

Exponent

Environmental,
Social and Governance
Annual Report

2023



Message from Managing Partner

I'm thrilled to share with you Exponent's sixth ESG report. This document continues to offer a comprehensive overview of our commitment to ESG and Responsible Investment principles, detailing our successes in 2023 and laying out our ambitions for 2024.

2023 was a successful year for the Firm, marked by several notable accomplishments such as:

- **We made two large acquisitions in 2023: Natara, a leading producer of natural and synthetic base aroma products and TestingCo, a leading independent software testing platform in the Netherlands.**
- **We completed the sale of Enva, a leading provider of recycling and resource recovery solutions, to I Squared Capital, an independent global infrastructure manager.**
- **We completed the sale of Meadow, a leader in sustainable dairy, confectionary, and plant-based ingredients to Fairfax Financial Holdings Limited.**

We're delighted to announce our new Irish office, located in Dublin. This office, central to our Irish business and investment activities, symbolises our strategic use of Ireland's Investment Limited Partnership structure. With Jacqueline Flynn leading as Operations Director, and support from key team members, this expansion reflects our commitment to Ireland. This move is part of our continued investment in Irish companies, highlighting our role as a leading investor in corporate carve-outs and founder-led businesses within Ireland and the UK.

We convened our sixth leadership conference, gathering over 100 top executives from our portfolio companies and the Exponent team. The day was filled with motivational discussions, with a significant focus on ESG. Whilst the day promotes best practice across a range of topics, there is a greater power in the relationships built between management teams and the enduring benefit of collaboration that extends beyond the event itself.

We are excited to publish our commitment to the Science Based Targets initiative (SBT), with the aim to have our target validated within the year 2024. This move underscores our proactive stance on environmental sustainability and our pledge to setting and achieving science-based environmental targets.

We hope this report sheds light on our approach to ESG, highlighting our achievements and progress in 2023. Your feedback on our ESG strategy and responsible investment practices is highly appreciated.



Richard Lenane,
Managing Partner
July 2024

Message from Head of ESG and Responsible Investment

Over the course of 2023 we continued to make progress, ensuring our ESG process reflects industry best practice but also maintaining the solid foundations we established over the last 13 years. Our latest PRI score which you can find on page 12 reflects this continuous improvement.

We reviewed our ESG Strategy over the course of 2023, to check that our focus areas address the issues that are material for our portfolio and the sectors we invest in. This report has been arranged in the themes which are central to our engagement: Energy & Climate, People and Governance.

Climate continues to be a big focus area for the Firm and we continued to work with our Advisors on the Task-force on Climate-Related Financial Disclosures (“TCFD”) as a framework to help us understand the financial impact of climate change as well as the mitigation steps we can deploy. It’s been a principal topic for the ESG Committee, and I am proud that we have taken the decision to set a Science Based Target so that our emissions, and those of our portfolio, reduce in line with the Paris Agreement goals of limiting global warming to 1.5°C above pre-industrial levels. Over the course of 2024 we will look to get this target validated. Whilst we are not in scope for mandatory TCFD reporting, we have included disclosures on this topic on page 21.

Human Rights was another focus area for the Firm this year, as we worked with advisors to develop training and a screening tool to help the Firm apply leading Human Rights frameworks to our pre-deal due diligence. You can find out more about this on page 11.

One of the most enjoyable parts of the role is around collaboration, whether that’s bringing together the portfolio or working with our peers. 2023 highlights include hosting a Scope 3 portfolio workshop and our involvement in the iCI’s Scope 3 working group. As a community, it’s great to be part of a network striving to make progress and I was pleased to participate in panel discussions at the BVCA ESG Conference and the IQEQ Regulatory Conference.

Whilst I regularly meet with the portfolio to discuss ESG, we recognise that real ESG progress requires senior level buy-in, and this is why we require each board to have an ESG sponsor. Over the past year, I engaged with the majority of our Portfolio CEOs to exchange best practices and gain insights into the challenges and opportunities they encounter.

The regulatory landscape continues to evolve, bringing ever increasing reporting obligations. We are grateful for initiatives such as the ESG Data Convergence which look to streamline reporting. This year we also invested in a data platform, to help us track and analyse our portfolio’s performance on a more granular level. Whilst we have been gathering this data for a while, we wanted to increase the scope and quality of the data we collected to enable the Firm and our portfolio to use ESG data to drive decision making.

We recognise that ESG risks and opportunities are unique to each potential investment or portfolio company but believe that identifying the material topics can help drive value creation and have a lasting impact on a company, that can survive and indeed thrive beyond our ownership. Whilst we have made some strong progress in the past 13 years we have had an ESG programme, there’s always more we can do, and we look forward to reporting back next year. We welcome any feedback you may have.

Lizzie Stazicker,
Head of ESG and Responsible Investment



Exited businesses in 2023

Sustainability played a big part in two companies we exited in 2023

MEADOW

Meadow partners with the world’s leading food manufacturers to solve their most complex challenges and supplies the crucial ingredients in many of the UK’s favourite brands. The company employs over 500 people across five sites in the UK.

Over the course of our ownership, the business became a market leader for sustainability in the dairy industry, partnering with farmers to reduce the carbon footprint of its raw materials inputs, targeting net zero for operational sites by 2030 and to be fully net zero by 2050. With Exponent’s support, Meadow’s farmer engagement programme focused on reducing carbon emissions and promoting biodiversity. The efforts resulted in a 21% reduction in CO2e emissions per kilo of milk since 2018. Meadow’s suppliers are now producing milk which is 63% less carbon-intensive than the global average and 15% less carbon-intensive than the UK average.



enva

Enva is a recycling and resource recovery business with over 1,600 employees across its 34 operational facilities in the UK and Ireland. It provides a range of services to customers in the industrial, commercial, construction and public sectors, with a particular focus on managing hazardous and specialist waste.

A key driver of this growth was the development of a market leading sustainability proposition, including significant investment in new and upgraded waste recovery solutions that are today used by Enva’s customers to help achieve their sustainability goals while maximising the recovery of waste for use in the development of valuable secondary materials.

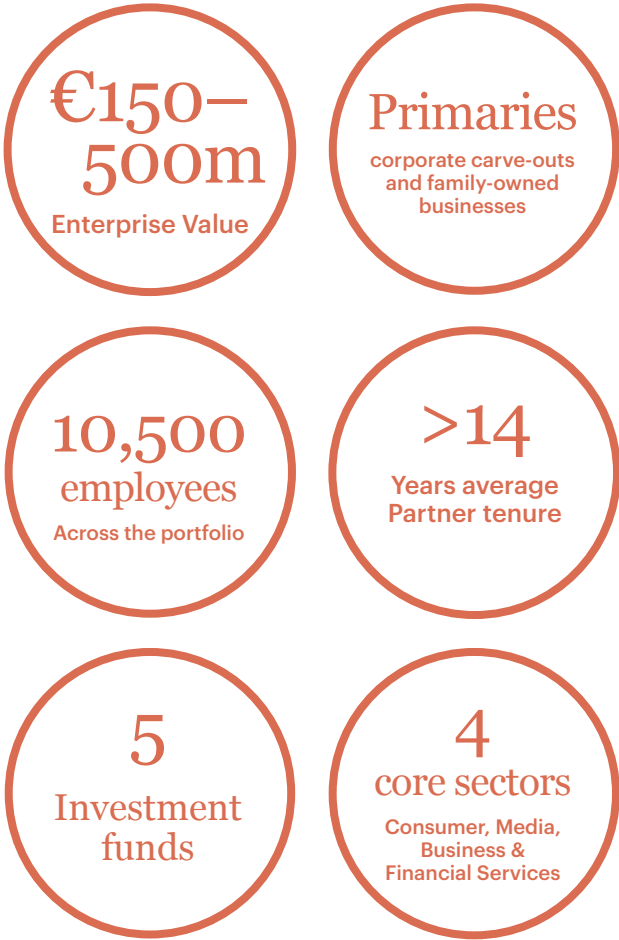
“Since partnering with Exponent, Enva has developed a portfolio of innovative waste-to-product technologies to support our customers, acquired a range of synergistic businesses, and brought on a strong bench of talented managers to support key parts of the business. This has allowed us to develop our value added, circular economy-driven proposition and has cemented our position as a leading resource recovery platform in the UK and Ireland. I am delighted to begin the next step on our journey with I Squared Capital.”

Tom Walsh,
CEO at Enva

Established in 2004 with a presence in London, Dublin and Amsterdam, Exponent is a leading private equity firm. The Firm invests in mid-market companies headquartered across Europe (UK, Ireland, Benelux and Nordics).

Exponent delivers transformative change by investing into robust and defensible businesses which have been constrained by prior ownership and pursues value creation through well-defined market-independent levers for growth – doubling profits over its ownership period and achieving a strategic re-rating.

Exponent has a distinctive approach, central to which is identifying hidden potential in corporate, family or founder owned businesses; specialisation within sectors; and integrating industrialists into its investment process.



2023 at a glance

We have been committed to ESG for over a decade

2 exits

Enva in Q2 2023 and Meadow in Q4 2023

13

bolt-on acquisitions at Evergreen, Meadow, SHL, Isio and Xeinadin

1

disposal at SHL

1 new

office opened in Dublin

16

portfolio investments

Awards

isio.

Award for Best Environmental Impact Thought Leadership, for “Focusing on a nature positive future – Isio”, 2023

GO City

Nominated for a Flexified Award, indicating flexibility for the workforce, 2023

H&MV

ENGINEERING


HEALTHY WORKPLACE STRATEGISTS

Proud first-year recipients of this new award for Environmental Impact at the Limerick Chamber Regional Business Awards, 2023.

EVERGREEN

Garden Care

Achieved a rating of Bronze from Ecovadis’ assessment of the company’s sustainability management system, 2023



H&MV receiving the Environmental Impact Award

What we said we would do in 2023

● Host an IT portfolio network event in 2023

Achieved

● Assess portfolio compliance with ESG proces

Achieved

● Schedule CEO ESG Catch ups

Achieved

Looking Forwards

● Have Net Zero Target validated with SBTi

● Conduct a Biodiversity screening

● DE&I Committee to review family leave policies

Our Portfolio

Exponent works with 16 portfolio companies (across FIII and FIV) as of 31 Dec 2023. Meadow and Enra were exited and Natara and Testing Co acquired over the course of the year.



Headquarters: London
Annual Revenue: \$188.1m
Headcount: c.1,100
Acquired: Mar 2015
Sector: Consumer – leisure



Headquarters: Frimley
Annual Revenue: €528.6m
Employees: c.990
Acquired: Aug 2017
Sector: Consumer – garden care products



Headquarters: London
Annual Revenue: \$279.8m
Employees: c.190
Acquired: Dec 2016
Sector: Consumer – leisure



Headquarters: London
Annual Revenue: £67.4m
Employees: c.220
Acquired: Jun 2021
Sector: Consumer – food



Headquarters: Limerick
Annual Revenue: €357.3m
Employees: c.760
Acquired: Apr 2022
Sector: Business Services – industrial services



Headquarters: London
Annual Revenue: £152.0m
Employees: c.900
Acquired: Mar 2020
Sector: Financial Services – pensions and investments



Headquarters: London and Amsterdam
Annual revenue: £320.1m
Employees: c.3,209
Acquired: Jan 2016
Listed: Feb 2021
Sector: Consumer – greeting cards and gifts



Headquarters: Hartlepool
Annual Revenue: £93.0m
Employees: c.350
Acquired: Aug 2023
Sector: Business Services – flavour and fragrances



Headquarters: Thames Ditton
Annual Revenue: \$179.3m
Employees: c.1,500
Acquired: Apr 2018
Sector: Business Services – support services



Headquarters: London and Dublin
Annual Revenue: £88.4m
Employees: c.340
Acquired: Sep 2016
Sector: Media – branded media



Headquarters: Amsterdam
Annual Revenue: \$342.6m
Employees: c.960
Acquired: Jan 2016
Sector: Consumer – personalised photo products



Headquarters: Amsterdam
Annual Revenue: €49.0m
Employees: c.290
Acquired: Aug 2023
Sector: Business Services – software testing



Headquarters: Southall
Annual Revenue: £181.1m
Employees: c.540
Acquired: Nov 2019
Sector: Consumer – ethnic foods



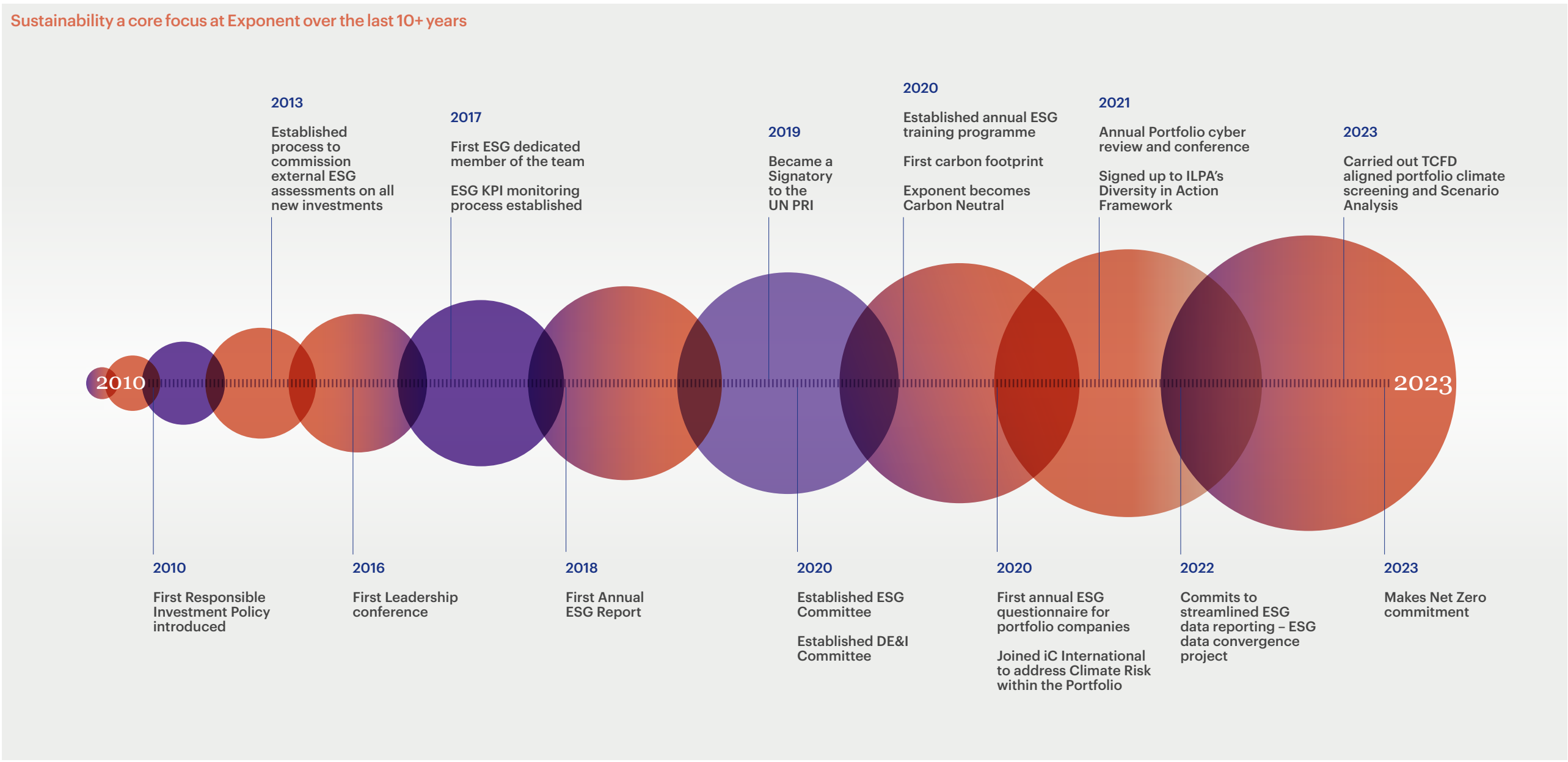
Headquarters: London
Annual Revenue: £65.0m
Employees: c.340
Acquired: Feb 2021
Sector: Consumer – food



Headquarters: London
Annual Revenue: £158.0m
Employees: c.210
Acquired: Nov 2015
Sector: Consumer – discount deals



Headquarters: London
Annual Revenue: £114.1m
Employees: c.1,800
Acquired: May 2022
Sector: Financial Services – challenger FS



Since launching our first Responsible Investment policy in 2010, we have made many enhancements to our process, as the expectations and guidance around ESG has evolved.



We incorporate ESG throughout our investment process and collaborate with our portfolio companies to integrate ESG practices into their daily operations. In 2023, we enhanced our Responsible Investment policy to include our approach to Stewardship and created a climate change annexe.

ESG Governance

Our approach to ESG is led by Richard Lenane, our Managing Partner, who has responsibility for ESG and governance matters. Oversight for ESG is delegated to Craig Vickery, our Chief Operating Officer and Partner.

Day-to-day management of ESG is led by Lizzie Stazicker, our Head of ESG and Responsible Investment. She assists our portfolio companies, tracks their ESG progress, communicates with the PRI, shapes our responsible investment strategy, and ensures we meet the highest industry standards.

Formed in 2020, our ESG Committee meets quarterly to discuss the Firm’s ESG strategy, with climate risk being a core agenda item in recent years. Members include the COO, the Head of ESG, Senior Partner, a Partner, Operations Director and a member of the Investor Relations team.

ESG Committee

<p>Lizzie Stazicker, Head of ESG and Responsible Investment</p>	<p>Simon Davidson, Senior Partner</p>	<p>James Gunton, Partner</p>
<p>Craig Vickery, Partner and COO</p>	<p>Sophie Porter, Investor Relations Principal</p>	<p>Jac Flynn, Operations Director</p>

Jacqueline Flynn joined Exponent in July 2023 as its Operations Director. Prior to Exponent, Jacqueline spent almost 20 years’ working within the Irish and UK asset management and investment funds industry both in house and in practice, most recently as Chief Operating Officer for BlackRock Asset Management Ireland Limited. Prior to that she trained and worked in the Asset Management division of PricewaterhouseCoopers Dublin. Ms Flynn is a chartered accountant and chartered governance professional and holds a Bachelor in Commerce from University College Dublin.

Through our ESG Approach (see page 15) we support our portfolio companies to set ESG goals which are material to them. However, we recognise that there are key topics that are most relevant to the sectors we invest in, and it is these areas where we can concentrate our efforts to have the greatest impact.

This year we conducted a materiality assessment, looking at the ESG topics that are material to Exponent and our portfolio. We took a sector-based approach, using industry standards considering the ESG topics relevant to the sectors we invest in through a financial and impact materiality lens. We then considered the views of other stakeholders, including management teams, investors, and the Firm itself. The topics we aligned on were also influenced by ESG regulations, such as the SFDR and industry frameworks e.g. iCI, EDCI, PRI, ILPA to ensure that we also reflected industry best practice.

The analysis was discussed by Exponent’s ESG Committee before being updated internally. The diagram on the following page highlights the three areas where we believe we can have the biggest impact.

This framework feeds into our pre- and post-ownership engagement initiatives. With this approach, we can better support our portfolio companies through thematic engagement to tackle key challenges which some or all our portfolio might be facing. This may be linked to these material topics – addressing common risks or opportunities, or the result of legislation. At the heart of this approach is the value of peer learning and the benefits of sharing progress, resources and best practice across the portfolio.

SDG alignment

As part of this process, we have prioritised three UN Sustainable Development Goals (SDGs) which reflect the Firms’ framework and highlight sustainability topics where we believe we can have an influence. For each topic, we track metrics to help us assess our progress.

The SDGs we prioritise are:



Climate Action

We understand the urgent action we all need to take to combat climate change and its impacts. We are working as a Firm and with our portfolio to set and achieve meaningful, science-based carbon targets and understand the climate-related risks and opportunities facing our businesses.

Material topic alignment: **Energy and Climate**



Gender Equality

Diversity supports strong, resilient businesses and, ensuring the equal inclusion of women in our Firm and portfolio is an important step, particularly in leadership teams.

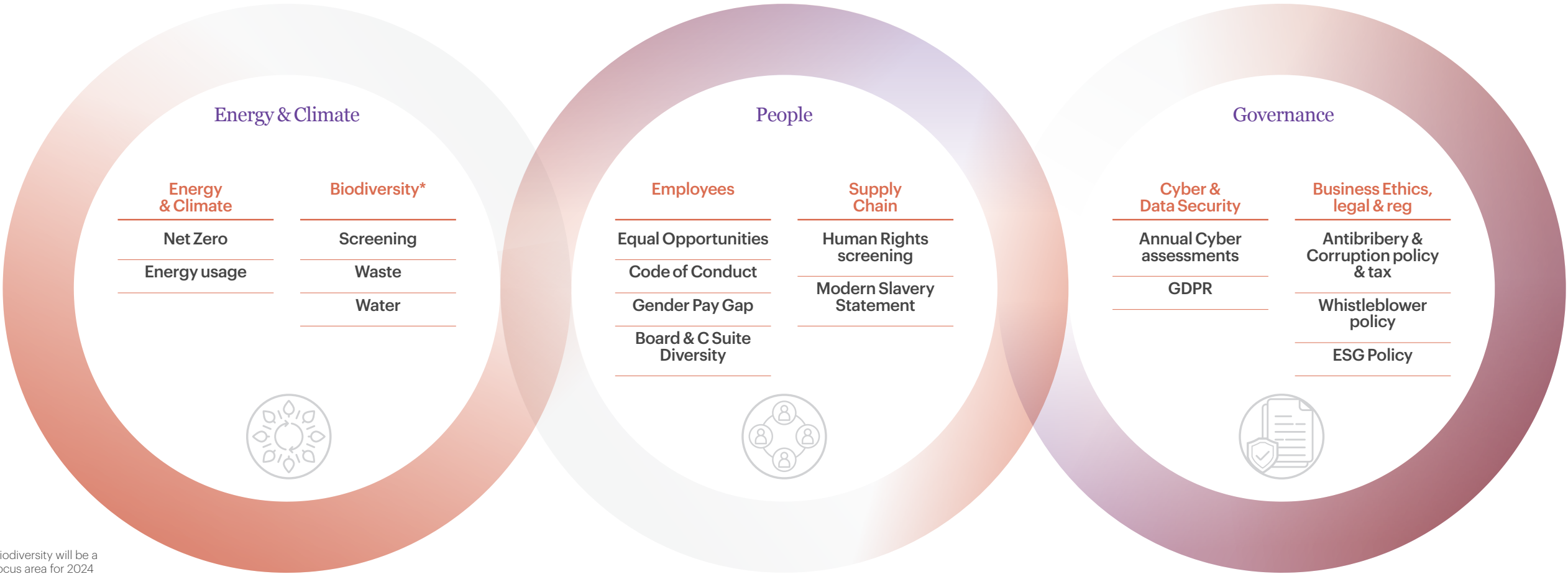
Material topic alignment: **People**



Peace, Justice and Strong Institutions

Strong, just institutions are the foundation of our society. We are committed to running our Firm and portfolio companies ethically and ensuring strong governance structures to ensure transparency and accountability.

Material topic alignment: **Governance**



*Biodiversity will be a focus area for 2024

SDG alignment



For more on Energy & Climate
see page 20

SDG alignment



For more on People
see page 27

SDG alignment



For more on Governance
see page 32

We're proud to share that in 2023, all the deals we executed underwent comprehensive ESG Due Diligence, underscoring our commitment to sustainable investment practices. Furthermore, we decided to reject 5 deals based on ESG considerations. Additionally, we also produced ESG Vendor Due Diligence for the deals we exited in 2023.

Human Rights

In line with our responsible investment strategy, we enhanced our diligence around human rights in 2023. We partnered with ESG experts to deliver targeted human rights training for the investment team. This workshop upskilled our investment colleagues in the foundations of human rights, associated risks and opportunities, the importance of due diligence, the evolving regulatory landscape, and practical steps in line with the UNGPs, UN PRI and OECD Guidelines.

We supported the workshop with a pre-investment Human Rights screening tool. This tool helps the investment team consider human rights risks of potential investments according to their countries of operations, sector, and governance mechanisms.

The investment team are now better equipped to identify initial risks and opportunities in current and future investments, manage human rights governance in the portfolio, and determine the need for due diligence in future investments.

SFDR

Exponent's most recent fund, Fund V, falls under Article 8 of the Sustainable Finance Disclosure Regulation (SFDR) as we promote specific environmental and social characteristics for the fund, and ensure that the companies the fund invests in follow good governance practices. However, we do not commit to make any purposeful sustainable investments or have sustainable investment as the fund's objective.

Training and development


We want all employees to be aware of our ESG programmes and commitments. We include ESG in our employee induction programme and require all new junior investment team members to undertake the BVCA's Responsible Investment training. We conduct ESG training sessions for existing colleagues twice a year to embed ESG principles. Our Head of ESG and Responsible Investment keeps the team informed with quarterly updates to ensure continuous awareness. Finally, we require all team members to affirm their understanding and adherence to our ESG procedures through Annual Declarations, maintaining a high level of engagement with our ESG goals.



Commitments and industry partners

In line with our commitments to responsible investment, we are a signatory to the UN PRI and other leading industry bodies.

UNI PRI



Principles for Responsible Investment

We became a signatory to the UN PRI in 2019 to demonstrate our commitment to responsible investment and comply with the PRI's six principles.

1

We will incorporate ESG issues into investment analysis and decision-making processes.

2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4

We will promote acceptance and implementation of the Principles within the investment industry.

5

We will work together to enhance our effectiveness in implementing the Principles.

6

We will each report on our activities and progress towards implementing the Principles.

In 2023 we scored 4 **** across all three modules, scoring above the median in each module.

Summary scorecard


PRI Median

Median score

Module core	AUM coverage	(0<=25%)	(>25=40%)	(>40<=65%)	(>65<=90%)	(>90%)
Star score		★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Policy Governance and Strategy ★★★★★		<div><div></div><div>82</div></div>				
Direct – private equity ★★★★★	>50%	<div><div></div><div>90</div></div>				
Confidence building measures ★★★★★		<div><div></div><div>85</div></div>				


Despite PRI reporting being voluntary in 2024 for signatories, we are committed to reporting and will continue to use the PRI framework as a means to assess our progress.

BVCA




Member Firm

We have been an active member of the British Private Equity & Venture Capital Association since 2004. In 2023, our Head of ESG spoke at the BVCA ESG Conference on their Net Zero panel.




ESG Data Convergence Initiative



ESG Data Convergence Initiative

We support this initiative that aims to streamline the private investment industry's approach to collecting and reporting ESG data, by collecting meaningful, performance based and comparable ESG data from private companies. We have integrated the metrics identified by the ESG Data Convergence Initiative into our new ESG data management tool, Novata, to ensure we collect this data consistently and efficiently from our portfolio.

Invest Europe



Member of INVEST EUROPE

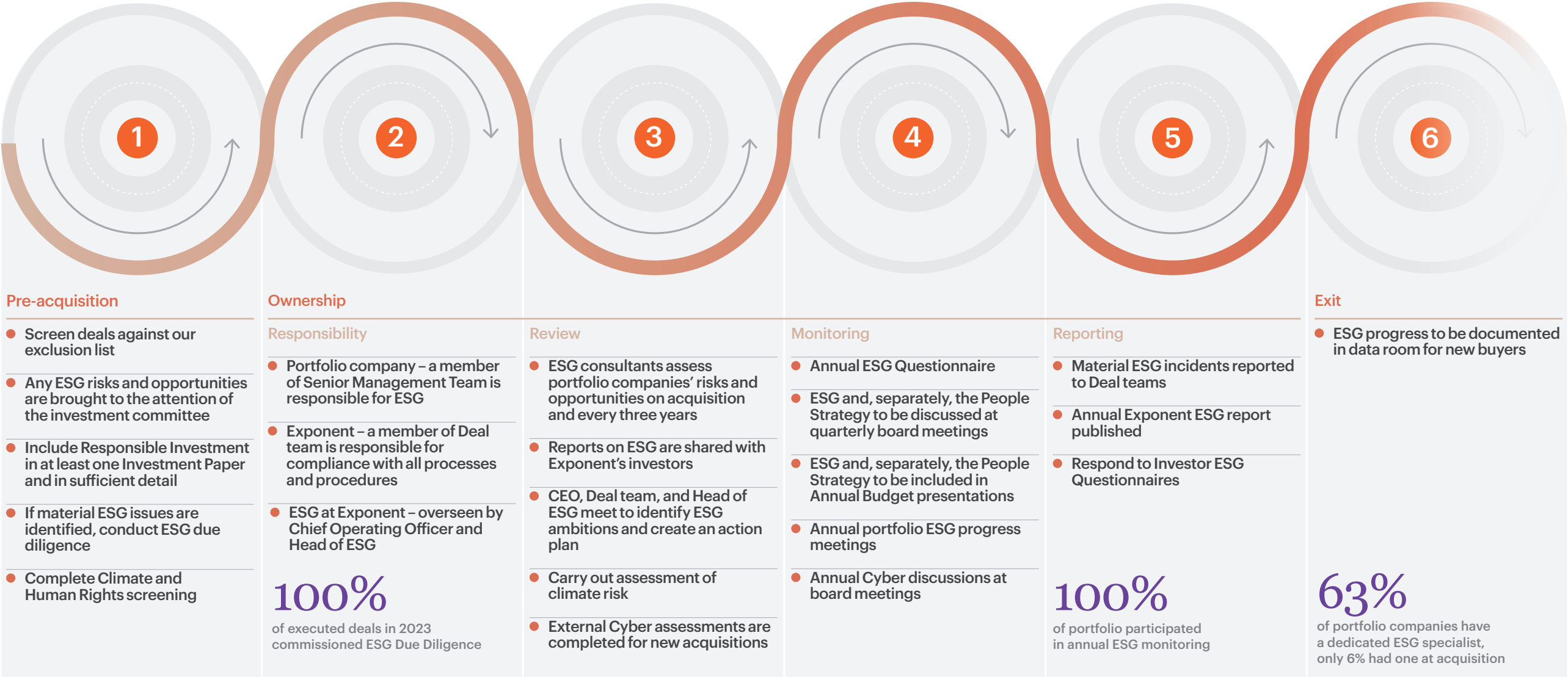
We have been a longstanding supporter of Invest Europe, who are the world's largest association of private capital providers. Exponent also sits on the Responsible Investment round table and is involved in their Reporting Standards working group.

Exponent ESG Annual Report 2023

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In line with our commitment to Responsible Investment, we are a signatory to the UN PRI and comply with the PRI's six principles as well as working with other leading industry bodies.

Our ESG Process

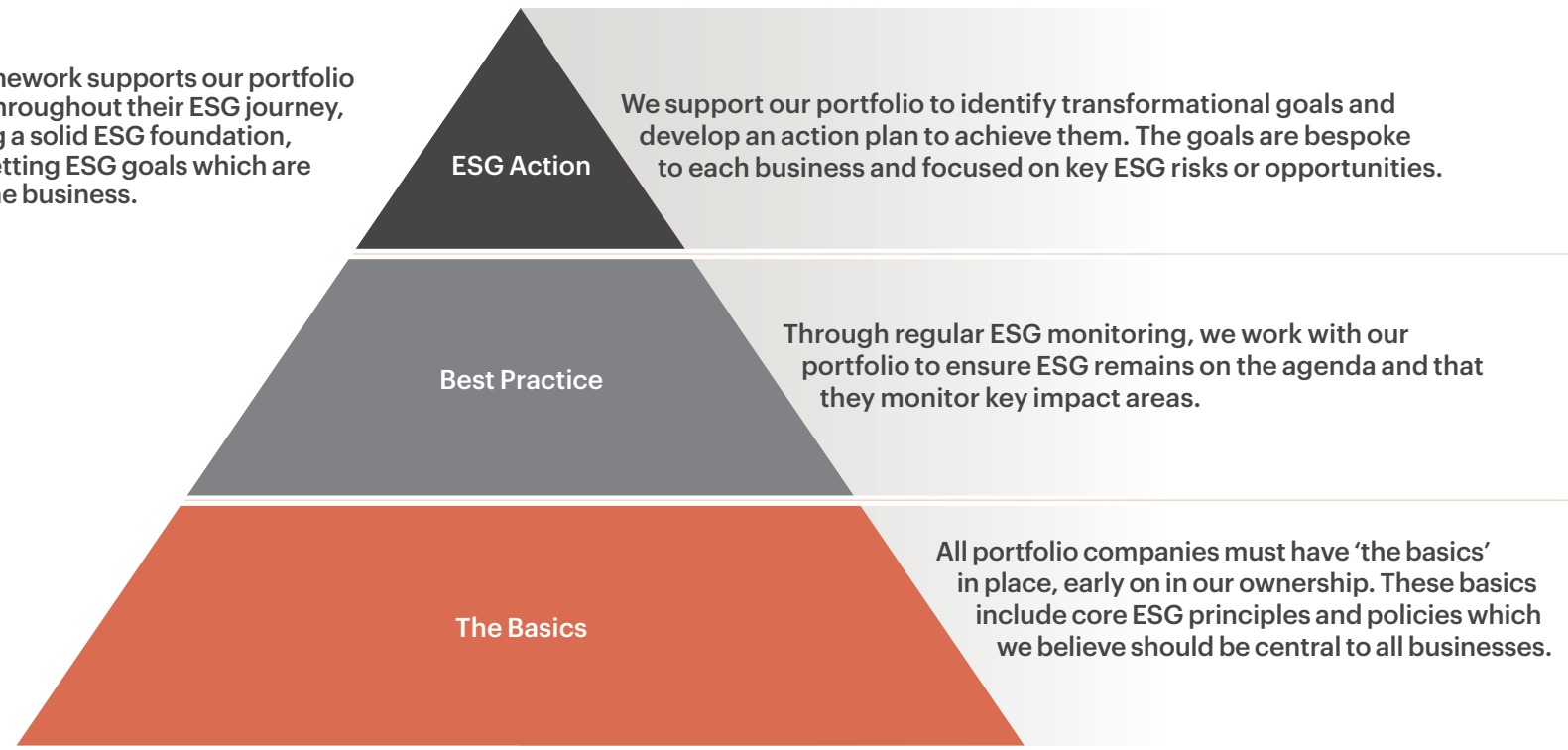


Predeal

Prior to acquisition, we ensure that ESG-related issues are raised at Investment Committee, with sufficient detail and are documented accordingly, in a section headed “Responsible Investment”. The Investment Committee paper should consider the ESG risks and opportunities which are relevant to the business along with our judgement of their significance, any due diligence that has been carried out and, where necessary, a description of how the Firm plans to address any issues post-investment. Our recent focus has been on improving how we systematically consider Human Rights (please see page 11 for further information) and Climate Change (please see page 22 for further information) risks and opportunities in potential investments.

Ownership

Our ESG framework supports our portfolio companies throughout their ESG journey, from building a solid ESG foundation, through to setting ESG goals which are material to the business.



The Basics

As part of our onboarding programme, we work with our portfolio companies to ensure they have a set of core policies and processes in place within the first year of our ownership. We track compliance and the following chart shows the progress we have made. We have also included recently acquired companies where we are working on getting these policies in place.

To help each portfolio company along this journey we commission a specialist ESG review to identify the key risks and opportunities that each business should focus on. We invest in companies in different sectors and so this review brings in a sector-specific focus, including relevant regulations and peer benchmarking to help each portfolio company determine an ESG action plan, bespoke to them. Further information can be found in the ESG Action section below.

Summary scorecard

	Company 1	Company 2	Company 3	Company 4	Company 5	Company 6	Company 7	Company 8	Company 9	Company 10	Company 11	Company 12	Company 13	Company 14	Company 15
Annual ESG Questionnaire	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed
ESG Policy	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Ongoing	Completed	Ongoing	Ongoing
ABC Policy	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Ongoing	Completed
Modern Slavery Act	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Ongoing	Completed	Ongoing	Completed
Gender Pay Gap	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Ongoing	Completed	Completed	Completed	Completed	Ongoing	Ongoing
Corporate Criminal Offence Policy	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Ongoing	Ongoing
GDPR Compliance	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Ongoing	Completed
Whistleblower schemes	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Ongoing	Completed
Code of Conduct	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Ongoing	Completed
Equal Opportunities	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Ongoing	Completed
Carbon Footprint	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed
Cyber Assurance Assessments	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Ongoing	Ongoing

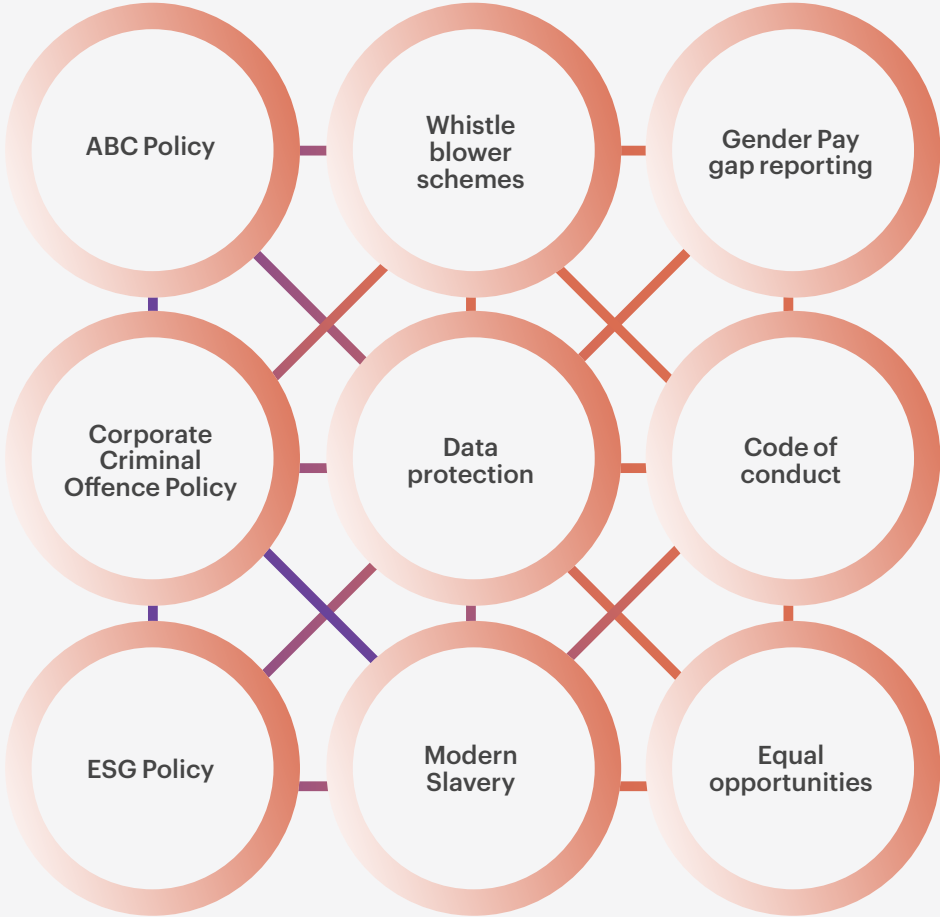




ESG Responsibility

We believe ESG is a material consideration and that it's important that this is driven from the top of the organisation. We require someone from the board of each of our portfolio companies to be responsible for ESG and mandate that it's discussed at quarterly board meetings. This is aligned internally with its inclusion in Portfolio Review Papers and Portfolio Budget presentations.

In addition 63% of our portfolio have a dedicated ESG specialist, helping to drive progress within each portfolio company.



ESG Action

While we have identified material topics that are apply across the portfolio, we believe that it is important for each portfolio company to respond to the very specific ESG topics that are most material to their business.

We ask each portfolio company to set ESG goals which are material to them, and we discuss these at annual ESG meetings. In 2023, we enhanced our ESG Action Plan template and asked each portfolio company to complete this exercise, to bring consistency to our approach.

One of the themes that many of our portfolio companies were struggling with was packaging and plastics. To support this, we are planning to arrange an event in 2024 to gather the relevant companies to look at the proposed new regulations and consider how best to mitigate against this.

We recognise that ESG success needs to start with the senior management of a company and that when this ambition is integrated throughout a business and provided with dedicated resource, real change can happen.

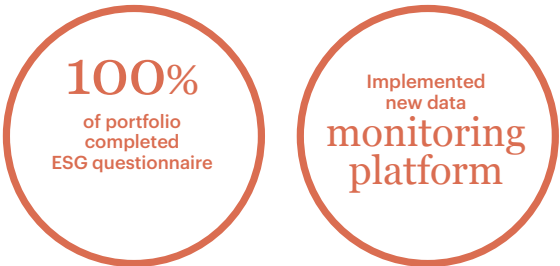
Over the course of 2023, the Firm's Head of ESG and Responsible Investment met CEOs from across the portfolio to share the themes we were seeing emerge as a Firm as well as some examples of best practice.

ESG Monitoring

We launched our first ESG monitoring programme in 2020, working alongside consultants, to determine a monitoring programme that reflected topics material to the sectors we invested in. We also wanted to ensure that it covered international frameworks and regulations that were in existence or on the horizon to ensure that we were capturing the right data. The ESG reporting landscape has changed dramatically since we launched our first ESG questionnaire. We now update the questionnaire regularly, looking to future trends and requirements so we can provide our investors with the information they need and effectively monitor the progress or challenges within our portfolio. This framework has been updated in recent years to include metrics such as the ESG Data Convergence Initiative, ILPA Diversity in Action framework and most recently the Sustainable Finance Disclosures Regulation (SFDR) Principle Adverse Impacts (PAI).

As the demand for ESG data has grown, so have our reporting obligations and ambition. To improve the quality and scope of the data we collect and make it easier for the portfolio to report, we have selected and implemented a data management tool in 2023. We have imported our historic data to enable better year-on-year monitoring and our chosen partner also provides sector and portfolio benchmarks to drive progress. Our first ESG monitoring campaign has gone well, with portfolio companies successfully onboarded onto the new platform.

Whilst this process has improved our regulatory compliance, we see this as much more of an engagement tool. The improved analytics and ease of reporting has helped us share progress both internally as well as across the portfolio.



Case study

ESG is me – integrating ESG in engineering projects



Leading specialist in high voltage electrical engineering serving data centres, renewables and utilities clients across EMEA

Portfolio:
H&MV Engineering

Acquired:
April 2022

ESG meetings with Exponent in 2023: 3



“H&MV Engineering is dedicated to securing its position as a leader in the engineering industry while contributing positively to the environment and society. By prioritizing ESG, the company is demonstrating its commitment to a sustainable future for all.”

Sinead Nelligan,
Quality Manager



H&MV Engineering is a leading provider of specialist Design, Engineering & Construction Services that is committed to being environmentally responsible.

ESG First Approach

H&MV’s innovative approach to addressing environmental, social and governance challenges is evident through their ESG First Approach, which encourages all staff to now consider E, S & G when designing and building projects. This fosters responsible business practices and advances sustainability initiatives. They proudly carry the slogan “ESG is me”, this shows that everyone in the company irrespective of our role, level, location, ESG is a part of everyone’s day to day jobs and lives. H&MV believe that individuals have the ability to make real positive differences, and all action no matter the size have a collective measure for positive change. Their ESG Strategy ensures all three pillars are represented and all people across the company can participate and make real impact.



Visit the website

H&MV believe that individuals have the ability to make real positive differences, and all actions no matter the size have a collective measure for positive change. Their ESG Strategy ensures all three pillars are represented and all people across the company can participate and make real impact.



Case study

Creating flavours and fragrances sustainably



Leading supplier of high-value, niche specialty base aromas, key inputs to the global Flavour and Fragrance industry

Portfolio:
Natar

Acquired:
August 2023

ESG meetings with Exponent in 2023: 2




“By focusing on Exponent’s ESG programme we have developed foundational ESG policies and established reporting to cover material ESG topics, including our carbon footprint. The next stage is for us to identify the relevant targets and pillars and set out our ESG roadmap for the years ahead.”

Nick Pennell,
VP Transformation



The flavour and fragrance industry is a mature market in terms of sustainability with leading companies scoring highly in CDP and Ecovadis rankings. As a newly formed, independent supplier in the industry, Natar has had to develop an ESG programme starting with the foundational elements. As per Exponent’s process, Exponent commissioned an external ESG review to identify the material ESG risks and opportunities. The short term focus for the business was on establishing core E, S and G policies and establishing reporting and governance frameworks around these topics.



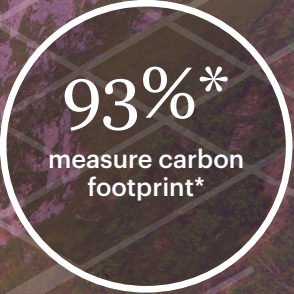
 Visit the website

Using Exponent’s ESG data management tool, Natar have started to track and report key environmental and social metrics. Natar have also been reducing their environmental impact, by purchasing renewable energy, and implementing energy and resource efficiency projects. From a governance perspective, they have established key policies, including a revised Code of Conduct. To support their people, they have conducted their first standalone Employee Engagement survey and set up engagement working groups in each location to act on the outcomes. The business has an excellent Health and Safety record which it continues to support with 0 LTIs reported in 2023.

Looking forwards, Natar is carrying out an ESG materiality assessment with key stakeholders at the business, which will then be used to inform their ESG Action Plan. This will include activities to better measure and understand their Scope 3 emissions and supply chain activities. All this work supports their vision to be the ‘Partner of Choice to the Flavour & Fragrance Industry’.

Climate action continues to be of central importance to the Firm and plays a large role in our portfolio engagement. Climate change is a topic that all our businesses need to consider, regardless of sector. This is why we see real value in helping the portfolio understand the impact of climate risk and the measuring the carbon footprint of their business.

Beyond climate, other environmental impacts are considered by individual businesses and sectors. In the food sector, Gü and WARP consider supply chain, packaging, and energy and water consumption. Evergreen, creating garden products, considers packaging and biodiversity, not only through peat and pesticides but also through the potential positive impact of customers' gardens. And for Natara, supply chain management and biodiversity rank as high impact topics. Whilst our office-based businesses, such as SHL and Isio, may have smaller climate impacts, they remain committed to reducing energy consumption and office waste.



*the remaining company provided a spend based analysis and we are working with them on gathering actual emissions data



Energy & Climate

A portrait of Craig Vickery, a man with short dark hair, wearing a light-colored button-down shirt. The image is partially obscured by a large, semi-transparent orange-to-purple gradient overlay that covers the left side of the page.

“Climate change continues to be a principal topic of the ESG Committee as we look to ensure our investment activities reflect both the risk and opportunity that it poses. Making a commitment to the Science-based target initiative marks an exciting step for the Firm and its portfolio. We believe that by incorporating a credible, science-based emissions reductions strategy into our post ownership ESG process, will create long lasting value for our investments.”

Craig Vickery,
Partner and COO and Chair
of the ESG Committee, Exponent

Assessing and reporting climate risk

At Exponent, we acknowledge both the risks and opportunities that climate change presents to our portfolio, operations, and employees. In recognition of this, we choose to report according to the recommendations of the Taskforce for Climate Related Financial Disclosures (TCFD), in line with our commitment to the UN PRI. We support the Paris Agreement and review our internal processes to ensure they meet the four pillars of the TCFD: Governance, Strategy, Risk Management, and Metrics & Targets.

In 2023 we undertook Scenario Analysis with support from third party consultants, engaging all of our portfolio companies. The assessment considered the impact of climate change associated with both changing climatic conditions (physical risks) and the transition to a low-carbon economy (transition risks), such as policy, regulatory, market and technology changes across our portfolio.

We used scenario data from Network for Greening the Financial System (NGFS) and the Intergovernmental Panel on Climate Change (IPCC). We looked at the top three transition and top three physical risks in our portfolio in 1.5°C, <2°C and 3°C scenarios. These top six risks were chosen from a materiality-based climate screening of Exponent’s portfolio, undertaken by external consultants, in Q4 2022. We looked at both short term material results to 2030 and long-term results to 2050.

The scenario analysis adopted a top-down high-level approach to estimate the financial impacts of projected climate change scenarios. We considered the vulnerability of each portfolio company and their sector to climate, including their operation locations and GHG emissions where available. The analysis considered the current and planned interventions of each portfolio company that reduce their risk exposure to climate-related financial impacts.

The climate-related financial risks to Exponent’s portfolio are highest from transitional risks in 1.5°C and 2°C worlds (carbon taxation and fuel cost increase), while physical risks are highest in a 3°C world. The highest short term (by 2030) climate related financial impacts are from transitional risk in a 1.5°C world, while the highest long-term risks are from transitional risks in a <2°C world, i.e., a delayed transition scenario.

The analysis enhanced our understanding of the exposure of our portfolio to transition and physical risks. We shared the findings with relevant portfolio company management teams to support their strategic decision-making. Over time, our approach to scenario analysis will progress to better integrate regulatory expectations and industry best practices, aiming to deliver actionable insights that aid decision-making.

Climate Governance

Exponent’s Governing Body oversees climate related risks and opportunities annually, and our ESG Committee meets quarterly to oversee climate risk as a key focus area. The Committee has senior-level oversight and includes the COO, Senior Partner, Partner, Head of ESG and Responsible Investment, Operations Director and a member of the Investor Relations team. In 2023, our ESG Committee underwent training from a third-party to provide an overview of net zero pathways both at a Firm and portfolio level.



Risk Management

Climate change forms a core part of the ongoing monitoring of our portfolio, including through our annual ESG survey. Engagement with our portfolio includes sharing best practice, teach-ins and network events. We work with our portfolio companies to improve the level of data and disclosure they provide over the course of our ownership.

We look to understand the potential climate-related risks and opportunities throughout our deal cycle:

- **New Investments:** Exponent screens new investments for climate-related risks and opportunities and, where material risks are identified, more detailed and focused due diligence is completed before an investment decision is made.
- **Existing Investments:** Our existing ESG monitoring considers energy efficiency, energy usage, missions, use of renewable energy and low-carbon opportunities where relevant. These insights are used to assess the portfolio company’s maturity when it comes to the transition to Net Zero.

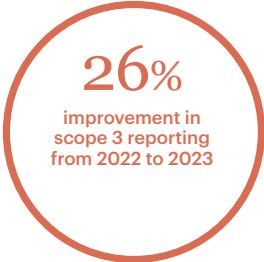
Metrics and Targets

We monitor a number of climate-related metrics and targets as part of our annual ESG monitoring, both of our own operations and those of our portfolio. We require each portfolio company Board to consider climate change at least annually. Climate change and carbon emissions are also a important part of our external commitments, including.

- **Carbon emissions fall within the core KPIs of the ESG Data Convergence Initiative — an industry framework that Exponent is proud to be a part of, designed to streamline ESG data collection and facilitate peer benchmarking for portfolio companies and investors.**
- **As a PRI signatory, we participate in the annual transparency report, based partly on the TCFD recommendations.**
- **As a signatory to the iC International since 2021 – a UN PRI -backed network of investors that are collectively committed to achieving the objectives of the Paris Agreement – we agree to analyse, manage, and mitigate climate-related financial risk and emissions in their portfolios, in line with TCFD recommendations.**

With 99.97% of our total carbon footprint coming from our investments, supporting our portfolio to reduce their carbon emissions is the biggest opportunity for us to reduce our own emissions.

From April 2022 to March 2023, the Scope 1 and 2 emissions from our financed emissions increased by 20% compared to the previous year, however the number of companies within the portfolio has increased too. Looking at the existing portfolio companies, 10 of 13 have reduced their scope 1 and 2 emissions. We have also seen improvements in the measurement of scope 3 emissions, with this increasing from just over half in 2022 (7 of 13 portfolio companies) to around 75% (13 or 17 portfolio companies) in this latest review. It is encouraging to see that the engagement we have had on Scope 3 emissions has had a positive effect. While some Scope 3 emissions are currently excluded, we will be pushing for full reporting to support Exponent’s ambition to set a Science Based Target. In 2023 we trialled supporting two portfolio companies with a carbon reporting tool, which helped these companies establish their first GHG inventory.



Greenhouse Gas Inventory

Our latest Greenhouse Gas Inventory report highlighted some key steps we can take to improve our reporting next year. This included work to improve data quality, such as recording journey start points, destinations and/or distance travelled in the expense system, to gain greater accuracy within the business travel category, and working with portfolio companies to ensure they are providing information on data quality as part of their submissions.

Our Net-Zero Commitment

While it is vital that we measure our greenhouse gas emissions, taking action is even more pressing. This is why we are committed to setting an ambitious, science based, emissions reduction target. We registered our commitment to set a Near-Term emissions reduction target, with the Science Based Targets institute (SBTi) in 2023. SBTi provide the global standard for GHG emissions targets, aligned with the latest climate science. Setting an SBTi approved target, means we are making a meaningful contribution to the emissions reductions required by the Paris Agreement.

Our near-term target will outline our emissions reductions for the next 5-10 years, helping us take rapid action and achieve the immediate reductions needed by 2030.

Our SBTi commitment enables us to align with industry best practice for financial institutions and will ensure we can act on both on our own operations, and more significantly, work to ensure our lending and investments drive change within our portfolio. In 2024, we will set and validate our Science Based Target with SBTi, and map out the emissions reduction measures required to achieve this goal. This will be a firm-wide effort, so we intend to gain Board sign-off on our emissions reduction plan.

We are also working directly with our portfolio companies on their decarbonisation activities. This includes updating our annual monitoring survey to include further metrics on Net Zero and continuing to work on a full carbon footprint of our portfolio.

We contributed to Initiative Climat International’s (iCI) Scope 3 working group, which developed in partnership with consultants, materials to help portfolio companies report on their Scope 3 emissions.

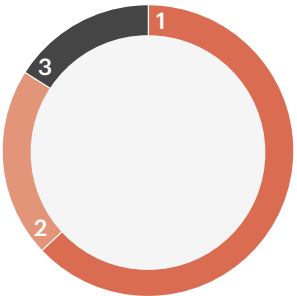
Looking forwards to 2024, we plan to host an ESG conference taking our portfolio through our Net Zero ambition and how we can support our portfolio to decarbonise.

Scope 3

The feedback from our 2022 Climate Conference was that the portfolio companies were struggling with the data challenges around gathering Scope 3 data. We gathered some of our Consumer businesses to hold a workshop in 2023, alongside a data provider, where they shared their learning across the group. The session also included a fireside chat with one of our portfolio companies that had made great progress in this area and had recently set their own Science-Based Target.

The desire to support our portfolio around the topic of Scope 3, also led to our involvement with the iCI Scope 3 working group, which developed a series of webinars on how to go about gathering Scope 3 data and how to design a playbook for engagement.

Financed Emissions




1	Scope 1	69,053
2	Scope 2	21,228
3	Scope 3*	1,011,344
Total 2022 Emissions (tCO2e)		1,101,626
Total Scope 1 & 2 emissions		
2022/2023 emissions (tCO2e):		90,281
2021/2022 emissions (tCO2e):		74,839

*7 out of 13 portfolio companies reported on their Scope 3 emissions

Case study

Decarbonising buses for more sustainable tourism

 Visit the website



Leading global sightseeing bus tour group with operations in 19 cities across the world and a global fleet of 440 buses

Portfolio:
Big Bus Tours

Acquired:
March 2015

ESG meetings with Exponent in 2023: 1



“At Big Bus Tours, we care deeply about our planet. Commencing with these first steps to electrify our European fleet, we’re driving towards a greener future. Together, we’re making tourism cleaner and more sustainable for everyone. We believe that every step we take today, big and small, contributes to a more environmentally friendly tomorrow.”

Herman Wa,
Group Sustainability
Manager



Carbon emissions from urban transport pose a significant environmental challenge. Big Bus Tours are achieving successful progress towards net-zero emissions by electrifying their Paris fleet, supporting cleaner, greener sightseeing experiences.

In December 2023, Big Bus Tours, a global leader in open-top sightseeing bus tours, announced significant steps towards achieving net zero CO2 emissions. They embarked on an ambitious project to electrify their Paris depot in La Courneuve, introducing nine ANKA open-top electric buses and installed cutting-edge charging infrastructure to support them.


Following a successful launch, the company now plans to introduce 10 more electric buses and 5 chargers in early 2024, with a target to have an eventual fleet of 34 electric buses. Laurent Mahassen, Executive Vice President of Europe at Big Bus Tours, highlighted the project as a pioneering industry move, emphasising the minimal disruption to operations and the enhancement of the tourist experience in Paris.



By introducing a low carbon alternative, Big Bus Tours is helping to promote cleaner tourism and reinforcing its role as a responsible conscious operator within the tourism industry

Case study

Reducing impacts in food and packaging

 Visit the website

Gü

A leading premium chilled dessert brand in the UK, Europe & US, with an expanding range of indulgent, multi-layered treats across key segments including cheesecakes, mousse, hot and 'free from'

Portfolio: Gü
Acquired: June 2021
ESG meetings with Exponent in 2023: 6



Gü's key packaging data



Packaging waste is a critical environmental issue. Gü is working towards a more circular economy, aiming to make all their packaging 100% recyclable and from recycled or sustainably certified materials by 2025. Their efforts not only reduce landfill waste but also set a benchmark for sustainable practices in the industry.



Gü has already made commendable progress. Nearly all their packaging is recyclable, and over half uses recycled materials, with their iconic glass ramekins incorporating 54% recycled content. To tackle recycling challenges faced by consumers, Gü has joined the On-Pack Recycling Label scheme, providing clear recycling instructions to increase recycling rates and reduce landfill waste. Alongside fully recyclable ramekins, Gü packaging also includes responsibly sourced cartons and lids.

As Gü progresses towards its 2025 goals, its pioneering efforts in sustainable packaging demonstrate a strong belief in the positive impact of a circular economy on environmental challenges. Gü's initiatives not only reduce its environmental footprint but also inspire other companies to adopt sustainable practices, driving the industry towards a more eco-friendly future.

Looking forward Gü is working towards publishing its first Sustainability report in 2024.

Case study

Reducing Environmental Impacts at H&MV Engineering



Leading specialist in high voltage electrical engineering serving data centres, renewables and utilities clients across EMEA

Portfolio:
H&MV Engineering

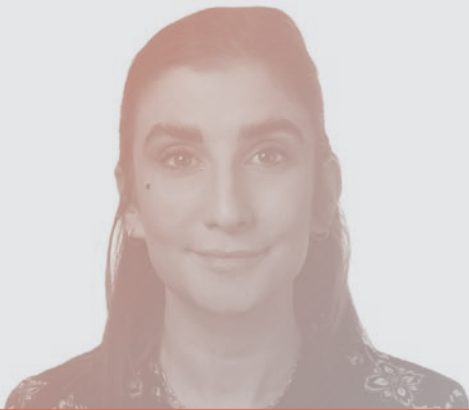
Acquired:
April 2022

ESG meetings with Exponent in 2023: 3



“We have an opportunity and responsibility to make a positive impact on the environment, the communities we serve, and the people we work with. I am excited to be part of H&MV that values ESG as a core part of its culture and values.”

Kate Kerrane,
Group Sustainability &
Environmental Manager



Visit the website

H&MV Engineering is a leading provider of Specialist Design, Engineering & Construction Services that is committed to being environmentally responsible, with a range of activities and initiatives to support this.

Green Site

To spearhead green construction methods H&MV is piloting eco-measures at a site in Ireland. Initiatives include rainwater harvesting, ecofriendly generators, electric vehicles, biodiversity initiatives, circular economy practices and community engagement. This model for green and ethical construction will then be deployed across all H&MV Engineering construction sites.

Biodiversity

As part of their Net-Zero target, H&MV are looking to rehabilitate 2,000 acres of land in collaboration with local biodiversity experts and charities. Through these partnerships, they aim to support conservation projects while raising awareness among their staff. In an initial project, H&MV has partnered with Hometree, a charity focused on native tree woodland planting, and are actively seeking similar collaborations in all their regions.



Lower carbon design

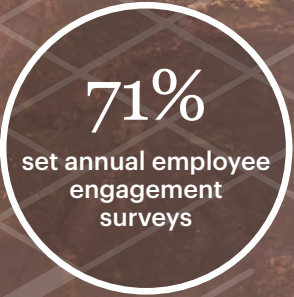
To support sustainable design, H&MV is introducing a Carbon Calculator tool. The tool will empower engineers to assess the carbon footprint of their designs and explore alternative materials for carbon reduction. Additionally, H&MV are carrying out a Life Cycle Assessment (LCA) for a substation project to quantify its carbon emissions accurately. The information from the LCA will be integrated with BIM (building information modelling) so that their designers and clients can see the potential carbon savings to create a greener substation of the future.

As lower carbon construction starts at design, H&MV also offers clients sustainable alternatives during the tender phase, enhancing environmental efficiency in infrastructure projects. This has been implemented across various projects with a focus on quantifiable carbon reductions.

The focus of our People pillar is the people employed across our portfolio and those in our supply chain. In our portfolio, we are supporting our businesses to engage employees, support health and wellbeing, H&S and promote diversity. In the supply chain, we want to ensure that those workers outside our direct sphere of influence are treated with respect and that we work with responsible businesses which uphold basic human rights.



People



Our Approach to Diversity Equity and Inclusion (DE&I)

“At Exponent, we understand the crucial role that an inclusive organisation plays in building a happy and productive workforce, with the knowledge that a fully representative workforce brings in diverse skills and disciplines that help our business stay agile in a changing world. This is something we work to promote both internally, supported by our DE&I Committee and working group, and across our portfolio.”

Jac Flynn,
Operations Director



To measure and monitor diversity across our portfolio companies and Firm, we are a signatory to ILPA's Diversity in Action Framework. This framework covers a broad range of initiatives to promote DE&I, including talent management, investment management, industry engagement, and measurement.

Our Vision

- 1 People:**
to identify and attract a diverse team that leverages the talents, skills and perspectives that difference can bring.
- 2 Culture:**
to create an inclusive environment that allows us to retain, develop and empower our people.
- 3 Performance:**
to harness the benefits of diversity and inclusion to connect with a demographically broad range of stakeholders and continue to unlock unique opportunities.
- 4 Portfolio:**
to use our platform to foster a diverse and inclusive culture at our portfolio companies and in our advisor networks.

DE&I in our Portfolio

We view DE&I as a pivotal internal driver (see page 10) and leverage our platform to cultivate inclusive and diverse cultures within our network of portfolio companies and advisors.

DE&I initiatives serve as a significant transformation lever for many of our portfolio companies. Recognising that each company is on its unique DE&I journey, we support our management teams in developing and implementing their respective strategies.

Since 2020, we have tracked the gender composition of senior management and boards within our portfolio. We require our portfolio companies to discuss their People Strategies at quarterly board meetings, and we ensure that this topic is highlighted during the Annual Budget presentations to Exponent Partners. This method enables us to measure and monitor our portfolio's performance against customised KPIs throughout our investment period. Additionally, we conduct an annual leadership conference for our portfolio companies to further embed the Exponent culture across our network.



Case study

Gender Equality at Gü

Gü

A leading premium chilled dessert brand in the UK, Europe & US, with an expanding range of indulgent, multi-layered treats across key segments including cheesecakes, mousse, hot and 'free from'

Portfolio:
Gü

Acquired:
June 2021

ESG meetings with Exponent in 2023: 6



“We established our DE&I committee this year, to play a vital role in advocating, educating and celebrating diversity throughout the entire organisation.”

Rachael Ramotowski,
Head of Sustainability



[Visit the website](#)

As part of Exponent’s ESG process, we ask our portfolio companies to track their gender pay gap, regardless of whether they are in scope. We believe this promotes gender equality and provides management teams with the data to help them assess their DE&I performance and how effective their DE&I programmes are.

In 2023, Gü’s gender pay gap report highlights their dedication to transparency and equality, despite having fewer than the legally required 250 employees. Their proactive approach has led to a commendable gender balance across all levels of the company, reinforcing their commitment to fostering a great work environment.

The commitment to transparency and equality is further evident in the achievement of 50% female representation in both senior leadership and executive teams. The workforce distribution data shows 33% women at Gü’s manufacturing site and 63% women at Gü’s head office.




This distribution means that, Gü’s mean gender pay gap stands at -4.8%, indicating women earn 4.8% more an hour on average than men. However, the median gender pay gap is 34.8%, showing a higher earnings midpoint for women. In addition to addressing pay equality, Gü supported its employees with three cost-of-living bonuses this year, benefiting 86% of male and 80% of female employees. This initiative reflects a dedication to employee welfare amidst economic challenges, underscoring a commitment to gender equality and financial support for all team members.

Gü are delighted to retain their Great Place To Work certification this year. Annually they focus on an action plan to ensure continuous improvement in our company culture, focusing on areas such as creating a fun work environment and enhancing employee perks.



Case study

A holistic approach to ESG at WARP Snacks

 Visit the website



UK's leading Better-For-You snacking group consisting of Eat Real and Proper brands

Portfolio:
WARP Snacks

Acquired:
March 2021

ESG meetings with Exponent in 2023: 1



“Having two such distinct sites and teams to work with makes this role incredibly fulfilling and diverse. It comes with inevitable challenges though, and having a brilliant community of HR leaders from the Exponent portfolio to draw on has been really powerful. We meet in person quarterly, knowledge-share and provide ongoing support to one another – there’s massive value in this.”

Rebecca Harper,
People &
Culture Director



Exponent brought the brands Eat Real & PROPER together in 2021 to create WARP Snacks. Almost overnight, the business became a dual-site, dual-brand business with a manufacturing facility. With different cultures and practices in place across the business, the initial focus for the People & Culture Director, Rebecca Harper and her team was on trying to harmonise the business. In striving to make all things equal, across sites (Nuneaton & London) and roles, the business realised it had lost some of each sites’ cultural identity along the way. WARP has now focused on developing each unique identity, raising the bar on its People & Culture agenda.

- In London, that included a talk series called “Brain Food” to foster an entrepreneurial growth mindset.
- In Nuneaton, initiatives included partnering with the local foodbank and talks from Mind to drive awareness of the importance of Mental Health in a factory environment.

Underpinning all of this is the company’s B Corp commitment and the work they have been doing to get certified as a group. B Corp’s values drive everything they do from a People & Culture perspective, regardless of location. To ensure this extends to the broader business, every member of the team has a People & Planet goal in their personal objectives, which impacts how individuals’ performance is measured and bonuses.

WARP’s desire to be equitable and progressive is particularly felt when it comes to their Movers & Makers (their brilliant operatives who keep the factory pumping). As with the rest of the team, they are entitled to a bonus, are part of an enhanced Parental leave policy (6 months for primary caregivers and 12 weeks for secondary caregivers) and everyone is paid above the National Living Wage. Food is at the heart of the business and, is provided at both sites, with chef-cooked meals as we do in the London office and quarterly Big Feasts, fruit, snacks, monthly samosas and hearty, healthy weekly breakfasts celebrating the melting pot of cultures at Nuneaton.

The company tracks the success of its initiatives with twice-yearly engagement surveys. The results are positive with engagement levels increasing 6% since 2023.

Case study

DE&I at Go City

 Visit the website



Leading global provider of attraction passes with products in 35 cities across Europe, the US and Asia

Portfolio:
Go City

Acquired:
December 2016

ESG meetings with Exponent in 2023: 1



“Embracing the belief that diversity enriches perspectives and drives innovation, its workforce comprises individuals from 30 different nationalities spanning 12 countries and 3 continents. By championing DE&I initiatives and creating a culture that values differences, Go City ensures its workforce represents a wide spectrum of perspectives, ultimately enhancing our ability to serve a diverse customer base and navigate the complexities of a global market.”

Neville Doe,
Chief Financial Officer



In 2023, Go City continued its commitment to diversity, equity, and inclusion (DE&I) through an array of initiatives and events. Central to this effort was their colleague-led DE&I group, which is well supported and championed by the Leadership Team. Throughout the year, they organized numerous events and campaigns, including LGBTQ+ Pride month, Women’s Equality Day, Deaf Awareness Week, Women of Colour Group session as well as the celebration of diverse global festivals.

Embracing the belief that diversity enriches perspectives and drives innovation, its workforce comprises individuals from 30 different nationalities spanning 12 countries and 3 continents. By championing DE&I initiatives and creating a culture that values differences, Go City ensures its workforce represents a wide spectrum of perspectives, ultimately enhancing its ability to serve a diverse customer base and navigate the complexities of a global market.



Creating robust foundational governance structures is our first priority with our portfolio companies. It creates the base to build ESG and other programmes upon, and means our initiatives are baked-in and likely to long outlast our ownership. While ‘the basics’ (see page 15) cover some core topics, some of our portfolio companies that operate in heavily regulated sectors, will go much further.



Governance

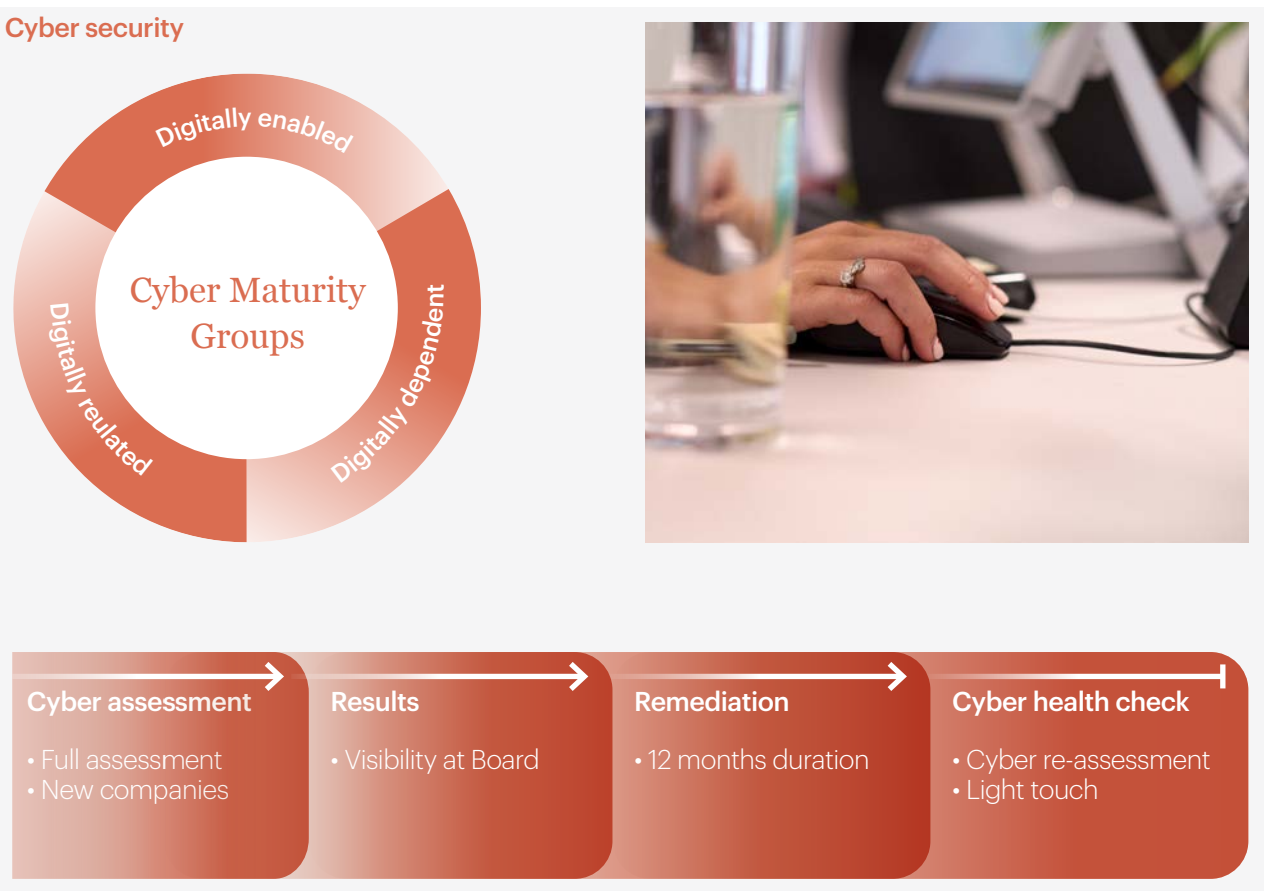
Cyber security

Cyber security and data privacy remain significant concerns for the portfolio, prompting ongoing investment in independent cyber assurance through our partnership with Waterstons. This collaboration aims to foster a culture of continuous improvement across the portfolio, with efforts tailored to match the specific assets and threats faced by each company.

As we enter the third year of our cyber portfolio assurance program, we have revisited the critical assets and primary cyber threats for each company. This review has enabled us to categorise and assess the necessary maturity and investment levels required across our portfolio.


Notably, 75% of companies that have been part of the assurance programme for 24 months or more are meeting or exceeding their cyber security targets. For the newly added companies, initial assessments are completed, and enhancement measures are underway, with a follow-up health check scheduled after 12 months.

Several portfolio companies are advancing towards recognised cyber certifications such as Cyber Essentials and ISO27001, which provide additional assurance that their cyber risks are being managed effectively. We will maintain our annual schedule of initial cyber baselines followed by yearly health checks to ensure that cyber risk is prioritised and managed comprehensively across our portfolio.



Case study

Reporting and Developing ESG in line with the UK Stewardship code

 Visit the website

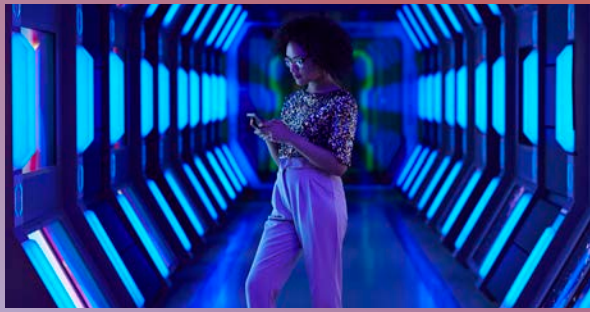
isio.

Leading independent pensions, rewards and benefits adviser with 10 regional hubs and 1,160 expert employees across the UK

Portfolio:
Isio

Acquired:
March 2020

ESG meetings with Exponent in 2023: 3



“We know that investors play an incredibly important role in driving global action on Sustainability and so I support our clients on their sustainable investment journeys, whether that be setting bespoke ESG beliefs, allocating to new sustainable opportunities, assessing investment managers’ capabilities or reporting.”

Cadi Thomas,
Head of Sustainable Investment



Isio Advisory is a leading independent provider of advisory and administration services to the sponsors and trustees of pension schemes in the UK. Isio have a Sustainable Investment team of eight sustainable investment consultants, alongside two graduates, and the five sustainable investment champions embedded within their asset class research teams. They report annually on the 2020 UK Stewardship Code principles for asset managers and asset owners. Some highlights from 2023 include:

- **Regulatory support:**
Focused on engaging with the regulators in this space. For example, providing feedback to the second-round of the Financial Conduct Authority’s Sustainable Disclosure Regulations consultation.
- **Sustainability services:**
Developing an in-house analytics model to deliver sustainability reporting to clients.
- **Innovation:**
Working with investment managers to develop market leading sustainability solutions. For example, Isio worked with an investment manager to support the development of a Long-Term Asset Fund focused on low carbon, forestry and social housing allocations, seed funded by a Master Trust client.

- **Sustainability research:**
In the last year, Isio published a paper on social factors for investors, an introduction to carbon markets, as well as a climate blog series on emerging issues to tackle the climate emergency.
- **Collaboration:**
over the past year, Isio have continued to expand their collaborative efforts. Cadi Thomas, Head of Sustainable Investment, now leads the Standardisation Pillar of the Investment Consultants Sustainability Working Group (ICSWG), and Ajith Nair, Head of Research, is also on the Steering Group.

Isio continues to act and develop its ESG programme in line with the 6 key principles for service providers, contained in the UK Stewardship Code.

ESG is not just something for our portfolio companies. It represents good business, so we apply the same principles in our Firm. We work hard to adopt the same practices as our portfolio, with a particular focus on carbon, diversity and inclusion and community investment.

Environmental impact

We are in the process of setting an ambitious Science Based Target to reduce our carbon emissions and those of our portfolio (see page 36).

We calculate our carbon footprint in line with the GHG Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015). In 2023 the Firm’s total emissions, excluding financed emissions associated with Exponent’s portfolio companies, were 331 tCO₂e, this was an increase from the last reporting period largely due to increased business travel and improved methodology and reporting around capturing team data.

Our direct (scope 1 and 2) carbon emission dropped in 2023, and we minimise these emissions by purchasing renewable energy. The Firm sources 100% of its electricity from renewable sources.

However, most of our emissions are indirect (scope 3 emissions).

Our business travel, especially air travel, significantly increased compared to last year. This is largely down to a resumption of air travel following the COVID-19 pandemic and an increase in operations in Europe. We will be reviewing our travel policy to see how we can better manage air travel in future.

The rise in emissions from employee commuting is down to improved reporting, as this year we used an employee survey to gather data directly from employees, rather than basing this on assumptions.

We work with our landlords on recycling as many office waste streams as possible, this includes paper, cardboard, plastic, aluminium, glass, toners, coffee capsules and batteries, with coffee cups in the pipeline.

This means that over 99% of our emissions comes from our financed emissions portfolio, or Scope 3 category 15, reinforcing the need to work with our portfolio on this critical topic (see page 23).

Whilst reduction is our primary aim, we have decided to offset the Firm’s emissions and have done this in partnership with Climate Impact Partners, who develop, and support independently validated and verified projects to global carbon standards. These include Verified Carbon Standard (VCS), Gold Standard, the American Carbon Registry (ACR), and the Climate Action Reserve (CAR).

Exponent’s Carbon Footprint data 2023		Current year: 2022/3 emissions (tCO ₂ e)	Previous year: 2021/22 emissions (tCO ₂ e)
Exponent Private Equity			
Scope 1	Direct emissions from the organisation’s activity (gas)	0.8	1.0
Scope 2	Indirect emissions from the use of purchased electricity (Location-based)	18.5	28.6
	Indirect emissions from the use of purchased electricity (Market-based)	0.0	0.0
Scope 3	Indirect emissions that occur in the upstream and downstream activities of an organisation		
	Waste	0.2	0.2
	Business travel	300.4	26.8
	Employee commuting	29.7	15.8
Total	Absolute Scopes 1,2,3 emissions	331.1	45.7
Intensity	Total Scope 1 & 2 emissions (tCO ₂ e) per FTE (market-based)	8.5	1.11

By building an inclusive organisation we are building a happy and productive workforce, and bringing the knowledge, and skill we need to help our business stay agile in a changing world. We encourage our portfolio companies to adopt inclusive practices and do the same with our own business. This has been a focus of our work in 2023, with our work and ambition grouped into three pillars.

Over the course of 2023 we worked with consultants to improve our DE&I performance and published our first DE&I report in October, which can be downloaded from our website. We were pleased to be ranked 11th across the industry in the Equality Group's Private Equity DE&I 2023 Index, having improved our rating by 24% since their last assessment.


1.
Recruitment:

We are building a diverse team, to enhance our organisation, to create diversity of thought and to connect with a diverse group of portfolio companies, investors and advisors. To achieve this, we focus on:

- We have evolved our approach to recruitment to attract a more diverse candidate pool and address the structural recruitment challenges in the private equity industry.
- Engage inclusive recruitment firms to help them run a fair and inclusive recruitment process both at Exponent and in our portfolio.
- Implementing a structured interview process, with standardised assessment tools and balanced interview panels.
- Recognising that Unconscious Bias can adversely affect those from diverse backgrounds and hosting annual DE&I training to address this.

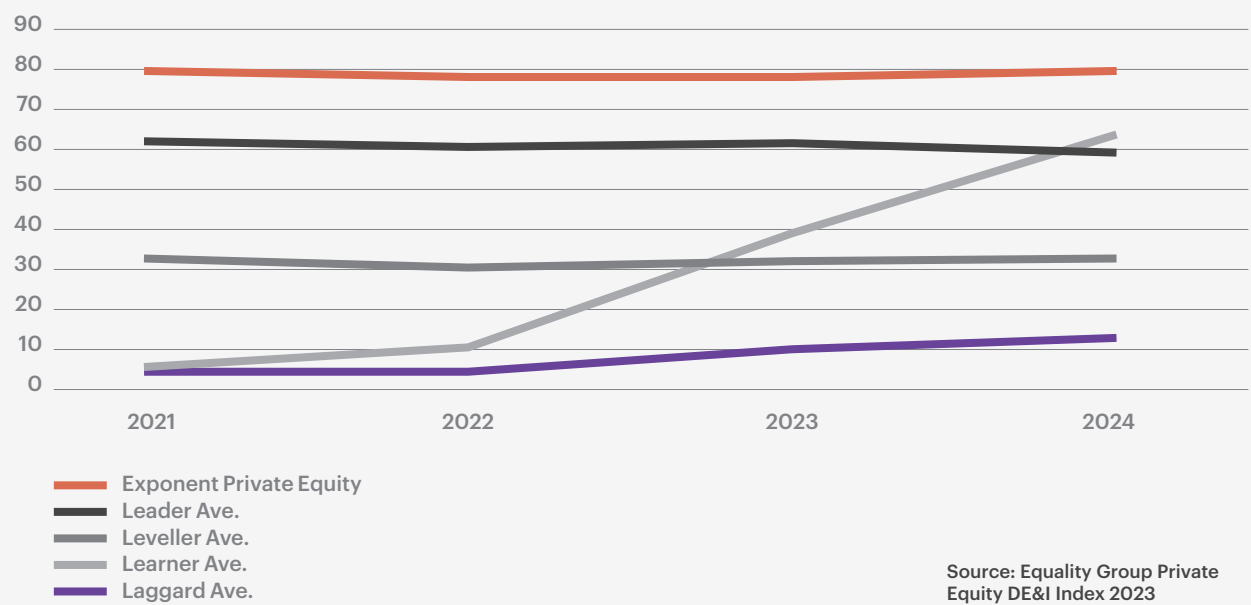
DE&I Report

We published a DE&I report in 2023, showing our progress and approach and demonstrating our commitment to DE&I.

 See our DE&I report here



Exponent Private Equity Relative Performance



Source: Equality Group Private Equity DE&I Index 2023

2. Retention & Development:

Developing and supporting our people ensures that we retain talent within the organisation. We support our people to succeed in their careers by investing in them, whether this is through external training or mentoring. Growing the future leadership of the firm from within is integral to the promotion and development of our culture. We have an annual training programme for all employees, with sessions including financial crime, cyber, ESG and DE&I. We also support our junior employees with coaching, mentoring and bespoke training programmes designed to proactively provide development opportunities and an attractive career trajectory.

Family friendly policies: We promote a working environment that supports our employees' lives outside of work. Family friendly policies include an enhanced maternity policy of six months full pay and a hybrid working model, allowing the team to work remotely two days a week. All employees receive a variety of benefits including health and travel insurance.

A focus for the DE&I committee over 2024 will be on reviewing our family leave policies.

3. Inclusive Culture:

At Exponent we strive to create an inclusive environment that allows us to retain, develop and empower our people. We view diversity and inclusion initiatives with the same lens as any critical business objective and see our culture as a key differentiator.

We are proud that at Exponent, in a team of 42, we have eleven different nationalities, reflecting the diverse and open culture that we are building. We value difference and encourage open debate by empowering our employees at all levels of the firm.

Governance of the Firm is based on inclusive policies that ensure that all members of the team are treated equally and with dignity and respect. All members of the team are responsible for upholding these policies.

One of the initial actions of the DE&I Committee was to embed DE&I reporting, both at the Exponent and the Portfolio level. Recent enhancements include ethnicity reporting and capturing wider diversity metrics of the team. This data will be used to help steer the engagement initiatives of the DE&I Committee and continually improve our culture.

In 2023

We worked with recruiters, to find an intern from a diverse background to help the Firm with its ESG work***

*** The chosen candidate, who had a passion for Social causes, helped the Firm review its adherence to its ESG policy and support with valuable research.



Training

In October 2023, we ran a series of workshops on the importance of Inclusive teams for the Firm. The training looked at the pitfalls we can easily fall into and how as a team, we can try and create an inclusive culture.

Looking forwards we plan to host training on Neurodiversity to further upskill and promote an inclusive culture



We have increased the gender diversity of our senior team, through the establishment and appointment of Operating Partners. This model allows us to flexibly retain senior executives from diverse backgrounds. Our Operating Partners bring unique insights and different perspectives, drawn from their deep industry knowledge in a wide range of sectors. The network therefore complements our junior engagement initiatives as a creative method of recruiting diverse talent into all levels of the firm.

The low number of women in investment roles is an issue across our industry. While we still have a long way to go, we have made great improvements in the last few years. In October 2023, we compared the number of women in investment roles in Exponent to the industry benchmark provided in the BVCA and Level 20, Diversity & Inclusion 2023 Report. We are delighted to be performing above the industry average at all levels of the business and will continue to monitor and work to improve representation in our Firm.

	Exponent 2020	Exponent 2023*	Women in investment roles (firms with AUM > £100m)**
Senior-level (Partner & Operating Partner)	0%	13%	12%
Mid-level (Director & Principal)	29%	17%	24%
Junior-level (Senior Associate & Associate)	0%	67%	38%
All roles	11%	21%	23%

*October 2023
** BVCA and Level 20 Diversity and Inclusion Report 2023

Level 20

We have been a sponsor of Level 20 since 2017, a not-for-profit organisation dedicated to improving gender diversity in the European private equity industry.

We actively participate in Level 20’s four key pillars:

- **Mentoring and Development:** Opportunity for female members of the team to benefit from their annual mentoring programme and Exponent Partners act as mentors to support the scheme
- **Networking and events:** As a sponsoring firm, we contribute to Level 20’s events schedule and encourage members of the team to participate and learn from this network.
- **Outreach and Advocacy:** We participate in outreach work to encourage women into the private equity industry.
- **Research:** We contribute to Level 20’s Annual Survey to help shape policy and initiatives through open and collaborative data sharing.

In 2023 we hosted a session in partnership with Level 20 and Dartmouth Partners to help women from other professions move into Private Equity. The presentation and networking focused on interview tips and tricks to help women who are early in their career succeed during the Private Equity interview process.

Our Charity Committee leads the Firm’s community investment activities, including identifying charity partners and supporting our employees to get involved in our community investment activities. The focus of our community investment activities is on diversity and providing opportunities to under-represented groups.



Impetus

We continue to support Impetus, financially as well as through volunteering with their charity partners. Impetus is dedicated to uplifting disadvantaged youth by enhancing their educational and employment prospects. Impetus supports a comprehensive portfolio of national and local charities focused on education and employment, alongside fostering policy development and research to ensure every young person receives the necessary support.

Three Peaks Challenge

In September 2023, Exponent organised a portfolio event to walk the National Three Peaks Challenge. This initiative saw a diverse team of 30 individuals from Exponent and its portfolio companies come together for a great cause. The challenge was to ascend the highest peaks in Scotland, England, and Wales within a 24-hour window. This ambitious endeavour covered a total distance of 23 miles (37km) with an ascent of 3,064 metres, showcasing the team’s dedication and physical endurance.

Each participating portfolio company chose a charity partner, working alongside an Exponent team member to raise funds. This collaborative effort led to a substantial fundraising total of over £90,000. The funds were distributed among six charities, addressing a variety of critical issues such as child hunger, Alzheimer’s research, and providing care for children facing life-limiting or life-threatening conditions.



Our portfolio company team



Our charities



General

Exponent Private Equity LLP (“Exponent”) has prepared the data and information in this report for information purposes only. This report shall not constitute an offer or recommendation to sell or the solicitation of any offer to buy any interest. Nor shall this report constitute an offer or recommendation to adopt any investment strategy. The data and information in this report are only as current as the date indicated and Exponent assumes no obligation to update the information herein, whether as a result of new information, future events or otherwise, except as required by law. Nothing contained herein constitutes investment, legal, tax, or other advice, nor should any investor rely on it in making an investment or other decision.

No guarantee that Exponent will meet its ESG targets/projections

Any targets, projections or other estimates in this report, including estimates of financial returns or ESG-related performance, are “forward-looking statements”. These are indicated by terminology such as, among other things, “may”, “should” or “will” and are based on Exponent’s expectations and assumptions that may change. These expectations and assumptions are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties. Additional risks of which Exponent is not currently aware could also cause actual results to differ. The risks and uncertainties that may affect the operations, performance and results of Exponent’s business and forward-looking statements include, but are not limited to, those set forth in this report and in the documents Exponent files from time to time with the Financial Conduct Authority. Actual events or performance may differ materially from any forward-looking statements. Therefore, investors should not place undue reliance on forward-looking statements as a prediction of actual events or actual performance.

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No guarantee that Exponent’s ESG policies will continue

There can be no guarantee that Exponent’s ESG policies and procedures as described in this report, including policies and procedures related to investments with environmental and/or social characteristics or the application of ESG-related criteria or reviews to the investment process, will continue. Such policies and procedures could change, even materially, or may not be applied to a particular investment. Exponent may determine in its sole discretion that it is not feasible or practical to implement or complete certain of its ESG policies and procedures based on cost, timing, lack of information from portfolio companies or other considerations. Statements about ESG policies and procedures related to portfolio companies do not apply in every instance and depend on factors including, but not limited to: (i) the relevance or implementation status of an ESG policy or procedure to or within the portfolio company; (ii) the nature and/or extent of investment in, ownership of, or control or influence exercised by Exponent with respect to the portfolio company; and (iii) the availability of relevant ESG information and data with respect to the portfolio company.

Certain information contained herein relating to any ESG, impact or other similar industry framework is subject to change, and Exponent cannot guarantee that it will remain a signatory, supporter, or member of such initiatives or other similar industry frameworks.

No guarantee that consideration of ESG factors will improve investment performance

ESG factors are only some of the many factors Exponent considers when making an investment, and there is no guarantee that consideration of ESG factors will enhance the long-term value and financial returns for fund investors. To the extent Exponent engages with portfolio companies on ESG-related policies, procedures and potential enhancements thereto, there is no guarantee that such engagements will improve either the financial or ESG performance of the investment. In addition, the act of selecting and evaluating material ESG factors is subjective by nature, and there is no guarantee that the criteria utilized or judgment exercised by Exponent will reflect the beliefs, values, internal policies or preferred practices of investors, other asset managers or wider market trends.

Use of case studies

Case studies presented herein are for illustrative purposes only. Exponent has selected them to provide examples illustrating Exponent’s application of its ESG policies and procedures with respect to its portfolio companies. They are not intended to be a complete list thereof. Investors should not assume that any future investments will be comparable in quality or performance to the investments described herein. Further, investors should not construe references to the investments included in the case studies as a recommendation of any particular investment. Third parties have provided certain information, and certain statements reflect Exponent’s beliefs as of the date hereof based on prior experience and certain assumptions that Exponent believes are reasonable, but may prove incorrect. Past performance is not necessarily indicative of future results.

Descriptions of any ESG or impact achievements, improved practices or outcomes are not necessarily intended to indicate that Exponent has substantially contributed to such achievements, improved practices, or outcomes. For instance, Exponent’s ESG efforts may have been one of many factors — including engagement by portfolio company management, advisors, and other third parties — contributing to the success described in each of the illustrative case studies. Further, receipt of any awards by Exponent or its portfolio companies described herein is no guarantee that Exponent’s investment objectives have been achieved or successful. Further, such awards are not, and should not be deemed to be, a recommendation or evaluation of Exponent’s investment management business.

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