

# WARBURG PINCUS

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*This brochure provides information about the qualifications and business practices of Warburg Pincus LLC (the "Firm"). If you have any questions about the contents of this brochure, please contact us at (212) 878-0600. The information in this brochure has not been verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority. Although the Firm is registered as an investment adviser with the SEC, registration does not imply a certain level of skill or training.*

*Additional information about Warburg Pincus LLC is available at [www.warburgpincus.com](http://www.warburgpincus.com) and the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## Item 2. Material Changes

The Firm's business activities have not changed materially since the last filing of this brochure on March 29, 2018.

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## Item 4. Advisory Business

Warburg Pincus LLC, a New York limited liability company, together with its affiliates (hereinafter collectively referred to as “Warburg Pincus”, the “Firm”, “we”, “us” or “our”) is a global private equity investment firm. We provide investment advisory services to pooled investment vehicles referred to in this brochure as “Funds” or “Clients”.

Founded in 1966, Warburg Pincus is one of the oldest and most established private equity firms in the world. We are headquartered in New York, with ten additional investing offices around the world in Beijing, Berlin, Hong Kong, Houston, London, Mumbai, San Francisco, São Paulo, Shanghai and Singapore.

The Managing Directors of our Firm are our principal owners. No person owns more than 25% of the Firm.

Warburg Pincus affiliates serve as advisers, sponsors, general partners and/or managers of our Funds. Interests in our Funds are privately offered to qualified investors from time to time. Along with our own capital commitments to our Funds, we invest third party investors’ capital contributions to our Funds on a discretionary basis, primarily through private equity investments made by our Funds into operating businesses.

Our global Funds are generally offered on the basis of a diversified private equity investment strategy rather than to meet individual objectives of investors. The Firm has also offered, and may offer in the future, other funds, including sector or geographically focused companion funds to co-invest with a global fund in certain subsets of investment opportunities. Our Funds’ governing documents establish discretionary authority for us to manage the investment and other day-to-day activities of the Funds, although certain limits on investments such as concentration limits and geographic sub-limits may be established on a Fund-specific basis. Our investment advisory business consists of identifying and selecting investment opportunities for our Funds, and participating in the acquisition, management, monitoring and ultimate disposition of our Funds’ investments.

Since its founding, the Firm has followed a growth-oriented investment strategy. We seek to make thesis-driven growth capital transactions, venture capital, start-up, later stage, buyout, recapitalizations and other special situation investments across a variety of business sectors and geographic regions to maximize long-term investment returns for our Funds. Our Executive Management Group coordinates the investment advisory business of the Firm on a global basis, led by the Firm’s two Co-Chief Executive Officers, Charles R. Kaye and Joseph P. Landy.

We select companies for investment after conducting due diligence and developing a detailed investment thesis. As a fundamental aspect of our investment advisory strategy, we typically take an active role on the boards of directors of our portfolio companies – either by designating our employees to such boards of directors or, as deemed appropriate, through non-Warburg Pincus designees – providing assistance in developing and executing their strategic plans and realizing our investment theses. We invest in privately-held and publicly-traded companies. The majority of our investment professionals are specialized by the following core sectors of industry: Energy; Financial Services; Healthcare & Consumer; Industrial & Business Services; and Technology/Media/Telecommunications, with numerous related sub-sectors (including geographies) of specialization. We also may focus on real estate in certain countries where we believe real estate-related investments may represent an attractive investment opportunity.

Our primary active private equity funds are:

Warburg Pincus Global Growth, L.P., a global private equity fund established in 2018.

Warburg Pincus Financial Sector, L.P., a financial sector-focused companion fund established in 2017.

Warburg Pincus China, L.P., a China-focused companion fund established in 2016.

Warburg Pincus Private Equity XII, L.P., a global private equity fund established in 2015.

Warburg Pincus Energy, L.P., an energy-focused-companion fund established in 2014.

Warburg Pincus Private Equity XI, L.P., a global private equity fund established in 2012.

Warburg Pincus Private Equity X, L.P., a global private equity fund established in 2007.

Warburg Pincus Private Equity IX, L.P., a global private equity fund established in 2005.

Warburg Pincus Private Equity VIII, L.P., a global private equity fund established in 2001.

Warburg Pincus International Partners, L.P., a private equity fund established in 2000 that invested outside of the U.S.

Warburg Pincus also manages a real estate fund that was organized in 2006, Warburg Pincus Real Estate I, L.P. It was formed to pursue certain real estate opportunities in Asia, Europe and the United States that had a different risk/reward profile than the private equity investments the Firm generally pursues.

The Firm generally has discretion to establish co-investment vehicles and managed partnerships for investors, subject to the provisions of Fund the applicable governing documents (See Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading, Co-Investments for more information).

As of December 31, 2018, Warburg Pincus manages approximately \$37.5 billion of net assets (excluding approximately \$21.7 billion of uncalled capital commitments) on behalf of the Funds on a discretionary basis, and no assets on a non-discretionary basis.

## Item 5. Fees and Compensation

### Management Fees, Carried Interest

We receive management fees – deducted in computing Fund profits – paid to us by the Funds quarterly in advance. As is customary in the private equity industry, our affiliates that act as general partners of our Funds receive an allocation of net profits, or “carried interest”.

The management fees and carried interest that we or our affiliates receive from our Funds are predetermined in written agreements among Warburg Pincus, our affiliates and our Funds. Generally, management fees are a

percentage of a Fund's capital commitments, converting after a designated investment period to a percentage of the cost of the remaining assets and decreasing in the later years of the Fund. Management fee percentages generally range from 1.5% to 1.0% per annum. Generally, the affiliated general partner of our Funds will receive carried interest equal to 20% of the net profits of a Fund.

We call capital from our Funds as needed to fund investments, cover expenses and other obligations and pay management fees. Management fees payable and other obligations may also be deducted from proceeds from investment realizations. In the event an investment management agreement or a Fund itself would be terminated, any pre-paid fees would be reimbursed to the Fund pro rata based on the portion of the quarter (or other period) for which fees were paid but for which services were not rendered.

Warburg Pincus generally does not charge transaction fees, such as sponsor, advisory or monitoring fees, nor does it charge fees for any other services that its employees provide to portfolio companies. In the limited circumstances in which the Firm may receive such a fee – such as when a co-investor in the transaction receives a fee or when the payment of fees is to one or more entities required to support or advise in respect of certain investments for the benefit of a Fund – a Fund's pro rata share of any such fee received by Warburg Pincus from a portfolio company is applied 100% to offset the management fee payable by the relevant Fund or is otherwise allocated to the relevant Fund. Fees paid to our employees for service as directors of portfolio companies are also applied 100% to offset the management fee or are otherwise allocated to the relevant Fund. A portion of such directors' fees are typically paid in non-cash form (such as stock or options). The Firm seeks to take commercially reasonable steps to realize the value of non-cash directors' fees and will apply a Fund's pro rata share of any net realized value to reduce management fees. Such securities are subject to fluctuations in value over time, and may lose some or all value pending any realization, in which case any management fee offset or other allocation to the relevant Fund would be less than the value when received. For the avoidance of doubt, fees received by a co-investor or other parties in connection with a transaction will not offset the management fee payable by the relevant Fund or otherwise be allocated to the relevant Fund.

When determining directors of portfolio companies, the Firm in some situations designates a non-Warburg Pincus employee who has specific skills and experience that would benefit the portfolio company. In such situations, the non-Warburg Pincus employee is generally entitled to retain any consideration received as a director of the portfolio company and such amounts are generally not applied to offset management fee or otherwise allocated to the applicable Fund. As such, when determining directors for portfolio companies, the Firm seeks to maximize the long-term value of the investment, not the amount of the management fee offset. In addition, we may retain certain former partners of the Firm – designated as Special Limited Partners – on behalf of a portfolio company, a prospective portfolio company or group of portfolio companies (or portfolio companies may retain such persons directly) and we may also engage certain personnel to perform jurisdiction-specific administrative functions at one or more registered or administrative offices in a non-U.S. jurisdiction in connection with one or more investments in such jurisdiction, and any directors' fees paid to such Special Limited Partners and such personnel will not offset the management fee.

Management fees pay for our overhead, including certain expenses relating to investments that we pursue for our Funds that are not consummated. The Funds are responsible for their organizational expenses (typically subject to a cap) and most other administrative and transaction expenses associated with their operations and

investment activities, as described below. Some of these types of expenses will be incurred by the Funds for investments that we pursue for our Funds but are not consummated.

The Firm's management fees and carried interest are generally not negotiable, although Warburg Pincus may, in its sole discretion, reduce or waive management fees and carried interest with respect to a particular Fund, investor or co-investor. Additionally, limited partners in certain Funds who have made capital commitments above certain thresholds pay a reduced management fee.

The existence of carried interest may create an incentive for Warburg Pincus to make more speculative investments or to hold an investment longer on behalf of a Fund than would otherwise be the case in the absence of such carried interest.

### Fund Expenses

A Fund will bear all of its own professional and direct operating expenses, including, without limitation, (i) the management fee, (ii) reasonable fees and expenses of attorneys, advisors, accountants, auditors, consultants, appraisers, administrators, finders, experts and other professionals retained by a Fund or by the Firm or its affiliates on behalf of a Fund (including fees or other compensation whether in the form of cash or equity in the applicable portfolio company) and fees for certain personnel to perform jurisdiction-specific administrative functions at one or more registered or administrative offices in a non-U.S. jurisdiction in connection with one or more investments in such jurisdiction, (iii) expenses for depositary, banking, safekeeping, custodial and other bank services, (iv) expenses associated with the preparation of a Fund's financial statements, tax returns and Schedules K-1, (v) principal, interest and any fees and expenses in connection with any borrowing or guarantee or other credit support or hedging activity permitted pursuant to a Fund's governing documents, (vi) expenses of any Advisory Committee, any Valuation Committee and any technical advisory board established by a Fund, (vii) taxes and other governmental charges, fees and duties payable by a Fund to federal, state, local and other governmental agencies other than with respect to taxes on investments, (viii) fees, costs and expenses incurred by a Fund, the general partner of such Fund or any other Warburg Pincus professional in connection with the annual meetings and any other meetings of the Fund investors, (ix) fees, costs and expenses of reporting to investors on Fund or portfolio investment-related matters and any other Fund-specific reporting, notification or other filing obligations (including the preparation and filing of Form PF, filings required under the Securities Exchange Act of 1934, as amended (including, without limitation, Form 13F, Form 13H, Section 16 filings, Schedule 13D filings and Schedule 13G filings), U.S. Treasury TIC and BEA filings, any forms, schedules, reports, filings, information or other documents prepared with respect to the U.S. Foreign Account Tax Compliance Act and any comparable non-U.S. filings, and reports to be filed with the Commodities Futures Trading Commission), as well as software, hardware, technology and systems development and implementation costs related to each of the foregoing, (x) legal, regulatory and compliance expenses, including a Fund's compliance with the E.U. Alternative Investment Fund Managers Directive, the cost of complying with side letter arrangements, including any "most favored nations" provisions and elections, and all fees, costs and expenses incurred in connection with the organization, management, operation and dissolution, liquidation and final winding up of any alternative investment vehicles or special purpose vehicles), (xi) litigation expenses, including damages, settlements, and/or reimbursement obligations, (xii) indemnification and advancement payments and expenses, (xiii) premiums for insurance protecting a Fund and any indemnified persons in

connection with the affairs of a Fund, (xiv) organizational expenses in connection with establishing a Fund (subject to any cap), (xv) expenses incurred in connection with winding up and liquidating a Fund and (xvi) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer. To the extent not included in the foregoing, a Fund will also bear all reasonable out-of-pocket expenses directly related to all proposed or prospective or consummated investments and the investigating, structuring, holding, monitoring, assistance, maintenance and disposition thereof (whether or not consummated and including any such expenses incurred by any acquisition, holding or alternative investment vehicle formed to facilitate or finance Fund investments) including, without limitation, (a) all reasonable professional fees and expenses, such as those for attorneys, advisors, accountants, auditors, Executives/Entrepreneurs-in-Residence, consultants, appraisers, experts, finders, investment bankers, underwriters, loan and other servicers, valuation agents, collection and administrative agents, pricing service providers and other professionals or custodians, (b) due diligence expenses, (c) research expenses related to portfolio companies or prospective portfolio companies, including expenses related to third-parties' research or obtaining investment activity related market data and reporting, (d) brokerage, transaction finders and other intermediaries' commissions and similar fees and other investment costs incurred by or on behalf of a Fund, (e) travel and related (such as food and lodging) and entertainment expenses (which may include travel expenses for the use of private aircraft, first class or business travel) but excluding certain travel and entertainment expenses for transactions not consummated as set forth in a Fund's governing documents, (f) transfer taxes and costs related to the registration or qualification for sale of securities, (g) insurance expenses, (h) expenses incurred in respect of safekeeping, custodial and other bank services, (i) any reverse break up or similar fees or expenses, or liabilities incurred by a Fund or any acquisition vehicle on behalf of a Fund in connection with investments not consummated by a Fund, (j) any other out-of-pocket expenses in connection with the investigation, acquisition, monitoring, holding, assistance, maintenance or disposition of investments, including the costs incurred by any intermediate entity utilized to hold or facilitate investments, including, in certain cases, salary and benefits of any personnel and related overhead for persons that are not full-time employees of Warburg Pincus and which employees are deemed in good faith to be necessary for maintaining such investment and operating any holding vehicles for such assets, in each case, to the extent not paid for by a portfolio investment or prospective portfolio investment, (k) fees, costs, expenses and liabilities relating to derivatives and hedging transactions, (l) information technology expenses, including licensing and maintenance fees, (m) expenses incurred in connection with any tax audit, investigation, settlement or review of a Fund and (n) costs and expenses of the type described in (ix)-(xiii) above, to the extent not borne by a portfolio company. Fund expenses will be deducted in computing net profits.

Fund investors should review the applicable Funds' governing documents to understand the expenses borne by each Fund.

### Consultants

The Firm utilizes a number of consultants (e.g., industry and technical advisors and Executive/Entrepreneurs-in-Residence) who are not employees of the Firm, but are paid fees for services provided to the Firm, the Funds and/or the Funds' portfolio companies (a "Consultant"). The terms of engagement, including the compensation arrangements for Consultants are generally agreed between the Consultant and the Firm (or one of its affiliates or portfolio companies) at the time of engagement. Each such engagement is negotiated individually, depends upon anticipated advisory services, and may differ as between different individuals. The fees and expenses

associated with Consultants are generally allocated to the Fund that is the recipient or beneficiary of the services provided and are generally not paid for out of, or offset against, the management fee paid to the Firm by the Funds. Consultants may receive compensation arrangements comprised of one or more of the following: (i) a periodic fee, (ii) a discretionary performance-related bonus and (iii) grants of equity or co-investment opportunities in the portfolio companies in which they play a significant role. Consultants are also entitled to reimbursement for expenses incurred while providing services to the Firm, the Funds or the Funds' portfolio companies. Consultants may also serve on the boards of directors of portfolio companies and may otherwise serve directly as consultants or advisors to portfolio companies and may receive directors' fees, consulting fees and other compensation in connection therewith from portfolio companies. In most cases, such compensation may be retained by the Consultant and is not offset against management fees otherwise payable by the Funds. Consultants are not employees, however, some may be permitted to use titles that relate to the Firm such as Executive/Entrepreneur-in-Residence, Industry Advisor or Senior Advisor for reasons relating to business objectives, market and cultural perceptions and social considerations. Such titles are not intended to be prescriptive for purposes of allocating expenses as between the Firm and the Funds. The Firm has adopted policies and procedures addressing internal approvals, whether particular Consultants should be subject to the Firm's Code of Ethics, restrictions on access to information regarding the Firm, the Funds, or portfolio companies, and allocation of fees and expenses related to Consultants.

#### Special Limited Partners

The Firm has created a special designation – Special Limited Partner – for certain former partners of the Firm who are expected to continue to have a relationship with the Firm. Special Limited Partners are designated by the Co-Chief Executive Officers. Special Limited Partners are not partners or employees of Warburg Pincus, nor are they Consultants (in the context described above). They do not accrue carried interest. A Special Limited Partner may receive certain perquisites and privileges from the Firm in recognition of the special contributions they had made to the Firm during their tenure as a partner of the Firm and during their continuing relationship with the Firm. A Special Limited Partner may be eligible to co-invest in a specific portfolio company where the Special Limited Partner has been significantly involved or demonstrated significant value-add to the investment. Further, a Special Limited Partner may be eligible to invest in a Warburg Pincus sponsored fund on a no fee, no carry basis.

Separately, the Firm may designate a Special Limited Partner to the board of directors of a portfolio company when the Special Limited Partner has specific skills or experience that would benefit the portfolio company. Special Limited Partners may receive compensation, including fees, incentive equity or other stock awards, from any portfolio company for these and other services, and may receive fees directly from the Firm for services that the Firm believes are performed in order to benefit the Firm as a whole. Any such amounts received by a Special Limited Partner may be retained by the Special Limited Partner and generally would not be applied to offset the management fees due from the respective Fund. Special Limited Partners may also receive reimbursement of expenses from the portfolio company, the Firm, or the applicable Fund or Funds.

#### Senior Strategic Partner

The Firm has created a category of Senior Strategic Partner (an "SSP") and may designate additional SSPs in the future. As is the case with Special Limited Partners, an SSP is not a partner or employee of Warburg Pincus,



nor a Consultant. An SSP may have a passive equity interest (or other economic interest) in an affiliate of the Firm and as a limited partner in Funds managed by the Firm, and may be permitted to co-invest in specific co-investment opportunities, subject to and in accordance with, the Firm's co-investment policies (see Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, Co-Investments for more information). An SSP may also provide broad strategic assistance to the Firm in one or more aspects of the Firm's business.

## Item 6. Performance-Based Fees and Side-By-Side Management

As discussed in Item 5. Fees and Compensation, Warburg Pincus, through its general partner affiliates, typically receives a carried interest equal to 20% of the net profits of the Funds it manages. The Firm may form parallel or co-investment vehicles to facilitate investments in or alongside the Funds, with or without fees or carried interest, by its partners and employees as well as by other individuals (including their related estate and tax planning vehicles). The Firm may also, in its sole discretion, provide co-investment opportunities, with or without fees or carried interest, to limited partners or third parties for a variety of reasons including strategic reasons relating to our investment advisory business (see Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading, Co-Investments for more information).

The Firm has also offered, and may offer in the future, other funds, including sector or geographically focused companion Funds to co-invest with a global Fund in certain subsets of investment opportunities. The allocation of investment opportunities as between a global Fund and such other Fund, if applicable, would be subject to guidelines and restrictions set forth in each Fund's governing documents and as determined by Warburg Pincus in good faith is appropriate after taking into account such considerations as capital available to a companion Fund and a global Fund, the size of the transaction, portfolio diversification, investment guidelines, risk allocation, contractual prohibitions, the amount of the potential follow-on investing that may be required for such investment and the other portfolio investments of the companion Fund and such global Fund and the relation to the investment strategies of the vehicles, as well as portfolio balance.

Funds may pay varying management fees and carried interest at various stages in their timeline and based on the outcome of the investments it has made. The Firm may have an incentive to allocate more time, resources or investment opportunities to Funds that pay higher management fees and/or carried interest or for other reasons that may present conflicts of interest. The Firm's practice is generally to make investment decisions with respect to a particular portfolio company concurrently for all applicable Funds and co-investment vehicles. The Firm, however, may not be required to do this, subject to the terms of the applicable Funds' governing documents. Potential conflicts of interest associated with the allocation of investment opportunities are mitigated in that the Firm generally makes new investments for one Fund and, as applicable, one or more companion Funds at a given time and does not make investments for another Fund until the predecessor Fund is substantially fully invested or committed. A follow-on investment opportunity in a portfolio company is generally reserved for the Fund or Funds that originally invested in the portfolio company, subject to the guidelines and restrictions of the Fund's governing documents and/or approval of the applicable Fund Advisory Committees and various factors including the availability of capital in a Fund. During the transition period from a predecessor Fund to a

successor Fund, investment opportunities may be allocated among the two Funds (in addition to companion Funds) pursuant to guidelines and restrictions of the respective Fund's governing documents and/or as approved by the relevant Fund Advisory Committees and allocations of investments and fees and expenses associated with such investments may be appropriately made and adjusted based on such governing documents and/or approvals (see Item 11. Allocation of Investment Opportunities with Other Entities for additional information regarding the allocation of investment opportunities).

## Item 7. Types of Clients

We and our affiliates serve as advisers, sponsors, general partners and/or managers of the Funds. Our Funds, or "Clients", are generally pooled investment vehicles offered on the basis of a predetermined investment strategy rather than to meet the individual objectives of its investors. Interests in our Funds are privately offered to qualified investors from time to time. Investors in our Funds generally include state, city and corporate pension plans, financial and insurance institutions, sovereign wealth funds, foundations, endowments, certain of our employees and other individuals. Our Funds are not registered or required to be registered under the Investment Company Act of 1940.

When offered, the Funds typically require a minimum commitment from investors, which may differ from Fund to Fund depending on our view of the prevailing market terms at the time of the offering; however, we have discretion to accept a lower commitment amount.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Warburg Pincus' team of over 200 investment professionals, including 76 Managing Directors, is one of the largest private equity-focused investment teams in our industry.

The Firm focuses on thesis-driven investments in companies with accomplished management teams. Given the global nature of the Firm's investment activities and broad spectrum of stages in which we invest, the Firm will employ one or more of a broad variety of fundamental investment and market analyses, as appropriate, depending on the prospective opportunity.

### Growth-Oriented Investing

We emphasize growth-oriented investing and seek to build companies at all stages, from conceiving and creating venture capital opportunities, to providing growth capital to meet the needs of existing businesses, to investing in later-stage and buyout transactions, to special situations with unique characteristics.

Across the range of the Firm's investments, our aim is to build lasting companies that will perform well in growing industries. We seek to generate profits primarily from increasing operating earnings at our portfolio companies, rather than exclusively through financial engineering or multiple expansions, positioning the Fund for attractive long-term investment returns throughout economic and capital markets cycles. Warburg Pincus

is typically the largest or lead investor in our transactions, allowing for a focus on overall return with appropriate oversight of a portfolio company's business plan and strategy. The Firm typically plays an active role with the Funds' portfolio companies and generally seeks the right to designate Warburg Pincus employees, or other non-Warburg Pincus representatives with relevant skills or experience, to its portfolio companies' boards of directors.

Our view of growth investing also extends to a selective, disciplined approach to leveraged buyout situations, focusing on high-quality companies and management teams presenting opportunities for attractive returns, relative to risk, and unique platforms for organic growth, expansion or add-on acquisitions.

### Industry Specialization

Our Firm takes a specialized "sector" approach to investing in industries and companies. The core sectors we emphasize are: Energy; Financial Services; Healthcare & Consumer; Industrial & Business Services; and Technology/Media/Telecommunications, with numerous sub-sectors of specialization. We also may focus on real estate in certain regions where we believe real estate may represent an attractive investment opportunity.

We believe that this sector approach and the knowledge of our Firm's professionals in these sectors often provides us with advantages in sourcing, selecting or conceiving investment opportunities and realizing investments.

### A Global Investor

Warburg Pincus has a long tradition of investing internationally. The Firm is headquartered in New York with ten additional investment offices around the world in Beijing, Berlin, Hong Kong, Houston, London, Mumbai, San Francisco, São Paulo, Shanghai and Singapore. The Firm also has administrative offices in New York, Amsterdam, Luxembourg and Mauritius.

Our global approach includes a focus on investing in emerging markets, including China, India, Brazil and Central and Eastern Europe, as well as frontier markets, such as certain countries in Africa and Southeast Asia. We believe these regions are well-suited to the Firm's growth-oriented investing style and sector expertise.

### Investment Process & Monitoring

Our investment process begins with our pipeline of investment opportunities. Following an initial review of an investment opportunity, a deal team will be formed to undertake due diligence. This deal team will include investment professionals based upon a combination of the relevant industry and geographic expertise, as applicable. A member of our Executive Management Group will have oversight in the due diligence process.

The Warburg Pincus decision-making process is iterative and involves building conviction about a potential investment. A potential transaction is discussed regularly at the industry sector or geographic level, with the deal team receiving feedback over time. The Executive Management Group has the opportunity to provide relevant input at various times during the due diligence process. As a final step in the investment process, at least one of the two Co-Chief Executive Officers of our Firm must approve transactions above certain minimum thresholds.

Our investment professionals perform extensive due diligence in evaluating potential investments. Our processes and sector specialization also enable us to react quickly to special situations that may develop.

Beyond the due diligence process, we believe that much of the investment value is created by working with a portfolio company through the life of an investment. Because of the Firm's substantial experience with the issues faced by management teams of growth companies, its industry sector knowledge and its advisory network, professionals of the Firm are routinely involved with portfolio companies in broad strategic matters, assisting with finding key management personnel, identifying and evaluating acquisitions and other strategic decisions and financing issues, all with the objective to build and grow lasting companies that generate attractive returns for our Funds.

Investments are reviewed at least quarterly by our Executive Management Group and discussed at the Firm's regular quarterly review meetings.

#### *Risks Associated with the Firm's Investment Strategies and Methods*

##### *Risk of Loss*

The types of investments we seek to make involve a high degree of business and financial risk. Investors in a Fund should be aware that all investments in securities involve a risk of loss of capital that they should be prepared to bear. No guarantee or representation is made that a Fund will achieve its investment objective or avoid substantial losses. An investment in a Fund is speculative and involves certain considerations and risk factors.

Each Fund's offering memorandum may include additional applicable risks to those set out below, and not all of the risks set out below are necessarily applicable to every Fund.

##### *Business and Market Risks*

A Fund's investment portfolio will include securities issued by privately-held companies and operating results in a specified period will be difficult to predict. In addition, it is expected that a Fund's investment portfolio will include companies in an early stage of development, which may not have a proven operating history, may face competition from companies with greater resources and may require substantial additional capital to support their operations or to finance expansion. It is expected that a Fund's investment portfolio will also include securities issued by public companies and listed on exchanges in the U.S. or elsewhere, including, potentially, in each case, formerly privately-held portfolio companies that have consummated initial public offerings during a Fund's holding period. Public companies may be subject to public reporting requirements that could have a significant impact on the valuation of their shares on any given trading day. The foregoing investments involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions (including the global credit markets and exchange rates), and changes in laws, regulations, fiscal policies or political, diplomatic and socioeconomic conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks. The possibility of partial or total loss of capital will exist, and investors should not invest unless they can readily bear the consequences of such loss.

### *Lack of Diversification; Limited Number of Investments*

While Warburg Pincus has historically sought to balance domestic and international investments in its global Funds across its core industry sectors and across all stages of company development, there is no assurance as to the degree of diversification that will actually be achieved in a Fund's investments. The Firm's sector and geographic-focused companion funds may offer less diversification than the Firm's global funds. Furthermore, a Fund may ultimately make only a limited number of investments, and accordingly, the performance of one or more substantial investments may have a significant impact on the overall performance of a Fund. To the extent that a Fund concentrates its investments in a particular issuer, industry, asset type or location, its investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto.

### *Changes in Investment Focus*

Other than in the case of industry-focused companion funds, Funds are generally not restricted in terms of the percentage of their capital that can be invested in a particular industry, but may be restricted as to the percentage of their capital that may be invested in a single portfolio company, or (other than in the case of geographic-focused companion funds) as to geographic concentration. Many factors may contribute to changes in emphasis in the construction of a Fund's portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries and investment opportunities that Warburg Pincus believes may be available at attractive prices. There can be no assurance that the investment portfolio of a Fund will resemble the portfolio of any prior Fund.

### *Reliance on Portfolio Company Management*

The day-to-day operations of each portfolio company will be the responsibility of such portfolio company's management team. Although Warburg Pincus will be responsible for monitoring the performance of each investment and a Fund will seek to invest in companies operated by (or otherwise put in place) strong management teams, there can be no assurance that a portfolio company's existing management team, or any successor team, will be able to operate such company in accordance with a Fund's expectations. In addition, a Fund may not be the controlling shareholder in a portfolio company or represent a majority of its Board of Directors, and thus may exert less influence than a controlling shareholder.

### *Risks Relating to Due Diligence of and Conduct at Portfolio Companies*

Before making investments, Warburg Pincus will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and Warburg Pincus may rely on the advice received from such third parties.

There can be no assurance that Warburg Pincus or such third parties will be able to detect or prevent irregular accounting, employee misconduct, corruption or fraudulent practices during the due diligence and negotiation

phase or in its efforts to monitor the investment on an ongoing basis, or that any risk management procedures implemented on behalf of a Fund will be adequate. An additional concern is the possibility of material misrepresentation or omission on the part of the portfolio company or the seller of any portfolio investment. Such inaccuracy or incompleteness may adversely affect the value of a Fund's investments in such portfolio company and the terms of acquiring such vehicle may limit recourse, or such recourse may be unavailable due to local laws or the solvency of the seller. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return of invested capital. Conduct occurring at portfolio companies or assets, even activities that occurred prior to a Fund's investment therein, could have an adverse impact on a Fund or such investment.

#### *Lack of Liquidity of Investments*

Many, or even most, of the investments to be made by a Fund are likely to be illiquid. Illiquidity may result from the absence of an established market for the investments, limited trading volume relative to a Fund's ownership, in the case of public equities, as well as legal, contractual, regulatory or other restrictions on the resale of investments by a Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Investments in the assets of publicly-traded companies held by a Fund may also be subject to legal, regulatory, practical, applicable company policy, contractual or other restrictions on resale, including the possibility that a Fund will be in possession of material non-public information about a company, as well as statutory volume limitations. In addition, the ability to exit an investment through the public markets (and the terms of such exit) will depend on market conditions, and particularly the market for public offerings.

A Fund's investment program should be considered speculative, as there can be no assurance that the assessments of Warburg Pincus of the short-term or long-term prospects of investments will generate a profit for investors. A Fund is only obligated to make distributions to the extent of distributable cash, if any, and may, in limited circumstances as set out in the Fund's governing documents, reserve or reinvest certain proceeds from investments, rather than distribute them to investors.

#### *Lack of Sufficient Investment Opportunities*

The business of identifying, completing, structuring and realizing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund may never be fully invested if enough sufficiently attractive investments are not identified. However, Fund investors will be required to pay management fees for an extended period of time based partially on the entire amount of their respective commitments, even if a Fund is never fully invested.

The availability of investments generally will be subject to market conditions, including perceptions of Warburg Pincus' ability to consummate transactions. In particular, in light of changes in such conditions certain types of investments may not be available to a Fund on terms that are attractive. Moreover, Warburg Pincus

expects competition among private equity firms and financial investors to potentially increase, and that such increased competition may produce more bidders and more competitive bids for companies and assets and may reduce the investment opportunities available to a Fund. A Fund may be competing for investments with many other private equity and hedge fund investors, as well as companies, governments, public equity market participants, individuals, financial institutions, family offices, sovereign wealth funds and other investors that may invest directly or alongside other private equity sponsors. Additional investment funds with similar objectives as a Fund may be formed in the future by other related or unrelated parties. Some of these competitors may have more relevant experience, greater financial resources and/or purchasing power, greater negotiating power, a greater willingness to take on risk, a lower cost of capital and/or more personnel or more local resources than Warburg Pincus and its affiliates. Further, there continues to be a significant amount of equity capital available for investment by such other investors. In such an environment, the sourcing and execution of transactions for a Fund, whether on a proprietary basis or otherwise, become more challenging and there is no guarantee that investments meeting a Fund's investment criteria will be available to such Fund or that such Fund will be able to fully invest its committed capital. To the extent that a Fund encounters competition for investments, returns to Limited Partners may decrease, including as a result of higher pricing, forgoing opportunities, or negotiating fewer transactional protections in order to remain competitive. Additionally, a Fund may incur bid, due diligence, negotiating, consulting or other costs on investments that may not be successful, and may bear such costs on behalf of potential co-investors. As a result, a Fund may not recover all of its costs, which would adversely affect returns. Economic turmoil, governmental intervention and regulations on foreign investment may also limit the availability of investment opportunities to a Fund. Moreover, certain investment opportunities may depend upon Warburg Pincus' ability to enter into satisfactory relationships with joint venture, co-invest or operating partners or receive approval from third parties who have greater control over critical aspects of contractual relationships. There can be no assurance that Warburg Pincus will be able to enter into or continue any such relationships, including because of the factors above.

#### *Allocation of Investment Opportunities with Other Entities and Conflicting Fiduciary Duties to Other Entities*

The allocation of investment opportunities as between a global Fund, a companion Fund, if applicable, and any other Fund are subject to guidelines and restrictions set forth in each Fund's governing documents and as described further under Item 11. Allocation of Investment Opportunities with Other Entities. Allocation determinations and the discretion to vary allocations based on various factors may result in the allocation of all, none or a greater or less than optimal portion of certain investment opportunities to a Fund, which could adversely affect the Fund's performance to the extent that the Fund receives a large allocation of an investment that ultimately underperforms, or is not allocated as much of an investment that ultimately is successful, and either scenario could adversely affect the Fund's performance. Subject to the terms of the applicable Fund's governing documents, Warburg Pincus will allocate any such opportunities among the applicable funds as it determines in good faith is appropriate, taking into consideration such factors as capital available to a companion Fund and a global Fund, the size of the proposed investment, portfolio diversification, investment guidelines, risk allocation, contractual prohibitions, the amount of the potential follow-on investing anticipated to be required for such investment and the other portfolio investments of the companion Fund and such global Fund and the relation to the investment strategies of the vehicles, as well as portfolio balance.



## *Valuation*

Other than the valuation of marketable securities to be distributed in kind based on publicly quoted trading prices, valuations of a Fund's assets shall generally be based on fair value determined by Warburg Pincus in accordance with generally accepted accounting principles, subject to the approval by the Valuation Committee (a subcommittee of the respective Fund's Advisory Committee) of Warburg Pincus' valuations or the valuation policies and procedures. When determining fair value, Warburg Pincus will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ materially from values that would have been determined had an active market existed for such securities and may differ materially from the prices at which such securities ultimately may be sold.

## *Monetary Policy and Governmental Intervention Affecting the Broader Investment Climate*

Actions by the Board of Governors of the U.S. Federal Reserve System (the "Federal Reserve") and certain non-U.S. central banks, including changes in policies and taking other actions to stabilize markets, combat inflation and/or encourage economic growth, may have a significant effect on interest rates, inflation and on the U.S. and world economies generally, which in turn may affect the performance of a Fund's investments on an absolute and/or relative basis. To the extent the Federal Reserve takes actions to increase interest rates, the ability for a Fund and its investments to borrow on attractive terms may be adversely affected. Rising rates in countries in which a Fund might invest could increase borrowing costs for portfolio companies located in such countries. A Fund may as a result also be required to invest additional equity into portfolio companies, raising the costs to a Fund of acquiring businesses and/or limiting the diversity of the overall portfolio. Such events could also put pressure on asset and equities prices, which in turn could affect the performance of a Fund and the companies in which it invests. Conversely, a Fund may choose to keep less cash or reserves on hand which could result in a greater frequency of capital calls from limited partners and/or greater reliance on borrowing, along with related costs. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the 2008 global financial crisis have not been fully realized in all cases and therefore the ultimate effects thereof are difficult to predict or measure with certainty.

In response to interagency guidance on leveraged lending by the Federal Reserve, the Office of the Comptroller of the Currency in the U.S. and the U.S. Federal Deposit Insurance Corporation intended to curtail certain leveraged lending to market participants such as private equity firms in connection with their investment activities, although many believe that this policy will not be implemented in the U.S. under the current presidential administration. Nonetheless, if leveraged lending is curtailed then private equity funds may need to finance portfolio investments with a greater proportion of equity relative to prior periods and the terms of debt financing may be less flexible or advantageous for borrowers compared to prior periods. Changes in policy of this type may impair a Fund's ability to consummate transactions and/or cause a Fund to seek alternative capital sources and/or to enter into transactions on less favorable terms, including both acquisitions and exits as borrowings may be limited or certain loan terms may no longer be available to potential buyers.



### *Non-U.S. Investments Generally*

A Fund may, subject to the terms of the applicable Fund's governing documents, invest in the securities of issuers and other assets located outside of the U.S. Additionally, certain of the Funds that are geographic-focused companion funds are expected to make substantially all of its investments in the securities of issues and other assets located outside of the U.S. Non-U.S. investments involve certain factors not typically associated with investing in the U.S., including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which a Fund's foreign investments are denominated, and costs associated with conversion of investment capital and income from one currency into another and/or the repatriation of capital from such jurisdictions; (ii) inflation matters, including rapid fluctuations in inflation rates; (iii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and the potential of less government supervision and regulation; (iv) economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; (v) the possible imposition of foreign taxes on income and gains recognized with respect to such securities and (vi) the current U.S. presidential administration's possible imposition of restrictions on and/or heightened regulatory burdens with respect to non-U.S. investments. Any such restrictions could substantially limit the ability of a Fund to make investments, and as a result, may negatively affect the performance of a Fund. In addition, laws and regulations of foreign countries may impose restrictions that would not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S. Foreign countries also may impose taxes on a Fund and/or the investors of a Fund. Warburg Pincus will analyze risks in the applicable foreign countries before making such investments, but no assurance can be given that a change in political or economic climate, or particular legal or regulatory risks, including changes in regulations regarding foreign ownership of assets or repatriation of funds or changes in taxation will not adversely affect a Fund, investors or an investment by a Fund.

### *Investments in Emerging Markets*

A Fund may, subject to the terms of the applicable Fund's governing documents, invest in securities of issuers located in emerging markets, such as China, India, various Latin American Countries and some emerging countries in Central and Eastern Europe, as well as investments in certain frontier markets such as certain countries in Africa and Southeast Asia. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other, more established economies or markets. Such risks may include, among others, to varying degrees based on the particular country (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty, including conflict or social unrest; (iii) greater governmental involvement in, and control over, the economy; (iv) governmental decisions to cease support of economic reform programs or to impose central planning of the economy; (v) less extensive regulation of financial and other markets; (vi) greater regulatory uncertainty; (vii) greater volatility, less liquidity and smaller capitalization of markets; (viii) greater volatility and greater governmental involvement in monetary policy and currency exchange rates; (ix) greater risk of inflation; (x) higher dependence on exports and the corresponding importance of international trade; (xi) greater

controls on foreign investment and limitations on the realization of investments, repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (xii) less developed corporate laws, including greater uncertainty regarding the extent of the duties of officers and directors, the limitations of their liabilities and the protection of investors; (xiii) longer settlement periods for transactions and less reliable clearance and custody arrangements; (xiv) maintenance of a Fund's investments (as well as cash pending investment consummation or distribution) with non-U.S. brokers and securities depositories that may be subject to fewer regulations in terms of segregation of cash and assets and adequate capitalization; (xv) risks associated with differing cultural expectations and norms regarding business practices, gifts and hospitality; (xvi) less developed compliance infrastructure and less availability of qualified personnel with experience in compliance and risk management; (xvii) differences in auditing and financial reporting standards, which may result in the unavailability of material information about portfolio companies; (xviii) less developed, reliable or independent judicial systems for the enforcement of contracts or claims; (xix) threats or incidents of corruption or fraud; (xx) less developed cybersecurity and technology infrastructure and greater risk of misappropriation of intellectual property and/or personal information; and (xxi) national security-related investment clearance regimes that may cause a Fund not to pursue certain investments, or to alter certain activities, liquidate certain portfolio investments or liquidate such investments prior to or after the time when Warburg Pincus would otherwise choose to liquidate to achieve optimal returns, all of which may cause losses or have other negative impacts on a Fund or its portfolio investments.

Repatriation of investment income, assets and the proceeds of sales by foreign investors, such as a Fund, may require governmental registration and/or approval in some emerging or frontier markets. A Fund could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging market countries on interest or dividends paid on financial instruments held by the Fund or gains from the disposition of such financial instruments and other assets.

In emerging markets, there can be less government supervision of or a less predictable application of regulations towards business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision that is in place may be subject to manipulation or control. Many emerging market countries do not have mature legal or regulatory systems comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not proceed at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among tribal, local, regional and national requirements or authorities. In certain cases, the laws and regulations governing investments in securities and/or assets may not exist or may be subject to inconsistent or arbitrary application or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in some countries. A Fund may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts.

Certain of the markets in which Warburg Pincus may invest are frontier markets that are subject to many of the same risks as investments in emerging markets, as well as heightened or additional risks, including political instability, conflict and corruption. Investments may be made in territories where border disputes exist, making

the legal, political and security climate uncertain, and there can be no assurances that such potential instability will ease. Transactions in such regions may depend upon accessing appropriate and reputable intermediaries. Despite a growing trend toward democratic processes, some frontier economies are in countries with a history of military conflict and corruption. If such activities were to recur, they could reverse favorable trends toward economic and market reform, privatization and the removal of trade barriers, and result in significant disruptions in markets.

### *Investments in Brazil*

Investments in Brazil involve a high degree of risk and special considerations not typically associated with investing in more developed and stable environments, including, but not limited to, those set forth below. The overall value of any portfolio investments in Brazil will be affected by Brazil's distinctive economic, political and regulatory environment, including, without limitation, interest rate levels, inflation, the availability of financing in local markets, as well as changes to the legal environment.

The Brazilian economy has been characterized by government intervention, including drastic intervention in certain circumstances, which has often changed monetary, credit, tax and other policies to influence Brazil's economy. The Brazilian government's actions to control inflation and affect other policies have often involved the determination of minimum wages and price controls in certain industries, fluctuation of the Central Bank of Brazil's base interest rates and modifications of the taxation of foreign investments. Actions taken by the Brazilian government concerning the economy may have important effects on Brazilian entities and investment vehicles, including local private equity funds (Fundos de Investimento em Participações ("FIP")), and on market conditions and prices of Brazilian securities, including those that may be held by a Fund. For example, in the past, the Brazilian government maintained price controls, and Warburg Pincus cannot assure investors that price controls will not be reimposed in the future. A Fund's investments in Brazil may also be materially and adversely affected by the following factors and the Brazilian government's actions in response to them: devaluations and other exchange rate movements; monetary policies; inflation rates; economic and social instability; interest rates; exchange controls and certain taxes levied on remittances abroad, for which rates may vary from time to time; liquidity of the domestic capital and lending markets; tax policy; commodity price instability and other political, diplomatic, social and economic policies or developments in or affecting Brazil. The operation and cash flows of any portfolio investment may depend, in some cases to a significant extent, upon prevailing or improving market prices for energy commodities (such as oil, gas, coal and power). Market prices of these energy commodities as well as other inputs may fluctuate materially depending on a variety of factors beyond the control of Warburg Pincus or a Fund.

Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil. Historically, the political scenario in Brazil has influenced the performance of the Brazilian economy; in particular, political crises have affected the confidence of investors and the public in general, which adversely affected the economic development in Brazil. These and other future developments in the Brazilian economy and governmental policies may adversely affect a Fund.

A Fund may invest in Brazilian portfolio investments substantially through one or more FIPs, directly or indirectly, which may pose certain risks to such Fund and its limited partners. Any FIP will be regulated by

Brazilian law and will be subject to changes of such laws. There can be no assurances that such laws will not change in a manner adverse to a Fund and/or its limited partners. In addition, a FIP will be governed by its bylaws, which may be amended by its investors.

The ability of a Fund to obtain favorable tax treatment on its investments in Brazil depends on the ability of an investment structure to comply with all of a FIP's tax benefit requirements. No assurance can be given that the FIP tax benefit requirements will be met generally or at any particular time, and that such requirements will not be modified. If the FIP tax benefit requirements are not met, or if there are changes in Brazilian tax laws, a Fund could be subject to significantly more tax in Brazil, which could result in significantly lower returns for investors.

### *Investments in China*

Investing in China involves certain risks not typically associated with investments in other countries or more developed markets, including but not limited to the risks summarized below. The economy of China may perform favorably or unfavorably compared with other economies in such respects as growth of gross domestic product, rate of inflation, currency controls, currency appreciation or depreciation, capital reinvestment, resource self-sufficiency and balance of payments. The economy of China is generally heavily dependent upon international trade and, accordingly, may be affected adversely by global geopolitical influences, including protective trade barriers, nationalist policies and sentiment, and economic conditions in the countries with which it trades. Further, the current U.S. presidential administration has announced the withdrawal of the U.S. from certain proposed trade agreements, like the Trans-Pacific Partnership, has supported greater restrictions on trade generally and has implemented significant increases on tariffs on goods imported into the U.S., with particular impacts on goods imported from China. The economy of China is also vulnerable to weaknesses in world prices for its commodity exports. Such risks cannot be eliminated entirely, and may in any case be beyond the control of Warburg Pincus.

China's economic reform program, which started in the late 1970s, has led to rapid economic development and substantial improvements in the standard of living. However, there can be no assurance that these reform-oriented economic policies will continue with the current and future political leaderships of China. Such reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of China. In addition, despite China's ongoing transition from a rigidly central-planned state-run economy to an economy that has been partially reformed by more market-oriented policies, the Chinese government continues to own, directly or indirectly, a substantial portion of China's productive assets and continues to play a significant role in regulating development through industrial policies, taxation, allocating resources, regulating payments of foreign currency obligations, imposing credit policies on commercial banks, setting monetary policy and currency exchange rates, and providing preferential treatment to particular industries or companies. Recently, there have been signals of change regarding such market-oriented policies, which some observers have interpreted as indicating that China may be moving away from reforms and instead towards stronger state control of the economy. Moreover, there has been a recent trend of the Chinese government taking over companies that are unable to repay their debts.

While the Chinese economy has experienced extraordinarily rapid growth in the past three decades, this growth has been uneven, both geographically and across various sectors of the economy, and recently this growth rate

has slowed to its slowest pace since the global financial crisis. China's slowing economic growth could indicate chronic issues in its economy, including excessive debt, weak industrial output, concerns about a real estate bubble, a weakening currency, an uncompetitive business environment, and geopolitical instability. Particularly, the current U.S. presidential administration's implementation of tariffs on Chinese goods, the two countries' divergent monetary policies, increasing tension between the U.S. and China, and the psychological impact of a potential trade war could cause China's economy to move into an environment where such growth continues to slow. Any further increase in tension could have a negative impact on the Chinese economy, imperil relations amongst other countries, escalate geopolitical instability and adversely impact a Fund's investments. China's debt also has increased significantly since the global financial crisis. Moreover, debt at the local government level is frequently written down by the Chinese government and China has faced resistance over debt associated with its investments in infrastructure projects in other countries. While the Chinese government has implemented various measures to promote economic development, though and to reduce the debt, some of these initiatives may have a negative effect on a Fund's portfolio companies (e.g., by resulting in higher refinancing and default risk) and could result in a further loss of momentum in the Chinese economy. Further, a slowdown in the economies of the U.S., the European Union ("EU") and certain countries in Asia may adversely affect the economic growth in China, which is to some extent dependent on exports to those countries. It is also possible that during the term of a Fund, China could experience a recession, generally defined as two or more consecutive quarters of contraction of gross domestic product. Recently, the Chinese stock market dropped to a four-year low and there has been a wave of forced selling by leveraged investors. There has also been an increase in the so-called "collateralization" of shares by individuals to borrow money, while at the same time, the value of the stock market has gone down. The recent volatility in the Chinese stock markets reflects the unpredictability of the economy in China, and may indicate a lack of confidence in the economy the overextension of firms or their inability to pay off their debts. It is uncertain whether such volatility will continue and have a significant and lasting impact on the portfolio companies in which a Fund will invest. Such volatility has prompted the Chinese government to implement a number of policies and restrictions with regards to the securities markets. For instance, the Chinese government implemented a temporary moratorium on the sale of certain securities, subject to certain conditions. While these actions are aimed at maintaining growth and stability in the stock market, a Fund may be negatively affected by, among other things, disruptions in the ability to sell securities when most advantageous given market conditions. Additionally, China continues to limit direct foreign investments generally in industries deemed important to national interests. Foreign investment in domestic securities is also subject to substantial restrictions. It is not clear what the long-term effects of these policies will be on the securities market in China or whether additional actions by the Chinese government will occur in the future. Reform-oriented policies may or may not be reversed, suspended or delayed over time. Warburg Pincus will seek to manage each Fund in a manner designed to mitigate these risks relative to the potential for gain, but such risks cannot be eliminated entirely, and may in any case be beyond the control of a Fund. These risks, some of which are set out below, may increase expenses of a Fund, adversely affect the value of a Fund's investments and returns, and adversely impact a Fund's investment program and strategy.

China is considered to be a country with an emerging economy and has in the past and may in the future experience significant political, economic and social instability, which could adversely affect investments. A Fund will also be exposed to the direct and indirect consequences of potential political, social and diplomatic changes in China.

China has adopted a broad range of laws, administrative rules and regulations that govern the conduct and operations of companies in China that receive capital investments from foreign investors (known as “Foreign Investment Enterprises” or “FIEs”). These laws, rules and regulations provide incentives to encourage the flow of investment into China, but they also subject FIEs to a set of restrictions that may not apply to domestic companies in China. For example, FIEs are prohibited from participating in certain industries and may only participate in certain other industries if they are at least partially owned by domestic Chinese investors. The rules and regulations prohibiting or restricting FIE participation in certain industries in China are codified in the Catalogue of Industries for Guiding Foreign Investment (“FIC”) and Special Administrative Measures (Negative List) for the Access of Foreign Investment (the “Negative List”), which are administered by the China National Development and Reform Commission and its local affiliates, the Ministry of Commerce and its local affiliates (“MOFCOM”), as well as other related agencies. There can be no assurance that laws or regulations in China will not restrict a Fund’s ability to invest in China.

Foreign investors who wish to purchase or dispose of equity interests in FIEs must secure approval or de facto approval from MOFCOM or complete a pre-transaction or post-transaction filing with MOFCOM, or with a government agency otherwise delegated with similar authority by MOFCOM, depending on the industry of the company. MOFCOM may not grant such approval for certain industries such as telecommunications, banking, natural resources and other industries in the restricted or prohibited category as stipulated in the FIC or the Negative List. A Fund may be required to apply for China government approvals or other endorsement that are de facto approvals, filings and/or registrations with respect to its purchase and/or disposal of any portfolio investment that consists of a direct equity investment in a Chinese company, and there is no guarantee that a Fund will be able to obtain such approvals, filings or registrations, which included without limitation, filings and registrations with the relevant enterprise registration authorities. Moreover, even when an approval, filing or registration is forthcoming, the time and process required to secure such approval, filing or registration may be largely determined by MOFCOM and other government authorities based on considerations outside of a Fund’s control. Current laws and regulations provide MOFCOM and other regulators with significant discretion to delay or restrict foreign investment for broad public policy reasons. Further, MOFCOM and certain other authorities have the power to require that the terms of an investment be altered as a precondition to approval, filing or registration. Altered terms can include the amount of ownership granted, as well as governance and liquidity rights.

Notwithstanding the fact that foreign investors’ investment in or acquisition of domestic companies in the “permitted” and “encouraged” industries are subject to pre-transaction or post-transaction filings instead of the prior approval process, the MOFCOM, under the China Provisions on the Acquisition of Domestic Enterprises by Foreign Investors enacted in 2006, as further amended in 2009 (the “M&A Provisions”), still has broad authority to prohibit acquisitions where a foreign investor would acquire actual control of any domestic enterprise which operates in certain key industry sectors, has or may have undue influence over China’s economic security, or causes a change in control of a well-known brand or trademark. Warburg Pincus cannot predict how MOFCOM and other regulators in China will apply their authority under the M&A Provisions and other relevant regulations to investments proposed by a Fund. Although the M&A Provisions generally provide that MOFCOM will respond to approval applications within 30 days, in practice China regulatory authorities may have discretion to extend the review period for a variety of reasons. Delay or refusal by MOFCOM or other authorities to grant necessary approvals, filings or registrations that may amount to de facto approvals



could adversely affect a Fund's ability to make direct investments in potential portfolio companies. In addition, the process of securing necessary approvals, filings or registrations for the purchase or disposal of portfolio companies may result in a level of expenses to a Fund which exceeds the level of expenses necessary to make investments of a similar nature in other jurisdictions. Such additional expenses would have an impact on the results of such portfolio investments, as well as a Fund.

Actions of the Chinese government in the future could have a significant effect on private sector and state-owned companies and the prices and yields of investments. In addition, other matters such as exchange control regulations and taxation could adversely affect the assets of a Fund, and a Fund may also face difficult registration procedures when making or disposing of investments, and, as a foreign investor, may be subject to legal or regulatory constraints or prejudices that do not affect local investors. There can be no assurance as to the economic and tax policies that the Chinese government may pursue in the future.

#### *Investments in India*

Investing in India involves certain risks not typically associated with investments in other countries or more developed markets including risks associated with: (i) fluctuating currency and governmental interventions related thereto; (ii) less developed / sophisticated securities markets; (iii) different accounting, auditing and disclosure standards; (iv) unusual regulatory burdens; and (v) different legal protections for investors and in particular non-resident Indian investors.

Foreign investment in securities of Indian companies is restricted or controlled to varying degrees. These restrictions may at times limit or preclude foreign investment, increase the costs and expenses of investments by a Fund in Indian companies and may require the approval of the Reserve Bank of India ("RBI"), the Government of India (through the Foreign Investment Promotion Board) and/or other governmental entities. The sale of securities by a Fund to Indian residents and other non-residents of India may also require the prior approval of government entities and the RBI. In addition, such approval will generally be required to convert the proceeds from the sale of portfolio investments from the currency of investment to U.S. dollars and to repatriate such amounts. While in some instances such approvals are routinely granted, in others approval may be more difficult to obtain and may be granted only subject to certain conditions, if at all. There can be no assurance that a Fund will be able to obtain all the approvals necessary to implement its investment program fully.

Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of Indian companies. These provisions may discourage or prevent a third party from acquiring control of an Indian company, even if a change in control would result in the purchase of equity shares of such company that would be beneficial to a Fund. In addition, foreign investment in Indian companies is subject to certain minimum valuation and pricing guidelines. Such minimum valuation and pricing guidelines may restrict the ability of a Fund to make investments in Indian companies at attractive values. RBI has also prescribed certain maximum valuation and pricing guidelines for persons and corporations resident outside India that sell shares of Indian companies to resident Indian persons and corporations. Such maximum valuation and pricing guidelines may restrict the ability of a Fund to sell its investments in Indian companies at a higher valuation than may be available in the absence of the aforesaid restrictions prescribed by the RBI.

### *Economic Sanctions Laws*

Economic sanctions laws in the United States and other jurisdictions may prohibit or otherwise restrict Warburg Pincus, its professionals, a Fund and its portfolio companies from engaging in transactions in or relating to certain countries and relating to certain individuals and entities. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), U.S. Department of Commerce, and U.S. Department of State administer and enforce laws, Executive Orders and regulations establishing U.S. economic and trade sanctions and export controls. Such sanctions prohibit, among other things, transactions with, and the provision of services or certain goods to, certain foreign countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at [www.treas.gov/ofac](http://www.treas.gov/ofac). In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may significantly restrict a Fund's investment activities in certain countries. The laws, regulations and sanctions discussed above could cause a Fund to forgo transactions that may violate such laws, regulations and sanctions, require the sale of part or all of certain investments on a timeline or in a manner deemed undesirable by Warburg Pincus or limit the ability of one or more portfolio companies to conduct their intended business in whole or in part. The economic sanctions, data privacy and related laws of different jurisdictions in which a Fund and its portfolio companies operate also may conflict with one another, such that compliance with all applicable laws may be difficult.

Certain companies are required to implement various applicable anti-money laundering and/or anti-terrorism laws, rules or regulations of the United States or other jurisdictions and other related screening requirements. In addition, risks of sanctions violations in the banking industry are elevated, and OFAC has taken significant actions in response to U.S. and non-U.S. financial institutions' failures to comply with OFAC sanctions. The implementation of policies and procedures to ensure compliance with such laws, rules or regulations can give rise to considerable expenses. Further, such policies and procedures cannot guarantee compliance and any material failure by a Fund or its portfolio investments to comply with OFAC, the U.S. Patriot Act and the U.S. Bank Secrecy Act and other similar anti-money laundering or anti-terrorism restrictions or in connection with any investigation relating thereto could result in significant fines or penalties. Such expenses, fines or penalties could have a material adverse effect on a Fund and/or its portfolio companies, and violations may give rise to negative legal and reputational consequences.

### *Industry Sector Risks*

*Energy.* Investments in the energy or energy services sector by a Fund may be subject to a variety of risks including, but not limited to: (i) the risk that the technology employed in an energy project will not be effective or efficient; (ii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry, including recent efforts by states and federal governmental agencies to regulate or limit modern completion or hydraulic fracturing; (iii) environmental liability risks related to energy properties and projects; (iv) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases



or escalations in power contract or fuel contract prices, bankruptcy of key customers or suppliers, tort liability in excess of insurance coverage (if any), inability to obtain desirable amounts of insurance at economic rates and acts of God or other catastrophes; and (v) the risk of changes in values of companies in the energy sector whose operations are affected by changes in prices and supplies of energy fuels (as demonstrated by recent downturns in energy and oil prices, prices and supplies of energy fuels can fluctuate significantly over a short period of time due to changes in international politics, political instability, armed conflicts, energy conservation, the success of exploration projects, the tax and other regulatory policies of various governments and the economic growth of countries that are large consumers of energy, as well as other factors). Moreover, a Fund may make investments in energy companies operating outside of North America and Western Europe. Significant oil and gas deposits are located in emerging markets countries where corruption and security may raise significant risks, in addition to the other risks of investing in emerging markets. In addition, the Middle East, where a Fund's portfolio companies may operate, continues to see widespread social unrest. Additionally, investments in the energy and energy services sectors are subject to force majeure and other catastrophic events, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects.

Individual asset investments in the energy industry generally and other related industries tend to be large due to the general nature and size of facilities and assets, including power plants, transmission lines, storage or distribution properties and related facilities and assets. The values for these assets can range significantly, and a Fund may acquire portfolios of assets that are not easily separated into individual asset acquisitions or dispositions. There are limited pools of capital available in the sector that can make such sizeable investments and limited numbers of market participants. As a result, a Fund may have to pursue alternative investment exit strategies that may not be typical of private equity funds in order to generate liquidity from certain of its investments, and there can be no assurance that such Fund will be able to dispose of certain of its investments on favorable terms, in a timely manner or at all.

*Financial Services.* Financial services companies often have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political conditions, broad trends in business and finance, legislation and regulation affecting the local, national and international business and financial communities (including, e.g., the Dodd-Frank Act, the rules and procedures governing global bank capital standards introduced by the Basel Committee to strengthen regulatory capital, liquidity and other requirements for banks, known as "Basel III", and the European Union directive 2009/138/EC known as "Solvency II"), monetary and fiscal policies, interest rates, inflation, currency values, market conditions, the availability and cost of short-term or long-term funding and capital, the credit capacity or perceived creditworthiness of customers and counterparties, and the level and volatility of trading markets. Such factors can affect customers and counterparties of financial services companies and may affect the value of financial instruments held by financial services companies. Fluctuations in interest rates, which affect the value of assets and the cost of funding liabilities, are not predictable or controllable and may affect economic activity in various regions.

The profitability of the investments in financial services companies may be adversely affected by a worsening of general economic conditions in domestic and international markets and by monetary, fiscal or other policies

that are adopted by various governmental authorities and international bodies. Monetary policies have had, and will continue to have, significant effects on the operations and results of financial services companies. There can be no assurance that a particular financial services company will not experience a material adverse effect on its net interest income in a changing interest rate environment. Factors such as the liquidity of the global financial markets, the level and volatility of prices of financial instruments, investor sentiment and the availability and cost of credit may significantly affect the activity levels of customers with respect to size, number and timing of transactions. A change in all or any of these factors could lead to a decline in the volume of transactions that financial services companies execute for their customers and thus lead to a decline in revenues from fees, commissions and spreads. In particular, the brokerage and investment management industry can be significantly affected by changes in regulations, brokerage commission structure, and a competitive environment combined with the high operating leverage inherent in companies in this sector. The performance of companies in this industry can be closely tied to the stock and bond markets and can suffer during market declines and revenues can depend on overall market activity.

A Fund may also make investments in financial technology (“FinTech”) companies. Such companies may have limited product lines, markets, financial resources or personnel. The FinTech industry is challenged by various factors, including rapidly changing market conditions and/or participants, new competing products, services and/or improvements in existing products. Additionally, many FinTech activities in North America and Developed Europe are regulated with varying levels of requirements that often are subject to inconsistent judicial interpretations. These requirements include consumer protections (such as disclosure requirements and usury), licensing (such as non-bank lending and debt collection) and supervision (in particular banking and insurance). While Dodd-Frank clarified certain pre-emption issues, there often is a tension between these state regulatory regimes and Federal regulation. A Fund’s portfolio companies in this industry will compete in this volatile environment. There is no assurance that products or services sold by these portfolio companies will not be rendered obsolete or adversely affected by competing products and services or that these portfolio companies will not be adversely affected by other challenges, including the changing regulatory environment. Instability, fluctuations or an overall decline within the technology industry may not be offset by increases in other industries not so affected. FinTech oriented companies are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

Financial Services investing is competitive, and competitive conditions in the industry may continue to intensify. Merger activities in Financial Services have resulted in larger institutions with greater financial and other resources that are capable of offering a wider array of financial products and services. Financial Services has become considerably more concentrated as numerous financial institutions have been acquired by or merged into other institutions. In addition, technological advances and the growth of e-commerce have made it possible for non-financial institutions to offer competing products and services that have been traditionally offered by Financial Services institutions. It is expected that cross-industry competition will continue to grow. As a result, the competitive position of the Financial Services opportunities in which a Fund may invest could be weakened, which could adversely affect such Fund.

*Healthcare & Consumer.* Healthcare and life sciences related companies are generally subject to greater governmental regulation than most other industries at the U.S. state and federal levels and internationally. In recent years both local and national governmental budgets have come under pressure to reduce spending and

control healthcare costs, which could both adversely affect regulatory processes and public funding available for healthcare products, services and facilities. In 2010, comprehensive healthcare reform legislation was enacted in the United States through the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or PPACA (collectively, the “Health Care Reform Act”). These laws are intended to increase health insurance coverage through individual and employer mandates, subsidies offered to lower income individuals, tax credits available to smaller employers and broadening of Medicaid eligibility. While one intent of healthcare reform is to expand health insurance coverage to more individuals, it may also involve additional regulatory mandates and other measures designed to constrain medical costs, including coverage and reimbursement for healthcare services. The Health Care Reform Act has had a significant impact on the healthcare sector in the U.S. and consequently has the ability to affect the companies within the healthcare industry, although it may also be the subject of significant modification or repeal under the Trump administration. The ultimate effects of federal healthcare reform or any future legislation or regulation, or healthcare initiatives, if any, on the healthcare sector, whether implemented at the federal or state level or internationally, cannot be predicted with certainty and such reform, legislation, regulation or initiatives, including the Health Care Reform Act may adversely affect the performance of a Fund’s investments.

Changes in governmental policies may have a material effect on the demand for or costs of certain healthcare and life sciences products and services. A healthcare or life sciences related company may require government approval before introducing new drugs and medical devices or procedures. This process may delay the introduction of these products and services to the marketplace, resulting in increased development costs, delayed cost recovery and loss of competitive advantage to the extent that rival companies have developed competing products or procedures, adversely affecting the company’s revenues and profitability. Failure to obtain governmental approval of a key drug or device or other regulatory action could have a material adverse effect on the business of a portfolio company. Additionally, expansion of facilities by healthcare-related providers is subject to “determinations of need” by the appropriate government authorities. This process not only increases the time and cost involved in these expansions, but also makes expansion plans uncertain, limiting the revenue and profitability growth potential of healthcare related facilities operators and negatively affecting the price of their securities. Additionally, certain healthcare and life sciences related companies depend on the exclusive rights or patents for the products they develop and distribute. Patents have a limited duration and, upon expiration, other companies may market substantially similar “generic” products that are typically sold at a lower price than the patented product, causing the original developer of the product to lose market share and/or reduce the price charged for the product, resulting in lower profits for the original developer. As a result, the expiration of patents may adversely affect the profitability of these companies. The profitability of healthcare and life sciences related companies may also be affected, among other factors, by restrictions on government and other third-party reimbursement for medical expenses (particularly for newly approved healthcare products), continuing efforts of governmental and third-party payors to contain or reduce the costs of healthcare, rising or falling costs of medical products and services, pricing pressure, an increased emphasis on outpatient services, a limited product offering, industry innovation, changes in technologies and other market developments. Finally, because the products and services of healthcare and life sciences-related companies affect the health and well-being of many individuals, these companies are especially susceptible to product liability lawsuits.

The consumer sector can be significantly affected by various factors, including the performance of domestic

and international economies, exchange rates, changing consumer preferences, demographics, marketing campaigns, cyclical revenue generation, consumer confidence, commodity price volatility, labor relations, interest rates, import and export controls, intense competition, technological developments and government regulation. Companies engaged in the design, production or distribution of products or services for the consumer discretionary sector are subject to the risk that their products or services may quickly become obsolete. The success of these companies can depend heavily on disposable household income and consumer spending. The consumer goods industry may be strongly affected by trends, marketing campaigns, demographics, changing consumer preferences and other factors affecting consumer demand. Governmental regulation affecting the use of various food additives may affect the profitability of certain companies in the consumer goods industry. Consumer goods that are marketed globally may be affected by the demand and market conditions in other countries and regions. The success of consumer product manufacturers and retailers depends heavily on disposable household income and consumer spending. Companies in the consumer staples sector may be subject to risks pertaining to the supply of, demand for and prices of raw materials. The prices of raw materials may fluctuate in response to a number of factors, including, without limitation, changes in government agricultural support programs, exchange rates, import and export controls, changes in international agricultural and trading policies, and seasonal and weather conditions.

*Industrial & Business Services.* Investments in the industrial sector may entail risks associated with more mature businesses and heavily regulated industries, including transportation, aerospace and defense, building products, chemicals and other industrial companies generally. These portfolio companies may also serve customers that include governmental entities. Investments that are subject to greater amounts of governmental regulation, or with significant customer concentration with governmental entities, pose additional and unique risks. Governmental budgeting and procurement requirements could adversely affect profitability. Changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in increased operating costs, increased compliance costs or the need for additional capital expenditures generally. Additionally, certain industrial portfolio companies may have a unionized work force or employees who are covered by a collective bargaining agreement, which could subject a portfolio company to complex laws and regulations as well as labor relations disputes or difficulties generally. Business operations at one or more facilities may be interrupted as a result of work stoppages and delays in the process of renegotiating collective bargaining agreements. Business services investments, including logistics, facility management, delivery and distribution businesses are generally highly fragmented, can be subject to heavy competition and low barriers to entry, and can be adversely affected by business cycles, economic downturns and the availability of skilled and unskilled labor.

*Technology/Media/Telecommunications.* The market for technology is characterized by periodic new product introductions, innovations and evolving industry standards. The emerging nature of these products and services with their rapid evolution will require technology companies that are portfolio investments of a Fund to continually improve the performance, features and reliability of their products or services, particularly in response to possible competitive offerings. The increasing sophistication of consumers, among other factors, means that there can be no assurance that these companies will be successful in achieving widespread acceptance of their products or services before competitors offer products and services with features and performance similar to those of such technology companies. In addition, the widespread adoption of new technologies or standards could require substantial expenditures by such technology companies to modify or

adapt their products or services. Such expenditures could affect the profitability of these technology companies and in turn the operating results and financial condition of a Fund. A Fund may make investments in communications companies. Communications companies are subject to changes in their businesses due to evolving levels of governmental regulation or deregulation as well as the development of communication technologies. Competitive pressures within the communications industry are intense and the securities of communications companies may be subject to significant price volatility. In addition, because the technology and communications industries are subject to significant changes in technology, the companies that a Fund may invest in may face competition from technologies being developed or to be developed in the future by other entities, which may make such companies' products and services obsolete. Finally, while all companies may be susceptible to network security breaches, certain technology and communication companies may be particular targets of hacking and potential theft of proprietary or consumer information or disruptions in service, which could have a material adverse effect on their businesses.

*Real Estate.* Investments in real estate may be subject to a variety of risks, including, but not limited to, risks associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding), fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property values, tax rates, changes in interest rates, and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond the control of Warburg Pincus.

#### *Risk of Early-Stage Investments*

A Fund may make early-stage investments, including investing in start-ups, and/or committing to pay expenses of management teams engaged in the discovery, development or exploration of resources, technologies or strategies. While such investments offer the opportunity for significant gains, they also involve a high degree of business and financial risk and can result in substantial losses. Among these risks are the general risks associated with investing in companies at an early stage of development or with little or no operating history, companies operating at a loss or with substantial variations in operating results from period to period, and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. There can be no assurance that such companies will ever be profitable or even have assets or products that generate meaningful revenue. Investment by a Fund in start-ups or other early-stage companies may depend significantly on an entrepreneur or management team that Warburg Pincus has selected. Early stage companies may face intense competition, including from companies with greater financial resources, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel. Early stage companies may have significant capital expenditures and may be subject to investor skepticism towards valuations, which could impact a Fund's ability to complete investments or pursue exit strategies for its portfolio companies.

### *Portfolio Company Leverage; Fund-Level Borrowing*

A Fund may make investments, either through leveraged buyouts or otherwise, in portfolio companies that have a leveraged capital structure. To the extent that any investment is made in a company with a leveraged capital structure, such investment may be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a downturn in the economy or deterioration in the condition of such company or its industry. In the event that such a company is unable to generate sufficient cash flow (including through operations other than borrowings or payments) to timely meet principal and interest payments on its indebtedness, the value of a Fund's investment in such portfolio company could be significantly reduced or even eliminated. In addition to external factors, a Fund's ability to obtain leverage on attractive terms may be negatively affected by, among other things, its size, the composition of a Fund's limited partners, its limited number and the composition of unencumbered wholly-owned assets, the performance of its portfolio or its ability to secure a line of credit (or achieve favorable terms on such line). In the event that the global credit markets deteriorate, it may be difficult for a Fund to obtain leverage on attractive terms and a Fund's ability to generate attractive investment returns may be adversely affected.

Additionally, a Fund may use back leverage for certain portfolio investments. To date, back leverage has been entered into by Funds and collateralized by shares of the respective investments that utilize the leverage. However, it is possible that a Fund could enter into back leverage that is guaranteed by such Fund. The use of back leverage potentially enhances the return profile of investments, and accordingly, of the applicable Fund overall, but also increases the risk profile of such investments, as further described below. Back leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding.

A Fund may be authorized to borrow funds, from time to time, for investment or other specific business purposes and to provide guarantees of or other credit support for the obligations of third parties (including portfolio companies), subject to certain limitations provided in a Fund's governing documents. Such borrowing may be used for, among other purposes, the purchase of portfolio investments as they become available in advance of the receipt of anticipated funds from capital contributions from investors or realizations or otherwise when capital contributions are limited in amount or purpose, including following a Fund's primary investment period. As security for such borrowing, guarantees or other credit support, a Fund may grant liens on any of a Fund's or its subsidiaries' assets to the lender or other counterparty which assets may not necessarily be limited to a single portfolio investment. Such lender or other counterparty would, accordingly, have a claim that has priority over any claim by an investor of a Fund to such assets in an insolvency event or proceeding. In addition, to support borrowing, each Fund and Warburg Pincus, as applicable, will have the right, at its option, to pledge all or a portion of uncalled capital commitments, the right of Warburg Pincus to deliver notices to investors demanding capital contributions, the right to enforce all remedies provided in a Fund's governing documents against defaulting investors and any account into which such capital contributions are made; provided, that no investor will be obligated to pledge its interest in a Fund. Accordingly, investors may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed or experiences an event of default. If a Fund enters into any indebtedness with another Fund on a joint and several basis, Warburg Pincus may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement.



In addition, Fund-level borrowing will result in incremental expenses that will be borne by such Fund's investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because the interest rate attributable to a Fund's borrowing is based in part on the creditworthiness of such Fund's investors and the terms of such Fund's governing document, it may be higher than the interest rate a particular investor could obtain individually. To the extent a particular investor's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact an investor's absolute overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation.

A credit agreement may contain other terms that restrict the activities of a Fund and the investors or impose additional obligations on them. For example, a subscription line may impose restrictions on Warburg Pincus' ability to consent to the transfer of an investor's interest in the Fund. In addition, in order to secure a subscription line, Warburg Pincus may request certain financial information and other documentation from investors to share with lenders. A Fund's general partner will have significant discretion in negotiating the terms of any subscription line for a Fund and may agree to terms that are not the most favorable to one or more investors.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows Warburg Pincus to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for investors that would not arise had Warburg Pincus called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for an investor with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when Warburg Pincus expects to repay the amount outstanding through means other than investor capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, investors would end up with increased exposure to the underlying investment, which could result in greater losses.

Although borrowings by a Fund may enhance overall returns, they may further diminish returns (or increase losses) to the extent returns during the borrowing are less than a Fund's cost of funds or in the event of default. A Fund may incur leverage on a joint and several basis with one or more other Funds and each such vehicle may have a right of contribution, subrogation or reimbursement from or against such entities. The use of leverage may result in costs to a Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The costs and expenses of any borrowings incurred on a joint and several basis will generally be allocated among the borrowing Funds pro rata which will increase the expenses borne by investors and would be expected to diminish net investment returns if not offset by the benefits of such leverage.

#### *Risks in Effecting Operating Improvements*

In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of a Fund or the

management of a portfolio company to restructure and implement improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund will be able to successfully identify and implement such restructuring programs and improvements.

#### *Uncertainty of Financial Projections*

A Fund may use financial projections to help analyze a potential investment or future capital raises by, and financing for, portfolio companies or other transactions. Projected operating results will often be based on management judgments, with adjustments to such projections made by Warburg Pincus in its discretion. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial projections.

#### *Control Person Liability*

As a growth investor, Warburg Pincus may not always be the controlling shareholder in a portfolio company. However, it is expected that a Fund will have controlling interests in certain of its portfolio companies. The exercise of control over a company may cause a court to ignore the presumption of separateness with respect to a Fund and its portfolio company. Such a determination would impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities and antitrust laws) and other types of liability, for which the limited liability generally afforded to a private equity fund in respect of a portfolio company. For example, if deemed to be a direct owner or operator of any of a portfolio company's facilities or operations under such laws, a Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination related liabilities. While WP intends to manage its Funds in a manner that will minimize the exposure of these risks and successfully "piercing the corporate veil" is a rare and extraordinary legal remedy in most circumstances, the possibility of successful claims against a Fund and/or one or more of its affiliates or subsidiaries cannot be precluded. In addition, it is expected that representatives of Warburg Pincus will serve as directors of certain of the portfolio companies, including public companies, and as such, may have duties to persons other than a Fund. Further, director positions could increase the risk that courts or regulators will hold a Fund responsible for non-compliance issues at a portfolio company.

#### *Lack of Unilateral Control*

Even if it is the majority investor in certain circumstances, Warburg Pincus will not have unilateral control of all of its portfolio companies. In addition, a Fund may make minority or non-control equity investments in portfolio companies with the possibility that the portfolio companies may be controlled by persons who have economic or business interests or goals or tax or other considerations that differ from or are inconsistent with those of a Fund or its investors or may be in a position to take action contrary to a Fund's business interests, and a Fund may not be in a position to limit such contrary actions or otherwise protect the value of a Fund's



investment. When taking non-control positions, a Fund will seek to obtain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

#### *Third-Party Involvement*

A Fund may co-invest in portfolio companies with other institutional investors including, on occasion, private equity funds of other sponsors or investors. Such investments may involve risks not present in investments in which such co-investors are not involved, including the possibility that a co-investor of a Fund may at any time have economic or business interests or goals which are inconsistent with those of a Fund or may be in a position to take action contrary to the investment objectives of a Fund or may not have capital available for follow-on investments. In addition, an investor that participates in co-investments may be in a position to obtain additional information regarding the investee portfolio company that may not generally be available to the investors in a Fund, or in some cases, the Fund itself.

#### *Insufficient Capital for Follow-On Investments*

Following its initial investment in a portfolio company, a Fund may have the opportunity to increase its investment in successful operations or may be asked to provide additional capital to such portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient available capital or capacity under any credit agreements to, or be permitted to, make such investments. Any decision not to make follow-on investments, or a Funds' inability to make them, may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made), may result in missed opportunities for such Fund, or may result in dilution of such Fund's economic and/or governance rights in such investment.

#### *Regulation and Enforcement; Litigation*

The growth of the private equity industry, and the increasing size and reach of transactions, has prompted additional governmental and public attention to the industry and its practices.

In addition, numerous regulatory initiatives have been launched and significant legislation has been enacted as a result of the severe global market volatility and dislocations, financial institution failures and defaults and large financial frauds that occurred during and after the 2008 global financial crisis. Regulation generally, as well as regulation more specifically addressed to the private equity industry, including tax laws and regulation, whether in the U.S. or outside of it, could further increase the cost of acquiring, holding or divesting portfolio investments and the cost of operating a Fund, as well as harm the profitability of enterprises and interfere with the ability of a Fund to engage in certain transactions.

Additional regulation could also increase the risks of third-party litigation. The transactional nature of the business of a Fund exposes a Fund and Warburg Pincus generally to this risk of third-party litigation. Warburg Pincus and its related affiliates have been subject, historically, to such litigation. There can be no assurance that any such litigation, once begun, would be resolved in favor of a Fund, Warburg Pincus or their respective

affiliates. Any such litigation could be prolonged and expensive. In addition, it is by no means unusual for participants in reorganizations to use the threat of, as well as actual, litigation as a negotiating technique. In addition, from time to time past or current members/employees of Warburg Pincus may disagree with Warburg Pincus and/or its management over terms related to separation or other issues. If not resolved, such disputes could lead to litigation or arbitration, which could be costly, distracting and/or time consuming for Warburg Pincus management. Subject to certain limitations contained in a Fund's partnership agreement, a Fund will generally be responsible for indemnifying Warburg Pincus and related parties for costs they may incur with respect to such litigation not covered by insurance.

#### *Anti-Corruption Law Considerations*

Warburg Pincus is committed to complying with the aspects of the U.S. Foreign Corrupt Practices Act ("FCPA"), the Bribery Act ("UKBA") and other anti-corruption and anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, a Fund may be adversely affected or miss out on opportunities because of its or Warburg Pincus' unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for a Fund to act successfully on investment opportunities and for portfolio companies to obtain or retain business.

While Warburg Pincus has developed and implemented policies and procedures designed to ensure strict compliance by Warburg Pincus and its personnel with the FCPA and the UKBA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of Warburg Pincus' policies and procedures, affiliates of portfolio companies, particularly in cases where a Fund or another Warburg Pincus sponsored fund or vehicle does not control such portfolio company, may engage in activities that could result in FCPA and/or UKBA violations. Any determination that Warburg Pincus has violated the FCPA, the UKBA or other applicable anti-corruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and/or a general loss of investor confidence, any one of which could adversely affect Warburg Pincus' business prospects and/or financial position, as well as a Fund's ability to achieve its investment objective and/or conduct its operations.

#### *Pay-to-Play Laws, Regulations and Policies*

A number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has a rule that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. If Warburg Pincus, any of its employees or affiliates or any service provider acting on their behalf, fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on Warburg Pincus or a Fund. Investors may also seek to pursue individual remedies, including withdrawal rights, which may be included in side letters or otherwise imposed by statute.

### *Investments in Public Companies*

A Fund may invest in public companies (subject to restrictions set forth in relevant governing documents). Investments in public companies may subject a Fund to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include, without limitation, movements in the relevant stock market and trends in the economy, greater volatility in the valuation of such companies, increased obligation to disclose information regarding such companies, limited trading volume of such securities relative to the scale of a Fund's ownership, limitations on the ability of a Fund to dispose of such securities at certain times (including due to the possession of material nonpublic information), increased likelihood of shareholder litigation against such companies' board members, which may include Warburg Pincus personnel, regulatory action by the SEC or other regulatory agencies and increased costs associated with each of the aforementioned risks.

### *Debt, Credit or Other Similar Investments in Portfolio Companies*

A Fund may, in certain circumstances, make investments in debt instruments or convertible debt securities, including in connection with investments in equity or equity-related securities and/or other debt investments that have an expected return comparable to equity or equity-related securities or credit investments. Such debt may be unsecured or structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness and there is no minimum credit rating for such debt investments. Other factors may materially and adversely affect the market price and yield of such debt investments, including investor demand, currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which a Fund's investments are denominated, costs associated with conversion of investment capital and income from one currency into another, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligations and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. A Fund's investments may be subject to early redemption features, refinancing options, pre-payment options, or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by a Fund earlier than expected. In addition, depending on fluctuations of the equity markets and other factors, warrants and other equity securities may become worthless.

### *Cybersecurity Breaches and Identity Theft*

Cyber-attacks and other malicious Internet-based activity continue to increase in frequency and magnitude. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. Therefore, companies, as well as their third-party partners (including vendors and portfolio companies), may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. Warburg Pincus and its Funds' portfolio companies' information and technology systems may be vulnerable to actual or perceived damage or interruption from computer viruses, malware, network failures, computer and telecommunication failures,

infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Such risks may be more prevalent in China and other emerging markets where cybersecurity and compliance infrastructure may be less developed. Cyber-attacks may also take the form of socially-engineered frauds, such as “phishing”. There have been reports of alleged Chinese and Russian hacking attempts on American corporate intellectual property, and Warburg Pincus (including a Fund and its portfolio companies) may be at risk of cyber-attacks. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Warburg Pincus’ systems to disclose sensitive information in order to gain access to Warburg Pincus’ data or that of a Fund’s investors or portfolio companies. Companies and service providers have also been subject to “ransomware” attacks. As further evidence of the increasing and potentially significant impact of cyber security breaches, in 2016 and 2017, the U.S. government and several multinational companies, including financial institutions and retailers, reported cyber security breaches affecting their computer systems that resulted in the personal information of millions of citizens, customers and employees being compromised.

Although Warburg Pincus has implemented various measures to manage risks relating to these types of events, including forming a cybersecurity committee, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Warburg Pincus, a Fund and/or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Warburg Pincus’, a Fund’s and/or a portfolio company’s operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including confidential or proprietary client information and/or personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Warburg Pincus’, a Fund’s and/or a portfolio company’s reputation, subject any such entity and its respective affiliates to legal claims, regulatory penalties, or otherwise affect their business and financial performance. Cyber threats and/or incidents could cause financial costs from the theft of a Fund’s assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to: litigation costs, preventative and protective costs and remediation costs. In addition, Warburg Pincus’, a Fund’s and/or a portfolio company’s insurance coverage may be insufficient to compensate any such entity and its respective affiliates or counterparties for incurred liabilities.

#### *Material Non-Public Information*

From time to time, Warburg Pincus and its personnel may come into possession of material non-public information concerning specific companies, including as a result of certain Warburg Pincus professionals serving on the boards of directors of portfolio companies. Under applicable securities laws, this may limit the flexibility of Warburg Pincus to buy or sell securities issued by such companies. A Fund’s investment flexibility may be constrained as a consequence of the inability of Warburg Pincus to use such information for investment purposes. Warburg Pincus has policies and procedures in place that are intended to prevent the misuse of material non-public information by its personnel, although there can be no assurance that such misuse will never take place. If such misuse takes place, an investigation by the SEC or other authorities could negatively impact the Firm and/or the Funds. Additionally, in rare instances, a limited partner (particularly if such limited partner has designated an Advisory Committee representative or participates in a co-investment) may receive material non-public information that may limit such limited partner’s trading activities.

### *Hedging Policies/Risks*

In connection with certain portfolio investments, a Fund and/or its portfolio companies may employ hedging techniques designed to reduce the risks of adverse movements in commodity prices, interest rates and/or currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks and costs.

Therefore, while a Fund may benefit from the use of these hedging mechanisms, unanticipated changes in commodity prices, interest rates or currency exchange rates will result in additional costs and/or not fully benefit from favorable pricing or rate movement, which could result in a weaker overall performance for a Fund than if it had not entered into such hedging transactions. Further, there may be circumstances where a Fund elects not to employ hedging techniques. In such circumstances, the lack of a hedge may permit a Fund to take advantage of favorable movements in commodity prices, interest rates and currency exchange rates but may expose a Fund to risks of adverse commodity prices, interest rate or currency exchange rate movements.

A Fund may incur costs related to hedging arrangements, which may be undertaken, directly or indirectly, in exchange-traded or over-the-counter (“OTC”) contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty’s inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled.

### *Advisory Committee*

One or more limited partner representatives will be appointed to the Advisory Committee of each Fund, pursuant to the terms of the applicable Fund’s governing documents. Such limited partners may disproportionately represent one or more of the vehicles or categories of limited partners comprising a Fund. To the extent members of a Fund’s Advisory Committee vote on any matter regarding conflicts or otherwise participate in matters involving a vote or action related to such Fund, any such limited partners may have interests in another Fund or other interests unrelated to any Fund and, as a result, may not vote (and will be exculpated from liability for not voting) solely in accordance with their interests related to the applicable Fund. For example, certain limited partners may have representatives on the Advisory Committee of a Fund and the Advisory Committee of another Fund, and, therefore, may be required to vote, among other matters, on issues regarding conflicts between such Fund on the one hand and such other Fund on the other. Moreover, such limited partners and their representatives are unrestricted from voting, do not owe a Fund or any other limited partner any fiduciary duties, and may affirmatively vote in a manner that is in their own interest and adverse to the interest of other limited partners and the applicable Fund. Although such limited partners are subject to confidentiality obligations, there is no guarantee that such persons will not use information received as a member of the Advisory Committee for purposes unrelated to, and potentially harmful to, a Fund.

For additional information on a Fund's material risks, including material risks not related to the Fund's investment strategies, investors should see the disclosure in the respective offering documents for each Fund.

## Item 9. Disciplinary Information

Neither the Firm nor its management persons have been subject to legal or disciplinary events that are material to the Firm's advisory business or that would be material to existing or prospective investors' evaluation of the Firm's advisory business or the integrity of its management persons.

## Item 10. Other Financial Industry Activities and Affiliations

With respect to our international investment advisory business activities, we may rely on the personnel and resources of our wholly owned "Relying Advisers" disclosed on Schedule R of Form ADV Part 1. Each Relying Adviser and its personnel operate under the supervision and compliance oversight of the Firm.

### Industry Relationships

We have numerous business relationships throughout the financial industry that assist us with the full spectrum of our investment activities and administrative matters for our Funds, including providing credit facilities to both the Funds and Warburg Pincus. We do not have any specific relationships with third party financial institutions that we consider to be material to our advisory business.

In connection with fundraising efforts, we have entered into arrangements with financial institutions to sponsor or arrange feeder funds to invest in existing Funds and have engaged placement agents in particular jurisdictions or with respect to specific categories of investors (each, a "Placement Agent", and together, the "Placement Agents"). The Placement Agents may receive a fee or other compensation based upon the amount of interests committed to by investors that each such Placement Agent introduces to Warburg Pincus or such other basis as Warburg Pincus determines to be reasonable.

Two institutional investors receive, in aggregate, approximately 10% of the Firm's carried interest stream. Their investments are passive, providing them with no approval, veto or similar governance rights with respect to investment decisions by the Firm. We believe that these primary investments strengthen the Firm and ultimately benefit our Funds and limited partners. Warburg Pincus may, but is under no contractual duty to, offer co-investment opportunities to these investors, subject to and in accordance with the Firm's co-investment policies (See Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading, Co-Investments for more information). These investors have extensive worldwide holdings which may include enterprises that provide services or engage in transactions with Warburg Pincus and portfolio companies, which Warburg Pincus believes would be on an arm's-length basis. They may also hold interests in certain of the Funds and in certain other investment advisers unaffiliated with Warburg Pincus.

The Firm's Capital Markets Group manages our relationships with broker/dealers and investment and

commercial banks. In addition to providing transaction execution, these relationships may serve to provide insight and opportunities to the Firm, our Funds and portfolio companies.

We select financial institutions to execute transactions on behalf of the Funds on a “best execution” basis (see Item 12. Brokerage Practices for more information) and also assist portfolio companies with their selection of financial institutions for capital markets transactions entered into by portfolio companies, such as debt and equity financings or mergers and acquisitions. Although the Firm does not charge fees to portfolio companies for assisting with capital markets transactions, such relationships will give rise to conflicts of interest from time to time as between the Firm, the Funds and portfolio companies.

As with other private equity fund sponsors, as part of Warburg Pincus’ business, the Firm and its employees have developed many relationships with third parties which have the potential to raise conflicts of interest. Such third parties include, but are not limited to, investment bankers, consultants, professional advisors (such as attorneys and accountants), private equity and venture capital investors, investors in the Funds, co-investors, current and former directors, officers and employees of current and former portfolio companies and former employees and partners of Warburg Pincus. Certain of such third parties may: introduce investment opportunities to Warburg Pincus; arrange for, or facilitate the financing of, the purchase or recapitalization of potential portfolio companies; introduce portfolio companies to potential acquisition or merger candidates; introduce Warburg Pincus to potential buyers of portfolio company securities; facilitate the acquisition or disposition of portfolio company securities; provide investment banking, consulting or advisory services to Warburg Pincus, the Funds or portfolio companies; invest in Funds (including on a no fee, no carry basis); co-invest in portfolio companies; or provide other significant business or investment services or otherwise transact with, including the direct purchase or sale of portfolio companies from or to, Warburg Pincus, the Funds and portfolio companies. Such third parties may receive direct commercial compensation from a portfolio company, a Fund or Warburg Pincus for providing these services, which compensation and services are intended to be on an arm’s length basis and such amounts are not offset against the management fee of the relevant Fund. Additionally, certain employees of Warburg Pincus may have family members or relatives employed by such third parties. Partners of Warburg Pincus may obtain personal financial and other services on arm’s length terms from banking institutions that also provide services to the Funds and portfolio companies, which may include arrangements relating to financing personal commitments to Funds.

Warburg Pincus has certain programs under which portfolio companies owned by the Funds are given the option to participate in purchasing, vendor or similar arrangements with Warburg Pincus, its affiliates and other portfolio companies. Program participants expect to receive discounts negotiated and/or higher service levels with certain, but not all, vendors and service providers on a group-wide basis. Participants voluntarily participate without any program related charges being assessed. Warburg Pincus and its affiliates may also participate in the program and receive similar benefits and discounts as the portfolio companies participating therein. No such amounts will result in additional offsets to the management fee borne by a Fund. Warburg Pincus believes the potential for conflicts relating to such arrangements is mitigated by the anticipated benefit (i.e. cost savings) to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that would result if the negotiated rates for goods and services are offered at greater discounts than are widely available in the market. Although the Firm will not actively seek for itself discounts from service providers to a Fund, in certain circumstances, certain service providers may charge different rates or have different



arrangements for services provided to Warburg Pincus as compared to services provided to a Fund and/or its portfolio companies, which may result in Warburg Pincus receiving more favorable rates or arrangements with respect to services provided to it by such service providers than those payable by a Fund and/or its portfolio companies, or Warburg Pincus receiving a discount on services even though a Fund and/or its portfolio companies receive a lesser, or no, discount.

Warburg Pincus has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation being paid from one portfolio company to another. Potential conflicts of interest arise in making such recommendations, as Warburg Pincus has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. From time to time Warburg Pincus and its affiliates and personnel may receive the benefit of “friends and family” and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods and/or services available at reduced rates. Since many portfolio companies typically offer such discounts to customers other than Warburg Pincus and other such persons as part of their standard commercial practices to expand their respective customer bases, Warburg Pincus believes that the potential for conflicts relating to such discounts is mitigated. Warburg Pincus and its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course. Discounted prices or better terms offered by a portfolio company to Warburg Pincus, any other portfolio company or third parties may affect the returns of the portfolio company.

Additionally, Funds, their portfolio companies and/or Warburg Pincus itself will from time to time engage investment banks or other similar financial advisors in connection with specific projects. In most cases, the costs and expenses of these third parties will be borne (directly or indirectly) by the applicable Funds and their respective limited partners (and not Warburg Pincus). However, one of the tangible and/or intangible benefits from these relationships includes general referral of investment opportunities, which opportunities may inure to the benefit of other Funds and/or Warburg Pincus (and not necessarily the parties bearing the cost of the particular engagement that created, enhanced or supported the underlying relationship that came to produce such opportunities in the first place).

Throughout its history, Warburg Pincus has been an active investor, through the Funds, in the financial services sector and in banking and insurance opportunities in particular, and the Funds’ portfolios will often include financial services companies. The portfolio of a Fund may include financial services companies. Portfolio companies, including financial services companies, of Funds may from time to time provide services to Warburg Pincus, the Funds and to portfolio companies. In addition, funds of funds or feeder funds organized by financial institutions may invest in the Funds.

Warburg Pincus has also worked with certain entrepreneurs and management teams and consultants repeatedly with respect to portfolio companies of the Funds and anticipates doing the same in the future. While Warburg Pincus believes that developing such relationships will be beneficial to the Funds, such relationships may raise conflicts of interest and there can be no assurance that another entrepreneur or management team or consultants would not out-perform the individuals Warburg Pincus has worked with.

Warburg Pincus has compliance policies and procedures designed to monitor and, as necessary, mediate such



relationships and transactions as the foregoing, which may also be subject to restrictions under the partnership agreements governing the respective Funds. Warburg Pincus seeks to assure that such transactions are conducted on an arm's length basis and at prevailing market rates and that service providers are chosen based on their ability to benefit the Funds and their portfolio companies. However, no guarantee can be made that such policies and procedures will prevent actions which are to the detriment of a Fund.

#### Sheridan Production Partners

In 2006, Warburg Pincus, together with an experienced management team in the oil and gas industry, established Sheridan Production Partners ("Sheridan"), headquartered in Houston, Texas, which through its oil and gas investment partnerships, makes direct investments in mature, producing oil and gas properties in the U.S. (the "Sheridan Partnerships"). Certain Warburg Pincus professionals have made substantial investments in and are entitled to receive a substantial portion of the carried interest and management fee with respect to the Sheridan Partnerships. In addition, two Warburg Pincus Energy investment professionals are members of the respective investment committees of the manager of the Sheridan Partnerships. Warburg Pincus may also provide certain administrative services to Sheridan from time to time, including fund administration and reporting, investor relations and assistance on matters relating to the capital markets at no charge.

Warburg Pincus believes the investment objectives of Sheridan (which makes direct investments in mature, producing oil and gas properties and seeks relatively lower risks and returns) are separate and distinct from the investment objectives of any of our Funds with respect to energy investments. The investment adviser to Sheridan, Sheridan Production Partners Manager LLC, is registered as an investment adviser with the SEC. Sheridan's investment activities are separately conducted by the Sheridan management team, other than as set forth above, and we do not believe that our ownership of Sheridan provides us with the power to direct the management or policies of Sheridan, and, as such, Warburg Pincus does not, in fact, control Sheridan. None of the Sheridan professionals are employees of Warburg Pincus, nor are Warburg Pincus professionals employees of Sheridan.

Although the operations of Sheridan are separate from Warburg Pincus, there exists the potential for conflicts of interest potentially affecting our Funds with respect to the relationship between Warburg Pincus, its investment professionals, and Sheridan and the Sheridan Partnerships. For example:

- The Sheridan Partnerships may acquire assets owned by or dispose of assets to a Fund portfolio company(s).
- The Sheridan Partnerships may compete for acquisitions of producing properties with a Fund portfolio company(s).
- The Sheridan Partnerships may acquire assets owned by, or dispose of assets to, publicly-traded entities in which a Fund or Warburg Pincus investment professional(s) has an equity ownership stake.
- The Sheridan Partnerships may acquire, own and dispose of a joint venture, working or other financial interest in a property in which a Fund or Warburg Pincus investment professionals have an equity ownership stake.

- Oil and gas produced from properties owned by the Sheridan Partnerships may be transported in pipelines or processed by companies in which a Fund or, through their interests in prior Funds, Warburg Pincus investment professionals have an equity ownership stake.
- A Fund or companies in which a Fund or, through their interests in prior Funds, Warburg Pincus investment professionals have an equity stake, may seek to recruit professionals currently employed or sought by Sheridan. The market for experienced exploration and production (“E&P”) executives and personnel is very competitive. Sheridan management may seek to recruit or retain personnel currently employed or sought by entities in which a Fund or, through their interests in prior Funds, Warburg Pincus investment professionals have an equity ownership stake.
- The Sheridan Partnerships may acquire oil field and other services or purchase goods and equipment from companies in which a Fund or, through their interests in prior Warburg Pincus funds, Warburg Pincus investment professionals have an equity ownership stake.
- Conflicts may arise between the duties of Warburg Pincus and its affiliates to Sheridan and their duties to a Fund and its portfolio companies.
- Warburg Pincus investment professionals engaged in the activities on behalf of a Fund related to the E&P business serve on the Sheridan investment committees and serve on the boards of directors of a number of E&P companies. Conflicts may arise among the individual’s duties to a Fund, duties as a member of the Sheridan investment committees and duties as a director of any other company.
- Certain members of Sheridan management also serve on Warburg Pincus portfolio company boards and may in the future serve on other portfolio company boards. Any compensation paid to a Sheridan professional for service as a director of a Warburg Pincus portfolio company may be retained in its entirety by the Sheridan professional and is not applied to offset the management fee or otherwise allocated to the relevant Fund.
- Warburg Pincus has offered to certain Sheridan professionals, and Sheridan has offered to certain Warburg Pincus professionals the opportunity to invest in their respective funds, on a no fee, no carry basis.

Although the Firm and our Funds’ partnership agreements establish procedures that seek to avoid, mitigate or manage such conflicts, there can be no assurance that all such conflicts will be resolved in favor of a Fund.

## Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### Code of Ethics and Personal Trading

We have adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, which sets forth fiduciary principles and certain standards of business conduct for the Firm, our employees and others who we may designate under the Code of Ethics (“Supervised Persons”). The principles affirmed in our Code

of Ethics include a requirement to act in the best interest of our Funds and Fund investors, to avoid personal conflicts of interest, to appropriately use our position of trust and to protect and prevent the misuse of non-public information that we possess.

Our Code of Ethics includes personal trading restrictions such as a general prohibition from personal trading in our portfolio companies (other than pre-approved sales of distributions-in-kind) and other companies while they are under review by the Firm. It also includes requirements for certain record-keeping, reporting, disclosure and attestations by our Supervised Persons. The Firm actively seeks to avoid conflicts of interest from our Supervised Persons' personal investments and activities by requiring pre-clearance of most personal investments and outside business activities, declining to approve or establishing procedures to manage potential conflicts from personal investments or activities, and requiring escalation of actual conflicts of interest to the Firm's Compliance Officer. Our Code of Ethics also requires confidential treatment of information acquired at the Firm and contains policies addressing political contributions and the giving of or accepting gifts, among others.

The Firm has also established an Oversight Committee to assist with respect to internal policies and procedures relating to compliance matters.

Clients may request a copy of our Code of Ethics by writing to Warburg Pincus LLC, 450 Lexington Avenue, New York, New York 10017, Attention: Chief Compliance Officer.

#### Participation in Client Transactions

We are active investors in our Funds, with the Firm and our professionals committing significant amounts of their own capital to invest alongside or through the Funds in a fixed percentage of all of the relevant Fund's investment activity. Our professionals' investments alongside a Fund are typically without management fees or carry. The Firm and our employees may also acquire Fund limited partner interests from time to time in secondary transactions. Generally, our employees are not permitted to make personal investments in our portfolio companies other than through their investment in our Funds or parallel funds. We believe this structure serves to align the interests of our Firm and our professionals with those of our Funds and our investors.

The Firm may elect from time to time, in lieu of selling securities of a portfolio company for cash on behalf of a Fund, to make a distribution-in-kind of marketable securities to investors in the Fund, including the Firm and our professionals (either deriving from Firm or personal investments in the Funds and/or from our carried interest), thereby allowing distributees to make their own selling decisions. After a distribution-in-kind, the Firm and our professionals will refrain from selling such securities for their own account for a period of time while investors may dispose of such securities should they determine to do so. In addition, certain of our Funds permit the general partner in connection with a distribution of net proceeds from the sale of a portfolio investment to elect to receive all or a portion of its carried interest in the form of an in-kind distribution of such investment. Distributions-in-kind are generally valued based on the average closing price of the security across a certain number of days following the distribution.

To further mitigate potential conflicts of interest, Warburg Pincus operates as one firm and one partnership with a single carried interest structure for allocating profits among the Firm's partners and other professionals.

A substantial portion of our professionals' compensation is directly linked to the investment performance of our Funds. The Firm generally does not charge investment banking or other transaction fees, such as sponsor, advisory or monitoring fees, nor do we charge fees for any other services provided to our portfolio companies. In the limited circumstances in which the Firm may receive such a fee – such as when a co-investor in the transaction receives a fee – a Fund's pro rata share of any such fee received by Warburg Pincus from a portfolio company is applied 100% to offset the management fee or otherwise allocated to the relevant Fund. Fees paid to our employees for service as directors of portfolio companies (including the net realized value of non-cash fees, such as stock or options of the portfolio company) are also applied 100% to offset the management fee or otherwise allocated to the relevant Fund. As described above in Item 5. Fees and Compensation, any compensation retained by Consultants or Special Limited Partners or other non-employee representatives we have designated to the boards of portfolio companies generally do not offset management fees otherwise payable by our Funds, nor do any directors' fees paid to certain personnel performing certain jurisdiction-specific administrative functions. For the avoidance of doubt, fees received by a co-investor in connection with a transaction will not offset the management fee payable by the relevant Fund or otherwise be allocated to the relevant Fund. As previously described, it is common that as part of an investment we make for our Funds we will seek to have representation on a portfolio company's board of directors in order to enhance the Firm's oversight and ability to influence the strategic direction of the portfolio company. As a general matter, a representative of the Firm who serves as a portfolio company director owes duties to the portfolio company and its shareholders. In limited circumstances, the director may face a conflict of interest between the director's duties to the portfolio company and a Fund. If a material conflict of interest should arise with respect to a board matter, the director, in such capacity, may be required to act in the best interests of the portfolio company and its shareholders, which interests may be different than those of a Fund.

#### Allocation of Investment Opportunities with Other Entities

The Firm generally makes new investments for one Fund – or as applicable, one Fund and a companion Fund(s) – at a given time and does not make investments for another Fund until the predecessor Fund is substantially fully invested or committed. A follow-on investment opportunity in a portfolio company is generally reserved for the Fund that originally invested in the portfolio company, subject to the guidelines and restrictions of the Fund's governing documents and/or approval of the Fund Advisory Committees and various factors including the availability of capital in a Fund. During the transition period from a predecessor Fund to a successor Fund, investment opportunities may be allocated among the two Funds pursuant to guidelines and restrictions of the respective Fund governing documents and/or as approved by the relevant Fund Advisory Committees, and allocations of investments, and fees and expenses associated with such investments, are adjusted based on such governing documents and approvals.

A companion Fund, such as Warburg Pincus Financial Sector, L.P., Warburg Pincus China, L.P. and Warburg Pincus Energy, L.P., or any successors thereto, will generally co-invest with the applicable global Fund in accordance with the respective Fund governing documents and/or as approved by the relevant Fund Advisory Committees. Warburg Pincus may, from time to time, otherwise be presented with investment opportunities that fall within the investment objective of a Fund and other investment funds sponsored by Warburg Pincus. In such circumstances, Warburg Pincus expects to allocate such opportunities among a Fund and such other Warburg Pincus funds on a basis that Warburg Pincus determines in good faith is appropriate taking into

consideration such factors as capital available to the applicable Funds, the size of the proposed investment, portfolio diversification of each relevant Fund, investment guidelines, risk allocation, contractual restrictions, the amount of potential follow-on investing that may be required and the other portfolio investments in each respective Fund, the relation of such opportunities to the investment strategies of the vehicles, as well as portfolio balance, subject, in each case, to the applicable requirements of each Fund's respective governing documents.

Except as expressly permitted in a Fund's governing documents, none of the Firm's employees will be allocated investment opportunities that are suitable for a Fund without the consent of such Fund's Advisory Committee.

### Co-Investments

Warburg Pincus may, but will be under no obligation to, provide co-investment opportunities to any persons, including investors, strategic investors, Special Limited Partners, Senior Strategic Partners or other third-parties, including other private equity funds not affiliated with Warburg Pincus, the exact terms of which will be set by Warburg Pincus, but may include the opportunity to co-invest on a no fee, no carry basis. Warburg Pincus will not provide such co-investment opportunities until Warburg Pincus has determined, in good faith, the appropriate portion of the applicable investment opportunity to be taken by a Fund and/or companion Fund, as applicable. Such opportunities are then extended based on a range of factors, including, but not limited to: (i) the absolute size of the transaction relative to the absolute size of the Fund; (ii) the remaining available capital in the Fund; (iii) the geographic, industry and/or life cycle of the transaction given the desire to manage the Fund's sector or sub-sector concentration; (iv) the level of risk associated with the transaction in relation to the size of the equity commitment and the composition of the Fund's portfolio; (v) whether there may be an ability or obligation for the Fund to put in additional capital at a later stage, which may reduce the amount of capital that the Fund can invest up-front in a particular transaction; (vi) whether regulatory, legal, accounting or other risks may result in a desire to own less than a certain percentage of the overall equity; or (vii) whether there is a limited partner or third party that the Firm has determined provides strategic value to the transaction that is sufficient to justify the Fund(s) investing appropriate lesser amounts in order to enhance the return profile of the investment for the benefit of the Fund(s).

Following the Firm's determination, in good faith, that the appropriate portion of the applicable investment opportunity has been allocated to a Fund(s), as described above, the Firm will select limited partners or third parties for co-investments based on a range of factors, including, but not limited to, the co-investor's:

- Ability to enhance the value of the investment
- Ability to make timely, binding decisions
- Ability to participate in follow-on financing rounds
- Ability to make investments of scale
- Impact on tax, regulatory, legal and similar considerations
- Prior co-investment experience
- Other factors the Firm deems appropriate, including the opportunity to further a relationship that may have indirect long-term benefits to a Fund, a future Fund or the Warburg Pincus brand.

Co-investment opportunities may, and typically will, be offered to some and not to other investors, and the consideration of the factors set forth above may result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. Such co-investments will generally be limited to the capital invested in the applicable portfolio company and may not bear the expenses associated with developing, performing diligence, negotiating and consummating the investment opportunity or post-closing monitoring expenses, in each case not reimbursed by the portfolio company. Where a proposed transaction is not consummated, typically no co-investment vehicle will have been formed, and some or all of the co-investors participation will generally not have been confirmed. In such cases, the full amount of any broken deal expenses relating to such proposed transactions would generally be borne by the applicable Fund even in circumstances where such a vehicle has been formed or co-investors identified.

In addition, a Fund or an affiliate may have the right to appoint directors and/or officers in respect of certain portfolio investments of a Fund. Such rights, if applicable, are typically granted for the benefit and protection of a Fund in respect of such Fund's investment in the related portfolio investment. If there are any co-investors and/or co-investment vehicles that participate in the applicable investment alongside a Fund, such co-investors may incidentally benefit as a result of any such appointments by a Fund. Co-investors (including their respective co-investment vehicles, even if managed by Warburg Pincus) will not typically bear the cost of D&O and/or other applicable liability insurance related to such appointments by a Fund or an affiliate.

Warburg Pincus or its affiliates may charge carried interest, management fees and other fees to any co-investors with respect to any co-investment, and may make an investment or otherwise participate in any vehicle formed to structure a co-investment to facilitate receipt of such carried interest and fees.

#### Transactions Between Warburg Pincus Funds

On occasion, Warburg Pincus may determine that it is in the best interests of a particular Fund and another Fund that the particular Fund should invest in an existing portfolio company of another Fund, or to cause a particular Fund to acquire all or a portion of the interests in one or more portfolio companies from another Fund (including situations where a new Fund is organized by Warburg Pincus solely for this purpose and/or as a means of an earlier Fund to dispose of all or a subset of its investments) or merge an existing portfolio company of one Fund with a portfolio company of another Fund. Such transactions may lead to a conflict of interest because Warburg Pincus controls the Funds and/or portfolio companies on each side of such transactions, and (i) by not exposing such transactions to full market forces, a Fund may not always receive the best price otherwise possible, or (ii) Warburg Pincus may have an incentive to cause such purchasing, selling or merging Fund to disproportionately benefit from such transaction to the detriment of its interests in another Fund. Depending on the transaction structure, such transaction may disproportionately benefit the purchasing, selling, or merging Fund (or Warburg Pincus as a result of its interests in the Fund), and the other Fund may incur expenses or forgo gains that would have been obtained had it not exited such company or companies. The acquisition or merger by an affiliated Fund may also lead to the other Fund holding the remaining portion of the company, if any, longer than it otherwise would have, which may increase the risk for loss. Warburg Pincus may crystallize carried interest or receive additional fees based upon such transaction. Additionally, in connection with such transactions, Warburg Pincus, its affiliates, and/or their personnel may have significant investments, or intentions to invest, in one or more of the Fund(s) that are involved in the transaction.

There can be no assurance that the return on a particular Fund's investments will be the same as the returns obtained by another Fund participating in a given transaction or that any such conflict of interest between a particular Fund and another Fund can be resolved in a manner that is beneficial to each Fund. In that regard, actions may be taken for one or more Funds that adversely affect other Funds. Such transactions would generally be subject to the approval of the Advisory Committees of the relevant Funds and disclosed to new Fund investors. In addition, portfolio companies of a Fund may engage in transactions in the ordinary course of their respective businesses with other portfolio companies of a Fund or other investment funds sponsored by Warburg Pincus.

#### *Potential Conflicts in Calculation and Allocation of Certain Partnership Costs and Expenses*

The governing documents of a Fund provide that the Fund will be responsible for all costs and expenses in connection with its operation, other than the costs and expenses that will be the responsibility of Warburg Pincus or another third party (see Item 5. Fees and Compensation, Fund Expenses for more information). To the extent appropriate, third-party expenses incurred in connection with consummated transactions will be borne by the respective portfolio companies. While Warburg Pincus does not charge any fees for its employees who provide capital markets support, information technology strategy and assessment, communications strategy, transaction structuring guidance, purchasing assurance, global public policy and government affairs, ESG support and leadership development for the benefit of portfolio companies, its out-of-pocket expenses are generally reimbursed by the applicable portfolio company or Fund. A conflict of interest could arise in the determination by Warburg Pincus whether certain costs or expenses that are incurred in connection with the operation of a Fund meet the definition of partnership operational expenses for which a Fund is responsible, or whether such expenses should be borne by Warburg Pincus. Subject to applicable legal, contractual or similar restrictions, a Fund will be reliant on the determinations of Warburg Pincus in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as between a Fund and the other Warburg Pincus funds and any other affiliates of Warburg Pincus. The allocations of such expenses may not be proportional. There can be no assurance that errors will not arise in such allocations.

Additionally, to the extent that such expenses are to be allocated to one or more Funds, Warburg Pincus will endeavor to allocate such expenses in a manner it believes to be fair and equitable, which may include an allocation among such vehicles based on their relative net asset value, commitments, number of investors, actual or proposed investment size in a particular transaction or Warburg Pincus' determination of the benefit to be received from the activity for which the expense was incurred, subject to the applicable Funds' partnership agreements. There can be no assurance that errors will not arise in such allocations or that other methods of allocation would not produce a result that is more or less favorable to one Fund versus another Fund. Warburg Pincus may (i) cause one or more Warburg Pincus vehicles to be invoiced for, advance or otherwise bear on a temporary basis all or a portion of an expense ultimately intended to be borne in whole or in part by another Warburg Pincus vehicle together or in connection with the vehicle originally bearing such expense, including as a result of invoices directed to one such vehicle for convenience of the applicable vehicle, and/or (ii) make corrective allocations in the event that, based on periodic reviews of expenses, it determines that such corrections are necessary or appropriate. In addition, the applicable Fund's partnership agreement may set forth certain rules for the allocation of certain expenses as among a Fund and its related vehicles.



## Item 12. Brokerage Practices

Our investment strategy typically involves making direct long-term investments in companies on behalf of our Funds. As such, the Firm does not routinely trade public securities on behalf of Funds. Our utilization of broker/dealers and investment and commercial banks (“Securities Firms”) most often involves exiting a portfolio company investment either in an underwritten offering or through open market sales, or to advise us in the purchase or sale of an investment. From time to time we will also invest in a public company through a private placement or underwritten offering or accumulate or add to a position through open market purchases. We have discretionary authority to select Securities Firms to act on behalf of our Funds, and may have significant influence with respect to a portfolio company’s selection of Securities Firms in connection with capital markets transactions.

Each Fund’s governing documents generally restrict the ability of the Firm to invest in a portfolio company for more than one Fund (other than companion Funds). From time to time, however, subject to the Firm’s policies and procedures and the applicable Funds’ governing documents, the Firm may cause more than one Fund to invest in the same portfolio company. From time to time, we may engage a Securities Firm to purchase or sell the same securities on behalf of more than one Fund. When practicable and deemed to be in the best interest of each relevant Fund, the Firm will dispose of shares held in separate Funds side-by-side at the same time. The Firm, however, may not be required to do this, subject to the terms of the applicable Funds’ governing documents. Securities trades across multiple Funds that are not aggregated may be subject to higher transaction costs than if they had been aggregated.

The Firm selects Securities Firms on a “best execution” basis. Best price, after giving effect to commissions and transaction costs, is a factor in this decision, but the Firm takes into account many other factors of best execution for a specific transaction, including reputation, creditworthiness and financial stability of the Securities Firm, the quality of services, such as market-making, distribution and execution, clearing and settlement and research as well as the Firm’s business relationship with the Securities Firm. Accordingly, transactions may not be executed at the lowest available price or commission.

The Firm has no formal arrangements with Securities Firms to receive research or other products or services other than execution, and the Firm does not have any soft dollar or commission sharing agreements in place that would require the Firm to provide any specified amount of brokerage business to a Securities Firm. The Firm, however, receives research reports from paid subscription services as well as free of charge from Securities Firms that may provide or seek to provide services to the Firm, the Funds or portfolio companies. Any information received from Securities Firms is consistent with the safe harbor for brokerage and research services under Section 28(e) of the Securities Exchange Act of 1934. When the Firm receives research or other information from a Securities Firm free of charge, it could be viewed as receiving a benefit it does not have to pay for, and the Firm could be viewed as having an incentive to select or recommend a Securities Firm for a transaction on behalf of a Fund or portfolio company based on its interest in receiving such benefits rather than on receiving most favorable execution.

The Firm’s Capital Markets group manages our relationships with Securities Firms, and monitors the capital

markets for opportunities for our Funds and portfolio companies.

### Item 13. Review of Accounts

As discussed above in Item 8. Methods of Analysis, Investment Strategies and Risk of Loss, investments are reviewed at least quarterly by our Executive Management Group, and are discussed at the Firm's regular quarterly review meetings. Investors in our Funds receive written annual reports with audited financial statements, and quarterly unaudited financial statements.

### Item 14. Client Referrals and Other Compensation

The Firm does not participate in arrangements with non-Clients that result in the Firm receiving an economic benefit for providing investment advice or other advisory services to its Clients. Neither the Firm nor any of its related persons compensate any person that is not a supervised person of the Firm for Client referrals.

### Item 15. Custody

Pursuant to applicable regulation, we are considered to have custody of cash and securities of our Funds. We maintain such cash and securities with independent qualified custodians.

Our Funds are audited annually by Ernst & Young LLP, which is registered with and subject to regular inspection by the Public Company Accounting Oversight Board, and audited financial statements are delivered to investors in our Funds.

### Item 16. Investment Discretion

Our affiliates serve as general partners of the Funds. Along with our own capital commitments to our Funds, we invest and manage third party investors' capital contributions to our Funds on a discretionary basis in accordance with the investment objectives, guidelines and restrictions set forth in each Fund's offering and/or governing documents. Our discretionary authority is contractually established pursuant to our Funds' governing documents. Such authority remains in effect throughout the life of a Fund and may only be terminated in limited circumstances. Our Funds' governing documents typically set certain limits on investments such as concentration limits and geographic sub-limits.

## Item 17. Voting Client Securities

We have discretionary authority to vote the securities held by our Funds pursuant to our Funds' governing documents. Our policy is to vote securities or proxies of portfolio companies in the best interests of our Funds, consistent with our investment advisory mandate to maximize our Funds' long-term investment returns. The Firm may determine not to take action on proxies relating to short-term cash management.

It is common, and our investors anticipate, that the investments we select for our Funds will include representation on a portfolio company's board of directors in order to enhance the Firm's oversight and ability to influence the strategic direction and governance of the portfolio company. Given our participation in board matters, our Funds' best interests are most often served by voting in support of the recommendations of the portfolio company's board of directors.

If a conflict of interest should arise with respect to a portfolio company proxy vote, the Firm will independently review and evaluate the portfolio company proxy proposal and the circumstances surrounding the conflict to determine the vote that would be in the best interest of the Funds. Certain conflicts of interest may be presented to the Advisory Committee of the applicable Fund, which consists of representatives of certain investors in the Fund.

Additionally, we believe that the Firm's interests and those of our Funds are aligned through our own investment in the Funds, and we do not anticipate a situation where our interests would conflict with maximizing long-term investment returns for the Funds.

Clients may obtain information about how the Firm voted portfolio company proxies on their behalf or more information about our proxy voting policies by written request to our Chief Compliance Officer at Warburg Pincus LLC, 450 Lexington Avenue, New York, NY 10017.

## Item 18. Financial Information

We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our Clients. We have not been the subject of a bankruptcy petition within the preceding ten years.