

The logo for North Edge, featuring the words "North" and "Edge" stacked vertically in a white, sans-serif font. A small purple square is positioned to the right of the text, partially overlapping the top right corner of the page.

North  
Edge.

A large, circular graphic composed of numerous thin, vertical lines of varying lengths and colors, ranging from light purple to bright pink. The lines are arranged in a circular pattern, creating a sunburst or starburst effect. The text is centered within this graphic.

**Responsible  
Investment Policy**

April 2022

## 1. INTRODUCTION

NorthEdge Capital LLP ("NorthEdge") is a private equity fund manager, focused on four core sectors:

- Technology
- Healthcare
- Business Services
- Specialised Industrials

Our reputation as a trusted partner, our sector experience and our proximity to the teams we back provide us with better access to high-growth businesses that are predominantly based in the regions.

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

This Responsible Investment (RI) policy outlines how we incorporate Environmental, Social and Governance (ESG) risks and opportunities across the investment cycle, in line with our investment strategy.

## 2. OUR DEFINITION OF RESPONSIBLE INVESTMENT

The incorporation of ESG factors through integration and screening throughout the investment life cycle, leveraging our role as active owners to create businesses, regardless of sector or size, that are sustainable and diverse.

Whilst we do not categorise ourselves as an impact investor, it is our mission that every investment we make will have a positive impact.

## 3. SCOPE

This policy will cover all our assets under management, apply to existing and future investments and consider both ESG risks and ESG opportunities.

This policy will influence the consideration of ESG factors, as well as sustainability risk, in relevant internal guidelines, private placement memorandum and annual portfolio company reviews.

This policy applies to NorthEdge **and** our portfolio companies.

#### 4. COMMITMENTS AND PRINCIPLES

We aim to align our activities with relevant national and international standards and have therefore adopted the below policies or participate in the following working groups:

- We have been a signatory to the PRI since 2012, and leverage the six principles of responsible investment to frame our policy
- We use the UN Global Compact to assist in our early-stage screening of potential investee companies
- We have voluntarily been a signatory of the Taskforce on Climate Related Financial Disclosures (TCFD) from 2019, reporting annually since 2020
- We were a founding signatory of the UK chapter of Initiative Climat International ("iCI") and continue to engage with the group as it expands
- We are developing and evolving our approach with regards to supporting and measuring impact in line with the UN SDGs,
- We became a signatory of the ESG Data Convergence Project in February 2022 to support the standardisation of ESG data across investment managers and institutional investors in the private investment industry.

These initiatives guide our internal and portfolio management approach, where through our active ownership approach we can guide best practice to always seek improvement. In particular, the TCFD framework enables a focus on the risks and opportunities with regards to climate change, incorporating specific climate considerations at each stage of the investment cycle.

In addition to the above, our own responsible investment principles are to:

- ▶ Promote and maintain the highest standards of business integrity at all times.
- ▶ Mandate compliance with relevant laws and regulations in our portfolio companies' geographical areas of operation.
- ▶ Adhere to and promote a culture of continuous improvement and good governance.
- ▶ Encourage a relevant level of ESG disclosure with key stakeholders.
- ▶ Require portfolio companies to monitor and report against their ESG progress on a regular basis through our ESG annual portfolio reporting.
- ▶ Uphold a consistent approach towards the incorporation of ESG factors across the whole investment cycle.
- ▶ Respect international human and labour rights principles, health and safety standards, and not tolerate any form of discrimination.
- ▶ Screen the potential portfolio companies for positive and negative ESG factors.

## 5. EXCLUSIONS AND REFERRALS

### Exclusion List

NorthEdge commits to not invest:

- a) In companies whose primary business activities involve the following products or activities:
  - Manufacturing, distribution or sale (including financing thereof) of arms or ammunition of any kind
  - Oil & gas production or any business engaged in direct extractive industries
  - Manufacturing, processing, distribution or sale of tobacco products
  - Operation of casinos or other equivalent gambling facilities
  - Products or activities involving harmful or exploitative forms of forced labour/harmful child labour
  - The trade in human body parts or organs
  - Animal testing for cosmetics or food products
  - Pornography
  - Unbonded asbestos fibres
  - Drift net fishing
  - Research, development or technical applications relating to electronic data programs or solutions which aim specifically at supporting any activity referred to in this exclusion list, internet gambling or online casinos or are intended to enable persons to illegally enter into electronic data networks or download electronic data
- b) In companies whose business majorly involves any:
  - Operations that are illegal under UK law or national laws in the countries in which the company operates.
  - Products or activities that are banned as per global conventions and agreements (e.g. certain pesticides, chemicals, wastes, ozone depleting substances and endangered or protected wildlife or wildlife products) which cannot be resolved under our ownership.
  - The supply or purchase of sanctioned products, goods or services to or from countries or regions covered by UN or UK government sanctions.
- c) In companies with the sole purpose of removing or avoiding portfolio company pensions liabilities.

### Referral list

NorthEdge *may* invest in businesses which are engaged in the following activities – but the opportunity must first be discussed at Investment Committee before significant due diligence is initiated, and where we are confident that through our active ownership principles, we have significant influence to drive change:

- a) In companies whose primary business activities involve the following products or activities:
  - Distilled alcoholic beverages;

- Nuclear power generation or fuels in situations where we believe it supports the UK's decarbonisation agenda
- Controversial technologies including but not limited to:
  - Stem cell research;
  - Genetic modification; or
  - Recruitment for human testing.
- Companies which operate in specific locations where its activities carry high risk of material harm to people or the environment, such as:
  - Environmentally protected areas;
  - Sites of Special Scientific Interest;
  - Habitats of rare or endangered species;
  - Fisheries of economic importance;
  - Land occupied by indigenous people or vulnerable groups;
  - Primary or old growth forests of ecological significance; or
  - Culturally or archaeologically significant areas.

## 6. IMPLEMENTATION OF POLICY AND INTEGRATION OF SUSTAINABILITY RISKS INTO THE INVESTMENT PROCESS

### The investment cycle and consideration of ESG factors

We fulfil the commitments made in this policy by incorporating ESG factors into our investment process, decision-making and ownership practices that directly influence portfolio companies to enhance performance in these areas. Our investment process throughout the deal cycle ensures that the values and business practices of each company are considered.

ESG factors are considered in every phase of the investment life cycle as outlined below:



- ▶ **Pre-investment:** Our new business team completes an ESG screening document ahead of commissioning any external due diligence, in order to understand the ESG risks and opportunities of the target company and highlight any potential factors requiring further due diligence. This covers adherence to the UN Global Compact, health and safety, sustainability, climate risk as well as sector/geography risks. It is completed with the deal team and C-Suite representative of the target company. In 2021, we introduced ESG reporting and cyber monitoring requirements within our investment agreement.
- ▶ **Post-investment:** We are active owners in all our portfolio companies and incorporate ESG within the value creation plan (VCP) for each investment. To ensure we help to create long-term

sustainable businesses, beyond our ownership, the portfolio company Boards are responsible for managing ESG factors on a day-to-day basis. We manage portfolio companies' ESG developments through a combination of Board participation as well as ongoing monitoring of progress at a central level, which is intended to provide focus on ESG risks and opportunities which management can then pursue. We have central internal resources as well as operating partners where required to provide specialist or support on a specific topic.

- ▶ **Annual reporting:** We require all portfolio companies to complete our annual ESG reporting which is a mixture of quantitative and qualitative metrics covering scope 1 and 2 CO<sub>2</sub>e emissions, renewable energy usage, diversity & inclusion, health and safety and governance. This reporting is managed internally and evolves following best practice and guidance from the initiatives included in section 4.
- ▶ **At exit:** NorthEdge will include information on a company's ESG performance in the documentation that will be disclosed to potential buyers. This information will showcase all efforts made during the ownership period with regards to ESG management/performance improvement and highlight contributions made to the investment.

### NorthEdge's ESG impact

With regard to our own ESG impact, we will effectively integrate consideration of ESG factors into our own operations and set ESG objectives and targets for the future. We also complete an ESG review for NorthEdge LLP, annually. We have been a climate neutral business since 2020 and are working towards a net zero plan in 2022. We are focused on providing open and transparent reporting which we do both formally and informally to our investors, portfolio and publicly.

## 7. GOVERNANCE OF RI POLICY IMPLEMENTATION

### **Organisational leadership**

NorthEdge has appointed Prem Mohan Raj (Partner and COO) to provide senior sponsorship and accountability for responsible investment and to lead our policy development and implementation activities with the aim of further embedding responsible investment into our culture. Lucie Mills, Partner, supports the firm across all aspects of ESG, including new business and investment opportunities, portfolio ESG reporting and monitoring and ESG training for both new and existing staff. Over time, responsible investment policy implementation and consideration of ESG factors throughout the investment cycle will be included in colleague appraisals and individual development plans.

### **Investment Team**

Performs the initial review of climate-related risks and opportunities and completes the ESG screen.

### **Investment Committee**

Reviews initial ESG screen and climate-related risks and opportunities, directs internal and 3rd party due diligence accordingly.

### **Final Investment Committee**

Reviews the findings of any due diligence and provides ultimate sign-off on the investment, including a final consideration of climate-related risks and opportunities.

### **Portfolio Team**

Provide ongoing support to management on ESG objectives and review annual ESG portfolio reports, which include climate-related risks and opportunities. The Portfolio Team is part of the Investment Team but has additional specific responsibilities for our portfolio of companies.

### **ESG Committee**

Direct the overall ESG approach and governance for the firm, reporting to the NorthEdge Capital LLP Management Committee annually.

### **Reporting**

We report on our ESG progress within our quarterly and annual reporting to LPs. This covers ESG performance at both the portfolio companies and NorthEdge. Any material ESG incidents are reported to LPs as required and in a timely manner.

We report internally our portfolio progress following our annual reporting, and report publicly through our annual ESG report which we launched in May 2021. Our TCFD report is also available on our website, and we report on our progress in an ad hoc manner as required on LinkedIn or our internal portfolio platform "Nexus". Previous versions of this policy have included case studies, which are now reported within our annual ESG report and on our website.

## Policy governance

Prem Mohan Raj ("Partner, COO") has executive oversight of our responsible investment policy compliance, while Lucie Mills leads policy development and incorporation activities.

The policy has been approved by:  
Prem Mohan Raj ("Partner, COO")

A handwritten signature in blue ink, consisting of the letters "PM" followed by a horizontal line.

.....  
Please contact Lucie Mills if you have any questions in relation to this responsible investment policy:  
[lucie.mills@northedge.com](mailto:lucie.mills@northedge.com)

This responsible investment policy is effective from: 1 April 2022  
Next scheduled review due: March 2023