

# RCP|Advisors

Your Private Equity Partner in the Lower Middle Market

## The United Nations Global Compact

Communication on Progress 2019-2020

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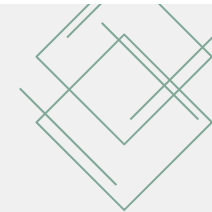


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# Letter of Commitment

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Founded in 2001, RCP Advisors, a federally registered investment adviser, is a private equity investment management firm that provides access to North American lower middle market private equity fund managers through funds-of-funds, secondary funds, and co-investment funds. Additionally, the Firm provides advisory and research services. RCP is headquartered in Chicago, Illinois. With over \$8 billion in committed capital and 53 full-time professionals as of June 5, 2020, RCP believes that it is one of the largest, most experienced and respected fund sponsors focused on the lower middle market segment of the North American private equity market.

RCP continued to focus on our environmental, social, and governance (ESG) initiatives in 2019 – 2020. I am proud that ESG has become a critical principle of our firm and culture. Our “Green Team” heads internal ESG projects, motivating social and environmental progress firmwide. We feel our own imprint on this world can be managed, should be managed. Additionally, we have encouraged employees to consider the well-being of their community by providing them the opportunity to participate in volunteer/charitable giving activities as a group.

ESG has been integrated into our investment process. We continue to offer and encourage use of our best practice templated ESG policies - not only to our managers, but to all private equity firms. We are also creating research on how private equity ESG conforming deals have performed compared with non-ESG deals. We make the case that ethical decisions and profitability can, should, and do coexist.

As much as ESG is an acronym, the three letters are intrinsically linked. As we think about the current environment, we are looking forward to progress on the S – furthering our diversity, equity and inclusion initiatives in tangible and meaningful ways.

There is much we have done on ESG. And still: there is much for us to do. As Maya Angelou said, “Nothing will work unless you do”.

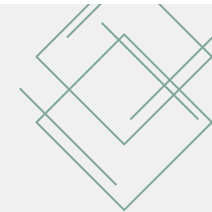
I am pleased to reaffirm RCP’s support of the UN Global Compact. Thank you for taking the time to read our report.

Regards,

Jon Madorsky  
Managing Partner

<sup>1</sup> Registration with the U.S. Securities and Exchange Commission as an investment adviser does not imply a certain level of skill or training.

<sup>2</sup> Committed capital is calculated based on aggregate committed capital to all funds advised by RCP since the firm’s inception in 2001 (including RCP’s non-discretionary advisory accounts as well as RCP Funds and advisory accounts that have since been sold, dissolved, or otherwise wound down or are otherwise no longer under advisement by RCP). Does not include assets managed or advised by Columbia Partners Private Capital or RCP’s ancillary products or services.



# RCP Advisors – Overview

Specializing in North American Lower Middle Market Buyouts Since 2001

**\$8.5B+**

in committed capital<sup>1</sup>

**29**

RCP Funds<sup>2</sup>

**53**

full-time professionals<sup>3</sup>

## RCP'S CORE INVESTMENT STRATEGY

Invest in top-tier North American lower middle market private equity managers

Target primary and secondary funds sized from \$250M to \$1B

Target companies with enterprise values between \$10M and \$250M



### PRIMARY FUNDS-OF-FUNDS

Invest in 10 to 15 managers

Commit \$20M to \$35M per manager

Diversified portfolios by industry, strategy, and geography



### SECONDARY FUNDS-OF-FUNDS

Purchase quality PE interests

Original commitments of ~\$3M to \$30M

Target single assets and portfolio(s) of assets on the secondary market



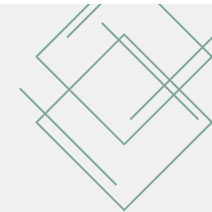
### CO-INVESTMENT FUNDS

Co-invest alongside top managers and lead sponsors in niche market

Target co-investments between \$5M and \$20M  
Diversification by manager, industry, and strategy

1. Committed capital is calculated based on aggregate committed capital to all funds advised by RCP since the firm's inception in 2001 (including RCP's non-discretionary advisory accounts as well as RCP Funds and advisory accounts that have since been sold, dissolved, or otherwise wound down or are otherwise no longer under advisement by RCP). Does not include assets managed or advised by Columbia Partners Private Capital or RCP's ancillary products or services. Data as of 6/5/2020. 2. Refers to RCP's discretionary funds. The figures set forth represent RCP's preferred ranges with respect to such figures but actual figures may vary due to circumstances at the time of investment. For example, a primary commitment may be less than \$20M based on a manager's capacity for accepting new commitments. Diversification does not guarantee a profit or protect against a loss in declining markets. 3. As of 6/5/2020.





# Commitment to Responsible Investing

## RCP Strives to Align its Operations within Broader Societal Objectives, Including ESG Issues

RCP Advisors has a fundamental ethical and investment belief in responsible behavior. We seek to execute this belief across our firm's culture, general business practices, investment considerations, the general partners with which we invest, and the portfolio companies with which we interface. We have based our ESG Policy, which can be viewed [on our website](#), on the ten principles of the United Nations Global Compact, as delineated throughout this document.

RCP has made great strides in ESG-related projects and research this past year. In line with our commitment to improving ESG practices within private equity investing, RCP became a signatory to the UN PRI in September 2019. Shortly thereafter, we distributed an ESG-focused whitepaper that leveraged RCP's proprietary database to analyze the trends and return payoffs related to investing in ESG-beneficial firms. To activate the research, RCP distributed ESG policy templates to managers wishing to implement or improve their policies as part of RCP's policy education program.

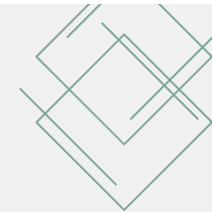
RCP has also upheld ESG standards internally, implementing a composting program in Summer of 2019 and engaging employees in a variety of volunteering opportunities.

We stay strongly committed to upholding both responsible investment practices and honest, forward-thinking firmwide policies. We are very happy with the remarkable progress we have made throughout the year, and look forward to improving and augmenting our large arsenal of projects focused on Human Rights, Labor, Environment, and Anti-Corruption.





# Human Rights



Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

## RCP policies encourage a healthy, positive workspace

RCP employees are provided with standing desks to ensure promotion of health, and are encouraged to walk or cycle during amenable weather conditions. Each employee is provided access to comprehensive health and dental insurance plans.

In November 2019, RCP Advisors hired a Human Resources Manager in order to maximize company transparency and employee benefits. Our manager has since distributed information regarding RCP's profit sharing plan, an updated and comprehensive employee handbook, and scheduled a session of employee Harassment Prevention training. The HR Manager also keeps employees up to date on any maintenance projects in the building to ensure worker awareness and safety. In May of 2020, employees were also invited to attend a 401k Education Session in order to ensure that every RCP employee understands how to effectively invest for retirement.

## RCP encourages its employees to consider the well-being of our community by participating in quarterly volunteer activities

In Summer 2019, RCP employees helped beautify a Chicago southside community underpass in partnership with the [Green Star Movement](#), a local urban revitalization project. We have partnered with the Green Star Movement since 2018, and will continue to engage in beautification projects in 2020, contingent on Chicago recommendations surrounding COVID precautions

In Fall 2019, as part of a yearly partnership, we donated essentials and holiday gifts to families in need as part of the [Angel Tree program](#), and our Partners sponsored the luncheon during which we distributed gifts to participating families. Additionally, RCP held a book drive for the [Open Books](#) non-profit organization, which helps build libraries and various literacy programs in local schools and non-profits.

In Winter 2020, via [Koala Hospital Port Macquarie](#), RCP adopted two koalas, Anwen and Paul, that were injured by the fires in Australia in order to help their recoveries. RCP's Green Team also circulated information about international relief efforts to its employees, encouraging people to connect to various organizations on a personal, voluntary basis.

In Spring 2020, RCP hosted various engagement activities with its employees, including a competition for the "Best Quarantine Hobby", gifting a gift card to local restaurants to the winner in order to help support local business. RCP's Green Team also circulated information about ways to help support the local community in response to the negative economic effects of the COVID pandemic.

## RCP helps provide fresh, healthy meals to Chicago communities in need AND minimizes food waste

RCP periodically donates extra food from meetings and weekly lunches through the [Replate program](#). These trays are distributed to Chicago communities. Since inception of this relationship, RCP has donated over 300 lbs. of food.


## RCP ensures that managers do not participate in human rights abuses pre-investment

RCP works to obtain side letter provisions addressing ESG considerations, including Human Rights protections, with its underlying funds. Although there is no guarantee these side letters will be granted, in 2019, RCP negotiated a side letter provision in one of our funds that prohibit investments in entities that have, among other things, been "legally or judicially proven in a court or competent jurisdiction to be involved in serious systematic human rights violations."

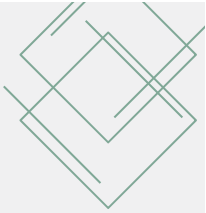
## RCP Advisors uses a proprietary ESG tracking process to keep managers accountable to not participating in human rights abuses

RCP has implemented an automated process that scans through portfolio company descriptions for "trigger words" that categorize all relevant portfolio companies as an "ESG Concern" or "ESG Benefit", further flagging all companies that may be of Social concern. Some relevant trigger words are as follows: "Casino", "Gambling", "Diamond", "Ivory", "Para-military".

All automatic categorizations are subsequently reviewed by an RCP analyst to eliminate false taggings or miscategorizations. This process serves as a tool for confirming manager strategy and measuring process with regards to ESG-related sectoral exclusion or inclusion. In 2019/2020, RCP expanded its library of trigger words to more accurately flag potential social concerns.



# Labor



Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

## RCP encourages positive development of human capital through open, transparent discourse across levels of management

RCP holds firmwide Monday lunch meetings to give employees a forum for listening to team-by-team updates and contributing to firmwide discussions. Additionally, RCP encourages its employees to listen in on its weekly investment committee meetings to ensure full transparency on its investment process.

Our employees participate in at least annual reviews to guarantee a one-on-one forum for expressing their goals and ideas, learning about growth opportunities, and evaluating compensation packages.

Each employee has full access to information regarding benefits via the Employee Handbook, which was updated and distributed to all employees on April 20, 2020. Important additions to existing policies include Paternity Leave, Voting Leave, Military Leave, and Illinois Victims' Economic Security and Safety Act Leave.

## RCP keeps frequent and transparent communication with its employees in response to COVID shut-downs

RCP was an early actor in response to the COVID-19 pandemic, recommending work-from-home as of March 12, 2020 in order to ensure employee health, and officially closing the office on March 20, 2020. RCP worked diligently with its employees to guarantee that everyone had access to policies and technologies to ensure safe and productive work-from-home conditions. On April 6, 2020, the HR Manager distributed policies regarding the Families First Coronavirus Response Act, informing employees of emergency sick leave policies. RCP employees also received information about various insurance programs to help access healthcare through virtual visits. RCP's HR Manager has been working diligently with various team managers as well as Building Services in order to institute a safe gradual reopening.

## RCP has not laid off any employees in response to COVID

RCP has not resorted to laying off or furloughing any staff during the economic downturn, actually adding two personnel to our full-time staff since March.

## RCP stays flexible and responsive to employee needs

We keep the office plentiful but resource-efficient. Employees are provided with firm-sponsored Monday lunches, a fully-stocked kitchen, trials of snack products, and a variety of coffee options. Keeping environmental considerations in mind, we make sure to order only as many options and amounts as employees feel they need, keeping open conversations regarding environmental considerations, healthier alternatives, and changing preferences.

For example, RCP Advisors no longer provides single-serve coffee pods in order to encourage reusable options, but we have left a Keurig machine available for use to employees that bring their own pods if they prefer a single-serve method.

## RCP has developed a Health & Wellness Committee to ensure employees feel mentally and physically engaged

RCP implemented several Wellness days in 2019, encouraging employees to take a break from work and engage in various fitness and relaxation activities at a nearby gym. RCP continues to encourage wellness throughout the quarantine: since the beginning of work-from-home, employees have submitted recipes for a 'Quarantine Cookbook' and received links for how to relax and unwind virtually.

## RCP upholds a cooperative, equal-opportunity and discrimination-free environment

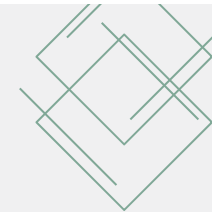
RCP has enacted an Equal-Opportunity and Anti-Harassment policy that aims to ensure that RCP remains a safe and inclusive environment. Employees are encouraged, without retaliation, to report instances of harassment or discrimination to their supervisor, department head, or head of compliance. RCP employees will also be receiving formal Harassment Prevention training in 2020 in order to guarantee a safe and respectful working environment to each employee.

In addition, we have several Wellness Rooms in our office for taking an undisturbed break, taking personal calls, breastfeeding, etc. to encourage employees to tend to their needs in a discreet and healthy manner.

As of June 2020, RCP is also ensuring that our website is ADA compliant.



# Environment



Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

## RCP has formed a Green Team to head its ESG projects internally, motivating social and environmental progress firmwide

The Green Team, formed in August 2018, is responsible for communicating projects and policies firmwide, getting employees involved in various volunteering opportunities, keeping up-to-date with local environmentally-focused programs, and implementing behavior-change projects that help to reduce waste and increase resource efficiency. Upholding RCP's commitment to flexibility and efficiency, the Green Team actively sources ideas from the rest of the firm.

## RCP is committed to reducing waste and increasing efficiency

### Reducing Waste

In 2018, RCP phased out water bottles and installed a water dispensing machine, saving a total 36,803 plastic bottles to date. In addition, RCP no longer provides K-cups to its employees, instead encouraging use of our coffee carafes, cold brew dispenser, and espresso machine. In 2018, RCP also implemented a double-sided printing default, installed more energy-efficient printers, and enrolled in [R4 Services](#) Green Initiative, a shredded paper recycling program. In Summer of 2019, RCP partnered with [Healthy Soil Compost](#) to replace one of RCP's trash containers with a composting container. Within six months of use, RCP diverted 307lbs of organics from landfill, resulting in 221 pounds of carbon emissions lessened and 230 gallons of water conserved.

### Seasonal Flexibility

In response to variability in resource demands predicated by seasonal changes, RCP has instituted a number of practices in 2018/2019 to lower resource intensity and emissions. RCP has launched Summer Fridays – closing the office at noon on Fridays in the summertime – in order to reduce use of lighting, and other electronic devices. Employees are also encouraged to lower blinds in windowed spaces in order to ensure more efficient operation of air conditioning systems in summertime.

### Fuel Emissions

To facilitate reduction of fuel emissions by RCP employees, RCP continues to subsidize use of public transportation, and encourages its employees to walk or cycle to work when weather conditions are suitable.

## RCP has implemented a climate policy to ensure long-term engagement on environmental issues

RCP implemented a Climate Policy in 2019. The Climate Policy is predicated upon three principles: **Information, Education, and Action**. RCP is committed to staying informed about climate-related rules and regulations, keeping familiar with work done by partner organizations such as the UN Global Compact, and actively identifying risks and opportunities. RCP also plays a proactive role in increasing awareness of responsible industry practices within both General and Limited Partners, making sure to set good examples as a firm. Finally, RCP takes steps to reduce its carbon footprint by encouraging resource-efficient practices and keeping RCP employees informed and engaged.

## RCP Advisors uses a proprietary ESG tracking process to keep managers accountable to not participating in environmental abuses

Refer to pg. 6 for full process explanation. Relevant “trigger words” for the “Concern” categorization in the “Environmental” category include: “Fracking”, “Fuel”, “Mine”, “Mineral”, “Pesticide”, “Oil”. Relevant triggers for “Benefit” categorization in the “Environmental” category include: “Ecosystem”, “Preservation”, “Recycling”, “Renewable”, “Soil”, “Sustainable”.

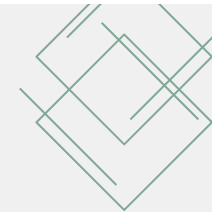
## RCP Advisors communicates best practices pertaining to ESG issues to its network of General Partners (GPs)

In addition to distributing a research paper analyzing the trends and investment payoffs of ESG-beneficial investments, RCP has distributed three sample ESG policies with the aim of helping GPs consider ESG issues in their day-to-day operations and investment processes. The “Baseline” policy aims to introduce basic ESG procedures to GPs that have not yet considered the practice. The “Comprehensive” policy pushes GPs to be more thorough in their ESG-related operating and reporting efforts. The “Reach” policy is intended for GPs that wish to be industry leaders in ESG compliance and reporting. Each policy is accompanied by a comprehensive checklist of action items to help GPs place themselves within the appropriate policy framework.





# Anti-Corruption



Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## RCP has implemented a robust Code of Ethics that prevents bribery, conflict of interest, and insider trading

### Gifts and Contributions

The Code of Ethics limits the value of gifts that employees can give to and receive from people or entities with which they have business relations. Employees are encouraged to contact the Chief Compliance Officer with any questions about ability to give or receive a certain gift. Further, gifts of cash or cash equivalents are prohibited; provided that receipt of a gift card or certificate representing a cash value of \$50 or less will not require prior approval of the Chief Compliance Officer. Employees are also required to receive pre-approval by the CCO prior to making any political contributions. New employees are required to disclose contributions made over the previous two years.

### Confidential Information

RCP implemented a Confidential Materials and Information Policy in December of 2018 in order to ensure that no information within RCP's purview is mishandled or used for wrongful purposes. The policy prohibits unauthorized use or disclosure of confidential information, which protects both RCP Advisors and its stakeholders.

### Securities and Transactions

Securities held by employees are reported annually, and ongoing transactions are reported quarterly. In 2019, we began implementing a process to help employees report securities and transactions easily and reliably through an online portal. RCP distributes an updated restricted securities list each time a company is added to ensure that employees are always aware of and compliant with restrictions.

**It is RCP's policy to strictly comply with the U.S. Foreign Corrupt Policies Act and all other applicable laws against bribery and other improper payments.**

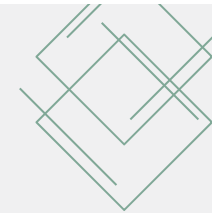
## RCP conducts annual compliance training for its employees

Employees receive training for various policies, including the Code of Ethics and Cybersecurity, upon commencing work, and subsequently on an annual basis. Employees must also take compliance surveys to test their understanding of RCP's policies. In 2020, RCP also conducted a presentation on insider trading to ensure that employees are aware of policies and repercussions.

RCP employees receive a briefing, both via email and during the weekly all-firm meeting, any time new policies take effect. Some policies that have been instituted or updated since Q2 2019 include the Books & Records Policy, which ensures that RCP employees maintain all investment, internal, and client communication records in electronic form; the Whistleblower & Anti-Retaliation Policy, which sets the procedure for reporting of violations of RCP's Code of Ethics; the Social Media Policy, which ensures that no business is done via social media sites; the Investment Allocation Policy, which clarifies the allocation process broadly and details RCP's approach to non-discretionary advisory clients; and the Remote Office Policy, which ensures that workers adhere to RCP's policies and procedures while working in locations other than RCP's Chicago office.

## RCP Advisors follows news on General Partners closely, recording any instances of corruption, neglect, or wrongdoing in our database

To prevent doing business with unreliable GPs and discourage irresponsible and unethical behavior, we keep up to date with news surrounding corruption, as well as violation of human rights, labor rights, and instances of material environmental events (fires, oil spills, etc.). Such events weigh negatively against any future relationship RCP may have with a violating GP.



## RCP Advisors – Contact Information



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## RCP VALUES



Integrity



Proven Returns through Unique Focus and Discipline



Proactive, Tenacious, and Focused on Growth



Family Orientation



Intellectually Curious



Client Centered and Transparent