

Responsible Investment Policy



Introduction

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 and provide 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 the 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 responsible business standards.

Hg has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) Initiative since 2012 and UNPRI's six principles, along with other relevant international standards, have been considered when developing this policy. The purpose of this Policy is to set out Hg's approach to the identification and management of RI-related risks and opportunities throughout our investment activities, including the management of our investee companies.

Our approach to Responsible Investment

RI is embedded across the entire investment cycle from deal screening and due diligence to ownership and exit. Hg proactively works with our existing portfolio companies to address material ESG factors and to achieve the standards set out herein.

Pre-investment

An ESG due diligence covering Hg's minimum ESG standards is embedded into our legal due diligence process and further ESG screening is conducted depending on inherent ESG risks as follows:

- When considering potential new investments, we screen them against our exclusion list, which outlines the sectors, businesses and activities in which we will not invest. See Appendix 1.
- An ESG red flag report identifies high-level concerns arising from sectors, geographies and preliminary diligence results. Any red flags are carefully considered prior to investment.
- All companies are assessed to identify key opportunities, along with any gaps against Hg's minimum standards:
 - Compliance with relevant laws in relation to environmental, social, governance, health and safety, bribery and corruption.
 - Relevant policies, including antibribery 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 appropriate board composition, internal controls and audit and remuneration committees.
 - Relevant grievance and whistleblowing procedures.
 - Hg's minimum cybersecurity standard.
 - Performance management, diversity and talent attraction and retention.

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

Additional more in-depth ESG DD is conducted when required based on the inherent ESG risk of the company.

Ownership

Hg takes an active approach towards managing ESG across our portfolio. We support and stretch investee companies in improving their Responsible Business performance on a continuous basis in the following ways:

- ESG is an integral part of the onboarding process post acquisition and includes assessing maturity against Hg's Responsible Business framework, setting a baseline and supporting the company in developing an appropriate action plan with agreed targets and timetables.
- Over the period of our investment, Hg will monitor investee companies' performance against our Responsible Business framework on an on-going basis, including adherence to agreed action plans.
- Hg sends out regular ESG related communications and organises ESG related face-to-face events for portfolio companies to share best practice, network and get support.

Realisation

- Upon realisation, 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 employees 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 employees and 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. Each year we donate 1% of our total profits to charitable causes.
- These commitments form part of Hg's core set of "Values," which is our way of thinking, behaving, and conducting ourselves **1**.

¹ Hg's Values are: *Grow* (invested in clients and each other), *Together* (Win and lose as a team), *Know-how* (Build and share insight) and *Stretch* (Restless to improve performance)

Responsible Business Framework

Hg's approach to responsible investment is outlined in our Responsible Business framework. The framework highlights key ESG areas for our businesses, along with support provided by Hg. Prospect and existing companies are assessed against the framework, which is focused on three areas; Essentials, Employees and Society.

Essentials

There are certain minimum ESG requirements that Hg expects from all our businesses:

1. **Governance and Business Integrity**, such as code of conduct, appropriate controls, board composition and appropriate health & safety and grievance procedures.
2. **Risk and Compliance**, including compliance with all laws and regulations, active risk management, as well as standards and policies to combat bribery, corruption, money laundering and other malpractice.
3. **Data and Cybersecurity**, which includes Hg's minimum standards for cybersecurity along with appropriate information protection practices and GDPR compliance.

Employees

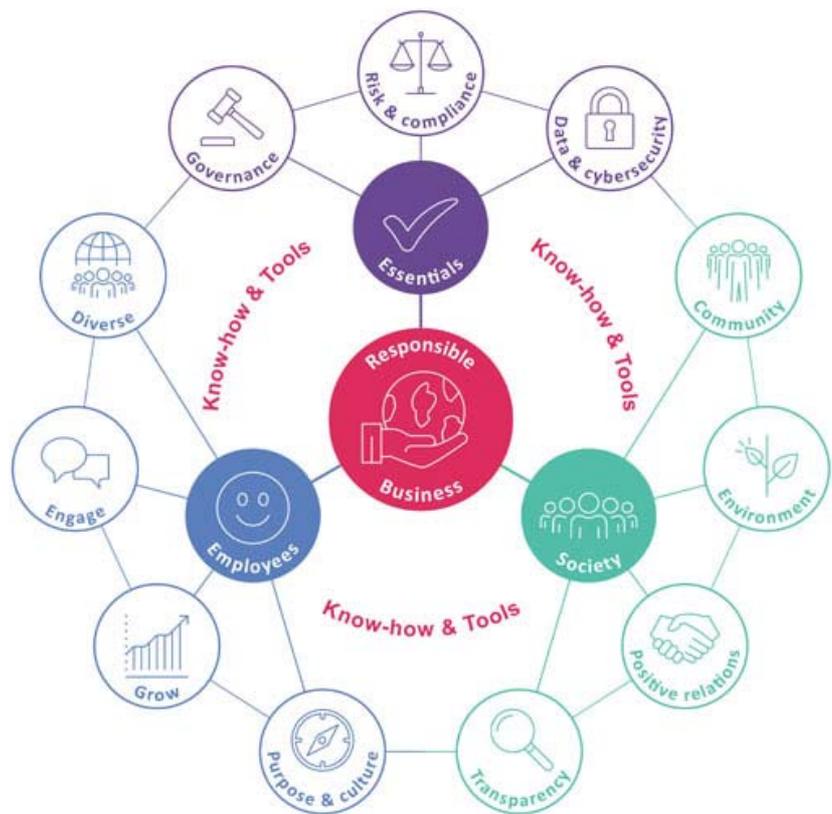
One of the most important assets of our businesses are the employees. A diverse workplace with engaged and motivated employees is vital for growth and business success. We look at employees from four aspects:

1. **Diversity** of talent, equal opportunities and inclusion irrespective of ethnicity, gender, disability and background.
2. **Engage and motivate** employees by promoting transparent communications, health and wellbeing, learning opportunities, recognition and good leadership.
3. **Grow** businesses and talent, including job growth, healthy staff turnover, talent management and succession planning.
4. **Purpose and culture**, including an engaging mission, purpose, values, norms and behaviours.

Society

We want all our businesses to strive to make a positive impact by acting in transparency and contributing to society through their business' practices, charitable support and positive relations with key stakeholder. Our businesses contribute to wider society in a number of ways:

1. **Community** engagement including apprenticeships, charitable giving and volunteering.



2. **Environmental** impact. Due to the nature of our businesses the majority of them have minimal impact on the environment and low direct carbon footprints. We encourage our businesses to consider how they can improve their energy use and waste management, as well as reduce business travel.
3. **Positive relationships** with key external stakeholders such as customers, communities and suppliers. This includes customer satisfaction, supply chain management and responsible pricing and sales.
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 our employees with sufficient knowledge, training and tools to ensure that they fully understand the Policy and can effectively identify and manage RI-related risks and opportunities within their investment activities. Training on RI-related issues is provided to all Hg employees as part of broader training on Hg's investment values, techniques, and processes.
- 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 environmental advisors as part of the diligence process on investments 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 as any material RI issues arise.
- Reporting at least annually to investors on the implementation of the Policy and the ESG activities of our portfolio companies.
- The Operations Committee will review this policy on an annual basis.

This Policy has been in effect since October 2012.

Policy Sponsors:	Steven Batchelor (COO and Head of Client Services) Amanda Good (Head of Operations Innovation) Andrew Land (Head of the Services Investment team and the Realisation Committee)
Policy Supervision:	Operations Committee
Date of last review:	March 2018
Date of Next Review:	March 2019

Appendix 1: Hg's exclusion list

Hg does 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 engages in any **illegal activities** as per applicable local laws.
3. Manufacture, distributes or sells **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 and endangered or protected wildlife or wildlife products.
6. Are principally engaged in the manufacturing of or trading in **tobacco**.
7. Are involved in the supply or purchase of **sanctioned products**, goods to or from countries or regions covered by United Nations sanctions.
8. Are, in the opinion of Hg's Investment Committee, **exploitative of vulnerable groups** in society.