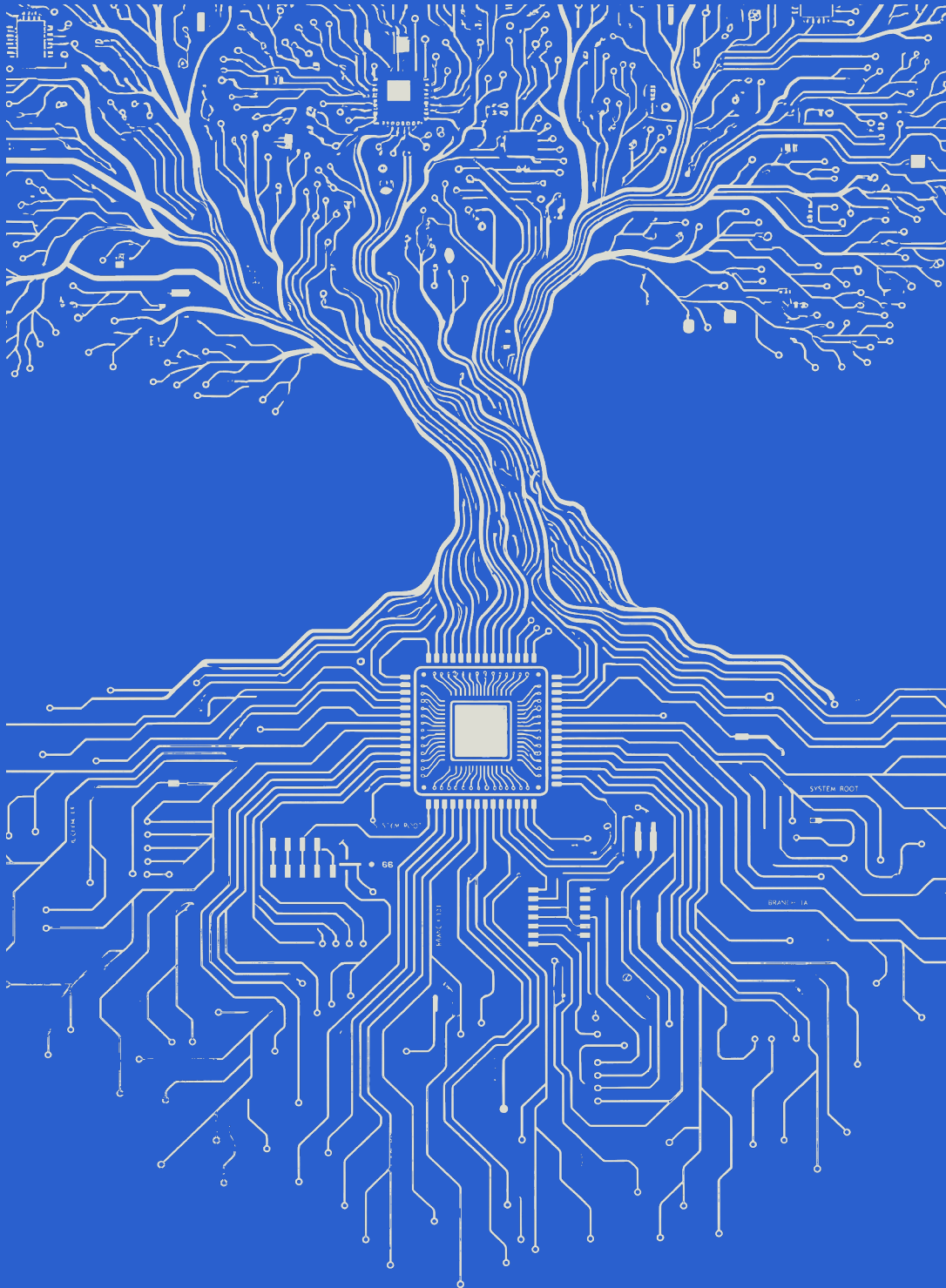




AN Allocator Guide *TO*
Climate Solutions Investing

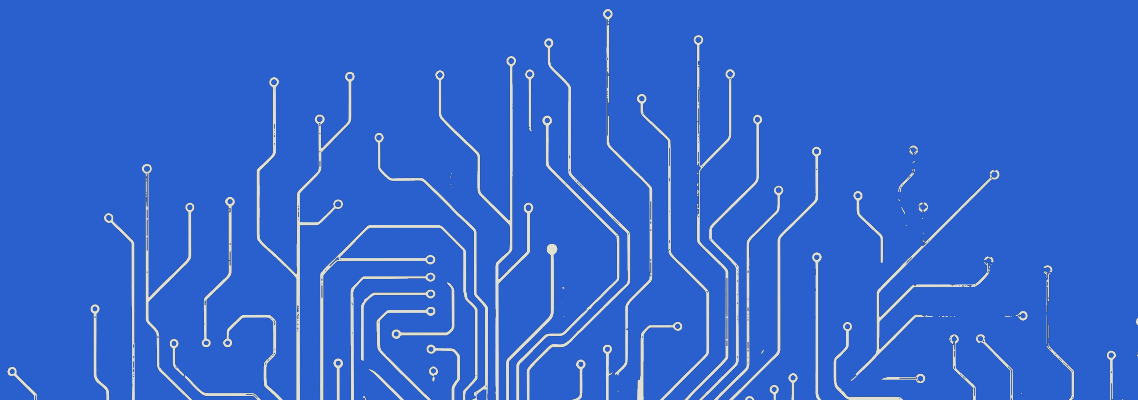
About Tideline

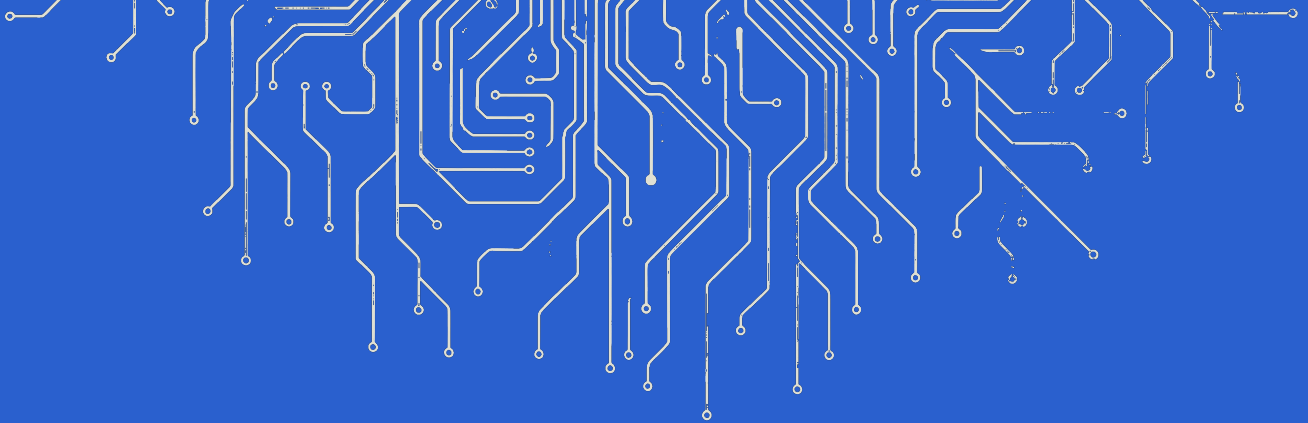
Since its founding in 2014, Tideline has worked with over 150 institutional asset allocators and managers to catalyze the development of the sustainable and impact investing market and deepen its integrity. As an advisor, Tideline has supported the creation of new products and platforms deploying over \$250 billion in sustainable and impact capital globally. Tideline's thought leadership work has included defining the term "catalytic capital" in partnership with the MacArthur Foundation, establishing a framework to deepen GP climate investing practices, creating a playbook for impact value creation, and producing the first guide for allocators to navigate impact investing in the fixed income markets. Tideline's public domain research and market building is enabled by the Tideline Center for Impact, an affiliated non-profit program supported by funders including the W. K. Kellogg Foundation and Builders Vision. For more information, please visit www.tideline.com.

About Prime Coalition

Prime Coalition is a nonprofit organization on a mission to empower donors to advance solutions addressing the causes and effects of climate change with speed and scale. Prime structures and deploys flexible, risk-tolerant capital across multiple funds and investment vehicles to support undercapitalized solutions with outsized climate potential. This work is guided by an investing approach that accounts for the interconnected systems shaping climate outcomes and prioritizes interventions with the potential to drive transformational, system-level change.

Prime Coalition's approach to assessment is shaped by Project Frame, a field-building initiative that advances rigorous, decision-useful methods to assess climate impact, so investors direct capital toward the solutions that matter most. For more information, please visit www.primecoalition.org and projectframe.how.





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Executive Summary

CLIMATE CHANGE IS RESHAPING ecosystems, economies, and markets at unprecedented scale. For institutional allocators, this transformation presents both a systemic portfolio risk, and a significant investment opportunity arising from the global transition to a lower-carbon and more climate-resilient economy.

In response, allocators are increasingly moving beyond climate risk integration and portfolio decarbonization toward climate solutions investing: **deploying capital to the products, services, technologies, and infrastructure expected to materially contribute to emissions mitigation, adaptation, and resilience in the real economy.** This shift reflects both the scale of climate-related investment needed and the growing recognition that long-term portfolio performance will be shaped by a thoughtful and active response to the transition to a more sustainable and resilient future.

Allocator roadmap

As allocators move from interest to implementation of climate solutions investing, they face a practical set of challenges: defining investment objectives, structuring portfolios, diligencing managers, measuring climate outcomes, and

building credible reporting systems. While climate investing frameworks and disclosure standards have expanded significantly in recent years, practical guidance remains fragmented. What has emerged instead is a growing set of institutional best practices that together point toward a more consistent and disciplined approach to climate solutions investing. Collectively, these practices establish a four-pillar roadmap for implementation.

At the foundation, **anchoring** establishes the strategic rationale for climate solutions investing, linking it to fiduciary duty and broader climate-related investment activities across an allocator's portfolio.

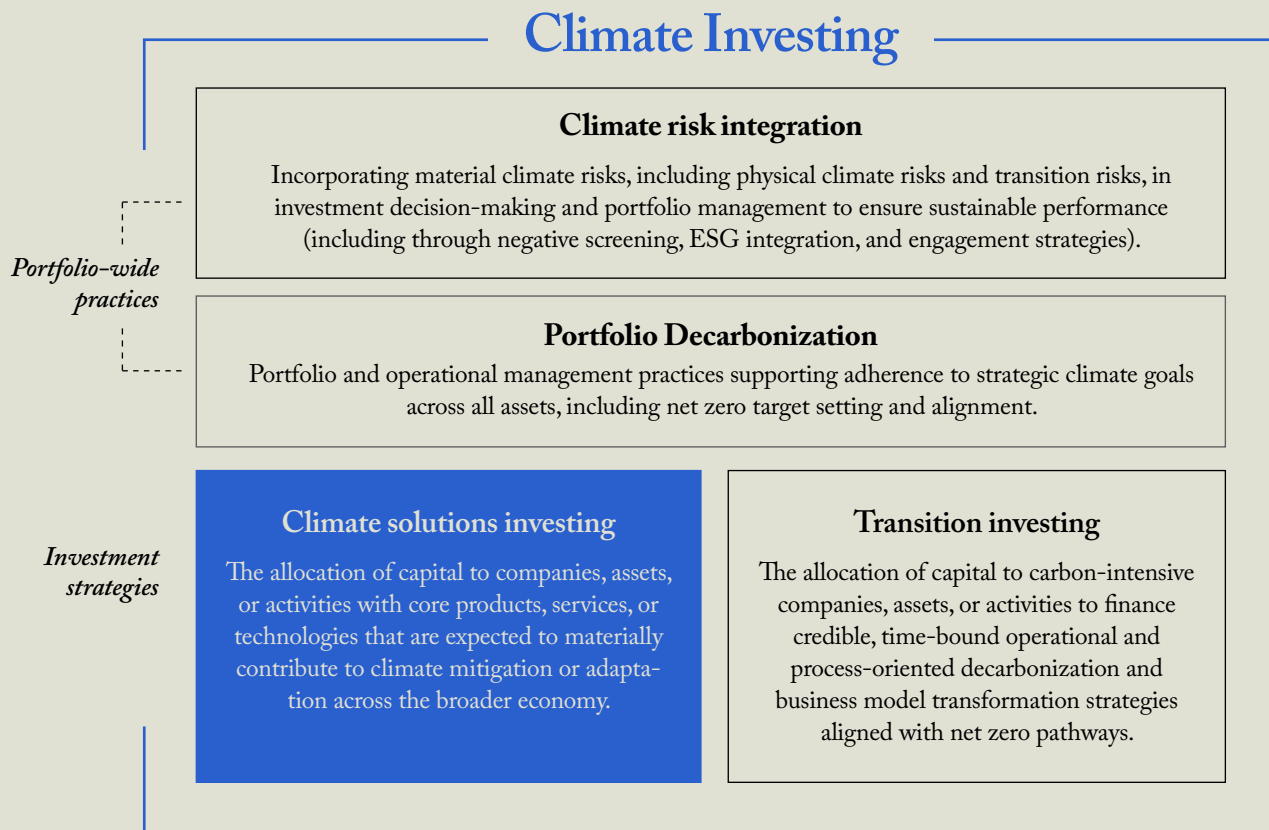
From there, **strategy** translates climate objectives into investible approaches through decisions around climate priorities, capital deployment models, investment taxonomies, governance structures, and portfolio construction.

In turn, **diligence** evaluates whether managers have the capabilities, governance, and systems required to integrate climate insights and outcomes data into investment decision-making, underwriting, portfolio management, and reporting practices.

Finally, over time, **monitoring** focuses on measuring, managing, and communicating climate outcomes through pragmatic approaches to KPI selection, reporting, and portfolio-level analysis.

Anchoring in a climate investing architecture

Importantly, climate solutions investing sits within a broader climate investing architecture that includes portfolio-wide climate risk integration and decarbonization, transition investing, and targeted climate solutions strategies. While these approaches are complementary, they serve different objectives and rely on different tools, metrics, and implementation models.



Portfolio-wide approaches are primarily designed to improve resilience and align portfolios with long-term transition objectives, including through ESG integration, stewardship, climate risk management, and decarbonization strategies. Climate solutions investing, by contrast, is about deploying capital toward products, services, and infrastructure expected to

contribute to real-economy mitigation, adaptation, and resilience.

Maintaining clarity across these approaches is increasingly important. Portfolio exposure metrics such as financed emissions or climate value at risk measure portfolio characteristics, while climate solutions metrics seek to

assess real-world outcomes, such as emissions avoided or resilience created. Conflating these approaches can obscure investment objectives, overstate climate results, and weaken implementation rigor.

Strategy in action

Across the market, the case studies highlighted throughout this report demonstrate how leading allocators are implementing climate-focused investment strategies informed by different institutional contexts, from dedicated climate mandates and integrated portfolio approaches to mission-aligned investing and thematic sustainability strategies.

- **CalSTRS** integrates climate solutions within a broader net zero architecture through its Sustainable Investment & Stewardship Strategies (SISS) Portfolio, a dedicated multi-asset-class platform investing in emerging climate solutions opportunities across private markets.
- **IMAS Foundation** applies a flexible thematic approach centered on “sustainable alpha,” using long-term sustainability and decarbonization themes to guide portfolio construction and investment prioritization across asset classes.
- **QIC** deploys capital through a dedicated climate mandate supported by rigorous climate sub-themes and structured outcomes measurement practices that connect strategy, diligence, and monitoring.
- **The Nature Conservancy (TNC)** has evolved from exclusions-based investing toward mission-aligned impact funds and

direct climate technology co-investments aligned with the organization’s climate and biodiversity objectives.

Diligence, measurement, and monitoring

As implementation matures, allocators are developing more rigorous approaches to manager diligence and ongoing monitoring of climate outcomes. Advancing practices for assessing potential and realized climate outcomes, both pre- and post-investment, is helping allocators translate high-level climate objectives into more structured approaches to manager evaluation, portfolio construction, monitoring, and reporting. This includes assessing whether climate considerations are meaningfully embedded within the investment process, and how well managers measure and substantiate climate-related outcomes over time.

Several operational themes are emerging across the market:

- **Using structured diligence frameworks to evaluate manager capabilities** across strategy, governance, management, and reporting dimensions, enabling more consistent assessment of climate investment rigor and comparability across managers and portfolios.
- **Assessing how managers incorporate climate outcomes data into investment processes**, including how climate insights inform sourcing, underwriting, portfolio construction, value creation, and ongoing monitoring practices.

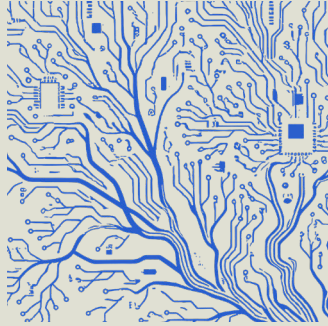
- **Prioritizing transparency and methodological rigor**, including how managers define base-lines, assess materiality, substantiate claims of climate outcomes, and communicate the assumptions and limitations underpinning outcomes measurement.

The Opportunity for Allocators

Taken together, climate solutions investing is rapidly moving from a niche practice toward a core dimension of long-term capital allocation. Policy support, technological innovation, infrastructure investment, and growing physical climate risks are reshaping opportunity sets across sectors and geographies, while increasing scrutiny of climate-related claims is raising expectations for discipline.

Allocators do not need perfect information or fully standardized methodologies to invest in climate solutions. They do, however, require clear strategic objectives, strong governance, rigorous diligence processes, and credible approaches to climate outcomes measurement and reporting.

The practices described in this Guide increasingly point toward a more institutional model for climate solutions investing, positioning allocators to pursue long-term financial performance while accelerating the transition to a low-carbon, resilient global economy.



Introduction

THE ECONOMIC IMPACTS of climate change are no longer theoretical; they are material and accelerating. In 2024, the hottest year on record, natural catastrophes drove US\$338 billion in global economic losses.¹ Investors are increasingly recognizing climate change as a systemic risk and the fiduciary imperative to account for it, with over 75% of institutional investors assessing the financial risks climate change poses to portfolios.² Furthermore, many investors are going beyond climate risk integration by adopting net zero commitments, driving decarbonization through engagement, and taking proactive measures to increase the resilience of portfolios to physical climate risks.

Despite investors' growing integration of climate change as a foundational consideration in portfolio management, there remains a significant gap in the amount of capital needed to achieve global climate goals. A fivefold increase, amounting to a total \$7.4 trillion in annual climate finance, is needed through 2030 to achieve the 1.5° scenario defined under the Paris Agreement.³ Furthermore, annual investment

needs for adaptation and resilience are estimated to reach \$0.5–1.3 trillion by 2030.⁴

These financing gaps point to a need for the private sector to invest in and scale products and services that lower economy-wide emissions and increase economy-wide resilience to climate impacts—or *climate solutions investments*.

Institutional asset owners have become increasingly attracted to climate solutions investing as a means of both capturing risk-adjusted returns and contributing to the economy-wide transition. Investing in climate solutions, however, comes with unique objectives and implementation requirements compared to climate risk integration and portfolio decarbonization. It therefore requires a distinct strategy, toolkit, and resources for robust implementation.

While guidance related to climate solutions investing has emerged in recent years, the landscape of available resources can appear complex and fragmented, potentially standing in the way of more effective

1. Swiss Re Institute, 2025 marks sixth year insured natural catastrophe losses exceed USD 100 billion, finds Swiss Re Institute, 2025.

2. The Investor Agenda, Global State of Investor Climate Action, 2025.

3. Climate Policy Initiative, Global Landscape of Climate Finance, 2024.

4. The Boston Consulting Group, The Private Equity Opportunity in Climate Adaptation and Resilience, 2025.

and timely deployment of capital. In response, *The Allocator Guide to Climate Solutions Investing* (“the Guide”) aims to equip asset allocators and investment decision-makers with clear, practical directions on how to anchor climate solutions investing within portfolios and allocate capital with rigor and integrity. It explains foundational concepts and definitions, highlights key considerations for developing a strategy, and offers practical ways to layer climate considerations into diligence and monitoring processes. Given the more advanced state of existing market guidance on mitigation relative to adaptation and resilience, this guide reflects a similar difference in depth across these areas.

Defining climate solutions investing

The term “climate solutions” has been used inconsistently both by standard-setting organizations and investors. There is, however, an emerging consensus that climate solutions contribute to emissions mitigation and/or climate adaptation and resilience across the

broader economy through products and services. This distinguishes climate solutions from other investment activities focused on reducing Scope 1–3 emissions or improving resilience through operational changes at the level of a single asset or entity.

For consistency, the Guide will use Project Frame’s definition for climate solutions:

“A product or service that is expected to directly or indirectly remove and/or avoid greenhouse gas emissions (*mitigation solution*) or strengthen the capacity of systems to avoid, adjust to, and/or recover from current and future climate shocks and stresses (*adaptation and/or resilience solution*).”⁵

Accordingly, throughout the Guide, “climate solutions” can be understood to encompass both mitigation and adaptation and resilience, unless otherwise specified.

Table 1: Climate solutions investing definitions

Definition	Primary goal	Sample assets
Climate solutions investing <i>Providing capital to entities with core products and services that are expected to materially contribute to climate mitigation or climate adaptation and resilience in the broader economy</i>	Develop and scale the goods or services needed to support a sustainable global economy	See sample assets under mitigation and adaptation and resilience investments
Mitigation solutions investing <i>Financing solutions that displace high-emitting alternatives, enable significant emissions reductions in third-party systems, or remove emissions from the atmosphere</i>	Lower economy-wide GHG emissions	Renewable energy generation; energy efficiency technologies; direct air capture plants
Adaptation and resilience solutions investing <i>Financing solutions that strengthen the capacity of human and/or natural systems to avoid, adjust to, and/or recover from current and future consequences of climate change</i>	Increase economy-wide resilience to climate impacts	Water filtration technologies; drought-resistant crops; fire-resistant building materials

⁵ Project Frame, *Glossary, Climate Solution*, Accessed June 2026.

Climate solutions and impact investing

It is important to acknowledge the relationship between climate solutions investing and the growing field of impact investing, which refers to investments with the intention to generate positive, measurable social or environmental impacts alongside financial returns.⁶ Many climate solutions investments may, in fact, be impact investments. However, not all allocators will apply an impact lens to their portfolios; many instead view climate solutions investments as part of thematic allocations or as an integrated approach to Strategic Asset Allocation (SAA).

Nonetheless, established practices in impact investing can be useful in supporting investors in navigating how to integrate environmental considerations into the investment process. Accordingly, select impact investing concepts and resources will be referenced throughout the Guide. These concepts have been adapted or contextualized to ensure relevance to institutional allocators that are seeking market-rate climate solutions investments.

Who this guide is for

The Guide is designed primarily for institutional asset allocators (e.g., pensions funds, endowments, foundations, family offices, sovereign wealth funds, wealth and investment advisors, and/or other Limited Partners) seeking to make market-rate fund investments in the private markets. It is geared toward investors that have considered or integrated climate considerations into investment processes but have not developed a dedicated climate solutions strategy. The Guide is also relevant to allocators that have begun deploying capital to climate solutions but

want to enhance strategy, diligence, and measurement practices.

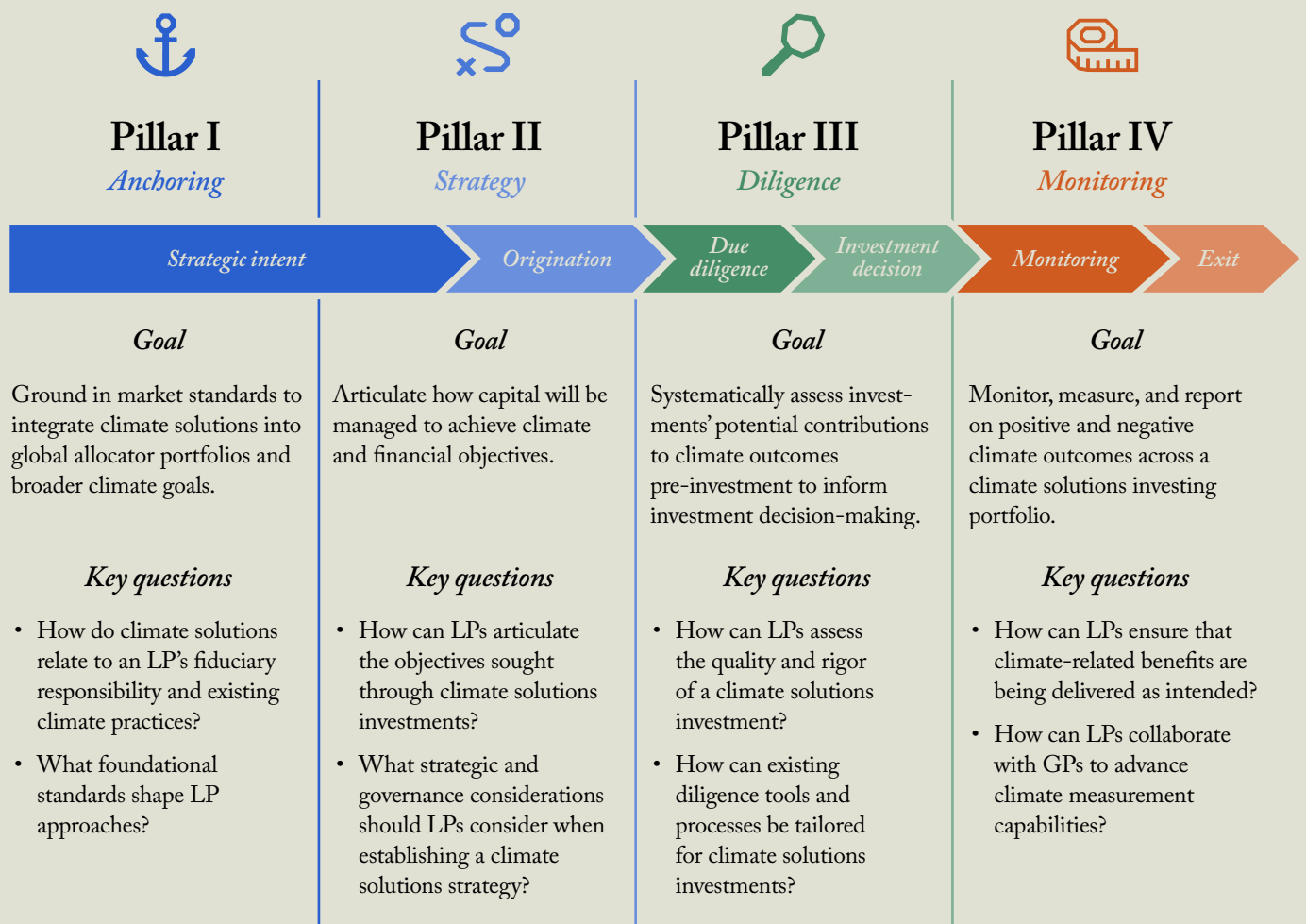
Pillars I and II are most relevant to leadership within investment organizations (e.g., Chief Investment Officers [CIOs], Investment Committees [ICs], Portfolio Managers, Boards), while Pillars III and IV are geared toward individuals and teams that will be analyzing, executing, and managing climate solutions investments (e.g., investment teams, sustainable or impact investment specialists).

GPs, or LPs with a strong focus on direct investments, may find the complementary [*Climate Impact Investing IMM Playbook*](#) released by Climate SMILE and Prime Coalition in February 2026 to be a useful resource.

6. GIIN, [What you need to know about impact investing](#), 2025.

How to navigate the Guide

The Guide is organized using four pillars, which are aligned with the investment process and together comprise a roadmap for allocators to develop a market-aligned climate solutions investing approach in the private markets. Each pillar is also supported by four case studies of leading allocators. These are overviewed on the next page, spotlighted throughout the report, and included in full in the [Case Studies](#) section.





Case Studies Overview

Institutional allocators are approaching climate solutions investing in distinct ways—shaped by mandates, governance structures, and tolerance for risk and innovation. The following case studies highlight four organizations across the investment landscape, each illustrating a viable pathway for deploying capital toward mitigation, adaptation, and resilience. Rather than presenting a single “best” model, these examples surface practical decisions, trade-offs, and implementation strategies that allocators can adapt to specific contexts. Together, they offer a grounded view of what climate solutions investing looks like in practice.

California State Teachers Retirement System (CalSTRS)

CALSTRS The largest educator-only pension fund in the world committed to achieving a net zero investment portfolio by 2050 or sooner. It operationalizes this goal through three core activities: reducing portfolio emissions, leveraging its influence, and increasing exposure to climate solutions. Central to this approach is the \$5.6B+

Sustainable Investment & Stewardship Strategies (SISS) Portfolio, a multi-asset-class platform targeting climate solutions across a broad range of risk-return profiles, including opportunities that may not yet fit standard asset class norms or benchmarks. CalSTRS illustrates how a large asset owner can integrate climate solutions investing with net zero goals while maintaining fiduciary discipline.

IMAS Foundation



Long-term capital manager entrusted by INGKA Foundation in service of the IKEA Foundation’s charitable mission. IMAS has developed an integrated sustainability strategy aimed at generating “sustainable alpha”: long-term outperformance achieved through responsible investment and alignment with megatrends, particularly the low-carbon transition. Sustainable investment themes—such as renewable energy, low-carbon transportation, resource efficiency, and sustainable agriculture—guide portfolio construction without fixed allocation targets, while maintaining a return-first mandate. IMAS demonstrates a pragmatic

model for allocators seeking to align mission, financial performance, and sustainability outcomes without dedicated sleeves, using flexible portfolio construction and progressive exposure to higher-impact strategies.

QIC

QIC Queensland Government's dedicated sovereign investor managing a A\$400 million Climate Mandate within its private equity portfolio to mobilize capital toward climate solutions while delivering competitive financial returns. A defining feature of the Climate Mandate is its use of climate impact pathways, which classify how investments contribute to climate outcomes and link directly to diligence and measurement. These pathways enable robust manager assessment and underpin a structured climate measurement approach. QIC illustrates how allocators can deploy capital through a dedicated mandate with clear goals, integrating impact rigor into investment decision-making while maintaining a commercial return focus.

The Nature Conservancy (TNC) Endowment

The Nature Conservancy  The Office of Investments at TNC manages over \$5 billion in assets guided by dual pillars of returns-driven investment excellence and alignment to TNC's mission. TNC's mission-aligned investment activities have evolved over time from initially excluding high-emitting companies, to establishing a dedicated carve-out for market-rate impact investments in private markets, to most recently launching a co-investment program to invest directly in mission-aligned companies across clean power, agriculture, water, and circular economy solutions. TNC demonstrates how a mission-driven allocator can evolve its

approach, based on market conditions and internal strengths and capacity, to enhance both financial performance and real-world impact.

Pillar I Anchoring



Key Takeaways:

- Climate solutions investing is a fiducially-consistent tool to address systemic portfolio risk while pursuing differentiated return opportunities.
- Leading allocators anchor climate solutions investing in clear investment beliefs to make the business case internally and guide systematic decision-making, including treating climate as systemic risk, aligning with net zero, and underwriting structural market growth.
- Climate solutions investing sits within a broader climate investing architecture, complementing climate risk integration, portfolio decarbonization, and transition investing strategies.
- The standards landscape is fragmented but actionable; allocators can start with a curated set of credible frameworks and build practice over time as the market continues to evolve.
- Regulation does not define climate solutions but establishes guardrails that shape how investments are identified, structured, and reported.

This section explores the reasons why allocators are becoming increasingly interested in climate solutions, how allocators can conceptualize climate solutions investing within broader climate initiatives, and the key standards and market infrastructure allocators can leverage to develop climate solutions investing strategies. The purpose of this pillar is to help decision makers (e.g., CIOs, sustainable or responsible investment leads) to communicate the business case for investing in climate solutions and to understand the most relevant standards and frameworks to inform decisions.

I.A

Why invest in climate solutions?

Institutional investment strategies are grounded in organizations' purpose, fiduciary duty, and investment beliefs. The relationship between climate solutions investing and fiduciary duty is shaped by these same foundations, as well as by internal factors—such as leadership, investment beliefs, culture, and time horizon—and external conditions—such as the macro environment, regulations, and beneficiary interests.⁷ Against this backdrop, allocators typically substantiate climate solutions approaches using the following rationales:

- **Systemic risk** | Even if a net zero scenario were to be achieved by 2050, economic losses due to climate hazards will still amount to at least 4% of global gross domestic product (GDP). Economic forecasts suggest that the world's current trajectory could lead to losses exceeding 8% of GDP by 2050.⁸ Investing in climate solutions can contribute to tangible emissions reductions in the real economy while strengthening climate resilience, effectively addressing the systemic physical and transition risks that climate change poses to financial markets. Systemic risk framing is philosophically grounded in the concept of universal

ownership, which recognizes that long-term economic growth and beneficiary interests are inseparable from a healthy planet.⁹

- **Decarbonization goals** | Asset owners are increasingly committing to portfolio decarbonization, with the Net-Zero Asset Owner Alliance (NZAOA)—a UN-convened network of asset owners committed to individually transitioning investment portfolios to net zero greenhouse gas (GHG) emissions by 2050—now representing over \$9.2 trillion in assets.¹⁰ Climate mitigation solutions provide the products and services needed to decarbonize high-emitting assets. Furthermore, as climate solutions scale and enable more companies to move toward net zero alignment, the universe of net zero-aligned investment opportunities will expand.
- **Market growth** | Global energy transition investment totaled a record \$2.3 trillion in 2025, reflecting the rapid expansion of climate solutions across sectors.¹¹ While the market of climate adaptation and resilience solutions is relatively small today, investment needs are projected to reach \$0.5–1.3 trillion per year by 2030, pointing to significant future growth.¹² This expansion is driven by sustained corporate demand, supportive policy

7. CREO, *Drivers and Pathways to Climate Investing: Lessons from Leading Institutional Asset Owners*, 2025.

8. Network for Greening the Financial System, *NGFS long-term scenarios for central banks and supervisors*, 2024.

9. AP7, *Universal Ownership, System Thinking for Asset Owners*, 2025.

10. UN Environmental Programme, *UN-convened Net-Zero Asset Owner Alliance*, Accessed June 2026.

11. BloombergNEF, *BloombergNEF Finds Global Energy Transition Investment Reached Record \$2.3 Trillion in 2025, Up 8% from 2024*, 2026.

12. Boston Consulting Group, *The Private Equity Opportunity in Climate Adaptation and Resilience*, 2025.

environments, and continued cost efficiencies across key technologies, making climate solutions increasingly competitive with legacy alternatives. Climate solutions will comprise a larger share of economic activity, creating differentiated return opportunities for allocators within a structurally growing market.

- **Policy and regulation** | Policy and regulation are increasingly shaping the investment case for climate solutions, as governments implement incentives, mandates, and public spending programs to meet net zero commitments. Policy tools like tax credits, subsidies, and carbon pricing are accelerating low-carbon technologies and

improving relative economics, while evolving regulations—such as mandatory climate disclosure and transition planning requirements—are pushing companies to decarbonize and manage climate risk, further driving demand for solutions. Climate-related policies now cover a majority of global emissions and economic activity, reinforcing climate solutions as a structurally supported and policy-aligned area of investment.¹³

Example

IMAS Foundation's Sustainability Strategy

IMAS has articulated a clear investment philosophy centered on “sustainable alpha” as a driver of long-term financial performance and resilience. This philosophy stems from investment beliefs codified in IMAS’ sustainability strategy, which are summarized below:

- **Systemic risk:** Climate change is viewed as a material and underpriced risk to financial markets, with implications across physical, regulatory, technological, and social dimensions.
- **Investment opportunity:** Megatrends such as decarbonization, digitalization, and resource efficiency are expected to generate long-term sources of alpha.
- **Mission alignment:** Investments are designed to support the transition to a sustainable economy, consistent with the shared vision set out by IKEA founder Ingvar Kamprad: to create a better everyday life for the many people.

I.B

Climate investing architecture

For allocators, deploying capital to climate solutions investments is often a natural extension of portfolio-wide climate practices. It is often coupled with the distinct strategy of transition investing: the allocation of capital to carbon-intensive investments with the intention of decarbonization and business model transition aligned with net zero pathways.¹⁴

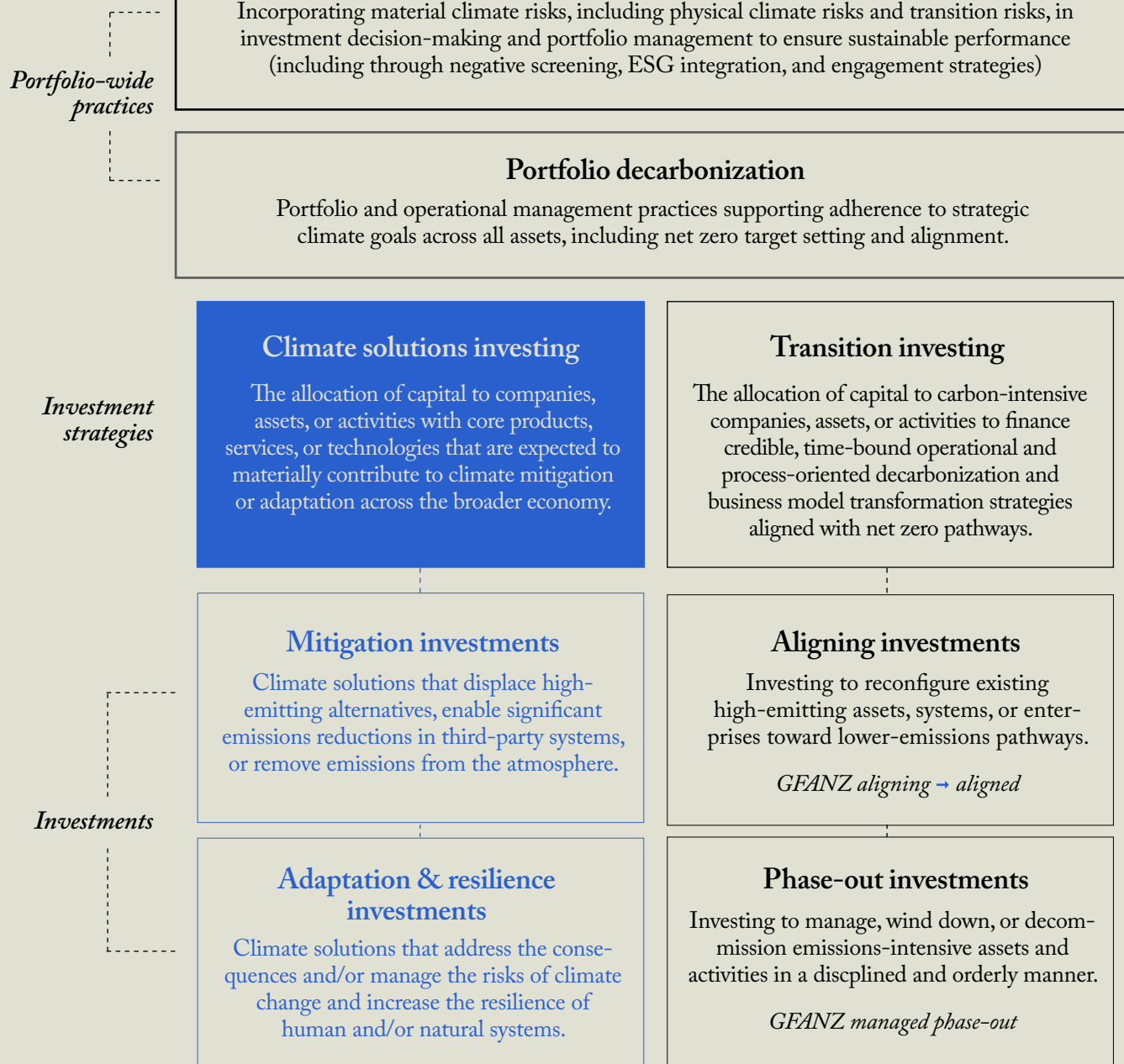
13. Wetzler, Thom, *Climate policy strengthens globally, despite unprecedented contestation in the US and Europe*, 2025.

14. IIGCC, *From concept to capital flows: The investor perspective on transition finance*, 2024.

Figure 1: Climate investing architecture¹⁵

Climate Investing

Considering the risks and opportunities related to climate change in the investment process.



15. While not included in the graphic, we recognize there is investment activity to support businesses' transitions in response to the physical impacts of climate change. These may indicate that a category comparable to "transition investing" may exist for adaptation and resilience, such as capital to reconfigure assets to adapt to climate change or phasing out activities that are not appropriate in a changed world.

Climate solutions investing thus sits within a broader *climate investing architecture*, where it serves as a distinct, opportunistic strategy that supports risk-adjusted returns, aligns with investment beliefs, contributes to positive climate outcomes, and complements other climate-related practices. This architecture includes the following layers:

Portfolio-wide practices: This layer is anchored in responsible and ESG investing principles. It represents practices that allocators can incorporate into investment decision-making and portfolio management across all investments to address material climate risks within portfolios, increase portfolio-wide resilience to climate change, and drive portfolio decarbonization toward net zero goals. These practices, including negative screening, ESG integration, and responsible engagement strategies, are considered foundational practices that underpin any responsible investment approach.

Investment strategies: Compared to portfolio-wide practices, climate solutions and transition investing are targeted investment strategies that often represent a smaller portion of allocators' portfolios. These are opportunistic investment strategies that seek to advance specific positive climate outcomes while also driving risk-adjusted returns. They often look like, or are, thematic or impact investing strategies.

Each layer of the climate investing architecture serves a distinct purpose and targets specific outcomes. Allocators may have varying degrees of focus within each category, commensurate with organizational values and investment parameters. Taken together, these components comprise a holistic framework for integrating climate considerations across a portfolio.

Table 2: Climate investing architecture layers

Approach	Climate objective	Allocator focus	Sample outcomes
Climate risk integration	Manage physical and transition climate risk	Investment selection, reweighting exposures, and adjusting risk/return expectations	Improved portfolio resilience
Portfolio decarbonization	Reduce portfolio emissions	Responsible engagement and reweighting exposures	Reduction in financed emissions
Transition investing	Reduce scope 1-3 emissions of a specific asset	Incentivizing operational change (e.g., through ring-fenced financing)	Scope 1-3 GHG emission reductions
Climate solutions investing	Economy-wide GHG mitigation and resilience to climate change	Providing capital to develop and scale climate solutions	GHG emissions avoided or sequestered; value of assets made more climate resilient

I.C

Simplifying the best practice and standards landscape

Climate-related investment resources have rapidly proliferated in recent years, particularly in the areas of climate risk integration and portfolio decarbonization. However, guidance focused on climate solutions investing that is specifically tailored to the needs of institutional allocators remains limited and fragmented. The table below provides a curated list of widely recognized and credible resources that can support allocators in developing and implementing

climate solutions strategies. It aims to provide allocators an approachable starting point for climate solutions investment and contribute to greater alignment and coherence across the broader ecosystem.

The following pillars will draw on insights from these and other relevant resources to elevate best practices, harmonize across resources, and distill actionable insights for allocators to move from ambition to implementation. A full list of resources referenced in this Guide are provided in the [Appendix](#).

Table 3: Climate solutions resources

Pillar	Market resources	Description
 Strategy	Global Investor Coalition on Climate Change, Climate Change Investment Solutions: A Guide for Asset Owners , 2015	Provides a comprehensive framework for asset owners to define, structure, and implement climate solutions investment strategies aligned with net zero goals
	CREO, Drivers and Pathways to Climate Investing: Lessons from Leading Institutional Asset Owners , 2025	Synthesizes how leading asset owners approach climate investing, outlining key motivations, strategy design choices, and practical implementation pathways
 Diligence	GIIN, The GIIN Climate Solutions Investing Framework: A Resource for Asset Owners to Move from Ambition to Allocation , 2025	Offers a structured approach for identifying, assessing, and prioritizing climate solutions investments based on contributions to climate outcomes
	Project Frame, Pre-Investment Considerations: Guidance for forward-impact smart LPs , accessed June 2026	Provides practical guidance for LPs to evaluate prospective investments' forward-looking impact potential, including intentionality, contribution, and alignment with climate goals
 Monitoring	WBCSD; Project Frame; Impact Convergence Forum, Avoided emissions and Climate Investing: A Guide for Investors and Businesses , 2025	Establishes methodologies and best practices for quantifying and reporting avoided emissions to track the climate impact of investments over time
	Adaptation and resilience Investors Collaborative, Adaptation and Resilience Impact: A Measurement Framework for Investors , 2024	Introduces a framework for measuring and managing adaptation and resilience outcomes, helping investors track real-world impact beyond mitigation metrics

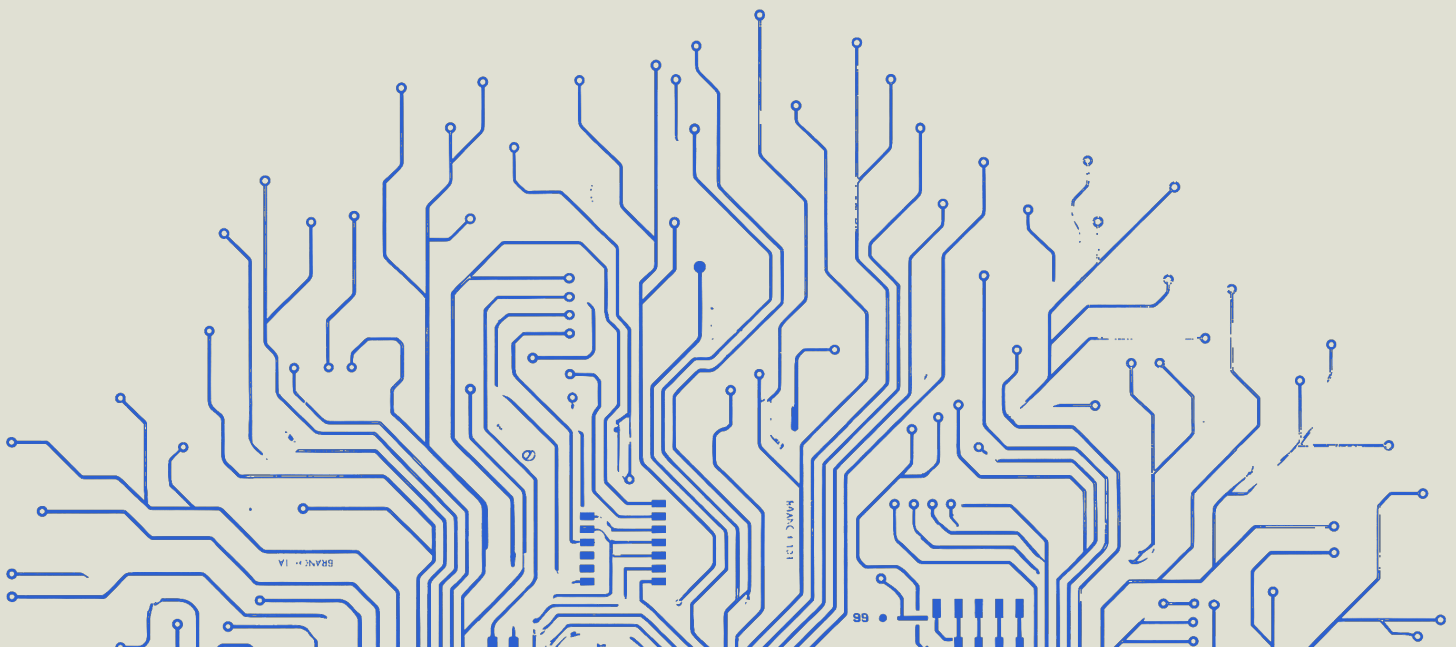
Regulations and climate solutions investing

Regulatory environments are increasingly shaping how institutional investors approach climate solutions investing, beyond voluntary frameworks. Across international, national, and regional jurisdictions, policymakers are introducing disclosure requirements, taxonomies, and fund labeling regimes designed to improve transparency, reduce greenwashing risk, and, in some cases, steer capital toward climate-aligned activities. While these frameworks are fragmented and do not typically define what constitutes a “climate solution,” they establish guardrails that influence how investors identify, assess, and communicate climate-related investments.

Sustainable finance taxonomies are central to the landscape of frameworks. The EU Taxonomy, for example, provides a science-based classification system for economic activities that contribute to climate mitigation and adaptation. Investors often use these taxonomies as reference points for identifying climate solutions, though application can be complex due to evolving criteria, data limitations, and incomplete sector coverage.

Disclosure and labeling regimes further shape investor behavior by creating expectations around transparency and accountability. Regulations such as the EU’s Sustainable Finance Disclosure Regulation (SFDR) and the UK’s Sustainability Disclosure Requirements (SDR) require investors to articulate how sustainability considerations are integrated at both the entity and product levels. These frameworks influence product design, portfolio construction, and reporting practices—particularly for strategies positioned as climate- or sustainability-focused.

Regulatory approaches set the boundaries within which investors operate and reinforce the integration of climate considerations into investment processes. Understanding these guardrails—and how they interact with voluntary standards—is core to developing credible climate solutions investment strategies.



The following table summarizes select regulatory frameworks that allocators may most benefit from awareness of:

Table 4: Key regulatory frameworks for climate solutions investing

Framework	Geography	Type	What it does	Relevance for allocators
EU Taxonomy	EU	Classification (taxonomy)	Defines environmentally sustainable economic activities across mitigation and adaptation	Reference point for identifying climate solutions; often used to substantiate “green” or climate-aligned investments
SFDR <i>Sustainable Finance Disclosure Regulation</i>	EU	Disclosure	Requires entity- and fund-level disclosure of sustainability risks and characteristics (e.g., Article 8/9 funds)	Shapes how climate solutions strategies are structured, labeled, and reported
UK SDR <i>Sustainability Disclosure Requirements</i>	UK	Labeling + disclosure	Introduces fund labels (e.g., Sustainability Focus, Improvers, Impact) and disclosure rules	Influences product design and how climate solutions strategies are communicated
China Green Taxonomy	China	Classification (taxonomy)	Defines green economic activities aligned with national priorities	Relevant for allocating to climate solutions in Chinese markets
ASEAN Taxonomy	Southeast Asia	Classification (taxonomy)	Regional framework for sustainable activities, including transition pathways	Supports identification of climate solutions in emerging markets

Pillar II Strategy



Key Takeaways:

- Effective climate solutions strategies start with clearly defined objectives grounded in evidence, investment beliefs, and explicit links to global climate goals.
- Allocators should translate climate objectives into an investible universe and investment thesis, ensuring sourcing, portfolio construction, and climate ambitions remain aligned over time.
- Allocators can deploy capital through dedicated carve-outs or integrated approaches, but should make deliberate choices based on institutional constraints, capabilities, and objectives.
- Strong governance and resourcing are prerequisites for rigorous execution, requiring clear accountability, aligned incentives, and sufficient internal capability to deliver on strategy.
- Climate outcomes measurement is essential across the investment lifecycle, requiring transparent and standardized methods that align with solution type and maturity.

Upon deciding to pursue climate solutions investments, allocators typically develop dedicated climate solutions investment strategies. Strategy development includes characterizing objectives, capital deployment, governance, origination, evaluation, and management.

To support design, investors may draw from the Global Investor Coalition on Climate Change's *Climate Change Investment Solutions: A Guide for Asset Owners* and CREO's *Drivers and Pathways to Climate Investing: Lessons from Leading Institutional Asset Owners*. Guidance in this pillar is also aligned with the "Strategic Intent" pillar of the *Operating Principles for Impact Management* (OPIM), which supports investors in integrating positive outcomes throughout the investment lifecycle.

II.A

Establishing climate solutions objectives

The process of defining strategic objectives for a climate solutions strategy encompasses these steps:

1. Gathering evidence of climate impact on portfolios and solutions poised to address climate challenges;
2. Articulating beliefs on the consistency of addressing climate impact risks and opportunities as a driver of financial performance;
3. Establishing the global climate goals the investment strategy seeks to contribute to;

4. Developing the investment universe relevant to the strategy; and
5. Developing a climate solutions investment thesis, or "theory of change".

The following steps can be codified in documents such as the organization's investment beliefs, Investment Policy Statement, Responsible Investment Policy, or in a standalone Climate Solutions Investing Policy.

1. Gather evidence

There is growing and well-established evidence that climate change is financially material to investment portfolios, and this is increasingly reflected in asset owners' investment beliefs and principles. Given its opportunistic, forward-looking, and often systemic nature, climate solutions investing demands a solid understanding of both today's climate evidence and plausible future scenarios. The table below includes a selection of resources to be used as a starting point:

Table 5: *Understanding climate change and future scenarios*

Resource	Description	Sample statistic
<i>AR6 Synthesis Report</i> IPCC, 2023	The IPCC's AR6 is the foundational scientific assessment of climate change, synthesizing evidence on physical risks, transition pathways, and the implications of different warming trajectories for economies and societies.	Global surface temperature reached 1.1°C above 1850–1900 levels in 2011–2020.
<i>World Energy Outlook</i> IEA, 2025	The IEA's scenario work provides forward-looking energy system pathways that help investors assess how policy, technology, and capital deployment could reshape demand, supply, and returns across sectors under different transition assumptions.	In the IEA's Net Zero Emission (NZE) Scenario, annual clean energy and energy infrastructure investment increases to \$5.6 trillion by 2035.
<i>Adaptation Gap Report</i> UNEP, 2025	UNEP's Adaptation Gap Report is a key source on the scale of global adaptation needs, the shortfall in adaptation finance, and the status of adaptation planning and implementation, especially in developing countries.	UNEP estimates developing-country adaptation finance needs at \$310 billion per year, far above current tracked flows.
<i>Climate Scenarios</i> NGFS, Accessed June 2026	The NGFS scenarios provide a widely used framework for assessing how different transition and physical risk pathways could affect macro-economic and financial outcomes, making them especially relevant for portfolio stress testing and scenario analysis.	In the NGFS' Delayed Transition Scenario, global GDP could be up to 10% lower by 2050 compared to an orderly transition due to combined physical and transition risks.
<i>Country Climate and Development Reports</i> World Bank Group (CCDRs), latest 2025	The CCDRs translate climate evidence into country-level development, resilience, and investment implications, helping allocators understand where climate action may create or protect economic value in specific markets.	Adaptation interventions can generate or protect the equivalent of 25 million "more and better-paid jobs" across 49 studied countries by 2050.

2. Articulate investment beliefs

With solid data on the materiality of climate change on investment portfolios, allocators can establish how investing in climate solutions aligns with institutional investment beliefs and fiduciary duty. These investment beliefs can be codified in portfolio-wide

governance documents, or within the governing documents of the climate solutions investing strategy alongside the remaining steps of this section.

Example:

CalSTRS Investment Beliefs

CalSTRS views climate considerations as financially material across its entire portfolio. This, in turn, underpins its three-pillar strategy of 1.) Reducing portfolio emissions; 2.) Using influence through engagement, stewardship, and policy advocacy; and 3.) Increasing investments in climate solutions. The following excerpt is taken from CalSTRS' [Investment Beliefs](#):

"CalSTRS believes that public policies, technologies and physical impacts associated with climate change are driving a transition to a lower carbon economy. As a prudent fiduciary and diversified global investor, CalSTRS needs to understand the transition's impacts on companies, industries and countries and consider actions to mitigate risk and identify investment-related opportunities."

3. Define climate goals

A key tenet of climate solutions investing is identifying the specific climate outcomes that the allocator intends to contribute to. Here, allocators can specify how broad or narrow the intended climate solutions strategy is; for example, some investors may see greater opportunity in investing in mitigation solutions. Others may focus only on climate technologies within certain asset classes or sectors, while many prefer to include a diversity of mitigation and adaptation and resilience investments within strategies to maximize the investment universe. The climate outcomes an allocator chooses to focus on will stem from the evidence viewed as most material to portfolios, investment beliefs, the preferred role

in advancing climate solutions, and research on the sources of attractive investment opportunities.

At the highest level, the primary goals of climate solutions investing should be linked to global climate goals, such as the Paris Agreement or the UN's Sustainable Development Goals, as demonstrated on the following page.

Table 6: Mapping climate solutions investing to global climate goals

	Climate investing	Mitigation	Adaptation and resilience
Paris Agreement goals ¹⁶	Article 2.1(c): “Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”	Article 2.1(a): “Holding the increase in the global average temperature to well below 2°C... and pursuing efforts to limit the temperature increase to 1.5°C”	Article 2.1(b): “Enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change”
Sample relevant SDGs and SDG targets	        	7.2 Increase the share of renewable energy in the global energy mix 7.3 Improve energy efficiency 9.4 Upgrade infrastructure for resource efficiency and clean technologies	6.4 Increase water-use efficiency and address scarcity 12.2 sustainable management and efficient use of natural resources 13.1 Strengthen resilience and adaptive capacity to climate-related hazards

Climate solutions investing may intersect with other environmental objectives, such as those described in the EU taxonomy: circular economy, biodiversity, pollution prevention, and water and marine resources. Climate solutions can serve multiple environmental objectives; however, all climate solutions investments should ultimately address the allocator’s mitigation and/or adaptation and resilience goals.

4. Establish the relevant investment universe

While mitigation, adaptation, and resilience provide clear pathways for desired climate outcomes, they do not always map neatly onto the sector- and asset class-based structures within which most allocators typically invest. Mapping investible sectors that are relevant to the climate solutions investing strategy will help an allocator plan for and understand potential changes in sector and asset class exposures. It

can also help guide investment teams when sourcing opportunities.

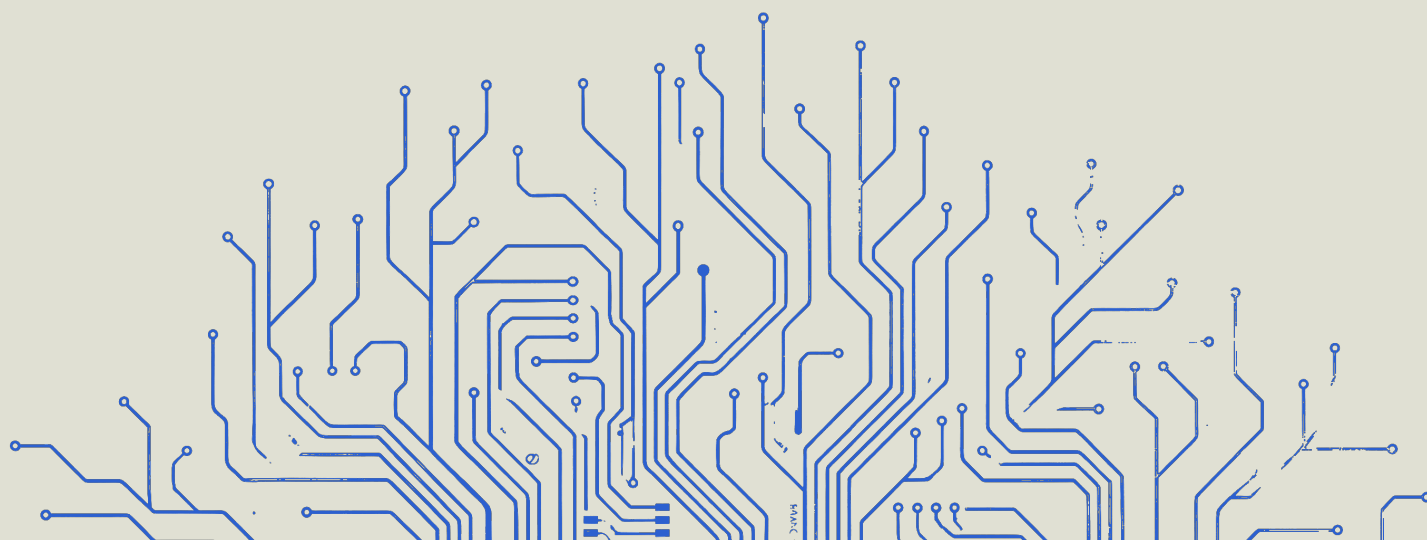
Various organizations have mapped climate solutions opportunities to investible themes and sectors, some of which are highlighted on the following page. Given the evolving nature of climate solutions, these taxonomies are not exhaustive; rather, investors can leverage them in the creation of taxonomies that suit defined climate goals.

16. United Nations, [Paris Agreement](#), 2015.

The following table summarizes select taxonomies of investible sectors relevant to climate solutions investing:

Table 7: Climate solutions taxonomies

Resource	Description
<i>Drawdown Explorer</i> Project Drawdown, Accessed June 2025	An interactive tool that maps climate solutions across sectors based on the potential for emissions reduction and financial viability
<i>Climate Investment Playbook</i> British International Investment, 2024	A practical guide that translates climate challenges into investible sectors and themes, with a focus on opportunities in emerging markets
<i>Taxonomy and Guidance</i> Sustainable Development Investments, 2025	A framework that links the UN sustainable development goals (SDGs) to investment themes and sectors
<i>EU Taxonomy Compass</i> European Commission, Accessed June 2026	A detailed classification system that defines environmentally sustainable economic activities across sectors to guide investment decision-making
<i>The Private Equity Opportunity in Climate Adaptation and Resilience</i> Boston Consulting Group, 2025	An analysis that identifies and segments adaptation and resilience investment opportunities across industries for private equity investors
<i>100 Investments for Adaptation and Resilience</i> UNDRR, Accessed June 2026	A curated list of practical investment opportunities focused on strengthening resilience to climate and disaster risks across sectors



Example:

TNC's climate tech taxonomy

To segment the investible universe of its co-investments program, the Office of Investments developed a climate tech taxonomy of market segments with investment opportunities that are both mission-aligned and

consistent with the Endowment's risk-return objectives. The chart below illustrates these seven sectors and respective sub-sectors.

Built Environment	Carbon	Climate Management	Energy	Food, Water & Land Use	Industrial	Transportation
Air quality	Carbon Capture	Climate Risk & Intelligence	Clean Power Generation	AgTech	Circular Economy	Batteries
Energy Efficiency	Carbon Removal	Emissions Accounting & Reporting	Distributed Energy Resources	Alternative Protein/Food	Efficient Manufacturing	Electric Autos & Charging
Heating & Cooling			Scaling Clean Energy	Food Waste	Mining	Low-Carbon Fuels
				Livestock & Aquaculture	Recycling Infrastructure	
				Sustainable Fertilizers & Pesticides	Steel, Cement & Chemicals	
				Water Management	Sustainable Materials	

5. Develop a climate solutions investment thesis

For some investors, it may be helpful to organize the logic of a climate solutions investing strategy into an investment thesis, or “theory of change”—a tool often used as a strategic North Star by investors seeking to generate positive societal and environmental outcomes alongside financial returns. Developing a theory of change can help allocators communicate strategies to both internal and external audiences, signal alignment with climate solutions GPs (who

often have theories of change also), and anchor to the strategy to prevent portfolio drift over time. For more information on building a theory of change, please see the GIIN's [Simple Theory of Change Checklist](#).

Example:

QIC's Climate Mandate theory of change

Opportunity to invest behind an enduring secular trend

- Significant investment is required to meet climate objectives and limit global warming to 1.5°C with the need for investment in climate-related initiatives expected to grow by at least 590% or US\$4.3tn annually by 2030
- Both existing and emerging technologies required to meet net zero targets are underfunded, which presents a significant opportunity for investors
- Evolving regulatory landscapes, changing consumer preferences, proactive risk mitigation, and corporate commitments to achieving net zero have fuelled an investment megatrend

Investing in emissions mitigation, climate adaptation, resource management and enabling technologies

Leveraging influence to enhance impact through:

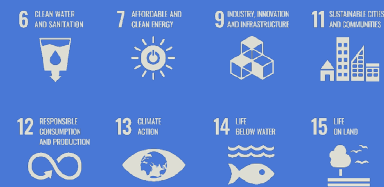
- Market institutionalisation: Growing and maturing the investible universe of market-rate impact vehicles
- Co-investments: Enabling greater scale of impact through access to co-investment capital for compelling investment opportunities
- Impact monitoring and improvement: Investing with managers who support the strengthening of impact management approaches and practices
- Impact reporting and disclosure: Drawing on relevant disclosure requirements and voluntary standards related to impact measurement and reporting

Driving impact through

Sample Outputs:

- GHG Emissions Mitigated (IRIS+ OI5951)
- \$ Invested in Adaptation Solutions
- \$ Invested in Enabling Solutions
- # of Emerging Managers Funded

Contribute to Climate Solutions, focusing on 8 UN Sustainable Development Goals (SDGs):



II.B

Structuring capital deployment

Allocators can vary significantly in how they structure allocations to climate solutions investments based on goals, constraints, and other considerations. Some investors may opt for dedicated carve-outs or mandates—in other words, earmarking a dedicated pool of capital for climate solutions.

Carve-out approaches often require additional structuring across several dimensions, including asset

class mix (e.g., Infrastructure vs. Private Equity), the balance between direct vs. fund investments (which influences control, fees, and internal resourcing), thematic or sector focus (e.g., energy, transport, nature-based solutions); and geographic exposures (most commonly, across emerging vs. developed markets). These approaches may be helpful for Strategic Asset Allocation (SAA) planning as allocators establish the size of climate solutions portfolio and the expected asset class split up-front, capping the amount of exposure over a specific period.

Example:

QIC's carve-out approach

QIC established a A\$400 million Climate Mandate in 2023 as a dedicated allocation within its Private Equity portfolio. The Climate Mandate specifies:

- **Asset class mix:** Private Equity with allocations weighted towards growth, meaningful exposure to buyout, and selective investments in venture;
- **Direct vs. fund investments:** Primarily funds with capital reserved for co-investments and continuation vehicles;
- **Thematic focus:** Investments must thematically align with the SDGs specified in the Climate Mandate's theory of change; and
- **Geography:** Targeting investments across Europe, North America, and Australia.

Instead of pursuing carve-out approaches, investors may choose to opportunistically increase investments in climate solutions across various asset classes. While this approach may allow allocators more flexibility, it will be important to understand the governance and resourcing requirements needed to coordinate across various investment and operational teams.

Allocators may also differentiate climate solutions investment strategies through additional portfolio construction levers, such as:

- Whether climate solutions are driven through a top-down or bottom-up sourcing approach—that is, centrally directed or originating from individual investment teams;
- The speed of capital deployment and whether allocation targets are set on an annual, cumulative, or opportunistic basis;
- The role of co-investments alongside fund commitments;

Example:

CalSTRS' integrated approach

CalSTRS encourages all asset class teams across public and private markets to invest in climate solutions opportunities that meet risk-return objectives as part of its net zero commitment. CalSTRS also established a Sustainable Investment & Stewardship Strategies (SISS) portfolio to support greater capital deployment to emerging climate solutions that may not yet fit standard asset class norms and benchmarks. CalSTRS does not set a target size for the SISS Portfolio, which

has committed over \$5.6 billion to climate solutions investment, but rather caps its allocation to no greater than 5% of the Total Fund. SISS is able to pursue aligned opportunities unilaterally or in partnership with other CalSTRS asset classes, which is strategically supported by what CalSTRS refers to as the “One Fund Approach”—bridging gaps between investment teams and operational functions to harness all the advantages of the size and scale of CalSTRS.

- Structuring investments to mobilize additional private capital, support the development of new markets, or underwrite risks that other investors may not, including through blended finance structures; and
- Whether investment processes are outsourced or internally executed, with implications for expertise and implementation speed.

These decisions will be affected by allocators' overarching investment philosophies. For example, the

trend toward allocators pursuing total portfolio approaches (TPAs) may create an opening for additional climate solutions investments, by providing space for opportunities that might not easily fit into a particular asset class bucket.¹⁷

Investors' approaches to deploying climate solutions investments can evolve over time as growing experience informs what mechanisms and workflows best suit particular organizations.

Example:

TNC's evolving approach

As part of its mission-aligned investment approach, TNC initially established a \$75 million carve-out dedicated to market-rate impact investment in the private markets. After establishing the Office of Investments—its first-ever internal investment team, which provided the organization the resources needed to broaden its integration of mission into investment activities—there was a renewed focus on identifying more opportunities to deploy capital into market-rate mission-aligned

investments. Instead of continuing the carve-out strategy, all impact investments were integrated into the broader portfolio, competing for capital against other private market opportunities. The Office of Investments also established a complementary climate co-investment program, allocating up to \$15 million annually with the goal of enhancing investment performance while supporting impactful operating companies.

II.C

Governance and resourcing

Establishing effective governance and resourcing approaches is central to an effective climate solutions investing strategy. While approaches will vary across institutions, leading practice emphasizes the importance of clearly defined roles, responsibilities, appropriate skills, and organizational culture.¹⁸

At a governance level, asset owners are increasingly embedding climate considerations into existing

investment decision-making structures rather than treating them as a standalone. This requires clarifying accountability across the investment chain—from board oversight and investment committees to internal teams and external managers—and ensuring that climate objectives are reflected in mandates, manager selection, and monitoring processes. Some institutions are also beginning to tie remuneration and performance evaluation to the achievement of climate-related goals, reinforcing alignment between strategy and execution.

17. Top100Funds, CalPERS' Stephen Gilmore on the total portfolio approach, 2025.

18. GFANZ, *Recommendations and Guidance on Financial Institution Net-Zero Transition Plans* (2022).

Alongside governance, resourcing and capacity-building are critical. Climate solutions investing often requires investment teams and decision-makers to acquire new or expanded skill sets, including the ability to assess the viability and significance of technologies, evaluate policy and regulatory developments, and understand climate-related risks and opportunities across asset classes. Institutions may address this through a combination of internal upskilling, hiring, and partnerships with external managers or specialists. Over time, integrating climate considerations into investment functions can enable more consistent and scalable implementation, rather than concentrating expertise in a single team. Ultimately, appropriate governance and resourcing will be calibrated to an investor's starting point, strategy, and scale. But without clear accountability and sufficient internal capability, even well-defined climate objectives can be difficult to implement in practice. As such, governance and resourcing should be viewed as enabling factors that underpin the credibility and effectiveness of a climate solutions investing approach.

Once overarching strategies and goals are established, allocators must establish systematic approaches to assessing investments' potential to create positive climate outcomes and to monitoring progress over time. The following two pillars are accordingly dedicated to these topics, bridged by a primer on climate outcomes measurement on the following pages.

For further detail and practical guidance, investors may refer to GFANZ's [*Recommendations and Guidance on Financial Institution Net-Zero Transition Plans*](#) (pp. 87-96), which, although framed in the portfolio decarbonization context, provides a comprehensive framework for governance, roles, and capability development that are also relevant to climate solutions investing.

II.D

Climate outcomes measurement: *A foundational strategy, diligence, and monitoring input*

While managers and companies are primarily responsible for measuring climate outcomes, allocators must understand the underlying methodologies to verify manager capabilities, validate reported results, and align measurement with strategic goals. Climate outcomes measurement is critical in both *pre-investment* diligence and in *post-investment* monitoring. Additional concepts relevant to diligence and monitoring are explored further in those pillars.

The appropriate methodology for a given solution depends on two factors: 1) the *purpose of assessment*, e.g. for diligence or monitoring; and 2) the *data available*, which determines whether outcomes can be measured using observed data or must rely on estimates. Project Frame has broken down 3 distinct approaches to assessment based on these factors. While detailed guidance today exists only for assessing GHGs, the same framework can apply when assessing metrics associated with adaptation or resilience.

Table 8: Climate outcomes measurement methodologies

Methodology	What it measures	When to use
Potential impact (Project Frame)	Forward-looking, long-term potential impact, assuming the solution takes over the Serviceable Obtainable Market (SOM).	To assess long-term impact potential, typically for solutions that may not achieve climate outcomes for many years. This method is the only one available when assessing early-stage solutions with long development timelines.
Planned impact (Project Frame)	Forward-looking expected impact based on a realistic business plan.	To evaluate expected performance, typically for solutions that are likely to achieve climate outcomes in the short-term (e.g., 5 years). This method is essential to project future performance if a realistic sales plan exists.
Realized impact (WBCSD , Project Frame)	Backwards-looking, actual impact over a defined reporting period.	To assess actual impact, after it has occurred. If the data are available, this method is essential for post-investment assessment.

Measuring mitigation

Mitigation solutions investments are primarily assessed through emissions avoided or removed by a solution relative to a counterfactual scenario. This emissions impact can be forward- or backwards-looking, but across methodologies, the core logic is consistent:

Net unit impact	X	Volume	=	GHG impact
<i>Emissions of incumbent – Emissions of solution intended to avoid or remove GHGs</i>		<i>Deployment in a given timeframe (projected or actual)</i>		<i>Realized, planned, or potential impact</i>

Forward-looking approaches (*potential* and *planned impact*) are typically used pre-investment, while realized impact is used pre- and/or post-investment for monitoring and validation.

Avoided emissions calculations are highly sensitive to baseline assumptions, i.e., what climate outcomes would occur in the absence of the solution. Allocators should expect managers to clearly document methodologies, justify counterfactuals, and rely on credible data sources, as these choices can materially influence reported outcomes.

Measuring adaptation and resilience

Adaptation and resilience investments rely on non-emissions metrics tailored to specific climate risks, geographies, and systems. Compared to mitigation, approaches are less standardized. Emerging practice groups outcomes into:

- Preparing for and preventing climate risks
- Responding to climate impacts
- Recovering from adverse physical climate impacts

Outcomes can also be grouped into the impact on people, economies, or the environment. Measurement typically combines transaction-level metrics with qualitative evidence. While frameworks such as [CRISP](#), Climate Bond Initiative's (CBI) [Resilience Taxonomy](#), and the Adaptation & Resilience Investors Collaborative's [Adaptation & Resilience: A Measurement Framework for Investors](#) provide guidance, comparability and aggregation remain limited.

Measurement principles

Regardless of the strategy and aligned measurement approach, robust climate impact measurement is underpinned by a common set of principles and practices discussed in more detail in the pillars that follow. At a high level, Allocators should engage with managers to ensure they are applying the principles consistently and credibly, both to evaluate manager capabilities pre-investment and to build confidence in reported outcomes throughout the holding period.

- The manager **consistently measures climate outcome performance**, collecting data and monitoring climate risks across the portfolio in a standardized manner.
- The manager **aligns measurement practices** to relevant industry frameworks and methodologies.
- The manager **clearly documents data sources and calculation methodologies**, including underlying assumptions.
- The manager **reviews climate outcome performance against expectations**, engaging with underlying companies as needed to improve performance.

Pillar III Diligence



Key Takeaways:

- Climate solutions diligence should be embedded alongside financial diligence, assessing a manager's ability to deliver real-world climate outcomes as a material driver of investment performance.
- Robust impact management is a practical proxy for GP sophistication. Allocators should prioritize managers with clear, repeatable processes to underwrite, manage, and measure climate outcomes.
- A structured diligence framework covering strategy, governance, management, and reporting enables consistent evaluation of managers' climate capabilities and comparability across a portfolio.
- Diligence requirements should be tailored to strategy, asset class, and investment structure, with greater emphasis on team, process, and governance in fund investments.

Successfully operationalizing a climate solutions investment strategy requires allocators to systematically assess, pre-investment, a manager's capacity to optimize portfolios for climate outcomes. This layer of "*climate solutions diligence*" sits alongside and complements traditional financial due diligence and ESG or climate risk assessment. Traditional private market diligence evaluates the commercial viability of investments but does not assess a manager's ability to drive real-world climate results—a distinct capability that requires a specialized lens. This pillar outlines how allocators integrate climate solutions diligence into existing investment processes and provides practical frameworks and tools to support implementation.

III.A

Integrating climate solutions diligence into pre-investment processes

When evaluating a fund investment, climate solutions diligence focuses on a GP's commitment and demonstrated ability to construct and manage a portfolio that delivers real-economy emissions mitigation or climate resilience outcomes—a set of practices commonly referred to as "impact management." This dimension of diligence is typically embedded within allocators' pre-investment processes, running in parallel with financial diligence and serving as a key input into investment decision-making.

In practice, this often takes the form of a structured framework to assess a manager across core dimensions of outcomes management. These frameworks generate scoring and/or qualitative insights to determine whether the manager aligns with the allocator's strategy and meets the threshold for a climate solutions investment. One such framework is outlined in the following sub-section.

For allocators active in climate solutions and other outcomes-focused strategies, robust impact

management is often viewed as a practical proxy for GP sophistication. This reflects the fact that the financial performance of climate solutions companies is closely linked to the ability to deliver mitigation or adaptation outcomes, making climate solutions diligence material to investment success.

Climate solutions diligence is not one-size-fits-all. Its scope and emphasis vary depending on strategy, asset class, and investment structure. This report primarily focuses on fund investments, where diligence places greater weight on team, process, governance, and repeatability. In contrast, direct investments require more granular evaluation of specific assets or companies, including underlying technologies. Investment strategy and structure further shape the type of evidence available and the degree of control an investor has, influencing whether diligence should focus on the manager's ability to drive outcomes directly or select underlying companies to do so. As a result, the depth, methods, and evidentiary standards used in climate solutions diligence will vary, while still serving the same core purpose.

III.B

Climate solutions diligence framework

This section is designed to serve as a framework that allocators can integrate into existing diligence workflows to assess a manager's ability to deliver climate outcomes. To ensure that this framework is reflective of institutional best practice, the following resources have been synthesized and built upon:

- BlueMark, *The Fund ID* – Providing the overarching structure of a four-dimension approach to assessing climate solutions management systems: Strategy, Governance, Management, and Reporting;
- GIIN, *The GIIN Climate Solutions Investing Framework* – Set of criteria for allocators to identify and prioritize climate solutions investing strategies that contribute meaningfully to global climate goals;
- Project Frame, *Pre-Investment Considerations: Guidance for Forward-Impact Smart LPs* – A suggested list of questions developed by the Project Frame community of practitioners that LPs should ask to GPs focused on mitigation solutions;
- ILPA, *ESG Assessment Framework* – Framework to help LPs evaluate and benchmark GP responses to due diligence efforts, inform goal-setting conversations with GPs, and measure ESG integration progress over time; and
- *OPIM* – Standard focused on the integration of social and environmental outcomes throughout the investment process.

The following *climate solutions diligence framework* is organized across four dimensions of assessment. Each dimension contains **foundational practices**—the core capabilities LPs should expect all climate solutions GPs to demonstrate—and **advanced practices**—more sophisticated, climate outcomes-oriented approaches that can further strengthen a GPs strategy. While each practice is broadly applicable across all climate solutions investments, implementation should be tailored to the GP's specific investment context (e.g., asset class or climate solutions pathway).

LPs should assess evidence of these practices through GP materials and diligence conversations, using findings to evaluate the level of intentionality and rigor underpinning a GP's approach to climate solutions investing. For a checklist that can be integrated into standard diligence processes, readers can reference the **Climate Solutions Due Diligence Questionnaire** provided in the appendix. Recognizing varying levels of sophistication across practices, LPs may also develop a rating system (e.g., Low-High, or 1-5) to support comparability across managers and portfolios.

The Four Dimensions of Climate Solutions Diligence¹⁹

Strategy

Assesses the clarity of a fund's climate strategy, including the level of evidence and detail guiding its outcome objectives, the safeguards embedded within the strategy, and strategy-level commitments, including portfolio-level targets and pledges or commitments associated with external frameworks.

Governance

Assesses the nature of oversight structures, including the level of expertise in leadership and investment committees, the resourcing to execute, including relevant experience and sufficient capacity on the team, and the accountability through aligned incentive structures, including both staff and investee-level incentive systems.

Management

Analyzes the strength of a fund's impact management approach across the investment lifecycle starting with screening and due diligence, through monitoring and management, including processes for climate outcomes data analysis and engagement.

Reporting

Assesses the completeness of information within a fund's reporting, data management and quality control systems, and the level of transparency provided, including methodological assumptions and public availability of reported results.

19. Adapted from: BlueMark, [The Fund ID](#), 2024.

Framework dimension 1:

STRATEGY

The strategy pillar examines a fund's high-level approach to climate solutions investing. It seeks to determine if a manager has a clear, evidence-based logic for how capital will facilitate specific climate outcomes.

FOUNDATIONAL PRACTICES

Climate investment thesis

The manager provides a formal climate investment thesis or “theory of change” that maps how investment activities will result in measurable climate outcomes. The thesis should explain: the climate challenges addressed, grounded in scientific evidence; the differentiated financial and value creation levers the manager will employ in pursuit of climate goals; and the climate outcomes that will be measured and monitored.

Strategy alignment

The manager clearly articulates how the core investment strategy is correlated with the climate investment thesis, demonstrating intentional consideration of asset class, geography, sectors, and fund size.

Governing documents

The manager has memorialized its beliefs regarding the connection between climate-related outcomes and financial performance,

which are codified in key governing documents, such as a prospectus or Limited Partnership Agreement.

ADVANCED PRACTICES

Eligibility thresholds

The manager establishes specific thresholds, quantifying or clearly characterizing a minimum degree of climate impact for inclusion in the portfolio.

Climate outcome targets

The manager establishes fund-level targets for climate outcomes through specific and relevant climate KPIs.

Framework dimension 2:

GOVERNANCE

Governance ensures that a manager is accountable to its climate solutions objectives through sound decision-making, appropriate team structure and oversight, and aligned incentive structures. Strong governance supports successful execution of the strategy and an unwavering focus on climate outcomes, even during periods of market volatility or uncertainty.

FOUNDATIONAL PRACTICES

Roles and responsibilities

The manager clearly delineates team roles and responsibilities in executing the climate solutions investment strategy—indicating who is responsible for assessing the potential climate outcomes of investment opportunities, approving investments, and ensuring portfolio-level alignment with the defined climate objectives.

Oversight

The manager can point to governance bodies responsible for oversight of the climate solutions strategy and the extent of climate solutions knowledge on the investment committee.

Climate capabilities

The manager can demonstrate expertise in climate investing and has relevant theme or sector experience across multiple levels of its team. The manager can also share its approach

to climate solutions-related training or capacity building.

Track record

The manager can provide a demonstrated track record of climate-focused investing among its team members—possessing experience in the strategy's targeted sectors and/or evidence of how past investments have successfully met both financial and climate outcome goals.

ADVANCED PRACTICES

Climate-linked incentives

The manager ties a meaningful portion of staff and/or investee performance incentives to the achievement of climate milestones (e.g., specific CO₂e avoidance targets or resilience metrics).

Framework dimension 3:

MANAGEMENT

Management examines the extent to which a manager has integrated consideration of climate outcomes throughout its investment process and activities. This includes an assessment of the manager's internal rigor in assessing companies' climate claims, creating value, and reporting on climate outcomes.

FOUNDATIONAL PRACTICES

Structured assessment

The manager leverages a rigorous and consistent process for assessing future climate outcomes during the underwriting phase, tailored to the strategic focus area(s). This assessment should leverage industry standards and frameworks across the relevant dimensions of climate outcomes (see [Section II.D](#) for more detail).

Risk management

The manager leverages a risk management system and/or “Do No Significant Harm” framework designed to identify, quantify, and mitigate climate impact risks.

KPI selection and monitoring

The manager selects investment-specific climate KPIs appropriate for the type of climate outcomes being created, aligned with relevant standards and frameworks, and regularly

monitors progress against them throughout the holding period.

ADVANCED PRACTICES

Strategic engagement

The manager leverages value creation to drive climate outcomes, including active engagement between the manager and portfolio companies.

Target-setting

The manager works with investees to set specific targets and milestones for climate KPIs, based on technical assessments of the solution's potential outcomes over time.

Review and exit

The manager considers and influences the continuation of climate outcomes when exiting investments.

Framework dimension 4:

REPORTING

Reporting examines a manager's ability to reliably and robustly report on climate outcomes and progress towards milestones, as well as the capacity of its underlying data collection and management systems to ensure data quality. The concepts and practices overviewed in this section are further detailed in the following *Pillar IV: Monitoring*.

FOUNDATIONAL PRACTICES

Monitoring

Manager has systems in place for the consistent monitoring of positive and negative climate outcomes across the portfolio, tailored to the specific mitigation and/or adaptation and resilience pathways of focus.

Standardization

The manager uses recognized metrics and frameworks to support comparability across funds and investments.

Transparency

The manager has a clear and consistent approach to the disclosure of impact objectives, methodologies, and results (both positive and negative) that enables stakeholders to clearly understand reported outcomes (e.g., through quarterly/annual impact reports). Managers should also be able to articulate the methodologies used

in measurement and clearly document any assumptions made to arrive at reported results.

Compliance

The manager ensures compliance with legally required disclosures (e.g., SFDR, TCFD) and relevant voluntary standards (e.g., UNPRI).

ADVANCED PRACTICES

Verification

The manager leverages third-party providers to verify impact management processes and/or climate results.

Outcome reporting

The manager goes beyond measuring KPIs to understand the long-term outcomes resulting from investment activities (e.g., system transformation; increased financial resilience of communities at risk of climate hazards).

*Spotlight***QIC's Climate Mandate diligence framework and process**

Diligence for the Climate Mandate is led by the QIC Private Equity investment team in partnership with the Corporate ESG team. The process is underpinned by an impact assessment framework that evaluates potential investments based on the GP's impact management practices, aligning both with the specific priorities

of the Climate Mandate and with relevant industry standards and guidance. The framework is structured around four dimensions that enable QIC to rigorously evaluate strategic alignment, integration of impact, the ability to measure impact outcomes, and the strength of governance and management.

Dimensions	Definition	Assessment consideration
Intentionality	The degree to which funds evidence a commitment to climate impact, in line with the priorities of the Climate Mandate.	<i>To what extent is the impact strategy clearly defined and backed by a robust evidence base and track record?</i>
Integration	The degree to which impact is incorporated throughout funds' investment decision -making and management approaches.	<i>To what extent does the GP have an integrated and documented approach to assessing and managing for impact?</i>
Measurement	The degree to which funds have the capabilities to measure and report in a rigorous, standardised manner in line with the Mandate's climate pathways.	<i>To what extent will the GP be able to quantify impact achievement in line with QIC's impact priorities?</i>
Management & Governance	The degree to which funds have the internal infrastructure to deliver impact as planned and with integrity.	<i>To what extent does the GP have the management and governance structure needed to deliver impact as planned and with integrity?</i>

Diligence begins with an initial screen to determine whether a potential investment is likely to qualify under the Climate Mandate, with this preliminary view and an accompanying impact thesis presented at the first investment committee review. This is followed by a more robust assessment across the four dimensions, informed by sustainability materials provided during diligence as well as direct engagement

with the manager or co-investment partner. Based on this available evidence, QIC scores each of the four dimensions on a scale of 1 (Low) to 5 (High) accompanied by qualitative commentary. The final impact assessment is then presented at the investment committee, where the findings support the investment case from a climate outcomes perspective.

Pillar IV Monitoring



Key Takeaways:

- Post-investment monitoring is essential to validate underwriting assumptions and improve future decision-making, linking realized climate outcomes back to diligence and strategy.
- Climate outcomes measurement is distinct from traditional ESG or carbon footprinting. Allocators should focus on real-economy impact (e.g., emissions avoided, resilience created), not just portfolio exposure.
- LPs should prioritize a small set of decision-relevant metrics aligned with investment theses, balancing rigor with pragmatism given data limitations.
- Aggregation remains challenging and often imperfect. Allocators should focus first on high-quality, investment-level data while building toward portfolio-level insight over time.
- Clear roles and transparency are critical. GPs lead on measurement and reporting, while LPs shape standards and ensure outcomes are communicated accurately without overstating attribution.

At a high level, post-investment monitoring serves two related functions. First, allocators can compare pre-investment diligence with realized outcomes to improve future allocation decisions. Second, allocators can help managers strengthen their climate outcomes over time. The balance between these roles is shaped by strategic factors such as investment structure, asset class, stage, and level of control.

It is important to distinguish reporting on the outcomes of climate solutions from more established forms of sustainability reporting. While operational and risk-related metrics capture the footprint of an asset or company—such as Scope 1–3 emissions or hazard, exposure, and vulnerability measures—climate outcomes data seeks to measure impact on the broader system, including emissions avoided, resilience created, or ecosystems preserved. This distinction reflects a shift from measuring portfolio-wide climate exposure to measuring economy-wide contributions to positive climate outcomes and remains an emerging area of practice.

Despite its centrality, data infrastructure remains underdeveloped. Experienced LPs report that outcomes metrics are often inconsistent, difficult to reconcile, and loosely tied to investment theses.²⁰

Encouragingly, the market is improving in this area. Project Frame and the World Business Council for Sustainable Development (WBCSD)’s *Guidance on Avoided Emissions* is standardizing avoided emissions quantification. Project Frame’s *Evaluating GHG Impact for Early-Stage Investments* is advancing forward-looking climate outcomes measurement. ARIC’s *Adaptation and Resilience Impact Measurement Framework* is working to standardize how adaptation and resilience impact is measured.

At the same time, investor networks such as the GIIN and Impact Convergence Forum are driving collaboration around a smaller set of decision-relevant indicators, aligning to frameworks such as *IRIS+* and emphasizing transparency and bottom-up data collection.²¹

IV.A

LP and GP roles and expectations in measurement and reporting

Measurement and reporting are no longer peripheral or compliance-driven exercises; they are increasingly embedded in how managers are evaluated and how portfolios are constructed. GPs are expected to lead on the design and execution of outcomes measurement systems, translating climate investment theses into measurable indicators, collecting data at the asset level, and reporting results with consistency and transparency.

LPs are increasingly looking for evidence that these systems are embedded throughout the investment lifecycle and continue to improve over time. They also seek greater consistency and standardization to enable aggregation, inform portfolio construction, and support communication of climate outcomes across the portfolio. Within this context, LPs can be understood as having three roles:

1. *Setting direction and aligning approaches:* LPs are increasingly converging around common frameworks and principles, helping to reduce fragmentation in how impact is measured and reported. Early alignment with GPs on a focused set

20. ILPA, Tideline, Campbell Lutyens, *Impact Investing: The State of Market Institutionalization*, 2026.

21. IRIS+ is a catalog of metrics created and managed by the GIIN aimed at driving consistency, transparency, and comparability in the measurement of impact outcomes across markets.

of KPIs and methodologies is critical to enabling standardization over time and, for some more advanced LPs, may extend to providing capacity-building support to managers.

2. *Enabling measurement through pragmatism and discipline:* Rather than prescribing exhaustive metric sets, leading LPs are prioritizing a smaller number of decision-relevant indicators tied directly to investment logic, recognizing that overly complex requirements can undermine data quality.
3. *Building toward portfolio-level insight:* While aggregation remains limited today, LPs are beginning to structure approaches with portfolio-level analysis in mind, developing measurement and data management systems that enable standardization, relative performance analysis, and reporting across the portfolio.

While GPs remain responsible for generating and reporting high-quality impact data, LPs shape the conditions under which that data can be produced, aligned, and used. Over time, as data quality improves and practices converge, we are optimistic that allocators' ability to surface meaningful insights about climate outcomes at the portfolio level will become increasingly achievable.

IV.B

Measurement pathways

Measurement pathways refer to the different methods used to assess distinct dimensions of climate-related performance—ranging from portfolio exposure to climate risks and emissions, to real-world mitigation, adaptation, and resilience outcomes. These pathways define what is measured, how it is measured, and which metrics are used, and are therefore central to both managers' and allocators' measurement approaches. They also provide a structured way to organize climate-related data across a portfolio, supporting standardization, aggregation, and reporting. The investment architecture introduced in [Section I.B](#) offers a useful framework for organizing these pathways, which is adapted on the following page.

Table 9: Overview of climate investing measurement pathways

Portfolio-wide practices: *Measuring portfolio exposure and alignment*

Pathway	Measurement focus	Sample KPIs	Supporting frameworks
Climate risk integration	Exposure of the portfolio to physical climate hazards and transition risks	% of portfolio exposed to physical climate hazards % of portfolio in high transition risk sectors - Portfolio exposure under climate scenario analysis (e.g., climate VaR)	     
Portfolio decarbonization	Scope 1, 2, and 3 emissions attributable to the portfolio and progress toward emissions reduction targets	- Absolute financed emissions (ownership adjusted) - Financed emission per \$ invested - Weighted average carbon intensity (WACI) % of portfolio aligned with net zero pathways	     

Climate solutions investing strategies: *Measuring positive environmental benefits*

Pathway	Measurement focus	Sample KPIs	Supporting frameworks
Climate solutions investing	Allocation of capital to activities that contribute to climate mitigation, adaptation, and resilience outcomes	\$ deployed to climate solutions # climate solutions supported % of portfolio aligned with recognized taxonomies	  
Mitigation investments	Emissions avoided, reduced, or removed through the products and services of portfolio investments	- Emissions reduced - Emissions avoided - Emissions removed or sequestered	  
Adaptation & resilience investments	Improvements in the capacity of people, assets, and ecosystems to prepare for, respond to, and recover from climate impacts	- Individuals accessing climate resilient infrastructure - Vulnerable households protected from climate risks - Value of assets made more climate resilience - Area of land sustainably managed	 

The graphic distinguishes between two broad measurement lenses: (1) *portfolio exposure and alignment*, which captures climate risk integration and portfolio decarbonization, and (2) *real-world climate outcomes*, which reflects the mitigation, adaptation, and resilience outcomes enabled by climate

solutions investments. It also highlights key standards and frameworks that underpin each pathway (see a detailed list of climate solutions measurement resources in the [Appendix](#)).

Within each pathway, sample KPIs represent metrics

that are broadly applicable across many investments and are therefore the most suitable for consistent collection and, where appropriate, aggregation (discussed further in [Section IV.C](#)). However, in the context of climate solutions investments, LPs should expect managers to report additional investment-level metrics tailored to the specific climate investment thesis, sector, and type of outcome associated with each investment.

The degree of standardization varies across pathways. Portfolio exposure and alignment approaches, such as financed emissions, carbon intensity, and climate risk metrics, are relatively well-established and supported by widely adopted frameworks, enabling more consistent measurement and comparability across portfolios. In contrast, outcomes measurement in climate solutions investing is more context-dependent, often requiring tailored, investment-specific metrics to capture the nature and scale of real-world impacts.

Maintaining a clear separation between pathways is essential to ensure data is interpreted and used appropriately. For example, climate outcomes should not be “netted” against portfolio exposure metrics (e.g., subtracting avoided emissions from portfolio Scope 1–3 emissions), as these metrics serve fundamentally different purposes and rely on distinct methodologies. However, investments may contribute to climate-related performance across multiple pathways. These measurement pathways are complimentary to the climate outcomes measurement concepts discussed in [section II.D](#).

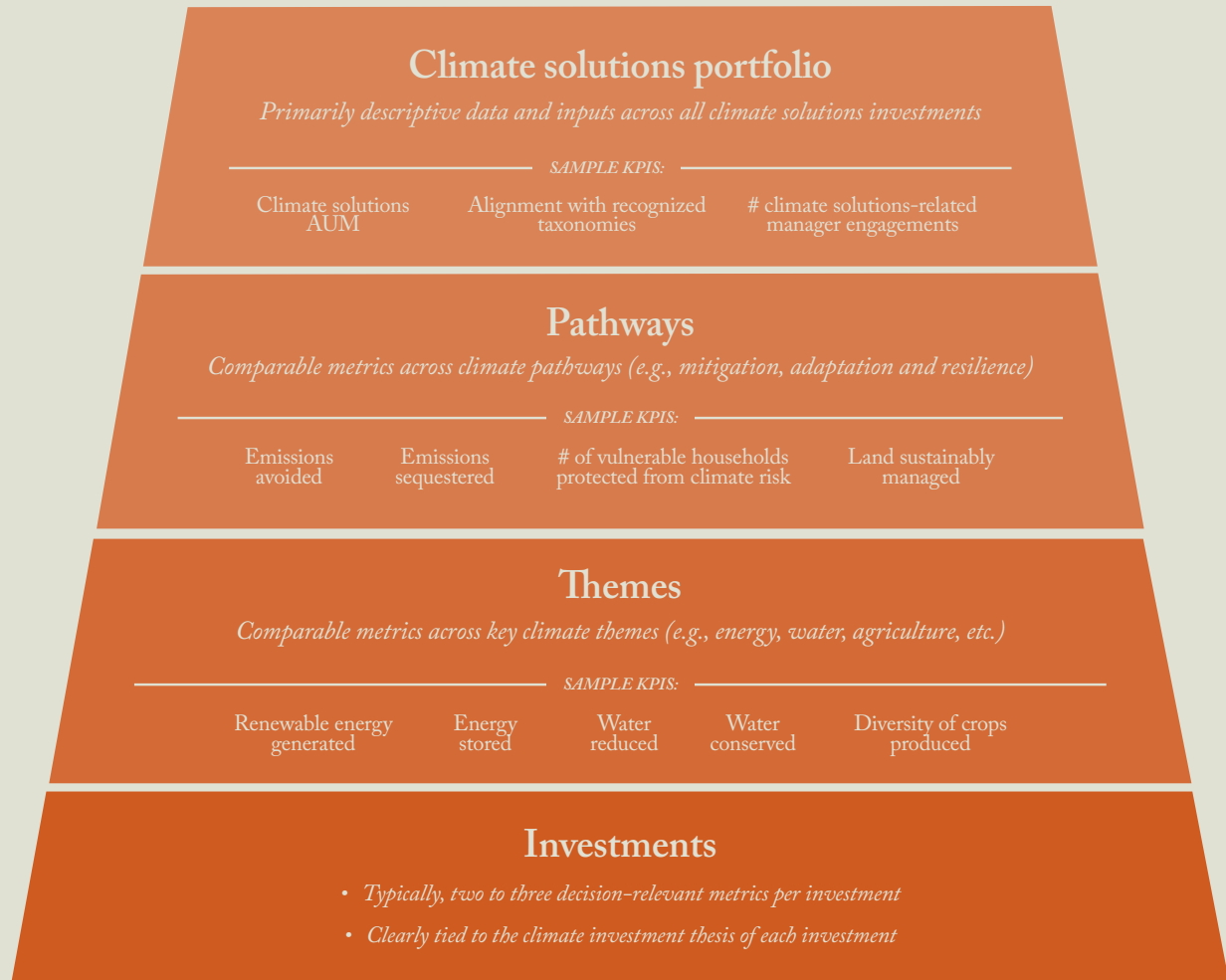
IV.C:

Aggregating climate solutions metrics

Allocators often seek to aggregate climate metrics to gain insight at the portfolio-level. However, climate outcomes are often highly contextual and investment-specific, making aggregation challenging, and sometimes inappropriate.

While collecting quality data at the investment-level is the priority for climate solutions, allocators have multiple levels—investment-, theme-, pathway-, and portfolio-levels—to consider when building an approach to measuring climate outcomes. In this context, lower levels will contain more opportunities for quantitative, outputs-focused data, with the higher levels often relying on descriptive, inputs-focused data, such as assets under management allocated to climate solutions investments. The graphic on the following page illustrates these levels of aggregation.

Figure 3: Climate solutions levels of aggregation



While there may be more standardized KPIs for mitigation, LPs should carefully assess underlying manager methodologies before aggregating metrics across investments. For adaptation and resilience, pathway-level metrics may remain more descriptive (e.g., assets under management to adaptation and resilience), reflecting the diversity of strategies and associated measurement approaches.

More granular aggregation may be possible at the theme level, including for adaptation and resilience investments, where specific categories can support the use of quantitative metrics. Given the nature

of climate solutions investing, asset owners should also maintain visibility into investment-level metrics collected by GPs. These are typically limited to a small number of core indicators per investment and provide critical context for understanding how capital is being deployed. This level of detail enables asset owners to develop more nuanced, qualitative narratives about the real-world climate outcomes generated across the portfolio.

IV.D

Communicating climate outcomes

As allocators collect and organize climate outcomes data through the monitoring process, they may choose to communicate these outcomes to internal and external stakeholders or to the public. The objective of such reporting is to clearly articulate how and why climate solutions investing fits within the overall investment strategy, and to demonstrate progress against stated goals.

Climate outcomes can be communicated through a range of channels, including broader climate disclosures (e.g., TCFD-aligned reports), voluntary reporting (e.g., sustainability, ESG, or impact reports), or internal reporting tailored to specific stakeholders. While data on portfolio decarbonization and climate outcomes can be presented together to provide a comprehensive view of an allocator's climate activities, they should be maintained and disclosed separately, with clear distinctions between them. Similarly, climate outcomes data may be disclosed alongside TCFD-aligned reporting to provide additional context on how climate solutions strategies contribute to broader transition objectives; however, such data is complementary to, rather than a substitute for, TCFD's core focus on financial risk and resilience.

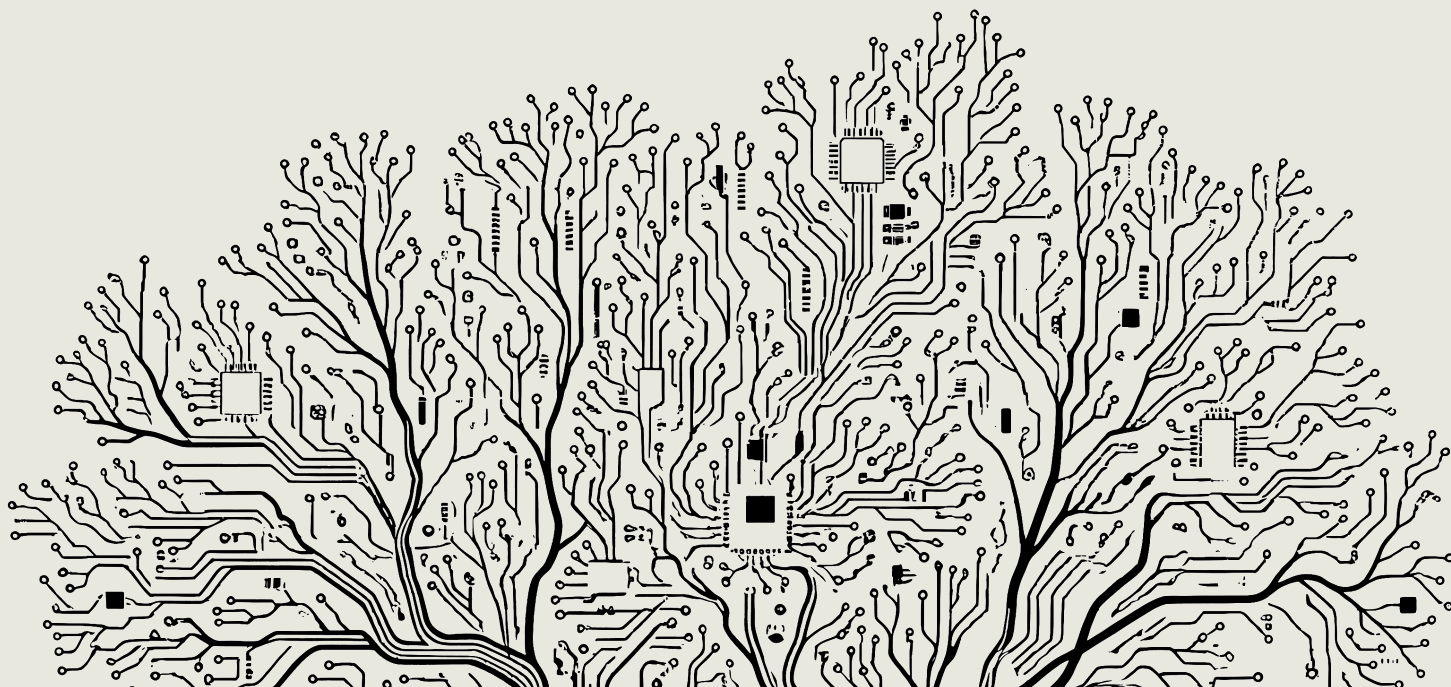
When reporting climate outcomes, it is important to accurately represent the role of allocators in generating those results. Climate outcomes are driven by underlying companies through products and services, while allocators typically support these outcomes indirectly by providing capital via intermediaries. As such, reported outcomes should reflect the impact of underlying investments without implying direct attribution to the allocator. Attempts to attribute a

specific share of the outcomes of climate solutions investments to an allocator's capital are complex and often not methodologically robust, particularly in multi-layered investment structures. This is distinct from the reporting of Scope 1-3 emissions, where approaches to attribution are more developed.

The ESG and impact investing fields offer established principles that can guide the reporting of environmental outcomes. In addition to disclosing outcomes data, leading practices emphasize transparency around processes, such as strategy, integration into investment decision-making, and governance. As with financial reporting, climate outcomes reporting should be grounded in principles of relevance and faithful representation. For further guidance, allocators can refer to Impact Frontiers' *Impact Performance Reporting Norms*.

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CASE STUDY:

CalSTRS

CALSTRS

The California State Teachers Retirement System (CalSTRS) has operationalized its net zero commitment by anchoring climate risk within a holistic investment architecture built on emissions reduction, strategic influence, and exposure to dedicated climate solutions. Central to this approach is the Sustainable Investment & Stewardship Strategies (SISS) Private Portfolio, which leverages an intent-based framework to deploy capital towards emerging mitigation, adaptation, and nature-based climate solutions across private markets.

Anchoring



CalSTRS is the largest educator-only pension fund in the world, providing benefits to over 965,000 prekindergarten through community college educators and their families. CalSTRS considers climate change a systemic and material investment risk that is fundamentally tied to its fiduciary duty of ensuring long-term retirement security for California's educators. As codified in CalSTRS' investment beliefs: *"Investment risks associated with climate change and*

the related economic transition—physical, policy and technology driven—materially impact the value of CalSTRS' investment portfolio."

Consistent with this belief, CalSTRS has committed to achieving a net-zero investment portfolio by 2050 or sooner and, in order to operationalize the goal, has established an overall climate architecture built on three core pillars:

1.

Measuring and Reducing Portfolio Emissions

Different asset class teams are tasked with implementing emissions reduction strategies for investments across the entire fund. This includes allocating percentages of the various portfolios to climate solutions and focusing on measuring and reducing absolute emissions across asset classes. Additionally, private markets teams use a proprietary framework to classify GPs based on their maturity in measuring and monitoring portfolio performance, allowing CalSTRS to pragmatically benchmark GP practices.

2.

Increasing Exposure to Climate Solutions

While all asset classes are encouraged to invest in climate solutions, CalSTRS established the Sustainable Investment & Stewardship Strategies (SISS)

CASE STUDY: CalSTRS

Portfolio as a dedicated engine for driving capital to opportunities that address climate challenges. This specialized multi-asset-class program targets opportunities across private equity, private credit, and infrastructure. This pillar focuses on investments that meet risk-return goals while specifically targeting emerging climate solutions. SISS investments are capped at no more than 5 percent of the total CalSTRS portfolio.

3.

Using Influence to Accelerate the Net Zero Transition

CalSTRS leverages its position as a major asset owner to influence global financial markets and corporate activities. This includes: working closely with external partners to integrate net-zero considerations into the portfolio; engaging GPs on measurement and reporting practices; leveraging a dedicated risk management strategy team to survey managers and create a baseline for their net-zero integration processes; and executing approved stewardship priorities to accelerate the global transition.

The focus of this case study is CalSTRS' dedicated SISS Portfolio.

Strategy



The SISS Portfolio is structured to invest in a broad range of risk-return profiles, enabling CalSTRS to take advantage of new and emerging climate solutions across private markets. CalSTRS defines climate solutions as “technologies, services, tools, or

social and behavioral changes that directly contribute to the elimination, removal, or reduction of real-economy greenhouse gas emissions or that directly support the expansion of these solutions”, consistent with the Glasgow Financial Alliance for Net Zero (GFANZ).

In alignment with GFANZ's definition, as well as leading market standards including the Climate Bonds Initiative Taxonomy, the EU Taxonomy for Sustainable Activities, the MSCI Sustainable Impact metrics, and the PSP Green Bond Framework, CalSTRS has developed and identified three climate solutions sub-types:

- **Mitigation:** Solutions that directly reduce or remove emissions (e.g., renewable energy, carbon capture, and low-carbon transportation).
- **Adaptation and Resilience:** Enablers that help build and maintain capacity to withstand, adapt to, and recover from the impacts of climate change (e.g., water management, infrastructure resilience, and agricultural adaptation).
- **Conservation and Restoration:** Nature-based solutions that mitigate climate impacts (e.g., coral reefs and wetland restoration, preventing deforestation, reforestation).

While CalSTRS staff across all private markets asset classes endeavor to increase exposure to attractive climate solutions where feasible, the SISS Portfolio focuses on emerging climate solutions that may not yet fit standard asset class norms and benchmarks, such as advanced geothermal or industrial decarbonization.

CASE STUDY: CalSTRS

To date, the SISS Portfolio has committed over \$5.6B to investments in these climate solutions. The portfolio is currently constructed across three sub-sleeves to diversify risk: private equity (31%), private credit (33%), and infrastructure (36%). These allocations include a mix of direct investments, co-investments, joint ventures, and LP commitments, to allow SISS to deliver novel investments and partnership structures. Specific examples of these investments include:

- A loan to a steel rebar manufacturer building a new electric furnace micro mill, reducing emissions by up to 90% in comparison to incumbent technologies
- An equity investment into a home electrification installation and maintenance manufacturer, focused on providing residential solar energy and battery storage
- An equity investment into a robotics company improving waste sortation and recycling, increasing landfill diversion rates by up to 80%.

The program is strategically supported by what CalSTRS refers to as the “One Fund Approach,” which entails bridging gaps between investment teams and operational functions to harness all the advantages of the size and scale of CalSTRS. To support this, SISS collaborates with other portfolio teams routinely to review investment pipeline, diligence and underwriting, and partnerships. This facilitates CalSTRS’ execution capabilities, enabling SISS to pursue aligned opportunities unilaterally or in partnership with other CalSTRS asset classes to scale investments that are additive to the CalSTRS Total Fund.

Diligence



CalSTRS leverages an intent-based approach to assess potential investment opportunities in the SISS Portfolio (as distinct from revenue-based thresholds aligned with established taxonomies across public markets). Investments are classified into three tiers:

- **Dedicated Climate Solutions:** Core business models focused on mitigation (GHG emissions reduction), adaptation and resilience, and nature-based solutions.
- **Ancillary Climate Benefits:** Companies that provide material transition benefits, or are actively shifting away from carbon-intensive activities.
- **Minimal / No Deliberate benefit:** Traditional investments with no specific climate-positive thesis.

As a component of CalSTRS’ climate solutions diligence process, deal teams work closely alongside the internal SISS research team and partners at Rhodium Group to evaluate opportunities across three key components, leveraging the Impact Management Project’s (IMP) Five Dimensions of Impact framework. The three verticals are:

- **Intent:** Evaluates whether an investment has a forward-looking strategy that supports positive outcomes; examines the degree to which this strategy is supported by specific actions, commitments, and structures; and determines whether

CASE STUDY: CalSTRS

the investment leverages its influence to drive solutions across the wider industry.

- **Real-world impact:** SISS leverages the Transition Acceleration Framework (“TAF”), developed by Rhodium Group, which augments SISS’ primary analysis. The key TAF metric used by CalSTRS is the Technology Factor, which measures the capital efficiency of additional emissions reductions achieved by scaling a technology from its current baseline projected deployment to a higher-deployment “potential” scenario consistent with deep decarbonization. A complementary metric is Transition Potential, which measures the absolute magnitude of additional emissions reduction between the two scenarios. These metrics are supplemented by primary data collection on energy technologies, Clean Investment Monitor, and Rhodium’s policy and market expertise.

TAF includes several features that are key to understanding a deal’s real-world impact: forward-looking impact analysis built on projections under both current-policy and deep-decarbonization scenarios; systemic impact analysis that models economy-wide energy system dynamics, capturing technology learning curves, supply chain maturation, and new market creation; full technology coverage, holistically assessing both clean and fossil-intensive technologies that advance or decelerate the transition; and uncertainty quantification, using many thousands of Monte Carlo simulations across key uncertainties (e.g. GDP, demographics, fossil fuel prices, cost curves) to produce probabilistic projections of technology deployment and emissions.

TAF provides a quantitative foundation for evaluating the relative importance of the transition to unlocking economy-wide emissions reductions and the efficiency with which capital can advance it. Technologies with a large Transition Potential and a high Technology Factor, such as enhanced geothermal, represent spaces where catalytic capital can drive transformational change. On the other hand, the incremental impact of climate-dedicated capital on mature technologies is lower, since the baseline trajectory already captures much of the net-zero-consistent deployment. TAF addresses this dynamic directly in a way that Scope 1-3 accounting and avoided emissions analysis alone do not.

- **Business practices:** Considers the effects of the investment across the full value chain; examines the transparency of the investment strategy’s actions; assesses the degree to which the investment strategy leads and promotes industry best practice.

By leveraging the TAF scorecard, CalSTRS’ goal is to move beyond ESG screening to an active approach to climate solutions underwriting. This ensures that every allocation in the portfolio is held to a high standard of both scientific and fiduciary integrity.

CASE STUDY: CalSTRS

Measurement and Monitoring



markets, ensuring that the climate solutions they fund are held to rigorous reporting standards.

CalSTRS adopts a two-pronged approach to measuring the impacts of its climate investments: monitoring its absolute emissions exposure and measuring the scale and quality of ‘positive outcomes’. The team is currently refining its framework through several channels:

- **Metric Standardization:** Recognizing the challenge in standardizing data collection for climate solutions investments across asset classes and geographies, CalSTRS is actively working to enhance its measurement practices and contribute to field-wide standardization. As part of this effort, CalSTRS tracks the absolute emissions of investments to understand how efficiently a company is decarbonizing as it grows.
- **The Rhodium Transition Acceleration Framework:** CalSTRS is beta-testing this framework to quantify the specific real-economy decarbonization impact of its private market investments, providing a more granular view of avoided emissions.
- **Systemic Stewardship & Data:** The Risk Management Strategy team deploys comprehensive annual surveys to baseline manager progress on net-zero integration. By participating in global initiatives such as the ESG Data Convergence Initiative (EDCI) and the International Sustainability Standards Board (ISSB), CalSTRS is working to solve the data gap in private

CASE STUDY:

IMAS Foundation



IMAS Foundation is an independent foundation that manages long-term capital within the IKEA ecosystem, with the objective of preserving and growing resources so they can be deployed when needed to create systemic, sustainable change through the IKEA Foundation. Within this context, IMAS has developed an integrated sustainability strategy aimed at generating “sustainable alpha”—long-term outperformance achieved through responsible investment practices and investments aligned with environmental and social megatrends, particularly the low-carbon transition.

Rather than establishing a standalone climate solutions allocation, IMAS embeds sustainability across the full portfolio through a structured investment process, thematic prioritization, and a spectrum-based classification system that differentiates between responsible, sustainable, thematic, and impact strategies. This approach reflects a pragmatic, resource-conscious model for allocators seeking to align mission, financial performance, and sustainability outcomes.

Anchoring



IMAS Foundation was established to fulfil a distinct and complementary role within the broader ecosystem of three IKEA-related foundations set up by IKEA's founder Ingvar Kamprad (INGKA Foundation, IMAS Foundation and IKEA Foundation). INGKA Foundation owns INGKA Group and receives dividends from its retail operations. These funds are transferred to IMAS Foundation, which is specifically tasked with managing them as a long-term, responsible investor, until-needed by IKEA Foundation to finance charitable programs that deliver systemic impact. Within this context, IMAS has articulated a clear investment philosophy centered on sustainable alpha, grounded in the belief that sustainability is a driver of long-term financial performance and resilience rather than a constraint. This philosophy stems from investment beliefs which are codified in IMAS' sustainability strategy:

- **Systemic risk:** Climate change is viewed as a material and underpriced risk to financial markets, with implications across physical, regulatory, technological, and social dimensions
- **Investment opportunity:** Megatrends such as decarbonization, digitalization, and resource

CASE STUDY: IMAS Foundation

efficiency are expected to generate long-term sources of alpha

- **Mission alignment:** Investments are designed to support the transition to a sustainable economy, consistent with the shared vision set out by IKEA founder Ingvar Kamprad: to create a better everyday life for the many people.

To operationalize this philosophy, IMAS has developed a portfolio-wide sustainability framework that links its mission and vision directly to investment strategy. This framework applies across all investments and is implemented through a series of building blocks, including sustainability integration, thematic prioritization, manager selection, and risk management.

IMAS does not position itself as an impact investor; instead, it operates across a spectrum—from responsible to impact strategies—while maintaining a return-first mandate. This distinction reflects both its fiduciary responsibilities and its role within the IKEA ecosystem.

Strategy



IMAS translates its sustainability philosophy into portfolio construction through two core mechanisms: (1) *a set of sustainable investment themes aligned with the transition to a sustainable economy*, and (2) *a classification framework that differentiates the depth of sustainability integration across strategies*.

Sustainable investment themes

IMAS prioritizes investment opportunities that contribute to and benefit from the transition to a sustainable economy, with a particular focus on sectors with high emissions intensity and strong decarbonization potential. Core themes include:

- Renewable energy and enabling infrastructure
- Low-carbon transportation
- Resource efficiency and circular economy solutions
- Sustainable buildings and infrastructure
- Sustainable agriculture and land use
- Social sustainability

These themes are derived from an analysis of the most emissions-intensive sectors and are continuously refined through ongoing market mapping. Investment prioritization is guided by two key criteria: 1) *Attractiveness of market size, growth potential, and regulatory tailwinds*; and 2) *Investibility based on technological maturity, alignment with megatrends, and expected capital inflows*.

Rather than setting fixed allocation targets, IMAS uses these themes as portfolio construction tools—helping to manage concentration risk, identify opportunities, and guide capital deployment across asset classes.

CASE STUDY: IMAS Foundation

Classification framework

To differentiate how sustainability is expressed across the portfolio, IMAS classifies investments into five categories:

- **Traditional:** Limited or no ESG integration
- **Responsible:** ESG integration focused on risk mitigation and value preservation
- **Sustainable:** ESG integration aimed at capturing opportunities and improving risk-adjusted returns
- **Thematic:** Investments targeting specific sustainability themes where environmental or social needs create clear economic and commercial opportunities with the potential to generate alpha for the long term
- **Impact:** Investments with intentional, additional, and measurable environmental or social outcomes alongside a market-rate of return

This framework allows IMAS to manage a diversified portfolio while progressively increasing exposure to higher-impact strategies. In practice, investments classified as thematic and impact are most closely aligned with climate solutions, although not all investments within priority sectors are necessarily categorized as such.

Portfolio construction and implementation

IMAS maintains a globally diversified portfolio across listed and non-listed assets, with flexibility to allocate across asset classes and increase exposure to illiquid strategies where appropriate. Private markets—particularly infrastructure and non-listed

equity—play an important role, given their ability to support long-term, capital-intensive climate solutions. Currently, 57% of IMAS' investments in non-listed equity are impact or thematic (approximately €500 million in AUM), and 12% in infrastructure (approximately €200 million in AUM). Examples of such investments in IMAS' portfolio are a blended finance facility investing in renewable energy infrastructure projects in emerging markets, and a fund that invests in high-impact companies and projects that can drive rapid, large-scale decarbonization and carbon removal, while delivering attractive long-term risk-adjusted returns.

The organization primarily invests through external managers, complemented by selective co-investments and direct investments in thematic areas. Manager selection is a critical lever, with IMAS prioritizing partners that share its sustainability values and demonstrate strong integration of ESG factors, where deemed relevant.

Diligence



IMAS incorporates sustainability considerations throughout the investment process, supported by a structured set of pre-investment tools and internal decision-making practices.

Pre-investment process

Prior to investment, IMAS applies several key components:

- **Sustainability checklist:** Assesses ESG integration at the manager and organizational level, typically

CASE STUDY: IMAS Foundation

informed by due diligence questionnaires and data room material

- **Sustainable investment label:** Classifies the strategy along the responsible–impact spectrum, based on its characteristics and objectives
- **Value mapping:** Evaluates the extent to which managers are aligned with IMAS’ core values
- **Further due diligence:** Includes deeper analysis of sustainability factors, informed by frameworks such as the Impact Management Project’s Five Dimensions of Impact

Classification occurs at the strategy level, while broader sustainability assessments apply at the manager level. Investment teams determine classifications during the diligence process, with discussions of the level of sustainable integration happening at internal investment meetings prior to investment committee approval.

Manager selection and alignment

Given its reliance on external managers, IMAS places significant emphasis on selecting partners that:

- Integrate sustainability into investment analysis and decision-making
- Demonstrate transparency in reporting and engagement practices
- Align with IMAS’ long-term investment horizon and values

This approach is particularly important in private markets, where active ownership and engagement are central to value creation.

Monitoring



IMAS’ approach to monitoring reflects both its ambition to track sustainability outcomes and the practical constraints of a small investment team operating in a data-constrained environment. During the holding period, IMAS focuses on reviewing sustainability and impact data provided by managers, engaging with partners to promote improved ESG practices and transparency. The organization has a particular focus on climate-related metrics, including emissions and avoided emissions, and is actively exploring ways to improve consistency and comparability across the portfolio.

IMAS acknowledges several challenges in measurement and reporting, including a lack of standardized methodologies, variability in data quality across managers, and resource constraints limiting the ability to deeply analyze and validate data. As a result, IMAS has adopted a pragmatic and evolving approach, focusing on identifying priority metrics where feasible, engaging with managers to improve reporting practices, and exploring tools and systems to streamline data collection and integration.

CASE STUDY:

QIC

QIC

Queensland Investment Corporation (QIC) approved a A\$400 million Climate Mandate in 2023 as a dedicated allocation within its Private Equity portfolio to invest over three years. The mandate aims to mobilize capital toward climate solutions while delivering competitive financial returns. Grounded in recognized climate and impact frameworks, the Climate Mandate combines rigorous diligence with climate impact pathways that classify how investments generate impact and guide the measurement methodologies used to track climate outcomes.

Anchoring

QIC is the Queensland Government's dedicated sovereign investor as well as an institutional investment manager for more than 125 investors and government clients worldwide. In 2023, the State Investments team at QIC—responsible for portfolios managed on behalf of the State of Queensland—approved the launch of a A\$400 million Climate Mandate, to be managed by QIC Private Equity. The

Climate Mandate builds on QIC's broader climate journey, which it has been formally reporting on since 2017. Over that time, QIC has continued to strengthen the integration of climate considerations portfolio-wide in alignment with net zero ambitions, in addition to more intentionally allocating to climate solutions.

State Investments and QIC Private Equity jointly designed the Climate Mandate with the dual objective of channeling capital toward climate solutions while delivering competitive financial returns.

The Climate Mandate draws on widely adopted resources from the impact investing community, including the Sustainable Development Goals (SDGs), the Operating Principles for Impact Management (OPIM), the Five Dimensions of Impact, and the IRIS+ Catalog of Metrics developed by the Global Impact Investing Network (GIIN).

CASE STUDY: QIC

Strategy



Recognizing the growing real economy focus on the climate crisis and the expanding opportunity to respond, QIC developed the Climate Mandate to direct capital toward projects and innovations that address climate change.

The Climate Mandate was established as a dedicated allocation within the QIC Private Equity portfolio

to invest in a broad range of climate solutions aligned with eight Sustainable Development Goals (SDGs). The strategy focuses on a balance of the following pathways: emissions mitigation, adaptation, and enabling technologies.

The Climate Mandate comprises a A\$300 million allocation to be deployed over three years, with an additional A\$100 million reserved for potential opportunistic investments. The strategy seeks to generate commercial returns through investments

QIC Climate Mandate Impact Thesis:

Opportunity to invest behind an enduring secular trend

- Significant investment is required to meet climate objectives and limit global warming to 1.5°C with the need for investment in climate-related initiatives expected to grow by at least 590% or US\$4.3tn annually by 2030
- Both existing and emerging technologies required to meet net zero targets are underfunded, which presents a significant opportunity for investors
- Evolving regulatory landscapes, changing consumer preferences, proactive risk mitigation, and corporate commitments to achieving net zero have fuelled an investment megatrend

Investing in emissions mitigation, climate adaptation, resource management and enabling technologies

Leveraging influence to enhance impact through:

- Market institutionalisation: Growing and maturing the investible universe of market-rate impact vehicles
- Co-investments: Enabling greater scale of impact through access to co-investment capital for compelling investment opportunities
- Impact monitoring and improvement: Investing with managers who support the strengthening of impact management approaches and practices
- Impact reporting and disclosure: Drawing on relevant disclosure requirements and voluntary standards related to impact measurement and reporting

Driving impact through

Sample Outputs:

- GHG Emissions Mitigated (IRIS+ OI5951)
- \$ Invested in Adaptation Solutions
- \$ Invested in Enabling Solutions
- # of Emerging Managers Funded

Contribute to Climate Solutions, focusing on 8 UN Sustainable Development Goals (SDGs):



CASE STUDY: QIC

in growth, buyout, and venture capital funds, as well as co-investments or continuation vehicles across Australia, Europe, and North America.

The Climate Mandate will be deployed into a diversified portfolio, with allocations weighted towards growth, aligned to the market opportunity, with meaningful exposure to buyout, and selectively to venture. In co-investments, the QIC Private Equity team pursues geographically diversified opportunities sourced via its teams based in San Francisco, London, Copenhagen, Brisbane and Sydney with a focus on later-stage companies

The strategy also supports emerging managers, with fund commitments currently in first and second funds (as of March 2026) helping to grow emerging managers and strategies focused on climate solutions.

Diligence



Diligence on Climate Mandate funds and co-investments is carried out by the QIC Private Equity investment team, partnering with the Corporate ESG team who undertake ESG diligence on all of QIC Private Equity's fund and co-investments. This review encompasses broader ESG considerations, including social considerations.

Impact Pathways

A key component of the diligence process for the Climate Mandate is a set of defined climate impact pathways. At a high level, the pathways provide a framework for the how of achieving a defined climate

impact objective, moving from the current status quo to a more sustainable future. The pathways can be understood as a classification system that enables QIC to articulate and understand how a given business model links to climate outcomes, and how those outcomes underpin the financial value proposition.

QIC has identified the following three primary pathways:

- **Mitigation:** Investments primarily targeting emissions mitigation either via reducing carbon footprint, avoiding emissions through climate solutions, or directly removing or sequestering emissions.
- **Adaptation:** Investments primarily moderating the effects of climate change on people and planet.
- **Enablement:** Investments enabling the success of mitigation and adaptation strategies and ecosystems.

By classifying potential investments by pathway(s), QIC can undertake a more specific assessment of managers' degree of intentionality and measurement and reporting capabilities. This allows QIC to make informed investment decisions and sets up successful impact measurement post-investment.

Impact Assessment Framework

QIC assesses potential managers and investments across the following four dimensions, each underpinned with various sub-dimensions and evaluation criteria:

CASE STUDY: QIC

QIC's Impact Assessment Framework:

Dimensions	Definition	Assessment consideration
Intentionality	The degree to which funds evidence a commitment to climate impact, in line with the priorities of the Climate Mandate.	<i>To what extent is the impact strategy clearly defined and backed by a robust evidence base and track record?</i>
Integration	The degree to which impact is incorporated throughout funds' investment decision-making and management approaches.	<i>To what extent does the GP have an integrated and documented approach to assessing and managing for impact?</i>
Measurement	The degree to which funds have the capabilities to measure and report in a rigorous, standardised manner in line with the Mandate's climate pathways.	<i>To what extent will the GP be able to quantify impact achievement in line with QIC's impact priorities?</i>
Management & Governance	The degree to which funds have the internal infrastructure to deliver impact as planned and with integrity.	<i>To what extent does the GP have the management and governance structure needed to deliver impact as planned and with integrity?</i>

As a key investment decision-making tool, the impact assessment framework allows QIC to holistically and rigorously evaluate potential investments with respect to their impact management practices. The framework is aligned to key industry standards and resources—namely OPIM, the Five Dimensions of Impact, IRIS+, and BlueMark's Fund ID—and tailored to the unique characteristics and priorities of the Climate Mandate. Impact assessment findings are shared with the investment committee and directly inform investment decisions alongside financial analysis, ensuring that Climate Mandate investments are positioned to deliver significant climate outcomes alongside competitive returns.

Monitoring



Following investment, QIC works closely with managers to implement protocols for ongoing impact monitoring. The climate impact pathways established during diligence also underpin QIC's approach to ongoing measurement and reporting. Each pathway is linked to specific measurement methodologies, which inform the climate KPIs QIC tracks for each investment, as illustrated in the graphic on the following page.

Monitoring and reporting includes an annual survey for fund managers, which is aggregated into an annual climate report. If a manager deviates from

CASE STUDY: QIC

Pathways	Measurement Methodology
Mitigation <i>Reduction</i>	Decarbonization/Transition Assess progress against decarbonization targets (Scope 1-3 emissions reductions) achieved through highly intentional transition strategies
Mitigation <i>Avoidance</i>	Avoided Emissions Assess the quantity of avoided emissions relative to a baseline scenario through strategies that seek to replace higher-emitting products and/or processes with lower-carbon solutions
Mitigation <i>Carbon Removal & Sequestration</i>	Carbon Removal & Sequestration Assess the effectiveness of industrial and natural carbon removal processes that remove atmospheric carbon, including durability, efficiency, and net environmental and social impacts
Adaptation Enablement	Non-Emissions Climate Impact Assess non-emissions impact through sector-specific impact performance indicators and qualitative assessments demonstrating contributions that support and enable the broader climate economy and ecosystem to function

expected impact outcomes, QIC actively engages with the fund manager.

The Mitigation pathway is further broken down into *Reduction*, *Avoidance*, and *Carbon Removal and Sequestration*, which each represent distinct forms of emissions mitigation and methodologies for climate impact measurement. Mitigation is a relatively more developed area of the climate solutions market compared to Adaptation and Enablement, and therefore QIC aligns, and expects its managers to align, to the established methodologies for each mitigation pathway.

The Adaptation pathway is intended to cover a wide range of climate impacts; thus, QIC's measurement approach for this pathway is responsive to the specific sectoral and thematic focus of each investment. QIC has defined four thematic classifications rooted in the IRIS+ Thematic Taxonomy—Energy, Resource

Conservation & Management, Waste & Pollution Prevention, and Sustainable Infrastructure—which are particularly useful in determining appropriate metrics for investments that fall within the Adaptation pathway.

For the Enablement pathway, there is also a broad range of ways in which investments contribute to climate impact. QIC has therefore adopted a flexible and responsive measurement approach for this pathway, while still aligning with IRIS+ metrics to the extent possible. This ensures that selected metrics appropriately capture the specific climate impacts each investment aims to deliver.

CASE STUDY:

The Nature Conservancy



The Office of Investments at The Nature Conservancy (TNC) oversees over \$5 billion in assets, including a Long-Term Portfolio of over \$3 billion (henceforth referred to as the “Endowment”). Its mission is to fund TNC’s global conservation priorities by increasing the organization’s purchasing power through prudent, sustainable investment management. The Office of Investments is guided by dual pillars of returns-driven investment excellence and alignment with TNC’s mission, to conserve the lands and waters on which all life depends. Consistent with these pillars, TNC has committed over \$250 million to climate solutions companies and funds to date.

Anchoring



TNC’s mission-aligned investing approach has been shaped over time by the market’s maturity and the organization’s growth. Prior to 2014, TNC had

no formal policy to align the Endowment with its mission, believing, along with most endowments at the time, that the best way to serve the organization’s mission was to deliver the highest financial returns through a purely risk-adjusted return lens. With the goal of incorporating TNC’s mission into its investing practices, the Endowment officially adopted a divestment policy in 2014 to exclude the highest-emitting companies from its portfolio.

As more evidence emerged that “mission-aligned” investing and competitive returns could be pursued in tandem, TNC decided to initially participate in the ecosystem by establishing a \$75 million carve-out within the Endowment dedicated to market-rate impact investments in the private markets.

As the Endowment grew, TNC established the Office of Investments in 2020, its first-ever internal investment team, which provided the organization with the resources needed to broaden its integration of mission into investment activities.

Today, the Office of Investments explores mission-aligned investing in three primary ways: *1) Excluding mission-inconsistent investments through an expanded*

CASE STUDY: The Nature Conservancy (TNC)

exclusions list; 2) Expanding impact fund investments through private funds with mission-aligned strategies; and 3) Co-investing in emerging climate technology companies through a dedicated co-investment program to enhance portfolio returns and impact.

This case study focuses on TNC's mission-aligned fund investments and co-investing program.

Strategy



As a broader organization, TNC set 2030 impact goals related to the dual climate and biodiversity crises. Grounded in the latest scientific requirements for avoiding the worst impacts of climate change, including limiting warming to 1.5°C and conserving enough land and water to slow the rapid acceleration of species loss, these institutional priorities form the backbone of mission alignment in the Endowment:

- Reduce or store 3 gigatons of CO₂ emissions yearly.
- Benefit 100 million people at severe risk of climate-related emergencies by protecting and restoring the health of natural habitats.
- Conserve 4 billion hectares of ocean, 1 million kilometers of river systems, and 30 million hectares of lakes and wetlands.
- Conserve 650 million hectares of land.
- Support 45 million local stewards by partnering with Indigenous People and other local communities.

With the support of TNC leadership, the Office of Investments codified its relationship with TNC's mission in a Sustainable Investment Policy:

"The Conservancy's mission and collaborative ethos inform the strategy and implementation of the [Endowment]... In addition to portfolio restrictions, as stewards of the Conservancy's [Endowment], the Investment Committee, the CIO, and the internal investment team will proactively seek sustainable and mission-aligned opportunities. The opportunity set of investments that meet both financial and mission objectives is growing and evolving, and the internal investment team will actively explore and monitor these opportunities for suitability for the [Endowment], across asset classes."

Impact fund investments

After the formation of the Office of Investments in 2020, there was a renewed focus on identifying more opportunities to deploy capital into market-rate mission-aligned investments. Instead of continuing the carve-out strategy, all impact investments were integrated into the broader portfolio, competing for capital against other private market opportunities. This was during a period where significant talent and dollars were flowing into climate technology funds and companies, creating a robust ecosystem into which TNC could leverage the organization's expertise and knowledge in the space to make investments. To date, TNC has now committed over \$250 million into mission-aligned private funds.

Climate technology co-investments

In 2022, the Office of Investments established a climate co-investment program with the dual goal of

CASE STUDY: The Nature Conservancy (TNC)

enhancing investment performance while supporting impactful operating companies. As designed today, the co-investment program aims to allocate up to \$15 million per year into Series B funding rounds, with select Series A and follow-on investments.

a climate tech taxonomy of market segments with investment opportunities that are both mission-aligned and consistent with the Endowment's risk-return objectives. The chart below illustrates these seven sectors and respective sub-sectors.

To segment the investible universe for the co-investments program, the Office of Investments developed

Built Environment	Carbon	Climate Management	Energy	Food, Water & Land Use	Industrial	Transportation
Air quality	Carbon Capture	Climate Risk & Intelligence	Clean Power Generation	AgTech	Circular Economy	Batteries
Energy Efficiency	Carbon Removal	Emissions Accounting & Reporting	Distributed Energy Resources	Alternative Protein/Food	Efficient Manufacturing	Electric Autos & Charging
Heating & Cooling			Scaling Clean Energy	Food Waste	Mining	Low-Carbon Fuels
				Livestock & Aquaculture	Recycling Infrastructure	
				Sustainable Fertilizers & Pesticides	Steel, Cement & Chemicals	
				Water Management	Sustainable Materials	

While requiring additional resources from the Endowment's investment team, the co-investment program enables the Office of Investments to more directly apply TNC's expertise in climate science—effectively enabling the Endowment to increase its exposure to investments with both outsized potential for financial returns and climate outcomes. The

program also enables TNC as an organization to participate in a complementary part of the climate ecosystem that the organization's operational activities are not inherently suited for, broadening TNC's impact beyond traditional conservation activities.

CASE STUDY: *The Nature Conservancy (TNC)*

Governance

Mission-aligned fund investments and the co-investment program are governed in the same manner as the broader Endowment. The investment team sources and underwrites investment opportunities, the CIO oversees asset allocation, manager selection, and mission-alignment, and the IC sets risk tolerance and overarching governance. However, recognizing the additional expertise needed to invest in these areas, the Office of Investments collaborates closely with other teams at TNC—such as the Science, Impact Markets and Finance, and Conservation teams—to bring additional rigor and mission-alignment to the Long-Term Portfolio.

Diligence



The Office of Investments completes the same standard diligence process on all potential investments. Diligence is guided by the “8Ps” Framework—people, philosophy, process, portfolio, partnership, performance, price, and planet. When evaluating a mission-aligned fund, the team holistically assesses alignment of strategy, target sectors, and overall ethos to TNC’s mission in addition to the rigorous 8P framework. This diligence approach enables the Office of Investments to maintain both rigor and flexibility in determining how mission alignment is defined and applied over time.

In the co-investment context, the Office of Investments uses a three-pronged framework to assess climate technology investments:

- **Market:** Special attention is paid to understanding the specific market dynamics in which a company operates, including total addressable market size, competitive landscape, and macro indicators, such as consumer preferences or regulatory environment.
- **Technology:** TNC leverages its deep scientific resources, as well as the Office of Investments’ network of investors and technologists, to diligence technology readiness, commercialization pathways, and cost-effectiveness.
- **Impact:** Each potential investment is assessed to understand the company’s direct or indirect contribution to TNC’s 2030 climate and biodiversity goals.

A key factor in the Office of Investments’ ability to deeply understand a climate solution’s market, technology, and potential impact is the in-house expertise TNC brings. TNC currently employs more than 1,000 science staff across its global operations. The team is also supported by a Science Advisor, who also serves as Science Director for North America Region at TNC. The Advisor, Joe Fargione, supports the assessment of co-investment companies’ operations and any ancillary impacts to ensure they are consistent with TNC’s mission.

CASE STUDY: The Nature Conservancy (TNC)

Monitoring



Because of the diverse nature of investments across the Endowment, the Office of Investments has not prioritized quantifying impact outcomes at this stage. Instead, the team closely monitors the underlying portfolios of its mission-aligned funds to ensure ongoing alignment with strategy and potential for impact. While many of the underlying portfolio companies are likely generating measurable outcomes that could contribute to TNC's 2030 goals, the organization has chosen not to attribute those outcomes to the Endowment, given the challenges of impact attribution and the indirect nature of diversified investment portfolios. The team continues to actively monitor developments in the field of impact measurement to stay abreast of approaches and tools that may be appropriate to adopt in time.

Mission-alignment within TNC's Endowment continues to evolve as the team, portfolio and ecosystem mature. The Office of Investments is committed to continue building on the foundation established to date and further integrating TNC's mission across the Endowment in new and innovative ways.

Appendix

Climate Solutions Due Diligence

QUESTIONNAIRE

The following supplemental due diligence questionnaire enables allocators to verify the presence of foundational and advanced practices within a manager's operations. This checklist is designed to be easily integrated into standard diligence processes to ensure managers' activities reflect an intentional, market-aligned approach to climate solutions investing.

Strategy

1. Are the fund's climate objectives and intended climate solutions investment activities explicitly defined in governing and strategy documents?
2. Does the strategy reference and/or align with global climate benchmarks, such as the EU Taxonomy for Sustainable Activities?
3. Does the manager have a formal, documented "theory of change" or climate investment thesis for the fund?
4. Does the manager leverage specific qualitative or quantitative eligibility thresholds to screen potential investments (e.g., % of revenue from climate solutions products and services)?

Governance

5. Is there senior-level oversight and accountability for the fund's climate performance?
6. Does the Investment Committee include members with formal technical or scientific climate expertise?
7. Are climate outcome KPIs a mandatory component of every investment approval memo?
8. Is a portion of the team's compensation formally tied to the achievement of verified climate milestones?

Management

9. Does the manager have a structured, repeatable process for measuring realized and/or expected future climate outcomes both pre- and post-investment?
10. Does the manager use recognized market standards, frameworks, or methodologies to support climate outcomes measurement?
11. Does the manager set climate outcome KPIs and/or targets at the portfolio- and/or investment-level?

12. Is there a defined approach to value creation intended to help portfolio companies meet climate goals?
13. Does the manager have a formal system in place to identify and actively mitigate any unintended consequences and other climate outcome risks?
14. Does the manager regularly review climate outcome performance against expectations? If so, how are findings used (e.g., engaging with underlying companies on underperformance)?

Reporting

15. Does the manager report on specific climate outcomes (e.g., emissions avoided/reduced, tons of water saved, etc.)?
16. Does the manager provide a standardized, comparable reporting template across climate solutions investments?
17. Does the manager proactively disclose the performance of investments, including when projected milestones are not met?
18. Is the manager's reporting compliant with relevant standards and requirements?

Climate solutions investing resources

Pillar I: Anchoring

AP7, [Universal Ownership: System Thinking for Asset Owners](#), 2025.

Describes how universal owners can address systemic risks, including climate change, through investment practices, stewardship, and long-term portfolio management.

CREO, [Drivers and Pathways to Climate Investing: Lessons from Leading Institutional Asset Owners](#), 2025.

Synthesizes motivations, governance approaches, and implementation pathways used by leading institutional investors pursuing climate-related investment strategies.

Net-Zero Asset Owner Alliance, [Target-Setting Protocol Fifth Edition](#), 2026.

Provides guidance for asset owners seeking to align portfolios with net-zero emissions pathways and establish interim targets.

Pillar II: Strategy

Boston Consulting Group, [The Private Equity Opportunity in Climate Adaptation and Resilience](#), 2025.

Identifies adaptation and resilience investment opportunities and market segments relevant to private market investors.

British International Investment, [Climate Investment Playbook](#), 2024.

A practical guide that translates climate challenges into investible sectors and themes, with a focus on opportunities in emerging markets

European Commission, [EU Taxonomy Compass](#), Accessed June 2026.

Provides technical screening criteria and guidance for identifying environmentally sustainable economic activities.

GFANZ, [Financial Institution Net-Zero Transition Plans: Fundamentals, Recommendations, and Guidance](#), 2022.

Provides guidance on governance, strategy, targets, and implementation processes for institutions pursuing net-zero objectives.

GIIN, [Simple Theory of Change Checklist](#), Accessed June 2026.

Provides practical guidance for developing and communicating an investment theory of change.

Global Investor Coalition on Climate Change, [Climate Change Investment Solutions: A Guide for Asset Owners](#), 2015.

Provides a framework for asset owners to define, structure, and implement climate solutions investment strategies.

International Energy Agency, [World Energy Outlook 2025](#), 2025.

Presents energy transition scenarios and investment implications across sectors, technologies, and geographies.

Institutional Investors Group on Climate Change, [Investing in climate solutions: IIGCC supplementary guidance](#), 2025.

Provides guidance for investors on defining, identifying, and allocating capital to climate solutions, including practical approaches to strategy development and portfolio construction.

IPCC, AR6 Synthesis Report , 2023.	<i>Provides the authoritative scientific assessment of climate change, climate risks, mitigation pathways, and adaptation needs.</i>
Network for Greening the Financial System, Climate Scenarios , Accessed June 2026.	<i>Provides climate transition and physical risk scenarios widely used for investment analysis and stress testing.</i>
Project Drawdown, Drawdown Explorer , Accessed June 2026.	<i>An interactive tool that maps climate solutions across sectors based on the potential for emissions reduction and financial viability.</i>
Sustainable Development Investments, Taxonomy and Guidance , 2025.	<i>A framework that links the UN sustainable development goals (SDGs) to investment themes and sectors.</i>
UNDRR, 100 Investments for Adaptation and Resilience , Accessed June 2026.	<i>A curated list of practical investment opportunities focused on strengthening resilience to climate and disaster risks across sectors.</i>
UNEP, Adaptation Gap Report 2025 , 2025.	<i>Assesses global adaptation needs, financing gaps, and progress in adaptation planning and implementation.</i>
World Bank Group, Country Climate and Development Reports (CCDRs), Latest version 2025.	<i>Examines country-level climate risks, resilience needs, and investment opportunities to support development and economic growth.</i>

Pillar III: Diligence

BlueMark, The Fund ID: Introducing a fund-level impact rating , 2024.	<i>Establishes a framework for assessing the strength and credibility of a manager's impact management systems and practices.</i>
GIIN, The GIIN Climate Solutions Investing Framework: A Resource for Asset Owners to Move from Ambition to Allocation , 2025.	<i>Provides criteria and guidance for identifying, evaluating, and prioritizing climate solutions investments.</i>
ILPA, ESG Assessment Framework , Accessed June 2026.	<i>Supports LP evaluation and benchmarking of GP ESG integration practices during due diligence.</i>
Impact Frontiers, Five Dimensions of Impact , Accessed June 2026.	<i>Provides a framework for assessing the nature and significance of social and environmental outcomes.</i>
Operating Principles for Impact Management, The 9 Principles , Accessed June 2026.	<i>Provides a market standard for integrating impact considerations throughout the investment lifecycle.</i>
Project Frame, Pre-Investment Considerations: Guidance for forward-impact smart LPs , Accessed June 2026.	<i>Provides practical diligence considerations and questions for evaluating prospective climate-focused investments.</i>

Pillar IV: Monitoring

Adaptation & Resilience Investors Collaborative, [Adaptation and Resilience Impact: A measurement framework for investors](#), 2024.

Establishes a framework for assessing and measuring adaptation and resilience outcomes.

Climate Bonds Initiative, [Climate Bonds Resilience Taxonomy](#), 2026.

Establishes criteria for classifying climate resilience investments and assessing their contribution to adaptation and resilience objectives, supporting more consistent measurement and reporting across portfolios.

GIIN, [IRIS+](#), Accessed June 2026.

Provides a catalog of standardized impact metrics and associated guidance to support consistency and comparability.

Global Adaptation and Resilience Investment Working Group; The Lightsmith Group, [Climate Resilience Investments in Solutions Principles \(CRISP\)](#), 2024.

Provides a framework for identifying, classifying, and assessing climate resilience investments, helping investors select appropriate metrics and evaluate adaptation and resilience outcomes across portfolios.

Impact Frontiers, [Impact Performance Reporting Norms](#), 2024.

Establishes best practices for transparent, decision-useful reporting on impact performance and outcomes.

Project Frame, [Evaluating GHG Impact for Early-Stage Investments](#), 2024.

Introduces forward-looking approaches for estimating greenhouse gas impact when realized outcomes are not yet observable.

WBCSD, [Guidance on Avoided Emissions](#), 2025.

Provides methodologies and good practices for quantifying and reporting avoided emissions.

Glossary of key terms

Adaptation	<i>Actions that help human or natural systems adjust to actual or expected climate change and its impacts.</i>
Adaptation and resilience solutions investing	<i>Providing capital to products, services, technologies, or infrastructure that strengthen the capacity of human and/or natural systems to avoid, adjust to, and recover from the impacts of climate change.</i>
Avoided emissions	<i>The estimated reduction in greenhouse gas emissions enabled by a product, service, or intervention relative to a credible counterfactual scenario.</i>
Climate outcomes	<i>The real-world mitigation, adaptation, or resilience effects associated with an investment, measured at the level of people, assets, ecosystems, or economic systems rather than solely at the portfolio level.</i>
Climate risk integration	<i>The systematic incorporation of physical and transition climate risks into investment analysis, decision-making, portfolio construction, and risk management processes.</i>
Climate solutions	<i>A product or service that is expected to directly or indirectly remove and/or avoid greenhouse gas emissions (mitigation solution) or strengthen the capacity of systems to avoid, adjust to, and/or recover from current and future climate shocks and stresses (adaptation and/or resilience solution).</i>
Climate solutions investing	<i>Providing capital to entities with core products and services that are expected to materially contribute to climate mitigation or climate adaptation and resilience in the broader economy.</i>
Counterfactual	<i>The hypothetical scenario used as a baseline to estimate what would have occurred in the absence of a given product, service, investment, or intervention.</i>
Financed emissions	<i>The greenhouse gas emissions associated with an investor's portfolio based on ownership or financing relationships with underlying assets or entities.</i>
Impact investing	<i>Investments made with the intention to generate positive, measurable social and/or environmental outcomes alongside financial returns.</i>
Impact management	<i>The processes, systems, and practices used to identify, assess, manage, measure, and report social and environmental outcomes throughout the investment lifecycle.</i>
Investment thesis (theory of change)	<i>A structured explanation of how an investment strategy is expected to generate specific financial and climate outcomes through a defined set of activities and assumptions.</i>
Measurement pathway	<i>A methodological approach used to assess a specific dimension of climate-related performance, such as portfolio emissions, climate risk exposure, mitigation outcomes, or adaptation and resilience outcomes.</i>
Mitigation	<i>Actions that reduce, avoid, or remove greenhouse gas emissions in order to limit the magnitude of climate change.</i>
Mitigation solutions investing	<i>Financing products, services, technologies, or infrastructure that reduce emissions, displace higher-emitting alternatives, or remove greenhouse gases from the atmosphere.</i>

Portfolio decarbonization	<i>Investment activities intended to reduce portfolio-level greenhouse gas emissions and improve alignment with net-zero pathways.</i>
Potential impact	<i>The impact a proposed climate solution could have based on a standardized growth trajectory that assumes the proposed solution takes over the Serviceable Obtainable Market (SOM).</i>
Planned impact	<i>The impact expected from a company or a proposed climate solution based on a realistic analysis of its business model.</i>
Realized impact	<i>The impact that a proposed climate solution actually caused.</i>
Resilience	<i>The capacity of human, economic, or natural systems to anticipate, withstand, adapt to, and recover from climate-related shocks and stresses.</i>
Transition investing	<i>The allocation of capital to assets, companies, or sectors with the intention of supporting decarbonization and business model transition consistent with net-zero pathways.</i>
Universal ownership	<i>The concept that highly diversified long-term investors are exposed to economy-wide and systemic risks, making the health of broader environmental, social, and economic systems relevant to portfolio performance.</i>

Abbreviations

ARIC	<i>Adaptation & Resilience Investors Collaborative</i>	IPCC	<i>Intergovernmental Panel on Climate Change</i>
CBI	<i>Climate Bonds Initiative</i>	IRIS+	<i>Impact Reporting and Investment Standards</i>
CCDR	<i>Country Climate and Development Report</i>	ISSB	<i>International Sustainability Standards Board</i>
CIO	<i>Chief Investment Officer</i>	LP	<i>Limited Partner</i>
CO₂e	<i>Carbon Dioxide Equivalent</i>	NGFS	<i>Network for Greening the Financial System</i>
CPI	<i>Climate Policy Initiative</i>	NZAOA	<i>Net-Zero Asset Owner Alliance</i>
CRISP	<i>Climate Resilience Investments in Sustainable Finance</i>	NZE	<i>Net Zero Emissions</i>
EDCI	<i>ESG Data Convergence Initiative</i>	OPIM	<i>Operating Principles for Impact Management</i>
ESG	<i>Environmental, Social and Governance</i>	SAA	<i>Strategic Asset Allocation</i>
EU	<i>European Union</i>	SDG	<i>Sustainable Development Goal</i>
GDP	<i>Gross Domestic Product</i>	SDR	<i>Sustainability Disclosure Requirements</i>
GFANZ	<i>Glasgow Financial Alliance for Net Zero</i>	SFDR	<i>Sustainable Finance Disclosure Regulation</i>
GHG	<i>Greenhouse Gas</i>	SISS	<i>Sustainable Investment & Stewardship Strategies</i>
GIIN	<i>Global Impact Investing Network</i>	SOM	<i>Serviceable Obtainable Market</i>
GP	<i>General Partner</i>	TAF	<i>Transition Acceleration Framework</i>
IC	<i>Investment Committee</i>	TCFD	<i>Task Force on Climate-related Financial Disclosures</i>
IEA	<i>International Energy Agency</i>	UNDRR	<i>United Nations Office for Disaster Risk Reduction</i>
IIGCC	<i>Institutional Investors Group on Climate Change</i>	UNEP	<i>United Nations Environment Programme</i>
ILPA	<i>Institutional Limited Partners Association</i>	WBCSD	<i>World Business Council for Sustainable Development</i>
IMP	<i>Impact Management Project</i>		



AN Allocator Guide *TO*
Climate Solutions Investing

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