

# Livingbridge Responsible Investment (RI) Policy

## I. Introduction

### **I.A. Why has this policy been developed?**

We (Livingbridge) are a mid-market private equity firm. We primarily invest in businesses in four sectors: (i) technology, (ii) services, (iii) healthcare and education, and (iv) consumer. We have a strong track record of being responsible investors and believe it is important to formalise our commitment to Responsible Investment and Stewardship.

### **I.B. What does Responsible Investment mean to Livingbridge?**

We have a fiduciary duty to maximise our clients' financial returns from their investments in our fund products. We seek to fulfil this duty through investing in businesses which are, or have the capacity to be, market-leading businesses which command a premium valuation on exit. We believe that achieving market-leading status requires a business to focus on sustainable and responsible growth which addresses environmental, social, and governance (ESG) risks and opportunities relating to the business. Responsible Investment is therefore our continuous commitment to incorporating ESG factors into our investment decisions and processes and we work alongside each of the businesses within our portfolio to set and refine their business strategies and processes to grow and create shareholder value sustainably.

### **I.C. What are Livingbridge's Responsible Investment objectives?**

Each of our portfolio companies is at a different stage of its ESG journey and has different ESG priorities and ambitions so we believe it is our primary responsibility to support them on an individual basis. We do this through having consistent and clear policies with regard to (i) the ESG factors we take into account when making investment decisions, (ii) how we help each portfolio company to mitigate risk and/or exploit opportunities to strengthen returns, (iii) how we engage with our portfolio companies to help them achieve their ESG objectives and further our ESG priorities, and (iv) how we satisfy our monitoring and reporting requirements to our investors.

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

We are signatories to the UN Principles for Responsible Investment (UN PRI) and see 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) and ILPA's ESG Data Convergence Initiative. We operate in line with the requirements of the UN PRI as we believe that by implementing these Principles we will achieve better outcomes for our investors, as well as closer alignment between our 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 has been reviewed and approved by the Livingbridge Partnership Board. All staff are required to adhere to it, and it applies to our investment activities in respect of new investments and our 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

### **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, the new investment due diligence process is tailored to each potential target. Further detail on each stage of this process is set out below.

### **II.B. Negative screening**

The investment team are required to complete a proprietary ESG Screening Tool for each potential target. This incorporates negative screening criteria to identify investments which are deemed unsuitable based on sector, geography, and operational concerns. Any red flags identified here are raised with the Investment Committee for further consideration. A list of Livingbridge's restricted investments is included as an appendix to this policy.

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 Sand
- Nuclear energy
- Hydrocarbons
- Natural resources extraction

#### **Operational considerations**

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

### **II.C. Further ESG review**

The second stage of the ESG Screening Tool identifies areas of climate-related risk and the third stage of the Screening Tool focuses on sector-specific risks. The Screening Tool helps to scope further ESG and climate change due diligence. Potential investments are assigned a rating: a green rating identifies that a potential target is more advanced on its ESG journey, whereas a red rating highlights areas of risk that will be raised with the Investment Committee for further consideration.

At a minimum the ESG 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.D. Due Diligence**

Following initial appraisal by the Investment Committee, ESG due diligence is undertaken by an external provider. The form and scope of this diligence is tailored to each potential investment and informed by the results of the Screening Tool and the Compliance, Risk Environmental, Social and Stewardship (CRESS) assessment. The Legal & Compliance team, together with the relevant members of the deal team, undertake the CRESS assessment to understand, amongst other things, the extent of any inherent or potential ESG risks (such as human rights, climate, cyber security, sanctions and bribery and corruption) present within the target group as results of its current set up, the nature of the business it undertakes and/or the geographies in which it operates.

ESG must be addressed in the paper which is presented to Investment Committee ahead of a transaction receiving final approval. Any material ESG risks will be raised and discussed with Investment Committee.

## **II.E. Post-Investment**

We require 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 to assess the company's approach to ESG, tackle any issues identified during due diligence, develop ESG KPIs and ensure high standards of corporate and social responsibility. We expect all of our portfolio companies to uphold Livingbridge's high standard of responsible stewardship and approach to sustainability in business.

## **III. Transparency, Disclosure, Reporting**

We are committed to continuously improving our ESG-related disclosures and communications to our investors, portfolio companies, and staff.

### **III.A. Monitoring**

Appropriate KPIs are identified following completion of a deal and are then tracked as part of our ongoing portfolio company monitoring. As each company is at a different stage of ESG growth, we consider what is appropriate on an individual basis. ESG KPIs are reported and tracked through a collaboration platform dashboard on an annual basis.

The annual CRESS assessments are also a key component of our portfolio monitoring. The assessments bring any issues to the attention of the relevant investment team members so that they can be raised at board level and addressed. The CRESS assessments cover key topics around human rights such as equal pay reporting, minimum wage and encouraging each company to have a minimum set of standard policies in place (whistleblowing policy, modern slavery statements, health and safety etc).

The investment team are supported internally at Livingbridge on this by the Legal & Compliance Team and by our Head of ESG, who can also recommend specialist advisers where required.

### **III.B. Reporting**

We commit to providing our investors and key stakeholders with reliable, relevant information on ESG developments across our portfolio on a regular basis. We comply with our disclosure

obligations as a UN PRI signatory and are developing our own reporting in line with best practices in our sector and internationally. We will include highlights from our portfolio companies' KPIs and other monitoring activities as part of our investor reports.

### **III.C. Sustainability Outcomes**

Livingbridge used the UN Sustainable Development Goals (UN SDGs) to help identify the specific sustainability outcomes that Livingbridge believe are relevant to all portfolio companies and against which meaningful objectives and actions can be set. These include:

**Planet** – Livingbridge is a supporter of the Paris Agreement to limit global warming to well-below 2 °C, and in pursuit of 1.5°C. Livingbridge has begun to support and educate the portfolio companies on how climate change poses both risks and opportunities to their businesses.

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

**Education** – Livingbridge believes that access to education and continuous learning unlocks opportunities and reduces inequalities.

**Wellbeing** – Livingbridge believes in creating a workplace that supports personal fulfilment and wellbeing. Livingbridge works with the portfolio 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 day-to-day by the investment team. The investment team incorporates our approach to Responsible Investment at every step of the new investment process. The investor directors of each portfolio company (with reference to the relevant Investment Committee) ensure that our portfolio operates within our Responsible Investment and Stewardship framework.

#### **IV.B. Policy governance**

The Livingbridge Partnership Board is responsible for this policy. We review and update our Responsible Investment approach regularly, at least once per year, to ensure that we are meeting our responsibilities.

#### **IV.C. Restricted Investments List**

We do not 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. 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)