Coller Capital – SFDR public disclosures for Guernsey funds

This section sets out our proposed language with respect to the 'Level 1' (Articles 3 and 4) public disclosure requirements under the EU's Sustainable Finance Disclosure Regulation ("SFDR") for Coller Investment Management Limited, the non-EU AIFM of our CIP VII and CIP VIII funds, both of which were marketed into the EU under Article 42 of AIFMD. International Partners VII. The proposed language is for use at the initial implementation date (i.e. from 10th March 2021) and may be subject to change thereafter.

High-level statement

ESG has been carefully integrated into our investment management process in reflection of our belief that doing so enables us to better manage investment risks, which, in turn, can have a positive impact on the risk-adjusted returns of the Coller Funds. However, the core objective of our funds is not the promotion or direct management of any environmental or social outcomes, characteristic or sustainable investment at the underlying, GP-controlled portfolio companies.

As an investor in the secondaries market and given the limitations inherent with such a mandate, notably that our focus is on underlying GPs or fund-of-fund managers (rather than ESG at the asset level), we do not believe that the Coller Funds can currently be considered to be either Article 8 ("promotion of environmental or social characteristics") or Article 9 ("has sustainable investment as its objective") funds under the EU's Sustainable Finance Disclosure Regulation ("SFDR").

In coming to this current position, we have taken into account the recently published Regulatory Technical Standards with respect to SFDR, so far as they relate to our nearest equivalent asset class (fund of funds). We have also consulted with various industry groups and our external legal advisers.

We firmly believe we have integrated ESG into our investment processes in a manner best suited to our mandate. However, we will maintain a watching brief over developments as we recognise that the SFDR, and Article 8 in particular, is subject to on-going review. Further information concerning our application of SFDR requirements can be found by following the link below.

Coller Capital, 10h March 2021

[Insert link to detailed SFDR disclosures, as set out below]

Art 3: ESG and the investment management process

Overview

Analysis and consideration of relevant ESG factors is an integral part of our risk-adjusted approach to investing. As a secondaries investor, however, we are typically removed from underlying portfolio companies. We do not have management powers or operational responsibility for any assets within the funds of the underlying GPs into which we invest. However, we believe that ESG factors can give rise to risks and opportunities that may have a material impact on investment performance. We recognise that despite the limitations of our investment mandate, the relationships we have with the GPs managing funds in our portfolios, enable us to question, challenge, and exert a degree of influence.

Our engagement with portfolio GPs facilitates a wider dialogue that helps in our evaluation of prospective investments, leading to more informed investment decisions. In some instances – notably direct secondaries and GP-led opportunities – we may seek to influence approaches and outcomes post-investment. However, as noted above, we are typically one step removed from underlying portfolio companies, so the central premise of our approach and a core objective is to use 'soft' powers to drive behaviours at the level of our portfolio GPs, rather than at the level of the portfolio companies themselves. We do not manage any particular environmental or social outcomes or sustainable investment at underlying portfolio companies, but where we have meaningful influence, we promote among our portfolio GPs the importance of stewardship and ESG during the holding period of the assets they manage.

ESG Analysis (by principal investment type)

The integration of ESG factors into our investment methodology and processes assists us in ensuring that our fiduciary duties to investors are discharged appropriately. Analysis of ESG factors therefore forms an integral part of our risk-adjusted approach to investing and while the approach varies by investment type, we integrate ESG factors into all stages of our investment process, and complete ESG analysis for <u>every</u> investment we look at.

We integrate ESG factors into all stages of our investment process and undertake some level of ESG analysis for every investment we consider. The scope and depth of our analysis is necessarily dependent on the availability of information, the extent of our control our fund has (or will have) with respect to a particular investment, and our ability to exercise influence, all of which vary by transaction type (and within a particular transaction type also on a deal-by-deal basis). The table below is a broad outline of our general approach to ESG by transaction type (which is subject to change depending on the specific circumstances of the individual deal in question and as we continuously improve our approach).

	Pre-investment	Direct secondary	Co-investment	Primary	Fund position
(i)	Screen underlying companies against all LP exclusion rights applicable to the transaction type	✓	✓	✓	✓
(ii)	Undertake a risk adjusted ESG assessment of the GP (desk-based research and RepRisk). This may include consideration of factors such as: the GP's ESG policy, historical and current approach to ESG, any initiatives or ESG related targets at the GP level.	✓	✓	✓	✓
(iii)	Undertake an ESG assessment of the portfolio (desk-based research and RepRisk). This may include consideration of factors such as: the geographic and industry exposure of the portfolio, historical and current ESG performance of the portfolio (e.g. any material ESG incidents), any initiatives or ESG related targets from portfolio companies. An assessment of the portfolio is typically not possible for primary investments into new funds. For larger fund position investments, we may assess a sample of underlying portfolio companies.	✓	✓		✓
(iv)	Pose bespoke ESG due diligence questions (both on the GP and the underlying portfolio) informed by the ESG assessments in (ii) and (iii) and other materials (e.g. SASB sector guides) and the expertise of the ESG function. In this process, the deal team is responsible for liaising with the GP for responses to the questions. For larger fund position investments with multiple GPs, we may not raise specific questions (highly deal dependent).	✓	✓	✓	✓
(v)	Deal team to liaise with the ESG function on the GP's response to the questions. Depending on the response, the ESG function may pose any further bespoke questions or interact directly with the GP or an underlying portfolio company. This process may continue until the ESG function and the deal team are comfortable with the GP and the investment.	✓	✓	✓	✓
(vi)	ESG function (and deal team where appropriate) write the Investment Committee ESG comment. The Investment Committee may choose not to go ahead with a deal owing to ESG concerns.	✓	✓	✓	✓

	Post-investment	Direct secondary	Co-investment	Primary	Fund position
(i)	Request notification of any material ESG issues or opportunities and/or track through the RepRisk database notification of any material ESG allegations.	✓	✓	✓	✓
(ii)	Identify targeted and specific opportunities to engage with the GP or underlying portfolio companies on ESG (e.g. developing or enhancing an ESG policy, providing ESG training, facilitating ESG workshops and performing ESG screening assessments of portfolio companies). Post-investment engagements are typically a particular focus area in direct secondary deals.	✓	✓		
(ii)	Provide major underlying GPs with our annual GP ESG Survey for the purposes of monitoring the underlying managers on an annual basis and in developing our annual ESG Report.	✓	✓	✓	✓
(ii)	Provide major underlying GPs with supporting information on thematic ESG issues and commenting upon ESG and sustainability issues that are brought to our attention by underlying GPs to support their ESG programmes and stewardship of their companies.	✓	✓	✓	✓

We draw upon third party ESG research and a practical understanding of ESG from first-hand experience gained across industry sectors and geographies, enabling us to highlight to deal teams and the firm's Investment Committee the material ESG issues on a deal-by-deal basis. Post deal monitoring is necessarily focused on those investments where we have sufficient visibility, on those issues identified by us as being most material, and those structures and situations where we believe we have the greatest ability to exert influence (however indirectly). Further information related to our approach to responsible investment is accessible via:

http://www.collercapital.com/investments/responsible-investment

Art 4: Principal adverse impacts (PAI)

Reflecting the manner in which ESG factors are integrated into our investment process, Coller Capital does not plan to publish information on our consideration of the "adverse impacts of investment decisions on sustainability factors" (as defined under SFDR) with respect to its products.

For context we encourage stakeholders to refer to the information provided in the responsible investment pages of the website, notably our ESG Policy and in respect of ESG and our investment management processes, in order to come to a more informed view of ESG given our mandate as an investor in private equity secondaries.

On asset level ESG metrics specifically, and as described elsewhere, our mandate as a secondaries investor prevents us from having management powers or operational responsibility for underlying portfolio companies. Our visibility and access to data (in particular, the specific ESG metrics set out in SFDR) in respect of the assets of our portfolio funds are necessarily limited and inconsistent. Should this information (including supply chain ESG information) be made available for the thousands of companies to which the Coller Funds are indirectly exposed, it would require a material change to our approach and ESG programme – albeit, we believe, for limited direct benefit. We will maintain a watching brief on these developments and adapt our approach as necessary.

Our preference for the time being remains to retain a risk-adjusted approach and to focus on ESG at the level of our portfolio GPs, including by encouraging them to take the necessary steps to comply with SFDR and other relevant regulatory requirements, given their management role in respect of underlying portfolio companies. We also include a specific question regarding SFDR compliance in our annual GP ESG Survey, and this will also be considered where relevant to prospective investment opportunities.

Coller Capital – SFDR public disclosures for Luxembourg funds

This section sets out our proposed language with respect to the 'Level 1' (Articles 3 and 4) public disclosure requirements under the EU's Sustainable Finance Disclosure Regulation ("SFDR") for Coller International Partners VII, SLP and Coller International Partners VIII, SLP, at initial implementation (i.e. from 10th March 2021).

Art 3: ESG and the investment management process

Overview

Analysis and consideration of relevant ESG factors is an integral part of Coller Capital's risk-adjusted approach to investing. As a secondaries investor, however, our funds are typically removed from underlying portfolio companies; they do not have management powers or operational responsibility for any assets within the funds of the underlying GPs into which they invest. However, we believe that ESG factors can give rise to risks and opportunities that may have a material impact on investment performance. We recognise that despite the limitations of our investment mandate, the relationships we have with the GPs managing funds in our portfolios, enable us to question, challenge, and exert a degree of influence.

Our engagement with portfolio GPs facilitates a wider dialogue that helps in our evaluation of prospective investments, leading to more informed investment decisions. In some instances – notably direct secondaries and GP-led opportunities – we may seek to influence approaches and outcomes post-investment. However, as noted above, we are typically one step removed from underlying portfolio companies, so the central premise of our approach and a core objective is to use 'soft' powers to drive behaviours at the level of our portfolio GPs, rather than at the level of the portfolio companies themselves. Our funds do not control any particular environmental or social outcomes or sustainable investment at underlying portfolio companies, but where we have meaningful influence, we promote among our portfolio GPs the importance of stewardship and ESG during the holding period of the assets they manage.

ESG Analysis (by principal investment type)

The integration of ESG factors into our investment analysis methodology and processes helps to ensure that the managers of the Coller Capital funds can discharge their fiduciary duties to the investors in those funds. Analysis of ESG factors therefore forms an integral part of our risk-adjusted approach to investing and while the approach varies by investment type, we integrate ESG factors into all stages of our investment process, and complete ESG analysis for <u>every</u> investment we look at.

We integrate ESG factors into all stages of our investment process and undertake some level of ESG analysis for every investment we consider. The scope and depth of our analysis is necessarily dependent on the availability of information, the extent of our control our fund has (or will have) with respect to a particular investment, and our ability to exercise influence, all of which vary by transaction type (and within a particular transaction type also on a deal-by-deal basis). The table below is a broad outline of our general approach to ESG by transaction type (which is subject to change depending on the specific circumstances of the individual deal in question and as we continuously improve our approach).

	Pre-investment	Direct secondary	Co-investment	Primary	Fund position
(i)	Screen underlying companies against all LP exclusion rights applicable to the transaction type	✓	✓	✓	✓
(ii)	Undertake a risk adjusted ESG assessment of the GP (desk-based research and RepRisk). This may include consideration of factors such as: the GP's ESG policy, historical and current approach to ESG, any initiatives or ESG related targets at the GP level.	✓	✓	✓	✓
(iii)	Undertake an ESG assessment of the portfolio (desk-based research and RepRisk). This may include consideration of factors such as: the geographic and industry exposure of the portfolio, historical and current ESG performance of the portfolio (e.g. any material ESG incidents), any initiatives or ESG related targets from portfolio companies. An assessment of the portfolio is typically not possible for primary investments into new funds. For larger fund position investments, we may assess a sample of underlying portfolio companies.	✓	✓		✓
(iv)	Pose bespoke ESG due diligence questions (both on the GP and the underlying portfolio) informed by the ESG assessments in (ii) and (iii) and other materials (e.g. SASB sector guides) and the expertise of the ESG function. In this process, the deal team is responsible for liaising with the GP for responses to the questions. For larger fund position investments with multiple GPs, we may not raise specific questions (highly deal dependent).	✓	✓	✓	✓
(v)	Deal team to liaise with the ESG function on the GP's response to the questions. Depending on the response, the ESG function may pose any further bespoke questions or interact directly with the GP or an underlying portfolio company. This process may continue until the ESG function and the deal team are comfortable with the GP and the investment.	✓	✓	✓	✓
(vi)	ESG function (and deal team where appropriate) write the Investment Committee ESG comment. The Investment Committee may choose not to go ahead with a deal owing to ESG concerns.	✓	✓	✓	✓

	Post-investment	Direct secondary	Co-investment	Primary	Fund position
(i)	Request notification of any material ESG issues or opportunities and/or track through the RepRisk database notification of any material ESG allegations.	✓	✓	✓	✓
(ii)	Identify targeted and specific opportunities to engage with the GP or underlying portfolio companies on ESG (e.g. developing or enhancing an ESG policy, providing ESG training, facilitating ESG workshops and performing ESG screening assessments of portfolio companies). Post-investment engagements are typically a particular focus area in direct secondary deals.	✓	✓		
(ii)	Provide major underlying GPs with our annual GP ESG Survey for the purposes of monitoring the underlying managers on an annual basis and in developing our annual ESG Report.	✓	✓	✓	✓
(ii)	Provide major underlying GPs with supporting information on thematic ESG issues and commenting upon ESG and sustainability issues that are brought to our attention by underlying GPs to support their ESG programmes and stewardship of their companies.	✓	✓	✓	✓

We draw upon third party ESG research and a practical understanding of ESG from first-hand experience gained across industry sectors and geographies, enabling us to highlight to deal teams and the firm's Investment Committee the material ESG issues on a deal-by-deal basis. Post deal monitoring is necessarily focused on those investments where we have sufficient visibility, on those issues identified by us as being most material, and those structures and situations where we believe we have the greatest ability to exert influence (however indirectly). Further information related to our approach to responsible investment is accessible via:

http://www.collercapital.com/investments/responsible-investment

Art 4: Principal adverse impacts (PAI)

Reflecting the manner in which ESG factors are integrated into its investment process, Coller Capital does not plan to publish information on its consideration of the “adverse impacts of investment decisions on sustainability factors” (as defined under SFDR) with respect to its products.

For context, we encourage stakeholders to refer to the information provided in the responsible investment pages of our website, notably our ESG Policy, and further details with respect of ESG and our investment processes, in order to come to a more informed view of ESG given our mandate as a private equity secondaries investor.

On asset level ESG metrics specifically, and as described elsewhere, our mandate as a secondaries investor typically prevents our funds from having management powers or operational responsibility for underlying portfolio companies. Our visibility and access to data (in particular, the specific ESG metrics set out in SFDR) in respect of the assets of our portfolio funds are necessarily limited and inconsistent. Should this information (including supply chain ESG information) be made available for the thousands of companies to which the Coller Capital funds are indirectly exposed, it would require a material change to our approach and ESG programme – albeit, we believe, for limited direct benefit. We will maintain a watching brief on these developments and adapt our approach as necessary.

Our preference for the time being remains to retain a risk-adjusted approach and to focus on ESG at the level of our portfolio GPs, including by encouraging them to take the necessary steps to comply with SFDR and other relevant regulatory requirements, given their management role in respect of underlying portfolio companies. We also include a specific question regarding SFDR compliance in our annual GP ESG Survey, and this will also be considered where it is relevant to prospective investment opportunities.