

Why sustainability and ESG are integrated in our private equity program

Susanne Gløersen, Sustainability Strategist, Formuesforvaltning

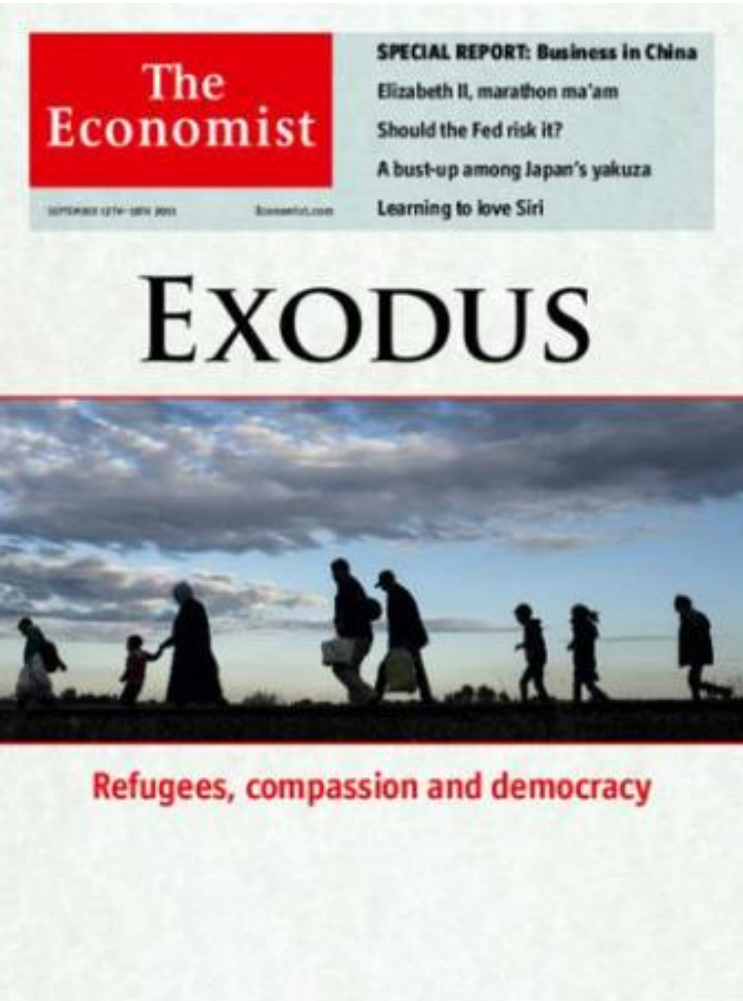


Agenda

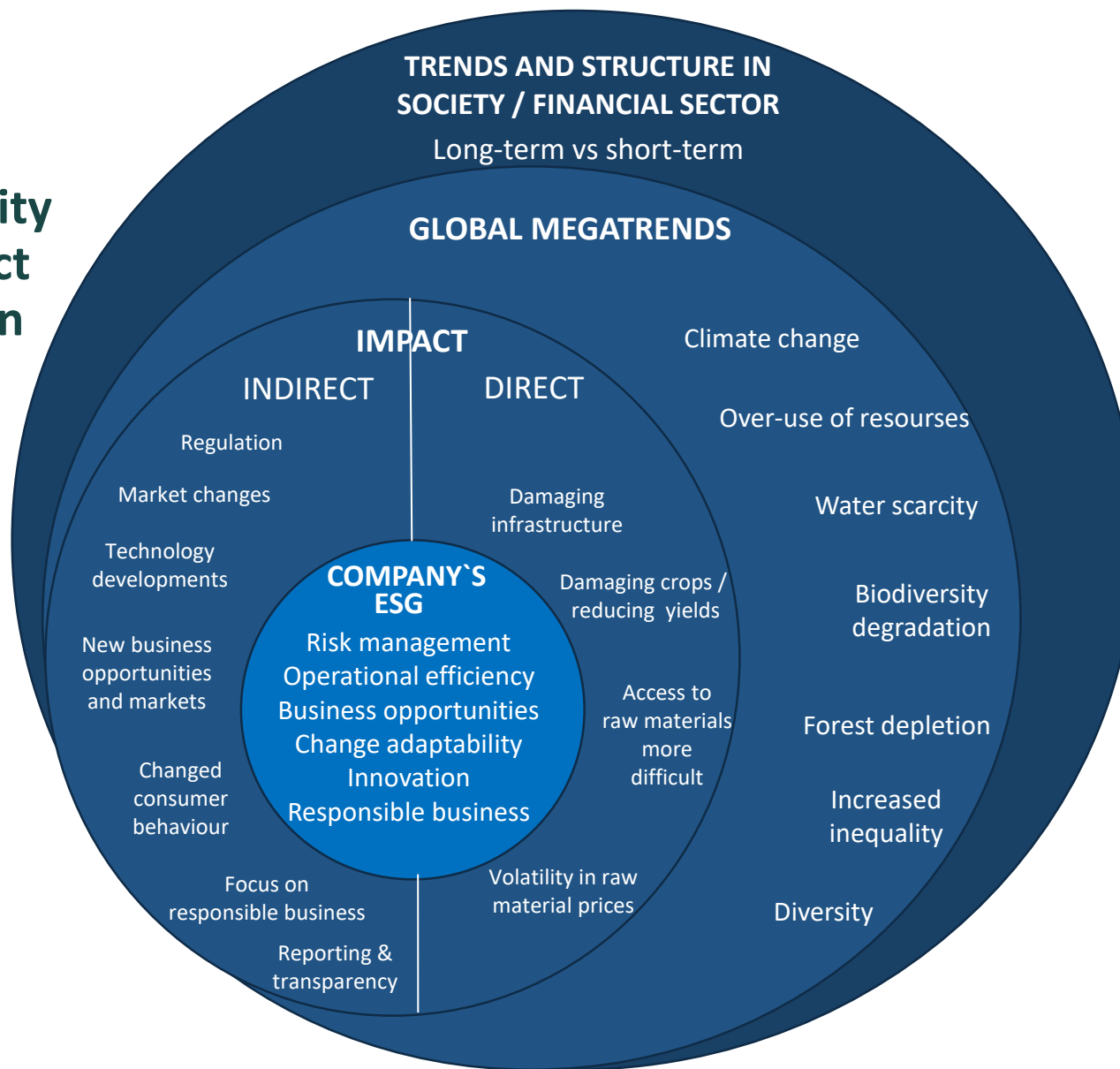
Why, what and how?

- The relevance of sustainability and ESG from a company and investment perspective
- Why sustainability and ESG are integrated in Formuesforvaltning's private equity program
- Focus areas in our due diligence process
- More and better data needed

A rapidly changing world...

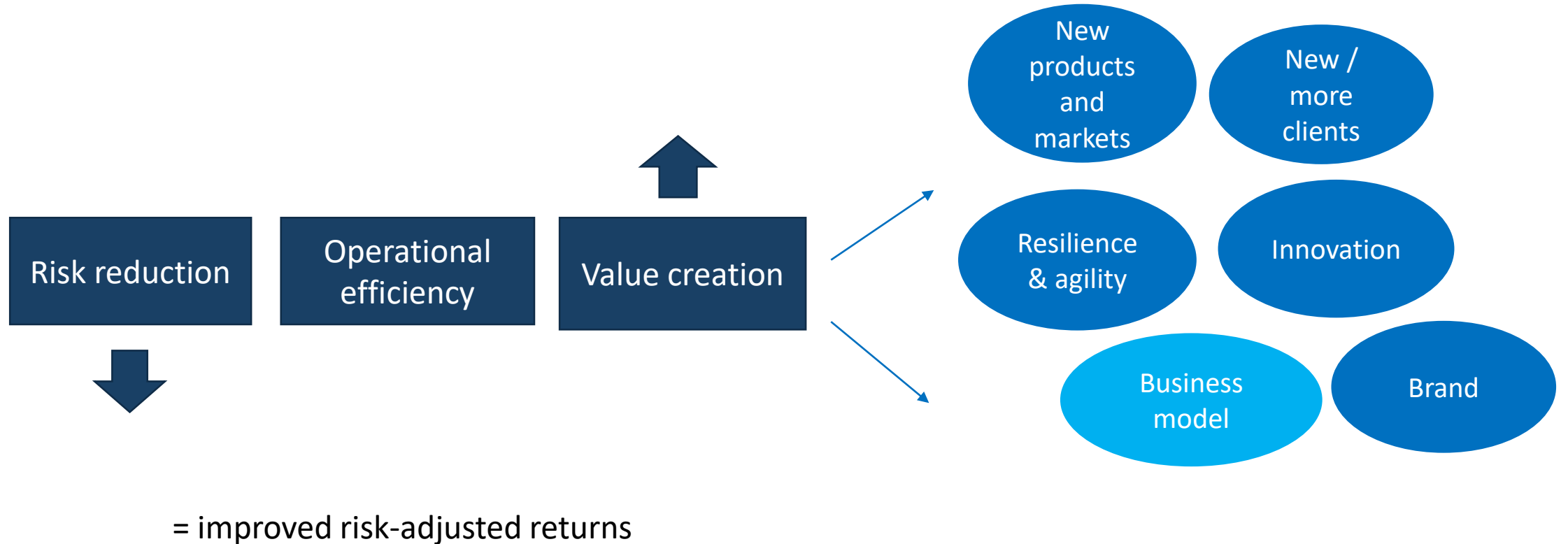


Global sustainability megatrends impact all sectors - both in terms of risks and opportunities.....



...for companies as well as investors

Sustainability from the company's perspective



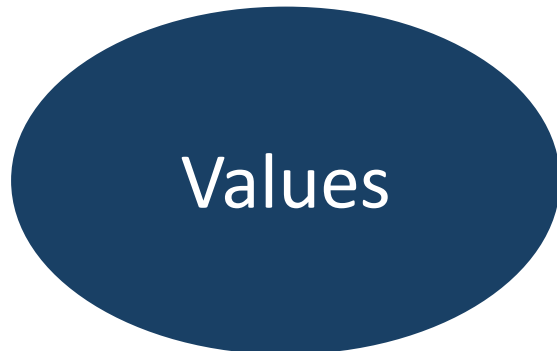
We believe ESG has been interpreted too narrowly

Exclusion list

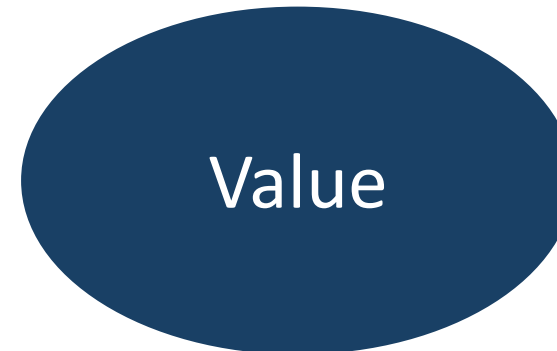
vs.

**Dedicated sustainability
programme for value creation**

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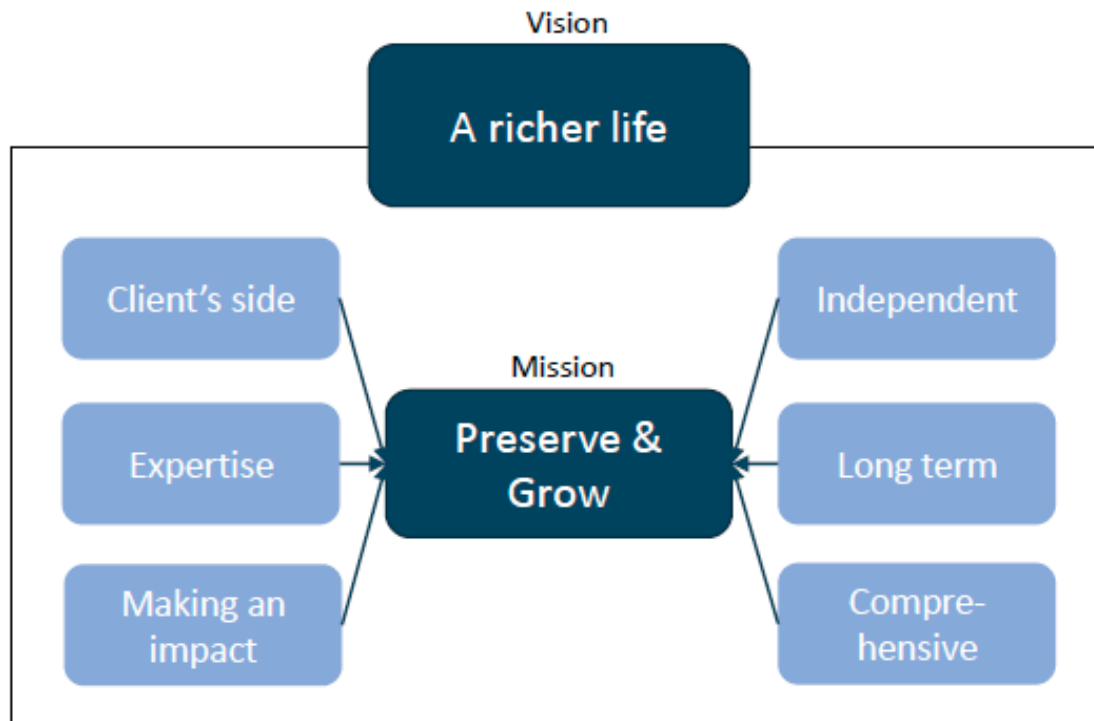


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About Formuesforvaltning

Our foundation



Our private equity program

- One of the largest private equity investors in the Nordics (5 MRD NOK committed capital)
- Principal focus areas:
 - Europe (all countries)
 - Small to lower mid cap
 - Growth equity, venture, value/complex situations and sector specialists
- Annual vintage funds comprising 4-6 primary commitments and a co-investment sleeve
- Core team of 4, head of team based in London

ESG and sustainability support our core objectives

Generating
superior
risk-adjusted
returns

Generating
growth with a
positive impact

What do we look for in our due diligence?

Two key factors:

- Understanding the manager's awareness and knowledge of sustainability and ESG (including financial relevance)
- Understanding and evaluating the manager's strategy and ability to extract financial value from sustainability and ESG



Integration in our own due diligence process

Overall

- Awareness and insight
- Overall strategy and plan
- Organizational structure and responsibilities, training
- Training?
- Membership in organizations and networks

Prior to investment

- Evaluation of financially material risks and opportunities
- Materiality based?
- Availability of tools / data
- Integration in processes
- Review of examples where valuations have been impacted

During investment

- Sustainability Value Creation Program
- Support/training from GP
- Monitoring and reporting
- Responsibilities
- Encouraging measurement of carbon emissions
- Identifying value-add from initiatives

OBJECTIVE

- Integral part of selecting quality managers for superior risk-adjusted returns (and to avoid managers without awareness)
- Focused on sensible risk reduction and value capture - not on exclusions lists and «tick the box» exercises

Some recent examples

- Sustainability as a theme
- Integral part of the investment case
- Two ESG tools in the due diligence assessment – one for risk, and one for identifying value creation opportunities
- Examples of sustainability initiatives that do not always lead to value creation:
 - where companies have to set sustainability strategies and KPIs without GP direction
 - Where there is a lack of sufficient training and support from the GP to implement the strategy

The need for more and better data

Selection and monitoring

- Improved manager evaluation
- Better monitoring

Our sustainability strategy

- Carbon footprint the portfolios
- Down the road: Decarbonization target

Reporting

- Improved reporting to clients

What type of data do we need?

Carbon data

- CO2 emissions from underlying companies
- Broader set of sectors

Sustainability data

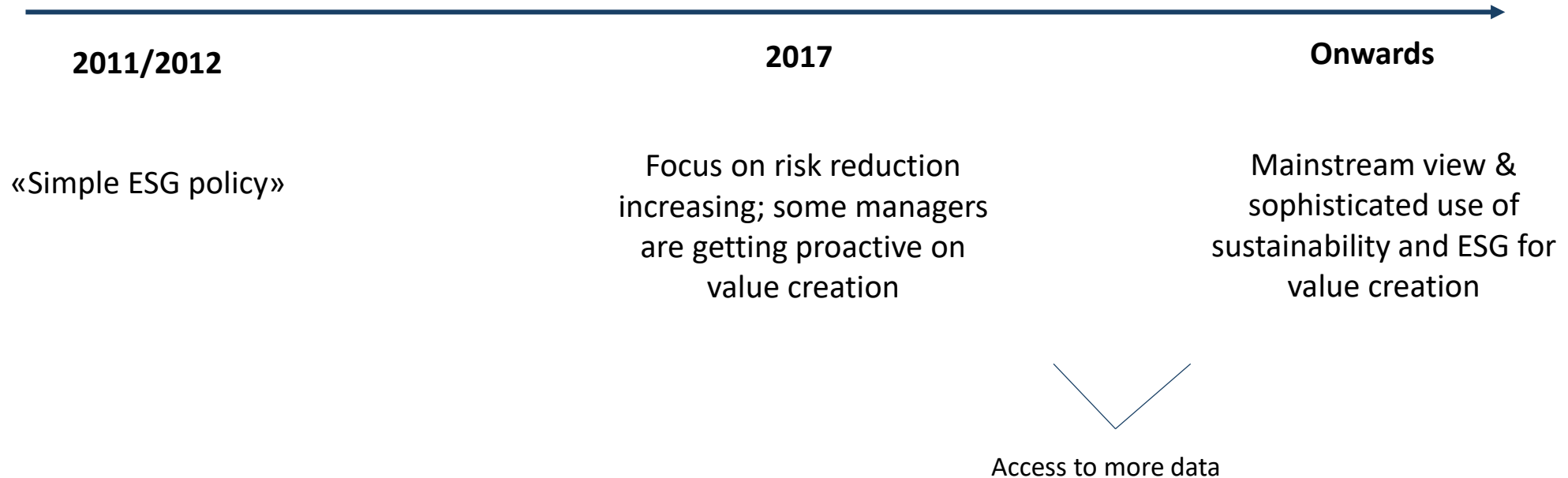
- Clear KPIs
- Sustainability plans
- Visibility on financial value capture

«Investors...should increase transparency regarding GHG emissions from the assets and businesses that they finance»

Baan Ki-moon, Former UN Secretary-general



Where do we believe we are heading?



Concluding remarks

- In a changing world, sustainability becomes more financially relevant
- Increasingly an opportunity for value creation
- «ESG is not ESG» – for values, or for value
- Sustainability/ESG is an integral component in delivering robust risk adjusted returns through better managerselection
- The value of data - and need for more and better data