

ESG AND PRIVATE EQUITY:

THE BEST OR THE WORST PLACE TO MAKE A TRUE IMPACT?

24 June 2021

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INTRODUCING UNIGESTION

Global specialist asset manager with strong investment DNA and expertise

EQUITIES

USD 10.66 billion

- ▶ Risk Managed
- ▶ ESG Equities

LIQUID ALTERNATIVES

USD 1.40 billion

- ▶ Alternative Risk Premia
- ▶ Equity Factor Long/Short
- ▶ Volatility
- ▶ Alternatives 2.0

UNIGESTION
USD 22.57 billion
Assets under Management

PRIVATE EQUITY

USD 9.36 billion

- ▶ Directs, Secondaries, Primaries
- ▶ Small & Mid-Market
- ▶ Emerging Managers

MULTI ASSET

USD 1.15 billion

- ▶ Risk Managed
- ▶ Total Return



The above mentioned awards are based on industry recognition. Unigestion's receipt of this awards is in no way indicative of any individual client or investor's experience with Unigestion or of Unigestion's future performance. For illustrative purposes only.

Assets under management as at 31.12.2020 are based on estimated data. Any discrepancies is due to rounding. Source: Unigestion



PRIVATE EQUITY AT UNIGESTION

180 clients

Global institutional investors

50 people

One of the largest teams in the global small and mid-market

30 years

1st private equity deal in the 80s,
1st primary fund in 1996, 1st secondary fund in 2000

5 locations

in Europe, North America and Asia

USD 9.4bn

43% of Unigestion's AuM

1

3 years running

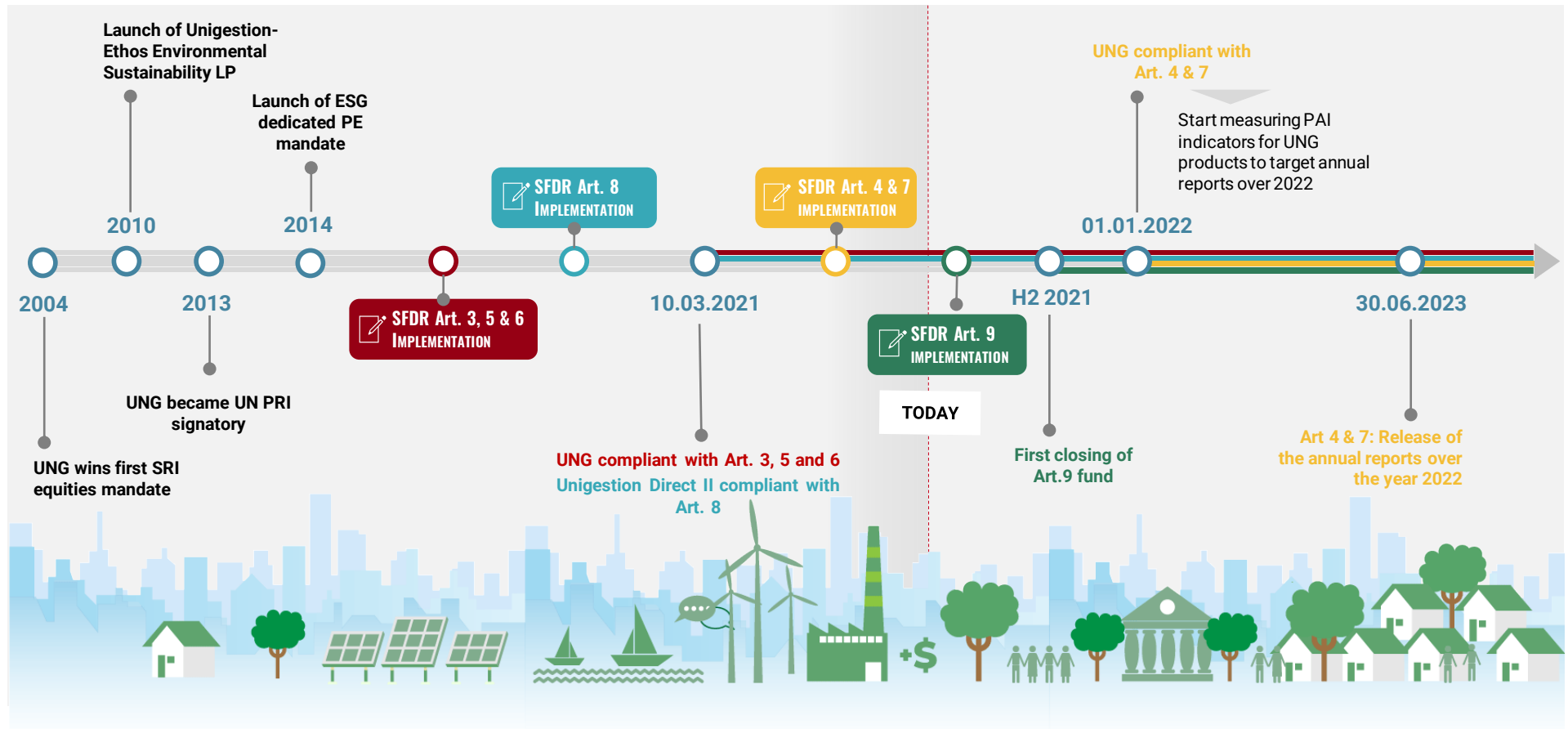


In order to win the "Private Equity Manager of the Year" award from European Pensions, firms had to demonstrate expert knowledge of the private equity space and passion for helping Europe's pension funds get the most from this complex area of the market. In 2018, judges highlighted Unigestion's effective partnerships with European pension funds, its consistently stable performance and innovative approach. Unigestion's receipt of awards is in no way indicative of any individual client or investor's experience with Unigestion or of Unigestion's future performance.

Source: Unigestion, as at March 2021



UNIGESTION'S ESG JOURNEY STARTED 17 YEARS AGO



Source: Unigestion, as of June 2021



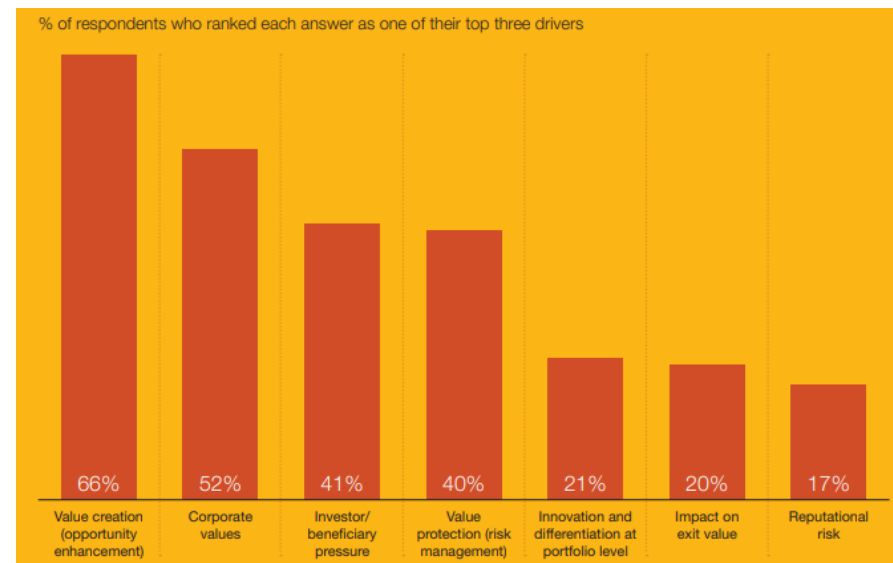
ESG HAS BECOME FRONT OF MIND FOR MANY PE FIRMS

2021 PwC survey with over 200 private equity firms, mostly European



PE firms are placing greater emphasis on all areas of ESG

Value creation is the leading driver of responsible investing / ESG activity



Source: PwC Global Private Equity Responsible Investment Survey 2021

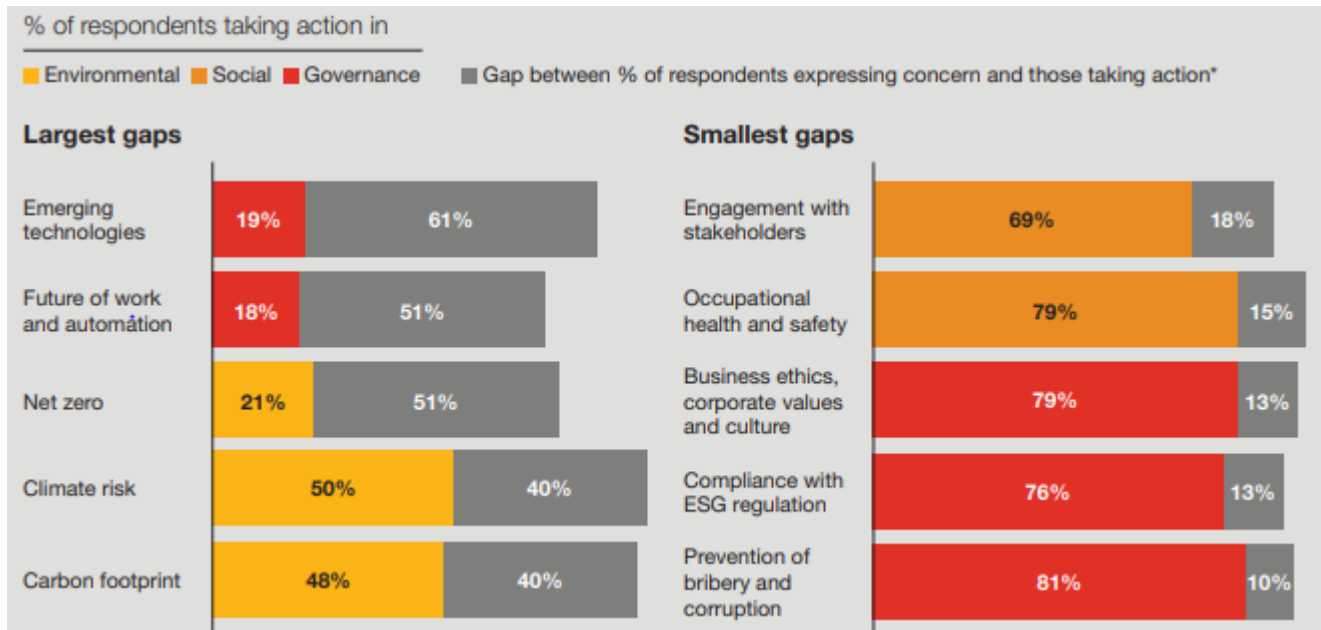


HOWEVER, GAPS REMAIN BETWEEN TALK AND ACTION

2021 PwC survey with over 200 private equity firms, mostly European

While responsible investment gains attention...

 <p>65% of survey respondents have developed a responsible investing or ESG policy and the tools to implement it.</p>	 <p>56% discuss ESG as part of the executive board agenda more than once a year.</p>
 <p>72% always screen target companies for ESG risks and opportunities at the pre-acquisition stage.</p>	 <p>38% have identified United Nations' Sustainable Development Goals (SDGs) that are relevant at a company portfolio level.</p>



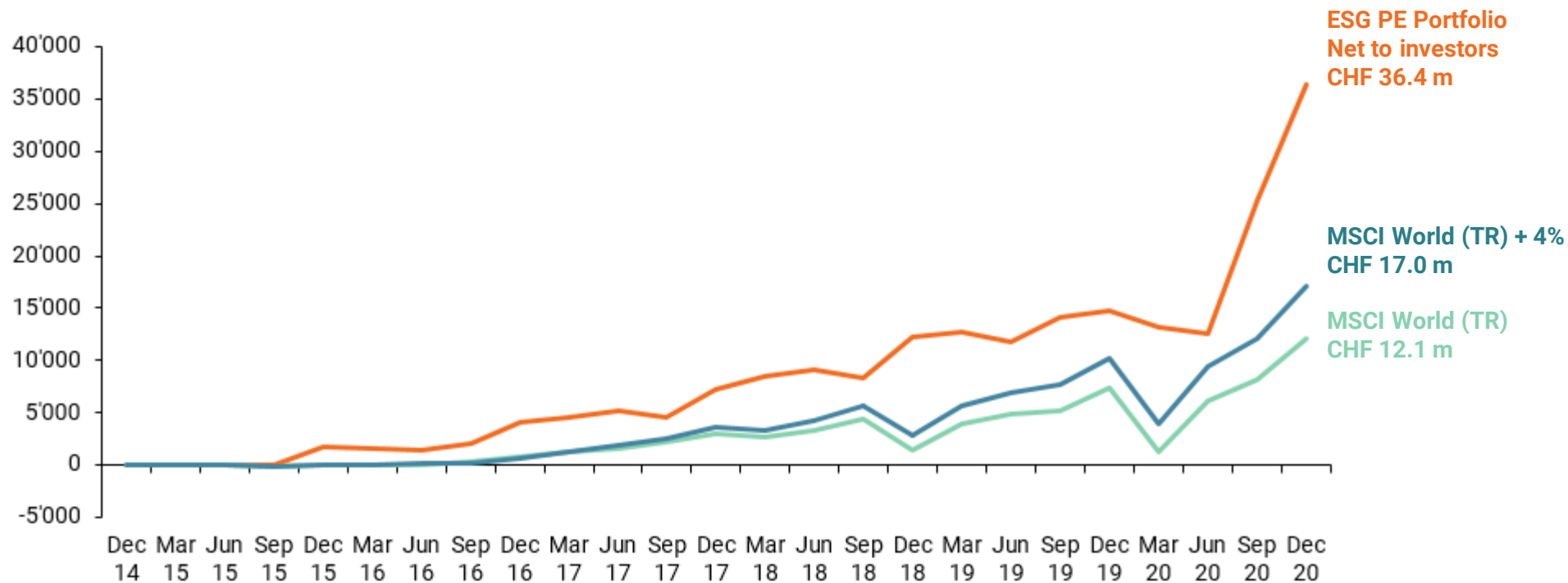
...gaps remain between concern and action on key ESG risks such as climate risk, carbon footprint and net zero



WHO SAID RESPONSIBLE INVESTING COMPROMISES RETURNS?

“Real life” ESG PE Portfolio managed by Unigestion vs. MSCI World (TR)*

CHF '000



Source: Unigestion and Bloomberg, as at 31 December 2020. * The result of MSCI World (TR) is calculated as if the net capital paid in to ESG PE portfolio had been synchronously invested in the index, with compounding. Please refer to the Important Information on performance at the beginning of the document. Past performance is not indicative of future performance.



THE ESG WINNERS

Examples of portfolio companies in “real life” portfolio delivering strong returns to investors

Company C1



- ▶ Largest electric vehicle (EV) charging network in the world, with more than 15,000 locations and a 70%+ market share
- ▶ Listed via a SPAC in September 2020
- ▶ **Current return:** 15.0x Mol

Company J1



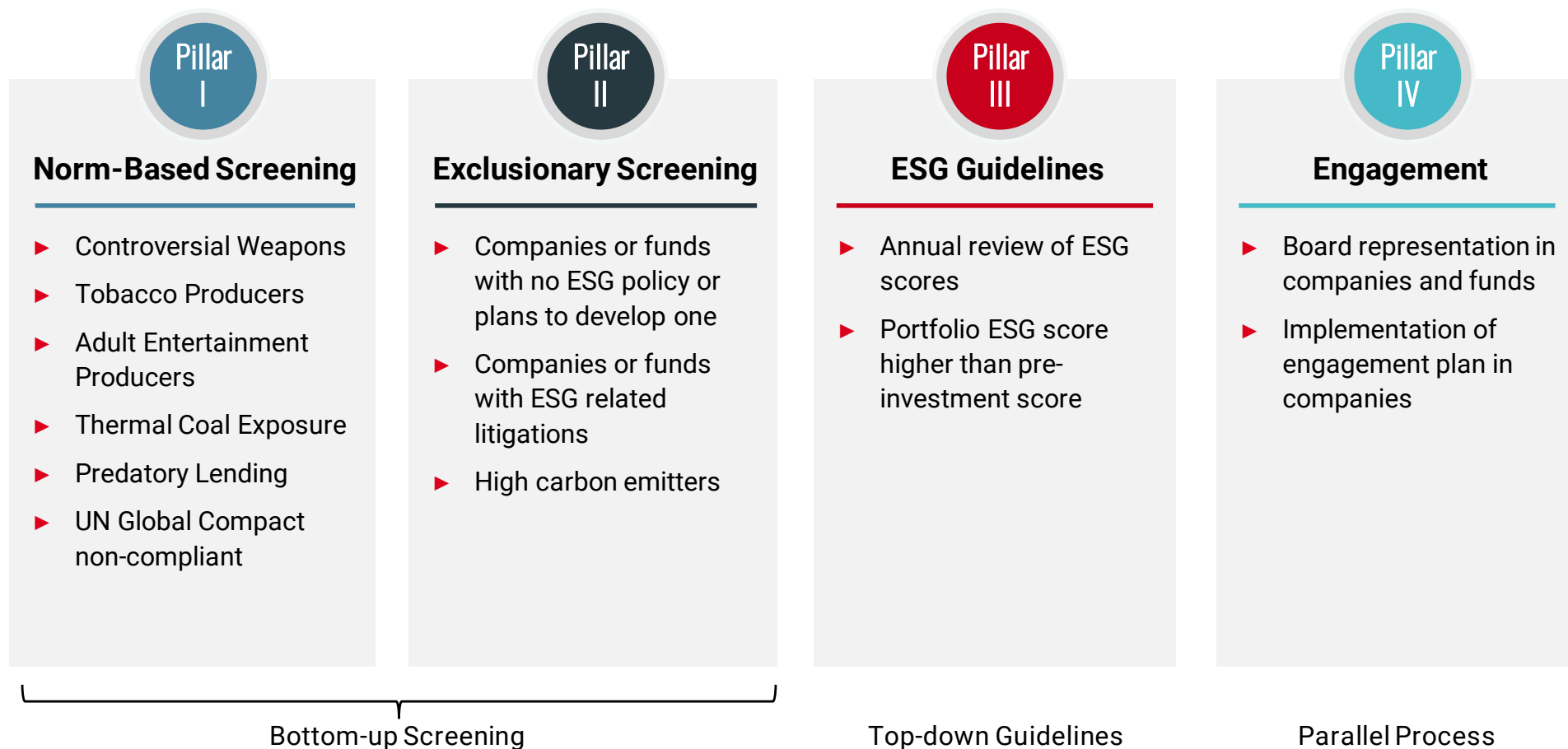
- ▶ Operator of solar energy generation projects in Japan, with over 200MW of grid-connected capacity
- ▶ Acquired by a large infrastructure fund in 2018
- ▶ **Realised return:** 2.9x Mol

Source: Unigestion, as at June 2021



HOW TO STRUCTURE A ROBUST ESG APPROACH

Unigestion's approach is based on four pillars

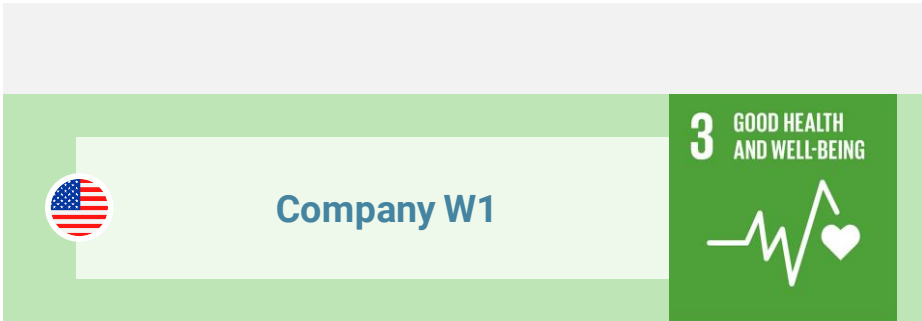



Source: Unigestion, as at June 2021




SFDR - POSITIVE CONTRIBUTION MUST BE CLEARLY EVIDENCED

Portfolio companies which are part of an Article 8 fund





 **Company W1**

3 GOOD HEALTH AND WELL-BEING




- ▶ KPI: 100% of revenues contributing to efficiency in health services
- ▶ Company W1 manufactures single-use precision medical wire and tubing components for a range of medical end markets, including neurovascular, cardiovascular and orthopedic
- ▶ Positive contribution to SDG 3 – Good health and well-being
- ▶ Positive contribution proven via third-party commercial due diligence and research claims.



 **Company C2**

11 SUSTAINABLE CITIES AND COMMUNITIES



- ▶ KPI: 100% of revenues contributing to high global safety standards
- ▶ Company C2 manufactures innovative optical sensors for elevators, escalators and automated doors, which contribute to high safety standards as well as energy efficiency in housing, commercial buildings and public transportation
- ▶ Positive contribution to SDG 11 – Sustainable cities and communities
- ▶ Positive contribution proven via third-party commercial due diligence.

Source: Unigestion, as at June 2021



SFDR - ESG RISKS MUST BE MEASURED IN TERMS OF FINANCIAL IMPACT

Company A1



Description: producer of grape-derived natural ingredients

Material ESG risks:

- ▶ Climate physical risk - acute
- ▶ Climate physical risk - chronic
- ▶ Addictive substances

ESG stress scenario 1 - Expected financial impact (material ESG risks)

	2021	2022	2023	2024	2025	2026	CAGR 21-26
EBITDA (€m)							
Prelim. UNG Case	30.0	34.0	35.1	37.7	38.1	40.6	6.2%
Revised (due to ESG risk)	30.0	32.4	30.3	32.1	33.3	35.9	3.6%
% change	0.0%	-4.7%	-13.4%	-14.8%	-12.6%	-11.4%	
CAPEX, Interest, liabilities one-off & other							
Prelim. UNG Case	6.5	5.9	4.2	3.6	3.5	3.8	
Revised (due to ESG risk)	6.5	5.9	9.2	3.6	3.5	3.8	
% change	0.0%	0.0%	119.0%	0.0%	0.0%	0.0%	
Net debt (€m)							
Prelim. UNG Case	-149.2	-139.1	-127.2	-112.6	-100.5	-83.0	
Revised (due to ESG risk)	-149.2	-140.0	-136.4	-126.1	-116.5	-102.8	
Equity value (€m) - UNG share							
UNG % ownership	24.5%	24.5%	24.5%	24.5%	24.5%	24.5%	
Prelim. UNG Case	44.3	57.5	63.2	73.9	78.1	88.9	
Revised (due to ESG risk)	44.3	53.0	48.3	55.6	61.3	71.6	
Multiple of invested cost (MOI)							
UNG invested capital (€m)	40.0	40.0	40.0	40.0	40.0	40.0	
Current MOI	1.1x	1.4x	1.6x	1.8x	2.0x	2.2x	
Revised MOI (due to ESG risk)	1.1x	1.3x	1.2x	1.4x	1.5x	1.8x	
ESG risk expected financial impact (€m)	0.0	-4.5	-14.9	-18.3	-16.9	-17.3	

ESG stress scenario 2 - Expected financial impact (chronic climate risk)

	2021	2022	2023	2024	2025	2026	CAGR 21-26
EBITDA (€m)							
Prelim. UNG Case	30.0	34.0	35.1	37.7	38.1	40.6	6.2%
Revised (due to ESG risk)	30.0	32.4	31.8	34.0	35.3	38.5	5.1%
% change	0.0%	-4.7%	-9.2%	-9.8%	-7.5%	-5.1%	
Multiple of invested cost (MOI)							
UNG invested capital (€m)	40.0	40.0	40.0	40.0	40.0	40.0	
Current MOI	1.1x	1.4x	1.6x	1.8x	2.0x	2.2x	
Revised MOI (due to ESG risk)	1.1x	1.3x	1.3x	1.6x	1.7x	2.0x	
ESG risk expected financial impact (€m)	0.0	-4.5	-9.4	-11.3	-9.5	-7.8	

Source: Unigestion, as at March 2021



ESG SCORING REQUIRES DATA... AND PATIENCE

Measuring companies against stringent ESG standards using quantitative and qualitative criteria

ESG processes & experience

- ▶ ESG policy, ESG officer
- ▶ ESG training
- ▶ Employees growth
- ▶ Significant ESG litigations

Environmental

- ▶ Environmental policy
- ▶ Environmental footprint tracking (CO2, water consumption, waste)
- ▶ % of renewable energy
- ▶ % of recycle waste

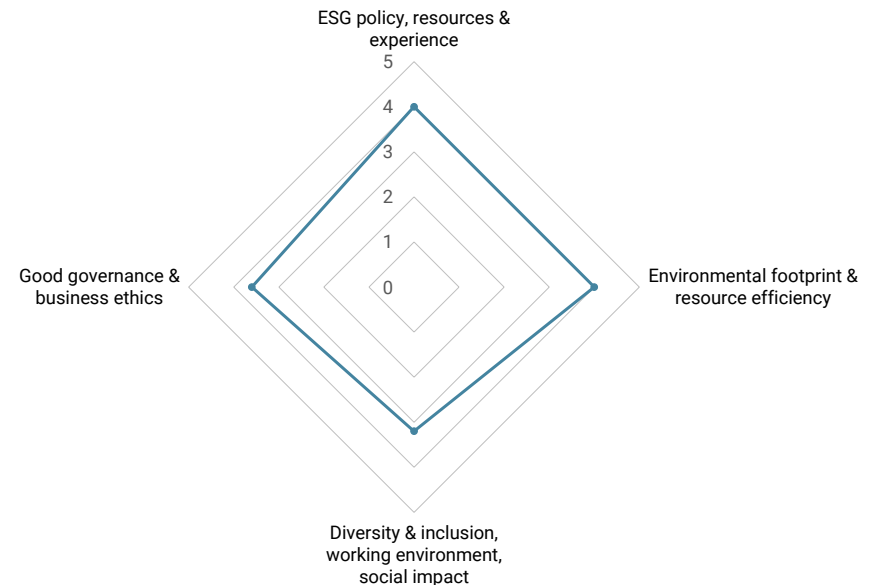
Social

- ▶ Diversity initiatives
- ▶ Charity initiatives
- ▶ Well-being initiatives
- ▶ Remuneration committee
- ▶ Health & safety incidents
- ▶ Absenteeism rate

Governance

- ▶ Corporate code of conduct and/or code of ethics
- ▶ Anti-money laundering, anti-bribery, anti-corruption
- ▶ % female executive management
- ▶ % independent Board members
- ▶ Separate audit committee
- ▶ Succession plan

ESG score: *Follower*



Source: Unigestion, as at June 2021



ESG SCORING IN ACTION - OUTLINING AREAS OF IMPROVEMENT

Supporting the ESG “beginners” and “followers” to become “leaders”

Portfolio company	ESG Score					Total	Unigestion classification
	ESG Processes	Environment	Social	Governance			
Company A	3.0	2.0	3.6	0.5	9.0 /20	Beginner	
Company B	3.0	2.0	2.0	0.0	7.0 /20	Beginner	
Company C	5.0	1.0	3.0	3.3	12.3 /20	Follower	
Company D	2.0	0.0	3.5	1.2	6.7 /20	Beginner	
Company E	3.0	0.5	3.0	4.2	10.7 /20	Follower	
Company F	2.0	0.0	4.0	3.2	9.2 /20	Beginner	
Company G	2.0	0.0	4.7	2.3	9.0 /20	Beginner	
Company H	5.0	2.8	3.6	4.2	15.6 /20	Leader	
Company I	3.0	1.0	5.0	2.4	11.4 /20	Follower	
Company J	3.0	0.0	5.0	1.0	9.0 /20	Beginner	
Company K	3.0	4.8	3.0	1.8	12.6 /20	Follower	
Company L	4.0	0.0	2.5	0.5	7.0 /20	Beginner	
Company M	3.0	1.5	5.0	3.9	13.4 /20	Follower	
Company N	2.0	1.5	5.0	4.4	12.9 /20	Follower	
Company O	3.0	1.0	4.0	1.0	9.0 /20	Beginner	
Company P	4.0	2.0	4.0	1.1	11.1 /20	Follower	
Company Q	5.0	1.8	4.0	3.2	14.0 /20	Follower	
Company R	5.0	1.2	5.0	2.8	14.0 /20	Follower	
Company S	4.0	2.1	4.0	3.3	13.4 /20	Follower	
Company T	2.0	1.7	2.5	3.0	9.2 /20	Beginner	
Company U	3.0	2.4	2.8	0.8	9.0 /20	Beginner	
Company V	3.0	2.0	5.0	2.5	12.5 /20	Follower	
Company W	4.0	1.4	3.0	3.5	11.9 /20	Follower	
Company X	2.0	0.0	4.9	4.0	10.8 /20	Follower	
Company Y	4.0	2.2	2.5	3.0	11.7 /20	Follower	
Average	3.3	1.4	3.8	2.4	10.9 /20		

Source: Unigestion, as at December 2020



PE OWNERS HAVE TIME AND INFLUENCE TO MAKE A POSITIVE IMPACT

It can take up to 5 years to drive real changes

Company K1



Description: nursery platform

Key areas of engagement → achieved

- ▶ Established Health & Safety committee, driving best in class behaviour in terms of incident reporting and safeguarding
- ▶ Implemented comprehensive staff & wellbeing policy
- ▶ Gender diversity: raised percentage of female C-executives from 33% to 66%
- ▶ Reduced inequalities: strengthened the recruitment and onboarding process of new staff

Company C3



Description: vertically integrated fresh fruit producer

Key areas of engagement → targets

- ▶ Carbon footprint – 40% reduction targeted for 2022-23
- ▶ Agricultural sustainability – 33% reduction of fungicides & insecticides
- ▶ Sustainable packaging – 30-40% reduction of plastic use adopting alternative solutions (e.g. recycling paper, compostable trays)
- ▶ Biodiversity – installation of drip irrigations in all the farms

Source: Unigestion, as at June 2021



ESG REPORTING IS CRITICAL

Investors should be able to measure progress using solid data management and reporting systems

ESG HIGHLIGHTS WITHIN UNIGESTION DIRECT II - EUROPE PORTFOLIO

Positive Contribution to UN Sustainable Development Goals (SDGs)¹²

Company	Sector	Description	Country	Date	Investment themes	SDG	KPI
	Industrials	APIs, flavorings and sweeteners		Feb 2020	Healthcare reengineered Personal wellbeing	SDG 3. Good health & well-being	84% of revenues contributing to health & wellbeing
	Business Services	Water standpipe rental services		Jun 2020	Resource efficiency	SDG 11. Sustainable cities and communities	100% of revenues contributing to efficient water usage
	TMT	Communication platform as a service		Aug 2020	Security & safety Resource efficiency	SDG 9 industry, innovation and infrastructure	97% of revenues contributing to access to information & communications technology
	Healthcare	Medical devices CRO		Aug 2020	Healthcare reengineered Resource efficiency	SDG 3. Good health & well-being	100% of revenues contributing to efficiency in health services
	Healthcare	Commercial intelligence for pharma		Sep 2020	Healthcare reengineered Resource efficiency	SDG 3. Good health & well-being	70% of revenues contributing to efficiency in health services

Unigestion ESG Score²

Portfolio company	Investment Process and Organization	Environment	Social	Governance	Total	Unigestion classification
	3.0	3.7	1.5	1.8	10.0 / 20	Follower
	5.0	1.9	4.0	3.0	13.9 / 20	Follower
	3.0	0.0	3.8	2.9	9.6 / 20	Beginner
	2.0	1.0	5.0	3.4	11.4 / 20	Follower
	5.0	1.0	3.0	2.4	11.4 / 20	Follower
Average	3.6	1.5	3.5	2.7	11.3 / 20	

Positive Contribution to UN SDGs



- ▶ KPI: 84% of revenues contributing to health & well-being
- ▶ Positive contribution to SDG 3 – Good health and well-being

Positive Contribution to UN SDGs



- ▶ KPI: 100% of revenues contributing to efficient water usage
- ▶ Positive contribution to SDG 11 – Sustainable cities and communities

Positive Contribution to UN SDGs



- ▶ KPI: 70% of revenues contributing to efficiency in health services
- ▶ Positive contribution to SDG 3 – Good health and well-being
- ▶ The company sells two products generating c.70% of revenues from pharma and biotech companies
 - offers customers historical and forecast sales data on drugs, therapeutic areas and diseases. This is key in the first step of the research journey for pharma companies
 - provides customers with a view of development risk of specific drugs / therapeutic area. This is key for Phase I & Phase II trials of new products
- ▶ Positive contribution proven via third-party commercial due diligence

Unigestion ESG Score

ESG score: **Follower**



Unigestion ESG Score

ESG score: **Follower**



Unigestion ESG Score

ESG score: **Follower**



Source: Unigestion, as at June 2021



PRIVATE EQUITY IS THE BEST PLACE TO MAKE A TRUE IMPACT

1

Private equity ensures real influence / control of a company's activity

2

Private equity backed companies tend to have less complex business models

3

Private companies have significant room for improvement, particularly in the small and mid-market

4

Robust ESG process is critical to achieve the best results



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