



**RESPONSIBLE INVESTING  
REQUEST FOR INFORMATION**

Firm Name: 17 Capital LLP  
Completed By: Anthony McKay  
Date Completed: 06/30/2021

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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 July 30, 2021.**

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

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## **GENERAL**

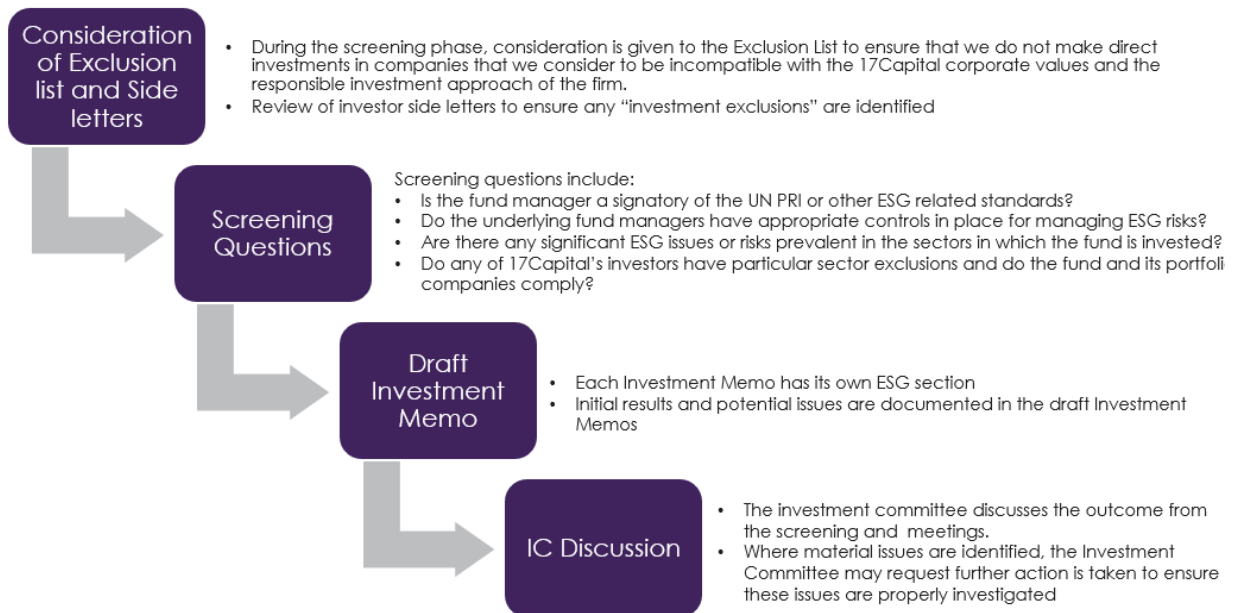
### **1) Please provide your ESG-related policies.**

Please find attached our ESG Policy and Responsible Investment Policy. The ESG Policy has been in place since 2014, with the most recent update earlier in 2021.

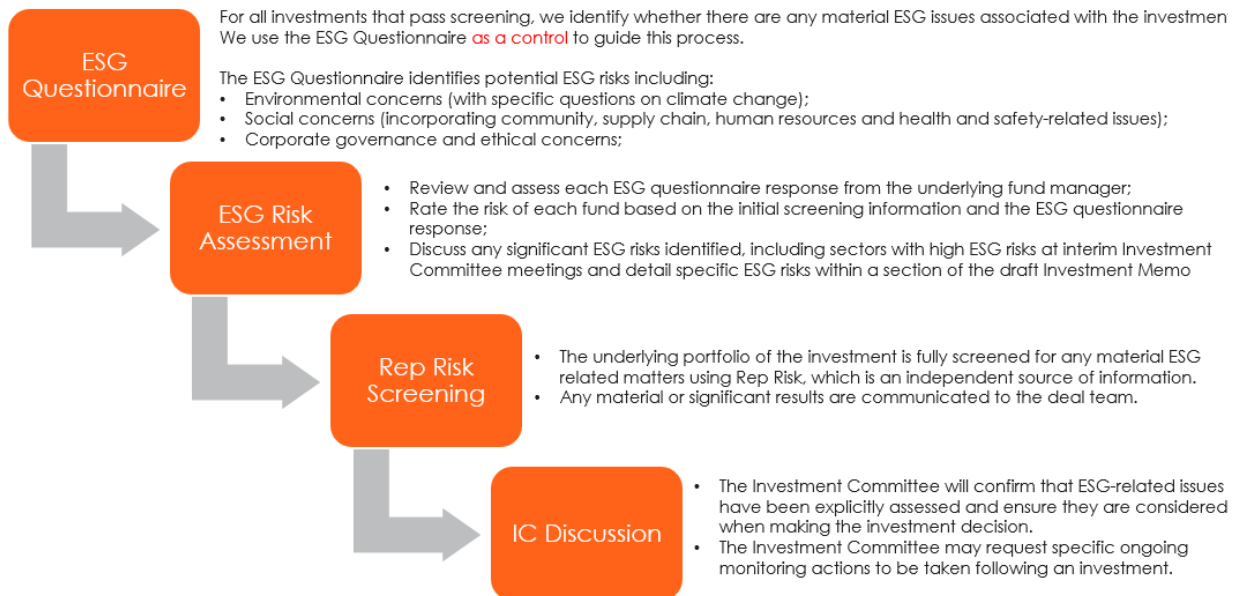
### **2) Are sustainable investing and ESG factors integrated into your investment process and portfolio management decisions? If yes, please provide details.**

For all potential investments, we identify whether there are any material ESG issues associated with the investment. An overview of the process is as follows:

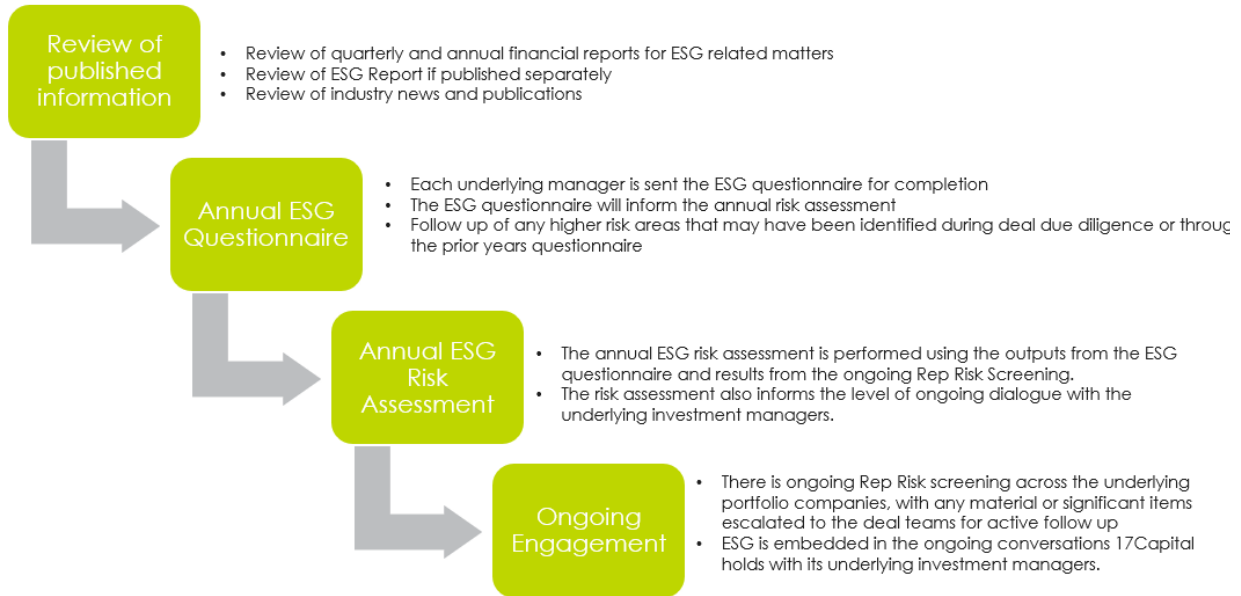
# Pre Investment Screening



# Pre Investment Due Diligence



# Ongoing Monitoring



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

Yes

### 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.

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

Please refer to 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 Committee, which includes Alison Franklin (Head of People & Talent) and Alex Walker (Director of Marketing & Communications).

The ESG Committee meets regularly to discuss the progress of existing initiatives and any new ESG related initiatives 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 last updated in early 2021. We review and update our procedures for managing ESG in the investment decision process on a regular basis. The ESG Committee meets regularly to discuss the progress of existing initiatives and any new initiative 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 must be considered on each deal.

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## CLIMATE

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

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); and
- Corporate governance and ethical concerns.

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;
- Review of the output from independent RepRisk screening;
- 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 could result in non-investment.

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

Please refer to the response of the above question. "Describe how you identify, assess, and manage climate-related risks".

### 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 GFC) demonstrates lower risk and greater resilience to economic cycles through the focus on downside protection, low volatility, and early liquidity.

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 affect 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. As such, the economic cycle impacts the source of the deal flow but does not fundamentally affect volumes or target returns.

During the lower points of the global financial crisis, 17Capital's largest source of deal flow was from private equity investors seeking liquidity to meet an obligation, for example to fund capital calls or repay debt. 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.

As the economic climate improved, opportunistic situations have become more prevalent, with private equity investors seeking to take advantage of attractive investment opportunities. 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. Furthermore, in better economic times, portfolio holders are more focused on keeping the upside of their portfolios, which 17Capital's offer enables them to do.

Whilst the drivers for financing may change with the economic cycle, the deal flow volume is expected to remain robust.

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

No - 17Capital invests in existing managers and funds and this means we do not receive sufficient data to measure the carbon footprint of each underlying investment

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

N/a

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

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 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 five independent Supervisory Board members, Carsten Eckert, Andy Moysiuk, Beverly Berman, Dee Dee Sklar and Myriam Vander Elst and the two Managing Partners, 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.

Diversity & Inclusion (D&I) continues to be 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 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. Also, we have now onboarded 2 female Senior Advisors, Beverly Berman, and Dee Dee Sklar, into the firm who bring a wealth of experience of the industry to the firm and are actively helping us to drive forwards on all fronts.

The current percentage of women in the Investment team is 19% (2020: 10%).



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## MONITORING

**13) After making the decision to invest in a fund/company, what is your process for monitoring the investment's ESG performance during your ownership period?**

Not Applicable given the nature of 17Capital investments

**14) How do you ensure that your investments' management devotes sufficient resources to ESG factors?**

Not Applicable given the nature of 17Capital investments

**15) Do you engage with your investments' management teams on ESG issues? If so, please provide a recent example including the ultimate outcome.**

17Capital invests in existing managers and funds instead of directly into underlying portfolio companies. This means 17Capital has a limited level of influence regarding the direct management of ESG at the underlying portfolio company level in most of its investments.

17Capital is committed to implementing appropriate management processes and controls to achieve responsible investment. 17Capital believes that doing so will add value to investors and the wider investment community.

17Capital believes the key responsibilities for financial investors are in those areas where there is significant influence or control.

As a provider of finance solutions, 17Capital's approach to managing ESG differs from those fund managers that make direct investments.

The ESG policy is geared towards implementing controls to ensure awareness of and appropriately manage significant ESG risks in the investments at the time of acquisition, where it is possible to do so, and on an ongoing basis.

We engaged with a management team at one manager that were at an early stage of their ESG journey during 2019/2020. We assisted them in the development of an ESG policy that was more reflective of current market practice as well as sharing practices around ongoing monitoring and engagement. This manager now has a more robust ESG governance framework and is en-route to becoming a UNPRI signatory in the near future.

**16) Does ESG performance influence your decision to exit an investment and/or reinvest with a fund manager?**

For 17Capital, responsible investment means systematically integrating environmental, social, corporate governance, regulatory compliance, data safety and responsibility, and cultural and ethical considerations across all stages of the investment lifecycle, from pre-investment activities and through the post-investment holding period.

- The ESG approach focuses on ensuring that those to whom we provide finance are upholding appropriate ESG standards where practicable. It is important to understand and assess the strength of ESG management processes and systems of the underlying fund managers and counterparties that 17Capital invests in.
- 17Capital invests in existing managers and funds instead of directly into underlying portfolio companies. This means 17Capital has a limited level of influence regarding the direct management of ESG at the underlying portfolio company level in most of its investments.
- 17Capital is committed to implementing appropriate management processes and controls to achieve responsible investment. 17Capital believes that doing so will add value to investors and the wider investment community.
- 17Capital believes the key responsibilities for financial investors are in those areas where there is significant influence or control.
- As a provider of finance solutions, 17Capital's approach to managing ESG differs from those fund managers that make direct investments.
- The ESG policy is geared towards implementing controls to ensure awareness of and appropriately manage significant ESG risks in the investments at the time of acquisition, where it is possible to do so, and on an ongoing basis.

**17) Do you measure whether your approach to ESG affected the financial performance of your investments? If yes, please describe your approach.**

Not yet – we are in early discussions with an ESG advisory on the most suitable approach given that 17Capital does not have direct access to the underlying portfolio companies.