

## Purpose & Impact Policy

Northern Gritstone (“NG”) has chosen to be a beacon for Purpose and Impact principles and how businesses such as NG can create profit with purpose. In NG’s thinking and ethos we believe that ESG is not sufficiently focused as a concept or term and instead we use the term “Purpose & Impact” instead of ESG to describe our activities and governance in this area.

### Principles

The Company incorporates the following principles throughout its business. Northern Gritstone seeks to carry on business in a manner that:

- complies with applicable laws and respects international good practice;
- provides safe and healthy working conditions for employees and contractors;
- establishes and maintains communication channels between employees and management to provide employees with the opportunity to present their views to management;
- promotes the fair treatment of all employees, irrespective of matters such as race, gender, nationality, disability, political or religious beliefs;
- recognises the importance of the sustainable use of natural resources and the protection of the environment;
- considers the impact of any operations on local communities and seeks to ensure that potentially adverse health and safety, environmental and social effects are appropriately assessed, monitored and addressed;
- upholds high standards of business integrity and honesty and ensures that we do not directly or indirectly offer, pay, solicit or accept bribes in any form in either the public or private sector and to implement an anti-bribery and corruption compliance programme;
- implements social and environmental policies and procedures which enable identification, management and monitoring of any risks and provides a framework for action; and
- seeks a ‘just transition’ for workers and communities as the world’s economy responds to climate change.

Northern Gritstone is a signatory to the United Nations Principles for Responsible Investment. The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social, and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

Therefore, where consistent with their fiduciary responsibilities and commensurate with the level of influence to the industry and companies in which the Company invests, the Directors commit to the following:

- Principle 1: NG incorporates Purpose & Impact issues into investment analysis and decision-making processes;
- Principle 2: NG is an active owner and incorporates Purpose & Impact issues into its ownership policies and practices;
- Principle 3: NG provides appropriate disclosure on Purpose & Impact issues by the entities in which it invests;
- Principle 4: NG promotes acceptance and implementation of the Principles within the investment industry;

- Principle 5: NG works together to enhance its effectiveness in implementing the Principles; and
- Principle 6: NG reports on its activities and progress towards implementing the Principles.

### **Investment Exclusion List**

Northern Gritstone does not and will not invest in the following businesses or activities:

- production of, or trade in, any product or activity deemed illegal under applicable local or national laws or regulations, or banned by global conventions and agreements, such as certain:
  - hazardous chemicals, pesticides and wastes
  - ozone depleting substances
  - illegal trade of minerals such as diamonds, and
  - endangered or protected wildlife or wildlife products;
- production of, or trade in, arms, i.e., weapons or munitions, primarily designed or primarily designated to inflict harm to human beings;
- production of, or trade in, products for which child labour is used;
- development, production, promotion, marketing and/or sale of tobacco or products containing or derived from tobacco;
- development, production, promotion, marketing and/or sale of cannabis or products containing or derived from cannabis for non-medical or recreational purposes;
- production of, use of, or trade in unbonded asbestos fibres; or
- those that do not meet minimum standards on human rights, labour, the environment and corruption as defined by the United Nations Global Compact.

Northern Gritstone does not and will not invest into businesses for which the following activities or products are, or are intended to be, a significant source of revenue (>5%):

- fossil fuel mining or drilling;
- battery farming; or
- the development, production, promotion, marketing and/or sale of alcohol for non-medical or recreational purposes.

Northern Gritstone does not and will not invest into businesses which derive revenue either directly or indirectly from:

- any gambling activity;
- pornography; or
- thermal coal or oil sands.

Northern Gritstone does not and will not engage with any person or entity on an internationally recognised list of sanctioned individuals or organisations.

**Profit with Purpose**

The Directors believe in a responsible and considered approach to the purpose and impact of the business that considers the interests of the Company’s investors and stakeholders.

NG champions the concept that profitable organisations can and should have wider purpose. In fact, NG believes that it is by combining profit and purpose that we will be most successful. By creating a world leading ecosystem of support and funding, it is the Company’s aim to generate significant wealth from the ideas and inventions that its partners have developed which, over time, will flow back into the economy of the North of England thereby creating a virtuous circle from which all can benefit.

Creating a thriving entrepreneurial ecosystem will draw further additional talent, advisers and funders to the region further enhancing the North of England, delivering the ambition to create an environment for entrepreneurs and founders which can rival Silicon Valley. Northern Gritstone seeks to be an important catalyst to this entrepreneurial ecosystem.

**Measuring NG’s impact**

The Company operates a semi-annual assessment of the impact it has both at the NG level and the wider portfolio level to measure how it is performing against this key goal. Measures monitored include the number of entities backed, the amount of capital leveraged alongside the Company’s investments and number of jobs created in the North of England.

When assessing the Purpose & Impact factors most likely to impact materially the financial condition or operating performance of the Company, its existing and prospective investee companies, Northern Gritstone utilises the Sustainability Accounting Standards Board (“SASB”) sector specific materiality guidelines, applying the RAG matrix shown below:

<b>I m p a c t</b>	Major	High			
	Moderate	Med			
	Minor	Low			
			Low	Med	High
			<39%	40 - 60%	>61%
			<b>Likelihood</b>		

Key:

The risk is under control and represents no immediate threat or impact
The risk has the potential to move to red. It needs managing and close monitoring but there is no immediate threat which would have a significant impact
The risk requires active management. It poses an immediate threat and its impact would be significant

All prospective investments must be assessed against these guidelines before initial investment and re-assessed annually post-investment.

When assessing prospective investments, Northern Gritstone will not proceed with any investments in which a red RAG status is flagged and appropriate mitigation and / or remediation cannot be agreed. When conducting reviews of existing investments, Northern Gritstone will seek to divest any investments in which a red RAG status is flagged and appropriate mitigation and / or remediation cannot be agreed.

Northern Gritstone maps its own impact and that of its existing and prospective investees against the UN's Sustainable Development Goals. The Impact Management Project ("IMP") framework is utilised for measuring and reporting these impacts. This incorporates:

- **What:** e.g. measuring the positive impact Northern Gritstone has in funding seed and start-up companies, and the importance of this capital to the growth of their businesses and economic growth;
- **Who:** e.g. highlighting the impact of the academic founders, the workforce, and collaborators on the local economy; and
- **How:** e.g. measuring the positive impact of the business (e.g. number of new drugs sold, people treated, carbon emissions avoided).

All prospective investments must be assessed against these guidelines before initial investment and re-assessed annually post-investment.

Additional Purpose & Impact risk metrics monitored by Northern Gritstone include:

- **Business ethics:** assessing the total amount of monetary losses incurred because of legal proceedings associated with fraud, anti-competitive behaviour, market manipulation or malpractice;
- **Systemic risk:** assessing the total amount of monetary losses incurred because of significant changes in law, regulation, market practice and environment; and
- **Employee diversity and inclusion:** assessing the percentage of: gender; social; and racial/ethnic representation for the employees of both the Company and its portfolio companies.

## Climate

Climate change is one of the greatest threats facing our planet and future generations - it is right that organisations such as Northern Gritstone take a lead in reducing the negative impact profitable businesses might have on our planet.

The Company is committed to being a Carbon Neutral business both in its own operations and across its subsidiaries and other investee companies. Northern Gritstone is a signatory to the Net Zero Asset Managers Initiative, fully endorsing the scheme's commitment to achieve net zero across the Company and all our investments by 2050 or sooner. The Company has been Carbon Neutral in its own operations since inception.

## **Equality, Diversity and Inclusion**

We are committed to removing barriers that may hold people back because we know that when people come together with different views, approaches and insights it can lead to a richer, more creative and innovative environment for creating the world-leading businesses of tomorrow.

Northern Gritstone's focus on Purpose & Impact and doing business in the right way underpins the business' culture. Good businesses are diverse businesses by thought, experience, background and outlook as well as by gender, race, sexuality and other characteristics. The Company recognises that true diversity is 3D and incorporates a broad range of measures including socio-economic background, neurodiversity and education. Creating a diverse and inclusive working environment is central to our culture at Northern Gritstone.

In the long-term, the Company aims to reflect the communities in which it operates across all levels of its own business and those of its investees and will continue to focus on developing a diverse and inclusive team as it builds out its operations. Northern Gritstone is a signatory to the Investing in Women Code and further detail on our approach to equality, diversity and inclusion is included within our Commitment to Equality, Diversity and Inclusion.

## **Governance**

Good businesses have good governance. Good governance provides an appropriate framework whereby an organisation's actions can be assessed; risks identified and mitigated; and success defined and monitored. The best governance structures evolve over time to reflect changing business practices, scale, and risks.

The Board takes into consideration the main provisions of the UK Corporate Governance Code 2018 as published insofar as they are appropriate given the Company's size and stage of development. The Company will continue to evolve internal controls as the business develops.

Northern Gritstone has strong governance foundations with the following committees operating under the Board, all with clearly defined duties and responsibilities:

- Remuneration Committee;
- Audit & Risk Committee;
- Executive Committee;
- Investment Committee;
- Purpose & Impact Committee; and
- Valuation Committee.

These committees are supported by a thorough set of policies, with the main ones being:

- Board Governance policy
- Capital Allocation Policy
- Purpose & Impact Policy
- Whistleblowing Policy
- Anti-bribery Policy
- Equal Opportunities Policy
- IT and Cyber Security Policy
- Conflicts of Interest Policy
- Valuation Policy

The Company focuses on working closely with its investee companies and has a Director appointed on each investee company board. Through this involvement, as well as bringing to bear the Company's growing operational and supporting resources where appropriate, the Company takes an active role in developing, assisting, supporting and monitoring the strategic development of our investee companies.

### **Wider Regional Impact**

The Company is focused on ensuring that it works closely with other businesses in the North of England along with supporting the local communities in which we operate. This is alongside being a strong advocate for the Northern tech economy and supporting this with commercial initiatives wherever possible. The Company actively seeks to partner with suppliers which have a presence in the North of England. The Company undertakes an outreach programme, specifically targeting students from under-represented groups.