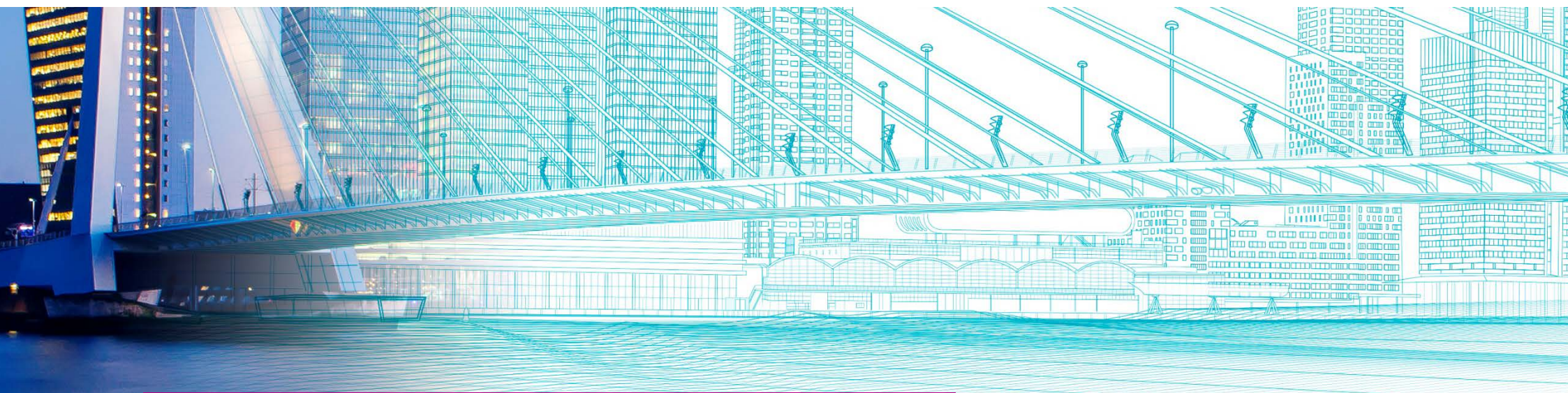


For professional investors
May 2017



Robeco Private Equity

Sustainability and ESG integration at Robeco Private Equity

PRI signatory since 2006

Our philosophy

There is broad agreement that environmental, social and governance (ESG) initiatives create value, both for society at large and for shareholders¹. The integration of ESG factors into business strategies and operations of companies can lead to better management of risks and opportunities associated with these factors. Examples of ESG risks include liability risks because of pollution or reputation risks as a result of human rights violations. Sustainable entrepreneurship can also lead to cost savings resulting from higher resource efficiency, using less energy, water and materials. Furthermore, it can lead to higher revenues by developing new green or socially responsible products and services. And finally, by enhancing a company's reputation, sustainable entrepreneurship can raise a company's profile amongst consumers, (potential) employees and investors, and increase company value. A review of existing studies suggests that there is a positive relationship between corporate

A+ PRI rating for 2015

investment in sustainability and stock price and operational performance².

Robeco views sustainability as a potential value driver and sees companies that consider sustainability as an integral part of their business model as strategically better positioned to capitalize on global long-term trends. By incorporating ESG risks and opportunities in the investment analysis Robeco believes to be making better informed decisions and constructing better investment portfolios.

Our approach

As a signatory to the UN Principles for Responsible Investment (PRI) Robeco operates as an active owner and incorporates ESG issues into its ownership policies and investment processes. In its private equity (PE) strategy Robeco encourages PE fund managers to implement ESG best practices in their business operations and assists

active role in Private Equity work stream initiatives of PRI

them in this process. With its active ownership approach and long-term investment horizon equity (PE) has a natural fit with sustainability and responsible investing. PE fund managers are well positioned to implement ESG initiatives because they typically control their portfolio companies. Additionally, PE investors show a growing interest in responsible investment and the need to demonstrate its value³.

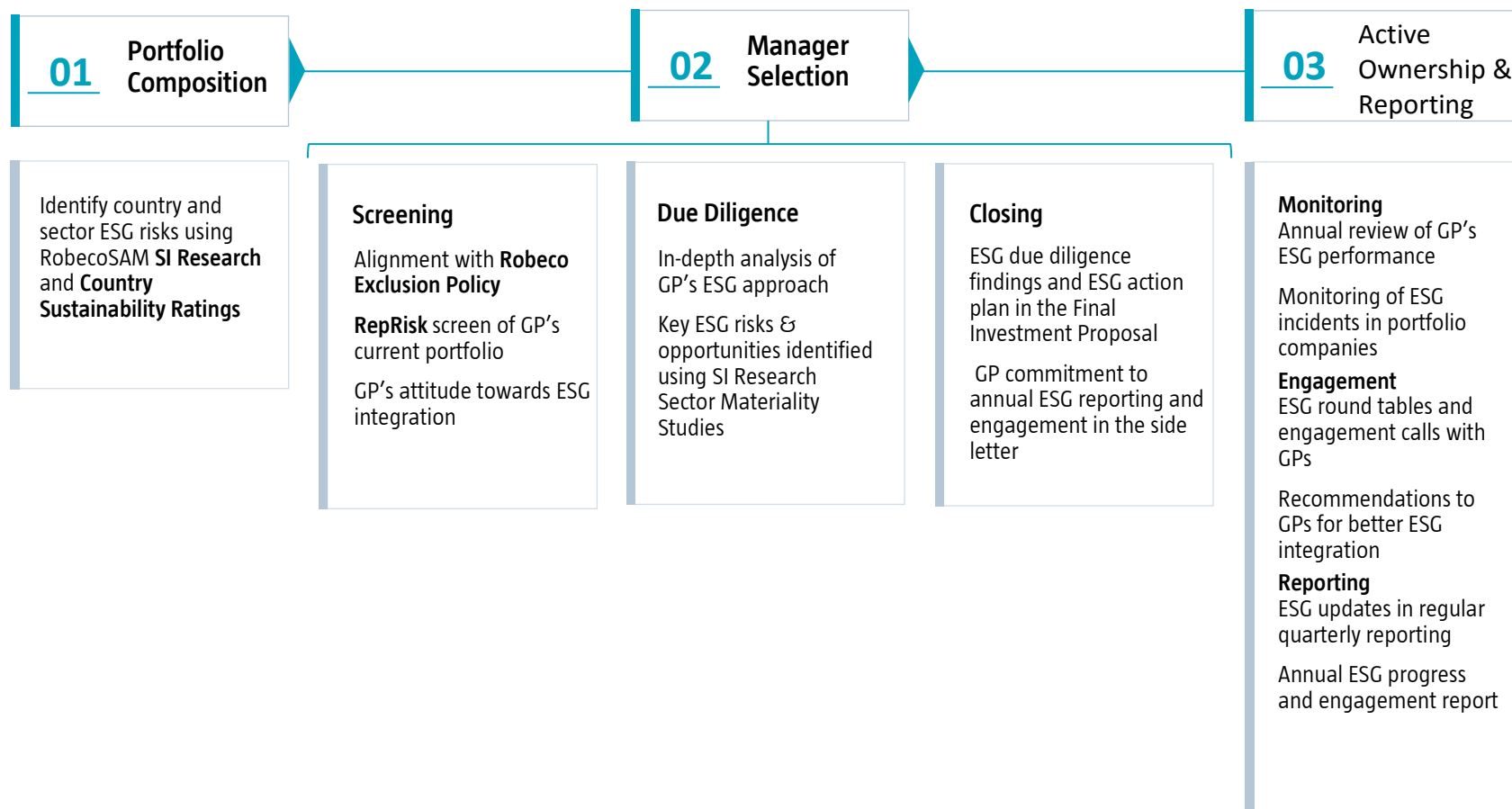
Robeco Private Equity has a long track-record in integrating sustainability in PE strategies. Its first sustainable private equity program and the accompanying Robeco Responsible Entrepreneurship Guidelines were introduced in 2004, two years before UN Principles for Responsible Investment (PRI) were launched (and endorsed by Robeco). Over the years Robeco Private Equity has further developed its ESG analysis which is now integrated in all stages of its investment and monitoring process, as illustrated in Figure 1 below.

¹ See e.g. PwC: *Bridging the Gap*, 2015. http://www.pwc.com/en_GX/gx/sustainability/publications/assets/bridging-the-gap.pdf

² See e.g. Morgan Stanley: *Sustainable Reality: Understanding the Performance of Sustainable Investment Strategies*, 2015. <http://www.morganstanley.com/sustainableinvesting/pdf/sustainable-reality.pdf>

³ PwC (2015).

Figure 1: Integration of ESG factors in the investment process of Robeco Private Equity



Robeco Private Equity implements ESG factors in different stages as follows:

- > *Screening*
Assessment of the fund manager's willingness to comply with the Robeco Private Equity's ESG requirements and the analysis of past ESG incidents related to the fund manager's existing portfolio companies.
- > *Due diligence*
Detailed ESG due diligence to assess the current ESG framework and identification of areas for improvement.
- > *Active Ownership*
Annual ESG assessments and dialogue with the managers focused at improving their ESG integration over time.

A dedicated sustainability specialist within the Private Equity team makes sure that ESG factors have sufficient weight in the decision-making process and integrated in the ownership period.

Monitoring and Reporting

Robeco Private Equity's ESG approach has a strong focus on the annual ESG monitoring process and a structured dialogue with PE managers on ESG issues and how they manage these in their portfolio companies. PE fund

managers undergo an annual ESG assessment in which the progress of their ESG integration is monitored and verified by the in-house ESG specialists. The assessment helps identify opportunities for improvement and the ESG information obtained through the assessment serves as input for the annual engagement report. The annual ESG engagement report brings examples of how funds deal with ESG issues faced by their portfolio companies and an overview of the funds' absolute and relative ESG performance over time. The public version of the report includes examples of good ESG practices which can be very useful by PE funds that are still exploring how to integrate ESG issues in the investment process.

The feedback-loop with the PE fund managers has proven to be the core of the engagement approach of Robeco PE. With proprietary ESG information Robeco Private Equity is able to perform better analysis and make more informed investment decisions for its clients. Through its ESG assessment and monitoring of PE managers Robeco advocates the analysis on ESG risks and their management thus contributing to better portfolio risk management.

Exclusion Policy

Robeco Private Equity applies Robeco's Exclusion Policy (<https://www.robeco.com/docm/docu-exclusion-policy-and-list.pdf>) in its investment decisions.

Broader Sustainability Platform

Robeco Private Equity is leveraging on the broader Robeco sustainability and ESG knowledge platform and has access to the tools and resources developed by RobecoSAM Sustainability Investing Research team and the Robeco Governance and Active Ownership team.

International Cooperation

Robeco Private Equity actively participates in the UN PRI Private Equity Work Stream and its initiatives, in the Responsible Investment Roundtable of Invest Europe, and the Sustainability Committee of the Dutch Private Equity Association (NVP).