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ANTHESIS COMMITMENT TO SUSTAINABILITY BOLSTERS ECOSYSTEM APPROACH TO ESG; DIGITAL TOOLS A DIFFERENTIATOR

Anthesis is the sustainability activator. Proud to be a B Corp, Anthesis seeks to make a significant contribution to a world which is more resilient and productive, doing this by working with cities, companies, and other organizations to drive sustainable performance. Anthesis develops financially driven sustainability strategies, underpinned by deep technical expertise, and delivered by innovative, collaborative teams across our global business. The company combines the reach of big professional services groups with the deep expertise of boutiques. With more than 1,000 clients, including 65 of the Fortune 500 and 26 of the FTSE 100, Anthesis North America has clients across all industry sectors, including corporate multinationals such as Cisco, PayPal, Gap, and Target, and also supports early-stage companies through Anthesis Ventures.

Anthesis brings together 650+ experts operating in 40 countries around the world and has offices in the US, Canada, the UK, Spain, Brazil, China, Colombia, Finland, France, Germany, Ireland, Italy, the Middle East, the Philippines, Portugal, Sweden and Andorra. In North America, Anthesis has 75+ experts and has continued to grow the team across "the Covid year" and into 2021, to meet market demand. Organic revenue growth is consistently in excess of 20%, year on year. Anthesis' service areas include Strategy and Governance, Brand and Communications, Education and Culture, Supply Chain and Operations, Sustainable Products and Services, Transactions and Finance, Cities and Environments.

Chantelle Ludski, Chief Executive Officer, North America. *A member of the Global Leadership Team, Ms. Ludski joined Anthesis in September 2020 as Chief Operating Officer for North America and Asia Pacific and became Chief Executive Officer of North America in January 2021. Before joining Anthesis, Ms. Ludski held the role of Chief Administrative Officer for the Americas at Renewable Energy Systems, Inc. and prior to that, she was Global Chief Risk Officer at Arcadis N.V. in Amsterdam for three years. She moved to the Chief Risk Officer position from Arcadis UK, where she served as Director of Operations and Performance Excellence, a role she took on following the merger between Hyder and Arcadis in 2014. In Hyder UK, she was HR & Change Management Director and a member of the UK Regional Executive Team. Chantelle joined Hyder in 2012 as Operations Director for the UK Land Development, Buildings & Environment sector, responsible for project and commercial performance of that business unit. Ms. Ludski started her career in her native South Africa as a Corporate & Commercial lawyer in private practice, before moving to a General Counsel role with one of her firm's clients in the UK. She left legal practice and while studying for an MBA at London Business School, started a small organic coffee on campus, which she subsequently grew into the leading organic chilled food- to-go business in the UK market.*

EBJ: What opportunities do you see for Anthesis in the region?

Ludski: The primary opportunity for Anthesis in North America is continued stellar organic growth, building on the 60% growth in headcount that we've seen over the last year. This growth is prompting our addition of new services and solutions, as well as entry into new sectors, building on our market leadership in the tech, retail and finance sectors. We're currently exploring our options to extend our offering in the food and agriculture sector, for example, leveraging our digital products – the Cool Farm Tool and Activator Hubs. Our ability to develop digital tools in-house is one of our major differentiators and a key value proposition in our business, as technology will play a crucial role in enabling and accelerating sustainability progress. We're also looking at strengthening our service offering around social impact to support our fast-growing ESG strategy practice. And, of course, reviewing acquisition opportunities.

Everyone wants an ESG strategy right now.

EBJ: With that 60% growth in headcount that you mentioned, it's clear that Anthesis is investing in meeting market demand. How is the business ensuring it is able to support this growth? Tell us about the vision that you have about growing your operations in North America.

Ludski: While we're seeing tremendous growth across Anthesis, the North American region is seen as the area with the biggest growth potential in the foreseeable future. The appointment of a new CFO Dean Reuben-Robinson specific to the North America region is evidence of our commitment to meeting the ever-growing market demand in this region. Dean's strong track record in financial strategy and governance will support the ambitions and direction of the North America business and ensure we are well-equipped to achieve our highest goal of activating sustainability in what we call the 'Decisive Decade'. We're also investing heavily in our People infrastructure, both on the people and systems front, to support our growth, with investment in regional and global HR roles, as well in HR and learning and development systems.

EBJ: Why has Anthesis focused on sustainability services?

Ludski: In a recent interview, Anthesis Group CEO, Stuart McLachlan explains why he and the founding members established the company:

"Anthesis was born out of frustration. Amid all the talk about sustainability, there was not enough action, and where there was action the failure rate was really high. So, whether you are driven by impact, or business opportunity, there was a need to create an organization that could respond differently to the market need, and there was a requirement to do something to address the failure rate. We knew we could demonstrate there was alignment between sustainability and commercial performance and sat down with a blank sheet of paper and armed with the experience we had, assembled something new to address both the market need and the planetary need."

As for what's ahead for Anthesis, we've recently completed a significant minority investment deal through the impact fund of **Palatine Private Equity**, a responsibly-driven, mid-market private equity firm. The investment allows us to turbocharge our focus across the decade's most material global systems: net-zero impact; carbon remediation; product circularity; land use; and inclusive economies.

We've set ourselves ambitious targets through this investment, including working with our clients to remove 3 gigatons of CO2 by 2030, which is the equivalent to half the emissions from the US in one year. This comes on the back of achieving B Corp accreditation, allowing us to move forward with the goal of being the employer of choice for top talent, along with the partner of choice for our clients.

To that end, this year the U.S. business received Great Place to Work certification – an award is based entirely on what current employees say about their experience working at Anthesis. In survey responses from the U.S. team, 100% of employees said they are proud to tell others they work for Anthesis, and 100% of employees said that their work has meaning and is not "just a job".

EBJ: Tell us about your sustainability practice.

Ludski: Our mission is to drive sustainable performance. We do this by supporting our clients in all aspects of sustainability, including carbon management – net zero and science-based targets, all things circular economy, sustainable packaging and products, ESG strategy and governance – including providing support to financial institutions as they navigate the ESG pathways for themselves and with their portfolio companies, and supply chain solutions, which includes a fully managed service offering to support companies in managing complex supply chain compliance matters, provided through our Information Solutions team.

EBJ: Anthesis has developed the Activator Approach, which is a methodology for delivering sustainable performance. What are common problems that companies experience at each stage of project evolution?

Understanding Climate Risk

The most common problem is that companies think too narrowly about climate risk. They may focus predominantly on coastal flooding and extreme weather events. Climate change impacts are, however, more likely to be more subtle, though equally impactful. Modest changes in temperature and precipitation patterns can affect crop productivity, change pest prevalence, and affect infrastructure maintenance needs, such as the sizing and effectiveness of chillers, as a single example. It's key that a broad spectrum of internal stakeholders are engaged on thinking about how weather impacts the business and its value chain. Then climate change modeling can help to understand those specific impacts.

Understanding Current & Future Footprint

Developing a footprint for company operations (scope 1+2 emissions) is often relatively straightforward. For example, building energy data are often readily accessible and of sufficient accuracy to allow credible tracking of progress. Because companies have been doing scope 1+2 footprints for a couple of decades, the methods are generally well established. However, developing a footprint for the extended value chain (scope 3 emissions) can be a wholly different story. Companies often don't have much visibility into their supply chain, making it challenging to obtain actual data on suppliers' emissions. Companies with large or complicated business structures may also not know what should be reported in their footprints.

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Development of Net Zero Strategies

A challenge we often see our clients face in their net zero strategy is a focus on offsetting or carbon removals instead of avoiding and reducing carbon activities from a time, effort and investment standpoint. We also see companies getting caught in the scoping and definition phase and perceived complexity of the science behind targets. We advise our clients that the science behind targets can actually be understood in a more simplified way: the boiled-down priority is to cut emissions in half by 2030, and to zero by 2040. We also help our clients navigate the additional complexity of a net zero strategy that should not be undertaken in isolation of water, waste and other sustainability priorities. And finally, one of the biggest challenges companies face is short-term thinking, driven by short-term business planning cycles, versus the long term commitment required of a meaningful Net Zero plan.

Implementation of Value Chain Reductions

The efficient multi-tenant data collection from suppliers is one of the most daunting aspects of starting a carbon management program. And then comes accounting for changes to supplier emissions at operational or product level, determining the balance of responsibility, navigating the funding and management of initiatives with and through suppliers, and getting credit. Supply chains are complex, and very dynamic! Ecosystem thinking is required, to make value chain reductions work well, and this requires a move away from what has sometimes been more of an adversarial relationship between buyer/seller.

Balancing Carbon Budget

Companies should be setting targets for reducing their emissions. Fortunately, initiatives like the SBT initiative or RE100 (a global corporate renewable energy initiative bringing together 300+ businesses committed to 100% renewable electricity) provide objective benchmarks for what those targets should look like. Attaining the ambition levels required can be challenging. Driving reductions towards a climate-safe future can mean significant reductions have to happen over a relatively short period of time. As with carbon footprints, many of the challenges rest with scope 3 — companies may influence but do not own or control scope 3 sources, and setting scope 3 targets has emerged as common practice only over the last 5 years. Companies typically have to focus on collaborations with value chain partners to enable scope 3 reductions. For example, engaging and building the capacity of suppliers to measure and manage their own emissions. Many companies will be focusing on supplier engagement as a key reduction strategy over the coming years. Beyond reducing scope 1+2+3 emissions, companies can also purchase offsets or invest in technologies that help remove carbon from the atmosphere. Offset prices have risen significantly over the past year as market demand has picked up in line with the broader business interest in sustainability.

EBJ: What are the major trends within the Sustainability Industry?

Ludski: There's a need to give management the tools to implement and manage the sustainability strategies that the C-Suite is setting, and this is one of the drivers for the explosion in the development of digital tools to support supply chain management, carbon management and ESG activities. All this activity brings is substantial investment into 'green tech' businesses, including startups. It's an exciting time!

Acquisitions are on the rise too, and some consolidation will follow, if previous market frothiness is any indicator of the future. If you can call it a trend, the biggest trend in 2021 is the level of demand for sustainability services. Historically, the major tech companies have taken a leading role in setting the sustainability agenda. Larry Fink's statement earlier this year has made the financial services sector sit up and pay attention. Sustainability and ESG is no longer a 'tick-the-box' exercise; there's increasing recognition that it drives mainstream value.

And, there's tremendous focus on how to integrate sustainability reporting into financial reporting. This is an area where Europe has been leading the way and some might say that the US is playing catch up. One might say that melting icebergs lifts all boats!

EBJ: What are the most innovative Net Zero projects that you have conducted in the past couple of years?

Ludski: Our work with T**arget Corporation** is an example of an ongoing relationship to support them in their net zero journey. We recently completed one phase of work to help Target develop its first full Scope 3 emissions inventory, evaluate and then set a science-based target (SBT) to fulfill the requirements of its SBTi commitment, building on its operational Scope 1-2 emissions reduction goals. Anthesis guided Target through this process leading to an industry leading 30% absolute emissions reduction by 2030 and a supplier engagement target.

Anthesis continues to partner with Target through the implementation phase: providing subject-matter expertise to direct existing programs and launch new initiatives across its supply chain in key product impact areas (apparel, grocery, home & hard goods), program management of Target's initiatives and workstreams, and supporting the roll out of Target's ambitious supplier engagement program to get 80% of its suppliers by spend to set their own science-based targets by 2024.

EBJ: In which ways are your clients using sustainability to improve their brand?

Ludski: In a number of instances, clients are seeing sustainability as a value driver. What's increasingly clear is that greenwash doesn't work, companies are having to come up with a strategy and demonstrate that they are walking the talk. Activist investors and activist groups are holding companies' proverbial feet to the fire – witness the recent ruling by the Dutch courts, which went the wrong way for Shell, and ExxonMobil being called out, recently. Below are some specific anonymized examples from recent projects:

• We are working with an apparel company in pre-IPO stage who had strong commitments to sustainability since their inception but they are using sustainability to enhance their brand and reputation to make them more attractive to investors when they go public.

• We are working with several companies in the tech sector where talent attraction / retention is a significant business risk, all of whom are using sustainability as a differentiator that enhances their workplace culture. They know from employee surveys and outside market studies that employees factor in their employer's commitment to addressing climate change, social inequity and other significant challenges when choosing who to work for (or not).

• A client in the data center sector recognizes that as more companies look to extend their sustainability commitments and initiatives through their supply chain, they want and need to be seen as a preferred supplier. Each year they enhance their sustainability disclosures broadly to enhance their brand and reputation and they invest in generating reports for their customers that demonstrate how using them as a data center partner reduces their energy use/ carbon footprints due to their commitments to renewable energy etc. This makes them attractive to customers who are looking for data and information to help them tell their sustainability story.

EBJ: Where does your ESG practice fit within your company and how do you distinguish it from competitors?

Ludski: ESG is a mainstay of our offering within our strategy and governance solution set. We provide services around ESG strategy and everything that accompanies that—materiality assessments, carbon footprinting, communications and reporting, policy development, etc. We work with numerous financial institutions, including private equity asset managers and banks, to help them develop the strategies and tools to identify and mitigate ESG-related risks in their investment portfolios and take advantage of ESG opportunities. We also have a very active private equity practice, delivering portfolio company ESG assessments and ESG due diligence reports on the buy and sell side.

EBJ: How are ESG Reporting Standards changing and how are standards different in the various regions of the world in which you operate?

Ludski: We are seeing ESG reporting guidelines and frameworks move in the direction of consolidation and standardization, but regional variations will continue to exist.

Actions toward standardization continue to increase. In 2020 CDP, CDSB, GRI, IIRC, SASB issued a Statement of Intent, outlining a vision for a comprehensive corporate reporting system, and their commitment to work together to achieve it. At or before the COP 26 event in November of this year, it is expected that the **International Financial Reporting Standards Foundation** (IFRS) will announce their intent to establish a new **International Sustainability Standards Board** (ISSB) to develop a global baseline of standards for sustainability-related disclosures specifically to meet the information needs of investors when assessing enterprise value.

However, ESG priorities that drive reporting requirements are also affected by regional or local regulatory policy, which impact what information companies within each jurisdiction will be required to report (e.g. EU's proposed Corporate Sustainability Reporting Directive). The standardization efforts to assess enterprise value will likely not capture these variations in regional priorities.

We are seeing investor-driven reporting requirements affecting clients globally and are currently the single biggest driver for ESG disclosures in North America specifically. Europe and Asia experience an additional level of regulated ESG reporting requirements that, for the most part, have not yet been established in NA.

EBJ: What do you see as the major trends within the ESG Services Market?

Ludski: The biggest trend is the financial services sector starting to really step up. We are hearing from clients that investors and Limited Partners have sharpened their focus on ESG, and it now sits among the most important topics for them when they engage with companies. Larry Fink's letter to CEOs reflects and further reinforces this trend. More specifically, the ESG topics that are most commonly at the top of the list are climate and diversity & inclusion, and investors are looking for more granular data and performance metrics. In response to these trends, it seems that everyone wants an ESG strategy right now.

EBJ: Can you tell us about Anthesis Ventures and which interesting projects / technologies that address sustainability and ESG have come out in the last couple of years?

Ludski: Anthesis Ventures was created to support our global clients with access to unique and emerging technologies that will have the potential for delivering significant positive impacts across many facets of sustainability including Climate Change and Net Zero Carbon.

We have created partnerships with a number of diverse technology solutions that we believe will have the potential to accelerate reductions in carbon in the decisive decade ahead of us.

Naked Energy is a 'Photo Voltaic Thermal Tube' technology that can produce both electricity and high grade heat through a photo voltaic panel situated within a vacuum in a glass tube that can be easily installed on both a roof or the facade of a building and creating a combination of renewable energy (electricity and heat).

A challenge we often see our clients face in their net zero strategy is a focus on offsetting or carbon removals instead of avoiding and reducing carbon activities from a time, effort and investment standpoint. ... Offset prices have risen significantly over the past year as market demand has picked up in line with the broader business interest in sustainability.

On a typical commercial flat roof, far more useful energy is captured compared to conventional PV panels which require up to 50% more space to generate the same financial savings and up to 300% more to deliver the same carbon savings.

Remedi!ate is a unique solution that will take carbon dioxide and emissions from flue stacks associated with industrial processes including power stations, industrial process plants, cement works and convert these through a patented bio reactor into a high value protein algae that can be utilised into animal feed or for human consumption and can support the displacement of soy.

Signol is a digital behaviour change solution that can support with reduction in carbon and emissions through truly understanding the impact of the decisions made by airline pilots, ships captains, truck drivers and during a pilot with Virgin Atlantic, Signol was able to contribute to the saving of circa $6 million in fuel and reduction of 24,000 tons of C02 emissions over just eight months. ☐

PALATINE ACQUIRES A SIGNIFICANT MINORITY SHAREHOLDING IN GLOBAL SUSTAINABILITY SPECIALIST ANTHESIS

2021 deal underlines British private equity firm Palatine's long-held commitment to impact investing and the broader ESG agenda.

In March 2021, Palatine Private Equity **LLP** (Manchester UK) announced an investment in Anthesis Group, underlining a long-held commitment to deliver positive ESG outcomes and Palatine's first-mover status in mid-market impact investing. Anthesis was established in 2013, grew to 2019 turnover of £40 million, and is ranked in the Sunday Times Fast Track 100 as one of the UK's fastest-growing private companies. Anthesis is headquartered in London, with a global workforce of 600 consultants across 17 countries, and supports leading companies, cities and organisations with financially driven sustainability strategies, underpinned by technical expertise. Its clients include 25% of the FTSE 100, 65 of the Fortune 500, and world-leading brands such as Amazon, Target, Kimberley-Clark, and Nestle.

Palatine said the investment will enable Anthesis to scale at pace, organically and acquisitively, across borders and disciplines, and accelerate its impact through digitisation, and will benefit from its pioneering ESG framework, unique expertise in returns-focused impact investing, and M&A track record with more than 200 acquisitions.

Anthesis has recorded underlying organic revenue growth in excess of 20% since 2017 and achieved double digit revenue growth in 2020, even with the challenges of the pandemic. Anthesis will remain majority owned by its team and Palatine partners Beth Houghton and Tristan Craddock are joining the board.

Gary Tipper, Managing Partner at Palatine Private Equity, said: "Having embedded pioneering ESG practices across our buyout funds for more than a decade and been the first in our market to recognise the potential for strong returns from impact investment in the mid-market, we see a deep cultural alignment between Palatine and Anthesis....we're looking forward to deploying our expertise in value creation, digital transformation and successful buy-and-build strategies."

In 2021, Anthesis was certified as a B Corp, recognising that it has the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. In the transaction, Palatine was advised by Gateley (legal), Clearwater International (corporate finance and debt advisory), RSM (Tax), Armstrong (Commercial DD), Grant Thornton (FDD), Berkeley (Operational DD) and Cyberfort (Cybersecurity DD). Anthesis was advised Jamieson (lead advisory) and Blake Morgan (legal).

Comments from Stuart McLachlan, Co-Founder and CEO of Anthesis

"Anthesis was born out of frustration. Amid all the talk about sustainability, there was not enough action, and where there was action the failure rate was really high."

"So whether you are driven by impact, or business opportunity, there was a need to create an organisation that could respond differently to the market need, and there was a requirement to do something to address the failure rate.

"We knew we could demonstrate there was alignment between sustainability and commercial performance and sat down with a blank sheet of paper and armed with the experience we had, assembled something new to address both the market need and the planetary need."

Since 2013 Anthesis has made more than a dozen strategic bolt-on acquisitions, but the business been able to retain its culture as a purpose-driven organisation. "We are clear on our mission, values, vision, strategy, culture and our brand. If you don't buy into these non-negotiables, then Anthesis is not for you... We say this to new recruits and we'll say that to the vendors of businesses we are interested in buying. We have this point of unity, but beyond that we recognise there is a huge amount of diversity, which is something that should be celebrated.... "The importance here, is having a clearly-defined and inspiring mission."

Stuart says Anthesis must be alive to new disruptive technologies and ideas to help them deliver. "When we are looking at an acquisition, our primary reason is to fulfil a strategic need because they are plugging a gap in the puzzle and they will be able to help us deliver our mission. We therefore must be close to the innovators and creators of new, disruptive technology. Ultimately, being at the nexus of sustainability and digital is a powerful place to play," he says.

"There's a lot of transformational change we need to help our clients navigate, so we need to have a global platform, we need to use tech, we need to make sure we have the right expertise and plug the right expertise gaps.... In terms of greenwashing, we were coming up against it up to about three years ago, when a lot of activity in the market place was, to be honest, quite cosmetic.

"Then something happened three years ago – was it Blue Planet? Was it the arrival of Greta? Was it the investment community recognising the importance of ESG? A lot of things came together, and at that point what we do went from being considered mainly by CSR or Sustainability departments to something that is mainstream in organisations.

"Clients are now saying sustainability is something potentially existential and we have to change what we do, be it in sourcing, in supply chain, manufacturing or branding. At that point it went from a dark corner of an organisation into the C-suite, and Anthesis is there to deliver this transformational change." ◻

Adapted from palatinepe.com 'Inside the Deal'.