



ESG: Our Vision

ESGTI AG 2023

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Publication date

This report was released for publication in January 2023.

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Chairman's Note

Investing with impact is at the core of what we do and who we are.

We founded ESGTI AG with the vision of accelerating breakthrough change. Our intent is very clear; we seek to invest in technologies which can deliver positive impact. By using an ESG framework we can do this and ensure a safe roadmap for us and our investors.

With clear intent comes clear focus: we invest in the markets we know best. The emergence and scale of sustainability mega-trends such as food security, shifting demands on healthcare and carbon reduction means these growing markets are looking for smart solutions, to which we bring decades of expertise in sustainable agriculture, life sciences and clean energy.

Our operations are also guided by external factors such as the geo-political context and shifting consumer expectations. Governments are increasingly responding to global calls to hold the financial industry accountable for its investment practices. Financial market participants in Europe such as banks, pension funds, asset managers and institutions will soon be required by the Sustainable Finance Disclosure Regulation to address global challenges by disclosing how they integrate ESG principles into their investment processes.

On an individual level, consumers have started to avoid companies that pollute the environment and cause social problems. Millennial employees navigate to employment in technologically advanced companies and organisations with a sound social or environmental mission, and investors seek to optimise the risk-return-impact ratio.

Our response is simple: we promote sustainable entrepreneurial solutions via private equity; we give investors the transparency they seek; and we pursue positive impact and profit.

The role of ESG within this is pivotal. We want to make it clear that integrating ESG into our investment process is more than simple negative screening. Instead we integrate an active management approach to governance, investment selection, risk mitigation and monitoring. These ESG principles reflect our desire to create social and environmental impact through innovative entrepreneurship that generates risk-adjusted private equity returns.

We invest directly in private, unlisted, early stage companies with promising technologies and business models. To our investors, we aim to offer access to positive impact and financial returns in the private equity market that they would not normally have access to. To our portfolio companies we offer support in technological development, sustainability expertise, synergies and liquidity to scale their business and valuation.



Our intent is very clear; we seek to invest in technologies which can deliver positive impact.

We are committed to integrating a growing number of ESG metrics into our three thematic investment areas in the coming years that truly reflect the ESG principles we have put in place for our business.

Today there are tremendous investment opportunities to address environmental & social challenges by actively investing in solutions offered by innovation. There is also a plethora of disclosure frameworks and standards which are consolidating into global accounting standards to create more transparency for investors. As we drive innovation and finance towards solutions that make sense for people and the planet, we will continue to benchmark our investment and progress in the ESG domain.

We hope you will follow our progress in becoming an impactful ESG investment company.

Andreas r. Bihrer

Chairman of the Board of Directors

Mission

Our mission is to accelerate positive impact in food, health and energy by investing in companies with breakthrough solutions.

There is tremendous merit in investing in solutions which contribute to a sustainable future. This is the starting point to finding companies of interest, to which we then apply our investment and due diligence process for further engagement. Our goal is to ultimately build a well-diversified portfolio with clear governance and valuation growth potential.

ESGTI AG is a listed investment firm in which investors can invest in ESGTI's private equity portfolio valuation growth and income generation. Each portfolio company fits within one of our three thematic investment areas and addresses at least one of the UN Sustainable Development Goals.

Thematic Investment

Our three investment themes are axed on sustainable food systems, healthcare solutions built on innovation, or clean energy and technology. In order to select the most promising and apt opportunities within these themes we orchestrate professional, collaborative and experienced companies with entrepreneurial and managerial teams.

UN Sustainable Development Goals

Alongside a company's ESG framework we keep the UN Sustainable Development Goals top of mind. The breadth of our portfolio allows us to address multiple SDGs, but we align each company to at least one UN Sustainable Development Goal; aspiring to impact society and embed portfolio risk over a broad spectrum.

Our portfolio themes and associated SDGs

 <p>AgTech & Sustainable Agriculture</p> <p>Smart and sustainable farm-to-fork ecosystems ensuring nutritious food security, better farming working conditions and wealth creation for communities and supply chains</p> <div>     </div>	 <p>Life Sciences</p> <p>Development and commercialization of transformative technologies which have the power to improve patient well-being and access to healthcare options.</p> <div>    </div>	 <p>Clean Technology & Energy</p> <p>Facilitation and development of efficient energy sources, enabling a healthier ratio of clean energy and a reduction of the climate change impact.</p> <div>     </div>
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Governance

ESGTI AG has a transparent governance and inclusive operational structure for making the right decisions.

ESGTI has a lean structure, and deliberately so. Whilst the emphasis of our social and environmental impact is established through our portfolio companies, ESGTI places focus on our governance; ensuring leadership and financial decision making deemed essential to investor valuation and consumer trust.

Though the Board of Directors is ultimately responsible for final decisions, an accountable and transparent advisory process is respected via executives, experts, and ESG advisory bodies. By being lean internally, we can call upon specialist legal and valuation advisors to provide essential input to all valuation processes.

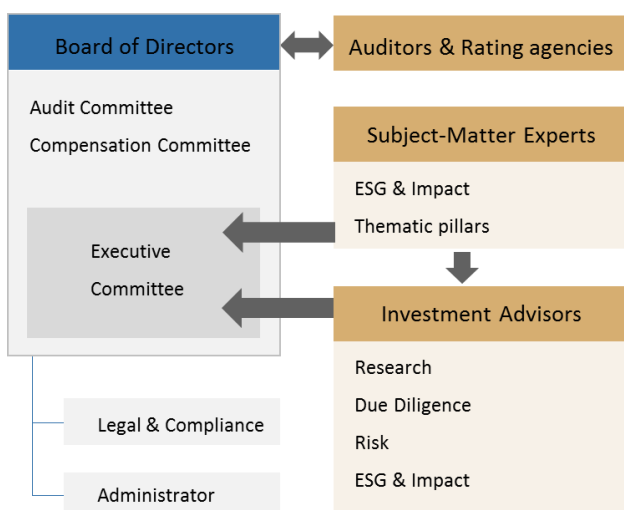
Board of Directors

The Board of Directors is responsible for the overall leadership of the company; managing investment decisions alongside internal remuneration for management, the Board and Subject-Matter Experts (SMEs). It has control over all public and required reporting to share and bondholders. Due to the breadth of the portfolio and focus on disruptive investments, it is free to select any support functions it needs to perform its duties. Day-to-day business is outsourced to the Executive Committee and its Administrators, including ESGTI's Auditors, Legal and Compliance.

Audit Committee

The Audit Committee supports the Board of Directors in monitoring and supporting financial topics. It advises and prepares all accounting systems and procedures, financial controlling, financial planning, longer-term business plans and strategy, communication, risk management, internal control systems, risk plans and management evaluation. Particular attention is paid to the newly enacted Sustainable Finance Disclosure Regulation (SFDR) as well as all upcoming European non-financial disclosure for listed and unlisted companies and Swiss regulatory alignment to TFCF.

ESGTI's governance structure and knowledge flow



Compensation Committee

The Compensation Committee develops and reviews the company's remuneration policy, performance measures and objectives and prepares all relevant compensation decisions for the Board of Directors, the Executive Committee and SMEs.

Executive Committee

The Board has the power to make investments, leasing transactions or divestments up to a specific maximum transaction value. In order to inform these decisions the Committee is responsible for submitting proposals regarding acquisitions in or divestments of property, plant and equipment and operational transactions, including transactions involving intellectual property rights. The Executive Committee also prepares the five-year plans and budgets for the various divisions and functions and sets the annual salary and wage parameters for employees. This committee is supported by multiple investment advisors, particularly concerning valuation, due diligence and risk assessment.

Subject-Matter Experts

We know that the field of ESG and the themes in which we invest are dynamic environments and as such we purposefully call upon SMEs in these domains. ESG SMEs are leveraged to monitor ESG principles, collect data on portfolio companies feed ESG knowledge to the Board of Directors, whilst Thematic SMEs are responsible for assessing the impact of the three thematic investment areas for current and pipeline portfolio. Collectively, they recommend to the board which actions can be taken with portfolio companies to improve ESG standards, pre-investment due diligence and post-investment risk assessments. SMEs also support management in building relationships between

the independent ESG rating agencies and portfolio companies to monitor ESG progress and set milestones for our impact vision.

Investment Advisors

The Investment Advisors advise the Executive Committee and the Board of Directors on operational and investment decisions by determining valuations, risks and acquisition impact. These advisors update and complete due diligence data and assess the technological status of portfolio company assets. Designated valuation expert teams determine how they impact future valuation.



ESGTI places focus
on our governance;
ensuring leadership
and financial decision
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Investment Strategy

Our ESG policy, principles and integration define how we invest and achieve financial returns.

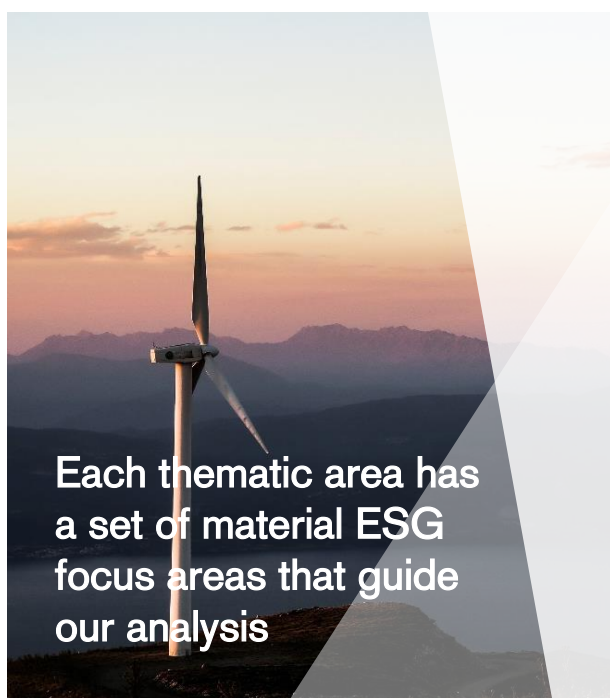
The ESG policy is an expression of the values we wish to integrate into our investment process. We commit to develop our ESG principles and guidelines throughout our investment themes and aim to create ESG metrics that capture our progress over time.

We develop principles to do no harm to people or nature and to invest in companies with products or services that positively contribute to society. By integrating these principles into our processes of selecting and monitoring portfolio company investments we assess a range of material ESG metrics for each of the thematic investment areas. This process is an important part of our active management strategy as it contributes to our long-term financial performance objectives. The individual metrics become part of our portfolio company selection and monitoring process. Independent ESG scoring agencies are an important part of this process to make our investment service transparent to our investors and to provide our Board of directors with valuable information to make informed decisions.

ESGTI Impact Scores including portfolio

ESG Ratings	ESGTI	Benchmark
Environmental Impact	B+ (0.60)	C+ (0.40)
Social Impact	A- (0.68)	B- (0.44)
Overall Impact	B- (0.47)	C+ (0.44)

Source: Inrate 2022



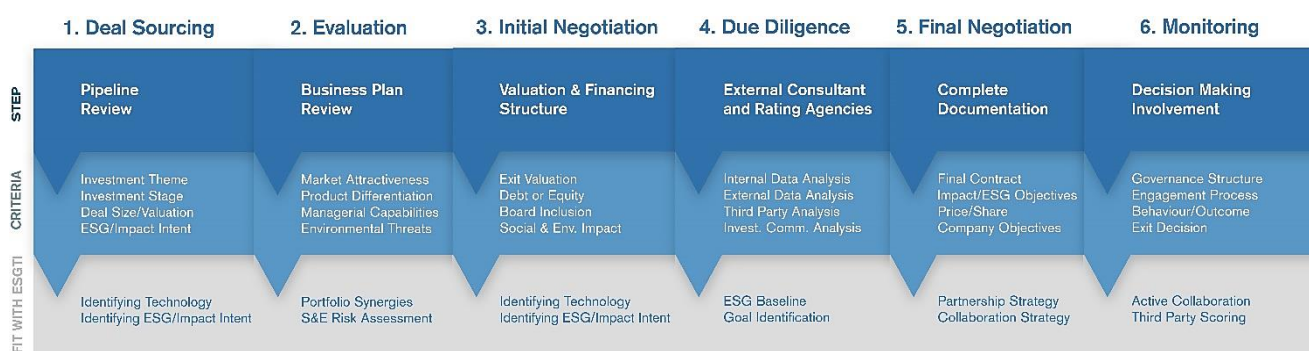
ESG Criteria: Each thematic area has a set of material ESG focus areas that guides the ESG analysis of each portfolio company. ESG material factors include:

- Environmental metrics: Carbon emission reduction, renewable energy used, water management.
- Social metrics: Fair pay, safe working conditions, product quality & safety, community engagement
- Governance metrics: Company ESG policy and governance structures in place such as an independent and diverse board.

Impact Demand: Products & services for each portfolio company are also evaluated on their impact on society and the environment through internal surveys and independent rating agencies.

- Product & Services: Rated on the positive outcome they create for people and nature.
- Outcome for society: Impact made on society through the sold products and how they contribute to SDGs.

ESG principles are integrated in every step of our investment & monitoring process.



Pipeline Review: To build a pipeline ESGTI asks a set of questions to evaluate a business opportunity. For example, does the business operate within our thematic focus, is it an early stage business with valuation potential, to what extent can we scale the business, are our ESG Principles aligned with the intent of the company, and can we set ESG KPIs with the management?

Business Plan Review: During this stage we wish to understand the market opportunity for the business and will engage, with the help of independent service providers, a full due diligence and feasibility study. ESG Principles are key to this process as a risk evaluation tool. We want to understand if the market is ready for the disruption proposed by the business model, to what extent is the management capable of achieving both the financial and the ESG KPIs, how ESGTI investments can create success, and what is the desired valuation growth for investors? The resulting SWOT will also identify synergies with other portfolio companies and performance-enhancing activities.

Valuation & Financing Structure: The first negotiation gate is about valuation, control issues and the desired financial structure. This is a very cooperative process with the management of the company, as we aim for a win-win-win situation. Win for the management/owner of the company; a win for ESGTI investors; and a win for society through the company's impact. The transaction will often involve a share swap component to actively engage the current management of the company so that they retain a significant stake in the game and are motivated to achieve the strong financial and impact outcomes of the company.

External Consultant and Rating Agencies: ESGTI's valuation is based on the overall valuation of all portfolio companies as well as the company's reputation as a trusted active ESG/impact investment company. It is thus central to our reputation that a due diligence analysis is made by external consultants. In the context of ESG issues, this then becomes the baseline and indicates the direction in which ESGTI can improve the company's rating and results over time through technological and financial assistance. The rating of our portfolio companies shows our investors the extent to which companies are considering ESG factors in their business and facilitates our engagement with the companies, particularly potential improvements.

Complete Documentation: The final negotiation will finalise all documents of the transaction, but will also include any changes in roles and responsibilities, define future goals and outline future compliance with ESG principles. This agreement is equivalent to the start of the partnership agreement.

Decision Making Engagement: ESGTI consciously engages ESG Subject-Matter Experts so that management and investment committees can assist with key decision issues. As long as the investment exists, we check whether the governance structures are solidified and ESG engagement processes are activated on key ESG material factors, aiming for an active and collaborative relationship for the duration of investment. There are two scenarios for an exit or a reevaluation; firstly when the portfolio company has reached an attractive valuation and interest in trading with a third party, or secondly, when ESG scoring stalls and targets are no longer met.

Risk Mitigation

Private Equity investment risk is mitigated by our ESG integration.

We reduce the risk of private equity investments by engaging with our portfolio companies, focusing on achieving technological and financial competitive advantages for our portfolio companies to deliver both impact to society and financial returns to shareholders. This is our active risk mitigation strategy.

Building a portfolio of early stage direct investments brings tremendous growth potential but also high risks. Since most companies do not yet have net positive cash flow in the early stage of their business, there is an inherent risk at this stage, therefore we have structured ourselves in such a way that we have control over the liquidity management of our investments. By pooling and controlling funding, we mitigate much of the inherent risk of private equity investments, as we can effectively bridge any company from the cash-positive companies in the portfolio if needed.

Within this backdrop, we focus on three areas of active risk management: governance, due diligence and diversification.



Our **Governance** structure ensures that risk consideration is at the heart of everything we do and that all stakeholders play their part in alerting the Board to potential risks. Both financial and non-financial information is shared with the managing investment committee, various thematic advisory boards, rating agencies, portfolio company management, but also academic and public partner institutions as part of the investment process before investment decisions are made.



Due Diligence & Legal. A number of regulatory measures in Switzerland and the European Union increasingly require companies to report on sustainability issues. We promote the new Green Deal by offering sustainable investments that can be considered environmentally sound under EU taxonomy rules. We use third party legal advisors to review M&A contracts and how they abide with current and potential future laws and regulations to avoid social & environmental legal litigation of any kind. Today's investors want to invest to have a positive impact on society and in line with new regulations. We offer investors an entry point into this space; providing solutions rather than problems for the environment.



Diversification across multiple thematic market sectors further mitigates risks comparable to individual private equity investments. From a risk perspective alone, our integration of ESG principles aims to avoid future social and environmental legal costs and reputation risks, but investing in a diversity of themes enables a further level mitigation and even synergies within. Financial and technical synergies increase the chances of success for all companies in our portfolio through ongoing collaboration between them - these synergies, managed by ESGTI, are part of our unique investment approach.

Our investment process includes due diligence, sound selection criteria, analysis of the business model and understanding of how we can help a company become successful. This, alongside investing in markets we understand, and ensuing trust between ESGTI and our portfolio companies allows us to comprehend and measure risk.

Transparency and Disclosure

We provide investors with full transparency on our investments and our mission to improve risk-adjusted returns.

Corporate reporting is an essential tool for how we effectively communicate with our companies and investors. We seek constructive dialogues with our portfolio companies to develop a shared understanding of the company's key risks and opportunities, alongside the strategies they are using to address them.

The new European Corporate Sustainability Reporting Directive aims to create a set of rules that will, over time, put sustainability reporting on a par with financial reporting. It will extend the EU's sustainability reporting requirements to all large and listed companies, and it is likely that FINMA will follow suit in the future. When the European sustainability reporting requirements will be implemented from 2024, they will expand the current NFRD coverage of 11,000 companies to almost 50,000 companies in Europe. This will be done by including all listed companies and all large companies, as well as by introducing a voluntary standard for unlisted SMEs.

ESG data collection from our portfolio companies is organised both through internal teams and external independent data collection agencies. We assess all risks and opportunities, in environmental, social and governance factors. We are committed to communicating these risks and opportunities to our investors and developing understandable language to convey how their investments in ESGTI generate financial returns and positively impact society.

We base our investment decisions on the advice of various internal and external SMEs to gain a sound understanding of the investments we make from an ESG and impact perspective. Using independent rating agencies in parallel such as Inrate & Impak provide a more transparent view of our investments.

We nonetheless recognise that we can do more. For example using the SASB standards and its materiality focus can provide a more transparent picture of future performance, risks and opportunities and thus will consider integrated this in the future: aligning a common language and comparable measures for investors considering similar thematic areas. In parallel the EU taxonomy allows us to collect comparable indicators from our portfolio companies and to increase the transparency of our investment strategy for our investors. It also enables us to make future disclosures under the European Sustainable Financial Disclosure Regulation (SFDR), which will help our investors understand how our ESG factors are incorporated into our investments.

Like our portfolio companies, we aim for a Kaizen approach; making small steps towards improving our ESG performance and continuing to monitor the ESG environment as we grow.



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