

ESG report 2021



Rivean
Capital



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ABOUT THIS REPORT

This document presents the 2022 ESG portfolio report of Rivean Capital

ESG at Rivean Capital

As part of its dedication to improve the environmental, social and governance (ESG) performance of its portfolio companies, Rivean Capital annually engages with all its portfolio companies on the integration of ESG in their strategies and operations. To ensure the highest levels of quality and consistency, Rivean engages with external specialist ESG advisory firms to conduct comprehensive ESG performance assessments across its portfolio.

This document elaborates on Rivean's ESG integration. It includes an overview of Rivean's internal ESG efforts and presents the results of the fourth annual ESG assessment. The portfolio assessment is an aggregation of individual company assessments, presenting the ESG performance over the year 2021.

The company assessment summaries are provided in the annex.

What is our view on ESG?

Environmental, Social and Governance, known as the three central factors in measuring the sustainability and ethical impact of a company's operations. Rivean believes that commitment to the highest ESG standards is a fundamental tenet to be able to create sustainable value for its investors and other stakeholders.

Why do we talk about this?

Rivean believes that ESG factors can have a considerable impact on the performance of a company and recognises the increasing importance of this topic. It demands an explicit stance on the subject, by reducing and mitigating risks and by looking for opportunities to create value beyond financial return.

ABOUT RIVEAN CAPITAL

A pioneer in European mid-market private equity, Rivean Capital has been delivering creative growth solutions for aspiring business leaders since 1982.

With local presence through offices in the Benelux and DACH regions as well as Italy, Rivean is firmly rooted in traditions of partnership, pragmatism, and performance.

Rivean Capital identifies businesses with potential for accelerated development, strategically delivering international M&A, organic growth initiatives, and structural enhancements to bolster winning platforms. We offer deep experience across all major industry sectors.



EXECUTIVE SUMMARY

ESG exposure and relevance

- From an external perspective, Rivean's portfolio companies are predominantly active in industries classified as medium ESG relevance. A limited number of investments are active in industries with a high ESG relevance; notably in renewable energy, electronic manufacturing services, building products, and pharmaceuticals.
- Most common material ESG themes relate to energy and carbon, talent management and retention, and supply chain control, as approximately two-thirds of the portfolio companies are active in manufacturing, distribution, or engineering.
- In 2021, no material ESG incidents have occurred.

ESG performance

- In 2021, Rivean advanced significantly on ESG integration in their investment processes and in their portfolio. Rivean has fully integrated ESG within its standard investment processes. As a result, ESG is anchored in its Portfolio Enhancement Program (PEP). Furthermore, a climate-risk assessment based on the Task Force on Climate-Related Financial Disclosures (TCFD) framework has been conducted for all companies. Last, Rivean has collected data aligned with the Institutional Limited Partners Association's (ILPA) Data Convergence Project (DCP).
- All companies are aware of the relevant ESG themes in their businesses and determined a clear action plan to address the key themes to enhance ESG performance.
- In 2021, c. 50% of the portfolio companies demonstrated medium or high progress on ESG performance. ESG frontrunner companies Albelli, Xindao, Gundlach, and Corilus have shown significant progress across several areas as Scope 3 assessments, e.g. Albelli engages with suppliers to reduce scope 3 emissions.

Going forward

- Rivean will continue to develop its ESG efforts both internally and in its portfolio companies. Portfolio company progress on selected ESG projects will be monitored closely as part of its Portfolio Enhancement Program. Internally, Rivean will focus on reducing the carbon footprint of offices and business travel and enhancing diversity & inclusion over the coming year.
- Rivean will support its portfolio companies in their preparation to comply with the requirements of upcoming regulations regarding corporate sustainability reporting (CSRD). Rivean is committed to accrediting new funds as article 8 under the SFDR (Sustainable Finance Disclosure Regulation).



WALKING THE TALK

Rivean is focused on becoming best-in-class by actively addressing key ESG themes

IMPROVING OUR OPERATIONS

At Rivean, we aim to practice what we preach. By conducting the second internal assessment, Rivean has identified material themes for the company and subsequently potential improvements.

OUR ESG AMBITIONS

Rivean aspires to become carbon neutral and aims to create a more diverse and inclusive company

DELIVERABLES 2022

- 1 **Emissions offices** – For all offices: i) create insights in energy consumption; ii) procure electricity GOs and iii) procure gas GOs
- 2 **Emissions business travel** – i) Initiate obligation of new lease cars to be EVs; ii) review and roll-out mobility budget; iii) set out clear rules regarding flights in a business travel policy and iv) make emissions from flights transparent to individuals
- 3 **Carbon offsetting** – Procure carbon credits based on remaining carbon footprint
- 4 **Diversity & inclusion** – i) track and set goals for female representation across all levels; ii) hold senior leaders (each office MD) accountable in annual review for progress against above measures; iii) develop/implement independent initiatives

PORTFOLIO COMPANIES

The main ESG impacts can be realised at the portfolio company level by having an active and open dialogue to encourage ambitious target setting and improve ESG performance.

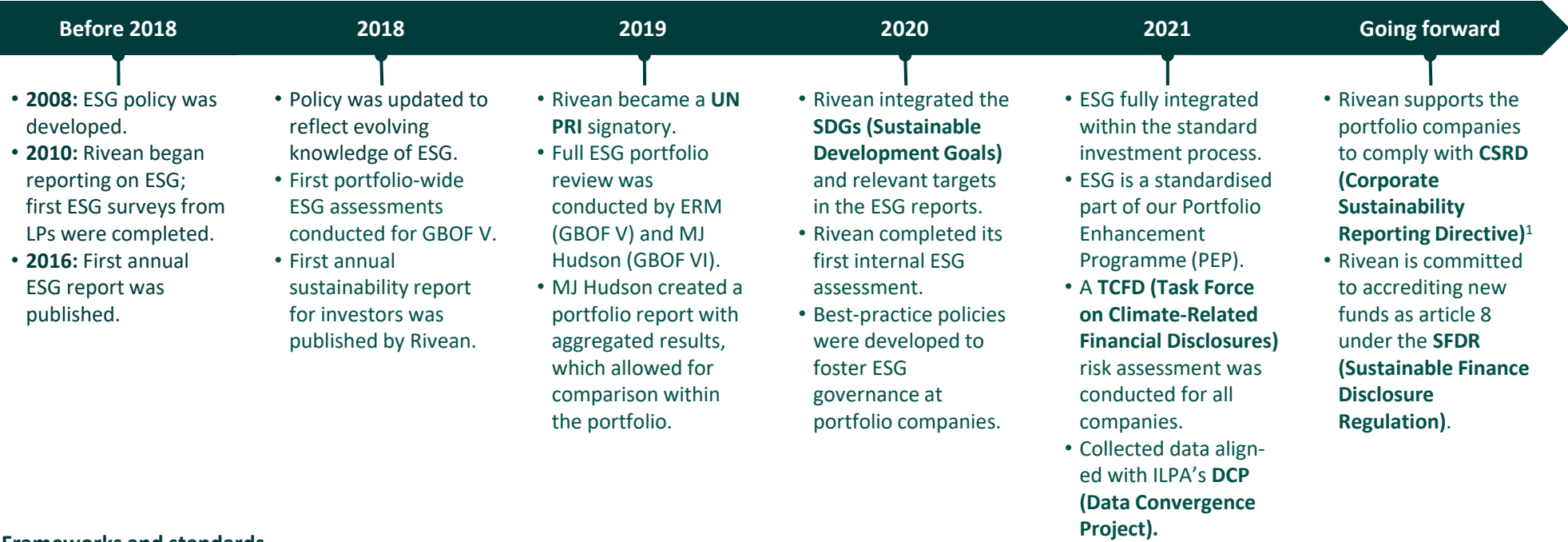
In the investment operations, Rivean will continue to develop its current ESG practice with a focus on building a best-in-class ESG practice.



ESG OVER THE YEARS

Rivean’s ESG approach is aligned to relevant standards and frameworks and is continuously improving

“With the purpose of meeting our ambitious target to be continuously aligned with sector best practices, we periodically review our ESG Policy, processes and tools to improve and strengthen our responsible investment approach.”



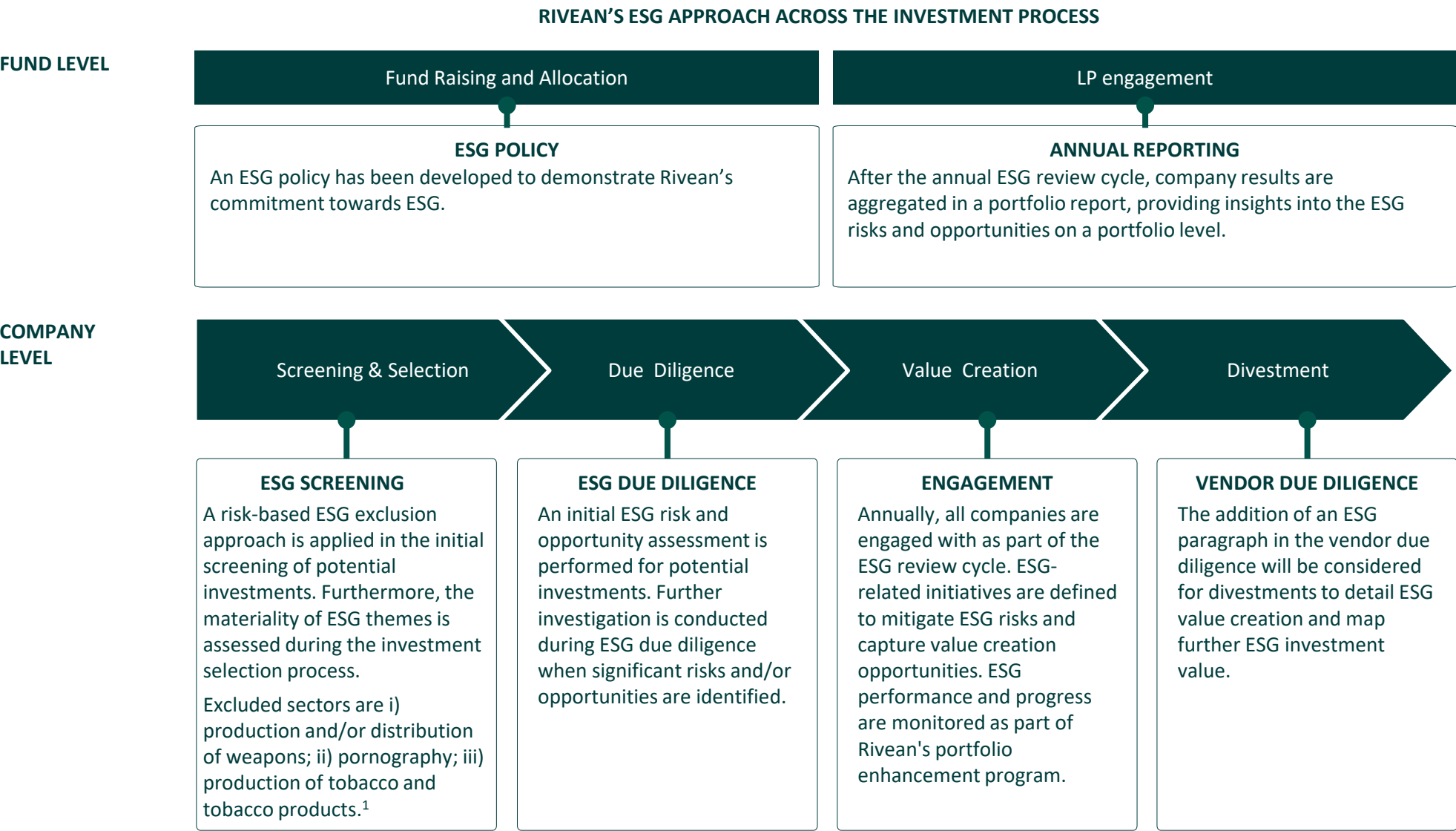
Frameworks and standards



¹ when this legislation is enacted, presumably, in 2024 (reporting in 2025 on 2024 data)
Source: Rivean Capital, ILPA
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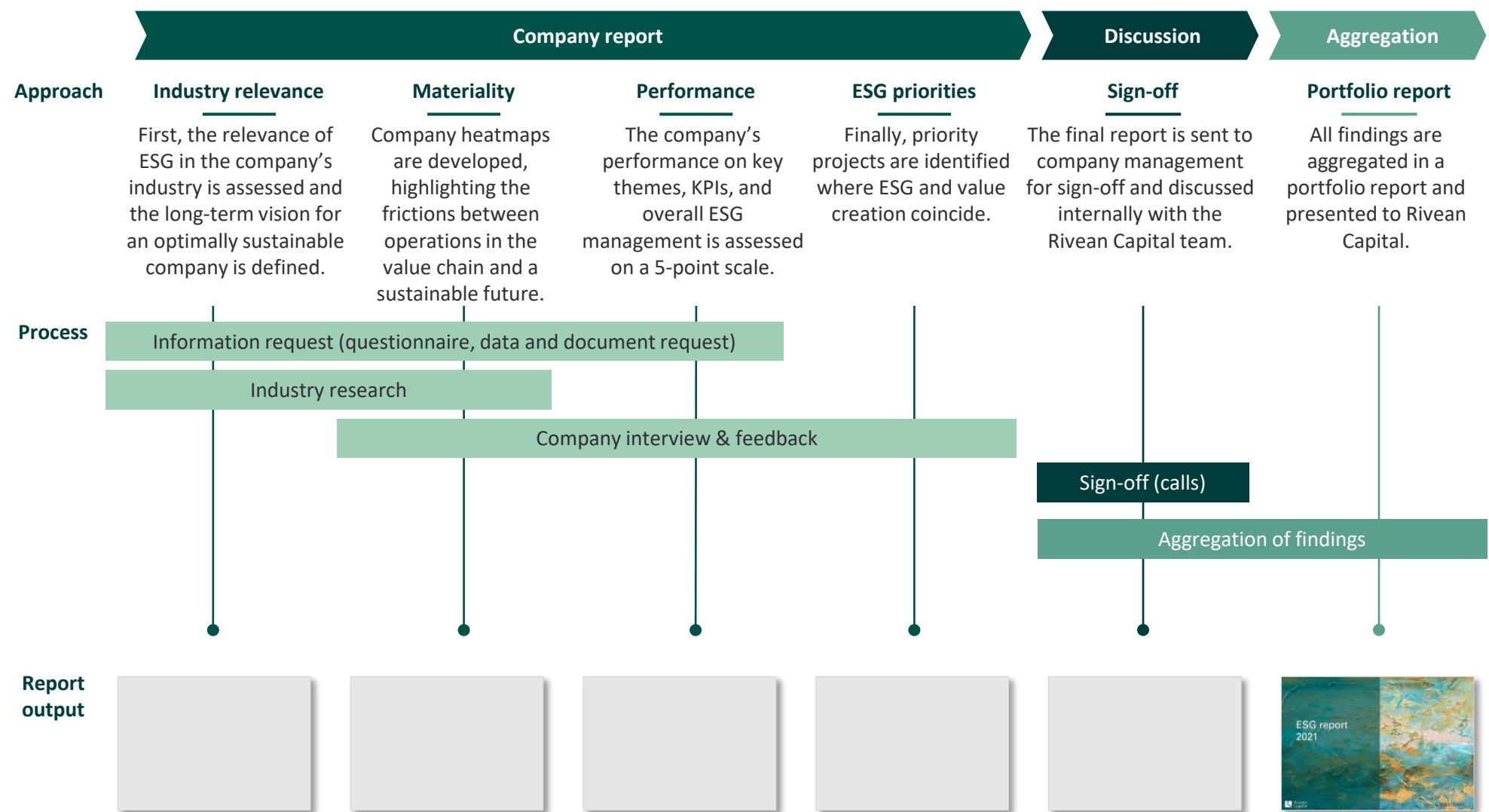
INTEGRATED ESG APPROACH

Responsible investing is fully integrated in Rivean’s entire investment process



ESG ASSESSMENT METHODOLOGY

The ESG performance of portfolio companies is assessed through an annual engagement process





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PORTFOLIO OVERVIEW OF ESG ASSESSMENTS





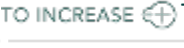


Seventeen companies are included in 2021's ESG cycle

● ESG assessment ● No assessment

Fund V

	Company (Fund, A-Z)	Acquisition	ESG scans '20 '21	Description
	 Agilitas	2016	● ●	Temporary staffing
	 Albelli	2017	● ●	E-commerce photo products
	 ELCEE	2018	● ●	Industrial parts and components
	 Esdec	2018	● ●	Solar panel mounting system
	 Gundlach	2018	● ●	Aftermarket distributor of tires, rims and wheels
	 Kinkelder	2018	● ●	Industrial circular saw blades
	 Muon	2018	● ●	High-precision industrial components
	 Oystershell	2017	● ●	OTC pharma
	 Xindao	2019	● ●	Promotional products & business gifts
	 ZND	2017	● ●	Temporary fencing

Fund VI

	 Ace Pharmaceuticals	2021	● ●	Pharma and pharmaceutical compounding
	 Corilus	2020	● ●	Healthcare IT
	 EDCO	2021	● ●	Wholesale/distribution of non-food FMCG products
	 Eichholtz	2019	● ●	Designer and B2B wholesaler of luxury furniture
	 To-Increase	2021	● ●	Business application software
	 TonerPartner	2021	● ●	Ink and toner cartridges
	 Rivean (internal scan)	-	● ●	Private equity fund management

KEY FIGURES 2021

17 Assessments in total



1 New assessments



16 Follow-up assessments



ESG RELEVANCE PER PORTFOLIO COMPANY

Most companies have a medium ESG industry relevance and a conditional licence to grow

	Company (ESG industry relevance high-low, A-Z)	Licence to grow ¹	Key conditions for sustainable growth	ESG industry relevance ²
Fund V	Esdec	UNCHALLENGED	Integrated circularity, quality and recyclability of its products	HIGH
	Muon	CONDITIONAL	Efficient energy use and guaranteed H&S for employees	HIGH
	ZND	CONDITIONAL	Integrated circularity for its products and efficient energy use	HIGH
	Agilitas	CONDITIONAL	Minimal carbon emissions and fair labour conditions	MEDIUM
	Albelli	CONDITIONAL	Efficient energy use and integrated circularity for its products	MEDIUM
	Elcee	CONDITIONAL	Maximal supply chain control and optimised logistics	MEDIUM
	Gundlach	CONDITIONAL	Integrated circularity for its products and guaranteed H&S	MEDIUM
	Kinkelder	CONDITIONAL	Efficient energy use and integrated circularity for its products	MEDIUM
	Oystershell	CONDITIONAL	Circularity for packaging and sustainable product proposition	MEDIUM
Fund VI	Xindao	CONDITIONAL	Optimised logistics, sustainable products and supply chain control	MEDIUM
	Ace Pharmaceuticals	CONDITIONAL	Product quality, fair pricing, and minimal environmental impact	HIGH
	Corilus	UNCHALLENGED	Guaranteed data security and minimal fleet emissions	MEDIUM
	EDCO	CONDITIONAL	Sustainable product and packaging offerings including recyclability and durability	MEDIUM
	Eichholtz	CONDITIONAL	Optimised logistics, maximal supply chain control and integrated circularity for products	MEDIUM
	To-Increase	UNCHALLENGED	Data security and product quality	LOW
	TonerPartner	UNCHALLENGED	Product circularity and data security	LOW
	Rivean Capital	UNCHALLENGED	Good governance and compliance to (ESG) regulations	MEDIUM

¹ Licence to grow ranges from challenged, conditional, unchallenged to positive. See appendix 7 for an overview of the elements taken into account; ² ESG industry relevance based on MJ Hudson industry analysis, and not on the actual activities of the companies. Source: MJ Hudson analysis



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HIGHLIGHTS ESG REVIEW 2021

ESG objectives are translated to a concrete set of portfolio-wide metrics

E

31.2 (+2.5) ▲

Carbon footprint
(ktCO₂e)

11.0 (-1.1) ▼

Carbon intensity
(tCO₂e / € m)

18% (+8pp) ▲

Share of renewable
electricity

- Although carbon footprint increased as a result of increased activity, the portfolio has improved efficiency resulting in lower carbon intensity.
- Fund 5 shows more growth in carbon footprint compared to fund 6

S

4.2% (+0.7pp) ▲

Absenteeism
(%)

3.5 (-0.4) ▼

Accidents
(LTIF)

35% (-7pp) ▼

Female participation
(%)

- While over 70% of the companies have below industry average absenteeism rates, weighted absenteeism went up with 0.7pp
- Female participation decreased for nearly all companies; no company has women on the supervisory board

G

+15 ▲

Policies established in
2021 (#)

+41 ▲

Additional ESG projects
defined
(#)

2.5 (+0.5¹) ▲

Average portfolio ESG
score
(1-5)

- Most new policies are written by Fund V companies, while Fund VI companies have, on average, more policies in place



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¹ w.r.t. average fund VI score of 2020.

PORTFOLIO PERFORMANCE OVERVIEW

Portfolio wide appetite and attention significantly improved in 2021

▲ Performance 2020 ● Performance 2021

	Company (Fund, ESG score ↓)	Performance, '20- 21 (avg. of themes) ¹	ESG appetite	Performance explanation
Fund V	Albelli		Prioritises ESG; internal resources are allocated accordingly.	Reactive No to limited attention for ESG, action regulation-driven.
	Xindao		Aspires to be an ESG frontrunner within its industry.	
	ELCEE		Commits to ESG; high engagement level.	
	Gundlach		Focuses on talent management and health & safety.	
	ZND		Clear ambitions; engages with all locations to improve ESG performance.	Involved Ad- hoc initiatives, mostly from a cost-efficiency perspective.
	Esdec		Drafted a clear ESG strategy; focus in 2022 will be on execution.	
	Agilitas		Improves performance with multiple initiatives; focus on labour conditions.	
	Muon		Handles ESG on subsidiary-level; overall engagement is high.	
	Oystershell		Approaches ESG pragmatically; focuses on added commercial value.	Committed Strategy in place to integrate ESG; KPIs and targets formulated.
	Kinkelder		Made a good start on ESG management; clear improvement plan in place.	
Fund VI	To-Increase		Focuses on talent management, product quality and data security.	Integrated Progress on ESG; sustainable proposition communicated.
	Corilus		Prioritises ESG; defined a set of actionable ESG targets, incl. specific targets	
	TonerPartner		Recognises the commercial value of ESG, especially for B2C customers.	
	EDCO		Focuses on carbon footprint, sustainable products and supply chain control.	Future-proof Strategy aligned with a sustainable society; industry frontrunner.
	Ace Pharmaceuticals		Made a good start on ESG projects; fast company growth limits resources.	
	Eichholtz		Works on externally communicating its ESG commitments.	
	Rivean Capital		Continuously integrates ESG in its strategy and operations.	

¹ MJ Hudson conducted the ESG assessments for companies in Rivean V for the first time in 2021: ERM conducted the assessments in 2020. Therefore, 2020 scores are not included for these companies. EDCO and Edelman were acquired in 2021: 2020 scores are therefore not available. Source: MJ Hudson analysis



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PORTFOLIO PROGRESS OVERVIEW




Nearly all companies have improved performance on the identified key material ESG themes

				Legend	High	Medium	Low
	Company	Progress ¹	Notable realised initiatives in 2021	Associated SDG			
Fund V	Agilitas	<div></div>	Has been awarded as the most safe employment agency in Belgium	8	DECENT WORK AND ECONOMIC GROWTH		
	Albelli	<div></div>	Scope III assessments are carried out for all production sites	13	CLIMATE ACTION		
	Gundlach	<div></div>	Significant steps have been made in health & safety and talent retention	3	GOOD HEALTH AND WELL-BEING		
	Xindao	<div></div>	Focused on verifiable sustainability claims through a.o. certificates	12	RESPONSIBLE CONSUMPTION AND PRODUCTION		
	ELCEE	<div></div>	Completed energy efficiency studies for all facilities and sites	13	CLIMATE ACTION		
	ZND	<div></div>	ZND Draad + NL conducted an extensive carbon footprint analysis	13	CLIMATE ACTION		
	Esdec	<div></div>	Started engaging with the largest suppliers to start tracking Scope III	13	CLIMATE ACTION		
	Kinkelder	<div></div>	Set out a clear ambition and concrete actions to improve performance	17	PARTNERSHIPS FOR THE GOALS		
	Muon	<div></div>	Ad-hoc initiatives for all business units on all material themes	13	CLIMATE ACTION		
	Oystershell	<div></div>	Developed a sustainable anti-lice brand with sustainable ingredients	12	RESPONSIBLE CONSUMPTION AND PRODUCTION		
Fund VI	Corilus	<div></div>	Advancement on all themes (e.g. external study on business travel)	13	CLIMATE ACTION		
	TonerPartner	<div></div>	Initiated green product line (volume grew to 4% in 4 months)	12	RESPONSIBLE CONSUMPTION AND PRODUCTION		
	Ace Pharmaceuticals	<div></div>	Established a new inter-departmental compliance team	16	PEACE, JUSTICE AND STRONG INSTITUTIONS		
	Eichholtz	<div></div>	Kicked off a process to draft an external sustainability report	17	PARTNERSHIPS FOR THE GOALS		
	To-Increase	<div></div>	Drafted a mandatory whistleblowing policy and hired a legal council	16	PEACE, JUSTICE AND STRONG INSTITUTIONS		
	EDCO	<div></div>	First assessment completed	• n/a			

¹ Judgement of MJH
Source: MJ Hudson analysis

ESG VALUE CREATION PROJECTS

Strategic ESG projects are determined as a part of Rivean's Portfolio Enhancement Program

Theme	Overall ambition	No. of projects	Example project
Environmental 	Energy & carbon <ul style="list-style-type: none"> Achieve net-zero in operations Decrease Scope III upstream 	18	<ul style="list-style-type: none"> Replacing current fleet for Evs (Corilus) Measure scope III emissions (Albelli)
	Product life cycle impact <ul style="list-style-type: none"> Increase circularity in products Reduce material use 	7	<ul style="list-style-type: none"> Launch green line in portfolio (TonerPartner) Select sustainable material alternatives (EDCO)
Social 	Employee health & safety <ul style="list-style-type: none"> Minimise accidents Lower employee health risks 	6	<ul style="list-style-type: none"> Implement H&S monitoring (Gundlach) Conduct risk assessments (Kinkelder)
	Talent management & retention <ul style="list-style-type: none"> Bolster employee engagement Enhance diversity and culture 	14	<ul style="list-style-type: none"> Set up community program (Esdec) Improve diversity internally (ELCEE)
Governance 	Supply chain control <ul style="list-style-type: none"> Bolster supplier engagement Professionalise supplier governance 	11	<ul style="list-style-type: none"> Toughen supplier audits with extensive ESG criteria (Albelli) Draft supplier code of conduct (ZND)
	Integration of sustainability <ul style="list-style-type: none"> Formalise ESG in strategy Create a sustainable culture 	10	<ul style="list-style-type: none"> Hire an ESG responsible person (EDCO) Set up a green team (Agilitas)

CASE STUDIES: ENVIRONMENTAL

ZND and Albelli demonstrate ambitious carbon reduction initiatives



Solar panels - ZND

ZND's industry is very energy intensive. The group's operations consume 8.8 GWh of electricity (94% of the carbon emissions). ZND is committed to reducing the impact it has on the environment.

- At the end of FY 2021, ZND installed 2,468 solar panels on the Dutch site which will produce ~ 20% (827.5 MWh) of the site's electricity consumption.
- The Dutch and Polish locations of ZND have procured renewable electricity since 2020 (60% in NL and 23% in PL).

Carbon neutrality - Albelli

The photobook printing industry is relatively energy-intensive and requires a considerable amount of materials. Albelli aims to become the sustainable frontrunner in the photobook industry by 2024. Part of that ambition is carbon neutrality (including scope 3) in 2023.

- Albelli has extensively monitored its emissions for its production locations including emissions through logistics and raw materials (scope 3).
- In 2021, Albelli compensated 3,950 tCO₂-eq (based on own emissions and emissions due to packaging production).
- For 2022, the target is to reduce total emissions by ~16% vs. 2020



CASE STUDIES: SOCIAL

Corilus and Gundlach established rigorous social programmes



Helena pro role-out - *Corilus*

Corilus is a software and IT service provider for the healthcare sector, motivated to excel in the service quality it delivers to patients.

- Corilus launched the Helena platform in 2021, a digital health portal for patients which grants access to documents and information on all care providers. This promotes medical data accessibility and transparency.
- Helena pro is set to be rolled out in 2022. This mobile app makes it even more accessible for users to access their data.

HR and H&S - *Gundlach*

Gundlach aspires to set health and safety standards, formalise its management systems and create a professional environment. Besides that, it strives to grow employee engagement and bolster wellbeing throughout the company.

- The company has comprehensive and rigorous H&S processes in place due to several initiatives in 2021. The company hired an H&S officer and established the development of a common set of H&S key performance indicators, covering all sites and the group's entire workforce.
- Talent management & retention was enhanced significantly in 2021: a talent management programme was introduced for all positions. Personal development is encouraged, and employees can follow additional training. HR is working on their personal development centre, which aims to provide internal training (and more) to staff.



CASE STUDIES: GOVERNANCE

Xindao and TonerPartner professionalised governing structures within their organisations

XINDAO



Supply chain control - *Xindao*

Xindao aims to make thorough supplier ESG control part of its standard operations and aspires to make an impact upstream and potentially decrease scope III emissions by engaging with suppliers.

- The company has audited 72% of its direct contact factories in 2021 and aims to increase this share to 75% in 2022.
- Newly added suppliers are always checked on social performance - there are no suppliers under the C level score of BSCI.
- The Responsible Sourcing tool has been purchased and will be implemented from 2022 onwards. Eventually all suppliers will be assessed on their environmental performance as part of the supplier engagement and audits.

Data security - *TonerPartner*

TonerPartner obtained top-class data protection infrastructure through a long-term engagement with a specialized external consultant and improved its internal organisation.

- In Q1 of 2021, an extensive GDPR audit has been performed by the external consultant. As of now, no recorded data security or customer privacy incidents have occurred in the past.
- In 2021, the company hired a CIO¹ who will be the internal GDPR expert and the main contact to the external consultant. He will be responsible for internal audits, creating documents, and employee training on the matter.
- In 2022, the CIO's main deliverable will be to formulate a comprehensive GDPR risk assessment and subsequently initiate actions regarding identified areas of concern.



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¹ Chief Information Officer (CIO)



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SUSTAINABLE DEVELOPMENT GOALS MATERIALITY¹

Peace, Justice, and Strong Institutions (16) and Climate Action (13) are most relevant to Rivean's portfolio

Company (Fund, A-Z)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	No poverty	No hunger	Good health & wellbeing	Quality education	Gender equality	Clean water & sanitation	Renewable energy	Good jobs; economic growth	Innovation & infrastructure	Reduced inequalities	Sustainable cities	Responsible consumption	Climate action	Life below water	Life on land	Peace, justice, strong	Partnerships for the goals
Fund V	Agilitas																
	Albelli																
	ELCEE																
	Esdec																
	Gundlach																
	Kinkelder																
	Muon																
	Oystershell																
	Xindao																
	ZND																
Fund VI	Ace Pharmaceuticals																
	Corilus																
	EDCO																
	Eichholtz																
	To-Increase																
	TonerPartner																
Rivean (internal)																	

Source: United Nations Sustainable Development Goals. MJ Hudson assessment

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TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Overall climate-related relevance is low-to-medium for all portfolio companies

In 2017, the international **Task Force on Climate-Related Financial Disclosures (TCFD)** released climate-related financial disclosure recommendations for companies.

Rivean is aware of the potential impact that climate-related risks and opportunities can have on the risk profile and value of its investments. Therefore, climate-related risks and opportunities are also considered during the annual ESG review.

Overall climate-related relevance is assessed by considering three categories:

- **Transitional climate risk:** risks related to the transition to a lower-carbon economy
- **Physical climate risk:** risks related to the physical impacts of climate change.
- **Climate opportunities:** opportunities that result from the mitigation and adaptation to climate change.

	Company (Fund, A-Z)	Climate-related relevance
Fund V	Agilitas	Low
	Albelli	Medium
	ELCEE	Medium
	Esdec	Medium
	Gundlach	Medium
	Kinkelder	Low
	Muon	Medium
	Oystershell	Low
	Xindao	Medium
Fund VI	ZND	Low
	Ace Pharma	Medium
	Corilus	Low
	EDCO	Medium
	Eichholtz	Medium
	To-Increase	Low
	TonerPartner	Low

Legend

High

Medium

Low

Overall transitional climate risks are medium:

- The transition to a low-carbon economy might lead to tighter regulation on carbon pricing and circularity.
- This may affect energy-intensive manufacturers (Muon, ZND) or companies that supply consumer products (e.g. Eichholtz).

Overall, physical climate risks are low:

- Companies' are mainly located in Europe, which is less likely to be affected by physical climate-related risks in the near future.
- Companies do need to pay attention to production in higher-risk countries in their supply chains (e.g. Xindao, Esdec, and ELCEE).

Major climate opportunities exist for one company:

- Increasing demand for renewable energy is likely to have a positive effect on Esdec, which produces solar mounting systems.



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COMPANIES' LICENCE TO GROW

ESG is especially relevant in industries with a 'challenged' licence to grow

Elements considered		Licence to grow	Description	ESG relevance
Regulatory pressure	The extent to which the regulation drive market dynamics towards a sustainable state	Positive	The industry / activity is (inherently) aligned with a sustainable future.	LIMITED
		Unchallenged	There are limited (material) ESG issues / or challenges in this industry.	MEDIUM
Transition potential	The extent to which solutions are available in the market to transition towards a sustainable state	Conditional	The industry is not yet aligned with a sustainable future, but it can transition.	MEDIUM
		Challenged	The industry is not aligned with a sustainable future and faces severe obstacles to transform.	HIGH
Commercial leverage	The extent to which sustainable positioning provides a competitive advantage			



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