



# **RESPONSIBLE INVESTING** **AT UNIGESTION PRIVATE EQUITY**



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# RESPONSIBLE INVESTING AT UNIGESTION

## ESG Beliefs

Asset managers like Unigestion Private Equity ('Unigestion') represent a crucial link between investors and the financing needs of the real economy. As such, our industry will increasingly be assessed on the values it upholds, the ethics it promotes and the wider role it has to improve the society we all live in.

Well-governed businesses with responsible practices can make a positive contribution to our clients' portfolios over the long term. Sustainability will be a long-term driver for change in markets, countries, sectors and companies, creating significant opportunities for fruitful investment.

Integrating ESG is a process we have honed since launching our first responsible private equity product in 2010. Since then, we have evolved our approach across the different strategies we manage. We integrate ESG considerations throughout all our investment processes - from universe screening and investment selection to portfolio construction and engagement.

We are convinced that integrating ESG considerations in primary, secondary and direct investments enable the creation of long-lasting value for our investors. As a prominent investor in the private equity ecosystem, we are well positioned to make a difference and actively engage with our partners to share and promote best practices and resources related to ESG integration.

This document provides detail on this approach, as well as outlining the evolution of ESG investing at Unigestion and how we have responded to the changing regulatory environment.

## ESG Definitions

We recognise that the subject of ESG and sustainability is a complex and multifaceted topic affecting different areas of our organisation in various ways. While entirely clear-cut definitions are not always possible due to the nature of the topic, we generally use the following concepts in our sustainability framework:

Our definition of **sustainability** is based on the common definition included in the Brundtland Report<sup>1</sup>: "*Sustainable development is development that meets the needs of the present without compromising the needs of future generations to meet their own needs*".

The **Sustainable Development Goals (SDGs)**<sup>2</sup>, also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

Countries have committed to prioritize progress for those who're furthest behind. The SDGs are designed to end poverty, hunger, AIDS, and discrimination against women and girls.

There are 17 goals with specific targets, many of which are about country policy and therefore may not be addressed through corporates. Still, companies may contribute to a limited number of targets.

Figure 1: SDG categories



Source: Website UN, <https://www.un.org/sustainabledevelopment>

The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States.

SDGs are the ultimate route to Sustainability, while on the day-to-day basis they could be broadly considered in investment terms as **ESG (Environmental, Social, Governance)** elements. With this in mind, we refer to the definition provided by the EU Commission<sup>2</sup>:

<sup>1</sup> Report of the World Commission on Environment and Development: Our Common Future (1987)  
<sup>2</sup> Chapter 1.2 EU Commission Impact Assessment SWD (2018) 264 final, 24.5.2018



"Although there is no universal definition of ESG factors within the investment industry, it is widely accepted that ESG factors are a universal concept that include a range of environmental, social and governance factors. According to the United Nations Environment Programme (UNEP) Inquiry and the United-Nations-backed Principles for Responsible Investment (UN PRI), ESG factors are broadly defined as follows:

- (i) **Environmental (E)** issues relate to the quality and functioning of the natural environment and natural systems;
- (ii) **Social (S)** issues relate to the rights, well-being and interests of people and communities; and
- (iii) **Governance (G)** issues relate to the governance of companies and other investee entities."

Environmental, social, and governance (ESG) criteria are a set of standards for a company's behaviour. This set indicates how a company operates overall and therefore the non-financial quality of a corporate organisation.

ESG criteria can be used to measure if and to which extent externalities may negatively or positively affect a company's operations and business (sustainability risks and opportunities).

In addition, one can measure a company's effect on the environment or people through its operations or its products & services. This is known as **impact**. Impact can be positive or negative. The positive impact of a company's products & services indicates how a company can make **positive social change** and aid society with its products & services (create **positive externalities**). Positive impact based on products & services can be measured by the following dimensions:

**Depth:** Helping society to a greater degree than usual

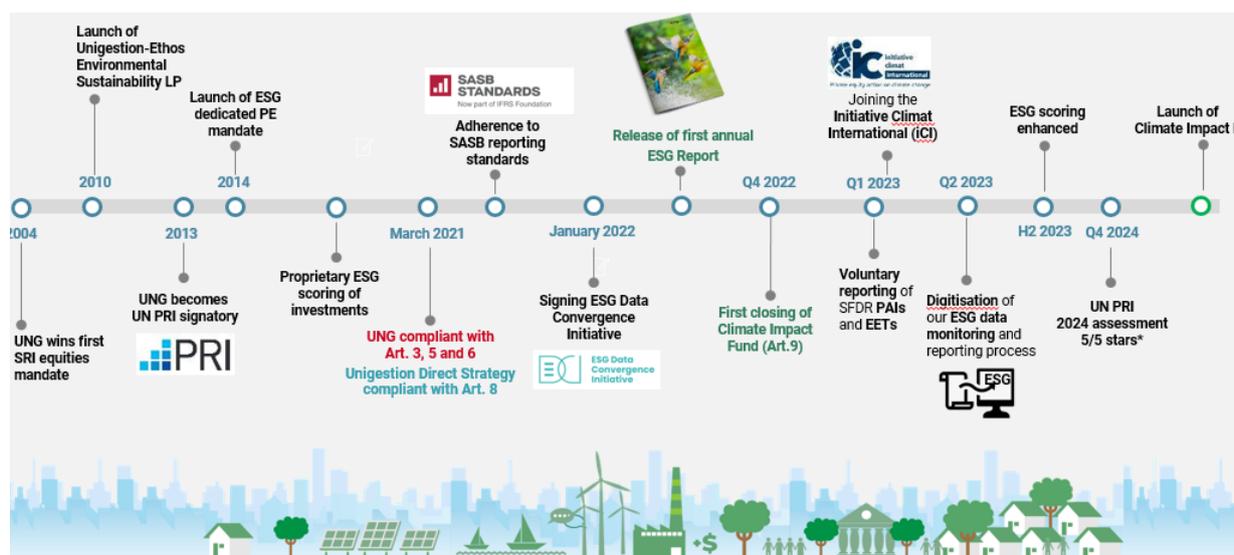
**Breadth:** Helping a wider range of the society

"Impact investing" is a strategy focused on achieving a positive impact. According to the universally accepted definition provided by the Global Impact Investing Network (GIIN) "impact investments" are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.<sup>3</sup>

## Evolution of Responsible Investing

Unigestion has been an active proponent of responsible investing since launching our first responsible private equity product in 2010. Since then, we have introduced several initiatives and products, signed the United Nation's Principles for Responsible Investment (UN PRI) in 2013 and significantly accelerated our SRI-related activities since 2016. The regulatory developments in the EU, after 2019, further sharpened our focus on the different ESG dimensions.

Figure 2: Responsible investment timeline at Unigestion



\* UNPRI 2024 assessment report can be found at <https://www.unigestion.com/home/private-equity/>

<sup>3</sup> The Global Impact Investing Network (GIIN): [What You Need to Know about Impact Investing | The GIIN](https://www.giin.com/what-you-need-to-know-about-impact-investing/).



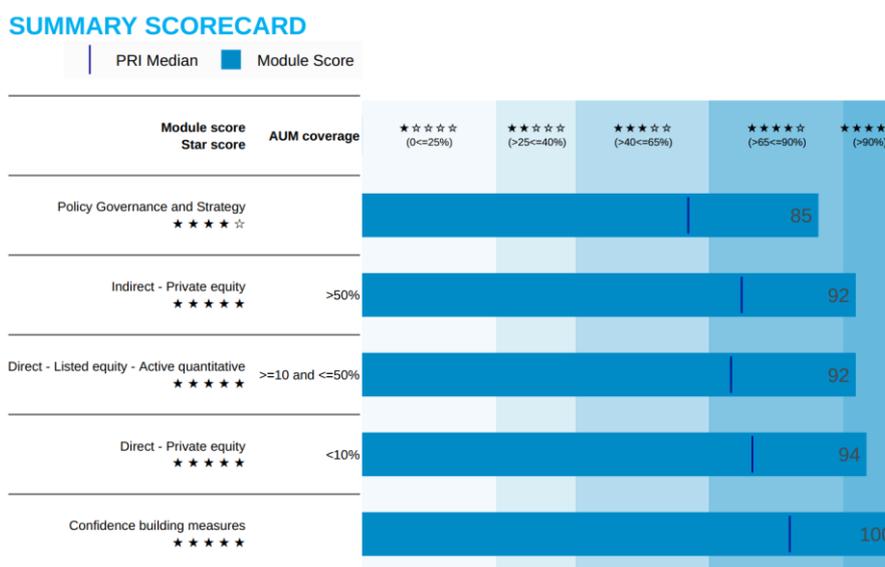
## Responsible Commitment

Unigestion has increased its commitment to responsible investment since joining the UN PRI in 2013. Active consideration of responsible investing with our stakeholders is an important part of our ESG framework. Figure 3 below summarises our score and highlights the extent of our efforts to integrate the UN PRI into our investment activities.

We are committed to adhering to the UN PRI Principles in line with our fiduciary duties and regulatory obligations as an asset manager:

- ▶ We incorporate ESG criteria into investment analysis and decision-making processes.
- ▶ We are active owners and incorporate ESG issues into our ownership policies and practices.
- ▶ We seek appropriate disclosure on ESG issues by the entities in which we invest.
- ▶ We promote acceptance and implementation of the Principles within the investment industry.
- ▶ We work together to enhance our effectiveness in implementing the Principles.
- ▶ We report on our activities and progress towards implementing the Principles.

Figure 3: Summary scorecard of PRI Assessment Report for 2024



Our complete PRI Transparency and Assessment Reports are available at <https://www.unigestion.com/responsible-investment/policies-and-reporting/>

### An active participant in the wider ESG community

We believe that our commitment also involves playing an active role in the development and promotion of ESG principles across the investment industry. Therefore, we strive to actively drive engagement by promoting our views at industry events, namely:

- ▶ Impact Forum by Global Impact Investor Network (GIIN), Copenhagen, October 2023
- ▶ Sahar Global Summits ESG & Impact Summit "Fiction or Reality: Private Equity Climate Returns can go hand in hand with Private Equity Climate Impact", New York, October 2023
- ▶ SuperInvestor "From greenwashing to greenhushing: the end of an era?", Zurich, November 2023
- ▶ AIM Sustainable Finance Webinar "Stewardship in Alternative Investments", online, December 2023
- ▶ Investors' Forum "Impact: the next growth wave in our industry?", Geneva, March 2024
- ▶ SuperInvestor "Impact is about making money, not philanthropy", Monaco, November 2024
- ▶ Investors' Forum "Integrating climate risk in classic buyout investment process", Geneva, March 2025
- ▶ SuperReturn "Climate Change and the energy transition: opportunities and challenges", Berlin, June 2025
- ▶ IPEM "The Rise of Sustainability in PE Value Creation", Paris, September 2025

### Educating our people

All new employees at Unigestion receive dedicated training on the importance of responsible investing as part of their onboarding. Thereafter, employees are regularly updated on any relevant developments - including, regulatory changes, product-specific requirements, enhancements to Unigestion's ESG processes, and portfolio performance at least on an annual basis.

The ESG dedicated resources support investment managers in their ESG-related work, such as ESG due diligence and ESG engagement.



## Governance & Objectives

ESG is a priority for Unigestion and as a result, we have established a governance framework that empowers our sustainable values and beliefs at the highest level of the Group. Therefore, the Sustainability Committee reports directly to the Executive Committee (ExCo). As the ExCo is the highest decision-making committee within Unigestion, its decisions then apply at all levels of the companies of the Group, in each area of investment expertise and controlled by the risk department.

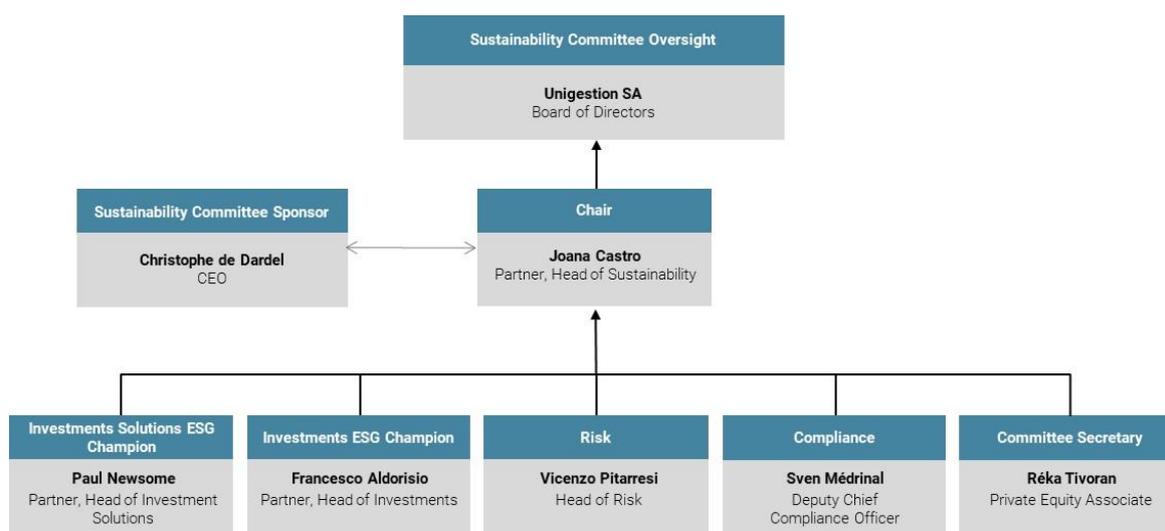
You will find hereunder the responsible governance hierarchy:

Function	Role & Responsibilities
<b>Sustainability Committee</b>	<ul style="list-style-type: none"> <li>▶ Advise the Executive Committee (ExCo) on defining the approach to sustainability</li> <li>▶ Introduce ESG considerations within investment decision-making processes</li> <li>▶ Responsible for ESG implementation on behalf of ExCo, whether customized or regulatory</li> </ul>
<b>Executive Committee</b>	<ul style="list-style-type: none"> <li>▶ Ultimate responsibility and oversight of all ESG-related activities</li> <li>▶ Takes strategic decisions on ESG integration based on Sustainability Committee recommendations</li> </ul>
<b>Investment Committee (IC)</b>	<ul style="list-style-type: none"> <li>▶ Implement ExCo decisions regarding to sustainability approach</li> </ul>
<b>Risk Management (RM)</b>	<ul style="list-style-type: none"> <li>▶ Monitoring of adherence to sustainability strategy</li> <li>▶ Independent monitoring of sustainability risks at asset level across all strategies</li> </ul>

Our Sustainability Committee leads the development and integration of SRI principles into all key processes including investment and risk management across the relevant entities and products. Composed of senior management, including our CEO, the Committee has published this Responsible Investing Policy, which establishes the following four principles to guide our activities:

- ▶ We integrate **ESG risks** throughout the organisation, including investment decision-making processes
- ▶ We **actively engage** and exercise investors' rights as shareholders and engage with investee companies or funds and relevant stakeholders
- ▶ Where possible, we aim to **increase positive impacts** and to **reduce negative impacts**. However, the scope and nature of these processes are determined at a product level
- ▶ We consider ESG best practices by aligning our investment policy with the philosophy of the **UN PRI** and by being an active **member of industry-wide movements**.

Figure 4: Sustainability Committee org chart





# RESPONSIBLE INVESTMENT PROCESS

## Overview

We have been investing in private equity since 1988, and we created one of the first private equity fund-of-funds in Europe in 2000.

We are committed to maintaining the highest level of scrutiny over the way ESG criteria are respected, measured, reported and handled across our investment activities, and to making ongoing improvements. We strongly believe our investors will benefit from this approach over the long term.

As a prominent investor in the private equity ecosystem, we are well positioned to make a difference and actively engage with our partners to share and promote best practices and resources related to ESG integration.

In our private equity offering, all funds considered for investment are subject to a rigorous ESG due diligence process, based on the UN PRI guidelines for private equity. ESG-related topics include, among others: (i) the integration and analysis of ESG criteria in the investment process; (ii) the ESG evaluation of individual fund managers; and (iii) ESG assessments and industry classifications of existing and new portfolio companies.

Integrating ESG in private equity direct investing is a fundamental way for us to measure improvements and create long-lasting value for all stakeholders. We embrace ESG as a key value driver.

As a responsible shareholder, we ensure that company management teams are held to account. When investing directly in private equity companies, we seek a seat on the Board of Directors, or at least observer status, so that we can influence the direction and future operations of the firm, and provide guidance on ESG matters.

For private equity funds, we obtain a seat on the advisory committee and monitor the fund manager and underlying companies within each fund on ESG grounds to ensure that businesses are robust and continue to generate consistent returns for our investors.

ESG has always played an important role in our investment decision-making process but today, our approach to ESG is far more sophisticated and proven. Previously, ESG assessments were based on a mixture of our values and beliefs, experiences and market risks without being as well structured and defined as they are today.

Today, we possess a set of tools that allows us to recognise risks, and rate and monitor companies in terms of ESG which is based on the way each individual company deals with the specific environmental, social and governance challenges that it faces.

Since the implementation of these tools in 2019, we have gained a clearer view of the ESG maturity across the assessed investees and, importantly, avoided those with material ESG risks. However, this does not imply that we exclude all investment opportunities with low ESG scores. On the contrary, we often see such companies as offering significant potential for value creation through improved governance, risk mitigation, and stronger sustainability practices—enhancing both resilience and long-term value.

We commit to continue to develop and enhance our responsible investing approach in private equity as well as to share and promote the best practices in the industry.

## Our Four Pillar Approach

Our responsible investment process is composed of four pillars:





## Pillar I: Norm-based screening

Norm-based screening is the process of excluding instruments associated with key social or environmental issues.

Any business that violates any of the following exclusion criteria is filtered out immediately: controversial weapons, tobacco producers, adult entertainment producers, thermal coal, predatory lending and companies that are not compliant according to UN Global Compact (UNGC). Please refer to Figure 5 for details.

Figure 5: Norm-based Exclusions

Norm-based screening	Description
Minimum social safeguards:  Companies identified as "non-compliant" based on UN Global Compact and OECD Guidelines for Multinational Enterprises (including the principles identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights)	<b>Human rights</b> Businesses that do not support and respect the protection of internationally recognised human rights or are complicit in human rights abuses
	<b>Labour rights</b> Businesses that do not uphold: - the freedom of association and the effective recognition of the right to collective bargaining - the elimination of discrimination in respect of employment and occupation - the elimination of all forms of forced and compulsory labour - the effective abolition of child labour
	<b>Environmental issues</b> Businesses that do not: - support a precautionary approach to environmental challenges - undertake initiatives to promote greater environmental responsibility - encourage the development and diffusion of environmentally friendly technologies
	<b>Business Ethics</b> Businesses with any money laundering, terrorism financing and corruption, including extortion and bribery
Controversial Weapons	Businesses involved in controversial weapons (companies that are involved in the production or distribution of anti-personnel mines, cluster munitions, chemical and biological weapons, depleted uranium ammunitions or nuclear weapons)
Adult Entertainment Producers	Businesses principally engaged in adult entertainment production (companies that are principally engaged in the production of pornography and generate >10% of revenue from this activity)
Tobacco Producers	Businesses active in the cultivation and production of tobacco
Coal	Businesses with more than 1% of their total revenue derived from exploration, mining, extraction, distribution or refining of hard coal and lignite, including significant thermal coal revenue exposure
Predatory Lending	Businesses significantly involved in predatory lending (companies which are directly involved in unethical lending practices that impose unfair, deceptive and abusive loan terms on borrowers and generate >5% of revenue from these activities)

## Pillar II: exclusionary screening

Negative or exclusionary screening is the process of excluding instruments from an investment universe based on our expectations regarding specific ESG-related risks

Further to norm-based screening, Unigestion considers three such exclusions: companies / funds with no current ESG policy or no intention to introduce one, companies/funds with ESG-related litigations and high carbon emitters.

### *Companies / funds with no current ESG policy or not intention to develop one*

We exclude from the investment universe companies / funds that do not have an ESG policy in place and do not intend to develop one during our ownership.

### *Companies / funds with ESG-related litigations*

We exclude from the investment universe companies / funds that have faced significant ESG-related litigations.

### *High carbon emitters*

High carbon emitters are likely to face regulatory and pricing headwinds, and some activities may simply not be viable under strict scenarios. We exclude companies / funds identified as high carbon emitters through a quantitative assessment if available or qualitative assessment.

## Pillar III: portfolio-level ESG guidelines

We conduct due diligence on ESG matters and perform a qualitative and quantitative assessment of ESG-related risks for every investment opportunity considered. Based on the information gathered, we apply a proprietary scoring framework to evaluate the maturity of each potential investment in terms of ESG integration.



Post-investment, ESG scores are reviewed annually to monitor progress against the pre-investment assessment, both at investee level and across the overall portfolio. We expect our portfolio to show a year-on-year improvement in its aggregate ESG score compared to the pre-investment baseline.

Further details on our scoring methodology and annual monitoring framework are provided in the sections “ESG integration in direct private equity strategies” and “ESG integration in private equity fund investments”.

#### Pillar IV: Active ownership

Unigestion aims to be an active owner of companies on ESG issues where we have a reasonable chance of influencing their behaviour and positioning positively. We believe that in the long term, this process will contribute positively to our portfolios’ risk/return profile.

Unigestion believes that collective action by investors with mutual interests can enhance engagement efforts. As such, we contribute to the following collaborative initiatives:



- ▶ In 2022, we joined the **ESG Data Convergence Initiative** (EDCI). This initiative focuses on streamlining the private equity approach to collecting and reporting ESG data in order to create a critical mass of meaningful, performance-based, comparable ESG data from private companies.



- ▶ In 2023, Unigestion became a member of the **Initiative Climat International** (iCI) whose clarion call is clear: namely, that the global private equity industry does its part by leveraging tried-and-tested methodologies to analyse and mitigate carbon emissions and exposure to climate-related financial risks in their portfolios.

### ESG integration in direct private equity strategies

ESG considerations are integrated at every stage of the direct investment process as shown and detailed in the following:

Figure 6: ESG at every stage of the direct investment process



For our climate impact strategy, we have further strengthened the investment process as described in the website disclosure available in the section “Sustainability-related disclosures” of our corporate website (<https://www.unigestion.com/responsible-investment/sustainability-related-disclosures/>).



## Step 1: Sourcing – Support to environmental and/or social themes

In direct investments, we look for companies whose respective economic activity supports one or more environmental and/or social themes we have selected (e.g. water management, waste recycling, elderly care, education, pharmaceuticals and health-related services). To complement the support to these themes, we will, in addition, assess whether the company's economic activities can be linked to one or more SDG targets (as defined in the 2030 Agenda for Sustainable Development) by means of a specific indicator.

In our climate impact strategy, we have the sustainable investment objective to invest in companies whose economic activities contribute at least to one of the following environmental objectives described in more detail in the EU Taxonomy: (i) climate change mitigation, (ii) climate change adaptation, (iii) transition to a circular economy and (iv) protection and restoration of biodiversity and ecosystems. The investments made pursuant to this strategy are aligned mostly with SDG 7 (Affordable and clean energy) and SDG 13 (Climate Action). For details on our climate impact strategy, please refer to the section "*Sustainability-related disclosures*" of our corporate website (<https://www.unigestion.com/responsible-investment/sustainability-related-disclosures/>)

## Step 2: preliminary review - norm-based and exclusionary screening (ESG Pillars I & II)

At this preliminary stage, a new proposal is presented to a dedicated team for a review of certain qualitative criteria. These include an assessment of industry, geographic region and size as well as ESG criteria.

For details on the exclusion list and negative screening, please refer to "*Our Four Pillar Approach*" above.

If the results of the ESG screening process in the preliminary review is satisfactory, the deal is then progressed to the next stage of the process.

## Step 3-5. scoring and early warning memo / modelling and due diligence / Investment Committee decision and execution – ESG guidelines (ESG Pillar III)

### 1. ESG risk assessment

Assessing ESG-related risks forms a key element of our overall analysis on investment opportunities. We perform a qualitative assessment of ESG-related risks of the investment opportunity based on the sector / industry and leveraging on both our internal experience and leading ESG tools in the private equity industry. The material ESG-related risks identified for the investment opportunity are formally documented in the Early Warning Memo for consideration by the Investment Committee.

During due diligence, the direct investment team performs a quantitative assessment of the material ESG-related risks, selecting KPIs measurable pre- and post-investment and calculating the expected financial impact should the material ESG-related risks materialise (ESG stress scenario). The results of this quantitative assessment are documented in the investment recommendation alongside the remainder of the ESG due diligence outcome.

We have rejected a number of investments due to ESG-related risks. A recent example is a producer and bottler of premium quality, natural mineral water and organic beverages. This European company mainly ships its products to North America, raising concerns about the excessive use of plastic packaging and an elevated carbon footprint from transportation. These negative points were weighed against the positives, including the products' success in North America, driven by the trend towards healthier drinks (and away from high sugar soft drinks). There was some potential to address these issues through engagement measures by reducing the plastic used in the packaging and relocating the bottling process to North America. However, the conclusion was that the overall environmental cost of the products was too high, and engagement alone would not be sufficient to overcome the negative impact. At this point, the investment was rejected.

We believe that mitigating ESG-related risks strengthens the downside protection for investment returns and enables value creation. During the life of the investment, we monitor closely the evolution of the material ESG-related risks and their expected financial impact and proactively engage with companies to address those. Details of our engagement and active ownership are outlined below under "Step 6: monitoring and reporting – engagement (ESG Pillar IV)".

### 2. Proprietary ESG scoring framework

In 2019, we implemented a proprietary ESG scoring framework with a view to ensure a consistent and comprehensive approach to ESG due diligence. In 2023, we have 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, data & IT security. According to this scoring methodology, each direct investment opportunity is rated out of 100%. Investments are rated 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 & Organization, (ii) Environmental, (iii) Social and (iv) Governance. The key criteria



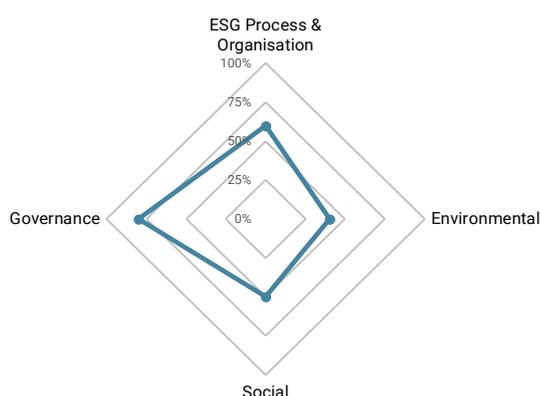
considered in our methodology are outlined in Figure 7. The quantitative criteria are harmonised with the principles of the SFDR and EDCI.

Figure 7: Key criteria considered in our ESG scoring methodology

Categories	Criteria
ESG Process & Organization	<ul style="list-style-type: none"> <li>ESG policy, ESG resources</li> <li>ESG training</li> <li>ESG initiatives implemented</li> <li>Significant ESG litigations</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>Environmental initiatives</li> <li>GHG emissions (Scope 1-3), GHG intensity and carbon footprint</li> <li>Adoption of GHG emissions reduction initiatives (e.g. SBTi)</li> <li>CO2 footprint offsets</li> <li>Emissions of pollutants – e.g. air, inorganic, ozone depletion substances</li> <li>% of energy consumed and/or produced from renewable sources</li> <li>Impact on biodiversity sensitive areas</li> <li>Emissions to water</li> <li>Waste – hazardous waste, % of recycled waste</li> </ul>
Social	<ul style="list-style-type: none"> <li>Employees' growth</li> <li>Social initiatives (e.g. diversity, charity, well-being)</li> <li>Employee survey</li> <li>Gender pay gap</li> <li>% of female employees</li> <li>Remuneration committee</li> <li>Health &amp; safety incidents</li> <li>Social litigations</li> <li>Turnover rate</li> <li>Absenteeism rate</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Corporate code of conduct and/or code of ethics</li> <li>Anti-money laundering, anti-bribery, anti-corruption</li> <li>Whistleblower and human rights policies</li> <li>% female executive management</li> <li>% female board members</li> <li>% Independent board members</li> <li>Excessive CEO pay ratio</li> <li>Independent audit committee</li> <li>Succession plan</li> <li>EU Taxonomy alignment</li> <li>Internal process to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational enterprises</li> <li>Supply chain risk management</li> <li>Protection of data &amp; IT security</li> </ul>

The ESG score of a direct investment is summarised in our ESG radar (see Figure 8) and it is included in our investment recommendation alongside the priorities for the engagement plan during our holding period.

Figure 8: ESG radar



Finally, the Investment Committee will review and assess whether:

- ▶ The company already has “best in class” ESG metrics, or
- ▶ There is a clear path to “best in class” via active engagement.

It is important to note that low scores will not necessarily result in the exclusion of a candidate. We first assess the “engagement potential” of low scoring companies i.e., their potential to drive ESG-related improvements through a gradual and long-term engagement process during our holding period.

The ESG analysis is primarily performed internally, and the investment team prepares all material for the investment review in parallel with the investment due diligence. All relevant information is acquired directly from investment documents (often supported by



additional documents prepared by investment banks or intermediaries) and/or from companies themselves. The investment team then evaluates and verifies the information provided.

### 3. ESG Pillar III: ESG Guidelines

The ESG score of each direct investment is reviewed on annual basis. We require our portfolio of direct investments to demonstrate an aggregate ESG score improvement vs. the pre-investment assessment on annual basis. This is achieved through our ESG risk assessment and our engagement with the companies during their holding period. Details on our engagement and active ownership are outlined below under “Step 6: Monitoring and Reporting”.

#### Step 6: monitoring and reporting – engagement (ESG Pillar IV)

The direct investment team integrates ESG criteria into their day-to-day practices and monitors their progress on an ongoing basis as part of a continuous engagement programme. ESG is embraced as a key value driver of every direct investment.

As outlined above, portfolio companies are assigned an overall ESG score as part of the due diligence of a set of ESG criteria. To drive high ESG standards, for each criterion, a tailored engagement plan is implemented, and priorities are allocated depending on the scale of the issue and the potential for improvement. The material ESG-related issues are then relayed back to the portfolio company to establish a plan for addressing them.

The level of engagement and the action required will differ on a case-by-case basis. Examples of engagement might be optimising processes to reduce energy and water consumption (e.g. through the installation of drop-by-drop irrigation systems), or improving governance mechanisms.

From this point onwards, each company is reassessed against the ESG criteria on an annual basis to measure improvements and to readjust any measures taken. Each year, an internal ESG overview is presented to the Investment Committee, followed by a formal annual ESG report shared with our investors. In addition, our funds’ quarterly reports also report on ESG matters which are updated on an annual basis.

## ESG integration in private equity fund investments

ESG considerations are integrated across our fund investment process as shown and detailed in the following:

Figure 9: ESG across the fund investment process





## Step 1: preliminary review - norm-based and exclusionary screening (ESG Pillars I & II)

Step 2 of ESG integration in direct strategies, outlined above, also applies to fund investments (primaries and secondaries).

## Steps 3-5: scoring and early warning memo / modelling and due diligence / Investment Committee decision and execution – ESG guidelines (ESG Pillar III)

### 1. ESG risk assessment

Assessing ESG-related risks forms a key element of our overall analysis on investment opportunities. We perform a qualitative assessment of ESG-related risks based on target sectors / industries of the fund, particularly in the case of sector focused funds and existing investees. As for direct investments, we leverage on both our internal experience and leading ESG tools in the private equity industry. The material ESG-related risks identified for a given investment are formally documented in the Early Warning Memo for consideration by the Investment Committee.

During the due diligence, the fund investment team perform a quantitative assessment of the material ESG-related risks, selecting KPIs measurable pre- and post-investment and calculating the expected financial impact should the material ESG-related risks materialise (ESG stress scenario). The results of this quantitative assessment are documented in the investment recommendation alongside the remainder of the ESG due diligence outcome.

### 2. Proprietary ESG scoring framework

In 2019, we implemented a proprietary ESG scoring framework with a view to ensure a consistent and comprehensive approach to our ESG due diligence. In 2023, we have 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, data & IT security. Furthermore, 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 methodology, each fund investment is rated out of 100%. Investments are rated 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 & Organization, (ii) Environmental, (iii) Social and (iv) Governance. The key criteria considered are outlined in Figure 10. The quantitative criteria are harmonised with the principles of the SFDR and EDCI.

Figure 10: Key criteria considered in our ESG scoring methodology

Categories	Criteria – fund manager focused	Criteria – Fund focused
ESG Process & Organization	<ul style="list-style-type: none"> <li>ESG policy and bodies</li> <li>ESG resources</li> <li>ESG training</li> <li>ESG integration and reporting</li> <li>ESG in remuneration</li> </ul>	<ul style="list-style-type: none"> <li>SFDR classification and compliance</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>Environmental initiatives</li> <li>Climate and biodiversity objectives</li> <li>Climate risk assessment</li> <li>Environmental litigations for non-compliance, financial and reputational risks</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions (Scope 1 to 3), GHG intensity and carbon footprint</li> <li>CO2 footprint offsets</li> <li>Emissions of pollutants – e.g. air, inorganic, ozone depletion substances</li> <li>% of energy consumed and/or produced from renewable sources</li> <li>Impact on biodiversity sensitive areas</li> <li>Emissions to water</li> <li>Waste – hazardous waste, % of recycled waste</li> <li>Commitments to net zero / Paris alignment goals</li> <li>Board oversight of climate issues</li> </ul>
Social	<ul style="list-style-type: none"> <li>DEI policy</li> <li>Well-being initiatives</li> <li>Gender pay gap</li> <li>% of female employees</li> <li>Social incidents</li> <li>Active ownership</li> <li>Turnover rate</li> <li>Health &amp; safety incidents</li> <li>Absenteeism rate</li> <li>Labour standards &amp; social issues</li> </ul>	<ul style="list-style-type: none"> <li>Gender pay gap</li> <li>Board gender diversity</li> <li>Excessive CEO pay ratio</li> <li>Human rights and whistleblower policies</li> <li>Absenteeism rate</li> <li>Employee survey</li> <li>Employees' growth</li> <li>Turnover rate</li> <li>Health &amp; safety incidents</li> </ul>



Governance	<ul style="list-style-type: none"> <li>• Fair treatment of investors</li> <li>• Litigations</li> <li>• Corporate code of conduct and/or code of ethics</li> <li>• Anti-money laundering, anti-bribery, anti-corruption</li> <li>• % women in senior positions</li> <li>• Succession plan</li> <li>• At portfolio level:             <ul style="list-style-type: none"> <li>▪ Independent board members</li> <li>▪ Ethics policies</li> <li>▪ Committees' implementation</li> <li>▪ EU Taxonomy alignment</li> <li>▪ Background checks</li> <li>▪ Data &amp; IT security</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Violation of UN Global Compact principles and OECD Guidelines for Multinational enterprises</li> <li>• Lack of processes and compliance with UN Global Compact principles and OECD Guidelines for Multinational enterprises</li> </ul>
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The ESG score of a fund investment is summarised in our ESG radar (see Figure 11) and it is included in our investment recommendation alongside the priorities for the engagement plan during our holding period.

Figure 11: ESG radar



The resources dedicated to ESG analysis during the due diligence process are mostly internal. The fund investment team prepares all of the material for the investment review in parallel with the investment due diligence. To achieve and enforce the application of our ESG framework, the fund investment team negotiates a side letter agreement with the managers.

Such legal agreement typically includes the exclusion list applied as part of the norm-based screening (ESG Pillar I) as well as certain exclusions applicable in the context of the exclusionary screening (Pillar III), details on the ESG integration in a given investment process as well as reporting obligations.

### 3. ESG Pillar III: ESG guidelines

The ESG score of each fund investment is reviewed on annual basis. We require our portfolio of fund investments to demonstrate an aggregate ESG score improvement vs. the pre-investment on an annual basis. This is achieved through our ESG risk assessment and our engagement with the fund managers during the life of the funds. Details on our engagement and active ownership are outlined below under "Step 6: monitoring and reporting – engagement (ESG Pillar IV)".

#### Step 6: monitoring and reporting - engagement (ESG Pillar IV)

The fund investment team integrates ESG issues into their day-to-day practices and monitors the progress on an ongoing basis as part of a continuous engagement programme. As outlined above, fund investments are assigned an overall ESG score as part of the due diligence. If any specific issue is identified, a report will be sent to the manager to establish a plan for addressing it. We follow a policy of active ownership, raising ESG concerns both in bilateral interactions with fund managers and via our role on Advisory Boards of funds.

The level of engagement and the action required will differ on a case-by-case basis.

To drive best-in-class ESG standards, we actively engage with our managers post-investment. We then reassess each manager and fund against the ESG criteria on an annual basis to measure any development and to readjust any measures taken.

Each year, an internal ESG overview is presented to the Investment Committee, followed by a formal annual ESG report shared with our investors. In addition, our funds' quarterly reports also include the evolution of ESG scores which are updated on an annual basis.



# SFDR ARTICLE 8 & 9 PRODUCTS

## Article 8 & 9 SFDR framework

Where relevant and possible, we may decide to offer financial products referred to in Article 8 and Article 9 SFDR. This Responsible Investing Policy describes the framework with regard to those financial products.

### Current SFDR Article 8 & 9 Products

We comply with **Article 8** SFDR for our direct private equity products for which we invest in companies whose economic activities support one or more environmental and/or social themes we have selected.

Our secondary products are Article 8 compliant or quasi-compliant by meeting certain ESG standards, including a minimum ESG score as per the scoring performed by Unigestion.

We manage private equity fund products which comply with Article 8 SFDR for which we invest in funds, applying a similar approach as our secondary products.

In our climate impact strategy, we comply with **Article 9** SFDR by pursuing the sustainable investment objective to invest in companies whose economic activities contribute at least to one of the following environmental objectives described in more detail in the EU Taxonomy: (i) climate change mitigation, (ii) climate change adaptation, (iii) transition to a circular economy and (iv) protection and restoration of biodiversity and ecosystems. The investments made pursuant to this strategy are aligned mostly with SDG 7 (Affordable and clean energy) and SDG 13 (Climate Action).

All private equity programmes have an integrated ESG approach; Article 8 & 9 funds have additional Sustainability and/or Impact measurements, as shown in the below table.

Name	SFDR category	Classification of approach	Non-financial characteristics	Measurement
All PE programs	Article 6	ESG integration	ESG classification by scoring	ESG score
Unigestion Direct II	Article 8	Positive impact	Promoting environmental and/or social characteristics	UN SDG contribution by company
Unigestion Direct III				Company-level indicators
Unigestion Secondary VI FPCI				Min. Beginner rating by ESG score
Mandate P				
Climate Impact Fund	Article 9	Sustainability	Promoting EU Taxonomy objectives: climate change mitigation & adaptation, circular economy, biodiversity	Impact indicators

The list of relevant funds can be also found on our website "[Sustainability-related disclosures](#)".

## Periodic reports according to Art. 11 SFDR

The annual reports of our Article 8 and 9 SFDR funds describe (i) the extent to which environmental or social characteristics are met or (ii) the overall sustainability-related impact measured by relevant sustainability indicators.

All funds which are Article 8 or 9 SFDR products will publish an annual report drawn up as per the end of each product's financial year, being 31 December of each year, available to investors at the latest 6 (six) months after the end of the financial year (i.e. 30 June).



# ESG REPORTING

In accordance with the SFDR, dedicated processes have been set up to monitor and report properly internally and externally.

Internally, ESG aspects are reported via different routes including:

- ▶ Pre-investment proposals
- ▶ Regular risk reporting
- ▶ Internal meetings on operational and management levels

Externally, ESG aspects are disclosed to our investors and external stakeholders in accordance with regulatory requirements:

## **Unigestion's company-level disclosures**

- ▶ Article 3 SFDR: Sustainability risks management (in this Responsible Investing Policy)
- ▶ Article 4 SFDR: No consideration of adverse impacts of investment decisions on sustainability factors (in this Responsible Investing Policy)
- ▶ Article 5 SFDR: Integration of sustainability risks in the remuneration policy (Remuneration Policy on the website)

## **Product disclosures**

- ▶ Article 6 SFDR: Sustainability risks disclosures in fund documents
- ▶ Article 8-11 SFDR: Transparency of the promotion of environmental/social characteristics (Article 8 SFDR funds) or of sustainable investment objectives (Article 9 SFDR funds) in fund documents, on the website and in annual reports, where relevant

In addition to regulatory reporting, we provide ESG reporting of all our products at least on an annual basis (except if these are in liquidation process or close to it) and we respond to custom client requests related ESG or sustainability data.



## ESG RISK MANAGEMENT (INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISION-MAKING PROCESS (ART. 3 (1) SFDR))

ESG risk management is embedded throughout our investment process to protect and enhance long-term value creation.

- **Governance and Responsibilities:** The Investment Committee oversees ESG risk management, supported by the ESG dedicated resources who provides guidance, tools, and training on ESG assessments. Investment managers are responsible for identifying and managing ESG risks across all stages of the investment process.
- **ESG Risk Identification and Assessment:** ESG risks are assessed for all investment opportunities during due diligence, using, among others, our proprietary scoring framework. The objective is to evaluate material environmental, social, and governance risks as well as the level of the maturity of the ESG integration in the opportunities under consideration. Material ESG risks and proposed mitigants are summarised in the Investment Committee memo prior to approval.
- **ESG Risk Mitigation and Management:** Where material risks are identified, mitigation measures and a monitoring plan are defined prior the investment. Investments may be excluded where risks cannot be adequately mitigated.
- **Monitoring and Engagement:** ESG performance is monitored annually, with progress measured against the pre-investment baseline. Investment teams actively engage with investees to address residual risks and support continuous improvement.
- **Reporting:** ESG risks, progress, and engagement outcomes are reported annually to the Investment Committee and disclosed to investors as part of the funds' quarterly reports and/or annual ESG report.



# INFORMATION ON THE CONSIDERATION OF ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

## **'No consideration of adverse impacts of investment decisions on sustainability factors' (Art. 4 (1) (b) SFDR)**

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Unigestion does not consider the adverse impacts of its investment decisions on sustainability factors in accordance with Art. 4 (1) (b) SFDR. While we generally consider negative impacts for certain investment types and products, we are of the opinion that collecting and disclosing aggregated data on adverse impact using the pre-defined set of indicators to measure principal adverse impacts (PAI) set out in SFDR RTS (Delegated Regulation (EU) 2022/1288) has limited value for investors and other stakeholders given the large volume of our assets under management which is spread across diverse investment strategies. We will continue monitoring market developments and the data we collect on adverse impacts for certain investment types and products. Based on this continuous monitoring, we will, on a regular basis, revisit our decision not to consider adverse impacts of investment decisions on sustainability factors in accordance with Art. 4 (1) (b) SFDR. In the meanwhile, we will further improve our framework to identify and assess adverse impacts and publish information on relevant PAI indicators on a voluntary basis at product level.



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