



Gresham House
Specialist investment

Sustainable investment update: Private Equity

April 2024

Strategic Equity

We target 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.

How we integrate ESG

Our Strategic Equity investments primarily sit within the Responsible category of our **Spectrum of Capital** with ESG integrated into the investment process for all our investments and engagement being a key mechanism with which to enact our active ownership commitments.

ESG integration into the investment process for our Strategic Equity division

1. Initial Appraisal

ESG risks and opportunities are considered. This may lead to further investigation at due diligence stage. If certain risks are unlikely to be managed or mitigated, we may not proceed.

2. Due Diligence

The ESG Decision Tool and meetings with management or specialised consultants ensure an assessment of material ESG risk or opportunities that should be managed or that could drive value.

3. Investment Appraisal

A summary of ESG findings are included in Investment Committee papers. Appropriate plans will be included for any material ESG risks identified or to capitalise on ESG factors.

4. Holding period

We engage regularly with boards and management teams, focusing on strategic, financial and operational matters including ESG factors, to address long-term risks and opportunities.

We apply our voting rights for Public Equity investments.

Private Equity

Our Private Equity strategy offers investors access to entrepreneurial high growth, earlier stage and lower mid-market private companies.

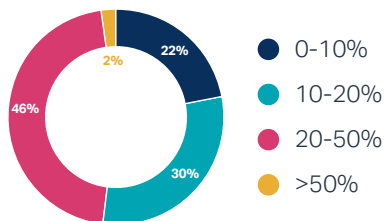
We specialise in scaling software and digitally driven businesses in the consumer, healthcare & education and B2B sectors.

We look to partner with ambitious and entrepreneurial management teams with:

- an innovative and differentiated product or service;
- fast growing businesses with positive, sustainable unit economics;
- product market fit and typically £1mn to £20mn in revenue;
- £2mn to £20mn in funding requirements.

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

2023 portfolio companies by Gresham House equity stake

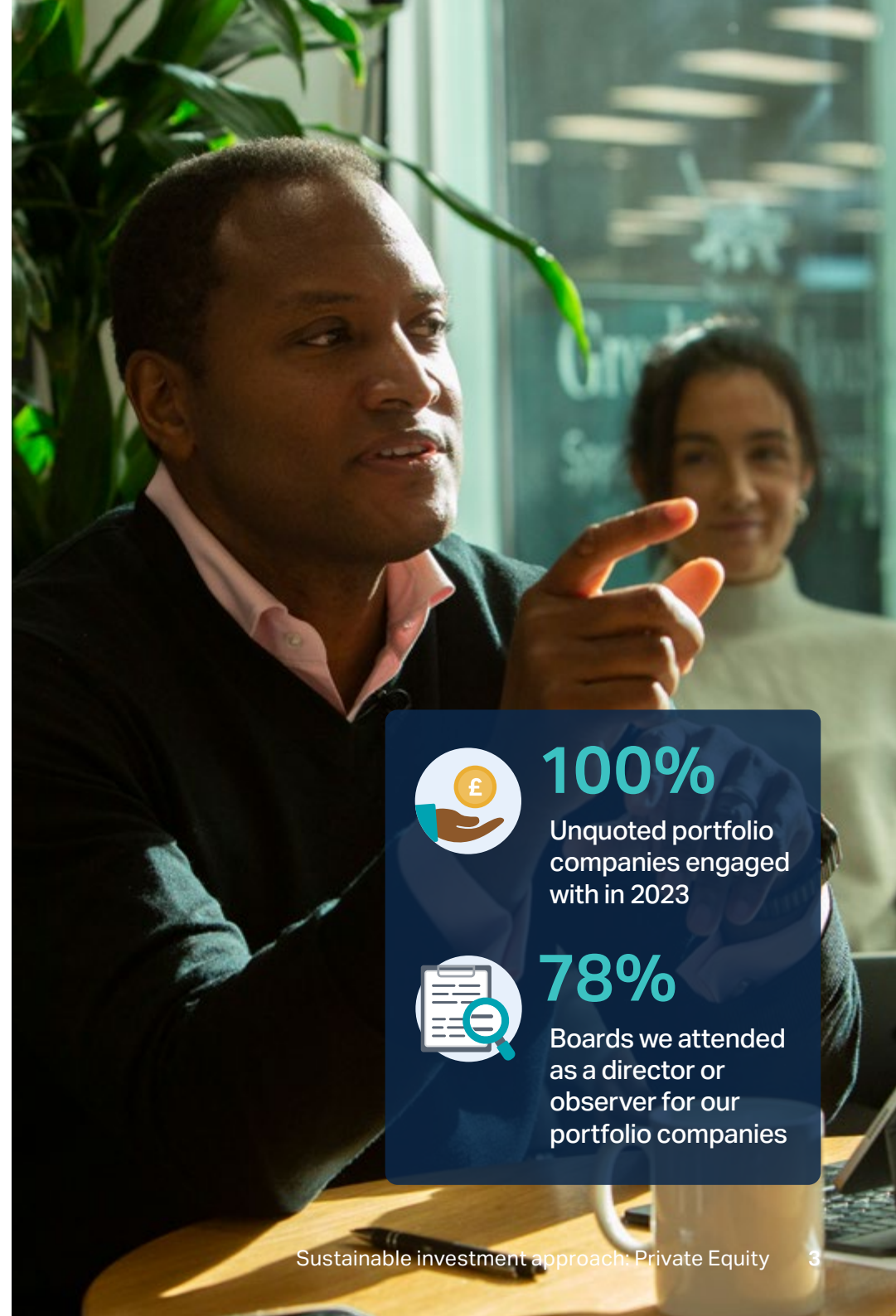


Gresham House

Our investment approach

Governance has historically been the most important ESG factor in our investment processes. Board composition, governance, control, company culture, alignment of interests, shareholder ownership structure, and remuneration policies are important elements that will feed into fund managers' analysis and the company valuation.

Environmental and social factors are assessed as risk factors during due diligence to mitigate companies that face risks that cannot be mitigated through engagement and governance changes. Our investment strategy focuses on companies operating in parts of the economy that benefit from long-term structural growth trends and in sectors where we possess deep expertise and networks.



100%
Unquoted portfolio companies engaged with in 2023



78%
Boards we attended as a director or observer for our portfolio companies

Annual ESG survey of our unquoted investments

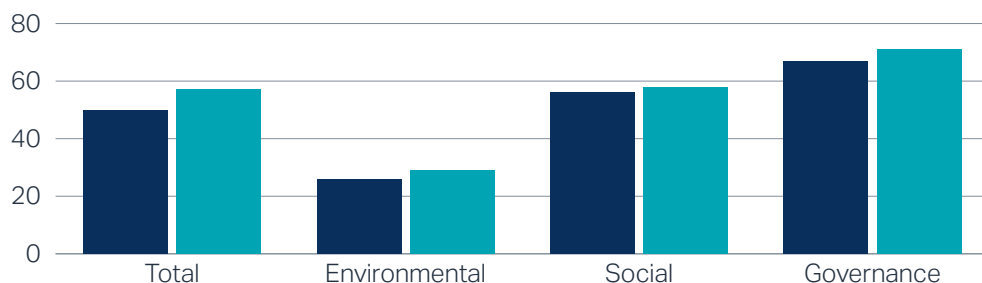
In 2023, we undertook our third annual ESG survey to understand how the unquoted investments held within our VCT portfolios are responding to relevant ESG risks and opportunities and how these are considered as part of their operations.

While the survey used a scoring system, a company's score does not pass judgment on the response. It is an indication of the proportion of suggested initiatives and policies that the business has adopted or is intending to adopt over the next 12 months.

2023 results

We had a 75% response rate of the 60 companies that we surveyed. Overall, companies scored an average of 52% in 2023 (vs. 48% in 2022). On a like-for-like basis (i.e. excluding new investments and investments exited in 2023), companies scored an average of 57% in 2023, 7 percentage points (pp) higher than 2022.

2023 survey: like-for-like results (%)



Environmental: key themes

Companies are taking increased action on driving efficiencies across their business. The proportion of companies that have implemented initiatives to reduce their energy and carbon consumption increased by 6pp in 2023 on a like-for-like basis.

Interestingly, companies that have calculated their carbon footprint or set a formal net-zero strategy remained broadly flat year-on-year. This suggests that while companies are focused on reducing their energy consumption (thereby reducing operating expenses), they are yet to formalise these behaviours.

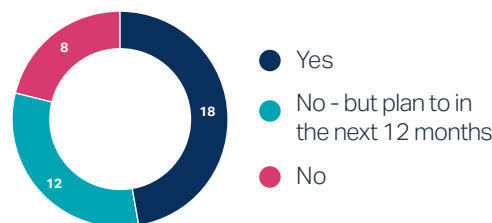
We note that in 2024, 27% and 16% of companies plan to measure their carbon footprint and set a net-zero target respectively.

Social: key themes

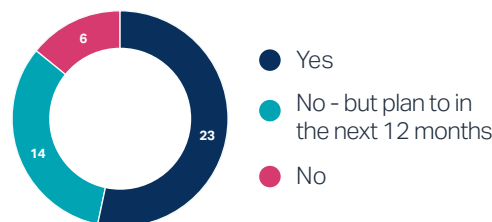
Portfolio companies have focused on introducing and improving core diversity, equity and inclusion (DEI) initiatives in 2023. Overall, total workforce gender diversity improved by 4pp year-on-year on a like-for-like basis, with senior management gender diversity improving by 3pp to 26% female.

Scores for staff wellbeing and improving and encouraging DEI improved by 4pp year-on-year on a like-for-like basis. Notably, the proportion of portfolio companies offering annual DEI training to all staff increased by 7pp, with 86% of companies either offering training or planning to do so over the next 12 months.

Do you provide DEI training for your staff? (2022)



Do you provide DEI training for your staff? (2023)

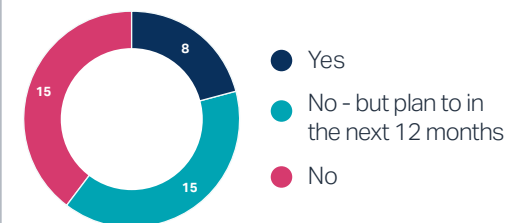


Governance: key themes

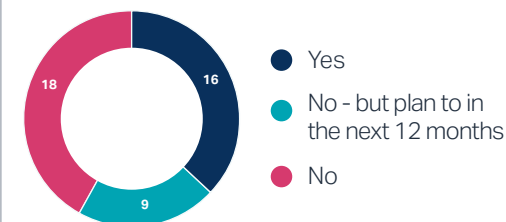
Governance scores increased across the board in 2023 vs. 2022 on a like-for-like basis. The biggest increase was within fair and equal pay, where scores increased by 9pp on average. Within this, the proportion of portfolio companies that have introduced initiatives to reduce their gender pay gap increased by 16pp to 37% of companies.

Corporate policy scores increased too, with 34% of companies with an ESG policy in place, an increase of 6pp on 2022.

Do you have initiatives to reduce your gender pay gap? (2022)



Do you have initiatives to reduce your gender pay gap? (2023)



Next steps

The survey helps us to develop an understanding of how portfolio companies think about ESG, what ESG data is already being reported on and monitored, and how companies are progressing on their sustainability journeys. The results of the survey will form the basis of meaningful ESG engagements with our unquoted portfolio companies that we will have over the next 12 months.

ESG webinar series

Throughout 2023, we held a series of educational webinars for the Chairs, CEOs and executives of unquoted and quoted investee businesses to enhance their knowledge of material ESG issues.

The webinars provided a toolkit for investee businesses to better integrate ESG and sustainability into their businesses, and covered:

- Education and materiality - understanding ESG, its importance and how to identify material ESG issues
- Governance - how to optimise governance structures to identify and manage ESG risks and opportunities
- Strategy - how to set a sustainability strategy and develop an ESG policy
- Risk management - how to incorporate ESG into risk management processes
- Metrics and targets - how to set measurable ESG KPIs and targets

The full series is available to view here: [ESG webinar series - Gresham House Ventures](#).



Case study: Active ownership at open finance enabler Ozone API

Enabling open finance

In December 2023, Gresham House Ventures invested into Ozone API, a software company supporting the delivery of open finance for banks and financial institutions globally.¹

Open finance is a financial ecosystem that enables customers to securely share their financial data between trusted third parties, enabling customers to have greater control of their financial information, access innovative and personalised financial products, while reducing fraud risk.

¹ How open finance is laying the foundations to tackle financial inclusion - Ozone, ozoneapi.com

Banks and financial institutions have spent considerable resources building tools which enable them to comply with Open Finance regulation, however many are seeking software which enables them to utilise the commercial benefits of open finance.

Ozone API solves this challenge by delivering a simple, low-cost software solution for banks and financial institutions, enabling them to deliver compliant APIs with additional capability (via premium APIs) to enable them to monetise open finance opportunities.

Board changes

Post-investment, a Gresham House investment director joined the board, while the associate director who led the deal joined as a board observer.

We also helped appoint an independent chairperson through our talent network who has extensive experience in the sector through her previous roles as the CEO of Virgin Money and founder of fintech company Snoop.

Senior management

Post investment, we assisted in appointing several new strategic hires to support the senior management team deliver the growth plan. These hires include a new Head of HR and a Head of North America.

Other actions

To help Ozone API 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) business to support their governance processes
- 2 We developed a detailed 100-day plan which summarised the key due diligence findings to ensure that areas of improvement identified during DD were actioned post investment



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