

STRATEGIC REPORT

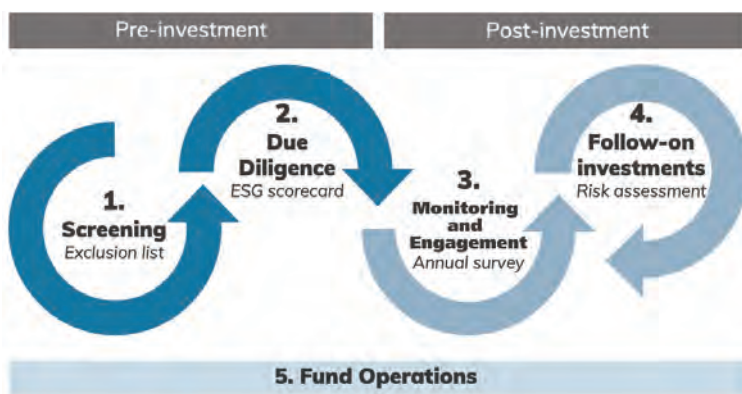
Augmentum Fintech Management Limited

Committed to Responsible Investing

Augmentum Fintech Management Limited (“AFML”) believes that the integration of Environmental, Social and Governance (“ESG”) factors within the investment analysis, diligence and operating practices is pivotal in mitigating risk and creating sustainable, profitable investments.

Five-Stage Approach to Future-Proofing the Portfolio

ESG principles adapted from the UN PRI (Principles of Responsible Investment) are integrated throughout business operations; in investment decisions, at the screening stage through an exclusion list and due diligence, ongoing monitoring and engaging with portfolio companies post-investment and when making follow-on investment decisions, as well as within the fund operations itself.



1. Screening

We use an Exclusion List to screen out companies incompatible with our corporate values (sub-sectors and types of business). We also commit to being satisfied that the investors we invest alongside are of good standing.

2. Due Diligence

An ESG Due Diligence (DD) survey is completed on behalf of all companies in the later stages of the investment process. An ESG scorecard is completed for each potential investment, in which potential ESG risks and opportunities are identified, and discussed with the investment committee. Where necessary, we agree an action plan with the management team on areas for improvement and incorporate commitments into the Term Sheet.

3. Post-Investment Monitoring and Engagement

An annual survey is completed by portfolio companies and areas for improvement are discussed with management teams, with commitments agreed and revisited as appropriate.

4. Follow On Investments

ESG risks and opportunities are assessed when making follow-on investment decisions, with an ESG scorecard completed and co-investors taken into consideration. We only make follow on investments into companies that continue to meet our ESG criteria.

5. Internally at Augmentum

We identify key areas and set goals for ESG advancement annually. The Investment Team has completed ESG training.

ESG Focus Areas

We have identified eight key areas for consideration, across the three ESG categories, which best align with their values and are most relevant for companies operating in the fintech industry.



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The key environmental consideration as identified by the AFML is the potential impact of business operations on the global issue of climate change. Social factors include the risks and opportunities associated with data security, privacy and ethical use, consumer protection, diversity and financial inclusion. Governance considerations include anti-bribery and corruption, board structure and independence and compliance.

AFML is committed to:

- Incorporating ESG and sustainability considerations into its investment analysis, diligence, and operating practices.
- Providing ESG training and support to the AFML employees involved in the investment process, so that they may perform their work in accordance with AFML's policy.
- Actively engaging with portfolio companies to encourage improvement in key ESG areas.
- Annual reporting on progress to stakeholders.

ESG in Action

Strong ESG practices can be found across our portfolio, in business models and operating procedures. Below we highlight some examples.

Grover

Grover is built on a circular economy business model, in which products are rented rather than owned, extending the life of the product and reducing waste. Through partnering with Grover, large retailers and OEMs can incorporate the beneficial elements of a circular economy model without the need to redesign their entire internal operations.

Farewill

Farewill has raised over £125m to date for their charity partners including Cancer Research UK and Save the Children, through customers leaving a gift in their will. They also offered NHS workers discounts on wills during COVID-19.

interactive investor

interactive investor launched their Ethical Growth portfolio and ii ACE30, the UK's first rated list of ethical investments, helping customers to build their own balanced ethical portfolio. Their free "Knowledge Centre" and podcast serve to educate customers on the multiple facets of investing.

Onfido

At Onfido security and compliance are essential to their mission of creating a more open world, where identity is the key to access. The company has implemented robust, industry-leading data security and compliance measures and accreditation, including SOC 2 Type II and ISO 27001.

Tide

Tide has made a commitment to support 100,000 female founders by the end of 2023 in response to the Alison Rose Review of Female Entrepreneurship, which found that only 32% of UK entrepreneurs are women and revealed significant untapped potential for the UK economy.

Focusing on Diversity and Inclusion to Drive Better Business Outcomes

AFML believes that diversity and inclusion are crucial both in scaling and supporting successful technology businesses shaping the future. Companies in the top quartile of gender diversity on executive teams are 25% more likely to experience above-average profitability (McKinsey Report: Diversity Wins, May 2020). AFML has worked hard to build a diverse and inclusive team and company culture in which diversity of thought is encouraged and has a designated Diversity and Inclusion Lead.

The Investment Team takes a proactive approach to diversity when sourcing deals, through continuously diversifying their networks, being mindful of unconscious bias and building fair assessment into the investing process, as well as working with and supporting third parties making great strides in these areas. We have made a good start but there is a lot more we would like to do. The next phase involves using more data to drive our approach.

Progress Highlights

AFML selected gender diversity in dealflow and hiring as their diversity and inclusion focuses for the past twelve months, and identified a number of impactful initiatives through which to support these, across both the fintech and investment ecosystems:

Encouraging a Diverse Fintech Industry

We hosted and supported numerous events for women running and working in fintech businesses, including Female Founder Office Hours and speed mentoring, in partnership with industry body Innovate Finance and portfolio companies including Tide and Seedrs.

We also worked with female fintech Founders from across Europe during a trade mission coordinated by the UK Government's Department for International Trade.

Supporting an Inclusive Investment Ecosystem

We evolved our hiring processes to ensure inclusive practices are ingrained. The team was joined by its first female associate and hosted a female intern over the Summer.

We have engaged with numerous diversity-focused communities and charities, including hosting virtual education sessions with students via The Sutton Trust, a charity for social mobility, as part of their 'Pathways to Banking and Finance' initiative.

We hosted numerous networking events for women working across the VC industry and the team worked closely with Diversity VC on their "Venturing into Diversity and Inclusion" report and Future VC internship application screening.

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TeenVC

In March 2020 we launched TeenVC, a free online education platform for students from all backgrounds to learn about venture capital, technology and entrepreneurship, culminating in The TeenVC Challenge, a deal-sourcing exercise in which students could secure work experience with us. The initiative reached over 10,000 students around the world and The TeenVC Challenge saw entries being submitted from as far as San Francisco, South Africa, Bangladesh and Scotland. Of the TeenVC Challenge applicants, over 50% were female, 50% were from state schools and 70% were BAME (Black, Asian and minority ethnic).