

PANTHEON



Environmental, Social and Governance Policy
Pantheon - May 2017

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1. INTRODUCTION

Pantheon is driven by the conviction that addressing ESG issues is a crucial part of investment risk management; and effective mitigation of these issues can have a material impact on value creation in private equity, infrastructure and real asset investments. We believe that mitigating ESG risks strengthens downside protection for investment returns and enhances investor reputations, which can also lead to value creation. When considering a new primary fund commitment, Pantheon is committed to understanding the manager's willingness to adhere to sound ESG practices. Those managers that understand the nature of ESG risks and seek to minimize them are favored. Pantheon's primary due diligence process seeks to identify how the manager assesses ESG risks in their own analysis and the measures they take to mitigate them before and after investment.

2. WHAT ARE ESG RISKS?

The acronym ESG covers a broad range of issues that are encountered when making private equity, infrastructure and real assets investments.

Examples of these risks are summarized below:

2.1 Environmental	2.2 Social	2.3 Governance
> Environmental degradation;	> Workplace Health and Welfare;	> Company Management Structures;
> Air, Soil and Water Pollution;	> Transparency and Accountability;	> Control Mechanisms;
> Climate Change;	> Impact on Local Communities;	> CEO and Board Independence;
> Deforestation;	> Animal Welfare;	> Corporate Values;
> Nuclear issues;	> Consumer Protection; and	> Employee Relations;
> Hydrology;	> Diversity and Social Inclusion.	> Remuneration Policies;
> Impact of Energy Investing;		> Shareholder Rights; and
> Impact of Coal Industry;		> Transparency and Accountability.
> Resource Depletion/Renewable Energy;		
> Waste Management; and		
> Transparency and Accountability.		

3. UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT ("PRI")

Pantheon is a signatory of the Principles for Responsible Investment ("PRI") and has used the following six principles as a framework to develop its ESG policy across all its investment activities.

- > We will incorporate ESG issues into investment analysis and decision-making processes.
- > We will be active owners and incorporate ESG issues into our ownership policies and practices.
- > We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- > We will promote acceptance and implementation of the Principles within the investment industry.
- > We will work together to enhance our effectiveness in implementing the Principles.
- > We will each report on our activities and progress towards implementing the Principles.

We review our continued adherence to these principles on an annual basis through evaluating activities we have undertaken in each year and identifying ways in which we can enhance our ESG risk management.

Pantheon reports to the UNPRI on the activities undertaken in each assessment year. Most recently, in 2016, we were awarded an A score in the “Strategy and Governance” module of the PRI annual assessment, and A+ scores in both the “Private Equity” and “Infrastructure” modules.

4. GOVERNANCE OF PANTHEON'S ESG RISK MANAGEMENT

Pantheon has an ESG Committee which is responsible for coordinating our internal and external efforts in this area. The Committee sets Pantheon's ESG strategy and policy, and provides feedback to the wider firm and externally to our GPs and stakeholders on any ESG issues that arise. The Committee comprise the following professionals:

- Alex Scott, Partner, European Investment Team;
- Jie Gong, Partner, Asia Investment Team; and
- Brian Bueneke, Partner, U.S. Investment Team.

In addition to the committee, we have a wider ESG Working Group which includes additional members of the Investment Team as well as representatives from the Analytics, Client Services and Risk Team. The ESG Working Group is structured with the aim that various areas of the business are represented and can make a contribution to our ESG initiatives. For example, our Client Service Team is responsible for managing communications of ESG incidents to clients and our Analytics Team is responsible for maintaining ESG risk ratings on our investments (with guidance from the Investment Team). Our Risk Team is wholly independent of the Investment Team and oversees both investment and enterprise risk management.

While the ESG Committee and Working Group members are responsible for driving our ESG activities, all our investment professionals are committed to the same goals. Responsibility for implementing our ESG policy rests with all staff.

5. PANTHEON'S OVERARCHING RESPONSIBLE INVESTMENT OBJECTIVES

Pantheon's Associates will endeavor to:

- Take account of ESG issues as part of the investment process, with the results forming a key element of the overall analysis on investment opportunities;
- Engage with our General Partners (GPs) to promote the importance of ESG issues; ascertain the extent to which GPs factor ESG risks in to their investment process; and where necessary provide advice;
- Provide on-going training to Pantheon investment professionals on the ESG due diligence process and the importance of factoring this into the overall investment approach;
- Maintain ESG risk monitoring post-investment, formally assigning ESG risk ratings to underlying companies and GPs;
- Follow a policy of active ownership, highlighting our interest in ESG through our routine interactions with GPs and more specifically in relation to specific incidents
- Keep our Limited Partners (LPs) aware of the level of ESG risks within their portfolios through ESG risk reporting; and encourage GPs to provide similar level of reporting on ESG risks;
- Provide advice and education on ESG to our LPs through updates and tailored workshops; and promote the importance of ESG across the industry more broadly through representation on ESG working groups and participation at conferences, encouraging all industry participants to recognize and act on ESG issues; and
- Continue to develop and enhance our ESG approach to maintain a leading position in the industry.

6. ESG INCORPORATION

6.1 Due Diligence

We formally incorporate ESG factors into our investment due diligence process. We believe this is crucial to harnessing the potential for value creation through effective ESG procedures, as well as in protecting the interests and reputations of Pantheon and its clients. The ESG due diligence findings are formally documented in investment recommendations, with potential concerns flagged for consideration by the investment committees. We subscribe to RepRisk in order to improve our

ESG due diligence and on-going risk monitoring. RepRisk is a global leader in the provision of business intelligence on ESG risk and provides ESG news flow and company ratings based on media reports and other public sources external to the company.

Primary and Secondary Fund Investing

ESG risk management forms an important component of the operational risk assessment conducted on each GP as part of our primary due diligence process and each primary manager is rated for its ESG approach. It therefore represents a formal and documented part of the due diligence and covers the following areas:

- Whether the GP is a signatory of the PRI or any other ESG related standards;
- Whether the GP has a formal approach to integrating ESG factors into the due diligence process;
- Who within the organization is responsible for incorporating ESG considerations into investment decisions;
- How the GP engages with portfolio companies on ESG issues, preferably including examples from prior investments; and
- Does the GP report on significant ESG risks that arise in portfolio companies to advisory boards and/or in quarterly LP reporting.

As part of our due diligence process, we also focus on examining the potential for fraud, rogue activities and other unethical behavior of GPs. Our extensive cross referencing of GPs prior to investment, including both on-list and off-list referencing through Pantheon's vast network, means that Pantheon makes every effort to invest only in fund managers that are of institutional quality and in managers that understand the importance of reputation in the market place. Finally, we use RepRisk to understand the ESG risks in a manager's historic portfolios and as a source of information for qualitative ESG due diligence on the manager.

In secondary due diligence we have visibility around underlying assets and therefore can form a view on the potential ESG risk profile of a deal that we are conducting due diligence on. Our ESG risk assessment during due diligence on secondary deals includes the following.

- An analysis of the sector profile of the deal; if there is a high weighting to sensitive ESG sectors this may lead to us declining the deal.
- The ESG risk profile of individual underlying assets; particularly those assets that are in sensitive sectors, and in these instances we will aim to examine how potential ESG risk factors are being managed and whether appropriate protection or adherence to appropriate industry regulations are in place.
- The ESG philosophy and procedures of the GP(s) in the deal, and their track record in mitigating ESG risk.

Direct Co-Investing

With regards to the underlying company investment, our due diligence will take account of potential ESG risks that the company may be exposed, the GPs plan for mitigating these risks and how this has been achieved with prior investments with similar characteristics. We will review the GPs own ESG due diligence on the company and any issues with the GP.

6.2 Post-Investment Monitoring

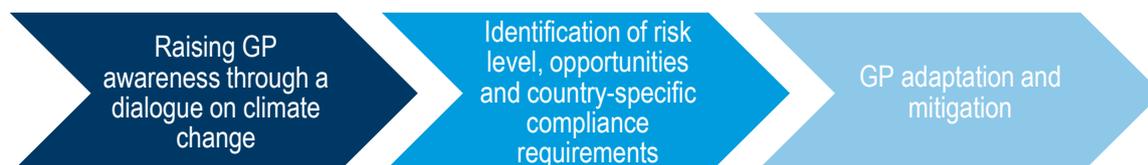
We believe that the RepRisk system assists us in maintaining a market-leading level of coverage of ESG risks and exposure across our portfolios, enabling us to achieve the following as part of our overall investment monitoring:

- Customized monitoring on our portfolio companies; through RepRisk we are able to build a monitoring tool that tracks all of our investments for adverse ESG publicity; and
- Maintenance of a comprehensive ESG incidents log that is not dependent on the Pantheon team identifying the issue or being notified of an issue by the GP;
- Provision of a range of ESG metrics which can enable us to provide more detailed ESG reporting to clients as well as providing for in-depth information for our on-going risk analysis.

7. CLIMATE CHANGE

Pantheon recognizes the challenges of climate change and that it is a potential risk for our company investments with material financial impacts. We seek to ensure that our managers are aware of the risks of climate change in their investment selection process and that they act in accordance with relevant climate change regulations. This forms part of the manager assessment and rating during the investment selection process.

Pantheon's approach to climate change can be summarized as:



Private equity faces specific challenges in addressing the demand from investors for climate related disclosures due to the lack of agreement on standardized disclosure policies for unlisted companies. However, Pantheon is committed to engaging with and supporting the industry in developing effective reporting solutions.

8. MODERN SLAVERY ACT

Pantheon is fully committed to both understanding the risk that modern slavery and human trafficking present, and to ensuring that no modern slavery exists in our business globally. Pantheon is currently considering appropriate policies and procedures, and relevant systems and controls with respect to our obligations under the UK Modern Slavery Act.

The firm fully recognizes the importance of ensuring that we have consistently strong safeguards in place to prevent modern slavery and human trafficking in any form.

Pantheon advocates a zero tolerance approach to modern slavery and human trafficking in any part of our business.

9. EXCLUSIONS POLICY

Pantheon will avoid investment in the following areas:

- The production or trade in products or activities deemed illegal under applicable laws or banned through international convention.
- The supply or purchase of sanctioned products, goods or services to or from countries or regions covered by international sanction.
- The production or trades in weapons of mass destruction or inhuman weapons or technology which are subject to existing international prohibitions.

There are several areas of investment which Pantheon may invest in but which require additional due diligence in order to ensure alignment with our overall ESG policy and approach. Pantheon's investment teams and committees will pay particular attention to the following areas and seek advice from the ESG Committee as appropriate on the following:

- Oil sands extraction or oil shale mining
- Controversial technology such as stem cell research and genetic modification
- Companies which operate in sensitive locations such as habitats of ecological importance or land occupied by indigenous peoples.
- Companies whose activities carry a high risk of harm to the environment
- Gambling
- Alcohol marketing and distribution
- Products and services which are potentially exploitative of vulnerable groups in society including the sub-prime lending sector

The blind-pool nature of private equity primary fund investment means it may not always be possible to screen out companies pre-investment that are undesirable from an ESG perspective. In such cases, and in accordance with our wider ESG approach, we will seek to engage and influence the manager to improve standards of ESG governance.

10. ANTI-BRIBERY AND ANTI-CORRUPTION

Bribery and corruption are expressly prohibited. Pantheon maintains a zero-tolerance policy to bribery and corruption.

Pantheon prohibits Pantheon Associates from offering, giving, promising, requesting, or accepting any payment, gift or other contribution of anything of value, to or from any person, either directly or indirectly, for the purpose of obtaining or retaining business for, or from, Pantheon or gaining an advantage in the conduct of any business.

The receipt and provision of bona fide hospitality and promotional, or other business expenditure which seeks to improve the Pantheon image, better to present our products and services, or establish cordial relations with service providers and GPs, is recognized as an established and important part of doing business and it is not prohibited by this Policy. It is, however, clear that hospitality and entertainment or other similar business expenditure can be employed as bribes. In order to discourage such activity, Pantheon operates a Political Contributions Policy and a Gifts & Entertainment Policy. These impose monetary limitations and reporting obligations in respect of political contributions, gifts, entertainment and hospitality given and received. Pantheon Associates are required to familiarize themselves with and comply with the Pantheon's policies on Political Contributions and Gifts & Entertainment Policy. Political donations, gifts, entertainment and hospitality provided in compliance with these policies would normally be expected to be consistent with this ABC Policy.

11. ACTIVE OWNERSHIP AND VOTING POLICY

As a PRI signatory, Pantheon has committed to follow a policy of active ownership, requiring us to vote on all matters. In private equity, voting may take place on any number of governance, legal or investment matters and therefore each voting matter is considered on a case by case basis. For this reason, Pantheon does not have an internal reference guide to cover all voting matters.

Pantheon has developed a standard procedure for considering the merits of each voting matter. Pantheon nominates an investment professional (usually the fund relationship manager), who is responsible for assessing the merits of a voting matter and documenting their views in a corporate action memorandum. This document is then considered and signed off by a senior member of the firm before a recommendation is reached.

Once Pantheon has carried out the procedure described above and decided upon a recommendation on a voting matter, this is submitted to the Manager or General Partner of the Pantheon vehicle. The Manager or General Partner then considers Pantheon's recommendation when voting on the matter.

12. REPORTING AND DISCLOSURE

Pantheon aims to be transparent with regards to our approach to ESG activities, and makes the following documents available on our website, www.pantheon.com:

- A copy of this policy;
- A summary of this policy; and
- Our most recent PRI Transparency Report.

13. CONTACTS

For more information, please contact:

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