

Armada's Responsible Investment Policy

Armada Credit Partners Oy

Date of approval 28 October 2022

Amendment log

21 January 2017

Approved

1 July 2022

Amendments approved

28 October 2022

Amendments approved

1. Introduction

This document describes what responsible investment means at Armada Credit Partners (“Armada”), its objectives and implementation. This document is complemented by Principles on Sustainability Risks and Principal Adverse Impacts that set out the guidelines for the integration of sustainability risks in the investment decision-making process at Armada and the consideration of principal adverse impacts on sustainability factors. Armada’s Remuneration Policy and its alignment with the consideration of sustainability risks and responsible investments is also a complementing document to this policy.

The definitions and practices set out in this document are considered in the investment decision-making processes together with Armada’s Principles on Sustainability Risks and Principal Adverse Impacts.

2. Definitions

Responsible investment means incorporation of environmental, social and governance (ESG) factors in investment decision-making and engagement.

This document uses terms such as sustainability factors, sustainability risks, and principal adverse impacts on sustainability factors. In this document and according to the regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector (“SFDR”), sustainability factors refer to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. In this document ESG factors are used as synonyms to sustainability factors. Sustainability risk – a synonym to ESG risk - means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. Furthermore, in accordance with the SFDR, principal adverse impacts are understood as those impacts of investment decisions that result in negative effects on sustainability factors. The principal adverse impacts are measured using the sustainability indicators that are listed in the regulatory technical standards of the SFDR.

3. Armada’s approach to responsible investing

Armada is an independent financing provider that invests across northern Europe, typically in private equity sponsored transactions, involving lower midmarket companies across different sectors. Armada also seeks investment opportunities with companies that are not owned by financial sponsors, which require financing for e.g. acquisitions, re-financings and general expansion. The cornerstones of the investment process include flexibility in structuring and pricing, streamlined decision-making process and certainty and speed of execution.

Armada fund investors typically include institutional investors such as pension insurance companies, pension funds, investment funds, investment companies and life assurance companies from Finland and other European countries.

As a financing provider, Armada is committed to responsible investing. The consideration of ESG factors is important aspect together with evaluating the debt service capacity of both potential new investment opportunities and of existing portfolio companies, and when managing investment risks and returns in the short- and long-term.

At Armada, the board has the overall responsibility of responsible investment. At the operational level, the ESG committee, comprising of representatives from the different defense lines further integrates ESG into the different functions.

Through responsible investment Armada seeks positive environmental and societal impacts that also contribute to the UN Sustainable Development Goals (SDGs) while obtaining market returns. Armada follows the United Nations Principles for Responsible Investment (PRI) and is also a member of the Finnish Venture Capital Association, and follows their Code of Conduct and other guidelines as well as standards set by Invest Europe (<https://www.investeurope.eu/industry-standards/>).

Armada uses ESG integration, engagement and exclusions as responsible investment approaches.

3.1 ESG integration

ESG factors are integrated into the investment analysis and decision-making processes, portfolio management practices as well as communication and reporting through Armada's proprietary analysis and tools which are supported by external service providers.

3.1.1 ESG Due Diligence

Armada has developed an ESG due diligence tool which supports the evaluation and ESG due diligence of investment targets as well as identification and monitoring of material ESG factors in investee companies. Armada's ESG due diligence process is described more in detail in Armada's Principles on Sustainability Risks and Principal Adverse Impacts.

3.2 Engagement

Armada believes it is important to engage with investee companies, together with possible other owners, to actively identify, manage and mitigate ESG risks and/or minimise negative environmental or social impacts. This is particularly important when Armada has the ability to influence the portfolio company through board operations. The aim of engagement is to support the development of responsible ESG practices in portfolio companies.

Engagement with the portfolio companies takes place regularly. Topics for engagement and improvement are followed-up.

Armada actively aims to promote acceptance and implementation of ESG practices within the private equity industry by raising ESG topics and asking relevant questions during the investment processes and after the investment has been made.

3.3 Exclusions

Armada excludes some industries and activities from its investments. Moreover, Armada will not proceed with an investment opportunity if the investee company has unacceptably high ESG risks.

Currently, Armada does not invest in

1. An illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulation applicable to the Fund or the relevant company or entity, including without limitation, human cloning for reproduction purposes);
2. The production of or trade in tobacco and distilled alcoholic beverages and related products;
3. The financing of the production of trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
4. Casinos and equivalent enterprises;
5. The research, development or technical applications relating to electronic data programs or solutions, which (i) aim specifically at: Supporting any activity referred to under items (1) to (4) above; internet gambling and online casinos; or pornography, or (ii) are intended to enable to illegally: enter into electronic data networks; or download electronic data;

6. Fossil fuel-based energy production and related activities i.e. the following activities:
 - a. Coal mining, processing, transport and storage;
 - b. Oil exploration & production, refining, transport, distribution and storage;
 - c. Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage; and
 - d. Electric power generation exceeding the Emissions Performance Standard in force from time to time (at the time of implementation 250 grams of CO₂e per kWh of electricity), applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs.
7. Companies of which majority of the business is based on activities that are highly CO₂ emitting, e.g. the following activities:
 - a. Manufacture of organic and inorganic basic chemicals;
 - b. Manufacture of fertilisers and nitrogen compounds;
 - c. Manufacture of plastics in primary forms;
 - d. Manufacture of cement;
 - e. Manufacture of basic iron and steel and of ferro-alloys;
 - f. Manufacture of tubes, pipes, hollow profiles and related fittings, of steel;
 - g. Manufacture of other products of first processing of steel;
 - h. Aluminium production;
 - i. Manufacture of aircraft and related machinery; and
 - j. Air transport, airports and service activities incidental to air transportation.
8. companies that do not fit its investment standards including e.g. violations of international norms (UN Global Compact).

In addition, when providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes or (ii) genetically modified organisms (GMOs), Armada ensures the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research of therapeutic purposes and/or GMOs.

3.4 ESG factors

Armada has identified several material ESG factors and has incorporated them into the investment analysis, decision-making processes and portfolio management practices. These ESG factors include inter alia:

Environmental factors

- Climate change impacts
- Resource efficiency
- Waste management
- Environmental permits
- Pollution and contamination

Social factors

- Employee health and safety
- Job satisfaction and employee wellbeing
- Customer satisfaction
- Diversity
- Human rights

Governance factors

- Anti-competitive behaviour
- Code of Conduct throughout the value chain
- Governance and management of ESG factors
- Anti-bribery and anti-corruption
- Proper incentive system

Sector and investment specific considerations guide the selection of the most material ESG factors. These factors and related metrics also indicate towards which SDGs particular investments contribute to.

4. Remuneration

Armada's remuneration principles are specified in the Remuneration Policy. The remuneration shall not be in conflict with the principles specified in this Responsible Investment Policy and with Armada's Principles on Sustainability Risks and Adverse Impacts.

5. Reporting and disclosures

Armada will publish information on ESG factors and sustainability risks in accordance with the EU Sustainable Finance Disclosure Regulation ("SFDR") 2019/2088.

Armada follows reporting principles specified in the International Private Equity and Venture Capital Valuation Guidelines. ESG is also covered by Armada's investor reporting.

6. Review of the Policy and Policy approval

Sustainability factors are reviewed and discussed regularly in the investment team, and investment committee and ESG committee meetings. The decision to exempt this policy must be made by two managing partners.

Armada's Responsible Investment Policy will be reviewed yearly and amended if needed.

Armada's Responsible Investment Policy is approved by the board of Armada. The policy owner is the managing director of Armada.

Armada Credit Partners Oy
Bernhardinkatu 5 A, FIN-00130 Helsinki
Tel +358 20 775 6583
Company ID 2306633-6