
Engagement Policy



CAPITAL FOUR MANAGEMENT FONDSMÆGLERSELSKAB A/S
CAPITAL FOUR AIFM A/S
CAPITAL FOUR CLO MANAGEMENT K/S
CAPITAL FOUR CLO MANAGEMENT II K/S

(JOINTLY REFERRED TO AS "CAPITAL FOUR")

CAPITAL
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Capital Four is an industry-leading credit asset manager for some of the largest pension funds and institutional investors globally. We have a responsibility towards our clients to make informed investment decisions and see it as our duty to strive to identify and assess any risks that may affect the financial performance of our investments.

Capital Four believes active engagement helps us make better and more informed investment decisions. We believe it creates value for our investors and our investee companies, in addition to being aligned with our stewardship responsibilities under our commitment to UN-backed Principles for Responsible Investment and the Net Zero Asset Managers initiative.

This policy (in the following referred to as the “Policy”) outlines how Capital Four engages with investee companies, our stakeholders and industry organizations.

The Policy is approved by the CEO of Capital Four. Capital Four’s ESG Integration team is responsible for the maintenance and implementation of the Policy.

The Policy applies to all Capital Four investment strategies and Capital Four will report on its engagement activities in Capital Four’s annual Sustainability report.

Objective of Engagement

Capital Four's objective with engagement is to exert our influence to allow us to make better responsible investment decisions and achieve better outcomes leading to enhanced value for our client.

As a credit manager, Capital Four can use our position as an investor to engage with various issuers and stakeholders. We believe engagement can improve our insight, transparency, and business practices, thereby strengthening long-term sustainability and financial performance of the issuers we invest in. Engagement can thereby preserve or improve the risk-return and the investment performance, in line with our fiduciary duty as an investor, and we believe engagement can initiate change and improvements benefiting society and the environment as a whole.

Engagement Scope

Issuer Engagement. To achieve our objective in relation to individual investments, Capital Four is committed to engage with issuers in Capital Four portfolios across our strategies based on prioritization.

Collaborative Engagement. Capital Four is an active participant in several industry forums and organizations, that focuses on various aspects of sustainability issues linked to investments. We believe collaborative engagement can enhance attention and thereby be a means to enforce sustainability outcomes. It is also an effective way to share knowledge, information and resources. Collaborative engagement can obtain our objectives at both individual investment level as well as support our strategic goals.

Stakeholder Engagement. Capital Four encourages an open dialogue with investors and other stakeholders to understand their requirements and priorities, promote best practices and inform of our sustainability efforts.



Engagement Objectives

Based on our overall objective of engagement, Capital Four has chosen to focus our engagements on the following:

Environmental (E), Social (S) and Governance (G) characteristics and resolve controversies. We aim to promote issuers' focus on specific E, S or G characteristics in addition to encouraging positive sustainability outcomes and/or reducing negative impacts.

Raise awareness of sustainability factors. We aim to raise awareness at issuer, sector and geographical level in terms of best practices for environmental, social and governance factors.

Transparency and disclosure. We aim to obtain better qualitative and quantitative disclosures on material ESG factors at both issuer and industry level, which can then be used to improve our investment process, risk return assessment and portfolio optimization.

ESG risk assessment. We aim to influence issuers in their assessment and management of ESG risk, leading to better and more informed risk return assessment of the issuer. Capital Four also ensures investments follow our Responsible Investment Policy and get comfortable that issues are addressed appropriately by the issuer, remedies are put in place and risk mitigants are carried out to reduce future risks.

Engagement Types and Prioritization

Capital Four prioritizes our engagement effort to make it effectful and to ensure resources are allocated appropriately. Prioritizations are continuously reviewed, and it is based on:

Effect achievement. Issuers are identified based on relative impact contributions, which can either mean a lack of disclosures, outlier values or where it is determined that greater effect is reasonably achievable.

Prioritized PAIs (Principal Adverse Impact Indicators). Based on Capital Four's overall sustainability focus and strategy, Capital Four has chosen to prioritize PAIs related to GHG emissions (and target settings aligned with the Paris Agreement), exposure to fossil fuels, controversies in the areas of environmental, social or governance issues, and exposure to controversial weapons¹.

Position. Issuers are identified based on Capital Four's investment proportion of an issuer's capital structure, as this is believed to have an influence on the likelihood of achieving our engagement objectives. Identification can also be based on the size of Capital Four's overall portfolio holding in addition to our relationship and history with the issuer and/or owner.

Capital Four engagement is grouped into four different types:

PAI Engagements – related to E, S and G factors. Capital Four's PAI engagement approach is in general built around two pillars. The first pillar is an outlier rationale for each PAI. The second pillar considers the size of our holding (investment). Engagement contributes to securing both PAI reductions for our investee companies and prevent adverse Principal Adverse Impact trends at Capital Four overall. Capital Four has set minimum standards for our investments, based on UN Global Compact ("UNGC") principles and the OECD guidelines for Multinational Enterprises, etc. If these standards are screened as not being respected (no matter the size of our holdings), it would qualify as a controversy. When a potential controversy has been flagged to the analyst, it is the responsibility of the analyst to initiate an internal assessment of the company, and to analyze whether engagement is needed.

Net Zero Asset Managers Initiative ("NZAM") Engagements. Capital Four's Net Zero Commitment related engagements focus on companies' negative outliers related to carbon footprint or carbon intensity. For the assets managed in accordance with Capital Four's Net Zero Strategy we supplement the PAI focused engagements with assessing the net zero pathway alignment for companies. This includes engaging with investee companies with the objective of driving forward the companies' alignment with a net zero reduction pathway. Capital Four prioritizes NZAM engagement with the largest contributors to financed emissions in material sector companies.

Lack of ESG Disclosure and Transparency Engagements.

Capital Four has chosen the improvement of ESG disclosure and transparency as a key engagement type. Capital Four prioritizes engagement with companies which do not disclose enough information to conduct a comprehensive ESG analysis such as (but not limited to) PAI data, incl. GHG emissions disclosure and other ESG scoring inputs.

ESG Score and Firmwide Restrictions Engagements. Adverse ESG scoring of 4 or 5 (on either E, S or G) can also feed into engagement, or if we suspect an investment is not in compliance with Capital Four's Responsible Investment Policy incl. aggressive tax planning, firmwide restrictions such as tobacco, among other items.

¹

The Capital Four Principal Adverse Impact Statements can be found at <https://www.capital-four.com/legal/principal-adverse-impact-statements>

Engagement Process

At Capital Four we have established a structured plan on how we engage, which ensures we can track developments on each case throughout various stages. Having a structured plan further enables us to measure the effectiveness of our influence with investee companies.

When an engagement case is identified, Capital Four will reach out to the company. The engagement and dialogue focus on the relevant engagement trigger and the goal for a successful engagement, which are defined for each type of engagement.

The engagement closes as soon as the outcome of the engagement is 'successful'. The events where the engagement cases must be concluded as 'unsuccessful' will also be tracked and reported to the investment committee. This approach allows Capital Four to make sure alignment to the Engagement Policy, in addition to providing disclosure and reporting to our stakeholders.

Governance and Responsibilities

The ESG Integration team and the Research team drive the engagement case. Portfolio managers and the ESG committee can be included in cases if deemed necessary. The ESG Integration team and the Research team are responsible for presenting the engagement case to the investment committee when deemed relevant and to perform an analysis of the investment case.





Review and Approval

This Policy is reviewed at least annually, provided that it shall be reviewed and amended from time to time if material changes to the legislation or the Capital Four organization make this necessary.

Approved by the CEO on July 4, 2025

Sandro Näf, CEO

CAPITAL FOUR

Capital Four
Per Henrik Lings Allé 2, 8th floor
2100 Copenhagen Ø

Capital Four Management
Fondsmæglerselskab A/S

CVR: 30 59 30 65
Capital Four AIFM A/S
CVR 35 67 06 37