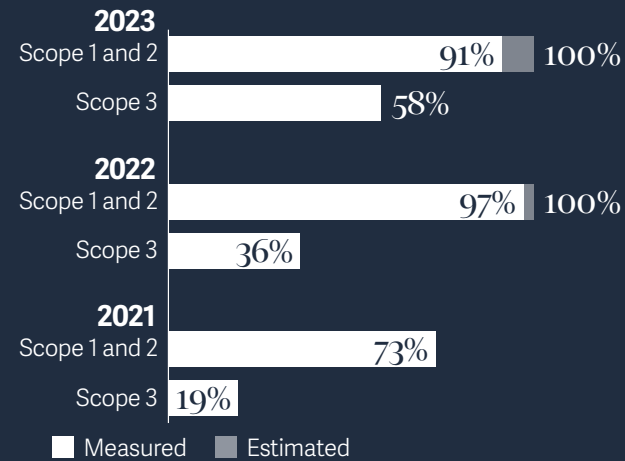
1) The Altitude tool by AXA Climate was fully integrated in 2024, prior to that starting from 2020, a proprietary climate risk screening tool developed by EY was used, more details about the tool can be found in the IK Sustainability Report 2021/2022.

# Key Climate Milestones



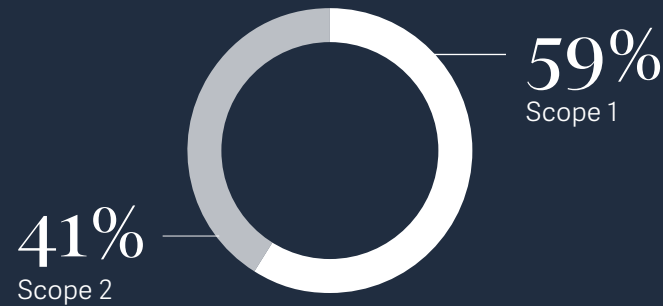
# Highlights

## IK Portfolio

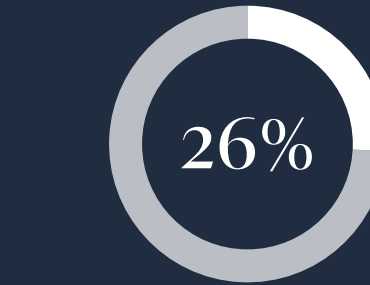


Scope 1 and 2: Year-on-year increase in the portfolio coverage<sup>1)</sup> measuring and reporting scope 1 and 2 emissions

Scope 3: Year-on-year increase in the portfolio coverage<sup>1)</sup> measuring and reporting scope 3 emissions



Total financed scope 1 and 2 emissions



Portfolio coverage of majority-owned investments by invested capital that have set or committed to SBTs

**120,984,458 kWh**

Total renewable energy used by portfolio companies

**18%**

Scope 1 and 2 emissions from companies that have set or are committed to setting SBTs

## IK Operations

**977 tCO<sub>2</sub>e**  
Total IK operational emissions<sup>2)</sup>

**11%**  
Scope 1 and 2 emissions reduced year-on-year, contributing to the achievement of IK's target

**55%**  
Renewable energy used out of total electricity consumed

**700 tCO<sub>2</sub>e**  
Emissions avoided from 100 Solvatten units purchased

1) The % portfolio coverage is calculated using the unrealised value of investments as of December 2023.

2) Covering scope 1, 2 and 3 (Categories 1-14).



# 01

# Governance

We are continuing to strengthen our climate-related governance by adopting a dedicated IK Climate Policy and ensuring oversight of the policy implementation within our management governance structure.

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# Governance

## Governance Structure

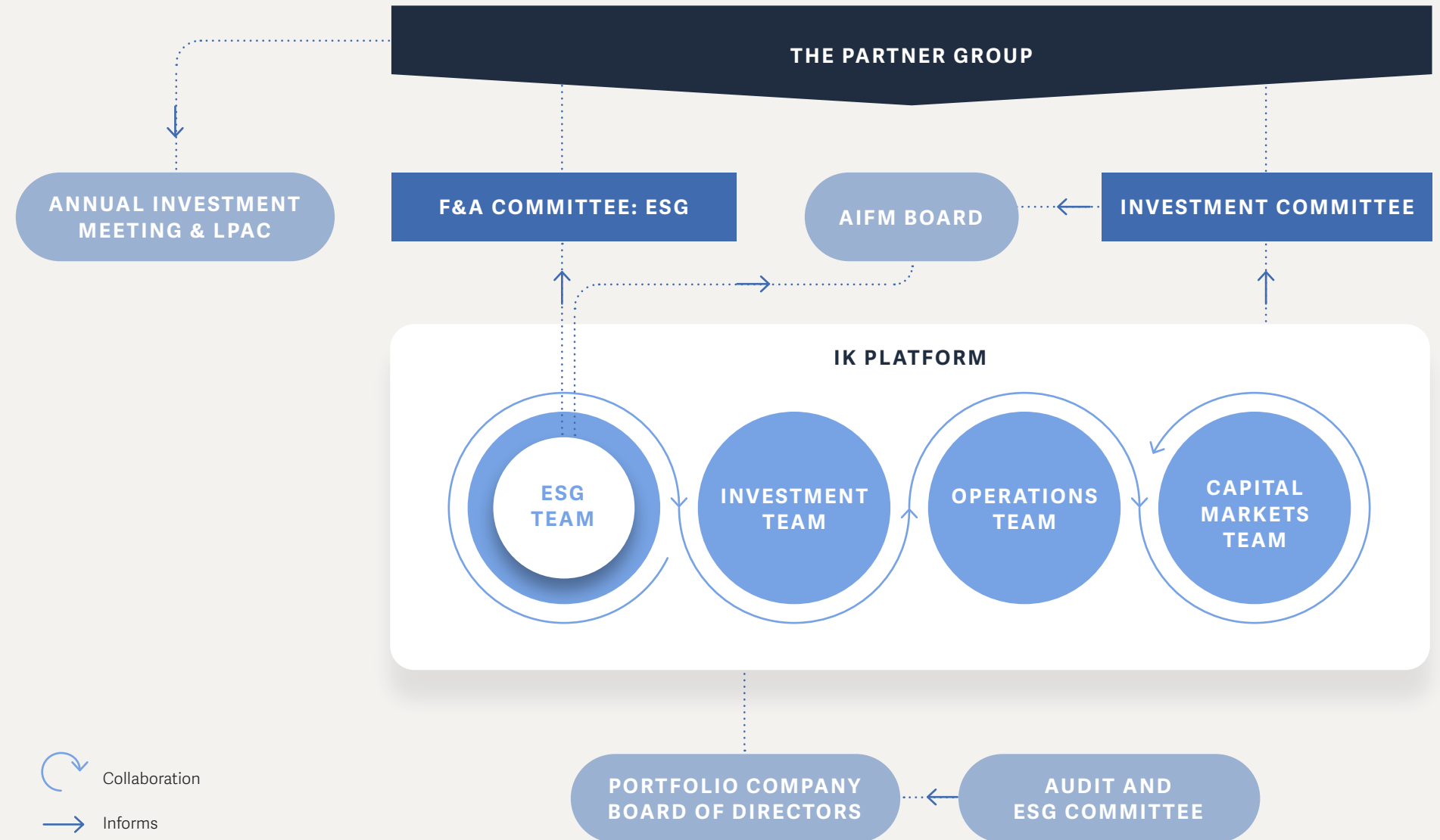
The IK Climate Policy adopted in 2024 sets out our approach to incorporating climate-related considerations into both our investment strategy and operations and applies to all IK funds covering 100% of assets under management (“AUM”).

Figure 1 on the right provides an overview of the governance structure relevant to the oversight of the Climate Policy implementation.

### Board Oversight and Management Responsibilities

Our **CEO**, with the support of our **Partner Group**, is ultimately responsible for the IK Climate Policy and oversight of its implementation. Being responsible for IK’s investment strategy, risk management and profile of each financial product, the CEO and Partner Group are well-positioned to integrate considerations of climate change, where relevant, over the short, medium and long term. When it comes to individual investments and funds, the IK CFO is responsible for the valuation of material ESG risks and thus, climate-related risks at a fund level in line with the Fund Valuation Policy.

FIGURE 1: IK GOVERNANCE STRUCTURE



↻ Collaboration  
 → Informs



## Governance Structure (continued)

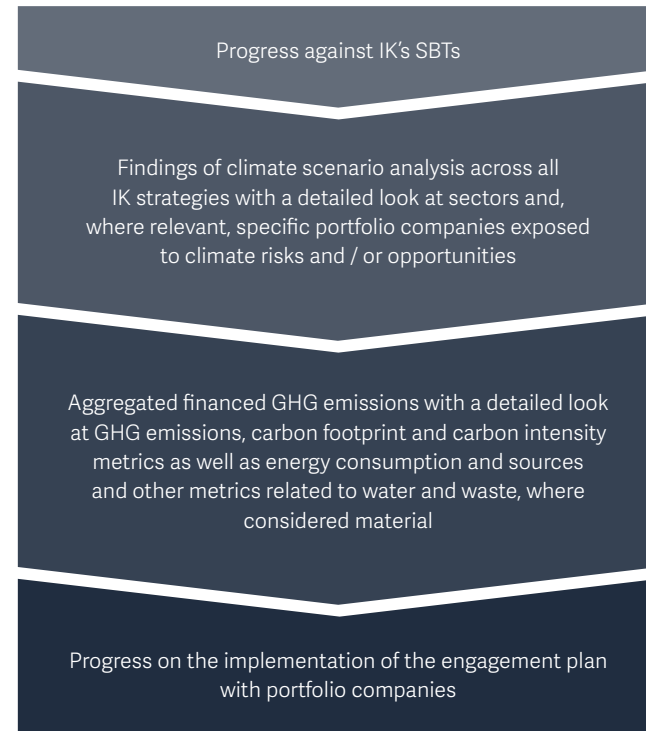
The IK Climate Policy applies in conjunction with other relevant policies, especially our ESG and RI policies, as well as the Fund Valuation Policy and the AIFM Risk Management Policy. The IK RI Policy outlines our RI principles, commitments and the referral list. The IK ESG Policy outlines our approach to the integration of material sustainability factors in the investment process, including climate change risks and opportunities.

Two of IK’s committees are integral to our climate agenda and represented on the governance structure chart: the Finance & Administration (“F&A”) ESG Steering Committee and the Investment Committee (“IC”).

**The F&A ESG Steering Committee** is comprised of the CEO, CFO, partner in charge of Investor Relations team and ESG Director and regularly reviews the policy — at least once a year.

The ESG Director provides a quarterly update to the committee on the progress and implementation of the IK Climate, RI and ESG Policies, as well as relevant regulatory developments.

To ensure the success of IK’s climate-related agenda, the updates provided generally cover the following climate items:



**The IC** is responsible for making investment recommendations to the AIFM after careful consideration of relevant financial and non-financial information, including climate-related risks and opportunities.

**The AIFM Board** also receives regular updates from the ESG Director on the implementation of the IK Climate Policy and relevant regulatory developments.

When it comes to our corporate entity, the responsibility lies with **the CFO** to identify and assess climate-related risks and opportunities in IK’s operations, determine what mitigating actions will be taken and oversee their implementation.

### IK Climate Policy Implementation

All our investment professionals have a responsibility to integrate considerations of material sustainability and climate change risks and opportunities throughout the investment lifecycle in line with the ESG and Climate policies and to ensure that decisions are made after their thorough examination. More details on how climate-related risks and opportunities are assessed and incorporated into each stage of the investment process can be found in the [Risk Management](#) section.

**The IK Capital Markets, Operations and ESG teams** are seamlessly integrated throughout the entire investment process to support the Investment teams in the implementation of the IK Climate Policy. The ESG team is also in charge of proposing updates to IK’s ESG-related policies, advancing IK’s monitoring and reporting approach as well as strategic partnerships with industry peers and initiatives to drive progress.

As per our Remuneration Policy, ESG risk management and enacting ESG efforts in the investment process are embedded into the annual performance review and remuneration structure.

At the portfolio level, IK’s investment professionals devote a significant amount of their time to managing the current portfolio through both their involvement with the management team and the board. Where IK has a controlling stake, IK has a minimum of one representative on **the board of directors within each portfolio company**. If appropriate, IK encourages the formation of an **‘Audit and ESG Committee’**.

# Capacity Building, Disclosures and External Reporting

At IK, we are dedicated to building strong internal capabilities to enable the implementation of our ESG, RI and Climate policies, which we believe help us preserve and unlock value for our investors.

Our ESG team provides the required support for our investment professionals and other teams, including pre-investment screening tools, analytics, assessments, training and other relevant materials. The ESG team is further reinforced by a strong network of external partners in IK's investment geographies with leading climate and sustainability expertise.

All new joiners complete a structured onboarding programme, which includes a separate session on IK's ESG strategy and integration of ESG factors, including climate change, throughout the investment lifecycle. 100% of new joiners in 2023 completed the ESG induction session.

Our investment professionals also receive periodic training on climate change-related issues and how to incorporate these into the investment process. This is usually delivered by the ESG team or external partners.

We are also committed to supporting our portfolio companies in increasing their awareness of climate change-related issues and regulatory changes, as well as developing management practices required to stay resilient or act on the presented opportunities. For the first time in 2023, we organised an ESG Forum for our portfolio companies. As part of the forum, a separate information session was delivered by South Pole on the development of a decarbonisation strategy and setting SBTs.

Committed to maintaining transparency with our investors, a regular ESG update is provided during the Annual Investor Meeting and Limited Partner Advisory Committee ("LPAC") Meeting, featuring any relevant climate-related developments.

Finally, IK is a proud supporter of industry-leading initiatives. As signatories, we are committed to continuously providing necessary disclosures and reporting on our progress in a way that supports our investors in integrating this information into effective decision-making.



## Taskforce on Climate-related Financial Disclosures ("TCFD")

- A publicly available entity-level TCFD Report, prepared in accordance with the requirements of the UK Financial Conduct Authority
- Voluntary product-level TCFD reports available to IK funds' investors

FOR MORE INFORMATION  
[FSB-TCFD.ORG](https://www.fsb-tcfid.org)  
[FCA.ORG.UK](https://www.fca.org.uk)



## Taskforce on Nature-related Financial Disclosures ("TNFD")

- IK Partners among TNFD Early Adopters

FOR MORE INFORMATION  
[TNFD.GLOBAL](https://www.tnfd.global)

[IK PRESS RELEASE](#)



## UN Global Compact ("UN GC")

- Signatory of the UN GC since 2014

FOR MORE INFORMATION:  
[UNGLOBALCOMPACT.ORG](https://www.unglobalcompact.org)

[UN GC COMMUNICATION  
ON PROGRESS REPORT](#)



## UN Principles for Responsible Investment ("PRI")

- 5/5 stars for Strategy & Governance
- 5/5 stars for Private Equity

FOR MORE INFORMATION:  
[UNPRI.ORG](https://www.unpri.org)

[UN PRI ASSESSMENT  
REPORT](#)



## 02

# Strategy

We believe that the detrimental effects of climate change on our planet, people and the economy, together with the scale of effort required to mitigate and adapt to the effects of climate change, create both a systemic risk with potential material financial impacts as well as an opportunity for value creation. Therefore, we consider climate change when defining our investment strategy and approach, in line with our fiduciary duties.

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# Strategy

Centred on our core principle of delivering lasting returns to our investors, we aim to identify material climate-related risks and opportunities and integrate their considerations into our investment strategy. Our climate approach targets both pillars of our activities — our corporate operations and more importantly, the management of our investment portfolio — where the biggest exposure to climate impacts lies for us.

## Identified Climate Risks and Opportunities and Their Potential Impacts

Following the TCFD recommendations, when identifying potential financial impacts of climate change, IK Partners considers both physical risks and transition risks and opportunities.

### Physical Risks

Physical risks arise from acute or chronic changes in climate patterns which vary between timeframes and across geographies.

**Acute Risk** – Immediate extreme weather events such as a flash flood, hurricane, or wildfire.

**Chronic Risk** – The long-term variability of weather patterns, causes changes to the climate system such as rising sea levels, and increasing mean temperatures over a longer time frame.

### Transition Risks

Transition risks are driven by the transition to a low-carbon economy, which requires policy, legal, technological and market changes to accommodate climate change mitigation and adaptation. Although transition drivers are also expected to have universal global effects, their short-term impact varies significantly across different business sectors and geographies. This variation depends on local policy responses and stakeholder pressures.

**Policy and Legal Risk** – The rapidly evolving legal and regulatory landscape aimed at mitigating and adapting to climate change. For example, carbon pricing, enhanced reporting obligations, mandates on and regulation of existing products and services, and exposure to litigation.

**Technology Risk** – The technological developments and associated costs to support the transition to a low-carbon economy. For example, the requirement to substitute existing products and services with lower emissions options and unsuccessful investment in new technologies.

**Market Risk** – Changing market conditions due to, for example, changes in customer behaviour, uncertainty in market signals and changes in the cost of raw materials.

**Reputational Risk** – The risk of a negative reputation and changing perceptions of an organisation due to shifts in customer preferences and expectations, increased stakeholder concern / negative feedback and the stigmatisation of sectors.

### Transition Opportunities

The transition to a low-carbon economy and the mitigation and adaptation actions required, also create opportunities for companies. Identifying and utilising the opportunities is of strategic importance to become a leader and stay competitive in the transitioning market.

**Resource Efficiency** – Use of more efficient modes of transport / production / distribution / buildings / water usage.

**Energy Sources** – Use of lower emissions sources of energy, new technologies and participation in the carbon markets.

**Products and Services** – Development and expansion of lower emissions goods and services, new products, and climate adaptation / insurance risk solutions.

**Markets** – Access to new markets, use of public sector incentives and access to new assets and locations.

**Resilience** – Ability of the organisation to build adaptation capacity to respond to changing climate.

Both physical and transition risks and opportunities are a source of potential financial implications for an organisation which can materialise by affecting revenues, expenditures, assets and liabilities, capital and financing. For example, physical risks can have direct impacts on a company by damaging assets and infrastructure, or indirect impacts by disrupting supply chain operations. Transition risks — depending on the magnitude of transition efforts in various jurisdictions — may affect a company's ability to generate revenue and access markets or damage reputation and market competitiveness.

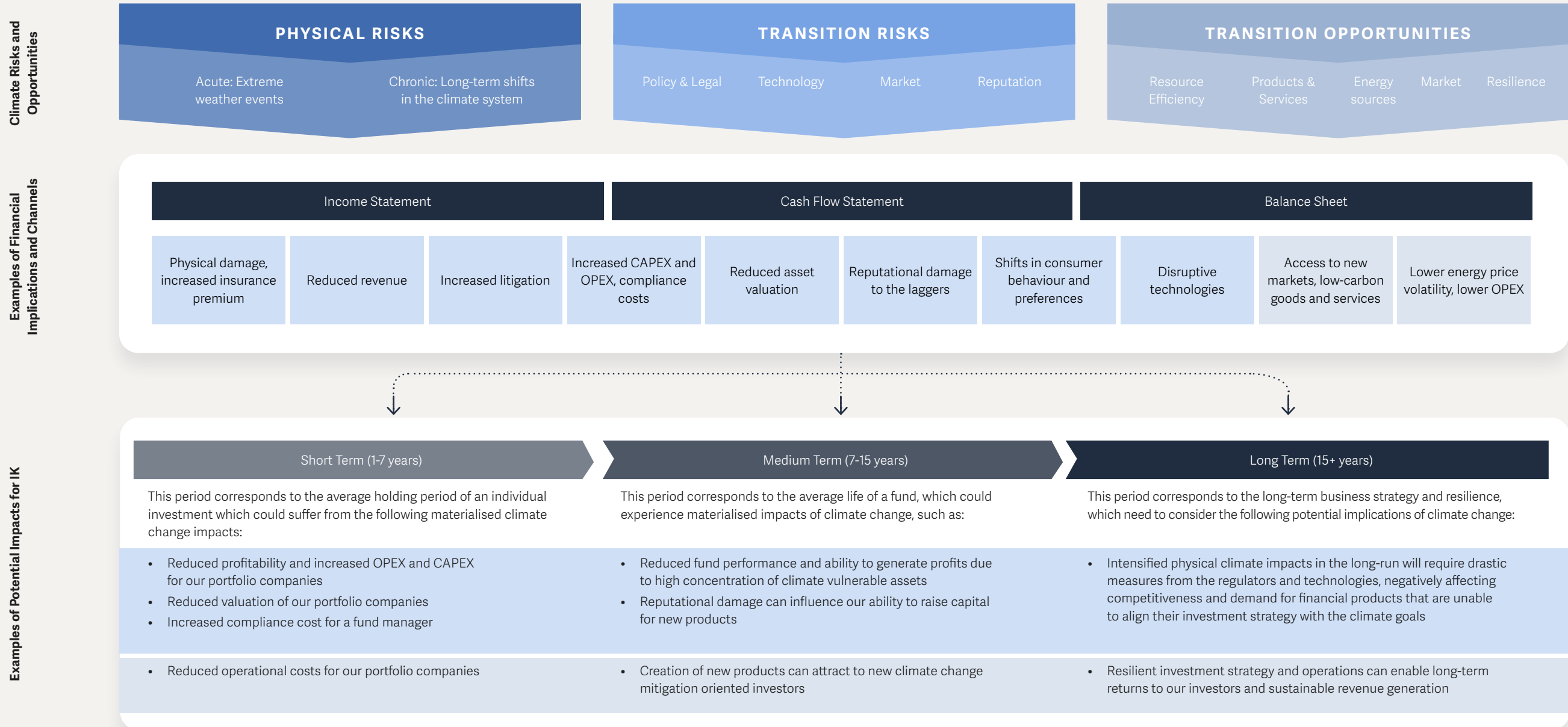
As an advisor and manager of IK funds, we focus on identifying impacts of climate risks and opportunities which could affect our investments and thus the ability to deliver sustainable value to our investors and generate profits. When conducting this analysis, we considered three time horizons spanning the short, medium and long terms. The time horizons reflect different aspects of private investing, encompassing the lifecycles of individual investments, funds and a long-term investment strategy. This approach enables us to have a holistic perspective when identifying climate change impacts and incorporating them into our investment process and strategy.

Figure 2 provides a summary of climate change risks and opportunities and examples of their potential impacts we identified in different time horizons. These impacts were identified based on qualitative analysis using the internal expertise and capabilities of our ESG team and a track record of integrating climate change factors into the investment process, as per the IK ESG Policy and since 2024, the IK Climate Policy.



# Identified Climate Risks and Opportunities and Their Potential Impacts (continued)

FIGURE 2: POTENTIAL CLIMATE CHANGE IMPACTS FOR IK PARTNERS



# IK Climate Approach

Our climate approach is focused on identifying climate risks and employing actions to manage them while taking advantage of the opportunities and can be summarised in the following four core pillars:

# 1

## Investment Process

Climate change considerations are integrated into each stage of the investment process.

The implementation of IK's ESG and Climate policies, which set out our approach to the integration of climate considerations in the investment process, is overseen by the CEO with the support of our Partner Group. The policies are periodically reviewed and amended.

In the pre-investment stage, the Altitude tool by AXA Climate enables the screening of potential investments for exposure to climate-related risks and opportunities on an asset level.

During our ownership, we also utilise the Altitude tool together with other available analyses to perform a forward-looking climate scenario analysis to inform our engagement with portfolio companies and support them in managing associated risks or acting on identified opportunities.

All IK portfolio companies should measure and report scope 1 and 2 GHG emissions and are encouraged to monitor and report scope 3 emissions. The collected high-quality emissions data plays a crucial role in further engagement as well as IK's reporting and transparency commitments.

In addition, where considered appropriate, climate topics can be further considered for exit preparations.

More details on the investment process can be found in the [Risk Management](#) section.

# 2

## Investment Strategy

We strategically consider climate change opportunities in line with any fiduciary duties. For example:

- By expanding the selection of IK's core sub-sectors to invest in businesses benefiting from the transition; and
- When defining IK Funds' investment strategy and developing new products.

# 3

## Decarbonisation Commitments

In 2022, IK set SBTs and had them verified by SBTi.

IK is committed to:

- Achieve 100% of portfolio coverage by invested capital in majority investments with verified SBTs by 2040 from a 2021 baseline year, with an interim target of 26% by 2026; and
- Reduce its operational scope 1 and 2 emissions by 54% by 2030 from the 2019 baseline.

To meet our commitments, we encourage our portfolio companies to measure their emissions and directly engage with them to support the identification of emissions reduction opportunities and setting SBTs.

We will also continue to take steps to identify and implement GHG emission reduction measures internally to meet our operational target, as well as support innovative carbon removal and avoidance solutions by purchasing carbon credits.

You can find our progress against the targets in the [Metrics and Targets](#) section.

# 4

## Strategic Collaboration

We strongly believe that collaboration and participation in industry initiatives can contribute to finding solutions to global sustainability challenges.

As an active member of the iCI, IK co-chaired the Regulatory Working group and contributed to the development of [PE TCFD Guidance](#), in collaboration with BVCA ("British Private Equity and Venture Capital Association") and KPMG.

IK also collaborates with the leading UK and European universities and participates in student consulting projects in the climate and sustainable finance field.

One of the projects implemented last year was done with students from the Imperial College Business School. As part of the project, students defined a methodology for calculating scope 4 or avoided emissions and successfully applied it to evaluate the potential avoided emissions enabled by products of MDT Technologies (IK VIII Fund investment).



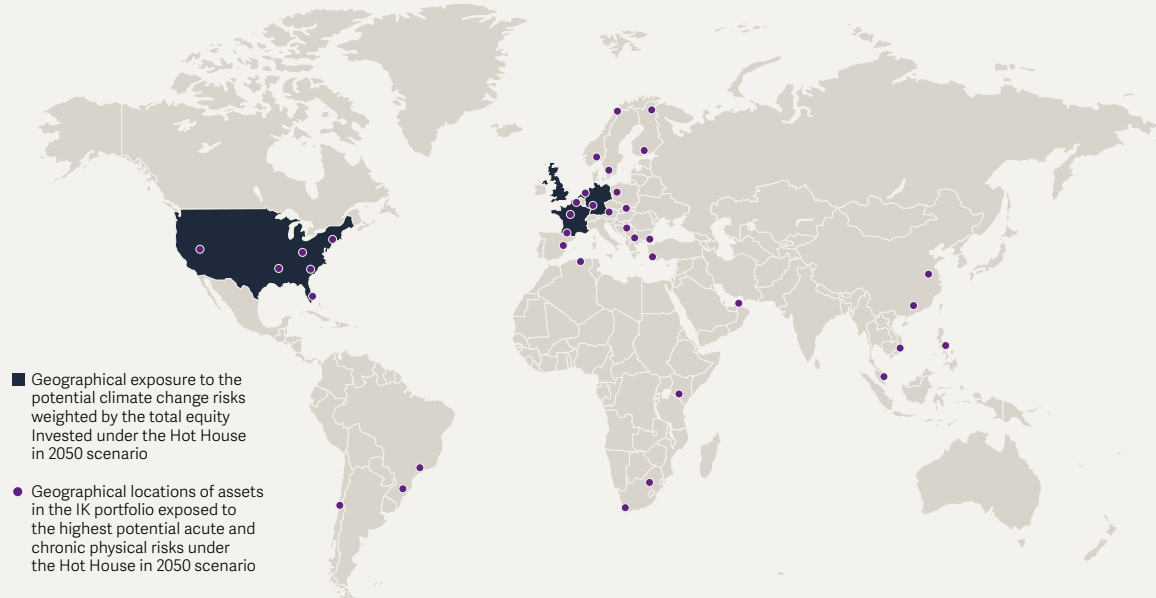
# Climate Scenario Analysis and Portfolio Resilience

IK performs a forward-looking scenario analysis to identify and monitor physical and transition risks and opportunities and to improve understanding of the resilience of its portfolio. The portfolio-wide scenario analysis covering 100% of AUM<sup>1)</sup> was completed by using the Altitude tool by AXA Climate.

Based on the implemented scenario analysis, IK's portfolio has aggregated low to medium levels of exposure to climate change risks in scope. This report provides an overview of the portfolio-wide assessment and we aim to share the product-level assessment results with IK's funds investors.

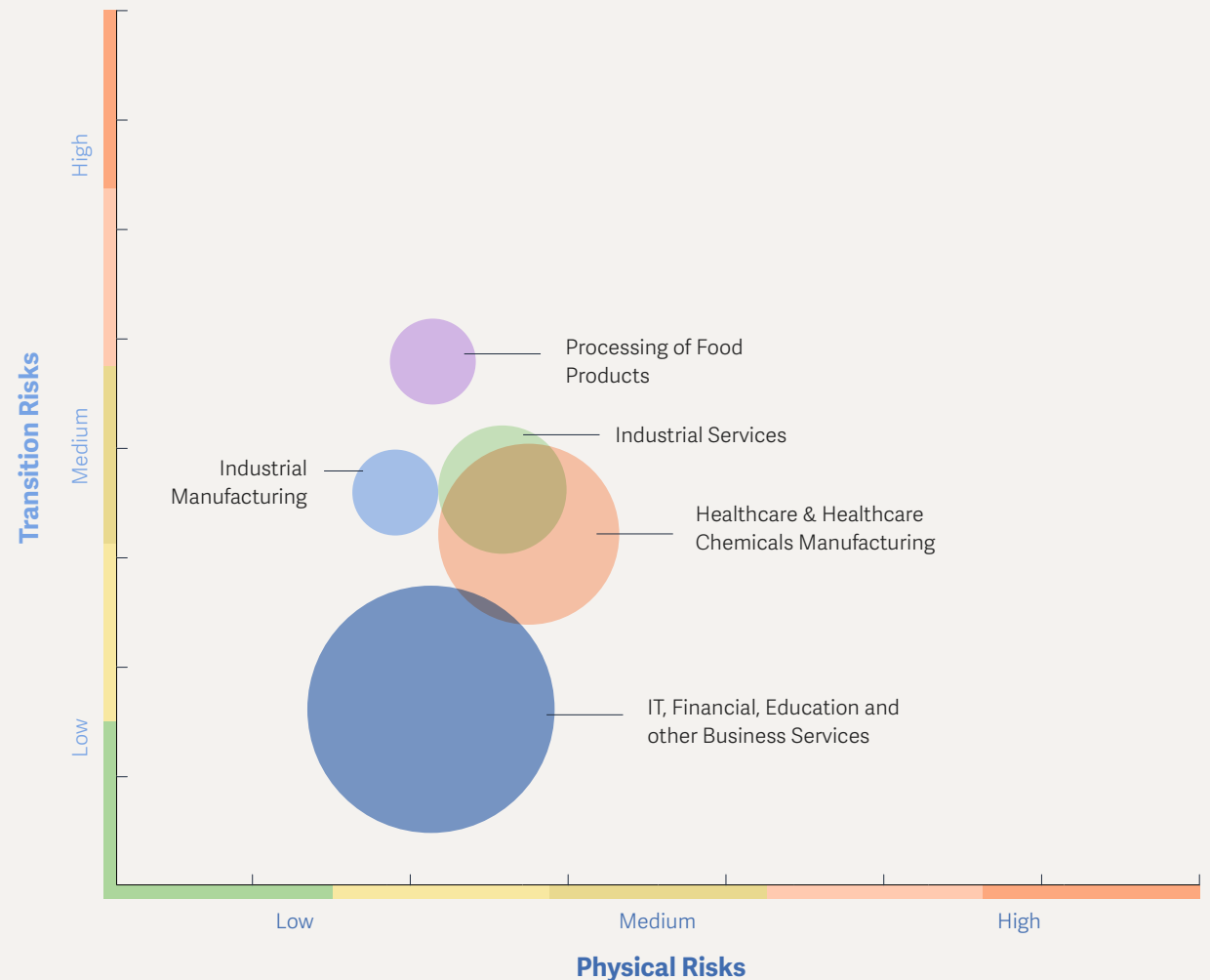
Please note that there are limitations inherent to climate scenario analysis due to the high levels of complexity and uncertainty, black box-based climate modelling as well as portfolio data quality and availability. Moving forward, we remain committed to engaging with AXA and refining our approach to scenario analysis. Furthermore, we will continue our efforts to advance the data quality from our portfolio and will conduct periodic assessments to monitor and report on our exposure to climate risks to our key stakeholders.

FIGURE 3: GEOGRAPHICAL CLIMATE RISK EXPOSURE



1) IK portfolio as of December 2023, investments, that were signed for exit at that time, were excluded from the analysis.

FIGURE 4: CLIMATE CHANGE RISKS EXPOSURE ACROSS SECTORS<sup>2)</sup>



2) Based on the aggregated risk scores for transition and physical risks as per the Altitude tool by AXA Climate and company-specific insights from the IK ESG team, weighted by the total equity invested using the tool's sectors allocation.

# Climate Scenario Analysis and Portfolio Resilience (continued)




## Physical Risks Scenario Analysis

To assess climate physical risks, the Altitude tool by AXA Climate allows us to analyse assets in the IK portfolio individually, based on their type and exact geolocation. Following, the IPCC definition, the tool evaluates climate physical risks as a function of three pillars: hazard, vulnerability and exposure. The tool covers 16 natural hazards; both chronic and acute. Each hazard peril is evaluated using one or multiple metrics derived from Global Climate Models and additional resources specialised in separate hazards. Altitude then computes 30-year averages (monthly, seasonally, yearly) around 2000, 2020, 2030 and 2050 to monitor the evolution of climate hazards over time. Climate hazards are computed for three emissions scenarios.

For each assessed asset, a risk score of low, medium, or high is provided based on the physical hazard metrics identified as material for an asset type. In case a portfolio company has multiple assets, a consistent rule is applied to aggregate a risk score at the company level. A risk score is then consolidated at the portfolio level by aggregating and weighting individual companies' scores by the attribution factor<sup>1)</sup> and recategorising risk levels into five categories: low, medium-low, medium, high; and very high. The Altitude tool by AXA Climate results are then further adjusted by the IK ESG Team based on company-specific insights.

A heatmap shows the portfolio aggregated risk levels across each climate hazard in the scope of the analysis, in three forward-looking scenarios and two time periods. Based on the results, the IK's portfolio has the highest exposures of medium level to water stress, storm and landslide hazards, consistent across the three scenarios and both timelines.

The scenarios used for the physical climate scenario analysis include:

	<b>Optimistic Scenario – SSP1-2.6</b> The temperature increase stabilises to 1.8 °C by 2100
	<b>Middle of the Road Scenario – SSP2 – 4.5</b> The realistic scenario of warming to be limited to 2.7°C by 2100
	<b>High-Reference Scenario – SSP5-8.5</b> The pessimistic scenario of temperature rise to 4.4°C by 2100

**Risks heatmap**















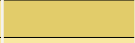
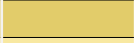
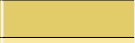
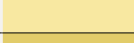
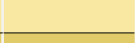
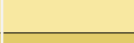
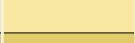
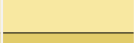
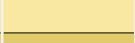














































































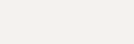
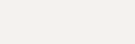
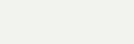
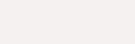
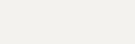
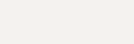
-  Low
-  Medium-Low
-  Medium
-  High
-  Very-High

FIGURE 5: PORTFOLIO PHYSICAL RISKS EXPOSURE

Climate Physical Risks	2030			2050		
						
<b>Chronic</b>						
Changing air temperature						
Changing precipitation patterns						
Water stress						
Sea level rise						
Soil erosion						
<b>Acute</b>						
Extreme heat						
Extreme cold						
Wildfire						
Tropical cyclone						
Storm						
Drought						
Extreme precipitation						
Flood						
Landslide						
Earthquake						
Subsidence						

1) % share of the IK equity value in a portfolio company out of the total enterprise value, as of December 2023.



# Climate Scenario Analysis and Portfolio Resilience (continued)


## Transition Risks and Opportunities Scenario Analysis

When it comes to transition risks and opportunities, the Altitude tool relies on the AXA Climate expertise to identify material transition risks and opportunities for each company based on its sector. This materiality assessment is based on a qualitative assessment of potential impacts on revenues, OPEX and CAPEX of portfolio companies. Specific Network for Greening the Financial Systems climate-related indicators from transition scenarios defined for different geographies are used as a proxy for each material risk and opportunity identified. The proxies then model the identified risks and opportunities in 2020, 2030 and 2040 under the three forward-looking scenarios. If no proxies are available (only specific sectors' risks and opportunities are concerned), targeted market research is used such as sector focus reports, for example, McKinsey and World Economic Forum.

A risk or opportunity score is then assigned to each company and aggregated at the portfolio level by applying the attribution factor<sup>1)</sup> and recategorising risk levels into five categories: low, medium-low, medium, high and very high. The Altitude tool by AXA Climate results are further adjusted by the IK ESG team based on company-specific insights.

A heatmap represents a list of transition risks and opportunities identified as material for the sectors of IK's portfolio companies. Based on the results, the increased pricing of GHG emissions is identified as the most material transition risk in 2050, with the risk intensifying in 2030 in the Net Zero 2050 scenario. Among the key opportunities, the use of low-emissions energy sources was identified as relevant across the portfolio.

The scenarios used for the transition climate scenario analysis include:

- 
**Net Zero 2050**  
 Orderly  
 This scenario limits global warming to 1.5°C by 2100 through stringent policies and innovation and reaching net zero by 2050
- 
**Delayed Transition**  
 Disorderly  
 This scenario assumes annual emissions do not decrease until 2030 and strong policies are needed to limit global warming to below 2°C by 2100
- 
**Nationally Determined Contributions**  
 Hot House  
 This is business as usual scenario based on the current pledged policies

<b>Risks heatmap</b>	<b>Opportunity score</b>
Low	Low
Medium-Low	Medium-Low
Medium	Medium
High	High
Very-High	Very-High

FIGURE 6: PORTFOLIO TRANSITION RISKS AND OPPORTUNITIES EXPOSURE

Climate Transition Risks	2030			2050		
<b>Policy and Legal</b>						
Increased pricing of GHG emissions						
Mandates on and regulation of existing products and services						
Emerging regulation on reporting requirements						
<b>Technology</b>						
Cost to transition to lower-emission alternatives						
Increased cost of raw materials						
Increased energy / electricity prices						
<b>Market</b>						
Shift in customer preferences						
<b>Reputation</b>						
Increased stakeholder concerns						
<b>Climate Transition Opportunities</b>						
<b>Policy and Legal</b>						
Favourable regulatory frameworks and public incentives						
<b>Technology</b>						
Promote more efficient buildings and operations						
Use of more efficient production and distribution process						
Use of recycling						
Use of lower-emission sources of energy						
<b>Market</b>						
Access to new markets						
Expansion of low-emission goods and services						
Shift in customer preferences						

1) % share of the IK equity value in a portfolio company out of the total enterprise value, as of December 2023.



# 03

# Risk management

Recognising that climate change can potentially arise in different risk factors affecting our investments and operations, IK is committed to integrating material climate change-related risks into our overall risk management system and investment processes. Moving forward, we will continue to enhance our climate risk assessment and management capabilities.

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Identifying, Assessing, Managing and Monitoring Climate-Related Risks Within IK's Overall Risk Management System 18

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Integration of Climate Risks and Opportunities into the Investment Process 19

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# Risk Management

## Identifying, Assessing, Managing and Monitoring Climate-Related Risks within IK’s overall Risk Management System

IK takes a proactive and effective approach to managing risks and has an established risk management system which aims at identifying, measuring, managing and monitoring all risks relevant to the IK group.

IK’s risk management framework categorises the group’s risks between financial (corporate and investment), regulatory, reputation and strategic, which can broadly be divided into investment risk and corporate operational risk. Both risk pillars consider financial and non-financial factors, including climate change-related risks.

Given the nature of our business, we consider climate impacts on IK’s corporate operations to be quite limited, with the risks potentially materialising in our investments affecting the funds’ performance and as such, ability to deliver lasting returns to our investors and generate revenue. As shown in Figure 7, the identified climate-related risks in the previous section have the potential to manifest in the core IK risk categories. As the next steps, we will continue to refine our approach to assessing the potential impacts of climate change and, where possible, quantifying them to ensure effective management practices are applied, where considered relevant.

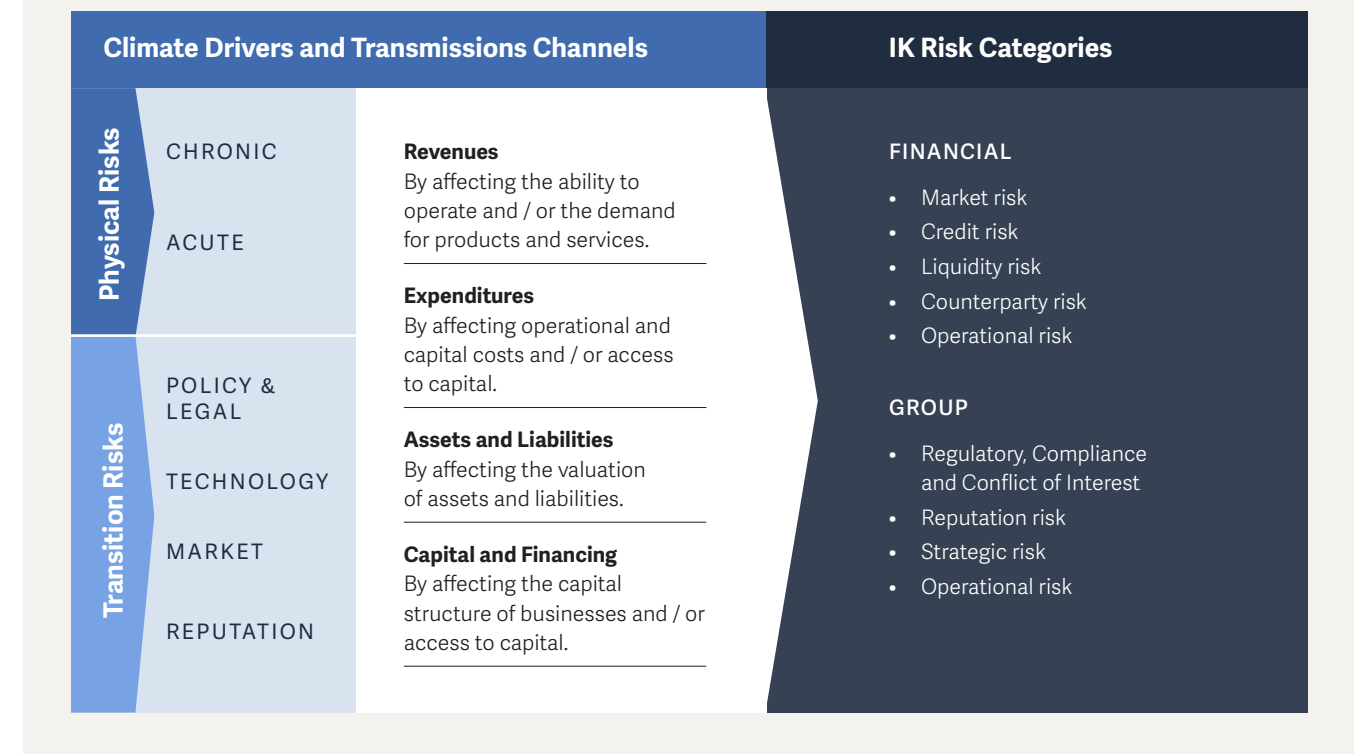
Currently, our climate risk assessment and management efforts are focused on the investment process and continuous portfolio risk monitoring. IK integrates climate change factors throughout each stage of the investment process, in line with our Climate and ESG policies. In addition, a forward-looking climate scenario analysis is conducted by our ESG team to assess the exposure of individual assets and IK funds to climate change risks and opportunities. The results of the assessment feed into our engagement strategies with companies to support them in recognising and managing associated risks, or acting on value-creation opportunities. Furthermore, climate scenario assessment allows us to stay transparent with our investors, communicating on exposure and resilience of our funds to climate change factors.

As climate change-related factors could potentially affect the value of the investments in our funds, our policy allows for the incorporation of climate change risks along with other material ESG factors into valuation, where considered relevant. As per the Funds Valuation policy, the final valuation outcome may include a weighted-scenario adjustment wherein probabilities and weightings based on materiality are considered. The integration of an ESG approach may consider the assessment of the relevant ESG criteria

for a given sector, the comparison of the performance of a company to such criteria and the calibration of the valuation parameters (such as market multiples) to a company, to consider its relative performance against market peers based on selected ESG criteria. An important point of attention is avoiding double-count ESG valuation impacts on ESG factors such as specific risk premia or discount in the discount rate.

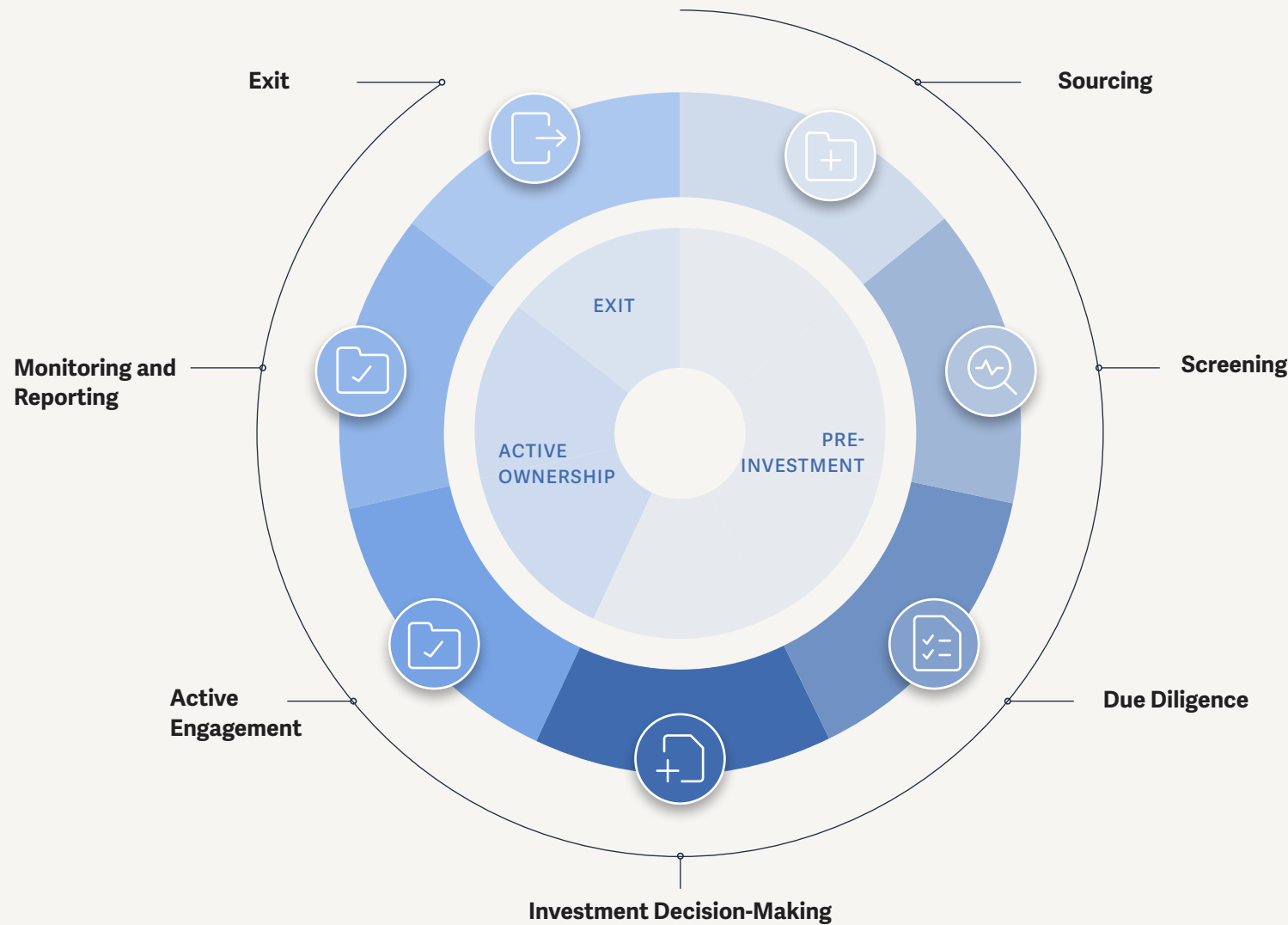
In a similar vein, the IK Investment Partners AIFM’s Risk Management Policy aims at identifying, measuring, managing and monitoring all relevant risks in relation to the alternative investment funds and incorporates sustainability risks, including climate change, where considered material.

FIGURE 7: THE IK RISK CATEGORIES POTENTIALLY IMPACTED BY CLIMATE RISKS



# Integration of Climate Risks and Opportunities into the Investment Process

FIGURE 8: STAGES IN THE INVESTMENT PROCESS



## Pre-Investment

### Sourcing

All existing and prospective investments must be compatible with our RI commitments and exclusions. As per the [IK RI Policy](#)'s referral list, IK will not invest in companies that have an unacceptably high carbon footprint and have failed to take reasonable steps to reduce these emissions, each as determined by IK.

### Screening

Climate change risk screening is conducted for all potential investments at a minimum by using the Altitude tool by AXA Climate<sup>1)</sup>. The tool allows to screen a target for exposure to climate change physical and transition risks and opportunities as well as biodiversity risks at an asset level using the geographical location of assets, their types and sector of business operations.

### Due Diligence

Based on the findings of the climate change risk screening and when considered appropriate, further analysis of climate change risks and opportunities is integrated into ESG due diligence, which is conducted, as per best practice, by external specialists for all advanced target investments.

### Investment Decision

A summary of findings from the climate change screening and ESG due diligence must be included in the IC Memorandum ("IC memo") alongside the investment case.

When making a decision on a prospective investment, the IC will seek to take into account, alongside other considerations, information on climate change as presented in the IC memo in the ESG section.

Depending on the risk appetite of the financial product and the materiality of the climate change risks identified, IK may choose to pursue an investment opportunity if the risk levels are considered acceptable and, where needed, seek to embed risk management during the holding period.

If the IC concludes that the climate risks of a target company are too high and / or cannot be appropriately mitigated, no investment recommendation will be made.

1) The Altitude tool by AXA Climate was fully integrated in 2024, prior to that starting from 2020, a proprietary climate risk screening tool developed by EY was used, more details about the tool can be found in the [IK Sustainability Report 2021/2022](#).



# Integration of Climate Risks and Opportunities into the Investment Process (continued)

## Ownership

### Active Engagement

Relevant action points, typically identified during due diligence or as part of the independent ESG Review during ownership, related to any material ESG risks and opportunities, including climate change, are usually integrated into the Full Potential Plan.

To advance our efforts in assessing climate change risks and opportunities, IK performs a portfolio-wide scenario analysis following the TCFD recommendations, using the Altitude tool by AXA Climate. This analysis informs our future engagements with portfolio companies.

All of our portfolio companies are part of the Annual Review process which includes an ESG section and should have ESG on the board meeting agendas at least once a year.

The ESG team, supported by external partners where relevant, actively engages with portfolio companies on climate change issues, encourages emissions monitoring and reduction targets setting and provides necessary resources, tools and materials to enable them to identify, assess and mitigate climate change-related risks.

Building on the findings of the independent reviews, climate scenario analysis and data monitoring, we aim to support our portfolio companies in advancing their climate efforts, where necessary, to mitigate any potential risks while unlocking value in preparation for exit.

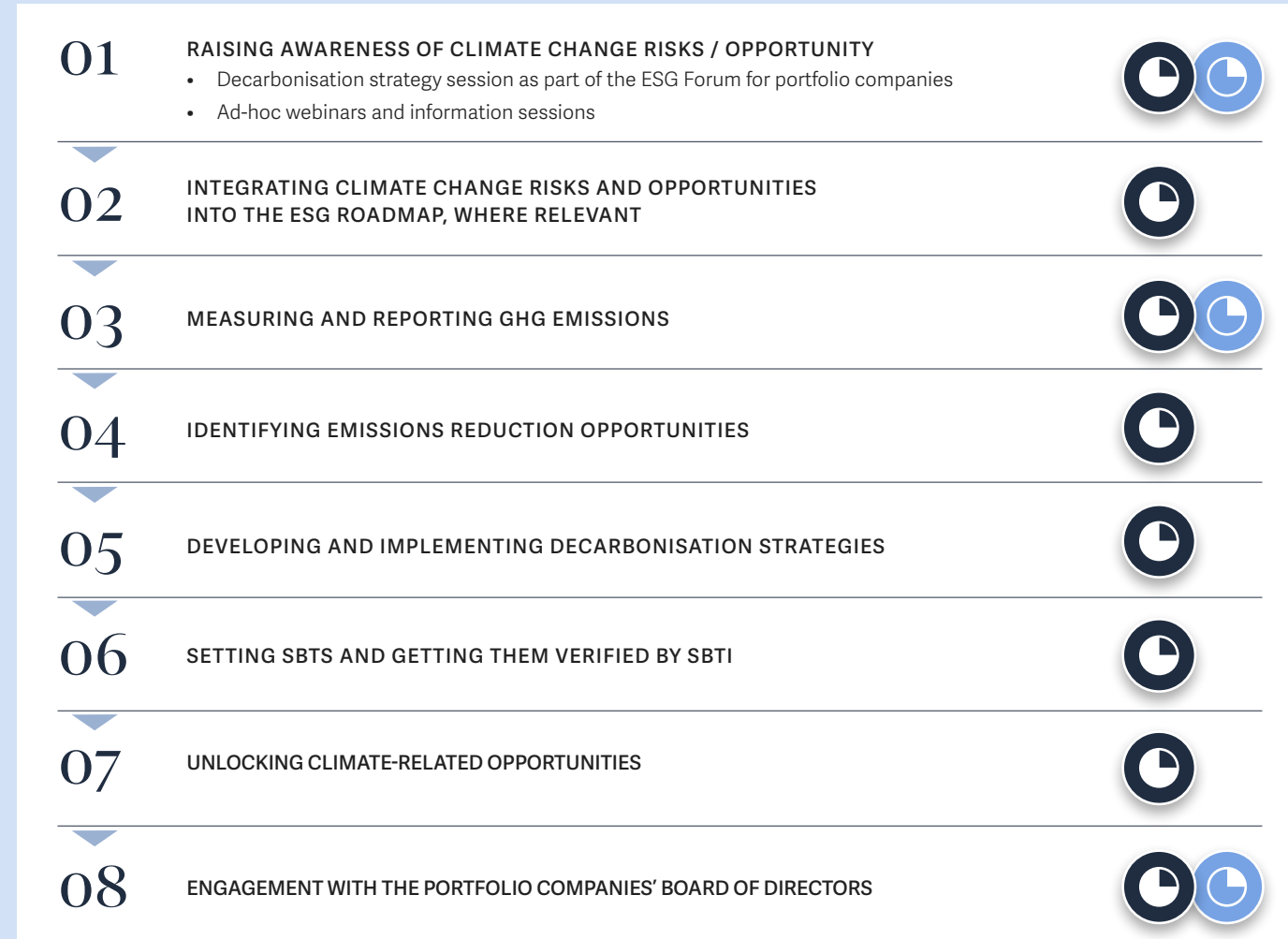


MAJORITY OWNERSHIP



MINORITY OWNERSHIP

In our engagement strategy with portfolio companies, IK is generally focused on:



### Monitoring and Reporting

All IK portfolio companies should monitor and report scope 1 and 2 GHG emissions and are encouraged to monitor and report scope 3 GHG emissions in line with the GHG Emissions Protocol.

The emissions data, along with other metrics such as energy consumption, availability of a decarbonisation strategy and SBTs as well as water consumption and waste generation for selected companies, are monitored annually across all IK funds<sup>1)</sup>. The data collected is vital to inform our engagement strategies and feed into the IK Annual Reviews.

Ultimately, the data is used to continuously report to our investors and may be contributed to industry initiatives such as the ESG Data Convergence Initiative ("EDCI") to further enhance the availability of climate-related metrics in private markets and informed decision-making.

### Exit

Depending on the structure of the exit process and nature of the investment, where considered appropriate, climate change-related factors can be integrated into the IK Exit Presentation, as well as included in ESG Vendor Due Diligence and Independent ESG Assessment if appropriate.

1) Water and waste-related metrics are monitored for selected companies across the Mid Cap, Small Cap and Development Capital funds.



# 04

# Metrics and Targets

We believe decision-useful and high-quality data is essential for understanding and managing material climate-related risks as well as for enabling investors to achieve their climate and investment goals. We are committed to continuing our efforts in measuring and reporting our emissions and progress against our targets, improving data quality and maintaining high levels of transparency with our investors.

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IK Portfolio Target	24
IK Operational Emissions and Target	25

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# Metrics and Targets

## IK Financed Emissions

Realising the scale of our portfolio footprint compared to our corporate operations, our efforts have been focused on supporting our portfolio companies in starting to measure their emissions and integrating climate-related data into the investment process. All of our portfolio companies should measure and report at least scope 1 and 2 emissions annually and are encouraged to monitor and report scope 3 GHG emissions in line with the GHG Emissions Protocol.

We are proud to be able to report 100% of IK’s financed emissions covering scope 1 and 2 across our entire portfolio for the second year in a row. Of the total emissions reported, 91% of emissions were measured and only 9% were estimated using the Altitude tool by AXA Climate. The tool’s calculation approach is based on Environmentally-Extended Input Output (EEIO) models used to estimate emissions for a given sector and revenue levels.

Our reporting results were achieved with the help of the IK carbon footprint project for portfolio companies that we have been running for three years together with our partner, South Pole.

Over this period, the project helped almost 40 of our companies to measure emissions as well as identify emissions reduction opportunities and define trajectories to align with the Paris Agreement targets.

We have also seen a rising number of our portfolio companies measuring their emissions outside of the project devised by IK as they are developing their own decarbonisation strategies and feeling the importance of supporting their stakeholders on this journey.

It is important to note that, while we strive to report quality data, there are some potential limitations of the calculations. These primarily come from inconsistencies and in places, a lack of transparency around the data reported to IK as well as high-level estimations using sector and revenue proxies when applying the Altitude tool by AXA Climate. For this reason, we also monitor a Partnership for Carbon Accounting Financials (“PCAF”) data quality score for the scope 1 and 2 emissions reported and will continue to revise our methodology where needed and work on the data quality of the disclosures we make.

TABLE 1: FINANCED ABSOLUTE EMISSIONS

IK portfolio level data, product level metrics will be available in the product level report to IK funds’ investors

Metric	Units	2023	% of portfolio covered <sup>1)</sup>	% measured	% estimated	2022
Absolute Scope 1 Emissions	tCO <sub>2</sub> e	120,223.5	100%	91%	9%	68,735.6
Absolute Scope 2 Emissions (Market-Based)	tCO <sub>2</sub> e	83,323.7	100%	9%	9%	43,700.3
Absolute Scope 2 Emissions (Location-Based)	tCO <sub>2</sub> e	91,571.7	84%	93%	7%	n.a.
Absolute Scope 3 Emissions	tCO <sub>2</sub> e	2,153,140.0	100%	58%	6%	638,760.2
Energy Consumption	kWh	619,153,503.4	86%			520,480,617.6
Renewable Energy Consumption	%	20%	86%			14%
Weighted PCAF Data Quality Score	1=high, 5=low	2.2	100%			2.1

TABLE 2: WEIGHTED FINANCED EMISSIONS AND EMISSIONS INTENSITY METRICS

IK portfolio level data, product level metrics will be available in the product level report to IK funds’ investors

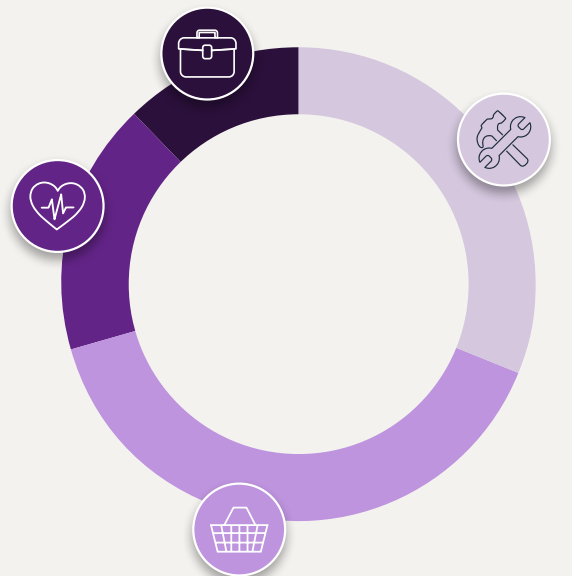
Metric	Units	Methodology <sup>2)</sup>	2023	2022
Total GHG Emissions (scope 1 and 2)	tCO <sub>2</sub> e	$\sum_n^i \left( \frac{\text{current value of investment}}{\text{issuer's market capitalization}} * \text{issuer's Scope 1 and Scope 2 GHG emissions} \right)$	38,136.3	34,253.5
Carbon Footprint	tCO <sub>2</sub> e / MEUR current value	$\frac{\sum_n^i \left( \frac{\text{current value of investment}}{\text{issuer's market capitalization}} * \text{issuer's Scope 1 and Scope 2 GHG emissions} \right)}{\text{current portfolio value (\$M)}}$	77.7	58.4
Carbon Intensity	tCO <sub>2</sub> e / MEUR revenue	$\frac{\sum_n^i \left( \frac{\text{current value of investment}}{\text{issuer's market capitalization}} * \text{issuer's Scope 1 and Scope 2 GHG emissions} \right)}{\sum_n^i \left( \frac{\text{current value of investment}}{\text{issuer's market capitalization}} * \text{issuer's \$M revenue} \right)}$	893.1	793.0
Weighted Average Carbon Intensity (“WACI”)	tCO <sub>2</sub> e / MEUR revenue	$\sum_n^i \left( \frac{\text{current value of investment}}{\text{issuer's market capitalization}} * \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}}{\text{issuer's \$M revenue}} \right)$	165.4	132.0

1) The % portfolio coverage is calculated using the unrealised value of investments as of December 2023.

2) Metrics calculated for the portfolio as of December 2023, using the unrealised value, enterprise value and revenue of portfolio companies as of December 2023.

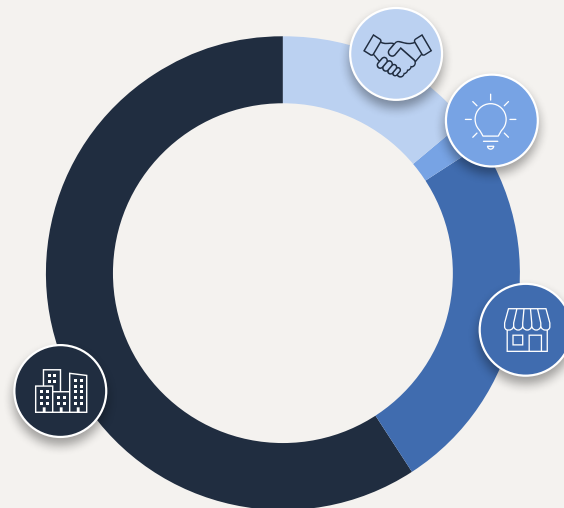
# IK Financed Emissions (continued)

FIGURE 9: WEIGHTED FINANCED SCOPE 1 AND 2 EMISSIONS BY IK SECTOR



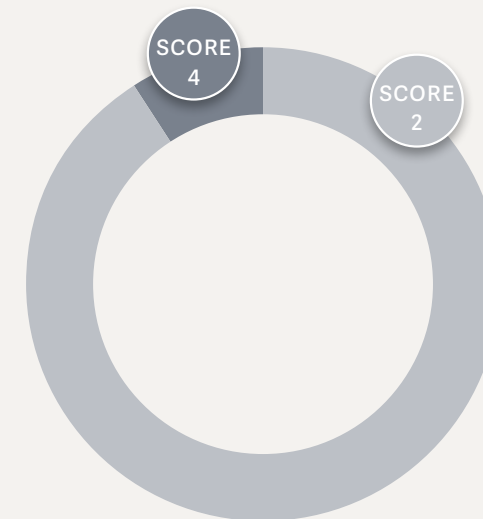
			Number of companies
● Business services	<b>12%</b>		22
● Healthcare	<b>17%</b>		12
● Consumer	<b>39%</b>		15
● Industrials	<b>31%</b>		13

FIGURE 10: WEIGHTED FINANCED SCOPE 1 AND 2 EMISSIONS BY IK STRATEGY



			Number of companies
● Mid Cap	<b>59%</b>		24
● Small Cap	<b>25%</b>		19
● Partnership Fund	<b>14%</b>		9
● Developmental Capital	<b>2%</b>		10

FIGURE 11: PCAF<sup>1)</sup> DATA QUALITY SCORE SPLIT ACROSS THE TOTAL FINANCED SCOPE 1 AND 2 EMISSIONS



- Score 2: Outstanding amount in the company and total company equity plus debt are known. Unverified emissions calculated by the company are available. **91%**
- Score 4: Outstanding amount in the company, total company equity plus debt and the company's revenue are known. Emission factors for the sector per unit of revenue are known (for example, tCO<sub>2</sub>e per euro or dollar of revenue earned in a sector). **9%**

1) PCAF data quality score ranges from 1 to 5, where 1 indicates high certainty levels and 5 high uncertainty levels, more details can be found in the Global GHG Accounting and Reporting Standard for the Financial Industry, PCAF, 2022.



# IK Portfolio Target

Since 2022, we have been working towards achieving our Paris Agreement aligned emissions reduction targets, in line with a trajectory to limit global warming to 1.5°C above pre-industrial levels.

In line with our portfolio coverage target, we are committed to achieving 26% of our eligible investments<sup>1)</sup> by invested capital setting SBTi-validated targets by 2026 and 100% by 2040 from a 2021 base year.

We have made great progress so far with over 26% of our portfolio companies setting targets and being formally committed as of December 2023.

Development of decarbonisation strategies and setting SBTs have been integral in our engagement with portfolio companies.

## Companies that contribute to 26% of IK's Portfolio Coverage

### Targets verified by SBTi



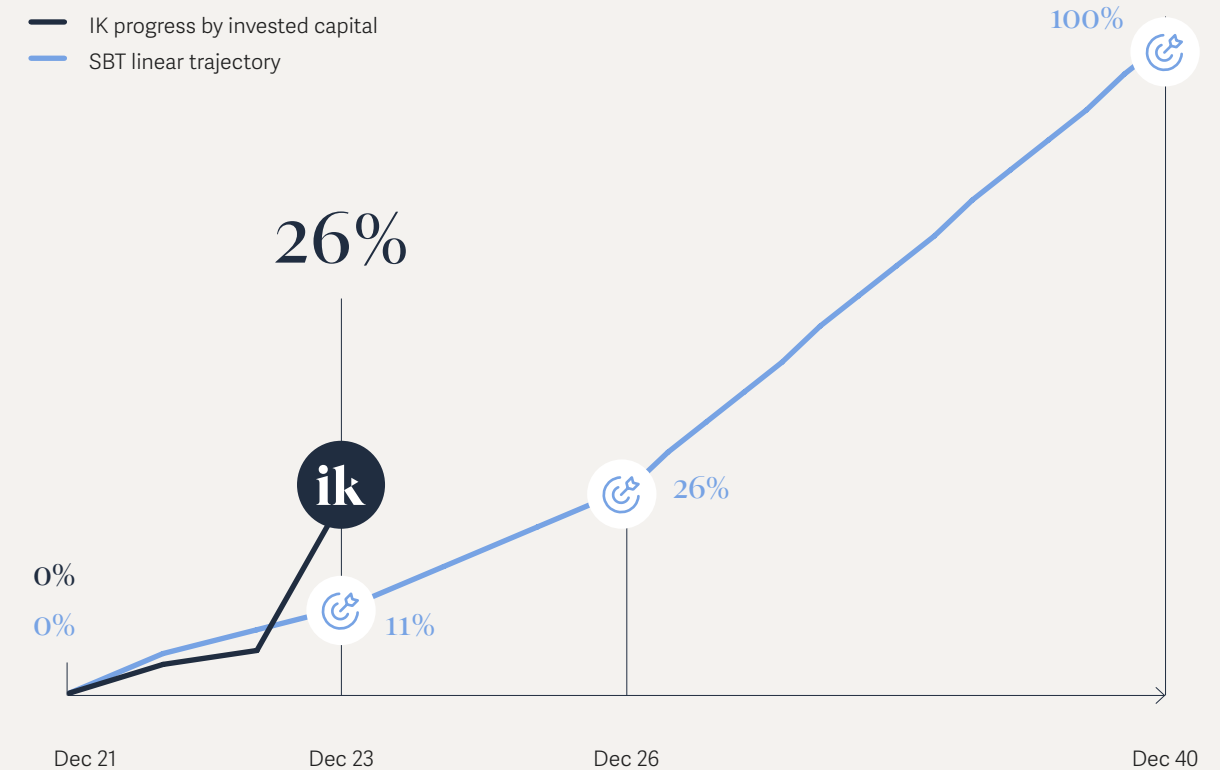
### Formally committed to SBTi



## Minority-owned portfolio companies that have set or are committed to setting SBTs<sup>2)</sup>



FIGURE 11: PORTFOLIO COVERAGE TARGET PROGRESS



1) Majority-owned investments with more than 25% of ownership and 1 board seat with voting rights.

2) These companies do not contribute to IK's portfolio coverage scope 3 target.

# IK Operational Emissions and Target

At IK, we have been monitoring emissions from operations since 2016 and we are committed to continue measuring and reducing our emissions in line with our target.

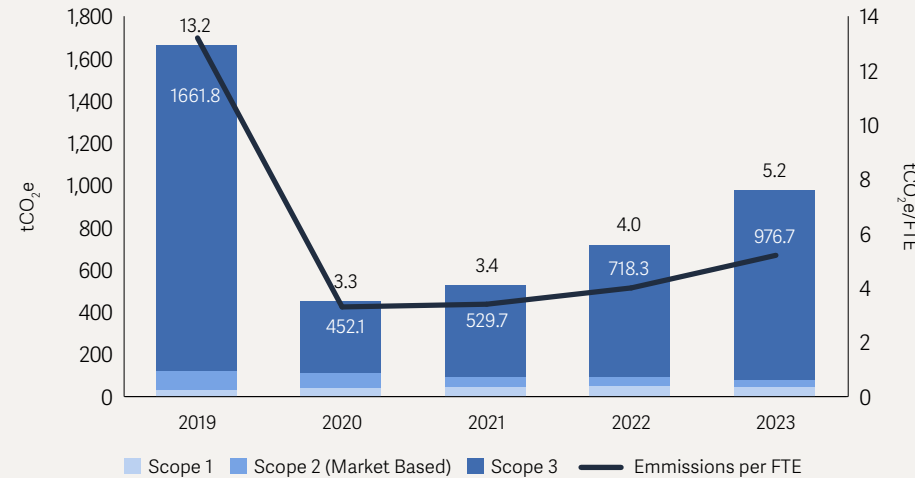
In 2023, IK's total emissions amounted to 977 tCO<sub>2</sub>e covering scope 1, 2 and 3 (categories 1-14). The biggest share of our emissions comes from business travel followed by employee commuting and purchased goods and services.

More information on the methodology and limitations of the calculations can be found in [Methodology](#).

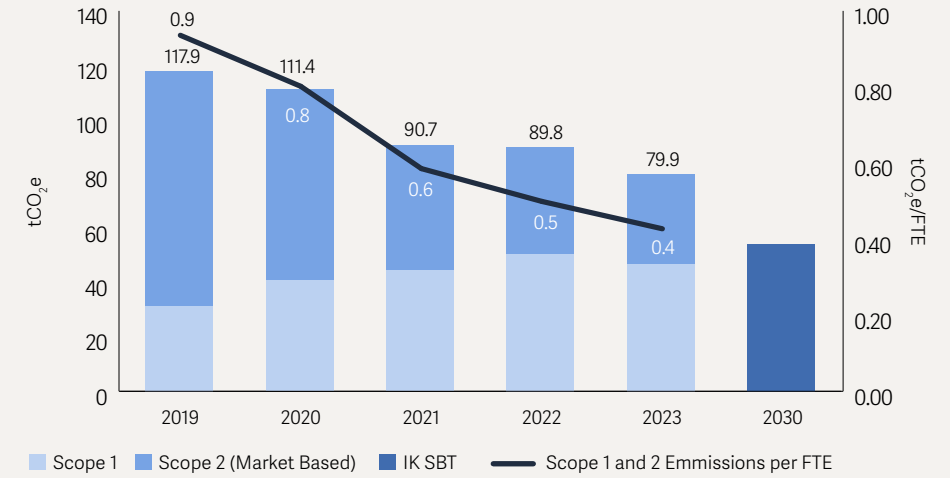
We are making significant progress towards meeting our SBT and aim to reduce our scope 1 and 2 emissions by 54% by 2030 from a 2019 base year. In 2023, we sourced renewable energy in 3 of our largest offices, substantially reducing emissions coming from electricity use as well as emissions intensity of our operations per employee.

While pursuing our efforts to reduce GHG emissions, IK continues to support innovative solutions which contribute to carbon removal and avoidance. In 2023, we purchased 100 new Solvatten units that have already been distributed to families in Kenya, enabling easier water sanitation and carbon avoidance of ~700tCO<sub>2</sub>e.

**FIGURE 12: IK HISTORIC GHG EMISSIONS (tCO<sub>2</sub>e) AND EMISSIONS INTENSITY (tCO<sub>2</sub>e/FTE)**



**FIGURE 13: IK'S PROGRESS AGAINST ITS SCOPE 1 AND 2 EMISSIONS REDUCTION TARGET**





# Methodology

IK's GHG emissions are calculated in accordance with the GHG Emissions Protocol and the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry. We apply the financial control organisational boundary and our carbon footprint analysis breaks down GHG emissions into scopes 1, 2 and 3 (Categories 1-14) from operations across all IK's offices and employees. The analysis also includes scope 3 (Category 15) financed emissions from our investments, consolidated using the proportional ownership approach. Our GHG emissions are presented in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), a unit used in carbon accounting to represent the seven GHGs relative to the global warming potential of CO<sub>2</sub>.

## Scope 1, 2 and 3 (Categories 1-14)

The primary activity data was used and prioritised, collected directly from landlords, suppliers, travel agents, employees and invoices across all IK offices for all FTEs as of December 2023. Deemed conservative proxies were applied otherwise. In each scope, emissions were calculated by multiplying activity data by the relevant emissions factor from DEFRA (2023) and / or AIB (2023), or by using emissions data provided directly by our suppliers. For some activities such as office energy use and employee commuting, we utilised the Carbon Navigator tool by Novata. In scope 1, the following activities were included: natural gas consumption and refrigerants. In scope 2, emissions calculations covered purchased electricity, heating and cooling. In scope 3, purchased goods and services, capital goods, business travel and employee commuting.

## Scope 3 (Category 15 – Investments)

As per the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and PCAF Global GHG Standard, IK accounted for all financed emissions covering both majority- and minority-owned investments held in the active IK funds as of December 2023.

Absolute scope 1, 2 and, where available, 3 emissions were either collected from companies that measured emissions independently or via the project run by IK with South Pole using the GHG Emissions Protocol aligned methodology. Financed emissions were reported in IK's scope 3 (Category 15) as per the industry standard. In very limited cases, where 2023 emissions calculations were not ready for some of the portfolio companies, the 2022 data was used.

The portfolio level TCFD-aligned metrics were calculated using the methodology on page 22, with the product-level metrics available to our investors in the Appendix. The absolute scope 1 and 2 emissions from portfolio companies were allocated to IK using the attribution factor. As per the PCAF standard, it is the proportional share of the outstanding value of equity invested held by IK in a given company — Unrealised Value — out of the total company value, the sum of total company equity and debt — Enterprise Value. The unrealised value, enterprise value and revenue of all portfolio companies were used from December 2023 for the 2023 reporting period.

The highest quality data was used to calculate the reported financed emissions and the corresponding PCAF data quality scores were provided. For scope 1 and 2, 91% of the emissions by unrealised value were calculated by the company and reported to IK or calculated by South Pole based on the companies' activity data (Score 2: 1b). The remaining 9% of emissions were estimated using the Altitude tool by AXA Climate.

## Potential Limitations

There are some potential limitations of the report and emissions calculated. More specifically, while we have been working hard to improve the data quality year on year and striving to use the highest-quality data available, there are some data gaps which affect the scope of the inventory boundary, data accuracy and quality. For this reason, we provide transparency and sufficient information about the methodology and assumptions used to improve the validity of the report.





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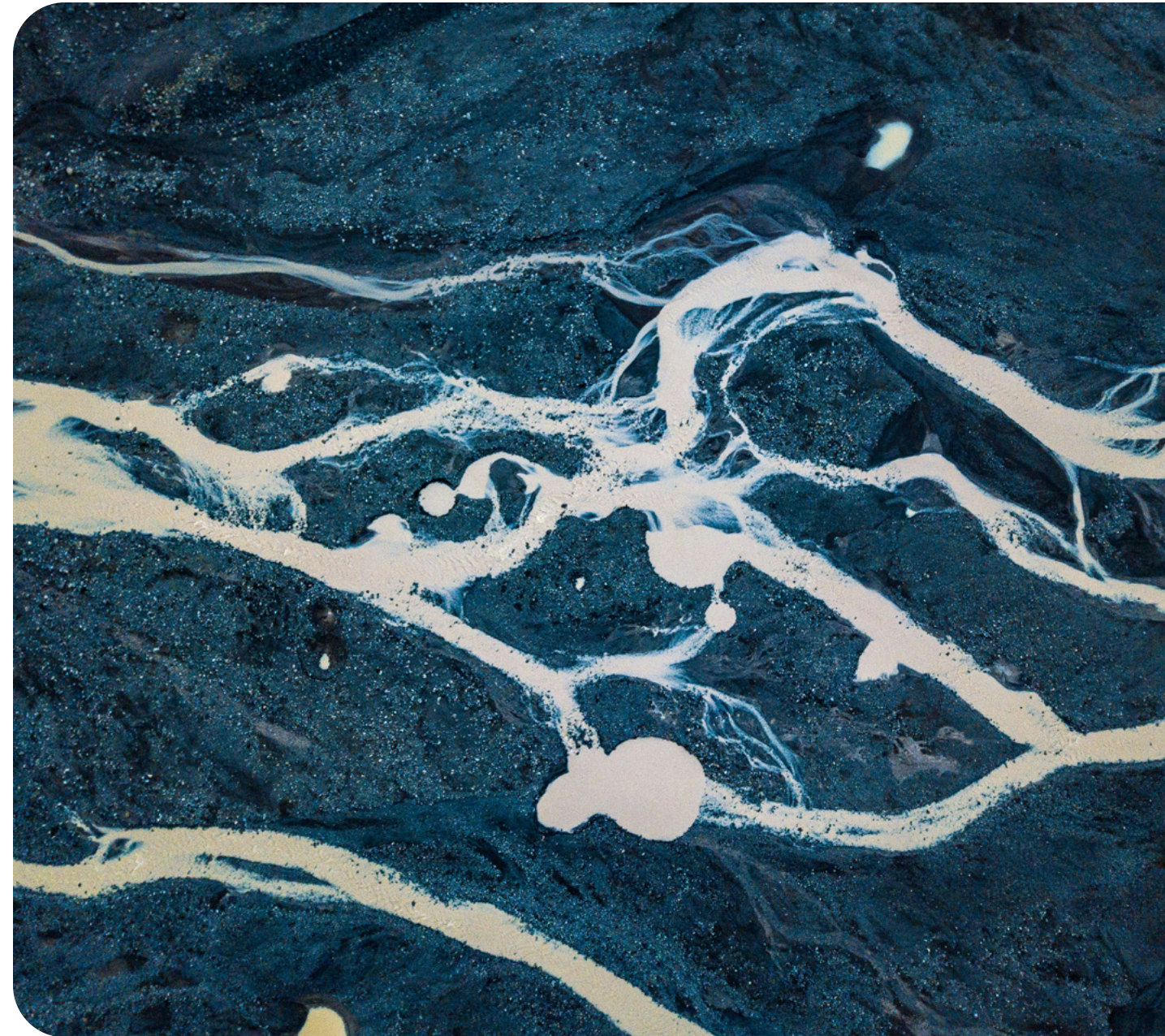
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