

Value Squared: Climate Change Strategy - Achieving Net Zero Emissions by 2050

Introduction

Value Squared recognizes climate change as a critical global challenge with significant financial and societal implications. We are committed to playing a leading role in the transition to a net-zero emissions economy by 2050. This Climate Change Strategy outlines our comprehensive approach to integrating climate considerations into our investment decisions, promoting decarbonization across our portfolio companies, and supporting a just transition for all stakeholders.

Alignment with the Net Zero Scenario

Our Climate Change Strategy aligns with the ambitious goals of the **Net Zero Scenario** outlined by the International Energy Agency (IEA). This scenario requires a rapid and dramatic reduction in greenhouse gas (GHG) emissions across all sectors, achieving net-zero by 2050.

Investment Process Integration

Climate change is an important factor throughout our investment process:

- **Investment Strategy:** We prioritize sectors and companies that are actively transitioning to a low-carbon economy and are well-positioned to thrive in a net-zero future.
- **Research and Analysis:** We employ robust climate risk assessment methodologies to evaluate the potential impact of climate change on companies' financial performance and long-term viability. This includes assessing physical risks from extreme weather events and transition risks arising from policy changes and technological advancements.
- **Portfolio Construction:** We consider a company's carbon footprint, decarbonization strategy, and climate risk management practices when constructing portfolios. We may overweight holdings in companies leading the transition to net-zero and underweight or divest from holdings with high carbon footprints and inadequate transition plans. We also strive to align our portfolio with the goals of the Paris Agreement.
- **Portfolio Monitoring:** We continuously monitor the climate performance of our portfolio companies, tracking their progress towards decarbonization and adjusting holdings as needed.



Engagement Activities

We actively engage with investee companies to promote decarbonization efforts:

- **Collaboration with Climate Initiatives:** We collaborate with climate initiatives such as the Climate Action 100+ and the Net-Zero Asset Owner Alliance to push for systemic change and accelerate the transition to a net-zero economy.

Portfolio Decarbonization Pathways

We will work with portfolio companies to develop clear decarbonization pathways aligned with the Net Zero Scenario. This may include:

- **Investment in Renewable Energy:** We support companies that are investing in renewable energy sources such as solar, wind, and geothermal energy.
- **Energy Efficiency Initiatives:** We encourage companies to implement energy efficiency measures to reduce their overall energy consumption and carbon footprint.
- **Innovation in Sustainable Technologies:** We support companies developing and deploying innovative technologies that enable the transition to a net-zero economy, such as carbon capture, utilization, and storage (CCUS) technologies.
- **Circular Economy Practices:** We encourage companies to adopt circular economy principles that reduce waste, extend product lifespans, and promote resource efficiency.

Just Transition Considerations

We recognize the need for a just transition to a net-zero economy that minimizes the negative impacts on workers and communities. We will support companies that are:

- **Investing in Workforce Development:** Equipping workers with the skills and training needed to thrive in a net-zero economy.
- **Supporting Communities:** Providing assistance to communities disproportionately impacted by climate change and the transition to a low-carbon economy.
- **Promoting Inclusive Growth:** Creating opportunities for all stakeholders to benefit from the transition to a net-zero future.

Governance Framework

Our commitment to climate action is supported by a robust governance framework:

- **Climate Change Committee:** A dedicated committee oversees the implementation of this strategy, advising on climate risk integration and decarbonization efforts.



- **ESG Data and Analytics:** We invest in resources and expertise to access and analyze climate data, ensuring informed investment decisions.
- **Performance Measurement and Reporting:** We track and measure the climate performance of our portfolio and report on our progress towards achieving net-zero emissions by 2050.

Conclusion

Value Squared is committed to being a leader in the fight against climate change. By implementing this Climate Change Strategy, aligning with the Net Zero Scenario, and actively engaging with our portfolio companies, we will contribute to building a more sustainable and resilient future for all. We believe that this approach will create long-term value for our investors while driving the transition to a net-zero emissions economy.