



# PEMBERTON

14 October 2021

## ESG Policy

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*POLICY GROUP:*

*INVESTMENTS*

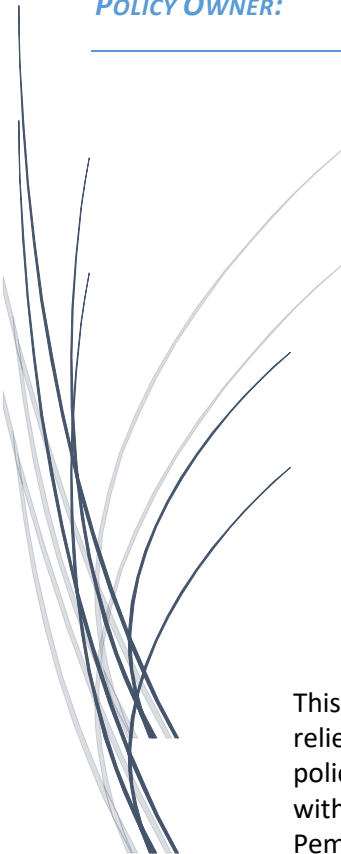
*POLICY LEVEL:*

*GROUP*

*POLICY OWNER:*

*DOUGLASS WELCH*

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Pemberton Asset Management, 14 October 2021

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## Section A: Policy Overview

### 1 Purpose

- 1.1 The Pemberton Asset Management group of companies (collectively referred to herein as the “**Pemberton**”) is a responsible investor with a proactive approach to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters (“**sustainability**” or **ESG**”) considerations within our business and our investments.
- 1.2 Pemberton believes that ESG factors are fundamental in achieving long-term value for our clients stronger and more profitable growth for our portfolio companies.
- 1.3 The objective of Pemberton’s ESG Policy is to:
- Provide a framework so that we can act as stewards of responsible investment, identify borrowers with good ESG practices and encourage them to improve further.
  - Enhance investor returns by identifying and improving on positive ESG characteristics and avoiding the downside risks of negative ESG characteristics.
  - Meet our social obligations promptly and prepare our compliance to impending regulatory requirements.

### 2 Scope

- 2.1 Pemberton endeavours to embed ESG considerations across all levels of Pemberton Group.
- 2.2 The contents of this policy are applicable to all the Pemberton offices and operations and are applicable to all representatives involved in business activities on behalf of the organization, including its partners, directors, senior management, employees and suppliers or temporary workers wherever located (“**Employees**”).
- 2.3 Pemberton Capital Advisors LLP (“**PCA**”) has a compliance manual and Pemberton Asset Management S.A. (“**PAMSA**”) a handbook of policies and procedures. These documents, together with, in some instances, additional standalone documents build on the policy statements set out in this policy and set out the relevant procedures that apply.

### 3 Responsibility for the Policy

- 3.1 The ESG Committee is the owner of this policy. The ESG Committee is expected to provide reasonable assurance that this policy is a true and accurate representation of the applicable policies and that it is always kept up to date.
- 3.2 The ESG Committee is also responsible for the implementation of this policy throughout the Pemberton Group.

### 4 Review and Update

- 4.1 This policy shall be formally reviewed by PAMSA’s Management Committee and the ESG Committee on an annual basis and more frequently if required.

VERSION NO	EFFECTIVE DATE	Author/Reviewer	INCORPORATED CHANGES
V. 1	2015	Compliance	Inception
V.2	November 2019	Compliance	

V.3	October 2021	Policies and Procedures Committee	Redraft of the existing policy

## Section B: Policy Governance

### 5 Approval

- 5.1 Any material changes to this policy will be approved by the governing body or a committee of each entity to whom such approval has been assigned, based on a recommendation from the policy Committee of Pemberton.
- 5.2 The governing bodies or committees, as appropriate, of all relevant Pemberton entities and, where appropriate, funds and/or self-managed SPVs must adopt this policy.
- 5.3 Any amendments and revisions to this policy should specify the superseded versions which will be retained for future reference with their date of application clearly recorded. These amendments will be made available to all members of staff of Pemberton in a non-editable version on Pemberton's SharePoint site.

### 6 Escalation

- 6.1 Any Pemberton employee can log breaches of this policy through the EDGAR Event Form. Breaches will be investigated and confirmed by compliance and, depending on the risk rating assigned, escalated to the group ESG Committee.

## Section C: Policy

### 7 Approach to sustainable finance

- 7.1 As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG considerations can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).
- 7.2 We recognise that applying the United Nations Principles for Responsible Investment ("UNPRI") may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following ESG principles:
- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
  - Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
  - Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
  - Principle 4: We will promote acceptance and implementation of these principles within the investment industry.

- Principle 5: We will work together to enhance our effectiveness in implementing these Principles.
- Principle 6: We will each report on our activities and progress towards implementing these Principles.

7.3 Pemberton sees itself as stewards for responsible investment, supporting our borrowers and private equity sponsors in building value through sustainable growth. ESG considerations are a key part of that stewardship responsibility, and we are committed to furthering the interests of our clients and the private debt community in this area.

7.4 Whilst debt investors do not have all the controls of equity owners, we believe that lenders like Pemberton have an obligation to make an effort to improve ESG practices in our borrowers and in the direct lending debt market.

7.5 Pemberton recognises that climate change is a key priority for sustainable investing. We aim to consider long-term sector and asset related risks arising from climate-related matters during and beyond our investment time horizons, including heightened diligence on sectors or assets with exposure to CO2 production.

7.6 Pemberton, in line with its regulatory requirements, will in its investment process:

- 1) apply a high standard of diligence in the selection and ongoing monitoring of investments.
- 2) ensure that they have adequate knowledge and understanding of the assets in which the Client is invested.
- 3) establish, implement and apply written policies and procedures on due diligence and implement effective arrangements for ensuring that investment decisions on behalf of its clients are carried out in compliance with the objectives, the investment strategy and, where applicable, the risk limits of the client.
- 4) take into account sustainability risks when complying with the requirements set out in 1) to 3) above.

Where Pemberton considers principal adverse impacts of investment decisions on sustainability factors as described in paragraph 9.3.

7.7 Pemberton has implemented negative and positive screening list at an investment strategy level in order to implement ESG considerations. In addition, Pemberton will consider, where requested by a client, try to include additional screening into the investment process.

7.8 Pemberton encourages its portfolio companies to implement ESG guidelines and processes and have introduced financial incentives for borrowers to further strengthen their commitments to ESG.

7.9 Pemberton shall ensure that when identifying the types of conflicts of interest, it shall include those types of conflicts of interest that may arise as a result of the integration of ESG considerations.

7.10 Within its investment process of the Pemberton AIFs, the PAMSA Investment Committee's review of investment proposals include ESG considerations.

7.11 Where ESG considerations raise ethical or reputational concerns, these issues are escalated through the ESG Committee. Areas with potentially material financial impact are reviewed for inclusion in our downside case modelling scenarios. Pertinent issues are raised for discussion at our Credit Committee and all investments require 4 out of 5 committee members' approval to proceed.

## 8 Training

- 8.1 As part of the firm's commitment to corporate sustainability, all employees receive ESG training to ensure they understand the importance of ESG, our commitment to the UNPRI charter and the environmental and social impact we can make together as an organisation.
- 8.2 Furthermore, conducting officers, senior managers of PAMSA and the general partners of each Pemberton fund have completed higher standard certified UNPRI training.
- 8.3 All Employees are assessed against certain ESG factors as part of the annual performance appraisal process.

## 9 Reporting & Transparency

- 9.1 Pemberton makes an annual submission to the UNPRI.
- 9.2 Pemberton has made a regulatory disclosure in accordance the SFDR (Regulation (EU) 2019/2088) in the offering memoranda of its AIFs and on its website: [https://pembertonam.com/legal/SFDR Principal Adverse Impact - statement](https://pembertonam.com/legal/SFDR_Principal_Adverse_Impact_statement)
- 9.3 Pemberton will, in due course<sup>1</sup>, shall publish and maintain on its website:
  - a) where it considers principal adverse impacts of investment decisions on sustainability factors, a statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available; or
  - b) where it does not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why they do not do so, including, where relevant, information as to whether and when they intend to consider such adverse impacts.
- 9.4 Pemberton shall include in the information to be provided in accordance with point (a) of 9.2 at least the following:
  - a) information about their policies on the identification and prioritisation of principal adverse sustainability impacts and indicators;
  - b) a description of the principal adverse sustainability impacts and of any actions in relation thereto taken or, where relevant, planned;
  - c) brief summaries of engagement policies in accordance with Article 3g of Directive 2007/36/EC, where applicable;
  - d) a reference to their adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.

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<sup>1</sup> Once the RTS of SFDR (Regulation (EU) 2019/2088) is finalised: Pemberton will need to assess the available options. Current expectations are that the Principal Adverse Impact statement needs to be published by June 2022.