

Responsible Investment Policy

Overview

For Hg, responsible investing ('RI') means growing sustainable businesses which are great employers and good corporate citizens, whilst also generating superior risk adjusted returns for the millions of pensioners and savers who are invested with our clients. Our time and money support the sustainable growth of 'knowledge' businesses, enabling them to change how their customers work whilst providing quality employment opportunities for thousands of people worldwide.

We want the businesses we invest in to be genuinely focussed on doing well for all stakeholders including employees, customers, suppliers, shareholders and wider society. We firmly believe that responsible business practices help generate superior long-term performance. As such, our RI approach supports the backbone of our investment philosophy - to invest in growth companies and sectors, rather than turnaround or distressed investing.

This is not just a screening process. As part of our RI approach, we take an active interest in how our companies manage environmental, social, and governance ('ESG') issues. We encourage, support and stretch the companies we partner with to strive for best practice ESG standards.

Hg has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) initiative since 2012 and is dedicated to the UNPRI's six principles. Our vision is to be the most sustainable European Private Equity firm, which is reflected by our AA++ rating from UNPRI.

The purpose of this Policy is to set out Hg's approach to the identification and management of sustainability and ESG related risks and opportunities throughout our investment activities, including the management of our investee companies.

Scope

This Policy applies to all Hg Staff, across all our funds and covers all assets under management (AUM).

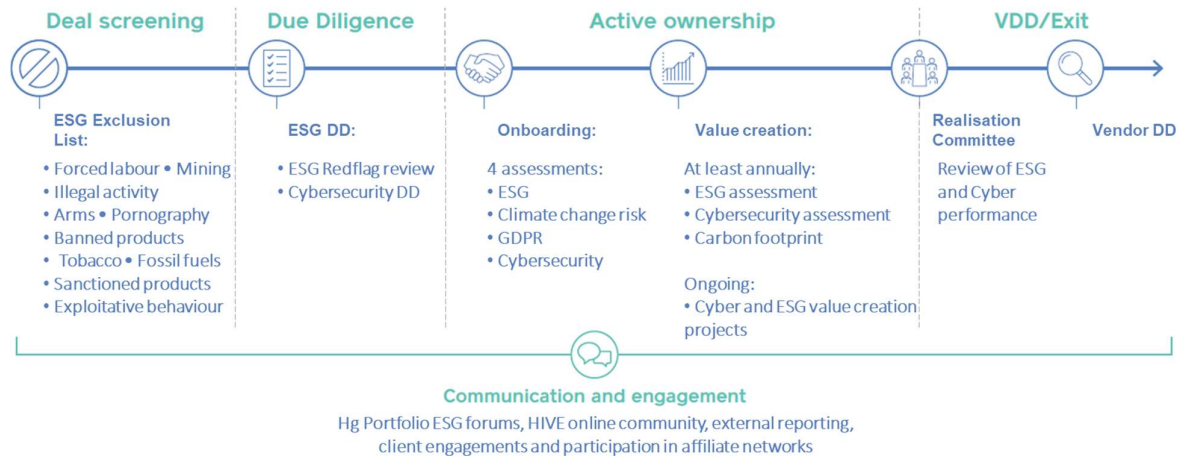
Our approach to Responsible Investment

Responsible investment (RI) sits right at the core of our Purpose. We are trusted to improve the future of millions of investors by building sustainable businesses for tomorrow. This is our purpose statement, our reason for being – it is how we see our place in and contribution to society. Our purpose is embedded in everything we do, in every decision, every day and for every individual.

What this means in practice is that we look to grow sustainable businesses which are great employers and good corporate citizens. Hg has a clear investment approach targeting software and services companies. Hg primarily seeks controlling equity buyout investments in predominately Northern European and North American headquartered businesses, though such companies will often have a global footprint and customer base.

Our targeted investment approach means we have extensive knowledge and a clear focus on the ESG metrics that are most material to the software and service sector. These ESG metrics are outlined in our Sustainable Business framework (see page 4). We apply the same approach to RI across to all our businesses, no matter of size and location, and we always strive for best-in-class ESG performance.

RI is embedded across the entire investment cycle from deal screening and due diligence to ownership and exit.



Pre-investment

All companies are assessed prior to investment to identify key risks and opportunities, along with any gaps against Hg's minimum standards. Hg's ESG due diligence covers our minimum ESG standards and is embedded into the legal due diligence process. Enhanced ESG screening is conducted depending on inherent ESG risks.

- When considering potential new investments, we screen them against Hg's exclusion list, which outlines the sectors, businesses and activities in which we will not invest – the Exclusion List is set out in Appendix 1.
- Once in the Due Diligence phase, an ESG red flag review identifies high-level concerns arising from sectors, geographies and any preliminary diligence results. Potential red flags are carefully considered prior to investment. If there are any key concerns highlighted during this process, an additional, external, enhanced ESG due diligence review will be conducted.
- Hg's approach to considering sustainability risk (i.e. an ESG event or condition that, if it occurred, could cause an actual or a potential material negative impact of the value of the relevant investment) is set out in the fund documents of the relevant Hg Fund.

Pre-investment, Hg examines:

- Compliance with relevant laws in relation to environmental, social, governance, health and safety, bribery and corruption;
- Relevant policies, including anti-bribery and corruption policy and employee code of conduct;
- Commitment and capability to effectively identify, monitor and manage potential RI-related risks;
- Effective internal governance, including board composition, internal controls and audit procedures, as well as relevant whistleblowing and grievance mechanisms;
- Cybersecurity standards; and
- Performance management, diversity and talent attraction and retention.

For new acquisitions, where any gaps against the above standards are identified prior to any investment, we will require commitment from the company to implement measures to fulfil the requirements.

Ownership

Hg proactively works with our existing portfolio companies to address material ESG factors and to achieve the standards set out herein.

Hg takes an active approach towards managing ESG across our businesses. We support and stretch investee companies to improve their sustainability and ESG performance on a continuous basis in the following ways:

- ESG is an integral part of the onboarding process and value creation planning within the first three months of investing. The ESG onboarding assesses a company's maturity against 150 ESG metrics, all relating to Hg's Sustainable Business Framework (see below), to set a baseline and support the company in developing an improvement plan;
- Over the period of our investment, Hg will monitor investee companies' performance against our Sustainable Business Framework on an on-going basis, including adherence to agreed action plans; and
- To support our businesses further, Hg sends out regular ESG related communications, has an online Sustainability & ESG community and organises ESG related face-to-face events for portfolio companies to share best practice, network and get help.
- In addition to the assessment against Hg's Sustainable Business framework, we conduct a separate in-depth assessment on cybersecurity and a climate change risk analysis. All our businesses are also required to calculate and report their carbon footprint at least annually.
- Our portfolio companies are expected to report any ESG related incidents to Hg in line with our incident reporting guidelines which includes guidance on materiality, as well as recording and reporting obligations. Hg will support the portfolio companies appropriately and communicate any material incidents to our clients.

Realisation

- ESG improvement plans are reviewed by our portfolio companies' Boards and Hg's the Realisation Committee.
- We work with the investee company to articulate the increased value from improved ESG performance. This includes case studies supported by a selection of key performance indicators.

Hg's Own Operations

Hg strives to be a responsible investor, business and employer in a number of ways:

- We uphold the highest standards of business conduct. All Hg Staff are required to abide by Hg's Guidelines for Business Conduct and Ethics, as well as our Anti-Corruption Policy;
- We are committed to be a world class employer, by creating a diverse and inclusive workplace where everyone is welcomed, motivated and stretched. We strive to develop a diverse pool of high calibre staff and are dedicated to talent management and development to give everyone at Hg the opportunity to perform to the best of their ability;
- We strive to have a positive impact on society by building positive external relationships, act with transparency, minimise our environmental impact and give back to communities. Hg is committed to donate part of our profits and carry to charitable causes through The Hg Foundation and other initiatives; and
- We are committed to minimise our environmental impact in line with the Paris Agreement and are, as of 2019, a certified carbon neutral company.

These commitments form part of Hg's core set of "Values," which is our way of thinking, behaving, and conducting ourselves.¹

Hg's Sustainable Business Framework

Hg's approach to responsible investment is outlined in our Sustainable Business Framework which was initially developed and implemented in 2017/18. The Framework highlights key ESG areas for our businesses, along with support provided by Hg. It is updated on an annual basis.

The Sustainable Business framework covers the most material ESG topics for software and service companies and is based on extensive benchmarking of best practices and industry standards, as well as interviews with Hg employees and feedback from our clients. It takes external practices into account such as UN Guiding Principles on Human Rights, UN's Convention against Corruption, the Ten Principles of The UN Global Compact and UN's Sustainable Development Goals (SDGs).



The Framework is constantly evolving to adapt to regulatory changes, emerging ESG issues and to meet the expectations of our clients.

All our portfolio companies are assessed against the Framework, which is focused on three areas; Essentials, Employees and Society:

Essentials (~74 metrics)

There are certain minimum ESG requirements that Hg expects from all portfolio companies:

1. **Governance and Business Integrity**, such as code of conduct, appropriate controls and policies, board composition and appropriate health and safety and whistleblowing procedures.
2. **Risk and Compliance**, including compliance with applicable laws and regulations, active risk management, as well as standards and policies to combat bribery, corruption, money laundering, anti-competitive behaviour, tax evasion, harassment and other malpractice.
3. **Data and Cybersecurity**, which includes Hg's minimum standards for cybersecurity along with appropriate data protection and information security practices. Hg has a separate Cybersecurity assessment which all companies are assessed against as part of onboarding and regularly thereafter.

¹ Hg's Values are: **Be genuine** (Be honest, Speak the truth, Be authentic, Retain humility), **Go beyond** (Strive for excellence, Be ambitious, Perspiration as well as inspiration, Take ownership), **Outlearn** (Smart & entrepreneurial, Leverage collective expertise, Continuously challenge, A growth mindset) and **Win right** (A "one firm" & inclusive mindset, Play hard but always play fair, Consider our long-term impact.)

Employees (~43 metrics)

One of the most important assets of our portfolio companies are the employees. A diverse workplace with engaged and motivated employees is vital for growth and business success. We look at employees from four aspects:

1. **Purpose and culture**, including an engaging mission, purpose and values, as well as positive impact / contribution to the SDGs.
2. **Grow** businesses and talent, including job growth, healthy staff turnover, talent management and succession planning.
3. **Engage** and motivate employees by promoting transparent communications, health and wellbeing, development opportunities and recognition.
4. **Diversity** of talent, equal opportunities and inclusion irrespective of ethnicity, gender, disability or background.

Society (~34 metrics)

We want all portfolio companies to strive to make a positive impact by acting transparently and contributing to society through their business practice, charitable support and positive relations with key stakeholders. We assess external impact from four aspects:

1. **Community** engagement including apprenticeships, charitable giving and volunteering.
2. **Environmental** impact, such as energy use, energy efficiency, use of renewable energy, waste management and climate change risks and opportunities.
3. **Positive relationships** with key external stakeholders such as customers, communities and suppliers.
4. **Transparency** of company commitments and progress, including external reporting and sustainability related communications.

Implementation and Governance

To implement this Policy, Hg is committed to:

- Investing time and resources to ensure we are able to adhere to our RI commitments consistently;
- Providing Hg Staff with sufficient knowledge, training and tools to ensure that they fully understand this Policy and can effectively identify and manage RI related risks and opportunities within their investment activities;
- Using a combination of investment professional experience, internal expertise and external advisor input to support implementation of our RI approach. This may include obtaining advice from external commercial, legal, technical and sustainability advisors where appropriate;
- Regularly monitoring and assessing the effectiveness of implementation of this Policy. For all new investments, the Investment Committee is responsible for reviewing any ESG issues arising in relation to a proposed investment, as well as determining the impact of such issues on the investment plan. Responsibility for monitoring and assessment of portfolio companies lies with the deal team, who will report relevant findings and recommendations to the Realisation Committee annually and if any material RI issues arise;
- Reporting at least annually to investors in Hg Funds on the implementation of this Policy and the ESG activities of our portfolio companies;
- Review our Sustainable Business framework on an annual basis to include potential new material ESG topics and reflect any concerns of our key stakeholders; and
- The Hg Board will review this policy on an annual basis.

Background and oversight

This Policy has been in effect since October 2012.

Policy Sponsors: Steven Batchelor (Partner, COO and Head of Client Services)
Dawn Marriott (Partner and Head of Portfolio)
Andrew Land (Partner and Chair of the Hg Realisation Committee)

Policy Supervision: Hg Board

Review dates

This policy has been reviewed and approved by the Hg LLP Board and will be reviewed annually.

Last reviewed: April 2021
Next review due: April 2022

Appendix 1: Hg's Exclusion List

Hg Funds do **not** invest in companies that:

1. Have production or other activities that involve harmful or exploitative forms of **forced labour** or child labour.
2. Produce any **illegal products** or engage in any **illegal activities** as per applicable local laws.
3. Manufacture, distribute or sell **arms or ammunitions**.
4. Manufacture or sell **pornography**.
5. Are involved with **products and activities that are banned** as per global conventions and agreements, such as certain pesticides, chemicals, wastes, ozone depleting substances or wildlife products, or otherwise compromise endangered or protected wildlife.
6. Are principally engaged in the manufacture of or trade in **tobacco and alcohol**.
7. Are principally engaged in the manufacture of or trade in **coal** or are principally engaged in **extraction of geological materials** (mining).
8. Are involved in the supply or purchase of **sanctioned products**, such as goods to or from countries or regions covered by United Nations sanctions.
9. Are, in the opinion of Hg's Investment Committee, **exploitative of vulnerable groups** in society.