Coller Capital

Responsible Investment

ESG Policy

February 2018

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Responsible investment at Coller Capital

Overview

At Coller Capital, we believe that our funds' investment performance may be materially impacted by the risks and opportunities associated with environmental, social and governance (ESG) factors. Analysis and consideration of such factors therefore forms an integral part of our risk-adjusted approach to investing. The integration of ESG factors into our investment methodology and processes assists us in ensuring that our fiduciary duties to investors are discharged appropriately.

We interpret the scope of ESG broadly, including but not restricted to the examples listed in the United Nations-supported Principles for Responsible Investment (PRI) report, "Responsible Investment in Private Equity: A Guide for Limited Partners, Second Edition." When we evaluate our investments' we take into consideration the broad scope of ESG but focus on those factors that pose the most material risks and opportunities on a deal by deal basis. We also recognise that there specific ESG factors that deserve additional evaluation and engagement. We have therefore identified the following thematic issues for which we have either an addendum to this policy or separate internal policy and which are subject to additional focus both at firm and fund level:

- Climate risk
- Cyber security
- Modern slavery
- Animal welfare

In practice, the scope of our ESG analysis depends to a significant extent on the availability of information. Similarly, our approach to implementation varies with the extent of our control in respect of a particular investment and our ability to exercise influence.

We raise the topics of ESG policy and practice in our dialogues with the general partners of our portfolio funds, with the aim of improving long-term returns and supporting more sustainable markets.

ESG analysis informs our decision-making in a number of ways, including investment approval, pricing decisions, and our engagement with the general partners of portfolio funds. Decisions are reached on a case-by-case basis, following analysis of:

- a general partner's ability to manage ESG-related risks and opportunities, taking into account the GP's size and investment approach, the nature of its underlying investments, and other relevant factors, and
- ESG-related risks and opportunities at the level of underlying companies, taking into account their location, industry sector, business model, customers and other relevant factors.

We seek appropriate ESG-related information on portfolio funds and, as far as it is available, their underlying investments. This information is integrated into our analysis, review and decision-making processes, both before and after investment.

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Environmental, Social & Governance (ESG) policy

February 2018

We work in a dynamic and often complex investment environment, and our approach to ESG is therefore, of necessity, continuously evolving.

In developing our ESG policy, we have considered a wide range of codes, principles and specifications, including: the six principles of the United Nations-supported Principles for Responsible Investment (PRI) and the ten principles of the United Nations Global Compact on human rights, labour, the environment and anti-corruption. We have also taken into account the PRI Limited Partner Responsible Investment Due-Diligence Questionnaire; the ESG Disclosure Framework for Private Equity; relevant standards published by the International Standards Organization (ISO); the recommendations on climate-related financial disclosures from the Taskforce on Climate-related Financial Disclosures (TCFD); other applicable laws and regulations; our internal compliance policies; and the firm's stated values.

1. We seek to implement this policy and integrate ESG into the day-to-day activities of our business by:

- Demanding that the work of all Coller Capital employees is consistent with the highest standards of professional and business conduct.
- Requiring all Coller Capital employees to comply with relevant legal, regulatory and internal compliance requirements.
- Considering applicable ESG issues in all investments, business strategies and initiatives, at both firm and fund level.
- Providing our investment professionals and other relevant personnel with an appropriate level of support, assistance and ESG training (using external resources when needed).
- Operating an ESG Committee, comprising top management and representatives from across the business, to monitor implementation of this policy and approve any significant initiatives proposed to enhance it.
- Employing a Head of ESG & Sustainability to lead and innovate on responsible investment, and to provide in-house expertise and support, particularly in respect of the activities of the investment team.

2. We seek to implement this policy, pre-investment, by:

- Ensuring that ESG risks and opportunities are considered as part of our evaluation of any prospective investment, by, for example:
  - Including ESG factors in our due diligence metrics.
  - Incorporating ESG considerations in our analytical templates.
  - Providing ESG commentary in investment committee papers, where relevant.

3. We seek to implement this policy post-investment by:

- Where appropriate, monitoring ESG-related information for portfolio funds (typically our direct portfolio funds) and, to the extent available, underlying investments.
- Where appropriate, encouraging the general partners of portfolio funds to enhance their approach to ESG and assisting them in implementing their own ESG or similar policies.
- Working constructively with the limited partners of our funds that express an interest in ESG matters, whether through direct engagement with particular general partners or otherwise.

4. We seek continual improvement by:

- Reviewing this policy's effectiveness on a regular basis.
- Encouraging continual improvement in ESG policies and practices by the general partners of our portfolio funds.
- Reviewing ESG information (on performance and incidents) provided to us by the general partners of our portfolio funds (both as a result of our formal monitoring requirements and by seeking informal updates).
- Reporting progress and recommendations to our ESG Committee and relevant governing bodies.
- Encouraging dialogue with the limited partners of our funds and other stakeholders.
- Identifying thematic ESG factors on which to further engage with our managers on, address ourselves at firm and fund level and promote within our asset class, namely:
    - Climate risk
    - Cyber security
    - Modern slavery
    - Animal welfare

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Addendum to ESG policy: Farm Animal Welfare in ESG analysis

Background

The UN-supported Principles for Responsible Investment (PRI) do not refer to a comprehensive catalogue of ESG factors, and the policies developed by PRI signatories and others (including asset managers) differ significantly in scope. One area that we believe has historically been under-represented in ESG analysis is farm animal welfare. In some respects it is related to more established factors such as food safety, environmental issues or labour standards; however, as work undertaken by the International Finance Corporation (IFC) and others has established, there are broader links between farm animal welfare on the one hand, and the sustainability and profitability of businesses on the other. Developments related to farm animal welfare can also create business opportunities. We therefore include it as a factor in our overall approach to ESG matters.

Definition and scope

We consider the welfare of an animal to be a function of its physical and mental health and general well-being, as measured by behaviour, physiology, productivity and reproductive success, as well as by the incidence of injuries and diseases. Current agricultural practices frequently threaten or violate animal welfare by relying on the confinement of animals at a high density; inappropriate methods of handling, transportation or slaughtering; or other features of intensive farming. Businesses that fall into this area for the purposes of our investment analysis are both those directly engaging in such practices and those we deem inextricably linked to them by reason of their business models.

Methodology and approach

While economic analysis in farm animal welfare is generally less developed than it is in many other areas of ESG, there are principles, criteria, standards and schemes that we believe can be useful. Depending on the context, we believe it may be appropriate to consider: the IFC Good Practice Note on Animal Welfare in Livestock Operations; the Business Benchmark on Farm Animal Welfare, or Freedom Food; and the RSPCA's farm assurance and food labelling scheme; among others. Our ESG Committee regularly discusses suitable criteria, available sources of information, and our general approach to ESG analysis and implementation in this area.

As an adviser in respect of secondary investments, we include farm animal welfare considerations in the pre-investment due diligence and post-investment monitoring and engagement processes to which our ESG policy applies. More generally, we raise such issues with the general partners of portfolio funds and other appropriate parties. In any situations where we advise on (1) a direct investment in a business within the scope of this Addendum or (2) a portfolio investment including such a business where we can directly influence the composition or management of the portfolio, we generally recommend approval only where we are satisfied that one of the following conditions is met:

- Appropriate animal welfare standards are being followed
- A plan for a transition to appropriate animal welfare standards is being implemented
- The investment will facilitate a transition to appropriate animal welfare standards