Discovery to developing actions	Advanced to transformative actions
Risk and opportunities ● Develop and implement processes for identifying, assessing and managing current and future climate change-related risks and opportunities. This should be done for the investment strategy, current portfolio companies and investment processes and includes integration with current processes and defining a level of materiality. See Section 7: Risk Management for more detail. ● As part of risk processes, develop a fossil fuel exclusion list. Fund managers should consider whether specific industries/sector are included as part of avoidance/exclusion policies for future investment decisions. See BII and EDFI exclusion lists as examples. **Climate policy** ● Based on the understanding of material climate risks and associated level of ambition, develop a climate policy for review and sign-off by the board. See the **Climate change policy** for an example. **Engagement** ● Develop an engagement plan for portfolio companies.	Fund managers should also consider the following actions: **Risk and opportunities** ● Develop a process that quantifies the impact of climate-related risks and opportunities on the financial performance (such as revenues, costs) and financial position (assets, liabilities) of the fund for all material climate risks and opportunities. ● Fully incorporate climate change into strategic and investment decision making. Climate considerations should be fully integrated into acquisition valuations and regular fund valuations. Valuations should consider future cashflows at different time horizons arising from climate-related costs. For example, this includes internally set current carbon pricing or expected future taxes or levies on carbon emissions, and the expected changes in future cashflows arising from these risks. **Scenario analysis** ● Conduct scenario analysis to assess the investment strategy and portfolio companies against different possible climate-related futures. See **climate change scenarios and scenario analysis** for guidance. **Investment strategy** ● Using the results of the scenario analysis and risk/opportunity quantification, consider updating the investment strategy where relevant.

● Prioritise engagement with those portfolio companies most exposed to climate change risk or have the greatest opportunity to leverage opportunities from climate change. ● Build capacity and understanding of climate risks and opportunities at the portfolio companies and provide support to get better data on identified climate risks and opportunities. **Metrics and targets** ● Develop climate-related metrics linked to material climate change risks and opportunities. ● Develop procedures and tools to support GHG accounting at the portfolio company level and the fund level. ● Develop targets for those climate-related metrics considered material. See **Metrics and Targets** for guidance **Advocacy and engagement** ● Join fund manager industry working groups and collaborative initiatives to share knowledge, collaborate and benefit from best practice resources and tools. Examples include the Investor Agenda, the Initiative Climat International (ICI) and the PRI.	● Engage with executive management and the board to obtain the necessary input, buy-in and sign-off on the scenario analysis process and any investment strategy updates. **Transition plan** ● Develop a transition plan aligned with the investment strategy with a clear commitment to net zero/Paris-alignment. Provide detail of climate-related goals and targets (for example, GHG emission reduction commitments). Develop actions for a gradual alignment of the portfolio towards industries projected to benefit from climate change, and away from those adversely impacted (such as timing of reductions in sector/industry exposures). See the **Climate change transition plan** for more detail. **Adaptation plan** ● Develop an overarching physical climate risk approach or strategy and for investing in climate adaptation and resilience solutions. ● Provide technical and financial support to portfolio companies identified as being most exposed and vulnerable to physical climate risks. **Metrics and targets** ● Develop transition and physical climate-related metrics and targets to demonstrate how investment strategies and portfolios are aligning with a well below 2°C scenario. ● Report Scope 3 financed emissions of the portfolio using the Partnership for Carbon Accounting Financials (PCAF) framework. See **Metrics and Targets** for guidance **Engagement with investees**

	• Based on the scenario analysis results, engage more regularly with portfolio companies more significantly exposed to climate change to understand their business strategy and responses to identified risks. • Develop a fund-level stakeholder engagement plan. Engage with external stakeholders to obtain relevant, up-to-date climate-related information that can feed back into the investment strategy and associated action plans. For example, regulatory/policy changes in a geography, and investor incentives for achieving climate goals.