



# Environmental, Social and Governance (“ESG”) and Responsible Investment

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# Introduction

## 17Capital Background

17 Capital LLP ("17Capital") is authorised and regulated in the UK by the Financial Conduct Authority ("FCA"). 17Capital is a global fund manager that pioneered, and is a leader in, the use of NAV finance within the private equity industry.

Investors in 17Capital funds include:

- Public pension funds;
- Family offices;
- Insurers;
- Investment managers;
- Corporate pension fund managers;
- Fund-of-Fund investors;
- Endowment managers; and
- Institutional investors.

Further information and background on 17Capital can be found at <https://www.17capital.com/>

## 17Capital ESG Governance

The 17Capital Board of Directors consists of the following members:

- Pierre-Antoine de Selancy;
- Augustin Duhamel (also on ESG Committee);
- Robert de Corainville
- Andrew Moysiuk
- Armen Panossian
- Matthew Pendo; and
- Todd Molz.

Further information on the members above can be found at <https://www.17capital.com/team/>

## ESG Committee

The ESG Committee is chaired by 17Capital's Head of ESG, Claire Hedley, and includes Managing Partner Augustin Duhamel as ESG sponsor. The ESG Committee comprises representatives and key stakeholders from different 17Capital departments and includes Myriam Vander Elst, CEO of Epic UK. The ESG Committee is responsible for:

- the definition and implementation of the ESG policy and principles,
- monitoring the evolution of industry practice and 17Capital's approach to ESG and
- reviewing ESG reporting.

As part of the wider 17Capital governance policies and procedures, the following ESG related policies are in place:

- ESG Policy;
- Diversity and Inclusion Policy;
- Compliance Manual;
- Anti-money laundering policy;
- Insider trading / Personal trading policy;
- Modern Slavery Statement;
- Whistle-blower policy; and
- Gifts and Entertainment policy.

# ESG Policy

The 17Capital ESG policy is focused on 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, consistent with and subject to any applicable fiduciary or contractual duties.

The 17Capital ESG Policy has been in place since 2014 and is regularly reviewed and updated.

In April 2021, 17Capital deepened its commitment to ESG by becoming a signatory to the United Nations Principles for Responsible Investment (UN PRI).

In December 2022, 17Capital joined the Initiative Climate International (iCI), a global, practitioner-led community of over 200 private markets firms and investors that seek to better understand and manage the risks associated with climate change. iCI members commit to sharing knowledge, experience, and best practice, and collaborating through working groups to develop rich content and resources that will help standardise practices across the industry.

17Capital is also a signatory of ILPA Diversity in Action, an initiative to bring together LPs and GPs committed to advancing diversity, equity & inclusion in the private equity industry.

## Environment

17Capital acknowledges that its activities and investments have an impact on the environment and aims to achieve continuous improvements in limiting this impact.

To address key issues of environmental concern and to promote greater environmental responsibility, 17Capital is committed to, where practicable and appropriate:

- Reducing greenhouse gas emissions by:
  - Promoting the use of renewable energy;
  - Increasing the use of videoconferencing to minimise air travel; and
  - Increasing the use of rail travel as opposed to air travel/use of private cars;
- Reducing waste, increasing re-use and recycling by:
  - Eliminating the use of products made from unsustainable natural resources (e.g. plastic bottles);
  - Procuring products that are made from sustainable sources or recycled materials or that are designed to be easy to reuse or recycle;
  - Efficiently using energy (e.g. use of energy saving light bulbs), water, manufactured products (e.g. recycled paper) and natural resources;
- Engaging with employees across 17Capital to promote environmental awareness and improve staff education and involvement.
- Actively working with suppliers and contractors to improve their sustainability performance, in keeping with this policy, including incorporating specific environmental requirements into its contracts with suppliers.

In 2021, 17Capital became carbon neutral in its operations through a combination of reducing and offsetting GHG emissions. In 2023, 17Capital commissioned limited assurance (as defined by ISO 14064-3) of the organisational carbon footprint to have it verified to achieve the Carbon Footprint Standard for carbon neutrality.

## Social

17Capital aims to provide fair labour and working conditions; to create a harmonious working environment; to safeguard the health and safety of all employees; and to promote the social development of the communities in which it operates.

17Capital encourages a culture that is built upon our core values, which are outlined below:

- Build trust - we behave and act in ways that earn trust
- Strive for excellence – we act with professionalism and adhere to our high standards
- Embrace different – we embrace new ideas and constantly strive to discover new ways of doing things
- Make things happen – we are agile and responsive in a way that delivers success for all our stakeholders

Our values are the basis on which we build strong relationships with our clients, our investors and each other. They are the foundation of our business and integral to our continued ability to pioneer success.

At all times, 17Capital will seek to:

- Support and respect the protection of internationally proclaimed human rights, including:
  - For operations involving the relocation of employees for extended periods of time, ensuring that such employees have access to adequate housing and basic services;
- Endeavour to ensure the health and safety of employees and all associates by assessing work- related risks and taking appropriate actions to eliminate or reduce such risks;
- Allow consultative work-place structures and associations which provide employees with opportunities to present their views to management;
- Support the elimination of all forms of forced and compulsory labour;
- Support the effective abolition of child labour;
- Support the elimination of discrimination in respect of employment and occupation, including by:
  - Promoting equal opportunities and diversity by recruiting, developing and retaining the best talent from the widest pool; and
  - Recognising, valuing, and respecting its people for their skills, experience and potential regardless of gender, sexual, orientation, age, race, colour, ethnic origin, religion or disability;
- Consider requests from any employee for non-standard working arrangements within reason;
- Encourage contributions of its employees to charities; and
- Contribute directly to society through Epic (<https://www.17capital.com/epic/>)

17Capital also encourages those to whom it provides finance solutions to adopt sound social and ethical policies and to promote socially relevant projects through dedicated initiatives.

## Governance

17Capital is committed to:

- Comply with all applicable laws and promote international best practice standards;
- Work against all forms of corruption, including extortion and bribery;
- Exhibit honesty, integrity, fairness and respect in all its business dealings;
- Deal with regulators in an open and co-operative manner;
- Prohibit all employees from making or receiving gifts of substance in the course of business;
- Prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest;
- Prohibit the making of payments as improper inducement to confer preferential treatment;
- Use information received from its principals in the best interests of the business relationship and not for personal financial gain by any employee;
- Clearly define responsibilities, procedures and controls;
- Promote transparency and accountability grounded in sound business ethics;
- Identify conflicts of interest, including those related to responsible investment where applicable, and avoid or report them in line with its agreements with stakeholders and industry best practices;
- Properly record, report and review financial and tax information;
- Use effective systems of internal control and risk management covering all significant issues, including environmental, social, and ethical issues;
- Seeking to meet stakeholders' expectations; facilitate their access to information; and provide them with clear and transparent information based on regular and value-added reporting;
- Ensure compliance with HR processes and procedures to promote sound employee relations;
- Implement a robust sustainability approach which enables effective identification, management and monitoring of any related risks and opportunities and provides a framework for action; and
- Adhere to a policy of long-term responsible investing.

## 17Capital and Epic

17Capital was the first private equity firm in the UK to sign the Epic Sharing Pledge by agreeing to donate a percentage of the carried interest generated by 17Capital Fund 4. As a core part of our contribution to society and the wider community, we continue to provide support to Epic, a non-profit supporting social impact initiatives through pledging 1% of the carried interest from subsequent funds.

As part of our continued support of Epic, their UK team is hosted at 17Capital London office. Our team has also dedicated their time and skills to support Epic's charities through participation in several initiatives. For example, we participate in a mentoring program with young people who face challenges on their path to success to get them ready for the world of work, through charity partner ThinkForward.

Epic is a global non-profit which backs outstanding non-profits and social innovation to change the lives of disadvantaged youth. Further information about Epic can be found at <https://www.17capital.com/epic/>.

# Responsible Investment

## Overview of approach

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 to drive long-term value for our investments and our investors.

- The ESG approach focuses on seeking to ensure 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.
- The ESG policy is geared towards implementing controls to promote awareness of and appropriately manage material ESG risks in the investments at the time of acquisition, where it is possible to do so, and on an ongoing basis.
- 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 its investments.
- As a provider of finance solutions, 17Capital's approach to managing ESG differs from those fund managers that make direct investments. While 17Capital cannot directly manage or control ESG at underlying companies, it can take steps to seek to influence ESG at the underlying manager primarily through engagement on ESG topics and, where possible, structure of loan contracts.
- 17Capital is committed to implementing appropriate firm management processes and controls to achieve responsible investment, engaging key stakeholders as needed. 17Capital believes that doing so will add value to investors and the wider investment community.
- 17Capital provides transparency on its approach to responsible investment via quarterly fund reports for invested clients and via its annual ESG report that includes key ESG KPIs related to the 17Capital ESG program and updates on progress related to ESG.

## Pre-investment

### Screening:

- During the screening phase, the investment team, in conjunction with the ESG team as required, consider a series of screening questions to determine an initial view on the manager's ESG standards, policies and procedures for managing ESG risks, and whether there have been any ESG controversies.
- Consideration is given to the 17Capital exclusion and sensitivity list in order to seek to avoid or minimise investments in companies whose businesses may be incompatible with 17Capital's responsible investment approach.
- 17Capital will also screen against investment exclusion rights granted to its investors as applicable.
- Sectors and activities have been classified as either:
  - "Excluded", where 17Capital will generally seek to avoid investing in portfolios or managers with known direct exposure active in that sector or activity at the time of the original investment (or where complete avoidance is not practicable due to the nature or structure of the given transaction, to effect the transaction in a way that minimises the fund's exposure to that sector or activity)
  - "Sensitive", where 17Capital will generally seek to ensure direct exposure to the sector isn't material in the context of the 17Capital fund's aggregate exposure through its portfolio; 17Capital will seek to apply additional scrutiny to investments with such exposures prior to the fund making the investment and during the investment holding period.

| Sectors and activities affected   | Classification |
|---|----------------|
| • Involvement in the supply or purchase of sanctioned products, goods to or from countries or regions covered by United Nations sanctions                         | Excluded       |
| • Direct manufacturing, distribution or selling of (i) anti-personnel landmines, (ii) nuclear, chemical or biological weapons or (iii) cluster bombs or munitions | Excluded       |
| • Civilian firearms or military weapons   | Excluded       |
| • Fossil Fuels – direct investment in extraction, mining, combusting and refining   | Sensitive      |
| • Nuclear Energy  | Sensitive      |
| • Activities that result in severe environmental damage   | Excluded       |
| • Production of any illegal products or engagement in any illegal activities as per applicable local laws   | Excluded       |
| • Adult entertainment and pornography   | Excluded       |
| • Tobacco production  | Excluded       |
| • Gambling  | Excluded       |
| • Genetically-modified organisms (GMO)  | Excluded       |

### Due Diligence:

- For all potential investments that pass the initial screening, further due diligence is conducted through discussions with the counterparty, completion of an ESG questionnaire and anti-money laundering checks.
- The 17Capital ESG questionnaire includes an assessment of an underlying manager's approach to managing ESG considerations, including systemic sustainability issues such as climate change, which enables 17Capital to assess any ESG-related financial risks in its investments and funds.
- 17Capital is committed to respecting international human rights and expects its underlying managers to practice similar standards. The ESG questionnaire reviews how underlying managers assess and manage human rights within their investments and their own operations.
- The 17Capital ESG questionnaire also assesses underlying managers' approaches to other systemic environmental and social issues such as biodiversity and diversity, equity & inclusion (DEI). The questionnaire is updated from time to time to capture evolving and emerging sustainability topics.
- 17Capital expects all of its underlying managers to practice a minimum standard of good governance, which is assessed using criteria that reflect widely recognized industry established norms including:
  - Ethics, bribery and corruption, including human rights and labour standards
  - Management structure, committees and internal processes
  - Accurate reporting
  - Fair treatment of employees, including code of conduct and remuneration
  - Adherence to local and international tax laws
- Good governance includes sound management structures, labour relations, remuneration structure and tax compliance. 17Capital's assessment of good governance is conducted by the investment team as part of deal due diligence. Good governance indicators are used across all transactions but their materiality will vary based on the counterparty type, size, geography and sector exposure of a transaction. The outcome from the discussions, good governance review and ESG questionnaire are documented and assessed in the Investment Committee memo. The Investment Committee, which includes Augustin Duhamel who is the ESG Committee sponsor, reviews each Investment Committee memo and approves each investment, before a deal can be executed.



- 17Capital also uses RepRisk to perform independent risk screening. RepRisk is a global provider specialising in premium ESG and business conduct risk research and quantitative solutions.

## Post-investment

It is important for 17Capital to continue to monitor the management of ESG risks in investments during their lifespan where practical. Any direct monitoring of portfolio companies regarding ESG management is the responsibility of the underlying fund manager of the funds invested in.

17Capital's approach involves ensuring the underlying fund managers maintain their own ESG management processes, reviewing the information published and ensuring the underlying fund manager communicates any key ESG risks that arise.

## Engagement:

17Capital sees engagement with underlying managers as an important part of the investment and monitoring process. While 17Capital does not have control over the underlying companies, it is able to use engagement to seek to educate and influence change at the underlying managers it lends to. 17Capital also engages and collaborates with peers through industry initiatives. 17Capital may use the following engagement tools:

|                               |  |
|-------------------------------|--|
| ESG Questionnaires            | Used pre and post investment to understand and monitor ESG policies, procedures and establish an ESG risk assessment (including in relation to management procedures applicable to sustainability-related controversies).  |
| ESG Accelerator               | A proprietary initiative to draw together ESG leads from across 17Capital's private equity clients to network, share insights and collaborate on ESG. 17Capital prioritises systemic ESG issues that underlying managers are working on, for example workshops have been hosted on topics including voluntary carbon markets, biodiversity, and human rights.  |
| Manager-specific interactions | A dialogue with the manager on a specific ESG topic, for example, a follow-up from the questionnaire or ESG reports, RepRisk alerts or industry-wide topics.   |
| Industry Collaboration        | Leadership or active participation in working groups or collaborative initiatives.<br><br>Our Head of ESG is a member of the iCI private credit working group, and in 2023 contributed to the publication of the network's first private credit guidance, designed to help facilitate more effective disclosure of GHG emissions between companies and their sponsors, direct lenders and other debtholders. The ultimate objective of the guide is to promote the measurement of GHG emissions, thus improving the transparency of decision-useful climate-related disclosures. |

