UK STEWARDSHIP CODE 2020

HAYFIN CAPITAL MANAGEMENT LLP

OCTOBER 2021

Preface

The UK Stewardship Code 2020 sets high stewardship standards for asset managers. The Code comprises a set of “apply and explain” principles, but does not prescribe a single approach to effective stewardship. Instead, it allows asset managers to meet the stated expectations in a manner that is aligned with their own business model and strategy.

Hayfin recognises that responsible stewardship is fundamental to fulfilling our fiduciary duty for our investors. Accordingly, we fully support the Code, applying its 12 principles across our strategies. We henceforth set our commitment and the manner in which we are fulfilling the principles of the Code and our stewardship responsibilities for the 12-month period ended 31st March 2021.

Yours sincerely,

Tim Flynn, CEO

Principles for asset owners and asset managers

Principle 1: Purpose, strategy and culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Hayfin was launched in 2009 with a mandate to search across the European private credit markets to identify the best risk adjusted returns on behalf of its original institutional shareholders. While we have since segmented investments into distinct strategies, broadened our investor base and grown our team, we have not changed our investment philosophy. Hayfin's investments are rooted in fundamental credit analysis, requiring careful, thorough research of each investment opportunity. We conduct extensive market due diligence, analysing the competitive environment and industry outlook across a potential borrower's core markets. We also undertake an extensive due diligence review of each potential borrower to identify financial trends and sensitivities in the historic financial performance of the potential borrower. Across our strategies, we manage broad but well-defined mandates, enabling us to respond to changing market conditions and to invest in areas where capital and competition are relatively scarce. We diversify across geography, industry and number of investments. We generate differentiated return through hard work and insightful analysis.

Discipline is the cornerstone of Hayfin's approach to implementing its strategies. This includes discipline in sourcing, where Hayfin has developed an approach that minimises competition with other providers of capital, and discipline in investment selection, where Hayfin has emphasised preservation of capital rather than taking excessive risk to achieve target returns. We rigorously review documentation prior to investment, maintaining structural protections and covenant packages, in order to protect our clients' capital.

We recognise that we would not achieve our objectives without our people. We seek to recruit and retain exceptionally talented professionals. We believe in being local in each of our markets, and that our diverse mix of nationalities, cultures and languages makes us more connected to these markets. While most of our team are industry generalists, we employ dedicated specialist teams where we believe focused expertise provides an advantage.

Our investment professionals are rewarded to collaborate, rather than outperform peers, to achieve the best outcomes for our investors. They are recognised for sharing their experiences and learning from past mistakes. Furthermore, we provide a strong and stable platform, including an experienced middle- and back-office team who are committed to ensuring a smooth process for our investors. Our business development team is focused on building long-term, trusted partnerships with our investors while offering strong transparency and exceptional client service. Our management team is committed to continual improvement and long-term success.

In late 2019, we launched a Culture Committee to articulate the principles to which we adhere when we work at our best on behalf of our clients. In 2020, the Committee, with the help of a broader internal working group, developed a mission statement supported by a set of values and behaviours. The outcome is shown below.

Hayfin's Mission Statement and Values

Our mission is to deliver consistent, superior, risk-adjusted returns to our investors. We aim to achieve this through a collaborative approach with unwavering focus on integrity, discipline, and creativity in everything we do. Our people, and the trust instilled in us by our stakeholders, are our core assets.

Responsibility

We are dedicated to our partners and constantly work to stay aligned to their long-term objectives. As custodians of our investors' capital, we are prudent with our decisions and will not lose sight of risk or our mandate in pursuit of return. We understand that if we do the right thing by our clients, our own success will follow.

Collaboration & Transparency

We are open-minded and team focused, sharing our knowledge and experience and working together towards a collective goal. We stress collaboration in everything we do because we believe teamwork, healthy debate and humbleness create better decision making. We keep communication simple, kind, accessible and proactive while recognising the need for transparency to collaborate in a committed and non-political way.

Excellence

We are hard-working and dynamic, always searching for new and better ways to work, seeking feedback and challenging conventional thinking. We foster an ambitious and high performing culture where people understand improvement is a constant exercise. We do not hide our mistakes and recognise them as a natural part of our personal and collective growth. We make an outsized effort to attract, retain and promote people who will challenge us and contribute to our success.

Entrepreneurial

We are energetic, flexible and creative. We incubate and innovate new ideas to support progress while keeping in mind the risks involved. This freedom to explore inspires us and makes our work exciting and fun. We remain rigorous and diligent about what we do while staying flexible and adaptable, to look beyond conventional answers and pursue the most compelling opportunities for our investors.

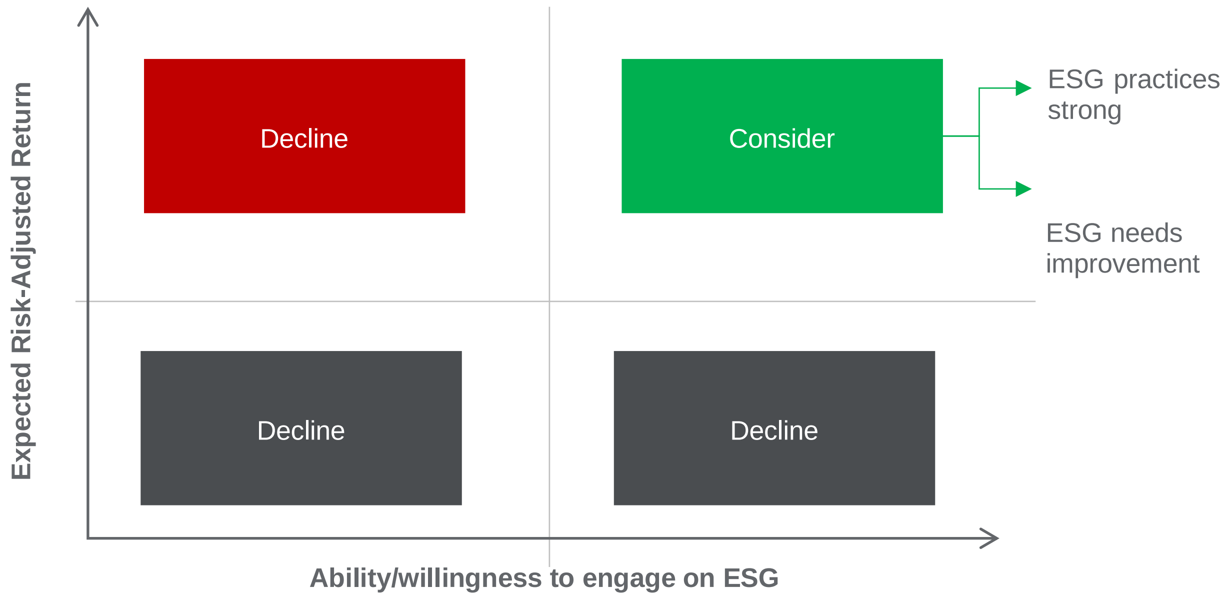
Diversity

We are committed to cognitive diversity at our firm. We accept and appreciate that different ways of seeing and thinking can make us stronger as a team. We seek to bring people together from diverse backgrounds and aim to strike a balance in skill set, character, experience and point of view. We ensure everyone feels valued and comfortable expressing themselves and use these different perspectives to solve problems and make better decisions.

The above mission statement highlights the importance of responsibility as part of our culture. We have always analysed material 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.

Our responsible investing approach is inclusive and active. 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. Our key considerations are around engagement. Specifically, are we able to engage with our sponsors and/or borrowers on ESG matters and are they willing to engage with us?

An ESG framework on investment opportunities



Hayfin is a lender, rather than an owner, for most investments. Therefore, we are limited in our ability to exert control over the companies. However, Hayfin seeks to engage on ESG matters in all circumstances. Through engagement, we strive to increase transparency of information, raise awareness of ESG issues and encourage better ESG practices. The level of engagement depends on the type of investment.

As a signatory of the UN-supported Principles for Responsible Investing (PRI), Hayfin has embedded the following principles in its approach to stewardship and in its Responsible Investing 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.

Our ESG goals for 2021 are guided by the PRI Principles, our investors and best practice from our industry:

- Integrating climate change considerations
- Enhanced stewardship through engagement
- Improved ESG data capture and analysis
- Improved ESG monitoring
- Greater transparency

Our track record and our loss rate are used by our investors to assess our success. However, we don't feel that these statistics are adequate. Our decision to sign the PRI was driven by our recognition of the PRI's leadership in ESG and our desire to use their frameworks to assess ourselves on responsibility. 2020 was our first formal year of reporting, and we received an "A" grade for the two components on which we were assessed. We are proud of where we stand today, but we recognise there is much more we can do. In fact, there is so much more we could do that we must prioritise in order to make genuine progress. The PRI will help us shape and prioritise our goals in the future.

While we look to the PRI for guidance, we also look to our clients. We ask them for their feedback. We take pride in hearing our strengths and make an effort to address our weaknesses. We continually engage with many clients regarding ESG, and we have put some of their suggestions into practice. We welcome their feedback and partnership regarding our approach to responsible investing. Our ESG Committee is responsible for understanding the continually evolving ESG standards defined by the PRI and by our clients, and for defining new goals and determining how we can implement them. Our philosophy is that ESG is a journey and that we will continue to strive for best practice as an alternative investor.

Principle 2: Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

Hayfin Ownership

Hayfin benefits from a stable and long-term ownership model with strong team alignment. In January 2017, British Columbia Investment Management Corp ("**BCI**"), became an institutional shareholder of Hayfin to support the long-term growth plan of the company. BCI is a leading provider of investment management services for British Columbia's public sector with C$199.6 billion of managed assets. In the current ownership structure, Hayfin management and employees remain substantial shareholders alongside BCI. As a founding PRI signatory in 2006, BCI and Hayfin are in constant collaboration to adopt and apply best practice in ESG and other matters.

ESG Committee

Hayfin's ESG efforts are led by the ESG Committee which is comprised of members from the senior management, investment, legal and client service teams. The ESG Committee meets monthly to oversee Hayfin's ESG efforts. The ESG Committee conducts ESG training for employees and completes Hayfin's PRI reporting. The ESG Committee also discusses how the firm can improve to become best in class in ESG across its business lines, identifies new initiatives and determines implementation for new processes. Some of the activities undertaken by the ESG Committee over the last 12 months include: review and update our Responsible Investment Policy, discuss achieving net zero for Hayfin and joining the Net Zero Asset Managers initiative, update on SFDR regulation, and discuss collaborative engagements.

Seniority, Experience and Qualifications

Members of the ESG Committee come from diverse backgrounds, both academic and professional, and they bring to the committee a diversity of perspectives and opinions. Their combined experience across law, business development and investment allows the members of the committee to have an all-encompassing view on the matters discussed and to be the best stewards of our clients' interests. The ESG Committee will soon be supported by a Director, Responsible Investment who will be joining Hayfin in Q4 2021.

ESG Committee Members		
▪ David Rushford, General Counsel (London, 21 years experience) ▪ Béatrice Méthé, Legal Counsel (Luxembourg, 9 years experience)	▪ Sheila Pejavar Brown, Managing Director (London, 19 years experience) ▪ Andrés Horcajo, Associate (London, 7 years experience)	▪ Mirja Lehmler-Brown, Managing Director (London, 23 years experience) ▪ Andrew McCullagh, Managing Director (London, 20 years experience) ▪ Matthew Supranowicz, Principal (London, 15 years experience)

Reporting Lines to the Audit & Risk Committee and the Board

In 2019, Hayfin established an Audit & Risk Committee, responsible for implementing Hayfin's risk management framework covering non-investment risk. Members include the COO Private Debt, COO Liquid Debt, CRO, General Counsel, CFO, CTO, two Non-Executive Directors and a shareholder representative. The Audit & Risk Committee reports quarterly to Hayfin's board of directors. In 2020, our ESG governance has been enhanced further whereby the ESG Committee has begun reporting directly to Hayfin's Audit & Risk Committee. The new reporting line strengthens ESG oversight and offers more breadth of escalation.

ESG Investment Subcommittee to Focus on Investment Level Considerations

Hayfin has an ESG Investment Subcommittee that meets with analysts to discuss investments before they go before Hayfin’s Investment Committee for approval. The ESG Investment Subcommittee is a subset of the ESG Committee and is composed of members of our investment committee, legal team and business development team. The ESG Investment Subcommittee reviews ESG analysis of the prospective investments, requests further research if required, encourages deeper engagement with sponsors and borrowers and maintains a database of ESG issues.

Record Keeping

Summaries of the investment reviews by the ESG Subcommittee have been recorded in an internal database since 2019. The information gathered serves as the basis for engagement with portfolio companies and sponsors. It allows us to monitor key metrics and related action items. The database is also used by the Investor Relations team in its reporting to investors and contributes to maintaining transparency towards them.

ESG Governance at Hayfin

Resources

Effective stewardship is at the heart of our investment process and our investment team is integral to Hayfin improving its long term returns and fulfilling its duty towards its clients. Hayfin can count on a strong investment team composed of:

Private Credit: 48 professionals

Private Equity: 6 professionals

Liquid Credit: 19 professionals

Training

Every year, we 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. These have become mandatory for all Hayfin employees, including the investment and client-facing teams. We hold the sessions on an annual basis in the autumn, with dedicated ESG sessions scheduled exclusively for new joiners. The sessions summarise the process, share best practice and update on new initiatives. They specifically address the following questions:

- What is ESG and why do we care?
- How do our investors think about ESG and what are their needs?
- The required steps for thorough ESG diligence
- ESG resources and checklist
- Case studies that reflect best practice
- Hayfin's PRI grades and feedback
- Hayfin's ESG goals

Training is ongoing at Hayfin, as the investment team refers to our ESG industry database and prior ESG memos when conducting analysis on new investments. The ESG Investment Subcommittee may also encourage the investment team to conduct more analysis and engagement regarding specific issues based on lessons learned from prior investments.

Incentives

Hayfin's approach to compensation seeks to align individual performance and incentives with the success of our clients and our shareholders while complying with the FCA remuneration rules for investment firms. Our Remuneration Committee reviews and implements Hayfin's remuneration policy. Remuneration is comprised of salary, annual cash bonus and long-term incentives in the form of equity and carried interest schemes. The make-up of remuneration for each role is set according to function and seniority within our incentive framework: Non-cash incentives including carry and equity participation encourage retention and alignment to investor interest.

Service Providers

Hayfin may supplement its internal research on ESG matters by relying on service providers. On the governance and social side, Hayfin works with Alaco Limited, a business intelligence consultancy. As part of the investment process, our investment teams also rely on specific service providers to review relevant aspects of a given transaction and provide us with the appropriate level of information to make educated decisions. These could include environmental studies, commercial and legal due diligence. We have evaluated engaging external research providers such as S&P, but have concluded that they were not suitable to our business given their focus on public markets. Please refer to Principle 8 for more information on how we interact with managers and service providers.

Principle 3: Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Hayfin recognises that the nature of asset managers' roles can create conflicts of interest. In the event that a conflict of interest arises where an active role in respect of such investments is taken, Hayfin will seek to resolve such conflict in a fair and equitable manner and in accordance with FCA and other applicable regulatory principles, the relevant provisions of the fund documents (or other investment agreements in case of other investment vehicles) and Hayfin's own internal policies and procedures. Hayfin also recognises that asset managers are placed in a unique position of trust by their clients. Therefore, the firm's 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.

In accordance with Financial Conduct Authority requirements, Hayfin has established, implemented and maintains an effective conflicts of interest policy that is appropriate to Hayfin's size and organisation and the nature, scale and complexity of its business. Hayfin's conflicts of interest policy provides transparency to our clients, employees and other entities about the policies that Hayfin has in place with regard to the potential conflicts that may arise, including a gifts and entertainment policy which applies to all employees, personal account dealing procedures to ensure no conflicts can arise between employees and clients, and an allocation policy to ensure fair and balanced allocations are made to clients. . Hayfin reviews its conflicts of interest policy on an annual basis to ensure the firm is satisfied that it is up-to-date and meets best practice standards. Our conflicts of interest policy is available upon request.

Potential Conflicts of Interest

When considering when there may be a conflict of interest, the firm considers whether Hayfin may:

- stand to make a financial gain, or avoid a loss, at the expense of a client;
- have an interest in the outcome of a service provided to the client, or transaction carried out on their behalf, which is distinct from the client's interest in that outcome;
- have a financial or other incentive to favour the interests of one client or group of clients over another client;
- carry on the same business as the client; or
- receive from a person other than the client an inducement relating to the service provided to the client, in the form of monetary or non-monetary benefits or services.

Below are a few examples of potential conflicts of interest that may arise and Hayfin's approach to address them:

<table>
<tr><th>Issue</th><th>Potential Conflict</th><th>Arrangements</th></tr>
<tr><td>Trading and Investment Conflicts</td><td colspan="2">Potential trading and investment conflicts, are managed by existing regulatory requirements arising in the context of its conduct of business.</td></tr>
</table>

Issue	Potential Conflict	Arrangements
Allocation of transactions	Investment opportunities may be allocated more preferably to one party, disadvantaging one or more clients.	An allocation policy is in place to ensure investment opportunities are allocated on a fair basis.
Trade Errors	Trade error resulting in a gain or a loss	Policy on trade errors detailing how they are to be handled and reported. No client shall be negatively impacted by a trade error with the firm compensating the client or Fund, as applicable.
Cross Trades	Failure to properly assess the implications for both sides of a cross trade may lead to the implication that one fund and their investors are being given preferential treatment to another.	Hayfin will permit Cross Trades between Funds in limited circumstances in accordance with its Cross Trade Policy, which requires the prior approval of the CEO, GC and or COO. All terms will be deemed to be in the best interests of, and beneficial to, the Funds involved. Full documented evidence to support the decision will be retained including why one Fund is a natural buyer and the other a natural seller.
Pricing and Valuation Conflicts	Hayfin's remuneration arrangements with its clients are based on funds under management and the performance of the client's investments, which in turn is in part determined by the value of the assets in the funds.	
Valuation Policy	Not implementing a valuation policy or deviating from the policy which may impact on the fair valuation of financial instruments.	Valuation policy and procedures that reflect the requirements of IFRS or other applicable accounting standards. The implementation of the policy is monitored by the Firm's Valuation Committee, which reports to the Firm's Audit and Risk Committee.
Transaction Fees	Charging additional fees to funds in relation to transaction fees	Generally, the Firm has agreed to offset all transaction fees against future management fees. Specific disclosure on treatment of transaction fees is provided to all clients.
Personnel Conflicts	Hayfin aims to employ experienced and professional personnel. However, the actions of a member of personnel may be influenced or create an influence over the activities of the firm.	

Issue	Potential Conflict	Arrangements
Personal account trading	Personnel may trade on personal account in an inappropriate manner, including to the detriment of clients.	Personal account dealing policy in place with which all personnel must comply. One of the aims of the policy is to avoid conflicts of interest arising between our clients and personnel wishing to deal for their own account.
Influence of outside business interests or activities	Personnel who have outside commitments (i.e. directorships or other business interests) may be influenced to act in a manner that conflicts with the interests of the Firm or its clients	All outside business interest require the approval of the General Counsel and these are approved generally when no material conflict of interest exist and any such outside business interest does not require a material time commitment.

Systems and Controls

When a new conflict is identified, Compliance will review the conflict and discuss it, as appropriate, with members of the Management Committee and/or the Audit and Risk Committee and the General Counsel or other senior persons. The conflict will be addressed on an ad hoc basis or, where necessary, a specific policy will be implemented. Compliance will record conflicts brought to their attention and the manner in which the conflict is addressed.

Each time the firm launches a new product or business line, the Compliance Officer or designee reviews the potential conflict risks and, where necessary, implements a revised policy to address any concerns.

In accordance with regulatory requirements, a conflicts of interest register is maintained, which records the services carried out that may entail a risk of damage to the interests of clients.

On an annual basis, the conflicts register is reviewed by the Firm's Audit and Risk Committee to determine whether any additional key or potential conflicts have arisen and need to be managed or prevented or if any current conflicts have been resolved and thus no longer need to be recorded in the conflicts register. Conflicts will additionally be reviewed to determine whether they are being effectively managed. The conflicts register summarises the means by which Hayfin manages each conflict.

Hayfin holds a mandatory annual compliance training for all of its employees. Breach of Hayfin's compliance policies and procedures, including of its conflicts of interest policy, is deemed a breach of employment arrangements with Hayfin and may lead to sanction under the firm's disciplinary policy, including immediate termination for cause.

Principle 4: Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

It is in the interest of Hayfin, its clients, and society as a whole to have well-functioning financial markets. As such, Hayfin is an active member in representative bodies such as the Alternative Credit Council. It is important for Hayfin to engage with regulators and other important stakeholders to ensure the best outcomes for our clients.

We continually strive to enhance our analysis of ESG risks for our asset classes. Disruption has emerged as a theme that overlaps heavily with ESG. While we already think about such risks during our credit process, we are considering including disruptive risks by industry in our ESG templates to encourage more systematic consideration of these.

Selected (ESG related) disruptive risks for key industries	
Industry	
Oil and Gas	Emergence of renewable energy ▪ Amid rising concerns about greenhouse gas emission and climate changes, renewable energy sources such as solar and wind now have widespread popular support. ▪ The technologies behind solar and wind power have been emerging fast in recent years, lowering the power generation cost. ▪ With government support in renewable technologies development, the solar and wind power generation is expected to grow five to ten times faster than any other power-generation technology in the next few years.
Maritime Services	Increased environmental sustainability concern ▪ Maritime transport has an inherent exposure to emissions and pollution. Public focus on environmentally friendly technologies such as slow steaming may impose a disruptive risk to the maritime industry. Increased social sustainability ▪ Safety management and workforce health and welfare are the key social concerns in this industry. ▪ With the development of unmanned autonomous vessels, it may offer an opportunity to improve seafaring welfare and improve vessel safety in general.
Retail/ Services	Increased social sustainability ▪ The social disruptive risk could rise from product quality, safety regulations and price transparency, and customer fairness. As a labour-intensive sector, increasing social concerns about human rights and equality will have potentially disruptive impacts. Technological disruptions ▪ The emergence of technology in e-commerce, payment systems, Industry 4.0 and big data is reshaping the retail industry and are fundamentally disrupting businesses. Digital transformation is happening in every aspect of traditional businesses, from business model to operation formats. It also impacts customers' behaviour and supply chains that change the whole retail ecosystem.
Financial Services	Focuses on responsible investing ▪ Sustainable and responsible investing have moved from a niche to the mainstream in financial industries. More and more investors put ESG considerations in their investment screening process. The increasing disclosure requirements on ESG matters also push companies in a more sustainable direction for business planning. This trend is subjecting the financial industry to a certain level of disruption and will cause changes in long-term company strategy. Evolution of risk management ▪ As with the financial crisis, Covid will lead regulators and financial institutions to review the existing regulatory framework and existing risk management approaches.

Selected (ESG related) disruptive risks for key industries

Industry	
	The development of digital tools promotes innovations in risk management that enable companies to look beyond current risk capabilities.
General Industrials	The key concerns focus on environmental exposure relating to emissions and pollutions, and social exposure relating to safety management. More stringent industry regulation may change some operational patterns in this industry.
Food & Beverage	Access to information ▪ Transparency and traceability about ingredients, production and supply chains to mitigate, widespread customer distrust. Hyper-customised products ▪ Meal kits ▪ Specialised ingredients for additional customer benefits ▪ Non-animal protein for sustainable food production ▪ Advances in alternative packaging products

Source: S&P Global, Deloitte, McKinsey, Hayfin

In relation to the impact of COVID-19 on the portfolio, Hayfin has been in active dialogue with portfolio companies and each company's key financial metrics have been reviewed and are regularly monitored by the team in line with Hayfin's risk monitoring process. While this monitoring process is ongoing and will continue as business performance upon emergence from lockdown becomes visible, any changes in expected exit price or timing have been reflected in updated expected returns.

Hayfin has maintained its investment philosophy and focus on downside protection during the COVID-19 crisis. Hayfin's team has been closely monitoring the portfolio and has been in dialogue with companies' management teams and sponsors to assess and respond to the crisis' impact on the borrowers' business and potential liquidity needs. Hayfin has always required covenants in virtually all of its investments and that has continued to be the case post-COVID. Any increase in covenant-lite deals in the portfolio would be as a result of secondary purchases of syndicated facilities at a discount. Hayfin has been particularly focused on keeping tight control on permitted acquisitions and debt incurrence in its documentation. Hayfin's tight permitted debt language has required its consent in all cases and enabled the team to carry out a thorough review of those companies' impact from COVID-19. The pace of deployment for Hayfin has exceeded expectations during 2020.

Overall, in the 6 to 8 months following the first lockdown in March 2020, private equity sponsors were more focused on deliverability of debt structures, rather than negotiating the most aggressive terms. At the same time, a number of direct lenders appeared to struggle to prosecute new transactions while managing their existing portfolios. This meant there was a discernible improvement of terms across the board: spreads, fees, leverage, and documentation.

With sentiment improving and all direct lenders actively competing once more, market conditions have strengthened considerably since the beginning of 2021 with pricing and documentation back to pre-COVID levels. Private equity sponsors continue to push on terms, broadly by importing syndicated loan terms into the private market. Hayfin has continued to focus on off-the-run transactions where competition is a little more muted and where we can continue to negotiate terms that enhance our downside protection.

Hayfin recognises the responsibility for all market participants to address systemic risks and work internally to reflect the changes we seek through external engagement. As such, in March 2021, Hayfin became a supporter of the Taskforce on Climate-related Financial Disclosures (TCFD) to formally endorse its framework and to start disclosing following its recommendations both at a corporate and portfolio level in the years ahead.

Hayfin believes that climate change has the potential to affect our investments. As such, we consider it whenever we believe it presents material risk or an opportunity. Climate change, as a component of ESG more broadly, is firmly integrated into our investment process. It is the responsibility of each investment team to analyse material ESG risks, including climate change, and detail these in an ESG section within the Investment Committee memo.

Hayfin also believes in the importance of cognitive diversity for well-functioning financial markets. As such, our aim is to increase, attract and develop a meritocratic and diverse workforce and to ensure Hayfin's work environment is inclusive and supportive for all employees. We also aspire to be a positive leader and contributor to diversity in the alternative investment management industry and to engage with the community. In order to reach these goals, we have set a series of initiatives that will be ongoing in the years ahead:

1. Hayfin has developed its first summer internship programme which will take place in the summer of 2021. The programme focuses on 100% diverse candidates. The programme is done in partnership with SEO and will place eight interns across our London and New York offices.
2. A formal talent acquisition policy that requires that the initial pool of candidates be at least of 50% diverse profiles.

These and future diversity and inclusion initiatives will be data-driven to ensure all actions improve diversity within Hayfin, with dashboards to monitor hiring, promotions, and attrition to track progress.

Principle 5: Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Hayfin has a seven-member ESG Committee comprised of senior management, investment, legal and client service professionals. The ESG Committee meets monthly to oversee Hayfin's ESG efforts, including reviewing its firm policy at least once per year. The ESG Committee conducts ESG training for employees annually and completes Hayfin's PRI reporting. The ESG Committee also discusses how the firm can improve to become best in class in ESG across its business lines, identifies new initiatives and determines implementation for new processes.

In 2019, Hayfin established an Audit & Risk Committee, responsible for implementing and overseeing Hayfin's risk management framework covering non-investment risk and providing oversight of procedures, policies and controls and assesses their effectiveness. The Audit & Risk Committee meets quarterly (and more frequently as required) to monitor consistency with Hayfin's risk management framework, Members include Hayfin's Chief Operating Officer, Chief Risk Officer, General Counsel, Chief Financial Officer, two non-executive directors and a shareholder representative. The Audit & Risk Committee reports quarterly to Hayfin's board of directors. In 2020, our ESG governance has been enhanced further whereby the ESG Committee has begun reporting directly to Hayfin's Audit & Risk Committee. The new reporting line strengthens ESG oversight and offers more breadth of escalation.

Hayfin maintains appropriate policies, processes, and controls, including a Compliance Manual, which are designed to protect the interests of our clients, ensure compliance with applicable laws and provide the right level of accountability and control systems. As part of the risk management framework, Hayfin's compliance team has implemented an annual compliance monitoring programme during which it conducts testing to assess the firm's policies, processes, and controls to ensure that they remain adequate and comply with regulations.

Hayfin and its funds are audited annually by PwC and have always received clean audit opinions.

Hayfin has an ESG Investment Subcommittee that meets with analysts to discuss investments before they go before Hayfin's Investment Committee for approval. The ESG Investment Subcommittee includes members of our investment committee, legal team and business development team. The ESG Investment Subcommittee reviews ESG analysis of the prospective investments, requests further research if required, encourages deeper engagement with sponsors and borrowers and maintains a database of ESG issues.

Hayfin reviews its ESG policy annually. This year, the policy was amended to reflect the progress made within the firm as to the integration of ESG considerations in the investment process as well as the PRI principles.

As a lender rather than an owner for most investments, Hayfin is limited in its ability to exert control over the companies and does therefore not have a voting policy.

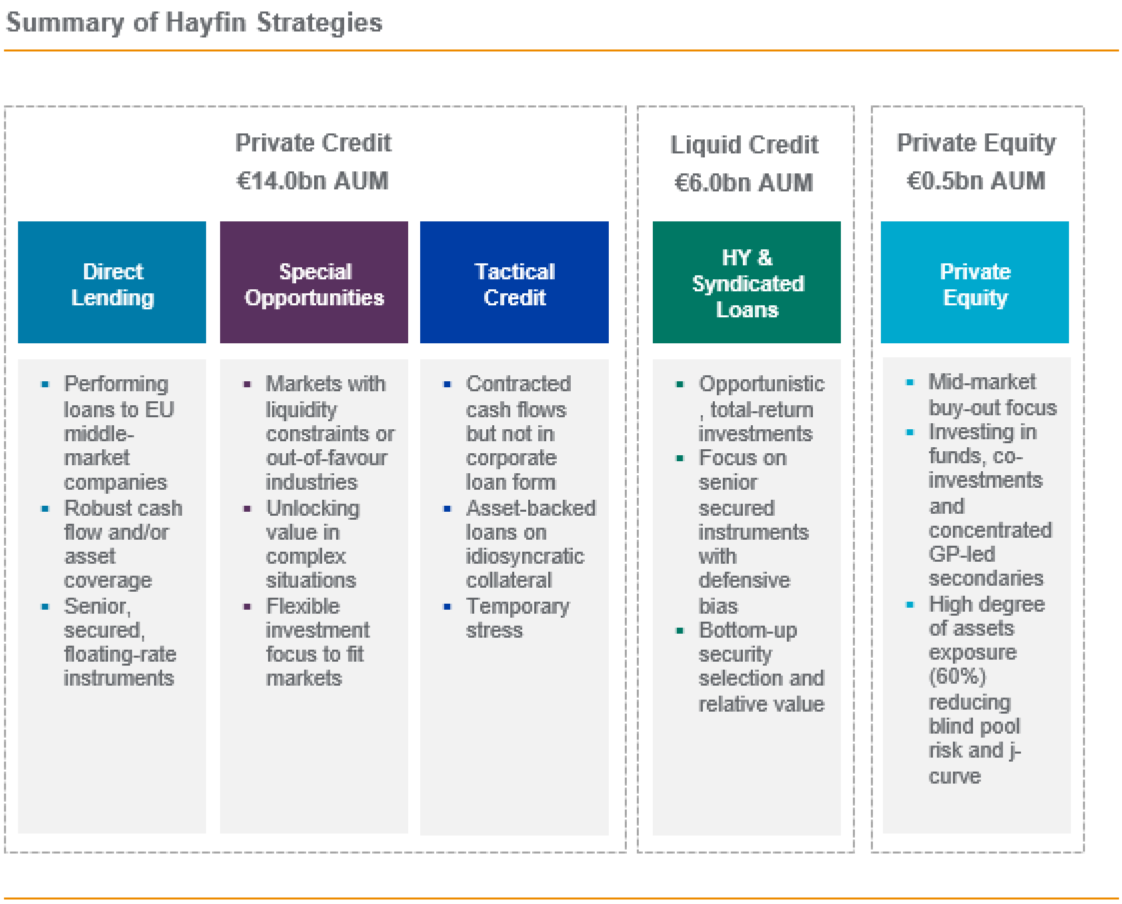
Hayfin ensures that its stewardship reporting is fair, balanced and understandable. As further described under principle 6, Hayfin regularly reports to its clients on investment activity, financial update and ESG considerations, giving them clear insights into Hayfin's stewardship activities. Hayfin also produces the annual PRI reporting summarising our responsible investment accomplishments for the year. Those communications are prepared by the Investor Relations and the Investment teams, with input from other teams as needed. We believe that transparency is key and, as such, we publicly disclose our statement for the UK Stewardship Code on our website (www.hayfin.com/esg) and we share our PRI report and assessment with our clients upon request.

We also engage with our clients to ensure that our reporting meets their requirements. We believe that being transparent and promoting open communication contributes to fair and balanced reporting.

Principle 6: Client and beneficiary needs

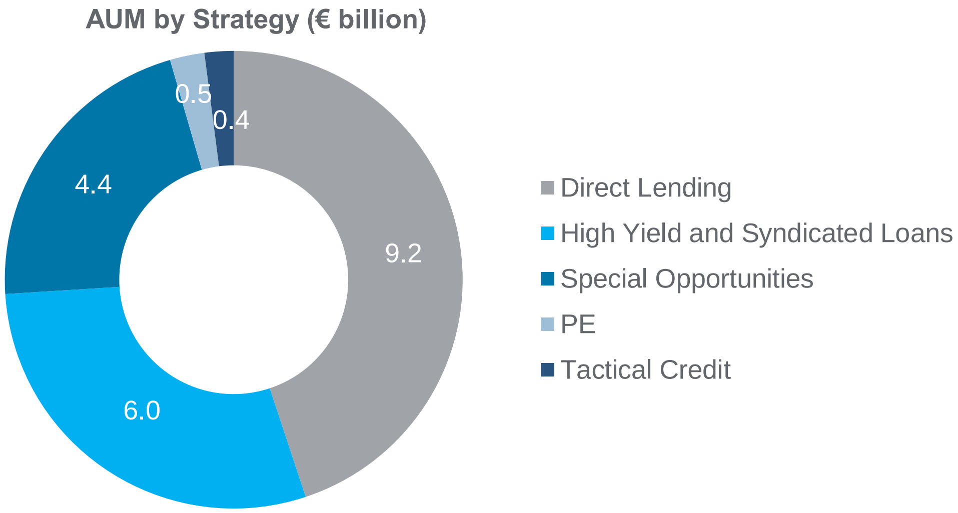
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Hayfin is one of Europe's leading private credit alternative asset managers with c.€20.5 billion in assets under management as at 31 March 2021. Hayfin is headquartered in London, with eight additional offices globally in Frankfurt, Luxembourg, Madrid, Milan, Paris, New York, Tel Aviv and Singapore. The Hayfin team, as at 1st February 2021, comprises 161 employees including 79 investment professionals, specialised in sourcing, structuring and managing credit investments. Since its inception in 2009, Hayfin has extended loans totalling c. €24 billion firmwide to more than 375 companies predominantly in Europe.



As at 31 March 2021

Hayfin manages four core, complementary and cohesive investment debt strategies: Direct Lending, Special Opportunities, Tactical Credit and High Yield and Syndicated Loans, in addition to its private equity strategy. In its private credit strategies, Direct Lending and Special Opportunities, Hayfin focuses on generally less liquid, "off-the-run" investment opportunities where there is less competition to provide capital and does not rely on relationships with investment banks for allocations of broadly syndicated leveraged loan and high yield investment opportunities. Hayfin has developed industry and structuring expertise across a variety of specialty investment themes and situations. A breakdown of our assets under management across our strategies is below as at 31 March 2021:



Because of the nature of the private credit asset class, all of our investors are institutional. In terms of investor type and geographical location, a breakdown can be found below:

Geography	AUM split
Asia	2.15%
Australia	23.42%
Europe	48.32%
Middle East	1.72%
North America	24.38%
Grand Total	**100%**

Investor type	AUM split
Bank	1.09%
FO/HNW/Endowments	4.51%
Fund of Funds	5.43%
Insurance	18.99%
Pension	58.99%
Sovereign Wealth Fund	10.98%
Grand Total	**100%**

The investment period for our Private Credit strategies is between three and four years, depending on the strategy, with another three or four years in harvesting periods. These timeframes have been designed not only because of our historical experience within our strategies and time to realisations, but because we believe they are the most appropriate for the investor target returns for each strategy and in alignment with the goals set out, such as consistent senior secured cashflows in Direct Lending or unlocking value in complex situation for Special Opportunities.

Furthermore, our funds allow for two one-year extensions to ensure our investors receive the most appropriate value for the assets with an orderly exit for those investments that remain unrealised, thus avoiding forced liquidations that are not in the best interest of our borrowers and our investors.

With regards to our reporting, every quarter the Investor Relations and the Investment team produce the following reports for each of the funds and Separately Managed Accounts:

- Summary of Investments and Portfolio update: a line-by-line track record is provided for both realized and unrealized investments. The report includes updated figures on amount invested, called, carrying value, realized proceeds and expected gross IRR at investment level and at fund level, alongside the fund's deployment and repayment profile and portfolio characteristics.
- Portfolio Breakdown: to promote transparency, this report aims to give as much details as possible on every investment in the portfolio. This document reports both quantitative and qualitative characteristics, including updates on companies' financials like LTM EBITDA, Enterprise Value and Leverage.
- CEO letter: CEO letters are released through Hayfin's administrator portal. This document includes a commentary on the Fund's new positions and realisations over the quarter, together with any relevant updates at Firm's level.
- Audited Financials: The Fund is audited annually as at 31 December, with audited financials made available within 90 days after year end.

Finally, all of our funds have an Advisory Board composed of representatives of selected investors. The Advisory Board advises the General Partner in our funds and resolves issues involving potential conflicts of interest. The Advisory Board will meet bi-annually to review if the fund is meeting its performance targets, potential conflicts of interests and to keep track of the fund's expenses.

For amendments in the fund's Limited Partnership agreement will require Ordinary Consent (the written consent of Investors whose aggregate Investor Commitments represent more than 50% of Total Fund Commitments), Two-Thirds Consent (the written consent of Investors whose aggregate Investor Commitments represent more than 66.66% of Total Fund Commitments), or Special Consent (the written consent of Investors whose aggregate Investor Commitments represent more than 75% of Total Fund Commitments), depending on the materiality of the change.

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.

Responsibility is embedded in our culture. We have always analysed material ESG issues as part of our overall risk assessment of an investment. In doing so, we are making more informed investment decisions, better protecting against downside risk, 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. Indeed, while we look to the PRI for guidance, we also look to our clients. We have already engaged with many of them regarding ESG, and we have put some of their suggestions into practice.

Hayfin's Code of Ethics sets out the general fiduciary principles and standards of business conduct. It is Hayfin's policy to act in the best interest of its clients and on the principles of full disclosure, good faith and fair dealing. Hayfin recognises that it has a fiduciary duty to its clients. Acting as a fiduciary requires that Hayfin, consistent with its other statutory and regulatory obligations, act solely in the clients' best interests when providing investment advice and engaging in other activities on behalf of clients. Hayfin and staff members must seek to avoid situations which may result in potential or actual conflicts of interest with their duties.

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. Starting in 2021 we have started including ESG sections for our investment case studies, where we report the main ESG considerations found in each investment memo and the points raised in ESG Subcommittee discussions.

We 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.

Principle 7: Stewardship, investment and ESG integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

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.

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.

We summarise key issues from our ESG Investment Subcommittee discussions in an industry database. This database is available for the investment team to use as a guide for ESG analysis and for the ESG Investment Subcommittee to use for reference in their discussions. The database allows us to continually enhance the ESG analysis we conduct on our investments.

Industry Database of ESG Issues

Industry	Environmental	Social	Governance
Oil and Gas	▪ Management and control to prevent corruption and bribery throughout the value chain ▪ Transparency in business operations and production process	▪ Employee health and safety ▪ Diversity and inclusion	▪ Management and control to prevent corruption and bribery throughout the value chain ▪ Transparency in business operations and production process
Maritime Services	▪ Compliance with industry regulations of greenhouse gas emissions ▪ Adoption of renewable energy or cleaner-burning fuels and use of fuel-efficient ship engines ▪ Reduction of shipping duration in marine protected areas ▪ Environment sustainability inputs such as implementing ballast water exchange treatment	▪ Implementing a safe working environment and emergency management of ship casualties, vessel accidents, worker injuries and hazardous materials release incidents ▪ Proper employee training programmes and periodic dry-docking maintenance periods to ensure employees' safety, health and welfare	▪ Governance structures and practices to avoid company exposure to corruption and bribery including wilful or unintentional payments or exertion of unfair influence

	▪ Spills or releases of hydrocarbons, hazardous substances, or MARPOL		
Retail/ Services	▪ Product recall, consumer education, and initiatives aimed at meeting applicable regulations and industry standards ▪ Safe and proper disposal or recycling of materials	▪ Labour code of conduct to ensure proper working conditions, labour practices and safety requirements	
Financial Services	▪ Incorporation of climate change and other environmental risks into investment origination and underwriting processes	▪ Implementation of diversity policies ▪ Training on diversity, mentorship and sponsorship programs, partnership with employee resource and advisory groups, and flexible work schedules to accommodate the varying needs of employees ▪ Policies and programmes for fostering equitable employee representation ▪ Implementation of data security protection ▪ Principles of fairness to customers (borrowers)	▪ Adequate disclosure of risk, suitability, investment alternatives and conflict of interest to clients ▪ Fair compensation structures for executives ▪ Incorporation of ESG considerations in investment decision-making process
Building Materials	▪ Sustainability and use of environmentally focused design principles ▪ Consideration of upstream environmental impacts and use of recycled/renewable materials ▪ Optimisation of packaging and design for consolidated shipping ▪ Wood supply chain management and harvesting from sustainable sources	▪ Efforts to minimise workers' exposure to harmful materials ▪ Proper engineering controls and safety training programmes	
Healthcare	▪ Energy efficiency in operations including electricity, heating, cooling, steam energy and fuel usage ▪ Diversification of energy sources and adoption of renewable energy from hydro and biomass sources ▪ Using recycled materials for packaging ▪ Product take-back and end-of-life recycling	▪ Safety control over clinical research organisations with respect to welfare of research subjects ▪ Effective company policies and procedures to promote product safety ▪ Compliance with applicable regulations ▪ Healthcare accessibility and equality considerations ▪ Initiatives to provide access to healthcare products in developing countries ▪ Pricing transparency and fairness to patients ▪ Reasonable price increase and fair pricing in different regions ▪ Protection of customers' health information records	▪ Proper disclosure of product recalls ▪ Ethical marketing fully representative of potential safety risks and side-effects of products ▪ Oversight of controlled substance prescriptions dispensation ▪ Code of conduct related to conflict of interest, corruption & bribery or other unethical business practices
General Industrials	▪ Environmental impacts associated with project design, siting and construction ▪ Biodiversity impacts including air emissions, water discharges, waste management, natural resource consumption, soil erosion and hazardous chemical usage ▪ Disposal related risk in relation to hazardous substances, pollutants, or contaminants	▪ Company commitment to workforce safety matters including implementation of safety protocol, safety training and maintaining a safe work environment	▪ Disclosure of energy efficiency and water efficiency performance improvements

	▪ Development of products with energy-conserving design and efficient resource utilisation ▪ Incorporation of climate change consideration into long-term business strategy planning		
TMT	▪ Sustainability in energy consumption ▪ Consideration of product waste and proper disposal	▪ Management practices and guidelines on their use of customer data ▪ Data security and cyber-attacks ▪ Concentrated nature of telecommunications, cable and satellite companies ▪ Responsible use of IP protection to balance innovation without restricting competition ▪ Systemic or economy-wide disruption may be created if the network infrastructure of telecommunication services companies is unreliable and prone to business continuity risks	▪ Initiatives to recruit from and develop diverse talent pools ▪ Workforce diversity is important for innovation and helps companies understand the needs of their diverse and global customer base
Food & Beverage	▪ Water consumption ▪ Food and packaging waste ▪ Energy consumption ▪ Chemicals and energy from refrigeration, heating, ventilation, lighting and air conditioning.	▪ Food safety and quality control ▪ Contamination by pathogens, hazardous substances, or spoilage leading to human health risks ▪ Transparency around nutritional information and mitigating public health concerns around obesity ▪ Responsible supply chains and sustainable suppliers with focus on conservation, water scarcity, animal welfare, fair labour practices and climate change ▪ Customer data protection	▪ Working conditions and fair wages
Real Estate	▪ Energy consumption and utilities including heating, lighting and use of appliances ▪ Water efficiency in building construction and usage to reduce environmental impact, as well as operating costs for real estate assets ▪ Tenant oversight for sustainability		▪ Internal transparency around business operations and maintaining a high standard of ethics ▪ Employee training, oversight, policies and procedures to build client trust and loyalty
Business Services		▪ Customer data security and mitigation of threats including cybersecurity breaches, malicious activities or employee negligence	▪ Diversity and workforce engagement to garner knowledge, talent, advice and a variety of technical skills ▪ Prioritising diversity at management levels can help attract the best talent ▪ Fair treatment and equitable pay ▪ Fostering professional integrity and providing adequate training and support to employees
Metals & Mining	▪ Carbon dioxide from fuel use during mining, ore processing, and smelting activities ▪ Hazardous air pollutants impact on human health and the environment Conservation of energy and water resources ▪ Disposal of waste that can be hazardous or chemically reactive Site damage leading to negative impact on ecosystems	▪ Protecting communities in conflict zones or areas with weak governance Security forces to protect workers and prevent human rights violations in local communities ▪ Shared community resource impact through mining operations, such as competition for access to local energy or water resources, air and water emissions, and waste from operations.	▪ Management of working conditions and labour relations ▪ Health and Safety in mining operations due to the often-hazardous working conditions ▪ Ethical approach and transparency in payments to governments or individuals

Source: Sustainable Accounting Standards Board (SASB), Hayfin

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.

For a more thorough explanation for the different levels of engagement depending on the type of investment (Private Equity, Private Credit or Liquid Credit), please refer to our answer in Principle 9.

Hayfin has integrated a series of services providers to guide its ESG discussions, including SASB, TCFD and PRI. In addition, we use Alaco when there is no private equity sponsor involved for additional background checks on management teams. Our investment teams will selectively engage with third party providers to dig into certain aspects of ESG diligence (eg environmental reports on buildings). We have evaluated external research providers such as S&P, but have concluded that they are more suitable for public markets and are not able to add enough value for us on the private markets side. We continually monitor this landscape and will consider engaging with a preferred ESG research provider as their private markets propositions improve.

Principle 8: Monitoring managers and service providers

Signatories monitor and hold to account managers and/or service providers.

Service Providers

Hayfin has a formal due diligence selection process for any new third-party service providers. The process includes a review of the relevant service areas, including process, technology, quality of staff and senior management, any relevant cyber security risks, operational and financial controls, any risks around GDPR and data protection compliance, any other applicable laws, rules or regulations and the counterparty's commitment to Hayfin as a client. In addition, Hayfin conducts reference and background checks on the team members.

Hayfin has service level agreements (SLAs) in place with many companies, incorporating key performance indicators (KPIs) to help oversee the services provided. In addition to ongoing daily and weekly interaction, Hayfin's CFO and members of Hayfin's Finance and Operations team participate in quarterly meetings to discuss SLAs and KPIs. In addition, on at least an annual basis, members of Hayfin's Finance and Operations teams perform onsite visits. Hayfin also receives copies of these counterparties' Internal Controls Reports such as ISAE 3402 and their DR, BCP and Cyber Security policies.

Hayfin regularly meets alternative third party service providers to discuss opportunities and gathers market research to enable it to benchmark the service levels and pricing from its core service providers.

External Managers

Hayfin interacts with private equity sponsors through both its private equity and credit strategies since many of these sponsors have ownership stakes in our credit investments. We monitor the sponsors to ensure that they incorporate best stewardship practices into their services. As further described under Principle 9, our private equity team creates a sponsor scorecard in which they rate the sponsor on ESG metrics The private equity team will find time to engage with that sponsor to conduct a rating. As a result of this process, the number of ratings that we have for sponsors has risen from 42 in 2019 to 61 in 2020.

We continue to monitor ESG issues throughout the life of an investment and will escalate issues to encourage improvement and/or to address deterioration. An example of such escalation with a private equity sponsor is as follows:

Investment made in Hayfin's Private Equity Funds strategy	
Background: Our sponsor focuses on investments in Nordic companies operating in the pharmaceutical, medical technology, healthcare services and other health-related industries.	
ESG issue	▪ At the time of investment, the sponsor had no ESG policy in place and was not a signatory to the UNPRI. No ESG analysis or tracking of ESG KPIs was included within investment process or IC documentation either. These factors presented an overall ESG risk.
ESG analysis	▪ Whilst ESG was not a focus for the sponsor at time of investment, Hayfin believes in being a constructive partner. We requested in legal documentation that ESG policies and procedures be implemented within two years.
Outcome	Post-investment, Hayfin Private Equity has maintained an active dialogue with the sponsor on the implementation of these policies, procedures and best practices. ESG policy is now in place after our PE team provided examples and guidance. The company implemented a comprehensive strategy on governance pre- and post-investment along with incorporating ESG into their investment process from the start (due diligence phase) all the way through the final investment decision. Hayfin Private Equity continues to work with the sponsor, helping to prioritise ESG topics, and provide key learnings based on broad experience within the industry.

Principle 9: Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Hayfin is a lender, rather than an owner, for most investments. Therefore, we are limited in our ability to exert control over the companies. However, Hayfin seeks to engage on ESG matters in all circumstances. Through engagement, we strive to increase transparency of information, raise awareness of ESG issues and encourage better ESG practices. The level of engagement depends on the type of investment.

Private Equity

Hayfin has a private equity team that engages with private equity sponsors to understand their ESG philosophy, policy and procedures. They will then create a sponsor scorecard in which they rate the sponsor on ESG metrics. An example of the scorecard for a leading private equity sponsor is shown below:

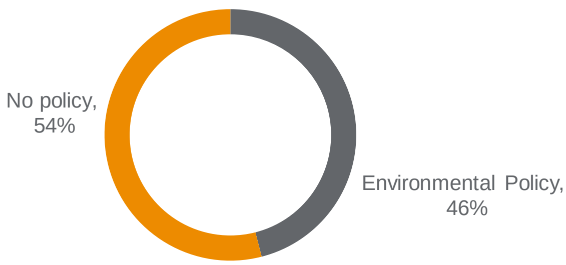
ESG Scorecard for a leading private equity sponsor

Strategy and Governance	Comment	Rating
Does have a ESG policy?	Yes	Green
Has an appropriate governance structure to ensure compliance, training and continuous improvements?	Yes	Green
UNPRI signatory and commitment to other international standards?	Yes	Green
Process – Identification of ESG factors Pre-Investment		
Identifies material ESG factors in due diligence? Consultants?	Yes	Green
Incorporates ESG factors in investment documentation and IC decisions?	Yes	Green
Process – Contribution to management of ESG factors Post-Investment		
Portfolio level – insist on ESG polices in underlying investments with implementation of appropriate governance structures?	Yes	Green
Monitoring – introduces relevant KPIs at portfolio level monitored at least annually?	Yes, monitored on a quarterly basis	Green
Cross sharing – has at least annual workshops for all portfolio companies to promote best in class practises across the portfolio?	No, however they recommend PFCs to establish their own ESG Steering Group to cross-share information around ESG internally	Red
Communication – Reporting		
Exit - ESG aspects are incorporated in preparations for exits?	N/A	Grey
ESG related topics are addressed in quarterly reports and AGMs?	Included in AGM materials but not quarterly reports	Orange
ESG management and breaches communicated to LPAC	Yes	Green
Production of public ESG report at least annually?	Yes	Green

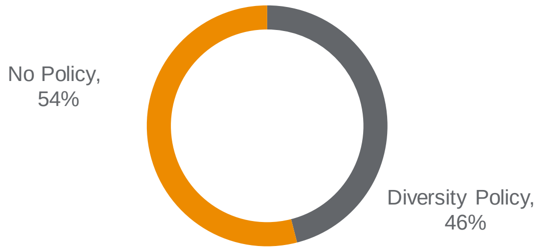
The engagement continues throughout the life of the investment. We have implemented an oversight programme to monitor ESG at the portfolio company level through an annual survey requesting a selection of KPIs. In 2020, we received responses from the majority of private equity companies to whom we sent the survey, the details of which we show below:

Private Equity Funds Portfolio Monitoring

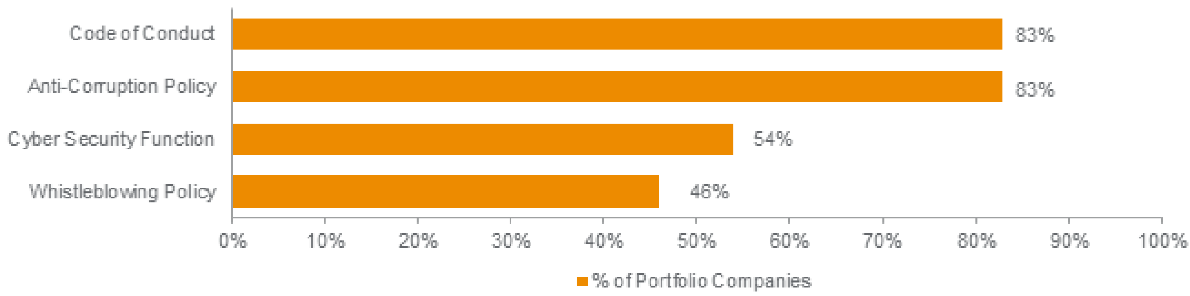
Environmental: Environmental Policy



Social: FTEs and Diversity Policy



Governance: Compliance and IT security



Statistics based on surveys received as of 5th June 2020 with the remaining delayed due to Covid-19.

Private Credit

Many of these sponsors have ownership stakes in our credit investments. Therefore, a strong synergy exists between our private equity and our credit teams, whereby the latter have access to internal research on private equity sponsors as part of their investment diligence.

Furthermore, within private credit, we are usually the sole or largest lender, which allows us to exert some influence over our borrowers. Our private credit analysts may further engage with the sponsor to request more information, dig deeper on certain issues, elevate concerns or encourage improvements regarding specific borrowers. For investments where there is no private equity sponsor involved, the analysts will engage directly with our borrowers to understand their approach to ESG, request more disclosure and influence ESG practices wherever possible. Governance is a key issue for non-sponsored investments, and we actively engage with management teams to understand their organisational structure and culture. As a matter of course, we will also engage with third parties to conduct background checks on management.

Hayfin has an ESG Investment Subcommittee as described in our response to Principle 2. It is mandatory for analysts to discuss ESG considerations for each investment before they go before Hayfin's Investment Committee for approval of that investment. The ESG Investment Subcommittee will encourage a deeper level of engagement wherever possible. They track engagements and monitor outcomes for reporting to our investors.

The following table summarises results of our engagements over the past year:

Engagement Examples	
Objective	**Following our engagement**
Increasing transparency	▪ We routinely request from sponsors their ESG policies and additional reports (eg environmental) if these are not provided with initial due diligence materials ▪ A distributor of products disclosed its commitment to the BSCI Code of Conduct in response to our enquiries about fair working conditions in the production sites of its suppliers ▪ A distributor of construction equipment detailed the accreditations it provides to its workforce and customers to use and maintain the equipment when we enquired about employee health and safety ▪ A sponsor provided us their detailed analysis of ESG issues for an IT equipment manufacturer when we asked them questions about certain environmental and social issues
Raising ESG awareness	▪ A family office acquiring a building products company did not have an ESG policy, so we arranged a call with them to understand their corporate practice and discuss the importance of ESG issues and expectations ▪ A healthcare company subject to past litigation has discussed with us significant governance improvements, including wholesale board turnover, internal control improvements, financial restatement and plans towards re-listing ▪ A financial services firm shared how they are transitioning to a new executive board and demonstrated a well-prepared handover plan ▪ If we do not already have an ESG rating from our PE team for a sponsor with whom we would like to partner for financing, our PE team will contact them to set up a diligence session
Influencing practice	▪ Within our maritime practice, we routinely engage with shipowners regarding fuel consumption and emissions, encouraging not only compliance with targets set by IMO, but also ambitions to exceed regulatory requirements

Principle 10: Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Hayfin is an active member of several collaborative initiatives. In addition to being a signatory to the UN PRI since 2018 and a supporter of the TCFD since 2021, Hayfin has, over the last 12 months, engaged with other investors and stakeholders to drive change on specific issues where we recognize that collaboration is more effective to drive that change. Some of the issues we have focused on include the lack of ESG data available to lenders and the evolution towards carbon neutrality, specifically for the maritime industry. Below is an overview of the collaborative engagements in which we took part to address these issues:

Alternative Credit Council

The Alternative Credit Council (ACC) is a global body that represents asset management firms in alternative credit. We are part of the ACC's Responsible Investment Working Group. The Working Group is focused on the following:

- **Investor education:** There is often a lack of consistent investor expectations when it comes to ESG requirements. The ACC will be establishing a joint asset manager and investor forum to facilitate knowledge sharing and investor education on core private credit topics, of which ESG will constitute a priority.
- **Data capture from borrowers:** Members of the Working Group would like to capture more consistent and relevant data from borrowers using templates. A standardised questionnaire of 12-15 questions could be helpful, with disclosure expectations adjusted to the size and jurisdiction of the borrower.
- **Supporting members:** The Working Group benefits from peer-based discussions. The ACC will support members through the sharing of information and sound practices and will establish dialogues with other industry bodies.
- **Consultations:** The ACC will coordinate responses to consultations on behalf of it members to support our shared objectives.

Over the past year, through the ACC collaboration, we have responded to consultations on SFDR, Taxonomy Article 8, non-financial reporting disclosure and sustainable finance. Over the coming year, we are considering leading an effort to request from private equity sponsors more comprehensive ESG monitoring data on our borrowers that could potentially be used over time to track genuine progress on ESG issues, such as climate change.

UN Principles of Responsible Investing

Hayfin signed up for the Principles of Responsible Investing (PRI) in 2018 in recognition of their leadership in responsible investing. In 2021, Hayfin became a participant to a UN PRI working group. The working group's goal is to address the lack of norms for sharing ESG data between sponsors and lenders by developing the new standard template for ESG due diligence. The template will enable market participants to gather standardised ESG information to be shared during the investment process while integrating existing ESG standards and frameworks, resulting in better quality of ESG data throughout the investment cycle. The initial template was the result of collaboration between two fellow PRI signatories, and it got refined through the work of the working group (20 additional PRI signatories including Hayfin). After many iterations of the template, the working group will begin testing the template on live transactions in Q4 2021 before making it publicly available on the PRI website in Q1 2022.

Global Maritime Forum

Hayfin is a member of the Global Maritime Forum whose main objective is to shape the future of global seaborne trade to increase sustainable long-term economic development and human wellbeing: Through collaboration, the forum is working on initiatives including: the Sea Cargo Charter which establishes a common baseline to assess and disclose whether shipping activities are aligned with climate goals, the Poseidon Principles which is a new global framework for responsible ship finance, and the development of commercially viable deep sea zero emission vessels powered by zero emission fuels into operation by 2030.

Principle 11: Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

Hayfin avoids countries, sectors and issuers based on ESG and reputational concerns, such as weapons, coal, pornography and countries against which there are sanctions in place. Any proposed investment involving persons that could result in negative public or market perception regarding Hayfin's business practices (whether true or not) are regarded as posing a reputational risk to Hayfin. Reputational risks may arise in various circumstances and there can be no exhaustive checklist of risk factors. However, key issues we look out for include:

- non-sponsor-backed businesses or businesses with a major individual shareholder;
- businesses operating in geographies or industries with high levels of corruption;
- businesses that have been subject to legal proceedings or investigations that raise reputational considerations; and
- businesses in which politically exposed persons have an economic or property interest, or with which a politically exposed person is otherwise associated.

As a general rule, enhanced due diligence may be required in respect of geographies and industries that historically have a heightened risk of corruption considerations. The relevant countries where this increased risk exists generally include emerging markets, including (by way of example only) China, Indonesia, Malaysia, and Russia. Industries with a heightened risk that may require enhanced due diligence include construction, insurance, natural resources, oil and gas, petrochemicals, shipping/transportation and telecommunications.

Where a perceived reputational risk to Hayfin has been identified, the investment team immediately consults with the firm's General Counsel (or a designee) to determine whether, as part of Hayfin's due diligence process, external background checks or other actions are required on the relevant companies and individuals involved.

Enhanced due diligence where these geographies and/or industries are involved may include:

- background checks on the companies and persons involved;
- enquiry as to whether the target company, its management and shareholders/stakeholders demonstrate knowledge and awareness of applicable anti-bribery laws and a culture of compliance;
- enquiry as to the existence of written compliance policies and procedures;
- diligence of investigations, legal proceedings, penalties and other enforcement action that may have been taken against the target company, its shareholders and other stakeholders and management; and
- obtaining enforceable contractual protections in transaction documentation specifically reference sanctions/anti-bribery laws.

Hayfin is committed to compliance with EU and US sanctions laws and applicable economic sanctions laws of other countries in which it operates. Hayfin has implemented the following process to address sanctions compliance issues, as follows:

- Red flag screening: The responsible analyst, as part of the ordinary course due diligence work, identifies whether there exists any business exposure associated with sanctioned countries. Where such exposure is identified, the responsible analyst notifies the General Counsel, who will determine which persons and entities need to be screened via Hayfin's sanctions software screening tool.

- Enhanced screening: Where Hayfin proposes to acquire a controlling equity stake in a company, or where a proposed debt investment is distressed and there is a reasonably likely scenario where Hayfin ultimately acquires a controlling equity stake, the legal team undertakes screening of the company, its directors and senior management, key stakeholders and shareholders and key third parties, including suppliers and customers.

Where a sanctions compliance concern has been identified, the investment team immediately consults with the General Counsel, who will determine whether the firm has the ability to proceed with the investment and assess the need for securing commitments, conditions, representations, warranties and/or indemnities to address relevant sanctions compliance concerns.

If ESG and reputational risks increase for an investment in the portfolio, the investment team will discuss with Hayfin's ESG Subcommittee and Hayfin's Investment Committee, and we will determine our options for reducing this risk, including exit if necessary.

Hayfin has maintained its investment philosophy and focus on downside protection during the COVID-19 crisis. Hayfin's team has been closely monitoring the portfolio and has been in dialogue with companies' management teams and sponsors to assess and respond to the crisis' impact on the borrowers' business and potential liquidity needs. In relation to the impact of COVID-19 on the portfolio, Hayfin has been in active dialogue with portfolio companies and each company's key financial and non-financial metrics have been reviewed and are regularly monitored by the team, in line with Hayfin's risk monitoring process. While this monitoring process is ongoing and will continue as business performance upon emergence from lockdown becomes visible, any changes in expected exit price or timing have been reflected in updated expected returns.

Hayfin is a lender, rather than an owner, for most investments. Therefore, we are limited in our ability to exert control over the companies. However, we seek to engage with our investee companies and escalate deterioration internally and with management teams in all circumstances. Occasionally, we take equity stakes in companies, or we end up owning equity due to deterioration of an investment. In such cases, we recognise there is more we can do.

In 2018, Hayfin hired an operational due diligence specialist to focus on conducting operational diligence on private equity sponsors and liaising with investors who are conducting operational diligence on Hayfin. Subsequently, we expanded the role to include performing operational diligence on companies with whom we own a majority equity stake within our credit strategies. A component of this diligence is assessing ESG issues. We summarise below a questionnaire that we have used for escalation purposes over the past year with companies to whom we originally provided a loan that has ended up in an ownership stake:

Ownership ESG Questionnaire and KPIs	
For the KPIs, please indicate which KPIs are currently tracked and can be reported to us on an annual basis. For these KPIs please provide an answer specifying the date of the data.	
General	▪ Do you have a company ESG policy?
Environment	▪ Maritime transport has an inherent exposure to emissions and pollution. Public focus on environmentally friendly technologies such as slow steaming may impose a disruptive risk to maritime industry. ▪ Do you have an environmental policy? ▪ Do you have a recycling policy / initiative? What is the % waste recycled? ▪ What is the percentage of disposed hardware that is recycled? ▪ Do you have a printing policy, do you use recycled paper? ▪ Do you monitor your electricity consumption (kWh)? ▪ Are there any initiatives to reduce electricity consumption (e.g. LED lights, installing automatic lighting controls…)?

Ownership ESG Questionnaire and KPIs	
For the KPIs, please indicate which KPIs are currently tracked and can be reported to us on an annual basis. For these KPIs please provide an answer specifying the date of the data.	
	▪ Do you have a programme to reduce carbon dioxide emissions? ▪ Do you know the firm's total carbon dioxide emissions? ▪ Do you have a travel policy designed to reduce carbon emissions? ▪ Do you have an initiative to become carbon neutral? How? ▪ What is the average travel cost per employee?
Social	▪ Do you have a diversity policy / equal opportunities / discrimination policy? ▪ What is the % of women FTEs? ▪ Do you have HSE (health, safety and environment) procedures? ▪ Has the firm paid charges, fines or penalties in respect of breach or non-compliance of any health & safety laws, standards or regulations and/or breach of any labour laws, standards or regulations? If yes, please provide details
KPIs	▪ Annual employee turnover ▪ Voluntary turnover ▪ Percentage of women FTEs ▪ Percentage of women in middle management ▪ Percentage of women in top management ▪ Absenteeism rate ▪ Sick days (FTEs) ▪ Employment growth ▪ Percentage of employees with either profit sharing or bonus schemes ▪ Number of reported accidents at the workplace ▪ Average Glassdoor score ▪ Average Employee NPS score ▪ Sustainable and responsible investing now become a niche to a mainstream in financial industries. More and more investors put ESG considerations in their investment screening process. The increasing disclosure requirements on ESG matters also push companies in a more sustainable way for business planning. This trend gives the financial industry a certain level of disruption and will cause
Governance	▪ Do you have a Code of Conduct, anti-corruption policy, whistleblowing policy, modern slavery policy? ▪ Is employee industry or regulatory training conducted annually? ▪ Has the firm paid charges, fines or penalties in respect of Fraud, bribery, money laundering or facilitation of tax evasion?
Data protection	▪ Do you have a company data protection/privacy policy? ▪ Do you have a dedicated cybersecurity function? ▪ Have employees received basic data protection/privacy training?
KPIs	▪ Percentage of personnel who received annual information and security awareness training ▪ Number of security incidents ▪ Number of data protection policy breaches that trigger an immediate incident response ▪ Number of reported data protection policy breaches related to IT security
Other fraud, abuse and legal KPIs	▪ Number of copyright disputes and infringements ▪ Number of fraud cases ▪ Number of reported cases of corruption ▪ Number of court judgements filed against

We show below a summary outcome of one such escalation, including a full operational assessment and recommended actions that we are working with management to implement.

Executive Summary

We have identified the following risks:
New organisational shift: Following recent organisational changes, there is currently another organisational shift taking place. Approximately 50 roles will disappear (including senior management roles) across all functions.
Key man risk: CEO and CFO have both many reporting lines. There is a plan to reorganise the organisational structure reducing key man risk.
Technology risk: Even a few hours of downtime may have significant negative impact on the business. No downtime has materially affected the business.
Cybersecurity risk: As a data service company, it is a likely target for industrial espionage and hacking. No significant issues regarding cybersecurity have been reported.

Recommendations:
- Conduct external background checks (at least criminal) on sensitive employees (IT security, risk and finance) at hire (at least).
- Harmonise the Code of Ethics at the Group level.
- Obtain recognised certifications such as ISO27001:2013 and other relevant quality certifications (e.g. ISO 9001, ISO20000, ISEA 3402) for IT and communications.
- Conduct phishing tests to educate employees on cybersecurity risk
- Develop an internal audit function (currently externalised to PwC)

Monitoring Summary

Next monitoring:
- Cybersecurity: dedicated incident response team / third party consultant assessment review (if any)
- Insurance cover review

		Risk				
Key concerns	**Description**	**No information**	**Low**	**Medium**	**High**	**Comments**
Company						
Business description	European leading provider of data and information services related to the automotive industry across more than 30 markets. In 2018, the firm conducted its first year being a digital only business.					
Concern						
Ownership issues	Hayfin's funds own 88% of the current equity with the remaining					

	being own by the management. With the new MIP, Hayfin could only own 80% of the equity.					
Business Going risk (future profitability in question)	No, the business is profitable and the firm has been cutting costs recently.					
Key man / succession plan risk	Confidential.					There is a plan to reorganise the organisational structure
Unusual reliance on third party(ies) - excessive delegation of services or operational discretion	None noted					
Corporate governance						
Concern						
Board of Directors is not independent of the Corporate management team	Board of Directors is majority independent of the Corporate management team.					
Voting power issues	Confidential.					
Lack of alignment of interests	Confidential.					Vesting period and bad/good leaver considerations.
Lack of internal committees (remuneration, internal audit….)	There are monthly board meetings.					
Lack of formalisation of governance (meeting not minuted, infrequent meetings)	Board meetings are all minuted.					
Human Resources						

General	The firm maintain the adequate policies including: Health & Safety policy and Bullying & Harassment Policy, Conduct & Capability Policy, Home / Flexibility Policy, Equal Opportunities Policy, Expense policy, Grievance Policy...					
Concern						
Significant office/staff geographical dispersion	There is a significant dispersion of staff and operations in 18 countries but key functions are centralised in London.					
Inadequate HR function	No issues noted					
Management reorganisation/ staff turnover	In previous years, there have been significant turnover. In 2020, there is an organisational shift and approx. 50 roles will disappear (including senior management roles).					Significant management changes and staff reduction can affect negatively the operations of the business.
Employment contract risk (i.e. non IPR clause in contract)	The Managing Directors have a 6 months non-compete clause and a 6 months' non solicitation of customer clause.					
Poor/no employee background check policy	No criminal, educational or bankruptcy checks are conducted on employees.					Company does not believe that they should conduct external background checks on any of its employees.
Auditor						
Concern						
Inadequate auditor or process (not same audit firm in all its subsidiaries, agreement with local auditor)	No, see above.					

Conflicts of interests (auditor is used as a consultant in strategic questions, or in tasks related to operations in the company, other staff than CFO /CEO approves consulting assignments, details of the auditor's compensation not reported to AGM or in annual financial statements)	Confidential.					The tax advices payable to auditor in relation to restructuring costs are much higher than the audit services fees. This could create potential conflicts of interest. The fees have been disclosed in the audited financial statements.
Company- Audited Financial statements						
Concern						
Management exceptional cost	Some management costs considered outside the ordinary course of business are excluded from the reported EBITDA which refer to refinancing, restructuring, Group simplification, digital transformation programmes and vacant property costs.					The business has been impacted by a high level of exceptional costs relating to redundancies and other one off costs incurred during the transition and external fees relating to tax structuring advices and various other transactions.
Related party transactions	Confidential.					
Credit risk - Audited Financial statements						
Concern						
High level of bad debt and provision for receivable.	Confidential.					
Credit risk not appropriately mitigated (credit checks, poor debt collection resolution rate)	Confidential.					

Liquidity / Cash flow risk						
Concern						
Complex counterparty financing set up	The Group has operated well within its existing banking facilities, meeting all covenant requirements and debt repayments financing arrangement in place.					
History of adverse counterparty / financing events (Guarantee called)	No breach of covenants					
Excess liquidity invested in risky products	No					
Risk management and Internal Control						
Concern						
Fraud cases	Company disclosed only one instance of fraud, where an employee was fabricating fake orders to claim commissions. This was quickly found and resolved at the collection phase.					
Cash controls						
Concern						
Cash controls: Dual signatory policy for cash movement at portfolio company level (including senior management sign off) Call back procedures	Each country has its own limit for the amount that they can transfer. Large cash transfers are conducted by the group treasury function					
Inadequate segregation and controls in finance department (cash controls and frequency of cash recs)	None noted					
Anti Bribery/ Anti-Corruption						
General	The firm maintains a restrictive country list, Any dealing in countries on the list require compliance pre-approval and AML/KYC checks. A CPI report is reviewed annually by compliance generated from Salesforce. They follow the UK Anti-Bribery Act.					
Concern						
No anti bribery/ anti- corruption policy / inadequate policy (definition of gov official should include individuals from state owned Cies,political candidates, family members).	The firm follows the UK Anti-Bribery Act.					

![HAYFIN logo — not transcribed]

Any business in countries where the Corruption Perception Index "CPI" score is less than 40 (https://www.transparency.org/cpi2018)	The firm has a subsidiary in Ukraine. Ukraine has a CPI score of 32.					Dealing in countries with low CPI score increases fraud and corruption risk.
Any reported cases of corruption / bribery	None reported					
No “whistle-blower” mechanisms	The firm maintain a whistleblowing policy.					
Regulatory / litigations						
General	Dedicated Risk & Compliance team Data license agreement with car manufacturer for the purchase of data and database contents Intellectual property rights - any litigation in respect of the marks?					
Concern						
Criminal or administrative proceedings or investigations against the firm, its affiliated entities and / or any of its current or former team members	None reported					
Court judgements filed against company	There is currently one ongoing legal action regarding the interpretation of a contract.					
Implementation or awareness issue related to current regulatory change: Modern Slavery Act 2015, GDPR, Brexit, Gender pay gap (Employers with 250 or more employees.	Modern Slavery Act 2015: zero tolerance approach covering organisation and supply chains, statement on website summarising the approach taken.					
Legal / Compliance / quality						
General	Dedicated Risk & Compliance team. Dedicated independent quality team. Processes in place to protect whistle blowers. There has been no serious bad leaver issues.					
Concern						

No dedicated compliance department	The legal department is comprised of two and will increase shortly to six. They are mainly in charge of reviewing non-standardised contracts. They have the following language skills: French, German, polish and Spanish (80% covered). For other countries, they rely on external legal counsels. The Risk & Compliance team is headed by one individual also in charge of IT security.					
No certification by employee of their compliance with the code of conduct	A Code of Ethics (dated 2012) is applicable to all staff and available on the Group's intranet. All employees are required to sign up to the Code of Ethics when commencing their employment.					We note that there is a lack of harmonisation of the different policies between the different offices and they have not yet decided to have one Code of Ethics at the Group level.
No appropriate training	Periodically-run training courses for managers within the UK business on employment law.					
No appropriate training	The speed of the renewal of contracts with customers allowed some customers to receive services without a contract in place.					The Administration team is now in charge of customers access based on the information on contracts found in Salesforce.
Technology, DR, BCP and Cybersecurity						
Concern						
Recognised certification standards	Although the firm claims that information security management is compliant, with ISO/IEC 27001) revised in October 2013, it is not certified.					Given the technology reliance of the firm, the firm should receive internationally recognised standards certification (e.g. ISO27001:2013)

						and other related certifications.
Cybersecurity event	3.5 years ago, there has been a successful phishing attack resulting in cash wire being send out to a fraudulent account. They managed to recover the amount without incurring any losses.					No phishing tests are conducted to educate employees. However, cybersecurity trainings are taking place.
ESG						
General	Since 2018, the firm is supporting UNICEF and have committed to raising £50k annually to help to protect children whose worlds have been turned upside down by conflict, drought or other natural disaster. In 2018, employees raised £50k via staff fundraising activities and the firm contributed to £5k. The firm tries to encourage environmental awareness with a printing policy and to promote local not processed food at offices. There is also recycling bins at all offices since 2019. A travel policy will be in place and statistics will be run with the aim of reducing carbon emissions. They have not the intention to be carbon neutral yet. There is a diversity policy in place. The percentage of women employed has significantly increased from 10% to 40%. Data protection and privacy rules training is in place along GDPR training. This is part of a global risk training for all employees. There is also a cybersecurity training taking place.					
Any HSE (health, safety and environment) procedures, dedicated staff?	There is an Health & Safety Policy which have been approved by the General Counsel and HSE training with a session from Senior Management.					

Principle 12: Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

Risk management is critically important at Hayfin. All investments are regularly monitored by the investment team, who are responsible for:

- continuous monitoring of comparable companies, market and industry events and news and discussions with market participants; and
- preparing a monthly monitoring report, which includes a comparison of financial performance versus the investment case and prior periods; a re-evaluation of risk factors, including ESG, and trigger events; updates of key credit metrics, industry and competitor developments; and a proposed internal risk rating of the investment, based on performance.

All private credit assets are assigned a risk weighting which is reassessed as part of monthly monitoring:

RC 1 – Performing above expectation

RC 2 – Performing at expectation

RC 3 – Performing below expectation (Heightened monitoring applies here)

RC 4 – Watchlist (Heightened monitoring applies here)

RC 5 – Problem asset (Heightened monitoring applies here)

Where an investment has materially underperformed and in other appropriate circumstances, the situation is presented and discussed at a formal review meeting for watchlist credits, typically on a monthly basis. This is attended by certain members of Hayfin's investment committee, chaired by the Chief Risk Officer and, where appropriate, the full investment committee together with the relevant analysts.

Hayfin believes that early detection results in more informed judgments on sector trends and ultimately investment decisions. Hayfin looks to actively manage risks in its portfolio, engaging regularly with our investee companies.

Hayfin tracks investments from sourcing to ongoing monitoring via a front office facing customer relationship and workflow management platform. It also provides a flexible dashboard to facilitate Hayfin's investment management activities, portfolio risk monitoring and investment pipeline monitoring.

In addition, to mitigate risk at portfolio level, Hayfin maintains single position, industry, geography limits at a portfolio level. Hayfin also monitor overall portfolio metrics including leverage and LTV and size of the company.

To mitigate risk at the asset level, Hayfin conducts thorough analysis of all risk factors, including ESG, structures each asset conservatively (leverage and LTV) with appropriate levels of protection through documentation, including ESG information provisions and ESG margin ratchets where appropriate. Hayfin's monthly monitoring process is structured to take a proactive approach to addressing any credit or performance related issues well ahead of a default.

We seek to take early, decisive action to manage underperforming businesses and credit events. We have a dedicated team of eight lawyers, including four dedicated professionals within our Legal Execution and Workouts team. This team analyses every investment, working alongside external legal advisors and supporting the investment team in negotiation and documentation for new loans. When an investment has underperformed, we mitigate risk by demanding equity support or by forcing the sale of assets to reduce debt. We also consider selling our position to a third party if the value is compelling. If necessary, we will take control of the borrower.

Hayfin is a lender, rather than an owner, for most investments. Therefore, we are limited in our ability to exert control over the companies. However, we seek to engage with our investee companies and escalate deterioration internally and with management teams in all circumstances. We do own majority equity stakes in a few investments, and we recognise there is more we can do in these situations as we have outlined in Principle 11.

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