

Environmental, Social and Governance (ESG) Policy

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Investing in high-growth technology and service businesses to deliver sustainable value creation

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Overview

Horizon Capital is dedicated to working alongside our portfolio companies to actively integrate and develop Environmental, Social and Governance (ESG) factors into usual business practices. ESG underpins everything we do as a firm. We believe that the integration of ESG commitments is about pragmatic solutions to measuring, managing and improving ESG-related matters that go beyond just identifying risks and opportunities. This is our foundation to building truly sustainable, market-leading companies that create value for society.

In addition to pragmatic solutions, we believe it is our duty to develop a common language to communicate the sustainability issues that matter most to financial performance, society's wellbeing and that of our portfolio companies' communities. Through doing so we believe Horizon Capital can influence our portfolio's ability to deliver superior, sustained value over the long term.

This ESG-first approach means we are proactive in investing in technology and service businesses that legitimately create value for society by:

- Building local skills and creating employment
- Supporting the growth of responsible, local businesses
- Contributing to healthier, safer and more resilient communities
- Decarbonising and safeguarding our environment
- Promoting new ideas and community initiatives

As demonstration of our ongoing commitment, Horizon Capital is a signatory of the UN Principles for Responsible Investment (PRI), supports the UN Global Compact and the Walker Guidelines and we are a member of the Initiative Climat International (iCI). Having strong principles as responsible investors has enabled Horizon Capital to successfully and consistently develop scaled businesses and deliver out performance in our returns.

“We seek to continuously improve and deepen our understanding and commitment to the principles of Responsible Investing and ESG. We measure the extent and effectiveness with which we apply ESG factors in our assessment of each investment opportunity – our goal being to enhance our best practices and policies.”

Simon Hitchcock, Managing Partner

This Policy applies to all Horizon Capital staff and all assets within our portfolio. It is reviewed annually by the partnership board.

Purpose

The purpose of this Policy is to set out Horizon Capital's approach to sustainability, through the management of ESG-related matters throughout our investment cycle, as well as our own business. It is the start of our journey to go beyond traditional ESG and stay ahead of the curve.

Our approach

Our initial approach to ESG originated as a compliance-driven activity where we took a step forward to improve minimum standards, act responsibly then demonstrate results through reporting. While this helps to mitigate risk, do less harm and improve transparency, we feel more can be done to evolve ESG practice to actually transform a business to contribute net positively to society, in addition to delivering market-leading returns. Therefore, our specialism in technology and service businesses combined with our approach to ESG defines our purpose to create value for society - social value - across the three pillars of sustainability: environment, economic and social.

We have invested time and resources to develop our own model to ensure we incorporate these pillars at each stage of the investment lifecycle. To measure and understand our progress against this ESG ambition, we have built on the National Social Value Measurement Framework¹, developing a bespoke set of Themes, Outcomes and Measures (TOMs) which represent a set of practical and transparent ESG outcomes that we can monitor with our portfolio. This ESG methodology allows us to calculate the total benefit arising from any given organisations' operations by identifying the value of each measure delivered in terms of fiscal savings and economic benefits to society. As part of the methodology, we also capture non-financial initiatives such as Governance requirements. Our ESG Measurement Framework comprises 22 outcomes underpinned by 81 measures, see page six for the summary of the themes and outcomes.

¹ socialvalueportal.com/national-toms/. Social Value Portal (SVP) is the leading provider of social value services across the UK. The National TOMs was launched in 2017 by the National Social Value Taskforce, a group that was formed by SVP in 2016 to develop a consistent and comparable measurement solution for social value. The Taskforce has over 40 members from organisations representing central and local government, the private sector and the third sector.

Implementation and Governance

Horizon Capital's ESG investment cycle

We believe our ESG approach achieves long-term, sustainable financial returns for investors that contribute value to society.

Our ESG Measurement Framework runs through our investment cycle:

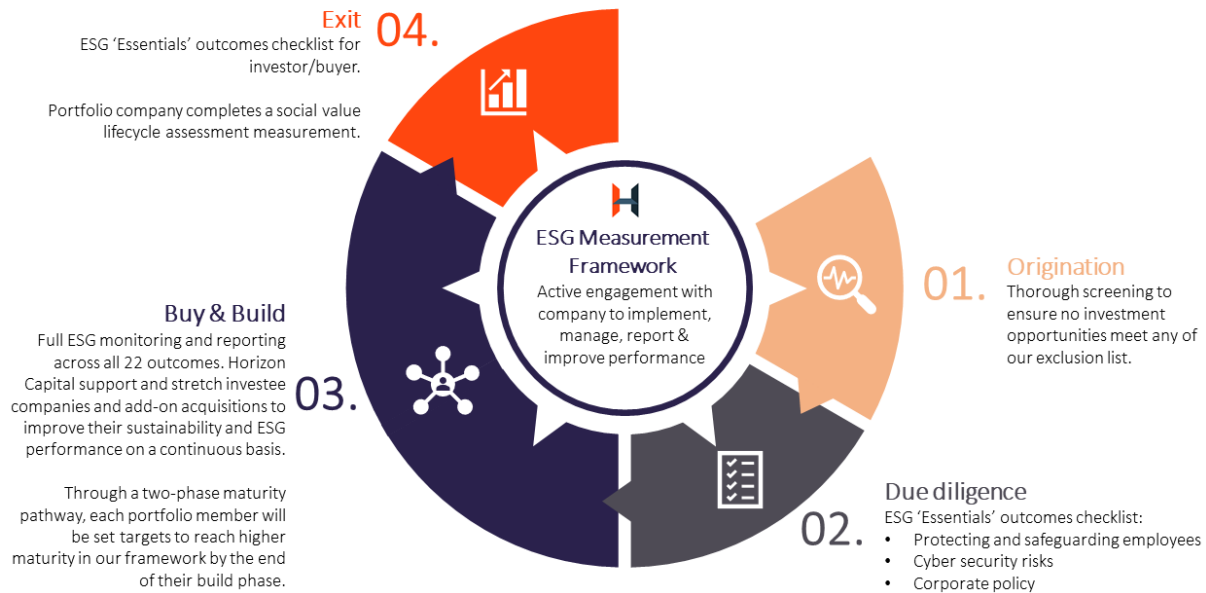


Figure 1: Horizon Capital investment lifecycle

Horizon Capital corporate ESG delivery

In leading our own portfolio towards improved ESG performance, Horizon Capital will annually report our own corporate operations against the ESG Measurement Framework. We will set our own ESG targets annually and adhere to our iCI commitments:

- We recognise that climate change will have adverse effects on the global economy, which presents both risks and opportunities for investments
- We will join forces to contribute to the objective of the Paris Agreement to limit global warming to well-below two degrees Celsius
- We will actively engage with portfolio companies to reduce their greenhouse gas emissions, contributing to an overall improvement in sustainability performance.

Origination

Under no circumstances will Horizon Capital invest directly or indirectly in companies or other entities whose business activity consists of:

- a. an illegal economic activity
- b. the production of and trade in tobacco and distilled alcoholic beverages and related products
- c. the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies
- d. casinos, gambling and equivalent enterprises; or
- e. pornography enterprises.

Potential new investments will be screened thoroughly, with any link to our exclusion list closing the opportunity immediately.

Due diligence

A key step for organisations that are required to undertake our due diligence process is to complete our ESG 'Essentials' checklist, our minimum standards that complement our legal compliance. This checklist includes 15 measures from our ESG Measurement Framework that we require as a minimum, in order to assess the risk and suitability of an organisation to meet our sustainability-first approach.

These 15 measures include:

- A Policy and programme in place to achieve net zero carbon by 2030
- Relevant policies, including anti-bribery and corruption policy and corporate code of conduct
- Effective internal governance, including board composition, internal controls and audit procedures, as well as relevant whistleblowing and grievance mechanisms
- Cybersecurity standards
- Performance management, diversity and talent attraction and retention.

Any of these 15 measures not met will be flagged but will not immediately close the opportunity, as progress against gaps may be underway. For these acquisitions where any gaps against the minimum standards are identified prior to any investment, we will require commitment from the company to implement initiatives to fulfil the measure as part of the Investment Agreement.

Buy & Build

Our primary purpose during this stage of the investment is to support and stretch investee companies to improve their sustainability and ESG performance on a continuous basis in the following ways:

- Upon acquisition, we will onboard each company through training to understand and implement our ESG methodology. Once onboarding is complete, a 100-day plan agreement will be established which will include some ESG elements from the reporting framework. This allows us to understand the baseline performance against all 81 measures, in order to define Environmental, Social and Governance KPIs.
- Furthermore, upon acquisition portfolio companies will be required to calculate their carbon emissions on a quarterly basis, working alongside a third party company, and where relevant set targets and show improvements.
- Portfolio companies then monitor their performance against the ESG Measurement Framework and report to the board and lead investors using an Online Portal (in a form as agreement from time to time with the lead investors)
- Promote the acceptance and implementation of ESG Measurement Framework within its business.

In addition, Horizon Capital has established a two-phase maturity pathway to guide each portfolio member through to reach the highest maturity in our framework by the end of their build phase with Horizon Capital. Each maturity phase considers the implementation of steps to address recommended actions to be taken in connection with the proper implementation of the ESG framework.

Exit

To complete the cycle, all potential vendors of portfolio companies will be assessed using the same TOM ESG 'Essentials' checklist to ensure ESG approaches align, and that organisations will continue to be held accountable across future ESG matters.

The ESG Measurement Framework

Horizon Capital's approach to sustainability is underpinned by our ESG Measurement Framework, which was initially developed and implemented in 2020.

The Framework highlights key ESG outcomes for our businesses, including those where a value to society can be calculated using proxy values, as well as non-financial records. It adheres with SASB suggested material ESG topics for technology and service companies and can be benchmarked against best practices and industry standards. Each measure is allocated a maturity level, to indicate standards organisations must meet before they can advance to the next level of ESG performance, with level three being the most mature measures.

All of our portfolio companies are assessed against the Framework, which is focused on four themes; Environmental, Social, Governance and Innovation.

Theme	Outcome
Environmental: Decarbonising & Safeguarding Our World	Carbon emissions are reduced
	Air pollution is reduced
	Safeguarding the natural environment
	Resource efficiency and circular economy solutions are promoted
	Sustainable supply chain is promoted
Social: Building a Resilient, Engaged and Supported Workforce	More local people in employment
	Supporting workers, SMEs and VCSEs to face the COVID-19 crisis
	More opportunities for disadvantaged people
	Improved skills
	More opportunities for local MSMEs and VCSEs
	Improving staff wellbeing and mental health
	More working with the community
Governance: Operating ethically, responsibly and sustainably	Encouraging diversity
	Protecting and safeguarding employees
	Fair and equal pay
	More Effective Stakeholder Engagement
	Responsible procurement practices
	Cyber security risks are reduced
	ESG policy
	Environmental policy
Corporate policy	
Innovation: Promoting new ideas and initiatives	Promoting social innovation

Table 1: The Horizon Capital ESG Measurement Framework

Conclusion

We believe that adherence to the ESG statement of principles, policy, reporting and monitoring enables us and our portfolio companies to deliver sustainable value growth in the long-term, while also helping to deliver social value to wider environmental, social and economic themes, such as climate change and scarcity of resources.

This Policy has been in effect since December 2020

Policy lead: Giuliana Cian

Review dates

This policy has been reviewed and approved by the Horizon Capital Board and will be reviewed annually.

- Last reviewed: December 2020
- Next review due: December 2021