Livingbridge Responsible Investment (RI) Policy

I. Introduction

I.A. Why has this policy been developed?

Livingbridge ("the Firm") is a mid-market private equity firm. The Firm invests primarily in businesses in four sectors: (i) technology, (ii) services, (iii) healthcare and education, and (iv) consumer. The Firm has a strong track record of being a responsible investor and believes it is important to formalise its commitment to Responsible Investment and Stewardship. This Responsible Investment Policy should be read in conjunction with the Firm's Stewardship Policy.

I.B. What does Responsible Investment mean to the Firm?

As an institutional investor, the Firm has a duty to act in the best long-term interests of its client funds.

In this fiduciary role, the Firm believes that environmental, social, and corporate governance (ESG) factors can, to varying degrees across companies, sectors, regions, asset classes and timeframes, impact the financial performance of its funds.

The Firm seeks to work collaboratively with the management teams of the companies it backs to build best-in-class businesses that command a premium valuation on exit. These "best-in-class" businesses have a range of common characteristics, including a recognition that sustainable success depends on an ability to take into account and addresses the ESG risks and opportunities relating to the business.

Responsible Investment is therefore the Firm's continuous commitment to incorporate ESG factors into its investment decisions and processes and its work alongside each of the businesses within the portfolio to set and refine their business strategies and processes to grow and create shareholder value sustainably.

I.C. What are the Firm's Responsible Investment objectives?

The Firm recognises that each of its portfolio companies has a different value creation strategy, with a unique set of ESG risks, challenges and opportunities that go alongside that.

Accordingly, the Firm is very selective about how it leverages the scope and scale of its portfolio to achieve certain ESG objectives and believes its primary responsibility is to support each company to achieve the objectives it has set for itself. The Firm does this by having consistent and clear policies with regard to:

1. the ESG factors it takes into account when making investment decisions. This ensures that the prospective investee company's values, activities and ESG ambitions align with those of the Firm;
2. how it can help each portfolio company to mitigate risk and / or exploit opportunities to strengthen returns;
3. how it can engage with each portfolio company to help them achieve their ESG objectives and further their own (as well as the Firm's) ESG priorities; and
4. how the Firm can satisfy monitoring and reporting requirements to its investors.

I.D. Is this policy aligned to external frameworks?

The Firm is a signatory of the UN Principles for Responsible Investment (UN PRI) and regards it as a valuable source of industry best practice alongside the Sustainability Accounting Standards Board (SASB), UN Guiding Principles on Human Rights, UN's Sustainable Development Goals (UN SDGs), Initiative Climat International (iCI), Science Based Targets initiative (SBTi) and ILPA's ESG Data Convergence Initiative (EDCI). The Firm operates in line with the requirements of the UN PRI as by implementing these Principles it believes it will achieve better outcomes for its investors, as well as closer alignment with its own Responsible Investment objectives.

The six Principles are as follows:

1. Incorporating ESG issues into investment analysis and decision-making processes;
2. Being active investment partners and incorporating ESG issues into partnership policies and practices;
3. Seeking appropriate disclosure on ESG issues by the entities into which investments are made;
4. Promoting acceptance and implementation of the Principles within the investment industry;
5. Working together to enhance effectiveness in implementing the Principles; and
6. Reporting on activities and progress towards implementing the Principles.

I.E. Scope

This Policy is reviewed and updated, if necessary, on at least an annual basis by the Livingbridge Partnership Board. All staff are required to adhere to it, and it applies to the Firm's investment activities in respect of new investments and its existing portfolio.

Additionally, all staff are required to confirm that they have read and understand the policy and agree to adhere to and implement it in the performance of their roles and responsibilities. Staff are trained on how to interpret and implement the policy as part of the in-house training program and in-house experts are able to provide guidance on a case-by-case basis.

II. Responsible Investment Approach

II.A. Pre-Investment

Prior to investment, all potential targets are screened in order to identify key ESG risks and opportunities. While this preliminary screening is more general, due diligence is tailored to each potential target. Further detail on each stage of this process is set out below.

II.B. Screening

All potential targets are screened using the Firm's proprietary ESG Screening Tool ("the screening tool"). The investment teams are required to complete the screening tool for each potential target. The screening tool includes a negative screening section that incorporates all restricted investments (as per the Firm's Restricted Investments List – refer to section IV.C.) and uses the Sustainability Accounting Standards Board's (SASB) Sectoral Materiality Finder as a framework to identify material ESG topics and investments that are deemed unsuitable based on sector, geography, and operational concerns. Any red flags identified here are raised with the Investment Committee for further consideration.

Red flags which require Investment Committee consideration include (but are not limited to):

Sector flags

- Tobacco / alcohol
- Illegal drugs / cannabis
- Gambling / pornography
- Nuclear weapons
- Thermal coal & oil sands

Operational considerations

- Greenhouse gas emissions
- Use of scarce resources
- Waste generation
- Emissions / effluent discharge
- Risks to human health and wellbeing

- Nuclear Energy
- Hydrocarbons
- Natural resources extraction
- Risks to health and wellbeing of animals
- Socio-economic impacts on local communities
- Risks of ethical violations

Geographic considerations

- Protected natural sites (i.e. the Arctic)
- Territories with heightened risk of human rights violations
- Territories which are subject to international sanctions

The second stage of the screening tool assesses the climate-related risks and opportunities associated with a potential target while the third stage assesses sector-specific risks and opportunities. The screening tool generates an ESG performance score of low, medium, or high risk to provide an overall assessment of the target's ESG risk profile and maturity.

These findings are fed into the initial Investment Appraisal paper and reviewed / discussed by the Investment Committee to inform the scope of further ESG due diligence required and the impact of ESG factors on the investment case.

At a minimum the screening tool guides the investment team to consider the key focus areas:

- Greenhouse gas emissions and energy management
- Human and labour rights
- Employee engagement
- Diversity and Inclusion
- Physical Impacts of Climate Change
- Data privacy and Cyber security
- Business ethics

II.C. Cyber, Risk, Environmental, Social & Stewardship (CRESS) Assessment

Following the Investment Committee's initial Investment Appraisal, the Firm undertakes an internal pre-investment CRESS assessment to highlight any material cyber, legal, regulatory or ESG risks or issues that need to be addressed by the investment team as part of their evaluation of the investment opportunity.

II.D. Due Diligence

Identified issues and gaps from the CRESS assessment, in conjunction with the results from the ESG Screening Tool, are fed into the scopes of the applicable external due diligence exercises (such as the legal, regulatory, cyber, insurance and ESG due diligence).

As part of due diligence, in-house assessments are reviewed by external due diligence providers to corroborate the risks identified, review these in more detail, identify any other risks and / or opportunities not captured internally, and advise on how to manage and / or capitalise on them.

Furthermore, as part of the Firm's portfolio-wide science-based targets (SBTs) commitment, the Firm will also assess potential OPEX and CAPEX implications of setting SBTs and implementing decarbonisation plans for new targets.

The outcome of any due diligence is reviewed and discussed by the Investment Committee ahead of the transaction receiving final approval.

II.E. Post-Investment

The Firm requires new portfolio companies to maintain high standards of adherence and compliance with relevant laws and regulations. Post-completion, an external ESG consultant works with the board of each portfolio company to perform an ESG "health check" within the first 100 days of investment (and every two years thereafter) to assess the company's ESG maturity, address any issues identified during due diligence, identify ESG priorities, KPIs and targets, and ensure high overall standards of corporate and social responsibility.

Furthermore, as part of the Firm's portfolio-wide science-based targets commitment, the Firm will support new portfolio companies to measure their carbon footprint, develop decarbonisation plans, and set validated science-based targets within two years of its investment.

III. Transparency, Disclosure, Reporting

The Firm is committed to continuously improving its ESG-related disclosures and communications to investors, portfolio companies, and staff.

III.A. Monitoring

Appropriate KPIs are identified following completion and are then tracked as part of the Firm's ongoing portfolio company monitoring. As each company is at a different stage of ESG growth, the Firm considers what is appropriate on an individual basis. ESG KPIs are reported and tracked through an online platform on an annual basis.

Annual CRESS assessments are also a key component of the Firm's ongoing portfolio monitoring. These assessments support portfolio companies implement the fundamentals of good governance and risk management and identify and manage material ESG risks and opportunities during the Firm's ownership. CRESS assessments highlight any material cyber, legal, regulatory or ESG risks or issues and bring them to the attention of the relevant investment team members so that they can be raised at board level and addressed.

The investment teams are supported internally by the Legal & Compliance and ESG Teams, who can also recommend specialist advisers where required.

III.B. Reporting

The Firm commits to providing its investors and key stakeholders with reliable, relevant information on ESG developments across the portfolio on a regular basis. The Firm complies with its disclosure obligations as a UN PRI signatory and is developing its own reporting in line with best practices in the sector and internationally. The Firm includes highlights from portfolio companies' KPIs and other monitoring activities as part of investor reports. The Firm also publishes an annual Responsible Investment Report on its website, including updates and progress towards its ESG objectives and targets.

III.C. Sustainability Outcomes

The Firm uses the UN Sustainable Development Goals (UN SDGs) as a framework to help identify the specific sustainability outcomes that it believes are relevant to all portfolio companies, and against which, meaningful objectives and actions can be set. These include:

Planet – the Firm is a supporter of the 2015 Paris Agreement and has begun to support and educate its portfolio companies on how climate change poses both risks and opportunities to their businesses. As part of its commitment to protect the planet, the Firm has also set science-based targets at both the GP and portfolio company-level.

Diversity – the Firm believes diversity is essential to success and works with its portfolio companies to help them obtain the right tools and processes to attract and retain diverse talent.

Education – the Firm believes that access to education and continuous learning unlocks opportunities and reduces inequalities.

Wellbeing – the Firm believes in creating a workplace that supports personal fulfilment and wellbeing. The Firm works with portfolio companies to help them understand and support their own workforce.

IV. Oversight and Governance

IV.A. ESG responsibilities

Ultimate oversight and accountability for Responsible Investment and Stewardship, as with all governance matters, lies with the Livingbridge Partnership Board. Implementation of Responsible Investment and Stewardship is managed on day-to-day by the investment team. The investment team incorporates the Firm's Responsible Investment approach at every step of the investment process. Investment directors of each portfolio company (with reference to the relevant Investment Committee) ensure that the portfolio operates within the Firm's Responsible Investment and Stewardship framework.

IV.B. Policy governance

The Livingbridge Partnership Board is responsible for this policy. The Firm reviews and updates its Responsible Investment approach regularly, at least once per year, to ensure that it meets its Responsible Investment objectives.

IV.C. Restricted Investments List

The Firm generally seeks not to invest in companies which principally operate in the following sectors or activities:

A. Tobacco;
B. Distilled alcoholic beverages and related products;
C. Any illegal economic activity under law or regulations;
D. Financing of casinos or equivalent enterprises;

E. Gambling or gambling related products (including internet gambling or online casinos);
F. Human cloning;
G. Pornographic products;
H. Arms or munitions;
I. Genetically modified organisms;
J. Prostitution or procuring of prostitutes or similar enterprises;
K. Direct real estate investments;
L. Financing of research, development or technical applications relating to electronic data programs or solutions for the principle purpose of (a) to support the activities of A. to H. above, or (b) to enable the illegal entry into electronic data networks or downloading of electronic data;
M. Coal, oil and gas or other natural resource investments (other than an entity that provides services or consulting to a company in the oil or gas and other natural resources sectors)