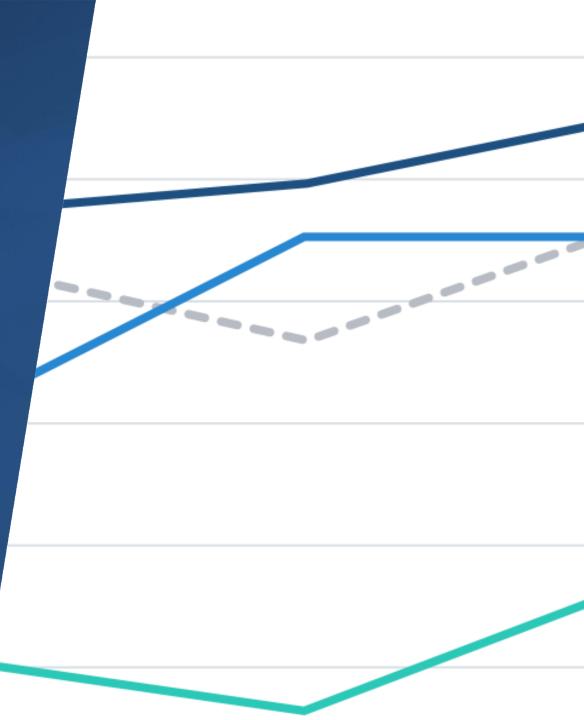
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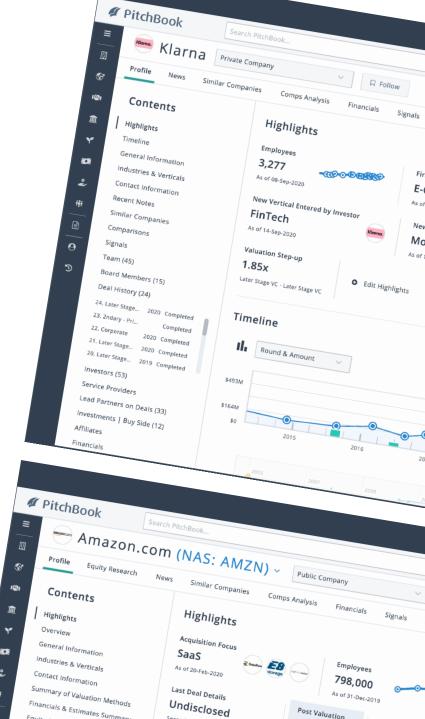
WEBINAR

Sustainable investing in the context of COVID-19



PitchBook: The leading resource for private and public market analysis

PitchBook is a financial technology company that provides data on the capital markets to help professionals discover and execute opportunities with confidence and efficiency. We collect and analyze detailed data on the entire venture capital, private equity and M&A landscape—including public and private companies, investors, funds, investments, exits and people. Our data and analysis are available through our suite of products (the PitchBook Platform), industry news and in-depth reports.



Sustainable investing in the context of COVID-19



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Research Coverage:

2020 Sustainable Investment Survey

Download survey

The Double Bottom Line: Private Market Impact Investment

Download note

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ent	able in	tom Line: Private Market Impact vestment strategies and measurement frameworks commension, accurate and hard to find data for professionals doing
tact		Key takeaways
6A Sania rmance core	or Analysi,	 Sitting beneath the sostainable investing umbrella? Impact investments are made with dual goals of achieving financial returns and positive social or environmental securits. Impact investments are most commonly made through familier LP structures such as closed-and PE and VC fands, though dot a govering arease for impact investors.
		 While many many conflate impact with EGS, the first is seeking to make a measurable impact with the investments is a final measure tags while the latter is an approach to identifying con-fisancial risks that may have a material impact on an asset's value. EGG environmental, seculi, and governance) factors are part of an investment assessment process, while impact is about the type of interfreetments a manager is targority.
r bictfuil ^e	1 14 3-5 3-7	 Impact funds are typically innulier vehicles than generated PE or VC. March, The tignest impact funds in our prioritom reases \$211 Billion, but there are many examples of general PE (marks well over 310 billion, Ve expect that growing bineters in impact associative incells in larger impact funds in the coming years is more major alternative asset managers enter the pace.
ert :		Introduction
a from	9 10 10	Historically, the degree to which assot owners consider financial gains has separated capital decision into two distinct categories: for-profit meetiments and philanthropic capital. However, over the last several decider, new sublinable investment products and strategies have been deviced to the histories of while dainy good? A sublinable investing has evolved from socially responsible investing (2R) to ESG and impact investing, demand for sublinable investing (RR) to ESG and impact howering).
		impact investing, demand for sustainable investment strategies has grown

	recorded a surprising BS% are interested in the topic, up from 75% two years prior. Interestingly, 65% of those survayed citcled a lack of available innancial products as a barrier to including sustainable investing in their portfolios. ²
Published on Hay 27, 2020	 "The Tacovery of Tacksenials Funds," Microsoptice, Jan Hule, March & 2008. "Instantial Statistics," Individual Investor Interest Drives by Topart, Constitution and District, "Hargan Talento, 2008.
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Agenda

- About the survey
- Survey findings
- Asset owner perspectives
- Asset manager views
- Q&A

Q: Select the option that most closely fits your organization

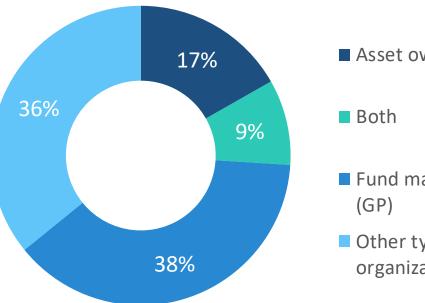


POLL

About the Survey

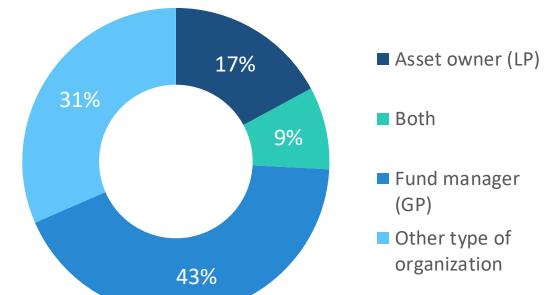
Survey respondents by participant type 650 started the survey, 368 completed it

2020 started surveys by participant type



Asset owner (LP)

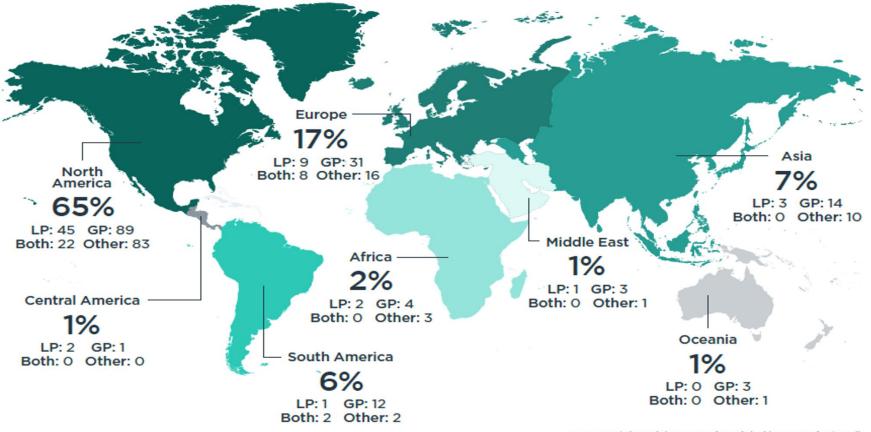
- Fund manager
- Other type of organization



2020 completed surveys by participant type

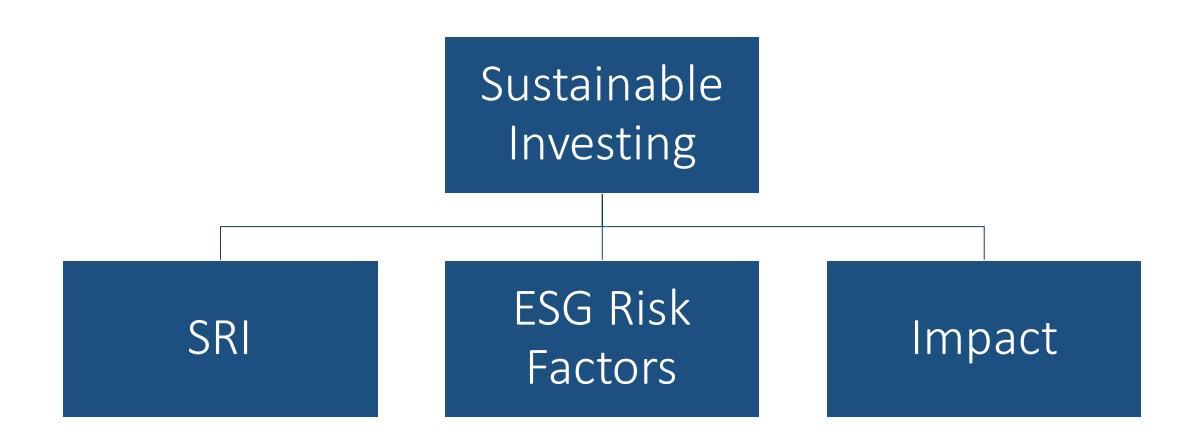
Survey results by region

A geographically diverse group of respondents



Source: PitchBook | Geography: Global | Respondents: All Question 62

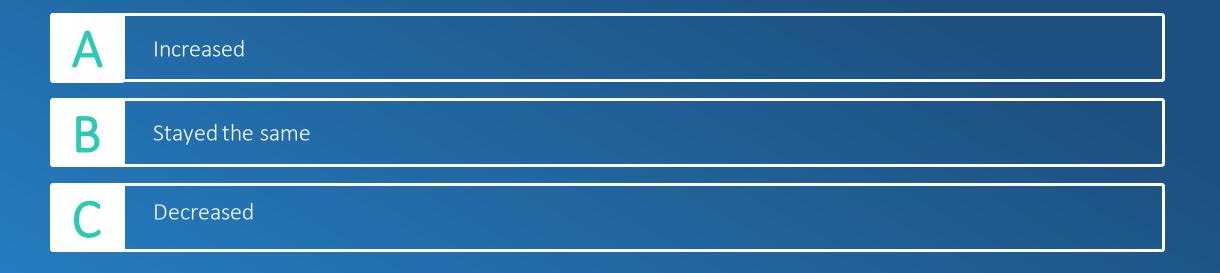
Sustainable investing ecosystem Laying out the playing field



Survey Findings

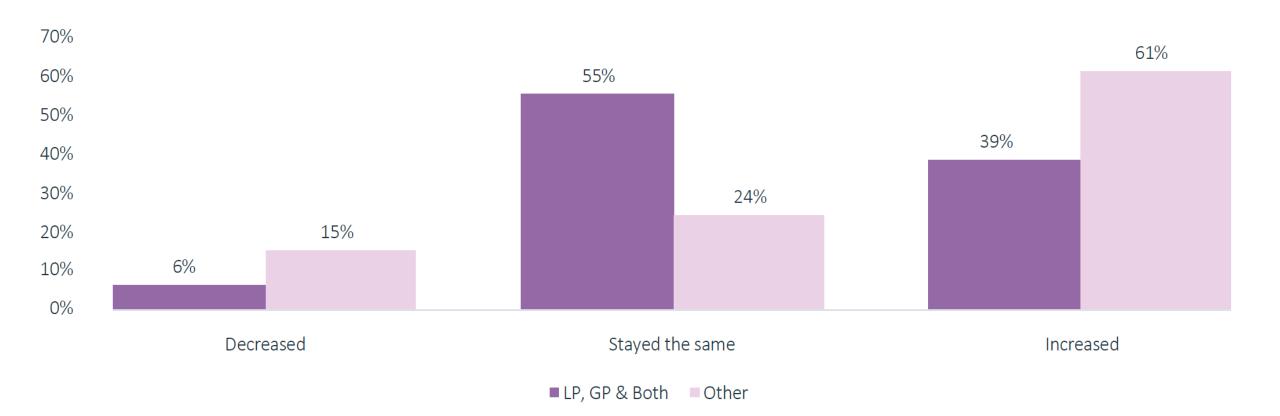
POLL

Q: How has your focus on sustainable investing changed in 2020?



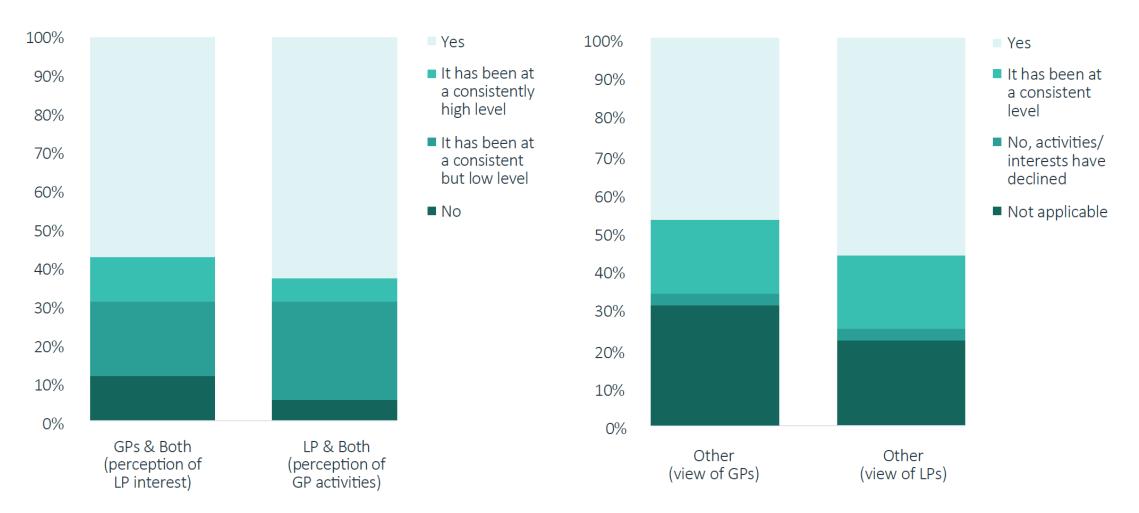
Sustainable investment in 2020

More commitment to the space during the current crises



Perception of increased interest in sustainable investment in the last three years

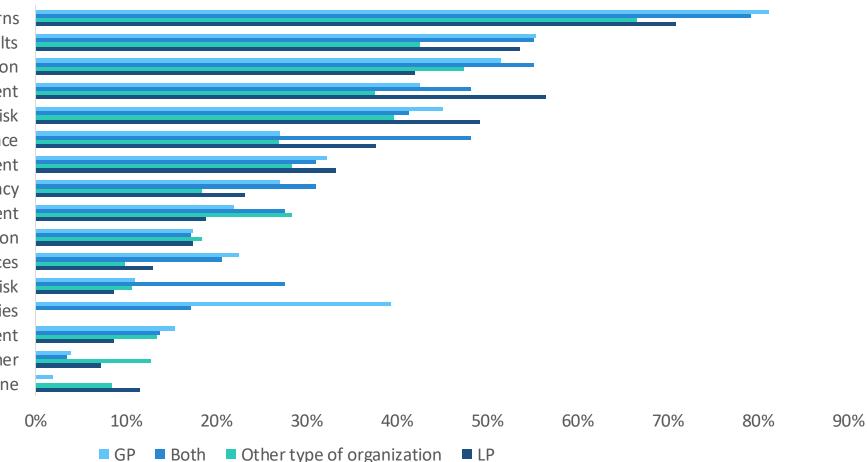
Interest is growing and so is the response from GPs; very few have seen interest decline



Drivers of sustainable investing programs

Many positive forces leading to sustainable investments

Environmental and/or social concerns Improved long-term investment results **Diversity & inclusion** Risk management Brand or reputational risk Corporate governance Employee engagement and recruitment Operational efficiency Competitive environment Regulation External stakeholder preferences Cyber risk Portfolio companies Cost management Other None

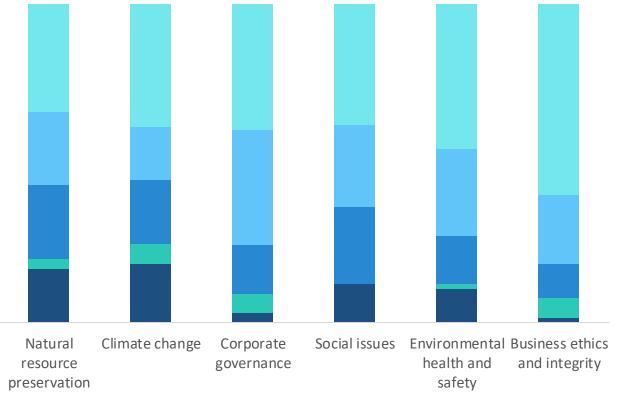


Areas of focus for current sustainable investment programs

Rating the importance of certain sustainability program focus areas, 5 is extremely important

GP responses Natural Climate Corporate Social issues Environmental Business ethics and resource change governance health and preservation safety integrity

1 2 3 4 5

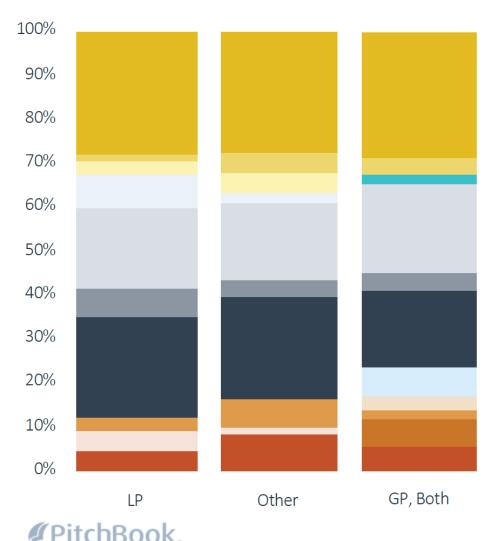


LP responses

1 2 3 4 5

Biggest sustainable investment challenges by participant type

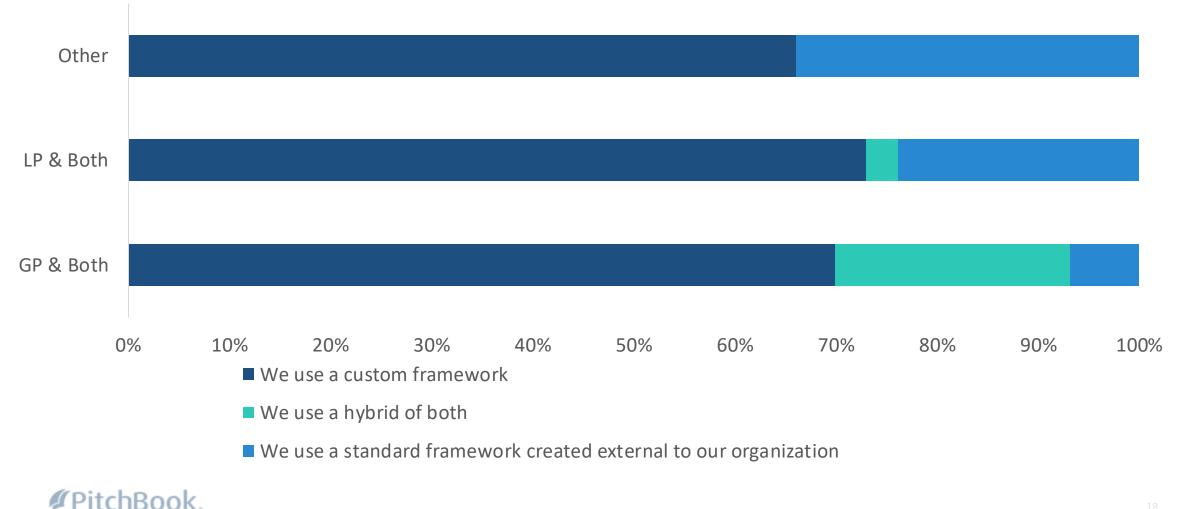
Measurement and data continue to be the most challenging sustainable investment issues



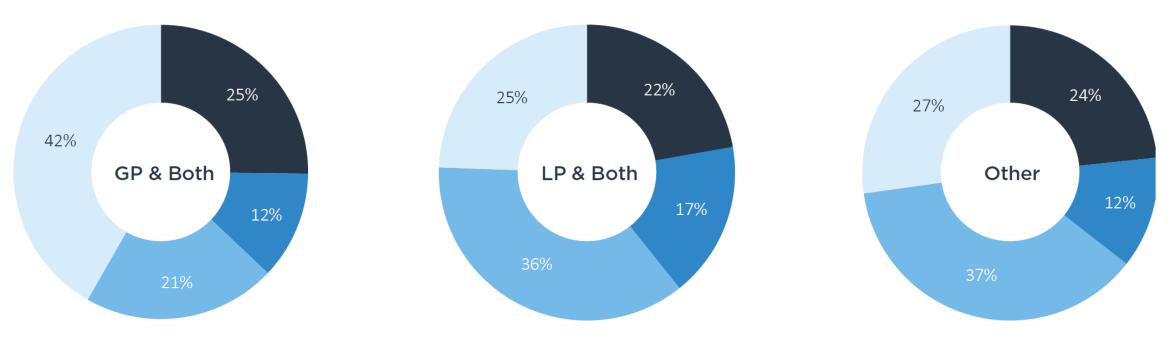
- Unclear how to define and measure impact outcomes
- The investable opportunity is too small/narrow
- Staff understanding of sustainability is lacking (LPs & Other)
- Product offerings do not align with the type of sustainability sought (LPs & Other)
- Reporting burden to LPs is high (GPs)
- Perceptions of potential negative impact on returns
- Other
- Lack of robust data on ESG factors for private equity companies
- Lack of incentive to shift existing approach
- Investment team understanding of sustainability is lacking (GPs)
- Difficulty finding top-tier GPs willing to meet reporting requirements (LPs & Other)
- Difficulty incorporating the strategies into the overall asset allocation/approach
- Creating product that will attract enough investors
- Cost

Impact measurement approach by respondent type

With measurement and data as a big challenge, organizations have had to design their own methods



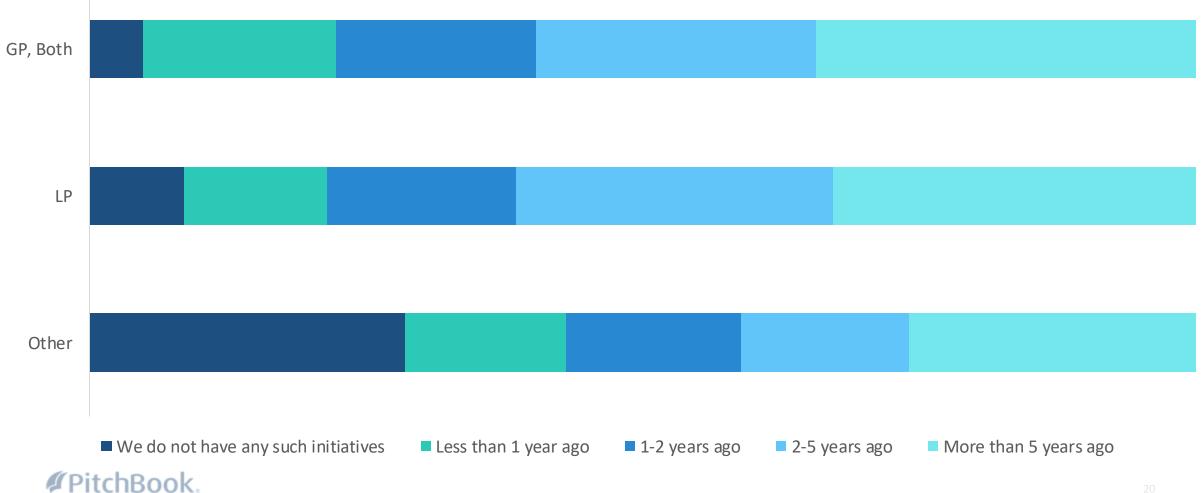
Proportion of LPs, GPs and SPs that offer, allocate to, or evaluate impact investment strategies Survey bias is evident here with such a high percent of dedicated impact investors. Many would be surprised that there are so many.



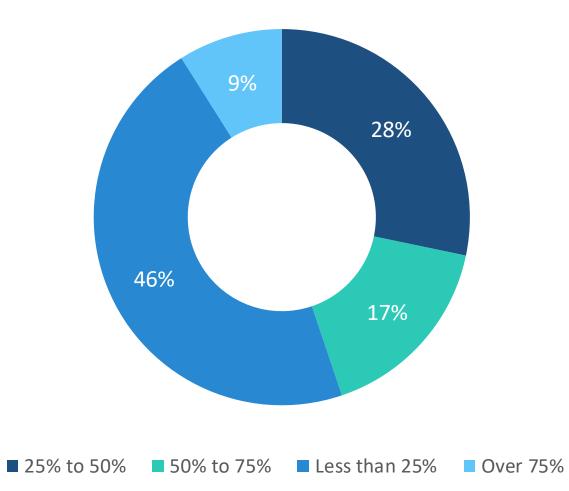
■ Yes, all of our investment work is impact ■ Yes, but not all of our investment work is impact ■ No, but we are developing an impact strategy ■ No

Timeline of sustainable investing initiatives by participant type

Sustainable investing still nascent within the industry with nearly half of respondents' programs having been started less than two years ago

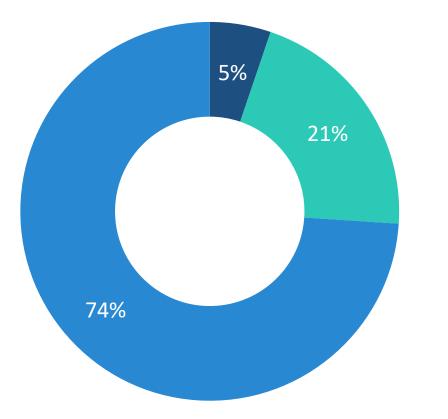


Proportion of current or prospective clients raising sustainable investment topics Asked to Other respondents, a broader view of market participant engagement



Asset Owner Perspectives

Proportion of LPs and Both that plan to increase attention to ESG risk factors in the next year Fund managers take note - ESG risk factors are getting more attention from those seeking funds



- No we do not intend to implement an ESG factor assessment into the analysis of our funds
- No we have already fully implemented our ESG factor program

Yes

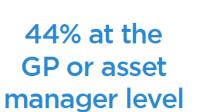
LPs consider ESG risk factors and/or impact

Institutional investors are thinking about sustainability at both portfolio companies and their own organizations





59% at449their ownGPorganizationmana





44% at the fund level



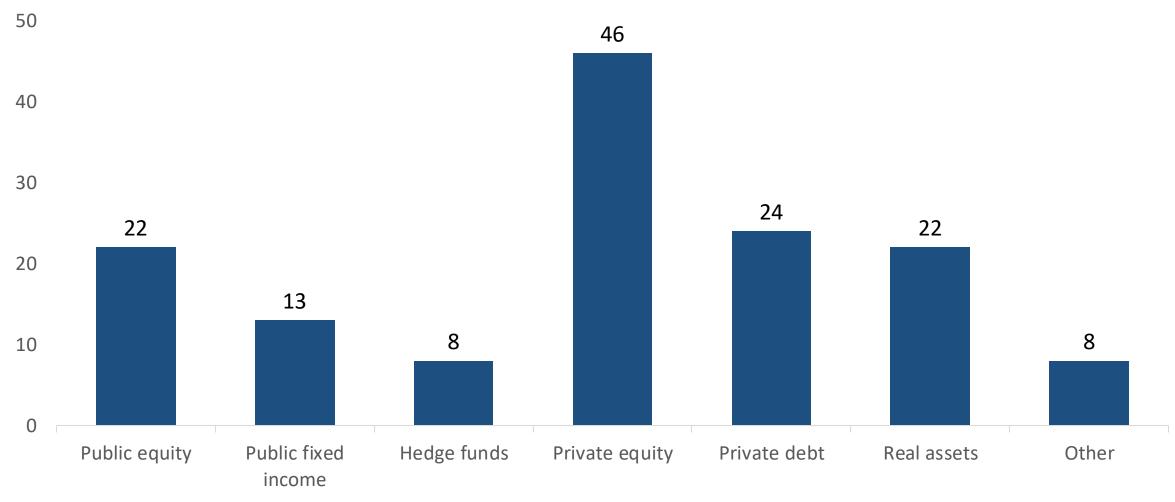
60% at the portfolio company level



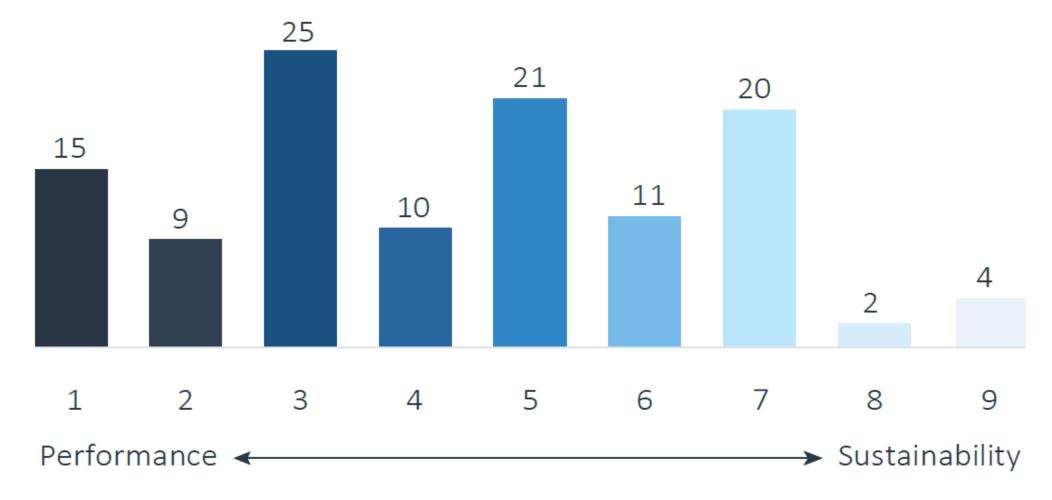
15% do not consider such factors at any level.

LP's sustainable investment program focus by asset class

Private equity is the area in their portfolio where most LPs most commonly have sustainable investing as a focus; it is rare to have a whole portfolio invested this way



LP's prioritization scale between performance and sustainability, number of respondents Few consider only performance or only sustainability factors to be important; the skew remains closer to performance for most



Asset Manager Views

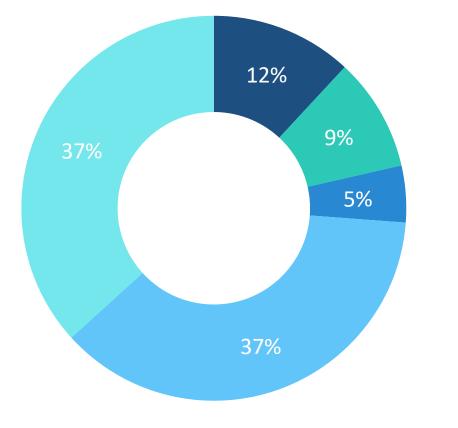
POLL

Q: If an asset manager said they had an ESG framework in place, would you assume that they require portfolio companies to focus on ESG risk factors?



Proportion of GPs and Both that incorporate ESG risk-factor frameworks

Only 37% of GPs are satisfied with their approach, but 37% of GPs are going to be increasing their attention on ESG risk factors



No

No, but we have plans to create one

- No, but we will launch a framework in the next 6 months
- Yes, and we are satisfied with our approach
- Yes, but we are on a path toward doing more

Proportion of GPs that require portfolio companies to focus on financially material ESG factors Despite 74% of GPs having an ESG risk factor framework, only 25% of GPs require portfolio companies to focus on ESG risk factors

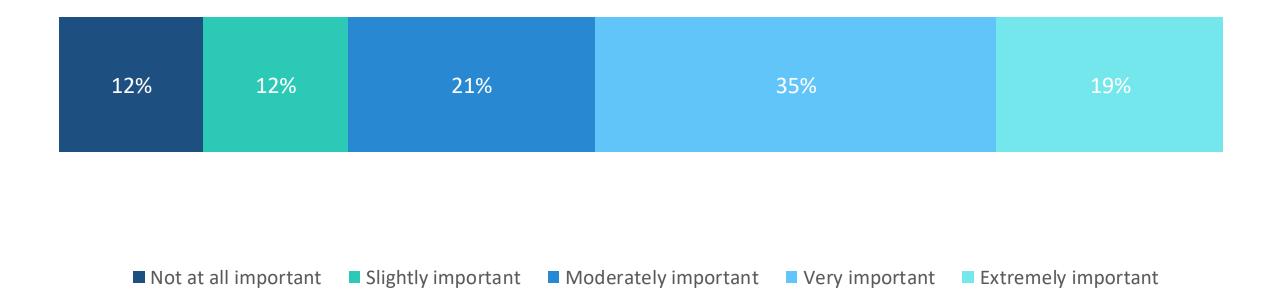






Importance of asset managers considering financially material ESG risk factors

Asked to all who evaluate fund managers, more than half feel it is very to extremely important that GPs consider financially material ESG risk factors when managing portfolio companies



What we're doing to serve the sustainable investment ecosystem

PitchBook sustainable investment initiatives

- Impact investor and fund taxonomy and tagging
- Continuing research pieces reporting on sustainable investing in the private markets
- Annual sustainable investment survey
- Part of Morningstar family, which also now includes Sustainalitics
- Ongoing ESG task force working on a variety of platform improvements

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