

Investing Responsibly



ESG report 2022/23

sep
Scottish
Equity Partners

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01



SEP in 2022/23

Foreword

Global environmental, social and economic challenges have intensified in the three years since we published our first Responsible Investment Report, but so has our commitment to helping build more resilient businesses and a sustainable world.



Calum Paterson
Managing Partner

Becoming agents of change requires businesses to be accountable and transparent. We support this through our Sustainable Growth Framework, which benchmarks progress and helps companies to embed ESG best practice. Providing expert guidance on complex sustainability issues helps to future proof our portfolio.

We are at a decisive point in our efforts to tackle climate change, with global warming evident in extreme weather, droughts, floods and fires. This year, scientists recorded the highest readings of atmospheric carbon dioxide in millions of years, while the World Economic Forum reported that climate change accounts for six of the top 10 most severe risks in the next decade.

As investors, we have a critical role to play and we believe in leading by example. That is why we partnered with carbon accounting specialist Supercritical to measure our own carbon footprint for the first time. Consequently, we have become a carbon neutral business after fully offsetting our emissions through high quality carbon removals.

Although the technology sector's global emissions are rising at an alarming rate, technology also has the potential to be a critical part of the solution. Carbon removal rates need to grow 14,000x to meet 2050 targets – approximately the difference in height between a raspberry and the UK's tallest building, the Shard. That requires technological innovation as well as capital. Daunting though this might seem, exciting opportunities are emerging that could

help radically accelerate the transition to a low carbon world.

Helping companies achieve excellence in ESG is a critical part of our long-term value creation plan and we continue to work hard on building strong foundations for sustainable growth. This report outlines just some examples of portfolio companies that have demonstrated innovation and leadership in these areas, from supporting emerging carbon removal technologies to excellence in employee engagement.

Management teams recognise that ESG performance can be a value driver. Despite a continuing fight for top talent, our portfolio added a net 1,200 new hires in the past year, with many introducing measures to target a wider, more diverse pool of talent. Achieving a more diverse workforce at all levels remains a key focus for us.

According to the British Venture Capital Association (BVCA), private equity and venture capital backed businesses directly generate £137 billion of GDP in 2023, equivalent to 6% of UK GDP. We are proud to be part of an industry that supports high skill jobs and nurtures innovation as well as making a significant contribution to the economy.

Looking ahead, it is clear that businesses continue to face significant headwinds. However, we are confident that with a disciplined approach to ESG, and support as hands-on and engaged investors, our companies are well-placed to identify risks and seize growth opportunities.

SEP in 2022/23

SEP in numbers



£1.4bn

Aggregate portfolio company revenue

24%

Median portfolio company growth LTM

~6,500

Employees across the portfolio

~1,200

LTM net hires across the portfolio

38%

Women in SEP's team

100%

Carbon neutral*

*As of 31 March 2023

All figures as of 31 December 2022 unless otherwise stated

SEP in 2022/23

Key Achievements



We are committed to deepening our understanding of sustainability best practice and empowering our portfolio companies to do the same. In 2022/2023 we organised a series of events and initiatives aimed at sharing knowledge, driving improvement, and maximising impact. Here are some of our key achievements.



Portfolio Collaboration

We believe that our portfolio companies derive significant benefits from sharing their experiences and learning from one another. In 2022/23, we continued our programme of Growth Series events, bringing in subject matter experts to address a diverse range of topics from people and culture to systems and governance. We brought in specialist global advisory firm Crosslake to discuss DevSecOps (development, security, and operations) and the benefits of integrating security into every stage of the software development process. And recently, seasoned SaaS business builders, Jeremy Roche and Richard Moseley explored US go-to-market strategies for European software businesses.

Talent, Diversity & Inclusion

We engaged in several activities to help companies foster a diverse, inclusive culture and build innovative, high-performing teams. We renewed our commitment to the Women in Finance Charter, which focuses on improving gender diversity in financial services. We continued to support the Investing in Women Code, underlining our commitment to giving female entrepreneurs improved access to tools, resources, and finance. And we continued our successful series of Women in Tech Leadership Network events, bringing together highly accomplished female business leaders and senior women from across our portfolio to share insights and experience.



Team Development

We continued to invest in developing our own team as well as supporting our portfolio companies with talent attraction and people development strategies. Our newly appointed Sustainability & ESG Lead has been tasked with further integrating ESG factors across SEP and assisting portfolio companies in developing sustainability strategies. Our investment team participated in non-executive director (NXD) training, where they refreshed their knowledge on critical boardroom issues. And the Wellbeing Project provided resilience training to our operations team, equipping them with strategies to manage stress, avoid burnout and boost mental wellbeing.

Climate Impact

SEP became carbon neutral for the first time, offsetting 100% of our carbon footprint with high-quality carbon removals. To do this, we partnered with carbon accounting experts, Supercritical, to help us measure our carbon footprint in line with the GHG protocol. We engaged with our portfolio companies, running a Growth Series event on carbon footprint measurement, and have begun collecting their emissions and energy consumption data. And our London office has reduced our environmental impact, with our new building operating an ISO14001 certified Environmental Management System, with energy supplied via a green tariff.

Society & Engagement

We continued to support the community through charitable giving, mentoring, and volunteering, with a focus on empowering young people and community-led projects. Initiatives we supported include the Youth and Philanthropy Initiative, which involves school pupils running philanthropy projects to develop team working and leadership skills, Winning Scotland which builds children's confidence and resilience, and the Strathclyde Inspire Fund which supports entrepreneurial activity by students and alumni from the University of Strathclyde. Our team Fitness Challenge also raised funds for Urban Roots, a charity that transforms derelict ground into community gardens and Eco Active, an environmental education charity.

‘SEP became carbon neutral for the first time, offsetting 100% of our carbon footprint with high-quality carbon removals.’



Our Approach

Our Approach

Beliefs and values

Sustainability is a multi-faceted issue that cuts across all aspects of business, from effectively managing risk, to engaging employees and taking decisive climate action.

As responsible investors, we aim to have a significant and far-reaching impact on the companies we invest in. Partnering with them at a critical point in their growth, our Sustainable Growth Framework provides a robust foundation for companies as they scale up in global markets and build long-term value.

Technology can be a powerful enabler of sustainability and a thriving ecosystem of innovative companies is key to tackling urgent social and environmental challenges. We are committed to supporting this and providing opportunities for companies to share insights and experiences.

**‘Technology
can be a
powerful
enabler of
sustainability.’**

‘A responsible, long-term approach is fundamental to building successful, future-proof businesses.’

Our beliefs



Innovation

We are investors in innovation and strongly believe in the power of technology as a force for good. We encourage and support innovative approaches to sustainability across our portfolio.



Partnership

We are supportive and knowledgeable partners. We help companies grow in a way that benefits them and their stakeholders and contributes positively to society and the environment.



Accountability

We collate detailed information on ESG performance across our portfolio, providing scores and feedback on key metrics and tracking progress for each company.



Resilience

Sustainability is core to business growth, helping companies remain competitive and contributing to operational efficiency, resource management and financial success.

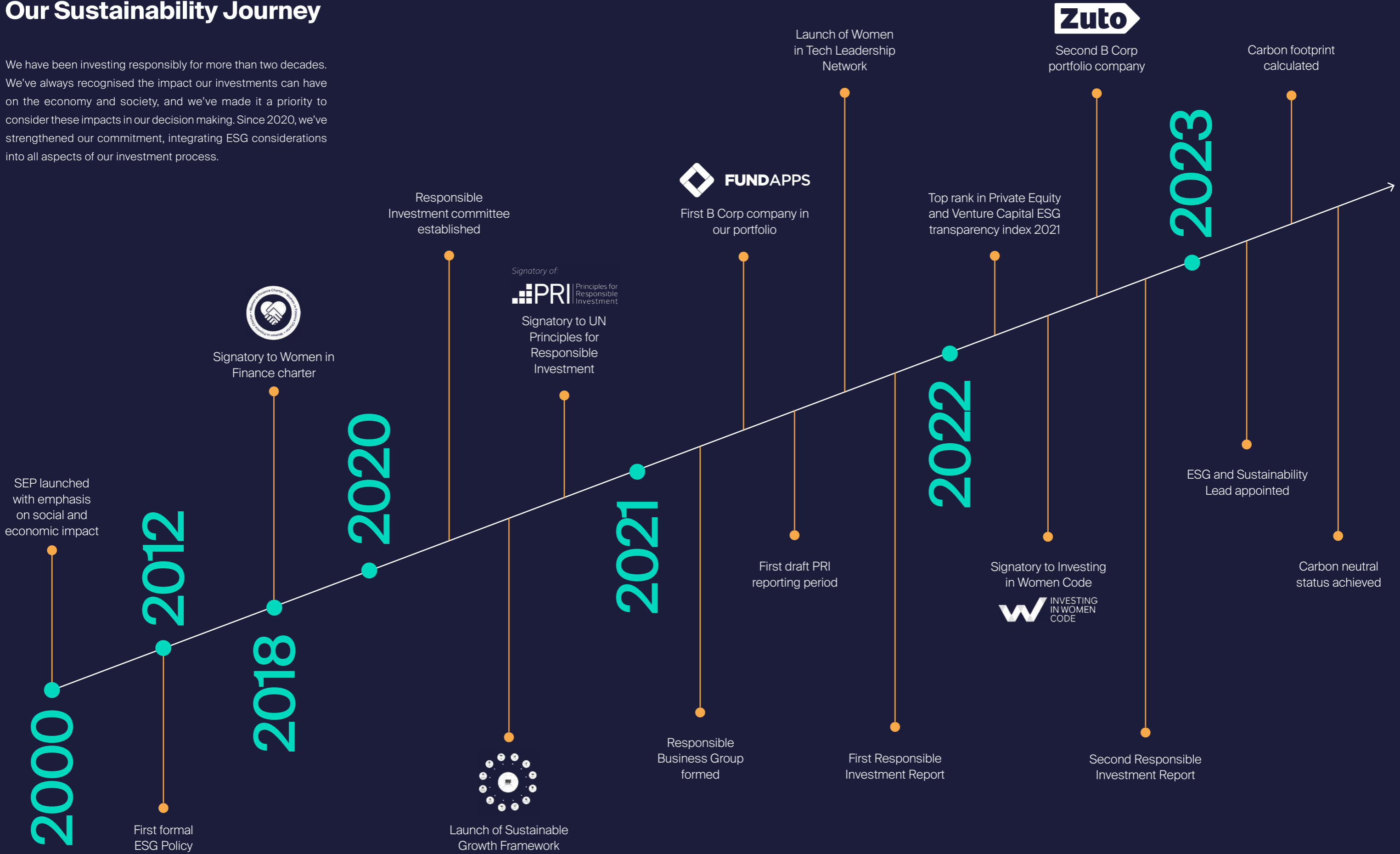


Inclusiveness

We strive to help build a more diverse and inclusive world in which talent is recognised and rewarded and businesses give back to and support the communities in which they operate.

Our Sustainability Journey

We have been investing responsibly for more than two decades. We've always recognised the impact our investments can have on the economy and society, and we've made it a priority to consider these impacts in our decision making. Since 2020, we've strengthened our commitment, integrating ESG considerations into all aspects of our investment process.



Our Approach

ESG in the investment lifecycle

Investing responsibly is part of the DNA of our firm. ESG considerations are embedded across our entire operation and are integrated into all stages of the investment lifecycle.

They guide our relationships with our stakeholders, from limited partners to portfolio companies, suppliers, advisers, and of course our own employees.

Our guiding principle is that our decisions and actions should have a positive impact in the widest sense - on the environment, the communities in

which we operate and on society more generally.

This begins before we even engage with a company and continues throughout the full investment cycle, from initial investment to beyond our eventual realisation.

‘We see a strong correlation between responsible, well-run companies, commercial success, and long-term value creation.’

1

STAGE 1

Pre-investment

Screening

We screen all potential new investments against our exclusion list. This list highlights the businesses, sectors, and products that we will not invest in and is kept under review.

Due diligence

We assess prospective portfolio companies against our sustainable growth framework, identifying, strengths, opportunities, and potential concerns. Results are discussed with our Investment Committee and Investment Advisory Board.

2

STAGE 2

Active ownership

Value creation

We share information gathered during due diligence with management and work together to develop and implement a bespoke value creation plan for each portfolio company designed to support future growth.

Ongoing engagement

Throughout our investment, we record and monitor portfolio company performance against our sustainable growth framework and agreed objectives. We provide feedback and support to companies to help them continually improve their performance.

Portfolio collaboration

We share best practice across the portfolio and engage closely with management teams, providing advice and support. Specific programmes include our Women in Tech Leadership network and our Growth Series which equips management teams with practical tools and expert knowledge to support sustainable growth.

3

STAGE 3

Realisation

We focus on building long-term value and equipping businesses with the knowledge and tools for sustainable growth far beyond our involvement. When planning a realisation, we look to identify opportunities that will deliver a ‘responsible exit’ as well as maximise financial returns. This means seeking acquirers that are aligned with management team values and long-term aspirations.

Our Approach

Industry initiatives and collaboration



Principles for Responsible Investment

Signatory of:



SEP has been a signatory to the Principles for Responsible Investment (PRI), the world's leading proponent of responsible investment, since 2020.

Founded with United Nations support, PRI has more than 4,300 signatories, representing the majority of the world's professionally managed investments. PRI's six principles aim to foster good governance, integrity, and accountability. They underpin SEP's own Sustainable Growth Framework and are incorporated in our business practices and investment decisions.

Six Principles for Responsible Investment

- 1** We will incorporate ESG issues into investment analysis and decision-making processes
- 2** We will be active owners and incorporate ESG issues into our ownership policies and practices
- 3** We will seek appropriate disclosures on ESG issues by the entities in which we invest
- 4** We will promote acceptance and implementation of the Principles within the investment industry
- 5** We will work together to enhance our effectiveness in implementing the Principles
- 6** We will report on our activities and progress towards implementing the Principles



Women in Finance Charter

SEP is a signatory to the UK government's Women in Finance Charter. As signatories, we pledge to help build a more balanced and fair industry and advance the representation of women in senior management in financial services. We have been a signatory since 2018 and have renewed our commitment annually. SEP's actions to promote gender diversity include setting targets for senior management roles and publishing annual progress towards these targets.



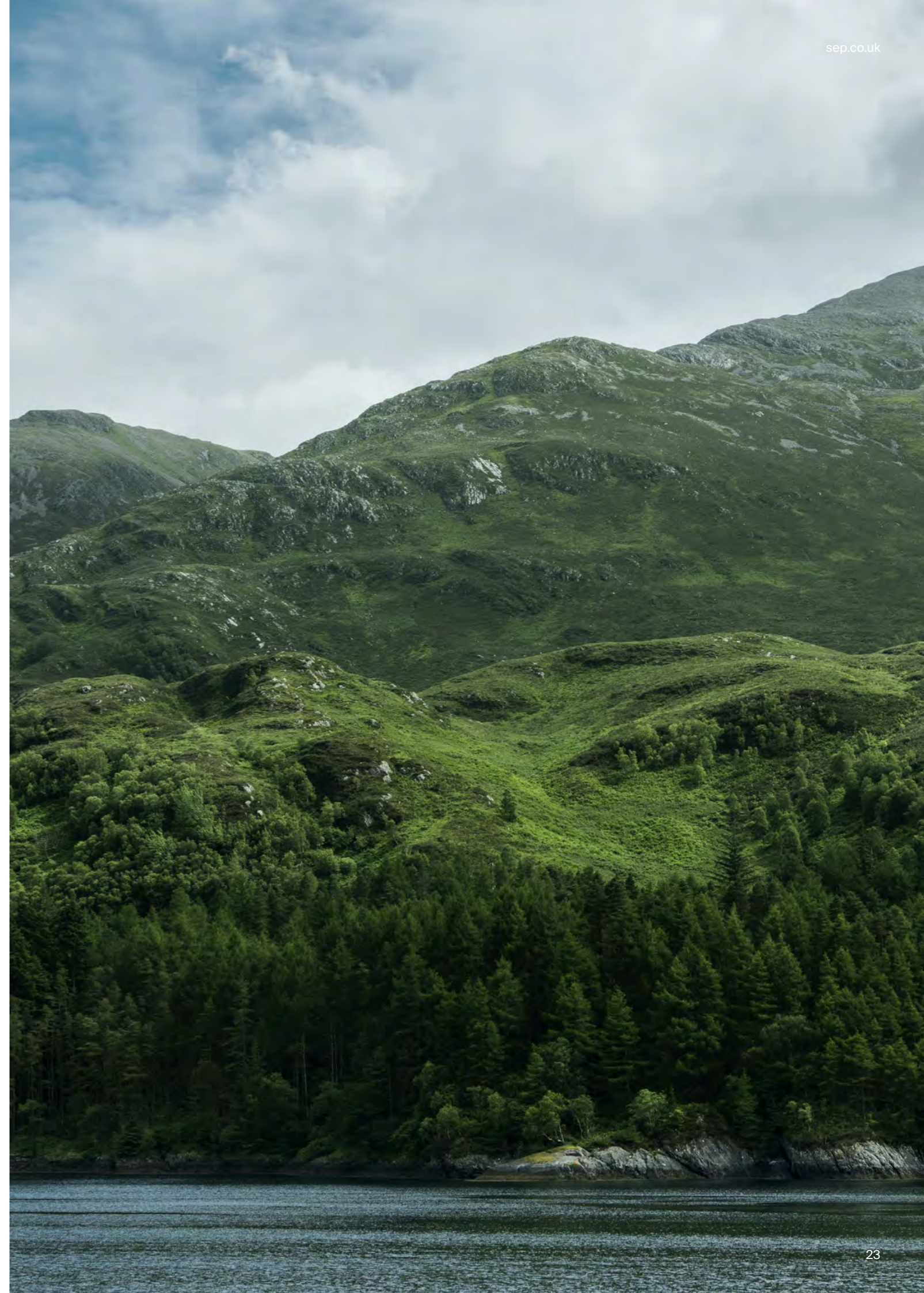
Investing in Women Code

SEP is working to advance female entrepreneurship through its commitment to the Investing in Women Code. Established by the UK Treasury, the Investing in Women Code is focused on improving access to capital, tools and resources for women seeking to grow their businesses. SEP submits diversity data and fosters an inclusive culture as part of our commitment to equality for female founders and business leaders.



BVCA

The BVCA is the industry body for the UK private equity industry. We are an active and collaborative member and support efforts to champion companies demonstrating excellence in innovation, growth, and sustainability. One of our partners was a member of the judging panel for the BVCA Vision 2022 awards, working to recognise management teams with innovative strategies that have delivered a competitive advantage for their businesses, supporting growth and the transition to a sustainable economy.



Sustainable Growth Framework

Our bespoke approach to sustainability addresses the most material aspects of ESG for the high-growth technology businesses we back. We have refined our framework since its first introduction to add further depth and rigor to the information we gather, particularly on issues related to climate change.



Governance

Culture

Society

Governance

Our portfolio includes companies at different stages of development, operating in various locations around the world. A fundamental part of our value proposition is helping companies put in place the right governance structures to enable them to scale successfully. These include:



Effective boards:

An experienced and diverse board with independent representation and effective reporting structures



Risk management:

Effective controls to manage and mitigate risks



Legal & compliance:

Compliance with all relevant laws and regulations including anti-bribery, anti-money laundering, anti-competitive behaviour, and supply chain issues



Data security & privacy:

GDPR and cybersecurity measures to protect sensitive information

Culture

Encouraging the companies we invest in to promote a rewarding and inclusive culture is key. We believe that progressive employment practices lead to a motivated and engaged workforce. It is therefore important that the companies we invest in strive to develop certain attributes:



Growth:

Creation of a safe, healthy, and diverse place to work, allowing employees to grow and develop.



Talent:

Attraction and retention of high-quality talent by being a great place to work



Alignment:

Employee engagement in company mission, values, and culture. Staff motivation and incentivisation through broad share ownership and reward schemes



Innovation:

Product-led differentiation solving high impact or complex customer issues

Society

We encourage the companies we invest in to be purpose-led and to have a positive external impact. This includes acting with integrity and committing to fostering positive relationships with key stakeholders and the communities in which they operate. We consider this societal impact by looking at:



Responsible business practises:

Conducting business in an ethical and responsible manner



Climate impact awareness:

Limiting potential environmental impact in line with the goals of the Paris Agreement through careful management of energy and supply chain



Active community engagement:

Contributing to society and having a positive impact on our communities, including industry initiatives, charities, mentoring and apprenticeships



Open communication:

Transparent communication and engagement with all stakeholders.



Our Portfolio

We work closely with management teams and boards to ensure they have the resources and processes in place to address existing and emerging environmental, social and governance issues. Creating a culture that supports and enables

sustainable behaviour requires strong leadership, good governance, and a focused approach. Business leaders recognise the benefits of our framework as a value driver and catalyst for growth.



Gary Young,
CEO at Peppermint
Technology

“We have found SEP’s sustainable growth framework to be a very useful tool in advancing our ESG agenda. The structured approach helps us to better understand our relative strengths and development opportunities. With ongoing engagement and yearly assessments, we continuously strive for progress and improvement. The feedback from SEP holds real value, as it allows us to effectively communicate our achievements and rally our team around our objectives for the upcoming year. Embedding strong governance and robust ESG practices across our entire operation is key to maintaining the trust of our law firm clients, for whom customer data integrity, security and privacy are of paramount importance. Through our collaboration with SEP, Peppermint can confidently achieve this goal.”



Emma Walsh,
CPO at Basis
Technologies

“Through SEP’s insights and resources, we have gained a deeper understanding of sustainable practices and have been able to effectively navigate a rapidly evolving landscape. Their guidance and expertise have been instrumental in helping us shape our approach to sustainability, tackling complex and often confusing issues like carbon accounting and net zero planning. SEP’s Women in Tech Leadership Network events have been very valuable, fostering connections with other senior women in our industry. Their commitment to promoting diversity is clear, and we are grateful for their support.”



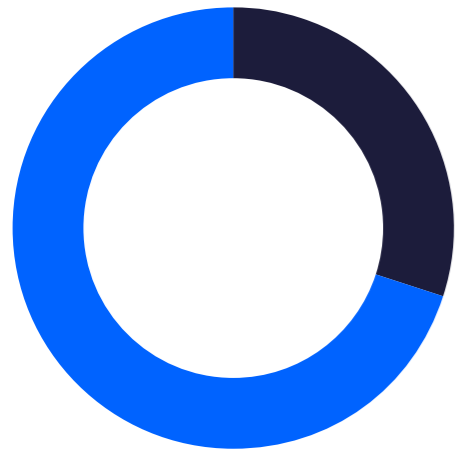
Dave Weidner,
CEO at Pelion

“As soon as we started speaking to SEP, it was immediately apparent how much value is placed on responsible business practices. The team’s engagement on ESG began well before they completed their investment, and their sustainable growth framework has been instrumental in shaping our strategic approach to ESG. As leaders in the IoT connectivity market, privacy, security, and customer satisfaction are core to our business. Ensuring environmental, social, and governance considerations are fully integrated into our operations is key to delivering sustainable growth. We see SEP’s forward-thinking approach and commitment to sustainable practices as incredibly valuable in supporting us to navigate the ever-evolving ESG landscape, driving our business forward with lasting positive impact.”

ESG highlights

115+

ESG KPIs collected from portfolio companies



70%

of companies have someone responsible for ESG strategy and implementation

100%

of companies have a code of conduct policy

Portfolio company employees



Female

45%



Male

55%

100%

of companies have a whistle blower policy

80%

of companies are engaged in community projects or charitable initiatives



90%

of companies have a diversity & inclusion policy



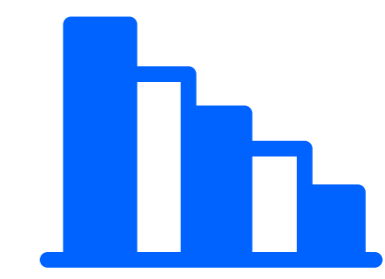
100%

of companies have initiatives to promote mental health



35%

of companies have specified a GHG reduction or net zero target



4.1

average Glassdoor score across our portfolio

glassdoor



Our Portfolio

Climate Change

As investors in software and tech-enabled businesses, we are keenly aware of the significant environmental impact of data transmission and storage. The tech industry currently accounts for 4% of global emissions¹ and that figure is likely to rise substantially as tech continues to permeate all aspects of our day-to-day lives.

For growth stage businesses, understanding and implementing a net zero strategy can be challenging. There is conflicting guidance and messaging around how best to approach this critical issue, and there is still a gap in understanding. Among tech CEOs who have yet to make a climate commitment, 74% still believe their companies do not produce meaningful emissions.²

We aim to bridge this gap by providing knowledge and resources, by sharing best practice, and by encouraging businesses to calculate and report on their emissions.

In 2022 we ran our second growth series event on climate change in collaboration with portfolio company and Europe's largest independent online eyewear business, Mister Spex. Constanza Burda, Lead Corporate Responsibility, shared insights on

their approach to net zero and their strategy around carbon measurement and reduction.

Our engagement has already led to noticeable shifts in attitudes and behaviour, with over one-third of our portfolio now reporting to have set a GHG reduction target. This year we also recorded a sharp rise in companies measuring their carbon footprint for the first time, highlighting a growing resolve to be transparent and accountable on environmental issues in general, and on carbon emissions specifically.

We are proud that our companies are increasingly going above and beyond what is required of them in terms of disclosure, driven by a desire to have a positive impact and increasing recognition that being an ESG leader can be a value driver.

¹ <https://technation.io/uk-tech-sustainability>

² https://www.pwc.com/gx/en/ceo-survey/2022/main/content/downloads/25th_CEO_Survey.pdf

Greenhouse Gas Emissions

According to the Greenhouse Gas (GHG) Protocol, the world's most widely used greenhouse gas accounting standard, a company's emissions are categorised into three scopes.

Scope 1

Direct emissions from company-owned or controlled resources. These include emissions from fuel and heat, company vehicles and industrial processes.

Fuel emissions



Company vehicles



Industrial processes



Scope 2

Indirect emissions from the generation of purchased energy, such as electricity or other energy used to heat or cool buildings.

Electricity



Building heating / cooling



Scope 3

All other indirect emissions associated with a company's operations. They can be linked to suppliers, customers, employees or products. They include business travel, commuting and waste. For non-manufacturing companies, scope 3 typically represents the most significant contributor to a company's carbon footprint.

Business travel



Commuting



Waste



35%

of companies have set GHG reduction targets

30%

of companies are measuring their Scope 1,2 & 3 emissions

50%

of companies are measuring their energy consumption

Climate change case study:



Regulatory compliance specialist FundApps achieved carbon neutral status by investing in innovative carbon capture and removal projects.

FundApps, whose 'Software as a Service' (SaaS) platform provides automated compliance solutions and expert insights, has always had a strong focus on reducing its environmental footprint. As a Certified B Corporation, it is committed to meeting rigorous standards in both social and environmental performance. "Being a force for good for people and the planet is baked into our DNA," says Toby O'Rourke, Chief Technology Officer.

FundApps, which uses 100% renewable energy, engaged carbon accounting specialists Supercritical to measure its carbon footprint for the first time in 2022. It has already purchased 160 tons of high-quality carbon removals, covering 45% of 2021's CO₂ emissions and will purchase a further 190 tons to fully offset its emissions, making it a carbon neutral company.

"We're investing in more experimental forms of carbon capture that have greater potential for industrialisation, giving us all a better chance of hitting climate change goals," says O'Rourke.

FundApps' carbon capture and removal offsets span several emerging technologies including biochar, a charcoal-like substance made from burning agricultural and forestry waste, 'enhanced weathering', in which crushed rocks react to CO₂ in rainwater, capturing and storing it in a stable form, and direct air capture, a chemical process which captures ambient CO₂ from the atmosphere.

"If all companies supported emerging carbon removal technologies it would have a significant impact. We're signaling to the market there's an appetite for these solutions," says O'Rourke.

FundApps is also pursuing several initiatives to reduce its carbon emissions, a vital element of its net zero strategy. It has adopted a 'serverless' computing model, a form of 'utility computing' in which the company's cloud provider allocates resources on demand. This has resulted in major reductions in energy consumption as well as costs.

'If all companies supported emerging carbon removal technologies it would have a significant impact.'



Our Portfolio

Cybersecurity

Cyber-attacks are on the rise, with new threats and security breaches emerging daily - and the stakes are only increasing. Cybercrime is predicted to exceed \$8 trillion globally in 2023, with damages expected to grow by 15% over the next three years, reaching \$10.5 trillion by 2025¹.

Organised crime and hacking groups are among the rising number of potential cyber threats. Quantum computing and AI advancements also pose new risks, potentially enabling the decryption of data previously considered secure.

All these factors underline why it's essential that cyber security is a top priority for company boards and management teams.

Our portfolio companies have sharpened their focus on cyber security, with 100% now providing specialist training for employees, up from 89% last year. Companies are increasingly aware that creating a culture of vigilance and personal accountability is just as important as investing in security systems.

An increasing number are conducting regular, board level reviews of their cyber and information security practices, and almost all portfolio companies had their security systems externally reviewed or tested within the last twelve months. A growing number of companies have also attained internationally recognised accreditations relating to critical aspects of cyber security such as data management and business continuity planning.

This year, we ran a Growth Series event in collaboration with Crosslake Partners, which outlined an approach that integrates cyber security as a function of development of all software, ensuring that security is embedded in software development from day one.

100%

of companies conducted cyber security awareness training

95%

of companies conducted an external cyber audit

75%

of companies reviewed cyber resilience at board level

‘Cyber security training is in place across SEP’s entire portfolio.’

¹ <https://cybersecurityventures.com/cybercrime-to-cost-the-world-8-trillion-annually-in-2023/>



Cybersecurity case study:



Keeping customer data secure and maintaining uninterrupted service are top priorities for leading international cloud contact centre and customer engagement technology provider, Content Guru, whose clients include mission-critical emergency service providers.

Content Guru is the only cloud provider dealing with the emergency services in the UK, where every 999 call for an ambulance is routed through its service. Its storm® CONTACT™ Emergency Services Platform (ESP) ranks as the world's most reliable high volume cloud contact solution with 99.99% guaranteed availability.

Availability is a core element of customer service. It is especially important for clients such as utilities providers or emergency responders for whom a cyber security breach could have serious consequences if it were to cause a service outage or data leak.

"We are engineered and designed to be highly secure and highly available. We use the elasticity of the cloud to automatically scale," says Chief Technology Officer Rob Mansfield.

"Cyber security is the responsibility of everyone in our company from the cleaner to the CEO - the buck stops with the board."

Content Guru has undergone rigorous external inspection and testing and has secured UK, European and globally recognised accreditations relating to critical issues spanning resistance to cyber-attacks, management of information security risk, payment security, data privacy and business continuity. Its accreditations include Cyber Essentials Certified Plus, ISO 27001 and ISO 27701, PCI DSS V3.2.1 Level 1, SOC2 Type 2, and JIS Q 15001.

"Cyber security needs to have strength, depth, and a multi-pronged approach. You need to invest in people, processes, and tools - it takes a combination of all three," says Mansfield.



‘Cyber security is the responsibility of everyone from the cleaner to the CEO - the buck stops with the board.’



Cybersecurity case study:

AutoRek

Central banks set a high security bar, so AutoRek's success in earning the trust of the US Federal Reserve is testament to the rigour of its security.

AutoRek's financial data control platform enables clients to reduce costs, achieve compliance and reconcile complex data. Its customers include more than 100 firms in asset management, payments, banking, and insurance.

The US Federal Reserve selected AutoRek as a service provider for the showcase of its FedNow Service, a new payments infrastructure to facilitate safer, faster money transfers.

"The financial services industry is extremely vulnerable to cyber-attack. It needs to maintain the highest levels of data security and operational resilience," says Gordon McHarg, Chief Executive of AutoRek.

The company has achieved several major accreditations including ISO 27001, ISO 9001 and FSQS (Financial Services Qualification System). It is a Gold Microsoft Partner (a status only attained by the top 1% of Microsoft Partners worldwide) and is undergoing SOC 2 accreditation.

Independent scrutiny and external security testing are key to identify vulnerabilities. McHarg says investment in processes, procedures and tools must be matched by investment in people. The company has recruited a new Cyber Security Lead and all staff undergo security vetting and training.

"You need to adopt an appropriate culture across the entire company. It's critical to understand that every single person could be a potential point of failure."

Training includes highlighting potential risks such as 'tailgating' (following people into secure areas) and of confidential information being left on whiteboards, in bins, or copied onto USB drives. It is also vital that employees feel able to report security breaches before risks escalate, says McHarg.

'You need an appropriate culture across the entire company. It's critical to understand every single person could be a potential point of failure.'

Our Portfolio

Talent and diversity

Attracting, developing, and retaining top talent remains a key challenge for high-growth technology companies. One of our main priorities is helping companies develop talent strategies that will deliver a competitive advantage and ensure the long-term success of their business.

Talent acquisition and retention is strongly linked to value creation. Because we invest at a critical point in a company's growth journey, our input and experience can have a significant positive impact. Our companies made over 1,200 net new hires last year, recruiting top talent in a market that remains competitive.

Our companies are pursuing innovative strategies to reduce attrition, attract high-calibre applicants and build more diverse teams. This means an increased focus on flexibility, mobility, upskilling and career development, and employee well-being.

These efforts to build a positive culture appear to be paying off, with employee satisfaction and engagement averaging 79% across the portfolio, and the average Glassdoor score rising to 4.1.

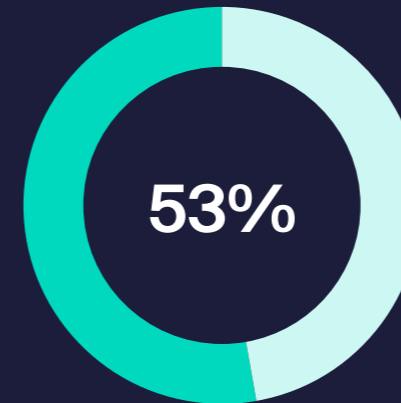
We strongly believe that diversity fuels innovation and are supportive of all efforts to widen talent pools and create more diverse teams. 70% of portfolio companies have put in place specific processes to increase applicant diversity, with measures ranging from auditing job adverts to remove gendered or ableist language, to ensuring diversity on interview panels.

Despite this strong progress, we recognise there is still significant work to be done to improve the representation of women and people of different ethnicities across our portfolio.

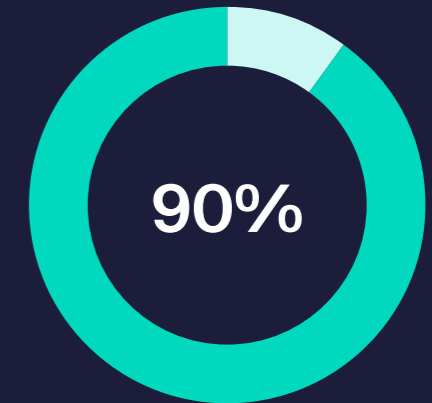
We are engaged in several initiatives aimed at improving female representation within the finance and technology sectors. We are signatories to the Women in Finance Charter and the Investing in Women Code, and our Women in Tech Leadership Network held several successful events throughout the year, bringing together senior women from across our portfolio to share experiences and learn from accomplished business leaders.

'We strongly believe that diversity fuels innovation.'

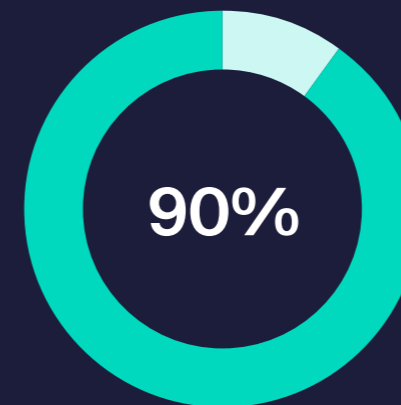
53% of companies have one or more women on the board



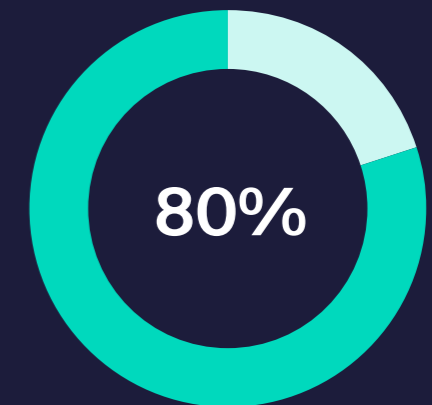
90% of companies have a diversity and Inclusion policy



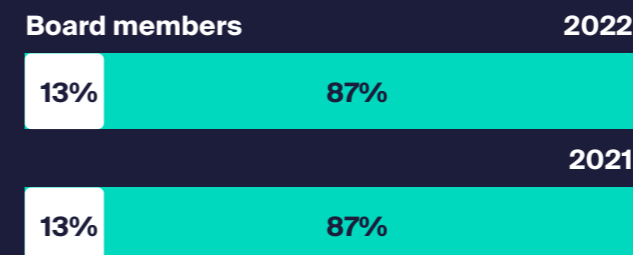
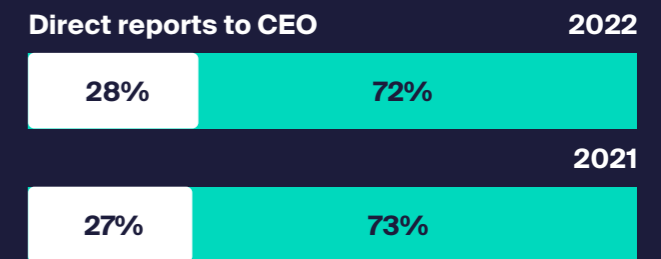
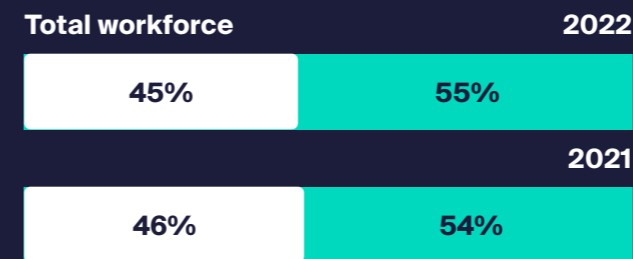
90% of companies are conducting regular employee engagement surveys



80% of companies offer training and development to all employees



Portfolio gender diversity



Talent and diversity case study:



Tyk has built a successful business with a remote working model from day one, trusting employees to work flexibly from anywhere in the world.

Its employees span more than 30 nationalities working from more than 27 countries. They are trusted to work autonomously whether they choose to work by day or night, from a bedroom or a beach - a concept Tyk calls 'radical responsibility.'

Tyk is a leader in API (Application Programming Interfaces) management solutions with multinational clients including T-Mobile and Natwest. APIs enable rapid complex exchanges between IT systems and networks, facilitating connections that underpin multitudes of daily online tasks and transactions.

Tyk looks to attract candidates who fit into its culture of autonomy and ownership. Employees have access to a personal development coach and have unlimited paid holiday. Tyk offers virtual global café drop-ins and an annual company-wide week-long retreat.

An employee survey found that 99% of Tyk's employees are proud to work for the company and 95% believe it builds diverse teams.

"We have a hugely diverse team around the world, and we've worked really hard to create a company people want to work for and a culture based on trust," says James Hirst, Chief Operating Officer and Co-Founder.

A supportive and inclusive culture and remote working has helped Tyk recruit as far afield as Mozambique, Colombia and Paraguay and helps remove barriers for disabled people and carers.

Tyk promotes diversity through Equality, Diversity, Inclusion and Belonging (EDIB) training. The board regularly reviews diversity data and job advertisements are screened to avoid language bias. Vacancies are also posted to specific diversity job boards to help appeal to under-represented groups.

The company, which does not have a gender pay gap, includes women on all interview panels and has increased the percentage of female employees to 34% this year, from 27% in 2022.

'We have a hugely diverse team around the world, and we've worked really hard to create a company people want to work for and a culture based on trust.'

30

nationalities working from more than 27 countries

34%

of female employees, from 27% in 2022





Talent and diversity case study:

+Babbel

Alignment with company values is a key factor in hiring decisions at Babbel, the company responsible for the world's top-selling language learning app. Diversity is one of Babbel's core values. It shapes its culture and, as stated on its website, "isn't just part of the Babbel mindset – it's a strategic advantage."

"We make sure to bring in people who really believe in our culture and in building a sense of belonging - which is the golden spot that happens when Diversity, Equity and Inclusion come together," says Eileen Barnard, Senior Organisational Culture Manager, Diversity, Equality & Inclusion (DE&I).

Based in Berlin and New York, Babbel's workforce includes more than 75 nationalities. More than half (55%) of employees identify as female, and women account for 38% of senior (C-level) leadership positions.

"A really core thing at Babbel is making people feel included. We do DE&I onboarding training in the first month, so people know what it means to the company and what is expected of them."

Babbel promotes diversity in all forms, from gender to age, disability, sexuality, and ethnicity. It does this through policies and specialist training for all staff. Babbel has specific DE&I guidelines which apply throughout the business, from the use of language in learning materials, to images used in all marketing content.

There is a specific group supporting female and non-binary employees in technical roles and the

company recently changed its recruitment policy so that women applying for engineering positions will always see another female engineer in the interview process.

A yearly, month long series of talks allows employees to learn about a wide range of issues, from poverty to life as a refugee under the theme 'Belonging'. The company also has an accessibility and disability steering group and separate groups for parents and for mental health and wellbeing support.

'Diversity isn't just part of the Babbel mindset – it's a strategic advantage.'



Sustainability at SEP

Environmental Impact

We are at a decisive point in the fight against climate change. Slowing the rate of global warming is critical to avoid severe, widespread, and irreversible damage to our planet. We know that, as investors, we have a critical role to play in tackling this existential threat.

We are determined to make a meaningful impact and to be transparent on our progress. This year, we partnered with carbon accounting experts, Supercritical, to conduct a rigorous carbon emissions audit.

SEP's 2021/22 carbon footprint was 228 tCO₂, equivalent to powering 71 homes. With Supercritical's help, we have offset the entirety of this with high-quality removals and in May 2023, became carbon-neutral for the first time.

There is a critical difference between conventional offsets and carbon removal. Carbon offsets are designed to indirectly compensate for emissions that are already being produced. Carbon removal schemes go a step further, actually removing carbon dioxide from the atmosphere and storing it safely.

There is no viable scenario for maintaining a habitable planet that does not necessitate carbon removal, but currently less than 5% of all offsets are removals.

This is why we chose to work with Supercritical. Its marketplace exclusively sells high-quality carbon removal offsets that can create a legitimate path to net zero.

We invested in two high-impact carbon removal programmes, an afforestation scheme, and a durable biochar project. Each of these projects were subject to Supercritical's rigorous vetting process, with fewer than 6% making it onto its platform.

As well as offsetting our emissions, we are actively pursuing strategies to reduce our carbon footprint in line with established net zero pathways.

Business travel was the largest contributor to our carbon footprint (28%), followed by office utilities and then software. As investors with a geographically diverse portfolio, we believe that some level of business travel is necessary to provide hands-on support and build strong relationships with the companies we back. However, the pandemic has taught us to adapt. We are conducting more meetings online and have revised our travel policy to

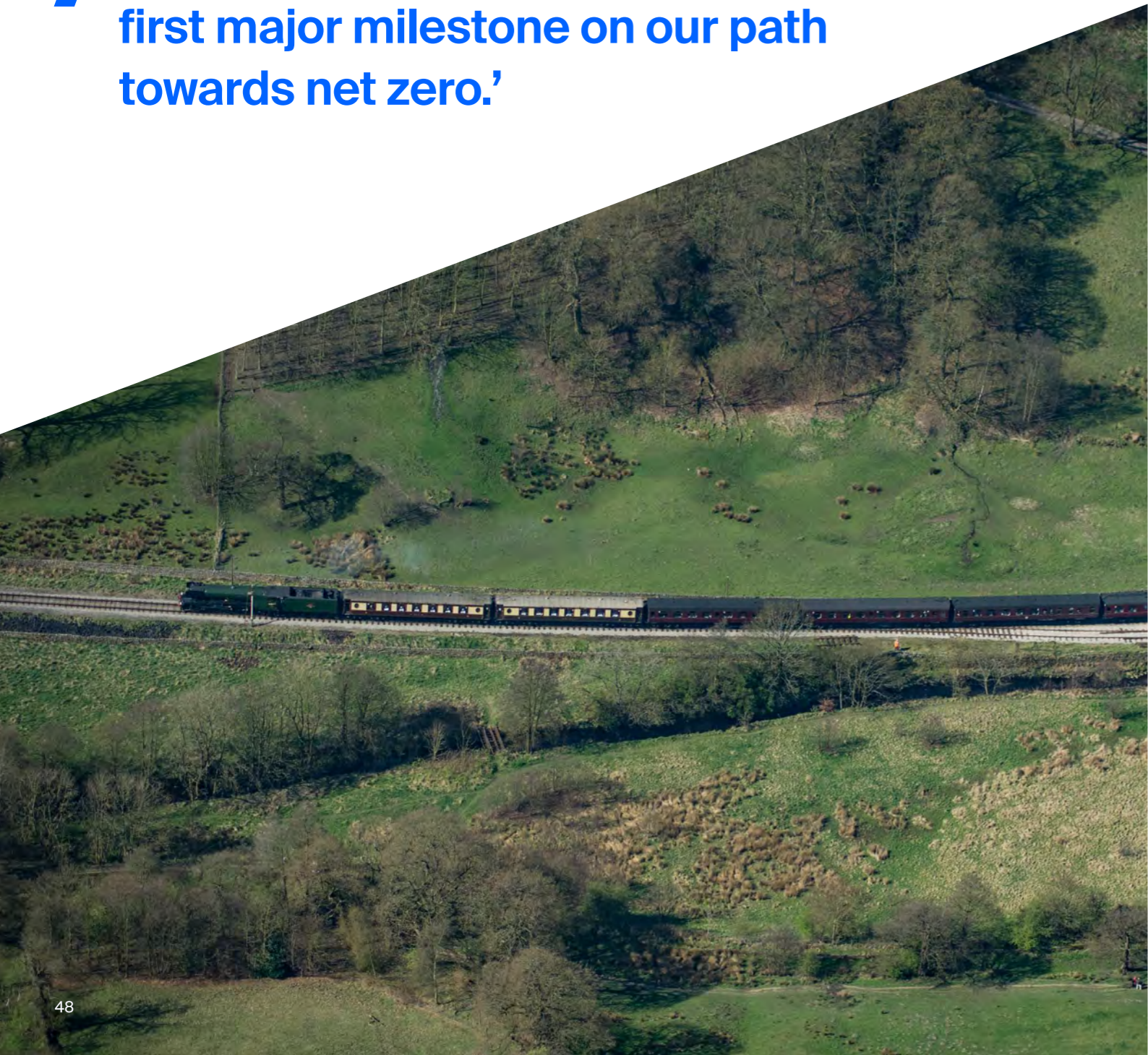
discourage all non-essential travel. Where travel is required, lower carbon options are prioritised, such as taking the train instead of flying.

In our offices, we have introduced both large and small measures to reduce emissions, lower energy consumption and reduce waste. For example, our new London office is powered by renewable energy, we have encouraged more recycling by removing individual desk bins, and we donated our

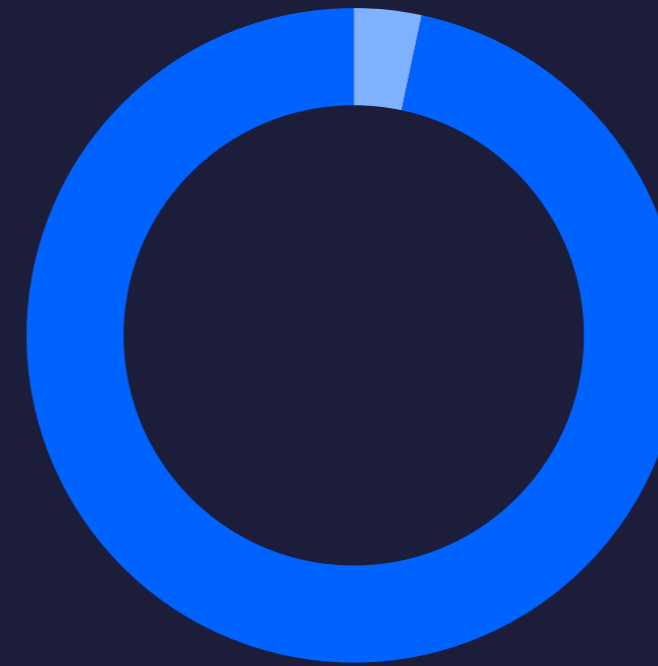
old office furniture and IT equipment to support the circular economy.

We are committed and ambitious and regard carbon neutrality as the first major milestone on a longer journey towards net zero. As investors in technology, we will continue to support innovation that not only enables us to reduce our own carbon footprint but has potential to scale up and deliver even greater benefits to the environment and humanity in future.

‘Becoming carbon neutral was the first major milestone on our path towards net zero.’



Emissions breakdown



● Scope 2 ● Scope 3

GHG protocol breakdown by scope

Scope 1
Direct emission from fuel combustion in own buildings and vehicles

0

Scope 2
Emissions from electricity and heating use in control of the company

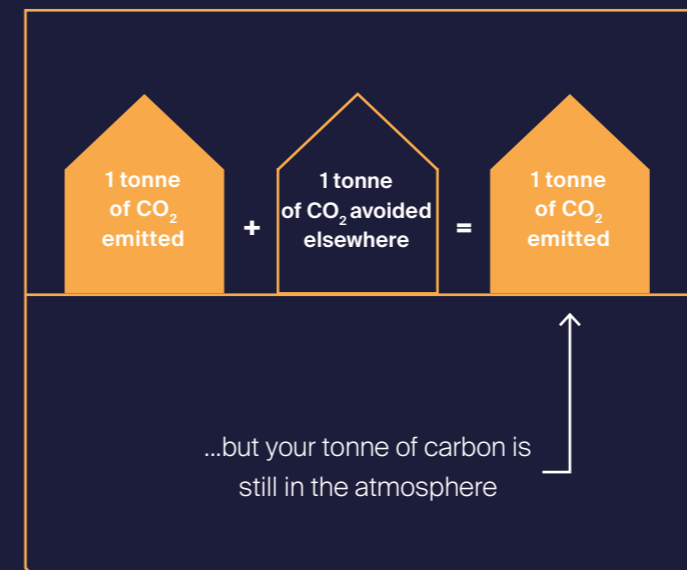
8

Scope 3
Emissions from the corporate value chain

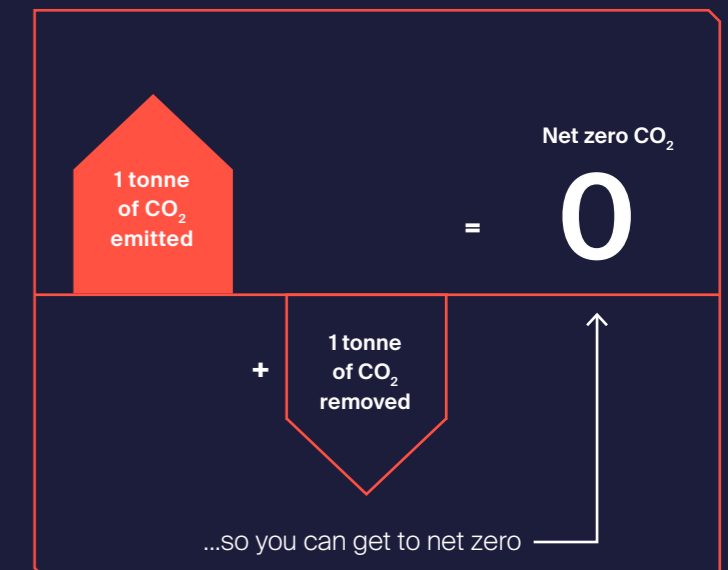
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Offsets vs removals

Conventional offsets
pay others not to emit...



Carbon removal offsets
actually remove carbon from the atmosphere...



Carbon removal projects



Afforestation

Afforestation, tree planting and the restoration of forests can protect biodiversity and help fight global climate change by removing large amounts of carbon dioxide from the atmosphere. For the creation of a carbon credit, the trees must be measured and confirmed.

Our investment supported TIST, an innovative time-tested forestation program in Kenya. Led by small groups of subsistence farmers, TIST are successfully counteracting the devastating effects of deforestation, erosion, famine, droughts, and floods by planting millions of trees. Planting is managed by the farmers who plant native species on marginal land, ensuring there are no conflicting land uses (such as food production) at planting sites.



Biochar

Biochar is charcoal-like material rich in stable carbon. It is produced by heating biomass in an oxygen-limited environment in a process called pyrolysis. It is most commonly used as soil amendment in agriculture and horticulture where it brings significant additional co-benefits, such as yield improvements and reduced need for fertilisers.

Our biochar investment is split across three projects located in Georgia and Oregon in the US and in Finland. These include a family-owned and operated lumber producer that sources its feedstock from sustainable sources, including forestry residues, agricultural waste, and waste wood. These partnerships support companies that are committed to responsible forestry practices and environmental stewardship.

Sustainability at SEP

SEP in the community

Our charitable activities reflect our passion for supporting education and skills, helping young people develop confidence and taking care of the environment.

As well as providing financial support, we encourage our team to engage with charities and communities in other ways, from fundraising challenges to volunteering and mentoring. We also encourage our portfolio companies to give back to the community. We are proud to report that 80% of our companies are involved in local community projects and 65% operate schemes which allow employees to volunteer during working hours.



The Wood Foundation's Youth and Philanthropy Initiative (YPI)

SEP has supported YPI for six years, granting funds to charitable projects championed by local school pupils. These projects empower students to help their communities and develop team-building and organisational skills. In addition to financial support, SEP employees engage directly with YPI, participating in school judging panels in which pupils prepare presentations advocating for their chosen charities.

Strathclyde Inspire Fund

We help nurture the next generation of entrepreneurs through our involvement with Strathclyde University's Inspire Fund, which supports creativity, innovation, and the commercialisation of business ideas by students, staff, and alumni. The fund provides support related to business start-up, intellectual property, and commercialisation. It funds an investor-ready Accelerator for early-stage ventures and support for businesses seeking to scale up.



Winning Scotland

We work in partnership with Winning Scotland to engage and empower young people in Scotland to be ambitious, versatile, and resilient. Winning Scotland provides specialist training to professionals working with children in education and social care roles. The charity equips teachers and carers with skills that help them instil confidence in the young people they educate and look after.



ecoActive

Our team participated in a fitness challenge to raise funds to support this environmental education charity. It provides eco workshops for schools, teaching children how they can contribute to protecting the environment. It also runs a forest school that gives children hands-on experiences in nature and helps them develop social action projects in their communities.

Urban Roots

This community-led environmental charity works with local people in Glasgow to transform derelict or unused green spaces into thriving community gardens. It brings local people together to improve their neighbourhoods and provides community meals and cookery courses. It also runs after school and holiday clubs that encourage children to learn and play in nature.



Help at Christmas

Our employees nominate Christmas charities to which we donate each year. In 2022 they were: Glasgow's Spirit of Christmas which gives gifts to children living in poverty or affected by hardship; the Princess Alice Hospice which looks after patients, carers and families dealing with serious illness; and the Trussell Trust which provides emergency food and support to people in poverty.





Matthew Sumner
ESG and Sustainability Lead

‘We are committed and ambitious and will continue to refine our approach.’

As investors in growth businesses, we have a duty to our portfolio companies and their employees. It is our responsibility to equip them with the tools and knowledge they need to scale sustainably, future-proofing their operations and ensuring they have a positive impact on the communities they operate in.

Fostering a collaborative environment where individuals come together to exchange knowledge is core to our approach. From employee well-being to cyber security, we strive to facilitate meaningful discussions that empower our portfolio companies, helping them identify growth opportunities and respond to global sustainability challenges.

Championing diversity and inclusivity will remain a central focus. It’s the right thing to do ethically, and it’s been shown to drive innovation, productivity, and growth. Our efforts to increase the representation of women and ethnic minorities across our portfolio will continue to be underpinned by transparency and accountability and are aligned with the British Business Bank’s recently published research on pathways to improve diversity in private capital¹.

Accountability and impact will be key. We will continue to measure our carbon footprint with the goal of maintaining our carbon neutral status, offsetting 100% of our emissions with high impact carbon removal projects. And we are developing plans to reduce our emissions and to align ourselves with established net zero pathways. This includes evaluating a Science Based Targets led approach.

We are committed and ambitious and will continue to refine our approach. This includes reviewing the tools we use to assess portfolio companies’ performance, taking a data-led approach to guide their actions and strategy.

We have made significant progress this year, continuing to integrate sustainability considerations into all aspects of decision-making. We’re excited to see what can be achieved over the next twelve months.

¹ Finding What Works: Pathways to Improve Diversity in Venture Capital Investment, British Business Bank plc, July 2023

What’s next?

Investing Responsibly

ESG report 2022/23

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