



# Responsible Investing

## ESG Report 2023



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## Sustainable Investing: Foreword from the Managing Partners

The rapid growth of Environmental, Social and Governance (ESG) as a subject of central importance to the financial world has been one of the more pronounced trends of the last two decades. From 2004, when Kofi Annan (then Secretary of the United Nations) asked major financial institutions to collaborate with the United Nations to integrate environmental, social, and governance concerns into capital markets, ESG has risen from a fringe specialist topic to a priority area for consumers, businesses, and investors. Graphite has been pursuing its own ESG agenda since 2008.

The growing interest in ESG reflects not only an increasing environmental and social consciousness among the investor community, but also the view that ESG issues – including risks and opportunities – can and do affect the long-term performance of both businesses and funds. The Bank of America Global Research estimated that more than \$600 billion of market cap for S&P 500 companies has been lost to “ESG controversies” over the last seven years alone. The industry consensus is now

that, to position yourself for long-term growth and insulate your investors from market fluctuations, ESG factors should be given appropriate consideration in all investment decisions. Despite the backlash against ESG in some quarters, the overwhelming weight of research finds that companies that pay attention to ESG concerns do not experience a drag or decline in their value creation – in fact, quite the opposite. There is a wealth of evidence over the last decade showing that funds with sustainability at their core have consistently outperformed their competitors.

2022 was a year of significant financial turbulence, and no market was insulated from the challenging economic headwinds. Slowing economic growth, combined with accelerating inflation, pushed economies towards recession and led governments and Central Banks to take proactive measures to avoid stagflation. The picture was complicated further due to the geopolitical disruption caused by Russia’s invasion of Ukraine, the resulting energy crisis, generational supply chain issues and the continuing



**Andy Gray**  
Managing Partner



**Markus Golser**  
Managing Partner and Head of  
Graphite's ESG Committee

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market impact of China's Zero-Covid policy, each causing further disruption to the global economic environment.

The economic challenges of the last year have created some tension for asset managers between managing near-term risks and progressing towards longer-term sustainable goals. However, the relative resilience of businesses and funds that take ESG seriously confirms that for businesses, consumers and investors, ESG is here to stay. Here at Graphite, we have continued to pursue our ESG objectives with vigour.

### **Embedding ESG in our investment process**

This is Graphite's second ESG Report, building on our previous report released in 2022, in which we presented our redeveloped sustainable investment strategy. We are proud to detail the progress we have made in implementing this strategy over the last year, while also celebrating the immense achievements of our investee companies. As an organisation, we are proud to have ESG embedded firmly within our identity, with ESG considerations being central to every stage of our investment process.

We take very seriously the stewardship role that we play with our investee companies and take great pride that many are now rightly regarded as leaders in the sustainability space.

At Graphite, we look to identify suitable opportunities to deploy funds in businesses that will increase in value, upholding our fiduciary duty to our shareholders, while at the same time paying due regard to our ESG objectives. Our ability to engage with the companies and assets in which we have invested is a critical lever to create value for our clients. We work closely with the management teams of each of our portfolio companies, to help them understand where they are excelling and where further opportunity for performance improvement exists.

For our investors, we see a clear focus on ESG principles as a pillar in our approach to increasing long-term value. When screening for ESG factors in due diligence, we view sustainability as more than a risk mitigator, it is also a value creation driver. The first months of an investment are crucial, as with any value creation process. During the holding period, our deal teams focus on ESG and impact, ensuring board-

level and senior management buy-in for initiatives that link ESG goals with the business strategy.

We recognise that we have a moral responsibility to consider all stakeholders as we join forces with management teams to drive growth and value within the businesses we invest in. We believe passionately that ESG needs to be embedded within every aspect of what we do, rather than being a separate area of focus, and this is reflected in our investment strategy. We anchor our approach to investments in evidence-supported due diligence to provide investors with strong returns, while also creating opportunities for a scalable societal impact.

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## Adapting to an ever-changing landscape

The approach we have adopted through our sustainable investment policy places us on a firm footing in dealing with a fast-changing legislative environment around ESG. 2022 saw continued movement on this front, with the two COP conferences in Sharm El Sheikh and Montreal highlighting the need to slow down both biodiversity destruction and greenhouse gas emissions, driving increased regulatory scrutiny across nearly every jurisdiction. This will only increase in 2023, with the continued development of SFDR in the European Union, SDR in the United Kingdom and the finalisation of the SEC's Climate Disclosure regulations in the United States.

Graphite has for many years focused on the social impact of its investee companies. As last year's report showed, many of the positive aspects arising from this focus were strongly evidenced during the COVID-19 pandemic. The economic uncertainty of the last year has only further reinforced the criticality of social factors amid a cost-of-living crisis, which the United Nations has warned could push as many as 70 million people globally into poverty.

At Graphite, we have aligned our own operations to support both environmental and social causes. This is why this year we were proud to sign up to the UN Global Compact, committing our organisation to adopt policies and initiatives in line with the universal declaration on human rights, labour, environment and anti-corruption and to take action to advance societal goals.

We hope that you enjoy reading about the progress that we and our investee companies have made in 2022. We would like to thank our investors, ESG committee, and the wider team here for their support in further developing our approach to ESG investment. Although we are still learning and growing as a team, we are proud of the progress we have made so far and are dedicated to working alongside our investee companies to ensure that they go further and faster in the coming years. We are looking forward to the forthcoming year, which will see more great work from our investee companies as we reach for even more ambitious targets.

### Andy Gray

Managing Partner

### Markus Golser

Managing Partner and Head of Graphite's ESG Committee

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# Our ESG Highlights





## Our Investment Strategy

Graphite was an early adopter of ESG principles, which have been fully integrated into its business model for over a decade. Back in 2012, we formalised our approach to responsible investing and, with the help of specialist advisors, designed our strategy and policy. We recognised then that, to adapt continuously to the highly dynamic ESG policy environment, would require strong internal focus and agility. We created an ESG committee to support the implementation of our strategy, engage in periodical reviews and ensure our policy remained both relevant and up-to-date. Our committee works hard to ensure that we have both the vision and the action plan to fulfil our sustainability commitments.

By integrating ESG factors into our investment process, we create value for our investors and reduce risk. Regulators are becoming increasingly active in the broader ESG complex, setting disclosure requirements and looking to align standards to create comparability between ESG metrics, thereby improving transparency for investors. Equally, investors have become increasingly

alive to the importance of ESG and, encouragingly, also to its abuse for greenwashing purposes. According to a recent PwC study of 325 investors, 79% said “ESG risks are an important factor in investment decision-making” and 49% said they are “willing to divest from companies that aren’t taking sufficient action on ESG issues.” Additionally, 75% of respondents said they thought it was worth “sacrificing short-term profitability to address ESG issues”.

Part of this strengthening in investor sentiment has been driven by legislative change. This year, the EU, long the front runner in this area, will ask fund managers to report on the environmental sustainability of their investments through both the EU Taxonomy and the Sustainable Finance Disclosure Regulation (SFDR).

Other markets such as the UK and the US are aligned to the Task Force on Climate-related Financial Disclosures (TCFD) framework, which focuses on a subset of environmental factors and adopts a single materiality approach (the impact of external factors on a company’s value).

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The UK's mandated TCFD framework impacts around 1,300 large companies and financial institutions, and the UK's version of the taxonomy is expected to be unveiled at some stage this year. In the United States, the Securities and Exchange Commission's (SEC) proposed climate disclosure rule is not expected to take effect for some time but will impact around 4,000 companies.

Recognising these trends, our Sustainable Investment Policy acts as our 'north star', holding us accountable for complying with the ESG commitments that we have made and communicating with investors on how ESG impacts our investments. The policy has been updated again at the beginning of 2023 and reflects our latest ESG objectives and principles, the legislative environment, the growing availability of data and KPIs, and our commitment to holding our portfolio companies to account.

### Interrogating Our Investments

We favour companies capable of making a tangible contribution to sustainable development and to their local communities, as is evidenced by our investments in the health and education

sectors, but also by the sustainability efforts and community actions of our other portfolio companies. Many of our businesses have a significant impact on the quality of life and personal development of staff and customers, across all social strata.

We have a stringent process in place to assess the viability of an investment, beginning with a pre-investment ESG risk and opportunity profiling to ensure that it is in line with our commitments. We regularly reject investment opportunities that fail to meet our ESG criteria.

In 2022, we developed our toolkit for tracking the progress made by our portfolio companies, working alongside two external advisors aligned with our objective to promote ESG excellence. These tools allow us to collect and analyse data, and set ambitious targets, based on industry standards, ESG indices, the UN SDGs, UNPRI and UN Global Compact, which are grouped into three key themes:

- Climate & Environment Impact
- Diversity, Inclusion & Social Impact
- Economic Impact

## ESG integration model





Within each of these broad categories, we interrogate our investments' performance and ambitions including Governance, Leadership, Workforce, Supply Chain and Ecosystem. We review each organisation's social, environmental, and ethical policies, procedures, and product or service standards. The system of metrics that we have developed allows us both to score prospective investments and to track the performance of our portfolio companies.

### Stewardship

Graphite invests across multiple sectors and business types, with most of our portfolio companies also operating internationally. Our analysis of ESG factors needs to be comprehensive, while the recommended actions need to remain meaningful and manageable.

Our Sustainable Investment Policy provides a consistent thematic structure for profiling and assessing a wide range of ESG topics and considerations. This ensures that no material matters are missed. We have integrated these themes and the sub-themes that sit below them, into a suite of decision-making support tools designed to consider a broad range of potential impacts, whether positive or negative.

Graphite and its advisers engage with each company's CEO and senior management team to assess their current score and set new targets. The ability to monitor the ESG impact scores of our portfolio companies enables us to evaluate the actual environmental and social impact and to ensure that our companies commit to further improvements. As the diagram on the right shows, we track impact throughout our investment period and conduct detailed reviews following our exit.

## Our ESG Process

### Pre-investment:

Profile of ESG risks and opportunities, using in-house developed software tool

### During our ownership, all our portfolio companies:

- Appoint an internal ESG officer
- Appoint one of our two retained ESG advisors
  - Communicate effectively internally and externally on their ESG process
  - Make ESG a board agenda item
- Join our ESG portal, measuring KPIs, facilitating data collection and aggregation
- Track their Scope 1 and Scope 2 emissions and have carbon neutrality plans
  - Pursue 'local impact' and staff welfare initiatives
- Publish their objectives, 'ambition score' and timeline

### Post-investment:

Detailed exit review, highlighting and measuring achievements

## An ESG Snapshot of Our Portfolio

At Graphite we take our stewardship role extremely seriously. This requires us to collect and collate data on the ESG performance of our investee companies in order to check their progress, while also ensuring that we remain vigilant of upcoming regulatory reporting changes. Tracking our investee companies' ESG performance enables us to both fulfil our moral responsibility to consider the impact of our investments, while also enabling us to keep a close eye on their overall performance. For businesses, a strong ESG performance is indicative of good management.

The next page shows some of our portfolio highlights.

# Our Portfolio Highlights

The integration of ESG into corporate decision-making is good risk management and can mitigate against a variety of ESG-related issues that could cause financial or reputational damage. In 2023, we will continue to work with external partners to ensure that we remain at the forefront of the ESG world. This will mean collecting and collating more data from our investee companies and encouraging and working with these companies and their management to embed ESG into their activities.



## Spotlight on B Corp

We are proud to support companies that are truly at the cutting edge of ESG performance. In the sustainability world, the gold standard for a business is to become certified as a B Corporation or B Corp.

B Corps are certified by B Labs, a non-profit network dedicated to realising a vision of an inclusive, equitable and regenerative economy that works for everyone and not just a few. Companies become B Corps after a rigorous assessment process and a legal commitment to bring benefit not just to shareholders but also to positively impact its stakeholders (workers, customers, communities) and the planet. The growing network has a presence in over 80 countries to create standards, policies, tools, and programmes that shift the behaviour, culture, and structure of capitalism.

The central ethos behind the B Corp brand is a movement away from shareholder primacy towards an economy that focuses on the wider benefits that it can bring to all stakeholders. The arduous

and intense process required to become a B Corp means that only the very best companies that truly exhibit strong ESG qualities are recognised as such. Once the verification process is completed, businesses must continue to improve, with a recertification process every three years. B Corps are therefore focused on continuous improvement, underpinning their long-term resiliency.

The idea that a company should stand for something bigger than profit has a long history in business. But in the last few years, it has become central to the public dialogue. For companies that innovate to meet consumer demand, the rewards are greater profits, happier workforces, and increased consumer loyalty. The benefits of being a B Corp-accredited business are clear. B Corp businesses build trust with consumers, communities, and suppliers; attract and retain employees; and draw in mission-aligned investors.





## Joining the B Corp Community

# HAWKSMOOR

### Hawksmoor - A Global Leader

After a long, rigorous assessment, we were delighted that Hawksmoor was certified as B Corp in 2022. This acknowledgement is reflective of the primacy that Hawksmoor's leadership has placed on improving and developing the company's ESG performance in recent years. That Hawksmoor has managed to achieve this accolade despite three years of severely disrupted trade and closures during the COVID-19 pandemic, is a testament to its drive and leadership.

Huw Gott, co-Founder: "This is one of our most significant achievements. Hawksmoor has always been about more than the bottom line. 16 years ago, we set out to start a restaurant and a business we could be proud of, doing things with integrity and having a positive impact. Becoming a B Corp is a statement of intent that we will always set the bar as high as possible in the interests of our team, customers, and suppliers, as well as the planet. And it is a high bar - as far as we know no other UK restaurant group has achieved it."

### Hawksmoor's 2022 Highlights:

- Raising and donating £225k to Charity
- Being awarded a three-star rating by the Green Restaurant Association
- Receiving 3\* 'Food Made Good' rating from the Sustainable Restaurant Association for the 12th consecutive year
- Being named one of the UK's best places to work for the 11th year in a row
- Reducing emissions per customer by over 20%
- Sourcing 100% of our beef ethically
- Recycling food waste for energy generation
- Setting up green teams across all restaurants to deliver ESG ambitions
- Becoming the first carbon-neutral steak restaurant group



**100% Beef  
ethically  
sourced**



### Hawksmoor's Commitment to Excellence

By gaining B Corp certification, Hawksmoor's sustainability efforts were commended as among the best in the world. Becoming B Corp certified is notoriously difficult to achieve, especially for restaurants. Hawksmoor now finds itself as part of a select group of only 20 or so restaurant operators in the world to have achieved this standard.

Last year, Hawksmoor became the first carbon-neutral steak restaurant group, achieving this a year ahead of schedule. For a restaurant group, food waste is one of the key challenges that they face in order to decarbonise. Hawksmoor has stepped up waste and recycling plans to ensure that all food waste is sent for anaerobic digestion and turned into biogas - a renewable gas source.

Working in partnership with the Sustainable Restaurant Association, and climate experts Net Zero Now, Hawksmoor assessed both its own operations and its supply chain: from eggs to electricity, beef to business travel and whisky to waste, every

relevant GHG emissions source at Hawksmoor was counted and analysed. In 2022, the organisation switched to renewable energy for all of its UK sites and decreased carbon emissions per customer by 23%.

In 2022 we were delighted to see the Hawksmoor team exceed the ambitious targets that they set for themselves the previous year. There were significant achievements across the board in terms of ESG performance, including increasing staff training by more than the targeted amount, increasing LED bulb rollout across the business, switching the company to 90% renewable energy (100% in the UK), launching a dedicated charity strategy, and supporting company volunteering by introducing 20 hours of paid volunteering across the US and the UK. The team continues to raise the bar for themselves, setting even more significant ambitions for 2023 around carbon reduction and we look forward to supporting them on this journey.



We take pride in the progress that our investee companies make on their sustainability journey under our ownership. This last year we have been delighted to help Wonderbly move towards its B Corp certification. Wonderbly is a digitally enabled publisher of personalised children's books. Launched in 2012, Wonderbly has sold over 8 million books in over two hundred countries.

Wonderbly has embraced the holistic change that is required to achieve B Corp certification and has partnered with external consultants to help prepare its application. This includes internal training to ensure that the whole organisation is aligned with the B Corp aims and aware of the gaps it needs to fill. The B Corp process begins with an initial assessment, with a score of 80 required to be B Corp accredited. At this early stage, Wonderbly has already scored 72, a baseline that is significantly above average.



**Nurture is carbon neutral in accordance with the global PAS 2060 standard and has a vision to be 'net zero' by 2030.**



Nurture Landscapes is an award-winning service provider specialising in grounds maintenance, winter gritting and plant display services, mainly to the corporate sector. Nurture began its B Corp journey in March of 2022 and is well underway to reach its target in 2023. Nurture is carbon neutral in accordance with the global PAS 2060 standard and has a vision to be 'net zero' by 2030. The company places strong emphasis on being a responsible employer, paying the Real Living Wage and running a highly valued apprenticeship programme, providing an entry into horticulture to starters from many different social backgrounds.

Underlining its socially conscious approach, Nurture has received a bronze ERS award, which is awarded to organisations open to employing reservists, veterans (including the wounded, injured and sick), cadet instructors and military spouses/partners. Further exciting initiatives for 2023 include the rollout of dedicated mental health support and first aid services.

## Spotlight on EcoVadis

ICR is a technology-enabled global provider of specialist repair, integrity, and inspection solutions to a diverse range of industries. Its capabilities include asset integrity lifecycle software, drone inspection, specialist machining, corrosion inspection, chemical injection, pipeline and asset repair.

In November 2022, we were delighted that ICR received a silver medal from EcoVadis, one of the world's most trusted sustainability agencies. Thousands of companies use the EcoVadis Ratings platform every month to respond to sustainability assessment requests from customers, set and maintain corrective action plans and centralise sustainability-related documents. ICR's score demonstrated strong performance on environmental issues, labour and human rights and ethics, placing it in the third decile of all companies that have been graded by EcoVadis, a significant achievement given that those utilising the system are often those most dedicated to improving their sustainability performance. Within its sector, ICR ranked in the top 17% of companies graded by EcoVadis.

# ICR.



Beck & Pollitzer ("B&P") is a world leader in the provision of industrial installation and machine relocation services. It supports engineering solutions including factory relocation, machine installation and heavy-machinery moving services for sectors including aerospace, automotive, battery manufacture and electrification, metals and minerals and power generation.

B&P's sustainability journey started relatively recently, but we have been delighted with the progress that it has made. Already B&P rank in the top 26% for EcoVadis score in their sector. In their most recent EcoVadis assessment, B&P scored particularly highly on their environmental, labor and human rights practices and business ethics, grading well above industry average in each of these categories. In 2021, B&P signed up to the UN Global Compact and developed a strategy to explore the opportunities and challenges within the ESG landscape. The company has since reviewed its employee engagement staff welfare packages. It has also ramped up investment in learning and development. The company received a bronze medal from EcoVadis, meaning that their sustainability performance is regarded as good. They are working towards improving further on this initial recognition.





**United Nations**  
Global Compact

At Graphite we continuously review our support of environmental and social causes, and in December 2022, we were pleased to be admitted to the UN Global Compact, aligning our strategy and operations with ten universal principles related to human rights, labour, environment, and anti-corruption, and taking actions that advance societal goals and the implementation of the SDGs.

This step represents a further clear commitment to our people and the planet, while also laying the long-term foundation for the success of our investee companies. We will report progress annually on how we embed the Ten UN Global Compact Principles into our business strategy, culture, and operations.

### The UN Sustainable Development Goals

The long-term aim of the UN Global Compact is to drive business awareness and action in support of achieving the Sustainable Development Goals ("SDGs") by 2030.

Created by an agreement of all United Nations Member States in 2015, the UN SDGs act as a shared blueprint to end extreme poverty, fight inequality and injustice, and protect our planet. Through the 17 individual goals, it highlights that at the core of a just, sustainable future is equality for all people; that the strategies designed to combat climate change, improve health and education, reduce inequality and spur economic growth must be accomplished hand-in-hand by those working to end poverty and other deprivations.

Graphite has identified 15 of the 17 SDGs as being impacted positively by its work.



## Our Own ESG Performance

We strongly believe that we should lead by example and set the ESG bar as high for Graphite as we do for our investee companies. Our ESG Committee regularly assesses our own ESG performance and reports to the board.

100% of the electricity for our office is from renewable sources. Likewise, we use renewable biogas derived from food waste and anaerobic digestion for heating and hot water. We operate an extensive waste segregation and recycling programme in our office. Water-saving features were installed when the building was refurbished, under the Building Research Establishment's Environmental Assessment Method (BREEAM) framework. They include rainwater harvesting, low-flush cisterns, sensor water taps and leak detection sensors. Our office, located at 7 Air Street, has a biodiversity roof to encourage wildlife, forming part of The Crown Estate's Urban Greening Plan. We have invested in training to equip our team with the tools, guidance, and confidence to be advocates for sustainable business practices within our investments, as well as our wider business community.

## Embracing the UN Global Compact

As participants in the UN Global Compact, we utilise the framework on page 17 to help shape and support our ESG work. We recognise that businesses can profoundly impact the rights of employees, consumers, and communities wherever they operate. We outline below the Compact's core principles and detail the steps that we have taken to ensure that we make a difference.



**Renewable  
electricity**



## Our 2022 Achievements:

- Joined the UN Global Compact
- Joined the ILPA Diversity in Action
- Joined the ESG Data Convergence initiative
- Supported the 10,000 Black Interns initiative
- Supported relief efforts in Ukraine and Turkey
- Increased charitable support to Buttle to over £1million
- Balanced gender ratio of new hires to 50/50
- Positively impacted 15 of the UNs SDGs
- Appointed ESG advisors to all our investee companies
- Tracked our own KPIs on an online ESG portal
- Formally documented policies and statements in key areas



	UNGC PRINCIPLE	GRAPHITE POLICY OR ACTION
Human Rights	<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights; and	- Human Rights Policy - Section in Supplier Code of Conduct
	<b>Principle 2:</b> make sure that they are not complicit in human rights abuses.	- Top-line audit of suppliers - Investment due diligence
Labour	<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	- Employment policies - Section in Supplier Code of Conduct
	<b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;	- Top-line audit of suppliers - Investment due diligence
	<b>Principle 5:</b> the effective abolition of child labour; and	- Section in Supplier Code of Conduct - Top-line audit of suppliers - Investment due diligence
	<b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.	- Diversity & Inclusion Policy - Section in Supplier Code of Conduct - Top-line audit of suppliers - Investment due diligence
Environment	<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;	- Code of Ethics - Environmental section in Employee policies - Section in Supplier Code of Conduct - Investment due diligence
	<b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and	- Internal actions (i.e. tea/coffee/chemicals/energy & water use/business travel etc.)
	<b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies.	- Through investment portfolios
Anti-Corruption	<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	- Anti-corruption and bribery policy - Section in Supplier Code of Conduct - Top-line audit of suppliers - Investment due diligence





We take the stewardship of our companies seriously and look to set an example. We were delighted that Hanson Wade also committed to the UN Global Compact this year and is impacting 15 out of the 17 SDGs in a positive manner. Hanson Wade is an information service provider to the global pharmaceutical and biotech industries. It has also developed research-based data products.

Over the last year Hanson Wade has made significant progress, leading to committing to the Global Compact in August:

### Hanson Wade 2022 Highlights:

- Created a roadmap to increase sustainability
- Formed five ESG teams aligned with the themes of Climate, D&I, Social, Economic and Environment
- Published first 'modern slavery' statement, and a new 'diversity awareness and equal opportunities' policy
- Captured scope 1 and 2 energy emissions
- Created a new human rights policy and provided both life and health insurance for all employees

In 2023, Hanson Wade is seeking opportunities to minimise or offset environmental impact. In the 'social' pipeline for 2023 are the introduction of new charity partners and an even greater focus on diversity and inclusion.



## Ten10

Ten10 is a leading software automation consultancy, advising clients in areas including RPA, DevOps, software testing and cyber security. Ten10 is a signatory of the UN Global Compact and has aligned itself to the UN SDGs. Some highlights from Ten10's assessment include:

**2** ZERO HUNGER



Ten10 staff regularly donate items for local food banks in London and Leeds.

**3** GOOD HEALTH AND WELL-BEING



All Ten10 staff have access to private healthcare, mental health advice and counselling, a gym and a cycle-to-work allowance. The company also hosts regular community events and charity challenges.

**4** QUALITY EDUCATION



Depending on the chosen pathway, academy graduates will exit the training programme with a recognised qualification – for example the Oracle Certified Professional, Java SE 8 Programmer certification, AWS Certification or a Foundation Certificate in Business Analysis (BCS).

**5** GENDER EQUALITY



Ten10's leadership team prioritises diversity within the business, with 62.5% of last year's hires from non-STEM backgrounds.

**10** REDUCED INEQUALITIES



To encourage applications to its in-house academy from non-STEM and minority communities, Ten10 runs bursary programmes, de-emphasises previous experience and provides strong evidence of career prospects in technology.





Babble is a leading telecoms provider, offering integrated comms to businesses across the UK including telephony, internet, cloud, and security.

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**We recognise that it is our responsibility to ensure our products and services consider the betterment of society and the planet alongside profitability and financial returns, and our Board and Leadership Team will put this principle at the heart of our organisation’s strategy and decision-making. Babble is committed to playing its part in creating a more sustainable world for all.**

**We will make every effort to bring about the incremental changes and improvements necessary to achieve our sustainability ambition.**

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**Matt Parker,**  
CEO Babble

We are delighted with the progress that Babble made over the last year and look forward to its sustainability journey continuing in 2023.

### **Babble's 2022 Highlights:**

- Establishing a Supplier Code of Conduct
- Putting in place a Climate Change Mitigation & Adaptation Policy
- Issuing a Diversity & Inclusion Statement as part of Babble’s Equal Opportunities policy
- Carrying out an assessment of single-use plastics and implementing a reduction plan
- Beginning work on a climate risk assessment
- Creating a sustainability training pack for all staff



## Diversity in Action

Graphite is committed to increasing diversity, equity and inclusion in the private equity industry. As a relatively small firm, we look to achieve that principally through participation in broader industry initiatives. We also ensure our recruitment and retention processes are structured to avoid bias and encourage diversity.

LEVEL  
20

In 2015, Graphite was a founding sponsor of Level20, a not-for-profit organisation dedicated to improving gender diversity in the European private equity industry. We regularly participate in their leadership forums, seminars and mentoring programmes. Level20 aims to achieve its mission by empowering those who work within the industry, encourage new female talent to join, and supporting firms to take practical steps towards effecting change. It now has the support of over 100 private equity firms and over 4,000 individual members.



## Diversity in Action

Graphite has recently joined over 300 participants in supporting ILPA's 'Diversity In Action' initiative. The initiative brings together limited partners and general partners who share a commitment to advancing diversity, equity and inclusion in the private equity industry. The goal of the initiative is to motivate market participants to engage in the journey towards becoming more diverse and inclusive and to build momentum around the adoption of specific actions that advance DEI over time. Signatories participate in regular roundtable discussions, working groups and surveys to provide the industry with greater transparency on the state of DEI today and on DEI 'best practices' that will move private markets forward.

#10000  
BLACK  
INTERNS



## OUT LGBT+ NETWORK INVESTORS

In 2022, we supported the 10,000 Black Interns Initiative and provided a paid internship of eight weeks to one of the participants. We are also proud to be members of 'Out Investors', a network set up to make the investment industry more welcoming to LGBT+ professionals.



## Graphite Giving Back

Graphite's policy is to donate 3% of its profits to charity each year. Our donations focus on two areas:

- Helping disadvantaged young people in the UK, primarily through our work with Buttle UK
- Supporting charities that provide relief for significant humanitarian crises around the globe

We have been moved by the major crises of the last 12 months, including the humanitarian consequences of Russia's invasion of Ukraine in February 2022. We donated a total of £150,000 to three charities involved in the relief effort in Ukraine: Save the Children, the UN High Commission for Refugees and the International Red Cross.

We also recently donated £20,000 to the relief effort in Turkey and Syria, following February's devastating earthquakes, that impacted an estimated 20 million people across both countries. Our donation supported the UNHCR to provide the Turkish authorities with kitchen sets, mattresses and tents.



Graphite has been a proud supporter of Buttle UK since 2014, making an initial donation of £1 million to support the charity during the following ten years. The target of our funding was specifically the provision of grants for estranged young people, Buttle's core objective. This group of vulnerable children and young adults is not directly addressed by public sector funding, even though their experiences and needs are very similar to those placed within state-provided care.

Buttle's grants provide everyday essentials that young people need but cannot afford. Funding of up to £2,000 is awarded through an established network of local referrers, which includes social services, housing associations, other charities, colleges, and other community organisations. As we have emerged from the immediate challenges of the pandemic, those on the lowest incomes - who were some of those hardest hit - are now facing rising prices and increasing pressure on already stretched budgets. They lack the financial, social, or emotional support given to most young people by a family unit, as well as prematurely facing the difficulties of paying for basics and necessities, including their own housing.

Our central goal in supporting Buttle is to deliver more grants, more effectively. In the UK, due to the invisibility of this group, it is difficult to assess the number of young people experiencing estrangement from their parents or carers. Buttle conservatively estimates that between 100,000 and 200,000 young people are in need of their support.

Over the past eight years, Buttle has awarded £850,000 directly from Graphite's funding contribution, helping 944 young people transform their lives. With additional funds provided by Graphite since then, as well as growth in the value of the original donation, the bursary now totals nearly £1.5 million.

In 2023, Buttle will be forming its first youth panel and advisory group to help shape its work, structures, and processes. Through collaboration with the Grant Makers Alliance (GMA), 360Giving and NPC, Buttle is working to increase transparency within the individual grant-giving sector and develop collaborative projects to push for systemic change in the provision of local welfare funding across the UK.

## 2022 investment activity

### digital space

We are continuing to invest in companies that we believe display significant potential to grow their ESG contributions. We have recently added Digital Space, a 'cloud-first' IT service provider, to our portfolio. Digital Space has been growing rapidly, with its CEO Neil Muller being named in the Top 50 Most Ambitious Business Leaders.

This ambition carries over to Digital Space's performance on the ESG front, with the company diligently working to improve its performance at a rapid pace. In January 2022, Digital Space has recently moved from being an EcoVadis Bronze recipient to being EcoVadis Silver. The company aims to reduce its emissions by 42% by 2030, and has committed to achieving Net Zero by 2035, 15 years ahead of UK government targets.

#### Digital Space 2022 Highlights:

- Contributing over £40,000 to charitable causes
- Switching to 100% renewable energy

#### Planned Initiatives:

- Expand carbon footprint reporting to capture categories from scope 3 (upstream and downstream) emissions, including employee commuting
- Define a Labour & Human Rights policy and clarify metrics and monitoring for existing staff policies
- Improve data on working conditions for staff and training hours per employee



HEI supports universities across the UK, continental Europe, South America and Africa to launch and manage online degree programmes. Its mission is to expand access to high-quality education in the form of online degrees and short university courses. ESG is an integral part of HEI's identity, centred on the team's fundamental belief in equality of opportunity, regardless of background and circumstances. We are proud to support HEI and share its belief that affordable and high-quality higher education builds fairer and more equitable societies, unlocks individual potential, helps harmonise skills with the needs of the workplace, transforms employability and helps deliver a thriving global economy.



The shift to digital higher education provides students with more flexible study pathways, allowing them to learn at their own pace and schedule their studies around existing commitments – factors that have played their part in narrowing grade attainment gaps. The Higher Education Statistic Agency, HESA, shows that the attainment gaps between female/male students, black/white students and between students with and without disabilities, all contracted between 2019 and 2020, when universities were forced to deliver content digitally during the pandemic. In the same study, many universities reported increased engagement of students with online teaching.

HEI's expertise in devising and delivering higher education online can deliver better outcomes for students, offer greater flexibility, widen participation, and dismantle barriers for non-traditional learners.

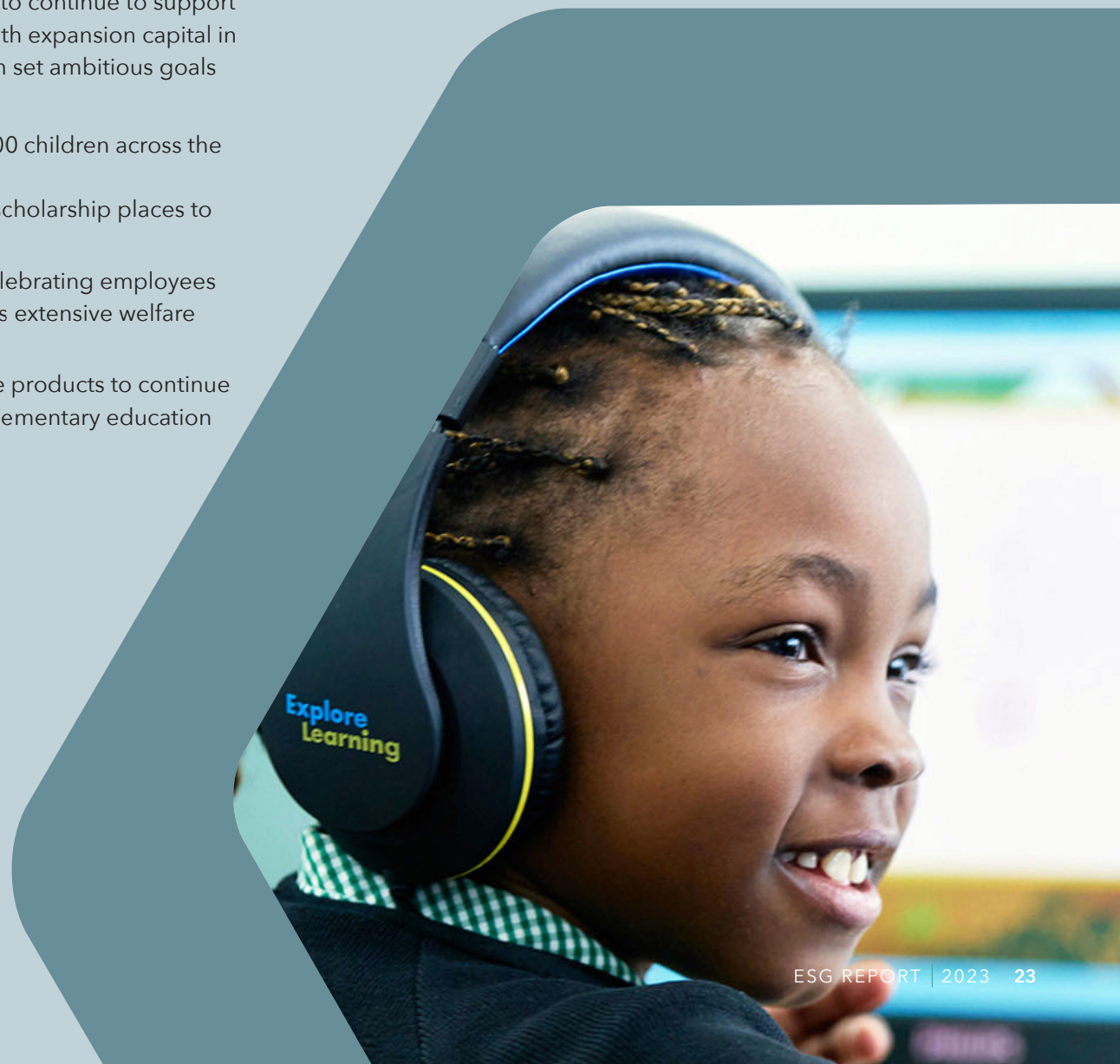


Explore Learning is an online and in-centre tutoring service providing maths and English tuition for young people. During 2022, the company was recognised as the Best Private Tuition Provider, Most Trusted Tuition Provider, and also received the People's Choice Award from the Tutors Association. In the period, Explore supported 3,200 disadvantaged children through its scholarship scheme. Explore is further enhancing this support to reflect the impact that the cost-of living crisis is having on families across the UK.

Explore's success is in part due to its dedication to its people. In 2022, it was named in Job Crowd's Top50 and Target Jobs' Top 300 Graduate employers. The importance placed on supporting its workforce is highlighted by 180 internal promotions in 2022, showing a clear focus on the professional development of Explore's staff.

We were delighted to continue to support Explore Learning with expansion capital in 2022 and help them set ambitious goals including:

- Supporting 50,000 children across the UK in 2023
- Providing 4,000 scholarship places to families in need
- Nurturing and celebrating employees and continuing its extensive welfare offer to staff
- Developing more products to continue to advance supplementary education





## Looking Forward

At Graphite we take seriously our responsibilities as a custodian of a significant amount of financial and human capital. We believe that we have an obligation to act as a responsible steward and we are committed to keeping ESG fully embedded within our investment strategy and to maintaining it as a core part of our identity. We will continue to review and develop our internal policies through our ESG committee, enabling us to stay at the cutting edge of ESG performance. As this report has highlighted, many of the companies that we invest in can rightly see themselves as leaders in the ESG space. We are incredibly proud of the steps that our portfolio took in 2022 and are delighted that some, like Hawksmoor, are already recognised as global leaders, and others, like Wonderbly, are well on their way to becoming so.

We also recognise the significant scope for greater ESG prominence within some of our investee companies and are pleased to have been able to support them in developing their internal governance and policies aimed

at embedding ESG and purpose within their organisations. In 2023 and beyond we will maintain our stewardship approach that looks beyond financial risk and incorporates responsibility and accountability for the real-world impacts of our investments.

While challenging economic conditions create tension between short-term pressures and long-term objectives, the direction of travel in public and political opinion is clear. ESG will be a central component of the market in the coming years and will only become more important for the investment community. At Graphite, we recognise that there is an urgent need to accelerate the transition towards global net zero emissions, combat greenwashing and deliver against international climate goals across all investee companies and their supply chains. We also believe that we can continue to have a significant impact on addressing wider societal inequalities, an ambition that is anchored in the business models of many of our investments.

For our investors, the benefits of embedding ESG into our investment practices and our stewardship role are clear. A strong ESG proposition promotes top-line growth for businesses and reduces costs by promoting savings in energy and waste. Companies that have strong ESG performance are also shown to have increased productivity and workforce satisfaction. Growing a business in the coming years will require business leaders to get sustainable business practices right, in a way that appeals to the business leaders of tomorrow, attracts talent and ultimately helps retain every company's most important asset, its workforce.

By incorporating ESG into our investment cycle we also ensure that we stay ahead of regulatory and legal changes. As an increasingly political topic, we recognise that ESG regulation will tighten further. With many of our Investors operating in the European Union, we have been following the developments there very closely and will ensure that our next fund is aligned with EU regulatory objectives.

The EU has been setting the pace on this front, but soon other jurisdictions will follow suit. Within the G20, which represents 85% of global GDP, 75% of global trade and 65% of the world's population, 14 sustainable finance taxonomies are currently being developed, demonstrating the direction of global legislative travel. By embedding ESG in our identity and throughout our investment process, we are well-positioned to adapt to future legislative developments, maintain legal compliance and position our investments in a way that will maximise our Investors' returns. We are excited at the opportunities that we and our portfolio companies have in 2023 to create further value by continuing to embed sound ESG principles in everything we do.

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