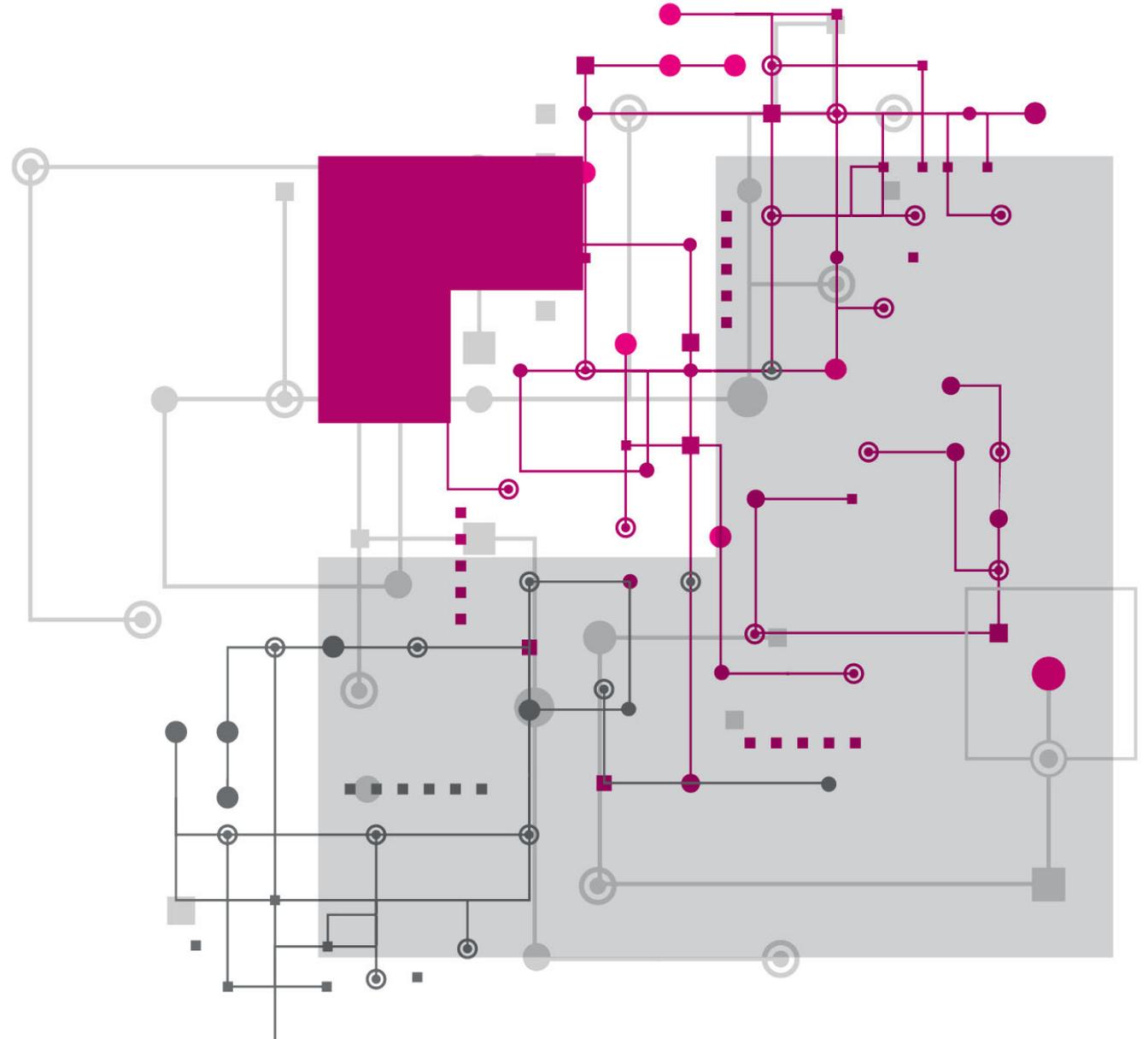


# Full Potential. Partnership.

March 2019

## ESG Report



# Our commitment to ESG

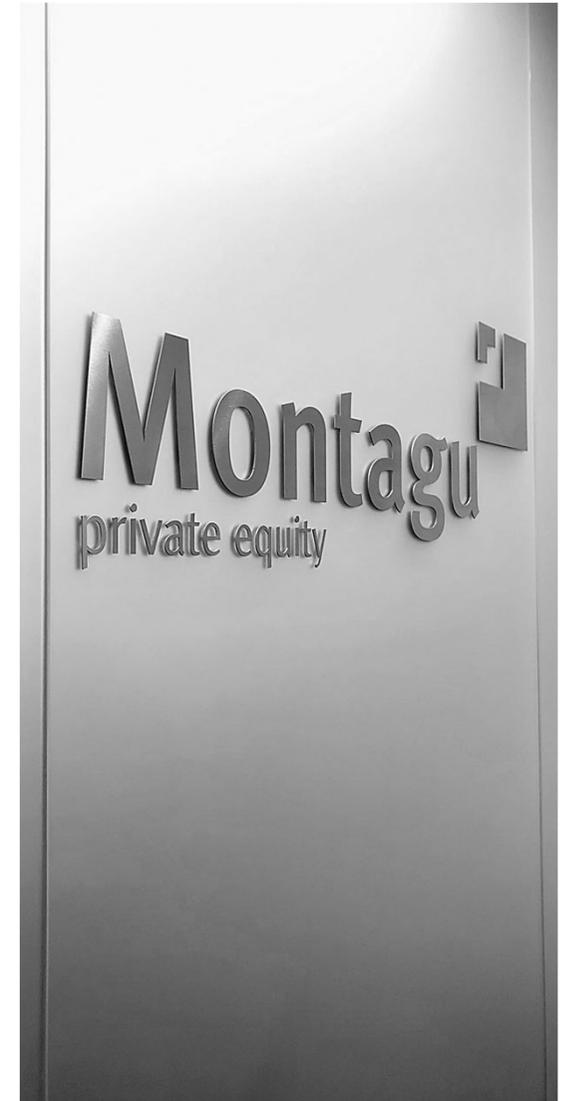
## Honesty. Humility. Excellence.

In 2018, Montagu celebrated its 50<sup>th</sup> anniversary. One of the reasons it has survived and grown has been its commitment to a set of core enduring values. These are honesty, humility and excellence.

- **Honesty:** *We share the truth quickly and transparently with each other, our management teams and investors. By doing this we build trust and make better decisions. We are honest about our shortcomings and seek ways of addressing them.*
- **Humility:** *We know that we can learn from others and will adopt best practice wherever it can be identified. We understand that new and better ways of managing businesses responsibly emerge and we seek to implement these for the benefit of the businesses we invest in, their stakeholders and our investors.*
- **Excellence:** *We aspire to be best in class at everything we do and to deliver consistently attractive risk adjusted returns for investors. We believe that the goals of maximising value for our investors and developing strong, well-managed businesses are self-reinforcing.*

When taken together, these values inform what Montagu calls “Responsible Investment”. Responsible Investment is Montagu’s approach to deal selection (from origination to execution) and portfolio management.

In this, it is our experience that **good investing and good governance must be intrinsically linked.**



# Montagu's ESG strategy and "Responsible Investment Statement"



## *"Doing the right thing is consistent with creating value"*

*"Socially responsible investment is at the **heart of what we do** at Montagu. We firmly believe that **doing the right thing is consistent with creating value**; and that the key building blocks to any successful business are happy customers, motivated employees and effective governance. Our "responsible investment statement" highlights the criteria and values that we look for in the companies we invest in. **ESG is a core part of our strategy and well-integrated into our investment process** via the CORRGI framework that we have developed and use for all opportunities we review".*



**Jason Gatenby**  
Chief Executive  
Officer

## *Our "Responsible Investment Statement"*

*Montagu looks to invest in businesses with **motivated employees** who provide **critical products and services** that have the potential to be **highly valued by their customers, respected by their regulators and welcomed by the communities** in which they operate. By doing this we will build a portfolio of which **we and our investors can be proud**. We then work hard with each portfolio company to ensure they operate at the **highest level of governance standards** for the benefit of all these stakeholders. By doing this, we will also achieve **positive outcomes for investors in our funds**.*

# We have a strong history of investing in companies that align with the UN's Sustainable Development Goals



## Montagu Portfolio Examples (Funds IV and V)

 <ul style="list-style-type: none"> <li>• Industry, innovation &amp; infrastructure</li> <li>• Sustainable cities &amp; communities</li> </ul>	 <ul style="list-style-type: none"> <li>• Good health &amp; well being</li> </ul>	 <ul style="list-style-type: none"> <li>• Good health &amp; well being</li> </ul>
 <ul style="list-style-type: none"> <li>• Good health &amp; well being</li> <li>• Sustainable cities &amp; communities</li> </ul>	 <ul style="list-style-type: none"> <li>• Good health &amp; well being</li> </ul>	 <ul style="list-style-type: none"> <li>• Quality education</li> <li>• Peace, justice &amp; strong institutions</li> </ul>
 <ul style="list-style-type: none"> <li>• Good health &amp; well being</li> </ul>	 <ul style="list-style-type: none"> <li>• Industry, innovation &amp; infrastructure</li> <li>• Peace, justice &amp; strong institutions</li> </ul>	 <ul style="list-style-type: none"> <li>• Good health &amp; well being</li> </ul>
 <ul style="list-style-type: none"> <li>• Life below water</li> </ul>	 <ul style="list-style-type: none"> <li>• Good health &amp; well being</li> </ul>	 <ul style="list-style-type: none"> <li>• Good health &amp; well being</li> </ul>

# Our current portfolio at a glance

Sixteen current investments...

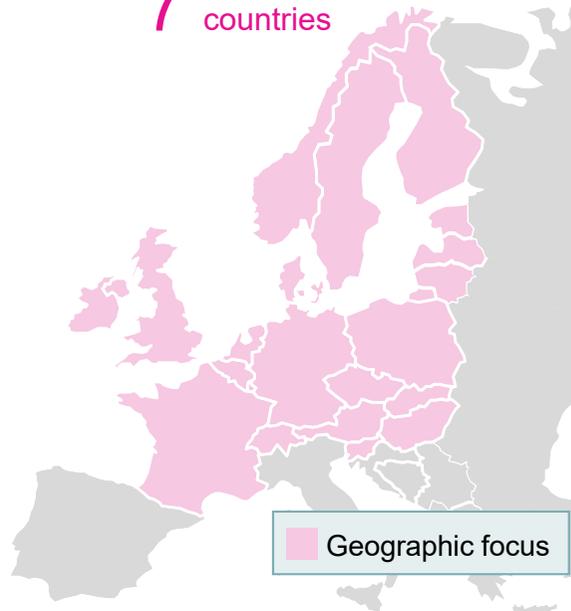


...providing opportunities across Northern Europe...

~20k total employees

~45% female staff

7 countries



...which contribute to several sustainable development goals



GOOD HEALTH AND WELL-BEING



INDUSTRY, INNOVATION AND INFRASTRUCTURE



SUSTAINABLE CITIES AND COMMUNITIES



LIFE BELOW WATER



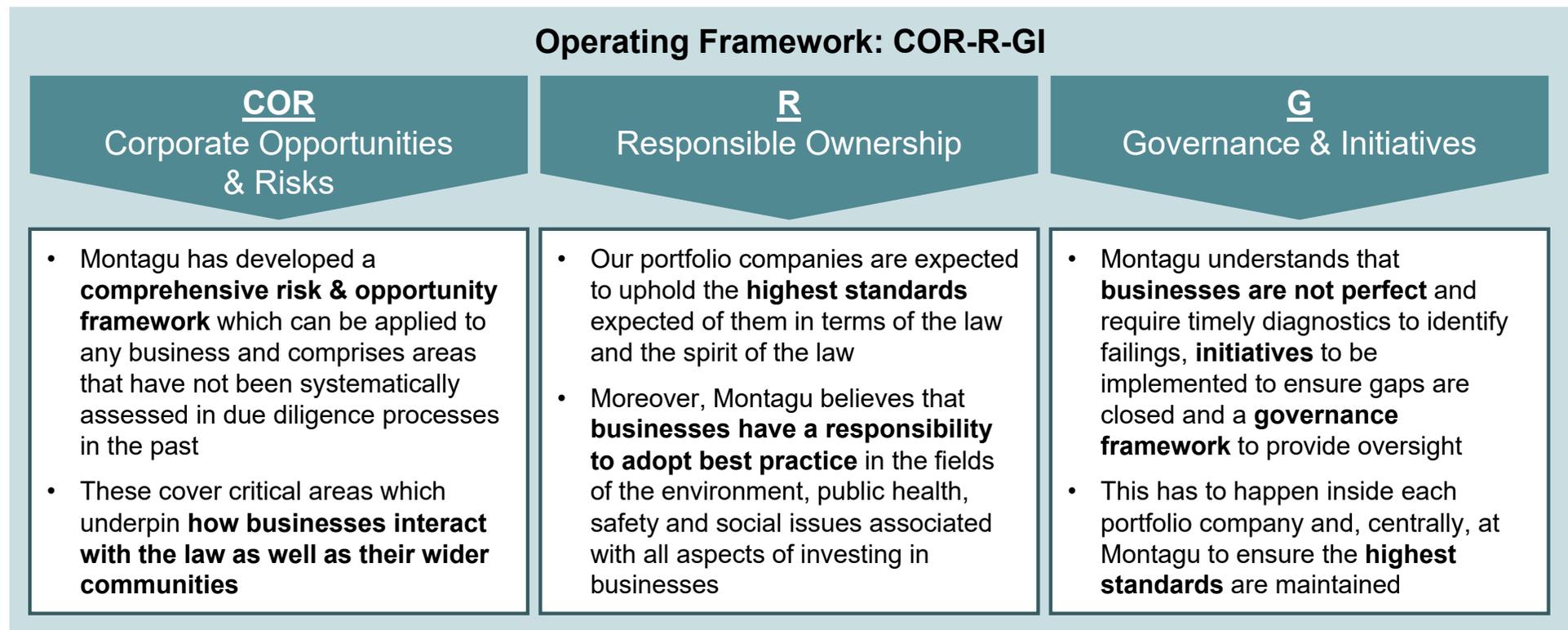
PEACE, JUSTICE AND STRONG INSTITUTIONS

# Introducing CORRGI – our proprietary “Responsible Investment” framework

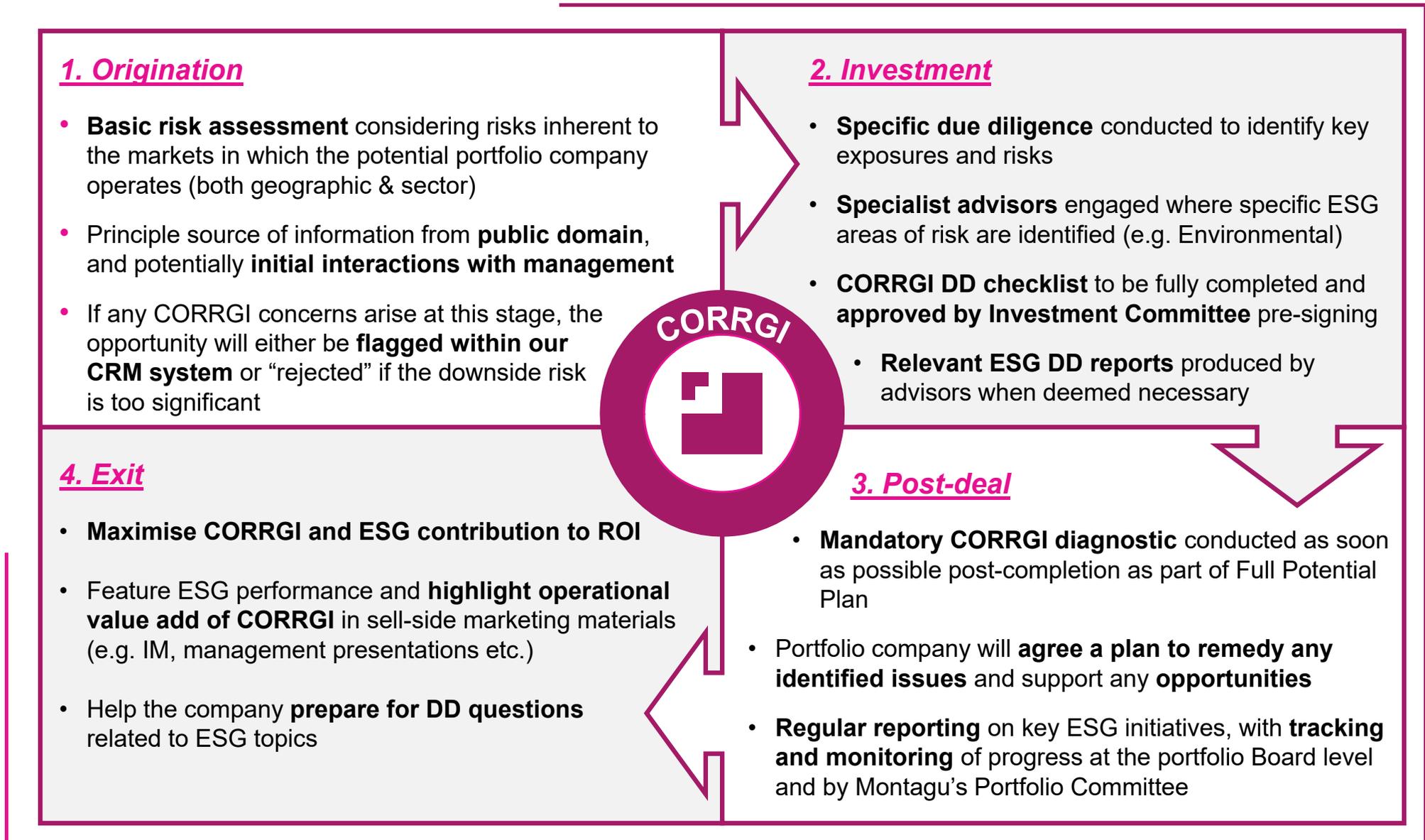
## Overview of CORRGI

Montagu has developed a **comprehensive operating framework (CORRGI)** which we apply to all opportunities that we assess. CORRGI looks at critical areas which underpin **how a business interacts with regulators, customers, employees, communities, the environment and other wider ESG stakeholders.**

CORRGI is **core to our investment philosophy** and is **well integrated into our investment process.** A formal due diligence checklist must be completed and presented to our IC before any deal can gain approval.



# CORRGI is fully integrated into our investment process



# ESG in practice

## Montagu Private Equity LLP

### Signatory to the UN PRI

- Have been a signatory to the UN's Principles for Responsible Investment every year since 2015

### Promoting diversity and inclusion

- Development and introduction of a formal D&I policy (promoting representation of women and minorities)

### Bolstering our workforce

- 25+ new joiners hired
- Recruiting talent across all teams (e.g. FPP, Capital Markets etc.)

### Investing in our people

- >1,000 hours of internal training (Montagu Academy) received annually
- ~15% of investment staff promoted during the year

### Engaging with the local community

- Active supporters of South London Cares (local charity) and St. Thomas the Apostle College since 2007

**101** employees across five offices

**€1B+** of funds managed on behalf of pensioners

**35%** female staff across all Montagu teams

# ESG in practice

## Portfolio

### Providing employment opportunities

- 1,000+ total jobs created across all portfolio companies in the last year (>5% workforce growth)

### Addressing strategic ESG priorities

- Mandatory diagnostic exercise conducted promptly post-deal
- ESG opportunities identified early & key initiatives developed

### Emphasising skills and development

- Focus on upskilling staff and nurturing the next generation of talent
- ~800 staff promoted last year

### Building happier workplaces

- Introduction of formal HR policies to promote better office cultures (e.g. Family Leave, D&I, Employee handbooks etc.)

### Installing governance frameworks

- Regular boards and committees (e.g. audit, remuneration etc.)
- Formal governance dashboard reviewed by Montagu Portfolio Committee regularly

**~20k** employees across 16 portfolio companies

**>100K** total hours of training delivered

**~45%** female employees across all investments

# ESG in practice

## Case Study 1 – St Hubert



### Background

- Montagu acquired St Hubert, the **number one producer of plant-based spreads in France & Italy**, in August 2012
- In a business where **brand and reputation are key**, both Montagu and St Hubert recognised the **importance of ensuring that production and supply chains did not pose a threat to confidence** in the business

### The Issue

- As a manufacturer of food products, St Hubert identified that their **supply chain could pose ESG risks**
- Key supply chain risks identified by St Hubert included:
  - the **environmental impact of the farming methods** used in their input materials (e.g. impact of deforestation)
  - **Non-compliance of suppliers** (e.g. food safety standards)
  - the **impact of using palm oil** (e.g. child labour risk)

### The Solution

- St Hubert conducted a deep study into their supply chain, **improving internal procedures / processes** to better **identify risk** and **ensure compliance** amongst their suppliers
- The business also **worked with dieticians and research institutes** to develop palm oil substitutes, successfully **launching a palm oil free recipe** in September 2017
- St Hubert's strong brand positioning and quality reputation **supported the realisation of a good exit**, with the business being purchased by a Chinese dairy group (Sanyuan) in 2018



# ESG in practice

## Case Study 2 – Arkopharma



### Background

- Montagu acquired Arkopharma, the **European leader in phytotherapeutic treatments (natural medicines) and supplements**, in July 2014
- As a manufacturer of products with nature at their source, both Arkopharma and Montagu recognised the **importance of promoting sustainable production and consumption behaviours**

### The Issue

- Whilst the business had a **good history of running ESG initiatives** in the past, management noted that there were a few areas that they wished to continue to optimise with Montagu’s support:
  - **Reduce energy usage**
  - Promote **responsible procurement**
  - Innovate with **responsible products**
  - **Reduce waste and encourage recycling**

### The Solution

- With Montagu support, Arkopharma **developed a number of initiatives** to meet their above objectives:
  - Formalise “**Best Energy Consumption Practices**” and **raise employee awareness** of energy productivity processes
  - Worked with suppliers to improve the design of communication materials and packaging materials, with **100% of secondary packaging** and **80% of primary packaging becoming recyclable**
  - **Total waste reduced by 25%** between 2016 and 2017, with **over 50% of waste recycled**

# ESG in practice

## Case Study 3 – Aqua Lung



### Background

- Montagu acquired Aqua Lung, the **leading manufacturer of recreational and professional aquatic equipment**, in December 2016
- Both parties recognised the reputational strength of the brand in supporting **environmental initiatives**, and potential detrimental impact on the aquatic leisure market of **pollution and poor environmental maintenance**.

### The Issue

- Aqua Lung have always had an **environmental ethos** and a **keen understanding and appreciation of environmental issues**
- As **champions of the underwater world**, Aqualung is very conscious of:
  - Marine **pollution**
  - **Climate change / rising sea levels**
  - Human impact on **marine habitats** (e.g. overfishing, destruction of reefs etc.)

### The Solution

- The company **encourages and supports various marine related eco-conservation and restoration partners** (of both air and sea environments) worldwide
- Aqua Lung also participates in global sustainability initiatives, with the UK and US facilities utilising **solar electric generation capabilities producing 1,800kWh of clean energy every day**
- Solatube technology combined with motion sensor controls provide **energy efficient natural light to Aqua Lung's warehouse in the US** and **100% of general waste in the UK is transformed into bio-fuel**.



# ESG in practice

## Case Study 4 – The University of Law



### Background

- Montagu acquired The University of Law, the UK's **leading provider of legal education and training**, in November 2012
- This transaction **created the first “for profit” private university in the UK** and **generated much interest from parts of the press** who sought to argue that **private sector involvement in education was highly detrimental**

### The Issue

- We identified **three key risks** of not handling the investment responsibly:
  - Students might be **less likely to want to attend**
  - Teachers (tutors) would be **difficult to recruit / retain**
  - Other stakeholders (e.g. regulators) would **discriminate**

### The Solution

- **Robust governance** was put in place after the transaction, including an **Academic Standards Committee, independent from Montagu**
- **Significant investment programme** in existing university sites and technology to enhance student experience
- **Promotion of inclusion & diversity** among student base, including the launching of an **undergraduate law degree**, an **innovative loan product** and **alternative pathway schemes**, such as apprenticeships
- Montagu established a **£2m scholarship fund** to provide **financial support to high quality and under-privileged candidates**
- At exit, the undergraduate course was **ranked second in the UK** for student satisfaction and was **highly regarded by regulating entities & employers**

# ESG in practice

## Case Study 5 – Nemera

*Nemera*

Montagu 

### Background

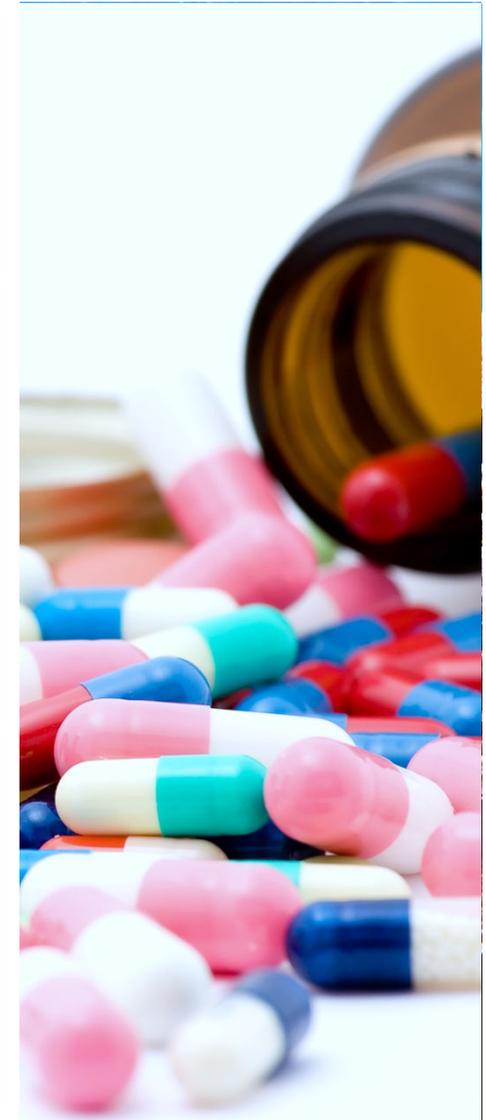
- Montagu carved-out Nemera, a **leading European manufacturer of plastic drug administration systems**, from Rexam in May 2014
- Nemera's products are used throughout the **highly regulated healthcare industry**, placing paramount importance on the company's **HSE credentials and product quality/compliance**

### The Issue

- The business had a **good reputation for quality** prior to Montagu's involvement, and **regularly tracked quality-related operating metrics** (e.g. notifications per million) at the C-suite
- Management and Montagu were keen to **maintain the business' strength and reputation** in this area, recognising that it was a **key source of value** for the business

### The Solution

- An internal '**Quality at Nemera**' project was prioritised by the business to assess their existing quality/compliance processes and make recommendations for future improvements
- In addition, safety and product quality was made a key topic at Board level, becoming a regular agenda item at **monthly Board meetings**
- Nemera experienced a **notable improvement** in key quality operating metrics, with **notifications per million decreasing by 32%** in 2015 alone



## CONTACT DETAILS

---

For further information on ESG at Montagu please contact:

---

**Montagu Private Equity LLP**

2 More London Riverside  
London SE1 2AP  
United Kingdom

**Tel:** 020 7336 9955

Authorised and regulated by the FCA

**Wiet Stokhuyzen**

**Director – Origination, Investors & Portfolio**

[Wiet.Stokhuyzen@montagu.com](mailto:Wiet.Stokhuyzen@montagu.com)

Tel: +44 (0) 207 336 9950

**Rick Lawrence**

**Director, Investor Relations**

[Rick.Lawrence@montagu.com](mailto:Rick.Lawrence@montagu.com)

Tel: +44 (0) 207 336 9950

---