



BC Partners LLP

TCFD Entity Report

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Introduction

BC Partners LLP ("BCPL") is a leading alternative investment firm and provides advisory services from the United Kingdom to private equity and real estate funds and separately managed accounts, namely BC European Capital IX; BC European Capital X; BC Partners Fund XI, BC Partners GR Investment LP and BC Partners European Real Estate I. It is organised as a Limited Liability Partnership in accordance with the laws of England and Wales. BCPL aims to promote the long-term sustainability of these investment funds and believes that strong ESG performance is both the right thing to do for our stakeholders and helps reduce risk and create value. Affiliates of BCPL operate in France, Germany, the United States of America, Luxembourg and Guernsey.

During 2023, BCPL operated as an FCA authorised and regulated UK Financial Conduct Authority "non-SNI" MIFIDPRU Investment Firm. As such, the firm is required to comply with the ESG sourcebook within the FCA handbook. Of particular importance is ESG 2, which requires BCPL to make public disclosures in line with the Taskforce on Climate-Financial Disclosures ("TCFD"). These disclosures are based on climate-related financial information in line with the four overarching pillars of the TCFD recommendations (Governance, Strategy, Risk Management, Metrics & Targets) on a mandatory basis.

This Report fulfils these obligations by detailing:

how sustainability fits into the firm's overall strategy;

the firm's investment approach;

methods used to allow BCPL to identify, assess, monitor and manage identified risks; and

the metrics used to gauge risk levels according to the firm's strategy.

Methodology

This Report has been prepared in accordance with the ESG sourcebook, the TCFD Recommendations and Recommended Disclosures and also the TCFD Annex.

This report covers the period 1 January 2023 to 31 December 2023.

BCPL does not provide services to BC Partners Private Credit strategies, and accordingly, ESG initiatives pertaining to private credit strategies are not discussed here. Where there is divergence between the asset classes, this will be reflected and highlighted within the report.

Compliance statement

The disclosures within this TCFD Entity Report, including any third party or group disclosures cross-referenced in it, comply with the requirements of the ESG sourcebook, specifically ESG 2.

BCPL has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. BCPL considers climate to be a principal risk, and has therefor complied with the TCFD recommendations and recommendations disclosures around:

- Governance - recommended disclosures (a) and (b)
- Risk Management - recommended disclosures (a) to (c)
- Metrics and Targets - recommended disclosures (a) to (c)



This is in line with the central government's TCFD-aligned disclosure implementation timetable for Phase 2. BCPL plans to provide recommended disclosures for Strategy in future reporting periods in line with the government implementation timetable.

N. Stathopoulos

Member of the Management Committee of BC Partners LLP



1. Governance

Board's oversight of climate-related risks and opportunities

BCPL is governed by its Management Committee, namely Mark Hersee; Philipp Schwalber; Nikolaos Stathopoulos and Christopher Heyworth. This report mainly focuses on the ESG activities of BCPL, and ESG initiatives undertaken by affiliates which are relevant to BC Partners advised private equity and real estate strategies. BCPL does not employ any dedicated ESG professionals, however BC Partners Advisors L.P. employs a Head of ESG who co-ordinates ESG strategy for the group.

Ultimate responsibility for ESG matters rests with the senior leadership of the wider BC Partners Group, which oversees ESG directly through an ESG committee comprised of BC Partners Group Management Committee and the leaders of our Investor Relations, Portfolio Operations, and Compliance functions. This committee is responsible for evaluating any changes in our ESG approach, and meets quarterly to be briefed on ESG topics relevant to BC Partners, including any and all climate analysis conducted. BC Partners Group ESG function is led by its Head of Sustainability, Colin Etnire, who joined BC Partners in 2020. Previously, Colin worked as an ESG Analyst under the Chief Sustainability Officer at The Carlyle Group, and has a total of 7 years of experience working exclusively on ESG matters within a private equity manager. Colin's role is to set the firm's ESG strategy and lead the implementation of ESG across the numerous functions with ESG dimensions across the firm. He is supported by a dedicated Sustainability Analyst. While BC Partners maintains dedicated ESG functions, its philosophy toward ESG is that each functional area should take responsibility for the ESG activities within its purview.

Assessing and managing climate-related risks and opportunities

All climate risk analysis generated is passed along to the ESG Committee for consideration, and we now include carbon intensity information in our portfolio summary documentation for consideration within the strategic allocation process. BC Partners Investment Committee is presented with the results of any climate-related diligence information as required by its ESG policy for consideration in any investment decision. In all instances, BC Partners Head of ESG is responsible for guiding the identification of climate risk factors, working with deal teams and outside specialists as necessary. BC Partners Real Estate manages its own climate analysis in line with its commitment to GRESB.

2. Strategy

Private Equity

Our traditional strategy has not included high-GHG-intensity sectors such as fossil fuels, aviation, and mining, which gives us an inherent resiliency advantage compared to investment advisors who don't avoid them. We track GHG data in order to identify the small number of high-GHG-intensity firms, and whether or not they are subject to carbon pricing schemes in their local jurisdictions. We include this information in portfolio allocation tracking so that it can be considered in asset allocation.

Real estate

BCPL real estate ESG policy is specific to the firm's real estate investment processes. Its real estate investment team have identified five environmental pillars of its ESG strategy, these being the: reduction of greenhouse gas (GHG) emissions, adaptation to climate change, optimisation of energy consumption, protection of biodiversity and development of the circular economy. The real estate team ensures that their investments align with these pillars.



Additionally BC Partners Real Estate maintain a strategic focus on: decarbonisation, climate risk, material uses and wellness. These topics were chosen after carefully weighing up investor expectations, market comparisons, regulatory requirements and achievability and they were approved by a third-party specialist in this area.

Scenario Analysis

BCPL is required by ESG 2.22 to explain (a) its approach to climate-related scenario analysis; and (b) how it applies climate-related scenario analysis in its investment and risk decision making.

BCPL continues to base its scenario analysis related to physical risk on the major physical climate screen that it conducted in 2021 with Sust Global in collaboration with Bridge House Advisors. As part of this initiative BC Partners analysed c.500 sites across its PE fund portfolio and identified less than 10% that had potential material exposure to physical risk. Since then, we have analysed all new entrants to the private equity portfolio, and none were deemed at high physical risk. In 2023, BCPL re-engaged Bridge House to update its scenario analysis and climate risk assessment, and plans to complete that work in the coming months. Our transitional risk assessment was renewed based on the data-gathering exercises outlined above. BCPL is happy to report that just one of its now 32 PE portfolio companies have carbon intensities above the MSCI average for their geography, none of which are in oil & gas. As such, the BCPL advised funds have a relatively low-carbon portfolio, but this exercise allowed us to identify our highest emitters, which will guide our engagement in supporting their decarbonization journeys.

3. Risk management

Risk management is important to the firm. It is the one of responsibilities of the Management Committee to ensure that the firm has suitable strategies and arrangements in place for risk management. Identifying, measuring, managing and controlling risks of regulatory concern, including ESG, is embedded into the business strategy. Each business support function prepares a strategy document which is presented to BCPL Management Committee for review and comment. The Management Committee ensures that each strategy document is properly aligned and supportive of BC Partners global strategic objectives.

Private Equity

BCPL formally integrated ESG considerations into its investment process in 2010, soon followed in 2011 by the appointment of PwC to conduct an ESG assessment of each portfolio company. BCPL considers that good practice requires constant renewal and accordingly since 2010 BCPL has continued to develop its processes to reflect good practice and to standardize and deepen its approach. At the beginning of 2024, BCPL updated its ESG policy (which you can access [here](#)), which revised its ESG investment procedures, detailed below in the text. ESG integration formally starts at the "Preview Note" (PN) phase, where diligence of a potential target begins in earnest. If the PN is to progress to the Preliminary or Final Investment Memorandum (P/FIM) phase, it must first be referred to the Head of ESG, who composes an ESG advisory memo. This memo aims to provide an overall perspective on the deal, as well as highlighting all potentially material ESG issues that must be evaluated, and a recommended approach for diligence, including which (if any) 3rd party specialists to engage. In diligence, the deal team takes primary responsibility for responding to the ESG advisory memo, since BCPL believe ESG diligence must be integrated in the broader diligence process in order to take a holistic, effective approach. This ensures that ESG information gathered from other diligence streams (such as legal, operational, HR, and others) can be incorporated in the final evaluation.

The findings of ESG diligence are presented to the IC in the Preliminary and/ or Final Investment Memo.



BCPL makes use of both internal and external resources to add value to the portfolio company and improve its management of ESG factors.

All private equity portfolio companies complete an annual ESG KPI survey, and we require portfolio company boards to review ESG at least once per year.

Real Estate

BCPL regularly monitors whether these topics have been achieved by using a proprietary tool named the ESG Development and major Refurbishment Guidelines (2022). Regarding real estate investee companies, our BCP ESG Survey has been adapted to real estate companies. BCPL uses the survey as an ESG scorecard during due diligence as well as annually in order to assess characteristic alignment of the real estate companies on an ongoing basis.

BC Partners Real Estate submit to GRESB annually and are committed to minimising waste from projects while also maximising resource efficiency during the construction phase of redevelopment. BCPL also conducts an assessment to ensure all assets comply with the Carbon Risk Real Estate Monitor decarbonisation pathway. Furthermore, at a minimum, BC Partners Real Estate ensures that materials used meet the following characteristic specifications: low-emitting VOC materials; disclosure of environmental impacts; designation of a “red list” of prohibited materials or ingredients which should not be used on the basis of their human and/or environmental impacts. Wood-based materials and products must be legally harvested, traded and third-party certified.

BC Partners Real Estate ensure our staff appreciate the impacts of climate change and the available solutions by requiring them to attend a “Climate Fresk” session.

Our approach to ESG risks is set out in the offering documents of the funds it advises. When assessing individual performance, the Firm takes into account (where relevant to the individual's role) whether individuals have contributed effectively to identifying and managing ESG risks.

4. Metrics

BCPL use a range of metrics to identify and assess climate-related risks and opportunities, and track progress against our targets. These include absolute metrics as well as intensity-based indicators. The key backward-looking metrics used across our internal and external reporting are set out in the tables below covering the year to 31 December 2023. Although recognising there are limitations in the metrics and tools used (primarily data availability and scope of coverage), we currently rely on Scope 1 & 2 GHG emissions to inform investment decisions. While we monitor Scope 3 emissions to inform targeted actions, limitations relating to this data are heightened with data quality and disclosure of this category remaining poor, therefore making it less reliable for decision making.

In line with our commitment to PCAF, the table below expresses our financed emissions for our private equity strategy across all funds based on the 2023 data year:

	Financed Emissions (MT of CO ₂ e)	AUM Coverage
Scope 1	463,246.6	94%
Scope 2	55,703.0	90%



Scope 3	1,746,256.9	75%
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In the 2022 data year, we engaged in benchmarking to contextualize this performance. A statistic of particular importance is our whole portfolio carbon intensity metric, which was at **104.8 metric tonnes** of CO₂e per million Euros of revenue. We are proud of this figure as it represents a decline from 2021 (143 in the same metric) and is far lower than the MSCI's North American (147.9) and European (141.9) equities indexes.

Another important statistic is the CO₂ output of our average portfolio company, which stands at **54.9 metric tonnes** of CO₂e per million Euros of revenue. We wish to highlight that our average portfolio company amount it roughly half the amount of total emissions, indicating that most of our portfolio companies are below the mean in carbon intensity.

With respect to our real estate asset class, we track operational and embodied GHG footprint on an annualized basis for all of our real estate assets. In the most recent data available (2023), BCPERE I had an operational (Scopes 1+2) footprint of 1,218 MT, and an embodied (Scope 3) footprint of 1,286 MT.

However, BCPL still wishes to continuously increase the data quality and the coverage of our GHG emissions calculations. The PE and Real Estate asset classes should remain at universal coverage and increasing quality.