

## **ESG APPROACH**

### **ACCUNIA CREDIT MANAGEMENT**

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## OVERVIEW

Accunia's approach to sustainability and ESG (environment, social, and governance) factors aims at being simple and transparent. Specifically, Accunia has restrictions in place against the following activities for all investments except for derivatives:

- Thermal coal mining or the generation of electricity using coal
- The production of or trade in controversial weapons
- The production of or trade in tobacco

If an investment does not violate any of these restrictions, then a more in-depth ESG analysis of the investment begins, which further informs whether the investment will be undertaken. Accunia decomposes its investment universe into *direct investments* and *indirect investments*. As outlined below, the ESG analysis differs depending on the type of investment.

## INDIRECT INVESTMENTS

Indirect investments are investments where third-party investment managers make the direct investment decisions. CLO notes form the majority of Accunia's indirect investments.

Accunia's ESG-process for investment in CLO notes is based on (1) due diligence of each individual investment (for example the CLO documentation), (2) due diligence of each investment manager, and (3) ongoing screenings of the underlying portfolio based on several different perspectives.

For Accunia to make an investment in a CLO note, the investment must have restrictions on investing in companies that derive revenue from thermal coal mining or electricity generation, controversial weapons, or tobacco, and the indirect investment must be characterised by good governance.

Accunia's ESG process ensures that exposure to investments in coal, controversial weapons, and tobacco is minimal, though no more than 5% of the fund. This results in a final exposure of at least 95% (excluding cash positions) to assets that promote environmental or social characteristics. The ESG process combines due diligence, screening, and engagement.

Firstly, Accunia assesses whether appropriate restrictions are in place against investing in thermal coal, controversial weapons, and tobacco by considering the overall restrictions of the investment manager. Furthermore, Accunia considers the ESG language built into the CLO note itself. Investment restrictions are more commonly built into the CLO documentation than into the ESG policy of the investment manager.

To assess whether the investment manager has sufficient requirements regarding good governance, Accunia utilizes annual questionnaires and/or direct correspondence with the investment manager.

For CLOs, a formalized setup with investment manager, trustee, collateral administrator, and auditor's setup is in place to ensure appropriate governance. This setup includes a standard of care, where the investment manager commits to invest prudently.

Furthermore, Accunia offers to perform certain additional ESG-screenings and analyses to clients with individual needs that deviate from Accunia's ESG own ESG policy.



## **DIRECT INVESTMENTS**

Direct investments are made directly to an obligor company or group. A direct investment is for example investments in corporate bonds or loans. Accunia undertakes a fundamental analysis of each direct investment. The ESG analysis is part of the fundamental analysis.

Accunia does not make direct investments in companies where any of the following is true:

- [Restricted activities: 5% or more of revenue from thermal coal mining or electricity generation, controversial weapons, or tobacco](#)
- [Gross and systematic violations of the environment, labour conditions, or human rights](#)
- [Breach of international norms and sanctions](#)
- [Domiciled in an authoritarian country](#)

## **PRINCIPLES FOR RESPONSIBLE INVESTMENT**

Accunia is a signatory to UN Principles for Responsible Investment (PRI) and integrates ESG considerations into its investment decisions. This includes promoting responsible investment practices, implementing ESG factors in decision-making, and ensuring transparency in sustainability efforts. Accunia encourages all market participants to adopt the PRI principles.

## **RESTRICTED ACTIVITIES**

Accunia does not invest in companies and entities that violate the restrictions against thermal coal mining or electricity generation from coal, controversial weapons, or tobacco. Controversial weapons are defined as weapons prohibited under applicable international treaties or conventions: nuclear, chemical, or biological weapons, cluster munitions, anti-personnel mines or inhumane conventional weapons restricted under the Inhuman Weapons Convention. Tobacco is defined using the Directive 2014/40/EO of the European Parliament and of the Council of 3 April 2014. This is considered as the manufacture, presentations and sale of tobacco and related products.

## **GROSS AND SYSTEMATIC VIOLATIONS OF THE ENVIRONMENT, LABOUR CONDITIONS OR HUMAN RIGHTS**

Accunia does not invest in companies and entities where there are gross and systematic violations of the environment, labour conditions, or human rights.

## **INTERNATIONAL NORMS AND SANCTIONS**

Accunia does not invest in companies and entities that breach international norms and sanctions. This includes but is not limited to: EU, UN, and OFAC sanctions list.

## **EXCLUSION AGAINST AUTHORITARIAN REGIMES**

Accunia does not invest with companies domiciled in the following authoritarian countries: Afghanistan, Algeria, Angola, Azerbaijan, Bahrain, Belarus, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, China, Comoros, Cuba, Democratic Republic of the Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Guinea, Guinea-Bissau, Haiti, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Laos, Lebanon, Libya, Mali, Mozambique, Myanmar, Nicaragua, Niger, North Korea,



Oman, Palestine, Qatar, Republic of the Congo, Russia, Rwanda, Saudi Arabia, Sudan, Syria, Tajikistan, Togo, Turkmenistan, United Arab Emirates, Uzbekistan, Venezuela, Vietnam, or Zimbabwe.

