

# Responsible Investment Policy

## Purpose

The purpose of this Policy is to set out Hg's approach to the identification and management of sustainability related risks and opportunities throughout our investment activities, including the management of our portfolio companies. This Policy applies to all Hg Staff, across all our funds and covers all assets under management (AUM)<sup>1</sup>.

## Overview

Hg is trusted to improve the future of millions of investors by building sustainable businesses for tomorrow. This is our purpose and it is embedded in everything we do, in every decision, every day and for every individual.

It means we are focused on generating returns for our clients, and the millions of individuals, pensioners and savers, who are invested in their funds. They trust us, to deliver superior risk-adjusted returns, as well as be good custodians of their money, whilst safeguarding their reputation by investing their capital responsibly and adhering to rigorous sustainability standards.

We achieve this by investing in businesses that are growing over the long term and, through this sustained growth, collectively create thousands of jobs worldwide. These are enduring businesses that generate consistent profits while creating multi-dimensional value for their customers, by improving how people work. We invest in this future - helping to progress workplace automation and digitalisation, to transform the workplace for professionals over decades to come.

We believe long-term sustainable returns depend on stable, well-governed social, environmental and economic systems. This is supported by the adoption of sustainable business principles including good governance, resource efficiency, effective risk management, well managed talent attraction and talent retention programmes, whilst maintaining a 'social licence' to operate.

Hg has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and is dedicated to the UNPRI's six principles<sup>2</sup>.

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<sup>1</sup> Please refer to the relevant Fund documents for information on how each Hg Fund has been classified under Regulation (EU) 2019/2088, the European Sustainable Finance Disclosure Regulation ('SFDR') and for all related disclosures.

<sup>2</sup> The UN PRI (PRI Association, incorporated in England) is an investor initiative in partnership with the UN Environmental Programme Finance Initiative and UN Global Compact and sets out six principles for responsible investment, offering a menu of possible actions for incorporating ESG issues into investment practice. Signatories publicly commit to demonstrate their commitment to responsible investment by agreeing to implement the principles and prepare an annual report. For further information about the UNPRI see <https://www.unpri.org/about-us/about-the-pri>. For details of the signatories, see <https://www.unpri.org/signatories/signatory-resources/signatory-directory>. Hg in the most recent UNPRI assessment (2024), Hg scored \*\*\*\*\* (94/100) for Policy, Governance and Strategy, \*\*\*\*\* (97/100) for Private Equity and \*\*\*\*\* (100/100) for Confidence Building Measures. Links to Hg's most recent [2024 transparency report](#), [UNPRI's methodology](#) and [the 2024 Reporting Framework guidance](#).

## Our approach to Responsible Investment

Our Responsible Investment (RI) approach is not just a screening process. We take an active interest in our companies' sustainability business practices. We encourage, support and stretch the businesses we partner with to have a positive impact through their operations and products, whilst minimising risks through practices such as robust cybersecurity standards.

We look to grow sustainable businesses which are great employers and good corporate citizens, and that seek to have a positive influence through their operations, products and/or services. Hg has a clear investment approach that focuses on software and services companies. Hg primarily seeks majority equity buyout investments ('Control Investments') but occasionally takes minority or other stakes ('Non-Control Investments'). Hg's businesses are in predominately Northern European and North American headquartered but often have a global footprints and customer bases.

Our targeted investment approach means we have deep knowledge of, and a clear focus on, the sustainability topics that are most material to the software and services sector, namely<sup>3</sup>:

Material Topics	Importance and Impact
<b>Business conduct</b>	<p>Strong governance underpins trust, transparency, and accountability - principles that are essential for long-term business resilience and sustainable growth. It is the foundation for growth, effective risk management, and sound decision-making.</p> <p>Good business conduct refers to the standards and practices that guide how a business and its employees operate. This includes ethical principles, rules and values, defining how employees should conduct themselves professionally and how an organisation interacts with its key stakeholders.</p>
<b>Climate Change</b>	<p>Climate action helps mitigate risks, as well as drive innovation, operational excellence, and market differentiation, ensuring businesses remain viable and aligned with the trajectory of global markets transitioning to net zero. Integrating resource efficiency into operations saves money and strengthens energy security.</p> <p>Businesses are increasingly impacted by physical hazards from extreme weather events and/or climate related transition risks from rapid policy shifts, technology disruption, and changing market dynamics.</p>
<b>Cybersecurity</b>	<p>Today's cyber threats are evolving rapidly. Threat actors powered by artificial intelligence ('AI') make sophisticated attacks easier to execute, more widespread and more likely to succeed, increasing the risk of cyber incidents causing disruptions. Focusing on cybersecurity not only protects businesses but also enhances resilience and long-term value creation,</p>

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<sup>3</sup> Material topics identified as part of Hg's Materiality Assessment

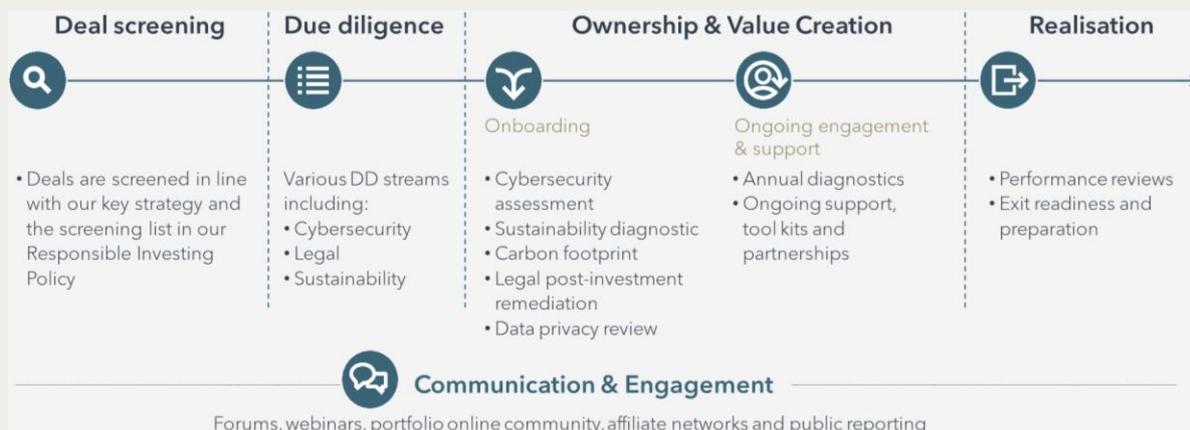
ensuring they remain secure, compliant, and competitive in a rapidly evolving digital landscape.

### Culture & Inclusion

Business success depends on exceptional talent and a strong culture that values diverse perspectives and ways of thinking. Even the best plan depends on the right environment to bring it to life - one where people feel motivated, supported, and inspired to deliver exceptional results. Cultivating a culture enriched by diverse perspectives and cognitive diversity can help encourage different viewpoints and approaches to problem-solving, strengthening decision-making, and sparking innovation.

We strive to apply the same principles across our businesses, no matter their size or location. In a Non-Control Investment scenario, we still seek to use our knowledge and experience to work collaboratively with the majority owner and/ or the portfolio company, recognising that we do not have direct access to the company.

Responsible Investment is embedded across the entire investment cycle from deal screening and due diligence to ownership and realisation:



### Pre-Investment Screening and Due Diligence

Target companies are assessed prior to investment to identify key risks and opportunities, along with any gaps against Hg’s expectations. Hg typically covers the following topics pre-investment:

- Compliance with relevant laws, and adherence to best practice, relating to data protection, sanctions, anti-bribery and corruption, as well as antitrust and employment matters (including discrimination, whistleblowing and health and safety);

- Violations of the OECD Guidelines for Multinational Enterprises<sup>4</sup> and UN Global Compact principles<sup>5</sup>;
- Internal governance, including board composition, internal controls and audit procedures, as well as relevant incident response, whistleblowing and grievance mechanisms;
- Cybersecurity risks and maturity;
- Employee matters such as employee turnover, inclusion and employee engagement;
- Environmental risks such as climate change; and
- sustainability maturity of the majority owner / lead sponsor when relevant (for non-control investments).

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<sup>4</sup> The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct are recommendations addressed by governments to multinational enterprises. They aim to encourage positive contributions enterprises can make to economic, environmental and social progress, and to minimise adverse impacts on matters covered by the Guidelines that may be associated with an enterprise's operations, products and services. For further information see [https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct\\_a0b49990/81f92357-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_a0b49990/81f92357-en.pdf)

<sup>5</sup> The United Nations Global Compact sets ten principles covering human rights, labour, environment and anti-corruption, for further information see <https://unglobalcompact.org/what-is-gc/mission/principles>.

The depth in which these topics are covered during screening and due diligence depends on the access granted from the target business to Hg and whether the investment is a Control Investment or a Non-Control Investment. For Non-Control Investments, when Hg has limited access to management, we likely have to conduct a more high-level due diligence review.

Hg's pre-investment process follows two key steps:

### **Step 1. Screening**

- As a first step when considering potential new investments, the deal team reviews the target company to ensure it is in line with Hg's core investment strategy and focus – software and services businesses that provide critical services that are truly valued by its customers by helping to improve the way they work – and that it does not breach the key principles set out in this Responsible Investment Policy. Our **investment screening criteria** includes areas in which we, as a software and services focused investor, would not invest – this is set out in Appendix 1.
- The **Investment Committee** ('IC') considers any key concerns related to business practices such as:
  - Any risk that the business could cause significant negative social or environmental impacts that are aggravated by or directly linked to the business operations or products.
  - If the business has any vulnerable customer groups or significant exposure to high-risk customers.

### **Step 2. Due Diligence**

- A carefully scoped, **legal review** is conducted by Hg's Legal team in conjunction with external legal advisors tailored to the target company and its level of maturity. This applies to both Control Investments and Non-Control Investments.
- A **compliance review** is conducted by Hg's compliance team. This includes appropriate Know Your Customer (KYC), Anti-money laundering (AML) and Sanctions checks on the target investment and its sellers, completion of a Compliance Checklist ensuring alignment with the legal and LP terms of the appropriate fund as well as an assessment of applicable regulatory notifications or filings e.g. in relation to The Alternative Investment Fund Managers Regulations (AIFMD) or Control regimes.
- Hg's sustainability team conducts **outside-in sustainability reviews** by using two external tools:
  - Controversies and media reporting screening of external sources covering over 100 ESG topics including but not limited to bribery, business conduct, fraud, sustainable business practices, child labour, discrimination, labour relations, human rights, privacy and cybersecurity.

- Climate change risks review assessing the climate change risks of main offices and locations of the target company, including transition and physical risks, as well as biodiversity sensitivity.

If there are any major sustainability related concerns highlighted during the screening, an enhanced sustainability review will be conducted.

- For Control Investments, a comprehensive **cybersecurity due diligence** exercise is conducted by Hg's cybersecurity team in conjunction with external specialists. The cybersecurity due diligence helps to ensure material cybersecurity risks are identified and flagged at an early stage in the diligence process. Findings are fed into the investment decision as a required item within IC briefing materials and is a standing item on the IC agenda, helping to ensure that cyber risks and any investment required to remediate them, are included in the investment thesis. For Non-Control Investments, Hg aims to complete a comprehensive cybersecurity review, though limited management access may mean the initial review is higher-level, with a deeper dive conducted if significant risks are identified.
- In addition, for Control Investments, a further sustainability review, based on our **Risk & Governance checklist**, assesses the state of general business practices including policies, procedures, sustainability initiatives and employee matters. The sustainability review is conducted in conjunction with Hg's Legal DD and is reviewed and signed off by Hg's Chief Sustainability Officer. The results of the review, along with any red flags, is shared with the investment team. An overview of the result of the sustainability review is included in the closing note. If there are any major sustainability related concerns highlighted during this process, an enhanced sustainability review will be conducted.
- For Non-Control Investments, Hg engages with the majority owner or lead sponsor to review the extent of the sponsor's alignment with Hg's requirements, including that there have been no material violations of the OECD Guidelines for Multinational Enterprises and if the sponsor maintains a policy or principles relating to the analysis, prioritisation, monitoring and management of material environmental, social and governance factors.

For new acquisitions, where major gaps against the above standards are identified prior to investment, we will seek to support the business to implement key measures post-investment.

In a Control Investment scenario, we aim to include a standard clause on sustainability in the Hg shareholders agreement to encourage future support and engagement in Hg's sustainability related initiatives.

Hg's approach to considering sustainability risk (i.e. an event that relates to the environment, society or governance, or a 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, along with relevant disclosures under the EU SFDR which can be found on the Hg website or in the relevant Fund documents.

## Ownership and Portfolio Value Creation

For Control Investments, Hg proactively supports portfolio companies to address material sustainability risks on a continuous basis in the following ways:

- **A sustainability assessment**, Hg's Sustainability Diagnostic, focuses on a company's maturity against approximately 100 sustainability metrics, all relating to Hg's Sustainable Business Framework and helps set a baseline and identify opportunities to support the company with improvements. The Sustainability Diagnostic is conducted as part of the onboarding and annually. Please see section 'Hg's Sustainability Diagnostic and Sustainable Business Framework' on page 6 for details.
- **A cybersecurity assessment** is completed post investment and at least annually to assess portfolio companies' cybersecurity postures. If companies are found to have low cyber maturity, the Hg Cybersecurity team supports them to drive improvements to bring them in line with our portfolio standards. Hg's cybersecurity team continues to support the portfolio companies throughout the ownership including through threat intelligence insights and guidance in the event of cyber incident.
- **A legal DD read out call** is conducted, with support from Hg's legal team and external advisers, to agree a plan to remediate any legal and governance issues identified during the legal DD process, including any uplifts required against Hg's minimum policies and procedures and data protection frameworks. Hg's legal team continues to support the portfolio companies throughout the ownership period on various legal matters, including exit planning.
- **A carbon footprint** analysis of each portfolio company is conducted on an annual basis, normally starting within one year of investment. Hg requests that portfolio companies work with an external partner to calculate their footprint. This helps Hg to report our financed emissions to our investors and publicly, as well as enables us to benchmark portfolio companies to identify areas for improvement.

Hg's teams support Control Investment portfolio companies to improve on the above topics throughout the ownership period in a number of ways:

- Sharing templates and tools, such as our Diversity & Inclusion toolkit and Carbon reduction toolkit.
- Collaborating and sending out regular communications including through our online collaboration platform, Hive, which has several communities focused on topics such as sustainability, cybersecurity, legal and data privacy.
- Organising in person events for portfolio companies to share best practices and network.
- Supporting with clearly defined strategic projects to improve performance.

- Sourcing and agreeing compelling commercial terms with external partners, including cyber security partners, legal support, and carbon footprint providers, for portfolio companies to leverage.

For Non-Control Investments, Hg seeks to engage with the lead sponsor or majority owner on topics such as their responsible investment approach and policy, as well as on material sustainability topics. We will request relevant sustainability data from the sponsors on an annual basis.

## Realisation

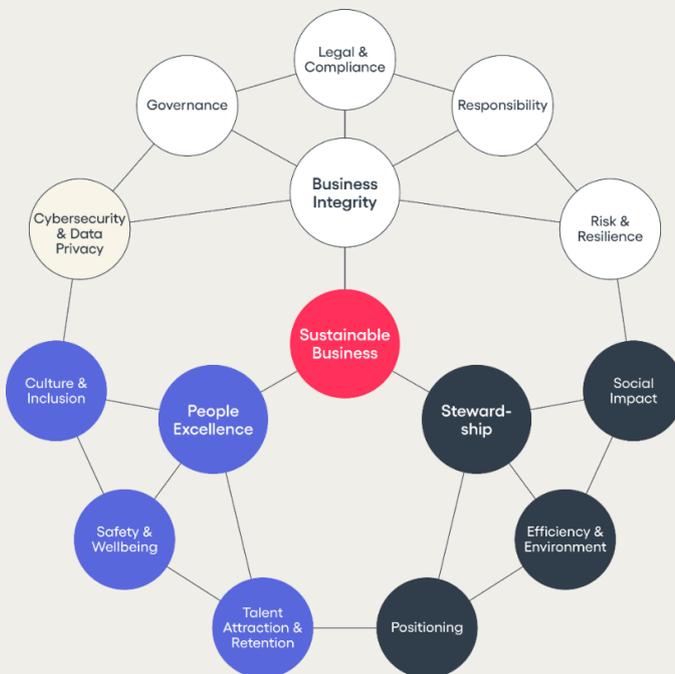
Cybersecurity, legal and sustainability improvement plans are reviewed by portfolio company Boards and may be part of the Realisation Committee discussions, depending on the performance and maturity of the business. Hg teams work with the portfolio company to help them articulate the increased value from improved performance. This may include case studies supported by a selection of key performance indicators.

## Hg’s Sustainability Diagnostic and Sustainable Business Framework

As described above, over the period of our investment, Hg monitors Control Investment portfolio companies’ performance by conducting an annual Sustainability Diagnostics. Companies receive a sustainability maturity score (0-10), with results shared at board level where Hg’s board members have the responsibility to drive engagement on material topics.

The Sustainability Diagnostic is based on Hg’s Sustainable Business Framework (‘Framework’) which was initially implemented in 2018. Please see figure for details.

The Framework covers material sustainability topics for software and services 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 The ESG Data Convergence Initiative<sup>6</sup>, UN Guiding Principles on Business and Human Rights<sup>7</sup>, UN’s Convention against Corruption<sup>8</sup> and the Ten Principles of The UN Global Compact<sup>9</sup>.



The Framework is updated on an annual basis and evolves to adapt to regulatory changes and emerging issues, and to meet the expectations of Hg’s key stakeholders. It is focused on three areas:

<sup>6</sup> The ESG Data Convergence Initiative (EDCI) is a global private market initiative seeking to drive convergence around comparable sustainability metrics. Participating general partners agree to report on a core set of sustainability metrics drawn from existing frameworks and utilising a standardised format. For further information on the EDCI, see <https://www.esgdc.org/>.

<sup>7</sup> The UN Guiding Principles on Business and Human Rights are a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations. For further information, see <https://www.business-humanrights.org/en/big-issues/governing-business-human-rights/un-guiding-principles/>

<sup>8</sup> The United Nation’s Convention against Corruption is a legally binding international treaty against corruption. For more information, see <https://www.unodc.org/corruption/en/uncac/learn-about-uncac.html>

<sup>9</sup> The United Nations Global Compact is a voluntary initiative where CEOs commit to implementing the UNGC’s ten principles covering human rights, labour, environment and anti-corruption, and to supporting the UN Sustainable Development Goals. For further information, see <https://unglobalcompact.org/about>.

## 1) Business Integrity

Implementing fundamental governance practices and processes to support compliance and good business ethics such as:

- 1. Governance:** Hg's 11 minimum policies relating to bribery & corruption, sanctions, harassment, discrimination, inclusion, culture, AI, health & safety, sustainability, cybersecurity and data protection, as well as procedures for whistleblowing, audit and risk.
- 2. Legal & Compliance:** Adherence to applicable legal and regulatory requirements, consideration of legal due diligence items and regulatory preparedness such as in respect of AIFMD and EU CSRD<sup>10</sup>, as well as standards to prevent tax evasion and other malpractice.
- 3. Responsibility:** Implementation of a Board sustainability sponsor. Any current sustainability strategy, sustainability linked loans and sustainability team. Considerations of AI governance and responsible AI.
- 4. Risk & Resilience:** Processes for active risk management and business continuity planning.
- 5. Data and Cybersecurity:** Practices focusing on cybersecurity, appropriate data protection and information security. Hg's Cybersecurity and Data Privacy assessments, which are separate to the Sustainability Diagnostic, assess portfolio companies on an ongoing basis.

This section covers 37 questions and contributes to almost 50% of the total sustainability score for a company.

## 2) People Excellence

Promoting a safe and inclusive work environment where employees feel engaged including through:

- 1. Culture and Inclusion:** Clear mission, purpose, and values. Supporting equal opportunities and inclusion irrespective of ethnicity, gender, disability or social background.
- 2. Safety & Wellbeing:** Promoting workplace safety, whistleblowing measures, parental policies, mental health measures, sufficient health & safety standards, and workplace conditions.
- 3. Talent Attraction and Retention:** Promoting job growth, development opportunities and recognition. Assessing staff turnover, employee engagement, and employee communications.

This section covers 27 questions and contributes to c. 30% of the total sustainability score for a company.

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<sup>10</sup> Directive (EU) 2022/2464 as regards corporate sustainability reporting ('EU CSRD')

### 3) Stewardship

Having a positive impact on society, as well as being mindful of resources by minimising material and energy waste throughout operations, such as:

1. **Social impact:** Supporting communities through apprenticeships, charitable giving and volunteering.
2. **Efficiency & Environment:** Considering climate change impacts, carbon reduction, data centres, and e-waste.
3. **Positioning:** Monitoring customer satisfaction and protection of external stakeholders such as customers, communities and suppliers. Communication of sustainability commitments and progress, including external reporting and communications.

This section covers 25 questions and contributes to c. 20% of the total sustainability score for a company.

## Transparency and External Collaboration

To provide transparency on our sustainability activities and honour our commitment to the UNPRI, we engage with key stakeholders on relevant topics in the following ways:

- We are dedicated to transparency and engage with our employees, clients, regulators, portfolio companies and other key stakeholders on an ongoing basis to provide clarity around our actions and commitments relating to sustainability. We publish an annual sustainability report and TCFD<sup>11</sup> report which is shared publicly on our website, as well as fund-level sustainability reports which are shared with our clients via our investor portal.
- We recognise that we are not alone in our sustainability journey. We support a more sustainable PE industry by participating in external collaborations and affiliate networks, such as through the UNPRI, UK Private Capital (formerly BVCA)<sup>12</sup>, ILPA<sup>13</sup>, Invest Europe<sup>14</sup> and iCI<sup>15</sup>. While we set our own sustainability strategy and targets, we collaborate with others to share best practice with the aim of making processes more efficient and sustainable. This engagement is voluntary, and we respect competition law and other applicable regulations.
- We occasionally engage in political policy consultations through our participation in collaborative groups and affiliate networks. Our Chief Sustainability Officer, Audit & Risk Committee and/or Marketing team oversee these activities to make sure they are aligned with our position on responsible investment.
- In addition, to adhere to its obligations as an FCA authorised entity and as an “Alternative Investment Fund Manager”, Hg places the highest value on professional integrity and fair dealing and is committed to managing conflicts of interest between its investors / the investment funds and other investment vehicles it manages, and between these investors / investment funds and vehicles and itself, fairly, openly and transparently. Appropriate governance processes, including relevant Conflicts of Interest Policies and Procedures have been set up to reflect this commitment.
- As a private equity firm, Hg does not engage in proxy voting.

Any concerns related to our own sustainability commitments, activities and stakeholder engagements, or that of the portfolio, will be escalated to Hg’s Sustainability Steering Group and/or Audit & Risk Committee (ARC) as relevant.

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<sup>11</sup> For further information about International Financial Reporting Standards (ISSB) and (Taskforce on Climate-Related Financial Disclosures) TCFD see <https://www.ifrs.org/sustainability/tcfd/>

<sup>12</sup> UK Private Capital (formerly BVCA) is the industry body and public policy advocate for the private equity and venture capital industry in the UK. For further information, see <https://www.ukprivatecapital.co.uk/about-us.html>.

<sup>13</sup> The Institutional Limited Partners Association is a member-driven organisation with a global network focusing on events, education, guidance and resources. For further information, see <https://ilpa.org/about-ilpa/>.

<sup>14</sup> Invest Europe is an industry association of private capital providers. Members can benefit from industry events, updates and research. For further information, see <https://www.investeurope.eu/about-us/>.

<sup>15</sup> Initiative Climat International (iCI) is a global community of private markets investors seeking to improve understanding and management of the risks associated with climate change. For further information, see <https://collaborate.unpri.org/group/761/about>.

## Implementation and Governance of this Policy

Hg is committed to investing time and resources to support the implementation of our RI commitments by:

- Upholding high standards of business conduct by requiring staff to abide by Hg’s Guidelines for Business Conduct and Ethics, as well as our Anti-Corruption Policy. Furthermore, Hg’s core set of “Values” guides our way of thinking, behaving, and conducting ourselves<sup>16</sup>.
- Offering Hg Staff training and tools to support their understanding of the content of this Policy and helping them to identify and manage material sustainability related risks and opportunities within their jobs.
- Using a combination of investment professional experience, internal expertise and external advisor input to support the implementation of our RI approach. This may include obtaining advice from external commercial, legal, technical and sustainability advisors where appropriate.
- Reporting at least annually on the implementation of this Policy and the sustainability activities of Hg and our portfolio companies.
- Monitoring and reviewing our approach to sustainability, including Hg’s Sustainable Business framework, at least on an annual basis to account for potential new material sustainability topics and reflect any emerging concerns of our key stakeholders.
- Implement and maintain internal programmes to demonstrate our own commitment and strive to establish best practice standards for our portfolio companies, including through:
  - A comprehensive, layered cybersecurity programme aligned with recognised frameworks.
  - Initiatives that foster a diverse and inclusive workplace where employees feel welcomed and motivated. We strive to develop a diverse talent pool and to provide development opportunities for Hg staff to perform at their best.
  - Charitable giving and volunteering initiatives to have a positive impact on society and give back to our communities. Hg donates part of our profits and carry to charitable causes through The Hg Foundation<sup>17</sup> and other charitable activities.

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<sup>16</sup> 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.)

<sup>17</sup> For more details on the Hg Foundation see <https://www.thehgfoundation.com>

- Measure and offset our firm-level carbon emissions annually whilst pursuing our commitment to achieve carbon reductions across both our firm operations and portfolio<sup>18</sup>.

## Oversight Structure

Hg's sustainability governance framework enables sustainability topics to be embedded across teams and investment processes, with clear responsibilities assigned to the Board, committees, and appropriate individual personnel. Oversight is provided through the following structures and responsibilities:

- **Hg Board:** Accountable for sustainability-related risk and opportunity management. The Board signs off on Hg's Responsible Investment and Sustainability policies, as well as major external disclosures. Steven Batchelor, Managing Partner and co-CEO, acts as Hg's Board sponsor for sustainability.
- **Audit & Risk Committee (ARC):** Coordinated by Hg's Head of Compliance and Risk and chaired by the Deputy Chairman of Hg, ARC oversees risk management, including climate change, cybersecurity, and governance matters.
- **Culture Committee:** A cross-team committee, led by Hg's General Counsel, reporting directly to the Board, meeting on a regular basis to discuss firm-level culture.
- **Senior Leadership Team (SLT):** Cross-function individuals, serving as a strategic forum for cross-platform alignment, information sharing, and recommendations on firm-wide initiatives, including those related to material sustainability topics.
- **Investment team:** Oversees implementation of the Responsible Investment Policy across the investment process and has the responsibility to make sure material sustainability topics are covered at Board level across Hg's portfolio.
- **Chief Sustainability Officer (CSO):** Leads sustainability strategy and integration across Hg's functions and portfolio. Reports to the Head of Client Services with ongoing updates to the Sustainability Board Sponsor.

## Incident reporting

Hg employees must notify the Chief Sustainability Officer as soon as possible if they believe or suspect that a conflict with this Policy has occurred or may occur in the future.

Control Investment portfolio companies are expected to report material sustainability incidents to Hg in line with our incident reporting guidelines, which includes guidance on

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<sup>18</sup> Hg's carbon reduction targets are under review in 2026 in line with the requirements of the Science Based Targets initiative (SBTi). For more information, see our TCFD report which is published on our website: <https://hgcapital.com/approach/responsible-investing>.

materiality, as well as reporting obligations. Hg will support portfolio companies appropriately and communicate any material sustainability incidents to our clients in line with our investor reporting guidelines and subject to applicable confidentiality, legal, regulatory and other restrictions.

For Non-Control Investments, Hg will request the majority owner or lead sponsor to notify us of any material sustainability incidents at the underlying portfolio company level.

## Policy Background

This Policy has been in effect since October 2012.

**Policy Sponsors:** Steven Batchelor (Managing Partner, co-CEO and Board member)

**Policy Supervision:** HgCapital LLP Board. This Policy is reviewed and updated annually and was last reviewed and signed off by the HgCapital LLP Board in February 2026.

*Please note that this Policy is not a marketing document and is provided for information purposes only. The act of selecting and evaluating material sustainability matters is subjective by nature, and there is no guarantee that the criteria utilized, or judgment exercised by Hg will reflect the views, internal policies, or preferred practices of any particular investor or other asset manager or reflect market trends. The sustainability goals, commitments, incentives and initiatives outlined in this report reflect current thinking, are subject to change, are purely voluntary and, are not binding on Hg's investment decisions and/or Hg's management of investments, and are subject to Hg's fiduciary or similar duties and applicable legal, regulatory, and contractual requirements. Any measures implemented in respect of such sustainability goals, commitments, incentives or initiatives may not be immediately applicable to the investments of any funds managed by Hg, and Hg may determine in its discretion, taking into account any applicable contractual commitments or regulatory requirements, that it is not feasible or practical to implement or complete certain of its sustainability goals, commitments, incentives and initiatives based on cost, timing, or other considerations. Any sustainability-related initiatives or frameworks to which Hg is or becomes a signatory, member, or supporter of may not align with the approach used by other asset managers (or preferred by prospective investors) or with future market trends. There is no guarantee that Hg will remain a signatory, supporter, or member of or continue to report at the intended cadence or at all under or in alignment with such initiatives or other similar industry frameworks.*

## Appendix: Hg's Investment Screening List

Hg's investment strategy is to focus on business-to-business software and services investments. As such, Hg Funds would **not** invest in companies that, in the opinion of Hg's Investment Committee:

- Use harmful or exploitative forms of forced labour or child labour, violates human rights or are exploitative of vulnerable customer groups.
- Manufacture, distribute or sell technologies that contravene fundamental human rights. Are the subject of sanctions restrictions or are involved in money laundering, terrorist financing, bribery and corruption or sanctions violations.
- Companies whose primary business is manufacturing, storage, distribution, or sale of weapons, munitions, or weapons systems, including controversial weapons (nuclear, anti-personnel mines, cluster munitions, chemical, biological weapons, or armaments prohibited under international conventions), or kinetic warfare systems designed to inflict direct physical harm.
- Manufacture, distribute or sell pornography, adult entertainment or gambling operations and equipment or are involved with the activity of prostitution.
- Manufacture, warehouse, distribute or sell substances such as tobacco, e-cigarettes, other nicotine or tobacco-connected products, alcohol, cannabis and narcotics.
- Are principally and directly engaged in regulated medical or scientific activities involving human cloning, the creation or production of genetically modified organisms, or animal testing. (Not including businesses that only produce or sell enabling technology or products for such activities).
- Are involved with products and activities that are illegal as per applicable local laws or 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.
- Are principally engaged in the extraction of geological materials or natural resources, the processing of such materials or in nuclear energy production.
- Cause material environmental law violations or material environmental harm and there is no credible or known pathway to mitigate or remediate such harm, which may include (depending on the materiality and proportionality to the company and issue) loss of biodiversity or habitat, land/water/air pollution, waste incidents, climate change-related risks, significant activity connected to non-renewable or scarce natural resources, or harm to animals through practices like fur production or animal testing.