



Environmental, Social and Governance (“ESG”) and Responsible Investment

May 2021



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Introduction

Introduction

17Capital Background

17 Capital LLP ("17Capital") is authorised and regulated in the UK by the Financial Conduct Authority ("FCA"). 17Capital acts as an investment manager and advisor to a number of funds in the venture capital sector.

Investors in 17Capital funds include:

- Public pension funds;
- Family offices;
- Insurers;
- Investment managers;
- Corporate pension fund managers;
- Fund-of-Fund investors;
- Endowment managers; and
- Institutional investors.

Further information and background on 17Capital can be found at <https://www.17capital.com/>

17Capital ESG Governance

The 17Capital Supervisory Board consists of the following members:

- Pierre-Antoine de Selancy;
- Augustin Duhamel (also on ESG Committee);
- Myriam Vander Elst (also on ESG Committee);
- Carsten Eckert;
- Andy Moysiuk.
- Beverly Berman; and
- Dee Dee Sklar.

Further information on the members above can be found at <https://www.17capital.com/team/>

ESG Committee

The ESG Committee includes Augustin Duhamel as ESG sponsor. Myriam Vander Elst, who is a member of the 17Capital Supervisory Board, is also a member of the ESG Committee. In total the ESG Committee comprises 8 members across all 17Capital departments and is responsible for:

- the definition and implementation of the ESG policy and principles; and
- monitoring ESG and reviewing ESG reporting.

As part of the wider 17Capital governance policies and procedures, the following ESG related policies are in place inter-alia:

- ESG Policy;
- Diversity and Inclusion Policy;
- Code of Conduct policy for employees;
- Anti-money laundering policy;
- Insider trading / Personal trading policy;
- Whistle-blower policy; and
- Gifts and Entertainment policy.

Note that all the 17Capital assets under management are subject to the policies above. Although none of the 17Capital funds are sold or marketed as "Impact" funds, "Sustainable Development Goals" ("SDG") funds, or "ESG themed" funds, we apply the ESG and Responsible Investment framework set out in this document.

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ESG Policy

ESG Policy

The 17Capital ESG policy is geared towards implementing controls to ensure awareness of and appropriately manage significant ESG risks in the investments at the time of acquisition, where it is possible to do so, and on an ongoing basis.

The 17Capital ESG Policy has been in place since 2016 and is regularly reviewed and updated. The latest ESG Policy review and update was conducted during 2020. The updates included inter-alia:

- refining and enhancing the approach to ongoing investment monitoring, including the completion of annual ESG questionnaires by investment counterparties;
- refining aspects related to Modern Slavery and Anti-Bribery; and
- refining the terms of reference of the ESG Committee to reflect evolving market practises.

Environment

17Capital acknowledges that its activities and investments have an impact on the environment and aims to achieve continuous improvements in limiting this impact as far as possible.

To address key issues of environmental concern and to promote greater environmental responsibility, 17Capital is committed to:

- Minimising greenhouse gas emissions by inter-alia:
 - Promoting the use of renewable energy;
 - Increasing the use of videoconferencing to minimise air travel; and
 - Increasing the use of rail travel as opposed to air travel/use of private cars when appropriate;
- Reducing waste, increasing re-use and recycling by inter-alia:
 - Eliminating, where possible, the use of products made from unsustainable natural resources (e.g. plastic bottles);
 - Procuring products that are made from sustainable sources or recycled materials or that are designed to be easy to reuse or recycle wherever practicable;
 - Efficiently using energy (e.g. use of energy saving light bulbs), water, manufactured products (e.g. recycled paper) and natural resources;
- Engaging with employees across 17Capital to promote environmental awareness and improve staff education and involvement.
- Actively working with suppliers and contractors to improve their sustainability performance, in keeping with this policy, including incorporating specific environmental requirements into its contracts with suppliers.

Social

17Capital aims to ensure fair labour and working conditions; to create a harmonious working environment; to safeguard the health and safety of all employees; and to promote the social development of the communities in which it operates.

17Capital encourages a culture that, builds trust, strives for excellence, embraces different and makes things happen. Our values are the basis on which we build strong relationships with our clients, our investors and each other. They are the foundation of our business and integral to our continued ability to pioneer success.

At all times, 17Capital will:

- Support and respect the protection of internationally proclaimed human rights, including:
 - For operations involving the relocation of employees for extended periods of time, ensuring that such employees have access to adequate housing and basic services;
- Endeavour to ensure the health and safety of employees and all associates by assessing work-related risks and taking appropriate actions to eliminate or reduce such risks;
- Allow consultative work-place structures and associations which provide employees with opportunities to present their views to management;
- Support the elimination of all forms of forced and compulsory labour;

- Support the effective abolition of child labour;
- Support the elimination of discrimination in respect of employment and occupation, including by:
 - Promoting equal opportunities and diversity by recruiting, developing and retaining the best talent from the widest pool; and
 - Recognising, valuing, and respecting its people for their skills, experience and potential regardless of gender, sexual, orientation, age, race, colour, ethnic origin, religion or disability;
- Consider requests from any employee for non-standard working arrangements within reason (e.g. maternity/paternity/ parental leave);
- Encourage contributions of its employees to charities; and
- Contribute directly to society through Epic (<https://www.17capital.com/epic/>)

17Capital also encourages those to whom it provides finance solutions to adopt sound social and ethical policies and to promote socially relevant projects through dedicated initiatives.

Governance

17Capital is committed to:

- Complying with all applicable laws and promote international best practice standards;
- Work against all forms of corruption, including extortion and bribery;
- Exhibit honesty, integrity, fairness and respect in all its business dealings;
- Deal with regulators in an open and co-operative manner;
- Prohibit all employees from making or receiving gifts of substance in the course of business;
- Prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest;
- Prohibit the making of payments as improper inducement to confer preferential treatment;
- Use information received from its principals in the best interests of the business relationship and not for personal financial gain by any employee;
- Clearly define responsibilities, procedures and controls;
- Promote transparency and accountability grounded in sound business ethics;
- Identify conflicts of interest and avoid or report them in line with its agreements with stakeholders and industry best practices;
- Properly record, report and review financial and tax information;
- Use effective systems of internal control and risk management covering all significant issues, including environmental, social, and ethical issues;
- Make every effort to meet stakeholders' expectations; facilitate their access to information; and provide them with clear and transparent information based on regular and value-added reporting;
- Implement a robust sustainability approach which enables effective identification, management and monitoring of any related risks and opportunities and provides a framework for action; and
- Adhere to a policy of long-term responsible investing.

17Capital - ESG during 2020

As part of our continued support of Epic, their UK team is hosted at the 17Capital office. This is in addition to the pledge 17Capital made in 2017, when we became the first private equity firm in the UK and US to sign the Epic 'sharing pledge' by agreeing to donate a percentage of the carried interest generated by 17Capital Fund 4.

Epic is a global non-profit start-up which backs outstanding non-profits and social innovation to change the lives of disadvantaged youth. Further information about Epic can be found at <https://www.17capital.com/epic/>.

17Capital has also continued with other ESG initiatives in 2020 where possible, including senior management taking part in industry roundtable events, donations to charities, as well as investing in an investment fund whose returns contribute to a non-profit foundation in France which focuses on social mobility and education for the disadvantaged.

17Capital has also enhanced and developed ESG related internal key performance indicators at a management company level, covering environmental, social, governance and diversity matters. These indicators are under continuous review and will evolve as the quality of underlying data improves.

COVID-19 has had an impact on the 17Capital ESG approach during 2020 as follows:

- Implementation of remote working and related support structures in relation to employee wellness;
- With employees working remotely for a significant part of the year, significant reductions in energy consumption and waste were experienced in the 17Capital London and New York offices;
- The level of travel was significantly reduced which has resulted in significantly lower CO² travel related emissions;
- Significantly increased use of video conferencing;
- Unfortunately, the restrictions put in place by the UK and US governments impacted negatively on the ability of 17Capital employees to physically spend time in communities and doing charitable working within the community. Where possible financial support was provided given the significant financial impact the lock downs had on charities.

Despite the above, the 17Capital London and New York offices continues to facilitate efficient waste management processes, being energy efficient and has continued to take steps to reduce the carbon footprint of its own operations. These include, but are not limited to:

- Paper reduction exercises and monitoring paper usage: this has resulted in a significant reduction in use;
- Enhanced printer capabilities to reduce paper waste and unnecessary printing
- Video conferencing equipped meeting rooms to reduce unnecessary travel;
- Zero landfill policy;
- Zero plastic bottles;
- Motion sensor lighting; and
- iPads used for presentations to reduce printing.

ESG is also built into 17Capital operations via the procurement process.

Looking forward to 2021

17Capital has undertaken work on the following initiatives which will be delivered during 2021:

- Becoming a signatory to the United Nations Principles for Responsible Investment; and
- Signing up to ILPA Diversity in Action.

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Responsible Investment

Responsible Investment

Overview of approach

For 17Capital, responsible investment means systematically integrating environmental, social, corporate governance, regulatory compliance, data safety and responsibility, and cultural and ethical considerations across all stages of the investment lifecycle, from pre-investment activities and through the post-investment holding period.

- The ESG approach focuses on ensuring that those to whom we provide finance are upholding appropriate ESG standards where practicable. It is important to understand and assess the strength of ESG management processes and systems of the underlying fund managers and counterparties that 17Capital invests in.
- 17Capital invests in existing managers and funds instead of directly into underlying portfolio companies. This means 17Capital has a limited level of influence regarding the direct management of ESG at the underlying portfolio company level in most of its investments.
- 17Capital is committed to implementing appropriate management processes and controls to achieve responsible investment. 17Capital believes that doing so will add value to investors and the wider investment community.
- 17Capital believes the key responsibilities for financial investors are in those areas where there is significant influence or control.
- As a provider of finance solutions, 17Capital's approach to managing ESG differs from those fund managers that make direct investments.
- The ESG policy is geared towards implementing controls to ensure awareness of and appropriately manage significant ESG risks in the investments at the time of acquisition, where it is possible to do so, and on an ongoing basis.

Pre-investment

Screening:

- During the screening phase, consideration is given to the 17Capital ESG exclusion and sensitivity list to ensure that there are no direct investments in companies that may be incompatible with the 17Capital corporate values and the responsible investment approach.
 - Sectors and activities have been classified as either:
 - “Excluded”, where 17Capital will seek to avoid investing or lending to portfolios or managers with exposure active in that sector, or
 - “Sensitive”, where 17Capital will seek to ensure exposure to the sector isn't material in the context of the fund's underlying portfolio company exposure and will apply additional scrutiny prior to the fund making the investments and during the investment holding period. Note that sectors classified as “Sensitive” are not automatically excluded.
 - Where a potential investment includes exposure to a “Sensitive” sector or activity, it will undergo additional scrutiny during the decision-making process. Materiality of the sector in the context of the fund's underlying portfolio company exposure will also be a consideration.
- Furthermore, 17Capital will seek to avoid investing or lending to portfolios or managers that:
 - Do not respect human rights;
 - Do not directly or indirectly through their supply chain respect standard labour conditions; apply discriminatory policies; and/or use child labour;
 - Do not comply with anti-corruption standards and best practice;

- Do not comply with their industry standards and best practice;
- Do not comply with current environmental, health and safety, ethics, and social legislation; and
- Do not have proposals to address defined significant future legislation on ESG issues; including but not limited to climate-related transition or physical risks.

unless resolving these issues is a specific part of the investment strategy.

- Screening questions include, inter-alia, whether the fund manager a signatory of the UN PRI or other ESG related standards and if there are appropriate controls in place for managing ESG risks.

Due Diligence:

- For all potential investments that pass the initial screening, further due diligence is conducted through discussions with the counterparty, completion of an ESG questionnaire and Anti-Money laundering checks.
- The outcome from the discussions and ESG questionnaire are documented and assessed in the Investment Committee memo. The Investment Committee, which includes the ESG Committee chairperson, reviews, and approves each Investment Committee memo, before a deal can be executed.
- From September 2020, 17Capital also implemented RepRisk to allow us to perform independent screening. RepRisk is a global provider specialising in premium ESG and business conduct risk research and quantitative solutions.

Post-investment

It is important for 17Capital to continue to monitor the management of ESG risks in investments during their lifespan where practical.

Any direct monitoring of portfolio companies regarding ESG management is the responsibility of the underlying fund manager of the funds invested in.

17Capital's approach involves ensuring the underlying fund managers maintain their own ESG management processes, reviewing the information published and ensuring the underlying fund manager communicates any key ESG risks that arise. In particular:

- that the underlying fund managers provides updates on their ESG policies, implementation and any significant issues that arise annually;
- following up on any identified high risk ESG issues as and when they arise through this reporting;
- monitor ESG risks and engage with management insofar as is feasible. The completion and review of the annual ESG questionnaire, which was implemented in 2020, includes questions on risk assessment and management, governance, environmental management, climate change, and social performance;
- monitor investments and external industry factors through the quarterly reporting and monitoring process and consider any ESG risks or impacts; and
- from September 2020, review RepRisk alerts for any material ESG related risks and issues and where applicable discuss with the underlying fund manager.

During 2020, all underlying fund managers completed the annual ESG questionnaire and were screened on RepRisk. There were no material ESG issues identified in the context of the wider fund investment portfolio.

17Capital