

Taking Responsibility

ESG, Sustainability and D&I Report 2020



At NorthEdge we take our responsibilities seriously – as both employers and investors. We work to build better businesses, that are sustainable and diverse. We do it because it's the right thing to do, and because we know it makes businesses more valuable for all stakeholders.



Foreword

Sustainability is a key pillar of value creation - for us as responsible employers and investors, for our portfolio, and for our stakeholders.

Since our inception in 2012 we have embraced Environmental, Social and Corporate Governance ("ESG"). It has evolved to become a fundamental component of our investment thesis, investment process and portfolio management approach.

We have made significant ESG progress over the last few years, however we recognise that the world is constantly changing – so we continue to evolve our approach and strive to do better every year.

This year, the highlight has been seeing the progress we have made across our own business and the portfolio despite the Covid-19 pandemic.

I am delighted to report that we have once again achieved AA+ status from the UNPRI and that we declared our carbon-neutral status for the first time – something which we are committed to on an ongoing basis. NorthEdge were also proud to play a key role as a launch signatory and OpCo member of Initiative Climat International (iCI) UK in summer 2020 - securing \$75bn of AUM behind positive action on climate

change, an initiative that as of March 2021 has almost 90 members and now represents \$700bn AUM globally.

Our portfolio companies have also made progress on their own ESG initiatives, some of which you will see in more detail in this report, and have continued to make a positive contribution to their communities.

We will strengthen our commitment to ESG and Sustainability throughout 2021, focussing on sharing best practice across our portfolio, enhancing reporting and embracing the UN 17 SDGs in our investment approach.

We have also continued to make excellent progress on Diversity and Inclusion, which we are delighted has been recognised externally. In 2020, we focussed on creating the most inclusive culture in our own business, alongside emphasising personal leadership and appreciation. In 2021 we will be looking to embed what we have learned, continuing to use our voice in our network and share best practice with our peers and portfolio.

**Ray Stenton,
Managing Partner**



NorthEdge in numbers

£900m
AUM

4
Funds

34
employees across
three offices

2
new team
members

26%
women in NorthEdge's
investment team

9%
ethnic minority
employees

34%
female employees

100%
Scope 1 & 2 carbon
emissions offset

100%
of our colleagues say they would speak
highly of NorthEdge without being asked
– for the third year in a row

In the top
25%
for our parental
leave provision

23
portfolio companies

3
mental health
first aiders

18
Detailed cyber
security assessments

AA+
UNPRI rating

c.6900
employees across the
portfolio

Our values

"We are known for our values."

Northedge team member

"They're our biggest differentiator externally and guide the way we do everything internally."

Northedge team member

Our values underpin everything we do, as employers, investors and colleagues.

They are our cultural compass, and help us to build businesses and relationships we are all proud to be a part of



Respect



Integrity



Ownership



Responsibility

However, values can only be demonstrated through behaviours - we're really proud of ours...

- ▶ **We take ownership.** We're all aligned by the same goals – NorthEdge is a team effort
- ▶ **We are each other's biggest fans.** We respect and support everyone we work with
- ▶ **We do the right thing.** We take our responsibilities as investors and employers seriously
- ▶ **We are partners.** We discuss rather than tell
- ▶ **We are authentic.** Because we act with integrity
- ▶ **We embrace diversity.** It's what gives us our edge
- ▶ **We are ambitious.** We like to challenge the status quo to create great businesses
- ▶ **We're constantly learning.** Then we share what we've learned to keep us all growing
- ▶ **We ask 'What if?'** We like to try new things and we're not afraid to fail

We are NorthEdge.



NorthEdge have been a signatory to the United Nations backed Principles for Responsible Investment ("PRI") since 2012.

- ▶ **In 2020 NorthEdge received an **AA+** rating from PRI**
 - ▶ 'A+' for Strategy & Governance and 'A' for Direct Private Equity
 - ▶ This puts us in the top 12% of all Private Equity firms, with <\$1bn AUM, reporting to the PRI on Strategy & Governance
- ▶ **As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can impact the performance of investment portfolios. We also recognise that applying these Principles helps us ensure that our investment process and portfolio management approach remain aligned with the broader objectives of society. Therefore, we commit to the following principles:**
 - ▶ To incorporate Environmental, Social and Corporate Governance (ESG) issues into investment analysis and decision-making processes
 - ▶ To be an active owner and to incorporate ESG issues into our ownership policies and practices
 - ▶ To seek appropriate disclosure on ESG issues by the entities in which we invest
 - ▶ To promote acceptance and implementation of the Principles within the investment industry
 - ▶ To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles
 - ▶ To report on our activities and progress towards implementing the Principles



In 2019, we became a signatory to The Taskforce for Climate-Related Financial Disclosures ("TCFD"), Chaired by Michael Bloomberg. Our latest report is available [here](#).



- ▶ **Once the domain of the future, climate risks and opportunities have become real and omni-present. From PG&E's bankruptcy arising from Californian wildfires, BASF's shortages arising from drought on the Rhine, to the current drastic warming of the Arctic - climate acknowledgement, understanding and action is required today.** We recognise that not only do we have a fiduciary duty, we also have a social responsibility given our active ownership position across several substantive enterprises who have an impact on the natural world
- ▶ **Becoming a signatory to the TCFD (Task Force on Climate-related Financial Disclosures) was for us logical, commercial and morally the right thing to do, as we take another step forward as a firm**
- ▶ We recognise that climate change is highly complex and that it is inherently difficult to project how related financial risks will materialise across the global economy and markets. Climate scenario analysis is relatively new and evolving rapidly, including with respect to underlying assumptions, methodologies and data - therefore adaptability and speed within our risk management strategy is, in our view, critical above all else
- ▶ Our first report, issued in July 2020, represents a step in our journey under the TCFD regime and concludes with a commitment to deepening our understanding of, and advancing our approach to, climate-related risks and opportunities in our business, network and portfolio



Initiative Climat International ("iCI")



We were proud to play our role as a launch signatory and UK OpCo member of iCI UK - securing \$75bn of AUM behind positive action on climate change in summer 2020.



- ▶ Signatories to the iCI join a global community of investors who seek to better understand and manage the risks associated with climate change
- ▶ Members commit to sharing knowledge, tools, experience and best practice among peers to help build and manage both climate-aligned and climate-resilient portfolios
- ▶ iCI membership has now reached 90 firms, representing \$700bn of global AUM
- ▶ Our commitment under iCI is as follows:

1: We recognise that climate change will have adverse effects on the global economy, which presents both risks and opportunities for investments

2: We will join forces to contribute to the objective of the Paris Agreement, to limit global warming to well-below 2°C and in pursuit of 1.5°C

3: We will actively engage with portfolio companies to reduce their greenhouse gas emissions, contributing to an overall improvement in sustainability performance



Carbon neutral

As part of our commitment to take responsibility for the impact we have on the climate and society, we measure and manage the emissions generated by our business activities.

- ▶ **Since 2019 NorthEdge has offset all scope 1 & 2 emissions generated.**
We are committed to continue to offset our emissions going forwards, typically through investment in key initiatives addressing UN Sustainable Development Goals (SDGs) such as climate action, work & economic growth, good health & wellbeing and gender equality

- ▶ We recognise that offsetting is one way to reduce our environmental impact, however we are also committed to understanding ways in which we can reduce our overall carbon footprint



28

In 2020 NorthEdge generated 28 tonnes of scope 1 & 2 CO₂ emissions⁽¹⁾. Emissions from business travel (78%) accounted for the majority of NorthEdge's carbon footprint in 2020

100%

We have offset 100% of the scope 1 & 2 carbon emissions generated from business activities in 2020 by supporting the Gold Standard '[Kenya Biogas Programme](#)'

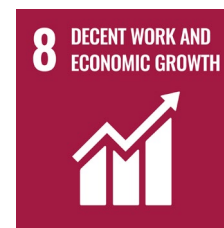
(1) Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.



Supporting Gold Standard®



- ▶ **The Kenya Biogas Programme provides biodigesters to individual households.** The programme was founded by the Africa Biogas Partnership Programme (ABPP), a partnership between the Dutch government, Hivos and SNV Netherlands Development Organization, in support of national programmes in five African countries including Kenya. The overall objective of ABPP is to develop a commercially viable biogas sector that supports the use of domestic biogas as a local, sustainable energy source
- ▶ **Domestic biodigesters provide a way for households with livestock to reduce their dependence on polluting firewood and expensive fossil fuels.** Cooking on biogas is fast and smokeless, improving family health, especially among women and children. Leftover slurry from the biogas process is an excellent organic fertilizer that improves crop yields – and having more vegetables to sell, provides families with extra income
- ▶ Since the start of the programme in 2009, over 17,000 biodigesters have been built across Kenya. Entrepreneurship is also encouraged and, to date, nearly 100 individuals have started their own business entities, helping to build the local economy
- ▶ This programme supports six of the UN Sustainable Development Goals



Responsible investing in action



Our investment strategy

Taking responsibility is fundamental to our investment strategy

Investment Decision Making

- ▶ An ESG investment screen is completed across all new investments considered by Investment Committee
- ▶ The opportunity is reviewed in accordance with the Ten Principles of the UN Global Compact – as well as reviewing employee Health & Safety, climate-related risks and opportunities, cyber security and SDG alignment
- ▶ ESG Risks and Opportunities are discussed at the beginning of the Investment Report – highlighting their prominence in our decision making

NorthEdge ESG process



Our investment strategy

Portfolio Company Management

- ▶ ESG actions arising from due diligence and the investment screen are incorporated into the Value Creation Plan (VCP) and 100 Day Plan
- ▶ Annually, each portfolio company completes a detailed ESG monitoring survey which tracks and trends ESG progress over time – this is used to facilitate an annual review internally to ensure ESG remains front-of-mind for the investment team
- ▶ We leverage our in-house ESG expertise to support portfolio companies identify improvement opportunities, alongside facilitating cross-portfolio collaboration to share learnings and best practice
- ▶ We recognise the importance of demonstrating sustainability in our exit processes – with key areas of progress highlighted through the Vendor Due Diligence process and IM

Communication & Transparency

- ▶ We deliver quarterly ESG-updates for each of our funds, and provide further updates through a variety of means including formalised processes such as our Annual Investor meeting and Advisory Boards
- ▶ Annually we produce a Carbon Footprint report, and are committed to producing a detailed ESG report going forwards - highlighting the progress made in our firm and across our portfolio

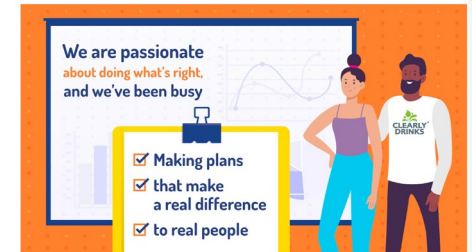


Case Study



In 2017 we acquired a majority stake in Clearly Drinks, a soft drinks manufacturer in the fast-growing flavoured spring water sector that specialises in sugar-free products.

- ▶ On investment we recognised that Clearly Drinks was playing a key role in supporting the UK to reduce its obesity rate by providing tasty and healthy sugar-free products, however we also recognised the impact that they were having on the planet through their use of single use plastic, energy and water
- ▶ The team have been working on a number initiatives, to continue to improve their impact on society and reduce their impact on the planet



Society

Disability Confident employer

In 2020 the business became a Disability Confident employer – a scheme backed by the UK Government to help employers make the most of the opportunities provided by employing a diverse range of people

Autism Awareness trained

All members of the team are Autism Awareness trained, allowing Clearly Drinks to offer 2-week work placements for members of their community – providing a dedicated buddy, safety training and an induction on manufacturing. On a number of occasions this has resulted in people being offered full time roles

Business Heroes nomination

The business has a long-standing relationship with the Salvation Army, supporting them throughout the Covid-19 crisis by providing bottles of water for their community – resulting in a UK Business Heroes nomination

Mental health first aiders

The mental health of its employees is at the forefront of the business, with four dedicated mental health first aiders

Diversity & CSR

To encourage gender diversity in their talent pipeline, Clearly Drinks work with local schools to provide CSR training and introduce what it's like to work in manufacturing – including providing tours to local families





Environment

211 ▼
tonne reduction

Clearly Drinks have committed to eliminating 640 tonnes of plastic from their packaging by 2022 – in 2020 they achieved a 211 tonne reduction, which is the equivalent of over 400,000 filled 500ml bottles of water

100%
recyclable

All of their plastic bottles are now 100% recyclable, including the cap following a change to the design from sports cap to flat cap. Perfectly Clear bottles have also been reduced in weight from 20g to 16.5g

2022
commitment

In addition, in order to meet its commitment by 2022 the business is working to find a recyclable solution for all its branded packaging

£5m
investment

In 2020, a £5m investment was made into a canning facility, further reducing plastic usage as the business continues to scale - Upstream, Clearly Drinks' premium adult soft drink brand, will be the first to be made using the new canning line, with new products due to be announced later this year

▲
recycling rate

Clearly Drinks are working with people across their industry to drive the sustainability agenda – educating consumers to increase the recycling rate



The leadership team have designed an environmental training programme for employees to increase awareness – covering chemical spills, environmental awareness and waste management

ISO

ISO 140001 certified

0

Zero waste to landfill

Click here to find out more: <https://www.clearlydrinks.co.uk/the-environment/>



Case Study

thebelfieldgroup



In 2016 we acquired a majority stake in Belfield Furnishings, the UK's largest white label manufacturer of home furnishings and one of Europe's largest manufacturers, specialising in the wholesale and distribution of products including upholstered furniture, mattresses and soft furnishings.

Use of sustainable raw materials



- ▶ Cotton - the Better Cotton Initiative exists to make cotton production better for the people who produce it and the environment
- ▶ Recycled polyester to fabric – regenerated yarns are Global Recycled Standard certified, guaranteeing full traceability and control of whole chain custody
- ▶ Sustainable wood – wood sourcing is aligned with FSC principles, ensuring the business identifies, purchases and uses wood from well-managed forests and/or a recycled source

Recycled and Recyclable



- ▶ Belfield are working with their strategic partners and key customers to create sustainable products that are not only made from recycled materials, but can be fully recycled at the end of their life – contributing to the circular economy

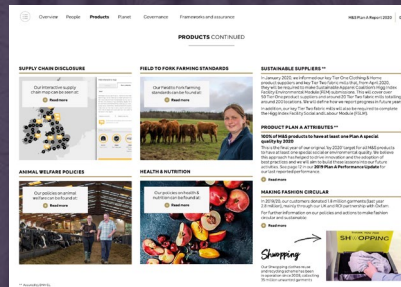
Zero waste to landfill



- ▶ Nothing is sent to landfill during the manufacturing process, even the transport bags contain 30% post consumer waste – the bags are made from recycled bags

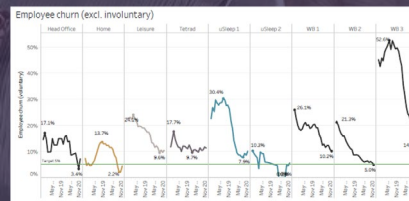


Plan A partner



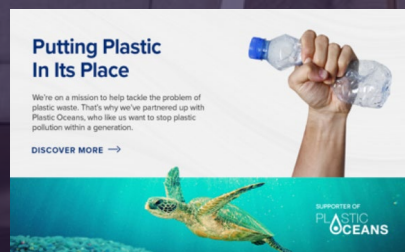
- ▶ Belfield are proud to be an M&S Plan A partner. 'Plan A' is a core part of the M&S plan to create long-term sustainable business value
- ▶ Westbridge (Upholstery) was the first plan A business for M&S globally – nothing from the site goes to waste, manufacturing facilities powered by solar panels and transparent reporting

Health, Safety and Wellbeing



- ▶ This continues to be a key area of focus for the business – with KPIs tracked at Board level. Over the last 18 months thanks to this focus and ownership throughout the business the metrics are all trending towards best-in-class
- ▶ Improved facilities
- ▶ Enhanced and equalised employee benefits
- ▶ Increased training

Coming soon



- ▶ Rental sofa proposition
- ▶ Ocean waste fabrics and fillings
- ▶ Metal frames – a re-usable alternative to wood



Case Study



In 2017, we acquired a majority stake in Future Industrial Services ("FIS"), a specialist environmental services and hazardous waste business.

- ▶ The initial review of FIS resulted in a number of active ownership engagements with an initial "over" investment of c. £500k to support QHSE improvements, and forming a key pillar of the value creation plan throughout our investment. That investment and the subsequent focus through the VCP has driven the following improvements:

Environment Agency "Operational Risk Appraisal":

On Entry: **BBEAB** Latest: **AAAAA**

Resource efficiency:

⚡ £ revenue/kWh electricity from
£15 at entry to £16 latest

💧 £ revenue/m3 water from
£930 at entry to £2,343

Certification:

- ✓ Passed previously failed commercial acceptance testing with blue-chip clients for multi-£m, multi-year contracts
- ✓ Regained SafeContractor & green flag on client sites, further entrenching the defensibility of key revenue streams



Investment for growth:

- ▶ Since investment we have invested an additional £1m of capital to support the development of an electronics waste recycling centre on the South Coast. Coupled with FIS' extensive recovery, recycling and low CO2 mile solutions for clients – this facility will deepen the business' alignment with the UK's circular economy



Diversity & Inclusion



Our approach

We understand that diversity and inclusion are catalysts for faster growth, productivity and innovation

Companies in the top quartile for both gender and ethnic diversity are 12 percent more likely to outperform all other companies.

McKinsey, Diversity wins: How inclusion matters

We have a working group committed to championing diversity and inclusion throughout the NorthEdge family. We started by embedding positive change at NorthEdge, and we are now in a position to share our learnings and best practice across our portfolio and our market.

- ▶ We proactively engage with a diverse range of talent – for new recruits, our advisors and our operating partners
- ▶ We encourage active listening and personal development
- ▶ We cultivate cultures of trust, support, encouragement and speaking up
- ▶ We welcome diverse thinking – to challenge the status quo and drive innovation

Looking back at 2020



Bringing out the NorthEdge voice

We have updated our website and New Investment presentation to showcase the progress we are making on D&I, and demonstrate our continued commitment to building the most inclusive and diverse business, portfolio and network



Speaking up in our industry

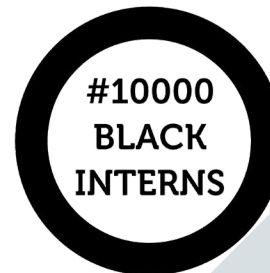
- ▶ Alongside the ESG metrics that are discussed during the Investment process, we now include key D&I information as part of the Investment Report, this is supported through a dedicated Investment Committee D&I champion – challenging thinking and spotting opportunities for sharing best practice
- ▶ We regularly share learnings and best practice with our network
 - ▶ Hosting partnership events alongside Michael Page and KPMG
 - ▶ Engage with and challenge our advisors and network on their approach to D&I and presenting a diverse team
 - ▶ Running programmes to build a diverse pipeline of talent for us and our portfolio

2020



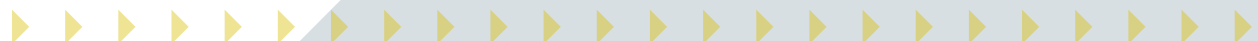
Building an inclusive culture

To support us on our D&I journey, we have engaged with multi-award winning Leadership and Inclusion coach Sharon Amesu. To date we have held multiple team training sessions and set up accountability groups to learn about and discuss building an inclusive business, working to remove unconscious bias and embedding a speaking up culture




100BlackInterns

- ▶ This year we made our commitment to participate in the 100BlackInterns programme (now extended to 10000 Black Interns), designed to offer internships to Black students across the UK to help start their career in investment management
- ▶ We met 12 strong candidates, and found it difficult to narrow it down to just one offer. We are looking forward to the successful candidate joining us in summer 2021, and for them to get involved with all areas of our investment team



Looking back at 2020



External recognition

- ▶ Shortlisted for 2020 IoD D&I award
- ▶ Nicola McQuaid, Director, has been named as one of the Real Deals Future 40 D&I Leaders



The Living Leader

At NorthEdge we recognise the importance of people, which is why every member of the NorthEdge team has completed The Living Leader personal leadership programme – helping us to build a culture of leadership at all levels of our organisation. For us, leadership is not about where you sit in an organisation – leadership is about attitudes and behaviours that align to our values. We want to ensure that we are continually investing in current and future talent, to ensure our business is future proofed and well-positioned for sustainable success

2020

University partnerships

We regularly partner with Manchester Business School and we have run a Private Equity Challenge alongside the Leeds University Trading and Investment Society for the last three years – the aim of the programme is to create awareness around Private Equity and what it is like to work in the sector. It's one of the few university challenges of its type in the UK, and we are really proud to play our part in inspiring the next generation of Investors



Kudos

We're really proud of the team and culture we're building at NorthEdge, therefore we like to make sure that all members of team NorthEdge take the time to recognise and appreciate the support we get from each other every day. That's why we launched Kudos – a platform for our team to share their appreciation of their colleagues in a way we can all celebrate – from the big things to the small



Team survey

This year we conducted our third annual team engagement survey. Since 2019 we have measured ourselves objectively, through a third party, across 78 metrics focussed on Culture, Developing capabilities and careers, Effective leadership and Attracting and retaining talent. The results drive our activities, to ensure we continue to build a great place to work.

100%

100% of our colleagues agree or strongly agree that they would speak highly of NorthEdge without being asked

100%

100% of our colleagues agree or strongly agree that our values and brand improves our chance of winning business

97%

97% of our colleagues agree or strongly agree that we are committed to improving equal opportunities, diversity and inclusion throughout the business

Key improvements since last year:

Willingness of managers to hear the voice of their employees +25%

NorthEdge's openness to challenge and ability to react to things which aren't right +23%

Collaboration across teams and offices +26%

Overall focus on colleague happiness +16%

Internal knowledge sharing +33%

Employee/management communications +22%

Listening to and acting on employee feedback +19%





What our team had to say:

"Communication and front line support from all the partners was amazing during Covid-19."

"The willingness to learn and adapt is a key strength of NorthEdge."

"The best thing about working at NorthEdge is working with people that I genuinely like and as part of a team that pulls in the same direction."

"I feel very proud to be part of NorthEdge."

"We have adopted technology to improve work flexibility."





North
Edge.

In the community



In the community

They say a crisis brings out the best in people, and that's certainly been our experience in 2020.

- ▶ From the rainbows drawn by children on the back of Abbey Logistics' fleet to give thanks to key workers, to Clearly Drinks' continued support for the Salvation Army, the team at Orbis offering their infection control fogging service free of charge for Changing Lives (a charity that offers accommodation for those experiencing homelessness and domestic abuse) and Belfield's effort to keep the NHS supplied with PPE in the height of the crisis – knowing that we not only back commercially strong businesses, but also community-focused companies, has been inspiring



Our own people at NorthEdge have been busy in that respect too, donating over £15,000 to food banks in our regions earlier in the year (Helping Hands of Birmingham; Greater Together Manchester & The Leeds Fund) and partnering with the Dog & Gun pub in Skipton to make to deliver over 2,000 meals for NHS staff and underprivileged communities via Slung Low (Yorkshire Aid) and FareShare



HELPING HANDS
OF BIRMINGHAM

**GREATER
TOGETHER
MANCHESTER**⊕



In the community

- During the year we have worked with Business in the Community to donate our old phones to Disability Stockport, helping staff members and volunteers to continue to support people during lockdown, as well as donating a number of COVID testing kits to the NHS. We also wanted to spread a little cheer in our community over Christmas, so our offices came together to donate lots of Christmas gifts to children who otherwise wouldn't receive anything via Wood Street Mission in Manchester, Birmingham City Mission and the JCI Secret Santa appeal in Yorkshire, as well as further support for the food banks we donated to earlier in the year



Pizza Pilgrims **Pizza Party**

- Our primary focus is to look after the health, safety and wellbeing of our people – at NorthEdge and in our portfolio, throughout the pandemic it has been more important than ever. To keep team NorthEdge together, even though we were apart, we have enjoyed Friday quiz nights over Zoom, sent pizzas in the post for a pizza making competition and spread some festive cheer with a Lights4fun Christmas tree being sent to every employee. Whilst it wasn't the same as being together, it was a really effective way of keeping us all connected
- We're also increasingly conscious of supporting mental health, with three trained mental health first aiders at NorthEdge and an increasing number spread across our portfolio

When we look back on 2020, we hope we can all remember how this year more than ever we came together as colleagues, communities and friends. As we start 2021, we hope that we remember everything that we have learned in the past year and look forward to being together as a team and community once again



North
Edge.

Looking forward



Looking forward

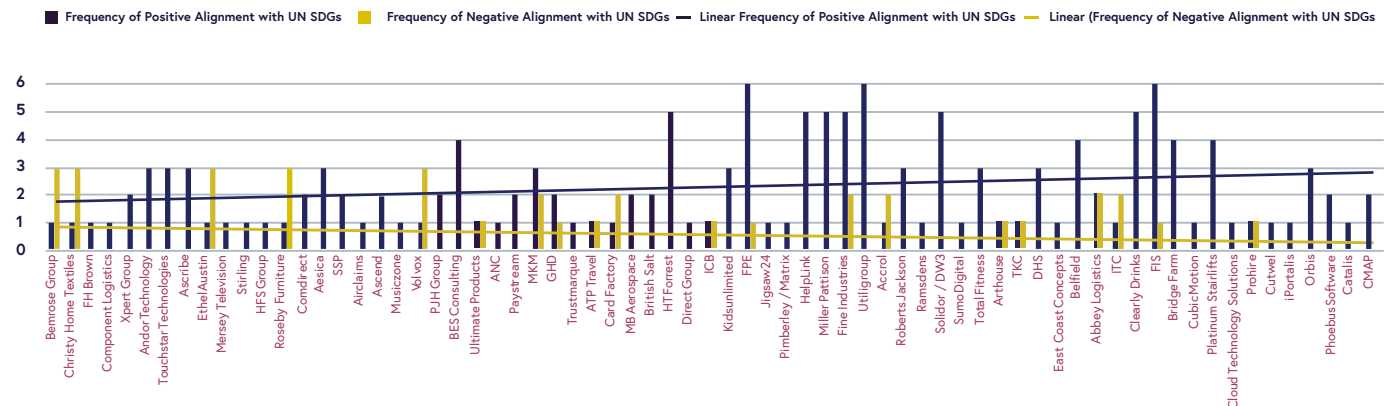
ESG and sustainability remain a forefront consideration within our business, and throughout our stakeholder interactions.

- ▶ During Q4-2020 we began working on our internal management information system to provide a central reporting and data platform for ESG and Sustainability metric gathering, assessment and targeting. This will be rolled out in Q2-21 and will provide a quantitative, portfolio-wide view of ESG, sustainability, climate risk and diversity
- ▶ We have also invested in a **refresh of our Investment Committee papers**, bringing supply chain sustainability, climate change, diversity and SDG-impacts "up-front" in both our initial investment reports and final investment reports. This exercise is already providing greater visibility, analysis and debate of ESG and sustainability in the assessment of new investment opportunities

We will look to further actively embrace the 17 UN SDGs in our origination, investment assessment and portfolio management activities:

Track Record of Alignment with the UN SDGs

Utilising UN Sustainable Development indicators, our investment track record has seen improved alignment with the UN SDGs (2000 to 2020)



Looking forward

We're proud of the progress we're making, and while we know our journey is far from complete it is one we are wholeheartedly committed to.

In 2021, we will be focussing our collective efforts on:

Portfolio best practice



Measuring and monitoring data



Personality profiling



Embedding 2020 activity



Diverse Talent pipeline



Mental health support



Reverse mentoring



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