



LEA 02	Disclosures: Mandatory	Reason for Interaction	Principle: PRI 1, 2, 3
Individual/ internal staff engagements	<p><input checked="" type="checkbox"/> To support investment decision-making in a company's business</p> <p><input checked="" type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input checked="" type="checkbox"/> To engage internal ESG issues</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>	<p><input checked="" type="checkbox"/> To support investment decision-making in a company's business</p> <p><input checked="" type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input checked="" type="checkbox"/> To engage internal ESG issues</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>	
Collaborative engagements	<p><input type="checkbox"/> To support investment decision-making in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage internal ESG issues</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>	<p><input type="checkbox"/> To support investment decision-making in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage internal ESG issues</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>	
Service provider engagements	<p><input type="checkbox"/> To support investment decision-making in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage internal ESG issues</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in service providers</p>	<p><input type="checkbox"/> To support investment decision-making in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage internal ESG issues</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in service providers</p>	

# RI TRANSPARENCY REPORT

## 2014/15

### HgCapital LLP

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	🔒	n/a							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public							✓
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

Direct – Private Equity				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PE 01	Breakdown of investments by strategy	✓	Public							✓
PE 02	Typical level of ownership	✓	Public							✓
PE 03	Description of approach to RI	✓	Private	✓					✓	
PE 04	Investment guidelines and RI	✓	Public		✓					
PE 05	Fund placement documents and RI	✓	Public	✓			✓		✓	
PE 06	Formal commitments to RI	✓	Private				✓			
PE 07	Incorporating ESG issues when selecting investments	✓	Public	✓						
PE 08	ESG advice and research when selecting investments	✓	Private	✓						
PE 09	ESG issues in investment selection process	✓	Public	✓		✓				
PE 10	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PE 11	Encouraging improvements in investees	✓	Public	✓	✓					
PE 12	ESG issues impact in selection process	✓	Private	✓						
PE 13	Proportion of companies monitored on their ESG performance	✓	Public		✓					
PE 14	Proportion of portfolio companies with sustainability policy	✓	Public		✓					
PE 15	Actions taken by portfolio companies to incorporate ESG issues into operations	✓	Public		✓					
PE 16	Type and frequency of reports received from portfolio companies	✓	Private		✓	✓				
PE 17	Disclosure of ESG issues in pre-exit	✓	Private		✓					
PE 18	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PE 19	Examples of ESG issues that affected your PE investments	✓	Private	✓		✓				
PE 20	Disclosure of ESG information to public and clients/beneficiaries	✓	Public							✓
PE 21	Approach to disclosing ESG incidents	✓	Public							✓

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Reported Information

Public version

Organisational Overview

## PRI disclaimer

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## Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

<10%

10-50%

>50%

Fund of funds, manager of managers, sub-advised products

Other, specify

Execution and advisory services

OO 02	Mandatory	Peering	General
-------	-----------	---------	---------

OO 02.1 Select the location of your organisation's headquarters.

United Kingdom

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

1

2-5

6-10

>10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

100

OO 03	Mandatory	Descriptive	General
-------	-----------	-------------	---------

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

Yes

No

OO 04	Mandatory	Gateway/Peering	General
-------	-----------	-----------------	---------

**OO 04.1** Indicate the year end date for your reporting year.

31/12/2014

**OO 04.2** Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		5	300	000	000
Currency	GBP				
Assets in USD		8	764	010	662

**OO 04.5** Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

**OO 06**

**Mandatory**

**Descriptive**

**General**

**OO 06.1** To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	0	0
Fixed income – corporate	0	0
Fixed income – government	0	0
Fixed income – other	0	0
Private debt	0	0
Private equity	100	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0



Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

Publish our asset class mix as broad ranges

Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 08.1	Indicate the breakdown of your organisation's AUM by market.
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Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08.2	Additional information. [Optional]
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HgCapital primarily focuses its buyout investments in the UK, Germany and the Nordic Region, as well as selectively across the rest of Western Europe. However, our sector focus precedes geography, and we are therefore prepared to invest in other geographies, in sub-sectors where we have previously made repeated investments.

OO 09	Voluntary	Descriptive	General
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OO 09.1

Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

We are the owners of our own business, having established the partnership in 2000, and try to practise what we preach. Over the last decade we have progressively invested in our partnership to establish a robust and properly aligned private equity investment platform. With 100 employees in two investment offices in the UK and Germany, HgCapital has assets under management of £5.3 billion, serving over 100 highly regarded institutional investors, including private and public pension funds, endowments, insurance companies and fund of funds.

HgCapital began life as Mercury Private Equity, the private equity arm of Mercury Asset Management plc, a long-established UK-based asset management firm. Mercury Asset Management was acquired by Merrill Lynch in 1997. In December 2000, the executives of Mercury Private Equity negotiated independence from Merrill Lynch, and HgCapital was created as a fully independent firm, wholly owned by its partners and employees, who together work with a common purpose and culture.

Today investment teams manage three investment funds: HgCapital 7 - our latest mid-market buyout fund; RPP2 - our renewable energy infrastructure fund; and HgCapital Mercury - our TMT focused small buyout fund. To invest these funds, HgCapital targets European buyouts and renewable energy generation projects between £20 million and £500 million in value. Within our sectors, we look for those small and medium sized companies that have established a strong position within an industry niche but which have the potential to grow further - to become the clear market leader within their region, or to scale internationally - creating a true industry champion.

### Gateway asset class implementation indicators

OO 11

Mandatory

Gateway

General

OO 11.1

Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- Private equity
- None of the above

OO 11.3

Additional information. [Optional]

When considering potential new investments, HgCapital will:

- Screen them against the following Exclusion List, which identifies the sectors, businesses and activities in which HgCapital will not invest. HgCapital will not invest in a company which:

- has production or other activities that involve harmful or exploitative forms of forced labour or child labour;
- produces any illegal products or engages in any illegal activities under applicable local laws;
- manufactures, distributes or sells arms or ammunitions primarily designed or primarily designated for military purposes;
- manufactures or sells pornography;
- is involved with products and activities that are banned under global conventions and agreements, such as certain pesticides, chemicals, wastes, ozone depleting substances and endangered or protected wildlife or wildlife products;
- is involved in the supply or purchase of sanctioned products or goods to or from countries or regions covered by United Nations sanctions;
- is, in the opinion of HgCapital's Investment Committee, exploitative of vulnerable groups in society.

- Assess them from an RI perspective to identify material ESG risks and opportunities, and potential consequent actions, prior to any commitment of capital.

## OO 12.1

The modules and sections that you will be required to complete are listed below.

*This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.*

**Core modules**

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

**RI implementation directly or via service providers**

Direct - Other asset classes with dedicated modules

- Private Equity

**Closing module**

- Closing module

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Reported Information

Public version

Overarching Approach

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1	Indicate if you have a responsible investment policy.
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- Yes  
 No

OA 01.2	Indicate if you have other guidance documents or more specific policies related to responsible investment.
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- Yes  
 No

OA 01.3	Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]
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HgCapital's investment philosophy is based on creating value driven by sustainable growth. We believe that this approach will allow HgCapital to deliver superior returns for our clients by investing in the provision of services and resources from which entire communities can benefit.

To support this philosophy and our approach to responsible investment, HgCapital considers five RI focus areas in making investment decisions and evaluating portfolio companies, namely: Environment, Workplace, Marketplace, Governance, and Community.

To HgCapital, responsible investment ('RI') is about investing in opportunities that seek to generate both financial value and sustainable growth. We believe that businesses which actively engage with the social responsibility agenda achieve higher performance than their peers, which do not do so and this enhances returns for our investors. Our RI approach supports the backbone of our investment philosophy which is to invest in growth companies and sectors, rather than turnaround or distressed investing: we aim to make excellent investment returns for our clients by growing high-quality, socially responsible businesses, which create lasting, value-adding jobs in Western Europe and elsewhere. Furthermore, one of our investment teams is dedicated to investing in renewable energy projects through a dedicated fund.

We believe that businesses must preserve the trust of stakeholders in order to create long-term value for investors. As part of our RI approach, we take an active interest in how companies in our portfolio manage environmental, social, and governance ('ESG') issues and, on behalf of our clients, encourage and support companies to adhere to standards of best practice for responsible business.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1	Indicate if your responsible investment policy is publicly available.
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- Yes

OA 02.2	Provide a URL to your responsible investment policy.
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	URL
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<http://www.hgcapital.com/responsibility>

No

<b>OA 02.3</b>	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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Yes

Yes, all

Yes, some

<b>OA 02.4</b>	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.
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Policy or document name	URL
Screening / exclusion list	<a href="http://www.hgcapital.com/responsibility">http://www.hgcapital.com/responsibility</a>

No

<b>OA 03</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1,2</b>
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<b>OA 03.1</b>	Indicate the components/types and coverage of your responsible investment policy and guidance documents.
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Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Engagement/active ownership policy <input type="checkbox"/> Specific guidelines on corporate governance <input type="checkbox"/> Specific guidelines on environmental issues <input type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

<b>OA 04</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>General</b>
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OA 04.1

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

OA 04.2

Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

It is HgCapital's policy:

- To identify, by reference to the specific services and activities carried out by or on behalf of HgCapital the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of the relevant funds managed by HgCapital or its investors;
- To take into account any circumstances of which HgCapital is or should be aware which may give rise to a conflict of interest resulting from the structure and business activities of other companies affiliated with HgCapital and other members of the HgCapital group of companies;
- To specify procedures to be followed and measures to be adopted in order to prevent, manage and monitor such conflicts and to communicate this information.

No

## Objectives and strategies

OA 05

Mandatory

Gateway/Core Assessed

General

OA 05.1

Indicate if your organisation sets objectives for its responsible investment activities.

Yes

OA 05.2

Indicate how frequently your organisation sets or revises objectives for responsible investment.

- At least once per year
- Less than once per year

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly
- Biannually
- Annually
- Every two years or less
- It is not reviewed

No

## Governance and human resources

OA 07

Voluntary

Descriptive

General

OA 07.1

Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

Consideration of ESG issues is part of our investment process, both at the time of initial investment and during our ownership. As such, all investment executives are expected to include ESG analysis in their investment papers. The Investment Committee (for new investments) and the Portfolio Review Committee (for current investments) has responsibility for reviewing the information and approving any recommended actions. Oversight of the firm's policy on responsible investment is by the Executive Committee (board level).

I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08	Mandatory	Gateway/Core Assessed	General
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OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- Board members or trustees
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
  - Finance Director**
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
  - Portfolio managers
  - Investment analysts
  - Dedicated responsible investment staff
  - External managers or service providers
  - Other role, specify
    - Legal Counsel**
      - Oversight/accountability for responsible investment
      - Implementation of responsible investment
      - No oversight/accountability or implementation responsibility for responsible investment
    - Other role, specify

OA 08.2

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number
--------

1



OA 08.3

Additional information. [Optional]

One member of staff has an allocation of one day per week (0.2 FTE) dedicated to responsible investment activity.

## Promoting responsible investment

OA 10

Mandatory

Core Assessed

PRI 4,5

OA 10.1

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

### Select all that apply

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

Basic

Moderate

Advanced

Asian Corporate Governance Association

Association for Sustainable & Responsible Investment in Asia

Australian Council of Superannuation Investors

CDP Climate Change

CDP Forests

CDP Water

CFA Institute Centre for Financial Market Integrity

Council of Institutional Investors (CII)

Eumedion

Extractive Industries Transparency Initiative (EITI)

Global Investors Governance Network (GIGN)

Global Real Estate Sustainability Benchmark (GRESB)

Institutional Investors Group on Climate Change (IIGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

Basic

Moderate

Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Tom Murley, head of our Renewables team, is a regular speaker and contributor

- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

British Venture Capital Association

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Alison Hampton, our Legal Counsel, sits on the BVCA Responsible Investment Advisory Board of the BVCA, and participated in the updating of the BVCA Responsible Investment Guide 2014

- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

OA 11

Mandatory

Core Assessed

PRI 4

OA 11.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

- Yes

**OA 11.2**

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Other, specify

No

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Reported Information

Public version

Direct – Private Equity

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## Overview

PE 01

Mandatory to Report Voluntary to Disclose

Peering

General

PE 01.1

Provide a breakdown of your organisation's internally managed private equity investments by investment strategy.

Investment strategy	Percentage of your internally managed private equity holdings (in terms of AUM)
Venture capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Growth capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
(Leveraged) buy-out	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
<div style="background-color: #cccccc; padding: 2px;">Other investment strategy, specify</div> Infrastructure development of renewable power projects	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
<b>Total</b>	<b>100%</b>

PE 01.2

Additional information. [Optional]

HgCapital invests in four sectors: TMT, Services, Industrials and Renewable Energy (separately, via a dedicated fund) and targets European buyouts and renewable energy generation projects between £20 million and £500 million in value.

PE 02	Mandatory to Report Voluntary to Disclose	Peering	General
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**PE 02.1** Indicate the level of ownership you typically hold in your private equity investments.

- a majority stake (>50%)
- 50% stake
- a significant minority stake (between 10-50%)
- a minority stake (<10%)
- a mix of ownership stakes

PE 04	Mandatory	Core Assessed	PRI 2
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**PE 04.1** Indicate if your organisation's investment guidelines for private equity refer to responsible investment.

- Our investment guidelines do refer to responsible investment

**PE 04.2** Describe how your organisation's investment guidelines outline your expectations on staff and portfolio companies' approach towards ESG issues [Optional].

All investment executives are expected to incorporate ESG issues into the investment analysis for new deals. Top-line screening for red flag items indicates where additional diligence is required, otherwise a standardised scope has been agreed with external providers to carry out a review of ESG risks and opportunities prior to investment. The semi-annual review of each portfolio company includes commentary on significant ESG risks or opportunities.

- Our investment guidelines do not refer to responsible investment
- We do not have investment guidelines

## Fundraising of private equity funds

PE 05	Mandatory	Core Assessed	PRI 1,4,6
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**PE 05.1** Indicate if your fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.

- Yes
- No
- Not applicable as our organisation does not fundraise

**PE 05.4** Describe why your organisation does not fundraise.

Our latest fund, HgCapital 7, closed in April 2013 and we have not carried out any fundraising during 2014.

## Pre-investment (selection)

PE 07	Mandatory	Gateway	PRI 1
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PE 07.1	Indicate if your organisation typically incorporates ESG issues when selecting private equity investments.
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Yes

PE 07.2	Describe your organisation's approach to incorporating ESG issues in private equity investment selection. [Optional]
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When considering potential new investments, HgCapital will screen them against an Exclusion List, which identifies the sectors, businesses and activities in which HgCapital will not invest.

HgCapital will not invest in a company which:

- has production or other activities that involve harmful or exploitative forms of forced labour or child labour;
- produces any illegal products or engages in any illegal activities as per applicable local laws;
- manufactures, distributes or sells arms or ammunitions primarily designed or primarily designated for military purposes;
- manufactures or sells pornography;
- is involved with products and activities that are banned as per global conventions and agreements, such as certain pesticides, chemicals, wastes, ozone depleting substances and endangered or protected wildlife or wildlife products; and/or
- is involved in the supply or purchase of sanctioned products, goods to or from countries or regions covered by United Nations sanctions.
- is, in the opinion of HgCapital's Investment Committee, exploitative of vulnerable groups in society.

Additionally, all potential investments will be assessed during the diligence process for compliance with all relevant laws in relation to environmental, social, governance, health and safety, bribery and corruption issues.

For all new investments, the Investment Committee will be responsible for reviewing any ESG issues arising in relation to a proposed investment, and determining the impact of such issues on the investment plan.

No

PE 09	Mandatory	Core Assessed	PRI 1,3
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PE 09.1	Indicate which E, S and/or G issues are typically considered by your organisation in the investment selection process and list up to three typical examples per issue.
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**ESG issues**

Environmental

List up to three typical examples of environmental issues
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Compliance with local environmental laws and relevant permits

Impact on sensitive environments / people

Risk of pollution / contamination

Social

List up to three typical examples of social issues

Workplace and employment issues, including health & safety, unfair treatment of employees  
 Employee engagement strategy and practices  
 Understanding supply chain issues and management

Governance

List up to three typical examples of governance issues

Bribery and corruption risks  
 Compliance with competition law  
 Board composition and robust committee structure

<b>PE 10</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1,3</b>
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<b>PE 10.1</b>	Indicate what type of ESG information your organisation typically considers during your private equity investment selection process.
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- Raw data from target company
- Benchmarks against other companies
- Sector level data/benchmarks
- Country level data/benchmarks
- Reporting standards, industry codes and certifications
- International initiatives, declarations or standards
- Engagements with stakeholders (e.g. customers and suppliers)
- Advice from external resources
- Other, specify
- We do not track this information

<b>PE 11</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1,2</b>
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<b>PE 11.1</b>	During deal structuring, indicate if your organisation typically encourages continuous improvements from potential investees with regard to their management of ESG issues.
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- Yes
  - In writing
  - Verbally/through dialogue
  - Other, specify
 

Either through dialogue or by commitment in the legal documents agreed with the management depending on the nature of the deal and the relevant issue

**PE 11.2** Describe the nature of these improvements and their ESG coverage.

Where a specific material ESG issue has been identified in diligence which requires remediation, a commitment to remediating the issue will be agreed with the potential investee company within a suitable timeframe.

Appropriate actions and recommendations from the ESG risks and opportunities diligence report will be incorporated into the 100 day plan produced for post-completion, and these, together with subsequent issues and actions, will be reported and reviewed by the portfolio committee in their semi-annual review of each company.



HgCapital encourages and supports the companies it invests in to develop and improve the management of ESG matters, for example by developing employee engagement programmes and improving risk management processes

No

## Post-investment (monitoring and active ownership)

PE 13	Mandatory	Gateway/Core Assessed	PRI 2
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**PE 13.1**

Indicate whether your organisation incorporates ESG issues in investment monitoring of portfolio companies.

Yes

**PE 13.2**

Indicate the proportion of portfolio companies where your organisation included ESG performance in investment monitoring during the reporting year.

- >90% of portfolio companies
- 51-90% of portfolio companies
- 10-50% of portfolio companies
- <10% of portfolio companies

(in terms of total number of portfolio companies)

**PE 13.3**

Indicate ESG issues for which your organisation typically sets and monitors targets (KPIs or similar) and provide examples per issue.

### ESG issues

Environmental

List up to three example targets of environmental issues

Direct GHG emissions

CO2 savings equivalent of renewable energy produced

Social

List up to three example targets of social issues

Net jobs created

sickness absence rate

Governance

List up to three example targets of governance issues

Anti-bribery policies and procedures in place

Audit committees in place

Compliance with shareholder documents

- We do not set and/or monitor against targets
- No

PE 14	Mandatory	Core Assessed	PRI 2
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PE 14.1	Indicate if your organisation tracks the proportion of your portfolio companies that have an ESG/sustainability-related policy (or similar guidelines).
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- Yes
- No

PE 14.3	Additional information. [Optional]
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We expect all companies in which we invest to consider ESG issues as appropriate at board level. However, the majority of companies in which we invest are SMEs - typically their flat hierarchies and more nimble approach is less conducive to a formal policy environment and therefore we do not require them to put a formal policy in place or track whether they do so.

PE 15	Voluntary	Additional Assessed	PRI 2
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PE 15.1	Indicate the types of actions taken by your portfolio companies to incorporate ESG issues into operations and what proportion of your portfolio companies have implemented these actions.
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**Types of actions taken by portfolio companies**

- Allocate responsibility for ESG issues to board/senior management

**Implemented by percentage of portfolio companies**

- >90% of portfolio companies
- 51-90% of portfolio companies
- 10-50% of portfolio companies
- <10% of portfolio companies
- We do not track this information

(in terms of total number of portfolio companies)

- Composition of board ensure ESG expertise
- Consider ESG issues in risk management processes
- Define performance targets for applicable ESG issues in operations

**Implemented by percentage of portfolio companies**

- >90% of portfolio companies
- 51-90% of portfolio companies
- 10-50% of portfolio companies
- <10% of portfolio companies
- We do not track this information

(in terms of total number of portfolio companies)

- Define when engagements with stakeholders should be carried out to discuss ESG issues
- Other actions, specify
- None of the above

<b>PE 15.2</b>	Describe how your organisation contributes to the portfolio's management of ESG issues.
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ESG issues and initiatives are included in the semi-annual company review carried out by the Portfolio Review Committee, which highlights in particular any areas of concern identified during investment diligence which need to be addressed. Investment executives sitting on the board of the portfolio company work with it to encourage the addressing of the relevant issue, using expertise and resources from HgCapital as appropriate. For example, HgCapital has assisted 5 companies in 2014 to implement an anti-bribery policy and procedures, sharing best practice across its portfolio.

## Outputs and outcomes

<b>PE 18</b>	Voluntary	Additional Assessed	PRI 1,2
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<b>PE 18.1</b>	Indicate if your organisation measures whether your approach to ESG issues in Private Equity investments has affected financial and/or ESG performance.
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- We measure whether our approach to ESG issues impacts funds' financial performance
- We measure whether our approach to ESG issues impacts funds' ESG performance
- None of the above

## Communication

<b>PE 20</b>	Mandatory	Core Assessed	PRI 6
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<b>PE 20.1</b>	Indicate whether your organisation proactively discloses ESG information on your private equity investments.
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- Disclose publicly
- Disclose to investor clients (LPs)/beneficiaries only

<b>PE 20.5</b>	Indicate the type of ESG information that your organisation proactively discloses to your clients (LPs)/beneficiaries.
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- ESG information in relation to our pre-investment activities
- ESG information in relation to our post-investment monitoring and ownership activities
- Information on our portfolio companies' ESG performance
- Other, specify

**PE 20.6**

Indicate your organisation's typical frequency of disclosing ESG information to your clients(LPs)/beneficiaries.

- Quarterly or more frequently
- Semi annually
- Annually
- Every two years or less frequently
- Ad-hoc, specify

**PE 20.7**

Describe the ESG information and how your organisation proactively discloses it to your clients (LPs)/beneficiaries. [Optional]

In 2014, we included a presentation on Responsible Investing and ESG at our investor AGM.

- No proactive disclosure to the public or to clients (LPs)/beneficiaries

**PE 21**

**Voluntary**

**Descriptive**

**PRI 6**

**PE 21.1**

Describe your organisation's approach to disclosing ESG incidents in private equity investments to your investor clients (LPs).

We aim to ensure that our LPs learn from us first about any issues, subject to our obligations not to disclose information if bound by law not to do so, and also subject to our assessment of when disclosure would be detrimental to the value of the underlying investment.