

Responsible Investment

ESG Report 2022



Contents



Introduction

Richard Daw
Managing Partner

Phoenix is delighted to share its annual Environmental, Social and Governance (ESG) Report for 2021/2022. In this report we reflect on progress over the past year, sustainability highlights and ESG developments across the portfolio, and key areas of focus for the year ahead.

Phoenix recognises that investing sustainably is not only consistent with the broader objectives of society, but helps to manage risk, capture opportunities and support partner companies to build a resilient, long-term future.

Phoenix incorporates ESG considerations throughout the investment lifecycle, as part of due diligence and post investment through portfolio company assessments, KPI monitoring and annual update reviews. This approach sits at the very heart of good ESG management, from building genuine, positive and engaged partnerships that lead to shared success; to protecting, nurturing and celebrating brilliant talent and cultures throughout the portfolio.

In keeping with this approach, Phoenix has been a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI) for many years, and supports the objectives set out in the Paris Agreement and the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD).

As portfolio companies have emerged from the Covid-19 pandemic, we have seen the focus on active ESG engagement increase, from supporting employees through new hybrid working policies, to formalising climate strategies, through to active stakeholder engagement on the topic of sustainability. We have been particularly pleased to support some of our partner companies on their journey towards B Corp certification over the past year, in recognition of their industry-leading approach to all aspects of ESG.

In the coming year, key areas of focus identified across the Phoenix portfolio include Diversity, Equity & Inclusion and climate strategies to support Net Zero ambitions. Phoenix is supporting its partner companies to formalise their approach in these areas, including through development of roadmaps and knowledge sharing across the portfolio.

Phoenix at a glance

Phoenix is an independent UK mid-market private equity firm with over 20 years experience of investing in partnership with founders and management teams to help them grow their businesses sustainably, both in the UK and internationally.

Phoenix

250

Years of collective investing experience

56

Investments since 2001

27

UK-based team members

Portfolio¹

13

Current portfolio companies

40%

Employee growth since investment

20%

Average annual profit growth across the portfolio

Promoting Sustainability

17

Different ESG KPIs monitored

>300

Non-financial data points collected over four years

77%

Portfolio companies with Female board representation¹

¹ Portfolio as at 31 March 2022

Our portfolio



Approach to responsible investing

At Phoenix, we are committed to investing responsibly – it is key to what we do and the philosophy runs through every aspect of our firm.

We believe that understanding the operational aspects of a business in addition to its financial profile allows us to manage risk effectively and create sustainable value. We take an active role in our companies, going beyond board participation and working in partnership with management teams to grow and develop the business and solve problems together. Phoenix is a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI), incorporating the six Principles for Responsible Investment into our ESG management approach.

ESG considerations impact the way in which we manage the firm, our investment decisions and our management of portfolio companies. As fiduciaries we recognise that by following a broad set of policy commitments relating to ESG factors, we will better align ourselves and our investors with the broader objectives of society.

We support the objectives set out in the Paris Agreement and the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD).

We are committed to managing and continuously improving the ESG dimension of our investment activities as a means of managing downside risk, building sustainable businesses and growing value for our investors. To drive this forward we have allocated responsibility for specific elements of the ESG agenda to senior individuals within the firm. We believe this collective engagement helps to embed our approach to ESG management and ensures that every member of the Phoenix team plays their part in delivering a culture of continuous improvement in this area. Our firm's five shared values provide the bedrock to making this happen.

Phoenix's Shared Values



Integrity

We embed integrity, transparency and the highest principled standards in everything we do. We are committed to deliver on our promises.



Partnership

We build open, honest relationships with all our partner businesses, but also within our own team. We strive and succeed together.



Passion

We have a passion for what we do, and are as ambitious for the entrepreneurial teams at our partner businesses as we are for Phoenix.



Creativity

We are constantly innovating, seeking out new ways to create value, and we are committed to celebrating smart creative thinking wherever it arises.



Sustainability

We embrace sustainability to help companies thrive over the long term and contribute to a fair forward-looking and prosperous society for all.

ESG in our own firm

Phoenix thinks carefully about its own ESG approach and impact on society, as well as that of its portfolio companies, and strives to set a good example. Initiatives at Phoenix include enhancing employee wellbeing, supporting industry-wide initiatives, addressing our carbon footprint, championing charitable causes and engaging with external organisations to support diversity in the industry.

Diversity, equity & inclusion (DE&I)

Phoenix are sponsors of **Level 20** (promoting gender diversity in PE) and recently co-hosted a DE&I discussion at Phoenix’s offices, which brought together senior leaders from a number of private equity firms. In 2021 Phoenix welcomed an intern under the **100 Black Interns** initiative (promoting racial diversity in the investment management industry).



Social impact

Phoenix employees support a number of charitable and community initiatives. In 2021 employees nominated Ark as Charity of the Year. Ark is helping to close the gap and provide access to outstanding education for all children, an issue that was only exacerbated by the pandemic. Phoenix has also been a long-term supporter of Hope and Homes for Children, who are working to reduce the use and need for orphanages.



Responsible Investing

Phoenix is a signatory to the Principles for Responsible Investment and supports the objectives set out in the Paris Agreement and TCFD.



Employee wellbeing

Phoenix operates a mentoring programme designed to help with both career development and employee wellbeing. Regular mental wellness training and access to one-to-one confidential support is also provided through Cognacity.

COGNACITY

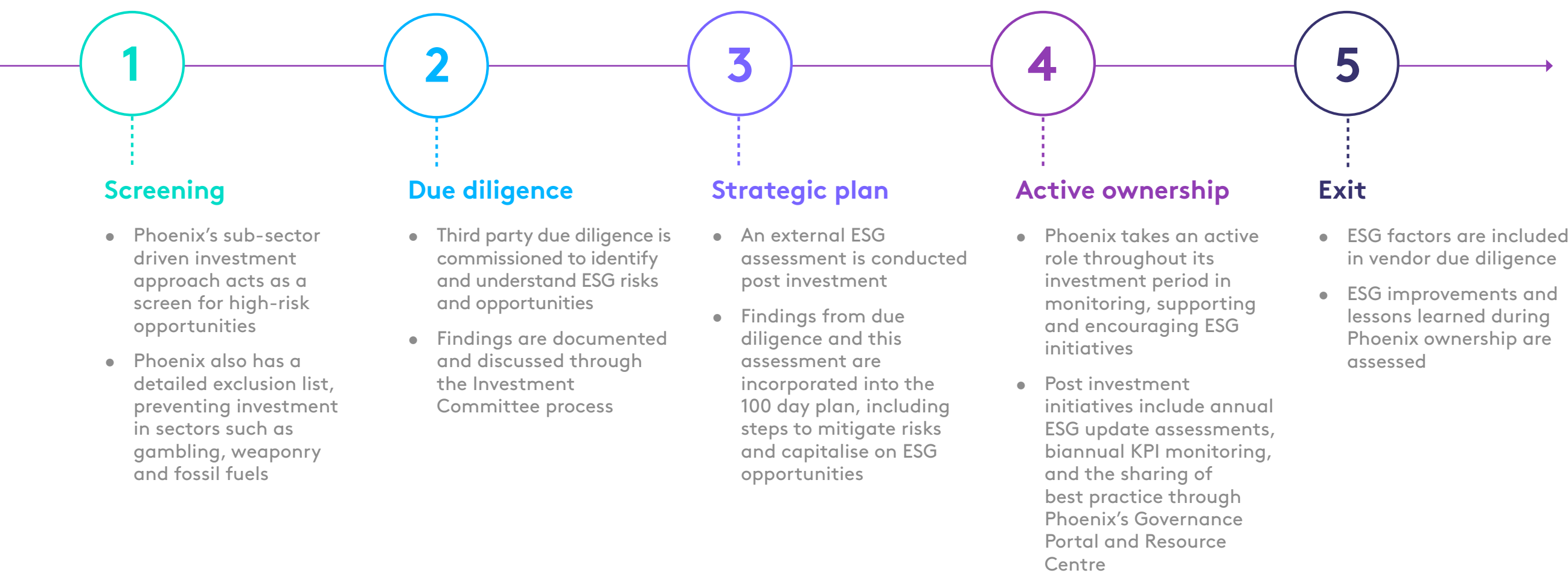
Sustainability

Phoenix has become a carbon neutral company, offsetting its operational and travel footprint. In 2021 Phoenix offset 25tCO2e through a portfolio of verified carbon reduction projects.



ESG in our investing activity

Phoenix embeds ESG management across the investment lifecycle, including through third party ESG due diligence, ESG action plans and performance monitoring. We view this as a way of managing not only business risk, but also delivering opportunities to increase shareholder return and create long-term sustainable value.



ESG during our ownership

4

Active ownership



Ongoing Assessment

- Phoenix works with a third party to undertake annual, independent ESG update assessments
- Portfolio companies are encouraged to review ESG initiatives at Board level biannually



KPI Monitoring

- Portfolio companies report on ESG KPIs biannually
- KPIs include both core and company specific indicators



Governance Portal

- Phoenix hosts a governance portal for the use of portfolio companies
- The portal is a means to access policy templates, share best practice and track compliance
- All new investments are onboarded as part of the 100 day plan



Cyber Security

- Phoenix ensures that all portfolio companies have a cyber security policy in place and dedicated insurance where relevant
- Phoenix encourages all its portfolio companies to become Cyber Essentials accredited and conduct penetration tests with Crest approved providers annually as we do ourselves




Portfolio Resource Centre

- Post-investment, senior management team members are invited to join a pan-portfolio forum currently hosted on Slack
- In addition, on a monthly basis, members come together for a webinar on topics selected by Phoenix in discussion with portfolio companies, and delivered by subject matter experts

Portfolio Company ESG Forum

In 2022 Phoenix hosted a pan-portfolio ESG forum to bring together senior managers to share insights on their ESG journeys. We were joined by a third party consultant, who led a discussion on “transitioning to a sustainable, responsible and resilient future”. Teams from Phoenix portfolio companies Envisage Dental and Redington also shared their experiences of working towards B Corp certification.

Key areas of focus across the portfolio included:

 Developing & evolving climate strategies

 Practical steps on diversity, equity & inclusion

 Staying ahead on cyber security

Key near-term objectives agreed were:

- **Carbon footprinting:** Phoenix will work with portfolio company management teams to help them improve the measurement of their carbon emissions
- **Climate goals:** Phoenix will support portfolio companies to put climate action plans in place and set goals to reduce carbon emissions

A quick poll at the start of the forum highlighted that:

100%

of those who attended have a sustainability/ESG strategy

100%

of those who attended are being asked about their ESG approach by key stakeholders (such as clients and employees)

30%

of those who attended are measuring their carbon footprint and have set targets to reduce carbon emissions

20%

of those who attended are in process for B Corp certification, compared to an estimated 1% of equivalent sized businesses in the UK

B Corp: aligning profit with purpose

- B Corp certification acknowledges businesses that are meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials.
- The process to achieve and maintain B Corp certification is rigorous and requires engaging teams and departments across the company
- The process in itself therefore helps to reinforce a company’s purpose and approach in all areas of ESG management
- Supported by Phoenix, three of Phoenix’s portfolio companies, Envisage, Forest Holidays and Redington, are applying for B Corp certification, in recognition of their own commitment to balancing profit with purpose.



Portfolio Company ESG performance

Phoenix tracks the progress of its portfolio companies through independent annual assessments. An initial assessment is conducted by a third party specialist immediately post investment, followed by annual check-ins to track progress against recommendations. These assessments typically involve site visits and several interviews with key issue owners, such as those responsible for Human Resources, Health and Safety, Environmental Management, Procurement and Compliance.

Key findings from 2021/2022 assessment

Environmental Management

With many companies operating hybrid working practices, the environmental impacts associated with office-based work have been reduced. A positive, and likely lasting impact, has been the onset of more efficient ways of working, such as business travel being replaced by virtual meetings and paper heavy processes being replaced by e-documents.

People Management

Attracting and retaining talent has become a defining factor in helping companies to navigate through a tough trading environment. Therefore, all aspects of people performance are as relevant as ever before: learning and development, diversity and inclusion, wellbeing and employee communication.

Climate Change

Several companies have been more proactive in managing climate change risks. This includes carbon footprint calculations, carbon offsetting and setting reduction targets. Phoenix has also completed a high-level climate change impact analysis across all portfolio companies.

Supplier Management

Phoenix portfolio companies typically operate within low risk (ethical) supply chains. Where there is a risk, appropriate policies and processes will be adopted to manage and mitigate any exposure. Companies have continued to support local/national charities and community groups, providing invaluable support to vulnerable sectors of society.

Health & Safety

Employee safety remains a priority, extending beyond the workplace to homeworking. This includes completing regular safety risk assessments and ensuring staff have access to furniture and equipment to ensure safe working practices within a home office environment.

Governance

Safeguards against unethical business behaviours, data protection and cyber security continue to be well managed by companies, issues which continue to evolve and mature in levels of management.

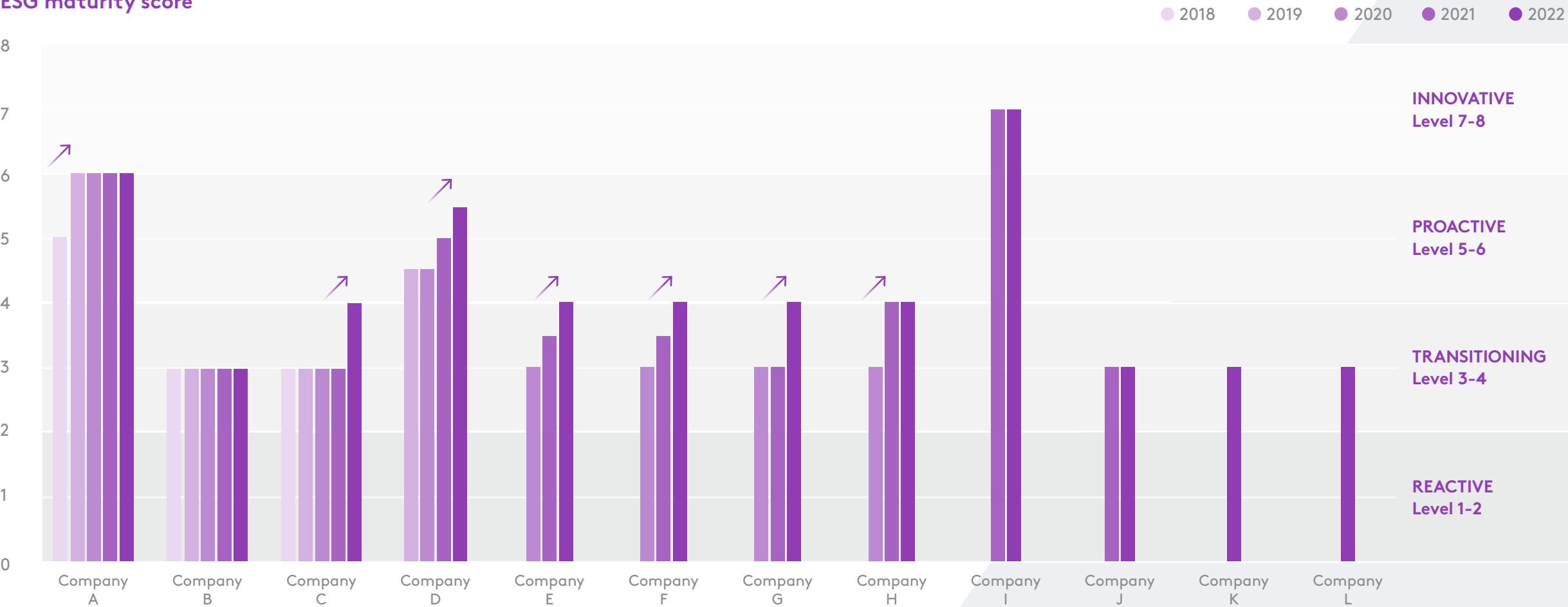


Portfolio Company ESG performance

The chart below shows progress across all portfolio companies since the initial site-based assessment performed by a third party specialist. The majority of portfolio companies have shown improvement in their ESG approach since Phoenix’s investment.

- In the 2022 review, five companies demonstrated improvement over the past year
- Three companies scored 5+ in their most recent review, demonstrating evidence of an opportunity-focused approach to ESG management and industry leading practices which are delivering stakeholder value

ESG maturity score



Environment



Environmental Management

The key impact areas for Phoenix portfolio companies, under the heading of environmental management, continue to be energy usage and resource efficiency (waste management & recycling). The former is now being managed as part of climate change related activity.

As offices start to see staff return to the office, either full-time or on a flexible basis the standard of environmental housekeeping activities must remain stable. Attention to energy reduction opportunities are likely to be increased as staff return to work.

One area which has shown significant improvement is around resource efficiency measures. This has been escalated by remote working and has seen some businesses, typically associated with paper-heavy processes, move to a more online way of working – both internally and how they engage with customers. The instigator has been introducing more efficient ways of working, which has also benefited the environment through a reduction in paper process.

A number of companies have highlighted how levels of environmental awareness amongst employees has risen, as has pressure from end-users and customers. This has emphasised the importance of both internal and external communications, with such companies seeing the benefit or engaging with external stakeholders on environmental issues.

Climate Change

Over the course of the year Phoenix completed a high-level climate change impact analysis across its portfolio utilising the principles set out by the Task Force on Climate-related Financial Disclosures (TCFD). This reviewed both potential physical and transitional risks across each company against 1.5 and 4 degree warming scenarios, covering operational and supply chain risks. The analysis showed a high-medium level of climate resilience across the portfolio, identifying only two companies that may benefit from more detailed analysis. This work will continue over the year ahead as Phoenix deepens its understanding of climate risk exposure on new and existing investments.

Regardless of the risk profile companies are still encouraged to proactively manage their carbon footprint. These activities include:

- **Carbon Footprint** – assessing both direct and indirect carbon footprint, helping to identify improvement opportunities for reduction.
- **Reduction Targets** – setting ambitious carbon reduction targets and being accountable for meeting these.
- **Carbon Offsetting** – to minimise carbon impact, companies are now also looking at carbon offsetting instruments.
- **Engaging Customers** – more mature approaches have seen customer engagement around climate change, helping to support their own energy transition. Redington and Mobius Life have both developed customer engagement programmes in this area and are expected to enhance these efforts further in 2022.

Environment



REDINGTON



Climate Action – Transitioning to Net Zero

Redington has always been a purpose-driven firm and is committed to achieving the best possible outcomes for clients and their end beneficiaries. To achieve this, they are using their influence as an adviser to over £500bn of client assets, allocated across 150+ asset managers, as a force for good – creating positive change within the savings and investment industry and contributing towards a sustainable future.

The business recognises that one of today's biggest sustainability challenges is climate change; and this is of particular relevance to their clients due to the risk it poses to their assets and the regulatory requirements placed on large asset owners.

The business has kick-started this long-term project by working to reduce and offset their own emissions and integrating sustainability across their entire business. In addition, they'll help clients consider climate change alongside their wider objectives – managing the risk it presents, as well as the potential for greater returns. They will also provide support to each of their clients in setting an appropriate Paris-aligned emissions reduction pathway – one that fits with their investment objectives. To achieve this, Redington has devised a 7-point climate action plan to integrate sustainability across the entire business:

7-point climate action plan

1. **Objective setting** – helping clients to articulate their own climate-related objectives.
2. **Climate solutions** – seeking attractive investment opportunities in climate solutions and helping clients to invest in the climate crisis infrastructure.
3. **Industry frameworks** – helping clients adopt, and actively engage with, appropriate industry-recognised frameworks.
4. **Stewardship** – developing a framework to assess the effectiveness of the climate-related stewardship undertaken by asset managers and encouraging alignment with the Paris Agreement.
5. **Default client advice** – aligning model portfolios with the goals of the Paris Agreement and changing client advice to set strategic asset allocations.
6. **Carbon offsetting** – using high quality, nature-based offsets and becoming net-zero.
7. **Industry collaboration** – sharing lessons learned and working with peers to create a Paris-aligned industry; maintaining a culture of being open and transparent.

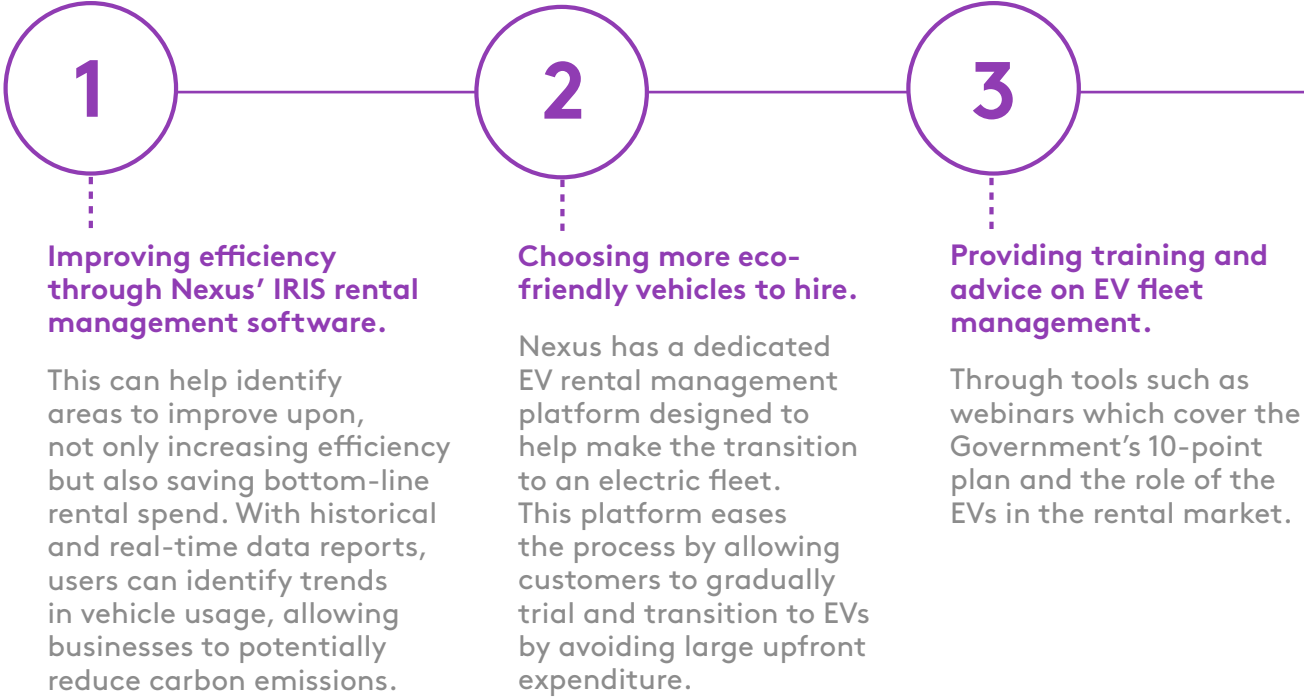


Environment



Helping Customers Achieve Net Zero

The government’s 10-point plan to reach Net Zero includes the ban on new petrol and diesel cars and vans, and zero emission city centres, which means that logistics, construction and other fleets will have to look at how they can both remain compliant and even go over and above to future proof their practices. To help customers achieve this, Nexus has developed several solutions to support customers to reach their Net Zero goals:





People Management

Phoenix portfolio companies are essentially people businesses, relying on talent to deliver long-term success. A people-centric approach has been key in helping companies navigate through the pandemic, resulting a number of industry leading initiatives. The four key areas of focus can be summarised below:

- **Learning & Development** – this has continued throughout the pandemic, with companies moving more towards e-learning platforms. Over the past 12 months we have also seen the introduction of softer learning opportunities, such as those focused on individuals' behaviours, performance management and culture/value.
- **Wellbeing** – the provision of mental health support continues. This may take the shape of externally run Employee Assistance Programmes, awareness training, monthly wellbeing campaigns and the widespread appointment of mental health first aiders.
- **Diversity, Equity & Inclusion** – DE&I continues to become more prominent, both in terms of how a company attracts diverse applicants and how DE&I is promoted internally. Activity in this area includes awareness training, improved monitoring and reviewing policies to ensure these promote a diverse and inclusive workplace.
- **Communications** – open two-way communication has been key to creating an engaged workforce especially as hybrid working practices have been adopted by companies. This includes more regular 1:1 check-ins, online newsletters and bulletins, virtual town hall events and more regular all hands meetings. Shorter, more regular, employee pulse surveys have also become more widely adopted to solicit more regular feedback and support decision making.

Health & Safety

Employee safety has remained a priority over the past 12 months. This extends beyond the workplace to homeworking as businesses adopt hybrid ways of working.

Whilst it has still been important to implement Covid-proofed policies and practices for the office environment, companies have been challenged to promote employee health and safety when working from home. Typical interventions have covered:

- Completing regular home based safety risk assessments.
- Providing access to furniture and IT equipment to ensure safe working practices.
- Offering allowances to buy additional home working equipment.

Suppliers & Communities

In general, portfolio companies can be classified as operating in low-risk supply chains. Where there are risks, these will be mitigated through setting policies, including reference to expectations around ethical performance in suppliers' Terms and Conditions.

Companies have also continued to support local and national charities and community groups, providing invaluable support to vulnerable groups. For some, this has involved staff engagement to support outreach projects and aligning chosen charities with their business purpose.

Social



Prince's Countryside Fund

Forest Holidays want to do more to secure a sustainable future for the rural economy and offer entrepreneurs and start-up businesses a helping hand. One of the biggest barriers to setting up a new business is financial support and so Forest Holidays have joined forces with The Prince's Countryside Fund to help overcome this. The business now donates 10p from every hot drink that they sell to support people with business ideas in rural areas, through a business start-up grant programme. They will also share their experience including mentoring support for 12 months from a relevant expert in the Forest Holidays team.



Forest Holidays championing diversity with WiHTL

In 2021, Forest Holidays joined WiHTL's growing community of businesses committed to creating more diverse and inclusive workplaces. As part of the ongoing development of their diversity and inclusion strategy, they also signed **WiHTL's The Diversity in HTL Charter** and pledged to follow their 10 point action plan.

WiHTL's mission is to make a positive difference to 5 million women and people from ethnic minorities across Hospitality, Travel and Leisure globally by 2025. This mission resonates deeply with all at Forest Holidays and very much feels like a natural next step for the brand. Signing The Diversity in HTL Charter connected perfectly with the Forest Holidays Leadership Academy, which has been working with future leaders across the business to strengthen and develop the company's diversity and inclusion strategy.

To help bring this alive for employees, customers and guests, Forest Holidays also celebrated the achievements of women across the business by getting involved with the 2021 International Women's Day #ChooseToChallenge campaign through their social channels.

The successful campaign highlighted the brilliant women working in every department across Forest Holidays, from Ecology and Planning to Finance, Operations and more.



Social



MOBIUS

Mental health and wellbeing support

The health and wellbeing of colleagues has always been important to Mobius Life, but when the pandemic struck, and the company moved to remote working at a time of headcount growth they recognised that further supporting people's wellbeing was key to business success during a time of great uncertainty and change.

The business genuinely cares about their employees and wanted to create a positive working environment where individuals and the company can both thrive. Investing in wellbeing initiatives makes good business sense given the positive impact on employee engagement, morale and organisational performance.

The company also strongly feels that it's 'the right thing to do for our people' who spend most of their waking hours helping the business achieve its goals. In order to achieve this, the business has introduced several initiatives:



Wellbeing engagement

- Regular company newsletter containing a wellbeing section to engage with employees and ensure they feel supported.
- As part of H&S questionnaire, questions on what further support from a wellbeing perspective could be provided.
- Delivering financial wellbeing webinars on varying topics.
- Supporting / co-ordinating a "young professionals" forum for engagement in work, socials and support as a result of younger employees' feedback regarding wellbeing / isolation during the pandemic.

Wellbeing support

- The business held two live wellbeing workshops in 2021 with a specialist external Mental Health at Work Consultant.
- Company laptops were provided to any parents who wanted to borrow them for their children to use during the second home-schooling lockdown.
- The business increased the number of counselling sessions available via its Employee Assistance Program from 4 to 8 sessions.
- Mental health cover has been added to private medical insurance (all employees eligible for this immediately).
- Hybrid working policy formalised.
- Mental health section included as part of compulsory online course.
- Every new joiner is allocated a "buddy" to help them settle in & prevent isolation given home working / hybrid working position.
- Five mental health first aiders trained, forming the Mobius "wellbeing team".

Governance



Cyber Security & Data Protection

An area of continued focus for all companies is the growing threat and sophistication of potential cybersecurity breaches. This can lead to significant business disruption which has required proactive management in creating cyber resilient data and IT infrastructure to prevent, detect, control and recover from cyber threats. Companies have created appropriate policies, systems and processes to safeguard against these threats. This also includes cyber security training for staff to help raise awareness and ensure individuals remain diligent online.

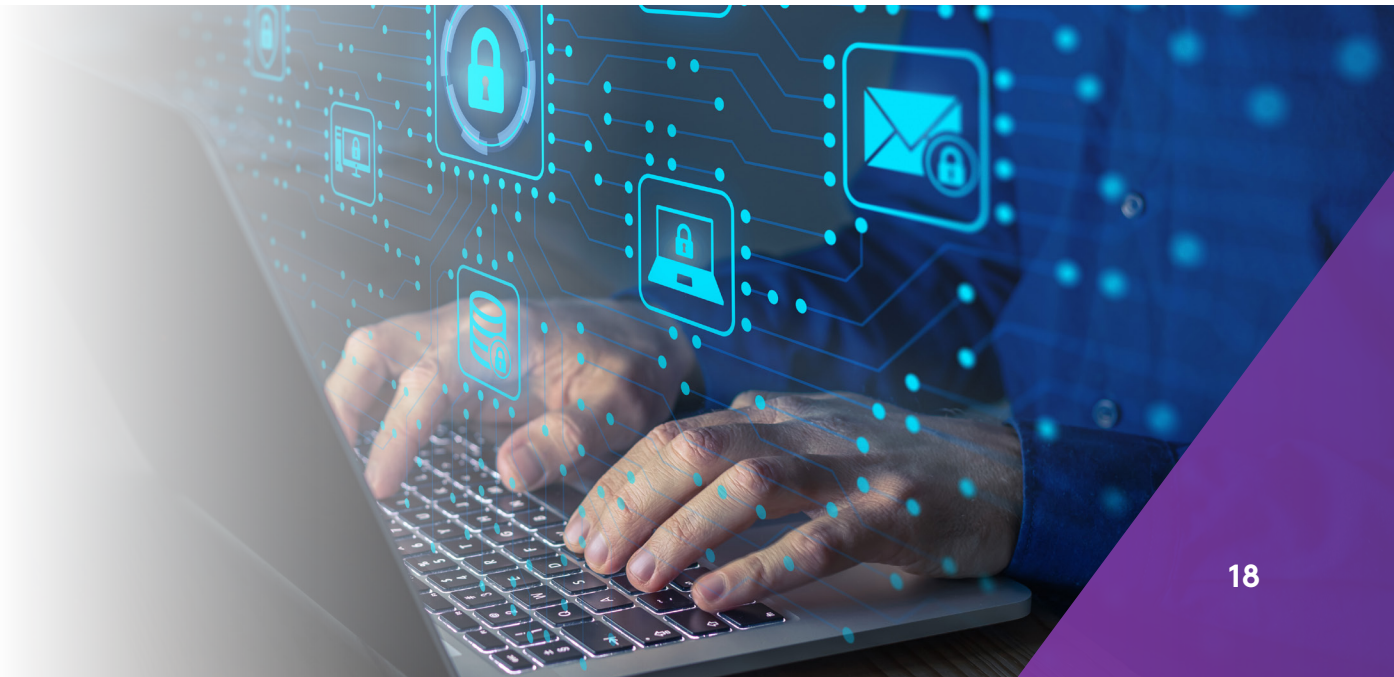
To formalise these activities portfolio companies are now seeking external verification. This includes certification to the Information Security Standard ISO 27001, the leading international standard focused on information security. Alternatively, some companies have taken the Cyber Essentials route, a Government backed scheme helping to guard against the most common cyber threats and demonstrate a commitment to cyber security.



Anti-Bribery & Corruption

An area well managed by companies is their responsibilities under the Anti-bribery & Corruption (ABC) Act. ABC Policies have been kept updated and relevant, with the majority now including tight controls around gifts and hospitality. We have seen companies deliver company-wide training to employees irrespective of their job roles, typically delivered through on-line platforms.

Either separate from the ABC policy, or contained within it will be a whistleblowing procedure outlining how concerns can be raised within the business. A minority of businesses have also provided access to external whistleblowing hotlines as an alternative channel for employees to discuss ABC concerns.



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Any questions regarding this report should be directed to Phoenix Equity Partners Limited at 123 Victoria Street, London, SW1E 6DE.

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The information in this report is accurate as of the date of 31 March 2022.