



**ACCUNIA**  
C R E D I T M A N A G E M E N T

# **ESG APPROACH**

**Spring 2022**

Accunia is committed to supporting a more sustainable financial system. Our ESG approach outlined below endeavours to fulfil that commitment. We continuously update our ESG approach to ensure that it is complying with applicable regulation and remains relevant for our stakeholders.

### Brief overview

Accunia does not invest in companies or entities which directly violate our commitment to a more sustainable financial system. Specifically, Accunia does not invest in companies or entities generating their income from:

- 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. Accunia decomposes its investment universe into the categories: direct investments and indirect investments. As outlined below, the ESG analysis differs depending on the type of investment.

Accunia has exposure to certain indexes with passively selected components in the Dynamic Credit Strategies fund and ACM Hybrid fund. While we choose ESG enhanced indexes when feasible to do so, we do not submit those indexes to the ESG analysis.

### ESG Analysis – Direct investments

Direct investments are when Accunia invests directly in an obligor company or group, for example when we buy corporate bonds or loans. Accunia undertakes a careful fundamental analysis of each direct investment. The ESG analysis is part of that fundamental analysis.

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

- [Gross and systematic violations of the environment, labour conditions, or human rights](#)
- [Restricted activities: 10% or more of revenue from thermal coal mining or electricity generation, controversial weapons, or tobacco](#)
- [Breach of international norms and sanctions](#)
- [Headquartered or registered in an authoritarian country](#)

All direct investments are evaluated according to Accunia’s proprietary ESG system, where the company is analysed separately on each of the three ESG factors outlined in Exhibit 1 below.

*Exhibit 1: ESG factors*

ESG factor	Description	Examples
<b>Environmental</b>	Effects on the natural environment and systems	<i>GHG emissions, waste management, air/water pollution policies</i>
<b>Social</b>	The wellbeing of employees, people, and communities	<i>Working conditions, diversity and inclusion policies, fair pay</i>
<b>Governance</b>	Practices in the system of rules and processes which govern the companies	<i>Bribery and corruption, financial transparency, internal control</i>



Each direct investment is measured against the criteria in Accunia’s ESG policy prior to investing. Accunia ensures that direct investments are characterised by good governance in the fundamental analysis.

*Exhibit 2: ESG rating of Direct Investments.*

ESG Score	Description	Action	Review
8 – 9	ESG positive asset	Argue ESG score and discussion in ESG Committee	Semi-annual update to ESG Committee
6 – 7	No concern	Fine to invest	Annually
5	No immediate concern	Fine to invest	Annually
2 – 4	Monitoring	ESG Committee must approve investment	Semi-annual update to ESG Committee
1	Excluded	Do not invest / Sell when commercially reasonable	Placed on exclusion list

The ESG analysis informs a final ESG rating for the direct investment on a scale of 1-9. The ESG ratings and their ensuing actions are outlined in Exhibit 2.

### ESG Analysis – Indirect investments

Indirect investments are investments in managed funds: other investment managers make the direct investment decisions. For example, if Accunia buys a CLO note from another CLO manager.

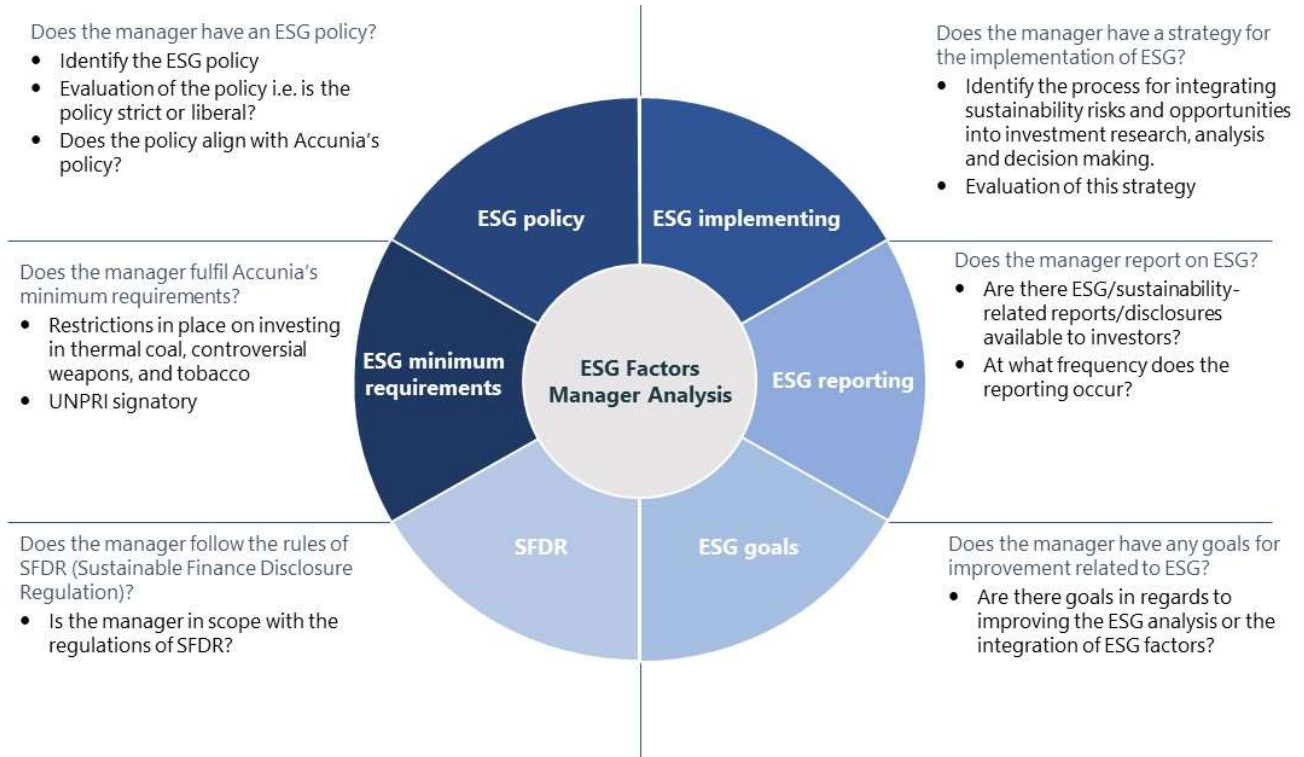
Since it is not Accunia making the direct investment decisions, instead of relying on an analysis of the underlying obligor company, Accunia mostly relies on analysing the investment manager making the direct investment decisions.

For Accunia to make an indirect investment, the investment manager must have an ESG policy in place which is acceptable to Accunia, and the investment must have appropriate restrictions on investing in the three restricted activities: thermal coal, controversial weapons, and tobacco.

All indirect investments are then carefully analysed based on the ESG approach of that other investment manager. The ESG analysis of investment managers relies on the six ESG factors outlined in Exhibit 3 below.



Exhibit 3: ESG analysis of investment managers



In addition to the six factors, the related conduct of the investment manager is assessed as part of the due diligence of the investment manager. If the investment manager and their CLO investment decisions are in direct violation of the principles in Accunia's ESG policy, Accunia will not invest in the CLOs of that investment manager solely on that basis.

The governance structure of the investment manager is considered as part of the due diligence. Further, each individual transaction must have appropriate governance structures in place. For CLOs, which form the majority of Accunia's indirect investments, there is a formalized setup with investment manager, trustee, collateral administrator, and auditor's setup to ensure appropriate governance.



Exhibit 4: ESG rating of indirect investments

ESG Score	Description	Action	Review
8 – 9	ESG positive	Argue ESG score and discussion in ESG Committee	Semi-annual update to ESG Committee
6 – 7	No concern	Fine to invest	Annually
5	No immediate concern	Fine to invest	Annually
2 – 4	Monitoring	ESG Committee must approve investment	Semi-annual update to ESG Committee
1	Excluded	Do not invest / Sell when commercially reasonable	Placed on exclusion list

Upon analysing the six factors, the investment manager is given a score on a scale from 1 to 9 in the ESG rating system. Accunia only invests with investment managers with a minimum score of 5. Exhibit 4 outlines the ESG rating system of indirect investments.

## Signatories

### Principle for Responsible Investment

Accunia became a signatory to the United Nations' Principle for Responsible Investment (PRI) in February 2018. As a signatory, Accunia has made [the signatories' commitment](#), which includes promotion, implementation, and transparency of ESG issues into investment decisions. Accunia encourages all market participants to sign the PRI.

### Finans Danmark recommendations regarding sustainability management

Accunia has implemented the below initiatives laid out in the [industry minimum recommendations regarding sustainability management](#) from *Finans Danmark*:

- Policy for social responsibility
- ESG integration and signing of the UNPRI
- Active ownership and promotion of sustainability
- Screening investments for violations of international norms
- Screening investments for restricted activities
- Transparency in communication and reporting of sustainability actions

The recommendations have the purpose of promoting and contributing to the Paris agreement and the SDG's.



## Other disclosures

### 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.

### Restricted activities

Accunia does not invest in companies and entities which generate 10% or more revenue from thermal coal mining or electricity generation from coal, controversial weapons, or tobacco. Controversial weapons are defined as weapons which are 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 as 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.

### 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, the following:

- EU, UN and OFAC sanctions list
- [UN Global Compact Principles](#)

### 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.

### Promotion of Environmental and Social Characteristics

Accunia seeks to promote environmental and social characteristics in our direct investments and indirect investments by adhering to the standards and restrictions set out in our ESG policy. Accunia uses all information available to assess the investments relative to the ESG policy including but not limited to offering documents and prospectuses, company webpages, public registrars and regulator websites, and third-party data providers vetted by Accunia.

All Accunia's investment funds disclose under EU's Sustainable Finance Disclosure Regulation (SFDR), article 8. This includes the following funds:

- [Accunia European IG CLO Fund](#)
- [Accunia European Opportunity CLO Fund](#)
- [Accunia European AAA/AA CLO Fund](#)
- [Dynamic Credit Strategies](#)



- [Accunia European High Yield Fund](#)
- Accunia Alpha Credit Fund
- Accunia King's Garden Fund
- Accunia ACM Hybrid Fund
- Accunia Absolute Return

### Sustainability Risk

Sustainability risk is the risk to the value of the investment that is related to ESG criteria. Accunia takes sustainability risk into account as part of its general investment due diligence. Accunia has policies in place to integrate sustainability risk explicitly in its investment decision making process.

It is not part of Accunia's investment strategy to take undue sustainability risk nor aim to explicitly avoid sustainability risks. Sustainability risk, like any other type of identifiable risk, should be reflected in the risk premium of the investment. Hence, we do not expect sustainability risks to affect returns.

For direct investments, Accunia considers sustainability risk as part of the fundamental credit risk analysis of each investment. For indirect investments, Accunia considers the sustainability risk policies of the investment manager and may screen the underlying portfolios from time to time as well.

Accunia informs potential clients about our investment due diligence, hereunder the way in which we consider sustainability risk as a part of our investment decision making process.

Accunia's remuneration policy seeks to incentivize long term value creation for Accunia clients and investors. Accunia does not reward taking undue sustainability risk.

### Principal Adverse Impact & EU Taxonomy

Accunia does not currently consider adverse impacts of investment decisions on sustainability, as it is understood under applicable EU regulation. Our ESG policy has general exclusions regarding gross and systematic violations of the environment, labour conditions, human rights, and corruption. These general restrictions are aimed at reducing adverse sustainability impacts. Further, Accunia does not consider the EU criteria for environmentally sustainable economic activities. Accunia follows the development in applicable regulation and market standards closely and update our ESG approach accordingly.

### **ESG Committee**

The ESG committee meets at least on a quarterly basis to discuss ESG investment issues, update business procedures, and make recommendations to the board to change the ESG policy from time to time. The members of the ESG committee are: CEO Henrik Nordby Christensen, Head of Structuring Magnus Bruun Jacobsen, Chief Business Officer Jacob Jensen, Portfolio Manager Christian Grane, Head of Risk Management Caspar Møller, Senior Client Executive Per Lawætz Hansen, and Chief Compliance Officer Klaus Runge. The committee can invite relevant persons to participate in its meetings.



**Disclaimer**

Opinions and information in this document have been prepared by Accunia. Accunia nor its employees make any representations regarding its correctness, completeness, or accuracy. Accunia takes no liability on any errors in the document. The information in this document is based on assumptions and strategies which are expected to change over time. Any statement regarding the future is uncertain, whether based on historical data, assumptions, or both. The underlying models are not a representation of reality. The information may provide a general explanation of an investment product and is not intended to constitute or form part of an offer to sell the product or structure described herein.

