

Ventures

Approach to sustainability



We invest in industries that address current and future consumer trends, working with new technologies and in new markets and supporting talented entrepreneurs and leaders of businesses that we understand and believe in. We support companies that have a strong management team, a global value proposition with significant growth potential and a business model which is aligned with our ESG beliefs.

Central to Downing's ethos is a commitment to be a "Responsible Investor". Accordingly, every year we publish a firm-wide Responsible Investment Policy which sets out our overall ESG objectives and aspiration to become leaders in responsible investment through our guiding principles of integration, active ownership and transparency. This document outlines how we go about implementing these principles in Ventures.

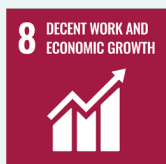
Our portfolio and investment strategy

Downing Ventures invests in innovative technology companies and pioneering founders across the globe with early to growth stage funding across the Deep Tech, Enterprise and Healthcare sectors. The sector mix as at 31 December 2021 is shown below.

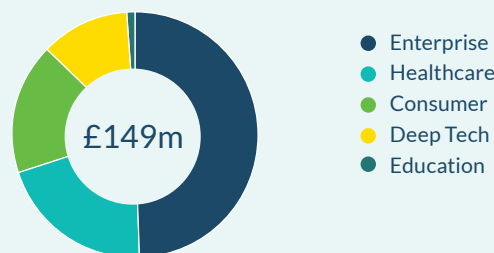
The companies rarely have any tangible assets and so are less likely to have major balance sheets where assets may be overvalued. Consequently, key ESG issues we frequently encounter tend to be more focused on data security, employee engagement, business model resilience and customer privacy.

Downing's approach is to co-invest with other top class Venture Capitalist firms where we can actively collaborate both pre-investment in due diligence, risk assessment and pricing, through to hands-on ownership and ultimately exit.

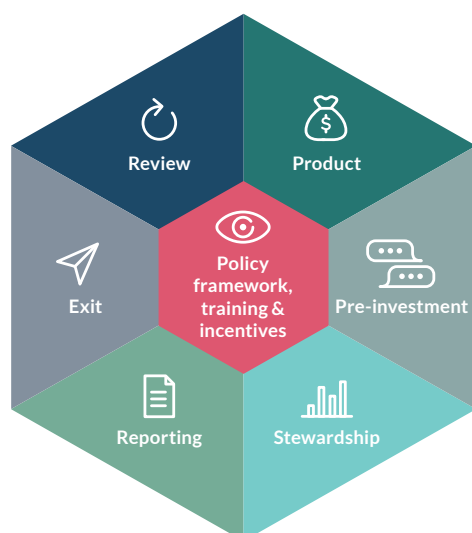
We support three main Sustainable Development Goals:



Assets under management as at December 2020



ESG integration throughout the investment life cycle



Product

- We consult and take into account the needs and expectations of clients and beneficiaries when we create and review investment mandates.

Pre-investment

- We aim to co-invest with venture capital firms that share our level of commitment to responsible investing.
- As most potential investees are at the outset of their ESG journey, we have developed a proprietary ESG tool to assess the key basics and how these could affect growth, both positively and negatively.
- ESG matters are included in investment papers, discussed throughout the decision-making process and are a mandatory agenda item at Investment Committee.

Stewardship

- We provide hands on support to overcome ESG challenges and will collaborate with co-investors.

Reporting

- We report annually to the PRI and UNGC and this will be extended to the FRC on acceptance of our stewardship code application.
- We will include material ESG factors & impact in our investor reporting.

Exit

- We will disclose ESG information as part of our divestment package where pertinent, and endeavour to quantify and report on ESG impact to investors.

Review

- We review policies and procedures regularly to ensure they remain relevant in the context of the venture capital market and evolving Responsible Investment agenda.

ESG integration in Ventures

Behind this approach is a team of highly skilled investment professionals, that share our values and passion for responsible investing. The team is led by Warren Rogers, who retains ultimate responsibility for this Strategy and its implementation.

Early stage businesses are less likely to have significant tangible assets such as property, or manufacturing plant, so the risk of stranded assets is reduced. Our focus in Ventures is on the opportunities that arise as a result of ESG factors as much as it is on the risks.

To ensure that their business models remain sustainable, as these younger companies develop and grow, our level of engagement and stewardship is at its highest and we often play an active role in coming up with solutions to challenges that the investee companies face.

Capacity building is a new competency for Downing and one that we are committed to developing to support our Responsible Investment approach.

Our team members enjoy opportunities to compare views with their opposite numbers in co-investment firms, debating value and growth strategies. As one of the most collaborative areas, Ventures presents unique opportunities for stewardship.

Senior level commitment at Downing is demonstrated via the CEO, COO and Head of Investment's compensation being linked to the ESG performance of the portfolio. We are also committed to high standards of disclosure and are preparing to report on climate risk in line with Taskforce for Climate-related Financial Disclosure guidelines for 2021.

Material ESG factors in Ventures

Downing initially conducted an analysis of material ESG risks for each of our target sectors based on the Sustainability Accounting Standards Board (SASB) materiality maps. This was further refined by the Ventures team resulting in the list below.



Social

People

- Promoting growth that considers diversity & inclusion as well as high labour and Health & Safety standards
- ESG investment training programme for our own staff

Products & Services

- Ensuring safe, high quality services and technologies
- Reflecting customer ESG demands for new product solutions that are more sustainable

Communities

- Considering local and global needs as part of services and technologies including access to healthcare
- Transparent communication and engagement with stakeholders



Governance

Board & Organisational structure

- Driving diversity, inclusion and accountability at board level
- Creating clear & transparent organisational structures and responsibilities (including ESG accountability) as companies grow with robust support for diversity

Risk Management & Compliance

- Strict and robust approach to risk management, including ESG factors
- Requiring compliance with relevant policy and regulatory requirements at all times

Business Ethics & Transparency

- Integrating sustainability within the overall business strategy & model and now requiring portfolio companies to have a code of ethics
- Strong conflict of interest policies and a committee with an independent chair



Environmental

Climate Change

- Consideration of climate change at business strategy level, and as part of goods, services and technologies.

Resource Efficiency

- Promoting efficient use of energy and water in the manufacture of sustainable goods

Impacts & Pollution

- Funding technologies that contribute to reduction of environmental impacts, including pollution, waste and water usage and promote good health and wellbeing

WE SUPPORT



Downing LLP is committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of labour, human rights, the environment and anti-corruption.