



Gresham House  
*Specialist asset management*

# Sustainable specialists in alternative assets

---

Sustainable Investment Report  
April 2022



# Driving the sustainability agenda

The investment management industry is critical to advancing the world's transition to a more sustainable way of life. Gresham House's purpose is to deliver effective and alternative investment solutions to ensure clients achieve their financial objectives whilst making a meaningful contribution to this transition.

Our objectives have continued to evolve during the 12 months since we published our first Sustainable Investment Report. Environmental, Social and Governance (ESG) considerations play an increasingly important role in all investment decisions, and the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow further highlighted the importance of sustainability strategies at every level.

## Our first Corporate Sustainability Strategy

Gresham House is committed to building out a suite of sustainable investment solutions for our clients. In 2021 we continued to expand our range of ESG-focused investment opportunities whilst delivering real financial returns for clients. At the same time, we further embedded sustainability throughout the business with the launch of our first Corporate Sustainability Strategy (see [pages 7 and 8](#)) to underpin our GH25 five-year plan and reinforce our license to operate.

Our Corporate Sustainability Strategy is built on three key pillars, covering Gresham House as a: sustainable investor, sustainable business and employer, and sustainable corporate citizen. The successful development of our business is contingent on how well we can integrate sustainability into our business practices and investment strategies to the benefit of investors and the Company.

To underscore this commitment, in 2021 we established a Board-level Sustainability Committee (see [page 17](#)), ensuring that all decisions have Board oversight and at every level of the business.

## Provision of solutions

Investors now expect their asset managers to deliver both financial returns and clear ESG metrics and - rightly so - this is considered as standard for asset managers. We significantly enhanced our team in 2021 to ensure we can satisfy these demands, and achieve our goals.

The ESG-related regulatory landscape has developed rapidly in recent years, and we anticipate continued evolution on this front. Whilst we are cognisant that data collection from private assets can be challenging, we are committed to the monitoring and analysis of our investments and business activities across crucial ESG metrics.

Many of the private assets we invest in sit at the forefront of sustainable solutions addressing some of the most pressing challenges of our age, including climate change, biodiversity loss and social inequality.



**Tony Dalwood**  
Chief Executive



**We are delighted to reiterate our commitment to sustainability and we outline in this report the ways we have driven the sustainability agenda forward throughout 2021 with ambition.**

# Evolving our sustainability focused solutions

With ESG remaining in the spotlight, throughout 2021 we were relentlessly focused on developing firm foundations for our long-term growth with the integration of sustainability across all our investment activities.

## Measurement

Measurement of the environmental and social outcomes generated by our assets was central to our sustainability planning in 2021. We have developed comprehensive banks of key performance indicators for each of our asset classes, rooted in guidance from externally recognised sustainability frameworks, regulatory requirements and our own materiality analysis. It is our ambition this year to collate this data to present the findings in our 2023 report.

Mitigating climate change is central to much of our investment decision making. Accordingly, we have launched initiatives that will calculate baseline emissions for our own business operations and for the assets in which we invest. We will be conducting this project in 2022 and are aiming to set net zero targets aligned to the Science Based Targets initiative.<sup>1</sup>

## Biodiversity and climate change

Equally, biodiversity and natural capital are fundamental elements of our investment decision making, notably in forestry and renewable energy. We are therefore developing strategies to enable accurate assessment of biodiversity levels across our real assets and, crucially, to enhance and protect biodiversity for the future.

2021 saw the hosting of the COP26 in Glasgow, with extensive commitments made to mid-term net zero targets; the UK's Environment Bill, pushing for shifts in biodiversity net gain mandates; and the development of the EU's taxonomy for sustainable activities.

1. All references to our science-based targets in this report will be verified by the Science Based Targets initiative.

We took part in multiple industry forums and discussions engaging in these developments, including accepting an invitation to join the UK Sustainable Investment Forum's (UKSIF) Green Taxonomy Working Group. You can find more detail on our industry contributions on [page 53](#).

## Regulatory landscape and best practice

The political, investor and consumer direction of travel is in line with our approach. Keeping up to date with this ever-changing landscape was another key focus for us in 2021. The UK is accelerating the ESG agenda and focusing on environmental commitments in particular. In fact, the majority of the FCA's upcoming regulation is expected to be connected to various sustainability topics.

Our Corporate Sustainability Strategy equips us with a clear roadmap to successful delivery of our strategic objective to become a leader in sustainable investment by 2025. Over the coming years, this will be the touchstone of our deep commitment to best practice and transparency as we continue to deliver value, grounded in the core principles of ESG investing, to all our stakeholders.



**Rebecca Craddock-Taylor**  
Director, Sustainable Investment



**Our first Corporate Sustainability Strategy, established during 2021, identifies our core priorities, including climate change and natural capital, and is underpinned by a commitment to clear metrics and transparent reporting.**

# 2021 highlights

The Gresham House name has a rich heritage as one of the oldest companies in London still operating. Today, Gresham House is a specialist alternative asset manager with a range of products across real assets and public and private equity.

Our purpose is to deliver effective and alternative investment solutions to ensure clients achieve their financial objectives whilst making a meaningful contribution to advancing the world's transition to a more sustainable way of life.



Signatory of:



## Corporate



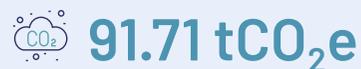
Proportion of women on the Board



Employee advocacy score



Women across all levels of the business



Operational carbon footprint

## Real Assets



Trees planted



Homes passed with full-fibre broadband from our "alt-net" investments



Renewable electricity generated by our wind and solar assets



New homes constructed

## Strategic Equity



Engaged with all our unquoted VCT portfolio companies



Gresham House VCT team contribution to Boards as member or observer



UK Public Equity team met with almost all investee management teams



Governance-focused engagements completed by the UK Public Equity team

# Contents

Driving the sustainability agenda	2	Sustainable Infrastructure	31
Evolving our sustainability focused solutions	3	New Energy	34
2021 highlights	4	Housing	40
<b>01 About Gresham House</b>		Strategic Equity	43
Our strategy	7	Private Equity	44
What we've done and what's next	9	Public Equity	48
Supporting our clients	10	<b>04 Gresham House as a sustainable employer and business</b>	
Contributions to the industry	12	Authentic operations	53
<b>02 Gresham House as a sustainable investor</b>		Climate Change & Pollution: Our carbon footprint	54
Our role as a sustainable investor	14	Our people	56
Our integrated approach	16	Commitment to Sustainability: Our London office move	59
Differentiating our approach	21	<b>05 Gresham House as a sustainable corporate citizen</b>	
<b>03 Demonstrating sustainable investment integration</b>		Impacting wider communities	61
Spectrum of Capital	24	<b>06 Appendix</b>	
Real Assets	25	Appendix - Wider ESG KPIs	64
Forestry	27	Contacts	65





01

# About Gresham House

# Our strategy

In this year's reporting suite, we are proud to introduce our first Corporate Sustainability Strategy, which supports our GH25 strategic objective "to become a recognised leader in sustainable investment, including Environmental, Social and Governance (ESG)". Our aim is to lead by example through our internal commitments to sustainability and align our actions with our corporate purpose.

## Our purpose

Deliver effective and alternative investment solutions to ensure clients achieve their financial objectives whilst making a meaningful contribution to advancing the world's transition to a more sustainable way of life.

## Development process

The Corporate Sustainability Strategy was developed through an internal research, analysis and strategy process and aims to identify underlying objectives, as well as set out the actions we will take to meet our sustainability goals. It is aligned to our wider GH25 strategy, which means all objectives are targeted to be achieved by 2025. We see this as distant enough for us to set ambitious targets, but near-term enough that those targets are on the horizon and can drive our motivation.

## Looking forward

Between now and 2025, implementation of the Corporate Sustainability Strategy will see us enhance our position as a leader in sustainable investment, which in our sector means a core focus on ESG investment goals.

ESG factors are front-of-mind value drivers, both in the investment world, and in policy and business. Being able to stand up with a strategy based on meaningful and impactful targets is vital to demonstrating our expertise and integrity in this evolving landscape.

## Corporate Sustainability Strategy drivers

### 1 Growth creation

Sustainability drives innovation, enabling us to access new markets, products and customers

### 2 License to operate

Sustainability strategies and a focus on ESG are increasingly viewed as a license to operate

### 3 Value protection

A robust strategy mitigates against sustainability-related risk, including regulatory and reputational risk

### 4 Efficiency improvements

Sustainability-related costs, including water and waste, and employee turnover and recruitment costs, can be decreased

### 5 Stakeholder requirements

Our commitments support and reassure stakeholders in the delivery of their own sustainability strategies

## Three core pillars

The Corporate Sustainability Strategy is shaped around three interconnected and mutually reinforcing pillars, based on our roles as an organisation. It distinguishes clearly between our approach to sustainability within our investments, *Gresham House as a sustainable investor*, and that of our own operations and business, *Gresham House as a sustainable employer and business*.

We also separated our charitable approach into a third pillar, *Gresham House as a sustainable corporate citizen*, to highlight our contribution to society through donations and volunteering.

We took this three-pillar approach to ensure we can demonstrate that Gresham House is a business that cares about how it interacts with society and the environment it relies on and has impact upon.

- Core pillars
- Priority topics

 **Gresham House as a sustainable investor**

**Operational**

-  Commitment to sustainability
-  Risk and compliance
-  Marketplace responsibility
-  Governance and ethics

**Thematic**

-  Climate change and pollution
-  Natural capital
-  Supply chain management
-  Employment, health, safety and wellbeing

 **Gresham House as a sustainable employer and business**

**1**  Climate change and pollution

**3**  Employment, health, safety, and wellbeing

**5**  Commitment to sustainability

 **Gresham House as a sustainable corporate citizen**

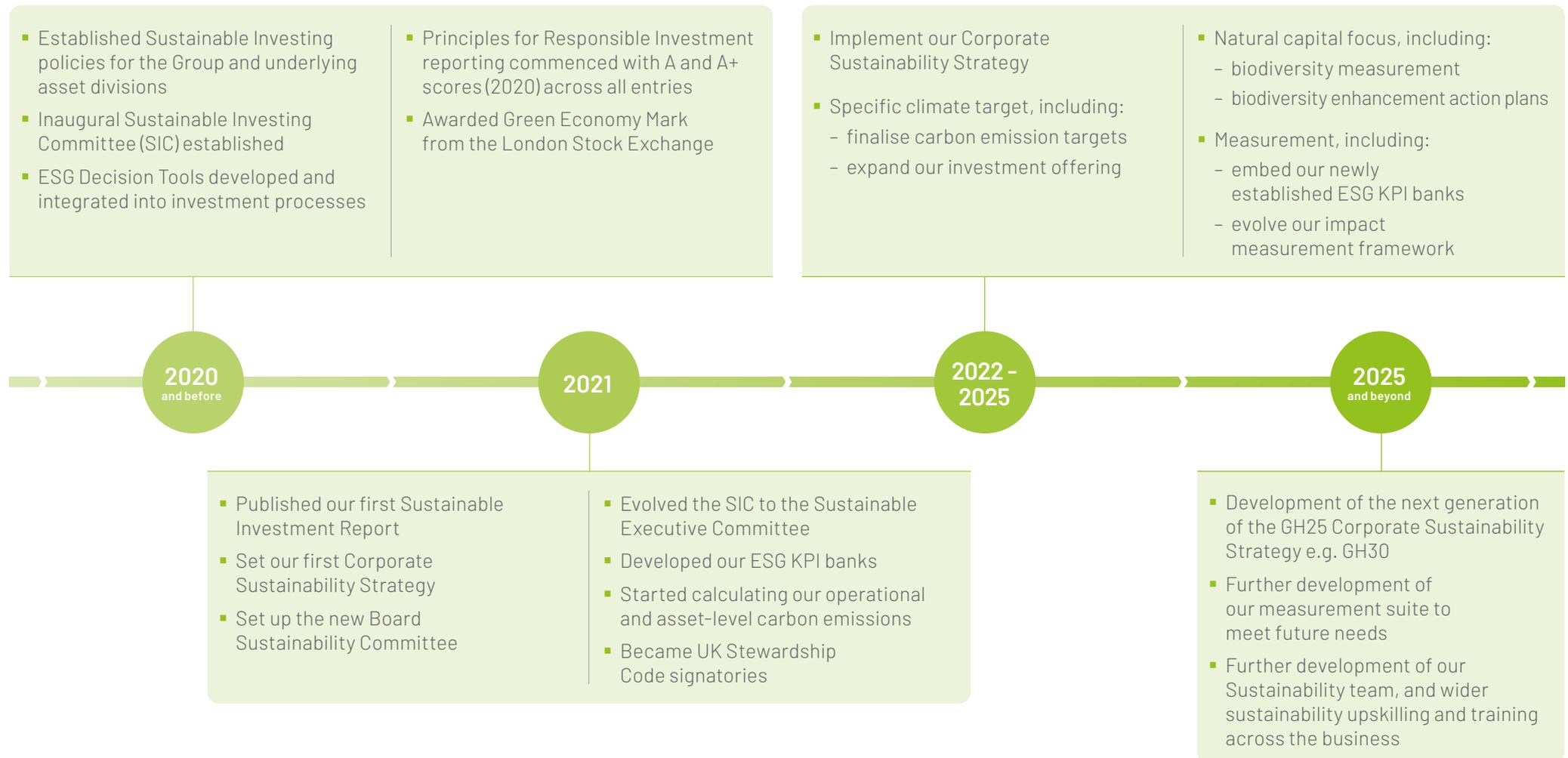
**2**  Natural capital

**4**  Diversity, Equity and Inclusion (DEI)

**6**  Community care and engagement

## What we've done and what's next

Although we are focused on delivering GH25, this is just a starting point, and our strategy is key to us achieving even more over the longer term. The roadmap below shows where we have come from and where we intend to drive towards with our sustainability strategy.



## Supporting our clients

We work with a range of clients including individual investors, financial advisers, institutional investors, charities and endowments.



Increasingly, sustainable investments are of greater importance to our growing institutional client base. We are privileged to be able to materially help our institutional clients contribute towards their own carbon reduction ambitions and support their sustainability objectives.



**Heather Fleming**

Managing Director,  
Institutional Business



## Institutional clients

Institutional investors want more from their asset managers. Our clients require new solutions that meet their sustainability objectives, but also want to measure the positive contributions their investments are making to the environment and society.

Gresham House's capabilities across forestry, sustainable infrastructure, affordable housing and renewable energy attract institutional investors wanting to allocate capital to assets that help solve real world problems.

- Investors with net zero carbon targets are drawn to the carbon sequestration offered by forestry.
- Within affordable housing, social impact is top of investors' minds.
- Investors are increasingly recognising our Sustainable Infrastructure solutions as the new era of infrastructure given the environmental and social contributions they offer.

## Case studies

During 2021, Gresham House assisted several institutional investors in developing and investing in solutions that support their sustainability objectives, including the following two examples:

### Forestry for defined contribution pensions

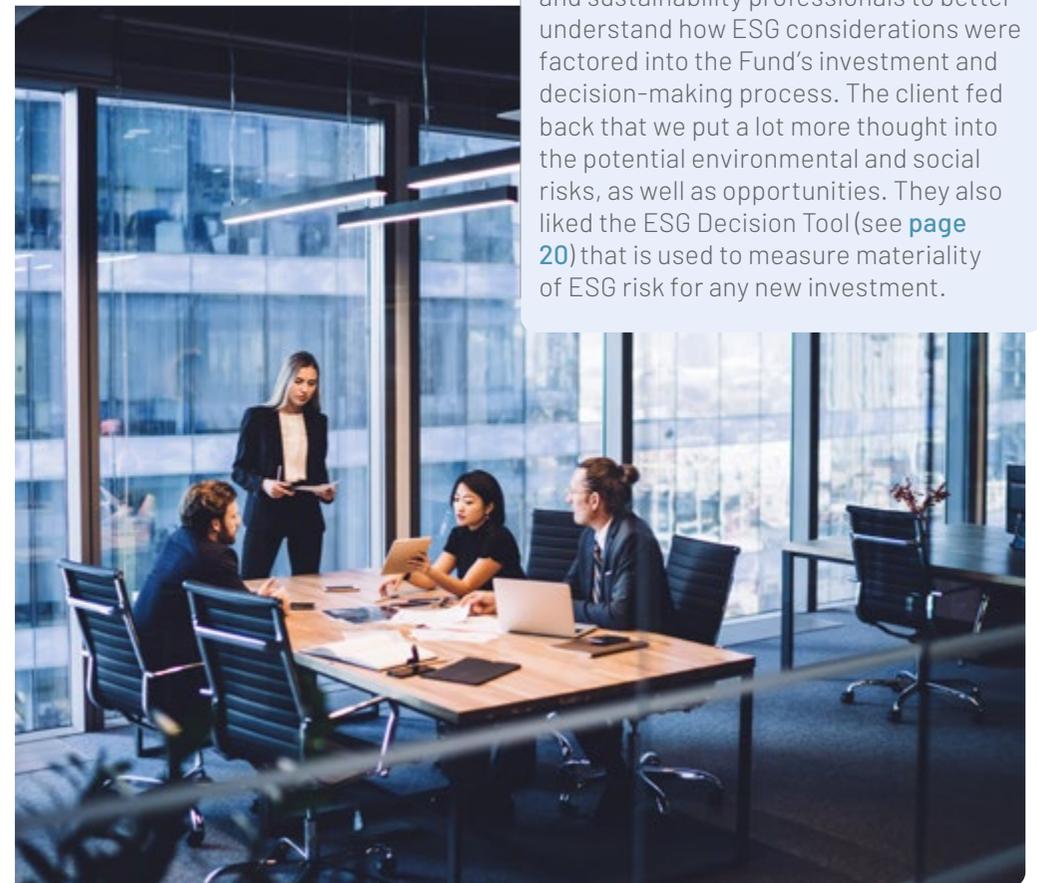
As an illiquid, alternative asset class, forestry is not a conventional investment for defined contribution pension schemes. A prospective client had set ambitious net zero targets and wanted to use the carbon sequestration benefits offered by forestry to offset the carbon emissions produced elsewhere in their default investment strategy. They approached us to support their ambitions and we worked with them to assess the carbon sequestration and biodiversity benefits of forestry.

### Place-based investment for a local authority pension scheme

Teesside Pension Fund invested in our BSIF strategy and wanted to co-invest in an opportunity that offered quantifiable, positive environmental impact within their local authority. Our Sustainable Infrastructure team worked with the client to find an investment opportunity in a waste-to-energy plant that will divert waste from landfill and produce pellets that can be used to replace coal in the cement and steel industries. The client was delighted to invest in a positive impact investment within their local area.

## Wholesale clients

Wholesale investors now expect ESG factors to be integrated across an investment process, otherwise the strategy is viewed as less credible than those that have robust ESG processes in place. Increasingly investors are keen to hear about the companies benefitting from the growth in the sustainability sector as much as threats to business models.



## Case study

### LF Gresham House UK Multi Cap Income Fund

In 2021, a large national wealth manager were looking to add our LF Gresham House UK Multi Cap Income Fund to their approved list. As part of the assessment, the client team met with our investment and sustainability professionals to better understand how ESG considerations were factored into the Fund's investment and decision-making process. The client fed back that we put a lot more thought into the potential environmental and social risks, as well as opportunities. They also liked the ESG Decision Tool (see [page 20](#)) that is used to measure materiality of ESG risk for any new investment.

# Contributions to the industry

We believe in playing an industry leadership role in supporting and promoting sustainable investment, and this includes participation in industry bodies and contributing to thought leadership opportunities.

## Pensions for Purpose

Our Director of Sustainable Investment and our Managing Director of Sustainable Infrastructure ran two educational sessions for pension trustees and their advisors.

One session was focused on discussing why we cannot rely on one solution, such as renewables or offsetting, to achieve the ambitions of the Paris Agreement.

The second session covered how positive impact could be achieved whilst meeting investors' return objectives in infrastructure investment.

## UK Sustainable Investment and Finance Association (UKSIF)

At UKSIF's request, we became a member of their Green Taxonomy Working Group. The role of this group is to advise UKSIF's policy positions at meetings of the Green Technical Advisory Group (GTAG). The group meets each quarter to provide feedback on issues raised at GTAG meetings and provides written feedback from select members of the sustainable finance community.

In addition, we have taken part in several roundtable discussions on the UK's Sustainability Disclosure Requirements (SDR) and investment labels, feeding in to UKSIF's response to the FCA's discussion paper.

Furthermore, we spoke at two UKSIF conferences in the year. One session discussed the Energy Transition and the second discussed sustainability in Private Equity.



## The Good Economy Equity Impact Project

Driven by our Housing team, we have joined the Equity Impact Project (EIP), led by The Good Economy and Big Society Capital. These workshops aim to develop a set of globally aligned standards for best practice management, measurement and reporting of impact for equity investments in social and affordable housing. The input of the workshops will help to develop and evolve the current framework published in July 2021 such that it creates a product that helps to encourage investment flows making a positive contribution to delivering quality, affordable homes to people in need.

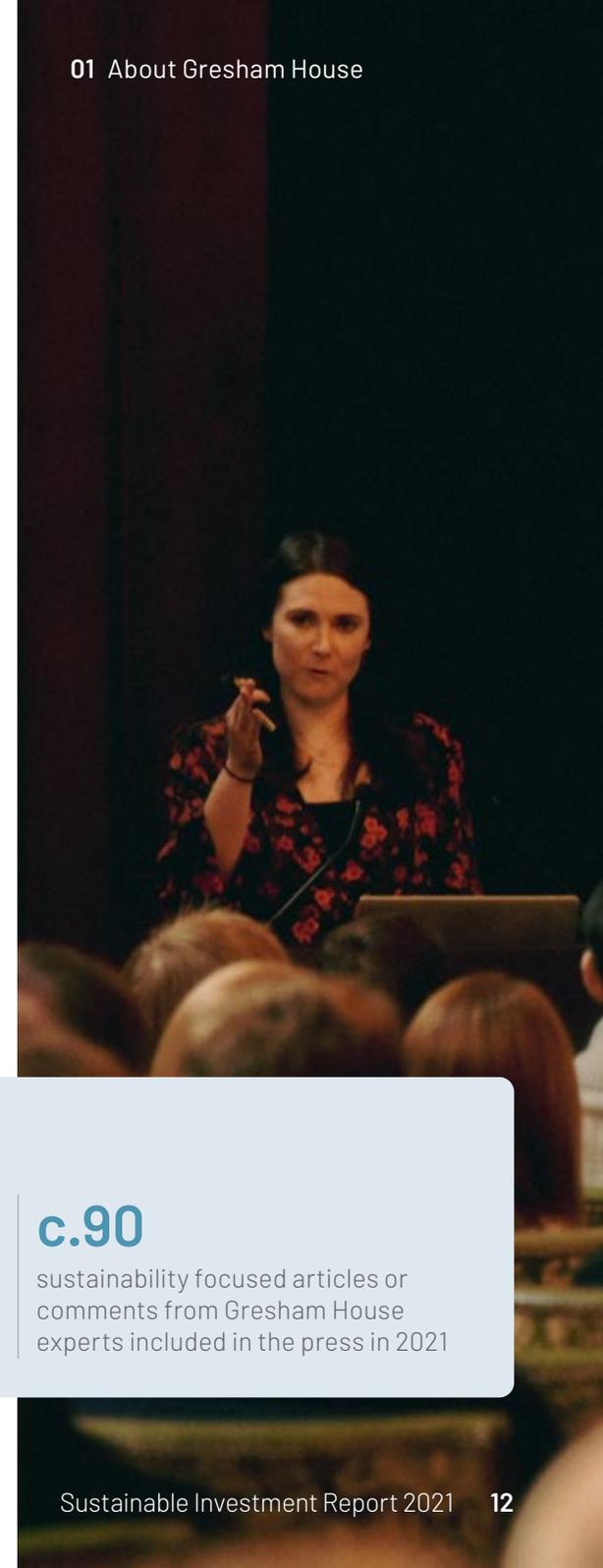
## Wider industry contributions

**At least 15**

sustainability focused educational events Gresham House experts contributed to in 2021 as panel experts or event speakers

**c.90**

sustainability focused articles or comments from Gresham House experts included in the press in 2021





02

Gresham House as a  
sustainable investor

## Pillar 1 of our Corporate Sustainability Strategy

# Our role as a sustainable investor

Gresham House was founded on a platform of offering alternative investments with long-term value creation potential. In the modern world, this means investments that are aligned with the long-term principles of sustainability.

For us, sustainable investment means delivering strong financial returns by proactively managing a full range of risks whilst seeking to influence positive social, economic or environmental outcomes.

While sustainable investing is a clear value driver for our company, it is not just a business decision. Rather, we believe that our commitment to integrating appropriate sustainable investment practices across our strategies fits with creating long-term value for our shareholders and investors, whilst making an active contribution to the sustainability agenda at a global, local and asset level over the long term.

## Eight priority topics

We have identified eight priority topics that are the most material to the investments we make. To ensure consistency of approach and language, the eight priority topics have been selected from our Sustainable Investment Framework (see [page 16](#)), which is based on ten broad ESG factors.

Our eight priority topics are drawn on for consideration in a centralised manner, as the driving priorities which influence the way we invest and the way we work with underlying investment stakeholders.

Each investment we make has differing material ESG factors to consider, but the eight priority topics we have identified apply to the majority of our investments. They will therefore form the basis of much of our work in sustainability over the next few years.

Our eight priority topics are grouped under two headings:

### Operational

Relevant for all our asset divisions and the way we do business. These topics have process-oriented 2025 targets.

### Thematic

Related to specific high importance and growth area ESG factors. These topics have 2025 targets aligned with the evolution of our learning, target-setting and client solutions in these areas.

For each priority topic we have set a core objective to be achieved by 2025, KPIs to measure success, 2022 actions and medium-term actions to be completed between 2023 and 2025.

Operational priority topics

Thematic priority topics



**Commitment to Sustainability: Sustainable Assets Under Management (AUM)**

Grow sustainable and impact AUM by 2025



**Risk & Compliance: Data, Systems & Reporting**

Set and monitor comprehensive ESG data to drive investment decision making, engagement planning and enhance stakeholder reporting. New systems are adopted to improve the efficiency of data capture and client reporting



**Climate Change and Pollution**

Set science-based targets on climate change for each division<sup>2</sup>

2. Dependent on the Science Based Targets initiative releasing appropriate guidance for our assets.



**Natural Capital**

Assess natural capital impact and dependencies across our assets; and develop market leading reporting and solutions to meet clients' requirements



**Marketplace Responsibility: Processes, Policies and Education**

Enhance existing processes and policies to ensure sustainable investment is consistently integrated across all divisions



**Governance & Ethics: Engaged and Active Ownership**

Apply active ownership activities across all assets effectively and consistently. Monitor progress and report on outcomes of engagement activities



**Supply Chain Sustainability**

Understand material ESG risks across the supply chain of our most at risk investments and put in place policies and processes to manage and mitigate these where possible



**Employment, Health, Safety and Wellbeing: DEI**

Enhance Diversity, Equity and Inclusion (DEI) understanding and practices across our investments

■ Priority topics ■ 2025 strategic objective

■ Priority topics ■ 2025 strategic objective

# Our integrated approach

Our approach to sustainable investment across each asset division is based on the following core components:



Sustainable Investment Framework



Commitments and committees

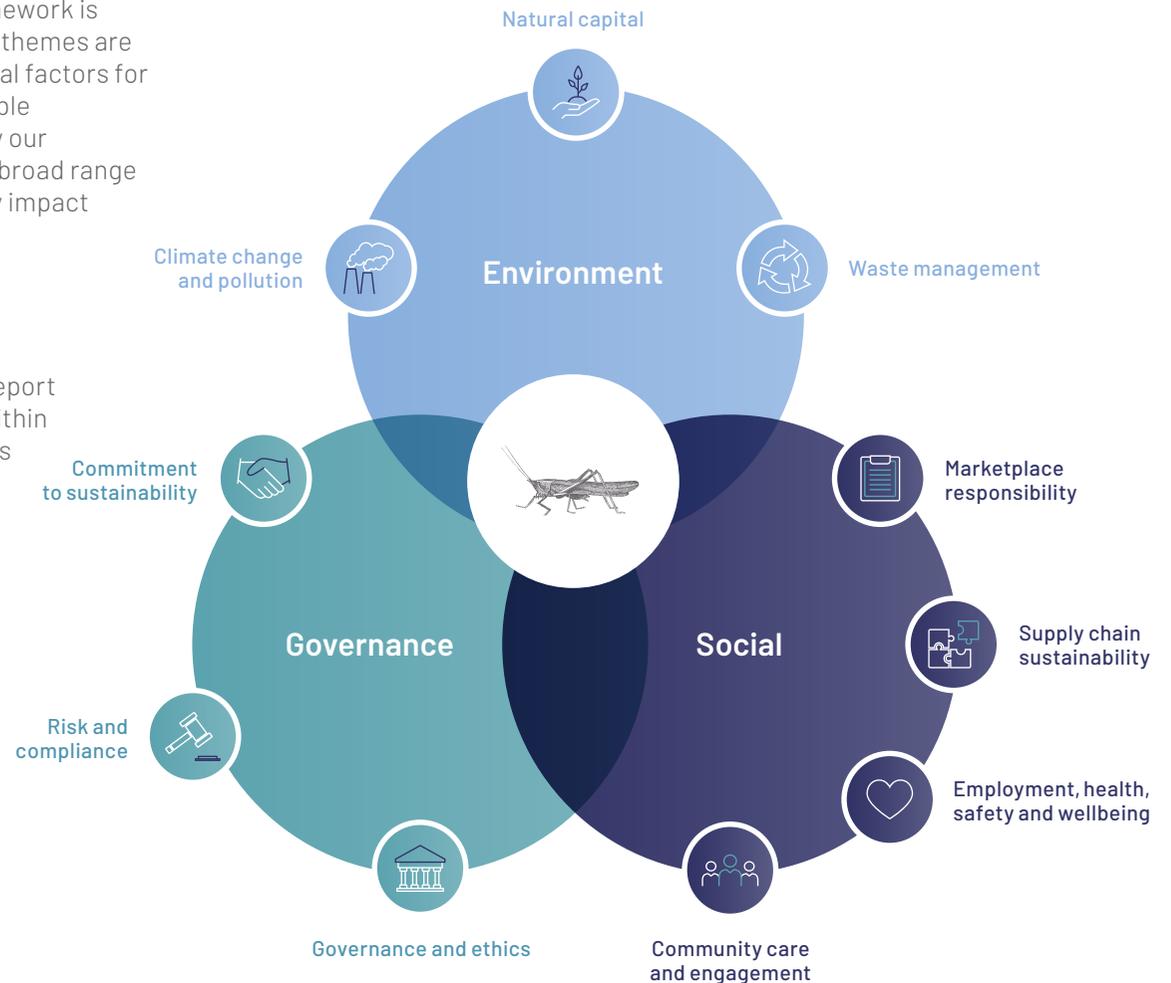


Policies and processes

## Sustainable Investment Framework

Our Sustainable Investment Framework is based on ten ESG themes. These themes are considered to be the most material factors for our asset divisions. The Sustainable Investment Framework is used by our investment teams to identify the broad range of ESG risks which may materially impact proposed transactions, as well as directing our focus towards more sustainable outcomes.

The ten ESG themes are used to structure analysis, monitor and report on ESG risks and opportunities within the lifecycle of our investments as an aid to more consistent integration across our asset divisions.





## Commitments and committees

### Our commitments

- ☑ Take steps to consult and understand the views, concerns and ambitions of our stakeholders in seeking sustainable outcomes from the investments we are involved in.
- ☑ Integrate Environmental, Social, Governance and economic benefit considerations into our selection, evaluation, governance and engagement processes across the lifecycle of each investment. We drive rigour and consistency in this by applying our Sustainable Investment Framework and system, including clearly defined processes and expert tools and methods.
- ☑ Ensure our team understands the imperative for effective ESG management and is empowered and equipped to carry this out through management support and training.
- ☑ Conduct regular monitoring of ESG risks, opportunities and performance in our investments and over time, reporting to our investors.
- ☑ Conduct our business activities in line with the UN-supported Principles for Responsible Investment, including an annual report on our progress towards implementation.

### Our committees

To ensure high-quality governance of our sustainability strategy, we have developed a network of sustainability-related committees, which oversee our work.

In 2021 we made two major improvements to ensure we achieve our sustainability ambitions:

- 1 Added a Sustainability Committee to provide oversight and accountability for our approach to sustainability across our operations and investment practices.
- 2 Established the Sustainability Executive Committee to elevate responsibility for sustainability to executive level, reflecting the importance and materiality of sustainability to the business.



## Sustainability governance structure



The formation of the Board's Sustainability Committee in late 2021 marked a further milestone in the Gresham House commitment to embed 'best in class' ESG practices into our culture.

2022 will be challenging for most businesses on several fronts not least ESG performance and delivery. We are well equipped to perform at the highest levels, in the certain knowledge that all of our stakeholders rightly expect us to provide leadership and outstanding performance in this critical area.



**Gareth Davis**

Chair of the Board's Sustainability Committee



### Board

Oversees our business strategy and management, including sustainability matters.



### Group Management Committee

The delivery of the business strategy has been delegated to the Group Management Committee who regularly review performance against our strategic targets, including our approach and implementation of sustainable investment practices.



### Conflicts Committee

Consider conflicts arising in relation to investment activities for clients and the exercise of voting rights.



### Risk Committee

ESG risks are included in our risk register and divisions are required to report on ESG-related risks to this Committee each quarter.



### Sustainability Executive Committee (Sustainability ExCo)

Drives sustainability-related deliverables to ensure the business, its staff and the investments made demonstrate best practice and leadership. Also owns delivery and oversight of the Corporate Sustainability Strategy.



### Sustainability Committee

Oversees and reviews the Corporate Sustainability Strategy, including sustainable investment.



### Remuneration Committee

Oversees our business strategy and management, including sustainability matters.



### Audit Committee

Responsible for identification and monitoring of business risks, including ESG and climate change.

## Sustainability Executive Committee



Evolving our previous Sustainable Investing Committee into the Sustainability Executive Committee ensures a greater representation of the senior leadership team across the business. Our aim of this change was to ensure that sustainability related work and objectives do not fall to the same individuals, and instead senior leadership drive change whilst ensuring all staff across the Group take responsibility for the delivery of our corporate sustainability goals.



**Rupert Robinson**  
Managing Director

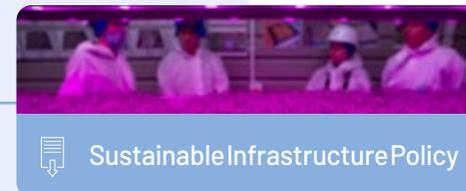


 **Policies and processes**

**Our policies**

Gresham House has developed and published an overarching Sustainable Investing Policy along with asset specific sustainable investment policies.

These policies describe our approach to sustainable investment and highlight our commitments to investing sustainably while meeting our overall business objectives.



**ESG Decision Tools**

Each asset division has an ESG Decision Tool for their asset class.

The tools are based on the ten themes in the Sustainable Investment Framework and several sub-factors are considered under each broader theme.

The tools support the investment teams in identifying potential material ESG risks that need to be managed and mitigated, and help shape the due diligence process prior to investment. They focus on material ESG risks, which can then be tracked, monitored and managed over time.

The tools will not tell the investment teams whether to invest or not, instead they aim to provide a rational and replicable assessment of key ESG risks which should be considered prior to investment.

It is up to the investment teams to decide whether they are sufficiently comfortable with these risks to proceed with an investment.

## Differentiating our approach

For us, sustainable investing is driven by our desire to provide **additionality** through our investments while also acting as **responsible custodians** of our clients' capital.

The majority of our real asset investments contribute to a range of environmental and social solutions, aiming to create a more sustainable way of living. In addition, we actively engage with all portfolio companies and real asset investments to ensure we protect and enhance long-term value.

This approach offers clients the ability to achieve their sustainability ambitions, without having to sacrifice returns.



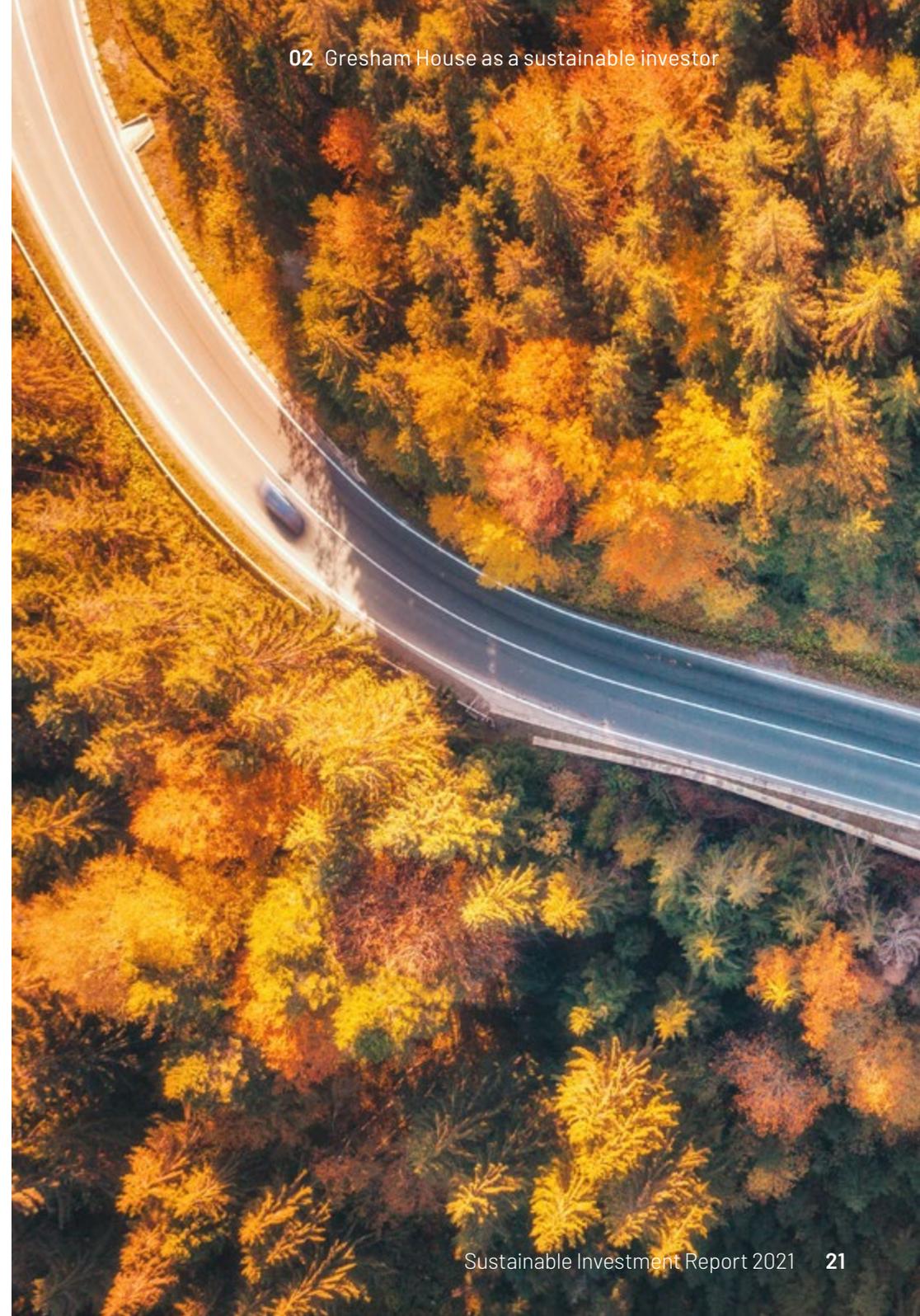
### **Additionality – closing the gap**

The Impact Management Project defines the economics of additionality as *'the extent to which a new input (action or item) adds to the existing inputs (instead of replacing any of them) and results in a greater aggregate'*.<sup>3</sup>

3. Source: Impact Management Project.

Many of our real asset investments aim to provide **additionality** as they construct new assets instead of buying existing assets, adding to the aggregate.

- Our Sustainable Infrastructure strategy constructs new infrastructure assets that aim to solve some of the largest environmental and social problems we face. You can read more about the additionality created by our investment in a digital inclusion company on [page 33](#).
- Within Forestry, we launched a new fund in 2021 that is aiming to plant 10,000 hectares of new forests on low-quality land over the next three years. The additionality created with this investment is the creation of new forests that will sequester carbon as they mature.
- The New Energy team construct new renewable energy projects and battery storage sites, contributing to additionality through the creation of new renewable energy sites and by increasing the UK's battery storage capacity. See [page 34](#) for further detail on the new renewable energy and battery storage capacity we added to the UK in 2021.





## Active ownership – Using our influence

The Principles for Responsible Investment define active ownership as *'the use of the rights and position of ownership to influence the activities or behaviour of investee companies'*.<sup>4</sup>

We expand this definition to include engagement with all material stakeholders that could influence long-term value, for example local communities, product suppliers and governments.

We use our active ownership responsibilities, including voting and engagement, to influence positive outcomes across financial and sustainability objectives. It is central to our philosophy that we take a hands-on approach to our investments to ensure the best result for both shareholders and clients.

- Within Strategic Equity, we apply a private equity approach to investing in both public and private companies. We place great importance on our ability to work closely with company management, especially as we often take a board seat at the private companies we invest in.

- Within Sustainable Infrastructure, we will always take a board seat or recommend an appropriate individual for the role. We take a proactive approach to allocating resources to support the business and will have meetings with company management and other key stakeholders on a frequent basis.
- As the UK's largest private commercial Forestry manager, we regularly interact with governments, landowners and local communities on the management, development and planting of UK forestry.
- Active ownership within New Energy involves working with developers, landowners, planning authorities and equipment providers to maximise the delivery of renewable energy or enhance the efficiency of battery storage plants, whilst continuing to address concerns and needs of local communities.

We support our clients in achieving their dual financial and sustainability objectives. Looking ahead, our Corporate Sustainability Strategy provides further direction to continue to evolve and enhance our approach to ensure we continue to provide additionality to our clients while also acting as responsible custodians of the assets we manage. The next section of this report provides examples of how additionality and active ownership have been incorporated across our assets under management.

4. Source: PRI.



03

Demonstrating sustainable  
investment integration

# Spectrum of Capital

The language used within sustainable investment can be complex and terms used interchangeably when in fact each term defines a different approach.

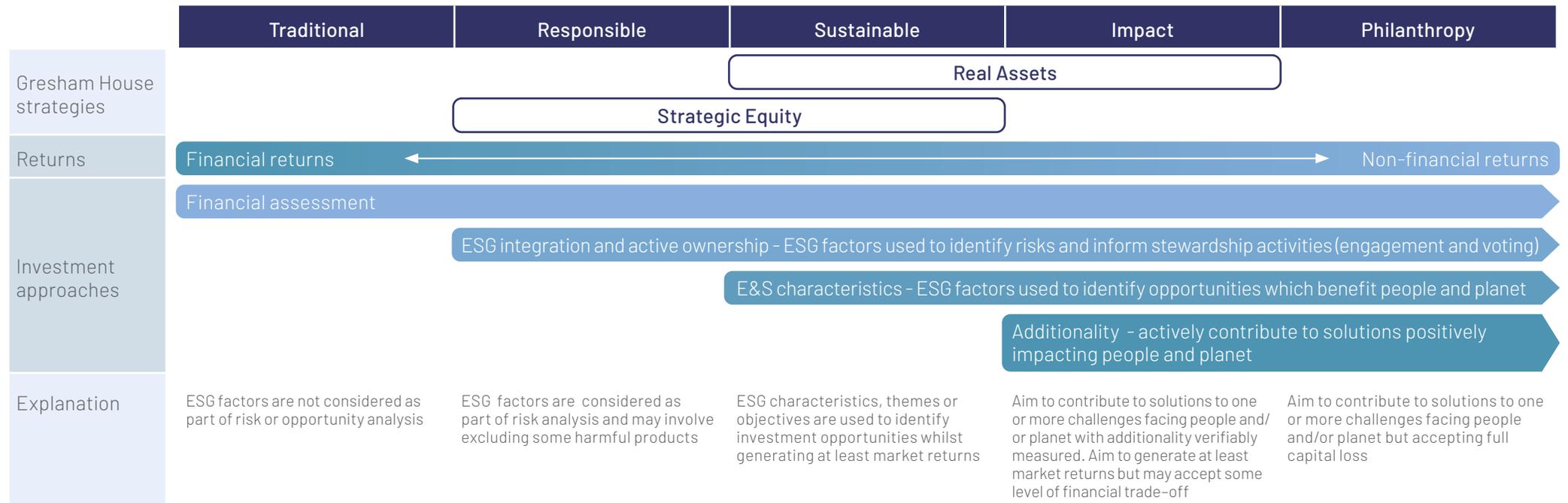
The spectrum of capital, shown below, helps provide distinction between the various terms used and explains how ESG factors are built into an investment process.

The spectrum of capital ranges from 'Traditional' (focused on financial returns) to 'Philanthropy' (only non-financial returns, to the extent that investors accept full loss of capital).

We provide investment solutions from 'Responsible' through to 'Impact', all incorporating ESG analysis into selection, evaluation, governance and engagement processes across their lifecycle.

## Terminology evolution

We recognise there will continue to be significant regulatory focus on sustainable investing in coming years, such as through UK Sustainability Disclosure Requirements (SDR) and EU Sustainable Finance Disclosure Regulation (SFDR). Given this push to standardise sustainability terminology, we expect certain terms used in this spectrum of capital to evolve in line with such regulatory requirements.



## Real Assets

Our range of real asset investment products provide protection from inflation through proven, long-term sustainable, asset-backed investments. In many cases, they also provide the potential for uncorrelated returns to equity markets as well as diversified sources of income.

ESG factors are assessed from a risk and opportunities perspective to generate at least market-level investment returns. Our funds also aim to actively contribute towards solutions to some of the largest environmental and societal challenges.



## ESG integration into the investment process

### 1 Sourcing

Integration of sustainability considerations starts at the point we design our Real Asset investment strategies and when we seek new investment opportunities. New opportunities must meet numerous requirements, including contributions to sustainability outcomes. For some asset divisions, new opportunities must also align with the UN Sustainable Development Goals (SDGs).

### 2 Initial appraisal

Positive and negative externalities are considered and material ESG matters requiring further investigation during the due diligence stage are identified. If certain risks are unlikely to be sufficiently managed or mitigated, then we may choose not to proceed at this stage.

### 3 Due diligence

The ESG Decision Tool and meetings with various stakeholders are used to assess material ESG risks that need to be mitigated and ESG opportunities that could drive value. Specialised consultants and surveys may be used to provide additional information.

### 4 Investment appraisal and acquisition

A summary of the ESG analysis and sustainability assessments are included in Investment Committee submissions. Appropriate risk mitigation approaches will be referenced and action plans will be put in place to either mitigate or capitalise on these ESG factors.

Sustainable Infrastructure investee management teams must also sign up to our investment documentation including sustainability commitments.

All portfolio companies will implement a business-wide Sustainability Policy and Diversity & Inclusion Policy (see [page 33](#) for further details).

Sustainable Infrastructure also has a forum of Gresham House individuals, including the Director, Sustainable Investment, who complete an initial review of any investments in new sectors. This is followed by a discussion with the Investment Committee.

### 5 Ongoing management and asset operation



#### Forestry

We engage forest managers to ensure forest plans are achieved, appoint independent auditors to assess certified sites and carry out our own assessments to ensure management is in line with expected sustainability standards.



#### New Energy

Compliance with planning conditions is stringently adhered to and we aim to operate our projects with minimal disruption to local communities and the environment.



#### Sustainable Infrastructure

We take a very active role in the Company's strategic direction via regular engagement with the Board, including Gresham House representation where possible, to provide robust oversight and governance.



#### Housing

We work with managing agents to ensure they operate in line with best practice standards and deliver on expectations.

# Forestry

A real asset class that diversifies an investment portfolio and provides exposure to timber, underlying land value growth and carbon sequestration.

The team seeks attractive long-term returns, uncorrelated to traditional debt and equity asset classes, through sustainable forest management on land owned by each fund. All returns are underpinned by the biological growth of the trees.

ESG considerations are core to our forestry investment process from due diligence and acquisition to planning and ongoing forest management. These considerations contribute to our investment analysis and financial modelling, our decisions whether to acquire specific sites, and ongoing forest management decisions.

## Total trees planted<sup>5</sup>

### 7.6mn

covering over 3,000 hectares, of which:

– **4.5mn**

were new trees (covering over 2,188 hectares – equivalent to 16.5% of all newly created woodland in the UK in 2020-21<sup>6</sup>)

– **3.1mn**

were trees from restocking

## Carbon sequestration

### 1.5mtCO<sub>2</sub>e

equivalent to c.0.5% of the UK's total carbon emissions in 2020<sup>7,8</sup>

5. Assumes 90% stocking of 1,100 trees per hectare are planted for broadleaves and 2,700 trees per hectare for all other species.

6. 13,300 hectares of new woodland were created in the UK in 2020-21 (Forestry Commission, September 2021).

7. Expected annual carbon sequestration based on the area (ha) of forests under management in 2021 and expected forest growth levels.

8. UK annual carbon emissions were 329.58mtCO<sub>2</sub>e, (Our Word in Data, 2021).

## Forests certified

### 85%

of forests under management are certified under national or international standards<sup>9</sup>

### 991,000 tonnes

of certified timber were sold, contributing to a low carbon, circular economy by supporting the replacement of carbon intensive materials such as concrete, steel and aluminium.

9. The remaining 15% reflects newly acquired land which has not yet been certified. We target 100% of forests to be certified within a reasonable timeframe. National and international standards include the Forestry Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) and the UK Woodland Assurance Scheme (UKWAS).

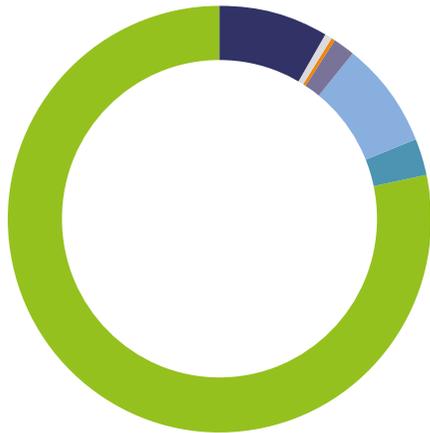
## Biodiversity enhancement and conservation

### 15%

of land was managed for biodiversity enhancement and conservation as the primary objective<sup>10</sup>

10. Definition in line with UKWAS requirements for biodiversity enhancement and conservation. This includes, for example, areas with natural reserves, riparian zones, or existing open habitats integral to the area.

Trees planted by species as a percentage of total stocked area (ha) in 2021<sup>11</sup>



- 8.5% Broadleaves
- 0.6% Douglas fir
- 0.2% Fir
- 1.6% Mixed conifers
- 8.1% Norway spruce
- 2.7% Pine
- 78.3% Sitka spruce

Source: Gresham House.

11. The percentage figures represent the portion of tree species planted as a percentage of stocked areas, in hectares (ha). This data does not include areas left unstocked, i.e., open ground. If these figures reflected the percentage of total land area, i.e. including open ground left for conservation and biodiversity purposes, the percentage of Sitka spruce would drop to 57%.

## The Gresham House Forest Charter

To ensure that we continue to maintain and enhance the sustainability of the forests we manage, and clearly demonstrate this to our stakeholders, we launched the Gresham House Forest Charter (the Charter).

The Charter sets out our verifiable commitments and targets relating to sustainable forest management across areas such as forest products and services, income and employment, ecosystems and biodiversity, and climate change.

These commitments will apply to all our discretionary-managed funds and reflect our baseline requirements for all forests under management.

We believe that the Charter commitments will protect and enhance the long-term value of our forests and protect our license to operate by maintaining respectful and beneficial relationships with all stakeholders.

### Summary of the Charter



#### Forest Products & Services

- Ensure 100% of timber sold is certified to international standards
- Generate reliable and transparent carbon credits



#### Climate Change

- Increase carbon sequestration and reduce operational emissions where possible
- Protect high carbon stock land



#### Biodiversity & Woodland Ecology

- Maintain, conserve and enhance biodiversity
- Protect priority habitats and species



#### Forest Protection

- Avoid deforestation
- Minimise use of pesticides and fertilisers
- Maintain or enhance hydrological functions



#### Income & Employment

- Target accident-free workplaces
- Promote fair and diverse working conditions and discrimination-free workplaces



#### Communities & People

- Engage with local communities
- Protect rights of local communities, including Indigenous Peoples, and historic sites
- Provide public recreational and educational access

## The biodiversity of our forests

As stewards of our clients' assets, it is essential we work to protect, restore, and enhance the biodiversity of the forests we manage. Doing so will ensure the longevity of the forests we manage, which is dependent on healthy ecosystems. We have therefore made the following biodiversity related commitments:

- Opportunities to enhance biodiversity must be considered as part of all forest management plans
- Forests in the UK will target specific thresholds for areas allocated to single species, open ground, conservation, biodiversity, and native species
- Priority habitats and species will be identified, protected and regularly monitored
- A diversity of standing and fallen deadwood will be incorporated over time in all wooded areas

## Biodiversity survey

In 2021, we surveyed all our UK woodland managers relating to species they had sighted in the forests they manage. The results found considerable biodiversity of species across our forests and enabled us to establish an initial understanding of the types of biodiversity present.

We will be completing an annual survey to provide a more detailed, ongoing assessment of species biodiversity in our forests. In addition, we are investigating using innovative technology such as Environmental DNA testing, which uses water or soil samples to identify species present in a particular area and is typically more accurate than conventional methods.

By improving our biodiversity measurement and related data, we can enhance our approach to managing biodiversity across all our forests and better demonstrate the positive impact that our sustainably managed forests can have over time.

# 9%

of forests had Sites of Specific Scientific Interest (SSSI)<sup>12</sup>

12. The finest sites for wildlife and natural features, supporting many characteristic, rare and endangered species, habitats and natural features. Source: UK Government.

# 1/3

of forests had sightings of red squirrels (an endangered species in Britain)<sup>13</sup>

13. The Mammal Society classified Red Squirrels as Endangered across Britain in 2020. The Red Squirrel is estimated to have lost >60% of its range in England and Wales in the last 13 years.





## Active ownership – Using our influence

### Industry engagement on carbon credits

Gresham House participated in a consultation on updates to the Woodland Carbon Code (WCC). The WCC is the quality assurance standard in the UK for voluntary carbon credits generated by woodland creation projects.

In November 2021, the WCC informed stakeholders that they were making significant changes to the voluntary carbon credits standards.

We viewed the changes as detrimental to woodland creation by reducing the number of woodlands eligible for carbon funding and hence disincentivising tree planting.

Despite this, the WCC indicated that they would proceed with the changes.

We await a final decision, but we are optimistic that the new rules will be supportive of productive woodland creation and incentivise activities that enhance carbon sequestration and sustainable timber production.

The WCC has now reviewed their position and is involving stakeholders, including Gresham House, in the review of additionality within the WCC to enable carbon funding supporting woodland creation and facilitate further investment.

We collaborated with other organisations involved in UK woodland creation and wrote to the UK and devolved governments expressing concerns.

# Sustainable Infrastructure

Our Sustainable Infrastructure strategy invests in real assets that help to address key sustainability challenges. It aims to deliver effective and alternative investment solutions to ensure clients achieve their financial objectives whilst making a meaningful contribution to advancing the world's transition to a more sustainable way of life.



The strategy aims to generate positive impact through its investments across six thematic sub-sectors:



**Resource efficiency**  
Sustainable food infrastructure, hydroponic farming, alternative proteins



**Decarbonisation**  
Hydrogen and EV infrastructure, heat solutions, energy transition infrastructure



**Regeneration**  
Biodiversity net gain habitat banks, nature based solutions



**Digital inclusion**  
Fibre and gigabit networks, data centre infrastructure



**Waste solutions**  
'Closed-loop' and on-site waste processing solutions



**Health & education**  
Dementia and specialised healthcare, SEN schools, nurseries, and vocational training

## Resource efficiency<sup>14</sup>

### 4,000tCO<sub>2</sub>e

Annual savings from Fischer Farms' second farm vs. European imports, equivalent to removing c.2,100 cars from the road each year

## Digital inclusion<sup>15</sup>

### 19,700

Homes passed with full fibre broadband from our 'alt-net' investments

## Regeneration<sup>16</sup>

### 4,000 hectares

Land to be developed for biodiversity purposes, including tree planting, grassland and meadows, aiming to create 150-160 wildlife habitats

14. Calculations based on Fischer Farms data. tCO<sub>2</sub>e savings compared with import from Rome and 50km from Heathrow in a refrigerated HGV to a distribution centre. Car emissions based on UK Government GHG Conversion Factors for Company Reporting 2021.

15. Data from Wildanet and Borderlink. Total premises passed since company inception. Most connections were made in 2021 due to increased focus on building the businesses.

16. Company targeting 4,000 hectares for regeneration in next 5 years (~25ha in total for each habitat bank).



## Case study: Quantifying our impact

We first invested in vertical farm producer, Fischer Farms in 2018. The business produces high-quality leafy greens at a vertical farm based in Burton-on-Trent, UK. We recently appointed carbon consultants to analyse the carbon and wider environmental benefits of Fischer Farms' prospective second farm. The analysis highlighted some material environmental benefits vs. traditional farming methods including:

- **99%** reduction in land required to produce the same yield as conventional farms
- **<1%** of the water-related emissions generated by conventional farming to grow the same yield
- **99%** less greenhouse gas emissions per tonne of produce compared to conventional domestic farming (0.003 tCO<sub>2</sub>e per tonne of produce, vs. 0.349 tCO<sub>2</sub>e)

## The need for digital inclusion

### Connecting the world in a new way of living

Connectivity is key to how we can better treat people and the planet. It is crucial to almost all aspects of modern life. The extent of the digital revolution has been laid bare as we emerge from the COVID-19 pandemic, which expedited new ways of learning, working, and living.

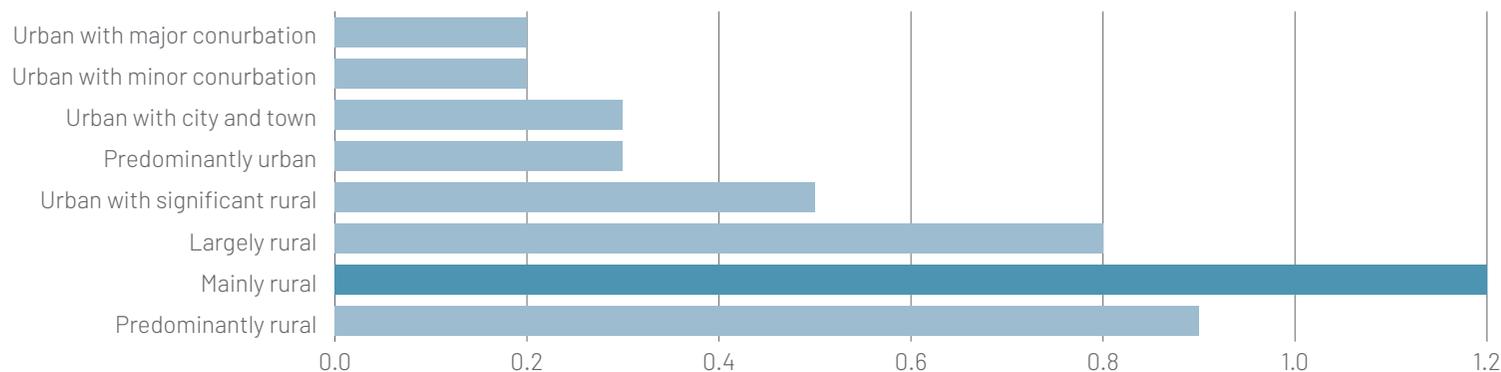
Without reliable high-speed broadband infrastructure, the video-based services crucial to increased social inclusion – such as remote learning and working, and tele-health – will simply not be realised.

Technologies that are crucial for decarbonisation, such as electric vehicles and industrial automation, as well as emerging technologies like data monitoring in agriculture are all reliant on strong connectivity.

### Bridging the digital divide

The pandemic has also highlighted the shortcomings of the existing UK copper-based broadband network and the 1.5 million homes in the UK that still do not have internet access. In some rural areas as many as one fifth of households cannot get superfast broadband.

Percentage of premises not able to access a decent fixed broadband service in England, 2020\*



Source: Broadband (publishing.service.gov.uk)

\*defined as delivering a download speed of at least 10 Mbit/s and upload speed of at least 1 Mbit/s

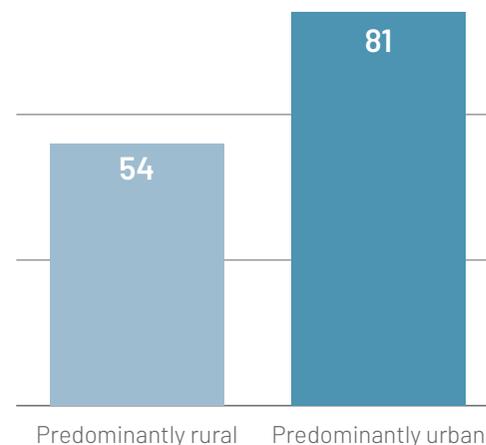
The impact of poor connectivity and slow download speeds in these areas has been severe, acting as an obstacle to growth. Basic digital literacy skills are crucial to fully participate in an increasingly digital society; the UK Government suggests that digital skills are an essential entry requirement for two-thirds of occupations.<sup>17</sup>

Poor connectivity will only exacerbate this digital skills gap going forward, entrenching inequalities in society. The Centre for Economics and Business Research suggests that these inequalities include reduced earnings, employability, and time savings, to name but a few.<sup>18</sup>

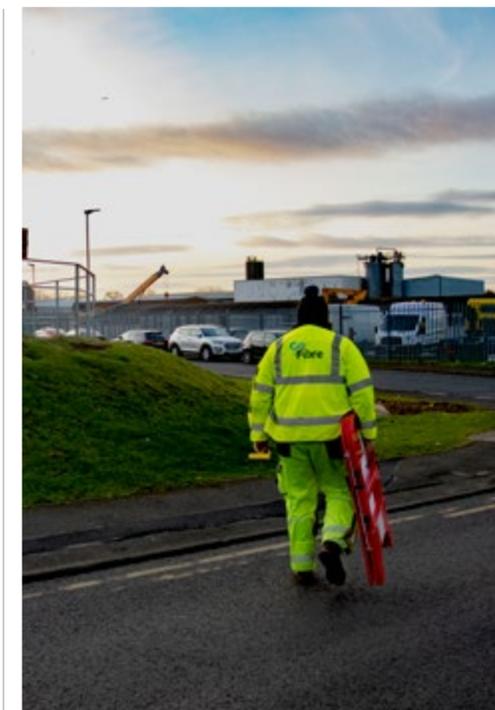
17. Tackling the digital divide - House of Commons, 4 November 2021 | Local Government Association

18. The economic impact of Digital Inclusion in the UK, September 2018 (goodthingsfoundation.org)

Average download speed (in Mbit/s) where broadband and speed information are available, by rural urban classification in England, 2020



Source: Broadband (publishing.service.gov.uk)





### Case study: Wildanet - Unlocking digital inclusion solutions in underserved areas

We have invested in three 'alt-net' digital inclusion businesses, one of which was Wildanet. The business is targeting broadband speeds around 40 times faster than the average connection in Cornwall<sup>19</sup> while also supporting 5G mobile data coverage.

In Cornwall, approximately 62,000 people have never turned on a digital device and around 125,000 do not have the digital skills to operate a device effectively.<sup>20</sup>

Wildanet is already working closely with local community groups in Cornwall to support residents accessing the internet for the first time and creating new careers for people as fibre engineers.

19. Why Choose Wildanet | Wildanet

20. Age UK and ONS: UK Consumer Digital Index 2021 (lloydsbank.com)

We invested in Wildanet to bring much faster and more reliable broadband connectivity to even the most rural homes and businesses of Cornwall. The capital provided enabled Wildanet to upgrade and expand its existing gigabit-capable network to continue to target the underserved homes and businesses of Cornwall through a combination of a new full fibre network and expansion of its fixed wireless network.

#### Positive outcomes

- The fibre network is expected to reach 60% of Cornwall's properties by 2023
- 98 new Cornish jobs to be created
- Homes and businesses able to enjoy a good value, fast, reliable internet connection
- Almost 3,000 premises have now been passed with full fibre broadband (i.e. the network is accessible to those premises)
- Working with over 1,100 customers so far



### Active ownership of our investee companies

A core element of our investment process is a sustainability commitment by our investee companies. For consideration for investment by our Sustainable Infrastructure team, all portfolio companies must sign up to two policies as per our contract terms. These are:

#### Diversity, Equity & Inclusion (DEI) Policy

Investee companies must commit to the active promotion of equal opportunity, diversity and inclusion in their relations with stakeholders. The overall objective is to create a supportive and inclusive work culture, where diverse teams and individuals thrive. The policy contains six DEI principles covering fair employment opportunities, treatment at work and operating within all applicable laws. Companies are required to report at least semi-annually on the implementation of these DEI policies.

#### Sustainability Policy

Investee companies must acknowledge that concern for the environment and broader sustainability agenda is integral to their activities. Companies must declare that they are fully committed to taking all reasonable steps to ensuring that their business benefits the environment and wider society and aims to eliminate any harms or costs it imposes on them.

The policy contains seven principles that cover the integration of sustainability considerations, mitigation of adverse environmental and social impacts and the application of relevant laws and regulations. Companies must also commit to regularly reviewing the ways in which they can improve their sustainability performance.



# New Energy

Our New Energy strategy is focused on three growth technologies: Wind, Solar and Battery Energy Storage Systems<sup>21</sup>. The strategy supports the shift from a world powered by finite resources to a rapidly evolving new energy system powered by renewables and supported by storage.

The strategy also recognises the importance of ESG considerations and incorporating them into the investment process to deliver long-term, sustainable growth and consistent positive outcomes across local and national communities.

21. All references to “Renewables”, “renewable electricity” and/or “renewable generation” in the New Energy section refer to Gresham House managed solar and wind assets.

## 490.5 GWh

renewable electricity generated by our wind and solar assets

- **Equivalent to 130,860** homes powered<sup>22</sup>
- **Avoiding 215,800** tonnes of CO<sub>2</sub><sup>23</sup>

## 71 GWh

new renewable generation capacity brought to the grid<sup>24</sup>

- **Equivalent to 18,940** homes powered<sup>22</sup>
- **Avoiding 31,240** tonnes of CO<sub>2</sub><sup>23</sup>

22. Assuming an average annual household usage of 3.748 MWh, BEIS December 2021 statistics.

23. Assuming an “all non-renewable fuels” emissions statistic of 440tCO<sub>2</sub>/GWh of electricity supplied, BEIS statistics. “Carbon avoided” calculated using Renewable UK methodology.

24. Based on renewable energy generation forecasts of all new solar and wind assets acquired in 2021. Not all assets were operational as of 31 December 2021.

## 425 MW

total battery energy storage operational capacity provided to the UK National Grid<sup>25</sup>

- **110 MW increase** in operational capacity vs. 2020

## 415 MW

of battery energy storage capacity under construction in 2021

## £483,000

paid to community benefit funds, a 23% increase from 2020

25. Cumulative capacity of battery energy storage (BESS) fleet (MW) using end of year (31 December 2021) data

## The role of Gresham House's New Energy strategy in mitigating climate change

Gresham House is committed to the continued investment in and development of new renewable energy generation assets and battery energy storage systems. We believe our New Energy strategy contributes materially to the UK's ambitions to decarbonise the economy.

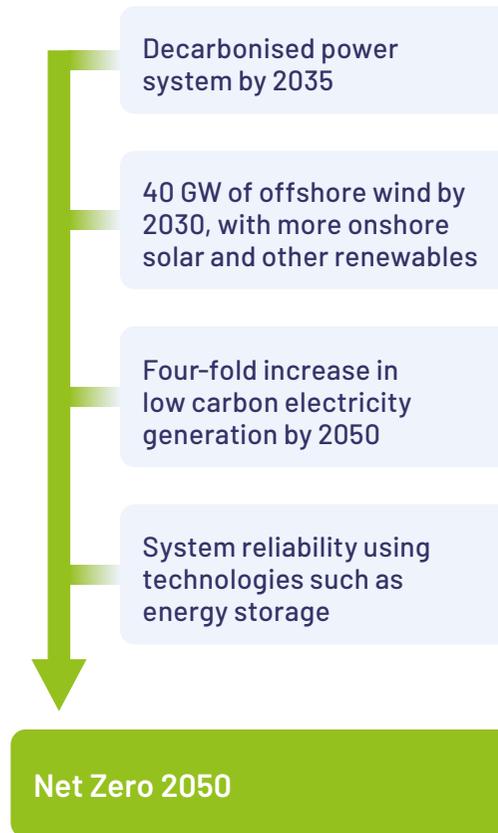
### UK Government's Net Zero Strategy

To accelerate the transition to a net-zero carbon economy, the UK Government published its Net Zero Strategy in October 2021. The Strategy outlines how the UK intends to meet the legally binding target set in 2019 to bring greenhouse gas emissions to net zero by 2050 and accelerate commitments laid out in previous policy papers and plans.

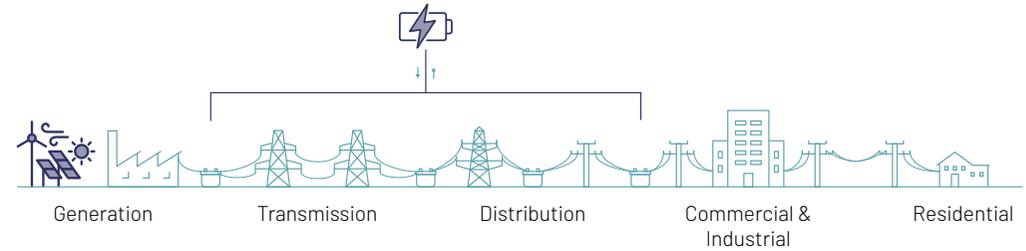
Recognising that "the net zero economy will be underpinned by cheap clean electricity made in Britain" one of the key aims of the UK's Net Zero Strategy is to transform the power system away from fossil fuels to low carbon sources of energy, such as renewable electricity. This will ensure a sustainable and affordable energy supply and protect consumers by reducing exposure to volatile international fossil fuel markets which have caused recent spikes in electricity prices.

### Transforming the UK's power system

The infographic below shows four key policies the UK Government has identified to meet its 2050 net zero target. These policy commitments highlight that the UK's power system will be increasingly underpinned by renewables and battery energy storage systems to ensure reliable, decarbonised power at the flick of a switch.



Source: Net Zero Strategy, BEIS, 2021.



### Our role in the UK's electricity system

The Gresham House New Energy team invests in and constructs wind and solar assets (key renewable energy generation assets), as well as battery storage via Gresham House Energy Storage Fund plc (GRID), the UK's largest fund investing in utility-scale battery energy storage systems. The graphic above shows where the New Energy divisions assets are positioned across the UK's power system.

Through its existing assets, current pipeline and intention to invest further in new renewables and battery storage assets, the division materially contributes to the UK's Net Zero Strategy and ambition to decarbonise the energy system.





## Addressing social challenges in the New Energy supply chain

Whilst our New Energy technologies are central to the clean energy transition, these technologies can face significant sustainability challenges in their supply chains. For example, a key risk in the solar supply chain is the risk of exposure to forced labour in the Xinjiang region in China in the manufacturing of polysilicon, a key raw material used in solar panels. China dominates the global production of polysilicon, with 70% of the global market, more than half of which is produced in the Xinjiang region.<sup>26</sup>

In the battery supply chain, the reliance on and increased demand for transition minerals (e.g. lithium, nickel, graphite, manganese) poses serious human rights and environmental risks. For example, in Chile, lithium mining operations have affected the rights and livelihoods of indigenous communities with violations to self-determination, land and water rights. The high intensity of water use has also affected the water basins and the availability of the resource for human consumption.<sup>27</sup>

26. Anesco, 2021, Solar Supply Chain Practices – Investor Briefing Note.

27. The Centre for Research on Multinational Corporations, 2020, The Battery Paradox – How the electric vehicle boom is draining communities and the planet.

As active managers of our clients' investments, it is essential that we understand these sustainability-related risks and look to manage and address these. In 2021, we established a Supply Chain Committee to develop and enhance our understanding and processes regarding supply chain management for New Energy assets. We also took the following steps to enhance our supply chain due diligence and to tighten human rights-related requirements of suppliers:

### Renewables

- From July 2021 all new contracts were updated to include clauses specifically mandating suppliers to declare that they have not been involved in any practices linked to modern slavery and that they will permit on-site audits at any time should we have reason to suspect instances of slavery and human trafficking.
- All operators of Gresham House managed Renewables projects (of which there are seven different companies) were asked to complete a questionnaire relating to both their own labour practices and supply chain management regarding material sourcing from China.

### Battery energy storage

- The Supply Chain Policy for GRID (Gresham House Energy Storage Fund plc) was updated. This included a tightening of language around forced labour and discrimination following allegations of forced labour in China in the battery supply chain.
- All new projects whose construction began from 2021 onwards use Lithium Iron Phosphate (LFP) battery chemistry instead of Nickel Manganese Cobalt (NMC). This reduces human rights risks linked to the extraction of cobalt in the Democratic Republic of Congo. We expect LFP to be dominant in our fleets going forward.
- The team initiated a process to appoint a third-party provider to carry out a battery system supply chain audit for GRID to identify material sustainability-related risks. The preferred candidate will be selected in 2022 following which the fund will initiate the supply chain audit process.

## Biodiversity within Renewables

Assessing, managing and measuring the environmental impact of our solar and wind assets on site is a core part of our acquisition, planning and ongoing management processes.

### Habitat management plans (HMPs)

As active owners, we want to ensure that we both protect and enhance the land and its ecosystems for all our assets.

HMPs detail the state of biodiversity at the time of acquisition and lay out clear plans to be implemented by managers to enhance biodiversity. Actions include the replanting of native woodland, the enhancement of drainage on site, or the creation of habitats for insects and snakes. All HMPs are established with advice from expert ecologists with plans being specific to the site's topology, habitats and species. Several assets also have nature conservation groups, such as the RSPB, on their steering committees.

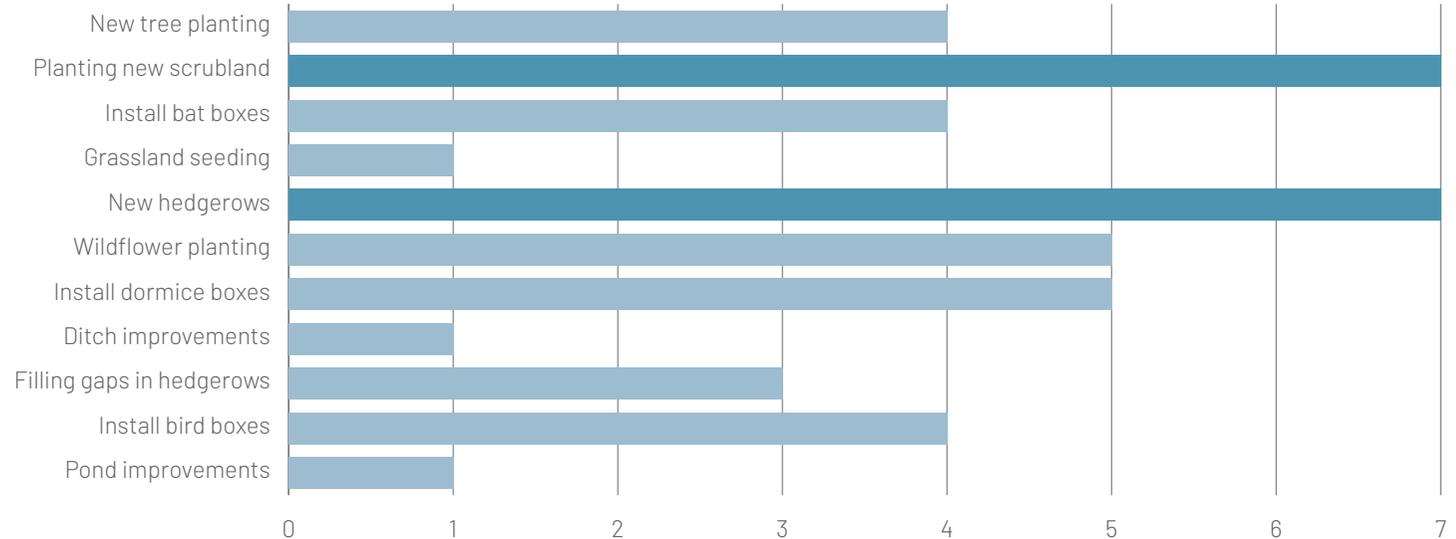
The chart opposite shows some of the actions that will be undertaken as part of habitat management plans to enhance biodiversity across our solar assets.

**88%**

of our Renewables assets had habitat management plans in place in 2021.

### Actions to enhance biodiversity at solar assets

Number of sites with relevant action in their habitat management plan



Source: Gresham House aggregated data based on asset Habitat Management Plans.

### Example Habitat Management Plan

The HMP of a 37.2 acre solar site, currently under pre-acquisition screening in Durham, England, targets 173% net biodiversity gain. Actions detailed in the plan to achieve this include planting new, native species-rich hedgerows, sowing wild grasses, planting mixed scrubland, and introducing bat and bird boxes.



### Biodiversity Committee

In 2021, we established a Biodiversity Committee for the New Energy division. This group was created to enhance the division's approach to measuring, managing and reporting biodiversity dependencies and impacts at all our sites.

In 2022, we plan to identify and implement a framework with which to measure the impact of biodiversity actions over an asset's lifetime. We also want to enhance our conversations with landowners to further promote biodiversity as part of project planning and ongoing management.



### Case study: Bumpers solar farm

In 2021, we appointed an expert advisor to conduct a review and provide recommendations for enhanced biodiversity at this site.

The consultants' proposal is shown in the map opposite, many of which were adopted amongst additional actions such as the enhancement of a new pond to encourage use by amphibians.

Site updates have since shown a new pond has been successfully vegetated, providing favourable egg laying opportunities for great crested newts and other amphibians. Bird boxes have also been installed and have been adopted by nesting birds, with one box showing evidence of nesting blue tits.





### Case study: Community benefit funds

Community benefit funds support communities and charities local to the sites of renewables assets.

We contributed a total of £483,000 to community benefit funds, £72,480 of which was paid to the Inverclyde Windfarm Community Fund (IWF).

From April to October 2021, IWF awarded grants worth £23,000 to local organisations including community gardens and several youth groups such as the scouts, a theatre group and a basketball team. These funds make a valuable contribution to deliver much needed services in the local area and make a difference to people's lives. This was particularly notable in 2021 given the impact that the COVID-19 pandemic had on third sector organisations.

**£72,480**

paid to Inverclyde Windfarm Community Fund.



**Charitable**  
23 projects



**Community**  
19 projects



**Sport and recreation**  
12 projects



**Educational**  
10 projects



**Environmental**  
9 projects



**General community amenity schemes**  
6 projects



**Sustainable development**  
2 projects



**Energy efficiency**  
1 project

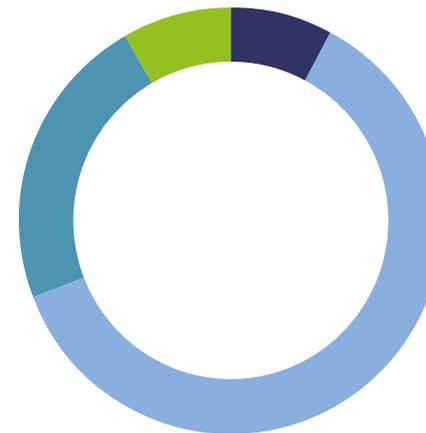
Source: Inverclyde Windfarm Fund Impact Report, March–October 2021.

# Housing

We offer long-term equity investments into UK housing, through listed and unlisted housing investment vehicles, each focused on addressing different areas of the UK's well documented structural shortfall in housing

Our investments aim to deliver stable, secure inflation-linked returns whilst providing wider social and environmental benefits to all stakeholders including our residents, the local community and wider economy. Where relevant, our funds can invest through one of our two wholly-owned, for-profit Registered Providers of Social Housing, ensuring they are managed with the highest standards of governance, financial viability and resident welfare.

Gresham House operational housing stock

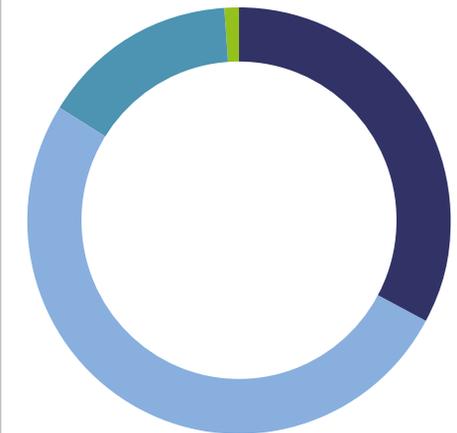


- 289 Local authority
- 2,218 Retirement
- 815 Shared ownership\*
- 294 Private rental

Source: Gresham House

\*Includes Shared Ownership fully staircased (40).<sup>28</sup>

Distribution of EPC ratings



- 33% B
- 51% C
- 15% D
- 1% E

Source: Gresham House<sup>29</sup>

29. Note not all our properties have an EPC rating. For some homes, this is because we have acquired tenanted properties where the units are already occupied and the housing association has not yet generated an EPC, or the tenants have not allowed access for an EPC assessment to be completed. Some homes for ReSI LP have not been sold yet and so the EPC has not yet been published. Overall, less than 10% of our housing stock do not have EPCs.

28. Staircasing is when a shared owner purchases an additional share of the property. Therefore increasing the proportion of the property they own, and decreasing the proportion of the property they rent for the freeholder.



154

new homes constructed in 2021

900

new homes committed to fund in 2021 (to be completed after 2021)

### Increasing the affordable housing supply

Gresham House plays an important part in increasing the supply of affordable homes:

**46%**

of Residential Secure Income plc's (ReSI plc) total annual capital expenditure in 2021 was on development of new build properties

**80%**

of total capital expenditure for Shared Ownership was on the development of new build properties from the launch of ReSI plc, to the end of 2021,

**65%**

of ReSI plc's properties are affordable to local households when compared to local average earnings according to The Good Economy's 2021 impact assessment

**278**

new Shared Ownership homes have been funded by Gresham House Residential Secure Income LP (ReSI LP) since its launch in 2021<sup>30</sup>

30. Includes 10 constructed in 2021 and 268 committed to funding in 2021. Note this excludes portfolio of 247 tenanted homes acquired from Swan Housing in August 2021.

### Spotlight on Shared Ownership

Shared Ownership provides an affordable route to home ownership for middle- and lower-income households through a part buy, part rent model with subsidised rents and low deposit requirements. We believe that it provides an attractive solution to the lack of supply of good quality, affordable homes in the UK.

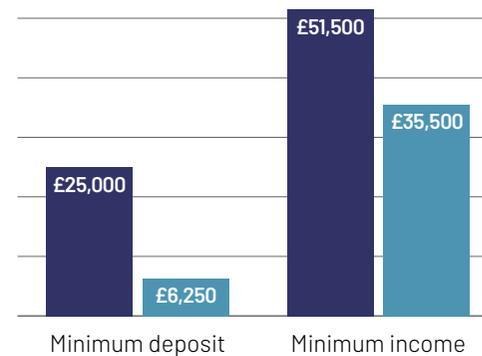
With 19 years of social housing experience as an organisation – and 40 years for some members of our Housing team – we have a long track record of delivering good quality, affordable Shared Ownership that helps to address the UK housing shortage.

#### Market background

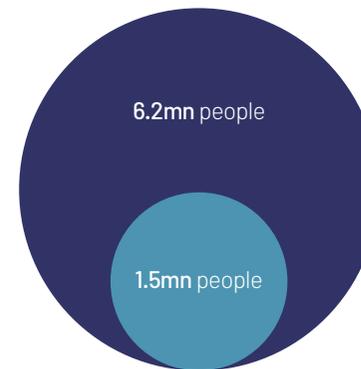
House prices in England are on average eight times greater than the average person's earnings. This figure has increased significantly from less than five times in 1997, demonstrating how the prospect of home ownership has become increasingly unaffordable.

The graphs adjacent set out the smallest amount of deposit required and the minimum income requirement to purchase a home worth £250,000 under Shared Ownership and traditional home ownership. These show that up to 4.7 million more people could be eligible for home ownership under the Shared Ownership model compared with an outright purchase (see chart opposite).

#### Deposit and income comparison



#### Home ownership eligibility



4.7mn more people can afford a shared ownership home compared to outright purchase

- Shared ownership
- Outright purchase

Source: Gresham House

Shared Ownership's part-buy, part-rent model allows residents to make significant savings compared with outright renting. Rent is charged on the proportion of the property that residents don't own at a material discount (c.30%) to market rents, providing additional affordability benefits.

#### Gresham House's contribution

We are committed to making a material contribution to solving the housing crisis by delivering a truly best in class Shared Ownership product. One of the ways in which we seek to achieve this is through our unique Shared Ownership Customer and Environmental Charters, which lay out our long-term commitments to shared owners.

These documents are unique in their intention to improve practices across the Shared Ownership sector whilst providing benefits to all stakeholders, including both shared owners and investors.

The next page provides details on how these Charters have been applied to investments we made over 2021.



## Housing charters in action

In last year's Sustainable Investment Report, we introduced our bespoke Housing Customer and Environmental Charters for Shared Ownership. The Charters were designed to improve practices across the Shared Ownership sector, while providing benefits to shared owners and investors. This year we began to see the impact of our Charters in action and have started to design similar Charters for the rental market.

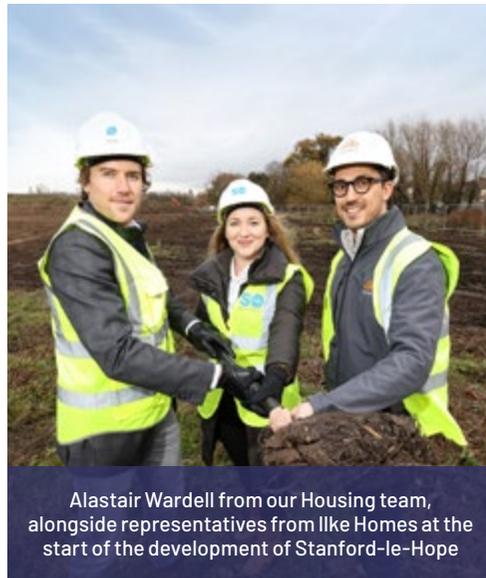
## Environmental Charter

As part of our Shared Ownership Environmental Charter, we outline our commitment to the delivery of sustainability and carbon reduction targets, with a goal of achieving operational net zero carbon by 2025. The Charter states that we will work with industry partners to achieve net zero carbon for all new homes by 2050. As we move to deliver this, ReSI LP agreed to fund the construction of 153 new homes in Stanford-le-Hope. This scheme uses modern methods of construction to reduce on-site waste by ~90% and allows the delivery of high-quality energy efficient homes. Of the homes delivered, two-thirds will be operationally net zero carbon.

This will be achieved through a combination of fabric first design and specific renewable solutions including:

- solar panels will be installed to meet part of the electricity demand of the development;
- excess electricity produced by the solar panels will be sold to suppliers through Smart Export Guarantee schemes; and
- air source heat pumps will be installed to significantly reduce emissions compared with gas systems.

As part of the same scheme, ReSI LP has partnered with a well-known energy provider to commit to deliver its first "zero-bills home", saving owners up to £40,000 over 20 years.<sup>31</sup>



Alastair Wardell from our Housing team, alongside representatives from Ilke Homes at the start of the development of Stanford-le-Hope

31. £40,000 saving over 20 years per household assuming an average energy bill of £2,000 per annum.

## Customer Charter

ReSI LP's Shared Ownership Customer Charter aims to provide new homes with access to private outdoors space, as well as providing staircasing options for owners, allowing them to increase their level of ownership in their home.

## Increasing ownership through staircasing

In August 2021, we acquired 247 fully tenanted Shared Ownership homes from Swan Housing Association. Post-acquisition, all shared owners have had the option to buy 1% of their property a year, at a fixed price with no extra costs, which was not previously available. We have already received 12 enquiries, with a further 10 residents currently going through the process.

Under a typical Shared Ownership lease, the minimum increment that a resident can staircase is 10%, meaning this option is often unaffordable to tenants. By offering staircasing at 1% increments, ReSI LP's Shared Ownership Plus scheme allows tenants to increase their equity stake in more affordable increments at a predetermined price without legal and valuation fees. We also offer lease extensions for those residents with short leases for just £1.

## Outdoor space

The impact of our Customer Charter can be seen at a recently acquired site in Solihull; an area with a House Price: Average Earnings Ratio of 9.7x (35% above the regional average). In 2021, we agreed the forward purchase of 61 new build Shared Ownership homes. The initial scheme did not provide all shared owners with access to outdoor space. Gresham House proactively amended the specification to be upgraded to include a private balcony.

This addition moved the development in line with our Charter ambitions to provide new homes with private outdoor space. The amendments also benefit from a strong investment rationale by ensuring the fund is delivering a differentiated proposition to support forecast performance.

By following the commitments of our Environmental and Customer Charters, ReSI LP can demonstrate genuine additionality in its operations. This can be seen most apparently through the creation of new homes but also by offering tenants benefits that would not otherwise be available to them.

# Strategic Equity

Targeting superior long-term returns in a range of public and private equity investments, by applying an active private equity approach, engaging with companies and applying rigorous due diligence, developing a deep understanding of each investment.

## ESG integration into the investment process

### 1 Initial appraisal

Identify material ESG matters that will require further investigation during the due diligence stage. If certain risks are unlikely to be sufficiently managed or mitigated, then we may choose not to proceed at this stage.

### 2 Due diligence

The ESG Decision Tool and meetings with management are used to uncover material ESG risks that need to be mitigated and monitored, and identify ESG opportunities that have the potential to drive value, now or in the future. Where necessary, specialised consultants are engaged to support the diligence process.

### 3 Investment appraisal

A summary of the ESG analysis is included in every Investment Committee submission. Appropriate risk mitigation approaches will be referenced and assurance that the business is open to making improvements is sought.

### 4 Holding period



**Public Equity:** We engage regularly with boards and management teams, focusing on strategic, financial and operational matters, including ESG factors, and consistently use our voting rights.



**Private Equity:** A 100-day post-investment plan will be developed to address shorter-term risks uncovered in our due diligence stage. We will then use our position as a board member and active investor to influence management to proactively address longer-term risks and opportunities.

# Private Equity

Our Private Equity strategy offers investors access to entrepreneurial high growth, earlier stage and lower mid-market private companies. We specialise in scaling software and digitally driven businesses in the healthcare, consumer and services sectors.

Whilst we typically take a minority equity stake in our portfolio companies, we seek to actively engage to help founders deliver their growth ambitions.

Through this active involvement we seek to deliver strong year-on-year growth in fund net asset value through building businesses which are attractive targets for either strategic trade or larger private equity acquirers.

Portfolio companies by Gresham House equity stake



■ 21	0-10%
■ 22	10-20%
■ 21	20-50%
■ 5	More than 50%

Source: Gresham House.



**100%**

engaged with all our unquoted portfolio companies in 2021

**72%**

contributed to Boards as a member or observer on the majority of our portfolio companies<sup>32</sup>

**33%**

of our unquoted investments currently have an ESG policy in place or plan to within the next 12 months<sup>33</sup>

32. vs. 80% in 2020. We acquired the VCT business from Mobeus Equity Partners in 2021 which had a lower number of Board contributors, leading to a reduction in this overall figure.

33. Excluding Mobeus VCTs.

## 2021 ESG survey

In 2021, we conducted an ESG survey<sup>34</sup> on our unquoted investments to identify a baseline understanding of how portfolio companies think about ESG, which ESG data is already being reported and monitored, and how we can frame our ESG engagement in 2022.

# 88%

of portfolio companies completed the survey

We asked 74 questions across a range of material environmental, social and governance factors. Companies were asked to indicate the relevance of a range of material ESG factors to their business, as well as their ability to influence these factors.

The results were analysed by our Sustainable Investment team and overlaid with a well-known sustainability materiality assessment to understand if companies were aware of the most significant ESG risks to their business types.

<sup>34</sup> Results exclude Mobeus VCT assets as the survey was sent to portfolio companies prior to Gresham House's acquisition of the Mobeus VCTs.

## Results

### Governance

Just under half of companies indicated that governance factors were *very relevant* to their business, and nearly the same proportion said that governance was an area upon which they could have a high level of impact.

We were encouraged to see a high level of focus on areas such as cyber security and GDPR breaches.

# 80–90%

of responses indicated that cyber security and GDPR were *very relevant* to their business

The survey also identified several areas where improvements could be made. For example, 45% of businesses said that obtaining industry-specific sustainability certification was either *very relevant* or *quite relevant* to their business, yet only 10% currently have any certification in place.

### Environmental

The results of the survey indicated that there is still some work to do to for the responding businesses to understand the climate-related risks and opportunities inherent across their operations.

# 4%

answered that environmental factors were *very relevant* to their business

# 55%

said that carbon footprinting and policies to achieve net zero carbon were *quite* or *very relevant*

We will be running a series of educational webinars for management teams to better understand the importance and relevance of upcoming climate related regulations and requirements. We will be encouraging our investee companies to assess their carbon footprint and identify actions that can be taken to reduce their environmental impact.

### Social

Since the start of the COVID-19 pandemic, social issues have increased in priority for many companies and investors are looking to better understand the social risks and opportunities across their investments. We were pleased to see that a third of responses claimed that social topics are *very relevant* and that a quarter believed they had a high impact on such factors.

# 67%

of responses said the number of leavers was *very relevant* for their business

# 75–80%

of responses said the percentage of the workforce that was female or ethnic minorities was *quite* or *very relevant* to their business

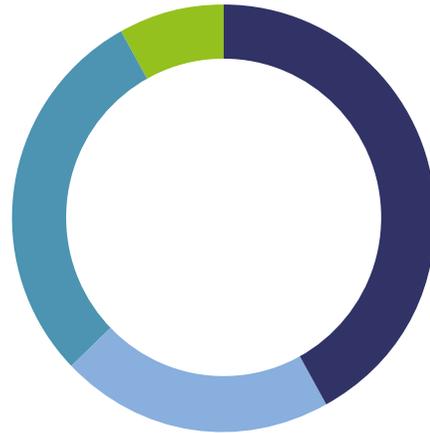
These results highlighted that most responses acknowledged the importance of recruiting and managing a diverse workforce. The survey also shed light on areas, such as supply chain due diligence, that were deemed less important but will grow in importance in the coming years.

Next steps

The findings from the ESG survey will be used to:

- 1 Assess each company against their relevant peer group (see chart) and communicate findings to management teams
- 2 Support and educate portfolio companies to better understand the material ESG risks inherent in their business operations
- 3 Set ESG relevant objectives for improvement which Gresham House will then engage with the portfolio companies over the next 12 months and longer term
- 4 Deliver educational webinars for portfolio company management teams to enhance their knowledge on different ESG factors important to their business success

Categorisation of underlying portfolio companies across different sectors



■ 42%	Software
■ 21%	Business to Consumer
■ 29%	Business to Business / Services
■ 8%	Multi-site





### Case study: Active ownership at Patchworks

In August 2021, Gresham House Ventures invested in Patchworks, a software company helping e-commerce businesses automate and manage data flows across back-end systems.

In demonstrating our commitment to active ownership, Gresham House played an important role in helping Patchworks to evolve from a founder-led business to one with well-developed management and governance systems. Part of our focus was to assist in recruiting key new hires to strengthen the management team around the CEO and founder.

#### Board changes

Post-investment, one of our investment directors joined the board, while we also helped appoint a chairperson through our talent network. This chairperson currently works as a non-executive director at another of our investee companies, eConsult Health.

We have also been active in assisting the creation of various committees and schemes within the business, such as the Remuneration Committee and management incentive scheme, sharing best practice to help with the implementation and management of these new initiatives.

#### Senior management

We then set out to assist in recruiting a senior management team to sit alongside the founder and helped to appoint both a Chief Financial Officer (CFO) and Chief Revenue Officer (CRO). We also helped to appoint a new non-executive director with experience in the retail and consultancy sectors.

#### Other actions

To help Patchworks in its ambition to scale its business, we also took the following actions:

- 1 We shared our Best Practice Board Pack for early-stage software as a service (SaaS) businesses to support their governance processes.
- 2 We developed a detailed 100-day plan to help with the integration of the new management team and continued scaling of the business.
- 3 Scheduled weekly calls with the management teams to evaluate progress against this plan.
- 4 Discussing how we can assist in their aims to achieve B-Corp status.

We acknowledge that we are still early in the evolution of this company away from a founder-led business to one with a more established and extensive governance structure. Nonetheless we are pleased with the progress that has been made in a short space of time and the partnership and cultural fit that should help to advance the development of the company going forward.



**We are delighted with the partnership we have forged with Gresham House. They have played a crucial role in helping re-shape our governance and management structures and helped to bring significant enhancements to our operations that will help us to continue to develop and innovate going forwards.**



**Dave Wiltshire**  
Founder, Patchworks

## Public Equity

Our Public Equity philosophy revolves around taking a hands-on approach to engaging with our investee company stakeholders, in order to capitalise on market inefficiencies and identify value creation and recovery opportunities.

ESG factors are integrated into the investment process and we also meet with management to further enhance our understanding of ESG risks and opportunities and to drive positive change where appropriate.

Public Equity activities at Gresham House comprise our UK Public Equity team, focuses on investing in small and micro-cap companies in the UK equity market, and Gresham House Ireland which manages multi-asset and global equities products. All our teams apply an active management approach.

### Active ownership in 2021

Our UK team applies a private equity approach to public equities. Integral to this approach is active engagement with management teams and boards of all companies in which we invest. Irrespective of the size of the company or shareholding size, we aim to build relationships with the company over the investment period. If required, we will engage with relevant parties, be that on strategic, financial, ESG or other matters always with the aim of driving the best outcomes for our investors. This approach also tends to involve taking a longer-term view with respect to the holding periods for our investments.

#### UK Public Equity team<sup>35</sup>

**37**

Governance-focused engagements

**5.1 years**

Weighted average holding period

**96%**

Met with nearly all holdings' management teams

35. Based on UK Public Equity team holdings as of 31 December 2021.

## Voting is a key element of our active investment approach

Our UK Public Equity team votes all resolutions itself, based on our Gresham House Engagement & Voting Policy. The Gresham House Ireland team applies Institutional Shareholder Services's (ISS) Sustainability Policy to their voting decisions. The charts below show how we voted in in 2021.

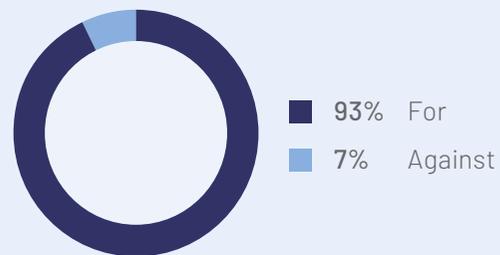


### Votes against management

Votes against management by the Gresham House Ireland team, were related to:

- executive compensation, where we voted against management in 21% of resolutions; and
- shareholder proposals related to Health & Environmental resolutions, where we voted against management in 60% of resolutions.

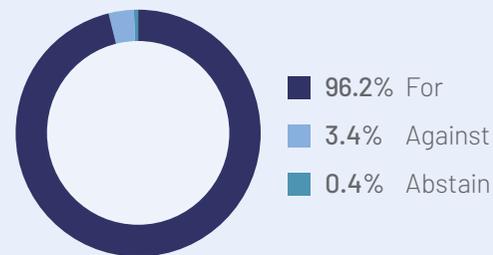
Gresham House Ireland voting in 2021



Votes against management by the UK team were linked to:

- resolutions not meeting our voting policy requirements;
- proposed takeovers which we did not feel fairly reflected the value of the business; and
- remuneration policies which we did not believe incentivised the right management focus or outcomes for our investors.

UK Public Equity voting in 2021



## Case study: UK-based healthcare services provider, UK Public Equity

### Engagement and voting: combining engagement and voting to generate positive outcomes for our investors

**How we engaged:** direct meetings with Board members

**Engagement focus:** remuneration

As of 30 December 2021, the UK Public Equity team held a c.12% equity stake in a UK teleradiology company.

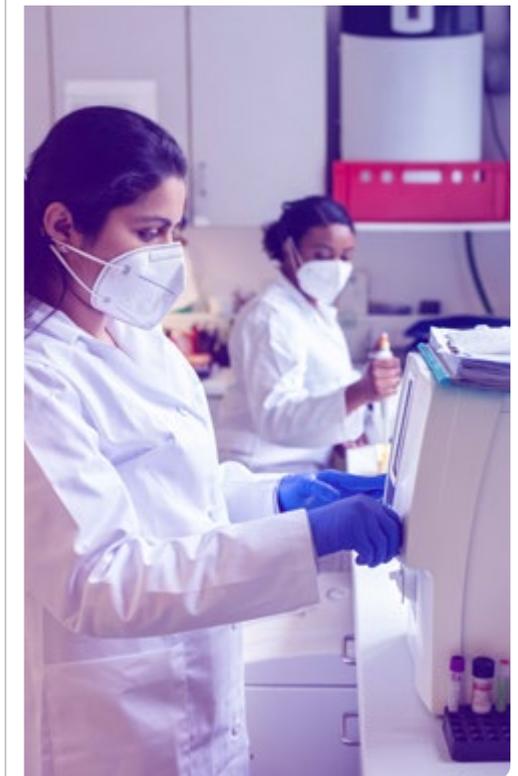
We were contacted by the company secretary to provide some input into a consultation on proposed changes to the director remuneration policy. Reflecting our responsibilities as large shareholders in the company, we took an active role in reviewing and providing feedback to the Board on the proposed changes. We also factored in Gresham House policies on what we consider best practice in setting remuneration policy parameters.

Although we agreed with the level of remuneration proposed, we did not agree with proposed changes to the targets for Long Term Incentive Plan from an absolute shareholder return objective to one based on relative shareholder returns. We felt this did not appropriately align shareholders' interests with the management team.

We subsequently had multiple meetings with the Chair of the Remuneration Committee and Chairman to explain the rationale for our views.

**Outcome:** The remuneration policy was subsequently amended which enabled us to support the revised remuneration proposals through our voting at the company's AGM.

We believe our engagement on this policy and voting issue will lead to a strong alignment between shareholders and the company, and ultimately for better outcomes for all stakeholders.





 **Case study:  
UDG Healthcare,  
UK Public Equity**

**Engagement: engaging to  
drive positive outcomes for  
our investors**

**How we engaged:** direct engagement  
with management

**Engagement focus:** takeover offer

UDG Healthcare is an outsourced services provider to the pharmaceutical industry operating across two divisions – drugs and therapies commercialisation services (Ashfield) and drug packaging (Sharp).

Our investment thesis centred on structural tailwinds – increased pharmaceutical outsourcing, rising complexity of new molecular entities, more clinical trials and rising requirement for high-quality consultancy services – driving growth in demand for UDG products and services. We also believed both divisions were well positioned as strategic assets with strong takeover potential.

Despite being a small shareholder, only owning around 0.1%<sup>36</sup> of UDG, a multi-billion-pound company, we engaged with management prior to and throughout our investment period. When a takeover offer was made by a US private equity firm that, in our view, did not fully reflect the fundamental and strategic value of the asset, we communicated this to the management team along with our rationale and voted against the initial offer.

**Outcome:** Ultimately, the takeover offer was increased, and the acquisition completed which led to an attractive return of 1.5x investment and a positive outcome for our clients.

36. As of August 2021.





Gresham House



### Case study: Barratt Developments plc, Gresham House Ireland

#### Engagement: engaging to drive positive outcomes for our investors

**How we engaged:** one-to-one meetings with investor relations

**Engagement focus:** environmental risks and opportunities

Barratt Developments plc is a UK homebuilder. We engaged with the company several times in 2021 to ensure environmental risks and opportunities are being appropriately managed by the company.

#### Environmental impact of construction

Given increasing regulatory and public focus on the environmental impact of construction, such as the carbon footprint of construction and the sustainability and efficiency of raw materials used, we recognise the importance of Barratt being able to successfully navigate and prepare for these trends. As such, we engaged the company on this matter.

These engagements found that Barratt has set a series of ambitious targets such as a target to increase use of “modern methods of construction” to 30% of units by 2030. “Modern methods” include the use of timber frames – a sustainable natural material when sustainably sourced, and use of offsite garages to manufacture parts – this method can materially reduce waste on site. Positively, the business is well on track to meet this target. The company has also set an ambition to develop zero carbon house types from 2030.

#### Biodiversity

The construction industry is increasingly subject to requirements regarding the management of biodiversity. Our engagements with the company found that 63% of new Barratt developments had biodiversity plans. Moreover, the company had set a target for 100% of all new development designs to demonstrate at least 10% biodiversity net gain from 2023. This target provided us with comfort that regulatory risk, linked to the UK Environment Bill, was well-managed by the company.

**Outcome:** Our engagements did not change our investment view. However, it demonstrated that the company is aware of and mitigating ESG risks that we expect to become more material in the future, providing comfort that the asset is being well managed for our investors. We will continue to engage with the company to monitor progress on these targets and other developments.

A woman with a short, dark, textured haircut is shown in profile, looking towards a man. The man has short brown hair and is wearing a dark suit jacket over a white button-down shirt. He is gesturing with his hands as if in conversation. The background is softly blurred, showing other people in a social setting with warm lighting.

04

Gresham House as a  
sustainable employer  
and business

## Pillar 2 of our Corporate Sustainability Strategy

# Authentic operations

To achieve our sustainability ambitions, we must lead by example and align our actions with our corporate purpose.

Authentically operating in sustainable ways is critical to our success as a business and employer, and to ensuring we play our part in tackling the climate emergency and other key issues affecting people and the planet.

As a sustainable business and employer, we work across six priorities; the same priorities that guide our work as a corporate citizen [see [page 60](#)]. We believe these are the issues most material to the Group whilst also helping us to differentiate ourselves from our peers.

Reflecting the holistic approach we take to sustainability, each priority can be linked back to one of the ten ESG themes in our Sustainable Investment Framework [see [page 16](#)].

On the following pages, we share our achievements over the course of 2021 for some of the identified priority topics, with Community Care and Engagement, covered in the section on Gresham House as a corporate citizen.

For each priority topic we have set a core objective to be achieved by 2025 (see opposite), core KPIs to be used to measure success, short-term actions to be completed in 2022 and medium-term actions to be completed between 2023 and 2025.



### Climate change and pollution

Set a science-based target and use our industry position to encourage the transition to a low carbon economy.



### Natural capital

Demonstrate leadership in understanding the impacts and dependencies of natural capital on our operations and take action to protect and enhance nature.



### Employment, health, safety and wellbeing

Place our colleagues' wellbeing and development at the heart of our growth.



### Diversity, Equity and Inclusion (DEI)

Build a diverse, inclusive and equitable workplace to attract and retain individuals aligned to our business ambitions and better manage risks.



### Commitment to sustainability

Hold ourselves to the highest standards and commit to authenticity in the way we operate.



### Community care and engagement

Have a positive impact on the communities of which we are a part.

 Priority topics  2025 strategic objective

## Climate Change & Pollution: Our carbon footprint

One of our GH25 strategic objectives is to set a science-based target for achieving net zero emissions covering both our operations and investments.

For the first time in 2021 we worked with a specialist consultant to calculate our corporate carbon emissions. The output of this analysis highlights that the majority of our emissions are Scope 3 and come from the use of third-party vehicles.

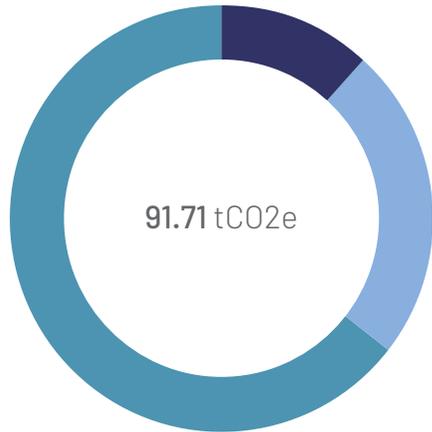
We note that this analysis is an initial estimate and as we refine and improve on this estimate over the coming months we expect this number will increase. As such we will re-state this baseline once we have concluded that piece of work and will continue to seek to improve the quality, collation and measurement of carbon data across our operations.

Total tonnes of CO <sub>2</sub> e emissions from all data provided	91.71
Return on carbon; Revenue (£mn) per one tonne of CO <sub>2</sub> e emitted	£0.77mn
Carbon intensity; tonnes of CO <sub>2</sub> e per £1mn of revenue	1.30
Carbon intensity; tonnes of CO <sub>2</sub> e per FTE (based on 173 full time employees in 2021 on average)	0.53
Electricity usage kWh <sup>37</sup>	Scope 1 - 42,070 Scope 2 - 99,199 Scope 3 - 155,951
Water supply and treatment: cubic metres	624
Waste disposal: tonnes	15

Source: This data was prepared by Carbon Responsible using the GHG Corporate Reporting and Accounting Standard, using UK Government Reporting and Conversion methodology and conversion factors, on 8 February 2022.

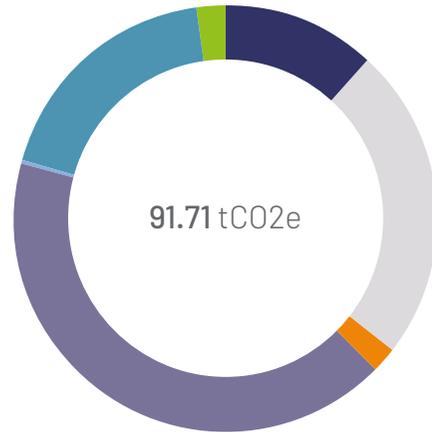
37. Scope 1 - direct combustion of fuel, Scope 2 - electricity purchased for own use or consumption, Scope 3 - use of purchased services

Emissions scope



- 12% Scope 1
- 24% Scope 2
- 64% Scope 3

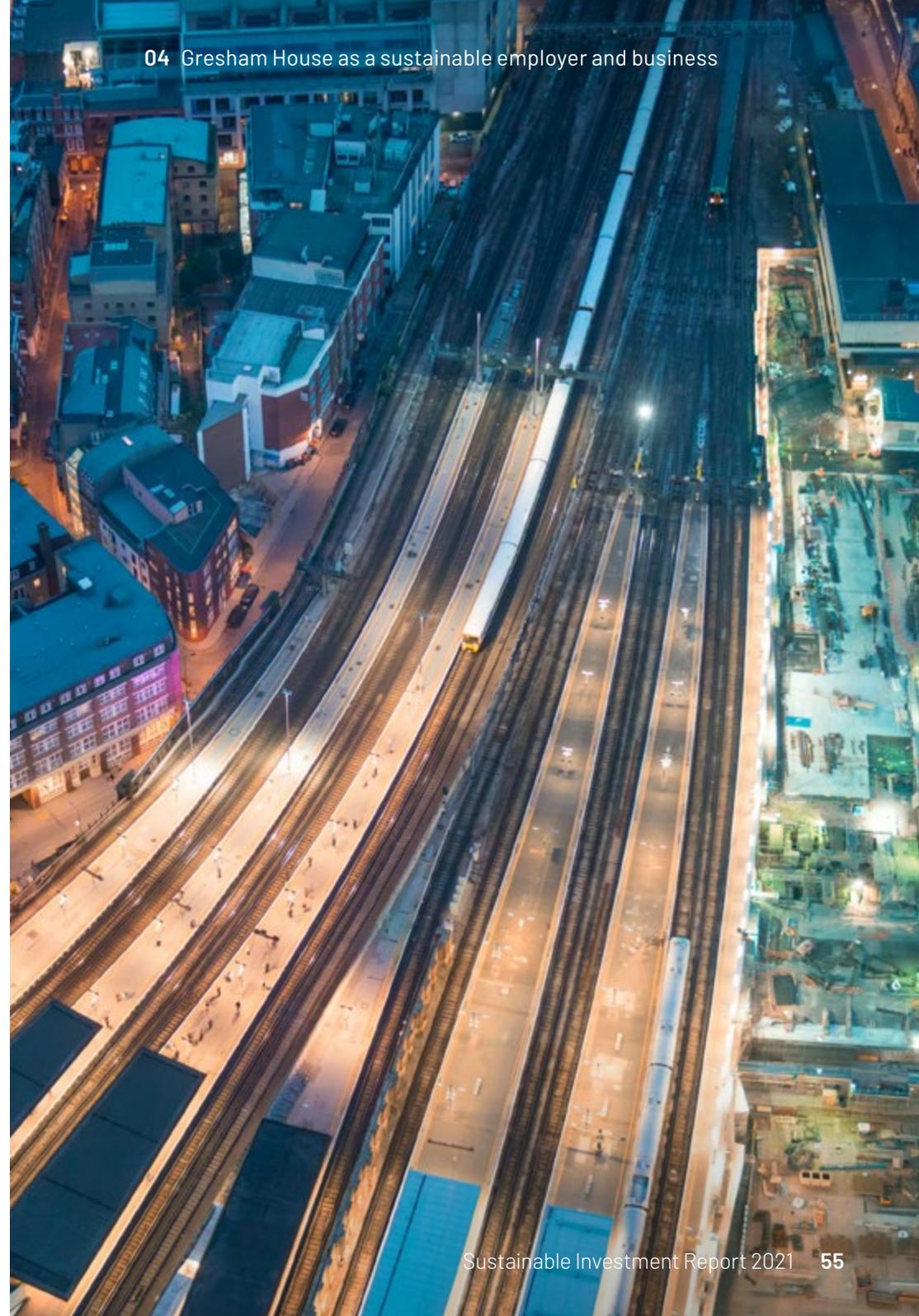
Emissions source



- 11.9% Fuel use
- 23.7% Electricity
- 2.1% Electricity T&D loss
- 41.6% Third-party vehicle use
- 0.1% Water
- 18.3% Business travel and hotel stay
- 2.2% Waste

These results shed light on the areas of our operations that can be improved to reduce our carbon footprint. This exercise has also enabled us to identify how we can better improve data collection to streamline the processes by which we calculate our carbon emissions going forward.

Alongside the carbon footprint of our operations, we have also undertaken an exercise to understand the carbon footprint of our investments. Using the information gained from these two exercises, we are aiming to set a science-based target for reaching net zero carbon emissions.



# Our people

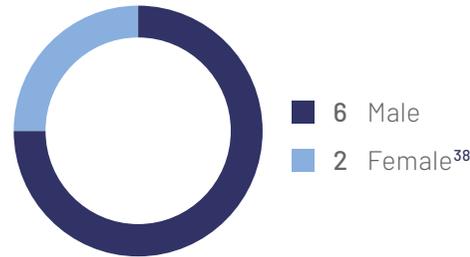
Our people are our greatest asset and are integral to all that Gresham House achieves. We recognise that our people are the foundation of our success and we aim to create a culture where they can thrive.



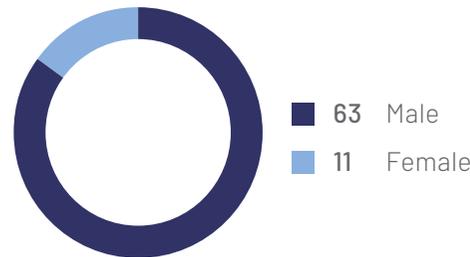
**183**

Total employees at 31 December 2021

Board split

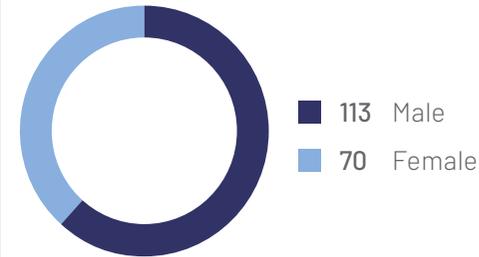


Investment professionals

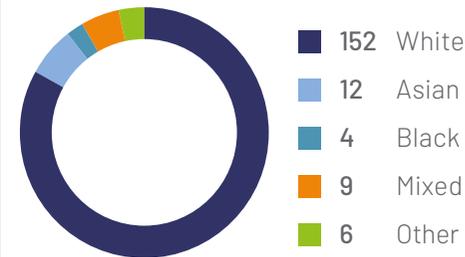


38. The Board currently comprises two Executive and six Non-Executive Directors (including one alternate Director). Sarah Ing, the alternate Director, will be appointed as a Non-Executive Director and Audit Committee Chair of the Company following the retirement of Richard Chadwick at the conclusion of the Company's 2022 AGM bringing the Board gender split to 5 males and 2 females = 29%.

All employees split

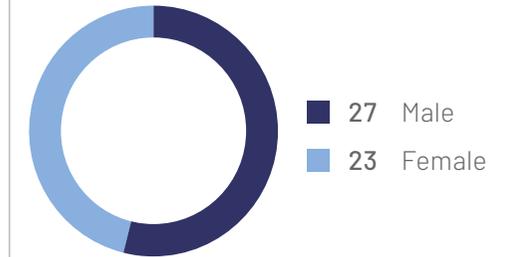


Ethnicity split<sup>39</sup>

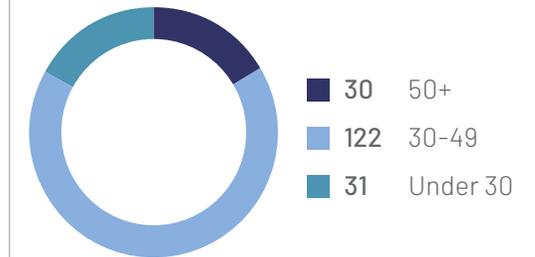


39. White = White - English, Welsh, Scottish/ Northern Irish and White - Irish, Other White Background, Asian = Asian/Asian British - Bangladeshi, Asian/Asian British - Indian, Asian/ Asian British - Pakistani, Other Asian Background, Black = African, Black British, Caribbean, Other/ Black/African/Caribbean Background, Mixed = Mixed/Multiple - White and Asian, Other Mixed/ Multiple Ethnic Background, Unspecified = prefer not to say and not entered

New hires in 2021



Age split



## Diversity, Equity & Inclusion (DEI)

DEI is a principle that recognises the value of diverse voices and secures inclusivity and employee wellbeing as central aspects of success. Gresham House commits to implementing initiatives that make our working environment more diverse, equitable and inclusive, to support the corporate goals and objectives.

Key initiatives we worked on during 2021:

- Established the Gresham House DEI Committee to establish an effective DEI framework, and implement relevant initiatives;
- Developed our first DEI strategy, defining the internal behaviours and actions to be implemented to improve diversity, equity and inclusion across the Company to support our corporate objectives. The strategy covers six core focus areas:
  - 1 Talent acquisition
  - 2 Recruitment and selection
  - 3 Career development
  - 4 Training
  - 5 Recognition
  - 6 Culture
- Worked with #10000BlackInterns hiring two individuals and providing them with financial services experience.

- Undertaken internal Gender Pay Gap Analysis. This analysis fed into the 2021 end of year salary and bonus review process.
- Put in place a new HR system and encouraged all staff to complete various DEI data points. This data will be crucial for us to be able to complete analysis on aspects such as gender and ethnicity.

Looking forward, we have identified potential barriers to entry in our industry and how we may seek to address them which we will be working on throughout 2022 and beyond. Finally, we are working to identify an external DEI partner with expertise to help us steer our DEI Committee and to implement our DEI Strategy.



**Having a genuinely gender and background diverse team was an absolute prerequisite for creating a group of people capable of delivering our sustainability mission. My team must identify innovative, new solutions, which requires the generation of new ideas and drawing on individual experiences. I believe this is more likely with a diverse team and I'm pleased to say our team is now the best performing team I've ever been part of. The amount we've achieved as a small team is simply amazing and I put a large part of that down to the fact we're so diverse.**



**Peter Bachmann**

Managing Director,  
Sustainable Infrastructure

## Employment, Health, Safety & Wellbeing

Having engaged employees is crucial to our ability to retain staff and to our overall success as a business. In 2020, we issued our first staff survey and decided to send a similar, but updated survey in 2021 to understand how our staff viewed Gresham House and our working culture. Key findings were as follows:

**91%**

completion rate indicating that the responses are representative of the overall company

**96%**

advocacy score – most staff would recommend Gresham House as a good place to work to their network and friends

**80%**

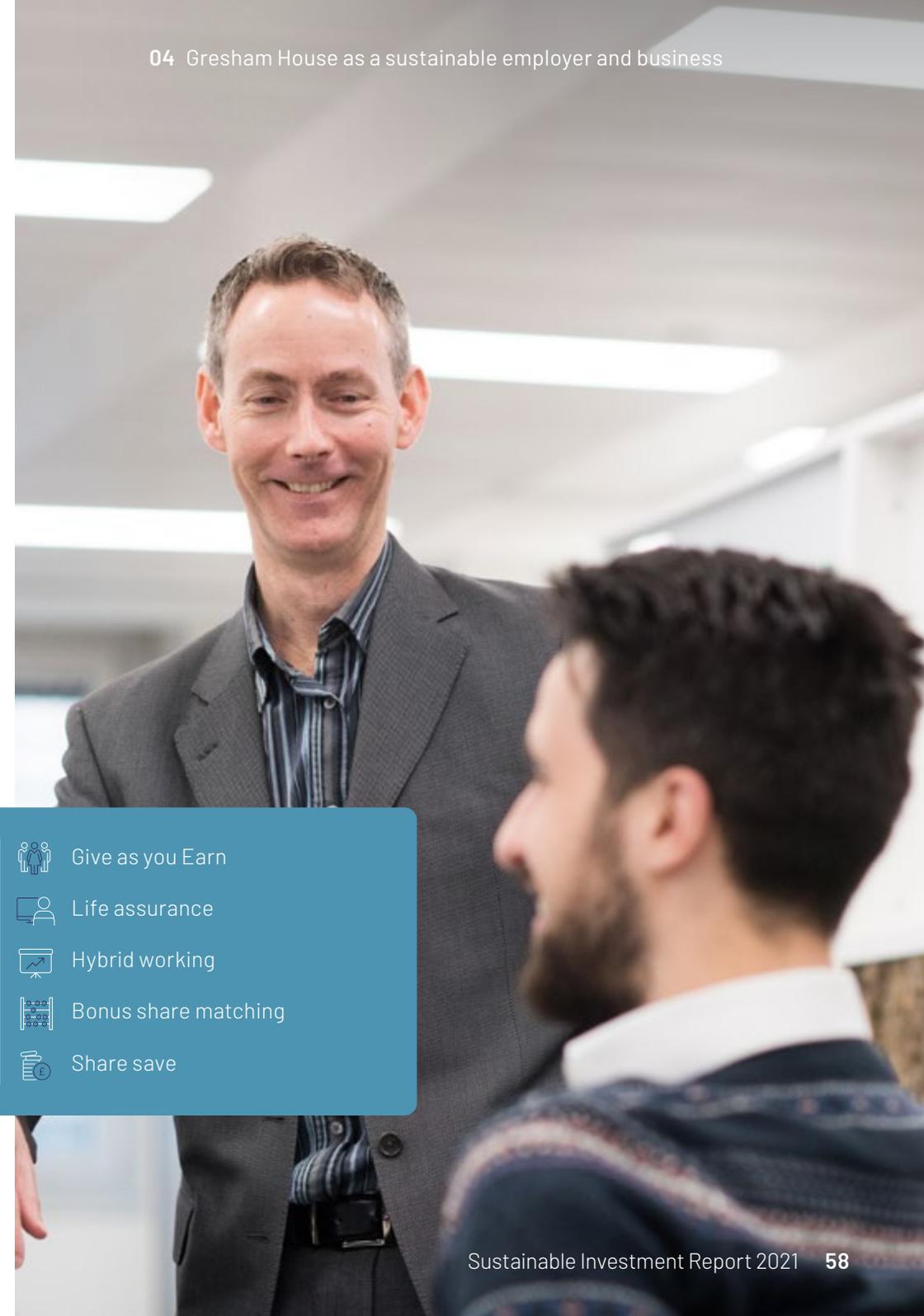
understand how their role contributes to the success of Gresham House and what the goals are we are working towards

**75%**

believe their manager encourages them to be entrepreneurial and senior management has created a dynamic culture

The results of the survey also highlighted areas for further development, including:

- **Career development** – We have an established Job Framework and promotion process, but we will look to build this out further and develop specific frameworks for individual teams. In parallel, we will provide corresponding training opportunities to support relevant areas – both technical and behavioural.
- **Wellbeing** – We will be working to ensure employee wellbeing priorities are further integrated throughout Gresham House, embedded in our culture, leadership and people management.



### Benefits offered to employees of Gresham House

 Pension

 Private medical cover

 Cycle to Work scheme

 Give as you Earn

 Life assurance

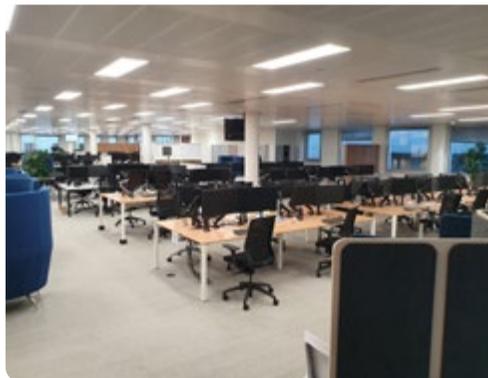
 Hybrid working

 Bonus share matching

 Share save

# Commitment to Sustainability: Our London office move

As part of our move, we considered a range of environmental and social factors, and we continue to engage with the building management on a various sustainability initiatives.



## Environmental focus

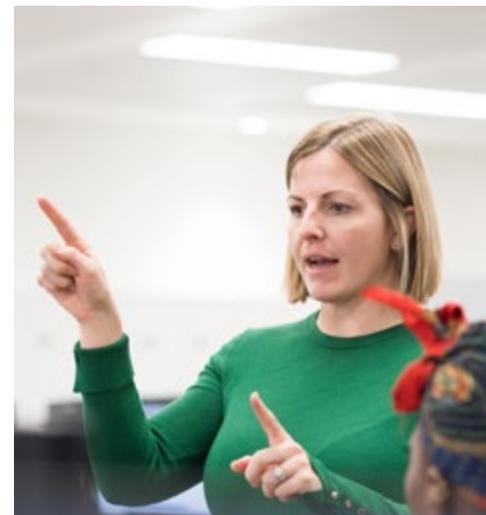
To reduce the environmental impact of our office move we took the following steps:

- Completed minimal fit out works choosing to use the structures and rooms already available to avoid waste or the need to use new resources in construction
- Re-used the existing office furniture, avoiding landfill or the need to produce new furniture
- Stored excess furniture for future use e.g. when headcount increases
- Ensured any new furniture was purchased from providers with the Furniture Industry Sustainability Programme (FISP) which aims to promote best practice to drive social, economic and environmental change
- Reduced the number of printers across the office to discourage printing
- Updated our coffee machines to reduce the waste we produce from coffee pods
- Engaged with the building management company to re-introduce food waste bins as previously all food waste was disposed of with general waste.

## Social focus

Given the increasing focus on employee wellbeing and safety throughout the COVID-19 pandemic, we used the office move as an opportunity to introduce new initiatives to support our colleagues, including:

- developing our first hybrid working policy;
- offering a cycle to work scheme which has been used by 11% of staff;
- delivering baskets of fresh fruit twice a week; and
- having small break-out areas across the office with tennis and football tables.



## Ongoing sustainability actions

We remain committed to continuing to improve our environmental and social outcomes across the office. In 2022 plan to:

- Work towards the international standard for environmental management systems (EMS), ISO 14001
- Collate better data analytics of our specific waste, water and energy use
- Engage with the building manager on the energy efficiency of the building, and providing additional bike storage
- Continue conversations with a new business that provides reusable take away containers to reduce single use packaging waste from colleagues' lunches

**0%**  
of waste sent to landfill

Committed to a  
**C**  
EPC<sup>40</sup> rating by 2026 (currently a D)

40. Energy Performance Certificate.



05

Gresham House as a sustainable corporate citizen

## Pillar 3 of our Corporate Sustainability Strategy

# Impacting wider communities

Community Care and Engagement is a priority topic for our Corporate Sustainability Strategy, with a focus on staff volunteering and fundraising for charity.

Having a positive impact on the communities we are part of is critical to us doing the right thing, meeting the expectations of diverse stakeholders, and ultimately achieving our ambition to be a sustainability leader.

As a Group, we believe in supporting each other to achieve the best results and this ethos is reflected by the charities we commit to working with. Our staff are passionate about their local communities and causes and we have been a part of a range of charitable initiatives over the last year.



### Our charitable support

To date, we have chosen two core charities to partner with and support. During 2021 and into 2022, we have been proud to work with:

**Centrepoint**, which provides homeless young people with accommodation, health support and life skills to get them back into education, training and employment.

**British Heart Foundation**, which is focused on unlocking the connections between heart and circulatory diseases and their risk factors, funding over £100 million of research each year.

Our support of these charities takes the form of individual and corporate donations, alongside group and team challenges.

Our staff can choose to support charities on an individual level through the Charities Aid Foundation Give as You Earn (GAYE) scheme, and Gresham House provides employee-matching donations up to £50 per month.

In 2021, we introduced a two day per year volunteering policy, allowing employees to support either charities identified by the Company or voluntary organisations that matter to them.

### Corporate donations

British Heart Foundation

**£25,000**

corporate donation

Centrepoint

**£25,000**

corporate donation

Employees using Give as you Earn

**12%**



Race the Thames



Blenheim Triathlon

## Charity fundraising events

### Centrepoint Sleepout

**£17,000**

raised by 38 Gresham House employees across five locations

### Blenheim Triathlon

**£6,000**

raised by 11 Gresham House employees, who ran, swam and cycled for the British Heart Foundation (half from employee fundraising and half donated by Gresham House plc)

### Race the Thames

**£6,865**

raised by 41 Gresham House employees, split equally between British Heart Foundation and London Youth Rowing

### Christmas Jumper Day

**£215**

raised by employees for Save the Children

## Next steps

Looking ahead, we plan to do much more, including:

- Creating a charity oversight process to drive our corporate community strategy and volunteering activities
- Defining a charitable giving framework to identify key causes that align with our corporate values
- Setting a corporate philanthropy strategy
- Develop a process to select a charity or charities with whom we can work over several years, providing them with more security of income and volunteering hours to influence positive change

Over the longer term we know we will have to go much further to achieve leadership in corporate citizenship, including developing a clear charity strategy that reflects our values and supports our people to use their skills and capabilities to deliver positive social change.



The money raised by Gresham House is helping us turn mind-blowing ideas and theories from the realms of science fiction into lifesaving treatments and potential cures for heart patients across the UK. Not only that, but this year we will be supporting Gresham House's teams in gaining the confidence and skills to save a life through CPR and know that this will be a lasting legacy of our partnership together.

### Julie Holland

Fundraising Manager London  
British Heart Foundation



Centrepoint Sleepout



Gresham House are a wonderful partner for Centrepoint. Their involvement in our flagship Sleepout event last year was really successful and shows their commitment to staff fundraising. Alongside a generous company grant their contributions will really make a difference to the lives of homeless young people.

### Rosie Field

Corporate Partnerships  
Officer, Centrepoint



Centrepoint Sleepout



06

Appendix

## Appendix – Wider ESG KPIs

Metric	2020	2021	Definition
Number of employees	122	183	Total number of employees
Full time staff	93%	93%	Percentage of employees who are full time
Employees in pension scheme	77%	81%	Percentage of all employees who contribute to the corporate pension scheme
Employees participating in ShareSave scheme	49%	N/A <sup>41</sup>	Percentage of all employees deciding to use the ShareSave scheme
Employees participating in Bonus Share Matching scheme	47%	37%	Percentage of all employees deciding to use the Bonus Share Matching scheme
Women on the Board	14%	25%	Percentage of women on the Board of Directors
Women in workforce	39%	38%	Women as a percentage of total employees
Women in Senior Management roles	32%	32%	The percentage of women holding senior positions in the business, where senior positions are defined as the Management Committee, GHAM Board or unit heads
Employees using Give as You Earn	15%	12%	Percentage of employees choosing to submit to Give as You Earn
Corporate Charitable Giving	£66k	£63k	Corporate charitable giving only
Compliance with code of conduct	100%	100%	Percentage of employees who have completed training and agreed to comply with code of conduct
Employee advocacy score	94%	96%	% of employees who would recommend Gresham House as a good place to work to their network and friends
Annual energy use (kWh)	–	42,070	Scope 1 – direct combustion of fuel
	–	99,199	Scope 2 – electricity purchased for own use or consumption
	–	155,951	Scope 3 – use of purchased services
Operational carbon footprint (tCO <sub>2</sub> e)	–	91.71	Total tonnes of CO <sub>2</sub> e emissions based on scope of data provided. Includes scope 1, 2 & partial scope 3 data
Return on carbon (£mn)	–	0.77	Revenue per one tonne of CO <sub>2</sub> e emitted
CO <sub>2</sub> e per full time employee (tCO <sub>2</sub> e per FTE)	–	0.53	Tonnes of CO <sub>2</sub> e per full time employee (based on 173 FTEs on average)
CO <sub>2</sub> e per £mn of revenue (tCO <sub>2</sub> e per £1mn revenue)	–	1.30	Tonnes of CO <sub>2</sub> e per £1mn of revenues (based on £70.3mn of revenues)

41. We were unable to offer ShareSave Scheme in 2021 as our former administrator left the market. We have appointed a new administrator for 2022 and future schemes.

Source: Gresham House and Carbon Responsible.

## Contacts



**Rebecca Craddock-Taylor, FIA**  
Director, Sustainable Investment  
[r.craddock@greshamhouse.com](mailto:r.craddock@greshamhouse.com)



**Rosie French, CFA**  
Manager, Sustainable Investment  
[rosie.french@greshamhouse.com](mailto:rosie.french@greshamhouse.com)



**Jonathan Walker, CFA**  
Manager, Sustainable Investment  
[j.walker@greshamhouse.com](mailto:j.walker@greshamhouse.com)

[greshamhouse.com/sustainable-investing](https://greshamhouse.com/sustainable-investing)