



Environmental, Social & Governance
Annual Review
2022/2023

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Key Performance Indicators

Portfolio company ESG profiles

A message from the Freshstream leadership

We are delighted to present Freshstream's 5th annual ESG report, covering the period 2022-2023. This report presents a detailed account of the work we have been doing with our portfolio companies, and the initiatives we have undertaken across the portfolio.

Freshstream is committed to partnering with entrepreneurs to build successful, future-proof companies. In this context, we believe that ESG should be more than a box-ticking exercise. We think about ESG in terms of the long-term sustainability of the company and the opportunities it has to create strategic value. As such, ESG considerations play a central role in our investment decisions and we actively work with our portfolio companies to make a positive contribution to society, leveraging their unique assets and capabilities.

This starts with investing in the right companies with the right management teams. We continue to screen investment opportunities not only against our formal sector exclusions, but against a much broader set of considerations. As a result of this, we have declined 5 opportunities in this reporting cycle for reasons ranging from reputational risk to exposure to unhealthy or low-quality products.

We increasingly capture our ESG performance in numbers and set targets against those metrics. This report is the second time we have reported KPI's in line with the ESG Data Convergence Project. You will also notice a new fund-level benchmark

against Prequin's independent ESG score, which measures ESG performance on 37 metrics. We are proud to report that we have received the highest score in our fund size bracket and we even outperform some significantly larger funds. We also continue to benchmark ourselves against the UNPRI and ILPA frameworks.

In terms of portfolio companies, this report covers our recent investments in Bella Figura Music, Big Motoring World, Nafinco and MCR Group for the first time. We thank the teams for the significant efforts they have made to provide the required input, including full carbon emission baselines.

Climate change continues to be an area of particular focus for us. During this reporting cycle we have started a new partnership with Reporting21 to capture all carbon data across the portfolio. Portfolio companies representing 90% of emissions are either working on or have completed their carbon reduction strategy. We also continue to work with Rimba Raya to offset our footprints and have committed \$2.5m to the programme thus far.

We hope that this report provides you valuable insight into our ESG approach and that you share our excitement about our progress. As always, we very much welcome your feedback.



Patrick Smulders
Managing Partner



Lodewijk de Graauw
Partner, Head of Portfolio Operations & ESG

We have a comprehensive ESG approach, underpinned by industry standards and third-party benchmarking

Signatory to / member of



Third-party benchmarking



Our mission

We believe that entrepreneurship is the engine of the economy. We seek to support entrepreneurs and ambitious management teams with capital, insight and expertise to build successful, future-proof businesses that positively impact society and people are proud to work for.

Portfolio company overview

avicenna 

Headquarters: **South Croydon, UK**
 Annual Revenue: **£164m**
 Headcount: **1,350**
 Acquired: **September 2017**
 Sector: **Healthcare**



Headquarters: **London, UK**
 Annual Revenue: **£4m**
 Headcount: **8**
 Acquired: **December 2021**
 Sector: **Media**

big  Motoring World

Headquarters: **Gillingham, UK**
 Annual Revenue: **£534m**
 Headcount: **621**
 Acquired: **April 2022**
 Sector: **Transportation**

 DeterTech

Headquarters: **Telford, UK**
 Annual Revenue: **£43m**
 Headcount: **300**
 Acquired: **March 2021**
 Sector: **Services**

EURO
CAPS

Headquarters: **Rotterdam, NL**
 Annual Revenue: **€144m**
 Headcount: **299**
 Acquired: **June 2017**
 Sector: **Food & beverage**



Headquarters: **Walsall, UK**
 Annual Revenue: **£434m**
 Headcount: **494**
 Acquired: **September 2018**
 Sector: **Infrastructure**



Headquarters: **Dublin, IE**
 Annual Revenue: **€134m**
 Headcount: **3,109**
 Acquired: **May 2023**
 Sector: **Services**

 NAFINCO

Headquarters: **Bussum, NL**
 Annual Revenue: **€56m**
 Headcount: **23**
 Acquired: **May 2022**
 Sector: **Healthcare**

RADLEY
LONDON

Headquarters: **London, UK**
 Annual Revenue: **£78m**
 Headcount: **436**
 Acquired: **June 2016**
 Sector: **Consumer goods**

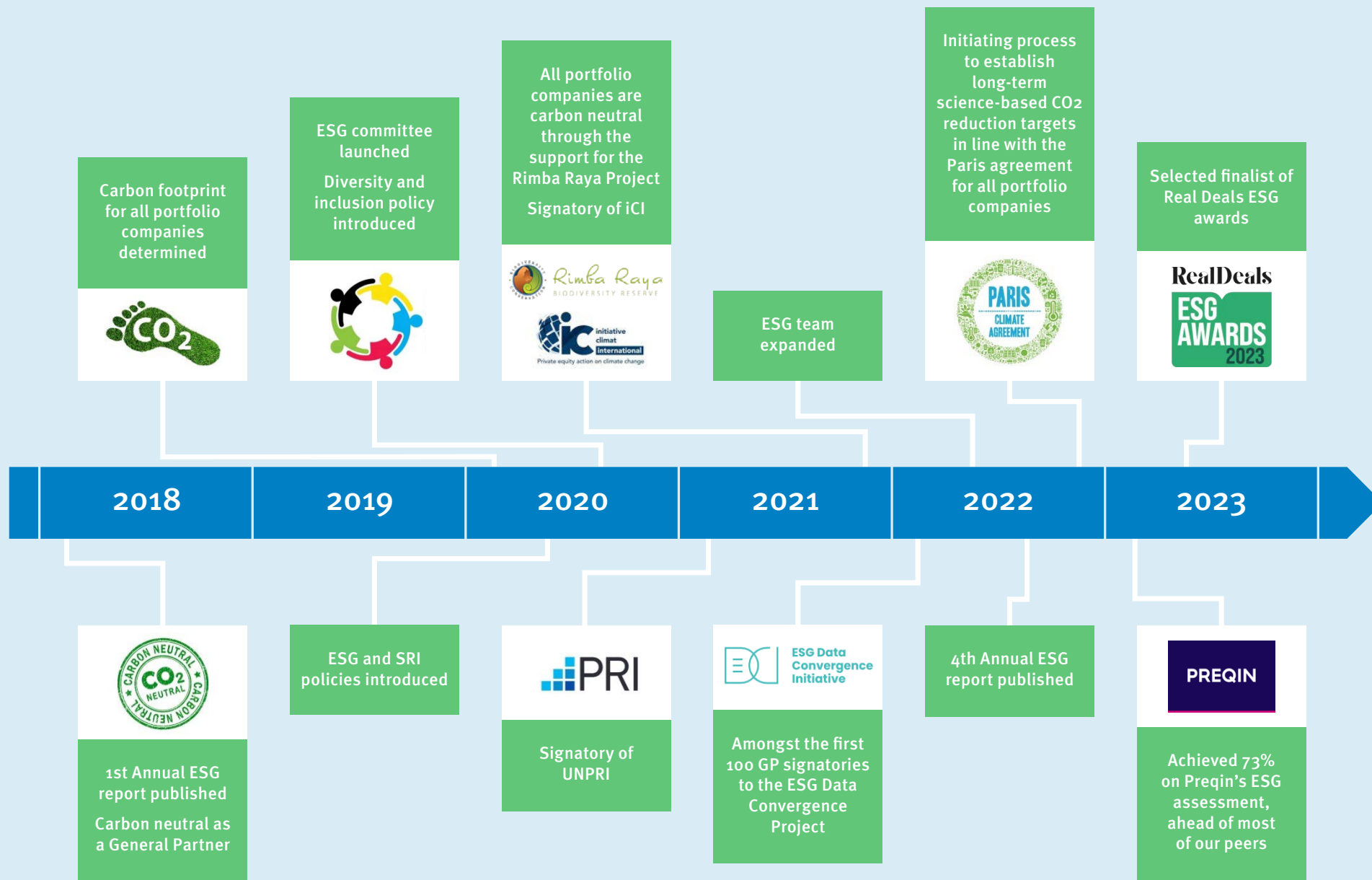
 TAZIKER

Headquarters: **Chorley, UK**
 Annual Revenue: **£87m**
 Headcount: **505**
 Acquired: **March 2016**
 Sector: **Infrastructure**

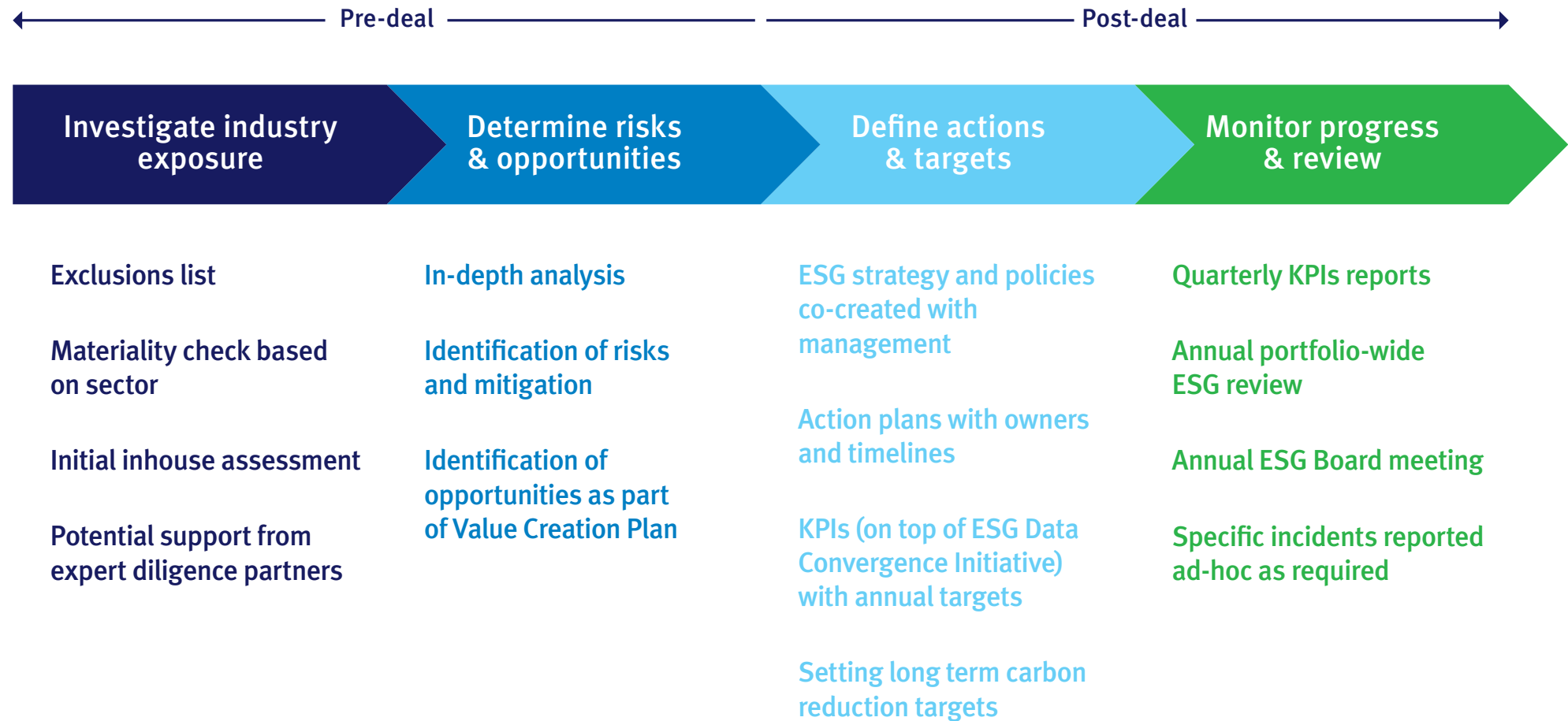
 TrueNoord

Headquarters: **Amsterdam, NL**
 Annual Revenue: **\$90m**
 Headcount: **33**
 Acquired: **June 2016**
 Sector: **Financials**

ESG has been a key area of focus for Freshstream from the outset

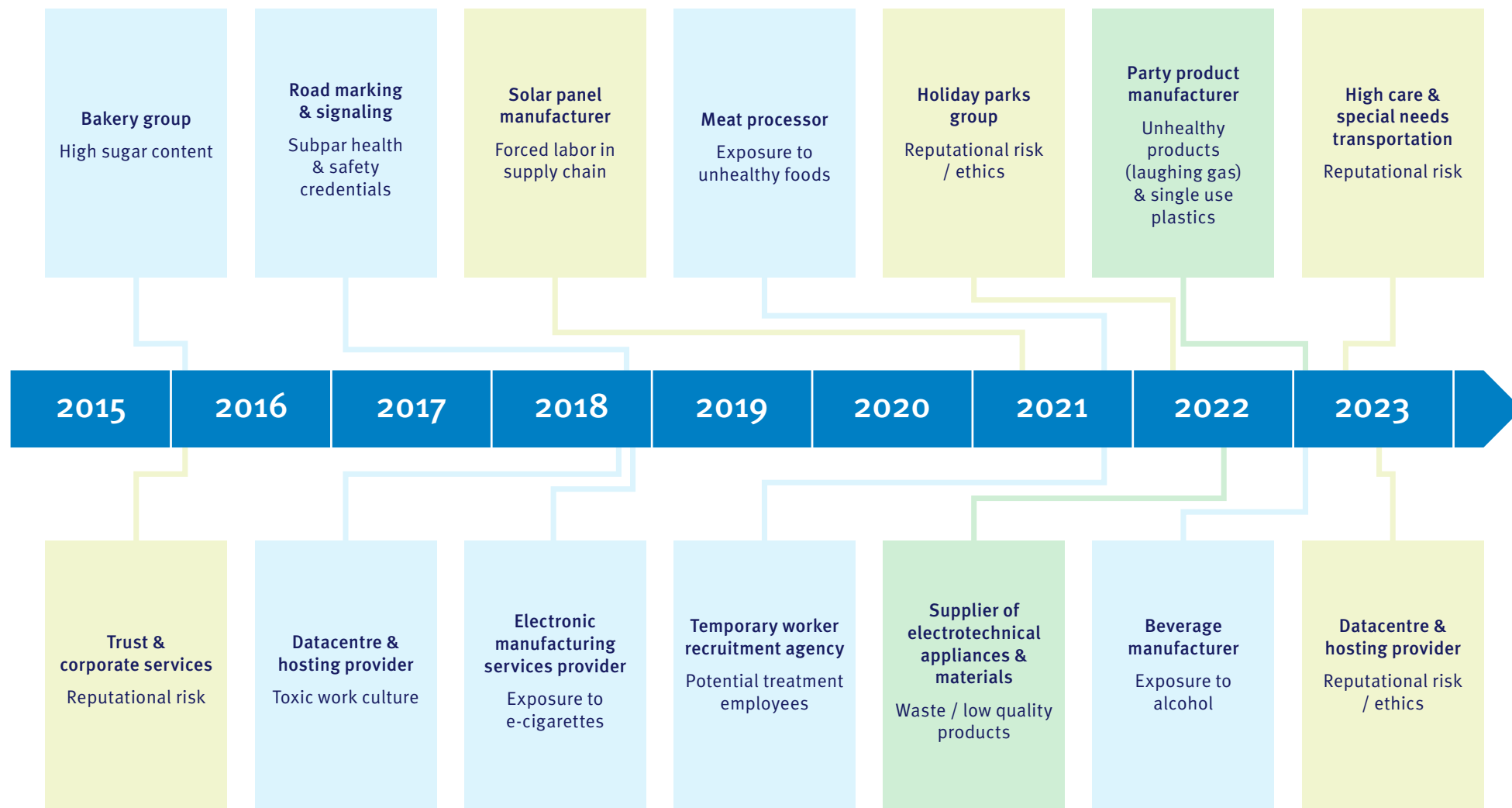


ESG is embedded throughout our investment process



Our scrutiny of ESG is evidenced by the number of deals we reject

This overview only includes deals which have been brought to IC and excludes deals rejected based on our sector exclusion list



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ESG highlights in 2022/2023



MCR Group
Introducing cleaning products made from vegetables to replace all our chemical products.

big Motoring World
Sponsored and attended the Canterbury Pride Festival.

TrueNoord
Developed an ESG-related education programme in collaboration with the leasing community's principal trade association.

DeterTech
Developed e-learning packages for all employees.

NAFINCO
Developed software which increases medication availability for patients.

RADLEY LONDON
Partnered with Leather Working Group-rated tanneries that produce leather using by products of the food industry. These tanneries now provide 100% of Radley's leather.

TAZIKER
Took part in a biodiversity scheme creating a 12-mile-long wildlife corridor in West Sussex, including replanting native trees, hedgerows, wildflowers and habitat creation for bats, birds and owls.

Switched the head office energy supplier to a solar energy provider.
M&J

Completed B-CORP application (waiting for assessment and confirmation).
EURO CAPS

Introduced renewable energy across all stores.
avicenna



Case study: Taziker introduced innovative design software to reduce material and energy consumption

Taziker introduced the innovative Tekla design software into their in-house fabrication facility to help prepare more efficiently fabricated steelwork that reduces material consumption.

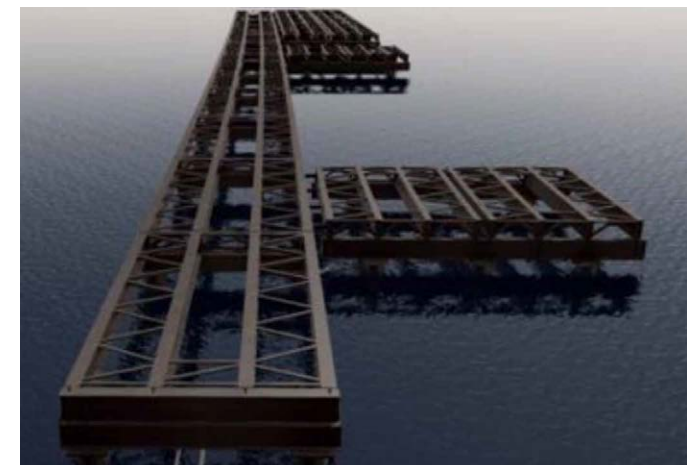
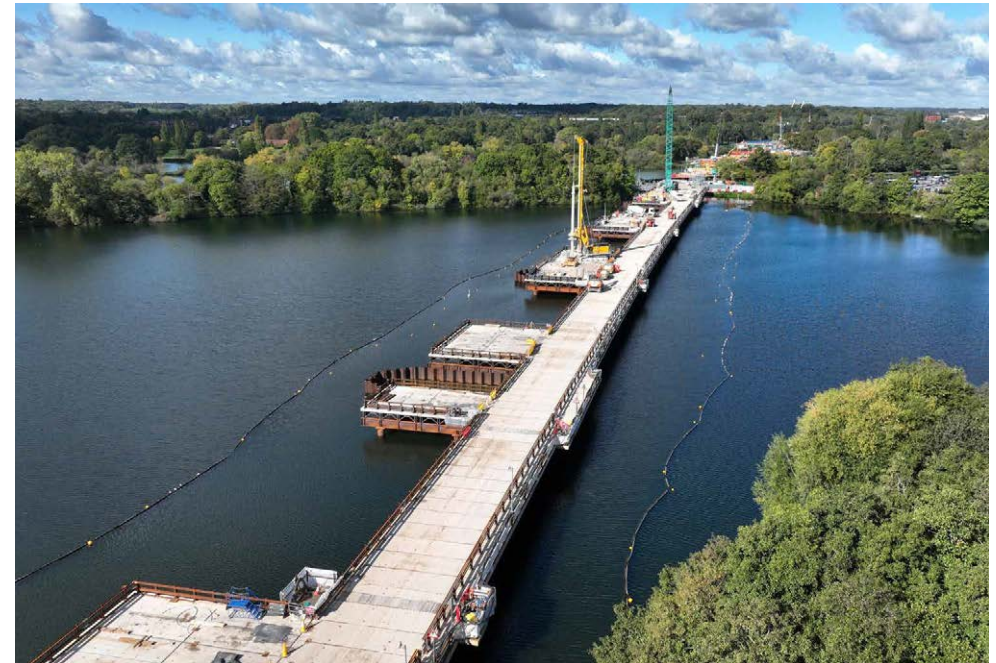
The fabrication and installation of a temporary jetty system for the Colne Valley Viaduct project in Buckinghamshire provide a great example of the sustainability benefits.

Taziker used Tekla design software to optimise the steelwork structural design and prepare the fabrication drawings, enabling a highly accurate and efficient steel layout to minimise waste. Over the entire project, this system saved an estimated (minimum) 50 tonnes of steel, equating to 92 tonnes of CO₂.

Tekla's precision 3D modelling capabilities also supported closer collaboration with stakeholders to coordinate the construction process between the client, design team, and our supply chain. The software redesigned an element that decreased the welding requirement by 80%, reducing both material consumption and transportation.

Furthermore, the Tekla model allowed Taziker to prefabricate the jetty components in their in-house fabrication center. This method streamlined on-site operations, limiting both energy use and emissions.

Finally, the value-engineered solution emphasizes sustainability by accounting for end-of-life and potential repurposing – so all the fabricated steel can be re-used to form products.



Tekla 3D model of the jetty steelwork

Freshstream has been working with the portfolio to develop carbon emission reduction strategies, whilst offsetting any remaining emissions in full

Portfolio companies representing...

>90%

...of emissions from our portfolio companies have or are in the process of completing their carbon reduction strategies

\$2.5m

...committed by Freshstream and its companies to carbon offsets

Portfolio company highlight...

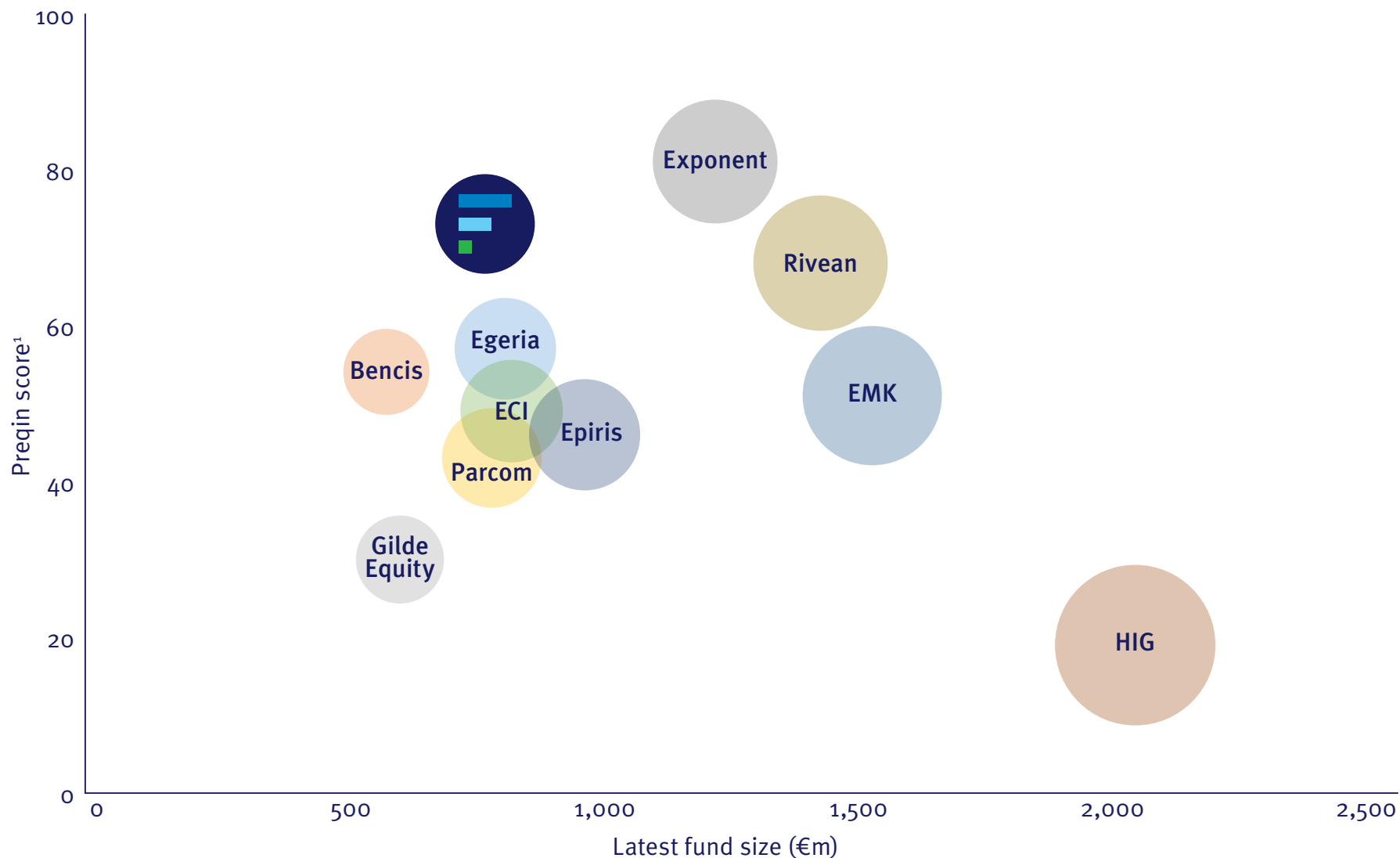
-40% ...in carbon intensity since 2020 for Taziker

-80% ...in carbon intensity targeted by 2030

\$0.6m

...worth of carbon credits purchased this year

Based on Preqin's independent ESG assessment on 37 metrics, we outperform peers in our size bracket, and even some funds with significantly higher AUM



1. Source: Preqin Ltd on 25th January 2023

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ESG KPI tracking

The KPIs we track at the portfolio level are the same used by the ESG Data Convergence Initiative. Only portfolio companies who were included in the previous edition of our annual review are shown in this tracking chart.

	CO2 emissions ¹	Employee engagement	Gender diversity ²	Safety incidents	Attrition	Renewable energy
	●	●	●	●	●	●
	●	●	●	●	●	n/a
	●	●	●	●	●	●
	●	●	●	●	●	●
	●	●	●	●	●	●
	●	●	●	●	●	●
	●	●	●	●	●	●

● Trend 2021/2022 – 2022/2023

1. Based on carbon intensity. 2. Based on management. Bella Figura Music, Big Motoring World, Nafinco and MCR are not included as they were acquired last year and this was their first year reporting on the ESG KPIs.

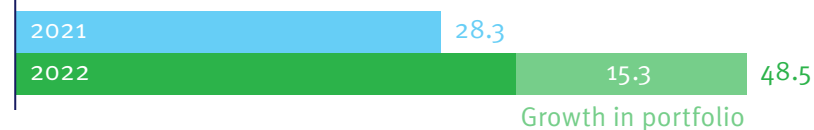
CO₂ emissions across the portfolio

Carbon intensity (CO₂/€100k turnover)

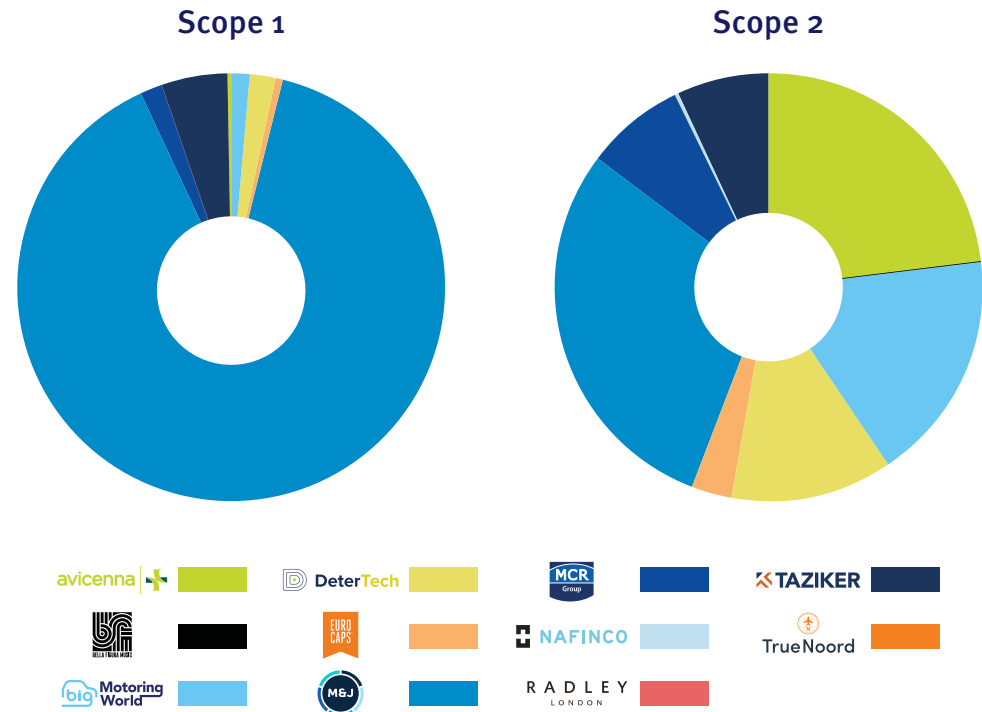
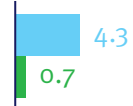


Breakdown of CO₂ emissions by Scope (kilotonnes of CO₂)

Scope I



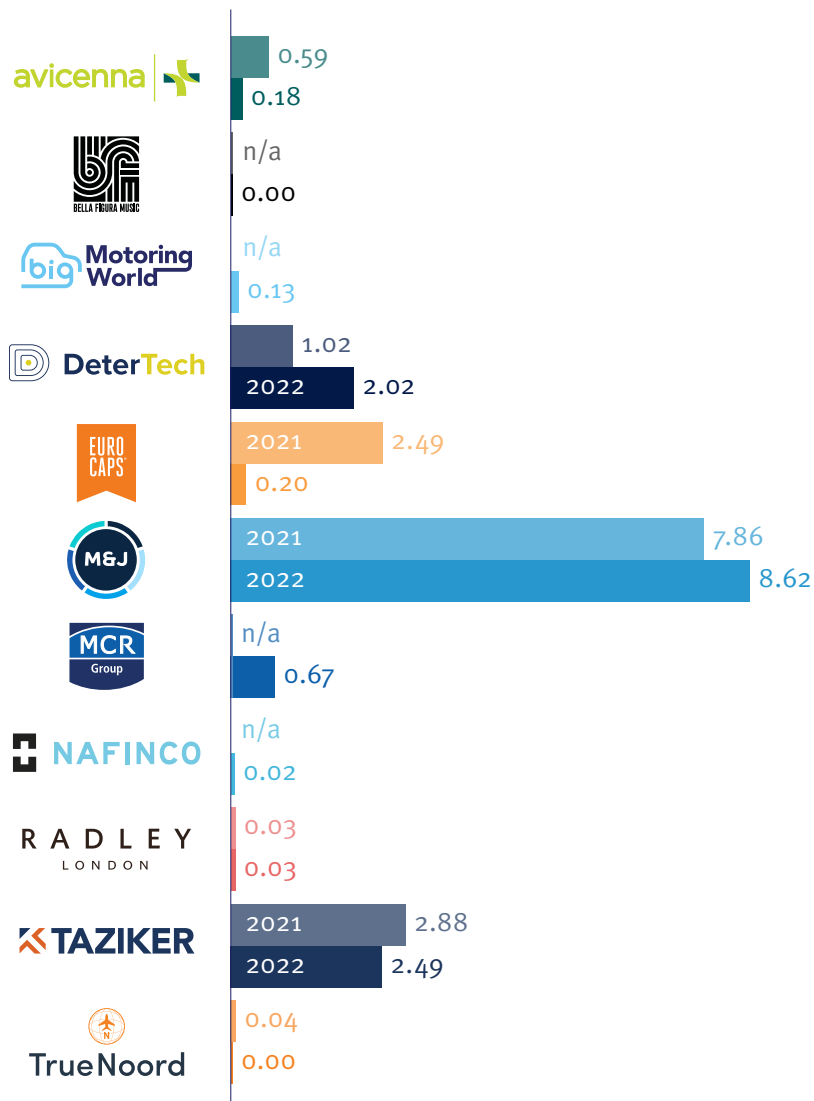
Scope II



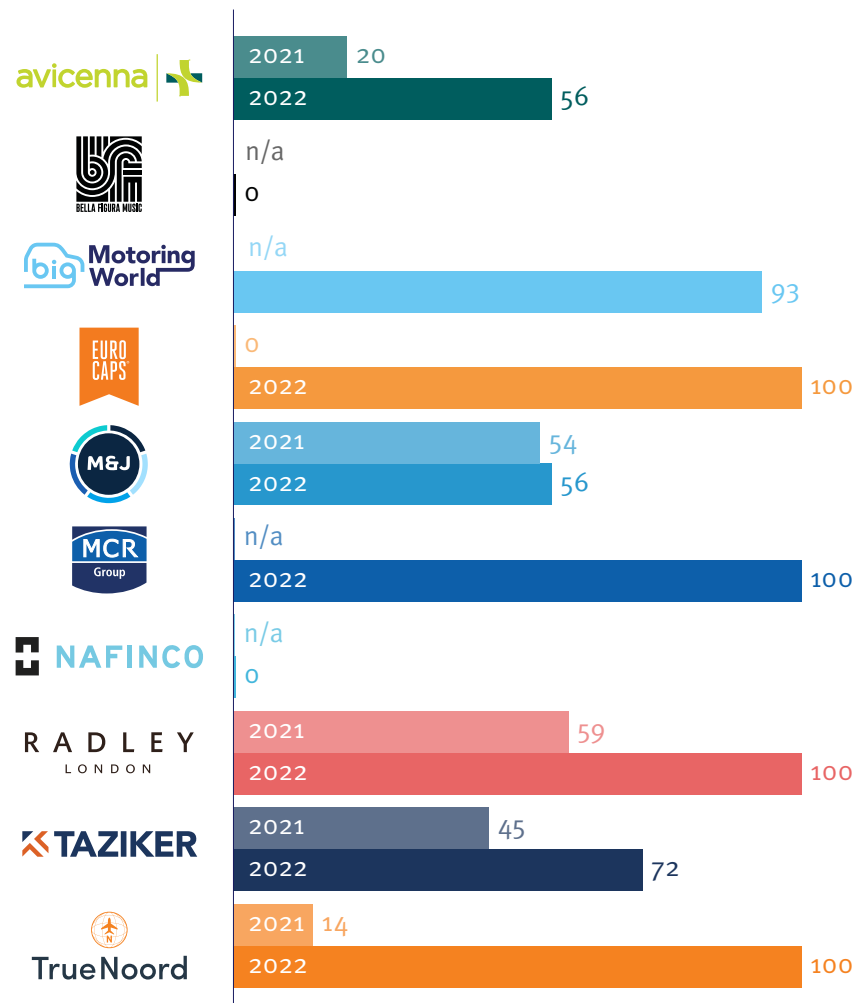
- The carbon intensity for Scope I and II across the portfolio, which takes revenue growth into account, has decreased by 26% mainly driven by:
 - An improvement for most companies, partly offset by an increase in MJ Evans and Detertech.
 - Addition of 4 new portfolio companies that have relative low emissions (Nafinco, BMW, BFM, MCR).
- In absolute terms, Scope I emissions have increased by ~20 kilotonnes, of which ~15 kilotonnes come from growth in our portfolio companies, in combination with the higher relative emissions at MJ Evans, mainly caused by an increase in new projects driven by expansion into new geographies (most emissions happen at the start of a project).
- Scope II emissions has decreased by ~3.5 kilotonnes versus last year, despite our portfolio growing, driven by a significant increase of renewable energy, which was a key focus area of us this year.

CO2 emissions and renewable energy usage

Carbon intensity (CO2/€100k turnover)



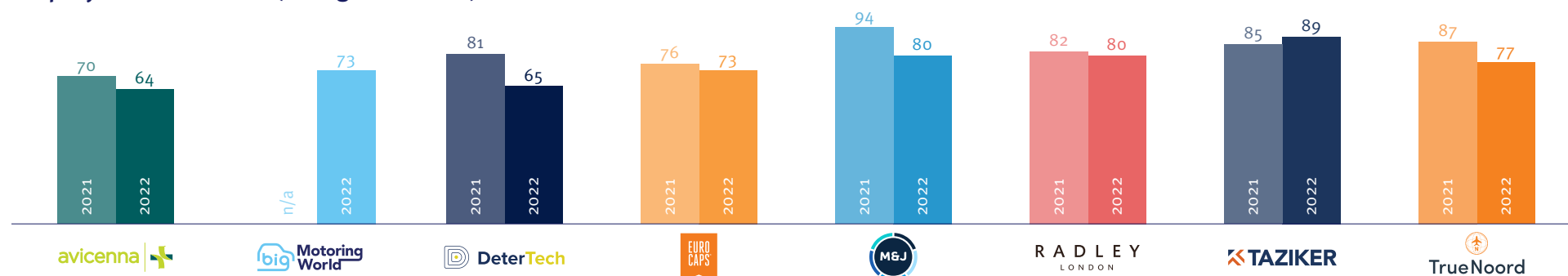
% Renewable energy (renewable electricity as % of Scope II electricity)



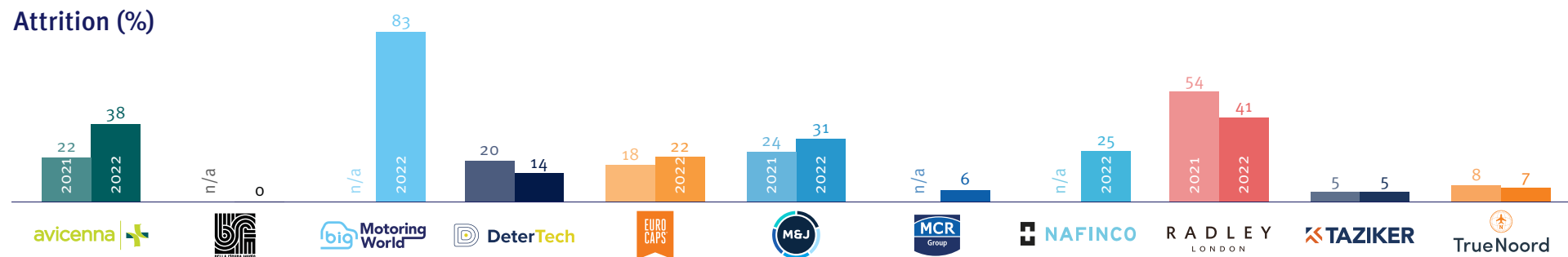
Employee engagement and attrition

- Employee satisfaction remains high (above average) but has seen modest declines, attributed to the following company specific challenges:
 - Avicenna’s score decreased due to high work pressure in pharmacies caused by labour shortages in the sector.
 - Detertech’s morale has been impacted by several acquisitions.
 - M&J Evans has been impacted by rapid geographic expansion and acquisition (though coming from a very high base).
 - TrueNoord was impacted by various organisational changes.
- Our new portfolio companies, Bella Figura Music, Big Motoring World, MCR and Nafinco have not historically done employee surveys so we have excluded them from the employee satisfaction chart, but they now have plans to implement surveys.

Employee satisfaction (rating out of 100)¹



Attrition (%)



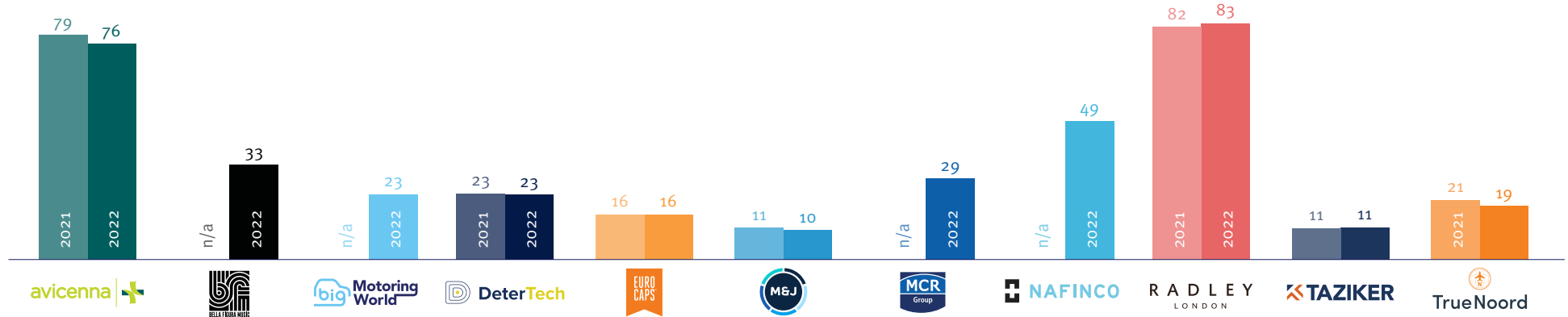
1. Employee satisfaction ratings were derived from various definitions

Gender diversity

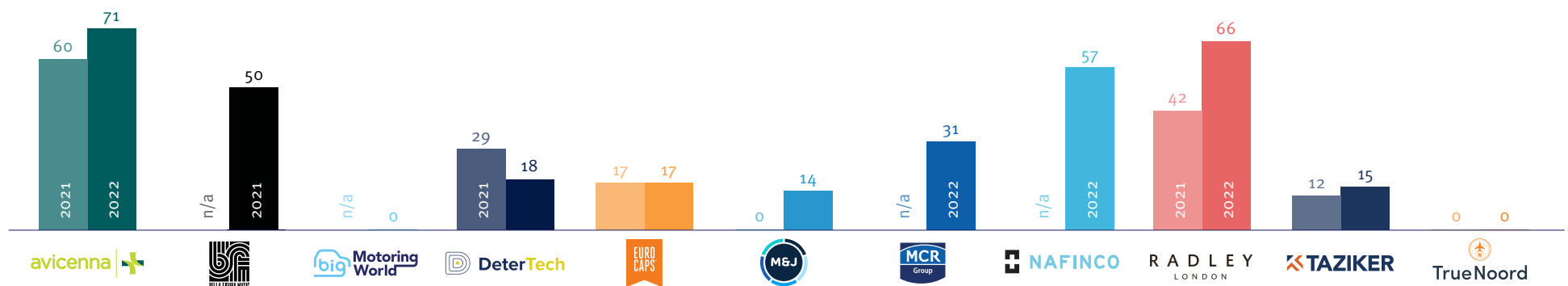
(Female representation as a percentage of total)

We have seen some areas of real improvement – Avicenna and Radley – in gender diversity at the management level. At the company level, gender diversity has been difficult to change because of labour shortages coupled with technical expertise required.

Company














Management¹



1. Management as defined by the portfolio company

Safety

(Company specific metrics)

	KPI	2021/2022	2022/2023	Trend	Target
	Dispensing errors (errors per 10k items dispensed)	0.74	0.78	➡	1.00 ●
	Number of work-related injuries	0	0	➡	0 ●
	Number of work-related injuries	n/a	17	n/a	n/a ●
	Recordable work-related injuries	0	4	➡	n/a ●
	Number of accidents resulting in absenteeism	0	0	➡	0 ●
	Accident Frequency Rate	0.97	1.07	➡	0.8 ●
	Recordable work-related injuries	n/a	n/a	n/a	n/a ●
	Number of work-related injuries	n/a	0	➡	0 ●
	Number of work-related injuries	0	0	➡	0 ●
	All Injury Frequency Rate (AIFR)	0	0	➡	0.3 ●
	Number of work-related injuries	0	0	➡	0 ●

Governance policies



Anti-Bribery and Corruption												
Gifts												
Client DD/Anti-money laundering												
Anti-competitive price fixing / cartel formation												
Data Protection / Privacy (GDPR)												
Code of Conduct												
Whistleblower												
Regulatory compliance												
Tax evasion												
Inclusion and diversity												
Equal pay												
Social media												
Health, Safety and Environment												
Supplier Code of Conduct												
Human rights (UN Global Compact & ILO standards)												
ESG supplier criteria (certifications)												
Supplier audits on ESG												
Sustainability / ESG policy												
% of policy in place	94%	11%	28%	56%	100%	67%	63%	50%	89%	79%	79%	

● In place
 ● Planned (< 1 year)
 ● Not in place
 ● Not applicable

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Taziker is a multi-discipline engineering specialist founded in 1969.

The company provides services for the preparation, restoration, repair and surface treatment of structural steel bridges, buildings and major structures.

Today, approximately half of Taziker's revenue is derived from the railway industry, and the company also undertakes remedial works in the highways & marine sector as well as the term maintenance and outage support of UK industrial complexes.

Additionally, Taziker also operates specialist units, including a design and fabrication capability, which will include a dedicated and innovative Fibre Reinforced Polymer Footbridge offering from FY23.

Industry ESG Relevance

- Employee health, safety and well-being is a primary ESG theme in the industrial and rail maintenance sector. For example, protecting employees from exposure to lead content in old paints.
- The environmental impact and cost of landfilling heavy-metal-contaminated abrasive waste is also a key focus. Abrasive waste disposal costs have risen from £30 to £300 per tonne in five years.
- Attracting and retaining young talent is a significant challenge in the industry.
- Energy and carbon exposure is an issue due to diesel used by generators and vehicles.
- Most smaller UK players in the industry have a reluctant approach to ESG, and the industry has limited improvement initiatives. However, larger UK construction companies have long-term climate targets.
- Climate regulation will become more stringent to meet the UK's Climate Change Act 2008 goals of achieving reductions of 57% by 2030 and 80% by 2050. The potential solutions include the use of hybrid generators, biodiesel and low-emission vehicles.

Achievements over the period

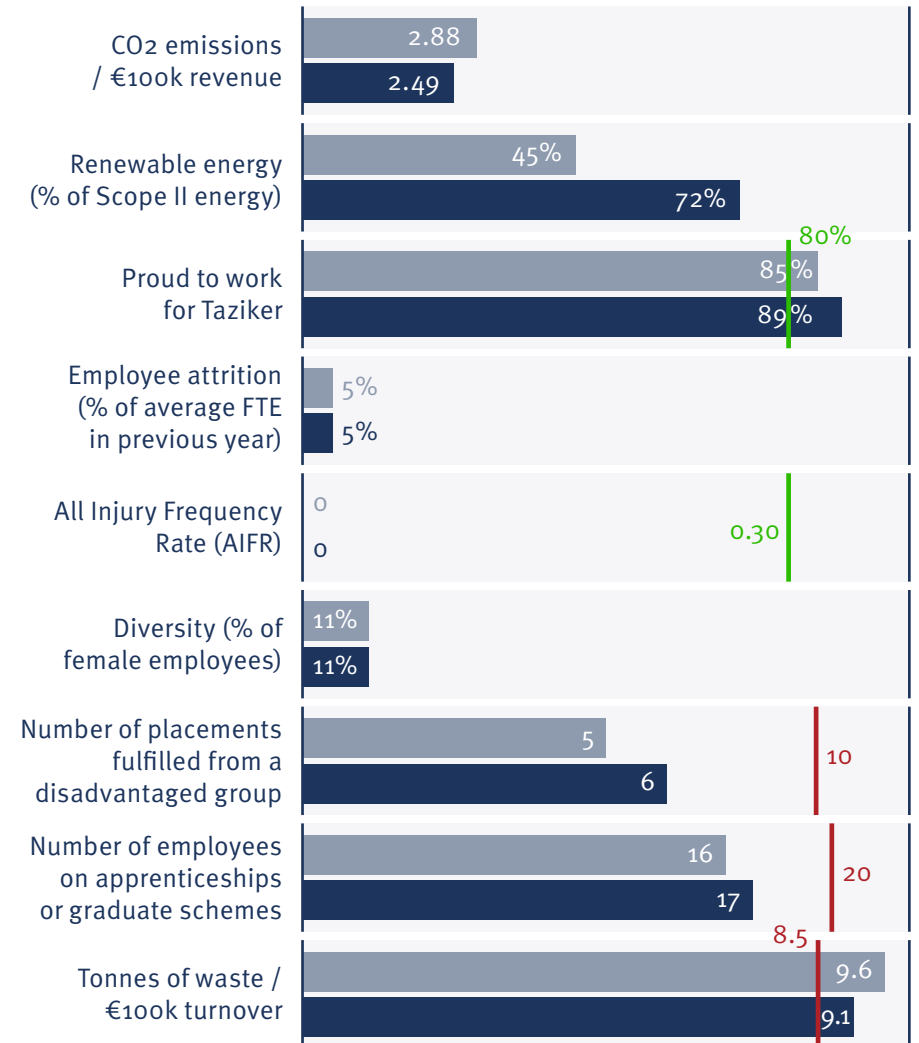
- Continued to focus on making premises more accessible to people with disabilities.
- Increased our commitment to gender diversity, including quarterly meetings on how to attract more women to a career at Taziker.
- Replaced most polluting vehicles with electric cars.
- Introduced volunteering days, giving employees opportunities to offer their time and skills outside their day-to-day roles.
- Increased employment opportunities for disadvantaged young people, hired people straight out of the military, and registered as a National Living Wage employer.
- Set up ESG cross-functional working groups to develop an ESG strategy, and introduced a reporting tool to quantify the social value the business delivers.
- Joined Science Based Targets Initiative and publicly published carbon reduction commitment.
- Implemented the use of renewable energy for powering our welfare units.

Initiatives going forward

- Promoting low-carbon projects, including the sustainable benefits of the Legacy Footbridge -which delivers the lowest-possible whole-life carbon (58% below any steel or concrete equivalent).
- Introducing new maternity and paternity packages.
- Reforming our Energy Management System and efficiencies by gaining ISO 50001.
- Reducing waste reduction through repurposing and recycling of contaminated materials.
- Implementing a responsible sourcing strategy to reduce our environmental impacts and enhance our supply chain to drive ethical and sustainable procurement practices.
- Driving our Social Value Recruitment strategy to remove socio-economic barriers and incentives to attract more women into engineering.
- Continuing the development of the ESG dashboard to report live social value and environmental sustainability data on all projects.
- Developing a biodiversity calculator to align with environmental targets of major clients and introduction of a biodiversity policy.



Performance



■ 2021/2022 ■ 2022/2023 — Target

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