

*Prime Capital Group |  
Responsible Investment Policy*

Prime Capital AG | March 2021



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## CEO Statement

– The journey is the reward –

Since its foundation in 2006, Prime Capital has continuously strived to develop an institutionalized German Asset Management business with European supervision, pronounced institutional standards and an exclusive set-up on Alternative Asset Classes.



Over time we have built a very diverse team in terms of nationality, gender and age with a broad range of ethical and educational backgrounds and work experience. This diversity enables us to combine different approaches and generates the best results for our clients through broad thinking and effective as well as collaborative methodologies and strategies.

Our track record is evidence that these core competencies lead to a Sustainable business: Next to our “early” business in Hedge Funds, we expanded in 2011 into Renewable Energy investing, followed by Private Debt, Credit Opportunity Funds and Direct Lending in 2012.

Following the increasing demand for transparency and control, in combination with increased regulatory requirements, we established a licensed Alternative Investment Fund Management entity in Luxembourg in 2016, leading to the management of more than thirty different Alternative Investment Funds today. Compliance with regulatory requirements within the entire investment process is key for us to launch sustainable investment solutions that bring high economic value to our investors.

Over the years, we have successfully built a number of large-scale renewable energy projects, contributing to the global energy transition (“Energiewende”) of various European countries, for example, Norway, Sweden, France, and Germany. In 2020 we have reached a first closing on our Prime Green Energy Infrastructure Fund (PGEIF), which focuses on wind-powered energy assets in the Nordic countries. Later in the year, we closed the fund’s first investment, Project Björnberget in Sweden, one of the largest onshore wind projects to start construction in Europe that year.

Today, we believe we need to further foster our focus and efforts on our communities and stakeholders, employees and our investors – and we are in the middle of executing on this strategy.

The expectations of our stakeholders are becoming more demanding. We, at Prime Capital, are highly committed to be an investment firm which acts in the interests of our various stakeholders in respect of Sustainability. This framework is part of our journey.

A handwritten signature in black ink that reads "Andreas Kalusche". The signature is written in a cursive, flowing style.

Andreas Kalusche  
CEO

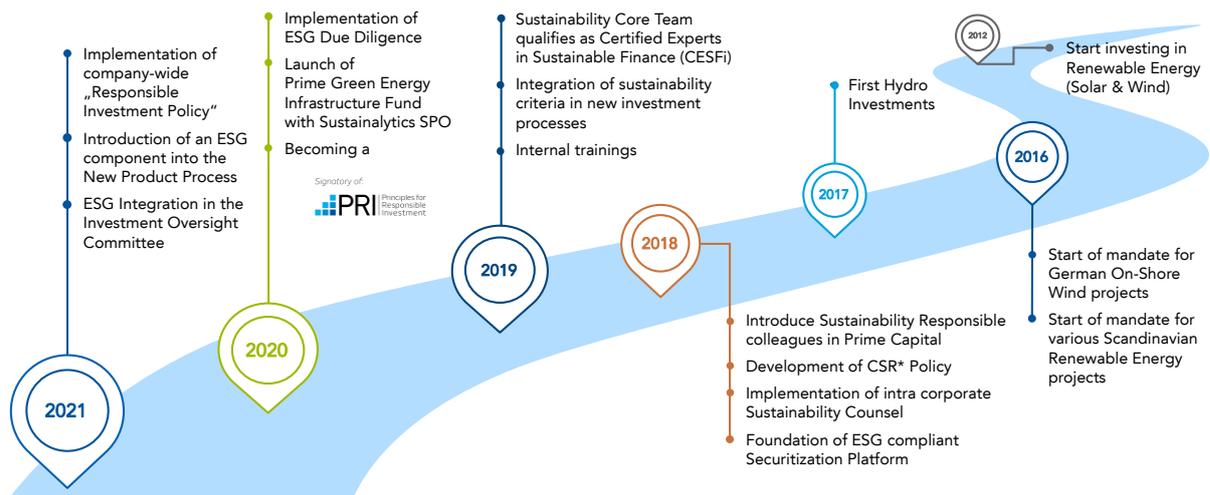
# Our Commitment

## Introduction

The growing awareness of the global need to use and treat all our resources responsibly has become an important factor for all economies. For Prime Capital, who acts as Investment and Asset Manager on behalf of institutional investors and all the private households behind those, responsible investing is a cornerstone of our self-understanding as a trusted business partner to secure sustainable value for our stakeholders. To ensure a transparent and effective assessment of our responsible investing activities, we have set up internal guidelines, policies and processes accordingly.

As an Alternative Investment Manager and Advisor, we are specialised in different asset classes with proven expertise in Absolute Return, Infrastructure, including Renewable Energy, and Private Debt across Real Estate, Corporate, Transport and Infrastructure. Since the establishment of Prime Capital in 2006, we have provided holistic investment solutions with our securitization and fund platforms. A couple of years ago, we built on these long-running successful platforms for our clients with the additional offering of a comprehensive asset management outsourcing business. Experienced in-house legal, reporting and risk management teams provide specialised support to institutional investors along the entire investment process. Incorporating ESG into our different business lines requires a wide and flexible set of strategies, data collection methodologies and tools to analyse impact.

## Milestones



## PRI

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance (ESG) issues to investment practices. The process was convened by the United Nations Secretary-General.

Since July 2020, Prime Capital is a signatory of the Principles for Responsible Investment. With our signature, we commit to adopt the following principles: <sup>1</sup>

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

As an Alternative Investment Manager, our highest priorities are to meet client needs and to make an impact on our various stakeholders, such as our employees and the community. By adopting the six principles, we continuously strive for a positive and sustainable impact across our different asset classes and business lines. Hence, we are measuring our success on a scale with multiple indicators.

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<sup>1</sup> Source: <https://www.unpri.org/>

## *Structures*

### Integration in Organisation

Over the last several years, we have observed that Corporate Social Responsibility (CSR) has become increasingly important for financial markets in many different respects, such as regulatory standards, environmental associations and European authorities.

The implementation of social responsibility aspects into the business strategy of a company has become indispensable. Companies without any CSR work streams will be an exception as the transformation from economically oriented firms to entities that proactively maximize their value through stringent integration of environmental, social and governance criteria is ongoing and gathers pace, not only due to regulatory requirements but also due to increased stakeholder needs.

Prime Capital has recognised the importance of this trend as more than just an increase in external requirements. We see a strong CSR structure as a vital ingredient in building a successful, future-proof company that is value-aligned with our stakeholders. For this, we have implemented various work streams and a comprehensive organizational structure for our sustainability management across the entire company.

### Code of Ethics and Professional Conduct

Prime Capital follows a code of ethics and professional conduct as a documented basis for every employee in our organization on how to be an exemplary member of our industry. In that respect, we have voluntarily adopted the "Asset Manager Code" of the CFA Institute. The latest version of the Code is available on the CFA's website.

The CFA Asset Manager Code outlines the ethical and professional responsibilities of institutions, which manage assets on behalf of their clients. "The Code embodies the fundamental ethical principles at the core of the investment management industry. More than 1,300 firms in 50 countries adopt the Code to demonstrate their commitment to best ethical practice."<sup>2</sup>

For us, it is important to corroborate a holistic culture of integrity among employees, to show to our clients, business partners and regulators that we operate under strong global ethical and professional standards as well as preventing conflicts of interest. Furthermore, we continuously work on the identification of gaps between our internal processes and best practice.

### Sustainability Team and Committee

At Prime Capital we have implemented an integrated structure for our responsible investment activities. We have formed a core sustainability team integrating our CSR

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<sup>2</sup> Source: <https://www.cfainstitute.org/en/ethics-standards/codes/asset-manager-code>

strategy within the entire firm. The core team consists of Certified Experts in Sustainable Finance and reports directly to the board of directors. The team monitors regulatory changes, is the first point of contact for external initiatives and provides guidance for the use of external data and data providers.

A member of the sustainability team is a fixed part of our onboarding process for new business activities and new products. This way sustainability concerns can be raised early in the new product process. Additionally, the head of the sustainability team is a member of the Investment Oversight Committee with veto rights, ensuring ESG issues are adequately integrated at Investment Committee levels.

Furthermore, Prime Capital has set up a Sustainability Committee to support the core sustainability team. The Committee consists of sub-delegates at each relevant organizational unit. The delegates act as sustainability ambassadors in their teams with the overall aim to build-up a homogenous knowledge throughout the whole group.

The sustainability team holds regular meetings of the Sustainability Committee, group wide information sessions and organises targeted in-house team trainings. As part of our internal knowledge sharing approach, this ensures a wide dispersion of sustainability awareness and integration in key decision processes.



# Investment Process

## Introduction

Sustainability, in our view, stands for the enhancement of both, current and future potentials. It is linked over the longer term to an open mind-set and founded on an awareness as to where to source sustainability in environmental, social, and governance factors. Reflecting these factors in the investment process allows us to build stable and sustainable products for our investors.

The table below shows examples of sustainability issues, which could be assessed with regards to E, S, and G depending on the characteristics of the asset class.

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>• Carbon footprint</li> <li>• Biodiversity and ecosystem</li> <li>• Pollution</li> <li>• Energy consumption</li> <li>• Water consumption</li> <li>• Circular economy</li> </ul>	<ul style="list-style-type: none"> <li>• Human rights</li> <li>• Employee relations</li> <li>• Health &amp; safety</li> <li>• Diversity</li> <li>• Community participation</li> </ul>	<ul style="list-style-type: none"> <li>• Business integrity</li> <li>• Executive pay</li> <li>• Audit practices</li> <li>• Board independence and expertise</li> <li>• Transparency &amp; accountability</li> </ul>

## Approaches

ESG considerations can be incorporated in the investment process using different approaches which can be selected or combined according to the investment strategy and investor preferences. Prime Capital’s inclusion strategy is based on the four pillars Screening, Integration, Engagement and Thematic.

Screening	Integration	Engagement	Thematic
Applying filters to lists of potential investments to rule companies in or out of contention for investment, based on an investor’s preferences, values or ethics.	Explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks and improve returns.	Discussing ESG issues with companies to improve their handling, including disclosure, of such issues. Can be done individually, or in collaboration with other investors.	Seeking to combine attractive risk return profiles with an intention to contribute to a specific environmental or social outcome. Includes impact investing.

Source: <https://www.unpri.org/>

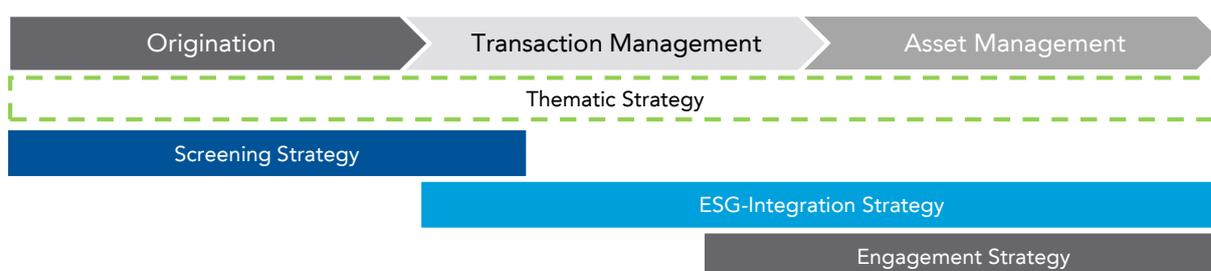
## Application

Across our different business lines we employ a variety of investment approaches tailored to the specific asset classes. To adequately identify and incorporate sustainability risks and opportunities in the investment decisions, different integration approaches are used flexibly for different asset classes, product types and investment opportunities.

	Infrastructure	Private Debt	Absolute Return	Advisory
Screening	✓	✓	✓	✓
Integration	✓	✓	✓	✓
Engagement	✓	✓	✓	
Thematic	✓			

As a signatory of the PRI we strive to incorporate ESG issues into every stage of our investment analysis and decision-making processes.

The chart below displays the three-step investment process for our equity and private debt real asset investments. The process is divided into the following consecutive stages: Origination (sourcing and pre-analysis), Transaction Management (in-depth analysis and due diligence) and Asset Management (ongoing portfolio review and reporting). ESG considerations influence all stages of the process. Whereas our Thematic products require integration of the sustainability strategy at every step, Screening, Integration and Engagement can be deployed separately or combined depending on investment opportunities, market developments and investor preferences.



ESG issues are also integrated when making investment decisions in our Absolute Return business line. Here, the ESG criteria are incorporated deeply into our due diligence process. ESG metrics are collected and monitored in our initial investment due diligence and update due diligence. While we do monitor companies' environmental and social activities, governance is and has been key in our investment process for years and is a main subject of our extensive operational due diligence efforts.

## Outlook

At Prime Capital we have recognised the importance of a consistent integration of sustainability considerations in our organizational structure and particularly our investment processes. With the world of sustainable finance constantly evolving, we continue to revise and improve our approaches to stay updated and strengthen our commitment to long-term sustainable asset management.

Within the company structures, this means constantly building up knowledge, making it available to key decision makers and overall increasing the awareness throughout the company. To remain ahead of new developments we are planning to expand our engagement with external initiatives over the coming year. Currently we are a member of the Bundesverband Alternative Investments e.V. (BAI)<sup>3</sup> working group "Sustainable Finance & ESG".

For our investment processes this means continuing to formalize our ESG incorporation in all of our investment strategies and asset classes. Over the last year we have set up several strategy specific responsible investment policies and are currently continuing this process to eventually cover our entire investment spectrum. At the same time ESG issues are considered for all new investment products through our new product process.

Availability of reliable data remains a challenge in the alternative investment space. We are bridging this divide by working with external organisations where necessary and relying on direct engagement where possible.

We will continue to remain active in the responsible investment space over the coming years. In our Infrastructure business, our Prime Green Energy Infrastructure Fund will continue to invest in large-scale renewable energy projects supporting energy transition ambitions in Europe. At the same time we are aiming to increase our offering of thematic products that make positive contributions to ESG factors.

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<sup>3</sup> <https://www.bvai.de/>