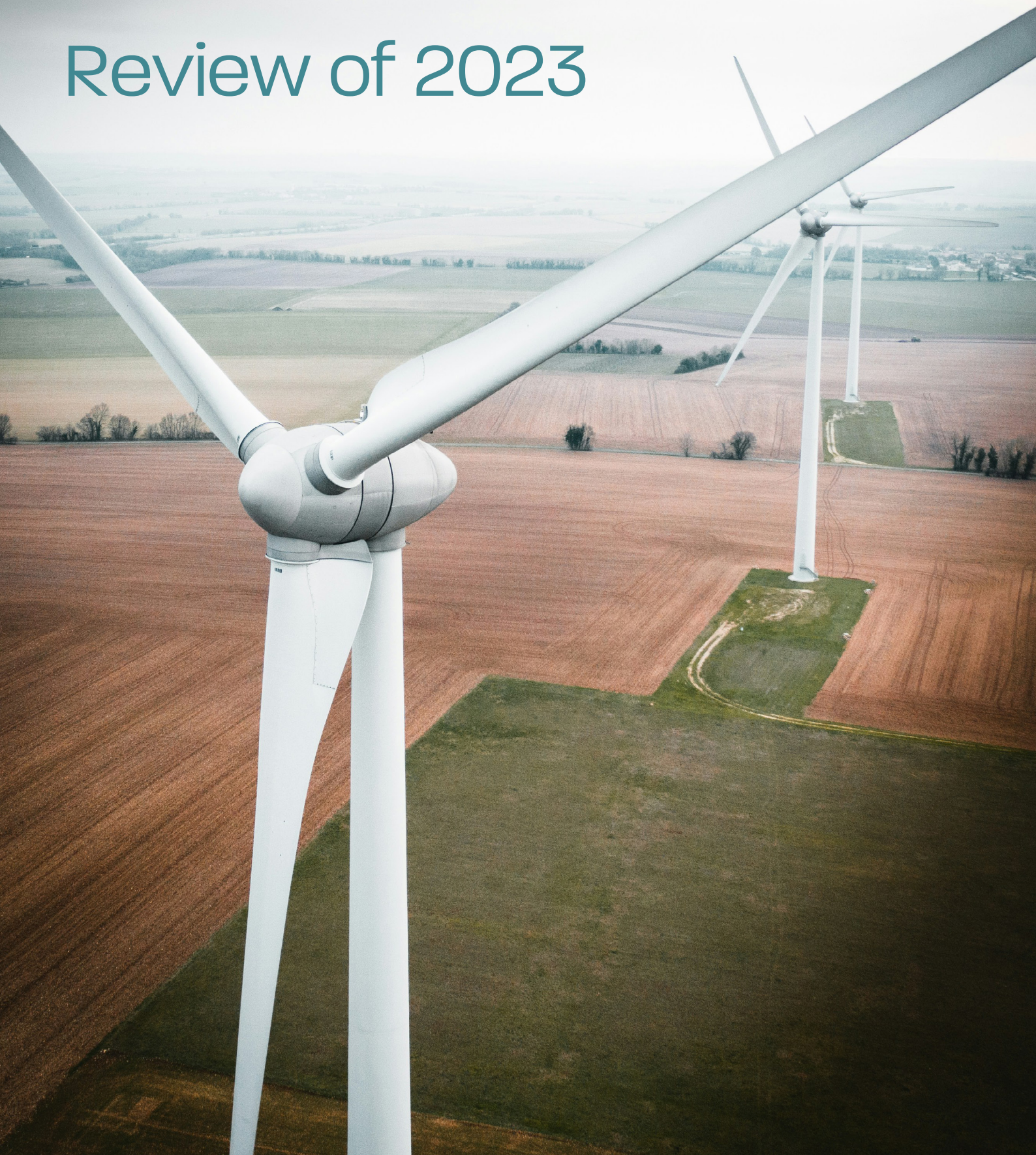


Sustainable Investment Report

Review of 2023



Welcome from our Managing Partner

page 03



Review of the year for 2023

page 04



YFM portfolio at a glance

page 05



The YFM approach to Sustainable Investment

page 07



Improving our own business

page 09



A focus on protecting our environment

case studies

page 11



Portfolio ESG KPI report

page 15



Sustainable development goals

page 20



Welcome from our
Managing Partner

Looking for sustainability

Investing in a Sustainable Future

Sustainable Investing is no longer an unusual approach used by a few specialist ‘green’ or ‘impact’ funds. At YFM we recognise that all businesses need to address the sustainability of their models to ensure they are using sustainable resources, supply chains, energy usage, and have sustainable ways of treating their employees and customers. Our role as investors is to make sure that the businesses we invest in are planning to grow in a sustainable way, not just by the design of their products and services, but also by the way in which they operate and are governed.

Our guiding principle is that we make strong returns for our investors by building better businesses. And ‘better’ means that the businesses we invest in are not just bigger and more profitable at the end of our investment hold period than they were at the beginning, but that they are also more sustainable.

We therefore consider these sustainability questions in our assessment of new opportunities, and then work with the management teams we back to identify key areas for improvement. We then have a suite of KPIs to measure progress along the way, and provide help to achieve the improvement goals which have been set.

A focus on Protecting our Environment

In this year’s report we have spotlighted some examples of how the businesses in our portfolio are addressing sustainability by the way their products, supply chains and operations impact the environment.

Each business addresses this in a different way. For example, Displayplan focusses on the recyclability of its packaging, the sustainability of the materials it uses, and what happens to its products at the end of their lives. Checkmate focusses on repair over replacement to reduce timber consumption, and on reducing the impact of its delivery miles. And Thinkhire’s products are specifically designed to reduce carbon emissions for its construction customers. But despite the differences in their products, all these businesses have two things in common – a publicly stated mission to reduce environmental impact, and a system in place to measure and report to customers the impact of their products.

YFM will be following the example set by these businesses by working with an environmental consultancy in 2024 to drive an increase in carbon footprint measurement across our portfolio of investments – starting with our own operations.

A word on PRI

The PRI is the United Nations’ inspired organisation focussed on agreeing, and encouraging the adoption of, Principles for Responsible Investment. YFM became a signatory of PRI a few years ago and has now had its first assessment completed and scored.

We were pleased to see that we scored at or above the PRI median for all three areas of strategy/policy, private equity investing, and confidence building measures. But we do not want to settle for that and will be continually striving to improve our PRI score year on year.

Sustainability

The concept of sustainability has become more mainstream over the past few years, and we welcome that. The greater number of small businesses that can focus on this the better. For our part, in 2024 we will continue to look for improvements in the sustainability of our own business as well as that of our portfolio of investments.

Eamon Nolan
Managing Partner



Review of the year for 2023

50 team members



8 new joiners



over £170m new funds raised



£52m invested in UK businesses

of which 60% was used to finance R&D, geographical expansion and job creation



46 companies in the portfolio at the end of the year



5 exits from the portfolio which together had:

- created 66 new jobs
- increased revenues by 198%

7 new investments



YFM portfolio
at a glance

Our BSC and BSC2 VCT portfolios

with data at 31 December 2023

Software



Services



Products



Consumer



YFM portfolio
at a glance

Buyout Fund I and Buyout Fund II portfolios

with data at 31 December 2023

Products



Services



Consumer



Why Sustainable Investment matters to us

YFM's central strategy is, and has always been, to make investments in businesses and then help those businesses to become bigger and better, while producing strong financial returns for our investors. We believe that building better businesses includes improving their impact on the economy, on the people they employ, on wider society and on the environment.

Our Sustainable Investment Principles

- To seek to understand the ESG related impacts and potential impacts of what we invest in, aiming to grow and enhance positive impacts and to avoid, reduce or minimise any negative impacts over the lifetime of our investments, leaving them overall better businesses.
- To place a focus on the challenge of climate change both as it may be affected by our investments, and as it may impact on them and their resilience to possible climate change scenarios.
- To play a positive role in the investor, business and wider communities in which we work by promoting good practice in ESG management, and by being accountable and transparent in the way we invest and behave.
- To show leadership by managing our own business' ESG impacts to the best of our ability.
- To be a proactive signatory to the PRI and to integrate its principles into our business practices.

How we put this into practice?

From its earliest days, YFM has tried to be a responsible investor. By investing in small UK businesses and looking for longer term returns over several years, we have helped create long term jobs, increased investment in new technologies, and helped strengthen the SME portion of the UK economy. And by being an active investor we have also helped improve governance standards in those businesses.

ESG is integrated into YFM's policies and procedures

- We have a clear Sustainable Investment Policy and Ethical Policy and train the YFM team on our ESG approach every year
- We have an ESG Committee and a DEI Committee comprising members of the YFM team from across our business and headed up by senior partners of YFM. These committees have annual objectives set for both YFM and the portfolio of investments
- We have developed and use our own ESG risk assessment tools for opportunities before investment and set out the key issues identified in the papers considered by our Investment Committees
- We collect ESG KPI data at the point of investment and identify long term and short term areas for improvement during the first 100 days
- We monitor progress against the key ESG impact objectives through regular board meetings and annual assessments, gathering ESG KPI metrics annually. We then evidence ESG progress on exit and record lifetime progress
- We report annually to our investors using collated data across the portfolio as well as individual company case studies. And we report on our policies and procedures to PRI

A thematic approach

Our lines of enquiry, assessment, action planning, and reporting are organised around a set of four themes, each with subsidiary ESG sub-themes, to provide consistency of focus. We take into consideration how material each sub-theme is for any given company to ensure that we place emphasis on the things that matter most.



Improve our society

- Strong ethics and governance
- Treating customers well
- Sustainable supply chain
- Supporting local communities



Protect our environment

- Climate strategies
- Inputs and waste
- Caring for our natural capital



Grow our economy

- Creating new jobs
- Growing output
- Investing in R&D
- Increasing exports



Value our people

- Health safety and wellbeing
- Skills and development
- Diversity & Inclusion
- Engaged employees

Improving our own business

We believe we should set an example to our portfolio by also looking at our own ESG performance.

We believe that YFM can make the biggest impact on sustainability and ESG through its portfolio of over 40 UK businesses, which is why our newly strengthened Sustainable Investment system is so important to us. But YFM itself has a team of 50 across 5 UK locations, so we too have our part to play in improving our society and our economy, valuing our people, and protecting our environment.

Contributing to local communities

We continued our ‘charity of the month’ programme with £1000 being donated each month to a local charity supported by a YFM team member, including:



Gender diversity

YFM is a signatory to the Investors in Women Code, a commitment to break down barriers that prevent women entrepreneurs from accessing capital. Over the last year, we have been collecting and submitting data on the investment opportunities we have received and expanding our network of female founders.

Social mobility

YFM continues to operate a summer internship and mentoring programme, this year in partnership with SEO London, a registered charity providing access and support to young people from underrepresented and underserved backgrounds.



Team conservation day

Last July the YFM team from across the UK got together for a day of action at the Wyke Valley Nature Reserve in Leeds.

Our day was dedicated to the art of ‘balsam bashing,’ a hands-on effort to reclaim the park from the invasive Himalayan Balsam plant. By clearing this intruder, we’re fostering space

for diverse flora and fauna to thrive, while also curbing soil erosion during the colder months.

Guided by the passionate Dani of The Conservation Volunteers and supported by Sarah from the Yorkshire Wildlife Trust alongside her trusty dog, Otis, our 35-strong YFM squad cleared over 10 acres of parkland.



PRI reporting is the largest global reporting project on responsible investment. It was developed with investors, for investors.

This is the first year for which YFM has received a disclosable report and we have achieved the scores shown below.

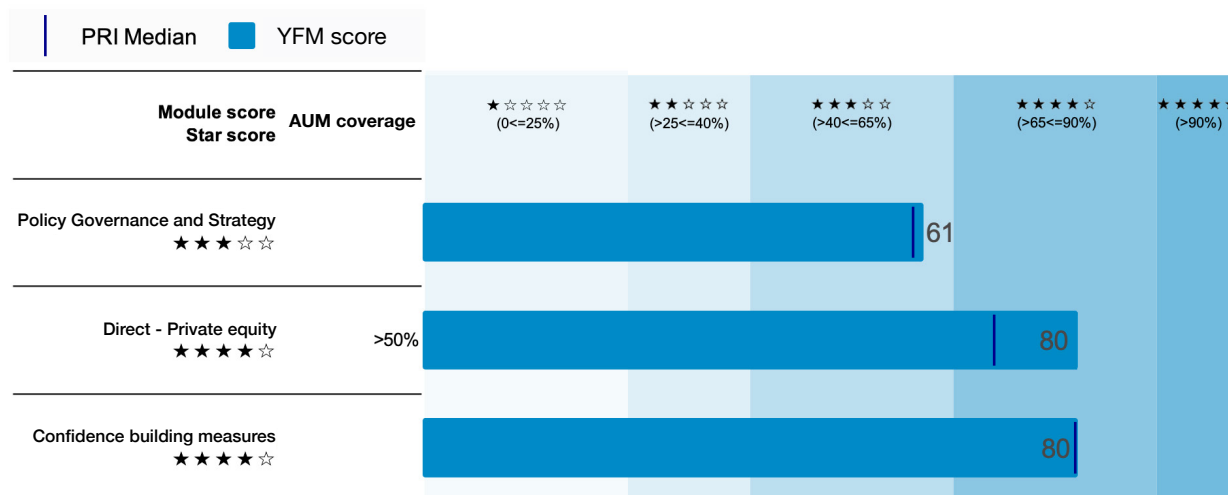
Assessment Report 2023

PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including an Assessment Report.

The Assessment Reports, which are produced using signatories' reported information, support signatories to have internal discussions about their practices. They facilitate learning and development by outlining how signatories' responsible investment practices compare year-on-year, across asset classes, and with peers at a local and global level. Signatories can also choose to make these available to clients, beneficiaries, and other stakeholders.

This Assessment Report is an export of the scores for all the assessed indicators and modules YFM responded to in the PRI Reporting Framework during the 2023 reporting period.

SUMMARY SCORECARD



YFM scored 61% (3 stars ★★★☆☆) in the Policy Governance Measures and Strategy module against a **PRI Median of 60%**.

YFM scored 80% (4 stars ★★★★★) in the Private Equity module against a **PRI Median of 70%**.

YFM scored 80% (4 stars ★★★★★) in the Confidence building measures module **inline with the PRI Median**.

As our first set of scores, we were pleased to be ahead of the PRI medians and particularly pleased to be well ahead in the Private Equity module. However, there are clearly a number of areas where we could improve particularly around updating our policy documents and around encouraging a greater focus on carbon reduction and environmental sustainability in our portfolio businesses. As you will have read in the report, this is an area we will focus on in 2024.

A focus on protecting our environment

Case studies from YFM's portfolio

page 12

Displayplan

page 13

Checkmate Fire

page 14

ThinkHire



displayplan



Case study

Environmental key focus areas

Displayplan made a commitment in 2010 to understand the carbon footprint of the retail displays and equipment they design with a plan to use that information to reduce the carbon used in their projects.

In their own operations they have reduced their Scope 1 carbon footprint by 66% in the past 5 years, switched to 100% renewable energy, and reduced their Scope 1 and 2 emissions per employee by 68% in 5 years.

For their clients' end products they have focussed on only specifying materials that are easily recycled and eliminating PVC, designing all products for disassembly ensuring easy separation for recycling at end of life, and value engineering for sustainability.

Successes



100% recyclable packaging for all products



FSC certified supplier for the last 11 years



Total Scope 3.1 emissions measured for all products



Sustainability workshops led with seven key retail or brand clients



Demonstrated reduced carbon footprint on design recommendations to more than 12 clients

Displayplan has nearly 40 years' experience working with retailers and brands designing, developing, and delivering great in-store experiences.

Displayplan has grown revenues from £16m to £32m during YFM's investment employing 79 people across the UK.



We have managers who are passionate about our environmental performance. They have worked with their equally passionate colleagues across all departments to help our own business and our clients improve their sustainability performance. We have now set long term performance goals and measure year-to-year progress as a business. We also measure the products we design and deliver to our clients. We have pushed ourselves in many areas and I could not be prouder of our team for their performance.









Scott Morris,
Displayplan Managing Director



Case study

Environmental key focus areas

-  Comprehensive environmental sustainability strategy put in place
-  Moved to measure and reduce carbon footprint
-  77% of vehicles in fleet are now fully electric
-  Reduced diesel mileage by 38% in last 12 months
-  Moved to carbon offsetting
-  Adopted program to plant a tree for every fire door installed on clients premises
-  Focussed on repair over replacement of fire doors – c85% are remediated rather than replaced – reducing timber consumption by 1,500 tonnes



Checkmate Fire is the UK's leading passive fire compliance business, providing building inspection, remediation and compliance services to clients across the healthcare, education, housing, and commercial sectors.

Checkmate has grown revenues from c£15m to c£50m during YFM's investment, employing over 200 people across the UK.

“

Perpetuating a culture of sustainability and giving back to the community, Checkmate is devoted to ethical, sustainable and responsible working. From environmental initiatives such as fire door repair and recycling, reducing our carbon emissions, through to protecting local and national economies via apprenticeships, Checkmate is dedicated to using our corporate success for the good of our people, communities and environment. ”

John Lewthwaite
Checkmate Fire CEO



Case study

Environmental key focus areas



ThinkHire guarantee to reduce onsite carbon emissions and operating costs for its customers



Its mission is to deliver and develop products which adopt a more environmentally sympathetic approach to CO2



It is the pioneer of the Solartainer Versatile range, the world's first adaptable solar hybrid generators



All of ThinkHire's assets include remote management and reporting of energy usage and carbon savings in real time



ThinkHire provide trusted, innovative solutions for relocatable renewable energy for construction and infrastructure customers across the UK.

YFM invested in ThinkHire in 2022, backing its plan for rapid expansion in the renewable energy sector.

“ ThinkHire’s mission is to help our infrastructure clients deliver great construction projects using the most innovative and climate-friendly technologies. We are already seeing the benefits from the YFM investment which will accelerate our product and service innovation. ”

Neil Richardson,
Thinkhire Managing Director

ESG KPI report Highlights 2023



Introduction

We collected over 60 pieces of data from businesses in the YFM portfolio relating to calendar year 2023, to add to the data previously collected each year since 2019.

We now collect this data from every new investment at the point of investment as well as at each calendar year end, so we will be able to make comparative analyses over the whole period of our

hold. It will not always be possible to collect all data from every business but for 2023 we collected data from 43 businesses in the portfolio. Some of the portfolio businesses did not have systems in place to collect and collate all data accurately (such as team ethnic diversity). Our aim over time is to be able to collect more of this data and to support our companies to do so as an increasingly important management measure.

The findings

Our approach is to help individual portfolio companies to focus on matters which are most material to their particular businesses. However, there are some common themes which we identified in our previous report where we wanted to see some improvement across the portfolio as a whole. In particular:

- **Building ESG into Values Statements or Mission Statements**
- **Calculating carbon footprint**
- **Adopting an Environmental Policy**
- **Screening of key suppliers for environmental, human rights, and business ethics issues**
- **Conducting employee engagement surveys**
- **Adopting a Diversity & Inclusion Policy**
- **Putting a Mental Wellbeing programme in place**



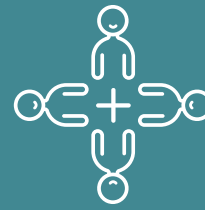
We have marked these areas with a target symbol in the following pages.

The increased number having mental wellbeing programmes in place and the increased proportion measuring/offsetting their carbon footprint are good to see. But there is still some way to go on other issues particularly supply chain screening and female director representation.

We will continue to focus on improvements in these targeted measures in 2024.

On the following pages we set out highlights of our ESG KPI data collection and analysis.

Improving our society



Governance
did businesses have an
independent chair?

95% of businesses are
independently chaired
(90% in 2022)

Governance
did businesses have
a female CEO?

1 in 8 had female CEO's
with 2 in 5 now having female
director representation
(1 in 8 and 1 in 3 in 2022)

Quality standards
did businesses have
Quality or Information
Security accreditations?

65% had ISO 27001 (IT security)
or ISO 9001 (Quality) standards
in place
(55% in 2022)

Supply chain sustainability
did businesses screen
their supply chain?

20% screened their suppliers
for both human rights and
wider ethics standards
(25% in 2022)



Supporting local communities
did businesses contribute to
community causes?

771 volunteering days and £256k
donated to community causes
(215 days and £114k in 2022)

Protecting our environment



Environmental standards

Did businesses have
an approved environmental
policy in place?

55% had an approved
environmental policy

Environmental impact of supply chain

did businesses screen
suppliers for environmental
factors?

15% screen their suppliers for
environmental management or have
a Sustainable Supply Chain policy
(10% in 2022)

Carbon reduction

did businesses have a set
target date for achieving net
zero carbon emissions?

10% had a target date
set for achieving net zero
carbon...



Carbon reduction

did businesses measure their
carbon footprint?

20% calculate their
carbon footprint
(15% in 2022)



ESG KPI report
highlights 2023

Valuing our people



Keeping people safe
did businesses have mental
wellbeing initiatives in place?

60% had mental wellbeing
programmes in place



(70% in 2022)

Please note – the overall % is down, however the volume of businesses with an initiative in place is up from 21 to 26.

Training people
did businesses give staff skills
and development training?

53,000 hours of
non-statutory training given



(50,000 in 2022)

Employee engagement
did businesses formally survey
their employees?

80% conducted formal
employee surveys



(70% in 2022)

Diversity & inclusion
did businesses have a gender
diverse workforce?

35% of employees
were women



(30% in 2022)

Growing our economy



Economic growth
did businesses create and/or
maintain jobs?

3,050 FTE jobs
(2,950 in 2022, 2% up LFL)

Economic growth
did businesses invest in R&D?

£67m invested into R&D
(£45m in 2022, 49% up LFL*)

Economic growth
did businesses increase
exports?

£124m of exports
(£63m in 2022, 96% up LFL*)

*Like for like figures compare 2023 to 2022 excluding
businesses added to, or exited from, the portfolio during 2023

Introduction to SDGs



The Sustainable Development Goals (SDGs) are often described as ‘the blueprint to achieve a better and more sustainable future for all’. They are a call to action to the global community to end poverty and inequality, protect the planet, and ensure that all people enjoy health, justice and prosperity.

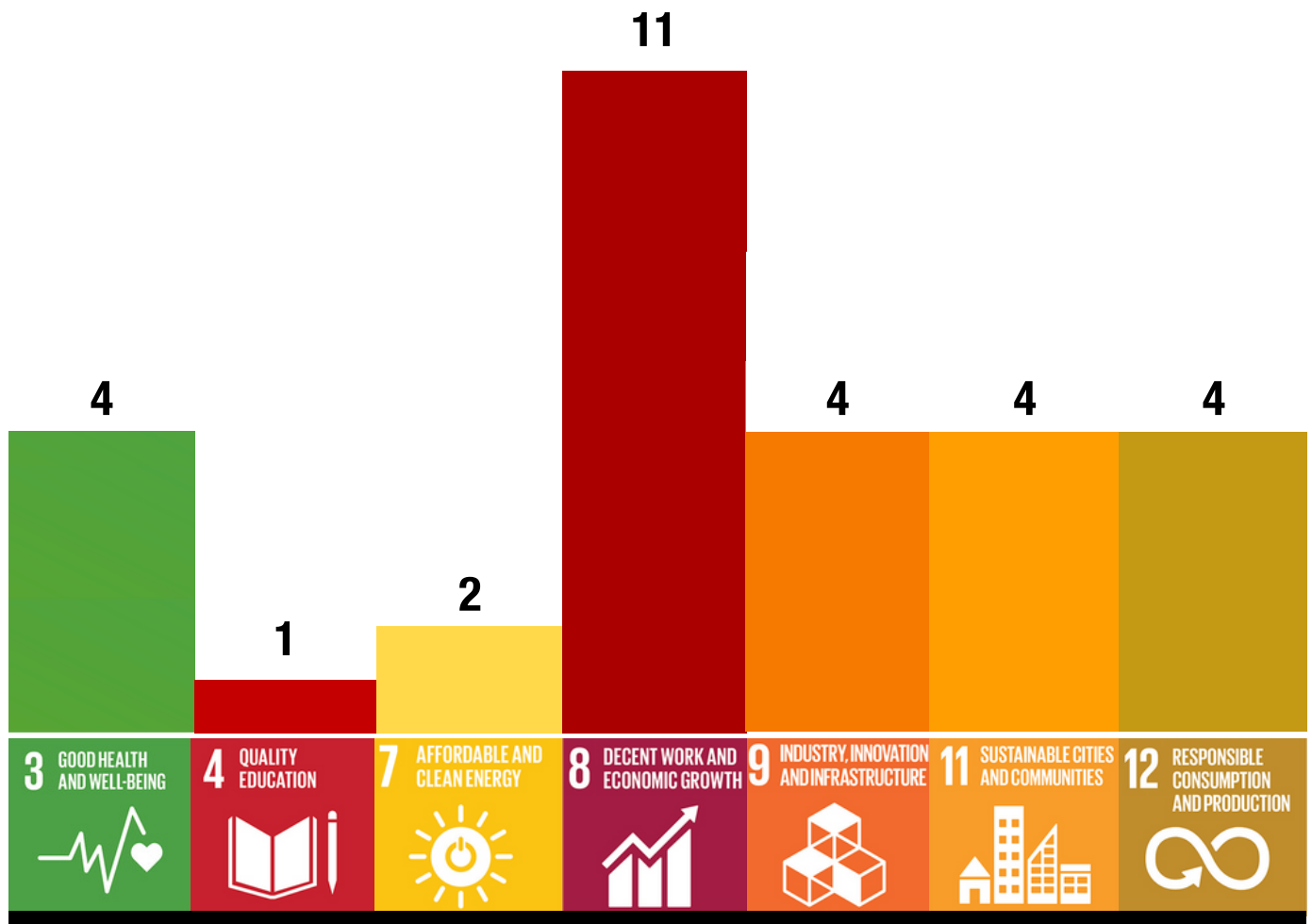
Set by the United Nations (UN), the SDGs are 17 goals for the global community to achieve by 2030, supported by 167 actionable targets to deliver on these goals, and 231 measurable indicators to assess progress. Achieving these audacious goals requires significant effort and investment from government, civil society, the private sector, and communities globally.

YFM has again commissioned Mountain Impact, a specialist impact consultancy, to determine how the companies within the YFM portfolio align with the SDGs. The assessment identified those businesses whose activities, products, services or operations specifically contribute to an SDG target. The targets have strict definitions and for a company to qualify its contribution to the SDGs needed to be positive, a direct and intentional outcome of its activities, and actually achieved.

The summary of the findings is set out on the next page.

Summary results

Our assessment found that approximately half of the companies in the YFM portfolio align with one or more of the SDGs. The majority of this alignment comes from companies contributing to improving economic productivity.



Mapping to SDG targets

SDG	Target	Target Description	No. of businesses contributing
 3	3.4	By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being	2
 3	3.6	By 2020, halve the number of global deaths and injuries from road traffic accidents	1
 3	3.8	Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	1
 4	4.4	By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	1
 7	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix	1
 7	7.3	By 2030, double the global rate of improvement in energy efficiency	1
 8	8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	10
 8	8.5	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	1
 9	9.1	Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	1
 9	9.4	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	1
 9	9.5	Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending	2
 11	11.1	By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	2
 11	11.5	By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations	2
 12	12.4	By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment	1
 12	12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	2
 12	12.6	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	1

Case Study

DrDoctor



DrDoctor is a digital patient engagement platform that connects patients with clinicians. It enhances access to healthcare services for patients through self-booking and remote access to clinicians outside scheduled appointments.

Clinicians benefit from access to data for informed decision-making and improved operational efficiency. The platform's booking and wait list management system has demonstrated effectiveness in increasing appointment attendance and reducing waiting lists in hospitals.

Applying our framework



The company must contribute positively to a specific SDG target

By enhancing access to and the quality of healthcare services, DrDoctor is contributing to target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all. And, through improving the efficiency and productivity of NHS Trusts, DrDoctor is contributing to target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.



The contribution must be a direct and intentional outcome of its activities

The purpose of the technology is to improve access and efficiency in healthcare services.



The contribution must be actual, i.e. not an aim or ambition

The DrDoctor platform is currently being used by over 24m patients across 50 NHS Trusts and has demonstrated its benefits.

