

Value Squared: Climate Change Strategy - Achieving Net Zero by 2050 Aligned with the One Earth Climate Model

Introduction

At Value Squared, we recognize climate change as the most pressing global challenge of our time. Its far-reaching consequences threaten financial markets, economic stability, and the future of life on our planet. We are committed to responsible investment practices that contribute to a sustainable future and believe the One Earth Climate Model (OECM) provides a clear roadmap for achieving net-zero emissions by 2050. This Climate Change Strategy outlines our comprehensive approach to integrating climate considerations into our investment decisions, promoting ambitious decarbonization across our portfolio companies, and supporting a just transition for all stakeholders.

Alignment with the One Earth Climate Model

Our Climate Change Strategy aligns with the ambitious goals of the **One Earth Climate Model (OECM)** developed by the University of Technology Sydney, the German Aerospace Centre, and the University of Melbourne. Unlike other models that rely on unproven technologies like carbon capture and storage (CCS), the OECM focuses on achieving net-zero emissions by 2050 through a rapid transition to renewable energy sources and energy efficiency improvements across all sectors of the global economy.

Investment Process Integration

Climate change is an important consideration throughout our entire 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 outlined by the OECM. This includes renewable energy companies, energy efficiency solution providers, sustainable infrastructure developers, and companies in sectors like transportation and manufacturing demonstrating a strong commitment to decarbonization.
- **Research and Analysis:** We employ robust climate risk assessment methodologies that go beyond traditional financial analysis. We utilize the OECM as a framework for understanding the potential impact of climate change on different sectors and individual companies. This includes assessing physical risks from extreme weather events, transition risks arising from policy changes and technological advancements, and the opportunities presented by the low-carbon economy. Furthermore, we rely on a



combination of internal expertise, external climate data providers, and research from reputable NGOs specializing in climate solutions.

- **Portfolio Construction:** We consider a company's carbon footprint, decarbonization strategy alignment, 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. This ensures our portfolios are not only financially sound but also contribute to achieving the OECM's ambitious goals. Additionally, we strive to align our portfolio with the objectives of the Paris Agreement.
- **Portfolio Monitoring:** We continuously monitor the climate performance of our portfolio companies, tracking their progress towards decarbonization through metrics aligned with the OECM. This involves ongoing analysis of their renewable energy adoption, energy efficiency improvements, and overall carbon footprint reduction efforts. We will adjust holdings as needed based on progress and new information.

Engagement Activities

We believe active engagement with investee companies is crucial for achieving the goals of the OECM. Our engagement activities will focus on:

- **Collaboration with Climate Initiatives:** We will collaborate with 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 as envisioned by the OECM. This involves collective engagement with companies, policymakers, and industry leaders to create an enabling environment for ambitious decarbonization efforts.

Sector-Specific Decarbonization Strategies

The OECM outlines a detailed decarbonization pathway for various sectors. We will work with portfolio companies in these sectors to support their transition efforts:

- **Energy Sector:** We will prioritize companies transitioning away from fossil fuels, which are fossil free.
- **Transportation Sector:** We will favor companies developing electric vehicles (EVs), clean energy infrastructure for EVs, and sustainable public transportation systems.
- **Building and Construction Sector (Continued):** We will prioritize companies that utilize sustainable construction materials, implement energy-efficient building design principles, and offer retrofitting solutions for existing buildings.
- **Manufacturing Sector:** We will support companies that are adopting clean production technologies, optimizing resource use, and implementing circular economy principles to extend product lifespans and reduce waste.



Just Transition Considerations

A just transition to a net-zero economy is critical. We recognize the potential for job losses and economic disruption in certain sectors heavily reliant on fossil fuels. Our approach will consider the following:

- **Workforce Development:** We look to see in companies support initiatives that equip workers with the skills and training needed to thrive in a low-carbon economy. This may involve funding educational programs, retraining initiatives, and apprenticeship opportunities within clean energy and sustainable technology sectors.
- **Community Support:** We will advocate for policies and programs that provide assistance to communities disproportionately impacted by climate change and the transition to a net-zero economy. This may include investments in renewable energy infrastructure in vulnerable regions and support for local economies transitioning away from fossil fuels.
- **Inclusive Growth:** We will promote policies and investment strategies that ensure a just transition benefits all stakeholders. This includes creating opportunities for local communities to participate in the green economy and ensuring a fair distribution of the economic benefits of decarbonization.

Governance Framework

Our commitment to achieving the goals of the OECM is supported by a robust governance framework:

- **ESG Data and Analytics:** We will invest in resources and expertise to access and analyze cutting-edge climate data and utilize advanced analytics tools to assess the alignment of companies with the goals. This ensures informed investment decisions that contribute to achieving the net-zero target by 2050.
- **Performance Measurement and Reporting:** We will track and measure the climate performance of our portfolio using metrics aligned with the OECM. This includes tracking the carbon footprint of our portfolio companies, their progress towards renewable energy adoption and energy efficiency improvements, and their overall contribution to achieving net-zero emissions.

Conclusion

Value Squared is committed to being a leader in the fight against climate change. By implementing this Climate Change Strategy, aligning with the ambitious goals of the One Earth Climate Model, 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 a just transition to a net-zero emissions economy by 2050.

Additional Considerations

- Engaging with policymakers and regulatory bodies to advocate for policies that support the goals of the OECM and accelerate the transition to a low-carbon economy.
- Supporting the development and deployment of innovative technologies needed to achieve net-zero emissions, such as carbon capture, utilization, and storage (CCUS) technologies, while recognizing their limitations in the OECM's primary focus.
- Partnering with NGOs and research institutions specializing in climate solutions to leverage collective knowledge and expertise in achieving ambitious decarbonization goals.

By implementing these strategies, Value Squared can become a driving force in achieving the ambitious goals of the OECM and contribute to a sustainable future for our planet.