RESPONSIBLE INVESTING
REQUEST FOR INFORMATION

Firm Name: 17Capital

Completed By: Investor Relations

Date Completed: 07/21/2023

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: https://www.queensu.ca/secretariat/policies/board-policies/responsible-investing-policy

To assist with our due diligence, we request that you respond to the following questions no later than July 28, 2023.

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

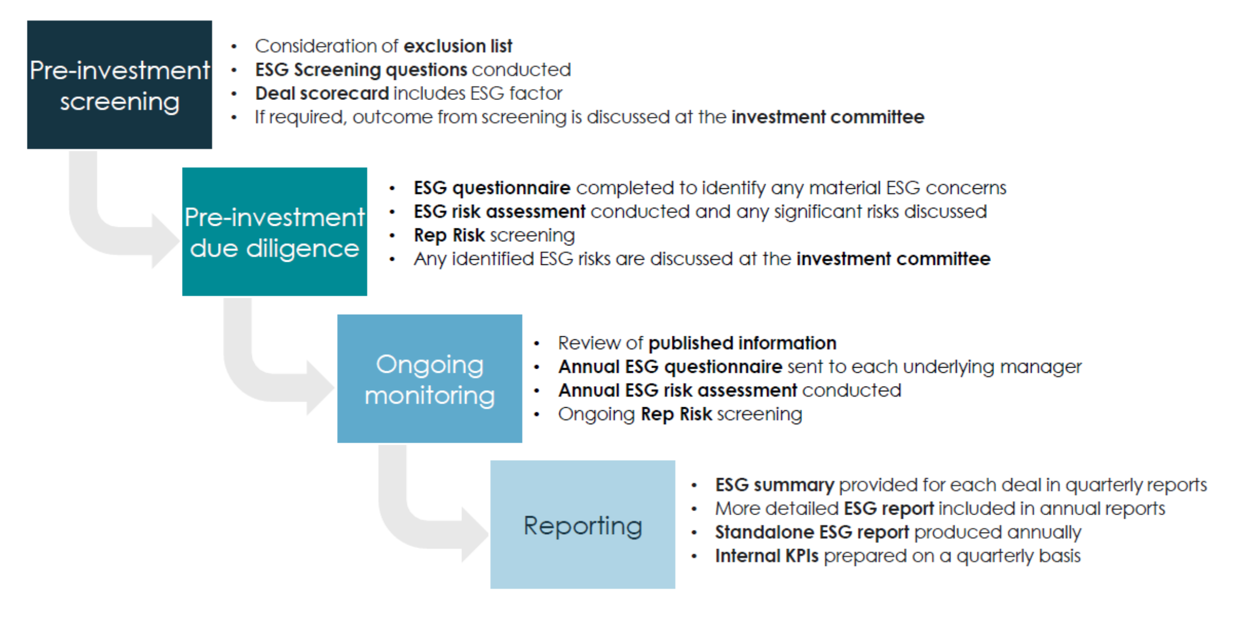
GENERAL

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 and is updated periodically, with the most recent update in June 2023.

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. Please see an overview of the process below:



<u>Pre Investment Screening</u>

For all potential investments, the firm identifies whether there are any material ESG issues associated with the investment. Please see an overview of the process below:

Pre-Investment Screening

During the screening phase, the investment team, in conjunction with the ESG Director as required, consider the following screening questions:

- Is the underlying manager a signatory of the UN PRI or other ESG related standards?
- Does the underlying fund manager have appropriate policies and controls in place for managing ESG risks?
- Does the manager produce ESG reporting?
- Have there been any material ESG issues identified in the last 3 years, or any known litigation matters?
- Are there any investments in sectors on the 17Capital exclusion and sensitivities list or contained within LP side letters?

After screening questions have been answered, the investment team produces a screening scorecard based on a proprietary scoring tool, which includes an assessment of responses to ESG screening questions. This scorecard is reviewed by the Investment Committee.

If any ESG issues are raised in the scorecard, further action may be taken to ensure any potential issues are properly investigated.

<u>Pre Investment Due Diligence</u>

For all investments that pass screening, the team continues to further investigate to identify whether there are any material ESG issues associated with the investment. The ESG questionnaire is used to guide the process.

The ESG questionnaire is distributed to potential counterparties and includes questions on 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

After receiving the completed questionnaire from the underlying Fund manager, the team assesses and rates the risk of each fund in combination with the initial screening information. Any significant ESG risks that are identified, including sectors with high ESG risks, are discussed at interim Investment Committee meetings, and further detailed in the ESG section of the investment memorandum.

As a next step, the underlying portfolio of the investment is fully screened for any material ESG-related matters using RepRisk, an independent source of information. In case RepRisk discovers any material or significant results, these are communicated to the deal team.

Finally, the Investment Committee will confirm that any ESG-related issues have been explicitly assessed and are considered when making the investment decision. Occasionally the Investment Committee may request specific ongoing monitoring actions to be taken following an investment.

Post-investment Monitoring

It is important for 17Capital to continue to monitor the management of ESG risks in its investments during their lifespan where practical. Any direct monitoring of portfolio companies regarding ESG management is the responsibility of the underlying fund manager. 17Capital's approach involves ensuring the underlying fund managers maintain their own ESG management processes, by reviewing the information published and ensuring the underlying fund manager communicates any key ESG risks that arise.

In particular:

- that the underlying fund managers provide updates on its ESG policies, implementation and any significant issues that arise annually
- follow up on any identified high-risk ESG issues as and when they arise through this reporting
- monitor ESG risks and engage with management insofar as is feasible.
- The completion and review of the annual ESG questionnaire, which was implemented in 2020, includes questions on risk assessment and management, governance, environmental management, climate change, and social performance
- monitor investments and external industry factors through the quarterly reporting and monitoring process and consider any ESG risks or impacts
- review RepRisk alerts for any material ESG related risks and issues and where applicable discuss with the underlying fund manager

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

Yes, 17Capital became a signatory of the UNPRI in April 2021.

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

In addition to UNPRI, 17Capital is a member of the following coalitions/organizations and fully endorses and adheres to their respective codes of conduct:

- British Private Equity & Venture Capital Association (BVCA)
- Invest Europe
- ILPA Diversity in Action
- Initiative Climat International (iCI)

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 ESG at 17Capital. Claire Hedley (ESG Director) is responsible for 17Capital's ESG strategy and implementation. Augustin and Claire are supported by the ESG Committee which comprises of senior team members from across the firm and supervisory board. Members of the ESG Committee are:

- Augustin Duhamel (Managing Partner)
- Claire Hedley (Committee Chair, ESG Director)
- Fokke Lucas (Partner, Investments)
- Alison Franklin (Chief People Officer)
- Drew Fox (Managing Director, Head of Fundraising and Investor Relations, North America)
- Jack Mathew (Director, Legal Counsel)
- Alex Walker (Director of Marketing & Communications)
- Myriam Vander Elst (Senior Advisor, Chief Engagement Officer at EPIC)
- George Lee (Committee Manager, Investor Relations)

The ESG Committee meets quarterly to discuss the progress of existing initiatives and any new ESG-related initiatives that could be implemented within the firm.

The Investment team is responsible for the ESG screening and due diligence. Any questions or concerns on ESG matters are escalated to the ESG Director and any material ESG considerations are included in the investment committee memorandum for discussion at the Investment Committee.

The ESG Director works with external consultants on certain ESG projects, for example carbon accounting.

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.

17Capital provides information about its ESG approach on its public website and it an annual ESG report. Quarterly reporting for invested clients also includes ESG information.

https://publications.17capital.com/.esg-report-2022/#page=1

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 ESG policy has been in place since 2014 and is regularly reviewed and updated. The latest policy review and update was conducted during 2023. The updates included :

- 17Capital's approach to assessing good governance within its investments
- Deeper engagement with GPs on ESG topics

Please also refer to response 4.

CLIMATE

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

Our ESG manager questionnaire is provided for new deals and to existing managers on an annual basis. The questionnaire includes a dedicated section on the environment and climate to help 17Capital seek to understand our counterparties' approach to managing ESG and climate risk. Climate specific topics covered include:

- Climate strategy and roadmap (at portfolio and management company level)
- Scenario analysis
- Public commitments on climate
- Governance of climate-related risks
- Carbon footprint analysis and reductions

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 (including climate) on the initial screening information and the ESG questionnaire response
- Review of the output from independent RepRisk screening
- Discuss significant ESG and/or climate 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
- Provide conclusion on ESG analysis in the Investment Memo

Our due diligence processes are designed to give us assurances over the management of ESG and climate at the fund and management company 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 in question 7. 17Capital is working on a climate risk assessment as part of its 2023 ESG roadmap.

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 and ESG-related concerns through the focus on high quality partners as well as business factors such as downside protection, low volatility, and early liquidity.

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 incentivize the counterparty's good behavior 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 th 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?

17Capital is in the process of calculating the carbon footprint for its portfolio holdings for 2022, based on a combination of actual emissions (where available from underlying managers) and estimates. We hope to be able to share the results of this with you in coming months.
If yes, please describe the methodology and metrics used, and whether you have a set target for reducing the portfolio's footprint.

Per the response above the analysis is being conducted inline with GHG Protocol. 17Capital has not set targets for reducing the portfolio's carbon footprint.

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

Yes, 17Capital has measured and reported its operational emissions since 2021 and has purchased carbon offsets to become carbon neutral. Please see below the emissions for 2022:

- Scope 1: 39 tCO_2e.
- Scope 2: 5 tCO_2e.

- Scope 3: 710 tCO_2e (includes business travel, work from home and employee commuting emissions).

17Capital is committed to improving its environmental performance, through a combination of reducing and offsetting the firm's greenhouse gas (GHG) emissions, reducing waste and increasing energy efficiency, all at the firm level. 17Capital measures and reports on the GHG emissions that it controls (scopes 1 and 2), as well as the scope 3 emissions associated with business air travel, employee commuting and working from home on an annual basis and has been carbon neutral in its operations since 2021.

Beyond the firm's GHG emissions, 17Capital also carries out activities to reduce waste and increase energy efficiency. The 17Capital London and New York offices implement a number of initiatives, including, but not limited to:

- Paper reduction exercises and monitoring paper usageEnhanced printer capabilities to reduce paper waste and unnecessary printing.
- Zero plastic bottles.
- Motion sensor lighting.
- iPads used for presentations to reduce printing.

12) For the mandate you manage for Queen's, what percentage of equity holdings (if applicable) have credible net zero commitments?

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

17Capital does not currently collect this information systematically, however we see efforts from our managers towards net zero. We can provide select examples of managers who have provided information below:

TDR: Five Portfolio companies out of 13 have a public net zero commitment. Four of the remaining companies are currently working towards setting a public GHG reduction target.

Montagu is committed to supporting the transition to a zero-carbon economy. Portfolio Company, Nemera, recently submitted a science-based target for validation by Science Based Targets initiative (SBTi). 10 more Portfolio Companies have made a formal Board commitment to set an SBT within 24 months

HG: Member of the Net zero Asset Managers (NZAM) Initiative, where all AUM will be net zero by 2050. 90% of Portfolio Companies are currently focusing on Green Initiatives. 73% of Portfolio Companies have carbon reduction initiatives.

We are expecting to have a deeper understanding of the underlying portfolio companies in our next ESG Report.

13) How do you assess the credibility of a company's emission reduction targets?

It is vital to 17Capital's investment strategy to only invest alongside high quality, ESG-conscious organizations. We seek to assess ESG policies and procedures through our thorough due diligence and dedicated ESG review process (See question 2 for details).

14) What forward-looking metrics do you use to assess an investment's alignment with global temperature goals?

Given the nature of the 17Capital investments (ie investments in existing fund managers), we are in the process of assessing the most meaningful approach with regards to forward-looking metrics on global temperature goals.

DIVERSITY

15) 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?

The Board of Directors is 100% male.

The C-Suite (CFO, CPO, CCO) is 67% male, 33% female.

17Capital has both a policy and various DEI initiatives in place. The DEI approach covers leadership, recruitment & selection, retention (development, promotion and pay) and culture. The topic is led by our CPO and ESG Director, with continual support and input from Managing Partners, Partners, and senior leadership. Each component aims to encourage diversity of thought and inclusive ways of working. Please see details on different aspects of DEI policies and initiatives below:

- Recruitment: An HR centralised approach to ensure inclusive recruitment and selection processes, to track diversity ratios throughout our hiring processes, to develop partnerships with organisations, to help us gain access to diverse talent and to support efforts to educate underrepresented groups.
- Retention: 17Capital proactively monitors the retention and advancement of talent by creating development opportunities through training, mentoring and coaching programmes. A recent example is the introduction of our Management Development Program to support mid-level employees across the business to enhance their skills, maximise their performance and become the future leaders of the firm. Mentoring programmes have been in place for the Investment team junior employees and will shortly be extended to Investor Relations and Infrastructure divisions.
- Promotions: Diversity is measured throughout the promotions process at both mid-year and end of year compensation and promotions review, this is reviewed at the Remuneration Committee which is chaired by CPO
- Reward: 17Capital is committed to providing equal pay under the Equality Act 2010 and ensure equal pay is provided to both men and women performing equal work. This is done both at time of hire as well as during the mid-year and end of year compensation review process and agreed at the Remuneration Committee
- Flexible work practices: 17Capital has recently established a flexible and agile working policy for all employees with the goals of allowing people to influence how they carry out their role and promoting various levels of flexibility in the workplace. This enables the firm to improve retention, diversity, employee engagement and to promote health and wellbeing for all employees
- Employee turnover: The number and rate of employee turnover is proactively tracked and reported to the Executive Committee as a base for decision making on potential improvement needs
- We have family friendly policies, equal opportunities and bullying and harrassment policies in place

In 2021, the Firm became a signing signatory of ILPA Diversity in Action [and as a result has created a formal policy towards improving diversity in the recruitment process].

In 2022, 17Capital was also one of the first sponsors of a UK programme called Access Alternatives, which aims to attract and recruit female and diverse candidates into the industry. The programme provides young female students from state schools or recent university joiners across the UK with a 1st and 2nd year internship, mentoring, coaching by an early careers coach and the CISI qualification. The program is designed to create a pipeline of potential candidates, that upon graduation are able to join the Firm.

We have partnered with a globally recognised DEI consultancy to provide advice and support on our DEI strategy and approach, they will also provide educational DEI workshops for all employees. In 2023 we introduced a DEI Leadership Council comprised of division heads globally, for collective responsibility on DEI. 17Capital has also introduced DEI events and awareness days throughout the year.

MONITORING

16) 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?

For each of the 17Capital investments, an annual ESG questionnaire is sent to the underlying fund manager that requests comprehensive data on environmental, social and governance issues. We are actively collecting the data on an annual basis, in order to monitor potential risks, but also to be able to provide guidance and help our counterparties to become more sustainable.

The team will also often share ESG best practices and engage with managers on key ESG topics. In Q1 2023, 17Capital launched its ESG Accelerator program. The ESG Accelerator is a unique program that draws together ESG leads from across 17Capital's Private Equity clients to network, share insights and collaborate, to put ESG at the core of private equity investing. The first workshop was held on advanced carbon strategies in March 2023 and a second session in June 2023 on human rights.

Please also refer to response in question 2.

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

As part of the ESG diligence questionnaire we collect information about dedicated ESG resources at each firm as well as current and future ESG plans and assess whether the resources are appropriate for the size and strategy of the organization.

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

As 17Capital typically lends to fund managers, it has little oversight on the underlying portfolio ESG factors. The Firm has explored the use of ESG-linked loans to encourage managers to improve on ESG. The first use of this instrument was in 2022 on Project Colony. The price of the loan will reduce based on the fund manager meeting 3 customised ESG KPIs that seek to formalise and improve the manager's approach to ESG. The Investment team and the ESG Director monitor progress towards meeting the KPIs on an ongoing basis.

The team will also often share ESG best practices and engage with managers on key ESG topics. In Q1 2023, 17Capital launched its ESG Accelerator program. The ESG Accelerator is a unique program that draws together ESG leads from across 17Capital's Private Equity clients to network, share insights and collaborate, to put ESG at the core of private equity investing. The first two workshops were held in 1H 2023 on advanced carbon strategies and human rights.

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

As the firm provides financing, exits are defined as the repayment of financing. Due to this strategy, no ESG considerations are currently taken into account at the point of exit.

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

Not yet, but we will seek to consider the most suitable approach given that 17Capital does not have direct access to the underlying portfolio companies.