



PUTTING WORDS INTO ACTION: THE SUCCESSFUL BUSINESS MODEL THAT EMBODIES THE I OF DE&I

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Inequalities exposed during the Covid-19 pandemic have sped up an overdue conversation about how to improve diversity, equity and inclusion (“DE&I”) within our society. The month of March brought the subject of gender equality to centre stage with International Women’s Day, but the conversation stretches beyond the borders of gender and race. These include other segments of society often overlooked, from disabled to disenfranchised.

Governments have provided unprecedented fiscal support to keep their economies afloat over the past two years, but now that the pandemic is easing, fiscal belts are tightening again. As a result, there will be less public funding available to support the most vulnerable at a time when the cost of living is rising rapidly due to inflation, meaning it is more important than ever for the private sector to step up and play its part in supporting communities.

At Three Hills Capital Partners (“THCP”), sustainability forms a core thematic focus within our investment strategy, as we believe that businesses that benefit from sustainability tailwinds optimise long term commercial value. One of our portfolio companies, Recycling Lives, is an excellent

example of how SMEs can embody sustainability from both an environmental and social perspective, helping to bridge the DE&I gap by providing support to groups of society that are often marginalised.

Recycling Lives is recognised as a UK leader for its unique approach of combining business and charity. Its eponymous business model puts social inclusion at its core by using its commercial operations in recycling and waste management to support and sustain charity programmes for offender rehabilitation, residential support and food redistribution. Its vision is to successfully align charity with business in order to build better communities and create long-term social value in addition to the environmental and financial value generated from its core business activities. As well as enjoying significant and sustained commercial growth in recent years, with revenues more than quadrupling since 2017, the business has created social value worth millions.

While the financial impact of Recycling Lives’ rehabilitation programme alone is impressive, creating c.£22 million of reported social value per financial year, its real-life impact is even more poignant. Whereas in the UK the national reoffending rate is c.65%, and successive governments have struggled to bring

this rate down, for Recycling Lives’ employees this is as low as 5%, which we believe is also lower in comparison to other rehabilitation programmes. The business not only provides employment opportunities to ex-offenders, but supports them more widely in their path to rehabilitation and financial independence. The programme includes developing life skills, earning qualifications, and undertaking work placements with a view to moving into purposeful work and stable housing. This level of support allows ex-offenders to reintegrate into society more effectively by removing the financial and social barriers often faced on release. To date, 228 ex-offenders have been rehabilitated and supported into work.

The Recycling Lives business model proves that companies do not need to choose between commercial or social value, in fact the two can work harmoniously together. Its rapid growth in recent years, expanding from a strong regional player to a growing national business, illustrates the efficacy of its unique model. THCP’s goal is to ensure that our investments create attractive commercial returns for our investors, whilst mitigating negative effects and contributing positively to people and the environment, and Recycling Lives epitomises this.

THCP is an innovative investment house providing flexible capital solutions to successful entrepreneurs and management teams in the European mid-market. With €1.6 billion in assets under management, the Firm operates with a team of 50+ professionals, including in-house value creation specialists, across offices in London, Milan and Luxembourg. Backed by a unique network of Europe’s leading industrial holdings, influential family offices and entrepreneurs, as well as global institutional investors, the Firm has invested across a portfolio of businesses employing over 15,000 staff.

