



Robeco Private Equity ESG Engagement Program

CASE STUDY No. 3

21 Partners

Robeco and Robeco Private Equity

Robeco is an international asset manager offering an extensive range of active investments, from equities to bonds and alternatives. Research lies at the heart of everything Robeco does, with a pioneering but cautious approach that has been in its DNA since the foundation in Rotterdam in 1929. Robeco believes strongly in sustainability investing, quantitative techniques and constant innovation.

Robeco Private Equity is the private equity arm of Robeco that raises capital from professional investors and selects private equity funds that deploy it through privately-held companies. The aim is to grow and improve those companies, resulting in a higher valuation and attractive return when the investment is realized. Robeco Private Equity benefits from the broader Robeco organization, RobecoSAM as a sustainability investment specialist as well as ORIX (Robeco's parent company) with extensive resources and industry expertise.

Robeco Private Equity's investment philosophy is based on three objectives: maximizing long-term value investing with a disciplined and research-driven process and providing transparency and control. We are long-term investors, typically investing in private equity funds for around ten to twelve years. This long-term commitment is based on the expectation that the funds will build lasting and sustainable companies before they exit them.

ESG Engagement Program

To be able to create value private equity funds have to manage environmental, social and governance (ESG) risks in their portfolio companies and take advantage of ESG opportunities. That is why Robeco Private Equity started a dialogue on ESG integration with the private equity managers back in 2004, being one of the first asset managers in the industry to launch a private equity strategy with an ESG Engagement Program. The program currently includes over 70 private equity managers.

21 Partners is a good example of a private equity firm that has very soon recognized the importance of a good and formalized ESG framework for its portfolio companies and its investors. This case study describes the milestones in its ESG journey since the inclusion in Robeco Private Equity's ESG Engagement Program.

21 Partners

21 Partners is an international private equity firm with local presence in Italy (21 Investimenti), France (21 Centrale Partners) and Poland (21 Concordia). The firm was founded in 1992 and invests in mid-market companies that are based in the three countries and makes them grow.

21 Partners systematically implements the same value creation approach to portfolio companies as it brings strategic guidance, accelerates growth and improves efficiency. The group of 51 professionals operates through local funds, managed by local management companies that are fully independent in terms of investments, value creation, and divestments.

21 Partners' French and Italian funds have been in Robeco Private Equity's ESG Engagement Program since 2006. In the 12 years of regular and constructive dialogue on ESG issues, Robeco Private Equity has been instrumental in how 21 Partners has shaped its ESG approach.

Following Robeco Private Equity's first formal feedback and recommendations in 2007, 21 Partners committed to introduce the following ESG practices:

2007

- increase the percentage of companies with environmental policies
- improve documented monitoring on ESG issues in underlying portfolio companies
- consider reporting on ESG issues in the form of a sustainability report

In 2008 21 Partners began developing ESG-related tools and metrics for its portfolio companies and internal organization. The firm considered different international guidelines and business principles and decided to join the United Nations Principles for Responsible Investment (PRI) in 2009, as one of the first private equity firms in Italy and France to do so.

In Robeco Private Equity's 2010 ESG report, 21 Partners featured as one of the private equity managers with good ESG practices. The firm had designed a very advanced monitoring system by then and provided a good example of how ESG performance indicators could be identified and monitored across portfolio companies in different industries. 21 Partners developed a standardized approach to collect high quality ESG information from portfolio companies, using a monitoring form with separate sections for environmental, social and governance indicators as well as a section to highlight particular ESG initiatives. On a yearly basis, each portfolio company receives the detailed ESG monitoring questionnaire, which is returned with the quantitative and qualitative ESG information requested. The ESG team analyzes the responses provided by each portfolio company and summarizes their performance in a feedback report, which also includes the rating for their overall ESG performance.

2009 - 2012

The latter is then compared between portfolio companies, as is performance in selected key performance indicators (KPIs). This cross check allows for better comparison of existing practices and helps identify room for improvement to propose to portfolio companies. Furthermore, the analysis of the correlation between the financial performance and overall ESG performance of portfolio companies is carried out to check whether the management of material ESG issues supports value creation.

21 Investimenti II was the best performing fund in Robeco Private Equity's ESG program in 2010 and 2011. 21 Partners fully incorporated recommendations by Robeco Private Equity on reporting and started disclosing information on ESG via the firm's website and through comprehensive sustainability reports on each of its funds.

2013 - 2017

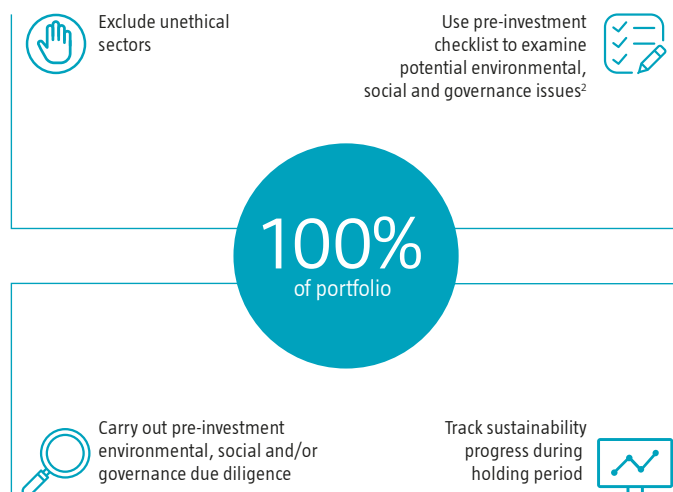
Sustainability ratings that 21 Partners integrated into standard portfolio tracking activity in 2013 enabled the group to start measuring ESG performance of portfolio companies alongside other key indicators of value creation (related to strategy & organization, finance, sales & marketing, operations and people). In this way, 21 Partners has made yet another step in the integration of sustainability in the investment process. The firm received a perfect score (100%) for its ESG efforts in Robeco Private Equity's ESG assessment for 2013 and has been awarded the maximum (A+) score for ESG integration in its investment process according to the PRI Reporting Framework since 2014.

21 Partners today considers ESG issues in every phase of the investment process:

- In the initial screening process, key ESG issues facing a potential investee company are identified and assessed. During the assessment of an investment opportunity 21 Partners investigates the relevant ESG issues through the due diligence process. Before the investment is approved, the investment team completes an internal ESG Checklist to flag up any potential ESG issues.
- During the entire holding period, 21 Partners works alongside portfolio companies' management to improve performance in high priority areas, including ESG.

A team of five is responsible for the implementation of 21 Partners' sustainability approach. They research, coordinate and roll out best ESG practices across the group.

Figure 1 : Investing responsibly according to 21 Partners



Today

This team also prepares the Annual Sustainability Report which is sent to all investors across the funds in all geographies. A light version of the report has been published on 21 Partners' website already since 2015.

Over the years 21 Partners has developed and implemented a uniform ESG approach across the group (see Figure 1). The firm is known for encouraging, supporting and accompanying its portfolio companies in implementing ESG initiatives in line with the scope of their specific activities. They make sure that acceleration of growth in portfolio companies is done in a diligent manner with a robust sustainability practice in place with the objective to invest responsibly, advance social conditions in the communities, evolve corporate governance and protect the environment.

Through its active role within the PRI, France Invest, Initiative Carbon 20 (iC20) and the Shared Value Initiative (by Harvard Business School's professor Michael Porter), 21 Partners raises awareness of ESG issues internally, in its portfolio companies and within the private equity industry as a whole

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