

Institutional Investors Group on Climate Change (IIGCC) Request For Proposals: Methodologies for assessing Paris Alignment for private equity

Issue date: 22nd February 2021

Closing date and time: Monday 8th March, 12pm GMT 2021

IIGCC contacts:

Daisy Streatfeild

dstreatfeild@iigcc.org

+ 44 (0)7493 310 183

1. ABOUT IIGCC

IIGCC is the European membership body for investor collaboration on climate change. We are an investor-led network of 275 asset owners and managers, representing over €35 trillion in assets. Our mission is to mobilise capital for the low carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policy makers and fellow investors.

2. INTRODUCTION

IIGCC's Paris Aligned Investment Initiative was launched in May 2019, with the aim of exploring how investors can align their portfolios to the goals of the Paris Agreement. More than 70 IIGCC members, representing over USD 16 trillion in AUM have engaged in the initiative to date. The first phase of PAII aimed to:

- Develop working definitions of key concepts, terms and clarify pathways relevant to Paris alignment, in order to build understanding and consensus around these concepts
- Analyse potential methods that could be used to assess alignment of different asset classes, determine the make-up of an aligned portfolio, and assess approaches for transitioning portfolios, in order to provide a menu of practical options for transitioning and assessing alignment to the Paris goals (stage 2).
- Test the approaches to transition and methodologies for assessing alignment using real world portfolios, in order to understand financial characteristics, risks, issues, and opportunities associated with the transition of portfolios to a Paris aligned pathway

During the first phase of the PAII, work was undertaken focused on four asset classes: sovereign bonds, listed equity and corporate fixed income, and real estate. The conclusions of the work were brought together in the [Net Zero Investment Framework](#), published in August 2020, which provides recommended methodologies and approaches for measuring portfolio and asset alignment, and managing a portfolio to achieve alignment over time.

IIGCC is updating the Framework based on feedback received in the consultation. IIGCC is also undertaking work to expand the Framework to cover additional asset classes: infrastructure and private equity. This project is intended to support development of the Framework for these asset classes.

3. PROJECT OBJECTIVE

The project is intended to identify and assess available methodologies and approaches for a) measuring the alignment of a private equity portfolio, and b) managing that portfolio to increase alignment and achieve targets. This review will provide the basis for IIGCC working groups to consider preferred methodologies and approaches to provide guidance on alignment for investors as part of an updated Net Zero Investment Framework.

4. SCOPE AND APPROACH

Information-gathering

Identification of methodologies and approaches should be conducted through primarily through secondary research using available studies, reports, and literature, complemented by supplemented interviews or surveys of relevant experts, investors and other stakeholders.

The information gathering process should identify different methodologies or methodology types for assessing the alignment of assets to net zero goals. These methodologies may be:

- a) Third party provided methodologies for the assessment of private equity asset or portfolio alignment
- b) Investors' in-house methodologies or approaches for this assessment
- c) Methodologies used for other asset classes that could be applied to, or adjusted to be used for, private equity. At a minimum the methodologies included in the Net Zero Investment Framework should be considered.

The information gathering process should also identify the main approaches that investors are using or could use to manage a portfolio to increase alignment and achieve targets over time. This should include use of:

- Portfolio construction approaches
- Engagement and stewardship
- Direct Management (as relevant)
- Selective Divestment

Methodology Assessment

The consultant should provide an assessment of available methodologies, based on:

- Consistency with the five assessment criteria of the Net Zero Investment Framework
- Relevance / consistency with the methodologies and approaches set out for other asset classes, aggregation of metrics for portfolio targets currently in the Framework, and inclusion in SAA processes
- Broader advantages, disadvantages or considerations for the application of the methodologies identified. This section should reflect on issues such as relevance / applicability for GPs/LPs; primary vs secondary markets etc; types of private equity asset or company.

Assessment of approaches for managing a portfolio

The consultant should provide an assessment of best practice in relation to the approaches identified, to provide an overview on:

- When and how different approaches can be applied to most effectively achieve targets and impact

22/02/21

- Considerations for the application of different approaches. This section should reflect on issues such as relevance / applicability for GPs/LPs; primary vs secondary markets; types of private equity asset or company, and the specific characteristics of the asset class.

5. Deliverables

The deliverable should consist of a 20-25 page report addressing the components set out above. It should be succinct, clear and in plain English.

The consultant should also be available for a meeting of the [private equity] working group to present the draft review of methodologies and discuss findings using a slide deck version of the main elements. The report should be finalised following this meeting, to take account of relevant insights from the group.

6. TIMELINE

We expect the work to commence in March 2021 and are looking to conclude the project by end of April.

7. RESOURCING

The proposal should include an activity-based budget for the project.

8. HOW TO SUBMIT A PROPOSAL

Please send your proposal via email to Daisy Streatfeild dstreatfeild@iigcc.org by **midday GMT Monday 8 March**.

Your proposal must include details of proven experience and knowledge in relation to investment processes for the asset class, and methodologies and approaches for related to integration climate considerations into investment processes. Examples of previous or similar work is welcome.

9. CONDITIONS

IIGCC requires the successful Proposer to send a copy of the Proposer's child protection policy before the contract can be awarded.

Proposers should read IIGCC's privacy note before submitting a proposal. The privacy note can be found on IIGCC's website [here](#).

10. QUERIES

For any questions regarding the project, please contact Daisy Streatfeild dstreatfeild@iigcc.org