

Molten Ventures Group Responsible Investment & Sustainability Policy

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Overview

This Policy was adopted for and on behalf of the Molten Ventures group following approval by the board of directors of Molten Ventures plc (formerly Draper Esprit plc) on 28 September 2020, and summarises our values, our Environmental, Social and Governance (ESG) goals, and our approach to Responsible Investment.

This Policy is intended to evolve over time as we rise to meet new challenges and continue to develop and improve the ESG standards in our own business and that of our portfolio companies.

Updates to this Policy will be posted on our website and maintained by the General Counsel of Molten Ventures plc. This Policy was last updated on 28 March 2023.

Our Values

Innovation & Ambition: a new model to do things differently and better. We help our entrepreneurs to change the world with our depth of experience, expertise and drive.

Collaboration & Community: we're a team of teams working with our community and stakeholders to get the best results and inspire the next generation of entrepreneurs. It's always a group effort.

Honesty & Integrity: trust is built on doing the right thing for the right reasons. We act with integrity and give it straight, even when it isn't easy to hear.

Long-term & Accountability: the long-term future requires action and accountability now. Our evergreen model allows us to see the bigger picture. Our governance structures keep us aligned and accountable to our long-term values and goals.

Inclusivity & Diversity: we embrace our differences to build a better, fairer future for all. We seek the brightest and the best, whoever they are and whatever their background.

Our ESG Goal

Our mission is to advance society through technological innovation, to invent a future which is sustainable, fair and accessible to all.

We aim to use our platform in VC to encourage and promote our values and ESG considerations in developing best-in class technology companies and achieving strong returns for our investors.

We are committed to investing responsibly and embedding environmental, social and governance in everything that we do to accelerate positive change and inspire the next generation of diverse entrepreneurs.

This Policy sets out the way in which we achieve our goals by responsibly selecting and investing in portfolio companies, and interacting with our broader stakeholders to develop their own ESG strategies.

Our Approach

We are committed to a policy of Responsible Investment through the lifecycle of our investments, from pre-screening to exit.

We use various tools and methodologies to screen, evaluate and monitor our investments which are aligned to the UN Sustainable Development Goals (**UN SDGs**) and the UN Principles for Responsible Investment (**PRI**) (to which Molten Ventures became a signatory in 2019).

To assist in establishing a framework of what we believe 'good' ESG looks like in our portfolio businesses, we have developed a set of target ESG standards that we apply in our own business and deploy in our direct investment strategy.

Please note that this approach does not directly apply across our fund of funds strategy where we do not have control or co-control over investment strategies or processes, however where possible we seek to partner with funds who have a specific or general an ESG focus within their broader investment thesis and who include sustainability aspects as part of their investment analysis.

Target ESG standards

Our aim is to invest in businesses and entrepreneurs who are committed to changing the world in a positive way by agreeing to embrace the below sustainable practices and standards in their business activities.

We do not demand or expect all of the following Target ESG Standards to be demonstrated at the point of initial investment, but we do ask for a positive commitment by founders and management teams to implement measures that attain (and surpass) our targets during the lifetime of our investment.

1. Recognising of the importance of sustainability and the protection of the natural environment (including in the supply chain) with a commitment to the material reduction and, where reduction cannot be achieved, balancing of company-related carbon emissions.
2. Encouraging diversity and inclusion at all levels of the business including at a management level, through policy and direct action, and enforcing a zero tolerance against any form of discrimination.
3. Ensuring that all people involved in the operations of the business, including in the broader supply chain, are treated fairly, with dignity, and with access to safe conditions that encourage healthy working.
4. Entrenching robust structures of corporate governance with identified responsibilities and procedures that are proportionate to the scale of the business and aligned with a leadership culture that is grounded in effective risk management and accountability.
5. Acting with integrity and strong business ethics evidenced through positive engagement with stakeholders in line with all applicable local and international laws, regulations and sector / territory specific standards.
6. Positively addressing customer / client interests, including concerns around privacy, inclusion, health and safety, and marketing.
7. Committing to the inclusion of a strategic sustainability board agenda item that is discussed at least quarterly.
8. Encouraging transparency and a commitment to monitoring and reporting upon ESG progress within the business.

We strongly believe that the introduction and implementation of the Target ESG Standards stands to benefit the operations and standing of the portfolio company as well as the broader environment/community.

By using these standards we can effectively create a profile of the businesses in which we invest by reference to the nature/location of their operations and workforce, the types of customers/clients they are likely to attract, and the overall quality of management on ESG issues having regard to their commitment, capacity and track record.

Pre-Investment

All prospective portfolio companies in which we consider making a direct investment (note this does not apply to our fund of fund strategy) are initially screened against our Exclusion List and thereafter assessed as part of our ESG due diligence process before a final decision can be taken on the investment.

Exclusion List

Our exclusion list sets out the sectors, businesses and activities in which we will not invest due to having as their objective or direct impact any of the following:

1. Slavery, human trafficking, forced or compulsory labour, or unlawful / harmful child labour.
2. Production or sale of illegal or banned products, or involvement in illegal activities.
3. Activities that compromise endangered or protected wildlife or wildlife products.
4. Production or sale of hazardous chemicals, pesticides and wastes.
5. Mining of fossil fuels.
6. Manufacture, distribution or sale of arms or ammunitions which are not systems or services generally regarded as having defensive / non-offensive objectives as their core focus.
7. Manufacture of, or trade in, tobacco or alcohol.
8. Manufacture or sale of pornography.
9. Trade in human body parts or organs.
10. Animal testing other than for the satisfaction of medical regulatory requirements.
11. Production or other trade related to unbonded asbestos fibres.

Due Diligence Assessment

Where an investment is eligible against our exclusion list, we will, during the course of our due diligence process, assess the ESG opportunities, risks and gaps inherent to the business.

We capture our Target ESG Standards in our pre-investment checklists, and employ a risk scoring system to assess compliance with relevant laws in relation to environmental, social, governance, health and safety, bribery and corruption issues by reference to our Target ESG Standards and examination of the following broad range of disciplines:

1. Adoption of stated ESG aims, mapped against the UN SDGs.
2. Commitment to issues of environmental, social and/or governance.
3. Carbon emissions reduction and carbon balancing activities.
4. Diversity and equal opportunities across the workforce (including at board level) irrespective of ethnicity, gender, disability or background.

5. Staff performance management and levels of turnover.
6. Internal governance measures, including board composition with regular meetings and suitable preparatory processes, internal risk assessment controls, audit processes and grievance / whistleblowing procedures.
7. Existence of suitable internal policies, including anti-bribery and corruption, privacy, and employee-focussed policies (in a codified staff handbook or otherwise).
8. Cybersecurity standards and business resilience strategy.
9. Positive community engagement with clients/customers and stakeholders.
10. Track record of compliance with relevant laws in relation to environmental, social, governance, health and safety, bribery and corruption.

The output of our ESG due diligence process will result in a final score being attributed to the investment opportunity. Specific flags may also be raised in connection with particular identified ESG risks.

ESG Due Diligence Outcomes

The outcome of our ESG due diligence is documented together with the wider investment recommendation materials presented to the Investment Committee in their consideration of the opportunity.

Where low scores are attained, or specific ESG risks are flagged, these are carefully considered, with input from General Counsel and/or external advisors as required.

Enhanced ESG screening may be conducted (internally or through outsourced subject matter experts) if deemed appropriate, and the Investment Committee may ask for additional evidence or input from the prospective portfolio company.

In the eventuality that actual material ESG risks are identified, these will be internally presented at our Investment Committee, and a decision will be taken as to how to proceed with the prospective investment. Advice of General Counsel will be sought where necessary.

Provided that the ESG risks associated with the investment are deemed to be within an acceptable range, the terms of investment will typically require, amongst other things, a commitment by management to meet our Target ESG Standards, to take steps to address any specifically identified risks, and to identify any ESG-related opportunities that can be realised and championed.

Molten Ventures aims to assist the portfolio company in achieving steps that are proposed to be taken, with the aim of working collaboratively to improve standards and attain the social licence to operate responsibly and sustainably.

Ownership

Following completion of a direct investment, we internally map the assessed ESG status of the company against the UN SDGs (factoring materially thresholds to capture the core nature of the business and its ESG gaps, risks and opportunities) and then work alongside the management team to support and monitor performance against these criteria.

As part of the onboarding process, we will share our high level due diligence ESG assessment with the management team of the portfolio company, and use this to establish a baseline of discussion points that are specific and material to the business. We then aim to collaborate with management to formulate proportionate and company-specific ESG metrics and strategies for ongoing monitoring supported by appropriate policy and governance arrangements

The scope of agreed actions and nature of our support will typically evolve as the business grows and matures, but will often take the form of one-to-one interactions, ESG-focussed events, networking opportunities and integration into our wider community of companies and investors.

Where agreed, we also provide direct assistance in the form of training or financial commitments toward portfolio carbon footprint analysis, reduction and balancing exercises during the first and second year of our ownership.

Monitoring & Reporting

We monitor portfolio companies' performance on an ongoing basis against our Target ESG Standards, the UN SDGs, and any action plans agreed with management. This may take the form of data monitoring/sharing, or through anecdotal evidence and periodic reviews to evaluate progress.

Monitoring is intended to capture both positive improvements and material negative incidents or areas for improvement and may be event-driven or periodic, at intervals of no less than annually.

The outcome of our monitoring activities are then fed into internal discussions about the portfolio holistically from an ESG perspective, and conversations with portfolio management to agree next steps or remediation actions.

As signatories to the PRI, we report on portfolio company ESG data in aggregate, commencing 2021. We also report annually to our stakeholders on the ESG activities of the Molten Ventures Group and the implementation of this policy.

We encourage transparency amongst our portfolio companies to disclose their ESG performance against agreed standards/KPIs.

Exit

In the course of an exit from a portfolio company (whether through a business sale, secondary process or IPO), we will aim to capture the nature of ESG progress made through the lifetime of the investment by collation of all historic monitoring and reporting data obtained in the course of the investment.

Where data can be of use to the portfolio company, we may agree to work with the management team to help distil this into a coherent narrative of progress supported by the attainment of agreed milestones against our Target ESG Standards and/or other agreed metrics.

ESG in our own operations

The Molten Ventures Group is committed to fully embracing and developing ESG within our own operations.

Our annual report contains details of the ESG measures that we have taken in each foregoing 12 month period, which include:

- Minimising our environmental impact as part of our ongoing ambition to reduce carbon emissions with our goal to be a net zero organisation and ultimately net negative.
- Maintaining the highest levels of governance and ethical integrity in accordance with the regulatory standards to which we are subject by, amongst others, the UK Financial Conduct Authority and the London Stock Exchange.
- Continuing to embrace inclusion and diversity in our workplace through our continued investment in the best talent, regardless of background, and commitment to continuous professional development.

- Implementing and maintaining suitable internal processes, procedures and standards supported by training to ensure the maintenance of suitably high standards of conduct and sufficient expertise in the deployment of this Policy.

Accountability

We monitor the implementation of this policy on an ongoing basis, including at the level of the board ESG Committee level not less than annually.

As noted above, we report annually to our stakeholders on the ESG activities of the Molten Ventures Group in our annual report, periodic investor updates, and via our website.

As signatories to the PRI, we report to the PRI annually, commencing 2021.