For professional and/or qualified investors only

Private Equity
2024 Annual ESG Report

COLUMBIA THREADNEEDLE INVESTMENTS®

Contents

Introduction

With four decades of experience, Responsible Investment ('RI') sits firmly at the centre of our investment approach at Columbia Threadneedle Investments. We believe that ESG factors have a tangible and meaningful impact on economic value, and those who prioritise RI are better placed to mitigate ESG risks and create value through ESG opportunities.

The tenets of responsible stewardship guide our investment process and underpin the alignment of environmental, social and economic outcomes. We believe that our active approach to ESG reduces risk and drives long-term returns by prioritising sustainable business models with futureproofed cashflows. Improvement lies at the heart of our responsible investment strategy in private equity; we seek to leverage our position and accelerate ESG development in our investees through engagement.

We are pleased to present our 11th Annual Environmental, Social and Governance ('ESG') Report which demonstrates how we invest, engage and drive positive change across our portfolios. We track, monitor and report on our on our General Partners' (GPs) and co-investments' ESG progress through our Annual Surveys with results published in this report. We were pleased to achieve an overall response rate of 85% (84% in 2023) from 107 GPs and co-investments across our portfolio. Our GPs' ESG performance – amidst the highly complex and evolving regulatory environment – was remarkable; 95% were rated 1 ('Best-in-class'), 2 ('Excellent') or 3 ('Good') according to our ESG scoring methodology, up from 92% in 2023.

In March, we celebrated CT Private Equity Trust PLC's 25th anniversary with the ringing of the closing bell at the London Stock Exchange. As we reflect on how much we have grown, we also acknowledge our fiduciary duties in being responsible stewards of capital; to ensure the stability of our global environment, which underpins all ecosystems, including the financial one. We remain focussed on the long term and seek to back resilient and enduring business models. In order to protect economic moats, expand markets, engage talent and successfully raise capital, businesses must align with a sustainable future. Failure to do so risks being displaced by new entrants who address the world's problems with better, cheaper and cleaner solutions.

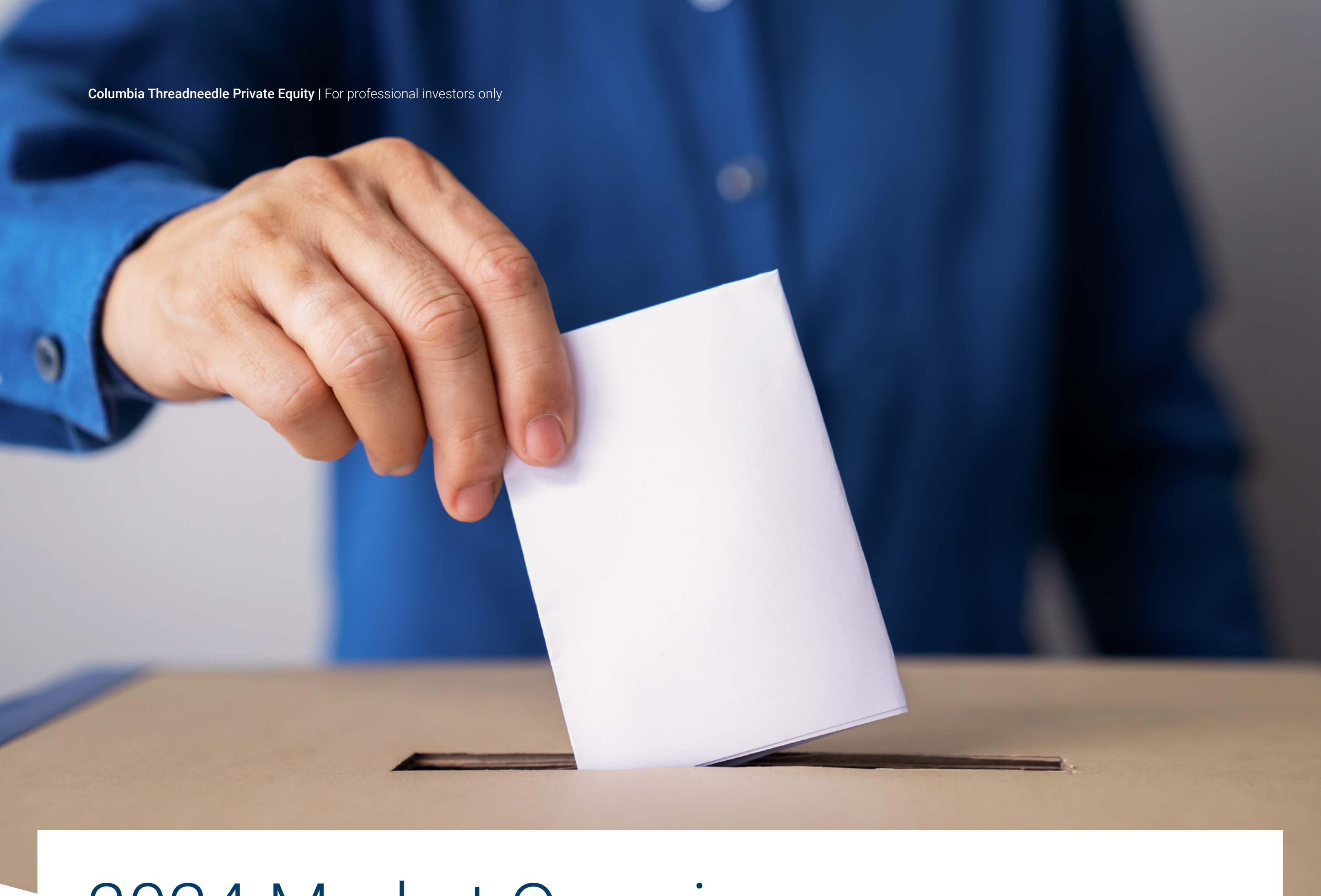
As a partner to thousands of underlying SMEs, we have tried to lead by example and are pleased that this has been recognised in our latest 5-star **UN PRI**[1] Rating. We are pleased to report that our portfolio also made excellent progress over the year. 12% increased their Columbia Threadneedle ESG Rating in 2024 with others developing on the right trajectory albeit from different starting points. The data we collect and report on is subject to an internal and external audit which underscores our own commitment to transparency and accountability. Amidst the challenging economic climate, we were encouraged to see that ESG priorities did not wane and in fact, many themes came to the forefront: energy diversification and security, supply chain resilience, diversity & inclusion and regulatory compliance to name a few. The development, use and impact of Artificial Intelligence ('AI') remained a hotly debated topic and one which featured in our ESG Spotlight Article in our 2023 Report. The technology's rapidly evolving capabilities have led to a growing concern about its social, economic and political implications. Policymakers around the world are working hard to keep up with its development and trying to understand how to regulate and control AI risks, whilst not stifling innovation and investment. We have also seen a more logical approach to the transition of 'dirty' industries – rather than immediate exclusion – with some of the most impactful opportunities for decarbonisation paradoxically being found in companies traditionally involved in the highest emitting sectors. With this backdrop, it will come as no surprise that ESG focussed funds accounted for over 20% of all private capital fundraising YTD April 2024[2] with the private equity asset class dominating. We believe private equity is uniquely positioned to drive and scale ESG best-practices given we typically hold material stakes in companies, have a closer relationship to management – many of which have been hand selected – and are investing in the businesses of tomorrow. We can therefore achieve an outsized impact and have a fiduciary responsibility to do so.

Given the breadth of our portfolio, we benefit from a deep and rich ESG database spanning geographies, sectors and size. This visibility allowed us to provide our GPs with relevant and timely feedback on how they can best develop their ESG proposition, to keep up with the market and their peers. Following our 2023 ESG Survey results, we conducted Deep Dive ESG Engagement Exercises this year with some of our lower-performing or newer GPs. We also received inbound requests from some of our more sophisticated partners seeking to improve. We think this is a testament to the strategic importance of ESG, and the strength of our relationships and credibility in the responsible investment space. These exercises were very well received, productive and allowed us to really add value across our portfolio. We are pleased to present an ESG Engagement case study later in this report.

In 2024, we will continue to focus on due diligence and supporting our GPs and portfolio companies, particularly around ESG data, regulation and climate. As highlighted last year, we enhanced our sustainability due diligence process which we will continue to incorporate as we deploy further capital. We have also further strengthened our governance with the development of an ESG Escalation Strategy which outlines the process for identifying, assessing, and escalating ESG concerns across our portfolio. It was designed to ensure that our GPs and portfolio companies address ESG risks and opportunities promptly, effectively, and transparently, protecting the interests of LPs and underpins the long-term value our of investments.

Ashley-anne Hawthorn
Director, Private Equity
Columbia Threadneedle Investments

[1] United Nations Principles for Responsible Investment
[2] Preqin, July 2023



2024 Market Overview

2024 marked a major year for global politics as almost half of the world's population headed to the polls, from Taiwan in January to the US in November. Voters did so against a challenging economic and geopolitical backdrop with the ongoing Ukraine war, volatility in the Middle East and increasing trade tensions between the US and China. The elections have shone a spotlight on some core ESG issues including the high cost-of-living, affordable housing crisis, labour rights, de-risking supply chains and the green transition.

Responding to the economic challenges created by interest rate hikes was a core theme in campaigns which led to diverse policy propositions and ESG implications. The rate hikes of 2022-23 increased inequality and wealth disparity as the working class struggled with economic hardship, whilst the affluent benefitted from attractive saving rates. The cost-of-living crisis disproportionately impacted families, the young, the old, and the vulnerable. Proposals such as wealth taxes, progressive fiscal policy, and targeted financial relief featured prominently in discussions. Rising mortgage rates were politically charged as housing affordability plummeted and the financial strain on existing homeowners increased. Housing policy was a point of divergence in the US. The Republican platform sought to deregulate the sector, offered tax breaks to first-time buyers as well as federal land to stimulate construction. The issue of demand outstripping supply was also tied to immigration, particularly in urban areas, which Republicans looked to target through a merit-based entry system. The Democrats proposed direct government intervention through federal investment in affordable housing and rental assist programmes to address social inequalities, including discrimination in lending and housing practices. They also advocated for stronger protections against evictions and foreclosures, particularly for those affected by the COVID-19 pandemic. Even as headline figures began to stabilise in 2024, inflation remained above pre-pandemic levels, particularly within food and energy sectors due to geopolitical tensions and supply chain reconfiguration. The Bank of England, European Central Bank and the US Fed all took a cautious approach to loosening in order to balance inflation control with recession prevention.

Labour markets continued to be tight in 2024 across advanced economies despite recent loosening. Wage growth moderated somewhat, but remained elevated – especially in technology, healthcare and services – driven by inflation and labour shortages. A recent study by **McKinsey & Co**[3] showed that across the eight largest developed nations[4] there were roughly 24 million excess workers in 2010 – today this figure only slightly exceeds nil. Three major factors shape labour markets: demographics, population and productivity. Without efforts to expand workforces via increased participation and immigration or boosting productivity through automation some economies may struggle to reach the growth rates of the past. Mohit Kumar, Chief Economist for investment house **Jefferies**, noted that immigration was the most hotly debated election theme in those large Western economics whose aging populations were creating labour shortages: "Economically we need immigration, but the political dynamics are shifting

[3] 'Labor markets are still tight. It's a long-term issue, and not just in the US', McKinsey & Co, 5 September 2024
[4] Australia, Canada, France, Germany, Italy, Japan, the UK and the US

away from this," he said. Interestingly, a tight labour market can lead to positive social impacts as competition for employees typically increases wages, soft benefits and working conditions. Businesses may broaden talent pools to fill vacancies by hiring from underrepresented groups, which can improve diversity & inclusion. Conversely, staff shortages can lead to an overworked employee base, reduced wellbeing/sickness, strike action, disputes and labour rights violations. To address this issue in the UK, Conservatives focussed on productivity, skills training and business tax breaks whilst Labour emphasised employment rights, minimum wage rises and vocational training. The Liberal Democrats advocated for immigration reform, childcare support and flexible working policies to encourage workforce participation, particularly amongst women and older workers.

The fiscal-monetary disconnect began to reverse in 2024, with UK and European governments forced to balance spending on long-term growth sectors like technology, infrastructure and green energy against trying to reduce large, post-pandemic deficits. Defence and security also featured heavily in election campaigns, particularly those countries close to geopolitical hotspots. The US Republicans took a contrarian stance on investment by prioritising fossil fuels, as well as the more mainstream sectors of infrastructure and manufacturing, to stimulate economic growth, positioning them as alternatives to renewables. Whilst Trump voiced his opposition to clean tech investment, many believe he will continue supporting domestic solar manufacturing through tariffs but may reduce broader incentives such as the Inflation Reduction Act. In the UK and Europe, there was a shift towards targeted investments in innovation, sustainability and climate resilience. This was particularly prominent on the Continent with its ongoing efforts to reduce reliance on Russia, strengthen energy security, and accelerate decarbonisation. Europe's exposure to Russian imported gas declined from 40% before the invasion of Ukraine to 18% in Q2 2024[5] following the EU's plan to reduce imports by two-thirds due to the Ukraine war. Some countries focussed on a mix of transitioning solutions to avoid energy shortages in the short term. These included increasing gas storage, prolonging nuclear use, and even reactivating fired power coal in the most exposed regions (e.g., Germany).

Britain's reliance on coal-fired power ended on 30th September 2024 with the closure of its last remaining coal-fired power station after 140 years. The UK, a pioneer in the coal era, is now leading its demise in this historic shift. Europe also enjoyed several major achievements on the reduction in fossils fuels in 2024. Wind, solar and hydro generated half of the Continent's electricity in H1 2024; solar alone achieved annual growth of 20% whilst wind increased 10% with significant onshore capacity expansion[6]. UK renewables comprised 41% of its total energy and 50% of its electricity generation, predominantly due to wind at 30%. In the decade to 2023, the UK's wind capacity more than tripled to 30,215 megawatts (+168%)[7].

In September, the new UK government announced that Aberdeen, Scotland – famous for its heritage in North Sea Oil – will be the headquarters of its new state-owned firm, Great British Energy. GB Energy was one of Labour's key pledges to strengthen energy independence and speed up the shift into renewables. Initially funded with £8.3bn over five years, GB Energy is set to collaborate with the Crown Estate to develop enough offshore wind capacity to power 20 million homes by 2030. This collaboration also seeks to mobilise an additional £30-60 billion in private investment. Beyond offshore wind, GB Energy will also invest into solar, carbon capture and explore how nuclear could fit into the nation's renewable energy framework.

At the time of writing, COP29 was underway which also saw a mix of political agendas amongst participating nations. Europe highlighted the urgency of the phasing out of fossil fuel subsidies and enhancing climate finance to meet global targets. This was met with hesitation from major oil & gas nations who emphasised the need to balance out energy security with economic needs. Developing countries and small island states pressed for a timely operationalisation of the Loss & Damage Fund viewing it as critical to address climate-related vulnerabilities and the disproportionate impacts they face. Meanwhile, countries such as the US and China showcased cooperative efforts on methane reduction despite broader political tensions. An historic agreement was reached under Article 6 of the Paris Agreement whereby standards were set for international carbon credits which hope to drive investment into developing nations and streamline emission reductions globally. Other key outcomes thus far include climate finance goals; strengthening National Adaptation Plans and plans to make the Loss and Damage Fund operational by 2025. Ahead of COP30 in Brazil in 2025 countries are due to submit their new national climate plans (Nationally Determined Contributions, or 'NDCs') in the coming months. We see it as critical that these plans set out clear transition strategies, including sector-specific details that will enable investors to understand the policy trajectory and factor this into their analysis and investment decisions[8].

The global elections of 2024 placed ESG issues at the forefront of many policy discussions, reflective of the growing voter demand for sustainable and equitable development. This heightened focus is expected to influence market dynamics into the new year and beyond, with businesses increasingly aligning strategies to address climate, labour and governance challenges raised during the election cycle. For private equity, this continued shift underscores the growing importance of ESG-focussed strategies as firms prioritise portfolio companies that align with evolving regulatory standards and stakeholder demands.

[5] "EU Trade with Russia – latest developments", EU Europa Eurostat, August 2024
[6] "Wind and Solar Overtake EU Fossil Fuels in the First Half of 2024", Ember Climate, July 2024
[7] As at April 2024, "UK Renewables Energy Statistics 2024", USwitch
[8] COP29: Will it deliver on climate finance? | Columbia Threadneedle Investments

2024 ESG GP Survey Highlights

Biggest Annual Movers

85%	95%	100%	93%	45%
Overall response rate (84% in 2023)	of GPs Rated 1-3 (92%)	Integrate ESG into investment process (98%)	Improved ESG standards at GP or portfolio (91%)	Raising SFDR A8/9 Fund (40%)

Environmental

74% Track GHG emissions (62%)

23% Have net zero target (17%)

19% Implemented biodiversity initiatives (10%)

28% Are reporting net zero alignment (26%)

25% of GPs track biodiversity metrics (22%)

Social

83% Promoted DE&I initiatives (82%)

1/3rd >30% female representation in investment team (1/4er)

90% Provide ESG training to staff (89%)

79% Have a D&I Policy (72%)

78% Track DE&I metrics (77%)

Governance

97% Have an ESG policy in place (84%)

84% Track ESG KPIs (80%)

63% Produce Annual ESG Report (57%)

95% Include ESG at Boards (93%)

ESG Ratings Methodology

We assess our managers annually through our ESG survey which encompasses key ESG topics, metrics and trends. The survey is based around four core elements which are outlined below, and respondents are rated 1-5 from 'Leader' to 'Laggard'. Managers who score below average will be encouraged to develop over time and our comments are fed back over the life of our investment in a collaborative and bilateral process.

Our analysis provides us with valuable insight on where companies, management teams and GPs are focussing their ESG efforts and key trends emerging across our portfolio. Our annual survey affords us the ability to both assess and monitor our GPs and also facilitates engagement on areas for improvement.

- **ESG Culture and Commitment –** We believe the integration of ESG factors starts with the correct mindset and permeates throughout an organisation from the top down. The strategic importance and commitment to ESG was assessed through a number of metrics such as the sophistication of policies and procedures, adherence to broader industry standards (e.g., UN PRI, UN Global Compact, iCI[13] etc), existence of ESG resource and training.

- **Investment Process –** The extent to which ESG factors are formally embedded throughout the investment workflow from pre-acquisition to exit. We looked at how institutionalised processes were, the significance of ESG factors to investment decisions, the integration of formal frameworks (e.g., the United Nation's 17 Sustainable Development Goals ('UN SDGs') and how ESG matters were formally analysed and debated within investment papers and committees.

- **Active Ownership –** Active ownership goes beyond the obvious mitigation of ESG risks – which we believe should be a standard due diligence item in today's world – and focuses on the embedding of ESG opportunities within the value creation plan. We evaluate our GPs on the extent to which they are driving positive ESG change, not just across their portfolio companies but also within their own firm. We believe our GPs should not just "talk-the-talk" but "walk-the-walk" - a notion implicitly linked to culture & commitment. .

- **Oversight and Reporting –** Oversight and transparency is vital for sufficient levels of governance and to enact change, one must know their starting point. We believe that outcome-oriented approaches are imperative to implement, monitor and drive positive ESG development. We evaluate our GPs' oversight and reporting capabilities through the breadth and sophistication of ESG-metrics monitored, tracked and reported. We also assess the sophistication of our managers' ESG case studies and Annual ESG Reports.

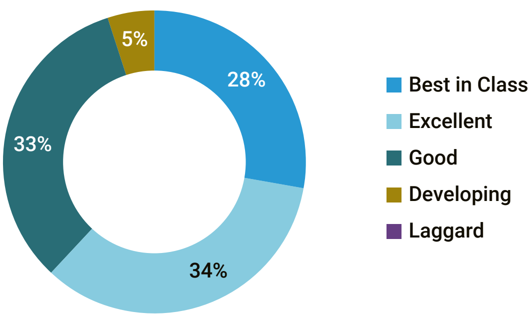
Rating	Assessment
1	**Best-in-class** Market-leading commitment to ESG with robust, institutional policies and processes in place. GP has firmly integrated ESG throughout the investment process, is an active owner in promoting ESG development and reports on ESG metrics.
2	**Excellent** Strong commitment to ESG with institutionalised policies and processes in place. GP has integrated ESG throughout its investment process and has shown itself to be active in promoting some aspects of ESG. Tracks, monitors and reports on some ESG metrics or developing to do so over the short term.
3	**Good** Commitment to ESG demonstrated with some steps taken to integrate ESG, albeit not across the entire workflow (e.g. reporting). Processes institutionalised and GP motivated to improve with development underway.
4	**Developing** GP demonstrated some commitment to ESG or has begun development on some ESG initiatives but lacks institutionalised processes.
5	**Laggard** GP demonstrates little or no commitment to ESG and no willingness to develop or trending negatively.

[13] Initiative Climat International

ESG Survey Results

In 2024 we achieved another excellent response rate of 85%, up from 84% last year from a total of 107 GPs and co-investments in our ESG Survey. From our GP Survey 95% were rated 'Good' (Rating 3), 'Excellent' (2) or 'Best-in-class' (1), up from 92% last year, and 80% in 2020. Of which, 62% of our managers were rated within our top two categories, up five percentage points from 2023 which is a testament to the strategic importance of ESG. Given our strict criteria relating to ESG practices within our investees, it was unsurprising that none of our GPs were rated as 'Laggard' (5). Only 5% of our GPs achieved a 4 Rating this year, a three percentage point improvement on prior year as our emerging managers continued to advance into the 3 and 2-rated categories. We hope that this was, in part, due to the ESG engagement activities led by the Columbia Threadneedle PE investment team with investees – see the ESG Engagement case study on page 10.

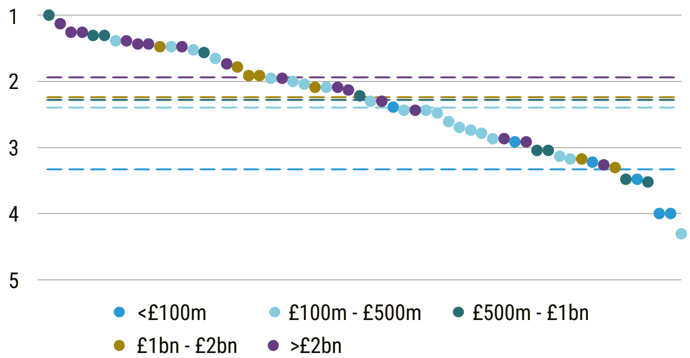
PE Managers ESG Ratings Globally



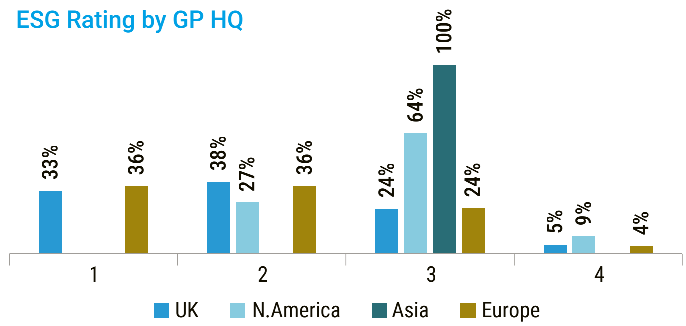
Source: Columbia Threadneedle PE, 2024

This year we assessed the relationship between resources and ESG performance using our GPs' assets under management (AuM). Our smallest GPs – those with less than £100m AuM – were the weakest performing with an average score of 3.3 whereas managers with over £2bn performed strongest with an average rating of 1.9. There were some outliers within our emerging managers, including one of our energy transition specialists (£80m AuM; Columbia Threadneedle ESG Rating 2.4) and another UK GP (£227m AuM; Columbia Threadneedle ESG Rating 1.5) which specialises in UK university spinouts. As part of our active ownership and engagement programme, we provide our lower-performing GPs targeted feedback on ESG improvements and track how these develop over the year.

GP Average ESG Rating by GP AuM



ESG Rating by GP HQ

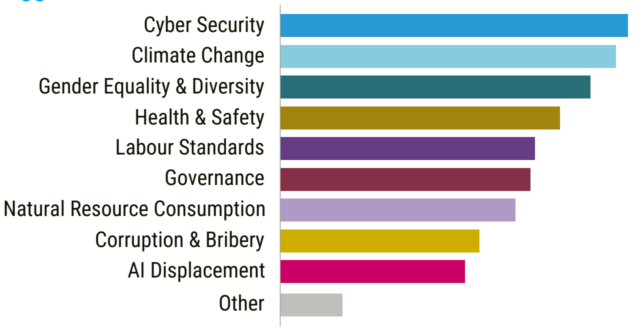


Our UK and European GPs continued to achieve higher scores than US and Asian counterparts. This is in line with expectations as these regions have developed advanced regulatory ESG frameworks which uphold transparency and encourage responsible investment. In the US, there continues to be some polarisation regarding the merits of ESG investing, which may explain why some of our North American GPs have less developed ESG processes and weaker scoring.

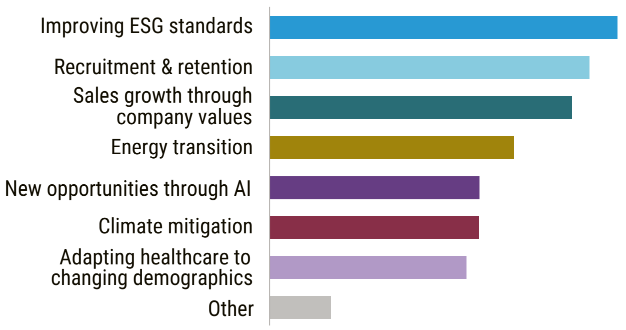
We asked our managers to rank the greatest ESG risks and opportunities across their portfolios and track how these trends change annually. Cyber security remained the number one concern for the fourth year running. One North American GP conducts a formal cyber review at every portfolio company as well as the GP to ensure policies and mitigation strategies are adequately prepared. Cyber security is a key diligence item for one UK lower-mid-market manager which will either lead the GP to decline an opportunity or initiate corrective actions within its 100-day plan.

In 2024, Labour Standards was the only mover, jumping ahead of Governance risks. A number of factors influence the focus on labour practices such as increasing globalisation and supply chain transparency, international regulation, corporate social responsibility ('CSR'), ethical consumerism or investor pressure. The threat of AI displacement was a new entry in 2024 which, interestingly was the lowest ranking risk across our GP universe.

Biggest ESG Risks



Biggest ESG Opportunities



Source: Columbia Threadneedle PE, 2024

Improving ESG standards remained the highest opportunity for GPs including one of our Swiss based generalists who amended their Responsible Investment Policy to include **TCFD**[14] as well as joined the **ESG Data Convergence Initiative ('EDCI')** in the last year. Another example of improved standards was seen at one of our UK consumer specialists as it improved ESG data collection using the **Novata** platform. Recruitment and retention of staff remained high on the agenda as wage inflation and competition for staff persisted. New opportunities through AI entered at number five for 2024, well ahead of its placing in the Biggest ESG Risks ranking. The extent of disruption and opportunity that AI introduces tends to be sector specific at this early stage of its development. Sectors more exposed to AI are experiencing an almost fivefold labour productivity growth according to **PwC**[15]**.** The findings paint a positive picture of the impact of AI on labour markets and productivity over and above any concerns of job displacement. Sectors most exposed to AI – financial services, information technology, and professional services – are experiencing nearly five times higher labour productivity growth than sectors which are less exposed to AI. The technology is set to transform the global labour market and will allow those economies facing labour shortages and low productivity growth to generate positive GDP growth, higher wages and enhanced living standards. AI offers more than efficiency gains and creates new ways to add value. One of our co-investments into a Greek hospital group uses AI to increase the speed and reliability of assessing brain scans to diagnose strokes.

One of our UK mid-market GPs invested in a legal rankings and data business. The group developed an AI system which differentiates the best legal talent by identifying and ranking law firms and lawyers globally. Its reports generated significant time and cost-savings. The employees who operated within impacted departments were re-skilled and retained to monitor the output and maintain standards. The GP successfully exited the business five years later generating excellent returns of 4.7x cost and 31% IRR.

[14] Task Force on Climate Related Disclosures
[15] PwC 2024 Global AI Jobs Barometer

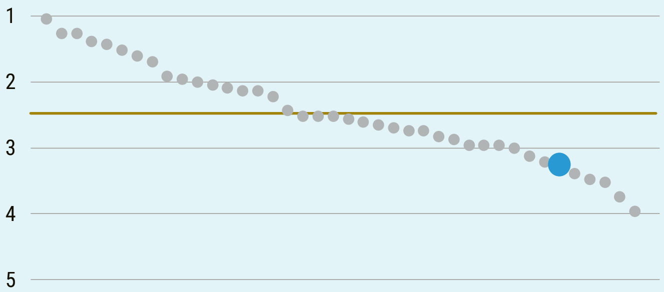
CASE STUDY

Deep Dive ESG Engagement Exercise

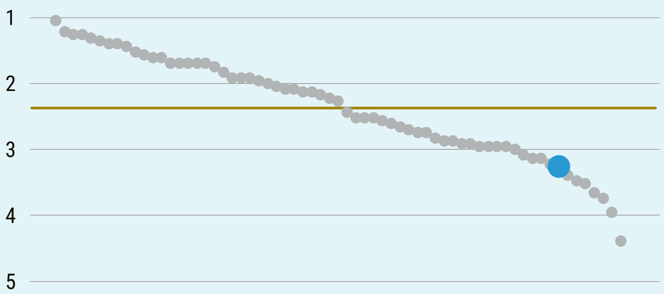
Given the breadth of our portfolio, we benefit from a very rich ESG database spanning geographies, sectors and size. This visibility allows us to provide our GPs with relevant and timely feedback on how they can best develop their ESG proposition - to keep up with the market and their peers. We then work with the GP on an ESG Improvement Roadmap and track developments via our Annual ESG Survey. In prior years we had provided feedback on an ad-hoc basis but have since formalised our approach with an initial focus on our less sophisticated managers. We also received inbound requests for feedback from more sophisticated GPs which is a testament to the ongoing importance of ESG and willingness of GPs to continually improve.

One of our DACH emerging managers is focussed on enabling technology investments within traditional German Mittelstand SMEs. Columbia Threadneedle PE committed to the GP's second fund and we hold a seat on the LP Advisory Committee so have a close relationship. Following the results of the manager's inaugural Columbia Threadneedle PE ESG Survey in 2023, we conducted a Deep Dive ESG Engagement Exercise in February and established an ESG Action Plan for the GP in 2024. In 2023, this manager performed strongest within the Culture and Commitment category, which is an indication it had the required philosophy in place to enact ESG process improvements over time.

Th GP's ESG Rating vs Lower-Mid-Market Peers



Th GP's ESG Rating vs GP Universe



Columbia Threadneedle Private Equity's ESG Action Plan and Subsequent Outcomes

1. Diversity & Inclusion

- Recruitment focus aimed at increasing female representation on the investment team.
- Implement a mentoring programme to increase diversity through new female junior hires.

Outcome: The GP had an all-male investment team in 2023 but hired two females in 2024 taking female representation to 25%.

2. Formalise Commitments and Policies

- Become a signatory to a market-leading ESG body such as **UN PRI** to ensure best-practices.
- Create and implement a formal D&I policy across the GP and portfolio companies.

Outcome: The GP is now a signatory to the **UN PRI**. Additionally, a formal diversity and inclusion policy has been introduced across the portfolio.

3. Investment Process

- Incorporate an ESG due diligence summary within investment papers as standard.

Outcome: ESG is now within a dedicated section in all investment papers and discussed as a separate agenda item at all Investment Committee meetings.

4. Increase Active Ownership

- Initiate ESG improvements across the portfolio e.g. using analytics to reduce energy consumption or ESG-linked loans.

Outcome: Numerous ESG initiatives were actioned in 2024. One of its investees implemented an analytics tool that calculates carbon emissions for reporting purposes. Another – which operates within a typically male dominated medical sector – successfully increased female representation five percentage points to 38%.

5. ESG Reporting and Monitoring

- Track and monitor core ESG KPIs (e.g., in line with **ESG Data Convergence Initiative**) at the GP and portfolio.
- Improve ESG reporting and articulate success stories e.g., through an Annual ESG Report.

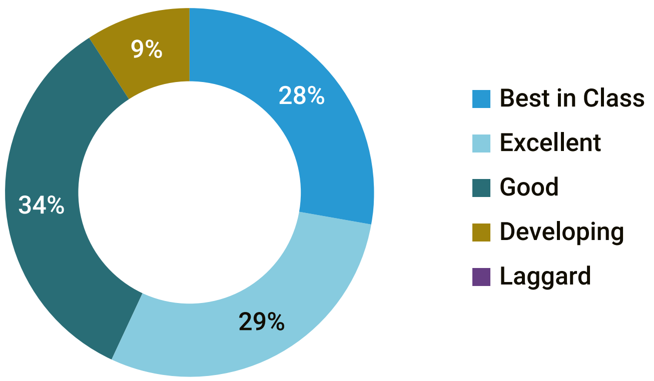
Outcome: ESG metrics are now tracked across the portfolio and published within the GP's Annual ESG Report.

Culture and commitment

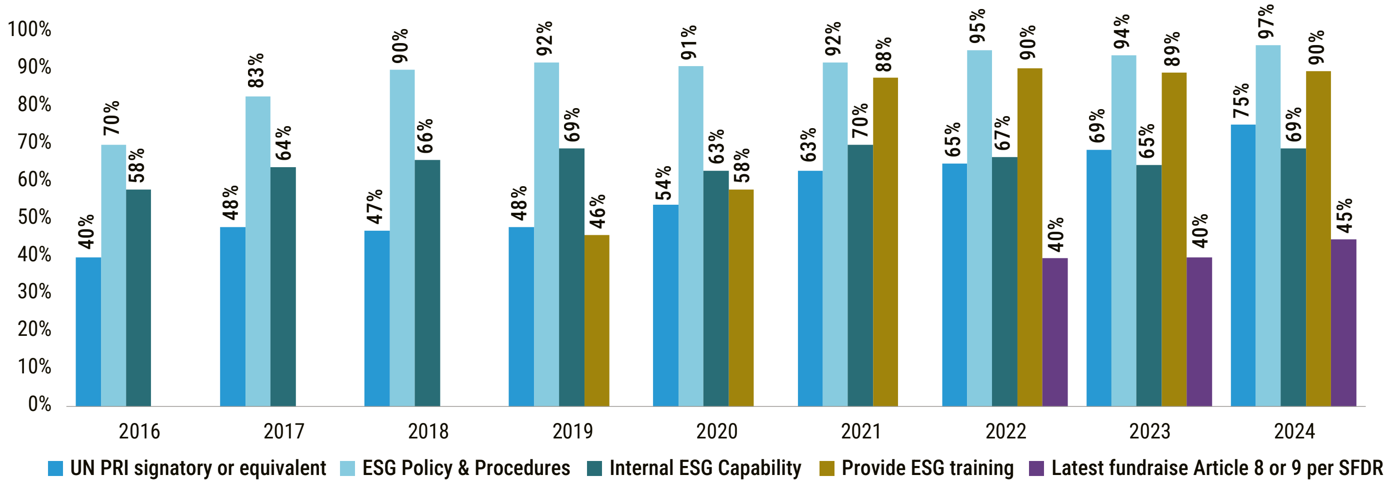
Culture and commitment are essential for driving ESG initiatives because this shapes how an organisation approaches and embeds principles across its operations. Commitment, accountability and buy-in from the top is crucial to set the tone for the firm and to drive employee engagement. Companies that demonstrate a strong commitment to ESG typically exhibit strong governance and risk management systems. A credible ESG proposition also fosters trust and builds confidence in key stakeholders – customers, regulators, investor, lenders. Given ESG initiatives often require long term planning – and often without immediate returns – it is imperative that ESG goals are prioritised and integrated into the business strategy from the top down. An ESG focussed culture is the foundation to becoming an ESG champion. ESG capabilities can often be related to available resources but even for new GPs, a unified and clearly articulated set of values and goals should underpin continuous improvement. This is particularly important to Columbia Threadneedle PE due to our focus on emerging managers. We hold 44 LP Advisory Board seats, of which 15 are with emerging managers[16]. As an LP with an Advisory Board seat it affords us significant opportunity to drive ESG initiatives within the investment framework of the fund. We often use these positions to advocate for enhanced ESG due diligence, governance and monitoring and reporting.

In 2024, 91% of our GPs achieved a Columbia Threadneedle PE ESG Rating of 3 or above in our Culture & Commitment category which is in line with prior year. Commitment to ESG is measured through a number of objective and tangible datapoints, which are presented in the chart below. Encouragingly, results trended upwards across all metrics within this category.

PE Managers Culture & Commitment Ratings



ESG Culture & Commitment



[16] Columbia Threadneedle PE defines 'emerging (aka prime) managers' as experienced and motivated private equity managers raising fund I, II or III

Given the costs associated with a dedicated internal ESG capability, this function is usually associated with larger GPs and has remained within the 60-70% range over the last five years. Less established managers still recognise its importance and typically assign dual responsibilities of ESG officer with another role such as CFO or investor relations. This year, one of our UK managers employed two internal ESG consultants alongside the launch of its **SFDR** Article 9 fund. The consultants work closely with the investment team on new opportunities as well as existing portfolio companies. Both staff will support the investment team in creating a transformation plan at initial investment. Since joining, the Transformation Consultants have designed and developed the GP's impact assessment and reporting framework.

GPs that carry out regular ESG training increased significantly from 46% in 2019 to 90% in 2024. As with last year, we saw many managers utilise internal resources to provide regular training supplemented by subject matter experts on specific topics for example, **Change2Grow, BridgeHouse, Sustainable Advantage, Bain, Ecovadis and CO2 logic.** One French healthcare specialist developed its training around specific pre-investment ESG and impact matters. The GP's Sustainability and Impact team are currently working on a session to focus on ESG value creation levers specific to healthcare which will be delivered to employees in late 2024. One of our Dutch GPs primarily makes use of external specialists to provide targeted ESG training on specific topics. In Q1 2024, the manager appointed **KEY ESG** to provide training to the investment team on carbon accounting and how to use its reporting platform. A portfolio wide session on the **Corporate Sustainability Reporting Directive ('CSRD')** was also provided by ESG consultant **Holtara** in June 2024. The GP has previously used **MJ Hudson** to provide ESG training on an ad-hoc basis.

One of our leading Norwegian GPs boasts a four-person strong Sustainability Team comprising an Impact Director, Sustainable Supply Chain Director, Sustainability Business Developer and Senior Sustainability Associate. Internal workshops have been led by the Sustainability Director on an annual basis since 2017. The team were historically supported by **McKinsey** and Stockholm-based sustainability consultant, **UpHigh.**

97% of our GPs had a formal ESG policy in place, up from 94% in 2023. The two exceptions this year were a GP in liquidation and a new manager focussed on complex carve-outs. 78% of our GPs believe the focus on ESG will increase over the coming year (88% in 2023), but only 50% use it as a source of differentiation, down from 90% just three years ago. We believe this is due to a change in attitude and belief that ESG is now mainstream rather than an exception. ESG has been core to one Swedish GP's strategy and investment thesis from day 1 and its latest fund is **SFDR** Article 9. The manager is a thought-leader within this space and has collaborated with research bodies such as **Harvard Business School** on impact-weighted accounting. An overwhelming percentage, 98% believe the focus on ESG will either remain the same or increase or significantly increase over the next three years.

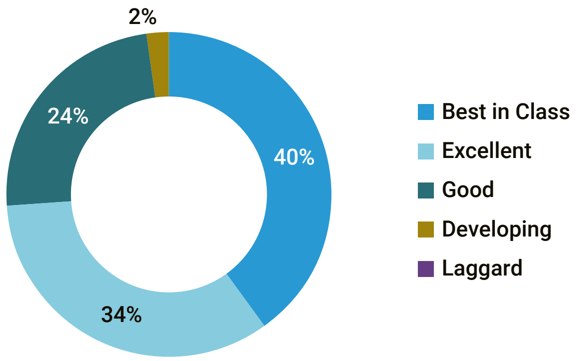
45% of our GPs had classified or intended to classify their latest fund as Article 8 or 9 per **EU SFDR**, up from 40% in 2023. Of which, 5% were Article 9, and 40% Article 8. Some GPs unofficially-describe their funds as 'Article 8+' to demonstrate they go beyond the basic requirements of Article 8, whilst others implement different **SFDR** classifications in different fund programmes. Given **SFDR's** rigorous process and reporting requirements we believe this gives evidence of the strong level of commitment to ESG, which should translate into ESG development over time.

Investment Process

A well-defined, structured investment process helps uphold investment philosophies, guides decision-making and ensures ESG factors are systematically assessed. A clear set of formalised guidelines governs behaviours and ensures ESG objectives can be achieved effectively. We evaluate the extent to which ESG factors are formally integrated throughout our GPs' workflows, from pre-acquisition through to exit.

98% of our partners were rated 'Good' (3) or above within the Investment Process category, in line with last year. Of which, 40% were 'Best-in-class' (1) and 34% were 'Excellent (2). This is our strongest performing category across our portfolio. Our only GP to be categorised as Developing (4) in this area was an emerging US manager as it did not currently have a formalised ESG investment process in place. This GP does however have an ESG policy and operates a stringent negative screen. We will look to engage with this GP over the coming year on how they can best implement appropriate and proportionate initiatives to strengthen its ESG proposition.

PE Managers Investment Process Ratings

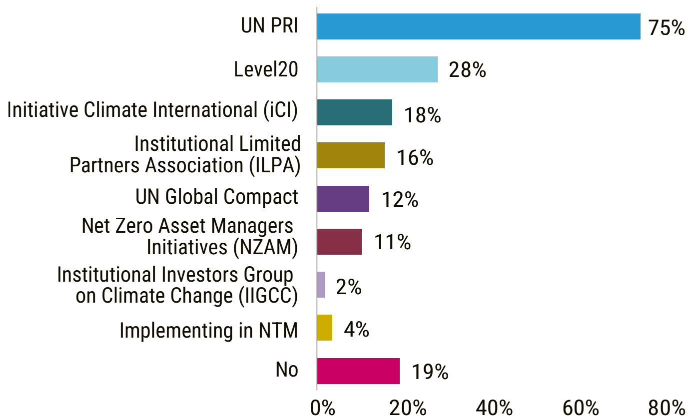


Last year, we collected a new datapoint on the proportion of managers who were signatories to ESG bodies which promote best practises. The **UN PRI** remained the most popular with its membership comprising 75% of our GP base, up from 69% in 2023. Consistent with last year, the second most popular across our GP universe was **Level20. Level20** is a not-for-profit UK-based organisation which aims to improve gender diversity within the private equity industry. The popularity of the **Institutional Limited Partners Association ('ILPA'), UN Global Compact and Net Zero Asset Managers Initiative** increased over the year, each comprising 9% in 2023.

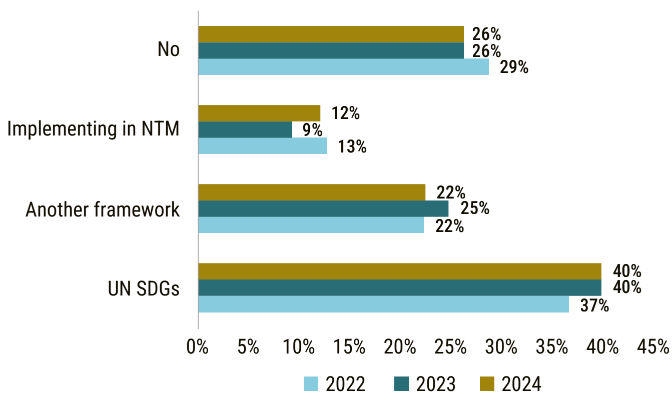
62% of our survey respondents make use of a formal ESG framework to inform their investment decisions, up from 59% two years ago with an additional 12% planning to implement this in the coming year. The **UN SDGs** was once again the most popular framework with 40% of our GPs adopting it, in line with prior year. One European investor, upgraded its ESG tool in 2023 to identify and report on the alignment of its investees' operations with the 17 **UN SDGs** as well as any adverse impacts.

One of our sector specialists developed a bespoke Sustainable Growth Framework for high-growth technology companies. The GP's framework is based on the **UN SDGs**, **InvestEurope** and the **ESG Data Convergence Initiative.** Other GPs elected to focus on those **UN SDGs** that are most relevant to their sector focus. One European healthcare growth specialist puts emphasis on two of the **17 UN SDGs**, seeking carbon neutrality by 2040 and to foster inclusion, especially equality, by reducing the gender pay gap and increasing female presence in management positions. Another European consumer specialist developed a proprietary ESG rating framework in partnership with **PwC** which focuses on the Workplace, Marketplace, Environment, Community and Governance practices.

Signatories to Best-Practice Initiatives



Incorporation of UN SDGs or Other Formal Framework



CASE STUDY

One European healthcare manager's investment strategy aims to drive positive impact by addressing **UN SDG** #3: Good Health & Wellbeing. The GP updated its responsible investment strategy in 2023 which was built around market leading frameworks including **Sustainability Accounting Standards Board ('SASB'), UN PRI, UN SDGs** and the **Impact Management Programme**. Pre-acquisition, investments are subject to an Exclusions List, and subsequent due diligence incorporates an ESG Assessment and Impact Assessment. Minimum ESG requirements as follows:

Environment

Assessment of Scopes
1, 2 & 3 GHG Emissions
GHG Emissions Reduction Target &
Action Plan Risk on Biodiversity
Waste Management and Eco-design
Environmental Pollution
Exposure to Climate Change

Social

Diversity, Inclusion and Equal Treatment
Employee Engagement and Labour
Relations Occupational Health and
Safety

Governance

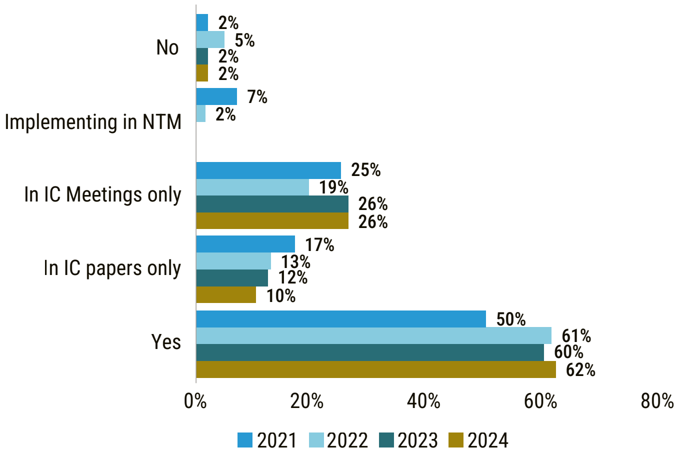
Business Integrity
Safety and Health Equity in Clinical Trials
Local Footprint and Philanthropy
Quality and Product Safety
Innovation and R&D
Supply Chain Management (incl. Human
Rights and Environmental Impacts)
Digitalisation and Telemedicine
Distribution, Marketing, and Product
Labelling Risk Management (incl. Data
Protection and Security)

The manager transitioned towards impact investing over the last few years with its latest fundraises being Article 9 per **SFDR**. Within its Impact Assessments the GP seeks to evaluate an investments' contribution to one of its five pre-identified healthcare objectives.

Materiality is based on the **Impact Management Framework:**

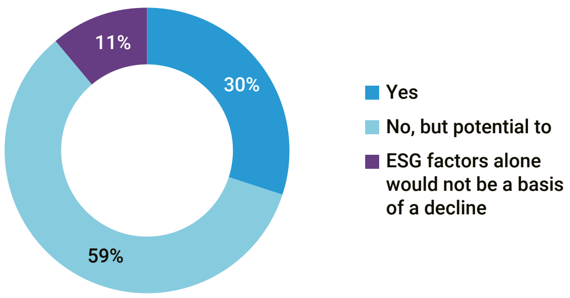
- **Intentionality –** The GP intends to have a positive societal and environmental impact through its investments that improve animal and human health, job creation through the development of SMEs, upskilling employees and ensuring responsible supply chain policies.
- **Additionality** - achieved through portfolio company engagement to scale operations and contribute to a more sustainable world - over and above what would have been prior to their investment. The level of additionality is tracked through the GP's 'Improvement Roadmap' and KPIs.
- **Measurement & reporting** is produced on investees' contribution to the **UN SDGs** by establishing an 'Impact Score' and developing an 'Impact Business Case'. Each case uses the Theory of Change methodology to track how outcomes are achieved and progress made.

ESG Factors Assessed within DD Processes



98% of our GPs assess ESG as part of their due diligence process. Of which, 62% included dedicated summary sections within IC Papers as standard and discussed ESG matters within ICs, up from 60% last year and 50% in 2021.

Declined opportunity based on ESG factors alone



89% of our GPs stated they would decline an investment opportunity based on ESG factors alone in 2024. Our GPs excluded opportunities for a broad variety of reasons across the entire environmental, societal and governance spectrum:

- One of our Spanish mid-market managers has a focus on low CO2 emitting services business which resulted in a greater number of industrial companies/heavy polluters being rejected. The GP declined to invest into a drone manufacturer in 2024 based on social concerns; the company had achieved significant revenue growth over the past two years, but these were attributable to the on-going war in Ukraine.
- A generalist Dutch-based investor rejected two deals in 2024 due to unsatisfactory ESG due diligence. The first opportunity was a manufacturer of plastic food packaging for meat products whilst the second was a catering and suppliers to cruise ships, rejected due to environmental concerns.
- One consumer specialist was approached by multiple companies in 2024 which operated in higher ESG risk sectors such as fast fashion, hospitality and beauty, all of which were rejected on the basis of poor ESG credentials.
- One European healthcare investor identified several 'Watchlist Activities' which require a higher degree of scrutiny when evaluating opportunities. These include activities like animal testing or companies involved in the development of treatments with a risk of substance dependency. One deal rejected by the GP in 2024 was an embryonic stem cell research company. There was an ethical debate surrounding the use and destruction of human embryos. The Deal Team tried to carve out this part of the business from the transaction but was unsuccessful, so the process failed.
- One of our Canadian partners does not make investments into businesses where the primary interest is oil, gas or mineral rights. In the past year, an investment opportunity within industrial services was rejected as a significant amount of revenue was linked to oil sands extraction and production in Alberta.
- A UK-based mid-market generalist recently turned down an investment into a logistics company which specialised in handling dangerous and hazardous goods. Initial diligence revealed that a high proportion of revenue derived from defence contracts, including the transportation of ammunition. Another example from the GP's latest Article 9 fund was an opportunity to invest in a dental care business. The GP discovered that a significant portion of revenue was from cosmetic procedures rather than essential dental care.

Active Ownership

"We believe that management teams who demonstrate strong ESG credentials are more likely to be strategic thinkers, demonstrate operational excellence, attract top tier talent, and build more resilient businesses."

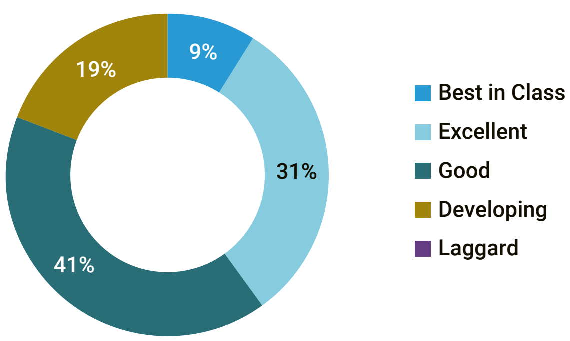
— Ashley-anne Hawthorn, Director, Private Equity, Columbia Threadneedle Investments

The active management of ESG risks and opportunities protects and enhances long-term shareholder value. We believe private equity is well placed to drive and scale ESG best practices given we typically hold larger stakes in companies, are closer to management teams – many of which have been hand selected – and are investing the businesses of tomorrow. By embedding ESG considerations into a business' strategy and growth plan investors can better protect against non-financial risks and unlock new opportunities. ESG initiatives often improve operational efficiencies, reduce costs, open new revenue streams or strengthen economic moats. Following the recent spike in inflation, many focussed on increasing energy efficiency to reduce costs or improving ethical labour practices to enhance productivity and staff retention. **MSCI** conducted a recent study which identified a strong correlation between a company's ESG Rating and its cost of capital[17]. Those companies which were the most resilient to financially material sustainability-related risks were able to consistently raise finance more cheaply than those which are more vulnerable. The data showed that the lowest-rated companies had an average financing cost of 7.9%, while the top-rated secured an average rate of 6.8% from August 2015 to May 2024. Another study by **Deloitte**[18] supported the existence of an 'ESG value premium'. **Deloitte's** analysis found that a 10-point higher ESG score was associated with a c. 1.2x higher EV/EBITDA[19] valuation multiple. If a company was to improve its ESG capabilities by a further 10 points according to **Deloitte's** ESG ratings, it would benefit from an approximate 1.8x uplift in its valuation multiple.

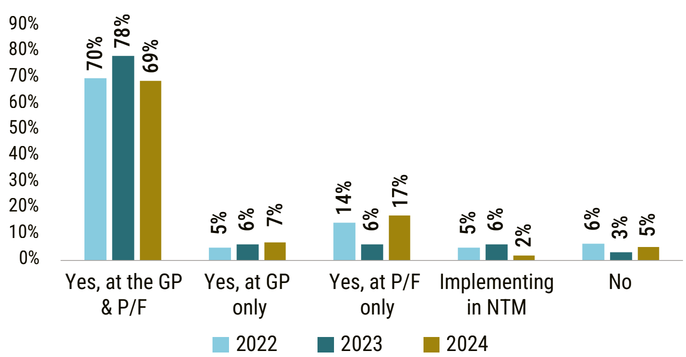
We seek to assess the level of active ownership at both the GP and their portfolios. 81% of our managers were rated 3 or above for 'Active Ownership' in 2024, up from 78% in 2023 and 77% in 2022. We would argue this is our most important category because it is where real change happens.

69% of GPs incorporate ESG opportunities into value creation plans in addition to considering ESG risks, which is a significant increase from 54% in 2023. All of our GPs seek to identify ESG risks and develop mitigants within their active management programmes. In 2024, 93% of our GPs implemented initiatives to strengthen ESG standards either at the portfolio company or at the GP, up from 91% last year. The scope of ESG initiatives have expanded in recent years, moving beyond basic environmental and social issues to encompass an array of factors that address the evolving concerns of investors, regulators and society.

PE Managers - Active Ownership Ratings



Have any initiatives been implemented to improve ESG standards?



[17] MSCI ESG Ratings and Cost of Capital, July 2024
[18] "Does a company's ESG score have a measurable impact on its market value?", Deloitte, 2022
[19] 'EV': enterprise value; 'EBITDA'; earnings before interest, tax, depreciation and amortisation

Some ESG initiatives implemented by our GPs in 2024:

Climate action & net zero commitments:

- One of our DACH partners updated its Responsible Investment Policy to incorporate **TCFD** as a standard item in diligence. During the year, the manager also joined the **ECDI** and aligned the collection of its KPIs to the framework which it reported on. At portfolio level, all but one company submitted Scope 3 carbon emissions for the first time. Collectively across the portfolio the GP initiated 28 improvement projects aligned with **UN SDGs**.
- One of our portfolio companies is a UK-based workplace technology solutions provider which introduced electric cars within its fleet. Another portfolio company is a UK leading manufacturer of signage which also optimised its production process and invested in energy-efficient machines to reduce waste and cut consumption.

Social equity & diversity:

- At one of our European mid-market GPs, internship opportunities are offered to individual through the **Level21** and **10,000 Black Interns** schemes.
- Our UK healthcare specialist provides social mobility internships through its partnership with the **Sutton Trust.**

Governance & oversight:

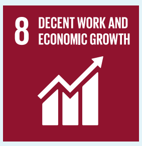
- One of our new GP relationships is with an emerging manager which was established in 2024. The GP has already begun working with its inaugral portfolio company to implement and track relevant ESG KPIs over its investment hold. Additionally, the GP is implementing a new Enterprise Resource Planning ('ERP') system at the portfolio company to support the reporting and monitoring of ESG metrics which could be critical to creating value on exit.
- One mid-market European investor supported its portfolio through cyber security vulnerability testing using a third-party specialist, completed climate risk and opportunity analysis and held ESG forums to encourage collaboration and sharing of best practices.
- Over the past year, one healthcare specialist recruited a Head of Impact. During the year the new recruit has worked with portfolio companies to articulate and measure their impact whilst helping align impact goals with the strategic plans.

Biodiversity & natural resource management:

- One portfolio company plans to be Net Zero by 2035 and began using environmentally friendly salt in its gritting service. It is also trialling the use of liquid salt materials which reduces overall consumption.
- Another GP performed an analysis of biodiversity risks and opportunities for all of its portfolio companies with the support of external consultants, **Indefi.**

CASE STUDY

One of our mid-market European investors led a carve out of an engineering testing, inspection and certification firm. The GP carried out an ESG materiality assessment which identified improvements to execute during the investment period. Since initial investment the company has become a member of the **UN Global Compact** network and aligned with **UN SDG** Goal 8: Decent Work and Economic Growth and **UN SDG** Goal 9: Industry, Innovation and Infrastructure.



The business began measuring carbon emissions and created a plan towards net zero. Management established Science Based Targets for reducing its greenhouse gas emissions which was a project that took two years. The first priority was establishing the group's baseline position to create the pathway to net zero. The company committed to reducing direct emissions from owned or controlled sources by 42% and indirect emissions that occur in the value chain by 25% by 2030 as part of its net zero target by 2040. Science based targets were baselined for 2022 and first submitted in August 2023 before entering the validation phase in January 2024.

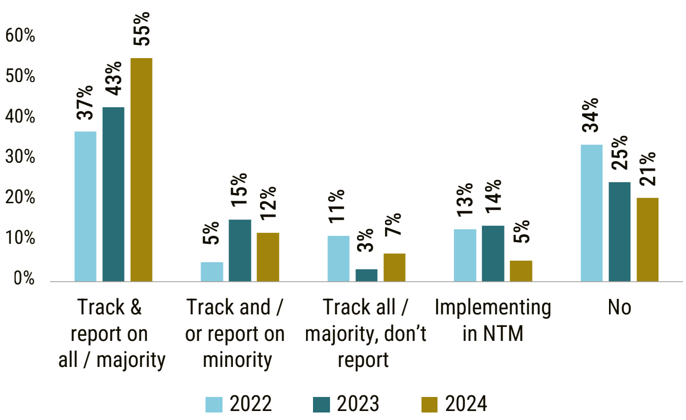
The GP supported the company with the creation of a data science team to maximise efficiency. Business travel is the largest contributor to its carbon footprint which was reduced by the introduction of planning software that matches engineers' skills with regional needs. Additionally, the business introduced an electric vehicle salary sacrifice scheme to promote the adoption of greener travel. Management are now focussing on the procurement process and supply chains to reduce Scope 3 emissions and meet net zero.

Environment and Climate Change

In the last year, 84% of our GPs took action to either reduce negative or promote positive impacts on the environment at the GP and/or across its portfolio, in line with last year. Environmentally friendly initiatives implemented during the year at GP level included reducing travel, offsetting carbon emissions, improving office recycling and limiting single use plastics. One GP volunteered with **Boston Area Gleaner,** a not-for-profit farming organisation focussed on reducing food waste and improving food access in the Boston area.

There has been a notable rise in GPs tracking GHG emissions with 74% tracking some or all of their portfolio, up from 62% last year. Of which, 67% also report on GHG emissions vs. 58% in 2023 which is a marked improvement. We tracked the aggregate Scope 1, 2 and 3 emissions across our portfolio where available which are presented below.

PE Managers - GHG-emission Measurement & Reporting



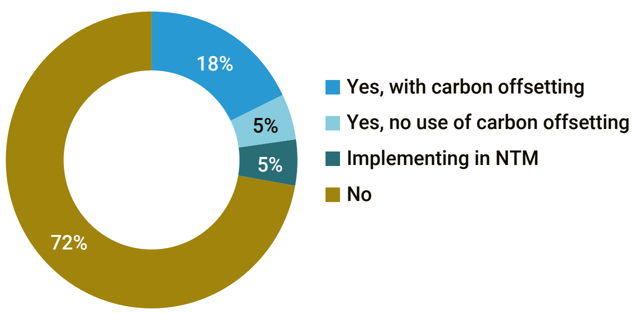
GPs' aggregate portfolio FY2023 GHG emissions

Reporting Provided	(tCO2e)	% of GPs reporting
Scope 1+2	3,519,067	55%
Scope 1, 2+3	106,991,388	40%

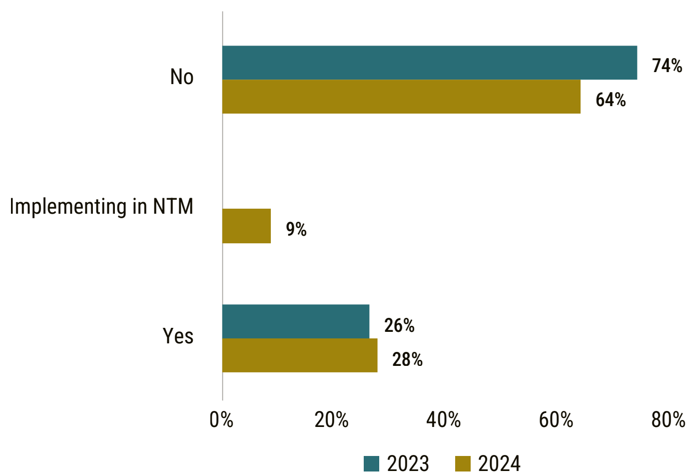
Based on 100% ownership

We began tracking our private equity managers' commitment to net zero last year. The number of GPs with a target in place increased from 17% to 23% in 2024 with a further 5% implementing one in the next twelve months. One of our European mid-market investors set a net zero target in line with the **Net Zero Investment Framework** to ensure 50% of the portfolio has a net-zero target by 2030 and 100% by 2050. The vast majority of our GPs use the **Science Based Targets Initiative ('SBTi'), NZAM or TCFD** in order to assess net zero.

Net Zero Target in Place?



Reporting Net Zero Alignment



Of the 58 managers that responded to our 2024 Annual GP ESG Survey, 28% tracked the proportion of AuM aligned or aligning to net zero, up from 26% last year. These GPs are presented in the table below. It is interesting to note the spread of size, sector and geography when considering those tracking and presenting this granular type of data.

GPs that Tracked Net Zero Alignment	Proportion of AuM		Areas of Focus		
	Aligned (%)	Aligning (%)	Geography	Sector	Size
GP 1	100%		Europe	Healthcare	Lower Mid-Market (EV <€250m)
GP 2	100%		UK	Energy	Late Stage (revenue >€5m)
GP 3	100%		Europe	Utilities	Lower Mid-Market (EV <€250m)
GP 4	94%	6%	Europe	Information Technology	Mid-cap (€250m-€500m EV)
GP 5	36%	36%	UK	Consumer Discretionary	Late Stage (revenue >€5m)
GP 6	32%	68%	Europe	Generalist	Lower Mid-Market (EV <€250m)
GP 7	20%	80%	Europe	Generalist	Mid-cap (€250m-€500m EV)
GP 8	5%	21%	Europe	Generalist	Mid-cap (€250m-€500m EV)
GP 9		100%	UK	Generalist	Lower Mid-Market (EV <€250m)
GP 10		100%	Europe	Generalist	Mid-cap (€250m-€500m EV)
GP 11		100%	Europe	Healthcare	Seed (pre-revenue)
GP 12		100%	UK + Europe	Information Technology	Late Stage (revenue >€5m)
GP 13		100%	Europe	Information Technology	Lower Mid-Market (EV <€250m)
GP 14		74%	Europe	Healthcare	Lower Mid-Market (EV <€250m)
GP 15		27%	Europe	Generalist	Upper Mid-Market (€500-€1bn)
GP 16		11%	UK	Generalist	Seed (pre-revenue)

CASE STUDY

One portfolio company is a leading specialist in installation, operation and maintenance of telecommunication networks and electricity grids. The business is committed to lowering emissions and in 2021 introduced its first carbon footprint calculator. Employing 2,500 people across France, the business recycles both mobile phones and work uniforms. In 2022, the GP, alongside management, developed a ten-year net zero strategy and introduced a decarbonisation pathway in 2023.

It is estimated that half of company's forecasted revenue growth from 2023 to 2028 will be derived from taxonomy eligible activities. These are defined by the EU as economic activity that makes a contribution to one of the following six objectives:

1. Climate change mitigation
2. Climate change adaption
3. Sustainable use and protection of water and marine resources
4. Transition to circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

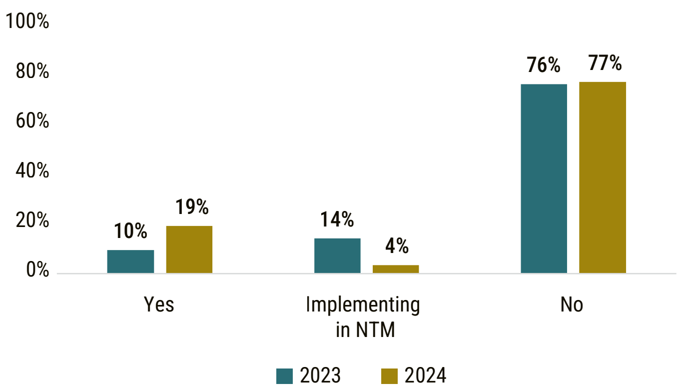
Recent actions the business has undertaken include:

- Installation and maintenance of electric vehicle charging stations
- Construction of medium voltage grid and connection of end users to the grid
- Involved in the production of renewable energy through installing, maintaining and repairing solar power plants.

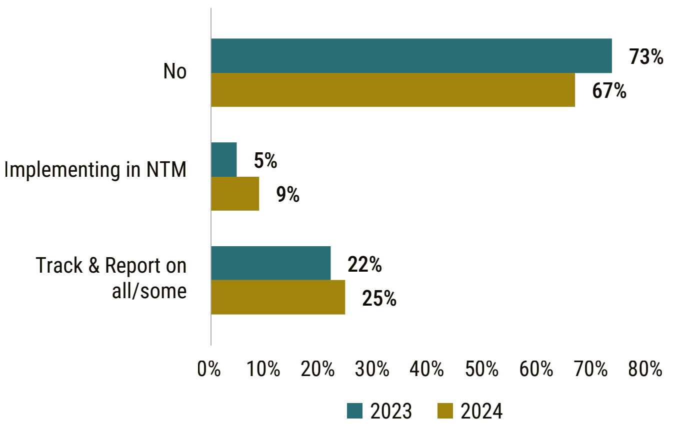
Biodiversity

The overconsumption of natural capital – at a rate far exceeding its regeneration – is leading to manmade pressures on climate but also loss of biodiversity. We explored this topic in depth in our 2023 ESG Report[20] which outlined the major consequences for the economy, particularly those sectors that rely heavily on natural capital such as food, energy, infrastructure or fashion. It can lead to rising raw material costs, supply chain disruptions, operational risks, increasing regulatory burden and reputational damage. As with climate change, biodiversity loss also poses a risk to global food security as agricultural systems become more vulnerable to pests and threaten crop yields. Whilst its recognition still lags climate issues, biodiversity is becoming increasingly important to investors who are beginning to identify, evaluate and measure these types of risks. The support for biodiversity protection is also being driven at institutional level with the UN Biodiversity Conference ('COP 16') occurring in Q4 2024. As such we have seen a growing number of our managers report on biodiversity metrics whilst recognising the difficulties associated with measuring the broad scope of nature-related dependencies.

Implemented Biodiversity Initiatives



Track & Report on Biodiversity Metrics



[20] "There's No Planet B", Columbia Threadneedle Investment 2023 Annual ESG Report

In the last year, 19% of our GPs implemented measures to mitigate negative or promote positive impacts on biodiversity, up from 10% in the prior year. For examples, one of our UK consumer specialists team and portfolio received specialist training on biodiversity loss, business impacts and what can be done to improve and mitigate. One portfolio company, Danish telecoms provider, undertook site rewilding measures as well as actions to restore site biodiversity. Another Spanish fruit and vegetable producer used insects to control pests and improve pollination and increased organic goods to 15% of total production which enhances biodiversity.

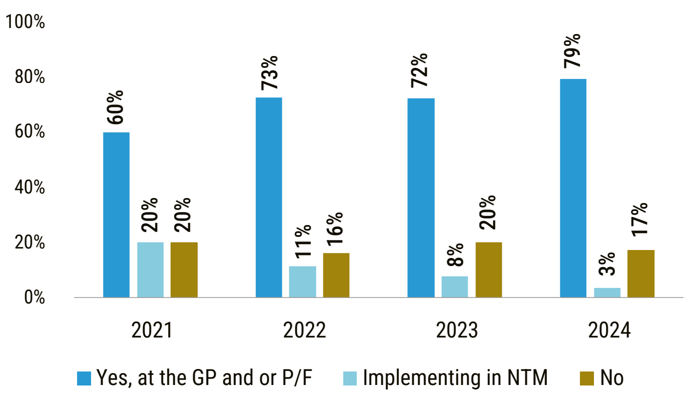
25% of our GPs tracked and reported on biodiversity metrics across all or some of their portfolios, up three percentage points from last year. Given biodiversity is one of the 18 mandatory Principle Adverse Indicators ('PAI's) under **SFDR**, in-scope entities report on these and follow the 'Do No Significant Harm' ('DNSH') principle. The majority of GPs only monitored these metrics for companies that operated within biodiverse sensitive areas. Where this was the case, GPs focussed on business activities that caused degradation and the mitigation of these typically with the help of a third-party consultant. One mid-market Pan European GP performed biodiversity analysis including impacts, dependencies, risks and opportunities for all portfolio companies with the support of specialists, **Indefi.** Another French generalist assessed the portfolio's sectoral dependencies and impacts on ecosystems with the **ENCORE** tool (recommended by the **Task Force on Nature-related Financial Disclosure, 'TNFD'**). The GP subsequently conducted a comprehensive biodiversity risk assessment encompassing both physical and transition risks, using the **TNFD** framework.

Diversity, equality and inclusion ('DE&I', 'D&I')

A recent **McKinsey & Co** report[21] highlighted the strong link between DE&I and financial performance in private equity. The study demonstrated that firms with higher diversity at senior levels often achieve greater success in sourcing and winning deals. Diverse management better understand a broader range of end markets and consumer needs, which can be critical in acquisitions, staff retention and new product development. **McKinsey's** findings showed that firms with higher levels of minority representation in senior positions demonstrated lower attrition rates and more robust talent pipelines, leading to long-term strategic benefits. Within GPs, having diverse Investment Committees reduces 'tunnel vision', fosters healthier debates and drives innovation. Institutional investors are increasingly prioritising DE&I metrics, with some setting requirements for funding; this reinforces that diverse firms not only have access to a broader investor base but also a competitive edge in deal-making. We still have a long way to go, however. The report highlighted significant disparities continue to exist, with promotion rates for women and ethnic minorities notably lagging, especially at senior levels. Private equity has a critical role to play in establishing and building young companies and firms that better represents the broader population.

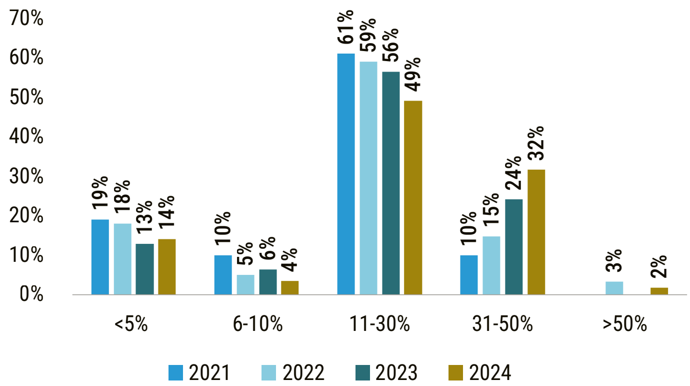
Our portfolio has come a long way on DE&I and we are proud of our managers' progress. 79% of our GPs had a formal DE&I Policy in place at firm level and/or across their portfolios, which has trended upwards from just 60% in three years ago.

Formal DE&I Policy in Place

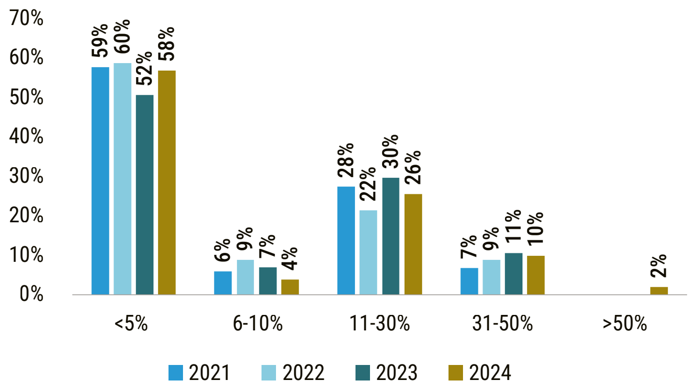


One of our technology growth partners published its first standalone D&I policy during 2024. One of our Benelux mid-market GPs tracked the number of portfolio companies with a formal D&I policy, which is currently 58% and, the GP is publishing its own anti-discrimination policy next year.

Females on Investment Team (%)



Ethnic Minorities on Investment Team (%)



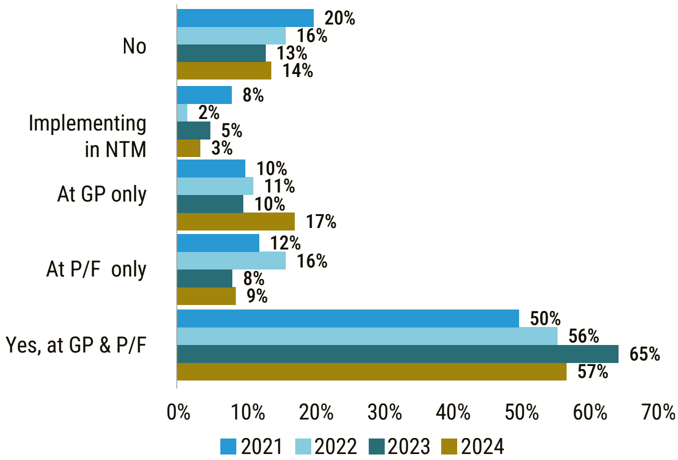
33% of our GPs now have investment teams with over 30% female representation, an impressive increase from 24% in 2023 and just 10% in 2021. 12% of our GPs comprise ethnic minority representation of over 30%, which is 1% higher than 2023 but still too low. However, it should be noted that a number of GPs operate in regions that have restrictions on collecting this type of data.

In 2024, many GPs supported external initiatives which encouraged the participation of under-represented groups in the financial sector such as **Invest Europe Diversity Working Group, Women Code, Level 20, Small Business Investing Scholars program, Investing in Women Code and Women in Finance Charter.**

[21] "The State of Diversity in Global Private Markets: 2023," McKinsey & Co, 2023

One of our mid-market DACH generalists implemented a targeted hiring programme within the GP to increase female participation and promote diversity. Whilst our European transformation specialist, boasted a 358% increase in female senior management across its portfolio.

Actively Promoted D&I



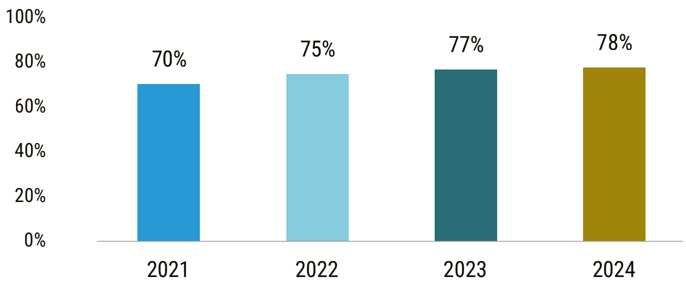
In the past business year, one manager established a Women in Private Equity Campus – a female-only networking platform for employees. The aim is to encourage women to build a strong community where they feel empowered and create opportunities for each other. In tandem, the GP launched a programme dedicated to supporting female staff across all career stages to accelerate their pathway to a senior position. Similarly, one North American partner created a women's affinity group which developed initiatives to increase female participation in the financial sector.

83% of our managers influenced the promotion of D&I at the GP or portfolio companies in 2023, up one percentage point from last year. Examples from the portfolio:

- UK university spin-out specialist built an investment committee with an equal split between men and women.
- UK tech growth specialist tracks multiple DE&I KPIs and engaged with portfolio companies to encourage the measurement of the gender pay gap, with over 50% of companies having calculated this in 2023 (up from 30% in 2022). The GP also continues to organise a successful series of Women in Tech Leadership Network events. These bring together highly accomplished female business leaders and senior women from across the portfolio to share insights and experience.
- One European growth equity player set an internal recruitment target of 50% representation from minority groups which it accomplished in 2022. This was achieved by using diverse interviewers and unbiased testing. The change has driven female workforce representation from 20% five years ago. The GP also made a formal commitment to increase the gender diversity in leadership teams to a minimum of 40% at portfolio level.

The proportion of private equity managers that track D&I metrics continued its steady upward trend in 2024. 78% now track DE&I metrics with a further 7% looking to implement in the coming year, up from 70% in 2021. The suite of metrics is much broader than several years ago when it was predominantly focussed on female presence, and we noticed that a growing number of GPs now link DE&I metrics to management remuneration.

D&I Metrics Tracked at GP and / or Portfolio



CASE STUDY

Portfolio Companies: Driving Best-in-class Female Representation in Tech

Background

One of our portfolio companies is a leading Transatlantic software provider, serving over 100,000 customers in the Accountancy, Human Capital Management ('HCM'), Education and Bookkeeping segments. It is one of the UK's largest software companies, and was acquired at an EV of £3.2bn or 18x NTM EBITDA. The business has achieved uninterrupted growth (c.16% CAGR) across two decades.

Driving DE&I

The company introduced a campaign which aims to increase female participation in tech to 50% and reduce the gender pay gap. To improve its female applicant pipeline, management implemented a programme to encourage the next generation of tech enthusiasts. The business also created the Belonging Group comprising a team of 50 volunteers who are passionate about creating an inclusive workplace. The CEO set the business an ambitious goal back in 2019 to be a leading supported of diversity and inclusion. The business has since received numerous Great Place to Work awards for women. 48% of the workforce are female which is significantly above the sector average and a testament to the work undergone over the past five years.

The business has partnered with universities in the UK and Albania to offer internships to students from lower socio-economic backgrounds to encourage social mobility and a more diverse workforce. UK employees are encouraged to use their three annual CSR days to visit local schools and inspire those from different backgrounds to have a career in tech. The business also works with charities aimed at young people such as **Bookmark** and the **Princes Trust.**

Oversight and Reporting

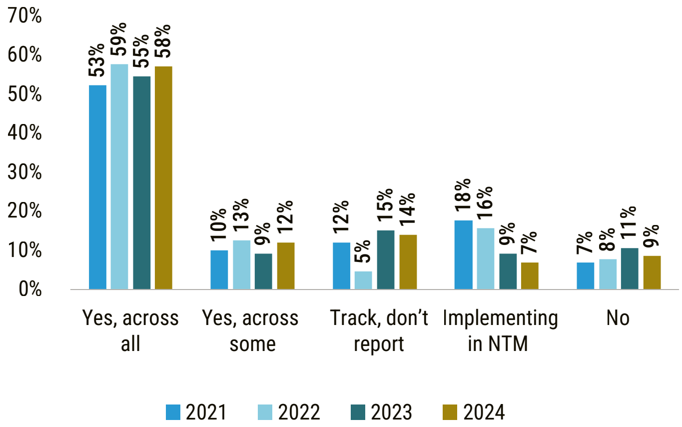
Transparency, strong oversight and the capability to measure development properly are essential to drive and scale ESG progress. Companies that prioritise this and provide comprehensive ESG reporting tend to have more robust governance and the ability to build stronger stakeholder trust. The same rationale applies to GPs; strong ESG oversight provides managers with the tools and insights for proactive governance, risk oversight and enhanced decision making. It also better prepares them to adapt to the evolving regulatory landscape and can widen the pool of LPs for fundraising.

An increasing number of stakeholders are demanding environmental and social data from companies including regulators, shareholders, prospective investors, lending providers, customers, suppliers and employees. Investors increasingly seek ESG insights as part of their evaluation of a company's resilience, long-term sustainability, ethical standards, and performance capabilities. We believe non-financial metrics complement traditional fundamental data in assessing operational strength, innovation, and adaptability in a changing market. Credit rating agencies also use ESG data to assess companies' risk profiles as poor performance often indicates potential liabilities, regulatory penalties or reputational damage. All of which impact access to capital. Employees and customers alike – particularly the younger generation – increasingly demand companies share their values regarding sustainability, social responsibility and ethical governance. This awareness influences where they choose to work and buy from. Many corporations now demand ESG compliance across their supply chain to meet regulatory obligations (e.g., CSDDD[22], UK Modern Slavery Act, French Duty of Vigilance Law) and mitigate reputational risk. Lastly, companies that are able to articulate their ESG proposition and report on core KPIs often command premium exit multiples (the 'green premium') as buyer pools are widened and they pay up for quality.

The last decade has seen ESG reporting standards accelerate in a bid to increase transparency, meet stakeholder demands and ultimately channel capital into responsible investment. It is therefore critical that businesses and GPs are able to supply accurate, timely and appropriate data. Our assessment of GPs in this category considers their commitment to best practices in ESG reporting, the scope and sophistication of ESG KPI monitoring, and the quality of ESG Annual Reports.

In 2024, 84% of our GPs tracked ESG metrics, up from 80% in 2023 and 40% in 2014. The extent and sophistication of ESG KPIs collected by our GPs is dependent upon resource and strategy e.g., managing an Article 8 or 9 programme.

Track & report ESG KPIs across the Portfolio



One Canadian GP began baselining ESG performance across its portfolio in order to focus annual monitoring on six core ESG metrics. This project has been led by the Director of Portfolio Management in tandem with the investment team and company management. The GP's metrics align with the **ESG Data Convergence** Initiative:

Greenhouse gas emissions
Renewable energy consumption
Health and safety
Diversity, equality and inclusion
Attraction, retention and employee engagement

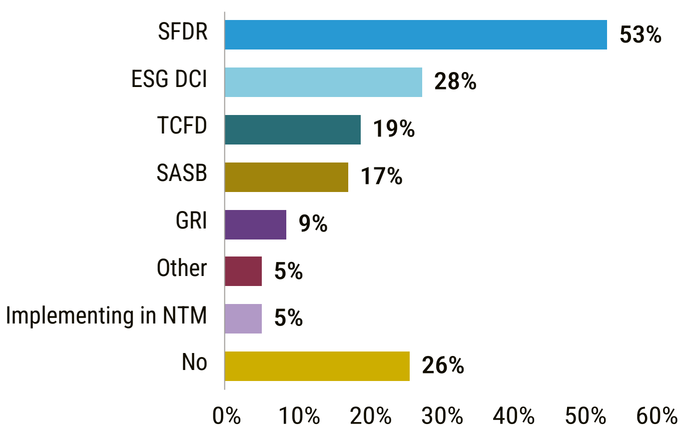
Another GP is supported by its ESG reporting platform **Novata** which collects and monitors metrics agreed with management. One of our new energy transition funds has already created a working group within its first portfolio company to produce a set of ESG KPIs. The manager hopes to begin reporting on these ESG metrics by Q4 2024.

[22] European Union's Corporate Sustainability Due Diligence Directive which aims to ensure companies prevent and mitigate risks related to adverse impacts on human rights and the environment

Some of the biggest challenges to private equity ESG reporting include the lack of critical mass within one common reporting standard as well as non-financial reporting obligations for SMEs. Almost all of the lower-mid-market universe falls below the scope for mandatory **TCFD** reporting in the UK and those that do report, do so on a voluntary basis. Over the last three years we have however started to see a convergence to three ESG reporting frameworks which have grown in popularity whilst others have flatlined.

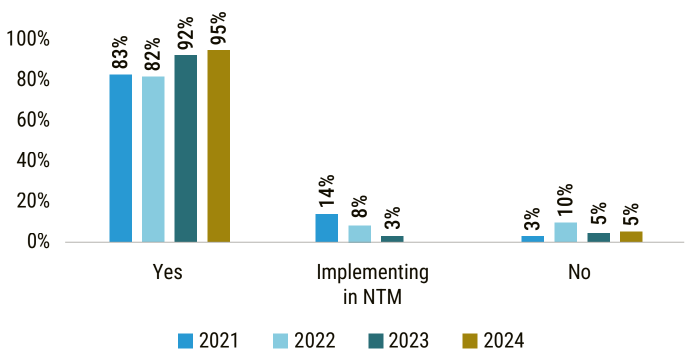
The most popular framework is **EU SFDR,** to which 53% of our GPs now adhere, up from 52% in 2023. **The ESG Data Convergence Initiative** was only established in 2021 but has been the fastest growing with 26% of our GPs now signatories, up four percentage points on last year. Some more sophisticated ESG managers have created their own proprietary ESG reporting frameworks based upon principles from industry bodies. One GP's responsible investment strategy is built upon a range of frameworks such as **Sustainability Accounting Standards Board ('SASB')** and the **Impact Management Project.** Another Polish manager does not report on **SFDR** directly but do provide the relevant data to investors as part of their reporting cycle.

Adheres to ESG Reporting Standards

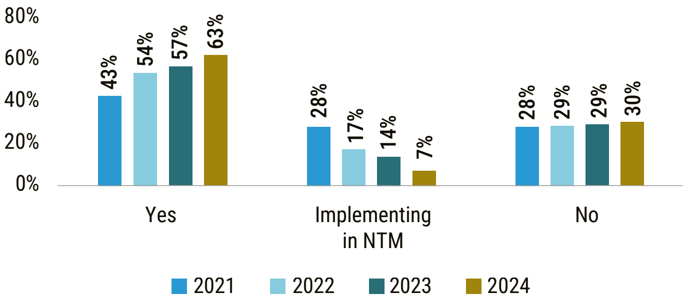


95% of our GPs include ESG matters as an agenda item at Board meetings – up from 92% last year and 82% in 2022 – with around one third including this at every meeting. 63% of our private equity managers produce an Annual ESG Report, a six percentage-point increase from last year with an additional 7% looking to implement in the next year. This is an underestimate given some of our managers provide their ESG reporting within Annual Meeting materials, AGMs[23] or investor reporting, which is not captured in the analysis below.

ESG Matters included at Portfolio Company Boards



Produce and Annual ESG Report



[23] Annual General Meetings

Spotlight Article: Carbon Offsetting – Tool against Climate Change or Greenwashing?

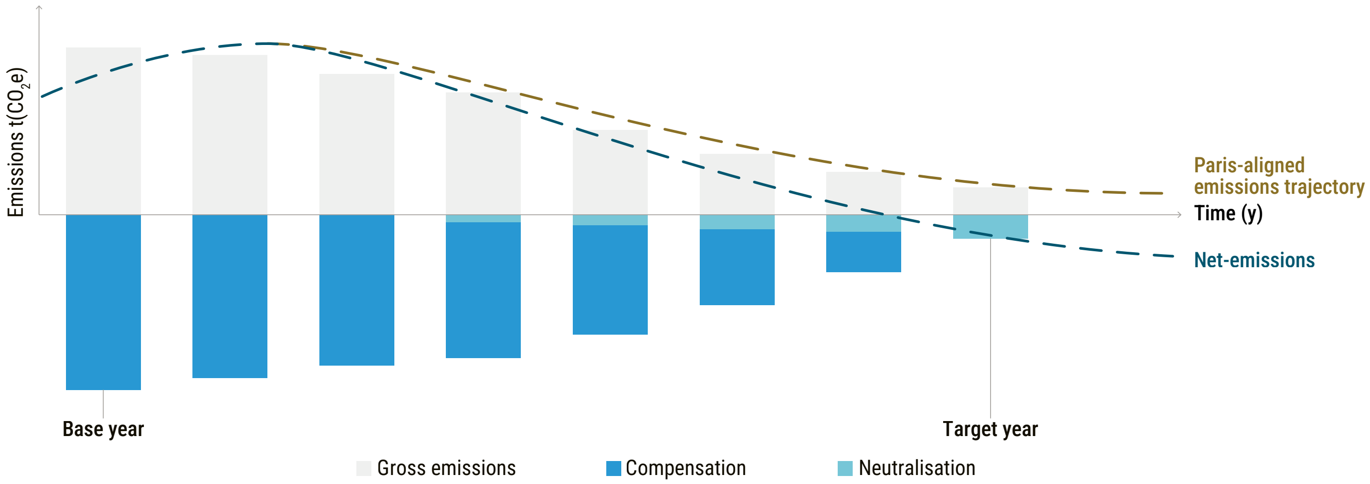
Companies are under increasing pressure to reduce greenhouse gas emissions which is primarily achieved by reducing demand or increasing energy efficiency and renewable sources. However, a secondary method which many large organisations are adopting is carbon offsetting, funding projects (through carbon credits) that reduce or remove the equivalent amount of carbon dioxide from the atmosphere to obtain neutrality. Each carbon credit represents one metric tonne of carbon dioxide offset. Carbon offset projects include renewable energy initiatives, reforestation or carbon capture technologies. The carbon offsetting market was valued at $331.8bn in 2022 and expected to grow 31% per annum to 2028[24]. Carbon offsetting is particularly prevalent within private equity, evidenced across our GP universe; 77% of the 13 GPs that do have a net-zero target incorporate carbon offsetting to achieve their goal. We also have GPs which use carbon offsetting without a formalised net zero goal in place. The carbon offsetting market faces key challenges however, including the lack of standardisation and transparency; concerns over additionality; and difficulties in verification and monitoring which can undermine its credibility. The offsetting market is also highly fragmented with many different organisations and projects offering credits of varying quality. This lack of consolidation and quality assurance leads to difficulties for buyers in distinguishing reliable projects from those with questionable impacts.

Some businesses target local communities as the beneficiaries of their carbon offsetting projects for example **The Woodland Carbon Code** in the UK, whilst others take a globalised approach, such as **Gold Standard.** A domestic focus can foster relations with the local community and work in harmony with corporate social responsibility goals. It may also be driven by regulatory or compliance needs (e.g., construction or energy companies contributing to UK targets); business model (e.g., with strong local ties such as regional retailers); marketing messaging that resonates with customer base; investor base (e.g., local authority pension funds); or afford a better ability to monitor outcomes. An international strategy can provide scalability, increased access and be more cost effective, particularly in emerging markets which often presents a lower cost of CO_2 per tonne. Many companies also have international operations or supply chains so supporting global projects can align with their footprint and address the most pressing issues in vulnerable regions. One concern with international projects is the potential human rights violations; one offsetting project in Peru led to forced evictions and homes being destroyed to make way for reforestation projects.

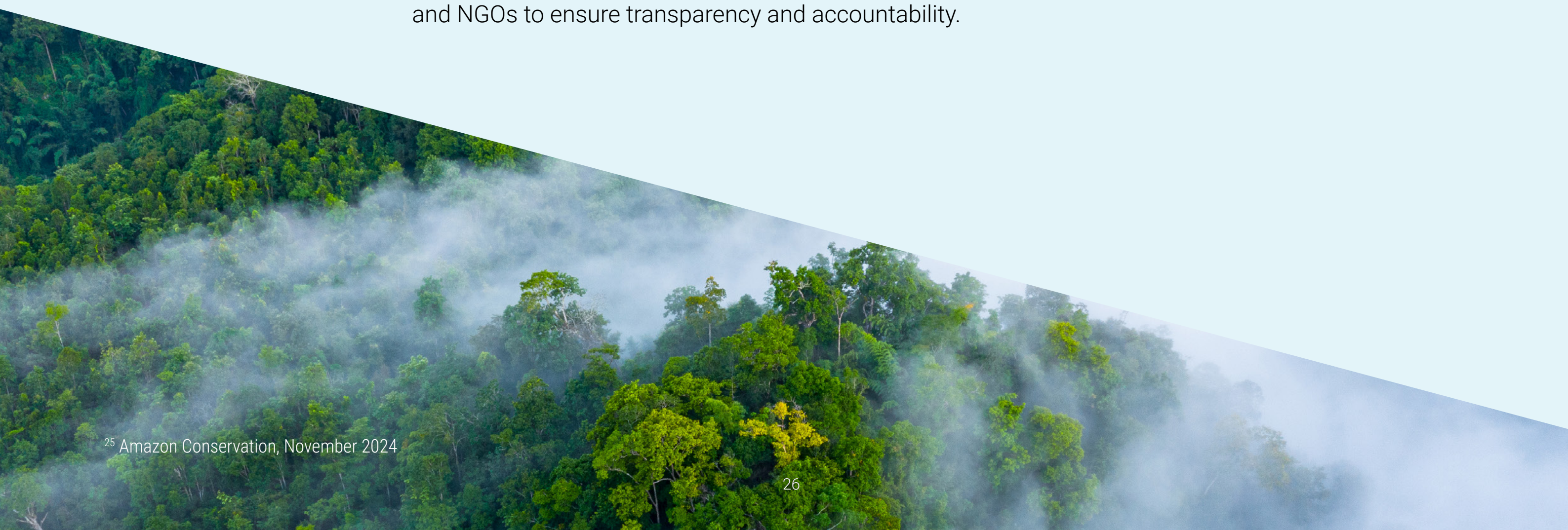
[24] https://www.statista.com/statistics/1399837/global-carbon-offset-credit-market-size/#:~:text=The%20global%20carbon%20offset%2Fcarbon,of%201.6%20trillion%20U.S.%20dollars

There are clear benefits of carbon offsetting as it channels capital into emission reduction projects which contribute to global climate goals. Offsetting projects can have economic benefits, particularly in developing nations through the enhancement of local infrastructure, job creation, improving health (e.g., clean cookstoves) and increasing access to affordable renewable energy. Carbon credits encourage innovation by creating financial incentives to develop cutting edge solutions to climate challenges, such as regenerative agriculture or carbon capture technology. Projects such as reforestation and habitat conservation are critical to preserve ecosystems and protect biodiversity. Renewable energy projects can provide reliable electricity to remote areas, improve education and increase access to healthcare. In many regions however, renewable energy sources such as solar or wind are already cost competitive or even cheaper than fossil fuels and therefore fails to provide additionality over what would have occurred anyway. Additionality is critical in determining if an offset project creates extra environmental benefits that would not have occurred without financial support from the offset purchaser.

Figure 1: stylised decarbonisation trajectory showing the role of neutralisation (carbon removal offsets) and compensation (avoided emissions offsets) on the road to net



An example of a successful carbon offsetting project is the **Amazon Rainforest Conservation** initiative, which aims to prevent deforestation and protect biodiversity while offsetting millions of tons of CO_2 emissions annually. The project, led by organisations such as **The Nature Conservancy** and other local stakeholders, uses sustainable land management techniques and establishes protected areas to preserve vast stretches of the Amazon. Results include the prevention of over 25 million tonnes of CO_2 emissions since its inception, along with increased biodiversity and improved livelihoods for local communities. The scheme claims to have directly protected 356 endangered species that are living in the 9.3 million acres it currently safeguards[25]. This success has been supported by robust monitoring through satellite technology and partnerships with governments and NGOs to ensure transparency and accountability.



[25] Amazon Conservation, November 2024

Offsetting can be a useful tool for a business to demonstrate to its customers, suppliers, workforce, investors and regulators its commitment to tackling climate change. It also offers an interim solution to 'bridge the gap' to neutrality whilst transitioning to more sustainable practices. The **Science-Based Targets Initiative (SBTi)** believes that by 2050 companies can reduce 90% of their emissions from operations and supply chains by setting long-term science-based targets[26]. The cost and time benefit of carbon offsetting in comparison to investment into carbon reduction – which may be significant, for example asset abandonment – may be abused and construed as 'greenwashing'. Whilst offsetting is a useful tool in the immediate term as businesses transition towards greener practices, it does not eliminate emissions at the source which is ultimately essential to meet global goals. Offsetting should not be viewed as a substitute for reducing or eliminating CO_2 emissions. Behaviour must be changed to halt the release of new carbon into the atmosphere in combination with the removal of carbon which is already there – not only the latter.

Different carbon offset types offer different storage timeframes:

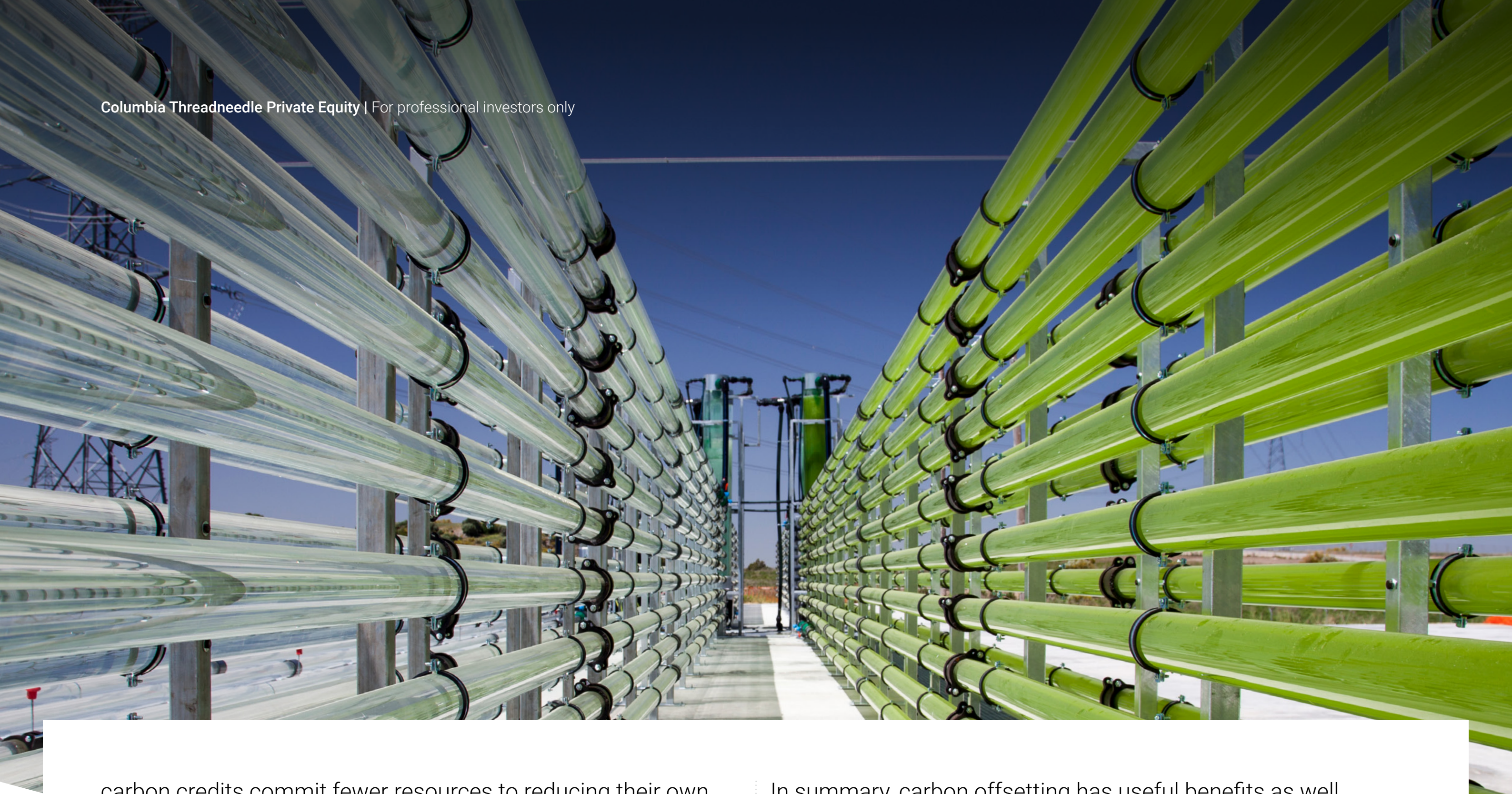
- **No storage** – Methods such as renewable energy projects prevent emissions from entering the atmosphere such as wind or solar, but do not physically remove or store carbon.
- **Short-lived storage** – Offsets such as reforestation temporarily store carbon in biomass or soil, but are vulnerable to reversal through deforestation, wildfires, natural disasters, or changes in land use.
- **Long-lived storage** – Technologies like carbon capture and storage ('CCS') or mineralisation sequester carbon in stable forms for centuries or a millennium, ensuring durable removal from the atmosphere and have a lower risk of reversal.

Companies should look to transition their offset portfolios towards longer-lived storage and away from shorter-lived storage over time, in line with the **Oxford Offsetting Principles[27].** We suggest that buyers could approach this in the short-term by looking to phase out credits with no storage (Oxford Principles Category I), especially those with few co-benefits.

Whilst carbon offsetting can offer immediate climate action, it faces significant criticisms regarding its effectiveness, transparency and ability to incentivise long term behavioural changes. Rainforest carbon offsets are credits generated by projects that protect and preserve rainforests and their capacity to absorb and store carbon. The harshest critics of these programmes believe the vast majority of rainforest carbon offsets add no value[28]. **Sylvera Carbon Data** believe only 30% of projects are of high quality. Some question the credits' additionality as the land in question may not have been a real deforestation risk making the claimed carbon saving invalid. For example, a project may stop 250 acres of deforestation or 40,000 CO_2e of saved emissions per a carbon certifier which can then be purchased by a business via carbon credits. A key issue is that this market is largely unregulated, which can lead to exaggerated claims by participants operating within it. A 2022 **University of Cambridge** study found that the threat to forests had been overstated by 400% for **Verra,** one of the largest carbon certifiers. The findings unearthed that only a small handful of **Verra's** rainforest projects showed genuine evidence of deforestation reduction. **Verra** subsequently announced that its rainforest carbon credit methodologies will be phased out by mid-2025. We have the most positive view on larger international verification programmes, such as **Gold Standard, Verified Carbon Standard ('VCS')** and **ART/TREES**. However, we encourage buyers to look beyond the verification organisation to appraise the specific methodology which credits are issued against. While some smaller carbon standards play important roles in the market development and can offer high quality credits, we would expect buyers to have strong rationale and risk management practices in place when using these credits. In 2024 the European Parliament voted to ban terms like "carbon neutral" and "climate positive" unless substantiated by verifiable evidence, particularly targeting claims based on carbon offsetting alone. This move was part of its broader effort to combat greenwashing and ensure that businesses making environmental claims back them up with credible, certified actions rather than relying on offsetting schemes. By 2026, only certified sustainability labels will be allowed, which will impact how companies market their environmental credentials.

The Professor of Energy and Climate Change at the **University of Manchester** stated that offsets are worse than doing nothing. He highlighted that the carbon offsetting mechanism encourages inaction and reduces the incentive to reduce emissions at source. He argued that offsetting should only be used against residual carbon emissions that cannot be eliminated through a change in operations. Others highlighted that businesses that purchase carbon offsets are more likely to report lower gross emissions year-on-year in comparison to businesses who do not. Research by **Forest Trends Ecosystem Marketplace[29]** identified the relationship between carbon offset purchases and carbon reduction through operating activities. Intuitively, businesses with wider environmental reporting processes in place are more aware of their carbon footprint and engage in offsetting projects. Another study by **MSCI** in 2024[30] contradicted the notion that companies that invest more into

[26] https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf
[27] https://www.smithschool.ox.ac.uk/publications/reports/Oxford-Offsetting-Principles-2020.pdf
[28] The Guardian - https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-provider-worthless-verra-aoe
[29] New research: Carbon credits are associated with businesses decarbonizing faster - We Mean Business Coalition
[30] Corporate Emissions Performance and the Use of Carbon Credits - MSCI



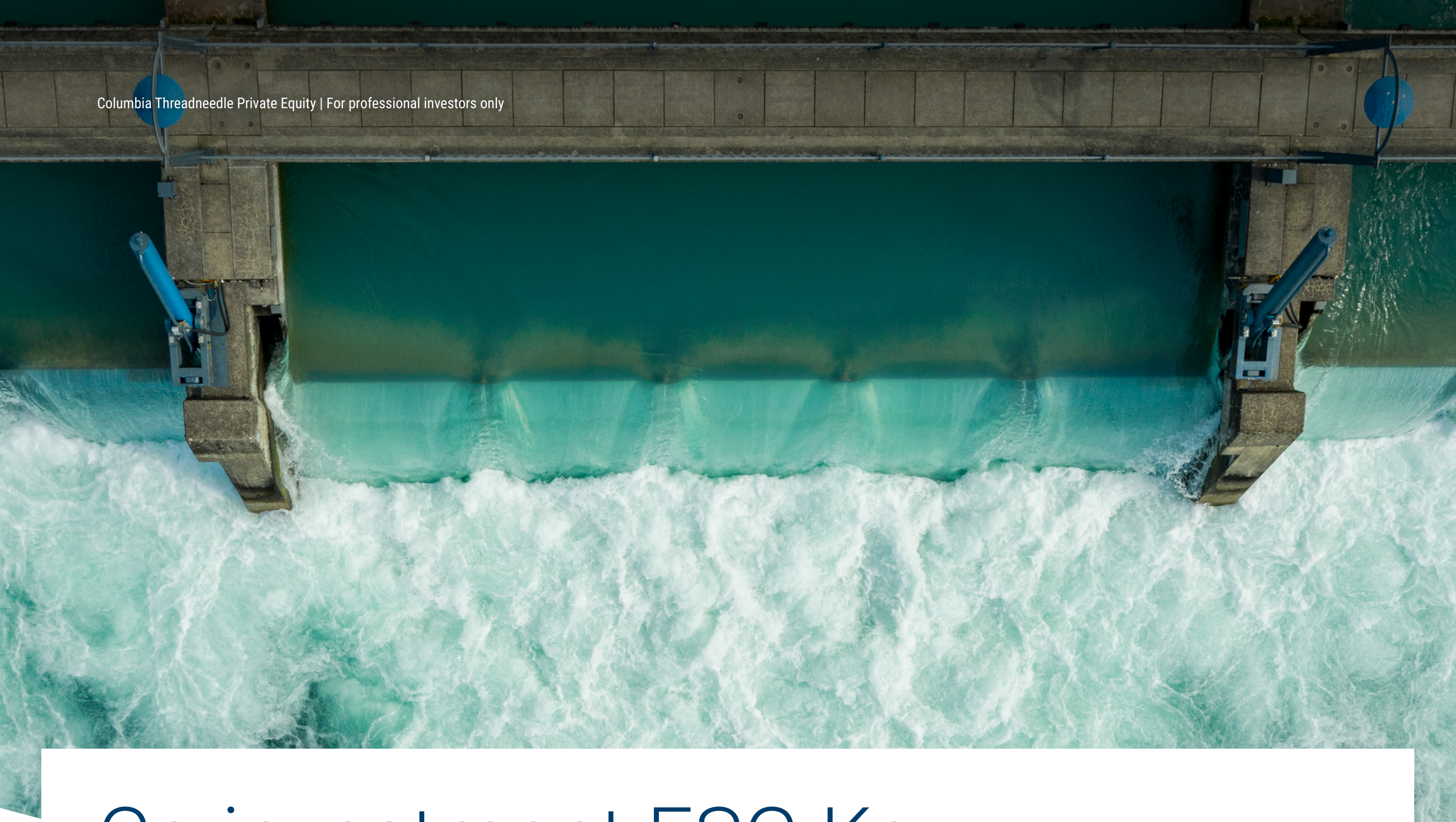
carbon credits commit fewer resources to reducing their own direct emissions. The analysis covered the period 2017-2022 and found that companies with higher carbon credit use were, on average more likely to disclose emissions; report Scope 1-2 GHG emissions; set credible climate targets; and have a higher portion of revenue derived from low-carbon activities.

Efforts have been made to create industry standards within the voluntary carbon offsetting market in place of regulations. **The Integrity Council for the Voluntary Carbon Market** is a non-profit and independent governance body established in 2021. Similarly, the **International Carbon Reduction and Offset Alliance ('ICROA')** is a leading industry accreditation programme for the voluntary carbon market and supports the goals of the Paris Agreement. Many believe that carbon credit purchasing should have the same due diligence, transparency and governance over the product and its vendors as other financial assets. Others also argue that credits aged five years or older may have become outdated as verification technology and standards reporting advance at great speed.

Sector specific organisations such as the **Carbon Offsetting and Reduction Scheme for International Aviation ('CORSIA')** aims to stabilise carbon emissions from international flights by requiring airlines to offset growth in emissions from 2020 levels. The scheme, developed by the **International Civil Aviation Organisation ('ICAO'),** currently encourages offsetting investment on a voluntary basis but which will become mandatory from 2027 on international flights between the 115[31] participating countries.

In summary, carbon offsetting has useful benefits as well as drawbacks but, if used appropriately, provides a vital tool in the transition to carbon neutrality. The mechanism allows for immediate emissions reduction, supports sustainable development and incentivises innovation; yet faces criticism for the lack of additionality, quality assurance, governance and transparency. The key to using carbon offsets effectively lies in its role as part of a broader strategy, where it complements rather than replaces direct emission reductions through sustainable business practices and technology advancements. As the transition towards carbon neutrality continues, offsetting can be a useful tool for industries to manage unavoidable emissions, provided the projects are rigorously verified and meet high environmental standards.

[31] As at 2023

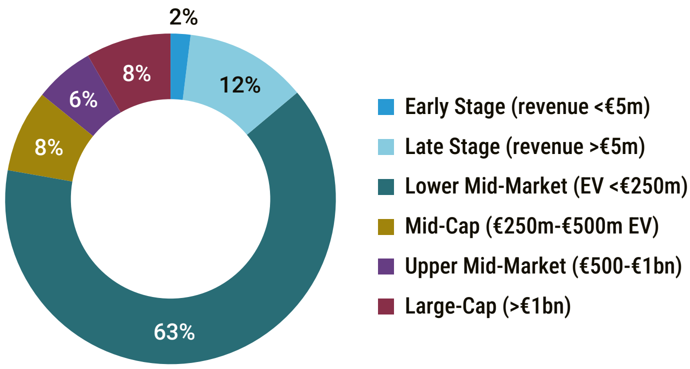


Co-investment ESG Key Performance Indicators ('KPIs')

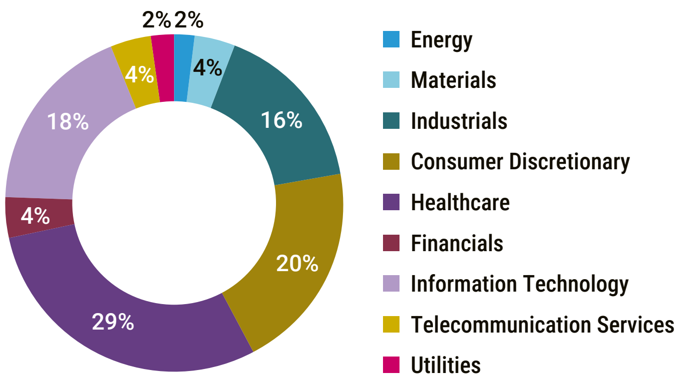
In our 2024 Annual Co-investment Survey, we achieved an 83% response rate from a total of 59 companies, up from 79% in 2023 (2022: 74%). This was achieved through the strong engagement of the Columbia Threadneedle PE investment team and is an excellent achievement given our investment focus. Columbia Threadneedle PE's co-investment strategy targets lower-mid-market, profitable businesses operating within Europe and North America alongside high quality regional or sector specialist GPs. We have a strong focus on 'emerging' managers which are deploying fund III or earlier and also invest on a deal-by-deal basis with 'fundless sponsors'. We believe these transaction dynamics are highly attractive and afford us the ability to negotiate beneficial deal terms as well as gain insight into a GP's investment process before committing to a traditional blind pool fund.

In 2024, 78% of our respondents comprised lower mid-market companies with enterprise values below €250m, and 86% below €500m. We had a higher concentration in the smaller end of the market this year with 14% in growth investments relative to 10% in 2023. Our co-investment portfolio is well diversified across a wide range of end sectors, some of which are regarded as higher risk from an ESG perspective. In spite of this, our co-investment portfolio performed very well in 2024. As with our GP ESG survey, we rated each of our co-investments from 1-5 ('Best-in-class' to 'Laggard') across numerous ESG metrics, topics and trends to assess our companies' commitment and integration of ESG. We collected over 40 ESG datapoints in 2024 which we track annually. Some co-investment ESG datapoints trended slightly downwards this year; we expect some natural fluctuation in our book as older, more mature companies are exited and replaced with new ones in which we tend to be the first institutional investor.

Co-investments by Size*



Co-investments - by Sector*

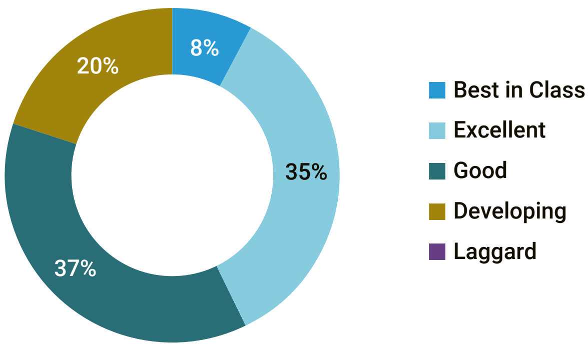


* By number of companies

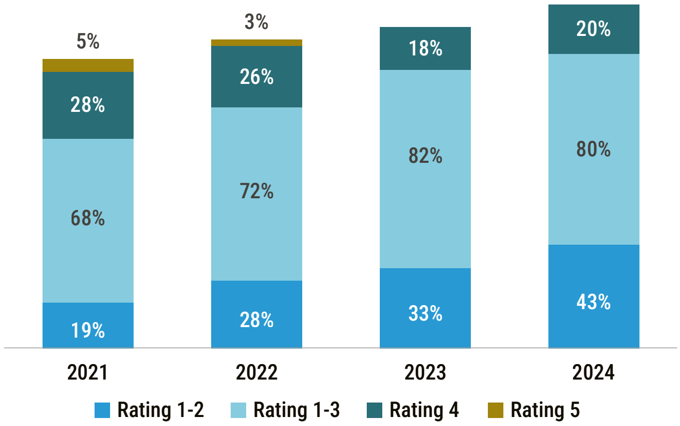
From the 49 companies that responded, 80% scored 1-3 ('Best-in-class', 'Excellent', or 'Good') in 2024, slightly down from 82% last year. The five-percentage point increase in response rate this year to 83% was driven by a higher rate of engagement from companies that did not report in 2023. These companies tended to be younger, less sophisticated or less resourced so typically entered our Annual ESG Report with a lower rating as they were at the beginning of their journey. This was a marked improvement on prior year where they did not report at all so we view this as highly encouraging. Although these new additions diluted the average Columbia Threadneedle PE ESG Rating across our book, we view the 2024 co-investment results as very positive in terms of ESG development. It is an excellent improvement in data availability and provides evidence of our strong levels of engagement with our management teams to improve ESG reporting.

Our focus is not only on how sophisticated the business is at the point of investment with regard to ESG but the positive impact that can be achieved over our hold period. Given we typically hold larger stakes, are closer to management and are investing in the businesses of tomorrow, we are arguably better positioned to drive and scale ESG best practices within our co-investment portfolio. As such, we generally see a faster acceleration in ESG ratings within our co-investments relative to our funds programme.

Co-investments - ESG Ratings Globally, 2024



Co-investment ESG Ratings Trend: 2021-2024



	Assessment	Rating
E	Environmental Management	78% have taken action to reduce negative and promote positive environmental and social impacts, in line with 2023
	TCFD	Only two of our co-investments are large enough to be in scope for TCFD (in comparison to 1 in prior year) and 4% have a Climate Transition Plan in place (down from 8% in prior year) driven by portfolio mix.
	Climate change	39% track and monitor Scope 1,2 and/or 3 GHG-emissions and 12% have net zero targets, down from 45% and 16% in 2023, respectively. This was driven by portfolio mix in 2024: some companies which reported last year have now been exited and smaller companies have started ESG reporting for the first time, albeit with less sophisticated data.
	Energy	37% track energy consumption and 33% track renewable energy consumption, up from 31% and 29% respectively in 2023.
	Biodiversity	50% of relevant companies track and monitor activities that negatively affect biodiversity, in line with prior year. A further 13% of relevant companies are developing this capability over the NTM.
	Waste	29% track and monitor waste management KPIs, in line with prior year, with an additional 8% developing this in the NTM.
	Water	60% of relevant businesses monitor activities that contribute to water pollution, up from 50% in 2023. This metric is only relevant for 10% of co-investments.
	Sustainable supply chains	47% of our companies consider sustainability issues in their selection of suppliers and/or contractors, in line with prior year
S	Diversity & Inclusion - Policies & Initiatives	63% have a D&I policy in place and 53% have actively promoted diversity & inclusion, which is in line with prior year.
	Diversity & Inclusion - Reporting	100% track the number of females or ethnic minorities on the Board up from 96% last year and 39% track other D&I KPIs (e.g., LGBTQ+, disability metrics, parental status, flexible working etc). Note: the collection of this type of data is not permitted in some regions such as France which skews statistics.
	Diversity & Inclusion - Board Composition	Females and ethnic minorities comprise 11% and 7% of our companies' Boards. Whilst we expect this datapoint to fluctuate somewhat due to churn, this is still disappointingly in line with prior year (13% and 5%, respectively).
	Diversity & Inclusion - Equality of earnings	24% of our companies track gender pay gap, which was 5% on average. The pay gap was encouragingly down on prior year which was 14%. Five companies reported a gender pay gap in favour of women.
	Living Wage Employer	55% of businesses pay wages in line with accredited recommendations, up from 47% in prior year.
	Staff training	94% have staff training and development programmes in place, in line with prior year.
	Employee well-bring	53% of companies carried out an employee engagement survey, of which the average response rate was 66%. This was a slight improvement on 2023 at 47% and 65% respectively. An employee engagement survey can include, but is not limited to, questions related to company culture, company values, employee job satisfaction, employee engagement, and training.
	Job creation & staff churn	Of the 82% respondents for this datapoint (76% last year), there was an aggregate 2,343 organic net new FTE hire across our co-investments. 69% also tracked organic attrition, which was 22%.
	Health & safety	22 work related injuries on average; 0 work-related fatalities and 3,104 number of days lost due to injury in the last 12 months reported by 88% of our companies.
G	Policies & procedures	92% of our companies have procedures and policies in place with a further 8% developing this over the next year, up from 82% in 2023. The composition of policies has fluctuated over the year: 90% adhere to a Code of Conduct or Ethics (84% in 2023); 85% Health & Safety (78%); 77% Whistleblowing (73%); 56% Environmental (57%); 50% Modern Slavery (47%); 40% have a Corporate Social Responsibility ('CSR') (39%) and 29% have a Sustainable Supply Policy (29%).
	Board strength and effectiveness	55% have an independent Chairperson and 71% have an independent Non-Executive Director sitting on the Board, in line with prior year. 47% also have a separate Audit Committee or Remuneration Committee (55% in 2023). Strengthening corporate governance was recognised as the highest priority by respondents across the portfolio.
	Active Ownership	73% include ESG matters as an agenda item at company Board meetings, down from 78% in prior year again, driven by portfolio mix: 24% include it at every board meeting, 18% at quarterly board meetings, 20% at annual board meetings and 10% on an ad-hoc basis.
	Culture & commitment	33% of managers' performance is formally evaluated with regards to social or environmental metrics, an increase from 29% in 2023.
	Oversight & reporting	47% track and monitor ESG KPIs specific to the business or sector, slightly down from 53% last year. A further 12% are developing this capability over the NTM.
	Cyber security	90% of our companies have a cyber security policy in place, which is a large increase from 76% in last year. Across all of our companies, there was only one cyber security breach in the last 12 months, down from 5 in 2023.
	Principle Adverse Indicators ('PAIs')*, per SFDR	29% of our companies track and report principle adverse impacts ('PAI')* on sustainability factors per SFDR, 2% intend to over the NTM. This is slightly lower than 35% in 2023 due to the churn of co-investments as a result of successful exits over the past 12 months
	UN Global Compact violations	None of our co-investments have violated any of the principles of UN Global Compact principles or OECD guidelines for Multinational Enterprise. 63% track and report on this, which is down from 71% in 2023.

* PAI's: most significant impact of business decisions on sustainability factors relating to environmental, social, employee matters, respect for human rights, anti-corruption and bribery matters

CO-INVESTMENT CASE STUDY

Profits, People, Planet: Innovative Solutions for Industry

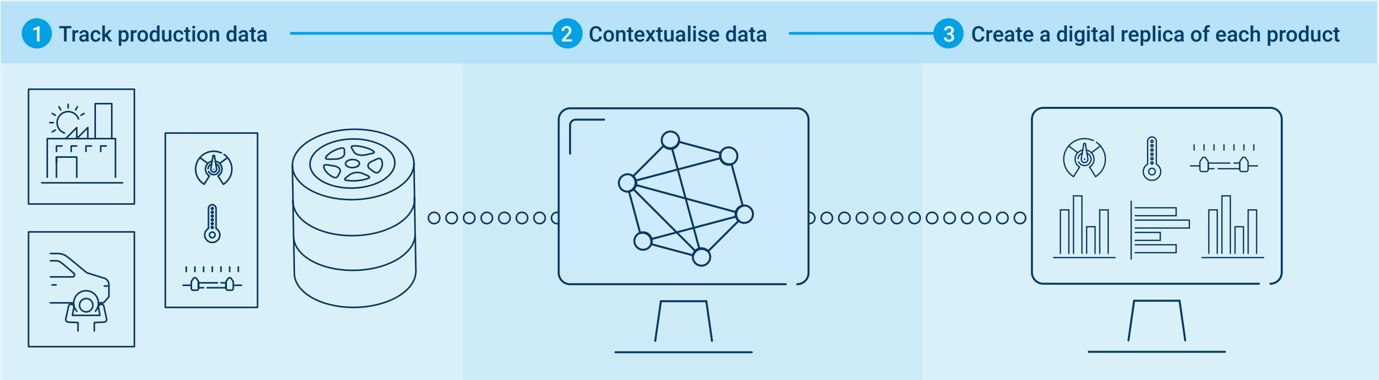
Background

In 2023, we invested into a fast growth software provider for the manufacturing sector alongside one of our technology specialist GPs.

The company's Industrial Internet of Things ('IIoT') platform aggregates data across different systems and produces analytical insights in order to optimise manufacturing. This allows manufacturers to improve product quality, reduce energy consumption and improve profitability. The business cross sells its solutions into a well-diversified blue-chip customer base comprising: Pulp, Paper & Packaging; Building Materials; Food & Beverage; and Tiles, Elastomer & Plastic end verticals. Its solutions are mission critical and deeply embedded within its customers' workflows which creates high switching costs and strong barriers to entry.

The company is the market leader in an attractive niche. It is well-positioned to benefit from the shift towards Industry 4.0 (data-oriented and highly connected) as IIoT is a key enabler for this transformation. This transition is driving significant market growth, estimated at 44% CAGR across the investment period.

At the time of investment, the company achieved FY 2022 ARR of €16.9m with net revenue retention of 115% and had grown at 30% since 2021. We invested at an enterprise value of €98m, or 5.3x ARR. Given the investment is less than a year old, it remains valued at cost. Base case returns are 3.0x cost and 25% IRR.



ESG impact

According to an EPA report, in 2021 the industrial sector contributed 23% to total global emissions whilst electricity power contributed 25%[32]. One report highlighted that IIoT could reduce emissions by as much as 63.5 gigatons by 2030 if all industrial sectors participated aggressively[33]. Materials manufacturing was identified as one of the three highest emitting sectors, where digital technology has the potential to reduce emissions by 4-10% by 2030 and 20% by 2050[34].

- **Improving health and safety:** IIoT can improve working conditions and ensure employee safety. Devices can monitor the physical conditions of the workplace, such as temperature, humidity, and air quality to ensure non-hazardous conditions.
- **Optimising production to reduce waste and energy:** Our co-investment reported it had saved 2.5m tonnes of CO2 since inception. One of its customers, a leading paper manufacturer reduced its carbon dioxide emissions by 230,000 tonnes through the use of its IIoT software. Analytical tools enable energy consumption reduction by finding the historical optimum mixture that led to minimum energy consumption per batch. A leading US manufacturer of roofing materials also reported it had achieved a 40% reduction in product variability and raw material optimisation.
- **Tracking usage and emissions:** The business is recognised as a specialist in industrial continuous manufacturing, a sector notorious for high levels of harmful emissions. Its solutions provide accurate, real-time data on energy consumption, emissions and waste production. A tyre manufacturer began using its software and was able to reduce waste production by 35%.

[32] EPA Report - https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions
[33] https://www.ericsson.com/en/reports-and-papers/research-papers/exploring-the-effects-of-ict-solutions-on-ghg-emissions-in-2030
[34] https://www.weforum.org/agenda/2022/05/how-digital-solutions-can-reduce-global-emissions/

CO-INVESTMENT CASE STUDY

Background

In 2019, we co-invested into a Pan European operator of radiotherapy clinics for the treatment of cancer. At the point of investment, it was the #2 leading player, offering treatments to over 11,000 patients p.a. at 11 clinics in Europe.

The radiotherapy market in Europe is highly fragmented but underpenetrated relative to the US. It's expected to grow in the mid-single digits underpinned by a number of structural drivers: increasing incidence of cancer (due to changing demographics), early detection, lower cost, under supply and improved patient outcomes.

The business benefits from high barriers to entry and had a very attractive financial profile. At entry, the company had grown 30% to €58m 2019E revenues and €12m adjusted EBITDA. We acquired the business at an enterprise value of €115m or 9.6x EBITDA.

Strong investment performance

- The business continues to perform strongly to date with June 2024 LTM[35] revenue and EBITDA reaching €125m and €27m EBITDA.
- Since inception, the company expanded rapidly through a combination of greenfield site openings and M&A. New centres were rolled out across France, Italy, Austria, the UK and Romania, and today operates 16 clinics across six countries. Over 40,000 patients are treated at its clinics annually which is four times the number of patients at the time of investment.
- Management was strengthened with the appointment of a new CEO and CFO, transitioning from founder led company.
- The investment was valued at 1.8x cost and 14% net IRR as at September 2024 with an attractive exit envisaged in 2025.

ESG impact

Impact	
Access to top tier radiotherapy	Provision of high quality radiotherapy to patients, using state of the art equipment and leading doctors and nuclear physicists. Helps address market undersupply as radiotherapy rates currently 10-30% below clinical recommendation in target geographies
Patient outcomes	Effective cancer treatment through highly targeted radiotherapy, improving survival rates and minimising side effects
Cost benefits	Estimated to be 3-5x more cost effective than chemotherapy, reducing cost to over stretched national healthcare providers

3-5x More cost effective than chemotherapy

183k Patients treated

#1 Fastest growing private cancer treatment group in Europe

Key Themes and SDG Indicators achieved

Theme: Health & Well-being

SDG: Good Health and Well-being

3 GOOD HEALTH AND WELL-BEING

Target: 3.4
By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being

Revenue growth	134% growth* 24% per annum	**EBITDA growth**	67% growth* 14% per annum	**Job creation**	560 jobs created since Amethyst founded in 2010	**Impact**	15 clinics opened serving 18,000 patients annually; +89% since investment

* 2019-2024 (Jun LTM)

CO-INVESTMENT CASE STUDY

Driving Equal Access to Education

Background

In 2024, we acquired two businesses to create one of the largest private providers of Education Accompaniment Services ('EAS') in Germany. We acquired the combined business at an enterprise value of €92m, or 9.3x adjusted EBITDA alongside one of our European impact managers. The group provides companions to children with disabilities to enable them to attend and integrate into mainstream schools.

The German EAS market is large, fragmented, and expected to grow strongly at 14% CAGR driven by increased adoption and diagnosis. It is a defensive market and is an insulated and protected area of public spending with plenty of white space to grow into. The business is well-positioned given it is the first private platform of scale and benefits from nationwide brand recognition and ability to cover a wide range of EAS cases.

Trading Performance

The investment was only completed in 2024 and therefore is held at cost. It is trading in line with plan.

Relevant UN SDGs		Company-level details
3 GOOD HEALTH AND WELL-BEING	Good health and well-being	The company's fundamental purpose is to facilitate high-quality school and ambulatory care support to children and elderly people with learning difficulties or a behavioural or physical disability. Its services address individual disability-related challenges and overcomes barriers to inclusion and contributes to good health & well-being of disadvantaged customers
4 QUALITY EDUCATION	Ensure inclusive and equitable access to education	A companion facilitates a child's access to education they would otherwise not be able to access EAS provides equitable access to education by supporting the cohesion of all children within the same school.
8 DECENT WORK AND ECONOMIC GROWTH	Substantially reduce the proportion of youth not in employment, education or training	Increased employability and skillset as a result of integration at a young age support students well beyond schooling years. The business provides rewarding employment for its companions, as well as training and development. In comparison to not-for-profit, the group pays employees during school holidays, when they are sick or when the child cannot attend school. The manager believes that, as the largest private provider of school support services in Germany, the business could lead the implementation of industry wide quality standards where they are absent. The GP is strengthening the management team, which is a critical element of success within the care sector. This sector presents with elevated health & safety as well as reputational risk which requires stringent oversight. The appointment of key C-suite execs are underway which will improve governance, from an already high base.
10 REDUCED INEQUALITIES	Empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status	The school companion programme increases societal inclusion by providing children with disabilities the opportunity to attend mainstream schooling. This greatly benefits the lives of those with disabilities and has a positive impact of society as whole by increasing diversity. By increasing inclusion at school age has long lasting impacts on social integration and employability for those with disabilities

ESG KPI Targets Implemented by the business:

1. **Access to quality education:** % of children with a development plan in place with a tutor. Currently 75% of children have one with an aim to increase this to 100% over the life of the investment.
2. **Growth:** Number of children who use inclusion services. Target to increase from 1,411 to 3,275 by 2028.
3. **Workforce retention:** Reduction in Team Leader turnover. Target TBD
4. **Innovation:** Deployment of digital real time staff communication tool. Target to increase from 0% active users to 75% within 12 months of implementation.

Conclusion

To conclude our 11th Annual Private Equity ESG Report, we are very encouraged by the progress our managers have made across the entire ESG spectrum. 2024 marked a pivotal year at the polls globally, and our investments demonstrated resilience, agility and adaptability in the changing regulatory and political environment. We were particularly inspired by the increased level of dealflow we saw in impactful businesses which address critical human and planetary needs often through cutting edge solutions. We believe these are born out of global necessities and benefit from long-term, global megatrends such as sustainability, changing demographics and the digital transformation. The lower-to-mid-market contains many of the most exciting and impactful companies, whilst offering well-priced investment opportunities and the ability to drive real value. As we look to 2025 and beyond, we remain committed to driving meaningful change and creating long-term value for our investors through our Responsible Investment strategy.

Columbia Threadneedle Investments Private Equity
November 2024

Columbia Threadneedle Investments Private Equity's Approach to Responsible Investing

For four decades, Columbia Threadneedle has been at the forefront of responsible investing having launched Europe's first socially and environmentally screened fund in 1984. We are fortunate to benefit from a truly global platform which fosters collaboration, best-practice sharing and development. The CT Private Equity Investment Team reaps the benefit of our centralised Responsible Investment Team comprising over 40 subject matter experts. We leverage their deep technical knowhow across our private equity investment process from research, due diligence, reporting and we also receive face-to-face training from them annually.

UN PRI Founding Signatory with 40 years RI experience

Key milestones*

1984
Launched the first social and environmentally screened fund in Europe

1987
Launch of Stewardship Income & Stewardship North American funds

2000
Launch of ***reo®*** - our dedicated engagement overlay service

2006
Founding signatory of the UN Principles for Responsible Investment

2007
Launch of Ethical Bond fund

2010
Launch of Emerging Markets ESG strategy

2011
Launch of F&C Climate Opportunity Partners LP

COLUMBIA THREADNEEDLE PRIVATE EQUITY MANAGED FUND

2012
Signatory to the UK Stewardship code 2012 principles Launch of ESG Risk Tool

2016
Launch of Responsible Global Equity Strategy ESG Profile and Impact Annual Report

2018
Responsible euro Credit Fund

2019
Launch of CT SDG Engagement Global Equity fund

2022
Signatory to the 2020 UK Stewardship Code and Net Zero Asset Managers Initiative

*Certain milestones were achieved at legacy firms ** Award won by Columbia Threadneedle Investments.

Multi award winning, in-house RI team

> 35 ESG specialists and > 400 years of combined experience

Claudia Wearmouth named one of the Fifty most influential in Sustainable Finance
Financial News 2023

Winner
Best ESG Fund House, UK & Europe Award
ESG Clarity 2022**

Winner
Best Sustainable & ESG Research Team Award
Investment Week Sustainable & ESG Investment Awards 2020**

Winner
Environmental Thought Leadership Award
Pensions for Purpose 2020*

Winner
Best ESG Investment Fund: Equities Award
ESG Investing Awards 2021**

WINNER
ESG Investing Awards 2020

* Award won by Columbia Threadneedle Investments. **Award won by the legal entity whose parent company is Columbia Threadneedle Investments UK International Limited

Columbia Threadneedle is a founding signatory to the **UN Principles of Responsible Investment ('UN PRI').** Its principals form the foundations of our private equity responsible strategy which ensures ESG factors are firmly embedded throughout our investment process. Columbia Threadneedle Investments reports to the UN PRI through its annual assessment. Columbia Threadneedle Private Equity achieved a **5-star UN PRI** rating in 2024.

As a member of the **Net Zero Asset Managers initiative ('NZAM'),** Columbia Threadneedle committed to a net-zero ambition across all our asset classes by 2050, working in partnership with our clients. We are an active member of numerous investor collaborations and networks including **Climate Action 100+,** the newly launched **Nature Action 100** (which we co-founded), and the **30% Club** (in the UK, France, Germany and US) – see our Stewardship Report[36] for full details. We also participate in the public policy process, primarily through our industry membership groups such as the **Institutional Investors Group on Climate Change,** and the UK's Investment Association, where we chair the Climate Change Working Group. CT PE became members of the **ESG Data Convergence Initiative** in 2023, which is driving industry-wide convergence on ESG metric collection and supports greater transparency across the sector. We are participants in **Initiative Climate International ('iCI')** and **Institutional Investors Group on Climate Change ('IIGCC')** working groups where we play an integral role in driving and scaling ESG best practices.

Signatory of:

PRI Principles for Responsible Investment

SUSTAINABLE DEVELOPMENT GOALS

ESG Data Convergence Initiative

IIGCC The Institutional Investors Group on Climate Change

UN Global Compact — United Nations Global Compact

NET ZERO ASSET MANAGERS INITIATIVE

initiative climat international — Private equity action on climate change

GIIN GLOBAL IMPACT INVESTING NETWORK

[36] https://docs.columbiathreadneedle.com/documents/Columbia%20Threadneedle%20Investments%20-%20Stewardship%20Report.pdf?inline=true

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