

ESG report 2019



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Foreword

Dear Limited Partner

I am pleased to share with you Collier Capital's fourth annual ESG Report.

In 2011 we established our original Environmental, Social and Governance (ESG) Policy and created an ESG Committee. We have since made solid progress in implementing an ESG framework and we are pleased to supplement this with our fourth published report on the ESG policies and practices of the General Partner (GP) organisations who manage assets on behalf of Collier funds.

Private equity is uniquely positioned to drive value from ESG because of its hands-on investment

**Collier Capital has
achieved climate
neutral status**

model – and, as a leading player in private equity's secondary market, we ourselves are able to exert influence in two ways: with the General

Partners managing our fund positions; and – in the case of our direct secondary investments – with portfolio companies themselves.

ESG considerations have played an important informal role in our investment management processes since the founding of Collier Capital nearly 30 years ago. However, we have recognised increasingly over recent years that a formal ESG framework can play a vital role in protecting and creating value for our investors; in reducing risk; and in enhancing our long-term returns.

In August 2014, Collier Capital became a signatory to the PRI. We also play an active membership role in the BVCA's Responsible Investment Advisory Committee; Invest Europe's Responsible Investment Roundtable; and the Hong Kong Venture Capital Association's ESG Committee.

Our ESG programme continues to evolve and has become a fundamental aspect of our strategy. We are proud of our focus on ESG within investment management and to have had our efforts recognised externally. We won the British Venture Capital Associations' 2018 Responsible Investment Award (for the category 'Firms with over £1 billion AUM') and we were shortlisted for the 2019 Institute for Environmental Management & Assessment's Sustainability Impact Awards.

At Collier Capital, we believe in walking the talk at the firm level. We are focusing on improving diversity and inclusion throughout the firm and on ensuring the wellbeing of our team.

We have also introduced measures to ensure that our sustainability and procurement policies reflect the highest modern standards. This year the firm has also achieved climate neutral status, by offsetting our carbon emissions.

With warm regards,

Jeremy Collier
Chief Investment Officer

October 2019



Insights

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

For some of our portfolio GPs, the process of embedding an ESG culture within their management companies and their funds remains a work in progress, but many are now becoming advocates for responsible investment.

The findings suggest that investors need to engage more effectively in respect of the climate crisis We know that private equity's ability to create better and more profitable businesses is enhanced by a strong focus on ESG, so we are encouraged by the findings of this year's report, which highlight a developing ESG maturity in many private equity fund managers.

ESG encompasses some of the most important issues in the modern world, from the climate crisis to modern slavery, from cyber security to pollution by plastics.

We believe that poor ESG is indicative of a poorly run business, and for positive change to be really effective it must be driven by organisational culture.

The findings suggest that investors need to engage more effectively in respect of the climate crisis. While over half of GP respondents reported taking action within their portfolios on carbon footprint, a small minority has taken steps to better understand forward-looking scenario analysis (climate risk and opportunity), an issue that is becoming increasingly acute and material for investors.

We commend our GPs' commitment to building further on their solid ESG foundations. Helping our portfolio GPs on their own ESG journeys goes to the heart of what responsible investment at Collier Capital is all about.

We believe that having better conversations about ESG is key, especially when attempting to gain traction with investment professionals. We see it in our own engagement work and as noted by General Partners we collaborate with.

"We have been working with Collier for 18 months and, since day one, ESG was firmly on their agenda. Throughout due diligence, their questions were pertinent and insightful. The ESG team have provided practical assistance in raising the bar in ESG across the portfolio companies which are at different stages of maturity. We truly appreciate their support"

Andrea Davis, Investcorp
Managing Director, Private Equity – Europe

"Collier Capital is a long and trusted partner who consistently works to create in-depth knowledge about portfolio companies, focusing on sustainability factors throughout the investment process and driving positive impact as a responsible investor. Their expertise and commitment in the ESG area goes beyond standard ESG requirements to create long-term positive impact in society."

Elin Ljung, Nordic Capital
Director of Communication and Sustainability

Collier Capital can do more, and we will continue to embed ESG considerations more deeply, both into our investment management processes and our practices and behaviours as a business.

We have no doubt that our efforts have already added value for our investors, and we remain committed to continuing to develop both our programme and overall approach.

Kind regards,

Adam Black
Head of ESG & Sustainability

ESG adoption

ESG policies are the norm among General Partners

A large majority of GPs responding to our survey have a formal ESG policy.

All respondents who do not have an ESG policy in place manage less than \$5bn of assets.

European GPs remain well ahead of the trend for PRI adoption

Almost half of responding GPs are signatories to the PRI. Adoption by region differs, with four in five European GPs signed up to the Principles, compared with around a third on average for GPs based in other regions.

The proportion of North American GPs having signed up to the Principles has increased significantly since 2018, when 19% reported having done so.

A third of GPs adhere to additional/alternative ESG principles

34% of responding GPs are signatories to ESG principles sponsored by organisations other than the PRI.

Of the GPs who are signatories to a set of a principles beyond PRI, 52% are signatories of the American Investment Council (AIC) and 24% are signatories of the Invest Europe Professional Handbook.

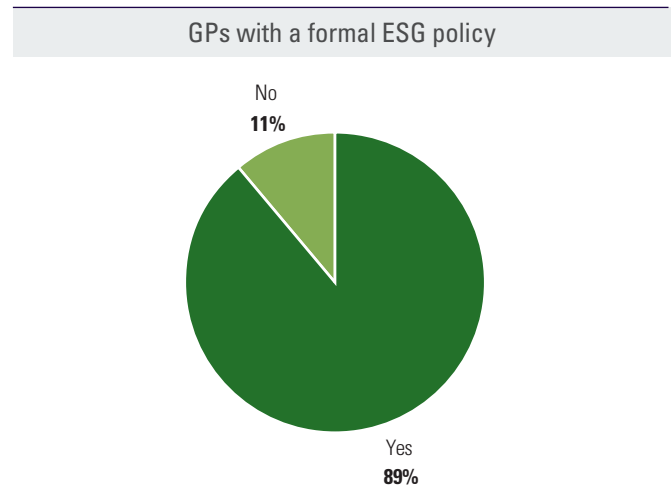


Figure 1

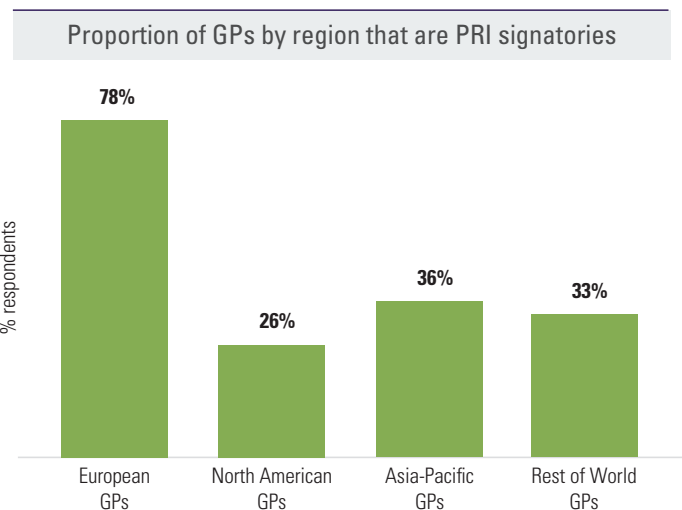


Figure 2

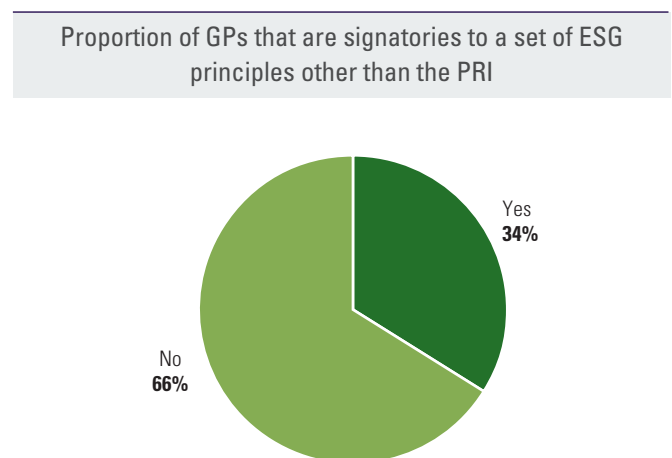


Figure 3

ESG adoption

Almost all GPs include cyber security and financial crime prevention in their formal ESG policies

Nine in ten responding GPs include cyber security and financial crime prevention in their ESG policy. About four-fifths have implemented similar policies within their portfolios.

Regarding climate change, only two in five responding GPs are tackling these issues in their ESG policy and just under half of them report that their portfolio companies do so.

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

Over one quarter of responding GPs report that their portfolio companies have a policy to address Farm Animal Welfare related issues; almost double the percentage in 2018.

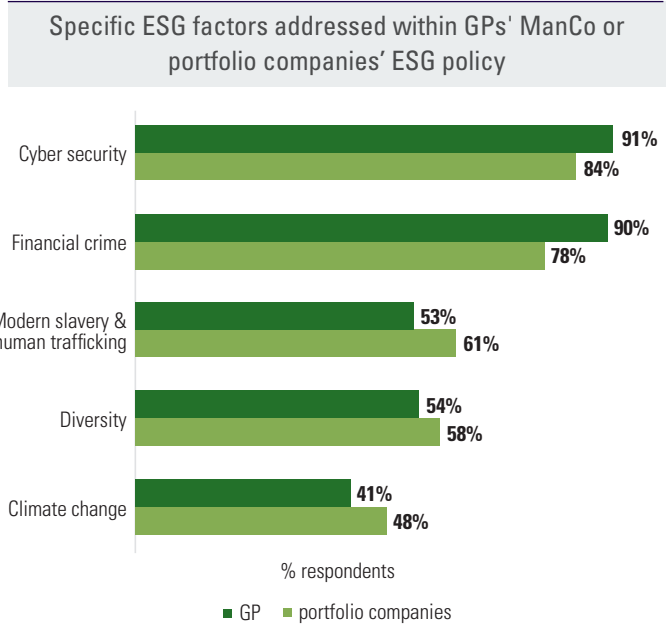


Figure 4

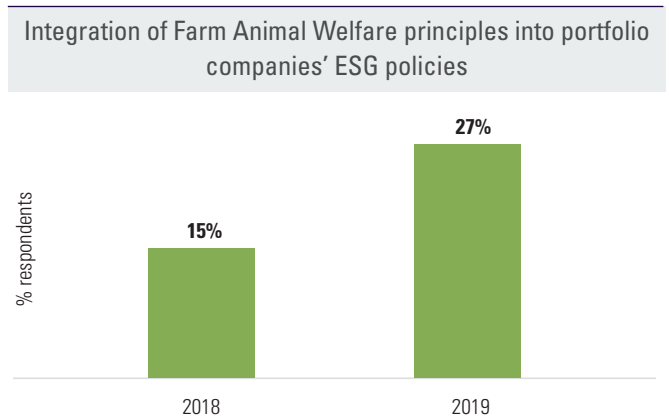


Figure 5



Implementation and monitoring

A large majority of GPs recognise that ESG monitoring demands specialist skills

58% of responding GPs employ dedicated ESG professionals. While one in five of the GPs with dedicated ESG professionals have only one employee working in this area, 38% of the GPs employ two or more dedicated ESG professionals.

Two-thirds of GPs expect to expand their in-house ESG resources

61% of GPs expect to increase their existing in-house ESG resources, while 5% intend to appoint their first dedicated resource.

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

ESG oversight is often a responsibility held at senior levels

For over two in five responding GPs, ESG oversight is the responsibility of the firm's Executive Committee or the Board.

For one-fifth of GPs, ESG professionals report to the firm's compliance department. Compliance oversight of the ESG function is more prevalent for Asia-Pacific and North American GPs, with 57% of respondents and 25% of respondents respectively citing this reporting line.

Proportion of GPs with dedicated ESG staff

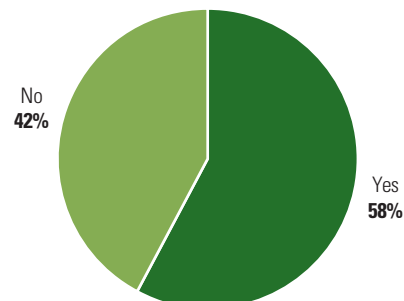


Figure 6

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

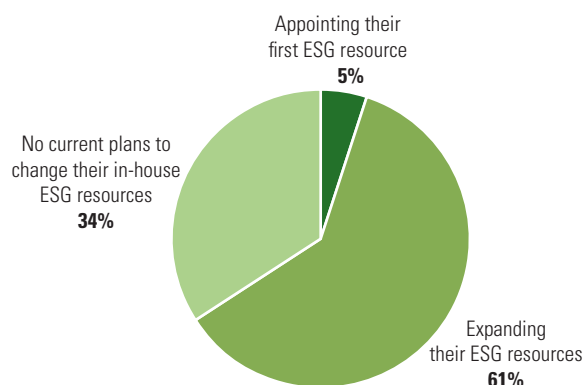


Figure 7

Department/body responsible for ESG oversight

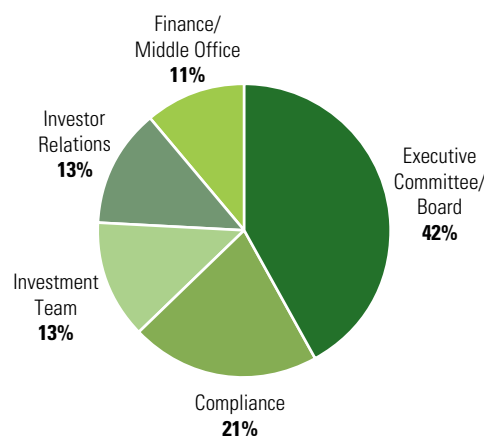


Figure 8

Implementation and monitoring

Asia-Pacific GPs are leading the way on ESG training

Two-thirds of GPs have provided ESG training for their investment teams in the last 12 months.

This rises to four-fifths of Asia-Pacific GPs that have provided training.

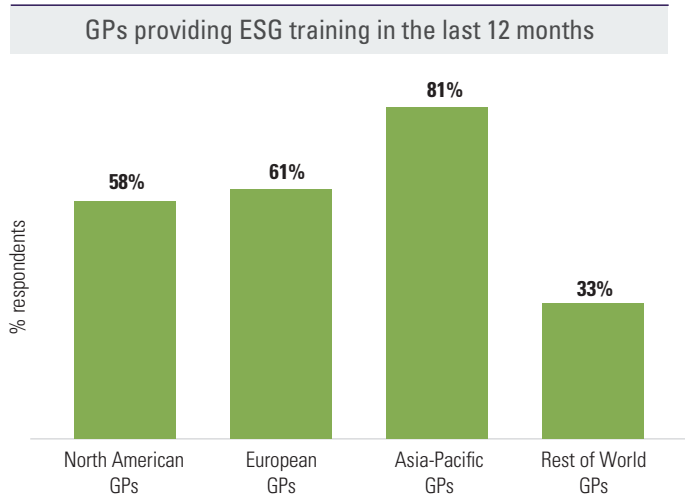


Figure 9

Including ESG comments in their investment and/or exit memoranda is the norm among GPs

Almost nine in ten responding GPs are including ESG comments in their investment and/or exit memos. This proportion is in line with last year's results.

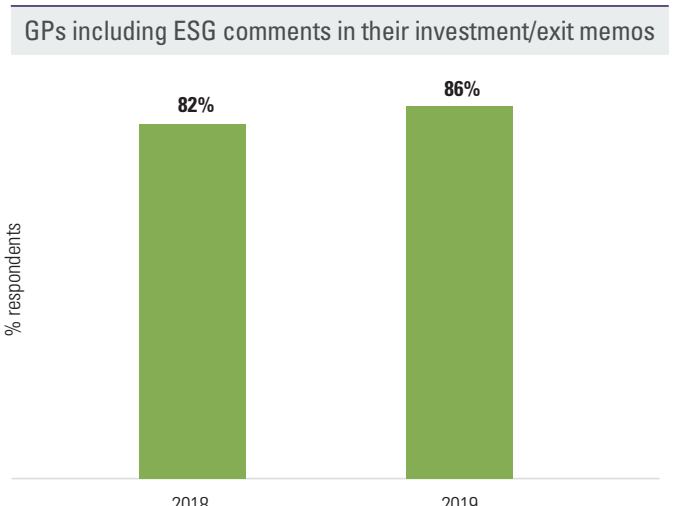


Figure 10

GPs increasingly initiate ESG best practices in their portfolios

84% of responding GPs suggested or initiated measures to improve ESG performance within their portfolio companies, up from 75% and 67% recorded in 2018 and 2017 respectively.

86% have also initiated measures to improve ESG performance within their management company.

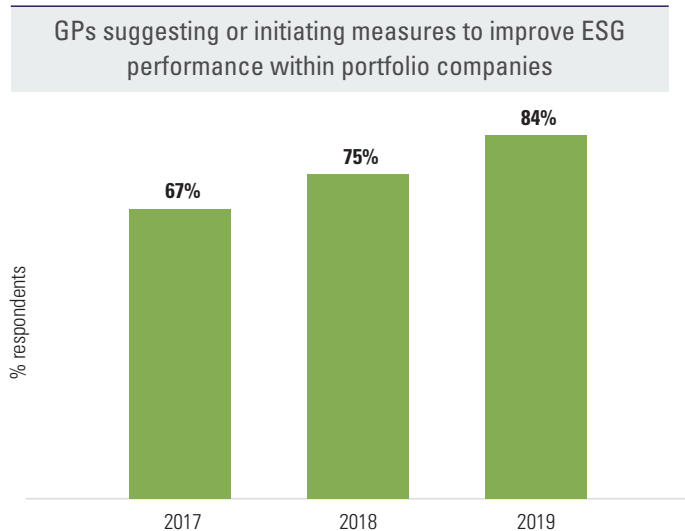


Figure 11

Implementation and monitoring

GPs will increase focus on ESG during the holding period

Four in five responding GPs expect to increase the emphasis on ESG during the holding period over the next three years. All responding GPs based in Asia-Pacific will be increasing their focus on ESG pre-investment and during due diligence. This is a higher proportion than their counterparts based in other regions, where it is the case for about two-thirds of respondents.

Governance and Social policies are the most commonly implemented ESG factors

Policies related to cybersecurity/data protection and financial crime controls are the most commonly adopted among responding GPs, followed by those aimed at reducing consumption of water and energy.

GPs continue to make progress in reviewing the UN Sustainable Development Goals within their portfolios, with 29% of respondents having done so this year, compared with 24% last year.

About a third of responding GPs are measuring their management company's carbon footprint and over half of them do so for their portfolio companies.

GPs to focus on ESG training and diversity

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

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

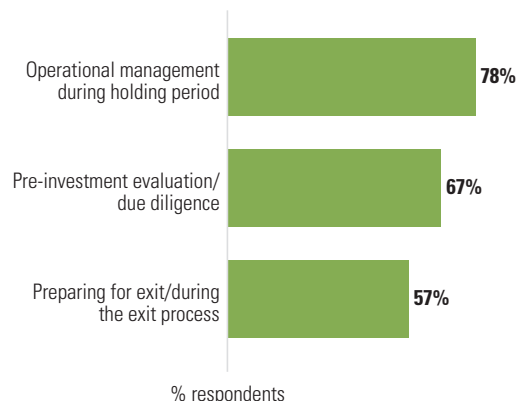


Figure 12

Implementation of ESG best practices

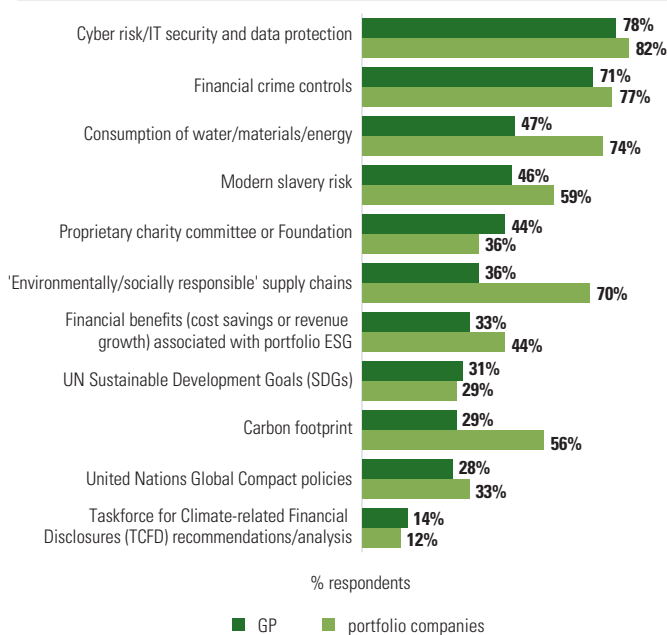


Figure 13

Areas of ESG focus within the GP's ManCo

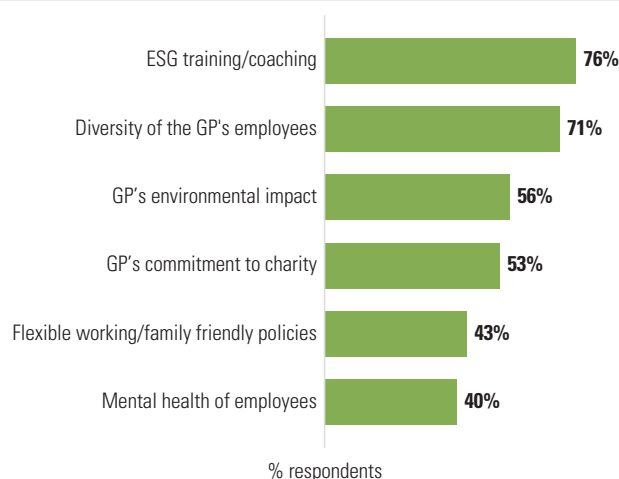


Figure 14

Reporting

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

Over half of responding GPs report on ESG to their investors. This proportion has steadily increased in recent years.

70% of European GPs include a section on ESG in their fund reporting, well ahead of their North American and Asia-Pacific counterparts, with 46% and 36% reporting on ESG respectively.

The large majority (60%) of the GPs who provide an ESG report on portfolio companies do so annually, while a quarter of the GPs report more frequently.

Almost all the GPs report material issues to their LPs at both management company and portfolio levels

Nearly nine in ten responding GPs would report any material events or incidents to their LPs at both management company and portfolio levels.

Recognition of ESG efforts remains low among GPs

One in 20 of the responding GPs won an ESG award in the last year; all of them are European GPs and/or GPs investing in emerging markets.

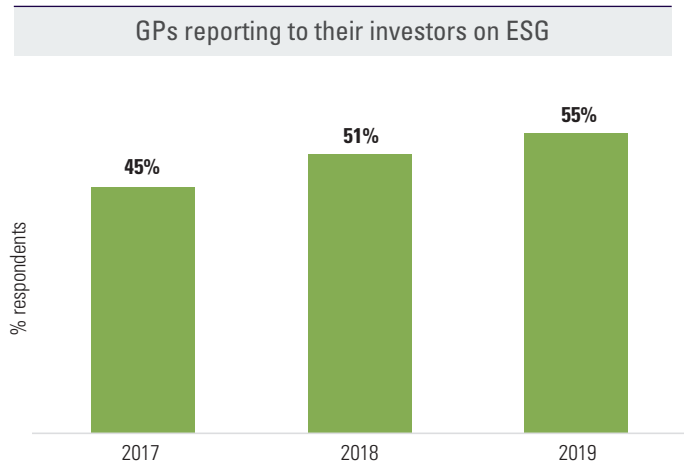


Figure 15

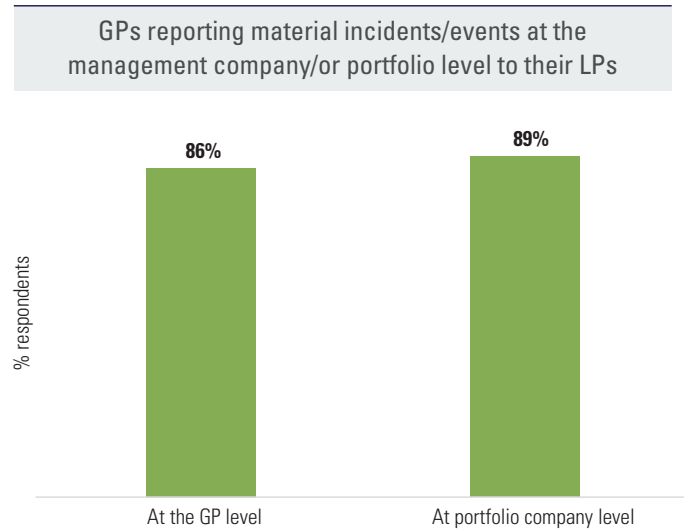


Figure 16

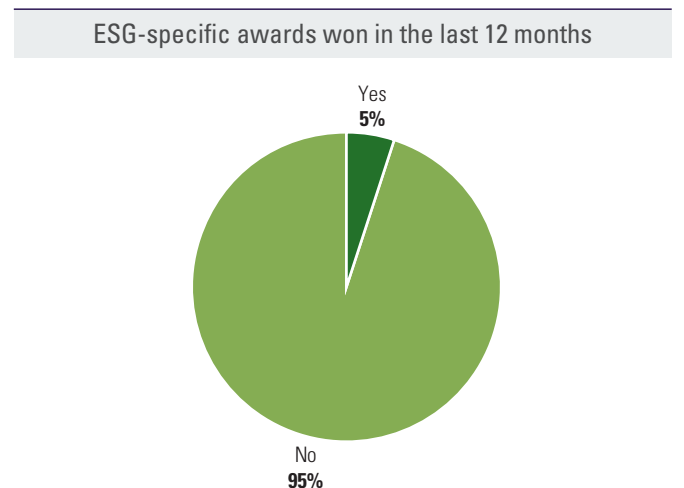


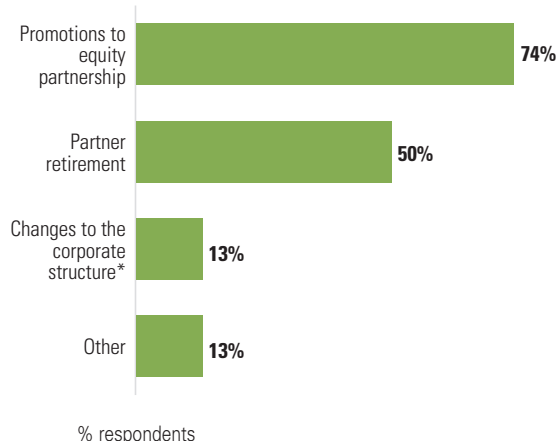
Figure 17

Governance

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

Overall, 45% of the responding GPs reported changes to their firm's ownership structure. In three-quarters of the cases, the change in the shareholder structure was a result of senior employees being promoted to Partner. In half of the cases, Partner retirement led to changes in their shareholder structure.

Reasons for changes to GPs' ownership structures



* incl. merger, listing, stake sale to third party

Figure 18

Adverse events relating to ESG are relatively rare

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

Litigation case, government or regulatory investigations were the most commonly reported ESG-related adverse events.

Incidence of ESG-related adverse events in the last 12 months

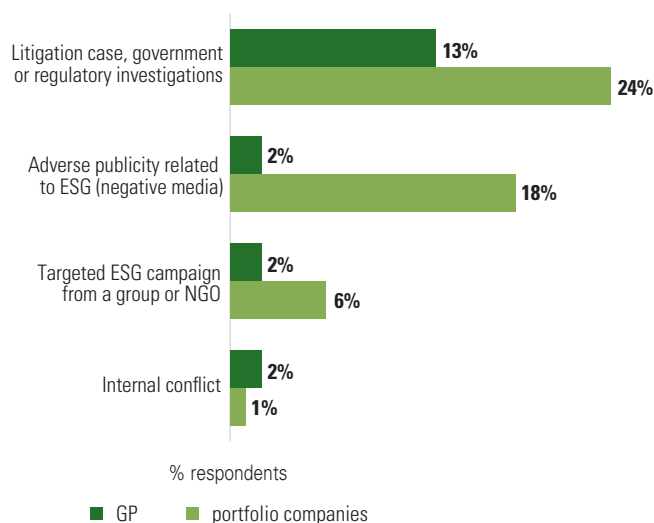


Figure 19



Diversity

Female representation at Partner level is improving

Over two-thirds of responding GPs have female Partners, representing a significant increase in proportion over recent years.

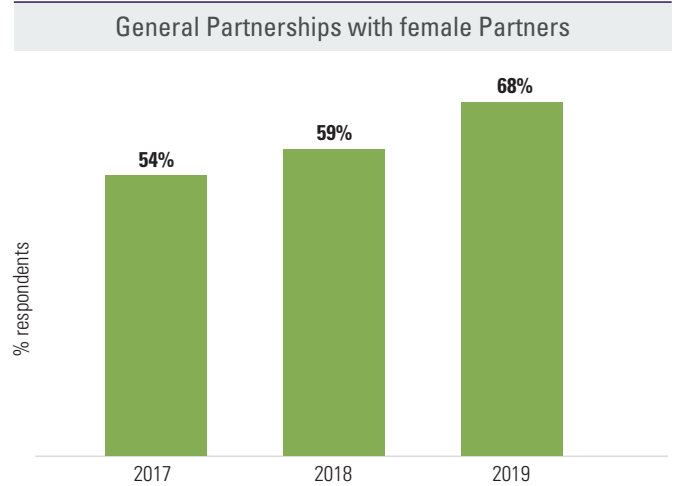


Figure 20

Female partners continue to represent a minority of GPs' Partner base

For 82% of responding GPs female Partners represent less than 20% of their Partnership. No respondents reported a Partnership which was predominantly female.

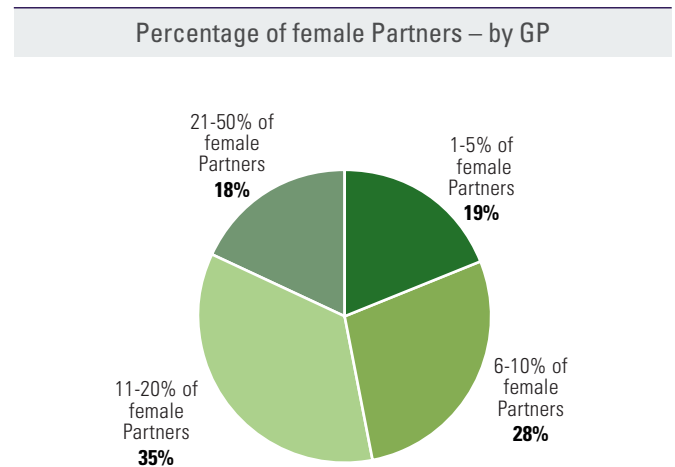


Figure 21

The proportion of GPs with women on their Investment Committees shows no progress

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

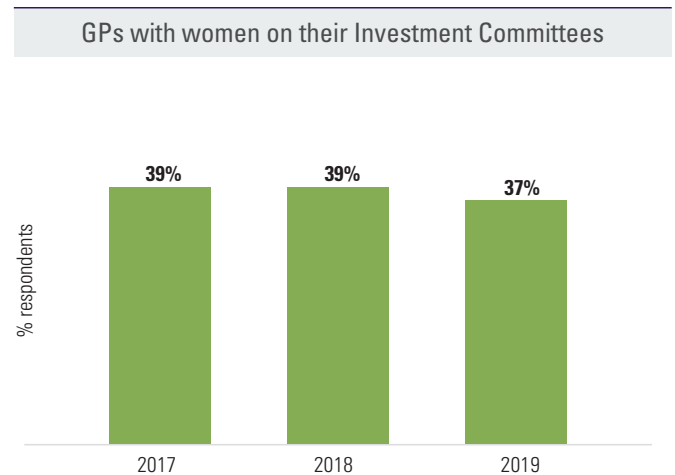


Figure 22

Diversity

GPs are planning to increase the diversity of ManCos' and portfolio companies' employees

Half of GP management companies and over one-third of portfolio companies have a formal plan in place to increase diversity over the next three years.

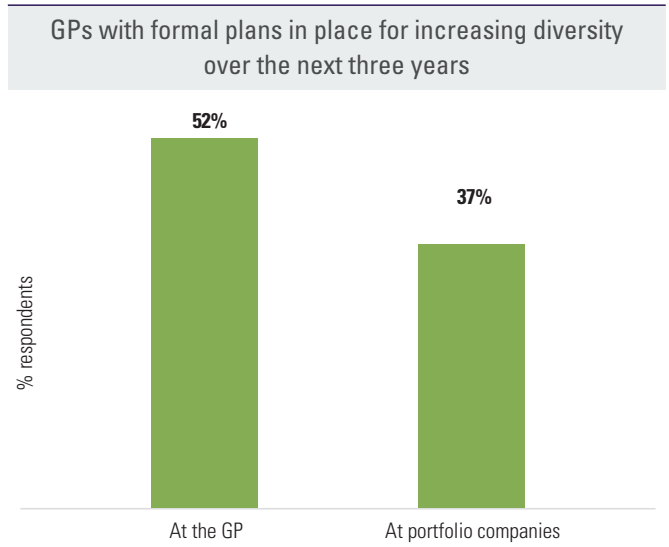


Figure 23



Respondent breakdown

- We sent our survey to all 97 GPs in CIP V, CIP VI and CIP VII, our active funds in 2018.
- The 85 GPs who responded represent 452 private equity funds, and those funds represent 79% of Collier funds' FMV at 31 December 2018.
- 59% 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 16% of respondents are based in Asia-Pacific, the Middle East, Africa, and Latin America.
- The comments and charts in this report refer only to the 85 GPs that responded.

When GPs first started investing in private equity by year

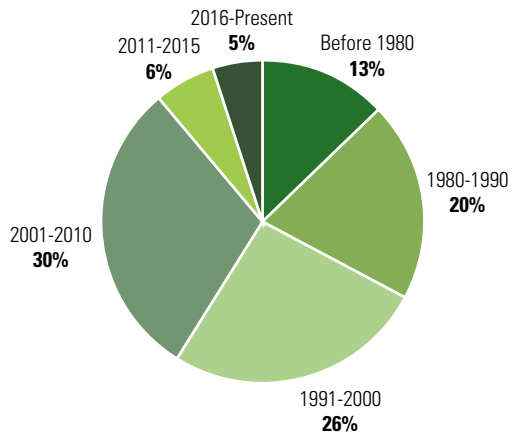


Figure 24

Individual GPs' total AUM

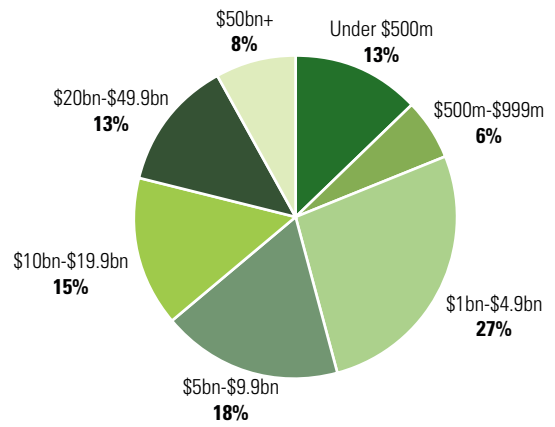


Figure 25

Location of GPs' headquarters

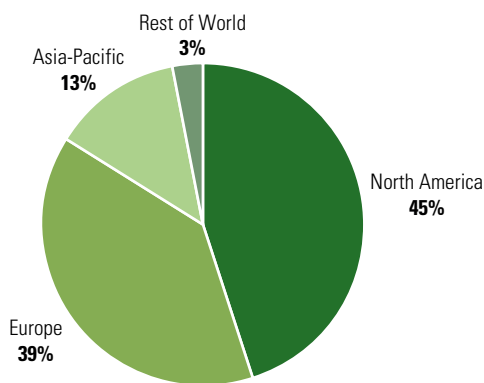


Figure 26

Type of firm

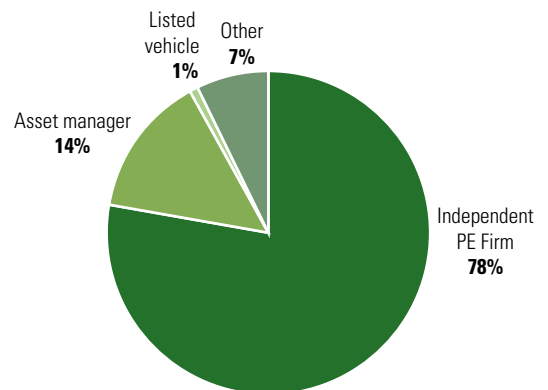


Figure 27

ESG at Collier Capital

ESG Policy review

The most recent review of our ESG Policy concluded that it remains fit for purpose in respect of ESG at the firm and fund level. Our latest review included how to better take into consideration the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and the UN Sustainable Development Goals (SDGs), and that remains a focus for next year.

Recognition

We were delighted to have our efforts to embed ESG at firm and fund level recognised by being awarded the 2018 BVCA Responsible Investment Award (for firms with over £1 billion assets under management) and were shortlisted for the inaugural 2019 IEMA (Institute for Environmental Management & Assessment) Sustainability Impact Awards (Sustainable Finance).



As signatories of the UN-supported Principles for Responsible Investment (PRI), we were proud to retain an A+ for both the rated sections of our 2019 PRI Report. This places our firm among the leading asset managers (as defined by the PRI) and is unique among dedicated secondaries investors.



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 analysis. A tailored ESG comment is provided in all recommendations to our Investment Committee and a verbal commentary also delivered. Since 2016, our Investment Committee has considered ESG analysis and commentary for over 650 separate investment opportunities.

Where we cannot gain comfort on ESG, we will not proceed with an investment opportunity. Since 2016, there have been 16 opportunities declined on ESG grounds (where ESG was either the main concern or a contributing factor).

Fund level perspective

Since 2016, we have assessed which underlying GPs' portfolio companies we considered most likely to be exposed to climate-related and animal welfare risk. Although this is still a work in progress, our analysis to date has shown:

- Businesses in higher carbon sectors account for c.9% of all underlying portfolio companies in CIP V, VI and VII.
- Businesses exposed to the intensive farming sector account for c.5% of all underlying portfolio companies in CIP V, VI and VII.

The United Nations' Sustainable Development Goals (SDGs)

To better understand the United Nations' Sustainable Development Goals (SDGs) and our business, we undertook a high-level, top-down analysis of underlying GP portfolio company exposures against the SDGs. This exercise considered the limitations of our mandate as an

ESG at Collier Capital

investor in private equity secondaries but included over 3,000 companies. These were assessed using a framework aligned with that proposed by the World Business Council For Sustainable Development (WBCSD) for SDG Sector Roadmaps.

The underlying companies with products and services that were considered to contribute directly and positively to the SDGs accounted for 20% of the total subject to the assessment, and concluded that the most direct and positive exposure of the underlying portfolio company exposures was to the following SDGs:



Collier Capital supports the UN Sustainable Development Goals (SDGs).

Engagement

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 with portfolio companies, alongside GPs themselves.

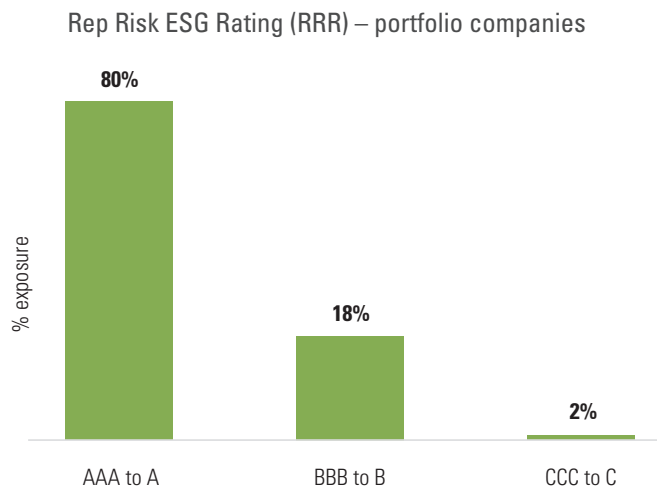
Since 2016, we have worked with 28 GPs to help develop or enhance their own ESG policies and practices. We have additionally provided views to over 100 GPs and other stakeholders on ESG issues

such as climate-related risk, mental health at work, tax risk and human rights due-diligence.

Monitoring

We 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-risk portfolio across CIP V, CIP VI and CIP VII (at least according to the RepRisk model).

We believe this validates our risk-adjusted approach to ESG management.



Source: RepRisk.

ESG at Coller Capital

Initiatives throughout the Firm

Diversity and inclusion

Our Diversity and Inclusion working group, which reports to our Executive Committee, is undertaking a number of 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. The firm also has several initiatives underway to support our employees' mental health, including a cohort of dedicated mental health first aiders, and a wellbeing portal.

We recently partnered with Stonewall as a Diversity Champion, and are working with the charity on several initiatives.



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

Coller Capital gender split	% female (July 2018)	% female (July 2019)
Total employees	34%	36%
Investment team	16%	21%
Non-investment team	43%	44%
Senior* roles in the investment team	8%	5%
Senior* roles within the firm	6%	6%

**Senior means Partner, Function Head and Principal.*

Sustainability

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 reduce Coller's carbon footprint, and compliance with the UK's Modern Slavery Act.



ESG at Collier Capital

Procurement and suppliers

We have adopted 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. As part of our modern slavery obligations in British law we engaged with over 30 higher-risk suppliers globally in 2018 and received a 100% response.

We have a number of sustainable procurement policies in such areas as sustainable food and animal welfare; cleaning chemicals; building energy efficiency; energy/carbon; and single use plastic.

Climate neutrality

In 2019 the firm achieved climate neutral status. Collier Capital had its direct and indirect emissions independently measured for the period 1 January 2018 to 31 December 2018. This exercise has already helped inform our thinking on climate risk more broadly, at the firm and in the future it will contribute to our fund level risk analysis. 3,333 tonnes of greenhouse gas emissions have been offset by investing in a climate protection project which supports regeneration of Brazil's Cerrado savannah and is equivalent to planting 55,000 trees. This project is considered to contribute to the following SDGs:



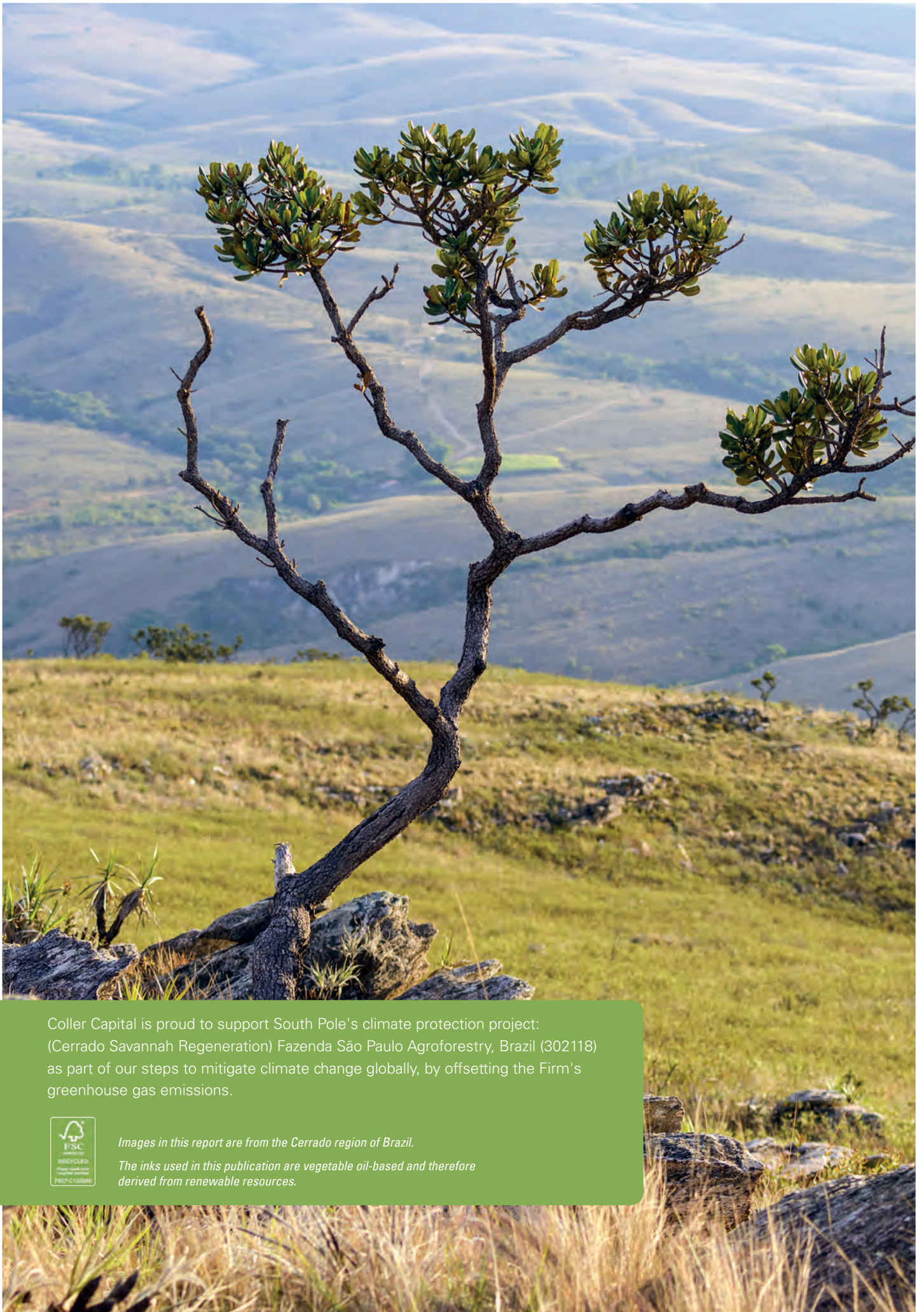
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More information on ESG at Collier Capital can be found at: www.collercapital.com/investments/responsible-investment



Coller Capital is proud to support South Pole's climate protection project: (Cerrado Savannah Regeneration) Fazenda São Paulo Agroforestry, Brazil (302118) as part of our steps to mitigate climate change globally, by offsetting the Firm's greenhouse gas emissions.



Images in this report are from the Cerrado region of Brazil.

The inks used in this publication are vegetable oil-based and therefore derived from renewable resources.

