



# **RESPONSIBLE INVESTING REQUEST FOR INFORMATION**

Firm Name: 17 Capital LLP  
Completed By: Anthony McKay  
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## PREAMBLE

In accordance with Queen's University's Responsible Investing Policy, as approved in May 2017, we require all of Queen's External Investment Managers to take due regard of environmental, social, and governance ("ESG") factors in making investment decisions. Managers will be asked to engage where appropriate and report to the University on their ESG activities on an annual basis.

Link to Responsible Investing Policy:

<http://queensu.ca/secretariat/sites/webpublish.queensu.ca.uslclwww/files/files/policies/board/Responsible%20Investing%20Policy.pdf>

**To assist with our due diligence, we request that you respond to the following questions no later than August 21, 2020.**

Note: Responses to this questionnaire will be posted in full on Queen's website.

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## GENERAL

### 1) Please provide your ESG-related policies.

The policy has been in place since 2014. It was mostly recently updated in 2020.

### 2) Are sustainable investing and ESG factors integrated into your investment process and portfolio management decisions? If yes, please provide details.

For all potential investments, we identify whether there are any material ESG issues associated with the investment. We use an ESG questionnaire to guide this process.

The ESG questionnaire identifies potential ESG risks, including:

- Environmental concerns (with specific questions on climate change);
- Social concerns (incorporating community, supply chain, human resources and health and safety-related issues);
- Corporate governance and ethical concerns;
- Anti-Money laundering checks.

Once the ESG Questionnaire has been completed, the following process is undertaken:

- Review and assess each ESG questionnaire response from the underlying fund manager;

- Assess the ESG risk based on the initial screening information and the ESG questionnaire response;
- Discuss significant ESG risks identified, including sectors with high ESG risks at interim Investment Committee meetings and detail specific ESG risks within a section of the draft Investment Memo and minutes as appropriate; and
- Provide conclusion on ESG analysis in the Investment Memo.

Our due diligence processes are designed to give us assurances over the management of ESG at the fund level, and significant ESG issues identified at this stage could result in non-investment.

The Investment Committee will confirm that ESG-related issues have been explicitly assessed and ensure they are considered when making the investment decision.

**3) a) Are you a signatory to the UNPRI?**

No

**b) If you are signatory to other coalitions, please list them.**

17Capital is a member of the British Private Equity & Venture Capital Association (BVCA) and Invest Europe and fully endorses and adheres to their respective codes of conduct. We are currently working towards becoming an UNPRI signatory and expect to be a signatory during 2021.

**c) Indicate any other international standards, industry guidelines, reporting frameworks, or initiatives that guide your responsible investing practices.**

Please refer to the response of the above question in question 3b.

**4) Please describe how ESG oversight and integration responsibilities are structured at your firm, including the process for escalation of key ESG issues. How do you obtain ESG information/data (e.g. public information, third party research, reports and statements from the company, direct engagement with the company)?**

Augustin Duhamel (Managing Partner) is ultimately responsible for the oversight of 17Capital's ESG approach. Augustin is supported by an ESG Working Group, which includes Alison Franklin (Head of People & Talent) and Alex Walker (Director of Marketing & Communications). The ESG Working Group meets regularly to discuss the progress of existing initiatives and any new ideas that could be implemented within the firm.

For each investment, the specific deal team are responsible for identifying any ESG risks or opportunities and detailing them in the ESG section of the Investment Memorandum, which is presented to the Investment Committee.

Each deal team ensures that major ESG issues, if any, are identified at the due diligence stage of our investment decision process and seek to obtain information on the ESG policy of our investment counterparties. At the end of the diligence process, the deal team will produce a full investment memorandum for the Investment Committee, which includes a specific section on their ESG findings.

The Investment Committee will confirm that ESG-related issues have been explicitly assessed and ensure they are considered when making the investment decision.

Where material issues are identified, the Investment Committee may request further action is taken to ensure these issues are properly investigated or require further actions to be taken following an investment.

**5) What channels do you use to communicate ESG-related information to clients and/or the public? Do you produce thought leadership (written reports and publications)? If so, is the information available to the public? Please provide links, if applicable.**

Following are the channels that we use to communicate ESG-related information to clients and/or the public:

1. Within a dedicated ESG section included in each Fund's Annual Report
2. Within each Fund's quarterly reports
3. By answering to LPs' questions
4. Annual Investor Meeting
5. On our website where we update on our partnership with Epic (<https://www.17capital.com/epic/>)

The above information is available to our investors and not to the wider general public (with the exception on the information on our website).

**6) Do you have periodic reviews of your ESG process/approach to assess its effectiveness? What are the results? What would cause you to disregard ESG issues in your investment/analysis decisions?**

The 17Capital ESG policy was updated in November 2018 and May 2020 (circa every 12 to 18 months). Part of the terms of reference of the ESG Working Group include reviewing market practices and the need to evolve our own 17Capital ESG policy.

We review and update our procedures for managing ESG in the investment decision process on a regular basis. The ESG Working Group meets regularly to discuss the progress of existing initiatives and any new ideas that could be implemented within the firm.

For each investment, the specific deal team are responsible for identifying any ESG risks or opportunities and detailing them in the ESG section of the Investment Memorandum, which is presented to the Investment Committee. ESG is also part of the 17Capital investment checklist so has to be considered on each deal.

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## CLIMATE

### 7) Describe how you identify, assess, and manage climate-related risks.

For all potential investments, we identify whether there are any material ESG issues associated with the investment. We use the ESG Questionnaire to guide this process.

The ESG Questionnaire identifies potential ESG risks, including the following relating to climate matters:

- Environmental concerns (with specific questions on climate change);
- Consideration in relation to governance on climate matters.

Once the ESG Questionnaire has been completed, the following process is undertaken:

- Review and assess each ESG questionnaire response from the underlying fund manager;
- Assess the ESG risk based on the initial screening information and the ESG questionnaire response;
- Discuss significant ESG risks identified, including sectors with high ESG risks at interim Investment Committee meetings and detail specific ESG risks within a section of the draft Investment Memo and minutes as appropriate; and
- Provide conclusion on ESG analysis in the Investment Memo.

Our due diligence processes are designed to give us assurances over the management of ESG at the fund level, and significant ESG issues identified at this stage could result in non-investment.

The Investment Committee will confirm that ESG-related issues have been explicitly assessed and ensure they are considered when making the investment decision.

On an ongoing basis, the ESG questionnaire is updated annually by the deal counter-party. We also encourage and engage with deal counterparties on ESG related matters, including climate, during our ongoing monitoring discussions.

### 8) Describe the climate-related risks and opportunities you have identified over the short, medium, and long term.

Please refer to the response in question 7.

### 9) Describe the resilience of your investment strategy, taking into consideration different climate-related scenarios.

The investment experience of 17Capital over the past decade (including the years immediately post the Global Financial Crisis ("GFC")) demonstrates lower risk and greater resilience to economic cycles through the focus on downside protection, low volatility and early liquidity. We believe this resilience

will continue with respect to climate related scenarios (including natural disasters resulting from climate change).

Deal flow has also been resilient to economic cycles, as private equity investors seek flexible liquidity both during upturns and downturns, but for different reasons.

#### Investment resilience

The Fund will display the same resilience and will benefit from additional controls. Each loan advanced by the Fund will have a senior claim on a diversified portfolio of underlying companies and will include terms designed to provide significant downside protection: conservative LTV, robust maintenance covenants at portfolio level, appropriate security package, cash interest and mandatory repayment date.

- Lending against a diversified portfolio of companies with a conservative maximum LTV covenant provides downside protection for the Fund against significant negative performance of one or more individual underlying portfolio companies.
- The inclusion of robust maintenance covenants, regular cash interest payment dates and a mandatory repayment date provides the Fund, as Lender, with default triggers in the event of sufficient under-performance in the underlying portfolio and/or failure to pay by the counterparty.
- Default interest and transaction security incentivise the counterparty's good behaviour and ultimately allow the Fund to effect some control if such non-performance remains uncured.

#### Deal flow resilience

17Capital believes its deal flow is also resilient to economic cycles, as its offer can be applied to both distressed and opportunistic situations.

Whilst the drivers for financing may change with the economic cycle (which may also be influenced by climate related matters), the deal flow volume is expected to remain robust.

Project 1 completed in September 2010, is an example of a transaction which enabled the portfolio holder to meet future capital calls. The fund had an over-commitment strategy, but distributions had been insufficient to satisfy capital calls made by underlying funds.

Project 2 completed in December 2013, is a good example of an opportunistic transaction. The senior team of a general partner wished to co-invest in one of its funds' transactions. 17Capital provided the capital to the team on the back of its interests in its own funds plus the new co-investment, allowing the team to participate in the transaction.

#### **10) Do you track the carbon footprint of portfolio holdings?**

No

**If yes, please describe the methodology and metrics used, and whether you have a set target for reducing the portfolio's footprint.**

17Capital invests in existing managers and funds not directly into underlying portfolio companies. As part of our ongoing responsible investing we request ESG data annually from our clients and we are working proactively with them to broaden this information to include carbon footprint data where available, which we expect to enable us to track carbon footprints more closely.

**11) What are your firm's emissions? Please demonstrate how/whether you are taking steps to reduce these scenarios?**

17Capital's emissions relate to consumption of electricity, travel and waste disposal.

17Capital has taken steps to reduce the carbon footprint of its own operations. These include the following:

- Paper reduction exercises and monitoring paper usage: this has resulted in a significant reduction in use
- Video conferencing equipped meeting rooms to reduce unnecessary travel
- Zero landfill policy
- Zero plastic bottles
- Motion sensor lighting
- iPads used for presentations to reduce printing

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## **DIVERSITY**

**12) Please provide the composition of your senior leadership team and board of directors, including women and visible minorities. How do you encourage diversity of perspectives and experience?\***

Board of Directors

The Board of Directors is comprised of two independent board members, Carsten Eckert and Andy Moysiuk, and the two Founding Partners of 17Capital, Pierre-Antoine de Selancy and Augustin Duhamel. The main function of the board is to support and oversee the strategic development of 17Capital and its business. This includes fundraising, deal sourcing, recruitment and corporate governance matters, such as the investment process and best practice valuation methodology.

The Board is supported by two Senior Advisors, Beverly Berman and Dee Dee Sklar, who are regularly consulted on fundraising, deal sourcing and other strategic initiatives. We are also in the process of appointing a further Supervisory Board member which will further the gender diversity on the Supervisory Board.

Dee Dee Sklar has a wide network and significant experience in private equity, having held several senior roles in the industry. She was most recently Vice Chair Subscription Finance at Wells Fargo, where she helped build the bank into the leading global provider of subscription financing, and previously held senior financing roles at WestLB AG and Rothschild.

Beverly Berman was previously a Managing Director, Investor Relations, at Thomas H. Lee Partners. Prior to joining Thomas H. Lee Partners in 2008, she was a partner at Advent International responsible for LP Services and fund marketing activities in North America and previously a Portfolio Manager of Alternative Investments for the Public Employees' Retirement Association of Colorado.

At our Leadership offsite this January we discussed how Diversity & Inclusion (D&I) will become a key focus for 17Capital. We understand that D&I plays a powerful role in shaping stakeholder perceptions, both with our investors, our clients, and the talent we want to attract and retain.

In Europe, we are engaging with ILPA and the BVCA, both active organisations regarding D&I, we are attending round tables and speaking on panels to increase awareness. We intend to partner with other organisations such as Level 20, a not for profit organisation founded in 2015 by 12 women working in senior roles in private equity, aligned around a common vision of improving gender diversity in the industry.

In the US, we were selected and are now partnering with AIF Global, an independent economic think tank concentrating on institutional investment policy with a strong focus on diversity and social impact.

As a firm we know it is important to professionalise and integrate fair and equal treatment throughout our people processes particularly in relation to activities such as recruitment, reward and promotion and we will continue to do so. We believe we have a diverse workforce in that our people are from a range of backgrounds, cultures, education, experience, and perspectives.

The current percentage of women in the Investment team is 10%.

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## PROXY VOTING

**13) What proportion of the time do you vote with or against management on shareholder resolutions, board appointments, and auditor appointments? What proportion of the time do you vote with or against management on ESG issues? How does this break down for climate, diversity, and remuneration issues?\***

Not Applicable given the nature of 17Capital

**14) What proportion of all independent ESG shareholder resolutions do you support?\***

Not Applicable given the nature of 17Capital

**15) What proportion of remuneration packages do you vote in favour of? In your view, is the current level of executive remuneration too high, too low, or about right? How is this view reflected in your voting record on remuneration?\***

Not Applicable given the nature of 17Capital

**16) Have you ever co-filed an ESG-related shareholder resolution? If so, how many and with what frequency?\***

Not Applicable given the nature of 17Capital

**17) Have you ever voted against a director for explicitly ESG-related reasons? If so, why? If not, would you consider doing so in the future?\***

Not Applicable given the nature of 17Capital

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## **ENGAGEMENT**

**18) How many companies do you engage with? What proportion of your engagements focus on environmental and social issues? What are your engagement goals? Are these goals outcome/action-based (e.g. decreases in emissions or increases in number of women on the board) or means-based (reporting on emissions or number of women on the board)?\***

17Capital reviews c.120 deals per year, and conducts on site diligence on c.20 counterparties / fund managers per year.

17Capital invests in existing managers and funds instead of directly into underlying portfolio companies, and this means it has a limited level of influence or control over most of its investments. As such, its ESG policy is geared towards implementing controls to ensure 17Capital is aware of and appropriately managing significant ESG issues in its investments at the time of acquisition, where it is possible to do so.

Any direct monitoring of portfolio companies with regard to ESG management is the responsibility of the underlying fund manager of the funds we have invested in.

17Capital focuses on ensuring the underlying fund managers maintain their own ESG management processes, reviewing the information they publish, and asking them to flag to us any key ESG risks that they identify either on an ad hoc basis, or annually.

For each deal, ESG questionnaires are completed by the underlying managers annually as part of the 17Capital deal and ongoing ESG monitoring.

**19) What is your policy around the escalation of engagement; how and why might this happen and what is the ultimate tool you might use (e.g. voting against board re-election, etc.)?\***

Refer to the answer provided in question 18.