Bridges Climate Policy

Bridges has always invested in solutions that aim to improve people's lives and the condition of the natural environment. For all our investments, we set goals to contribute to positive outcomes for people and the planet, whilst engaging actively to reduce negative social environmental impacts wherever feasible. Our investment philosophy and our impact management processes for each fund are outlined in the Bridges Sustainable Investment Policy.

We believe that climate change is the single biggest threat to the future of life on earth. All organisations will be affected by the two big risks posed by climate change: the inestimable physical impacts of climate change and the unknown path to transition to a lower-carbon economy.

Physical risks resulting from climate change may be caused by acute incidents or longer-term shifts in climate patterns. These may have financial implications for organisations, in the form of damage to assets and indirect impacts from supply chain disruption. Organisations' financial performance may also be affected by changes in the external environment and any knock-on effects on resource availability or the ability of systems to operate. (Source: TCFD).

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements, which in turn will likely pose varying levels of financial and reputational risk to organizations.

A timeline of Bridges' approach to climate impacts

- When Bridges was founded in 2002, we made a commitment in our Ethical Charter to protect and preserve the environment in which we and our partners operate. This included a commitment to tracking the energy efficiency and carbon dioxide emissions of all investments.
- In 2007, Sustainable Planet became one of our four investment themes, as we sought to increase our investments in sectors and activities that contribute to climate change adaptation. Across our portfolios, we began to work with our management teams to internalise climate risk by investing in low-carbon solutions and reduce carbon intensity to below market levels.
- In 2010 Bridges and Parthenon Group published 'Investing for Impact' case studies of investment strategies across asset classes that contribute to both social and environmental outcomes.
- In 2015 Bridges welcomed the Paris Agreement, an international legally binding treaty on climate change. This was a pivotal moment, escalating the urgency of the conversation and communicating the scale of system change required to limit the temperature increase to 1.5°C above pre-industrial levels.
- In 2017, the Taskforce for Climate-related Financial Disclosures released disclosure recommendations designed to help companies provide better information to support informed capital allocation, critically recommending factoring climate risk into current and future valuations. Bridges adopted these for its climate reporting.
- A baseline reporting standard for climate was announced at COP26 in 2021, as the new International Sustainability Standards Board is launched out of the IFRS Foundation. The Bridges-founded Impact Management Project team were seconded to do the preparatory work to create these standards, ensuring they incorporate existing standards (VRF, CDSB).
- In 2022 Bridges is certified carbon neutral and commits to a set of Net Zero goals. We have also signed up to the Net Zero Asset Manager Initiative to collaborate with our peers on action plans.

Bridges' climate goals

Today, we are encouraged by the increased attention climate change is receiving. Our climate policy builds on our longstanding investment philosophy to deliver positive outcomes for people and the planet, and thereby build a more inclusive and sustainable economy.

We share our ambitions here, with the caveat that we will likely have to pivot our strategy along the way as we – like the rest of the capital markets – are on a journey to understanding the practical realities of achieving our net zero goals.

Specifically, we will aim to:

1. **Increase our investment in climate solutions**: Innovation and bold experimentation are part of our ethos at Bridges. We will diversify the investment products we offer to enable a greater contribution to climate solutions, aiming at a minimum to ensure that our activities across our platform of funds could be considered net zero in aggregate.
2. **Assess our investments' planetary impacts beyond carbon**: Thinking about the role we need to play in preserving our planet's scarce resources – such as water and biodiversity – will also become a core part of the assessment for each investment opportunity.
3. **Focus on a just transition**: The populations likely to be most affected by climate change are already the most vulnerable groups in society. Bridges has a history of delivering important social outcomes for these underserved populations. We will continue to invest in businesses providing critical solutions to societal challenges and seek to understand how best to support these business models to operate in context of ambitious decarbonisation goals.
4. **Enhance our measurement**: We consider climate-related risks and opportunities for in every investment to ensure our businesses are set up to flourish during our ownership and in a low carbon future. We have a deep understanding of the ways that adaptation to climate change also create cost-saving opportunities for organisations. We have enhanced our engagement strategy to include not only identification and management of these risks and opportunities, but to ensure we support all companies to collect increasingly accurate scope 1, 2 and material scope 3 emissions data.
5. **Be transparent on progress**: We know that the path to Net Zero is a challenging one, and that we don't have all the answers yet about how we will get there. But we have set ourselves challenging goals to keep us focused on continuous improvement across our activities in the coming years. Here we provide more detail on how these goals are built into our investment approach and, to stay accountable, we will regularly update this policy to reflect our commitment to continuous improvement.

Our Climate Goals

By 2040 or sooner

- All Bridges Fund Management's operations and investment portfolio have achieved net zero carbon emissions or better.

By 2030

- 100% of investments have set science-based targets or are otherwise aligning with a 1.5°C climate warming scenario.

Today

- Bridges Fund Management's operations are carbon neutral.

Our Path to Net Zero

In line with guidance from the Intergovernmental Panel on Climate Change, on an annual basis Bridges will calculate – and where required estimate – Scope 1, 2 and 3 emissions of the GP, including our investees' emissions ('financed emissions'). We will disclose these results against targets consistent with the Net Zero goals set listed above.

To achieve Net Zero, we will reduce emissions as far as possible and then ensure offsets are created that remove carbon equivalent to the remaining unavoidable emissions. For some of our strategies, there is already clear guidance and methodologies for measuring and managing these impacts. For others we are awaiting the publication of guidance and will seek to lead by example in the meantime. We anticipate updating this strategy, and our goals, as we learn more about the practical realities of achieving Net Zero across all of the sectors in which our capital is invested.

These commitments in context of our investment approach

Bridges' Sustainable Investment Policy describes our four goals in detail, and how our integrated processes enable achievement of these goals for each of our investment strategies.

This policy uses the same structure to provide more detail on our climate goals and how they are managed throughout the investment process.

Our goals

1. **Deliver positive outcomes at scale**

   For our Sustainable Planet theme, we aim to tackle climate-related challenges by backing business models that prevent harm to the natural environment. For example, we look for circular economy models that avert emissions through recycling and re-use of products or materials, and models that provide a significantly less carbon intensive alternative to high-emissions products or services (e.g. green energy, vegetarian foods).

2. **Build sustainability leaders**

   We assess climate-related risks and opportunities as part of our routine impact materiality assessment at diligence, and regularly during the investment lifetime. Pre-investment, we look to gain sufficient comfort from management teams that there is willingness to develop a climate transition plan as part of the overall impact engagement strategy.

   From a climate-positive perspective, we screen out high-emitting sectors that we cannot positively influence to de-carbonise.

   During diligence we identify any negative impacts on climate, natural resources, and biodiversity. We support our investments to reduce emissions in line with a 1.5-degree scenario and reduce any other environmental impacts, in line with targets set with reference to best available science.

   Even where the company's emissions footprint is small – and therefore a science-based target is not required – we expect companies to disclose Scope 1 and 2 emissions annually, and we work with them to estimate Scope 3.

3. **Deliver attractive financial returns**

When making decisions relating to managing climate impacts, we follow the TCFD and ISSB guidance on integrating our sustainability and financial information.

We support our investments to perform scenario analysis to ensure we have considered the financial consequences of climate-related risks and opportunities in the short- medium- and long-term.

4. **Pioneer and share what we learn**

We share our approach with humility and in the spirit of learning. We commit to regularly updating this, and all of our policies to reflect what we have learned, and we welcome feedback on how Bridges can continue to reduce our environmental footprint and catalyse investment into climate solutions.

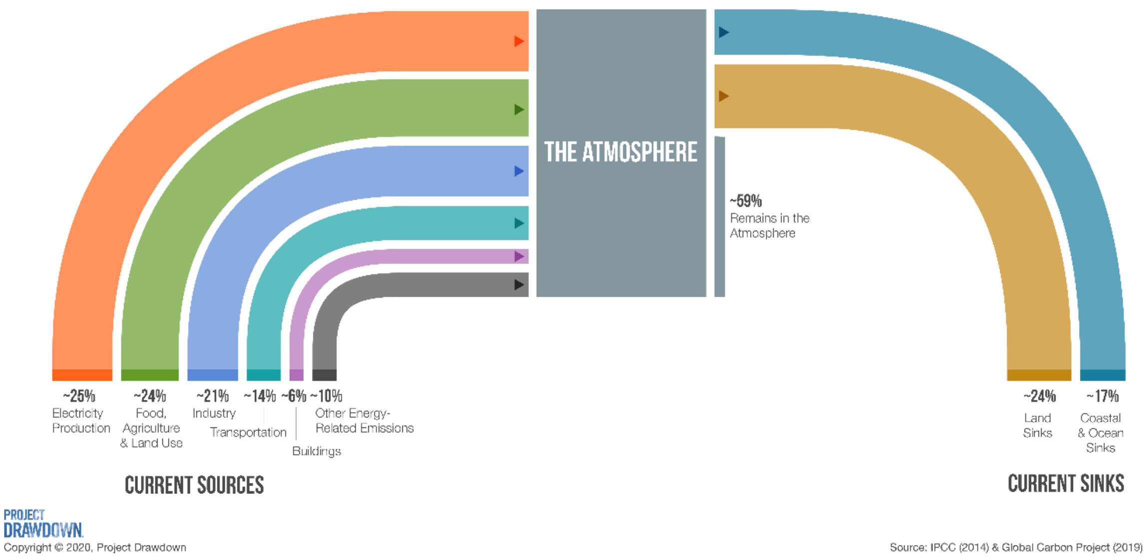
How we deliver against our goals

The actions below – based on the consensus agreed between standard-setters through the [Impact Management Platform] - represent the core features of our integrated impact management process, which is based on internationally agreed principles and standards. For more details on our approach, please view our Sustainable Investment Policy

- **Source and select**

  We review existing data and research about climate change as our starting point for identifying the sectors and processes that will be critical to influence in order to limit warming, tackle the effects of climate change, and make our economies transition-ready. We then identify investable opportunities in these key sectors across our different investment strategies.

Figure 1: Emissions sources and natural sinks (Project Drawdown)



- **Assess impact performance**

  Portfolio companies are supported to produce reliable GHG emissions disclosures (Scope 1, 2 and material Scope 3), scenario analysis, and a regular review of material climate-related risks and opportunities (using guidance from the IFRS' ISSB standards). This includes setting reduction targets in line with a 1.5 degree scenario.

- **Set targets**

  Once performance data is collected, our investments set reduction targets in line with a 1.5 degree scenario. Targets are also set to reduce or mitigate any other harmful biodiversity or nature impacts.

- **Act to enhance value and manage impact risks**

  To ensure we meet these commitments, we create an action plan in partnership with the management team to prioritise management of climate impacts alongside any other significant negative impacts on society and the environment identified during diligence.

  Our Impact Management team provides (or sources) expertise to deliver on required climate-related impact initiatives, such as opportunities related to energy savings, reducing non-recyclable waste, and identifying opportunities to mitigate any potential long-term effects of climate change on the business' dependencies (e.g. availability of raw materials).

  Typically, the climate-related impact risk of our investments is high when we invest, as it is rare that complete and accurate data on climate impacts is already available. Through active engagement on impact management, we support our companies to collect better emissions data, and reduce impact risk in this area by exit.

- **Disclose and stay accountable**

  The Bridges Fund Management Board has oversight of Bridges' climate goals, action plans and targets. Bridges has obtained external verification of its carbon-neutral operations.

  We disclose progress against our Net Zero targets to our stakeholders in line with existing standards, and alongside all other sustainability performance information.

  To signal our intent, make public our commitments, and learn from our peers, Bridges is a signatory of the Net Zero Asset Managers Initiative. We continue to keep track of relevant IPCC guidance related to calculating and disclosing emissions for the Private Equity industry and the other industries in which our investments operate.