



ENERGY IMPACT PARTNERS

Task Force on Climate-Related Financial Disclosure (TCFD)

Energy Impact Partners (“EIP”) is a global investment platform leading the transition to a sustainable energy economy. EIP brings together entrepreneurs and the world's most forward-looking energy and industrial companies to advance innovation. Our strategic investor group consists of 40+ leading energy utilities and industrial firms with strong involvement in energy and climate technologies. These investors are deeply involved in helping us find the best early-stage companies, adopting these companies to innovate within their own enterprises, and supporting the rapid scale of these solutions throughout their addressable market.

EIP is pleased to publish our first Task Force on Climate-related Financial Disclosure (“TCFD”) report. This disclosure provides insights into the underlying processes and procedures we use for identifying, assessing, integrating, and managing climate-related risks and opportunities in our investment decisions as a global investment firm.

We have organized our report using the TCFD’s four pillars: governance, strategy, risk management, and metrics and targets. In 2020 EIP officially became a public supporter of the TCFD recommendations.

Governance

We believe that thoughtful management and consideration of ESG risks and opportunities will drive long-term value to EIP’s portfolio companies and enhance the risk-adjusted performance of our investments. In addition to ensuring that our investments are consistent with our investment mandate, we believe that we can and should strive to generate value beyond financial returns by considering ESG issues that impact the current and future financial, economic, reputational, and legal prospects of EIP and our investments (“ESG factors”) in our investment decisions. Accordingly, we are committed to integrating the assessment of ESG factors that will have positive social and environmental impacts, of which climate factors are a large component, into our investment decision making process. We have set an ESG policy that outlines our firm-wide commitment to integrating ESG factors into EIP’s operations and investment decision making processes.

EIP’s senior leaders provide oversight of our ESG and sustainable investing efforts, including consideration of climate-related matters. Global and regional team members, supported by subject matter experts, collaborate on an integrated approach at the center of our work. To support our work and provide guidance, EIP established an ESG Advisory Board of industry experts and EIP partners who provide input and guidance on EIP’s ESG activities and inform

policy changes and procedural improvements to our ESG and climate processes. The ESG Advisory Board meets at least quarterly, with additional communication as needed to provide guidance and updates.

The collaborative structure described below is how we incorporate climate-related risks and opportunities into the investment life cycle. The integration of climate change considerations into the investment process is described in more detail in the Risk Management section.

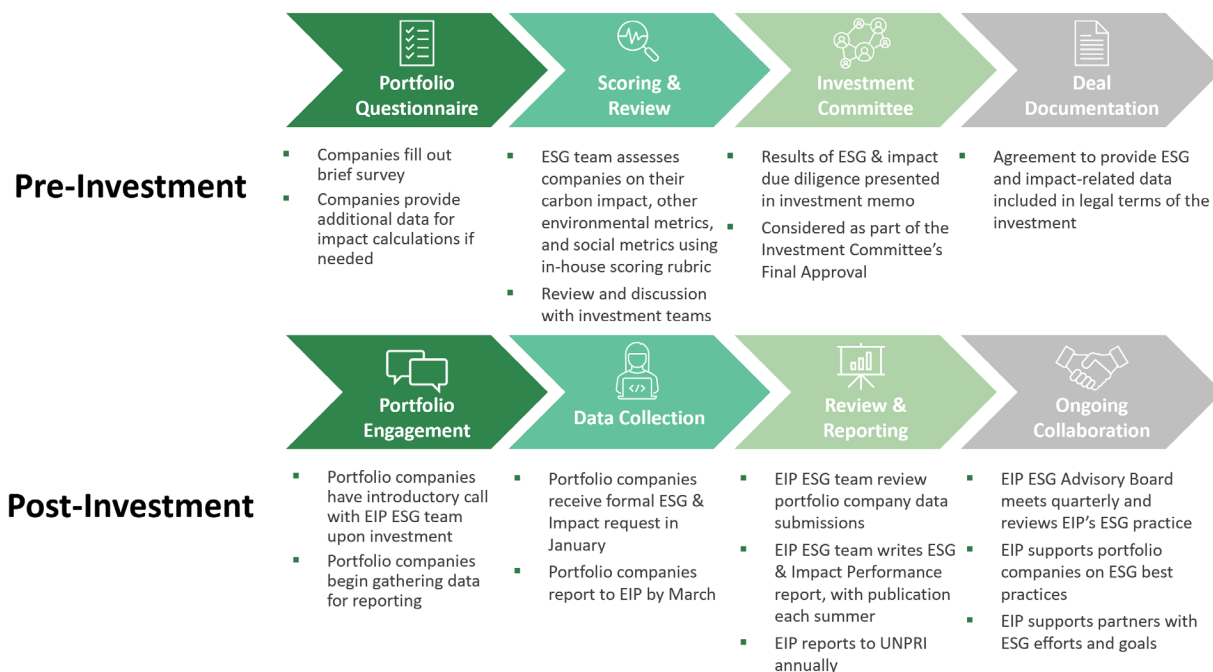
Figure 1: ESG Related Governance

<p>EIP Senior Leadership</p>	<p>EIP’s senior leadership provides oversight of our ESG and sustainable investing efforts</p>
<p>ESG Policy</p>	<p>EIP ESG policy outlines the firm-wide commitment to integrating ESG into operations and the investment decision making process</p>
<p>Subject Matter Experts</p>	<p>EIP subject matter experts advise on a range of issues, including key governance considerations, climate-related risks & opportunities and impact calculations across time, carbon, environment, and social factors.</p> 
<p>ESG Advisory Board</p>	<p>EIP’s ESG Advisory Board was established to provide input, guidance, and oversight on EIP’s ESG activities and inform policy changes and procedural improvements</p>

Strategy

Climate change presents potential risks and opportunities to our investments and to our firm, and we are constantly working to better understand both. We fundamentally believe in the energy transition, and in investing in opportunities to effectively support the transition while mitigating climate risks. Figure 2 summarizes our pre and post investment impact and ESG engagement process.

Figure 2: Impact and ESG Process



Investment

We invest in portfolio companies with direct emissions reduction impact as well as technologies that lay the foundation for a faster transformation to net zero emissions. Our investments span the entire clean-energy value chain, from new sources of clean-power generation and fuels, to the utilities and energy companies that own, manage, and operate the rest of the energy grid, as well as in technologies that affect energy use and emissions by all segments of energy customers. Our investments tend to follow three main themes within the clean-energy value chain, with important subsegments in each of these themes:

Supply Decarbonization. We invest in many technologies and companies that help supply carbon-free energy in one form or another. Our investments include portfolio companies that create fully integrated energy-generation facilities, offer energy storage solutions, contribute key elements or processes within the production chain, and/or that remove carbon from traditional production facilities or processes.

Tech-Enabled Infrastructure. Highly complex physical and virtual networks are critical for connecting end-users with clean energy generators of all sizes, particularly as the supply of carbon-free energy becomes more decentralized. These networks must scale while remaining resilient, cybersecure, efficient, and distributed. This transformation includes the incorporation of new digital and AI-enabled intelligence and control in every part of the network, creating enormous demand for new technologies and business solutions.

These infrastructure networks are not only systems of hardware and software; they are also the means by which commercial enterprises serve their customers and energy end-users with resilience, efficiency, and a positive customer experience. Accordingly, we invest in several technologies and firms that support and improve the business operations of utilities and other infrastructure-intensive firms. In brief, our impact thesis for these companies is that an operationally and commercially successful infrastructure segment of the clean energy industry is essential for rapid decarbonization and improved climate performance.

Efficient, Electrified Customer Use Technologies. Across every sector of the economy, there is a growing set of innovations that reduce emissions and energy use by improving energy efficiency and/or reducing end-use emissions directly, especially by converting fossil-burning end-use technologies to clean electricity. Our investments in this area include a variety of technologies that target building and citywide energy use and the electrification of transportation as well as agricultural and industrial processes.

EIP's ESG and investment teams work together closely to perform a carbon impact assessment and review ESG-related risks and opportunities of each investment made through EIP's platform. In 2021, the ESG team improved our process by implementing a rubric-based approach to provide the investment teams with more objective and transparent ESG and impact scores, which are reviewed by the applicable Investment Committee as part of the final investment decision. The scoring process reviews ESG and Impact Factors of a potential investment, including its estimated carbon savings, use of clean energy and other environmental impacts.

Portfolio Companies

While we have long enjoyed a high level of collaboration with our portfolio companies, in 2021 we begun seeking a formal commitment from new investees to share data and collaborate with EIP on ESG and impact measurement by including reporting undertakings in transaction documents. Once EIP has made an investment in a company, the ESG team meets with the company leadership to understand the company's ESG and impact status and goals. The company then begins collecting data (including ESG metrics, impact KPIs, and carbon-savings data where applicable) with respect to the most recently ended year. These metrics are aggregated for our annual Impact & ESG Performance Reports. EIP also reports annually to UNPRI; our first submission was provided in 2021.

Looking Ahead

We plan to continue to evaluate our processes and update our work as applicable laws, regulations, standards and industry demands evolve. We plan to expand the engagement with our portfolio and to increase our climate risk assessments as more data becomes available and standards align within the venture capital industry.

Risk Management

EIP's investment process is guided by our ESG Policy. This policy articulates our approach to integrating ESG risks and opportunities, especially with respect to climate change, into all non-fund investments made by EIP across asset classes globally.

We collect data on ESG factors from our potential investments as a part of our diligence process to assess both opportunities as well as any substantial risks. Before we invest, we first conduct a preliminary analysis of key ESG risks and opportunities which includes a high-level/desktop review against an ESG checklist for initial red flags. Before final investment, our ESG team scores each investment based on ESG factors, including its estimated carbon savings, use of clean energy and other environmental impacts and its contribution to advancing diversity, equity and inclusion to assess its overall ESG performance. This information is incorporated into the investment approval memo that is provided to the applicable Investment Committee prior to EIP making an investment. After we make an investment, our portfolio companies provide annual data for measurement and tracking, which allows us to quantify ESG risks over time, and to engage where appropriate.

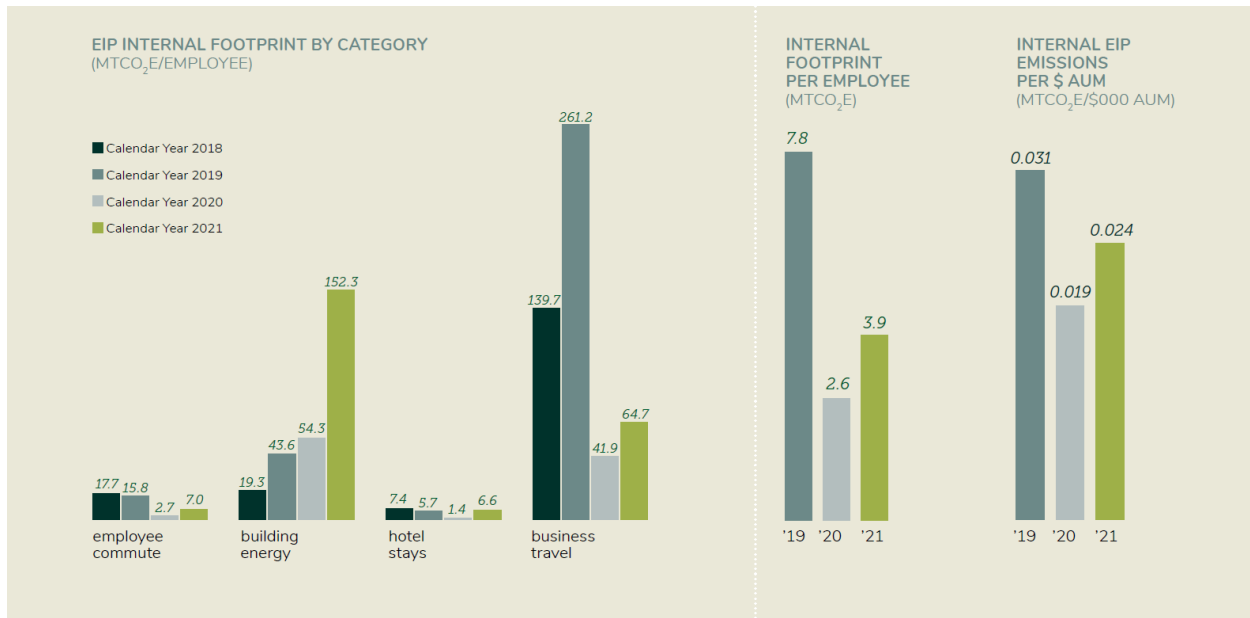
In the coming year the ESG team expects to continue to refine our diligence and scoring process to further incorporate climate risk in light of evolving frameworks, regulations, and measurement resources to remain on the forefront of ESG risk and opportunity measurement.

Metrics and Targets

Our climate strategy applies not only to our investments, but also to our own activities where we are working to measure and reduce greenhouse gas emissions. For the past three years, EIP has measured its own Scope 1 and 2 carbon emissions as well as its emissions from business travel – one category of Scope 3 that is highly material for us. This collection of emissions – previously labeled “Scope 1, 2, and partial 3” – we now call our *internal footprint*.

Our internal footprint of 230 tons is 29% lower than the pre-pandemic year of 2019 footprint. This reduction occurred despite a 98% increase in AUM since 2019, a corresponding 51% increase in headcount since 2019, and the expansion of our office spaces in New York and San Francisco. Our 2021 figures also include, for the first time, emissions from rail travel and European co-working spaces for our Cologne and London teams. In addition, we took a conservative approach to Scope 1 and 2 footprint by counting both the estimated work-from-home (“WFH”) energy and the energy used by our largely empty offices for the entire year. Internal footprint per employee is down 50%, from 7.8 tons in 2019 to 3.9 tons in 2021. Consistent with the very strong growth of our platform, emissions per dollar under management have fallen a full 64% since 2019.

Figure 3 EIP Internal Footprint by Category



In 2021 we also completed our target of conducting a full Scope 3 footprint measurement, which included the Scope 1 and 2 emissions of all of our 2021 portfolio companies (“financed emissions”). Understanding the impact of our portfolio – positive and negative – is something we feel is important for furthering our impact measurement and accountability efforts at EIP. While EIP is not able to directly control the emissions of our portfolio companies, as active investors who believe in the importance of building strong working relationships with our investees, we strive both to learn from the bright minds with whom we partner and engage around important issues like emissions reduction and management.

Since 2019, EIP has offset all of its measured internal carbon emissions with purchased commercial carbon credits. In 2021 we continued this practice and have placed a greater emphasis on pursuing carbon removals with stronger guarantees of additionality. Our evaluation of offset options led us to purchase removals that emphasize quality and permanence from the Danish offset provider Klimate. The offsets that we purchased this year blend forestry and carbon soil sequestration, moving beyond less permanent forestry-only offsets.

Within our portfolio, we use the term *enabled* to describe our role in financing companies who sell and install carbon-reducing products purchased by their customers. We recognize that our portfolio companies typically are not the only actors in the value change that cause a reduction in carbon emissions to occur and consistent with common practice, we do not allocate the impact of our enabled impact between actors along the value chain – all of them play an enabling role and all are needed. However, within our portion of the value chain – providing financing – we allocate enabled savings proportionate to our ownership share. EIP’s enabled carbon impact

through its portfolio companies is net negative – reducing the amount of carbon in the atmosphere – and EIP has offset all of its measured internal emissions since its inception. Please refer to our 2021 Impact & ESG Performance Report for additional detail on the ESG performance of EIP and its portfolio companies in 2021, as well as the preparation of this information.

As we work with other partners to formalize a net zero framework for the venture capital industry, we are committed to remaining carbon neutral in our internal operations.

Notice for this Document

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