

Attachment 2: Private Equity Manager Survey Results

Background and Objective

Over the past year, the Private Equity team has developed a comprehensive survey to better understand our investment partners' net zero capabilities and to monitor progress relating to the following:

- Overall firm-wide approach to net zero, including whether or not there are dedicated resources
- Affiliation with any industry organization(s) working on reporting standards for ESG and/or emissions measurement
- Efforts to measure and/or reduce emissions (both at the general partner level and at the portfolio company level)
- Reporting and disclosure to limited partners
- Investment strategy and activity around energy transition or decarbonization-related assets

As discussed in the [May 2023 Investment Committee meeting](#), measurement of and reporting on emissions in CalSTRS' Private Equity portfolio is challenging given the industry continues to lag other asset classes with respect to the availability of data. Large private equity firms are leading the way given their underlying holdings typically involve companies that are large and tend to conform to public company best practices. However, most of the underlying holdings involve relatively small companies held by small and mid-size asset managers with more modest resources where industry best practices and standards are less developed with respect to measurement and reporting of emissions.

Private Equity is applying the Green-Olive-Grey (GOG) Framework at the general partner level to determine what percentage of general partners are actively measuring and reporting emissions across their underlying portfolio. GOG definitions are as follows:

- “Green” was applied when emissions measurement is being performed on all or a meaningful subset of underlying portfolio companies and reporting and disclosure procedures are in place;
- “Olive” was applied when a general partner has committed to measuring emissions and is actively and materially working towards that goal; and
- “Grey” was applied when the general partner is not measuring emissions and does not yet have a plan or any intention to begin measuring emissions in the near-term.

Survey Results and Key Takeaways

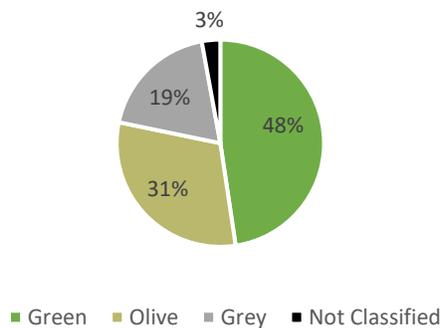
- The survey was sent to 100 out of 107 active general partner relationships. 95 partners responded, representing 97% of total Private Equity Net Asset Value as of Q3 2023. Certain legacy relationships and/or relationships with minimal remaining value were excluded from the survey process.

- Staff is analyzing and evaluating manager responses based on the degree to which each is engaged in emissions measurement and reporting. In the near-term, staff will continue to encourage and promote progress in emissions measurement and disclosure to limited partners.

Staff GOG Assessment of Partners

- Chart 1 illustrates staff’s assessment of whether a general partner is classified as Green/Olive/Grey. About 80% of the Private Equity portfolio is classified as “Green” or “Olive”, meaning that most of our investment partners are actively measuring and reporting emissions on a portion of their portfolios or have plans in place to begin doing so soon.
- Staff believes that between 10% and 20% of total Private Equity Net Asset Value is currently being measured. Relatively few general partners are comprehensively measuring emissions across their entire active portfolios.

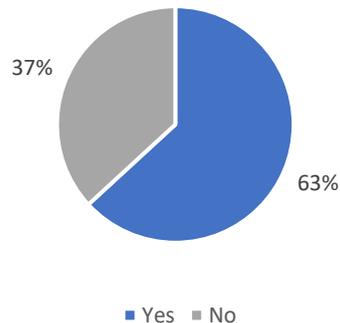
Chart 1: GP GOG Classification (% of Total NAV)



Emissions Measurement

- As seen in chart 2, nearly two-thirds of our partners indicated that they do measure emissions for a portion of their portfolio companies. However, there was some variability around whether they provide reporting to limited partners (and if so, the frequency with which they provide this data).
- Of the partners that do measure emissions, two-thirds (42% of respondents overall) track emissions data both at the level of the management company (i.e. the firm) and for their underlying investments.
- For partners that do measure emissions, two-thirds (43% of respondents overall) track emissions across Scopes 1, 2 and 3.

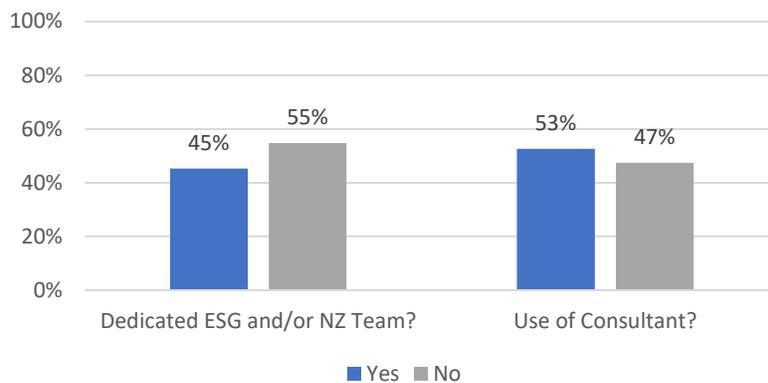
Chart 2: GP Emissions Measurement



Organizational Resources Committed to Net Zero

- Chart 3 shows that 45% of general partners have a dedicated team focused on evaluating ESG risks and opportunities or net zero (or both in some instances) and 53% indicated that they have engaged a consultant to support net zero efforts. Several GPs that have not currently dedicated resources to net zero indicated they may do so in the future. Most venture capital firms surveyed did not have dedicated net zero experts.

Chart 3: Organizational Resources



GP Affiliation with Climate Organizations

- As seen in Chart 4, 63% of respondents indicated that they belong to one or more industry organizations involved with reporting standards for ESG/climate, including:
 - Initiative Climat International
 - Science Based Targets Initiative
 - ESG Data Convergence Initiative
 - Institutional Limited Partners Association

- 42% of respondents indicated they belong to more than one organization. The majority of respondents who indicated they do not have any affiliations were venture capital firms.

Chart 4: GP Affiliation with Climate Organization

