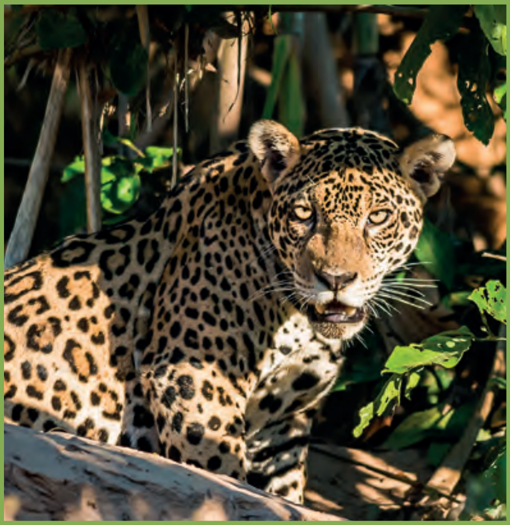
Coller Capital

# ESG report 2020



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# Foreword

## Dear Limited Partner

It is a pleasure to share with you Coller Capital's fifth annual ESG Report. This report builds on our last few years of sustainability reporting, and continues to highlight the important role ESG plays in the private equity industry, especially in a time of crisis.

2020 has hardly been business as usual – with the Covid-19 pandemic presenting a significant global challenge. It is exactly at such times of challenge that our ESG work is at its most critical.

**"A formal ESG policy can play a vital role in protecting and creating value for our investors"**

The rapidly evolving business environment, in which we found ourselves demanded the adoption of new virtual modes of communicating and working. That we were able to do this so effectively demonstrates the flexibility and resilience of the private equity industry. Strong, well-implemented ESG policies have the potential to transform our portfolio companies as we seek to 'build back better'.

Even as we deal with the urgent and immediate challenge of Covid-19, we must keep focused on the longer-term challenge of climate change. In this context, I am delighted that Coller Capital has partnered with other private equity firms to create the first international network of Initiative Climat International (iCI).

Our commitment to strengthening our ESG efforts continues. We are now members of the International Corporate Governance Network (ICGN) and the CDP. I'm pleased to report that Coller Capital has retained its A+ rating across the board from the PRI for the third year running. In addition, the BVCA has awarded Coller Capital a Special Commendation – LP Category in its Excellence in ESG Awards, 2020. This is a recognition of our unwavering commitment to embedding ESG principles over the past year. At the firm-level, we have grown our ESG team, with the hiring of a new ESG Associate. And a cross-functional group of individuals continues to help the core ESG team to oversee the company's approach to a range of ESG, from sustainability and cyber security to diversity and inclusion.

The Black Lives Matter movement has prompted a lot of conversations in our industry, and I am encouraged by the progress private equity is beginning to make in diversity and inclusion. Our own diversity efforts continue to evolve. We have started an internal conversation about racism and we continue to work with industry partners to improve diversity and inclusion at Coller.

As I reflect on 2020, I recognise what a difficult and trying year it has been for many. It is only by working together as an industry and rising to this challenge – with flexibility, resilience and courage – that we can build a sustainable and inclusive recovery.

With warm regards,

**Jeremy Coller**
*Chief Investment Officer*

January 2021

# Insights

For this fifth annual ESG report, we solicited responses from the GP organisations who manage assets in our active funds (CIP VI, CIP VII and CIP VIII).

The report is based on responses received at the outset of Covid-19 and for some GPs this was before the true impact of the crisis had been felt. Covid-19 will no doubt prove to be a test of the effectiveness of ESG within organisations, and it will be interesting to see what its impact will be among our portfolio GPs in next year's survey.

A crisis often changes perceptions and attitudes towards ESG and usually proves to be the catalyst for more action and innovation. We saw this both in the global financial crisis in 2008 and in several portfolio-level ESG crisis situations in the years since. Ultimately, each one led to improved ESG (value creation and risk mitigation) and showed that, during any crisis, staying true to your ESG values is more important than ever.

Time will tell of course, but the results of the survey suggest that many responding GPs had the policies and resources to cope from an ESG perspective. For instance, it is now the norm among GPs to embrace formal ESG policies, or to have signed up to a set of ESG standards. The majority also have dedicated ESG resources and well over half expect to expand their in-house teams.

The results also show progress at a thematic level and across some of the more challenging ESG issues. For instance, an increasing number of our General Partners focus on diversity both within their own management company and at their portfolio companies.

There is also growing evidence of progress on issues linked to the Covid-19 crisis (eg, climate change and animal welfare), noteworthy since they both play a role as triggers for zoonotic infections and increase the risk of further pandemics.

On climate change, our GPs are making significant progress in measuring the carbon footprint of their portfolios. Animal welfare is increasingly recognised as an important factor, with over one third of GPs reporting that their relevant portfolio companies have adopted policies on animal welfare-related issues.

Other findings, however, show that there is more to be done to tackle complexity within ESG, for instance the management of ESG issues within complex supply chains (eg, forward-looking climate risk scenario analysis). The 2020 Summer edition of the Coller Barometer also highlighted concerns among investors that GPs are not taking climate change seriously enough in their investment policies and practices.

Diversity within PE firms continues to be an issue. Among our own GPs, as in the broader industry, more effort is needed to ensure greater senior level diversity.

**"A crisis often changes perceptions and attitudes towards ESG, and can be the catalyst for more action and innovation"**

We commend our GPs' ongoing commitment to ESG and their achievements to date. We note too the areas where we think a concerted effort would allow us to achieve more, and we look forward to working with our GPs in these areas.

We think there will be many more GPs focusing on outcomes and the 'substance' of ESG, and that private equity as an industry will continue to rise to the challenge.

# Insights

The evidence for this claim can be seen in the more innovative initiatives coming from General Partners, especially those:

- playing a meaningful role in achieving a net carbon zero economy;
- promoting the adoption of circular economy principles;
- integrating ESG into established financial structures (such as ESG-linked credit facilities); or,
- asking their portfolio to research and develop new products and services.

It is our belief that ESG focus and sustainability can be improved upon at almost every portfolio company irrespective of industry sector or GP investment mandate.

As a specialist secondary investor, the overarching goal for Coller Capital is to have a net positive impact. That means constantly improving our programme both at the level of our investment management processes and through the practices and behaviours of the firm itself.

When we reflect on what this means for our programme post Covid-19, the severe consequences of unmanaged risks in company supply chains stand out. So, in response we will apply what we learned about resilience from undertaking climate risk scenario analysis and from managing ESG through the crisis in taking a more in-depth look at supply chain assessment.

The potential benefits of virtual technologies and artificial intelligence for completing enhanced supply chain assessment (eg, in mapping bio-diversity loss or finding evidence of crimes such as the illegal trade in animals) will no doubt inform our thinking.

Kind regards,

**Adam Black**
*Head of ESG & Sustainability*

# Our General Partners

## In the words of our GPs

Helping our portfolio GPs on their own ESG journeys goes to the heart of what responsible investment at Coller Capital is all about. We look for substance over style when evaluating the effectiveness of an ESG policy and we believe that holding quality conversations about ESG is key, even more so during a crisis. That dialogue, our detailed ESG analysis on deals, and the data points gained over decades of investing provide us with unique insights into ESG across the private markets.

We are frequently asked for the 'Coller view' and we hope this view comes across in the words of some of the GPs we work with:

> *"Coller Capital's support was instrumental across a variety of ESG initiatives at our portfolio companies over the past twelve months, with their knowledge accelerating a number of items on the ESG spectrum. Amongst others, this included the carbon neutrality target of 2022 at ABAX, a telematics business based in Norway, and the subsequent range of projects leading to the company's collaboration with WeForest, as well as the active approach towards supplier accountability."*
>
> **Andrea Davis**
> **Managing Director Private Equity, Investcorp**

> *"Coller Capital is what we in the ESG team call a 'strategic LP' because they push us to become a more responsible player. Thanks to their pragmatic approach to reporting and their strong engagement with all the events we organise, we have really benefited from their experience and insights. It is illustrative of their expertise that Coller is one of only two LPs whom we asked for feedback on our new ESG incident reporting process, and their response was incredibly helpful".*
>
> **Cornelia Gomez**
> **ESG Director, PAI Partners**

> *"Coller Capital is a trusted partner who consistently work to create in-depth knowledge about how to address sustainability throughout the investment process and drive positive impact as a responsible investor. Their expertise and commitment in the Sustainability area goes beyond standard ESG requirements and really emphasises making a difference in each portfolio company, to create long-term positive impact in society".*
>
> **Elin Ljung, Director of Communication and Sustainability, Nordic Capital**

> *"Coller's topic notes provide timely and practical guidance on relevant and emerging areas within ESG, for example, cyber security, human rights due diligence and, most recently, ESG-related questions for portfolio companies on the response to Covid-19. We use these notes to guide updates to our own ESG approach, for due diligence, portfolio engagement and our understanding of important topics."*
>
> **Adinah Shackleton**
> **Head of ESG, Permira**

> *"Coller Capital has been consistent in its support of our ESG programme and initiatives. We are very appreciative of their support, the time which they have devoted to us and the information and insights which they have shared with us. It has greatly assisted the evolution of sustainability focussed outcomes at portfolio company level and facilitates our emphasis of ESG considerations in our investment management practices on an ongoing basis. A recent in-depth discussion with the Coller Capital team on climate change and transition risk has highlighted the need to ensure that screening tools and investment processes remain up to date, that our ESG risk management is appropriate and that our success is measured against achieved outcomes."*
>
> **Susan Rose**
> **Portfolio Manager/ESG Officer, Rockwood**

# ESG adoption

## ESG policies are prevalent among General Partners

Almost all GPs responding to our survey have a formal ESG policy.

Most respondents who do not have an ESG policy in place manage less than $5bn of assets and are based in Europe or North America.

GPs with a formal ESG policy

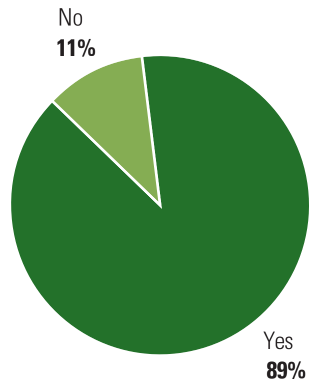



*Figure 1*

## PRI principles are the most commonly adopted ESG standards by GPs

About two thirds of respondents are signatory to a set of ESG standards. Adoption by region differs, with over four in five European General Partners signed up to a set of ESG principles, compared with around a half of North American GPs, and two in five GPs based in other regions.

Among the standards that have been adopted by the respondents the PRI are the most common set of standards, having been signed by almost half of all respondents. The PRI are followed by the American Investment Council Guidelines (AIC), adopted by 14% of respondents.

Proportion of GPs that are signatories to a set of ESG principles

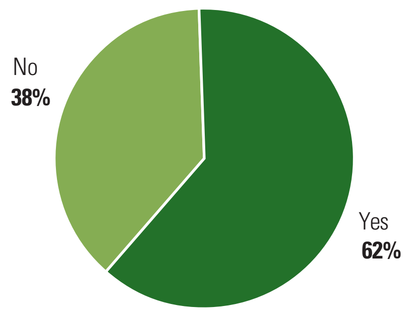



*Figure 2*

# ESG adoption

## More GPs address diversity in their formal ESG policies

Almost three quarters of the responding GPs are tackling issues relating to diversity in their own ESG policy. This represents a significant increase on last year's report. In 2019, only half of responding GPs reported taking diversity into account in their formal ESG policy.

Only two fifths of respondents address climate change as part of their own ESG policy, and just over half of GPs report that their portfolio companies include climate change in their policy.

Specific ESG factors addressed within GPs' ManCo or portfolio companies' ESG policy

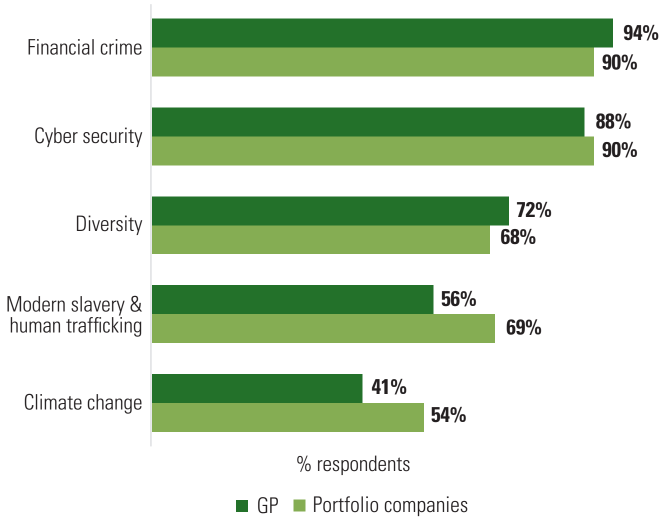



*Figure 3*

## Farm Animal Welfare ("FAW") principles are increasingly part of the ESG agenda

Over one third of responding GPs report that their portfolio companies have a policy to address FAW-related issues. This has doubled since 2018.

Integration of Farm Animal Welfare principles into portfolio companies' ESG policies

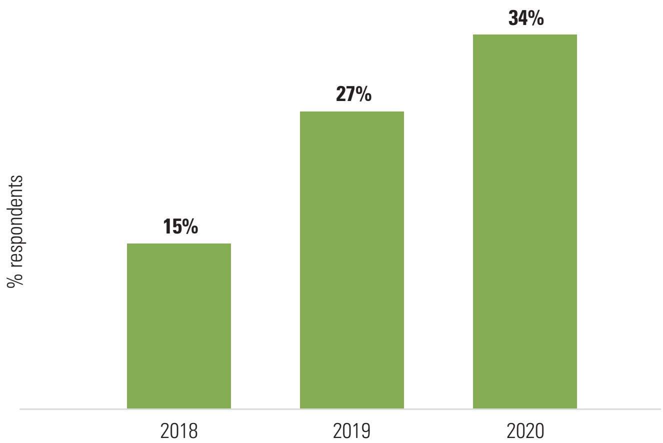



*Figure 4*

# Implementation and monitoring

## Most GPs now have dedicated resources for ESG monitoring

55% of responding GPs employ dedicated ESG professionals. Two thirds of the GPs with dedicated ESG professionals have more than one employee working in this area.

Out of the responding GPs who do not employ dedicated ESG professionals, seven out of ten manage less than $5bn of assets.

Proportion of GPs with dedicated ESG staff

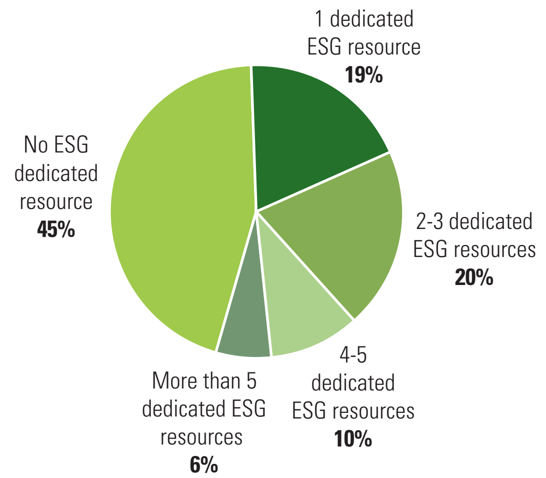



*Figure 5*

## Over half of GPs expect to expand their in-house ESG resources

55% of GPs expect to increase their existing in-house ESG resources over the next three years, while another 9% intend to appoint their first dedicated resource within this timeframe.

None of the responding GPs expect to decrease the size of their ESG team.

GPs expecting to expand their ESG resources over the next three years

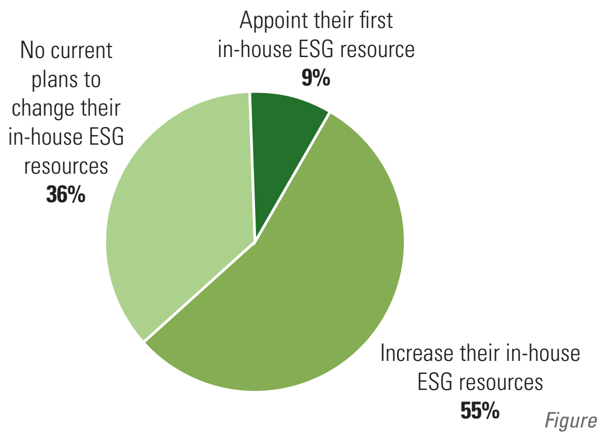



*Figure 6*

## ESG oversight is often a responsibility held at senior levels

ESG oversight is the responsibility of the firm's Executive Committee or the Board for almost half of responding GPs.

For about one fifth of GPs, ESG professionals report to the firm's Compliance department. Compliance oversight of the ESG function is more prevalent in Asia-Pacific, with 44% of respondents citing this reporting line. For a quarter of GPs based in North America, ESG professionals report to the Investor Relations department.

Department/body responsible for ESG oversight

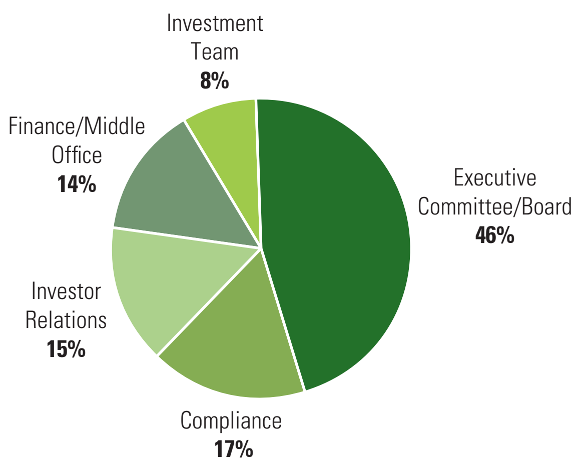



*Figure 7*

# Implementation and monitoring

## The proportion of GPs providing ESG training has plateaued

Since 2019, about two thirds of GPs have provided ESG training for their investment teams in the last 12 months. This rises to nine in ten for GPs with AUM in excess of $10bn.

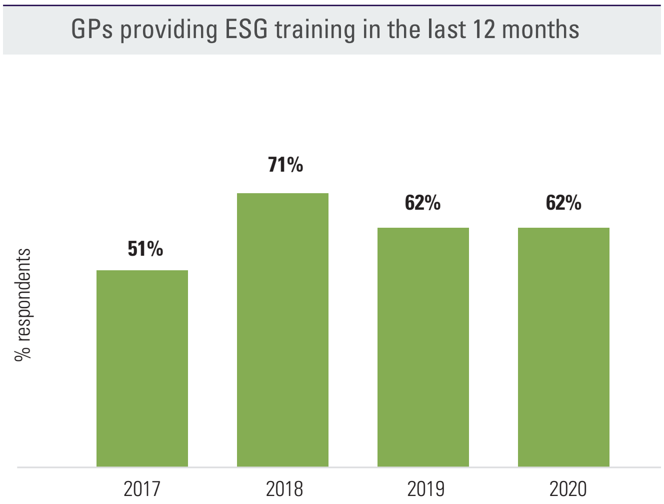



*Figure 8*

## Majority of GPs include ESG comments in their investment and/or exit memoranda

Three quarters of responding GPs include ESG comments in their investment and/or exit memos. This proportion is slightly lower than the previous years' results. Fewer GPs (55% of respondents) outside North America and Europe include ESG comments in their investment/exit memos.

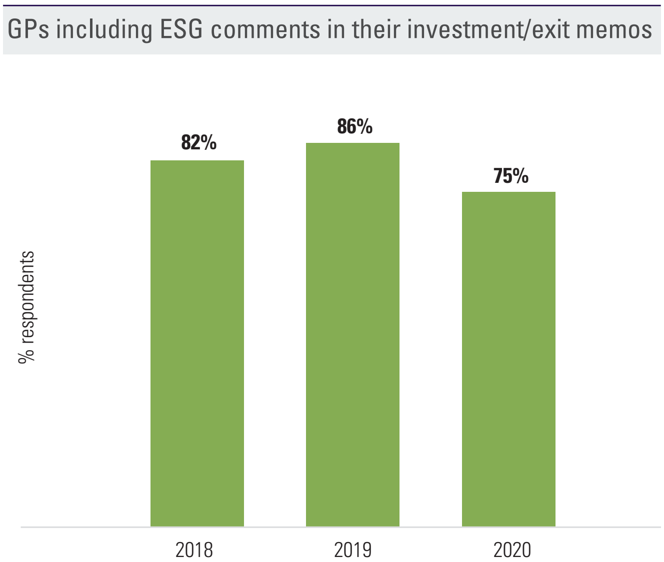



*Figure 9*

## Almost all GPs initiate ESG best practices in their portfolios

85% of responding GPs suggested or initiated measures to improve ESG performance within their portfolio companies, in line with the proportion recorded last year.

Nine in ten General Partners have also initiated measures to improve ESG performance within their management company.

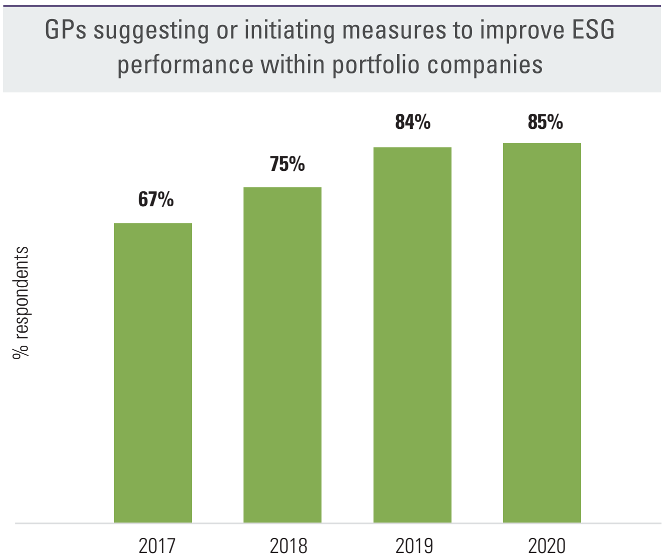



*Figure 10*

# Implementation and monitoring

## A growing proportion of GPs will focus on ESG during the exit process

Three quarters of GPs plan to put more emphasis on ESG while preparing for/executing exits, an increase from 57% of GPs in 2019. Three quarters of responding GPs also plan to increase their focus on ESG pre-investment and as part of due diligence. Four in five responding GPs expect to increase the emphasis on ESG during their portfolio companies' holding periods over the next three years, in line with the proportion reported last year.

GPs' plans to increase ESG focus on the following aspects of the investment process over the next three years

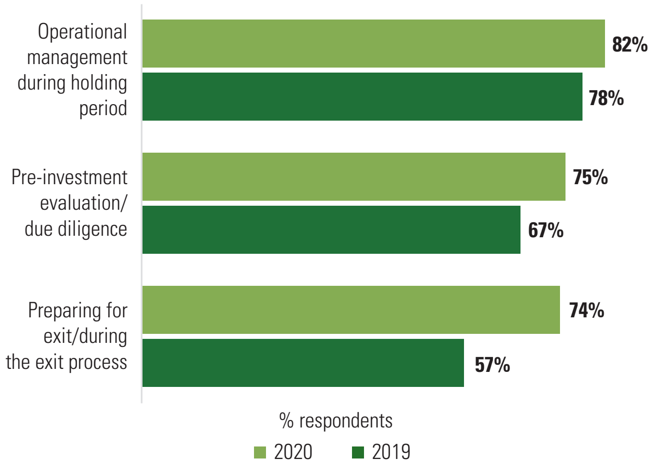



*Figure 11*

## GPs are making significant progress in measuring the carbon footprint/ intensity of their portfolios

The most significant progress this year relates to GPs measuring carbon footprint. 44% of responding GPs have done so for their management company. This compares with 29% of GPs last year.

Policies related to cybersecurity/data protection and financial crime-controls continue to be the most adopted among responding General Partners, followed by those aimed at formalising ESG reporting and those reducing consumption of water, materials and energy.

The proportion of GPs reviewing the UN Sustainable Development Goals within their portfolios continues to increase.

Specific ESG factors addressed within GPs' ManCo or portfolio companies' ESG policy

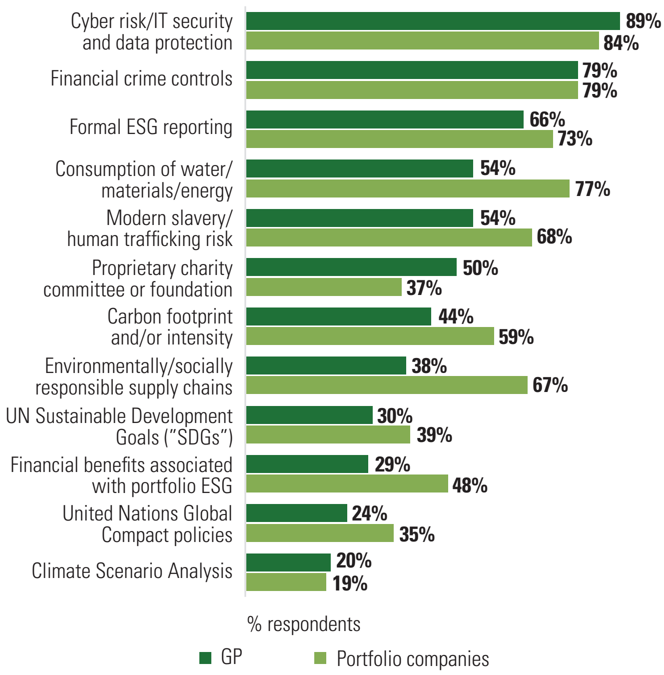



*Figure 12*

# Implementation and monitoring

## GPs to focus on ESG training and improving diversity

The majority of responding GPs are focusing their ESG efforts on training and employee diversity.

Areas of ESG focus within the GP's ManCo

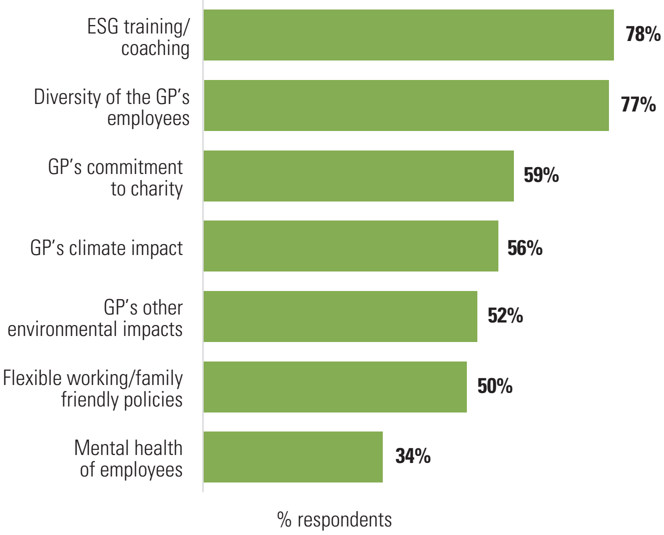



*Figure 13*

## GPs consider ESG risk a legitimate reason for declining an investment opportunity

44% of responding General Partners report having declined an investment opportunity primarily for ESG reasons in the last year.

Proportion of GPs reporting having declined an investment opportunity in the last 12 months primarily owing to ESG risk

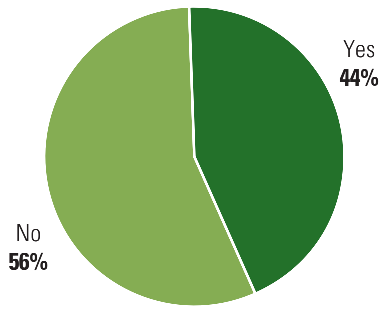



*Figure 14*

# Implementation and monitoring

## Most GPs who have declined an investment opportunity primarily for ESG reasons have done so during early screening

Two out of five General Partners report having declined an opportunity primarily for ESG reasons during early screening. Around one in ten have reported doing so after formal due diligence and/or at Investment Committee.

Investment opportunities being declined primarily for ESG reasons by investment stage over the last twelve months

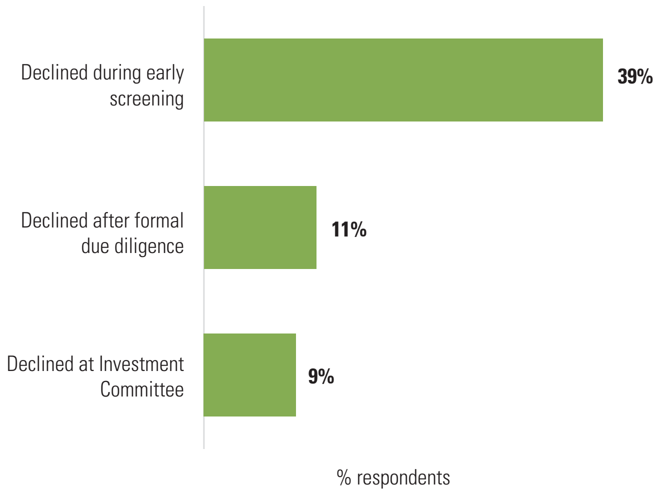



*Figure 15*

## Only two fifths of GPs view carbon neutrality as achievable in the next decade

Two fifths of GPs believe that their management company could realistically reach carbon neutrality by 2030. Half of respondents do not believe there is a realistic timeline for their portfolios achieving neutrality. Significant regional disparities exist on this topic, with around three in five North American and Asia-Pacific respondents believing that carbon neutrality is not achievable for their portfolios, compared with two thirds of European GPs who believe that their portfolio companies could realistically achieve this goal by 2050.

Horizon by which carbon neutrality is achievable at the ManCo and portfolio company level – GPs' views

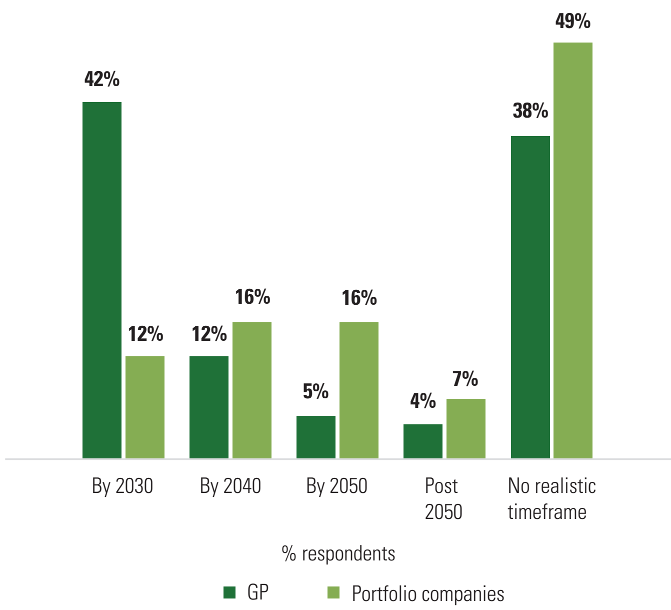



*Figure 16*

# Reporting

## An increasing proportion of GPs are reporting to their investors on ESG

57% of responding GPs report on ESG to their investors. This proportion has steadily increased in recent years. Half of GPs also provide a dedicated ESG report on their portfolio companies to their investors. This trend has been led by European GPs, with four out of five respondents including a section on ESG in their fund reporting.

58% of the GPs who provide an ESG report on portfolio companies do so annually, while 20% of GPs report more frequently.

GPs reporting to their investors on ESG

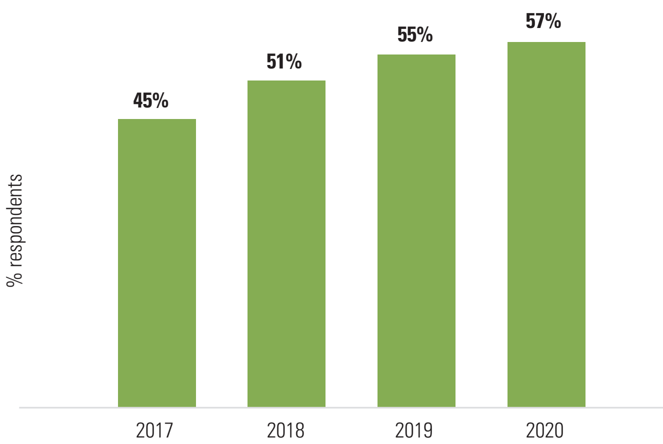



*Figure 17*

## Almost all the GPs report material issues to their LPs at both ManCo and portfolio levels

Consistent with last year's report, nearly nine in ten responding GPs would report any material events or incidents to their LPs at both management company and portfolio levels.

GPs reporting material incidents/events at the management company/portfolio level to their LPs

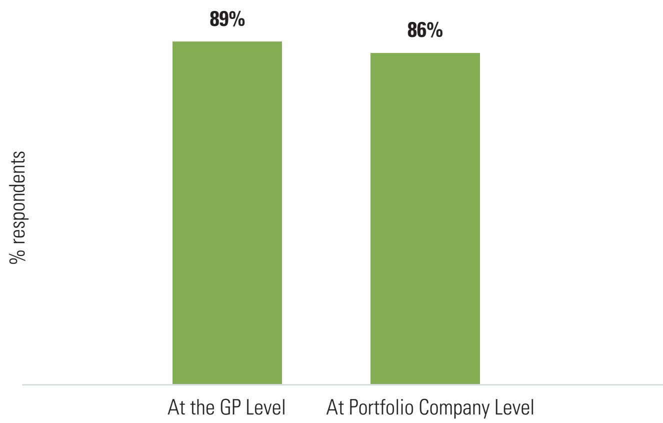



*Figure 18*

## GPs' ESG efforts are attracting increased recognition

About one in ten responding GPs won an award for ESG practices in 2020 – an increase from the 5% reported last year.

ESG-specific awards won in the last 12 months

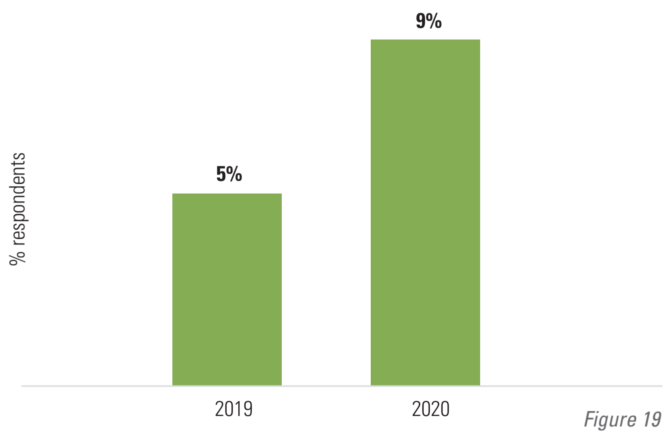



*Figure 19*

# Governance

## Senior promotions are the main reasons for changes of GPs' ownership structures

Overall, half of the responding GPs reported changes to their firm's ownership structure. In two thirds of the cases, the change in the shareholder structure was a result of senior employees being promoted to Partner. In two out of five of the cases, Partner retirement led to changes in their shareholder structure.

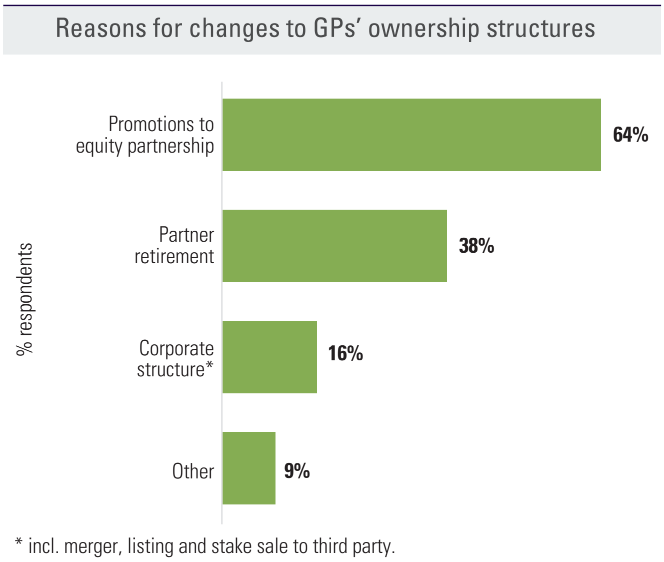



*Figure 20*

## Adverse events relating to ESG are relatively rare

Overall, only 16% of responding GPs reported any ESG-related adverse events at their own firms, and just one third of GPs reported any events at their portfolio companies in the last twelve months.

Litigation case, internal conflicts (such as HR-related matters), and targeted ESG campaigns were the most commonly reported ESG-related adverse events.

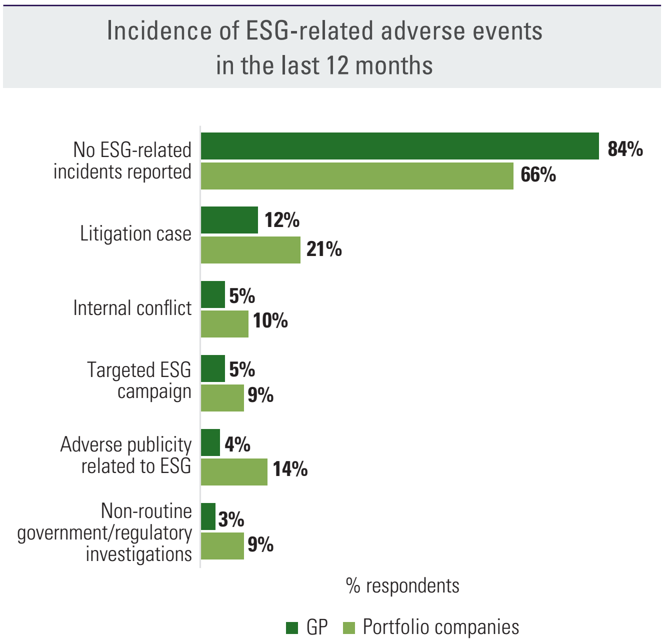



*Figure 21*

# Diversity

## Female representation at Partner level has plateaued

Over two thirds of responding GPs have female Partners, in line with the proportion reported last year. This proportion has nonetheless increased from the levels reported in 2017, when just over half of respondents had female Partners.

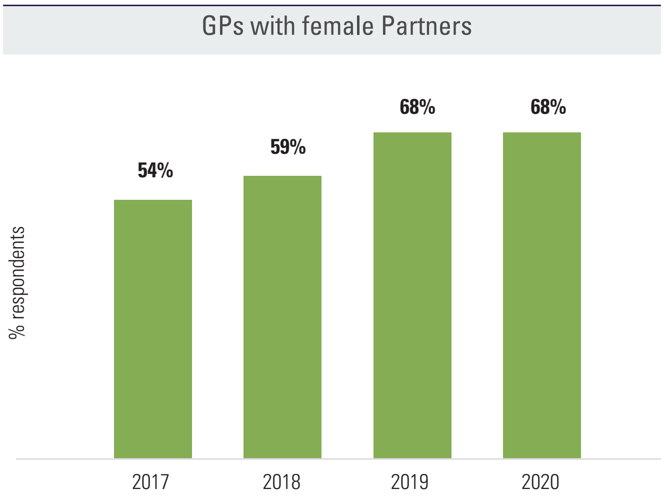



*Figure 22*

## At least four out of five Partners are male at most GPs

For three quarters of responding GPs, female Partners represent less than 20% of their Partnership, compared to 82% of GPs that reported the same last year. No respondents reported a Partnership which was predominantly female.

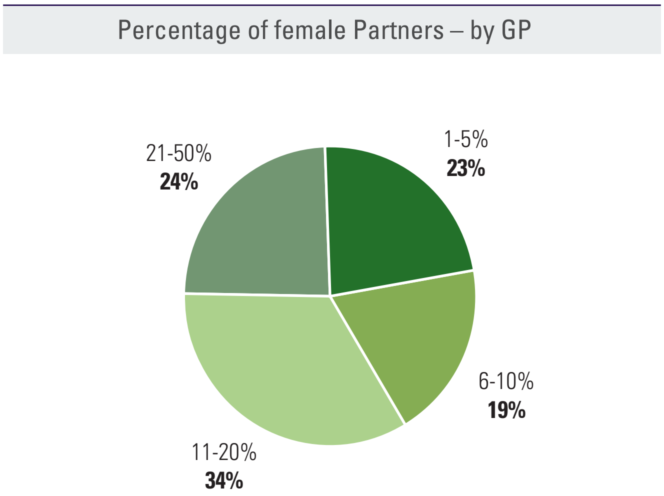



*Figure 23*

## The proportion of GPs with women on their Investment Committees continues to show no progress

The percentage of GPs with women on their Investment Committee has plateaued in recent years at around 40%.

For three quarters of the GPs that do have female IC members, the proportion of women is less than one in five.

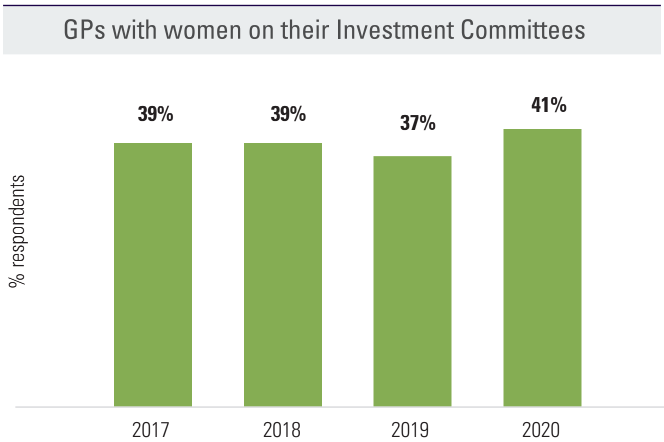



*Figure 24*

# Diversity

## A growing portion of GPs are planning to increase the diversity of ManCo and portfolio company employees

Almost two thirds of GP management companies and two in five portfolio companies have a formal plan in place to increase diversity over the next three years. This represents an increase from the 52% and 37% respectively recorded last year.

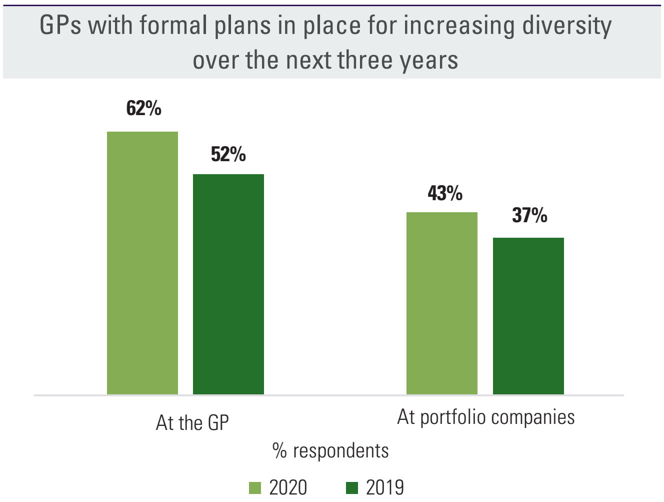



*Figure 25*

# Respondent breakdown

- We sent our survey to the 160 portfolio GPs in CIP VI, CIP VII and CIP VIII.
- The 92 GPs who responded represent 433 private equity funds, and those funds represent 84% of Coller funds' FMV at 31 December 2019.
- 58% of the respondents are experienced private equity investors, having been investing for two decades or more, and the majority are independent General Partners.
- Respondents are mainly headquartered in North America and Europe, although 22% of respondents are based in Asia-Pacific, the Middle East, Africa, or Latin America.
- Most responding GPs focus on buyout and growth PE investment strategies.
- The comments and charts in this report refer only to the 92 GPs that responded.

When GPs first started investing in private equity by year

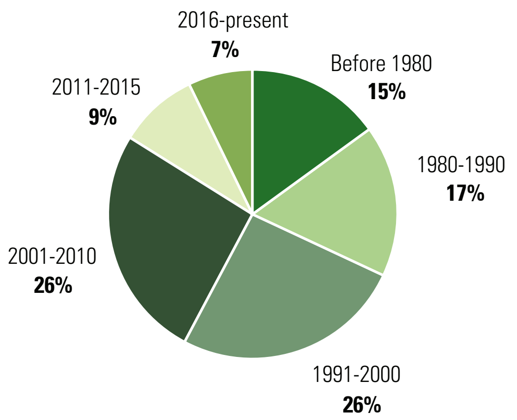



*Figure 26*

Individual GPs' total PE AUM

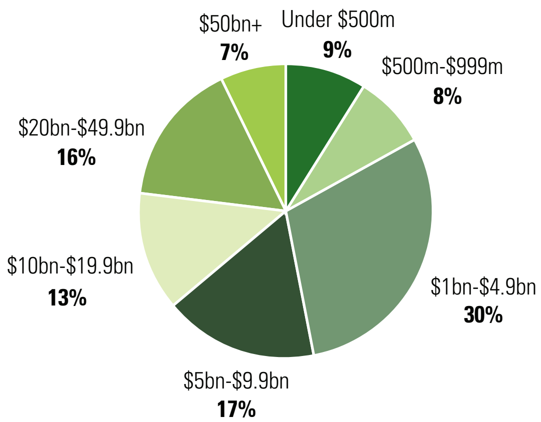



*Figure 27*

Location of GPs' headquarters

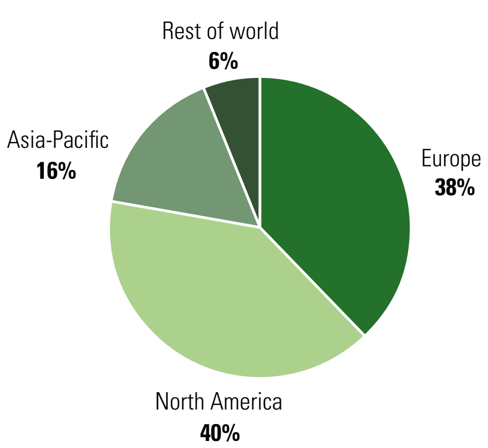



*Figure 28*

Type of firm

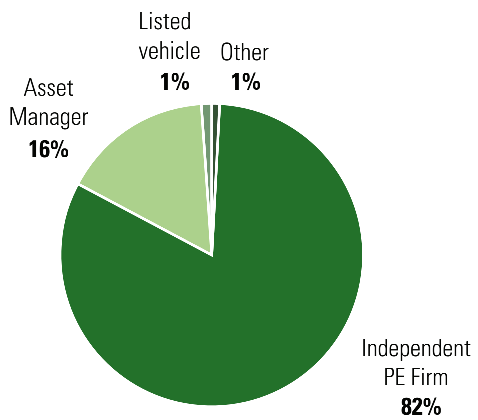



*Figure 29*

# ESG Policy review

## Policy review and enhancement

The most recent review of our ESG Policy concluded that it remains fit for purpose at the firm and fund level. Covid-19 proved a test of its effectiveness and we have found that both our Policy and existing ESG processes have served us very well.

The principal changes to our programme in 2020 included: enhancements to the way we use third party data sources for more in-depth screening across all prospective investments; the development of in-house tools to support the screening of multiple fund positions; completion of fund level forward-looking climate risk scenario analysis; and expanding the ESG Function.

All these changes have made the programme stronger and further integrated ESG into the day to day workings of the business.

We have made more widespread use of investment professionals and investment monitoring professionals, notably in respect of investment ESG screening. We have welcomed investment professionals into the ESG Function on a rotational secondment and we have hired an additional full-time ESG resource.

## Recognition

We are signatories of the UN-supported Principles for Responsible Investment (PRI) and the FAIRR Investor Initiative, and we have been a Stonewall Diversity Champion and a climate neutral business since 2019. In 2020, we also became members of the CDP (formerly the Climate Disclosure Project) and founding members of the UK chapter of the initiative Climat International (iCI) to enhance our response to the climate crisis, and the International Corporate Governance Network (ICGN) to further enhance our corporate governance.

The CDP and the ICGN are both recognised for their long-established respective roles in leading the response to climate change and in promoting improved corporate governance. Both offer excellent tools and guidance, as well as the opportunity to network and learn from some of the world's best companies. Of particular note, we have taken the opportunity to engage on deforestation issues via CDP Forests in becoming CDP Forest Champions.

All our memberships are important to our ESG engagement activities across the wider asset class.

We are proud of our award winning approach so we were delighted to retain an A+ for both the rated sections of our 2020 PRI Report – the third consecutive year we have achieved this since first reporting in 2016.

This rating places our firm among the leading asset managers (as defined by the PRI) and is unique among dedicated secondaries investors.

# ESG in our funds

## An enhanced understanding of ESG risks and opportunities

### Investment management process

For each new investment opportunity, the investment team and ESG function consider ESG due diligence checklists and undertake bespoke deal by deal analysis.

We draw upon the best ESG research for our asset class and a practical understanding of ESG from first-hand experience gained across industry sectors and geographies, enabling us to highlight to deal teams what the issues really are on every transaction. That also leads to an understanding of how best to engage post-transaction and how best to involve our colleagues from across the Coller platform. This is a critical element of our programme and brings credibility and authenticity to our approach.

The information is used to tailor an ESG comment for every recommendation brought to our Investment Committee. Since 2016, our Investment Committee has considered ESG analysis and commentary for over 1,000 separate investment opportunities and where we cannot gain comfort on ESG, we will not proceed with an investment.

### Climate risk at the level of the Coller Capital funds

As a secondaries investor, Coller Capital has considered its engagement with the climate crisis carefully, focusing on ways to meaningfully act on the key recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). As part of this, we commissioned external specialists to conduct a climate scenario analysis on Coller's latest three funds (CIP VI, CIP VII and CIP VIII), considering both physical and transition climate risk. The project commenced in Q4 2019 and continued through to Q2 2020, but will necessarily be an ongoing process.

Impacts were modelled under various climate scenarios and time horizons to fully highlight the range of potential climate-related risks and opportunities in our funds.

Results of the project have already proved valuable as an enhancement to our existing risk management and will help to inform future portfolio construction.

### Engaging with portfolio GPs on climate risk

The scenario analysis has highlighted the differing levels of physical and transition risk across our funds, which we have used to guide our subsequent engagement activities.

While we are pleased to report that the results so far indicate the vast majority of our investments in each fund display relatively low climate risk, we also recognise the need to address areas where this risk may be higher.

As part of this, we have used the findings to engage with some of our portfolio GPs on climate risk in their assets and have also provided deep dive questions for the highest risk sectors. We recommend that GPs use this as a starting basis for conducting further climate scenario analysis within their own portfolios.

We also believe the scenario analysis results so far validate our diversified approach to investing and our overall approach to ESG management. Indeed, our high-level assessment of climate risk by industry (a separate exercise conducted annually since 2016) also indicates that across CIP VI, CIP VII and CIP VIII, the exposure to higher carbon intensity industries remains low at c.7% of all underlying portfolio companies (down from c.9% in 2019).

As a secondaries investor, we hope this demonstrates a strong and visible commitment to climate leadership. We aim to build upon this work to continue our understanding of how we, as a secondaries investor, can best engage and influence

# ESG in our funds

our portfolio GPs on climate risk, and how as a firm we can enhance progress on these issues.

The experience we gained in completing more detailed climate risk scenario analysis during the Covid-19 crisis has also shaped our thinking on how we might approach other challenging yet interrelated issues (eg, human rights due diligence and biodiversity loss).

## The United Nations' Sustainable Development Goals (SDGs)

To better understand the contribution of our business to the United Nations' SDGs, we completed a high-level, top-down analysis in 2019 on exposure to the SDGs for over 3,000 companies in our portfolio.

Building on this exercise further, we undertook a deeper dive analysis this year on all companies within our direct secondaries portfolio in CIP VI, CIP VII and CIP VIII. Considering the size of our portfolio and the limitations of our mandate as a secondaries investor, this subset was chosen because we have greater visibility and level of influence over these assets. Findings will therefore be used as a basis for further engagement with portfolio GPs where appropriate.

To enhance our previous assessment (which only considered the 'direct' positive impact of our companies on the SDGs), this year we have taken into account the following impacts:

| Impact | Results by FMV as at 30 June 2020 (direct secondary investments in CIP VI, CIP VII and CIP VIII only) |
|---|---|
| Direct positive impact from products and services | 30.5% of our assets were considered to contribute directly and positively to the SDGs. |
| Labour related impacts | 14.6% of our assets were identified as having created high-value added jobs in lower-middle- and low-income countries* specifically (Target 8.2). |
| Sustainability reporting | 15.8% of our assets publish an annual sustainability report (Target 12.6). |

* As defined in Table E, World Economic Situation and Prospects 2020 (United Nations)

https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WESP2020_FullReport.pdf

# ESG in our funds

## Engagement during the Covid-19 crisis

During the past year, we have continued to work with the GPs of our funds' direct portfolios to better understand their approach to ESG. A key focus of our own ESG programme is helping to enhance our portfolio managers' ESG capabilities and/or to develop new ESG policies. We do this by undertaking ESG site visits, calls and written observations on portfolio companies, alongside the GPs themselves.

Since 2016, we have worked with over 30 GPs to help develop or enhance ESG policies and practices. We have additionally provided views to over 100 General Partners and stakeholders on ESG issues such as climate-related risk, mental health at work and human rights due-diligence, as well as on Covid-19 and ESG generally.

During the Covid-19 crisis much of the 'boots on the ground' engagement work has necessarily been virtual, but that has led to a much better understanding of some of the technologies available to investors.

For our approach to Covid-19 and ESG, we were careful not to be obstructive at a time of crisis and adopted a carefully calibrated, risk-based approach to evaluating the impacts.

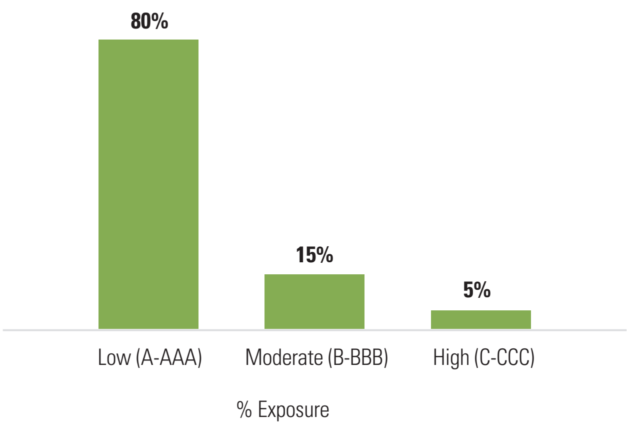
We analysed the operational impacts of Covid-19 for CIP VI, CIP VII and CIP VIII by viewing the top underlying portfolio company exposures through an ESG lens. This helped identify the material ESG indicators most relevant during the crisis (eg, human capital management, suppliers, climate risk, cyber risk and safe return to work), and the underlying portfolio exposures from our perspective as secondary investors.

This analysis was followed up with targeted questions and support as appropriate. We referred to internally produced guidance and some of the excellent information published by peers within the wider ESG community (eg, development finance, third party data management advisers and professional institutions such as IEMA, CIPD and IOSH).

### Monitoring

We continue to undertake an annual screening of our funds' underlying portfolio companies using the RepRisk database. Our review once again highlighted that we have a well-diversified and relatively low ESG risk portfolio across all Funds, according to the RepRisk model.

### Average RepRisk Rating across the top 50 underlying companies in each of CIP VI, VII and VIII



# ESG at Coller Capital

## Covid-19 and the Firm-level response

The most important part of our response to Covid-19 has been and continues to be the health and safety of our employees. Like many businesses such as ours, most of our employees have been working from home since March 2020. We have implemented a number of initiatives to support our team while they work remotely. Initiatives include increased leadership communications, at the company level and via one-to-one conversations; we've provided employees with equipment to enable them to work optimally remotely and adopted new digital methods of communicating.

Given the potential isolation and uncertainty, ensuring the good mental health of our employees has been even more important. We have increased the mental health support that is available, including dedicated mental health first aiders, and a wellbeing portal on the company intranet.

Our efforts in supporting our employees are ongoing and we continue to follow government advice.

## Diversity and inclusion

Our Diversity and Inclusion working group, which reports to our Executive Committee, is undertaking several initiatives to enhance diversity and inclusion at Coller Capital.

We are close to organisations such as Level 20 (one of our Partners is a mentor); we host 'women in private equity' dinners; speak on diversity at conferences; and work with a number of business schools to promote private equity as a career choice.

Coller has implemented flexible working policies across all our offices, and we are working to improve our family friendly policies. Our partnership with Stonewall as a Diversity Champion, is also a key driver of our programme.

Coller employs 7% more women compared to the (UK) private equity sector as a whole.[1]

In addition, the firm is partnering with three organisations: Sponsors for Educational Opportunity (SEO), Generating Genius and Women Societies Alliance, all dedicated to providing access to investment careers for young professionals from diverse backgrounds.

In association with the Executive Committee, the group launched a series called a 'A Conversation About Racism' in response to the Black Lives Matter movement and global efforts to combat racial injustice. The firm has signed up to the #100BlackInterns initiative and will be taking part in summer 2021. Coller Capital will also recognise Juneteenth as a paid holiday in the US.

Our D&I group has formed a dedicated Mental Health & Wellbeing sub-group which is responsible for driving a number of initiatives. These include monthly firm-wide communications on topics such as how to ease out of lockdown and making use of meditation apps such as Headspace.

Like many firms in our asset class, we are not yet where we want to be on diversity and inclusion, and this remains a work in progress.

[1] Women in Private Equity Report, June 2019, run by BVCA and Level 20 covering 97 firms and 2,000 employees

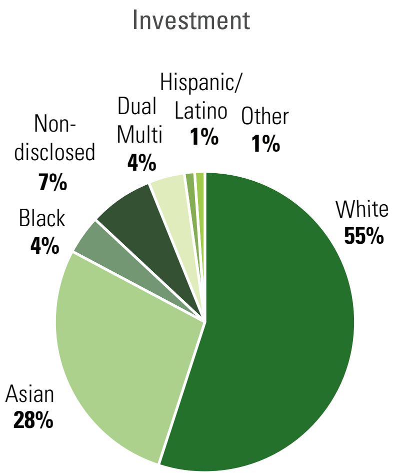
### Coller Capital gender split

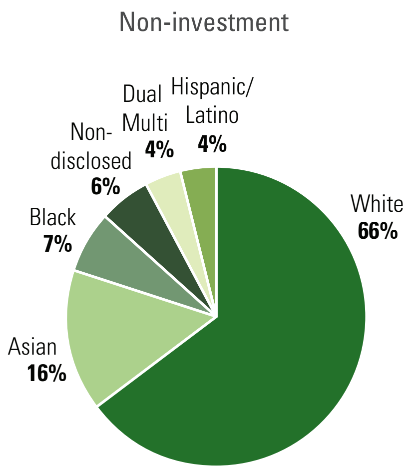
| Coller Capital gender split | % female (end of June 2019) | % female (end of June 2020) |
|---|---|---|
| Total employees | 36% | 36% |
| Investment team | 21% | 21% |
| Non-investment team | 44% | 44% |
| Senior* roles in the investment team | 5% | 5% |
| Senior* roles within the firm | 6% | 6% |

* Senior means Partner, Function Head or Principal.

# ESG at Coller Capital

## Coller Capital ethnicity split




## Sustainability at Coller Capital

We have an established sustainability team which is responsible for our ESG footprint across our three offices, as well as our relationships with suppliers. Much of their work relates to the consideration of sustainability and ESG factors in respect of the procurement of goods and services, and for general building/facilities management. Examples include assisting with ESOS (the UK's Energy Saving Opportunities Scheme), working to measure, reduce and report on Coller's carbon footprint (to support our climate neutral status), and compliance with the UK's Modern Slavery Act.

## Procurement and suppliers

We have a formal responsible procurement framework focusing on sound corporate governance.

It considers a wide range of ESG factors, including pay and conditions, and risk of modern slavery. We are proud to confirm that our cleaning contractors, for example, are paid the London Living Wage.

We have several sustainable procurement policies in such areas as sustainable food and animal welfare; cleaning chemicals; building energy efficiency; energy/carbon; and single use plastic. Where possible all procurement has endeavoured to avoid single use plastic, however, Covid-19 restrictions have created some issues with shared packaging so some single use plastic has been unavoidable, but this has been minimal.

## Cyber security

Coller Capital has established strong governance around cyber security with the Head of Cyber Security reporting directly to the COO. Cyber security is treated as a business risk.

There is an Infosec Group with departmental representation that provides strategic and operational focus on cyber threats, risks and mitigation. This cyber risk approach is directly aligned to wider business risk management via the Operational Risk Committee and our cyber security status is presented at every board meeting.

Our Bitsight Cyber Rating is 770[1], which is in the advanced category and Coller Capital ranks better than 95% of its peer group of 698 firms in private equity and venture capital.

A range of products and suppliers are used to supplement the in-house IT and cyber functions to extend our cyber reach. This security operations capability ensures that the cyber function is fully managed. External testing, audit and benchmarking capabilities are employed to independently check our cyber security health and performance.

[1] Source: Bitsight. (October, 2020)

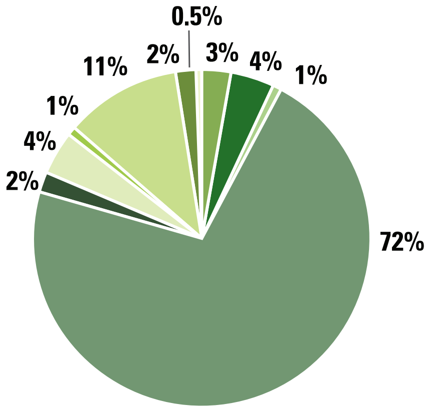
# ESG at Coller Capital

## Climate neutrality

In 2019 the firm first achieved climate neutral status and we retained this in 2020.

As with the previous year, Coller Capital had its direct and indirect emissions independently measured for a 12-month period (1 January 2019 to 31 December 2019).

Total distribution of emission sources




Electricty 3% | Heating 4% | Production of energy carriers 1% | Air travel 72% | Ground travel 2% | Accommodation 4% | Freight 1% | Consumables 11% | IT 2% | Waste 0.5%

A total of 4,097 tonnes of greenhouse gas emissions have been offset by investing in a climate protection project which supports the conservation of Ecuador and Peru's Alto Huayabamba area through preventing deforestation and protecting natural ecosystems. The project spans 53,000 hectares (approximately a third the size of London) and contributes to the following SDGs:

More information on ESG at Coller Capital can be found at:
www.collercapital.com/investments/responsible-investment

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*Images provided by South Pole, taken from the Alto Huayabama Conservation project in Peru. Monkey image: ©AMPA. Jaguar and aerial photo: Peru library images. Sponsored by Coller Capital.*

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