

Responsible Investment (RI) & Environmental, Social and Governance (ESG) Policy

Overview of Horizon Capital's approach to responsible investment

At Horizon Capital, sustainability is integral to creating long-term value and driving responsible growth. We partner with ambitious teams, offering resources and expertise to help them expand their businesses sustainably and responsibly. We believe this approach not only generates value for all stakeholders — employees, customers, suppliers, and the broader community—but also delivers superior risk-adjusted returns for our investors.

Core Principles

1. Navigating Ambition

To support growth fuelled by buy-and-build, we focus on intensity ratios over absolute ESG metrics whenever possible.

2. Finding True North

By encouraging each portfolio company to carve out its own ESG path, we foster an environment where innovation thrives.

3. Progress is Found in the Path You Take

Our focus is on continuous improvement, not on reaching a single point of perfection.

4. Lead by Example

As both an investor and an operating entity, Horizon Capital holds itself to the same high standards that we expect from our portfolio companies.

Horizon Capital has been a signatory of the Principles for Responsible Investment (PRI) since 2017 and is committed to implementing its six principles. Additionally, the policy has been developed taking into account the OECD guidelines for multinational enterprises, the UN Human Rights Declaration, and the UN Global Compact.

Scope

The purpose of this policy is to set out Horizon's approach to the assessment and management of sustainability and ESG-related risks and opportunities throughout our investment activities, including the management of our investee companies.

This Policy applies to all Horizon Capital staff, across all our funds and covers all assets under management (AUM) and is reviewed by the partner group on an annual basis.

Our approach to responsible investing

Horizon's funds primarily focus on making majority investments in UK-headquartered technology and services companies with an enterprise value of up to £100 million. Often, Horizon is the first institutional owner of these companies, which places a strong emphasis on establishing good governance practices.

We proactively invest in technology and service businesses that have environmental and/or social attributes, believing that these businesses provide an attractive risk/return profile for our investors while also creating value for society.

Horizon specifically focuses on several key characteristics that contribute to building sustainable businesses, as outlined in the table below.¹

¹ Not all KPIs mentioned are mandatory for the portfolio companies to report. Instead, we encourage each company to focus on the KPIs that are material to their business model and ESG objectives.

Ambition	Key ESG factors	Example of relevant KPIs
Making a positive environmental impact Contributing in particular to SDG 13	GHG emissions	<ul style="list-style-type: none"> GHG intensity Decarbonisation initiatives and/or targets
	Resource efficiency	<ul style="list-style-type: none"> Circular economy and/or green computing initiatives % renewable energy usage
	Waste management	<ul style="list-style-type: none"> Waste generated Electronic waste reduction initiatives
	Natural resources	<ul style="list-style-type: none"> Activities affecting biodiversity-sensitive areas Exposure to areas of high water stress
Supporting workers through job creation and good labour conditions Contributing in particular to SDG 8	Engaged workforce	<ul style="list-style-type: none"> Employee engagement survey Organic new hires and employee turnover
	Fair remuneration	<ul style="list-style-type: none"> Committed to paying Real Living Wage as specified by Living Wage Foundation Unadjusted gender pay gap
	Diversity, equity and inclusion	<ul style="list-style-type: none"> DEI policy and/or initiatives No substantiated discrimination claims
	Employee wellbeing and mental health	<ul style="list-style-type: none"> Employee training Work-related accidents
Operating ethically, responsibly and sustainably Contributing in particular to SDG 12	Corporate governance	<ul style="list-style-type: none"> Board composition Policy implementation
	Fair and ethical conduct	<ul style="list-style-type: none"> Violations of UNGC Principles and OECD Guidelines for Multinational Enterprises Expenses and fines on filings, law suits related to anti-competitive behaviour, anti-trust and monopoly practices
	Data privacy and protection	<ul style="list-style-type: none"> Cybersecurity policy and training GDPR compliance
	Responsible procurement practices	<ul style="list-style-type: none"> ESG requirements in supplier contracts ESG assessment of suppliers
	Transparency and accountability	<ul style="list-style-type: none"> ESG disclosure (website and/or report) Alignment with UN SDGs

Table 1: The Horizon Capital ESG Measurement Framework

Pre-investment

When evaluating an investment opportunity, Horizon will include an assessment of ESG factors as part of its due diligence process. The assessment includes:

- An initial negative screening based on sector and value-based exclusions
- Alignment with Horizon's minimum social standards, as set out by its 'ESG essentials checklist'
- Identification of key ESG factors using a double materiality lens
- Mapping of the company's existing policies and practices

The sector screening aligns with SASB's suggested material ESG topics for technology and service companies.

In addition to Horizon's in-house assessment, ESG is embedded into both legal and cybersecurity due diligence workstreams. The findings are presented as a mandatory part of the Investment Committee (IC) memorandum.

If gaps against Horizon's ESG essentials checklist are identified prior to any investments, the firm will seek commitment from the management team to implement measures during the first 100 days of the investment period.

Exclusions

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

- a. sanctioned or illegal economic activities
- b. exploitative behaviour, such as forced labour or unethical practices
- c. activities related to fossil fuels
- d. the production of and trade in tobacco and distilled alcoholic beverages and related products
- e. the financing of the production of and trade in weapons and ammunition of any kind
- f. casinos, gambling and equivalent enterprises; or
- g. pornography enterprises

Active ownership

Horizon Capital actively supports its portfolio companies to address material ESG factors and to work towards improving its ESG performance on a continuous basis. We regularly monitor the progress of each investment in managing ESG factors and support them as they progress.

We ask investee companies to abide by the [UN Global Compact principles](#) and the [OECD guidelines for multinational enterprises on responsible business conduct](#), and put policies and procedures in place to monitor compliance with these norms and standards.

Where possible, Horizon Capital seeks to collaborate with other industry stakeholders (such as LPs, co-investors and lenders) and participate in industry initiatives. We believe that these types of engagements help align the firm's ESG practices and protocols with best practices observed across the

private equity sector.

Setting the course

In the early phase of ownership, Horizon focuses on helping portfolio companies establish strong management structures around ESG factors. Key areas of focus include:

- **Governance Structures:** Good governance is fundamental to building strong businesses and is essential for achieving ESG progress. This includes implementing effective internal management practices, policies, and controls that guide how the company operates. This also involves setting up appropriate ESG oversight mechanisms, such as boards, committees, and C-suite roles.
- **ESG Legislation Tracker:** Establishing systems to ensure compliance with key regulatory requirements and international standards, such as the UN Global Compact (UNGC) and the Organisation for Economic Co-operation and Development (OECD) guidelines.
- **Policies:** Within the first year of acquisition, we expect the following policies to be in place, if they are not already: data privacy and cybersecurity, diversity, equity, and inclusion (DEI), health and safety, supplier code of conduct, anti-bribery and corruption policy and environmental policy.
- **Accountability:** Achieving third-party accreditations and assessments, such as EcoVadis, B Corp certification, ISO certifications, and SOC 2. Additionally, engaging in voluntary sustainability initiatives and disclosures, including adherence to the UNGC, Sustainable Development Goals (SDGs), and Global Reporting Initiative (GRI) standards.

Ongoing improvements

After establishing strong ESG management processes, Horizon will continue to support the company by:

- Collaborating with management to focus on the most material ESG factors
- Encouraging the company to set annual ESG-related objectives
- Providing ongoing, hands-on support to portfolio companies, both through ad-hoc guidance, board engagement and the annual ESG roundtable
- Asking portfolio companies to report on selected ESG-related KPIs annually
- Advising portfolio companies to include ESG activities in their public disclosures

Realisation

We believe that companies with robust ESG performance are more appealing to buyers and can support higher valuation multiples, resulting in greater returns for our investors.

As a result, when exiting an investment, Horizon will aim to highlight the business's ESG practices in the sales materials. This may involve creating a dedicated ESG case study or arranging for third-party ESG due diligence.



Horizon Capital corporate ESG performance

In leading our portfolio towards improved ESG performance, Horizon Capital will annually report our corporate operations against the ESG Measurement Framework. We will set our own ESG targets and publicly report on our progress, either via a standalone ESG report or PRI.

Policy management

This Policy has been in effect since December 2021.

Review dates

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

- Last reviewed: October 2024
- Next review due: September 2025