



RESPONSIBLE INVESTMENT POLICY

Last updated April 2021

1. Introduction

Responsibility is embedded in Hayfin's culture. We analyse environmental, social and corporate (ESG) issues as part of our overall risk assessment of an investment. In doing so, we are making more informed investment decisions, better protecting the downside, potentially enhancing returns, fulfilling our fiduciary duty and protecting the firm's reputation. We embed ESG not only within our investment process, but also within our corporate strategy. By considering ESG at a corporate level, we are contributing to a more sustainable world for our stakeholders, including our clients and their beneficiaries, our shareholders, our borrowers and our employees.

In 2021, Hayfin decided to review its responsible investment policy to reflect the evolution of its policy and the progress made within the firm as to the integration of ESG considerations in the investment process as well as the way the firm is ran.

Hayfin became a signatory to the United Nations' Principles for Responsible Investment (PRI) in 2018. The PRI is an organisation comprising a network of investors and other market participants committed to incorporating ESG factors into their investment decisions. We are committed to the PRI's principles and have integrated them in our Responsible Investment Policy.

- Principle 1: Incorporate ESG issues into our investment analysis and decision-making processes
- Principle 2: Be active owners and incorporate ESG issues into our ownership policies and practices
- Principle 3: Seek appropriate disclosure on ESG issues by the entities in which we invest
- Principle 4: Promote acceptance and implementation of the Principles within the investment industry
- Principle 5: Work together to enhance our effectiveness in implementing the Principles
- Principle 6: Report on our activities and progress towards implementing the Principles.

2. Definitions

Hayfin defines responsible investment as the integration of ESG considerations into investment management processes and, where applicable, ownership practices, in the belief that these factors can have an impact on financial performance.

When assessing the environmental and social impact of a business as well as assessing the manner in which such business is conducted, we focus on the key ESG issues relevant to that business, such as those listed below.

Environmental	Social	Governance
<ul style="list-style-type: none"> - Climate change - Emissions - Pollution - Waste - Urbanisation - Resource scarcity 	<ul style="list-style-type: none"> - Human rights - Labour conditions - Gender diversity - Health and safety - Data security 	<ul style="list-style-type: none"> - Business ethics - Compliance culture - Executive compensation - Acting practices - Board structure

3. Purpose & Scope

Hayfin is committed to investing responsibly and believes that ESG concerns should be considered as part of its investment process. Hayfin’s investment process takes into account the relevant factors that it believes impact returns and the overall investment performance of its funds and separately managed accounts. Investment decisions are ultimately made after considering all relevant factors that could impact an investment, including ESG issues.

As an asset manager, we owe fiduciary duties to our clients, including a duty of loyalty and a duty of care. In discharging these duties, Hayfin believes that this responsible investment policy, when incorporated into Hayfin’s investment process, adds value through combining economic goals with a sustainable development perspective to better meet the expectations of investors and other stakeholders and their long-term objectives. We believe that the analysis of ESG is critical in order to make more informed investment decisions and potentially enhance returns for our clients. Where consistent with our fiduciary duties to our clients, we therefore incorporate ESG considerations into investment analysis and decision-making processes. We also encourage high standards of ESG performance in the companies to which we lend and the investors along whom we invest.

Our investment objectives are compatible with our approach to responsible investment. Across all strategies, Hayfin emphasises risk before return, focusing on capital preservation and loss avoidance through comprehensive research on our investments, a rigorous investment process and active monitoring. As a firm, we are committed to teamwork, transparency and continuous improvement.

Hayfin recognises that the nature of asset managers’ roles can create conflicts of interest. We also recognise that asset managers are placed in a unique position of trust by their clients. Therefore, our approach to conflicts of interest is to comply not just with the letter of the requirements to which the Firm is subject, but to comply with the spirit of those requirements and the principles underpinning them by, in particular, being aware of both actual and potential conflict of interest situations.

Our Responsible Investment Policy covers all of our assets under management.

4. Investment Objectives

When considering investments, Hayfin applies specific investment exclusions as detailed in section 6. We believe that directing capital towards borrowers willing to improve the sustainability of their practices may generate better outcomes than simply excluding investments on poor ESG grounds. As such, we support companies across industries at different stages of the ESG journey. This is the reason why we pursue an ESG strategy of integration and engagement within our investment strategies. Hayfin respects investment exclusions requested by clients.

Hayfin supports the goals outlined by the Paris Agreement and acknowledges the risk of global warming. We are committed to understanding how our activities and investments contribute to global warming's causes. We aim to determine what actions we can take to foster lower carbon emissions and enable the development of new industries and technologies that serve this priority and do so in a manner that is consistent with our investment objectives and our fiduciary duties.

We believe that risk management is critical to investment success and acknowledge that the mitigation of climate risks is beneficial to society and financial assets. To the extent compatible with our investment objectives and our fiduciary duties, we study and incorporate these risk parameters within our investment criteria.

Where consistent with its fiduciary responsibilities, Hayfin seeks to implement this Responsible Investment Policy and its overall approach to responsible investing through the following:

- Hayfin seeks to promote adherence to this ESG policy across its investment businesses and will provide educational information as appropriate to Hayfin investment professionals to ensure that they are attuned to ESG issues that may arise in prospective investments.
- Where material in respect of a proposed investment, ESG matters should be analysed in investment memoranda and considered by the Hayfin investment committee.
- While an active approach to ESG considerations involving a portfolio company can be challenging due to the typically limited influence of senior lenders, Hayfin regularly meets with portfolio company management and sponsors and raises, where appropriate, material ESG issues.
- Hayfin seeks appropriate disclosure on ESG issues by the entities in which Hayfin invests to allow the ongoing monitoring of such issues, whether in existence at the time of the investment or which may arise afterwards.
- Hayfin is a conscientious investor and would not knowingly invest in a company that violates applicable laws and regulations. Hayfin considers ESG issues and related reputational risks when investing and, therefore, invests in companies that seek to be responsible corporate citizens, with policies that promote consideration of ESG matters.

5. Governance

Hayfin's governance structure ensures formal oversight and accountability with regards to the implementation of this Responsible Investment Policy.



Audit & Risk Committee

Hayfin's Audit & Risk Committee is ultimately responsible for ensuring the successful implementation of this policy. Members of the Committee include Hayfin's General Counsel and Chief Financial Officer, as well as two non-executive directors and a shareholder representative. The Audit & Risk Committee reports quarterly to Hayfin's board of directors.

ESG Committee

Hayfin's ESG Committee is comprised of members of senior management, investment, legal and client service teams and meets monthly to oversee Hayfin's responsible investment efforts. It reports to the Audit & Risk Committee.

The Committee's main responsibilities are to:

- review this policy at least annually;
- review the firm's practices and ensure that ESG considerations are integrated across all business lines and investment strategies;
- monitor market and legislative developments to ensure that Hayfin remains at the forefront of ESG developments;
- conduct ESG training for investment teams and employees in order to ensure that they have the required ESG knowledge and skills to incorporate best responsible investment practices in their day-to-day activities; and
- complete Hayfin's PRI reporting and other ESG-related reporting.

ESG Subcommittee

Hayfin's ESG Subcommittee reviews each investment before it is presented to Hayfin's Investment Committee. It meets with the investment analysts to discuss the investment opportunities and related ESG considerations. It also maintains an industry database of ESG issues. The ESG Subcommittee includes members of our investment committee, legal team and business development team.

6. ESG Incorporation Approach

ESG considerations are analysed for each investment across all strategies. The level to which they can be implemented depends on the strategy and level of influence Hayfin can exercise under such strategy.

Through our ESG approach, we aim to seek and procure investments that are consistent with: the transition toward a low-carbon economy, the cultivating of resilient enterprises and communities, and our high standards for investment rigor and diligence.

Investment Exclusions

Hayfin will not make investments in companies that are incompatible with our corporate values and ESG objectives. We will not knowingly invest in:

- Controversial weapons
- Arms trade to entities that are subject to arms embargoes
- Tobacco production
- Oil sands production and controversial pipelines
Mining of thermal coal

Investment Diligence

Each potential investment is assessed from an ESG standpoint. Our investment teams use the industry database maintained by the ESG Subcommittee to guide their analysis. They may also commission third-party research and seek appropriate disclosure from sponsors, management and other relevant stakeholders. Where an industry presents heightened ESG risks, the investment team consults with the relevant team leaders, ESG Subcommittee or Investment Committee. This analysis is then submitted to the ESG Subcommittee for review before the investment can be presented to the Investment Committee. Further clarifications or actions may be required by either the ESG Subcommittee or the Investment Committee.

Hayfin also maintains detailed scorecards of the private equity sponsors with which it engages. Those scorecards contain an overview of their ability to actively manage ESG issues.

Investment Approval

The ESG Subcommittee reviews the ESG analysis, encourages further research if necessary and elevates certain issues for discussion in Hayfin's Investment Committee. Hayfin's Investment Committee is ultimately responsible for ensuring that material ESG issues have been considered and adequately addressed.

In the case of private equity investments, the Investment Committee closely analyses the ESG scorecard, suggesting any revisions to ensure consistency with our broader library of GP ratings, and identifying key ESG topics to be addressed by the investment or ODD team with the private equity sponsor before approval.

Portfolio Monitoring and Exit

Where material ESG matters have been identified, the responsible investment analyst engages with sponsors and/or management on an ongoing basis to monitor these issues. Material ESG developments are included in commentary in the monthly portfolio sheets and, where appropriate, brought to the attention of the ESG Subcommittee for incident recording and the Investment Committee for consideration.

For private equity investments, we actively engage with our GPs to improve ESG practices within investee companies. We have implemented an oversight programme to monitor ESG at the portfolio company level through an annual survey requesting a selection of KPIs.

7. Active Engagement

Through active engagement, Hayfin aims to increase transparency, raise ESG awareness and influence practices. We firmly believe that our influence can be used to maximise overall long-term value, including the value of common economic, social and environmental assets, on which returns, and client and beneficiary interests depend. Our ability to influence varies across our strategies based on the role we play in a given transaction and our influence in the capital structure.

Individual Engagement

As a senior lender, our strength lies in our active engagement with fellow lenders and sponsors. Our engagement strategy focuses on collaboration with other investors in order to ensure our investment objective. We engage with sponsors to understand their ESG philosophy, policy and procedures and ensure that ESG performance is ranked in a scorecard.

Collaborative Engagement

Hayfin believes that better ESG outcomes can be achieved through collaboration. We seek to collaborate to support and further our ESG objectives on an industry and policy level. Hayfin is a member of the Alternative Credit Council (ACC), a global body that represents asset management firms in alternative credit. We are part of ACC's Responsible Investment Working Group.

8. Reporting

We produce an annual report on our approach to responsible investment which is shared with our investors. We also produce bespoke reporting for our clients upon request.

We also complete annual PRI reporting summarising our responsible investment accomplishments for the year and how we have implemented the PRI principles in our activities. We share our PRI report and assessment with our clients upon request.