



Nordic Credit Partners

Responsible Investment Policy
March 2021

Introduction

NCP's Responsible Investment Policy outlines the organisation's strategy covering all AUM with the conviction that companies that have integrated a sustainability strategy into their business strategy is better equipped to create long-term value, and thus will be more attractive investments.

As a Nordic asset manager, understanding environmental, social and governance (ESG) factors allows NCP to maximise the risk-adjusted return. Incorporating ESG analysis into the investment decision-making process supports NCP's core business model and strategies as well as ensures optimisation of investment opportunities. By analysing investments from an ESG perspective, NCP extends its understanding of risks and seizes potential business opportunities for the benefit of its investors and for the development of sustainability in society at large.

NCP has a thorough Due Diligence process and ESG factors have the same significance in investment decisions as the financial analysis.

NCP's definition of ESG and Responsible Investment is aligned with PRI's definition, namely "an approach to investing that incorporates environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns".

Investment Objectives

The aim of our business is to create long-term value from an economic, social and environmental perspective through integrating analysis of sustainability risks into the investment process. Our intention is also to uphold international Norms and Standards, safeguard the environment for future generations and contribute to reaching the Paris agreement through aligning investment processes with the EU Taxonomy.

Nordic Credit Partners' objective is to generate attractive risk-adjusted return through investing in the Nordic corporate high yield bond market. We focus on mature issuers in well-established industries with good cash flows, strong balance sheets, experienced management teams and professional owners. Our funds are structured to match the liquidity profile of the market and we selectively apply leverage to the funds in order to further improve returns.

We invest across most sectors in the Nordic region but refrain from investing in companies that are dependent on one single exogenous factor such as oil & gas.

Investment decisions are taken based on a thorough due diligence process including ESG factors. Strict investment criteria and continuous portfolio monitoring minimises default risk of each investment and broad diversification across industries, regions and risk levels reduces risk in overall portfolio. ESG factors have the same significance as financial analysis throughout the investment process and unanimous approval is required by the Investment Committee for all investment decisions.

Integration of ESG and Sustainability Risks

NCP has a thorough due diligence process for integrating sustainability risks into the investment decision-making process. The Head of Sustainable Investing conducts an evaluation of the company through publicly available information, the investor presentation and management interview as well

as the industry and the market in which the company operates. NCP applies a company specific ESG disclosure list including descriptions of management systems of material and general ESG factors.

The industry specific ESG factors are based on SASB's Industry Standards and the company specific ESG factors are identified through in-depth research by our ESG specialist. These material ESG factors also constitute the main sustainability risks for each company. The company needs to be able to demonstrate that it has a strong understanding of its exposure to these risks and its impact on the environment and society. This includes having a solid approach to identifying, managing, and monitoring the company's specific material ESG factors as well as setting clear and ambitious targets to reduce negative impact on the environment and society. The company also needs to agree to provide ESG reporting during the tenor of the bond.

NCP has two strategies when investing responsibly. The first strategy involves targeting issuers that have a mature sustainability strategy that is aligned with their business model. Under this strategy, we will not invest in issuers that do not meet our minimum ESG thresholds, regardless of their financial performance. The second strategy entails investing in issuers with a less mature sustainability strategy but with a commitment to develop a transparent and ambitious action plan to transition into a sustainable company. This transition bond strategy involves NCP as an active partner and a support to the company in their advancement.

All NCP funds comply with our basic sustainability criteria and therefore do not invest in companies that are active within oil and gas, the weapon industry, pornography, tobacco, gambling, or have more than 10 percent from alcohol sales.

If we learn that a company does not live up to our expectations, our ambition is to encourage and support the company to develop measures to meet our expectations. In that way we can impact the market to become more sustainable.

We see an exit as a last resort when the company repeatedly and for a longer period of time shows inability or unwillingness to change these procedures.

NCP has been a signatory of the United Nations-backed Principles for Responsible Investment since May 2017. As a signatory, NCP engages to promote the principles within the Group and amongst industry peers. All investment related ESG integration activities by NCP entities are in line with commitments to the Principles.

We adhere to the UN Global Compact principles in our investment process and do not invest in companies breaching international norms. To ensure compliance with UN Global Compact and other international conventions we use an external research provider. The same provider also conducts screens for a range of sectors on our portfolio companies, based on coverage. For sectors with limited sector coverage, we also do manual research.

Active Ownership

We believe in active ownership and view every investment as a partnership. As a credit investor we contribute to the development of leading and sustainable enterprises and act as a constructive partner to shareholders, management and employees.

Through our role as an active investor, we strive to influence companies in their sustainability work, thereby encouraging change and safeguarding the interests of our investors as well as promoting sustainable business.

The companies we invest in are typically in the small to midcap segment. As a result, we can have a direct access to management, and we choose to limit the number of holdings as much as possible without increasing the concentration risk significantly. This allows us to spend more time analysing each credit, both before investment and through the monitoring phase and gives us a better chance of staying one step ahead of the rest of the market.

As an active manager, NCP takes a position on sustainability factors. This is done partly in the portfolio managers' ongoing work, partly in the Board and Investment Committee and in the dialogue with our industry advisors. The Board. The Investment Committee as well as the Sustainability Council regularly discusses sustainability factors and quality assures the managers' sustainability analysis. It is the responsibility of the Head of Sustainable Investing to keep the managers well educated on these matters.

NCP has quarterly management meetings with all portfolio companies as well as semi-annual in-depth screening to identify any issues from an ESG perspective.

If we receive signals that the company does not live up to our expectations, following process is initiated:

1. Portfolio manager looks for more information
2. Portfolio manager contacts the company to gain further information
3. Head of sustainable investing analyses the information to determine if formal engagement should be initiated
4. Portfolio manager discusses the holding with the investment committee.
5. NCP's CEO makes a formal contact with the company's CEO or chairman of the board.
6. Consult with other owners for a joint ownership dialogue.

Engagement thresholds:

- Beyond the continuous dialogue with portfolio companies, a formal engagement is to be defined as step 5.
- Formal engagement should be initiated if NCP determines that the company; has failed to deliver on promised development, is alleged to have violated international norms and standards or, is involved in any of the activities on our exclusion list
- The ambition with the engagement is to influence and support the company to take measures to meet our expectations

We see an exit as a last resort when the company repeatedly and for a longer period of time shows inability or unwillingness to change its procedures.