Bright Capital Credit Fund III SCSp

WEBSITE DISCLOSURE FOR AN ARTICLE 8 FUND

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acting as Investment Advisor for
Bright Capital Credit Fund III SCSp
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1. SUMMARY

1.1. Leadership Statement

We believe that the integration of effective ESG practices and investment stewardship can materially contribute to generate stronger long-term value.

Taking overall responsibility is an important core value at Bright Capital. Bright Capital engages in responsible investment considering a continuously growing global consciousness for environmental, social and governance (ESG) factors and the corresponding value-add for the long-term development of an asset portfolio. We strongly believe that by improving access to data, insights, and information on ESG risks and opportunities in all areas of the investment process, we can become better investors delivering sustainable long-term value. For Bright Capital, responsible investing does not only mean gathering data on ESG factors. By implementing investment stewardship, we support sustainable businesses with excellent management teams that are committed to act responsibly and to create value for all stakeholders, including employees, owners, and the society. We partner with long-term oriented companies with strong ESG practices. Bright Capital's commitment and approach to responsible investing reflects industry best practices for integrating ESG factors throughout the investment lifecycle.

Bright Capital beliefs that addressing ESG matters in the investment decision making process helps to reduce investment risk, may enhance long-term value, generates alpha, and ensures that investor capital is used effectively and ethically.

1.2. Requirements applicable to Funds with an ESG Focus

The European Commission ("Commission") launched its Sustainable Finance Action Plan in March 2018, including three legislative proposals aimed at: creating an EU sustainability taxonomy; requiring disclosures relating to environmental, social and governance ("ESG") factors; and the creation of low carbon and positive carbon impact benchmarks. This note focuses on the Sustainable Finance Disclosure Regulation, known as the SFDR or the Disclosure Regulation.

The Disclosure Regulation requires AIFMs to consider and disclose in a consistent and harmonised manner how ESG factors are adopted in their decision-making processes. It aims to harmonise disclosure standards among EU member states to facilitate the comparability of different financial products and services. Many of the provisions of the Disclosure Regulation apply to all asset managers, whether or not they have an express ESG or sustainability focus. The Disclosure Regulation applies different requirements and implementation timeframes in respect of disclosures: on websites; in prospectuses; and in periodic reports.

While the Disclosure Regulation contains requirements that will apply to all asset managers, even those which do not have an express ESG or sustainability focus, it also provides for further disclosures to be made by what are often referred to as "Article 8 funds" and "Article 9 funds". Bright Capital Credit Fund III SCSp (the "Fund") qualifies as Article 8 fund. Article 8 funds are funds which promote, among other characteristics, environmental and social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

The Taxonomy Regulation also forms part of the Commission's Action Plan and is intended to provide a common language for firms and investors to identify which economic activities are "environmentally sustainable". In contrast with the Disclosure Regulation, it does not address social objectives. The Taxonomy Regulation sets out criteria for determining if an activity is environmentally sustainable, including whether the activity contributes to, or does not significantly harm, one or more specified environmental objectives.

The Taxonomy Regulation provides for further disclosures which need to be made in addition to those set out in the Disclosure Regulation. As the Disclosure Regulation and the Taxonomy Regulation were agreed upon and published at different times, there are some inconsistencies between the two regulations and sustainable investments under the Disclosure Regulation are not defined by reference to the Taxonomy Regulation.

1.3. Bright Capital's Investment Stewardship

We understand that performance is the paramount parameter. We believe that considering ESG matters in the lifetime of an investment is a vital part to achieve that goal.

We have established an investment stewardship approach that aims to create sustainable long-term value for our clients. We believe that the companies in which we invest should adhere to act responsibly and to include Sustainable Development Goals (SDGs) in their strategy.

For us, investment stewardship is not about the implementation of ESG processes and adhering to one set of guidelines, nor simply "ticking-the-box". We strive to understand how ESG factors that have an impact on sustainability are financially significant to companies over time and consequently deliver long-term yield and value. We view purposeful leadership and strong corporate governance as vital to achieving these goals.

We encourage our portfolio companies to continuously improve ESG compliance and governance. Where such are discovered lacking, we aim at actively engaging with portfolio companies to improve governance.

We seek to maintain a consistently high level of engagement and collaboration with our portfolio companies to share best practices for sustainable management.

1.4. Bright Capital's commitment to the Principles for Responsible Investment

As a signatory of the United Nations Principles for Responsible Investments (UN PRI) we commit to their values and principles. Bright Capital's approach to ESG reflects our core values and long-term strategy. ESG is an integral part of the investment process, portfolio management, and exit management as well as of our day-to-day practices.

Principles for Responsible Investment (PRI)

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

2. NO SUSTAINABLE INVESTMENT OBJECTIVE

Bright Capital Credit Fund III SCSp promotes environmental or social characteristics but does not have as its objective a sustainable investment.

3. ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FUND

3.1. Bright Capital's approach to ESG integration

ESG is an integral part of Bright Capital's investment process, portfolio management and day-to-day management practices. Bright Capital engages with portfolio companies on ESG matters on a regular basis. ESG senior ownership ensures organisation-wide awareness and collaboration to share best practices. Bright Capital's ESG processes are built to identifying key risk factors, opportunities, and materiality thresholds specific to each company, geography, and sector. Bright Capital's approach avoids "ticking the box" and brings expertise when analysing ESG matters relevant to portfolio companies and the markets in which they operate.

Bright Capital has implemented a fully-fledged ESG guideline covering the investment processes, investment decisions, as well as portfolio management and exit management. ESG integration is a core part of the investment process and is the responsibility of our investment team. All investments are expected to fully integrate ESG, meaning that each investment undergoes a comprehensive ESG due diligence based on a standardised questionnaire with strict exclusion criteria, investment decisions will be denied if exclusion criteria or material ESG risks are recognised, management is expected to define measures to mitigate potential ESG findings. Portfolio managers are accountable for monitoring and managing exposure to potential ESG risks, meaning that portfolio managers test the portfolio company for potential ESG risks on a regular basis as well as for new potential ESG risks. Furthermore, portfolio management is responsible to monitor identified improvement measures throughout the holding period.

3.2. Practices

We believe that companies that operate sustainably by including ESG strategies generate long-term value. Taking this into account, we strive to provide transparency for ESG matters in our portfolio and how we incorporate ESG in our investment processes. Bright Capital reports ESG matters to its clients on a regular basis. The regular investor reporting and the Annual General Meeting (AGM) include an ESG section. The purpose of the AGM's ESG section is to share knowledge, experience and best practice amongst Bright Capital's portfolio companies, clients, and industry experts.

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3.4. Ownership

At Bright Capital ESG is a mandatory item of the investment process and as such a major part of the investment decision. The oversight of ESG practice has been assigned to a member of the investment committee to ensure highest level of senior leadership. Bright Capital has implemented a Sustainable Investing Team that has the ownership of the ESG processes and guidelines. The Sustainable Investing Team coordinates the firm-wide approach to incorporating ESG into the investment lifecycle and day-to-day management.

3.5. Methodologies & KPIs

The following methodologies are implemented to monitor and manage ESG risks:

- Monitoring ESG impact through collecting the proprietary ESG questionnaire on a recurring basis (at least annually);
- Preparation of an annual sustainability report;
- Active engagement with investee companies.

The ESG questionnaires collects a consistent set of data, including, among other parameters, KPIs that cover social and environmental aspects:

- Carbon emissions;
- Water and energy consumption;
- Share of female/male employees across different levels;
- Framework for labour representatives;
- Etc.

All data are initially collected in the due diligence of the respective investment. ESG due diligence is now a core part of the deal process of most equity sponsors and the Fund can use the information for the ESG assessment. A complete view of all relevant risks and opportunities is critical in order to negotiate the right the right terms for a deal. Where no ESG due diligence is available we regularly work side-by-side with industry experts to cover all relevant ESG aspects.

All data are stored centrally in a portfolio monitoring data warehouse which provides for on-demand availability of data and high data consistency and reliability.

3.6. Reference Benchmark

No index has been designated. The Fund does not specifically promote one of the six environmental characteristics set out in the Taxonomy Regulation.

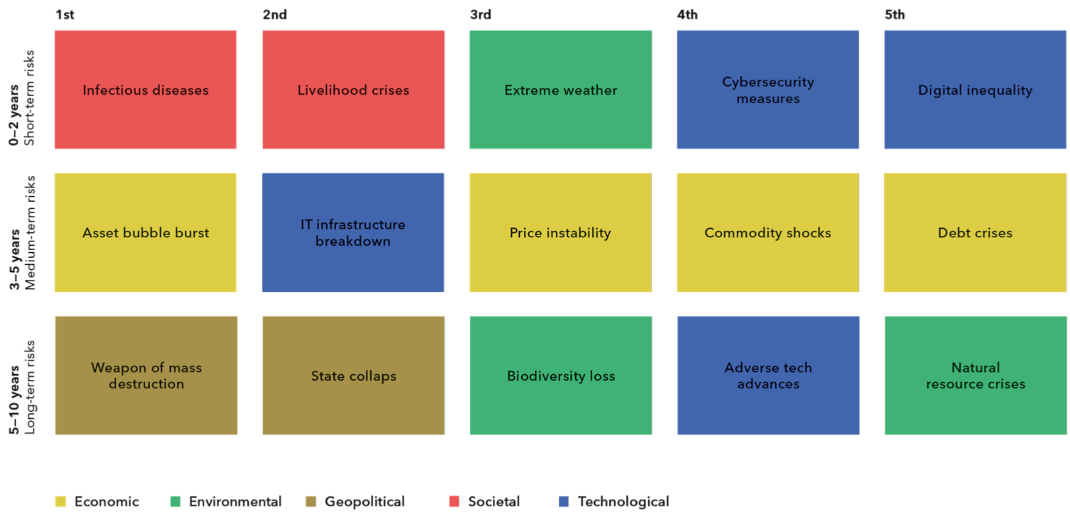
4. INVESTMENT STRATEGY

4.1. ESG Integration in Bright Capital's Long-Term Investment Strategy

We believe that our collaborative approach to ESG will allow us to integrate ESG into our investment strategy and to support our portfolio companies in responding to ESG challenges and opportunities. Our today's strategy strives to clearly commit to ESG and to respond ambitiously to corresponding challenges. New investments must be considered through the lens of the United Nations Sustainable Development Goals (SDGs) and portfolio companies are encouraged to voluntarily implement and report SDGs. The ESG risk assessment is based on sector insights and an understanding of current and future challenges.

<u>Global Risk Horizon</u>

Degree and horizon of global risks



Source: World Economic Forum Global Risks Report 2021

4.2. ESG Over the Lifetime of an Investment

Bright Capital's framework for integrating ESG matters in the lifetime of an investment incorporates three phases: pre-investment due diligence, portfolio, and exit. Our standard ESG procedures are determined by a firm wide ESG guideline.

Each investment undergoes a comprehensive ESG due diligence based on a standardised scoring with strict exclusion criteria. Investment decisions will be denied if exclusion criteria or material ESG risks are recognised. Portfolio managers are accountable for monitoring and managing exposure to potential ESG risks, meaning that portfolio managers test the portfolio company for potential ESG risks on a regular basis as well as for new potential ESG risks.

<u>Stage 1 – Due diligence</u>

- Pre-investment due diligence, initial ESG assessment
- Alignment with management on ESG approach and reporting

<u>Stage 2 – Portfolio</u>

- Regular and ad-hoc reporting on ESG incidents
- Quarterly reporting of ESG challenges and opportunities
- Annual ESG reporting and questionnaire
- Annual ESG Review Meeting
- Bright Capital Monthly Portfolio Review meeting

- Regular investor reporting and Annual General Meeting

Stage 3 – Exit

- Encourage the company to further engage with ESG matters and to commit to Sustainable Development Goals.

4.3. ESG in the Investment Process

During the pre-investment due diligence phase the investment teams identify whether there are any ESG-related risks or opportunities within the business or external factors affecting the business or the markets in which the company operates. The initial ESG assessment is an integral part of the due diligence and overall risk and opportunities assessment and includes strict exclusion criteria based on sectors and the identified long-term risks with a potentially significant impact.

Identification and assessment of risks and opportunities

Based on in-depth knowledge and best practices, the investment team identifies the key ESG risk and opportunity areas for each investment. If ESG issues are identified, the investment team initialises internal discussions with Sustainable Investing Team and members of the investment committee to determine on a case-by-case basis whether further risks can be mitigated, or further assessment is required. Bright Capital as created standardised ESG and SDG questionnaires to ensure highest level of objectivity and

Presentation of ESG risk and mitigants to the Investment Committee

ESG considerations are included in investment papers, presented to, and considered by the Investment Committee. A detailed section of ESG is required in all Investment Committee papers. The Investment Committee must give its unanimous approval. Bright Capital subsequently considers if there are any ESG risks which are deemed unacceptable, and thus will reject the investment or determines that any risks identified need to be addressed, managed, or improved during the holding period. The improvement requirement must be reflected as a covenant in the documentation.

Engagement activity

Bright Capital actively engages with the portfolio company's management to monitor and manage ESG matters. In cases where material ESG risks are identified and deemed acceptable, a plan is developed and agreed with the management to improve or remedy the issue. In addition, the portfolio company is required to commit to relevant compliance undertakings.

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