

**Integrated.  
Collaborative.  
Focused.**

**Environmental,  
Social and  
Corporate  
Governance  
Review 2017**



**Investing Responsibly**

Environmental



Social

Governance

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## Introduction

Effective assessment and management of environmental, social and governance ('ESG') factors continue to be a key priority for Cinven, our investors, our portfolio companies and other stakeholders. We believe that, in addition to being an essential component of any sustainable growth strategy, ESG management can be an important source of value creation.

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Timely and relevant communication with our stakeholders is an integral part of our approach. This review provides an update on recent developments in our approach to ESG, and demonstrates how it has been applied within our portfolio companies. The review also summarises our outlook on internal and external ESG developments in 2017 and beyond.

## Managing Partner overview

Cinven invests in strong, high-quality companies and partners with management to grow them into global, regional or domestic leaders in their respective markets using our proven approach to creating value.



Stuart McAlpine  
Managing Partner

Cinven's responsible approach to our portfolio companies, their employees, suppliers, local communities, the environment and society is integral to our investment process, and helps to grow and protect long term value. We achieve strong returns for our investors through a responsible approach to investing.

Our approach to ESG has evolved over time. Whilst ESG has been integral to our approach throughout our history, it was formalised when we became a signatory to the Principles for Responsible Investment ('PRI') in 2009. Since then we have continued to improve our ESG procedures both at Cinven and our portfolio companies.

We continue to learn from industry-wide ESG developments and best practices, together with ESG considerations within our own broad portfolio of investments. This review demonstrates how we continually seek to deepen our understanding and most effectively mitigate risk and, increasingly, create value through ESG management.

Our approach to ESG is not just defined by the quality of the processes, tools and data we use but, more importantly, by Cinven's values and culture which centre on: **integration, collaboration, focus** and **scrutiny**.



**Integration** ESG is an integral part of our Investment team's investment evaluation, board governance and day-to-day management practices.



**Collaboration** We regularly engage with our portfolio companies on ESG matters, working in partnership with them to address ESG, and ensure our portfolio companies collaborate with one another to share best practices.



**Focus** Identifying key risk factors, opportunities and materiality thresholds specific to each company and sector.



**Scrutiny** Ensuring we don't take a 'tick-box' approach, but bring a broad expertise to bear in analysing ESG developments relevant to our portfolio companies and the markets in which they operate.

Cinven seeks to ensure that ESG is 'hardwired' into our portfolio companies' day-to-day operations from the outset of our investment, with ESG recognised as a core tenet of strong management. In order to achieve this we have developed a number of initiatives, including portfolio ESG conferences where best practices are shared. We have developed portfolio company ESG questionnaires and guidelines and we work closely with our portfolio companies to develop company-specific reporting frameworks.

A systematic approach to ESG value creation and risk mitigation is also valued by our investors, many of whom have longstanding public commitments to high standards of corporate governance and sustainability. Their expectations continue to grow, as do the expectations of their members and other stakeholders. ESG requires

**“ESG requires  
constant vigilance.”**

constant vigilance. Corporate scandals have shown that even companies with apparently good and longstanding ESG credentials can suffer from severe financial and reputational damage if the right systems, policies and oversight are not monitored and maintained. We work hard to ensure that Cinven meets the increasing ESG requirements and our investors' expectations as they evolve, and that we keep abreast of the political, regulatory and industrywide ESG developments driving these expectations. This is important as it is integral to our investment decision making and portfolio management.

I believe this review demonstrates our continued commitment to ensuring that the ESG systems, policies and governance adopted by Cinven and our portfolio companies are at the core of our investment philosophy.

**Stuart McAlpine**  
Managing Partner

## Our principles

While ESG has been integral to our approach throughout our track record, it was formalised when we became one of the early private equity signatories to the Principles for Responsible Investment ('PRI') in 2009, which commits signatories to report annually against six principles for responsible investment.

## The Principles for Responsible Investment (PRI)

We will be active owners and incorporate ESG considerations into our ownership policies and practices.

We will seek appropriate disclosure on ESG matters by the entities in which we invest.

We will work together to enhance our effectiveness in implementing the Principles.

We will incorporate ESG considerations into investment analysis and decision-making processes.

We will promote acceptance and implementation of the Principles within the investment industry.

We will each report on our activities and progress towards implementing the Principles.

Having made this important commitment in 2009, we have since defined our own set of core ESG principles, building on those set out in the PRI. Our principles reflect the importance and value we place on addressing ESG matters, and make our commitment clear to our Investment team and broader organisation, our investors, portfolio companies and other stakeholders.

Our core ESG principles seek to ensure that we:

- comply with both the letter and the spirit of the law, wherever it applies;
- follow an investment process that takes a responsible approach to investing and recognises the potential impact of our portfolio companies' operations on the environment, their workers, communities and society;
- respect human rights and do not exploit child labour;
- ensure there is no bribery or corruption in any of our dealings;
- act with integrity;
- operate non-discriminatory practices (e.g. on grounds of gender, religion, race, sexuality, disability) and seek equality and inclusion in employment;
- act in an environmentally responsible manner, aiming for a sustainable approach to the use of resources and avoiding unnecessary waste and irresponsible disposal of hazardous or harmful products;
- ensure that our management structures and policies reflect the need for transparency, accountability, equality and probity in the management of our businesses; and
- seek to comply with ESG guidelines and best practices, and actively manage ESG considerations and risks effectively.

## Our approach

Cinven's approach to ESG is underpinned by our ESG core principles, our values and our commitments as a signatory to the PRI. How we manage ESG at Cinven and at our portfolio companies can be characterised in terms of integration, collaboration, focus and scrutiny. These four hallmarks of our approach are explored in more detail below.



### Integration

The assessment of ESG factors and management of these are integrated into every stage of the investment process, from initial screening to ultimate exit. Rather than being the sole responsibility of dedicated ESG specialists, Cinven's approach is to integrate responsibility for ESG management into our sector, regional and functional teams.

Identifying ESG-related risks and opportunities is an integral part of our investment analysis. For all investment opportunities, our Investment Committee ('IC') and the Managing General Partners consider ESG factors as part of its assessment; these are set out in a mandatory ESG section in IC papers.

We put considerable emphasis on the 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 our performance management systems. We develop dedicated ESG key performance indicators ('KPIs'), and ESG is reviewed as part of our quarterly portfolio review.

ESG considerations are also integrated into our governance. Our ESG Steering Group brings together expertise from across Cinven. It comprises representatives of a number of key teams, ensuring a broad-based assessment of KPIs, key trends and cross-sector developments, such as cyber security, anti-bribery and corruption ('ABC'), and reputational risk.



### Focus

Different sectors, regions and businesses present different ESG risks and opportunities. We tailor our approach to ESG at specific companies based on this, rather than uniformly applying a 'template' approach.

For example, data protection considerations pervade all sectors, but tend to be of greater significance to our consumer, healthcare and financial services companies than to our business-to-business services and industrials companies. Similarly, good labour standards in supply chains are vital for all companies, but the risks tend to be greater in the apparel sector and in developing countries, which can affect investments such as Kurt Geiger.

The acquisition process and the actions required to grow a business create many competing demands and priorities. While we take a comprehensive approach to our initial consideration of ESG in relation to any potential investment, we believe it is important to prioritise the most material ESG matters; i.e. the risks and opportunities that have or will have the greatest impact on the business and its key stakeholders. This focus on materiality makes it easier to communicate the business rationale for the ESG workstreams, and to achieve buy-in across the company itself and at Cinven. Sometimes this focus is on the thematic considerations associated with certain sectors, and other times it may be centred on the governance challenges associated with helping successful companies to grow.



### Collaboration

We are active investors supporting our portfolio company management teams in the development and implementation of strategies that drive growth. We take the same approach to ESG.

We actively engage with portfolio companies, not just at Board level, but with other teams and relevant individuals across the companies on an ongoing basis. We collaborate rather than mandate.

We have, for example, supported Synlab and Hotelbeds Group on programmes to improve their reporting and governance, from devising the initial reporting frameworks, through to roll-out of those frameworks and subsequent ongoing employee engagement.



### Scrutiny

We believe that regular, systematic and close scrutiny of ESG considerations is another essential element of our approach to ESG, both within our portfolio and more broadly throughout the sectors we invest in. We avoid a 'tick-box', compliance-oriented approach to ESG and instead scrutinise controls, processes, policies and practices to ensure they are 'fit for purpose', both today and going forward, given the future will bring new challenges.

Our scrutiny extends to the levels of expertise we bring to bear, with findings, data, policies and processes scrutinised by a range of team members with a variety of perspectives. For example, our Investment teams and Investment Committee are heavily involved in the pre-investment phase. During the post-investment phase, Cinven representatives on the Boards of portfolio companies regularly review ESG KPIs, processes and practices. The Cinven ESG Steering Group, the Managing General Partners and the Portfolio Review Committee provide further scrutiny and we also use external advisers to provide us and our portfolio companies with an additional level of review.

The companies we invest in typically have robust and rigorous governance structures. However, sometimes these structures need to adapt, for example, when integrating an add-on acquisition, growing into new markets or extending the supply chain or operational footprint into new countries, especially if these present greater risks than our investments faced in their incumbent markets.

For example, most of our portfolio companies operate in European Union ('EU') markets where bribery and corruption risks are relatively low. Expansion into markets where these risks are higher requires more robust systems and higher levels of awareness among all staff. This is one of the reasons why we encouraged Hotelbeds Group to develop an extensive anti-bribery and corruption programme.

Cinven's ESG focus extends not only to our portfolio companies but also to our investors. ESG in the investment community is rapidly evolving and investor expectations continue to increase. LPs have become increasingly responsible for reporting ESG matters to their stakeholders in recent years. New legislation and EU directives, such as the UK Modern Slavery Act, EU General Data Protection Regulation and EU Non-Financial Reporting Directive, have created additional requirements for compliance management.



## Our process

Cinven's ESG process comprises three distinct phases: pre-investment, post-investment and exit. The process is underpinned by our governance procedures and our portfolio company guidelines which set out our ESG policy, process and reporting. The process seeks to determine the key ESG considerations at the outset and then to develop and implement initiatives to address them.

### Pre-investment

Our pre-investment ESG process includes the following stages which are designed to identify the key ESG risks and opportunities, to prioritise those which are most material, and identify where further assessment may be required:

⊕ The Investment team establishes whether there are any material ESG considerations, which may be company-specific, but are often consistent with those faced by certain industry/subsector or geography as a whole. These are ascertained through a variety of sources, e.g. regulatory/compliance or political, business plan considerations, investor disclosures or media reports.

⊕ We seek assurance that the company is fully compliant with ESG laws and regulations.

⊕ The Investment team, with support from legal advisors, undertakes due diligence that includes ESG considerations and assessment of anti-bribery and corruption risk. It may also use specialist third-party consultants to help assess specific risks.

⊕ ESG considerations are identified in Investment papers which are presented to the Investment Committee. The Investment Committee needs to give its approval before any investment is recommended to the Managing General Partners for consideration.

⊕ The Managing General Partners, together with the Investment Committee (and often management team) review the ESG considerations and determine whether or not the identified risks can be mitigated or if they are unacceptable.

⊕ Should the investment opportunity proceed, a plan is developed and agreed with the management team of the portfolio company to address and/or remedy the identified ESG risks and anti-bribery and corruption considerations. This plan is often incorporated into the broader Value Creation Plan that is developed with the management team post-investment.



The Investment team undertakes the following steps post-investment to ensure a rigorous and focused approach to ESG management from the day we take ownership of the company:

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## Post-investment

⊕ Cinven representatives are appointed to the portfolio company Board. A Board representative from the company is assigned overall responsibility for ESG, and ESG must be regularly tabled and reviewed at Board meetings.

⊕ Companies are required to participate in a post-acquisition review process, which includes the completion of a Cinven ESG portfolio questionnaire. The completed questionnaires are reviewed by Cinven, with support from our external advisers, to identify the main ESG risks and opportunities. We also assess what existing policies, practices and reporting are in place and how effective they are, to avoid creating unnecessary additional requirements. As part of this review process, the Cinven team, along with its external ESG advisor, also meets with and/or speaks to the portfolio company on at least two occasions to discuss and agree priority next steps in full collaboration with the portfolio company. We always seek to identify where Cinven (or an external ESG advisor) can add value and do so in the most efficient and effective manner. Recommendations are then made for incorporation into subsequent plans.

⊕ 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. For example, Synlab worked on a separate plan focused on a new reporting template for its country teams and laboratories.

⊕ Bespoke ESG KPIs are established and monitored. All portfolio companies report against three core KPIs and additional ones are devised as necessary to reflect material company-specific considerations. ESG KPI data is captured and reviewed quarterly by the Investment team, the ESG Steering Group and by external advisers, where necessary. If the KPIs contain anomalies or discrepancies, they are interrogated further and action taken, if required.

⊕ Companies are asked to follow our guidelines, which include developing an ESG policy and reporting framework. These seek to ensure compliance with both our own requirements, and those created by new regulations such as the EU General Data Protection Regulation ('GDPR'). Where existing ESG policies and reporting frameworks are already in place, the companies are asked to review them in light of our guidelines and make improvements or adapt them as necessary. The guidelines, which are reviewed regularly and revised as required, are set out later in this review.

⊕ ESG is regularly reviewed by our Portfolio Review Committee and ESG Steering Group.

# 3

## Exit

⊕ We always seek to ensure that our portfolio companies continue to succeed following our ownership period. We also look to ensure that ESG considerations continue to be managed effectively after our exit, and that we have left a positive ESG legacy. In some cases, we have commissioned independent environmental audits to provide additional reassurance to prospective buyers that relevant considerations have been addressed. If these audits identify any considerations that we were previously unaware of, we seek to agree with management the appropriate remedial steps prior to our exit.

## We believe that strong governance is central to the effective management of ESG.

### Governance

Our ESG Steering Group ensures senior oversight of ESG matters by representatives from across Cinven. It reviews the ESG performance of our portfolio companies, including KPIs and other measures, and helps to identify ESG matters which may arise across the portfolio, including considerations arising from new legislation, standards and best practice. In the past few years, cyber security, modern slavery and anti-bribery and corruption have been some of the key matters assessed by the ESG Steering Group.

The ESG Steering Group meets quarterly to review portfolio ESG performance, trends and considerations. ESG matters and progress are also reviewed by the Portfolio Review Committee. Cinven's Advisory Committee is regularly updated on ESG progress and developments. Where material, ESG developments are included in our fund reporting and updates to investors. Where a specific workstream has been identified as part of the Value Creation Plan, progress in relation to the plan is tracked and monitored. We also monitor and follow-up on any ESG requirements identified during the pre-investment process.

We promote good governance in our portfolio companies. The Boards of each of our portfolio companies typically have at least two Cinven representatives who oversee Board-level input on ESG. We recommend that portfolio companies should have one Board member with dedicated responsibility for ESG issues, and regular updates on ESG should be provided to the Board.

We believe that ESG should not be approached as a 'box-ticking' exercise but should be fully embedded within a company's operations to achieve most benefit. We seek to ensure that all of our portfolio companies have the appropriate governance structures and reporting processes in place. We believe we can play a key role in reinforcing the right behaviours, and ensuring that these are fully embedded within the business to support strong and sustainable growth.

Our experience in helping numerous companies grow is that responsible behaviour does not become second nature if it is simply mandated and new initiatives do not gain traction through instruction alone. We promote responsible business practices among our portfolio companies by continuously sharing best practices and providing practical guidance through a number of initiatives, including our annual ESG conference.

#### ESG Steering Group

Responsibility	Representative	Name
Chairman	Partner, Executive Committee and Investment Committee member	David Barker
Governance, regulatory systems, controls and compliance	Head of Legal and Compliance Compliance Manager	Babett Carrier Peter Moore
Portfolio monitoring	Partner, Portfolio Review Committee member	Matthew Sabben-Clare
Portfolio value creation	Partner, Portfolio team and Portfolio Review Committee member Executive, Portfolio team	Thilo Sautter Pete Blakeney
ESG monitoring and reporting	Corporate Affairs Director	Vanessa Maydon
LP co-ordination and reporting	Partner, Executive Committee Managing Director Investor Relations	Alexandra Hess Sarah Verity-Thomas

## Our process continued

## Guidelines

We issued new ESG guidelines for our portfolio companies in 2016 to ensure more effective monitoring and reporting of ESG. We offer support to implement these guidelines where it proves helpful. We approach this in several ways, ranging from direct support from the Cinven team itself, to providing advice and support from our external ESG advisers, to providing examples of policies from other portfolio companies and/or other firms in the industry.

The guidelines set out our recommendations on areas to consider when developing, refining and deploying successful ESG policies and processes. The key elements are summarised below.

### Guidelines on ESG policies

ESG policies should be specific and relevant to each company, and based on a materiality assessment of the risks and opportunities affecting the business and its stakeholders, e.g. employees, customers, suppliers and regulators. These assessments should also inform and drive the company's overall ESG strategy and the KPIs used to determine progress. We recommend that ESG policies reflect or reference internal and external ESG standards, laws, regulations, best practice guidance and reporting processes.

ESG governance should:

- ensure compliance with all ESG policies;
- assign Board-level responsibility for ESG matters;
- establish a periodic review of ESG matters at Board-level (at least once a year); and
- incorporate formal whistleblowing procedures.

### Guidelines on ESG reporting and KPIs

Portfolio company ESG reporting should:

- incorporate objectives that are based on the materiality assessments and are SMART, i.e. Specific, Measurable, Achievable, Relevant and Time-based;
- include ESG KPIs designed to reflect progress against these objectives. These KPIs should include our three 'core' KPIs (on climate change, health and safety, and risk management) and additional KPIs that measure other material ESG considerations. The KPIs help focus on key areas and drive change;
- include quarterly reporting of these KPIs;
- collate and communicate relevant information on a regular basis to internal and external stakeholders (we encourage companies to publish ESG information on their websites); and
- confirm compliance with relevant ESG laws and regulations.

## Our core KPIs

Environmental



### Environmental

**Climate change:**  
**Carbon footprint**  
 — Scope 1: direct emissions  
 — Scope 2: indirect emissions from purchased energy  
 — Scope 3: indirect emissions from the wider value chain and footprint e.g. business travel and supplier emissions

### Social

**Health and safety:**  
 — Accident/incident rates, including lost time accident/injury (LTA) frequency rates

### Governance

**Risk management: ABC**  
 — Number of ABC-related incidents, breaches and complaints

## Examples of other KPIs

A number of additional KPIs are tracked and monitored by some of our portfolio companies, where relevant. These are reported on a quarterly basis and include:

### Environmental

- Waste generated
- Waste management cost
- Waste recycled
- Gas consumption

### Social

- Safety assessments (% of positions that receive an assessment)
- Training and education (hours total/employees)
- Women in management (% of females in middle and top management roles)
- Absenteeism

### Governance

- Data security breaches
- ABC training (% of employees trained)
- Completion rate of internal audits
- External complaints/customer satisfaction

## Recent developments

**We continuously seek to grow and evolve our ESG approach and to improve the incorporation of ESG management within our portfolio companies.**

Our ESG journey since our last review has included several key developments which have improved our internal ESG capabilities and further integrate ESG into our business. We have also helped our portfolio companies to improve their ESG capabilities and further integrate ESG management into their businesses, with several case studies included in this review.

We have hosted annual ESG conferences for our portfolio companies since 2014. The conferences serve to provide guidance to our portfolio companies on our recommended approach and expectations towards ESG monitoring and reporting, through practical workshops and case studies. We also focus on cross-sector ESG considerations such as governance, cyber security and anti-bribery and corruption. We invite industry experts to share best practice, provide guidance and update our portfolio companies on regulatory developments.

Our ESG management and due diligence processes have been enhanced to reflect the latest guidance from Invest Europe and the PRI, with our revised ESG guidelines for portfolio companies and ESG questionnaires formally published in 2016. These revisions have helped our portfolio companies to better understand both our expectations and ESG best practices.

We have enhanced our governance and improved how we monitor, report and review ESG performance. We have improved the way we assess and prioritise ESG workstreams at the outset of our investment (once our portfolio companies have progressed with the post-acquisition ESG review); the quality of ESG questionnaire itself; and the analysis that is provided to the Cinven ESG Steering Group.

Our ability to monitor ESG metrics across our portfolio has been strengthened. We have integrated ESG KPIs into our central reporting system, iLevel, which also captures financial and operational KPIs. Using this approach, we have been monitoring quarterly ESG KPI data from our portfolio companies since Q4 2015. This monitoring system reflects the way we believe ESG should be fully embedded within the day-to-day operational aspects of each business.

At Cinven, we have introduced firm-wide ESG training. ESG developments and/or focus areas are periodically presented at our firm-wide investment meetings; ESG training has been incorporated into the induction programme for new joiners; and we provide tailored training sessions for the ESG Steering Group, often with support from external ESG advisers or other specialists.

Our ESG capabilities have also benefited from our participation in a number of industry-wide initiatives, events and conferences. Through our active involvement in these industry-wide initiatives we have been able to collaborate, develop, share and promote ESG best practices. For example, a representative from Cinven's ESG Steering Group was invited to join Invest Europe's Responsible Investor Roundtable in 2017, an initiative designed to help promote ESG best practice.

## Key ESG developments at Cinven since 2009

2009-2012	2013-2014	2015	2016	2017
<p><b>2009</b></p> <ul style="list-style-type: none"> <li>— Cinven became signatory to the PRI</li> </ul> <p><b>2012</b></p> <ul style="list-style-type: none"> <li>— ESG Steering Group established</li> <li>— Core ESG Principles first published</li> </ul>	<p><b>2013</b></p> <ul style="list-style-type: none"> <li>— First ESG Review published</li> <li>— Portfolio company ESG questionnaire created</li> </ul> <p><b>2014</b></p> <ul style="list-style-type: none"> <li>— First annual portfolio conference held, focused on ESG reporting and best practice implementation</li> <li>— ESG guidelines issued for portfolio companies</li> </ul>	<p><b>2015</b></p> <ul style="list-style-type: none"> <li>— Contributed to development of ESG best practice in the investment community, through participation in PRI ESG Due Diligence Questionnaire Working Group</li> <li>— Second annual portfolio ESG conference held, focused on ESG best practice and integration including case studies</li> <li>— Bespoke ESG KPI reporting introduced in Q4 2015</li> </ul>	<p><b>2016</b></p> <ul style="list-style-type: none"> <li>— Third annual portfolio conference held, focused on governance, with focus on anti-trust, anti-bribery and corruption and cyber security</li> <li>— Assessment of one year's portfolio ESG KPI data undertaken</li> </ul>	<p><b>2017</b></p> <ul style="list-style-type: none"> <li>— Portfolio company ESG questionnaire revised to reflect latest PRI and Invest Europe guidelines</li> <li>— Helped to establish European informal networking forum to share and promote ESG best practice</li> <li>— Revised anti-bribery and corruption guidelines for portfolio companies</li> <li>— Fourth annual portfolio conference held, focused on governance and cyber security</li> <li>— Improved post-ESG questionnaire assessment methodology</li> <li>— Participating in PRI working group developing new guidance on private equity reporting and monitoring</li> </ul>



## Synlab case study



Synlab is a leading clinical laboratory services company in Europe, producing more than 450 million test results per year. It offers a full range of medical laboratory services for practising doctors, clinics and the pharmaceutical industry. It is the combination of two separate investments by Cinven in 2015, Labco and synlab, subsequently renamed Synlab.

### Our ESG focus

Synlab aims to be the partner of choice for health professionals and patients across Europe and internationally. Our vision is to create a champion across European markets in the industry. Synlab's ability to achieve this depends on it delivering high quality services reliably and consistently. From an ESG perspective, strong governance is essential to achieve this.

Synlab's primary focus therefore was to develop and embed group-wide policies, processes and KPIs ensuring consistently high standards and performance management across Synlab's various regions/countries and business units.

This involved creating a single new governance structure for the newly merged businesses. An additional consideration was that Labco and synlab were two culturally diverse businesses. Both had grown rapidly through acquisition over the previous 10 years, with each of them comprising several companies which spanned several geographies. Cinven's plan for Synlab included making further acquisitions during our ownership, so the ESG systems and controls needed to be easily transferable into newly acquired entities.





These factors meant that Synlab needed to develop a robust framework to ensure consistent behaviours and reporting across local management teams and facilities in more than 35 countries across four continents. In order to achieve 'buy-in' and timely implementation across the group, it was also necessary to raise awareness and understanding of the importance of ESG factors and the new reporting systems.

**Our ESG input and outcomes**  
Synlab's response to our post-acquisition ESG questionnaire drove the ESG elements of our Value Creation Plan (VCP) for Synlab. Synlab also completed Cinven's detailed governance questionnaire (which is completed by all our portfolio companies), which provided valuable insights.

The VCP has so far resulted in several important ESG initiatives for Synlab:

- A group-wide ESG policy was developed and rolled-out;
- Synlab's Code of Conduct was issued in November 2016;
- Environmental and social guidelines were issued to all country managers;
- A separate governance programme was developed;
- Additional ESG KPIs were identified, alongside Cinven's core KPIs; and
- A reporting tool was developed to collect the ESG KPIs and other information from each country. ESG data is now collected and reported regularly, and analysed to identify trends and areas for improvement.

The group management team regularly communicates with the country management teams on ESG considerations and performance to further promote alignment and understanding of ESG considerations. Cinven, together with our external ESG advisers, have supported Synlab and its country teams on the collection of ESG data.

## The Synlab Code of Conduct

The Synlab Code of Conduct establishes clear and detailed standards for all its members, covering their interactions with colleagues, patients, business partners, suppliers and external service providers. It also addresses anti-trust, bribery and corruption and personal data protection, a key consideration for Synlab, its patients and its partners. Every Synlab employee can contact his or her Supervising Manager, the responsible Regional Compliance Officer or a member of the Compliance Committee with questions concerning this Code of Conduct.



## Kurt Geiger case study

### KURT GEIGER

Kurt Geiger is a leading omni-channel footwear and accessories retailer in Europe, selling multiple brands (both own and third-party) across a range of price points (from luxury to mass-market). It was acquired by Cinven in February 2016.

#### Our ESG focus

The retail and apparel sectors have their own distinct ESG risks and considerations. Our broader experience and understanding of these sectors, combined with our specific pre-investment due diligence and post-acquisition assessment of Kurt Geiger led us to focus on four material ESG-related areas:

- governance
- supply chain standards
- employee safety
- energy efficiency

While our due diligence did not reveal any significant ESG concerns, we identified a number of areas for improvement and have supported the management team in the implementation of stronger policies and procedures in these areas under our ownership.

Ensuring strict standards were adhered to throughout the supply chain (particularly in terms of labour welfare) was a key focus area for us. While the business and its suppliers were compliant with UK legal standards in this area, the company is upgrading its standard operating procedures (including its Supplier Operating Manual) and has introduced third-party audits for a sample of the supply chain to ensure standards are upheld.

### Kurt Geiger and the UK Modern Slavery Act

Kurt Geiger is compliant with the UK Modern Slavery Act. In June 2017, it published a Modern Slavery Act Statement, which clearly states that it believes its risk of exposure to modern slavery is likely to be highest in its product supply chain. It sets out the steps it has taken and is taking to address these risks within its own operations and supply chain. The company issued an internal memorandum to all members of staff to raise awareness of the issue. Kurt Geiger is reviewing its processes to improve supplier visibility, standards and monitoring. It has engaged a Supply Chain Development consultant to further support its commitment to ongoing improvement in this area.





## KURT GEIGER



Governance (most notably anti-bribery and corruption controls) was also a key focus for us, given the company's plans to expand internationally.

Other areas of focus included employee welfare and safety. In the UK, Kurt Geiger offered the April 2016 National Living Wage rate to all its employees regardless of age (rather than offering the lower legal minimum rate to under-25s) and more recently appointed a specialist health and safety firm to ensure appropriate safety standards are adhered to throughout the business, including across the retail store estate. It has also explored ways to improve energy efficiency in the business.

### Our ESG input and outcomes

In addition to Cinven's assessment of the business, we also encouraged Kurt Geiger to commission an independent ESG review which identified a number of areas for further improvement. The findings were incorporated into the VCP, including the following initiatives:

### Governance

- An ESG Steering Committee was established which reports to the Board;
- Overall responsibility for ESG has been formalised and assigned among the senior management team, with responsibilities for different ESG matters, such as health and safety and environmental performance clearly defined;
- Anti-bribery and corruption training has been provided to relevant team members and groups across the business based on a risk assessment of their respective roles; and
- Whistleblowing procedures have been improved and relaunched.

### Supply chain standards and performance

- Kurt Geiger's supply chain standards are being reviewed and enhanced, with a newly appointed Director of Buying and Supply Chain conducting a review of key supply chain relationships and commissioning a number of independent third-party audits over key suppliers; and

- Kurt Geiger is in the process of updating its Supplier Operating Manual and procedures to enhance supplier governance.

### Employee safety

- Kurt Geiger's employee safety policy is being updated by a specialist health and safety company which is set to be launched later this year. This will be accompanied by new training and reporting procedures; and
- Oversight of employee safety incidents and compliance is undergoing improvement.

### Energy efficiency

- Investments have been made in LED lighting in new stores and at the flagship branch;
- Supply for electricity has been switched to renewable energy sources; and
- Processes are being assessed to monitor carbon emissions and energy consumption.

## Kurt Geiger and its suppliers

- All suppliers producing Kurt Geiger own label products are required to sign up to the procedures in its Supplier Operating Manual, which incorporates the labour rights set out by the International Labour Organization.
- Any new supplier of own label products must complete a questionnaire which reflects the key elements of Kurt Geiger's Ethical Standards for Contractors and Suppliers. Primary suppliers are expected to ensure that sub-contractors have full awareness and are compliant with these standards.
- We commissioned third-party audits to be carried out at top supplier locations to assess the level of compliance within our supply chain and understand any areas for improvement. New procedures to further increase our visibility and monitoring of the supply chain are being developed for launch later this financial year.
- Instances of non-compliance are expected to be rectified in an agreed time frame. Dependent on the nature and severity of the non-compliance, suppliers may be excluded from the supply chain if corrective actions are not implemented.

## Hotelbeds Group case study



Hotelbeds Group operates a leading global 'bed bank', providing the travel industry with access to hotel rooms from approximately 120,000 hotels in more than 180 countries. It also provides transfers, excursions and tours, meetings and events and cruise handling services. Hotelbeds' Group client base includes online travel agencies, tour operators, traditional travel agencies, and airlines. It was acquired by Cinven in September 2016.

Since it was established in 2002, it has focused continually on internationalisation, acquiring businesses and establishing its presence and services in new markets. Within six months of Cinven taking ownership, Hotelbeds Group announced two acquisitions: Tourico, in North America, and GTA (subject to regulatory approval), which is focused on the Asia-Pacific and Middle East regions.

### Our ESG focus

Cinven's initial ESG priority for Hotelbeds Group focused on governance. Although Hotelbeds Group had a robust governance system developed under its former parent company, Tui Group, we believed that the group needed to establish its own

policies and reporting systems as an independent operator. Hotelbeds Group had already identified specific areas for improvement within its policies, processes and structures as a standalone business.

Establishing and maintaining consistently high standards across a rapidly expanding group is an important challenge as Hotelbeds' Group reputation with customers and business partners depends on achieving these high standards. It was therefore important for Hotelbeds Group to develop a governance structure that could be fully embedded within the existing group and enhance its existing policies and procedures, and could also be readily integrated into newly acquired businesses.





**Hotelbeds Group**  
case study  
continued



Cinven believes that strong governance plays a vital role in ensuring that companies follow the right behaviours. Hotelbeds Group was fully aware that the introduction of the right ESG policies, processes and structures needed to be accompanied by ongoing communication with employees. Cinven supported Hotelbeds Group to meet its objectives in this area, improving governance and embedding good behaviours at all levels across the group.

A key area of focus is anti-bribery and corruption ('ABC') and compliance, where it is particularly important to get 'buy-in' from the employees and to foster a 'speak-up' culture where employees feel they can safely raise any perceived incidents of wrongdoing by colleagues or current/potential business partners. This is particularly important in a field where large numbers of staff are engaged

directly and regularly in developing new and existing relationships with customers and business partners across numerous geographic markets. We are cognisant that high standards of ethical conduct need to be demonstrably maintained in all of the company's dealings, and that constant vigilance is required.

**Our ESG input and outcomes**

Following completion of Cinven's post-acquisition questionnaire and separate governance questionnaire, ESG was integrated into the VCP, with initiatives including:

- Development of an ESG framework;
- Adaptation of ESG policies to reflect newly created business structure;
- Establishment of an internal audit function, designed to provide assurance on key enterprise risks;
- Under the leadership of management, designating responsibility for ESG reporting collation to the Risk, Compliance & Internal Audit team to ensure a rigorous approach to data collection and performance management;
- Creating an employee engagement and communications programme,

which emphasised the importance of ESG; in particular, raising awareness of ABC risks, ABC policies and appropriate responses to perceived risks or incidents;

- Policies to reduce environmental impact through, for example, waste recycling, switching-off lights and reducing non-essential business trips; and
- Programmes to promote volunteering for good causes in our global workforce.

Hotelbeds Group introduced a widespread internal communications and engagement programme: "Be Like Bernie: Do the Right Thing" to help employees recognise possible everyday situations where there may be bribery and corruption risks. It also encouraged employees to 'do the right thing' in every situation, informed by Hotelbeds' Group Code of Conduct.

Going forward, we will continue to work to integrate ESG best practices into our portfolio companies' day-to-day operations to ensure that our portfolio companies have strong ESG performance management systems in place. The tracking and monitoring of ESG performance continues to be reviewed regularly at our quarterly Portfolio Review Committee and is a key priority for the ESG Steering Group meetings.

In the year ahead, we are particularly focused on three ESG-related workstreams:

- the UK Modern Slavery Act
- anti-bribery and corruption ('ABC')
- cyber security and data protection

In these areas, both within Cinven and our portfolio companies, we are looking at initiatives to raise awareness of the need to either comply or to undertake further measures to address them.

#### The UK Modern Slavery Act

We continue to work with our portfolio companies to ensure they comply with the UK Modern Slavery Act where relevant, and to ensure they are fully aware of their reporting obligations. We will also support them in implementing the guidance we have provided on this issue.

#### Anti-bribery and corruption ('ABC')

We have enhanced our ABC guidelines for our portfolio companies and will continue to promote greater awareness of potential ABC risks, as well as understanding of our guidelines and practical assistance on achieving alignment with them.

#### Cyber security and data protection

The conference will also focus on cyber security, which was already a topic at our 2016 portfolio ESG conference. Cyber security continues to be an important and high-profile issue. Major security breaches in the past few years have presented significant operational, financial, reputational and legal risks to a number of international companies, generating extensive media coverage and heightened awareness of cyber security. There have been significant regulatory developments in this area, including the requirements of the new EU data protection framework, which was adopted in 2016. The resulting General Data Protection Regulation, which will be directly applicable in all member states, will take effect in May 2018. We are consequently ensuring that our portfolio companies are prepared for the increased compliance requirements, and the strength of their data protection and cyber security systems is rigorously assessed.

Our ESG approach, and investment approach more broadly, will continue to recognise these and other developments and seek to ensure that Cinven and our portfolio companies can prioritise and mitigate risks and maximise opportunities effectively.

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## Contact

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