



**NORD**  
HOLDING

MARCH 2021

**RESPONSIBLE  
INVESTMENT  
POLICY**

## Our principles and values towards sustainable investing

NORD Holding impacts a wide variety of stakeholders through its business activities and is aware of its social responsibility and the potential impact of its investment decisions on the environment and society. It is our duty to act in the best long-term interests of our beneficiaries and we believe that environmental, social, and governance ("ESG") issues can materially affect the performance of our investment portfolios. Companies which are dedicated to following ESG principles will find themselves perfectly positioned to face the challenges of tomorrow, and as such NORD Holding is committed to following a responsible and ethical approach across its activities as we believe this is a key point to ensure long-term success in a rapidly changing environment.

## Our public engagements

NORD Holding's strong focus on ESG has been enforced by the different ESG initiatives which the company has joined.

- > **UNPRI:** A United Nations-supported international network of investors collaborating with the goal to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices.
- > **Level20:** Our firm supports Level 20's mission to encourage greater female representation across the private equity industry with the goal of having 20% of senior positions in the industry held by women and with a particular focus on increasing the number of women in investment roles.
- > **Climate Neutral Now:** The Climate Neutral Now Initiative encourages and supports organizations and other interested stakeholders (such as NORD Holding) to act now in order to achieve a climate neutral world by 2050 as enshrined in the Paris Agreement. The initiative is not a certification scheme for its participants. It is a tool to promote additional voluntary action on climate, and to provide recognition for it. Claims of carbon neutrality, net zero or similar are out of the scope of Climate Neutral Now, even when participation in the initiative can

help stakeholders advance in their path to achieve those certifications through suitable standards and processes.

- > **Women's Empowerment Principles:** By signing the WEPs, NORD Holding can support that gender equality will continue to be promoted. Gender equality, in particular the promotion of women, is one of the corporate goals of NORD Holding.
- > **iC International:** The Climat International (iC International) initiative was originally launched as iC20 (Climat 2020 Initiative) in November 2015 by a group of private equity firms who decided to join forces and contribute to the Paris Agreement's objective of limiting global warming to well-below 2 degrees Celsius. As an integral part of the global economic system, facilitating sustained growth industries and market sectors, the global private equity industry has to play its part in tackling climate change by leveraging tried-and-tested methodologies to analyze and mitigate carbon emissions and exposure to climate-related financial risks in its portfolios.

## Dedicated ESG & Sustainability

NORD Holding has a dedicated ESG team which is led by members of our senior leadership team and comprises employees across all ranks and teams of the organisation. The ESG team continuously monitors developments within the ESG field and actively works to further implement new, ESG-related best practices across the organisation. The main missions and tasks of the team are the following:

- > Define NORD Holding's ESG commitments and processes
- > Continuous monitoring of the regulatory environment while implementing best practices
- > Support portfolio companies and fund managers to improve their ESG procedures
- > Track ESGbperformance across NORD Holding's portfolio
- > Produce ESG annual reports for NORD Holding's investors

## ESG training

NORD Holding is continuously improving its internal ESG mechanisms and is committed to ensuring that all its professionals receive ESG training on at least an annual basis. The topics and group sizes may vary but the overall purpose is to keep the firm's staff up to date on new regulatory developments, best practices and lessons learned within the private equity industry. It is NORD Holding's view that this annual training is essential if the firm wants to achieve its external and internal initiatives given the constant developments within the ESG landscape on a global basis.

## Commitment of the investment teams towards ESG

Each investment professional at NORD Holding has a responsibility towards ESG and is fully committed to working alongside the ESG & Sustainability team at each step of the process.

## Fund of Funds activities

- > As part of each and every investment decision a due diligence is conducted on each fund manager
- > A statement about each fund manager's approach on ESG is requested
- > The ESG compliance stated by the fund manager will be stipulated in the LPA or side letters and the fund manager will be obliged to report on any ESG issues
- > Understanding and monitoring the ESG procedures of fund managers and their portfolio companies
- > Representation at the Limited Partner Advisory Committee of underlying funds to ensure compliance with ESG matters

## Direct Investment activities

- > Identify and evaluate ESG risks and opportunities during the Due Diligence of each portfolio company and possible add-on investments
- > Understand and track ESG topics and procedures in the portfolio
- > Promote ESG indicators towards portfolio company's management and propagation of best practices by being represented at the supervisory board of the company, either as a censor or an observer

## Sustainability Risk Management

Sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of an investment.

## NORD Holding's focus on ESG integration

ESG factors can have an important impact on investment performance, and hence not including a proper analysis of ESG factors results in an incomplete assessment of the potential investment and therefore could even lead to inappropriate investment decisions being made.

As such, NORD Holding follows a risk-based ESG approach focused on identifying and monitoring the most relevant ESG issues, maximizing our risk-adjusted returns. The NORD Holding investment vehicles consider both sustainability risks and principal adverse impacts (PAI) of investment decisions on sustainability factors, as per the dual materiality concept defined by the Sustainable Finance Disclosure Regulation (SFDR).

As part of its standard investment and monitoring processes, NORD Holding has developed an ESG framework covering due diligence and annual portfolio monitoring. Those procedures are being continuously improved due to the advances of ESG methodology and the regulative environment as well.

## Overview of NORD Holding's Responsible Investment Approach

### A) PREPARATION OF INVESTMENT DECISION NORD HOLDING (FIRM LEVEL)

ESG is an integral part of NORD Holding's culture and ESG and Sustainable Investment stands at the core of the discussion in any first meeting, even before taking the decision to conduct a due diligence. This core focus on ESG is further strengthened by NORD Holding's dedicated focus on the UN Sustainability Goals and through the exclusion of certain industries which are deemed non-ESG compatible.

## NORD Holding's focus on combating climate change Gender Equality

NORD Holding focuses on ways of addressing environment and climate change considerations through specific KPIs like environmental formalized actions and environmental impact assessments.

In line with the Initiative Carbon 2020 (IC20), the first long-term approach allowing private equity investors to manage and reduce the greenhouse gas emissions of their portfolio companies, we have begun to evaluate the carbon footprint of our portfolios. We further monitor the carbon footprint of our company fleet and alternative ways of transportation and constantly try to lower the emissions caused by the NORD Holding Team. This approach is constantly expanded to other areas like energy consumption and will be continuously improved. This data is available to our shareholders and interested investors upon request.

## NORD Holding's focus on promoting gender equality

NORD Holding is particularly committed to goal 5 "Gender Equality" of the UN Sustainability Goals. Equality is not only a globally important goal, but NORD Holding sees the opportunity of having real impact as the proportion of women in managerial positions is still low in many of our geographic target regions. NORD Holding sees the existential need of modern economies to utilize talent efficient, independent of gender or race and as such commits to:

- > Combating the wage gap within our portfolio companies
- > Following hiring policies focused on individual skill-set rather than external traits as gender
- > Promote female employment within our own organization, as well as within the overall Private Equity industry, which struggles with attracting female talent



## Fund of Funds

ESG is an integral part of NORD Holding's culture and ESG and Sustainable Investment stands at the core of the discussion in any first meeting, even before taking the decision to conduct a due diligence. During the due diligence, questionnaires are used in a structured approach to cover all relevant areas of ESG. Answers are double checked when doing the track record analysis on a case-by-case basis across the existing portfolio and the presented pipeline. The NORD Holding approach integrates the current SFDR framework into our due diligence process, categorizing targeted funds into three categories:

- > **Article 8 funds:** A Fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.
- > **Article 9 funds:** A Fund that has sustainable investment as its objective or a reduction in carbon emissions as its objective.
- > **Article 6 funds:** A Fund which do not integrate any kind of sustainability into the investment process.

- > **Regarding Article 8 and 9 funds:** NORD Holding takes best efforts to ensure that the General Partners of Article 8 and Article 9 Funds will comply with the SFDR requirements.
- > **Regrading Article 6 funds:** NORD Holding only considers commitments to an Article 6 fund if the GP fully accepts and applies UNPRI or a comparable concept and agrees to develop the fund into an Article 8 fund in the best possible way.

Formal and informal discussions with the General Partner are carried out during onsite visits to further assess the degree of recognition of ESG issues and the level of the manager's ESG sophistication. This applies to non-financial criteria when analyzing potential acquisitions, the existence of responsible investment policies (sector exclusions, audits, etc.), and the willingness to provide ESG related disclosure, but also the tool boxes to inspire and support portfolio companies.

Further, in the legal documentation, NORD Holding seeks a written engagement from the fund manager to use reasonable best efforts to incorporate ESG criteria in the management of its portfolio companies, to systematically run an ESG due diligence at entry and to report annually on the ESG performance and progress in a portfolio company while simultaneously providing NORD Holding with updates when significant ESG issues arise in a portfolio asset. If the GP does not provide an annual ESG report on its portfolio, the GP must agree to fully answer NORD Holding's annual ESG questionnaire.

NORD Holding is not aware of any current commitments to fund managers who are not committed to investing in a socially responsible manner (who do not take ESG-related matters into account when making investment decisions).

In order to minimize ESG related risks due to certain sector exposure or activities that run high reputational risk, NORD Holding avoids GPs that are keen to invest in certain industry sectors seen as incompatible with ESG values:

- > Production of or trade in controversial weapons
- > Direct coal production
- > Tobacco
- > Gambling
- > Pornography and/or prostitution



## For Co-Investment from Fund of Funds

Co-investments executed alongside fund managers in which NORD Holding acts as a Limited Partner will require limited further ESG due diligence as the fund manager's ESG due diligence capabilities would have already been analyzed during the initial fund commitment.

## Direct Investment Team

While NORD Holding's Fund of Fund ESG approach is primarily focused on the diligence of the General Partner, NORD Holding's Direct Team applies a sophisticated ESG approach, using its direct access to the portfolio companies to ensure that all relevant data points (analogous PAIs and other SFDR requirements) are made accessible and are being monitored.

When evaluating a direct investment opportunity, NORD Holding systematically assesses, through a specific ESG due diligence process, the potential ESG materiality borne by the target investment. Through the ESG assessment, the Investment & ESG teams highlight the main ESG risks and opportunities, notably by considering climate change and sustainable development related issues.

A summary of the ESG analysis pre-investment stage is inserted in the due diligence documentation submitted to the Direct Team's Investment Committee.

## B) MONITORING PORTFOLIO

### Fund of Funds

NORD Holding monitors ESG developments within its portfolio through multiple channels including annual questionnaires, Advisory Board positions and in-person meetings.

NORD Holding distributes an annual ESG questionnaire including more than 45 ESG KPIs & Principal Adverse Impact (PAI) indicators covering both the General Partner's ESG mechanisms and individual portfolio companies. The questionnaire allows NORD Holding to monitor how ESG improvement processes develop and how well individual assets are protected against potential risks. These insights allow NORD Holding to track potential weaknesses in its portfolio and support weaker managers by offering insights on ESG best practices.

NORD Holding is systematically represented at the Limited Partner's Advisory Board of the majority of its underlying funds, providing us with the opportunity to directly debate with our fund managers on important issues. This position further allows us to request more ESG-related information through investment memoranda and ESG audits of portfolio companies.

It takes time for the Fund Investments team monitoring tools to identify new ESG risks due to the limited access to the portfolio companies. As such the Fund Investments team relies on its portfolio managers to closely track the portfolio companies. New companies with potential ESG risks enter NORD Holding's watch list after which the Fund Investments initiates discussions with the fund manager/lead investor/management team to ensure proper risk mitigation tools are implemented. In case of a co-investment, we work closely with the Lead Investor (who most often is a GP we know well) in order to analyze and find proper solutions when ESG issues arise.

It is NORD Holding's belief that the current monitoring tools comprised of our annual ESG questionnaire, our Advisory Board positions and the close contact we have with our managers allows us to sufficiently monitor the relevant ESG risks and developments in our portfolio. However, it is our target to continuously improve our ESG procedures allowing for improved monitoring of any ESG risks.

### Direct Investment Team

Sustainable Investing is a core value of our Direct Investment Team with the intention to not only comply with regulation but to leverage principles of sustainable investing to create long term value. Tracking and continuously improving ESG-related KPIs and relevant matters is an integral part of the NORD Holding portfolio management processes.

Next to the annual ESG questionnaire sent out to each portfolio company (containing well over 75 ESG- and PAI-indicators), the Direct Investment Team collects data points directly at the portfolio level using ESG-focused software tools to produce quarterly reports. By being represented at the supervisory board of the company, either as a member or an observer, NORD Holding is ideally positioned to interact with the respective management teams of each company on ESG matters. Furthermore, part of the individual goals of the portfolio company's management relates to the improvement of ESG criteria. When necessary, external advisors may be engaged to carry out additional ESG-related due diligence.

Once a year, NORD Holding and its respective portfolio companies define and agree on ESG Goals, which are subsequently tracked.

### Principal Adverse Impacts (PAI)

Principal Adverse Impacts indicators that are mandatory under SFDR are being tracked through NORD Holding's reporting systems. The tracked PAIs include:

- > Total carbon emissions
- > Share of non-renewable energy produced and/or consumed

- > Share of renewable energy produced and/or consumed
- > Exposition to coal
- > Impacts on biodiversity
- > Hazardous waste
- > Emissions of pollutants to water
- > Unadjusted gender pay gap
- > Share of women at board level
- > Incidents caused to workers by insufficient safety
- > Activity exposed on controversial weapons
- > Violation of the UN Global Compact and OECD Guidelines
- > Compliance with the United National Global Compact and the OECF guidelines

## Reporting to our Investors and Shareholders

NORD Holding strives to fulfill the requirements of SFDR and provide relevant aspects and developments of sustainable investing in our portfolio as transparent as possible. We constantly strive to measure and quantify any relevant risks on sustainability and make them available to our stakeholders in a way that those are easy to understand. It is our core believe that ESG progress will improve at an accelerated rate when concerns and activities are not only reported but developments are quantified. As such, we commit to systematic, easy to understand disclosures to our investors with quantifiable data to allow for better progress tracking.





# NORD

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**NORD Holding Unternehmensbeteiligungsgesellschaft mbH**  
Walderseestraße 23 | 30177 Hannover | Germany  
[info@nordholding.de](mailto:info@nordholding.de) | [www.nordholding.de](http://www.nordholding.de)  
T +49 511 2704150