UNIGESTION

PRIVATE EQUITY
ESG REPORT 2024

CONTENT

PRIVATE EQUITY AT UNIGESTION

USD 10.3BN

Assets under management
in private equity

UN PRI SCORE

Direct private equity - ★★★★★ 94%
Indirect private equity - ★★★★☆ 89%

100%

Investment decisions
supported with AI

10

Offices worldwide

35%

Female employees

25

Employees' nationalities

4

SFDR Art. 8 strategies
in private equity

1

SFDR Art. 9 impact fund
in private equity

5,000+

Acquired companies

135+

Active LPAC seats

Figures as of 31st March 2024. Our complete PRI Transparency and Assessment Reports are available at https://www.unigestion.com/responsible-investment/policies-and-reporting/

Letter from Joana Castro

Head of ESG for Private Equity

Dear investor, dear reader,

It is with great pleasure that we present to you our third Private Equity ESG Annual Report, which details our approach to responsible investing in Private Equity, and the ESG development of our portfolios. Overall, this report is for our investors and clients to gain a better understanding of our ESG approach and see clearly the results and interpretations of our annual ESG analysis as well as our efforts to engage with companies and fund managers alike. As a pioneer in this area, we have long-standing expertise in addressing ESG in our investment process. We believe that ESG is a fundamental part of ensuring a sustainable future and is a key driver of change in our strategies. We have long realised that ESG is more than just risk management. We believe ESG is a value creation lever, with businesses that are managed responsibly commanding higher valuations.

ESG factors can act as catalysts for economic development as we face many geopolitical and economic challenges. Additional complexity comes from the exponential increase in the use of artificial intelligence. In the midst of risks and uncertainties, we have seen that companies with responsible business conduct, sound management structures, clear environmental policies and alignment with the well-being of stakeholders, i.e. “ESG Leaders”, are in a better position to overcome the challenges. In these circumstances, companies that integrate ESG into their practices can be considered to be better placed for the long term; indeed, we seek sustainable businesses where growth is underpinned by long-term trends rather than macroeconomic factors. ESG leadership, in our view, is an indicator of a high-quality business - something we appreciate as investors.

Unigestion is a global investor, but being headquartered in Geneva, Switzerland, means we have a particularly strong European network of clients as well as investees. Therefore, we are well positioned to closely follow the evolution of the European sustainability industry. Sustainability regulation, led by Europe, continues to play a significant role in revolutionising the investment industry, with the greater standardisation, transparency and measurability brought in as a result of the Sustainable Finance Disclosure Regulation (SFDR). The purpose of the creation of the sustainable finance system has been to support the EU’s goal of becoming climate-neutral by 2050. This is something we believe will only accelerate in the future, despite the volatile political agenda in other regions.

On a practical level, there continues to be challenges - particularly around data availability and the human resource intensity of collecting and interpreting the data. As described later in this report, we work tirelessly to address these issues, hand-in-hand with many peers in the private equity industry.

Last but not least, I want to thank our limited partners, investment partners, stakeholders and the companies in which we invest for their support and commitment to sustainability. We take this opportunity to reaffirm our commitment to supporting the ESG journey of our investees and our clients.

European Pensions AWARDS 2022 WINNER Private Equity Manager of the Year

Swiss Sustainable Finance

PRI Principles for Responsible Investment

Sustainable Finance Geneva

SASB ALLIANCE

Transition Pathway Initiative

initiative climat international — Private equity action on climate change

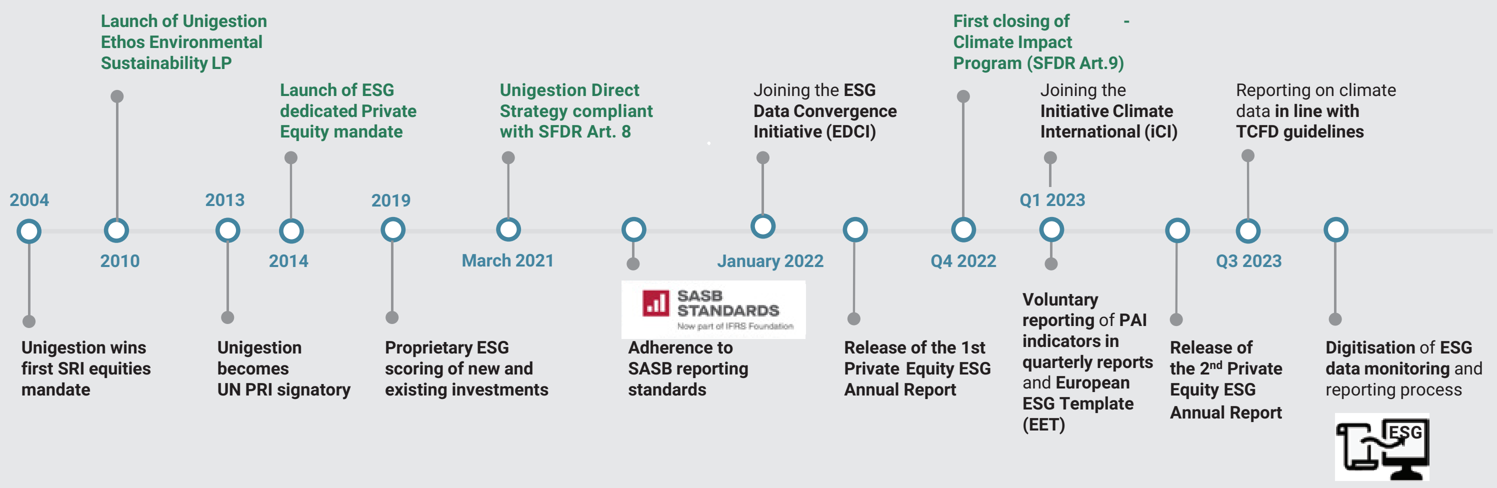
privateequitywire EUROPEAN AWARDS WINNER 2021 Best Secondaries Manager (fund size <$1bn) Unigestion

ESG Data Convergence Initiative

EXECUTIVE SUMMARY

We are proud to present our latest Private Equity ESG Annual Report, highlighting our continued commitment to environmental, social, and governance factors as an integral part of our investment approach. In recent years, ESG considerations have moved beyond risk mitigation and become a key driver of performance for companies and investors alike – a development we support.

Unigestion's ESG journey in private equity



Source: Unigestion as at 31.03.2024

Unigestion's ESG journey started 20 years ago with our first SRI (Socially Responsible Investment) equities mandate. In PE, we launched our first ESG product in 2010. Our ESG journey has been strengthened by continuous improvement, including the implementation of the various sustainability regulations, joining new ESG initiatives such as the EDCI, iCI, TCDF and most recently the digitisation of our ESG process.

As the industry evolves, there is an increasing volume of ESG data which has led us to select the platform Reporting21 by Cority to support us. The digitisation of the ESG data management process is a very welcome upgrade (after relying on Excel spreadsheets to manually compile and evaluate large datasets) and facilitates our communication with investees. We onboarded the Reporting21 platform in H2 2023, which meant that the annual ESG data collection campaign was run later in the year than usual. The latest data collection campaign was then run in Q1 2024 to meet the regulatory deadlines and to enable us to provide processed data to our investors on time for their own SFDR disclosures. Given the close timing of the two data collection campaigns, we have decided to provide insights into both datasets as part of this report, presenting the most current status of our portfolios.

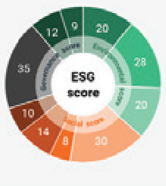
While the digitisation helped our communication with investees, achieving an over 80% response rate to all three types of ESG questionnaires (companies, funds and fund managers), the coverage rates per KPI remain significantly lower than this rate, as many investees struggle to obtain the requested data. More details are presented below under the portfolio review chapters.

This report also introduces our approach to integrating ESG factors across the business lines and provides a description of our updated ESG scoring methodology for private equity funds and companies.

ESG and impact across our private equity programs

ESG INTEGRATION

Engagement and reporting on ESG topics



All Unigestion Programs

POSITIVE IMPACT

Companies whose economic activities promote environmental and/or social characteristics

Unigestion Direct II
Unigestion Direct III
Unigestion Secondary VI FPCI
Mandate P
(SFDR Art.8)

SUSTAINABILITY

Companies whose economic activities have positive impact + no negative externalities + good governance

Climate Impact Program
(SFDR Art.9)

Refer to the disclaimer at the end of this report, which provides additional information applicable to the material presented.
Past performance is not a reliable indicator of future results. For illustrative purposes only.

ESG is integrated across all of our strategies. We now have four programs with environmental and social characteristics (SFDR Art. 8). Further highlights include the successful ongoing deployment of Climate Impact, our first SFDR Article 9 program. This strategy has also published its first SFDR periodic disclosure, which was audited by PwC. The audit process was rigorous, we had to provide evidence for every piece of disclosed information. PwC concluded that it is indeed compliant with the sustainability definition of SFDR. We are proud to have achieved this successful outcome and are committed to apply similar rigour when evaluating the ESG profile of investees across our other portfolios as well.

In parallel with the Art.9 Climate Impact program, the Private Equity team at Unigestion currently manages two direct strategies, one secondary program and a custom mandate which are all classified as Art. 8 under SFDR. Serving clients with preferences for sustainability requires not only increased investment discipline but also the careful consideration of market and regulatory developments. We have included below an outlook on the expected changes in sustainability regulation, with information correct as at July 2024, for the benefit of our clients.

Last but not least, we present case studies of selected funds and companies that showcase our ESG engagement activity. Our customised approach is appreciated by investees, who look at our engagement as a helpful resource for their own development, rather than an extra reporting burden. One point we often touch upon is the reduction of GHG emissions, and we typically draw investees' attention to an initiative we advocate: the Science Based Targets Initiative (SBTi). SBTi aims to help companies set science-based emissions reduction targets to limit global warming. We are holding active discussions with our investees to encourage them to sign up to the initiative and take action to reduce their carbon footprint in order to mitigate the risks of climate change and support the global efforts to achieve 1.5-degree alignment. We have analysed our portfolios to understand the extent to which our investees are committed to achieve GHG emission reduction targets. While the proportion of SBTi committed holdings is still small, we see a positive trend.

For example, in Unigestion Secondary V - Europe there are 18 companies[1] committed to net zero, as at July 2024, accounting for 22% of the portfolio's net asset value.

SBTi Net Zero Commitments
Unigestion Secondary V - Europe

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

2022	2023	2024
17%	18%	22%

Our ultimate goal remains to be good stewards of the capital with which our clients have entrusted us. As a result, we continue to manage those assets to best adapt to a changing future, thus maximising their value. Our ESG framework is fully aligned with this mission.

[1] Including companies held by the Net Zero-committed fund Euroknights VII (Argos Wityu)

OUTLOOK:
SUSTAINABILITY REGULATION UPDATES WHAT IS EXPECTED TO CHANGE?

Staying ahead of the quickly evolving market of sustainable investing is a challenging task. Therefore, we ensure that our portfolios are prepared for the upcoming changes. Through Unigestion's extended network we have the most up-to-date information about the expectations of market participants and regulatory bodies. For the benefit of our clients, we provide a summary below.

ESMA guidelines on funds' names

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, published the final report containing guidelines on funds' names using ESG or sustainability-related terms in May 2024. As per ESMA, the objective is to ensure that investors are protected against unsubstantiated or exaggerated sustainability claims in fund names, and to provide asset managers with clear and measurable criteria to assess their ability to use ESG or sustainability-related terms in fund names.

Once the Guidelines are translated into all official EU languages, the competent local authorities will have to endorse these in order to come into force. The Luxemburg authority, CSSF, confirmed that it will endorse the Guidelines. However, it mentioned that some points can be interpreted differently and thus might cause market fragmentation. For example, for fully invested closed-end funds, changing their name to comply with the new regulation would entail significant costs, due to all the legal fees of updating funds' documentation. This is not in the best interest of asset owners. Therefore, the CSSF is expected to find another route to compliance for invested funds. The regulation is expected to apply to previously established funds from April 2025, allowing a nine-month period for adoption.

Unigestion's programs are already compliant with the proposed guidelines.

SFDR Regulatory Technical Standards (RTS) revision

In December 2023, the European Supervisory Authorities (ESAs) published the final version of the revised draft SFDR RTS, containing amendments based on market feedback. Normally, the European Commission should have approved these in Q1 2024, but given that the EU parliamentary elections were held in June, we can only expect the signoff from the new European Commission in September 2024. The new RTS will be published in the Official Journal of the European Union around Q1 2025 and will most probably enter into force in Q1 2026. The changes versus the current version include:

- more precise definition and calculation of the proportion of sustainable investments,
- adjustments to the DNSH requirements,
- amendments to the Principle Adverse Impact Indicators (PAI) framework,
- disclosure requirements for funds with GHG emissions reduction targets,
- updates to the disclosure templates.

General revamping of the SFDR regulation

There is a high chance that the general revision of the SFDR will pass. Many market participants are looking at the SFDR as a labelling regime, interpreting the Art.8 and Art.9 disclosures as labels, contrary to the intent of the regulation, which aimed to be a disclosure regulation. The ESAs realised this and as a result of a major consultation it is likely that the SFDR will be turned into a "product categorisation" regulation. In this case, financial market participants will have to self-categorise their products according to three predefined categories with minimum requirements. "Art.8 & 9" will be replaced by categories such as "sustainability", "transition" and "basic exclusion", as recommended by the ESAs to the Commission in the June 2024 Opinion paper.

According to some market participants, there will be mandatory audits for these self-categorised products performed by authorised third parties.

Furthermore, it is likely that there will be a common set of sustainability indicators and one or more of these will be mandatory for all investments, for comparability reasons. This is expected to be a GHG emissions measure, but it is a very political question to determine. The ESAs also recommended the usage of the EU Taxonomy to determine sustainability relying on more scientific and standardised measures versus the principal-based "home-made" methodologies applied today. The current definition under Art.2 no. 17 of SFDR would only apply to social investments, lacking a Social Taxonomy. The ESAs urged the extension of the EU Taxonomy to cover all economic activities. According to the estimates of subject matter experts, the general revamping of the SFDR will not happen before 2027.

In any case, as long-term investors, we will continue to follow developments and will fine-tune our approach as needed.

OUR APPROACH TO INTEGRATING ESG FACTORS

Unigestion integrates ESG considerations across all business lines. From research and sourcing, to analysis and engagement, we go the extra mile to ensure the best possible outcome for our clients. To harmonise our ESG efforts, we have developed a four-pillar approach (see chart below) which is applied to all asset classes we manage. This includes strict screening criteria in the early stages of evaluating new opportunities by employing norm-based and exclusionary screenings (Pillar I & II). By doing this we ensure that, for example, tobacco producers, controversial weapons or excessive carbon emitters will not be found in any Unigestion private equity program. For the opportunities that pass our norm-based and exclusionary screenings, we review ESG considerations pre-investment and during our holding period in accordance with our proprietary scoring methodology (Pillar III). We aim to improve the ESG profile of our investments via engagement initiatives with clear objectives and timelines (Pillar IV).

Our four-pillar approach

For each new investment, we actively exclude opportunities that do not meet key ESG norms including investments in tobacco, adult entertainment, thermal coal, predatory lending and UN Global Compact non-compliance. Furthermore, we also exclude from our investment universe investees that (i) have no ESG policy or no intention to develop one during our ownership, (ii) have one or more major ESG related litigations or (iii) are high carbon emitters.

With respect to risk mitigation, we conduct a qualitative and quantitative assessment of the material ESG risks, and determine the financial impact on the investment should substantial ESG risks materialise. As part of our ESG due diligence for every new investment, we measure companies against stringent ESG standards. In 2019, we implemented a proprietary ESG scoring system with a view to ensuring a consistent and comprehensive approach to ESG due diligence. In 2023, we enhanced our scoring methodology to include new quantitative criteria (e.g. GHG emissions scope 1 to 3, gender pay gap, excessive CEO pay ratio) and new ESG topics such as biodiversity, employee survey, supply chain, and data & IT security. According to this scoring system, each direct investment opportunity is rated out of 100%. Investments are categorised as follows: under 25% “Lagger”, between 25% and 50% “Beginner”, between 50% and 75% “Follower” and above 75% “Leader”.

The score of each direct investment results from the measurement of 50 criteria, of which 26 are quantitative, from across the spectrum of four ESG categories: (i) ESG Process & Organisation, (ii) Environmental, (iii) Social and (iv) Governance.

In the case of fund investments, our enhanced methodology covers both the fund managers as well as the funds under management, attributing greater weight to the firm’s ESG criteria for the time being while the private equity industry improves its disclosure of quantitative ESG criteria for funds. According to this scoring system, each fund investment is rated out of 100%. Investments are categorised as follows: under 25% “Lagger”, between 25% to 50% “Beginner”, between 50% to 75% “Follower” and above 75% “Leader”.

The score of each fund investment results from the measurement of 76 criteria, of which 35 are quantitative, from across the spectrum of ESG categories: (i) ESG Process & Organisation, (ii) Environmental, (iii) Social and (iv) Governance.

The quantitative criteria are harmonised with the principles of the SFDR and EDCI.

This is an important tool allowing the investment team to gain a thorough understanding of the level of ESG integration of a company or fund, as well as to determine specific key performance indicators (KPIs) and the potential engagement plan on specific issues. Once the Investment Committee has approved the investment, the engagement plan is implemented and closely monitored alongside the annual update of the ESG score. Our goal is to develop our investments into ESG leaders in their respective industries, as this will be a core feature of the leading companies of the future.

KPIs which we see as most significant are tracked annually with the results from our 2024 analysis presented in the forthcoming pages. Please note that the analysis is based on an internally developed methodology and therefore reflects our opinion.

ESG IN FUND INVESTMENTS

Unigestion started to invest in private equity funds in 1996 and has made more than 500 fund investments to date. Thanks to our wide network, we are able to scan hundreds of fund opportunities every year.

As outlined in the previous section, fund investments are assigned an overall ESG score as part of our due diligence and, based on the results, we develop an engagement plan with the fund managers to monitor their progress on all relevant ESG factors.

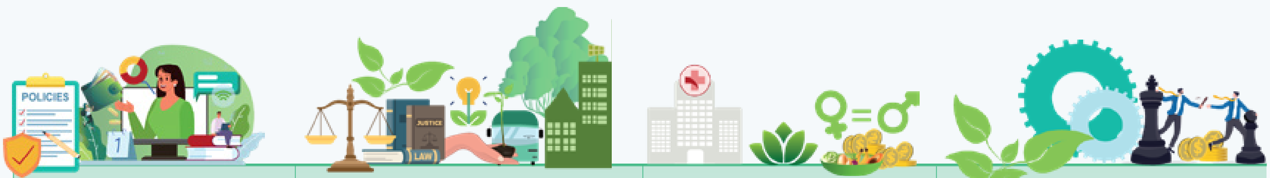
In 2024, we completed the annual ESG review of our existing fund investments, with ESG data requested from 184 funds and 121 GPs (fund managers). As a result, we have data from 93% of GPs, and while close to 90% of funds have submitted their ESG questionnaires, we only have more than 10% of the requested KPIs for 64% of them. Coverage rates vary significantly by KPI, reflecting the very divergent abilities of GPs in collecting portfolio-level data. We have observed that while the relevant high-level policies are in place, confirming their intention, practical implementation of data collection is in many cases lagging. We expect to see increasing data coverage in the coming years.

When evaluating the results, it is important to note that the comparison to 2022 is not fully relevant, due to the enhancement of our methodology. As previously described, we have requested an increased number of fund-level quantitative KPIs that many investees cannot provide at this time.

Fund managers need time to adapt to the more stringent ESG data requirements that we apply, following the development of the industry and regulation. As a consequence, we see a decline in the scores of most funds, which is not caused by any actual deterioration of ESG practices but by our stricter scoring criteria.

Key criteria considered in our ESG scoring methodology for funds and fund managers

FUND MANAGER FOCUSED



ESG Organisation and Process
- ESG policy & bodies
- ESG resources
- ESG training
- ESG integration & reporting
- ESG in remuneration

Environmental
- Environmental initiatives
- Climate & biodiversity objectives
- Climate risk assessment
- Environmental litigations for non compliance, financial and reputational risks

Social
- DEI policy
- Wellbeing initiatives
- Gender pay gap
- % of female employees
- Social incidents
- Active ownership
- Turnover rate
- Health and safety incidents
- Absenteeism rate
- Labour and social issues

Governance
- Fair treatment of investors
- Litigations
- Corporate code of conduct and/or code of ethics
- Anti money laundering, anti-bribery, anti-corruption
- % of women in senior positions
- Succession plan
- At portfolio level
  - Independent board members
  - Ethics policy
  - Implementation committees
  - Background checks
  - Data and IT security

FUND FOCUSED

ESG Organisation and Process
- N/A

Environmental
- GHG emissions (Scope 1 to 3), GHG intensity and carbon footprint
- CO_2 footprint offsets
- Emissions of pollutants – e.g. air, inorganic, ozone depletion substances
- % of energy consumed and/or produced from renewable sources
- Impact on biodiversity sensitive areas
- Emissions to water
- Waste – hazardous waste, % of recycled waste
- Commitments to net zero/Paris alignment goals
- Board oversight of climate issues

Social
- Gender pay gap
- Board gender diversity
- Excessive CEO pay ratio
- Human rights and whistleblower policies
- Absenteeism rate
- Employee survey
- Employees' growth
- Turnover rate
- Health and safety incidents

Governance
- Violation of UN Global Compact Principles and OECD Guidelines for Multinational Enterprises
- Lack of processes and compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises

Highlights of the 2024 ESG Review of Fund Investments

65% of European funds are Leaders or Followers

86% of funds classified as Leaders are European

There are no Laggers in Asia

79% of emerging managers are Beginners

17% of secondary funds are Leaders; the highest proportion of all groupings

Unigestion's fund portfolio is composed of:

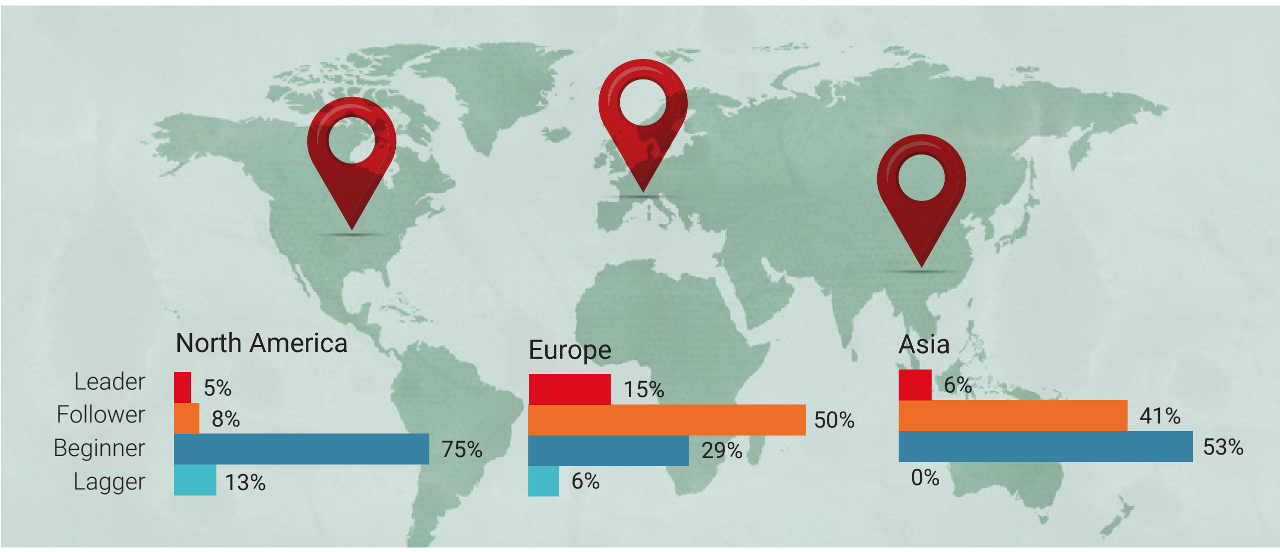
12%	Leaders	*2023 - 8%*
40%	Followers	*2023 - 41%*
41%	Beginners	*2023 - 32%*
7%	Laggers	*2023 - 19%*

We have analysed the ESG performance of our funds by strategy, by geographical focus and by vintage. By strategy, we differentiate funds belonging to Unigestion's Emerging Managers (EMs) program, investments of our secondary vehicles (SEC) and established primaries or primaries outside of the EM program (PRIM). EMs are typically in the process of establishing themselves as future stars and appreciate Unigestion's support along their journey of institutionalisation. Established primaries typically fall into two buckets in terms of ESG profile: those that consider ESG factors as value creation levers and have incorporated these into their processes, versus those who find it more difficult to see the value in ESG. Unigestion's impact on these managers depends on our relative investment size and the quality of the relationship, therefore we fine-tune our approach to helping them advance their ESG profiles accordingly. As for SEC funds, these tend to be mature vintages and managers typically put less effort into their ESG integration, as exits are more imminent.

We also compare funds by geographical focus. Across our portfolios, European funds and fund managers tend to perform best in terms of ESG profile, especially in the environmental category, while North Americans tend to emphasise social and governance issues more.

Interestingly, pre- and post-2020 vintage funds have a similar range of ESG scores. This suggests that while managers focus their ESG efforts more on newer vintages, the setup of reporting capabilities for portfolio companies takes considerable time and effort.

The map below shows the distribution of 2024 fund scores by their target regions



Any apparent discrepancies in numbers are due to rounding.

Selected ESG KPIs in Unigestion's Fund Portfolio

97%	46%	60%	99%
Have responsible investment policy	Measure GHG emissions	Track number of work-related injuries & fatalities	Have data & cyber security policies at portfolio level

ESG categories		ESG process & organisation	Environmental	Social	Governance
Selected KPIs		Have responsible investment policy	Measure GHG emissions	Track number of work-related injuries and fatalities	Have data and cyber security policies at portfolio level
All	All funds	97%	46%	60%	99%
By strategy	EMs	100%	3%	22%	100%
	SEC	90%	55%	70%	100%
	PRIM	99%	50%	63%	99%
By geography	Europe	97%	55%	67%	99%
	North America	96%	14%	35%	100%
	Asia	96%	61%	64%	97%
By vintage	2020+ vintage	100%	51%	66%	98%

97% of our fund investments (by AUM) is with fund managers who told us that they have a Responsible Investing / ESG Policy in place, with only four fund managers responding that they don't have such a policy. All responding funds with a vintage from 2020 and younger answered positively, confirming that this in an important aspect for recent funds. Having an ESG policy or committing to the introduction of one is an investment criterion for all Unigestion-managed programs. We believe this sets the tone for investees to think about ESG related risks and opportunities adapted to their business. We continue to engage with the four managers lagging on this KPI.

Some 46% of our funds measure and report their GHG emissions. Emerging managers are significantly lagging behind established managers, showing that implementing GHG emissions measurement across portfolio companies is a cumbersome task that takes time and dedication from managers. The other lagging group is North American funds, only 14% of which could report on GHG emissions in 2024. With more relaxed environmental regulation, US-headquartered fund managers typically only collect environmental data if they are focused on environmental topics or if they wish to appeal to European investors.

60% of funds measure and report the number of work-related injuries and fatalities across their portfolio companies. It is clear that North American managers focus more on social and governance topics than on environmental, 35% reporting on this KPI versus 14% on GHG emissions.

Almost all respondents confirmed having data and cybersecurity policies and processes in place, with no significant regional or other differences.

ENGAGEMENT ACTIVITY

Below, we showcase examples of our ESG engagement activity with fund managers. In general, our objective is to engage with all fund managers, on a materiality basis, especially those with a lower classification and thus with greater potential to improve. We prioritise managers that appreciate our support in their ESG journey, maximising our impact across our portfolios. For each fund manager, we actively identify ESG topics for potential engagement, adapting our approach to their situation and phase of development.

LEA PARTNERS – FROM OUR EMERGING MANAGERS PROGRAM / DACH

LEA PARTNERS

Industry: B2B Software and tech focus
Market: DACH
AUM: €2bn

LEA Partners entered Unigestion's portfolio as an emerging manager. The GP was founded in 2016 and is headquartered in Germany. It targets building leading B2B digital businesses across DACH with diverse end-markets. Unigestion recognised the team's proven approach to source and create value in the B2B technology software industry. The GP successfully graduated from our Emerging Manager program allowing one of our mandate clients to commit to Fund III.

ESG scores

ESG score 2022	Enhanced ESG score 2024*	ESG score target
GP: 67% - Follower	GP: 39% - Beginner	GP: min. 50% - Follower
Funds: N/A	Fund II: 18% - Lagger	Fund III: min. 50% - Follower Fund II: min. 25% - Beginner

*data collected in Q1 2024, thus not entirely reflecting the status as at July 2024

UNG engagement activity

	Due diligence (2022)	Engagement 1	Engagement 2 (2024)
UNG engagement activity	Setting up initial targets, communicating ESG beliefs & expectations	Intro to new Head of ESG, sharing best practices, connecting to network for sharing of experience	Discuss updates, ESG KPIs and evaluation, future priorities
Outcomes	• ESG Policy	• Hired Head of ESG • Responding to enhanced ESG questionnaire • Industry networking for ESG best practices	• Committed to roll-out of ESG data collection and reporting for all portfolio companies– PAI, EDCI aligned metrics • Agreed to implement future priorities

Future priorities:

- UN PRI signatory
- Join a relevant industry initiative
- Introduce DEI Policy
- Increase % share of renewable energy usage (fund & portfolio companies)
- Implement cyber security policy for 100% of portfolio companies

Selected KPIs

- ESG aspects included in performance review or remuneration
- GHG emissions reported by part of the portfolio
- tracking employee turnover at portfolio companies
- necessary ethics policies are in place

Sources: LEA Partners, Unigestion, as at July 2024.

NEXT CAPITAL – ESTABLISHED MANAGER / AUSTRALIA

Industry: Generalist
Market: Australia
AUM: €550m

Next Capital is a leading lower mid market buyout investor based in Australia focusing on companies with strong fundamentals and sustainable competitive advantages, primarily in the Australian services sectors. The team has a strong operational focus and cultivates successful relationships with founders and investee company management. Its active ownership approach entails weekly interaction with companies. Unigestion is invested in Fund III, IV and V.

ESG scores

ESG score 2021	Enhanced ESG score 2024	ESG score target
GP: 74% - Follower	GP: 73% - Follower	GP: min. 75% - Leader
Funds: N/A	Fund V: 27% - Beginner Fund IV: 21% - Lagger Fund III: 21% - Lagger	Fund V: min. 50% - Follower Fund III-IV: min. 25% - Beginner

UNG engagement activity

	2016	2022		2024
UNG engagement activity	**Due diligence** Setting up initial targets, communicating ESG beliefs & expectations	**Engagement 1** ESG disclosures	**Engagement 2** Environmental – GHG emissions	**Annual ESG data collections** All ESG categories
Outcomes	• ESG policy introduced	• Nominating ESG referent and ESG committee • Annual bonus is linked with responsible investing goals		• Whistleblowing policy • Medical coverage • Committed to roll-out of ESG data collection and reporting for all portfolio companies

Future priorities:

- Support roll-out of systematic reporting of company KPIs
- Recommend setting Science Based Targets to achieve net zero emissions
- KPIs to add:
  - Scope 3 GHG emissions
  - % waste recycled
  - Gender pay gap

Selected KPIs

- **100%** of boards at portfolio companies oversee climate risks and opportunities
- ✓ committed to making progress to achieve net zero across operations and investment portfolio
- **40%** of senior positions in the firm held by females
- thorough cyber security measures at the portfolio level

Sources: Next Capital, Unigestion, as at July 2024.

ESG IN DIRECT INVESTMENTS

In the past two years, our activity on the direct side has been very high. We have exited 13 companies, generating much sought-after liquidity for our clients, and diligently managed existing portfolio companies. In addition, our second SFDR Article 8 vehicle, Unigestion Direct III (UD III), has recently closed. The program has already committed to seven companies: four in North America and three in Europe. Besides the direct strategy, we are also investing in companies via the Climate Impact portfolio, which now has five investments, in parallel with our secondary and mandate programs. We often invest in companies through continuation vehicles otherwise known as GP-led secondaries.

In all company due diligence, we apply the four ESG pillars, as described previously, which have been adapted to the special features of the investment programs. For example, for the SFDR Article 8. UD II and UD III programs, we have - as the first step - the assessment of promotion of environmental and social characteristics.

ESG in the deal process (UD III)

Sourcing	Preliminary review	Scoring and early warning memo	Modelling and due dilligence	Investment Committee decision and execution	Portfolio management and engagement
Promotion of environmental and social characteristics • Growth underpinned by long-term trends • Assessment of support to environmental and/ or social themes **Supporting assessment** • Where possible: link to at least one SDG target	**ESG screening** *(Pillars I & II)* • Exclusion list based on UN PRI *(Pillar I)* • Negative screening: no ESG policy or no intention to develop one, ESG related litigations, high carbon emitters *(Pillar II)*	**Preliminary ESG analysis** • Qualitative assessment of material ESG risks • Material ESG risks documented in early warning memo for consideration by the Investment Committee	**ESG due dilligence** • Completion of ESG questionnaire and calculation of ESG score *(Pillar III)* • Quantitative assessment of material ESG risks – incl. financial impact • Engagement potential analysis • Determination of engagement plan (path to “best in class”)	**Final ESG validation** • Approval of ESG due diligence outcome by Investment Committee	**Ongoing ESG engagement** *(Pillars III & IV)* • Implementation of engagement plan • Ongoing monitoring • Annual update of assessment / scoring • Annual report to investors

In 2024, we updated the ESG scores of our direct investments, requesting data from 100 companies in total. We have more than 10% coverage of the requested ESG data for 93 of them, representing 95% of our direct investments by AUM. As expected, coverage rates per KPI diverge significantly, company by company.

Key criteria considered in our ESG scoring methodology for direct investments

Governance

- Corporate code of conduct and/or code of ethics
- Anti money laundering, anti-bribery, anti-corruption
- Whistleblower and human rights policies
- % of female executive management
- % of female board members
- Excessive CEO pay ratio
- Independent audit committee
- Succession plan
- EU Taxonomy alignment
- Internal process to monitor compliance with UN Global Compact Principles & OECD Guidelines for Multinational Enterprises
- Supply chain risk management
- Protection of data and IT security

ESG Process & Organisation

- ESG policy, ESG resources
- ESG training
- ESG initiatives
- Significant ESG litigations

Social

- Employees' growth
- Social initiatives (e.g. diversity, charity, well-being)
- Employee survey
- Gender pay gap
- % of female employees
- Remuneration committee
- Health & safety incidents
- Social litigations
- Turnover rate
- Absenteeism rate

Environment

- Environmental initiatives
- GHG emissions (Scope 1 to 3), GHG intensity and carbon footprint
- CO_2 footprint offsets
- Emissions of pollutants (e.g. air, inorganic, ozone depletion substances)
- % of energy consumed and/or produced from renewable sources
- Impact on biodiversity sensitive areas
- Emissions to water
- Waste – hazardous waste
- % of recycled waste

HIGHLIGHTS OF THE 2024 ESG REVIEW OF DIRECT INVESTMENTS

29% of companies improved their score since 2022 despite the enhancement of the scoring methodology

All geographies scored highest in the ESG process & organisation category

Asian companies scored better in the social category than in the environmental category

North American companies lag behind in the environmental category

65% of Laggers are in North America

Unigestion's direct portfolio is composed of:

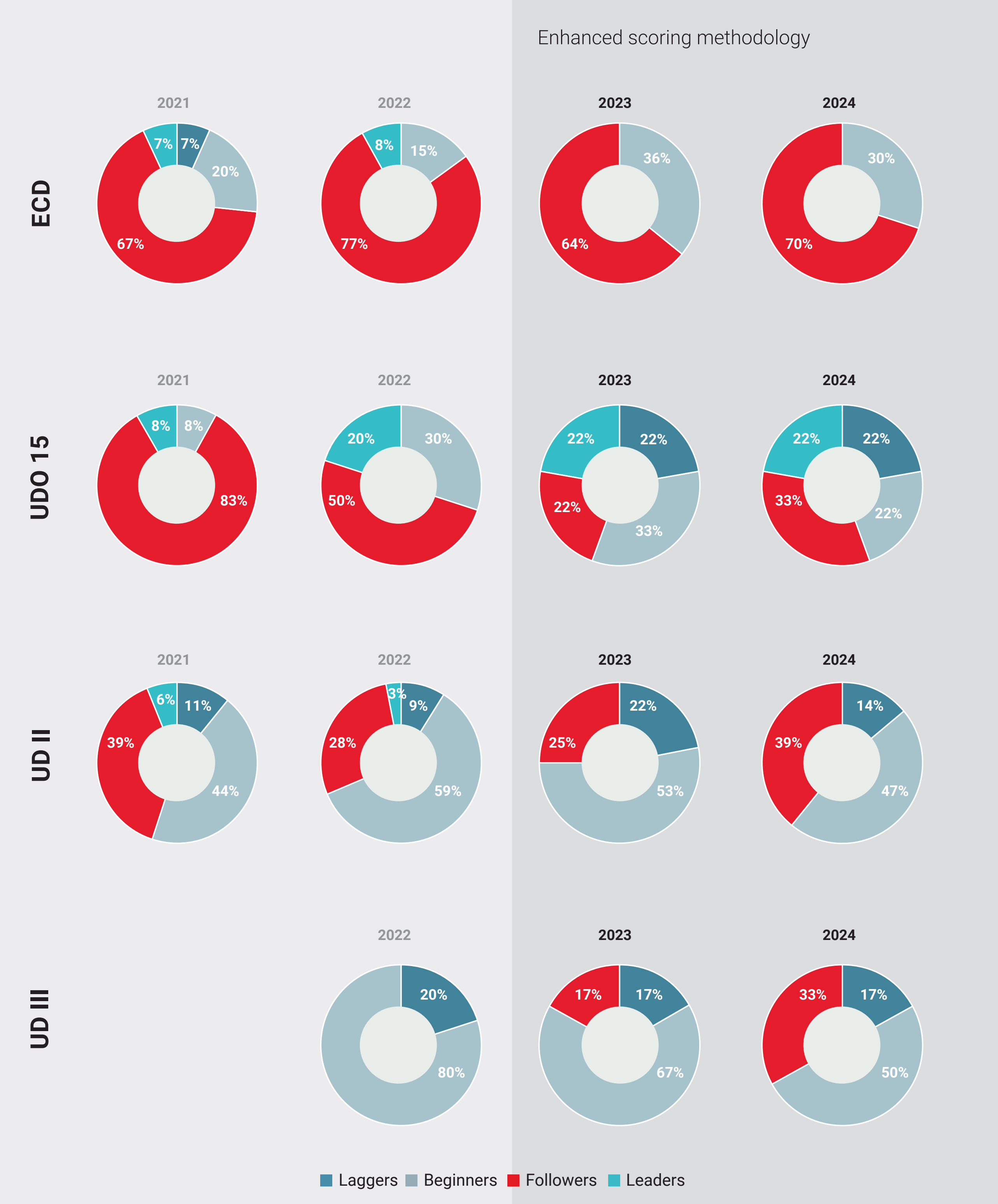
2% Leaders
2023 - 2%

46% Followers
2023 - 34%

36% Beginners
2023 - 40%

16% Laggers
2023 - 23%

ESG Classification Split of Unigestion's Direct portfolios



Any apparent discrepancies in numbers are due to rounding

Our earliest direct programs , Unigestion Direct Opportunities 2015 (UDO15) and Euro Choice Direct (ECD) hold companies that are mature or already in the exit process. In ECD, 70% of portfolio companies are classified as Followers and 30% as Beginners, which shows a slight setback compared to 2022, but one has to consider our stricter scoring criteria and the vintage as well. UDO15 is more equally distributed across the four categories, with two Leaders and two Laggers. The latter were downgraded because they failed to provide data in our ESG campaign.

As for UD II, we see a positive trend from 2023 to 2024. However, several companies still did not provide a majority of the data requested in our enhanced ESG questionnaires. We will engage with these companies to make sure they fulfill our requirements at the time of the next ESG data collection campaign. In UD III we see Beginners evolving into Followers and we support them further to become Leaders ultimately.

Selected ESG KPIs in Unigestion's Direct Portfolio

61%

Have an ESG policy

53%

Measure GHG emissions

4.1%

Absenteeism rate (Weighted average)

95%

Have measures for the protection of Data & IT security

ESG categories		ESG process & organisation	Environmental	Social	Governance
Selected KPIs		With an ESG policy	Measuring GHG emissions	Absenteeism rate (Weighted average)	Implementing measures for the protection of Data & IT security
All	All companies	**61%**	**53%**	**4.1%**	**95%**
By fund	UDO15	87%	53%	3.2%	100%
	ECD	73%	92%	8.2%	100%
	UD2	47%	38%	3.6%	90%
	UD3	38%	33%	1.4%	100%
By geography	Europe	73%	69%	4.5%	94%
	North America	26%	8%	0.4%	100%
	Asia	40%	44%	2.8%	100%

The selected ESG KPIs show examples of the ESG scoring of our direct investments across the four ESG categories, by fund and by geography. Some 61% of all of our directly held companies have an ESG policy in place, with the highest scores coming from European companies and the investments of our older vintage funds. We will continue engaging on these topics with the more recently acquired companies in our UD II and UD III portfolios.

Another important KPI is the measurement of GHG emissions. As expected, European companies have a strong lead, with 69% of them measuring and reporting on their GHG emissions. It is becoming a cliché nowadays that North American companies are lagging behind on environmental topics, while leading the way in social questions. To underpin this, the weighted average reported absenteeism rate is lowest in our North American portfolio. It seems that all regions are considering the protection of data and IT security as key initiatives, resulting in 95% of our companies implementing specific procedures to protect personal / sensitive data or a security policy for their information systems or both.

ENGAGEMENT ACTIVITY

As with our fund managers, we also engage on ESG topics with our direct companies, using a customised approach. Below, we provide one example from our more mature direct portfolio UDO15, and one from UD III - our most recent direct program. Accordingly, in the example of Areas (UDO15) we focus on what has been achieved, while in the case of Skolae (UD III) we show the current status and the identified engagement priorities.

AREAS – UNIGESTION DIRECT OPPORTUNITIES 2015

Founded in 1968 in Spain, the company today is a leading provider of contemporary catering for travellers at airports, train stations, motorway travel plazas and leisure locations. The company has €1.9bn revenues from 1,900 points of sale, being the #1 travel hospitality provider in France. The company is owned by PAI Partners and co-investors, including Unigestion since 2019.

Deep dive into the biodiversity engagement at Areas France, results to be rolled out groupwise

Objective of engagement	▶ Reduce the biodiversity impact of the investment
Key actions taken	▶ The management of greenspaces on motorways (ex. forestation of road shoulders, establishing small gardening areas, creating eco-bridges) ▶ The preservation of local species against the invasive ones ▶ Waste and water management for efficiency, circularity and preservation purposes, in addition to the controlling of discharged waste water.
Outcomes	▶ No key biodiversity areas were directly impacted by the sites and activities of Areas ▶ Example established for the rest of the group
Next steps	▶ The company is currently performing a double materiality assessment as part of their CSRD alignment, which will embed biodiversity amongst other key environmental topics, and will be considered within the updated group sustainability strategy that will stem from this exercise

Selected KPIs

✓	34%	>50%	14%
dedicated full-time ESG officer & formalised ESG policy	renewable energy consumption	of employees participating in employee survey	share of independent members of the board

Sources: Areas.com, PAI Partners, Unigestion as at July 2024

SKOLAE – UNIGESTION DIRECT III

Skolae

Industry: Education

Market: France

SDG: 4 - Quality Education

Skolae (previously GES) is a French private higher education platform providing tuition and qualifications to c 17,000 students through a network of 21 schools across France. Skolae allows all students to access highest education levels regardless of own resources and enables high employment rates mainly thanks to a strong placement network. The SFDR Art 8 program Unigestion Direct III co-invested alongside Charterhouse.

ESG scores

ESG score 2022	Enhanced ESG score 2024	ESG score target
35% - Beginner	41% - Beginner	min. 50% - Follower

UNG engagement activity

Due diligence	Engagement	Annual ESG data collections
Setting up initial targets communicating ESG beliefs	Follow-up on initial targets as part of investment monitoring	All ESG categories

2022 – 2023 – 2024

Outcomes

- Starting to measure GH Gemissions

- Designated ESG officer (part-time)
- Gradual introduction of ESG related initiatives

Future priorities

- Formalise the ESG Policy
- Recommend the SBTi to set emissions reduction targets
- Calculate gender pay gap and report absenteeism
- Introduce ethics, whistle-blower and human rights policies

Selected KPIs

90% of students get a permanent contract after graduating

B in the process of B Corp Certification

community engagement and charity initiatives

thorough cybersecurity measures in place

Sources: Charterhouse, Unigestion as at July 2024

GLOSSARY

Active ownership	Actively exercising your rights as a shareholder, by voting at shareholder meetings and engaging – having an active dialogue – with investee companies, to benefit clients and potentially society as a whole.
Carbon footprint	The total amount of greenhouse gases that are generated by a person or entity, usually measured in equivalent tons, over the course of a year.
Carbon intensity	An entity's carbon emissions, typically divided by its revenues, though the denominator can also be square meter, per employee, unit of production, etc.
Emerging managers	General Partners raising or managing their 1st or 2nd fund.
Engagement	Contact between an asset manager and investee entity on matters relating to ESG factors with the aim of improving practice, disclosure or both.
ESG integration	ESG integration is the analysis of all material factors in investment analysis and investment decisions, including environmental, social, and governance factors.
EU Taxonomy	The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities, aiming to provide companies, investors and policymakers with appropriate definitions to determine which economic activities can be considered environmentally sustainable.
Exclusion list	A list of securities to be removed from a fund's investible universe due to their failing to meet certain criteria.
Intergovernmental Panel on Climate Change (IPCC)	IPCC is the United Nations body for assessing the science related to climate change. It aims to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options.
Paris Agreement	Breakthrough international treaty on climate change adopted at COP21, Paris, 2015. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.
Principle Adverse Impact Indicators (PAIs)	SFDR Level 2, requiring financial market participants to disclose sustainability data, relating to adverse impacts on climate, the environment, social, employee, human rights, anti-corruption, and anti-bribery levels, consisting of 14 mandatory and 31 voluntary indicators focusing on environmental and employee matters, respect for human rights, and anti-corruption and anti-bribery matters.
Science Based Target Initiative (SBTi)	Initiative to drive climate action in the private sector by enabling organizations to set science-based emissions reduction targets.
Scope 1, 2 and 3 greenhouse gas emissions	Scope 1,2 and 3 emissions are greenhouse gas emissions that cause carbon footprints. As their name suggests, they are measured in three ways, according to how they were created: Scope 1 emissions are those that are directly generated by the company, such as an airline emitting exhaust fumes. Scope 2 emissions are those that are created by the generation of the electricity or heat needed by the company to sell its main products or provide its main services. Scope 3 emissions are those caused by the entire value chain, including the end-user of the product over its life cycle, and are much more difficult to measure.
Sustainable Finance Disclosure Regulation (SFDR)	The EU SFDR is a regulation that is designed to provide transparency for investors to distinguish and compare between the many sustainable investing strategies that are now available. It sets specific firm- and investment-level disclosure criteria and classifies funds into three distinct categories, according to the degree to which sustainability is a consideration.
Sustainability Accounting Standards Board (SASB)	SASB is a non-profit organization; its Standards guide the disclosure of financially material sustainability information by companies to their investors. Available for 77 industries, the Standards identify the subset of ESG issues most relevant to financial performance in each industry.
Task Force on Climate-Related Disclosures (TCFD)	The Financial Stability Board created the TCFD to develop recommendations to improve and increase reporting of climate-related financial information.
United Nations Global Compact (UNGC)	The UNGC is a voluntary initiative for companies based on CEO commitments to implement universal sustainability principles and to take steps to support United Nations goals.
United Nations Sustainable Development Goals (SDGs)	The 17 SDGs were laid out by the UN as a plan for achieving a better future for all by 2030 to end extreme poverty, fight inequality and injustice, and protect our planet.

Read our latest investment thinking

https://www.unigestion.com/home/insights/

contact us

General Information
info@unigestion.com

Clients
clients@unigestion.com

Press
pressrelations@unigestion.com

Disclaimer