



State of New Jersey

PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
P.O. BOX 290
TRENTON, NJ 08625-0290
Telephone (609) 292-5106
Facsimile (609) 984-4425

ELIZABETH MAHER MUOIO
State Treasurer

SHOAIB KHAN
Acting Director

July 9, 2021

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan
Acting Director

SUBJECT: **Private Equity Investment - TPG Rise Climate, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$200 million in TPG Rise Climate, L.P. (the “Fund”) to be managed by TPG Capital Partners (“TPG” or, the “Firm”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

Favorable macro trends in climate investing. Corporate net-zero pledges, government commitments and support, climate consumerism, investor engagement, and major advances in climate-related technology are driving new opportunities for climate-themed private equity investment. According to the International Energy Agency’s 2020 World Energy Outlook report, based on current government and corporate commitments, approximately \$30 trillion of capital is needed in clean, sustainable, and renewable energy investments from 2020 to 2040.

First mover advantage and the ability to deploy capital to dedicated “sector-based” climate strategy at-scale. Currently there are limited pools of private capital focused on climate-related investing. According to Preqin, between 2010 and 2020, only approximately \$18 billion was raised across nine climate funds. These existing climate funds are mostly in the infrastructure or venture space. Conversely, the Fund seeks to create a more diversified investment approach by allocating capital flexibly across asset buyout, growth, and structured equity to large-scale investment opportunities.

Established brand and experienced partnership and cross-platform information sharing. The Fund will leverage the strength of TPG’s Rise brand and platform, which TPG has built into a respected force within the impact investing community, deploying over \$1.6 billion into over 40 impact investments since 2017. The Firm’s global network of over 570 professionals in 12 offices across four continents, coupled with its deep sector expertise across eight core sectors, will be key enablers for investing private capital in the climate sector. Since 2011, TPG has done 18 climate-

related deals totaling over \$4 billion of invested capital in the U.S., Latin America, Africa, Europe, and Asia, that have generated a 1.8x gross MOIC and 32% gross IRR (as of March 31, 2021).

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached.

Division Staff and its private equity consultant, Aksia TorreyCove Partners LLC, undertook extensive due diligence on the proposed investment in accordance with the Division’s Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the Fund has not engaged a third-party solicitor (“placement agent”).

The Firm’s environmental, social, and governance (“ESG”) policy and related diligence disclosures were reviewed by the Division’s Corporate Governance team in accordance with the Council’s ESG Policy. TPG has a formal ESG policy and a long-standing consideration of environmental, health and safety practices in due diligence, investment decisions and operations. The Firm has a dedicated five-person team focused on implementing TPG’s ESG strategy, including ESG diligence, cross-portfolio initiatives, and driving initiatives at individual portfolio companies.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council’s regulation governing political contributions (N.J.A.C. 17:16-4), and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 90 of the Council’s regulations. TPG Rise Climate, L.P. is considered a private equity buyout investment, as defined under N.J.A.C. 17:16-90.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the IPC was held on July 8, 2021. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council’s July 21, 2021, meeting.

Attachment

Fund Name: TPG Rise Climate, L.P.

July 9, 2021

Contact Info: Joseph Konzelmann, 345 California Street, Suite 3300, San Francisco, CA 94104

Fund Details:

Firm AUM (\$bil):	\$91 billion	<p>Key Investment Professionals: Henry Paulson, Jr – Mr. Paulson is the Executive Chairman of TPG Climate. He served as the 74th Secretary of the Treasury under President George W. Bush, from July 2006 to January 2009 and is the founder and chairman of the Paulson Institute. James Coulter* – Mr. Coulter is a Founding Partner of TPG, Managing Partner of TPG Rise Climate, Co-Managing Partner for The Rise Fund and is a member of the Firm’s Holdings Committee. Prior to co-founding TPG, Mr. Coulter worked at Lehman Brothers. Jon Winkelried* – Mr. Winkelried is the CEO of TPG and a member of the Firm’s Holdings Committee. Prior to joining TPG in 2015, Mr. Winkelried was formerly with the Goldman Sachs Group, Inc. for more than 27 years when he retired in 2009 as President and Co-Chief Operating Officer. Michael Stone* – Mr. Stone is the CIO of The Rise Platform and a Co-Managing Partner of TPG Growth. Prior to joining TPG in 2008, Mr. Stone founded J.H. Whitney Investment Management. Prior to that, Mr. Stone was a management consultant with Bain & Company. Marvonne Hancock – Ms. Hancock is the CEO of Y Analytics. She has served on Advisory Boards of Harvard’s Impact Weighted Accounts Initiative, the IFC’s Principles for Impact Investment, and OPIC’s Impact Committee. Previously, she was a Senior Partner at McKinsey and worked exclusively on environmental services. Edward Beckley* – Mr. Beckley is a Partner at TPG based in London. Prior to joining TPG in 2017, he was the EMEA Head of Macquarie Infrastructure and Real Assets. Jonathan Garfinkel* – Mr. Garfinkel is a Partner at TPG based in San Francisco. He joined TPG in 1998 and is a member of the TPG investment team in the U.S. and Europe. Maya Chorengel* – Ms. Chorengel is the Co-Managing Partner and the Financial Services Sector Lead at The Rise Fund. Prior to joining TPG in 2017, she was a co-Founder of Elevar Equity, an impact venture firm. Previously, she worked at Warburg Pincus. Yemi Lalude* – Mr. Lalude is a Partner at TPG based in London. He leads TPG Growth’s investment activities in Africa. Prior to joining TPG Growth in 2015, Mr. Lalude was the founder of Adlevo Capital, a private equity fund focused on Sub-Saharan Africa</p> <p><i>*Represents members of the TPG Rise Climate Investment Review Committee</i></p>
Strategy:	Private Equity Buyout	
Year Founded:	1992	
Headquarters:	San Francisco, CA	
GP Commitment:	At least 2% of LP Commitments	

Investment Summary	Existing and Prior Funds												
<p>TPG Capital Partners ("TPG" or the "Firm") is raising TPG Rise Climate, L.P. (the "Fund") as a new standalone strategy within the TPG Rise platform that will focus specifically on opportunities in climate change and carbon reduction. The Fund will have a flexible mandate to invest across a variety of asset types, geographies, and investment sizes and in businesses that have a clear and measurable positive environmental impact inherent to their strategy. Five key areas of focus for the Fund will be clean energy, enabling solutions, decarbonized transport, greening industrials, and agriculture & natural solutions. Target allocations include approximately 70% in OECD (Organization for Economic Cooperation and Development) countries and 30% in non-OECD countries and approximately 50% in buyout deals, 35% in growth equity deals, and 15% in structured equity deals. The Fund is expected to complete between 20 and 30 platform investments in companies with revenues of at least \$100 million that require an initial equity investment of \$150 to \$500 million per platform.</p>	<table border="1"> <thead> <tr> <th>Funds</th> <th>Vintage Year</th> <th>Strategy</th> <th>Returns as of 03/31/2021</th> </tr> </thead> <tbody> <tr> <td>The Rise Fund</td> <td>2017</td> <td>Buyout</td> <td>17% Net IRR; 1.4x Net TVPI; 0.1x DPI</td> </tr> <tr> <td>The Rise Fund II</td> <td>2020</td> <td>Buyout</td> <td>NM</td> </tr> </tbody> </table> <p>IRR = Internal Rate of Return; TVPI= Total Value to Paid-In; DPI= Distributions to Paid-In NM = Not meaningful, given the early age of the fund</p>	Funds	Vintage Year	Strategy	Returns as of 03/31/2021	The Rise Fund	2017	Buyout	17% Net IRR; 1.4x Net TVPI; 0.1x DPI	The Rise Fund II	2020	Buyout	NM
Funds	Vintage Year	Strategy	Returns as of 03/31/2021										
The Rise Fund	2017	Buyout	17% Net IRR; 1.4x Net TVPI; 0.1x DPI										
The Rise Fund II	2020	Buyout	NM										

Vehicle Information:

Inception:	2021	Auditor:	KPMG LLP
Fund Size (\$mil):	\$7 billion hard cap	Legal Counsel:	Kirkland & Ellis LLP and Morris, Nichols, Arsht, & Tunnell
Management Fee:	- 1.40% on commitments during the commitment period - 1.25% of actively invested capital contributions upon the expiration of the commitment period - 0.50% of actively invested capital contributions during any extensions		
Profit allocation:	20%		
Hurdle Rate:	8%		

NJ AIP Program

Recommended Allocation:	up to \$200 million	LP Advisory Board Membership:	TBD
% of Fund:	2.86%	Consultant Recommendation:	YES
		Placement Agent:	NO
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	YES

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.