



◆ PHOENIX

Responsible Investment Report 2024



CONTENTS



Introduction

Richard Daw Managing Partner

We are delighted to share our latest Responsible Investment Report. In it we reflect on progress over the past year, with a number of highlights across the ESG spectrum, and look at the key areas of focus for the years ahead.

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. It 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 a key element of pre-investment due diligence, to post investment, through regular portfolio company ESG assessments, KPI monitoring and annual third party ESG reviews. Through this integrated approach we look to enhance the credentials of our portfolio across ESG's various facets, from sustainability and minimising environmental impact, to nurturing and celebrating brilliant talent and culture 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).

All portfolio companies we partner with have a good understanding of ESG challenges and risks, and through our combined efforts we move towards a more proactive, opportunities-focused level of performance. The case studies in this report provide a snapshot of ESG initiatives in action in the portfolio, and examples of where portfolio companies are supporting their clients to manage ESG-related issues.

In the coming year, key areas of focus identified across the Phoenix portfolio include Equity, Diversity & Inclusion (ED&I) 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.

I hope you enjoy reading the report, and do let us know if you have any thoughts on what you find.



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 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 four shared values provide the bedrock to making this happen.

Phoenix's *shared values*



We Grow Together

When we partner with you, we're not just investing in a business; we're investing in the people, the teams, and the cultures that help it thrive.



About You, Always

You, the people behind the business, are at the heart of everything we do. Our approach is designed to support, elevate, and back your vision, every step of the way. Whether you have a question, need guidance, or just want to debate ideas, our door is always open.



Hard Work, Made Enjoyable

We bring trust, transparency and a refreshing touch of light-heartedness. Our goal? To make the intricate journey of investment feel more human and genuinely enjoyable.



We Say It, We Mean It

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



How Phoenix is making a *positive contribution*

In addition to proactively managing portfolio company ESG performance, Phoenix has also initiated several ongoing activities to improve its own performance. The scope of this activity covers the areas of employee wellbeing, responsible investing, carbon offsetting, charity engagement and a range of diversity & inclusion initiatives:



Wellbeing

Introduced a new Employee Assistance Programme with LifeWorks which offers support with mental, financial, physical, and emotional wellbeing. Mental wellness training for staff is provided through Cognacity.

COGNACITY

LifeWorks



Responsible Investing

Phoenix is a signatory to the Principles for Responsible Investment.

Signatory of:
PRI | Principles for Responsible Investment



Carbon Neutral

Phoenix is a carbon neutral company, annually offsetting its operational and travel footprint.

FOREST CARBON



Charity

Employees nominated The Felix Project as its Charity of the Year in 2023, providing healthy meals to the most vulnerable in society. Other donations during the year included Operation Smile and Hope and Homes for Children, a charity Phoenix has supported for several years who are working to reduce the use and need for orphanages.

Operation  Smile

Felix
THE FELIX PROJECT
GOOD FOOD FOR GOOD CAUSES

**HOPE AND HOMES
FOR CHILDREN** 



Diversity

Phoenix are sponsors of Level 20 (promoting gender diversity in PE).

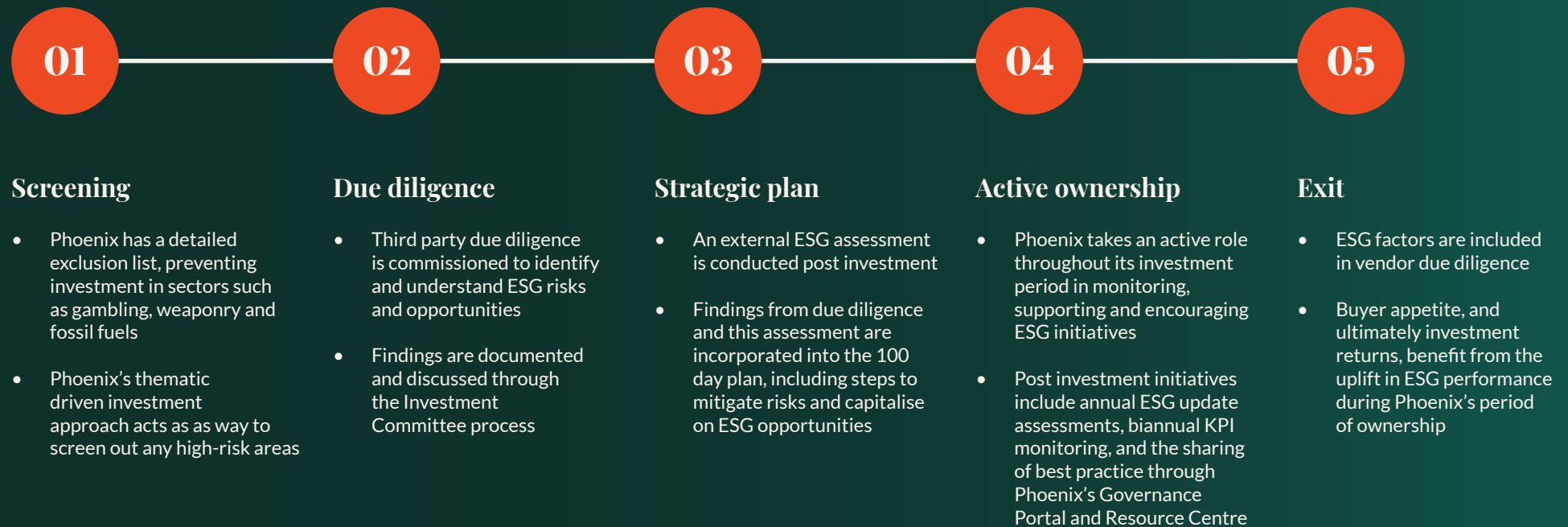
LEVEL 20



Responsible *investment lifecycle*

Phoenix integrates ESG management throughout the investment cycle, from pre-deal screening to exit. The team understands the significance of managing business risks and identifying opportunities to enhance value and achieve market-leading positions.

The portfolio company-focused activities include:





Executive summary



Environment

Companies in the portfolio have taken steps to manage their environmental impacts, including energy efficiency measures, waste reduction, and setting carbon reduction commitments. Many are working towards a net zero target in line with the Paris Agreement and some are already measuring all scopes of their carbon emissions. Some businesses are also offsetting carbon emissions to become carbon neutral.



Health & safety

Portfolio companies generally operate from office environments with low safety risks, but still prioritise employee safety by implementing appropriate policies and procedures. These measures include assigning accountability for safety management, providing adequate training to first aiders and fire marshals, and for some companies, conducting external reviews of their safety management and risk assessments for employees working offsite.



People

Effective people management is critical to building successful businesses, particularly in competitive sectors like technology. Companies are adopting a proactive approach to HR management through learning and development opportunities, performance management frameworks, wellbeing initiatives, and flexible working arrangements. They also prioritise diversity and inclusion by collating ED&I data, setting targets, and providing training to improve equality.



Suppliers & customers

Companies typically operate within low-risk supply chains from an ethical and human rights perspective. If any risk is apparent, companies adopt appropriate policies and processes to manage and mitigate the exposure as part of their continuous improvement efforts.



Charity & community

There has been continued support of local and national charities and community groups, demonstrating a commitment to responsible business practices and giving back to communities. This approach has become increasingly strategic, with staff valuing the opportunity to volunteer and give back to meaningful local causes.



Governance

Companies remain diligent in safeguarding against acts of bribery & corruption, albeit with the majority working in low-risk sectors and jurisdictions. There is also a good level of awareness to provide safeguards against cyber threats and setting controls around data protection. Many portfolio companies have now achieved accreditation to cyber security standards such as Cyber Essentials or ISO 27001. Phoenix continues to provide direct support around governance frameworks.



Executive *summary statistics*



43%

of the portfolio measuring
their carbon in 2023



100%

governance reports completed
across the portfolio



93%

of companies undertaking
regular employee surveys



0%

work-related injuries
across the portfolio



50%

of companies with non-male
board representation



14%

average voluntary
employee turnover rate



Material ESG *issues & risks*

Material Issues in 2023

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.

Following these update reviews, the key material ESG issues faced by portfolio companies have been identified below. These issues have been assessed against the level of importance to key stakeholders (internal and external) and the issue's importance to the business (financial and reputational). The top five material issues for Phoenix portfolio companies over the past 12 months are:

- Carbon reduction (measuring carbon footprint and setting targets)
- Creation of a robust ESG strategy and framework
- Equality, diversity & inclusion
- Employee wellbeing (mental health & financial support)
- Compliance with ESG reporting and legislation (e.g. ESOS, SECR)

At a company level, this is not a huge change from the material issues identified in 2022, with climate and carbon remaining key issues for all businesses. There is a continued emphasis on tackling ED&I issues, and businesses recognise that they need to better understand the challenges through employee engagement and measurement of ED&I metrics. The most proactive companies are also creating ESG strategies, which embed ESG throughout the business and provide a direction of travel with aligned KPIs and ESG frameworks.

Employee retention remains a priority for businesses, and 2023 was characterised by employees' continued return to the office, with companies beginning to see lower levels of employee churn. Employee wellbeing remains of key importance across the portfolio to help manage retention. Many businesses are, therefore, implementing innovative benefit and wellbeing packages that support employees' mental, financial and physical health.

As compliance and reporting requirements increase, businesses are focusing on fulfilling legal requirements such as ESOS and SECR reporting. This will increase in prominence as business growth takes companies closer to the compliance thresholds. Legal reporting requirements will likely increase in the mid-term (next five years), with a continued focus on climate-related disclosures, human rights, diversity and inclusion, supply chain transparency and corporate governance.





Looking ahead

Short and long-term risk perceptions

Unsurprisingly, many of the key ESG issues currently facing portfolio companies also align strongly with what is happening on a global scale. As highlighted below by the World Economic Forum Global Risks Report 2023-2024, approximately 50%- 60% of the perceived risks over the next two years are ESG-related risks, increasing to around 70% of perceived risks relating to ESG over the next 10 years.

Current risk landscape

Please select up to five risks that you believe are most likely to present a material crisis on a global scale in 2024.



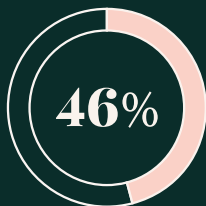
Extreme weather



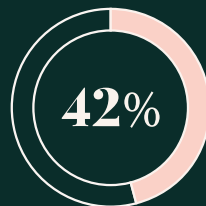
AI-generated misinformation and discrimination



Cyberattacks



Societal and/or political polarization



Cost-of-living crisis

Source: World Economic Forum Global Risks Perception Survey

Risk Categories

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

Global risks ranked by severity over the short and long term

Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period.

2 years

1st	Misinformation and discrimination
2nd	Extreme weather events
3rd	Societal polarization
4th	Cyber insecurity
5th	Interstate armed conflict
6th	Lack of economic opportunity
7th	Inflation
8th	Involuntary migration
9th	Economic downturn
10th	Pollution

10 years

1st	Extreme weather events
2nd	Critical change to Earth systems
3rd	Biodiversity loss and ecosystem collapse
4th	Natural resource shortages
5th	Misinformation and disinformation
6th	Adverse outcomes of AI technologies
7th	Involuntary migration
8th	Cyber insecurity
9th	Societal polarization
10th	Pollution

Source: World Economic Forum Global Risks Perception Survey

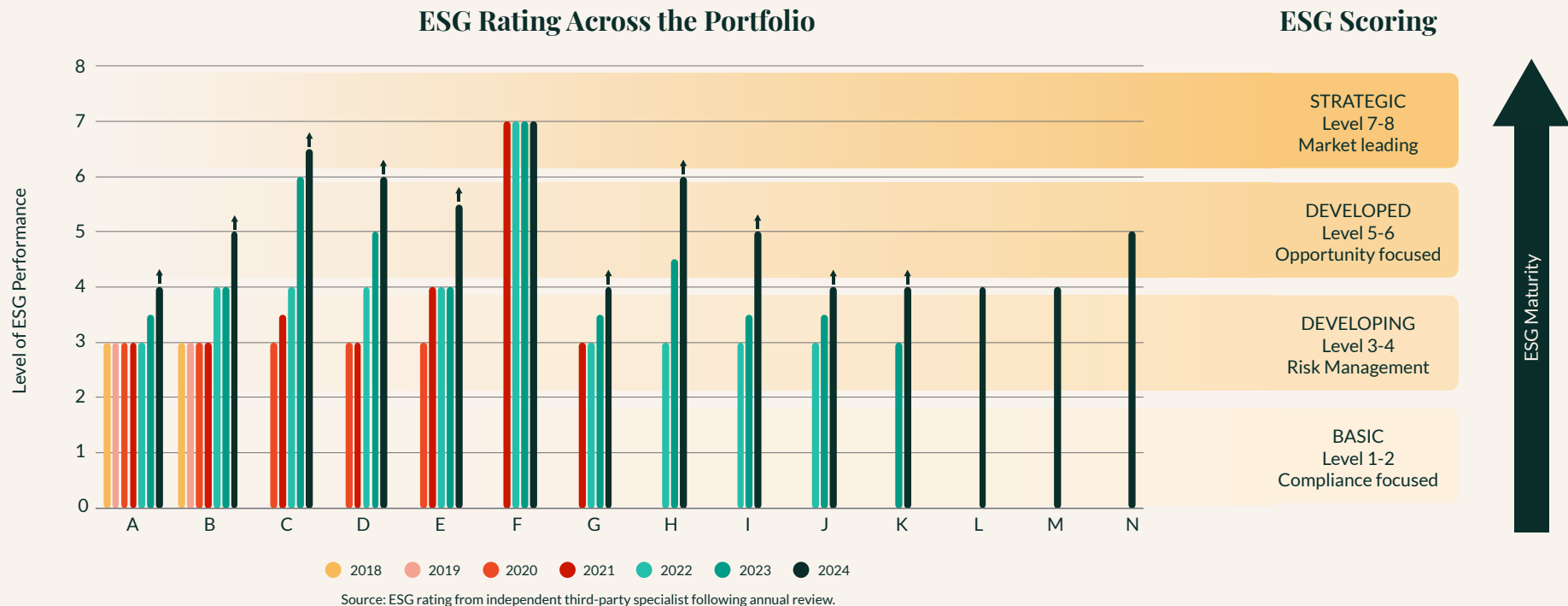


Portfolio company performance

The following chart indicates the progress made by all portfolio companies since their initial full ESG assessment. Of the 11 companies that received at least one assessment, ten have improved their ESG performance from the previous year. One of the companies, (Company F), has maintained its performance at level 7 (strategic / market-leading position).

All 14 portfolio companies meet or exceed a strong Level 4 'Developing' performance position. This indicates a broad understanding of ESG risks across the portfolio and a move towards a more proactive, opportunities-focused level of performance.

Among the companies, 50% have shown evidence of a Level 5 or 6 'Developed' position. This level of performance is focused on opportunities and delivers industry-leading practices, resulting in the identification of value-enhancing opportunities. Redington is the only portfolio company in the 'Strategic' category (level 7). This denotes evidence of long-term opportunity realisation, as demonstrated by its recent certification to the B Corp standard. However, it is likely Setfords, Mobius, and Envisage will also progress to the strategic level in 2024 as they have all committed to embedding ESG within their business through the development of ESG strategies and frameworks.



Environmental *management*

Phoenix portfolio companies' key environmental impact areas include sustainable resource management, energy usage, and carbon and GHG emissions. In addition to these challenges, businesses also face the risks associated with climate change, such as extreme weather events. To mitigate these risks, companies need to undertake climate change scenario planning and incorporate this into their corporate risk management processes. Furthermore, the loss of biodiversity has become a global concern, and it will become increasingly important for companies to assess, report, and act on their nature-related dependencies, impacts, risks, and opportunities in line with ESG recommendations and guidance.

Companies continue proactively reducing energy consumption, driven largely by continued high energy costs, and uncertainty in the energy market. Energy efficiency measures are generally at a good level across the portfolio, with companies replacing inefficient lighting and equipment while engaging with staff to improve general 'housekeeping' behaviours. The challenge remains for some companies that do not have operational control of their office building, reliant instead on influencing the landlord to make energy-efficient improvements. In such cases, businesses are initiating proactive discussions with their landlords to determine their energy supply source and investigate renewable energy alternatives.

Waste production across the portfolio is generally low and mainly associated with office-based activities. Some unavoidable hazardous waste is handled by Envisage, a group of private dental clinics, and all waste is disposed of responsibly through registered waste contractors. Where possible, this waste is recycled and reprocessed e.g. dental amalgam is sent to specialist recyclers who can extract the valuable metals from it, including mercury and silver, which can then be supplied back to the market for manufacturing into new products. In addition, businesses are exploring alternatives to single-use plastics. Paper use and printing have also significantly reduced across all companies, both in external and internal documentation preparation. This has been largely driven by streamlined and more efficient business practices such as using electronic signatures for customer and supplier documentation and hybrid working.

With the increasing awareness of environmental concerns, there has been a notable rise in employee engagement levels. This presents an opportunity for companies to motivate and engage their employees to improve their environmental performance. It is also becoming an important factor in attracting young talent who want their values to align with those of the business they work for.



Climate *change*

Climate change remains in the global spotlight and is becoming increasingly politicised, with climate activists taking direct action worldwide. Many companies are now facing customer and employee demands to be more transparent about their impact and risks related to climate change. As regulations related to climate change disclosures begin to take effect, internal and external stakeholders are becoming more aware of future potential impacts on businesses. This highlights the need for companies to prioritise climate change mitigation efforts and communicate their progress to their stakeholders.

Although portfolio companies' physical and transitional risk exposure is generally low, we see the emergence of activity to measure and mitigate potential risks. This includes:

Carbon footprinting

43% of the portfolio currently calculates its carbon footprint (starting with Scopes 1 and 2) to help set targets and identify opportunities for reduction. All companies have identified this as a focus for action, with the aim of 100% of the portfolio having measured their Scope 1 and 2 emissions by the end of 2024.

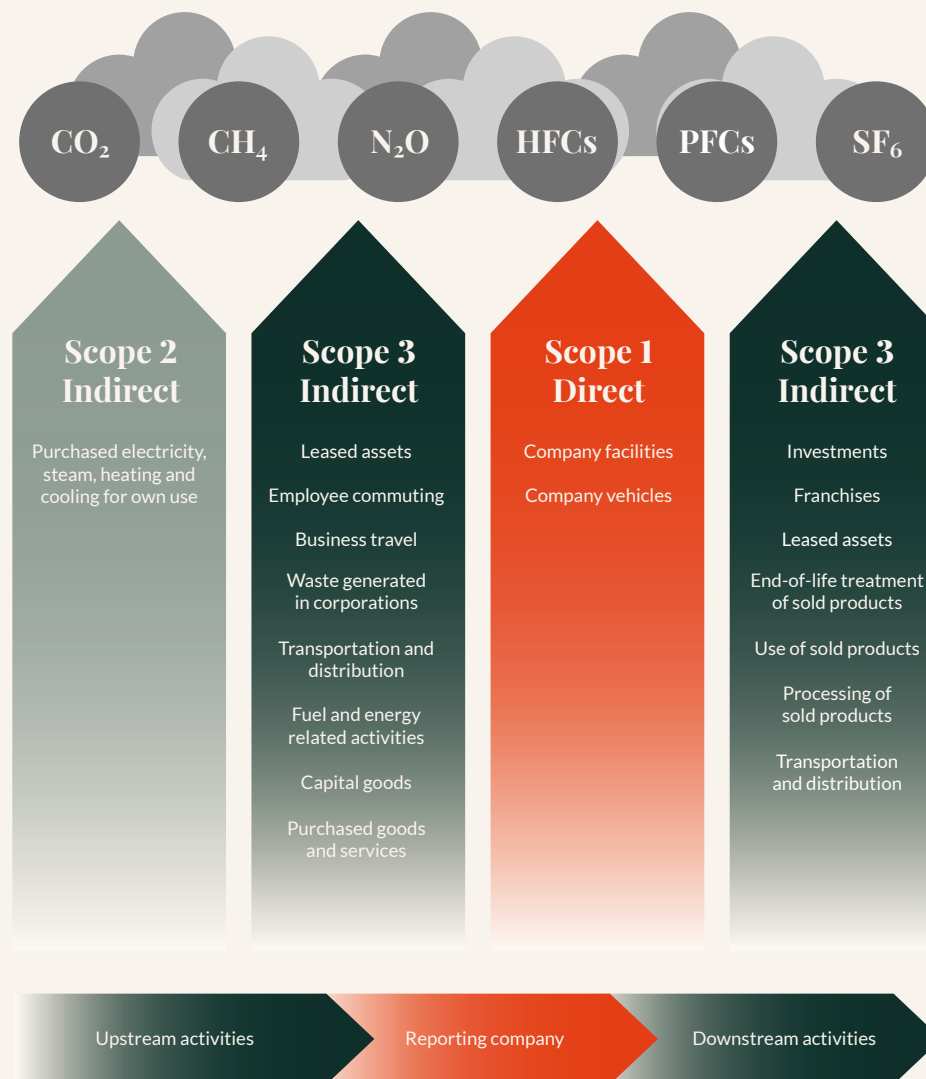
Net zero reduction targets

As companies begin to measure their carbon footprint, the intention is to move towards setting carbon reduction targets. Two companies within the portfolio have already made progress in this area, with one (4most), formalising this by signing up to the Science Based Targets initiative (SBTi).

Carbon offsetting

To become carbon neutral, companies are now also considering carbon offsetting instruments; 29% of the portfolio is currently offsetting either all or part of their carbon emissions.

43% *of the portfolio measured their carbon in 2023*



Source: Greenhouse Gas Protocol
WRI/WBCSD Corporate Value Chain (Scope 3) Accounting and Reporting Standard



4most

Carbon measurement

As part of efforts to reduce its carbon footprint, 4most has started measuring its GHG emissions and signed up for an emissions certification scheme - the Science Based Targets Initiative (SBTi). As an initial step, 4most's Scope 1 and Scope 2 emissions were estimated for the 2021 calendar year, and a near-term carbon reduction target was submitted to SBTi. This target was approved using a streamlined target validation route for small and medium-sized enterprises (SMEs). 4most has committed to reducing Scopes 1 and 2 GHG emissions by 42% by 2030 from a 2021 base year, and to measure and reduce its Scope 3 emissions.

The business also recently updated its Scope 1 and 2 emissions for the financial year 2021-2022. Additionally, it estimated its Scope 3 emissions, which revealed that business travel is responsible for almost half of these. As a result, the company is devising plans to address and reduce this area of emissions.

The company's next step is to submit a long-term net zero target to SBTi and identify ways to reduce their emissions to meet both short and long-term targets. Furthermore, they have created a set of forecasts for the financial year 2026/2027, along with emissions intensity ratios for comparison with industry standards.





Envisage

Recycling of dental amalgam

As a national dental group, producing hazardous waste is currently unavoidable for Envisage. Although there are plans to phase out the use of amalgam in the UK, it remains a common material in modern dentistry and many dental patients still have amalgam fillings from past treatments that require removal and disposal.

All dental waste at Envisage is disposed of correctly through hazardous waste contractors who recycle component materials where possible. All practices use amalgam separators, and Envisage has been working with a specialist waste reprocessing company, Initial, to recycle and reuse amalgam waste from several of its sites. Amalgam is comprised of a mixture of metals, with around 50% being elemental mercury, a toxic substance. The remainder is a powdered alloy made from metals such as copper, tin and silver. Once fillings have been removed, they are collected in an amalgam separator for collection by Initial for reprocessing at their specialist dental recycling facility.

One of the key aims of the process is to remove the elemental mercury from the material so that it can be reused to create more dental amalgam. Alternatively, this mercury may be used in other items that utilise the unique properties of mercury, such as fluorescent lamps, thermometers, and barometers. The remaining silver from the alloy powder is also recovered and repurposed for various uses. Initial's dental recycling facility aims to ensure a more sustainable approach to the recycling process. This includes using renewable energy to power the plant generated onsite through solar panels and heat pumps, continuous water reuse and improvements to the processing to reduce carbon emissions. It is also part of the European Union project to reduce mercury emissions from dental amalgam. In addition to reducing hazardous waste disposed of in landfills, this approach also helps Envisage reduce the company's carbon footprint through cleaner reprocessing and contributes to the circular economy through the reuse of precious and rare metals.





Mobius

ESG & TCFD reporting

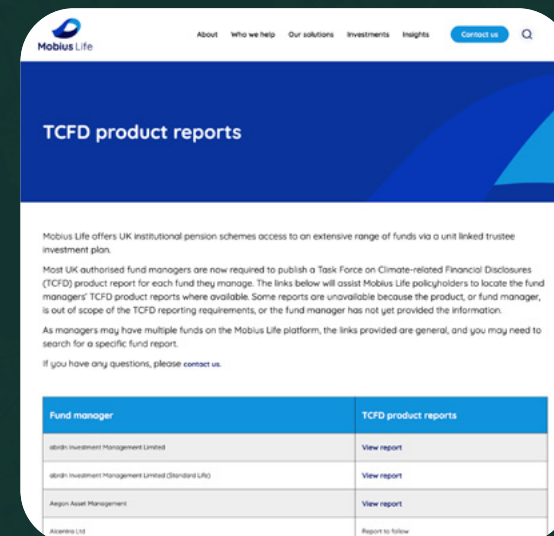
Several of Mobius' pension scheme clients are required to produce external reporting on ESG-related issues. In particular, how their stewardship policies have been followed, their voting behaviour and climate-related metrics and targets. To facilitate this, Mobius developed an approach to providing clear and open reporting to clients on ESG and TCFD issues. This has been designed to grant clients transparency into asset managers' stewardship approaches and climate impact, enabling them to make informed choices when implementing their ESG approach.

Mobius collates information from fund managers to provide individual reports to its clients on the funds that they hold. The information collected on the fund manager's approach includes details of:

- ESG policies, governance and reporting on ESG matters
- Consideration of ESG factors in investment management and engagement with portfolio companies on topics such as climate change and board diversity
- Voting policy and details of any key votes in the past year
- Climate targets and initiatives, and management of climate-related risks and scenario analysis

For the funds that clients hold, the information collected includes:

- Scope 1, 2 and 3 emissions and other climate metrics if available (such as emissions intensity, climate value at risk)
- Exposure to fossil fuel reserves and positioning concerning the transition to a lower carbon economy
- Scenario analysis of the impact on the fund of different climate scenarios





ESG certifications *across the portfolio*

Several businesses within the portfolio are now progressing their ESG journey through third-party certification demonstrating a public commitment to proactive management of ESG issues. Two of these are highlighted below.

Certified B Corporations, or B Corps, are companies verified by B Lab to meet high standards of social and environmental performance, transparency and accountability. Two portfolio companies - Redington and Envisage - are currently B Corp certified and are working to improve their B Impact Assessment Score before recertification (every three years).

EcoVadis provides business sustainability ratings and assessments. EcoVadis Medals and Badges recognise eligible companies that have completed the EcoVadis assessment process and demonstrated a relatively strong management system that addresses sustainability criteria, as outlined in the EcoVadis methodology. 4most received a Bronze medal rating following its 2023 assessment and is now completing the recommended actions.

Certified



Corporation





People *management*

Phoenix portfolio companies are people businesses that rely on talented individuals to help create successful organisations. After a couple of uncertain years in the job market, all companies recognise the importance of supporting employees to help attract and retain talent.

Following the annual ESG update reviews progress has been observed in the following areas, supported by a dedicated People/HR resource in all portfolio companies:



Learning & development opportunities

Further investment in personal development and providing opportunities for progression in the company. Companies have been undertaking succession planning and skills gap analysis to provide opportunities for employee progression.



Benefits & wellbeing

Mental health support is now commonplace, and all businesses have some level of provision in place, with many appointing mental health first aiders or third-party counsellors. This is supported across the portfolio by comprehensive benefits programmes.



Diversity & inclusion

Activity relating to promoting diverse and inclusive workplaces has now become more widely adopted, and companies are seeing the benefits this can deliver. Proactive companies in the portfolio have been undertaking workshops and further training in this area.



Communication

Open and transparent two-way communication has continued to be an important tool for keeping employees engaged and helping them understand how they can positively contribute to business success.



Health & safety

Employers are aware of the significance of ensuring a safe and healthy work environment. Health and safety management includes performing risk assessments at the workplace, revising key policies, and creating awareness among staff members through induction programmes for new joiners and frequent training sessions. Companies also ensure there are sufficient designated first aiders and fire marshals with the business.



Supplier & customer management

The companies in the Phoenix portfolio typically operate within low-risk supply chains. However, where supply and customer risks do arise, businesses remain proactive in mitigating any potential risks by establishing policies that include ethical expectations for suppliers in terms and conditions. Additionally, companies conduct internal and external audits where necessary to ensure compliance with these policies.



Community & charity support

There has been continued support for local and national charities and community groups, providing invaluable support to various causes. This is through a combination of fundraising, volunteering and staff engagement to support outreach projects and align chosen charities with their business purpose.



Capital Economics

Macmillan coffee morning



Setfords

Phyllis Tuckwell Hospice



Envisage

Operation Smile



Spy Alarms

Spy Academy

Spy Alarms has developed a bespoke in-house training programme which provides an opportunity to learn new skills and join the Spy Alarms team as a qualified security engineer. This training programme, known as the 'Spy Academy', recruits between five and six apprentices from a diverse range of backgrounds every six months.

The Academy has a comprehensive syllabus that includes learning and understanding the governing legislation. Participants will learn the necessary skills at the component level and become skilled in designing, installing, and maintaining electronic security systems.

The Academy comprises:

- **Weekly Friday Club (Spy's internal training syllabus for Intruder Alarm Systems)**
- **Monday to Thursday shadowing a senior engineer**
- **BTEC Level 3 - Mains Compliance Course**
- **BTEC Level 3 - Basic Electronics**
- **BTEC Level 3 - Intruder Alarm Practical Course**

The Spy Academy has a newly refurbished training facility, which provides a safe and comfortable environment for trainee engineers to learn and gain confidence in their newfound skills. The facility includes tailor-made workstations, enabling trainees to start with the basics and develop their design, installation, and maintenance skills. Spy Alarms encourages trainees from diverse cultural backgrounds and genders and has achieved this by collaborating with local colleges in East London. Spy Alarms is proud to have welcomed its first female engineer through the Academy in 2023 and hopes to continue promoting gender diversity within the industry.





Capital Economics

Addressing ED&I in recruitment

Capital Economics recognises that one of the ways to increase gender diversity within the business is to actively participate in industry forums to share and promote best practice in ED&I. The Royal Economic Society's Diversity & Inclusion Network is one such opportunity to meet with industry leaders and Capital Economics' Head of HR, Faith Elliott, attended a recent meeting to share the firm's experience in encouraging greater diversity by adapting their recruitment practices.

The meeting theme centred around "Rethinking Inclusive Recruitment Practices for Economists" and Capital Economics communicated the following guiding principles and learnings which they have introduced to increase diversity within the business:



Real leadership involvement

Senior managers must actively engage in ED&I policies and processes and promote HR strategies to the wider business.

Establish clear recruitment guidelines which consider diversity and representation

Document processes and create a 'best practice recruitment guide' which is available company-wide.

Do not prioritise work experience for junior roles

Applicants from more privileged backgrounds are likely to have better access to such opportunities. Avoid giving priority to experience over skills.

Thoughtfully select and train the recruitment panel

The entire panel, not just HR, should understand and embrace best practices and recognise the business value of diversity.

Be proactive

Understand the challenges by engaging with recent research on the topic and reflect on how these findings may affect recruitment processes. Track progress through ED&I surveys.

Clear communication

Consider the strategic placement of job advertisements, recognising that diverse platforms may be needed to reach the desired audience.



Setfords

Employee support & engagement

Allyship Promise

The Allyship Promise was created after Setfords underwent company-wide allyship training, facilitated by Professor Funke Abimbola MBE. Funke is a Diversity, Equality and Inclusion Leader, non-executive director, BBC media commentator, corporate lawyer and public speaker. Setfords was keen to keep the conversation going on this topic after the training, so they conducted some research online and received guidance from Funke to develop the 'Setfords Allyship Promise.' This is a modern code of conduct which the company expects and encourages all employees and consultants to follow. Chris and Guy Setford were the first to sign this promise, demonstrating their dedication and passion for diversity, inclusion and allyship at the firm.

The Allyship Promise is given to all new joiners via the new joiner guide at the start of their Setfords journey. It can be easily found and accessed on the new HRIS and has been a great source of discussion in team meetings and cultural sensitivity workshops.



Professor Funke Abimbola MBE

Cultural sensitivity workshops

These workshops were created in response to discussions with Setfords' Investors In People practitioner, current SRA guidance, and employee feedback on cultural sensitivity and microaggressions. The Compliance Director and Head of HR designed the workshops to facilitate discussion, raise awareness, and encourage more cultural sensitivity in the workplace.

The interactive workshops aim to encourage respectful discussion in a safe and supportive environment. They cover various topics, including the importance of diversity to the firm and individual employees, the defining moments in different employees' backgrounds that shaped their lives, the definition of cultural sensitivity, and how others perceive it. The workshops also discuss respect, understanding, and acceptance, with exercises like the stand-up/sit-down exercise to highlight different experiences and similarities.

The workshops also discuss explicit and unconscious bias and provide strategies to overcome or control these. The sessions highlight what Setfords currently does to promote inclusivity and plans to ensure continuous development in this area. The training has been well-received, and the business plans to run sessions annually, in addition to ad-hoc guidance, to ensure that new joiners understand the culture and expectations of all employees.

setfords
london





Cyber security & *data protection*

All businesses face an increasing risk of cybersecurity breaches, which can result in significant operational disruption. To prevent, detect, control, and recover from such threats, companies need to proactively manage their data and IT infrastructures by developing cyber-resilient systems, policies, and processes. Phoenix has implemented these measures and provides cyber security training to staff to raise awareness and maintain online safety.

To verify the effectiveness of these security measures, portfolio companies are seeking external certification. The ISO 27001 Information Security Standard is the primary international standard for information security, and some businesses are pursuing this certification. Others are opting for the Cyber Essentials Plus or Cyber Essentials scheme, which is a government-backed program aimed at safeguarding against common cyber threats and demonstrating a commitment to cybersecurity.

Modern *slavery*

Across all portfolio companies, the general profile shows a low risk of involvement in acts of modern slavery, whether it is close to home or overseas. In cases where companies are obligated under the UK's Modern Slavery Act, they have published Modern Slavery statements that are reviewed and updated annually.

Anti-bribery & *corruption*

All portfolio companies have demonstrated a high level of responsibility towards complying with the Anti-Bribery & Corruption (ABC) Act. Their ABC policies are regularly updated and include strict controls on gifts and hospitality. Companies provide employee training on ABC awareness, regardless of their job roles, which is often delivered through online platforms.

Companies also conduct anti-money laundering checks on new customers and screen for financial crime using risk checklists and tools. Screening processes are also applied to suppliers through rigorous onboarding practices. Strict protocols have been developed to identify countries of concern, and where suppliers or customers are located in high-risk areas, businesses are proactively managing this by checking international sanctions lists. Where possible, businesses will seek to work proactively with suppliers to help manage and improve ESG performance and protect workers' rights; terminating a contract is always a last resort.

Whistleblowing procedures are also provided across the portfolio outlining how concerns can be raised within the business. Some companies have also provided access to external whistleblowing hotlines as an alternative channel for employees to discuss ABC concerns.



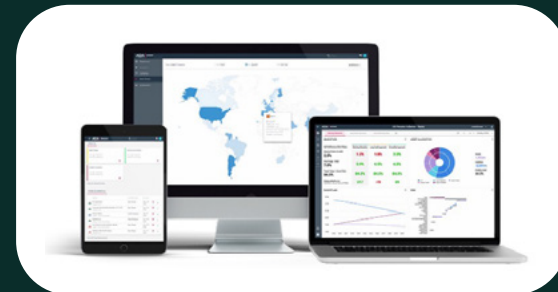
Redington

Enhanced stewardship platform

After identifying stewardship as a key challenge for their clients, Redington launched its Enhanced Stewardship Platform (ESP) in March 2023. The service is powered by Redington's proprietary technology platform, Ada Fintech, and is designed to help asset owners take more control of their stewardship activities and hold their investment managers accountable more effectively.

Asset owners face increasing regulatory pressure to report on and evidence their stewardship activities. In June 2022, the Department for Work and Pensions (DWP) issued new guidance for pension schemes on reporting on their engagement and voting policies. More recently, The Pensions Regulator (TPR) has stated that it will monitor how well pension schemes respond to this new guidance.

Redington's service will enable clients to fully comply with the stewardship aspirations of the DWP guidance and navigate an increasingly complex and scrutinised space. The modular service is focused on three key areas: reporting, assessment, and engagement. It will provide aggregated reporting of engagement and voting activity across all appointed fund managers, an assessment of the quality and consistency of engagement and voting, as well as how well manager activities align with client policies and priorities, and active engagement with fund managers to challenge and hold them to account.



“Stewardship is one of the most powerful sustainable investment tools available to asset owners and is directly applicable to all asset classes. Yet it’s an area where asset owners remain overly reliant on their investment managers for reporting insights into areas such as engagement and voting. Investment managers have tended to focus on the stories they most want to tell rather than on the investments and issues that matter most to clients. Our new ESP service aims to turn this on its head and allows clients to take ownership of their stewardship reporting and assessment, removing this dependence on their managers.”

Paul Lee, Head of Stewardship & Sustainable Investment Strategy

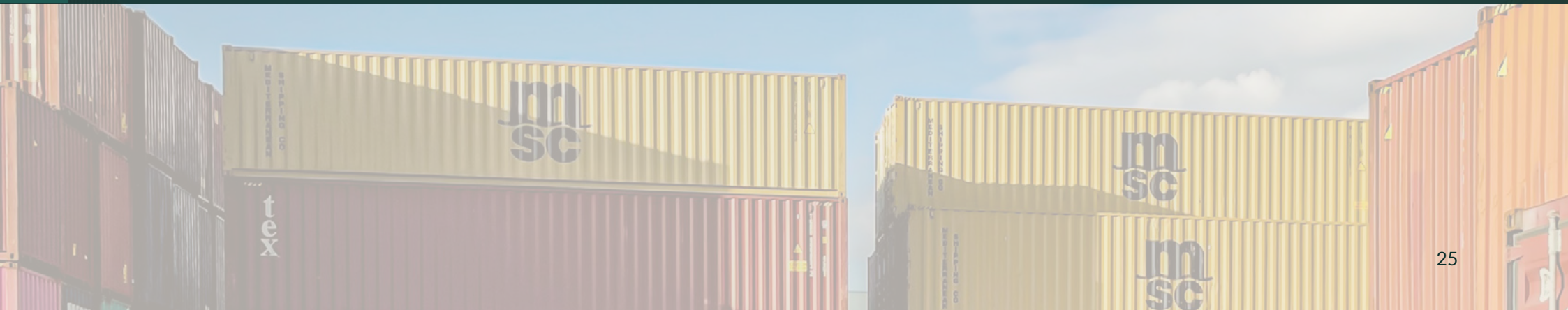


Nineteen

Supply chain transparency

Nineteen has taken measures to proactively manage supplier relationships and supply chain transparency. New controls and processes have been introduced to ensure that the company maintains high ethical standards and that suppliers and customers adhere to the same principles. The company assigned responsibility for this by hiring a Procurement Contractor for a few months in 2023 to review major suppliers in terms of volume and value of expenditure. The review process included requesting Modern Slavery statements to ensure that suppliers are not involved in any unethical practices.

Furthermore, the company is taking additional steps to manage environmental, social, and governance performance through a new Purchase Order system which will include a new set of terms and conditions to provide better control and management of ESG concerns. Nineteen is committed to ensuring that it continues to maintain high ethical standards, and these measures are a testament to its commitment towards achieving this.





Cyber security

The Phoenix portfolio companies take cyber security seriously and proactively manage the risks accordingly. Several companies go beyond basic compliance and have received cyber security certifications such as ISO 27001 and Cyber Essentials. Extending this further, new investments - Logiq and Nostra - provide cyber security consulting services to a wide range of customers with a variety of needs and security requirements.

Logiq's clients have stringent and complex security requirements that range from MOD and Government to critical infrastructure. The company provides consultancy support across various programs, including Security Risk Assessments, Strategic Consultancy, Compliance Audits, and Architecture Reviews. It offers expert advice on System Design and delivering Secure Systems through Software as a Service (SaaS). One of the early client engagements led to the development of DISX, a cloud-based SaaS platform designed to establish a secure collaborative environment for sharing classified information. DISX is specifically designed for use across Defence and wider Government engagements.

Nostra is a cybersecurity service provider that offers various advanced services to help businesses protect, detect, and respond to potential cyber threats. Its range of expertise includes conducting cyber risk assessments using its NIST-based CyberPrism audit tool, performing risk-based security audits, providing remedial actions to mitigate risks, and offering support for security breaches.

To help clients manage ongoing cyber risk, Nostra provides in-person and online penetration testing services and security training. They also offer proactive network monitoring through two solutions: Alienvault Security Information and Event Management (SIEM) and InSoc Security Operations Centre (SOC) to provide a 24/7 monitoring service. Furthermore, Nostra provides Information Security Policies that detail a company's position concerning IT and security. It also has vast experience guiding businesses through the ISO 27001 application process and is certified to this standard itself.




86%

of the portfolio have
certified to a cyber
security standard


29%

of the portfolio have
certified to ISO 27001
or IASME


57%

of the portfolio have
certified to Cyber
Essentials or Cyber
Essentials Plus

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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 2024.