Advent International Ltd

Task Force on Climate-related Financial Disclosures (TCFD) Report

2023

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COMPLIANCE STATEMENT

Advent International Limited Ltd ("AI Ltd") is authorized by the UK's Financial Conduct Authority ("FCA") and is an investment advisor to Advent International Fund Manager S.à.r.l. and Advent International, L.P. (together, "Advent" and/or "Group").

This FCA TCFD-Aligned Climate Disclosure Report ("UK TCFD Report") is published on behalf of AI Ltd in compliance with the corporate reporting requirements of ESG 2 in the ESG Sourcebook of the FCA Handbook of Rules ("ESG 2").

AI Ltd's TCFD in-scope business (as defined in ESG 2) consists of the portfolio management as defined by the FCA.

AI Ltd does not delegate any of its management functions and therefore the interaction between climate-related risks and opportunities and delegation is not addressed in this report.

In general descriptions of processes, climate is considered within those processes. Where the Group's approach is broadly described, AI Ltd is included, unless stated otherwise.

This disclosure pertains to the financial year ending 31 December 2023.

References to "we", "us", "our", or the "Entity" refer to AI Ltd.

The Board has reviewed and approved this Report on behalf of AI Ltd on 28 June 2024.

Compliance statement
The disclosures in this report, including any third party or group disclosures cross-referenced in it, comply with the relevant requirements set out in chapter 2 of the FCA's Environment, Social and Governance (ESG 2) sourcebook as at 28 June 2024.

Signed on behalf of Advent International Ltd

Thomas Allen
Managing Director

CONTENTS

INTRODUCTION

For Advent, it has always been about thinking longer term and seeing business performance through a wider lens, while having a positive impact on society and the communities in which the Group operates.

The understanding and treatment of the financial risks and opportunities that environmental, social, and governance (ESG) factors, including those related to climate, present for portfolio companies is an increasingly important value protection and creation lever. The governance, strategy, risk management, and metrics and targets related to climate are approached like other key business issues with the aim of building stronger, more valuable businesses.

REPORT SCOPE

AI Ltd	Physical climate risk assessment Transition risk and opportunity assessment GHG Emissions, including: • Scope 1 • Scope 2 • Scope 3 – Financed emissions of select portfolio companies[1]

[1] Portfolio companies include those transactions worked on by AI Ltd staff and that were advised by the European Investment Advisory Committee (based in the UK), and the company was under Advent funds ownership within the reporting period of 1 January 2023 through 31 December 2023.

GOVERNANCE

1

Governance – The organization's governance around climate-related risks and opportunities

A

Describe the Board's oversight of climate-related risks and opportunities

B

Describe management's role in assessing and managing climate-related risks and opportunities

AI LTD BOARD OVERSIGHT OF RISKS AND OPPORTUNITIES, INCLUDING THOSE RELATED TO CLIMATE

AI Ltd is governed by its Board, which includes investment and operations team members. The Entity is required to ensure that the Board defines, oversees, and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Entity. The Board is ultimately responsible for the Entity's overall risk management and for maintaining an appropriate internal control framework. Board discussions may include information related to risks and opportunities, including those related to climate, among other topics. Board meetings occur quarterly, and climate risks and opportunities may be included in the agenda to the extent material, though not as a standing item.

ROLE OF MANAGEMENT IN ASSESSING AND MANAGING RISKS AND OPPORTUNITIES, INCLUDING THOSE RELATED TO CLIMATE

In practice, AI Ltd acts as the Group's European operational hub with key functions that support portfolio companies located in the UK and also across Europe. Responsibility for assessing and managing risks and opportunities, including those related to climate, however, extends throughout the Group and is cross-regional and cross-functional.

Members of the Group's Senior Management oversee, and are ultimately responsible for, ensuring the Group's overall approach to Responsible Investment is implemented, executed, and communicated transparently.

A Global ESG Committee aligns in setting the strategic direction of ESG within the Group and ensures global consistency, while Regional ESG Committees--including one dedicated to Europe--bring together different functions from across the Group, to promote collaboration and advance resources to support the operational excellence agendas of the deal teams and portfolio companies.

The Global ESG Team, led by the Global Head of ESG, oversees the development and integration of the Group's climate strategy and provides subject matter expertise.

IN THE INVESTMENT PROCESS

In the investment process, taking account of all material business risks, including those related to climate where appropriate, that may inform investment decisions is initially the role of the relevant regional Investment Advisory Committee (IAC) and subsequently Investment Committees. Investment decisions are made by consensus and determined over a series of Investment Advisory Committee meetings where risks and opportunities, including those related to climate, as applicable, are assessed. The Global ESG Team and external ESG Operations Advisors, along with other third-party experts, support investment teams through the due diligence process on ESG Factors, including climate, and then throughout the Advent fund's ownership phase.

During ownership, portfolio companies are responsible for ensuring initiatives are implemented, operationalized, monitored and reported to the boards of directors, including, where appropriate, those related to climate. Deal team representatives generally participate in portfolio company boards, and deal team members may review and provide updates to the relevant IAC where significant progress has been made at the portfolio company level, on a case-by-case basis, including climate-related topics where appropriate.

STRATEGY

2

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

A

Describe the climate-related risks and opportunities the organization has identified over the short-, medium-, and long-term

B

Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

C

Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2ºC or lower scenario

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Our scenario analysis considers two industry standard categories of climate-related exposures:

- Physical Risks: Impacts from climate change, both acute (e.g., more frequent or severe storms and floods) and chronic (e.g., sustained temperature changes, water stress, drought, and wildfire weather)
- Transition Risks: Risks and opportunities from transitioning to a lower-carbon economy, including policy and legal risks, technology risk, market risk, and reputational risk.

OUR SELECTED TIME HORIZONS

Physical Risk:
Baseline (present) 2030, 2050

Transition Risks and Opportunities:
2025, 2030, 2040

In mature markets like Western Europe, our typical investment holding period is planned for four to five years. However, we consider long-term global economic trends, even if they extend beyond our usual investment horizon. Accordingly, we have set future time horizons for the purposes of this report in alignment with our planned holding period, industry best practices, and TCFD recommendations.

SCENARIOS CONSIDERED

Following TCFD recommendations and industry best practices, we used standard scenarios, exposure ratings, and climate data to show trends in key indicators for future timeframes.

This approach considers various sectors, geographies, and companies over different timeframes and scenarios. It offers a comparative view of possible futures, stress-tests for potential changes, and identifies when key risks and opportunities might emerge, which may influence our approach in certain situations.

Table 1: Description of the physical and transition scenarios used

SCENARIO	GLOBAL CLIMATE POLICY AND SUSTAINABLE PRACTICES REMAIN "STATUS QUO"		GLOBAL ALIGNMENT OF "AMBITIOUS" CLIMATE POLICY AND SUSTAINABLE PRACTICES ADVANCE	
Physical *Time horizons:* Baseline, 2030, and 2050	IPCC SSP5-8.5 / RCP 8.5	Global growth continues to be driven largely by a resource-intensive economy, resulting in higher level of possible emissions	IPCC SSP1-2.6 / RCP4.5	A world of lower resource and energy intensity, closest aligned to staying 'below 2ºC' warming by 2100
Transition *Time horizons:* 2025, 2030, and 2040	NGFS: "Current Policies"	Assumes that only currently implemented policies are preserved and practices remain unchanged, potentially leading to high physical risks	NGFS: "Net Zero 2050"	An ambitious scenario featuring stringent climate policies and innovation, possibly resulting in low physical risks but higher transition risks. Aligned with remaining 'below 2ºC' warming by 2100

FOOTNOTE
Scenario data for the physical climate assessment are based on the Shared Socioeconomic Pathways (SSPs) from the IPCC, while the transition climate risk assessment uses scenarios from the Network for Greening the Financial System (NGFS). These scenarios help policymakers assess risk and identify solutions. Each assessment uses standard "status quo" and "ambitious" scenarios, referring to policy and practice dimensions.

Both IPCC and NGFS update their scenarios periodically. As our portfolio company assessments span multiple years, they do not all use the same scenarios. We use the latest available data for assessments: SSP5-8.5 (new) and RCP8.5 (old) as "Status Quo" scenarios and SSP1-2.6 (new) and RCP4.5 (old) as "Ambitious" scenarios for physical risk, and NGFS's "Current Policies" and "Net Zero 2050" for transition risk.

INVESTMENT-SPECIFIC RISKS AND OPPORTUNITIES

To gauge the potential impacts on our portfolio companies across various scenarios, we first conducted a high-level climate assessment to identify salient risks and opportunities. This assessment used the specified time horizons and categories of physical climate risks and transition risks and opportunities and included all portfolio companies as defined in the scope of this report.

Physical climate risk assessment
We have aggregated the different potential physical risks related to climate change into Acute and Chronic Risks, as previously described.

Physical scenario analysis results are aggregated at the sector level to match our five key sectors: Business and Financial Services, Retail and Consumer, Industrial, Technology, and Healthcare.

At baseline, our portfolio companies in four sectors may face acute or chronic physical climate risks at levels that could potentially impact their operations or financial performance and, consequently, our overall financial performance.
By 2030, under the "Status Quo" scenario, all sectors could see Minimal to Significant Increases in risk scores compared to Baseline conditions. This scenario projects heightened exposure to both acute and chronic physical climate risks. In the long term, the assessment projected all sectors may experience high levels of acute physical climate risks, while high levels of chronic risks are forecasted to affect all except Retail and Consumer.

Transition risks and opportunities
For portfolio companies in three of our five sectors, including Business and Financial Services, Technology, and Healthcare, the baseline transition risks have been assessed to be low, consistent with the Group's overall risk appetite. This assessment is based on the sectors' adaptability to policy changes, technology advancements, and market shifts. Under the "Status Quo" scenario, which assumes no significant global climate policy or technology advancements, all sectors could face a high level of transition risks by 2040. Apart from the Healthcare sector's current conditions, all sectors have been assessed as Moderate to High Opportunity.

In terms of opportunities, all sectors, except for the Healthcare sector's current conditions, have been assessed as presenting moderate to high opportunities. This highlights the potential for these sectors to consider climate within the context of their overall business strategies and value creation objectives.

Baseline risk level ○ → ●
Future risk increase ↑ → ↑

	BUSINESS AND FINANCIAL SERVICES			RETAIL AND CONSUMER			INDUSTRIAL			TECHNOLOGY			HEALTHCARE		
	BASE-LINE	2030	2050	BASE-LINE	2030	2050	BASE-LINE	2030	2050	BASE-LINE	2030	2050	BASE-LINE	2030	2050
ACUTE RISK	●	↑	↑	○	↑	↑	●	↑	↑	●	↑	↑	●	↑	↑
CHRONIC RISK	●	↑	↑	◐	↑	↑	●	↑	↑	◐	↑	↑	●	↑	↑

Opportunity ● ↔ ● Risk

	BUSINESS AND FINANCIAL SERVICES			RETAIL AND CONSUMER			INDUSTRIAL			TECHNOLOGY			HEALTHCARE		
	2025	2030	2040	2025	2030	2040	2025	2030	2040	2025	2030	2040	2025	2030	2040
RISK	◔	●	●	●	●	●	●	●	●	◔	●	●	◔	●	●
OPPORTUNITY	●	●	●	◐	●	●	●	●	●	●	●	●	◔	●	●

RISK LEVELS
Results are grouped by how much risk they might pose to a portfolio company. These risk groups focus on the potential impact on the company, if experienced, without considering the level of exposure the company has to the event.

○ **Likely Not Present**
Lowest Risk
Unlikely to affect the company, if experienced

◐ **Likely Present**
Medium Risk
Could have financial, reputational, or operational impact to companies if experienced

● **Likely Material**
Highest Risk
Could have major financial, reputational, or operational impacts to companies if experienced

IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON THE ORGANIZATION'S BUSINESS, STRATEGY, AND FINANCIAL PLANNING

There may be significant physical effects of climate change and resulting transition risks that have the potential to have a material effect on AI Ltd's business and operations. The performance of the portfolio companies advised on by the Entity on this topic will be subject to many factors over which the Entity may have limited or no control. The following is a non-exhaustive list of risks associated with the Entity's investment advisory and arranging activities:

- Risks of property damage to investments;
- Indirect financial and operational impacts from disruptions to the operations of investments from severe weather;
- Increased insurance premiums or deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather;
- Decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of investments;
- Increased insurance claims and liabilities;
- Increase in energy costs impacting operational returns;
- Changes in the availability or quality of water, food, or other natural resources on which the investment's business depends
- Decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline) could reduce demand for residential and commercial properties previously viewed as desirable
- Incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment
- Economic distributions arising from the foregoing

Throughout the life of the Entity's investment in a company, we are committed to building the company into a successful business. More information on how the Group monitors and manages the above risks and their impact on operations and business is available in the Risk Management section of this report.

ENTITY-LEVEL CLIMATE-RELATED RISKS AND OPPORTUNITIES

While this report focuses on the AI Ltd investments in scope, it is important to include the activities of AI Ltd itself.

AI Ltd operates from a central London office building. The assessment indicates potential impacts from extreme weather and flooding on business operations. This could lead to data and IT system disruptions, physical damage to office infrastructure, and disruptions to employee activities and business travel.

These risks are monitored and addressed through regularly reviewed business continuity plans.

Additionally, the assessment indicates potential impacts from transition risks that could affect AI Ltd's operational or financial performance or both. These include increased regulatory, policy, and legal risks; potential litigation related to climate issues; higher compliance costs; enhanced sustainability reporting requirements; third-party risks from advisors and data quality issues; and reputational risks tied to investor preferences and stakeholder expectations on climate performance.

Under the "Status Quo" scenario, transition opportunities such as reduced operational costs, improved resource efficiency, regulatory incentives, commercial opportunities, enhanced reputation and stakeholder engagement, or some combination thereof could impact AI Ltd's operational or financial performance or both, as well.

Through its chairmanship of the Private Equity Task Force of the Sustainable Markets Initiative ("PESMIT"), the Group continued to participate in this dynamic effort that is shaping the thinking around issues, such as climate and biodiversity in the investment process, which affect the long-term prospects for our companies, our firm, and society. In 2023, PESMIT published reports that provide practical guidance for private equity investors and portfolio companies in key areas related to climate: valuing carbon, biodiversity, and ESG metrics.

RISK MANAGEMENT

3

The processes used by the organization to identify, assess, and manage climate-related risks

A

Describe the organization's processes for identifying and assessing climate-related risks

B

Describe the organization's processes for managing climate-related risks

C

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

We believe that active identification and appropriate management of all risks and opportunities, including those related to climate, is important to building stronger businesses.

PORTFOLIO COMPANIES

The approach to identifying and assessing those risks related to climate, among other environmental factors, is guided by the Responsible Investment Policy (2024), available on the Group's website. This policy articulates the Group's overall approach to managing ESG risks and opportunities in the investments we make and to the importance of these issues across the Group

Identifying and assessing

For all potential investments, Advent engages with external consultants to perform an ESG screening as part of the due diligence process. Diligence screenings include potential quantitative and qualitative ESG risks, including climate-related risks, based on recognized industry-specific sets of potentially material issues such as those identified in the SASB® Standards or the Global Reporting Initiative (GRI) or some combination thereof. Investment decisions are made by consensus and are determined over a series of investment advisory committee meetings where risks and opportunities, including ESG considerations when material, are assessed.

Managing

Throughout the life of our investment in a company, we are committed to building the company into a successful business. This approach often involves working extensively with portfolio company management to accelerate growth and create value through operational improvements, strategic repositioning and market expansion, domestically and internationally. These strategic initiatives may also include aspects related to ESG factors such as climate. The Group has discretion on whether to engage with portfolio companies on ESG-related matters, including climate, when applicable and material.

In 2023, the Group's climate strategy was launched, focusing on value creation through decarbonization. This strategy focuses initially on a defined set of portfolio companies. The initiative helps select portfolio companies measure their carbon footprints, identify emissions reduction opportunities, and craft tailored strategies aligned with their sectors and business models. The Group remains committed to providing resources such as climate expertise, access to third-party advisors, and a decarbonization playbook, to any portfolio company upon request. These resources support portfolio companies in integrating climate and GHG emissions management into their corporate strategies and value creation initiatives as appropriate, in support of their strategic objectives.

AI LTD

AI Ltd has well-established risk policies in relation to operational risks facing the business, such as climate change where applicable and material, as well as those associated with the Entity's activities. The Entity is supported in its responsibility for managing the risks inherent in the Entity's activities by its European Investment Advisory Committee.

Additionally, we continue to monitor all risks to the physical facility from which AI Ltd operates, including those that may result from climate change. A business continuity plan is active, and alternatives for physical space are available should the existing facility become unavailable. Transition risks are identified, monitored, and managed alongside other business risks, including reports to the Board and discussion, as appropriate.

METRICS & TARGETS

4

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

A

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

B

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions and the related risks

C

Describe the targets used by the organization to manage climate-related risks and opportunities and performance targetsmanagement

METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES

Portfolio Companies

As noted previously, in 2023, the Group launched its climate strategy, focused on a defined set of portfolio companies. The Group has offered access to support in measuring carbon footprints, identifying emissions reduction opportunities, crafting tailored strategies, and, where strategically beneficial, collecting environmental metrics from portfolio companies, upon request (i.e., Scope 3 GHG emissions).

Additionally, we collect qualitative data related to portfolio companies' performance on ESG, including performance related to climate when applicable and material, to provide reports to investors on a biannual basis.

AI Ltd

Since 2020, AI Ltd has reported its own Scope 1 and 2 GHG emissions and associated intensity in compliance with the Streamlined Energy and Carbon Reporting (SECR) requirements and prior to this as part of the UK's CRC Energy Efficiency Scheme requirements. To meet this reporting obligation, we track the energy use and GHG emissions attributable to UK energy use by AI Ltd. We also provide a narrative description of the principal measures taken for the purpose of increasing energy efficiency and an intensity ratio based on employee headcount.

At this time, AI Ltd has not set an internal carbon price.

AI LTD CLIMATE METRICS

AI Ltd's Scope 1 and Scope 2 GHG emissions data, underlying energy consumption, and emissions intensity ratios, as well as select Scope 3 GHG emissions data, are summarized in the table below.

AI Ltd's Climate Metrics	2022	2023
Scope 1 (tCO2-e)	1	**0**
Scope 2 (tCO2-e)		
Market-based	220	**297**
Location-based	173	**210**
Total Scope 1 + 2 (tCO2-e)		
Market-based	221	**297**
Location-based	174	**210**
Energy Consumption (kWh)	880,074	**1,155,261**
Emissions Intensity Ratio for Scope 1 + 2 (tCO2-e/UK employee)		
Market-based	1.7	**2.12**
Location-based	1.34	**1.5**
Scope 3 (tCO2-e) (15) Financed Emissions	16,193,714	**14,383,400**

The decline in AI Ltd's Scope 1 (use of natural gas) between 2022 and 2023 is the result of the refurbishment of certain London office facilities to an all-electric design. The increase in Scope 2 (energy consumption) is due to employees continuing to return to the office post-pandemic and a general increase in intensity of use. This has led to increased use of IT equipment, lighting, and in-house catering services. Further, the refurbishment and letting of an additional floor of in our London offices to accommodate more an increase in staff numbers has also contributed to the rise in energy consumption.

Scope 3 emissions figures includes Category 15 (Financed Emissions), as provided by our third-party advisor. Included in the Financed Emissions are the reported or estimated Scopes 1, 2, and 3 emissions, to the extent available, of all transactions attributable to AI Ltd. Scope 3 – Category 15 (Financed Emissions) decreased between 2022 and 2023 due to changes in attribution factors.

In calculating Advent's financed emissions, we have used actual GHG data when available and modelled estimates provided by a third-party as needed to develop consolidated financed emissions. The data quality score for portfolio companies' Scopes 1 and 2 was 1.52 and for their Scope 3 was 1.72, indicating moderately high data quality.

The Group has continued to implement new technologies and has expanded third-party support to improve the accuracy and completeness of the GHG emissions inventory, including material Scope 3 data as applicable.

TARGETS

As financed emissions represent a significant proportion of the Group's GHG emissions, the collection of high-quality, emissions data is critical to target-setting. As of 30 June 2024, the Group is in the process of enhancing its digital infrastructure and data collection processes, including data related to climate, where available and for those companies for which it is material. The Goup is committed to developing the capacity to collect quality data and seeks to evaluate the ability to set pragmatic objectives for climate risk assessment, where applicable, over the coming reporting period.

In the interim, for investors who have made their own net-zero (or other climate reduction commitments), their efforts depend on our ability to help manage the financed emissions of portfolio companies and report on that progress.

In response, and as part of creating the Group's tailored climate strategy for portfolio companies, collaboration with third parties has led to the development of the Private Markets Decarbonisation Roadmap (PMDR).

This tool enables private equity firms and limited partners to communicate on the status of portfolio companies' approaches to climate, including incremental progress in reducing emissions, where applicable.

Methodology

AI Ltd's organisational reporting boundary is based on operational control. GHG emissions are calculated using the GHG Protocol Corporate Accounting and Reporting Standard, the Partnership for Carbon Accounting Financials (PCAF)'s Global GHG Accounting and Reporting Standard for the Financial Industry, and Initiative Climat International's (iCI) Greenhouse Gas Accounting and Reporting guidance for the Private Equity sector. Emission factors from the UK Government's Department for Business, Energy and Industrial Strategy (BEIS); Landsec; and the Association of Issuing Bodies (AIB) have been used to calculate AI Ltd's Scope 1 and 2 GHG emissions. Scope 2 emissions are calculated using both the location-based approach and the market-based approach.

For Scope 3 – Category 15 (Financed Emissions), we have followed the PCAF methodology for "Listed equity and corporate bonds" and "Business loans and unlisted equity" to calculate the financed emissions of the AI Ltd-advised portfolio companies. Scope 3 – Category 15 absolute emissions are presented in tonnes of CO_2-equivalents (tCO_2-e) and represent attributed emissions calculated using the below attribution factors:

- Listed equity and corporate bonds: $Advent proportional share (market value)/ £m Enterprise Value Including Cash (EVIC) of the investee company
- Business loans and unlisted equity: $Advent outstanding value of equity / £m Total equity and debt of the investee company

FOCUS AREAS FOR 2024

Over the course of 2024, the Group remains committed to building on the progress made in recent years to launch its climate strategy and to support the key initiatives across ESG practices.

Key global focus areas are outlined below and include:

Ongoing collaboration with deal teams and Portfolio Support Group to identify bespoke value creation opportunities, which may include climate-related factors, to drive value and operational excellence for our portfolio companies;

Continuing to engage with certain of our portfolio companies to complete their carbon footprints and to begin setting reduction targets, when and as strategically appropriate, across applicable funds as part of the Group's climate strategy;

Systematic collection and centralization of portfolio company ESG data, to provide enhanced reporting of certain climate and other ESG related metrics

40
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