



Vista Climate Action Report

Published August 2022



Introduction

The latest findings from the Intergovernmental Panel on Climate Change emphasize that immediate business transformation is required to secure a livable planet. The impacts of climate change threaten us all, but our most vulnerable populations will suffer disproportionately, as access to basic services are disrupted and the cost of energy increases. Like many other global challenges, the urgency of the climate crisis underscores the need for more resilient and equitable socioeconomic systems.

Although software's share of global greenhouse gas (GHG) emissions is relatively small today compared to other industries like real estate and consumer goods, it will grow with the digitization of businesses, cities and society. Despite that, software can play an outsized role in enabling other sectors to transition to a low-carbon economy and adapt to the physical impacts of climate change.

With \$96 billion in assets under management as of March 31, 2022, and over 20 years investing in enterprise software, Vista seeks to **integrate ESG** strategies across the firm's activities and investment lifecycle — empowering our more than 80 portfolio companies to implement ESG initiatives and develop products that drive impact for their stakeholders.¹ ESG is core to our value creation process with our portfolio companies; we seek to enable our companies to reduce climate-related risks and pursue opportunities associated with the transition to a low-carbon economy.

“At Vista, we believe we have an outsized opportunity to drive climate action across the enterprise software industry. Our companies have over 90,000 employees, and their software reaches over 300 million users. Collectively, their emissions reduction work can make a meaningful contribution toward climate goals. By partnering together and providing climate-focused value creation tools and resources, we can reach our net zero goals.”

**ROBERT F. SMITH,
FOUNDER, CHAIRMAN AND CEO,
VISTA EQUITY PARTNERS**

Since 2019, Vista has measured and offset its GHG emissions at the management company level through investments in nature-based solutions and renewable energy projects. For 2019, we purchased carbon credits for the Chyulu Hills REDD+ Project, which helps to protect and improve forest quality in the Tsavo-Amboseli ecosystem in southeastern Kenya. For 2020, we partnered with Clearloop to build 510 new solar panels to power 44 homes in an underserved community in Jackson, Tennessee.

In 2021, Vista became one of the first North American private equity firms to join the Net Zero Asset Mangers (NZAM) initiative. In doing so, the firm committed to reduce portfolio company emissions by 50% by 2030 and emit net zero GHG emissions across the portfolio by 2050.

The first critical step toward achieving our net zero goal was to conduct a **portfolio-wide GHG** inventory — engaging all majority-owned companies to measure their 2019 GHG emissions. This report presents the results of our 2019 GHG emissions analysis. It also outlines the four pillars of our Climate Action Plan to measure our footprint, set targets, and reduce and offset portfolio company GHG emissions. Our Climate Action Plan is an important step toward achieving Vista's goal of net zero by 2050 under our NZAM commitment.

2019 Portfolio GHG Emissions

BACKGROUND

In 2021, Vista measured the 2019 emissions of our private equity and permanent capital portfolio. Rather than a top-down approach whereby emissions are estimated based on industry benchmarks, our team partnered with each portfolio company to measure emissions across their value chain from the bottom up. This approach gives our portfolio companies ownership and accountability in their transition to net zero and puts in place the parameters so that their climate work can continue after a sale or exit. Given the impacts of the COVID-19 pandemic on reducing business activities, 2019 was selected as we believe it is a better representation of business-as-usual GHG emissions.

To enable this effort, portfolio companies were provided with access to a GHG measurement platform and toolkit including dedicated webinars, measurement software, hands-on support and best practices for GHG measurement and reporting. This baseline footprint will inform portfolio-level GHG reduction targets and engagement efforts with portfolio companies moving forward.

RESULTS

The GHG inventory was conducted in accordance with the [Greenhouse Gas Protocol Corporate Standard](#).² The data measured includes all portfolio company activities related to energy consumption and business travel (i.e., all scope 1, 2 and scope 3 category 6: business travel GHG emissions).³ The emissions are a mix of actual consumption data and estimated data from 68 portfolio companies in Vista's portfolio in 2019.⁴

Given Vista's exclusive focus on enterprise software, we were able to develop intensity metrics based on actual portfolio consumption data instead of broad industry benchmarks.⁵

These intensity metrics were used to develop robust, company-specific estimates for data gaps and to extrapolate GHG emissions for minority-controlled companies. Common gaps included data related to distance traveled and apportioned energy data from leased facilities.

2019 PORTFOLIO EMISSIONS (TCO₂E)

Total Emissions (tCO ₂ e)	457,985
Emissions per Employee (tCO ₂ e / FTE)	6.3
Median Portfolio Company (tCO ₂ e)	1,528

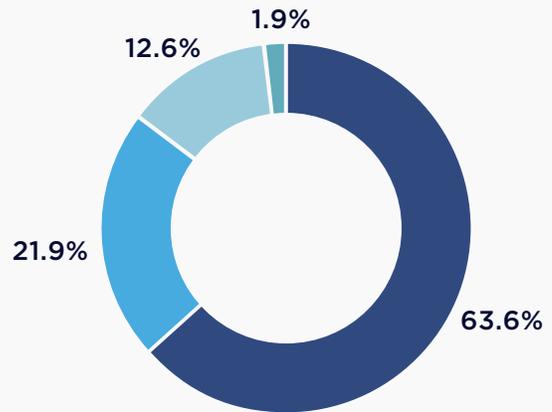
EMISSIONS EQUIVALENCY

Home energy use for 1 year

Total Emissions	Median Portfolio Company
57,686	192

In 2019, Vista's portfolio emitted 457,985 tCO₂e or 6.3 tCO₂e per employee. The median portfolio company emitted 1,528 tCO₂e — equivalent to powering 192 homes' energy use for one year.

2019 PORTFOLIO EMISSIONS (TCO₂E) BY SOURCE



- Air Business Travel
- Electricity (from offices, owned and outsourced data centers)
- Other Travel (hotels, rail and road business travel)
- Fuel and Heat (from offices, owned and outsourced data centers and vehicles)

Over 76% of GHG emissions are generated from business travel activities, predominantly from air travel. The proliferation of software-enabled video conferencing and project management tools provide an opportunity to shift to a digital-first culture. Over the next few years, Vista will seek to engage portfolio companies to explore reducing non-essential travel in alignment with a net zero pathway and to offset residual emissions.

Approximately 22% of portfolio emissions are generated from electricity consumption at offices and owned or outsourced data centers.

95% of portfolio companies

use data center vendors that have committed to powering operations with 100% renewable energy by 2025.⁶

LOOKING FORWARD

Vista portfolio companies are already in the process of measuring their 2020 and 2021 emissions. We are partnering closely with our portfolio companies to improve consumption data coverage and quality, and to codify GHG inventory processes. In collaboration with a consultant, we are also developing an approach to estimate remote workforce emissions to capture the impacts of COVID-19 and growing work-from-home practices across the portfolio. Moving forward, we plan to measure and report our operational and portfolio emissions annually.

Climate Action Plan

Through our value creation process, we aim to empower our companies to be climate leaders. We seek to implement ESG strategies in a similar manner to how we otherwise create value in our portfolio companies – through active due diligence, best practice sharing, board of director collaboration and the engagement of our entire technology ecosystem. As an investor and operating partner, Vista plans to achieve our net zero goals through active portfolio company engagement.

Our vision is to establish strong climate practices from due diligence to ownership to exit that embed climate strategy into business decision-making. In practice, that involves supporting our companies to establish climate governance, key performance indicators (KPIs) and targets and action plans to manage related risks and opportunities. As such, we developed a portfolio company engagement strategy and corresponding Climate Pledge in an effort to achieve our net zero goal.

VISTA CLIMATE PLEDGE

To reach our collective climate goals, we established the Vista Climate Pledge in May 2022 which consists of a four-part commitment:

- **Measuring GHG emissions annually**
- **Setting a GHG reduction target by December 31, 2022**
- **Reducing GHG emissions annually**
- **Offsetting GHG emissions annually⁷**

New portfolio companies are generally expected to implement the Vista Climate Pledge within two years of ownership. To track progress and promote transparency, we will report the percentage of our portfolio companies that are aligned with the Vista Climate Pledge annually.

50+ Vista Portfolio Companies

aligned with the Vista Climate Pledge

Portfolio Company Engagement Strategy

1. Enable portfolio companies to measure their GHG emissions on an annual basis

We believe educating portfolio companies on best practices and empowering them to measure their GHG emissions contributes to business continuity, operational excellence and value creation. ESG is integrated into the value creation process for each investment, beginning with pre-investment diligence and involving close partnership with our Value Creation Team.

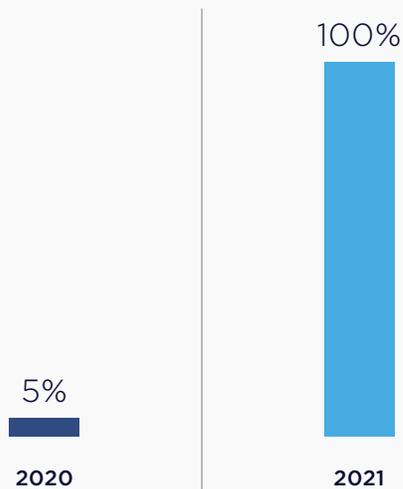
On Earth Day 2021, Vista's Executive Committee asked all private equity and permanent capital portfolio companies to measure their 2019 GHG emissions by the end of 2021. To enable this effort, portfolio companies had access to a GHG measurement platform and toolkit of resources, outlining the business case and best practices for GHG measurement. The GHG measurement tool was embedded in the platform portfolio companies use for ESG reporting and project management.

Companies also leveraged a template and an FAQ document to streamline data collection. Over eight months, the efforts of Vista's ESG Team, augmented through our [Environmental Defense Fund's Climate Corps](#) summer fellow, engaged one-on-one with companies to facilitate the process and enhance data quality.

After initial data was submitted, there was a multi-month process for quality assurance. Each company received a custom report from Vista's ESG team, detailing opportunities for improving data quality and coverage in future years. To maintain accountability, companies are expected to present and discuss the footprint results at the board level annually.

By the end of 2021, 55 companies, 100% of Vista's majority-owned portfolio companies at the time, in addition to five minority-controlled companies, had measured their 2019 GHG emissions, establishing a baseline for future reduction targets and initiatives. This was an increase from just 5% of companies measuring GHG emissions in 2020.

VISTA MAJORITY-OWNED PORTFOLIO COMPANIES MEASURING GHG EMISSIONS



Moving forward, portfolio companies will measure their GHG emissions annually and track year-on-year performance via software tools. By measuring and managing GHG emissions, we believe our companies can reduce operating costs, enhance business performance and bolster stakeholder engagement.

2. Ask companies to set GHG reduction targets aligned with a net zero pathway

In line with our NZAM commitment, our portfolio companies have a long-term target of 50% GHG reduction by 2030. In reality, many companies will exit and enter Vista's portfolio before that milestone. As such, we are focused on enabling our portfolio companies to set short-term, science-based emission reduction targets within two years of investment. Our goal is to fast-track decarbonization, embed the reduction of GHGs as a KPI at companies and encourage continuation after divestment by including their GHG data within the exit documentation and data room.

To support this work, we are developing a best practice guide (i.e., an implementation guide) for GHG target setting, based on third-party methodologies. We expect several portfolio companies will pursue target validation with the Science Based Targets initiative (SBTi), while others will start with more focused targets and grow coverage overtime (e.g., a travel reduction target). Regardless, our expectation is that short-term targets are aligned with a net zero pathway (i.e., a 1.5°C decarbonization pathway).

3. Provide guidance and supporting resources for companies to pursue emissions reduction initiatives and track progress annually

To catalyze GHG reductions, we are developing a best practice guide for GHG reductions in high-growth enterprise software companies. It will seek to outline relevant decarbonization tactics such as procuring renewable energy, developing procurement standards and exploring an internal carbon price to prioritize business activities.

Reducing GHG emissions at scale involves long-term planning, vendor engagement and changing employee behavior. Over the next few years, Vista's ESG team will strive to partner with portfolio companies on value creation projects to demonstrate the business case for GHG reductions and investments in climate solutions. For example, quantifying the cost savings and return on investment (ROI) of reduction activities or the revenue growth associated with climate-related products/services. We believe this work will help us refine best practices for high-growth enterprise software by sharing lessons learned and scaling effective strategies.

4. Enable portfolio companies to offset their annual GHG emissions through vetted projects

Vista is developing a portfolio of offset projects to scale investments in climate solutions and enable portfolio companies to offset their residual GHG emissions. These investments are expected to be used to compensate for GHG emissions that have not yet been reduced. By putting a price tag on GHG emissions, we hope to accelerate decarbonization efforts.

We believe investing in climate solutions also provides an opportunity to engage employees, partners and communities to understand the cascading social and economic impacts of such projects. The adverse impacts of climate change have disproportionate social, economic and public health effects on historically marginalized communities. As such, we expanded our partnership with [Clearloop](#) — a renewable energy accelerator working at the intersection of energy access and economic equity. Through this partnership we intend to scale clean energy development in underserved communities, enabling a more just transition to a low-carbon economy. Over the next several years, we expect that our portfolio companies will be able to invest in these projects alongside Vista at the management company level.

Vista is also actively exploring high quality carbon removal projects that will potentially enable portfolio companies to meet net zero targets. Today, there is a limited supply of long-lived carbon removal storage solutions, and we will continue to evaluate these projects as they become more readily available.

OTHER TOOLS AND TACTICS

In addition to portfolio company engagement, Vista will seek to use the following levers to achieve our net zero goal:

- **Pre-Investment:** Vista assesses potential climate risks and opportunities as part of the ESG due diligence process. GHG measurement and signing the Vista Climate Pledge is included as an item to be addressed within the first 100 days of Vista ownership and integrated into value creation planning.
- **New Product Development:** Software will be a key enabler of the energy transition, providing the design, operation, optimization and reporting for a zero-emission economy. With this in mind, we are considering how we can further scale investments in software solutions that impact power, transport, commercial and industrial applications and buildings.
- **Vendor Engagement:** On behalf of the portfolio, Vista's ESG team will seek to engage with vendors that provide key services to our portfolio companies to articulate expectations around GHG reporting and reductions (e.g., expense tracking, travel booking and data center service providers). Based on engagement efforts, we will strive to identify preferred partners that we believe will help accelerate decarbonization.
- **Partner With Industry Stakeholders:** Vista is committed to sharing lessons learned and emerging best practices across our ecosystem through collaboration with software and private equity peers. A key area for collaboration is around the standardization of net zero reporting within the private equity industry. Through NZAM, we are closely following and providing feedback on emerging third-party methodologies so that we may align with best practice.⁸

Looking Forward

Over the next two years, we are systematically embedding climate factors throughout the value creation process — striving to support Vista portfolio companies as they develop net zero-aligned business strategies. We plan to report our progress annually through Vista's ESG reporting and NZAM's annual disclosure process. The path to a net zero world is evolving alongside climate research and technological innovation.

We are committed to supporting our companies and engaging with the private equity and software industries to drive the change that our planet and stakeholders demand.

For more information about Vista's ESG efforts, please visit our [website](#), and review our [ESG and DE&I Report](#).

Footnotes

1. All references to Vista's portfolio companies and portfolio generally include those in the private equity and permanent capital portfolio.
2. The Greenhouse Gas Protocol is the international standard for corporate accounting and reporting emissions. It provides detailed requirements and guidance for companies measuring GHG emissions inventories.
3. Scope 3 category 6: business travel includes consumption related to air, rail and road travel and hotel stays.
4. The data includes a mix of actuals (66%) and estimates (34%). Data was estimated for portfolio companies that Vista exited or had minority control, using full-time employee count, revenue and portfolio intensity data. Neither Vista, nor any of its affiliates, makes any representation or warranty, expressed or implied, as to the accuracy or completeness of the 2019 Portfolio Emissions data ("Emissions Data") contained herein. While Vista believes the Emissions Data to be reasonable under the circumstances, the data has not been independently verified. Vista has contracted with a nationally recognized accounting firm to complete a review and verification process of the Emissions Data which is currently in process. As such, until that verification is complete, the Emissions Data is subject to adjustment.
5. Actual consumption data reported by portfolio companies was normalized by full-time employee count for the reporting boundary. Significant outliers were removed and an average intensity metric (i.e., kWh / FTE) was calculated for each data category (e.g., air travel, electricity, etc.). This intensity metric was applied.
6. Amazon Web Services, Equinix, Google and Azure.
7. A carbon offset (or carbon credit) is an environmental commodity that represents the reduction, avoidance or removal of 1 metric ton of GHG emissions compared to a projected baseline. In this report, offsetting refers to purchasing verified or unverified carbon offset credits, equivalent to total annual scope 1, 2 and 3 GHG emissions, to counterbalance GHG emissions (i.e., investments in projects that result in the avoidance/reduction/removal of GHG emissions equivalent to total annual scope 1, 2, and 3 GHG emissions).
8. E.g., The Science-Based Targets initiative and the IIGCC's Paris Aligned Investment Initiative

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This report includes information on Vista's general framework for managing ESG issues through the lifecycle of an investment across Vista's investment management businesses. Vista's ability to influence and exercise control over the companies in which it invests will vary depending on the investment structure and terms. In cases where Vista determines it has limited ability to conduct diligence or to influence and control the consideration of ESG issues in connection with an investment, whether at the investment or at the fund-level, Vista will only apply those elements that it determines to be practicable. Examples of such cases at the investment-level include where Vista is a minority shareholder, has limited governance rights or where other circumstances affect Vista's ability to assess, set or monitor ESG-related performance goals. Examples of such cases at the fund-level include a jointly managed fund, and instances where the underlying investor maintains significant influence over investment decisions.

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Vista is a leading global investment firm with \$96 billion in assets under management as of March 31, 2022. The firm exclusively invests in enterprise software, data and technology-enabled organizations across private equity, permanent capital, credit and public equity strategies, bringing an approach that prioritizes creating enduring market value for the benefit of its global ecosystem of investors, companies, customers and employees. Vista's investments are anchored by a sizable long-term capital base, experience in structuring technology-oriented transactions and proven, flexible management techniques that drive sustainable growth. Vista believes the transformative power of technology is the key to an even better future — a healthier planet, a smarter economy, a diverse and inclusive community and a broader path to prosperity.