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Environmental, Social and Governance (ESG) Policy





Contents

ESG Core Principles	02
ESG Definitions	03
Cinven's Core ESG Principles	04
ESG Procedures	05



ESG Core Principles

Responsible investment is a key priority for Cinven. Cinven is in business to create stronger, more profitable companies, thereby generating competitive returns for its investors. Cinven believes that a responsible approach towards its portfolio companies, their employees, suppliers and local communities, the environment and society is an essential part of its success.

Cinven believes that responsible ownership and business success go hand in hand and, as such, Cinven has embedded consideration of ESG factors throughout all stages of its involvement in an investment. Cinven is fundamentally committed to building long-term, sustainable businesses, which will grow, provide employment and generate economic benefit in an environmentally and socially responsible manner, both during and after Cinven's ownership. Responsible investment, and subsequently responsible ownership, require proper analysis, judgement and mitigation of risk. Cinven aims to invest in companies that take a responsible approach towards the environment, society and corporate governance.



ESG Definitions

The three main areas of focus for responsible investment relate to the environmental and social impact of any business's activity, and the manner in which a business is managed. Together, these factors are known as Environmental, Social and Corporate Governance ('ESG').

ESG processes and procedures focus on non-financial performance indicators that address a company's approach towards responsible investment, sustainability, its impact on society and the environment, as well as other ethical and corporate governance considerations.

Environmental

The depletion of natural resources and the threat of climate change have raised concerns about the environment and the potential financial impact on businesses. Sustainable options are increasingly being considered as part of investment choices. The issues are diverse but the main areas are:

- Factors contributing to climate change
- Efficient energy consumption
- Responsible disposal of hazardous waste
- Sustainability of resources
- The impact of climate change on businesses

Social

Inclusion, diversity and equality are becoming more important considerations in relation to the way in which businesses operate and can generate competitive advantage; with these areas attracting increasing scrutiny from a range of stakeholders. In particular, there are increasing commercial benefits for businesses which have inclusive and diverse work ethics and practices; and we look at the impact a company has on its employees, local communities and society. The main areas of consideration are:

- Preservation of human rights, and avoidance of any complicity in human rights abuses
- Equality and diversity amongst employees
- Non-discriminatory employment practices
- Ensuring there is no exploitation of child labour or indentured servitude
- Health and safety
- Animal welfare
- Corporate donations

Corporate Governance

Corporate governance covers the rights and responsibilities of the management of a company – its structures, corporate values and accountability processes. This relates to the following areas:

- Management structure – power balance between the CEO and Board, separation of Chairman from CEO, appropriate checks and balances for members of the management team
- Employee relations and workplace grievances
- Executive remuneration
- Corporate Codes of Conduct

As part of Cinven's response to the challenges of monitoring and reporting on ESG more broadly, we became a signatory to the Principles of Responsible Investment ('PRI') in March 2009.



Cinven's Core ESG Principles

Cinven's Core ESG Principles are set out below and are regularly reviewed. Cinven seeks to:

- Always comply with both the letter and the spirit of the law, wherever it applies
- Ensure that it takes a responsible approach to investing throughout its investment cycle and recognises the potential impact of businesses on the environment, workers, communities and society, as well as the potential impact of climate change on the businesses in which Cinven invests
- Ensure that we and our portfolio companies always respect human rights and ensure no exploitation of child labour
- Ensure there is no bribery or corruption in any of our dealings
- Act with integrity at all times in all our dealings
- Always be non-discriminatory (whether on grounds of gender, race or disability), and adopt equality and diversity in our employment practices
- Act responsibly with respect to the environment, aiming for a sustainable approach to the use of resources, avoiding irresponsible disposal of hazardous products and unnecessary waste
- Ensure that our management structures and policies reflect the need for transparency, accountability, equality and probity in the management of our businesses
- Comply with and inform industry standard ESG guidelines and best practices, and actively manage ESG considerations and risks effectively.

In addition to these Core Principles, Cinven has agreed to the six Principles of Responsible Investment, as set out, by the PRI which are to:

- Incorporate ESG issues into our investment analysis and decision making processes
- Be active owners and incorporate ESG issues into our ownership policies and practices
- Seek appropriate disclosure on ESG issues by the entities in which we invest
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance our effectiveness in implementing the Principles
- Report on our activities and progress towards implementing the Principles.

We have incorporated these Principles into our business processes and practices.



ESG Procedures

Pre-Investment Due Diligence

Before acquiring a business, Cinven's Investment team identifies whether there are any ESG-related key risks or opportunities. Cinven may also use specialist external consultants to help assess specific risks. Cinven's ESG considerations may be company-specific or common to the industry/subsector or geography as a whole, and include political and regulatory developments. The considerations are researched through a variety of sources, including regulatory/compliance filings, investor disclosures and/or media reports. With support from legal advisors, Cinven also assesses anti-bribery and corruption ('ABC') risk and seeks assurance that the company is fully compliant with the ESG laws and regulations in the relevant jurisdictions, for example health and safety, labour and energy usage. This initial ESG assessment is an integral part of Cinven's due diligence and overall risk and value creation assessment of the business.

If material ESG issues or risks are identified during the due diligence process, Cinven initially prioritises those which are most material. Cinven determines on a case-by-case basis whether further assessment is required, and may seek independent analysis and expert advice from specialist external consultants, for instance environmental experts, if required.

ESG considerations are included in Investment papers, which are presented to, and considered by, the Investment Committee. The Investment Committee must give its approval before any investment is recommended to the Managing General Partner for its consideration.

Cinven subsequently considers whether it deems the risk(s) unacceptable, and thus rejects the investment opportunity on those grounds, or determines that any risk(s) identified need to be addressed, managed or rectified during its ownership. In cases where material ESG risks are identified and deemed acceptable, a plan is developed by Cinven and agreed with management to prioritise, address, manage and/or remedy the issues. This plan is often incorporated into the broader Value Creation Plan that is developed with the management team post-investment. In some instances, further obligations or warranties from the vendor may be sought, for instance in the purchase documents or as on-going obligations.



ESG Procedures continued

ESG Steering Group

We have established a firm-wide ESG Steering Group to oversee our reporting requirements and initiatives with the following responsibilities:

Individual	Responsibility	
Matthew Sabben-Clare	Chairman	Chief Administrative Officer, Partner, Portfolio Review Committee and Operating Committee member
Alex Hess	LP co-ordination / reporting	Partner, Head of Investor Relations and Executive Committee member
Sarah Verity-Thomas	LP co-ordination / reporting	Managing Director, Investor Relations
David Barker	Portfolio Review Committee	Partner, Investment and Executive Committee member
Thilo Sautter	Portfolio team	Partner, Head of Portfolio team, Portfolio Review Committee member
Pete Blakeney	Portfolio team	Executive, Portfolio team
Vanessa Maydon	ESG monitoring and reporting	Corporate Affairs Director
Laura Chattington	ESG monitoring and reporting	ESG and Marketing Manager
Babett Carrier	Governance, regulatory systems, controls and compliance	Head of Legal and Compliance
Peter Moore	Governance, regulatory systems, controls and compliance	Compliance Manager



ESG Procedures continued

Post-acquisition implementation process

Once a company is acquired, Cinven has a standardised approach to engage proactively on ESG matters. Cinven puts considerable emphasis on the early integration of ESG management in the post-investment phase to ensure that material ESG matters are properly prioritised in the Value Creation Plan, where appropriate, and in performance management systems.

From a corporate governance perspective, Cinven seeks to ensure that its portfolio companies' Boards take responsibility and accountability for all ESG-related topics. At the outset, Cinven representatives are appointed to the portfolio company Board. Cinven's Board representative(s) take responsibility for ensuring that: each Executive Board member is mindful of Cinven's approach towards ESG; the Board has adopted suitable ESG policies; the portfolio company regularly reports to the Board on how policies are being implemented and progress towards any targets (including ESG KPI progress); and there are clear responsibilities allocated to Executive Board members for compliance. A Board representative from the portfolio company is assigned overall responsibility for ESG, and an agreement is made that ESG will be regularly tabled and reviewed at Board meetings.

Cinven's portfolio companies are required to participate in a post-acquisition ESG review and monitoring process. This includes the completion of a Cinven ESG portfolio questionnaire in order for Cinven to confirm or identify the main ESG risks and opportunities. The completed questionnaires are reviewed by Cinven, with support from its external advisors. The post-acquisition review process includes evaluation of the resources allocated to ESG at each portfolio company. Through early engagement, Cinven identifies and discusses ESG matters with the most appropriate employees, helping them to develop tools and approaches to manage ESG. In several cases, Cinven has recommended that portfolio companies establish their own ESG Steering Groups that comprise the relevant team members across the organisation responsible for monitoring and reporting on various aspects of ESG (e.g. Legal, HR, Quality Control, Health & Safety). Cinven seeks to identify where it (or an external ESG advisor) is able to add value efficiently and effectively. Where an ESG factor is a material consideration, it is incorporated into the broader Value Creation Plan. Some investments also have separate ESG work plans that are focused on one particular ESG area.

Cinven completes a full assessment of the portfolio company's existing policies, practices and reporting and how effectively they are communicated and implemented. As part of this review process, the Cinven team, along with its external ESG advisor(s), works in close collaboration with the portfolio company ESG representatives and management through a series of calls and meetings to discuss and agree priority next steps.



ESG Procedures continued

Post-acquisition implementation process continued

All portfolio companies report against five core KPIs and additional ones are devised as necessary to reflect material company-specific considerations. Cinven works with the portfolio company management (and in some cases, external ESG advisors) to create bespoke, company-specific ESG KPIs to be tracked and monitored under its ownership. ESG KPI data is captured and reviewed quarterly by the Investment teams, the ESG Steering Group and by external advisors. If the KPIs contain anomalies or discrepancies, they are interrogated further and action taken, if required.

Portfolio companies are asked to follow Cinven's ESG guidelines, which include developing an ESG policy and reporting framework and are designed to provide useful information to portfolio companies (including resources on best practice reporting and implementation). These seek to ensure compliance with both Cinven's requirements, and those created by new regulations such as the EU General Data Protection Regulation ('GDPR'), the EU Non-Financial Reporting Directive, and the UK gender pay gap reporting. Where existing ESG policies and reporting frameworks are already in place, the companies are asked to review them in light of Cinven's guidelines and make improvements or adapt them as necessary.

Post-acquisition monitoring

Following the implementation phase of Cinven's ESG procedures and protocols, as part of Cinven's active ownership approach, Cinven maintains regular dialogue with its portfolio companies, through formal Board meetings, ad hoc meetings and calls between Cinven and the relevant ESG representatives, as well as events organised by Cinven, e.g. Cinven's Annual Portfolio ESG Conference. In addition, the quarterly ESG KPIs reported by the portfolio companies through Cinven's central iLevel reporting tool are regularly reviewed and discussed with management.

All portfolio companies are regularly reviewed by Cinven's Investment teams to monitor the ESG issues identified during the due diligence or post-acquisition process. This includes monitoring the delivery and outcomes of action plans that have been agreed. It is a requirement for the Investment team to incorporate an update on ESG progress and developments in the quarterly Portfolio Review Committee ('PRC') papers, focusing on any material items arising, together with the quarterly ESG KPIs, which are reviewed by Cinven's Portfolio Review Committee and ESG Steering Group.

If new or additional ESG matters arise during Cinven's ownership of a portfolio company, Cinven's approach mirrors that of its pre-acquisition approach. Cinven seeks to assess and rectify the situation through discussion with management and the development of an action plan. If a serious ESG risk is identified, the issue is escalated immediately to Cinven's Portfolio Review Committee, ESG Steering Group and, depending on the gravity of the issue, to its Executive Committee.



ESG Procedures continued

Post-acquisition monitoring continued

Monitoring of portfolio company ESG performance is integrated within Cinven's broader portfolio monitoring processes. Cinven requires that each company's finance and / or ESG team reports the company's bespoke ESG KPIs alongside its financial and operating performance on a quarterly basis. This information is uploaded into the central iLevel reporting system and reviewed by the Investment team, the Portfolio team, the Portfolio Review Committee, the ESG Steering Group and external advisor(s). As such, Cinven Investment teams regularly receive ESG performance information and consider it in conjunction with the financial performance of the respective investment.

If a serious ESG risk is identified during Cinven's ownership, the issue is escalated immediately to the Portfolio Review Committee and, depending on the gravity of the issue, to the Executive Committee. Cinven reports ESG issues in a number of ways including regularly updating its Advisory Committee on any material developments or issues on a bi-annual basis. These updates were originally offered as an optional separate ESG breakout session but in March 2018, ESG was incorporated into the main agenda of the Advisory Committee meeting. In addition, in the event of a relevant or sufficiently material ESG matter arising at a portfolio company, this would be reported in the quarterly Fund Reviews, provided the information is not commercially sensitive.

Further information regarding Cinven's ESG approach can also be found in its latest ESG Review available on the Responsible investment section of the Cinven website:

www.cinven.com/why/responsible-investment/

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