



# Responsible Investment Policy for Credit and Listed Equity

November/2019



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## Introduction

We at Vinci Partners believe that responsible corporate behavior from an Environmental, Social and Corporate Governance (ESG) standpoint has a positive impact on the performance of our investments, reducing risks and generating long-term value, as well as being part of our fiduciary duty. We have been signatories to the Principles for Responsible Investment (PRI) since 2012.

Vinci Partners seeks to systematically incorporate ESG aspects into its investment process. This document formalizes this process and provides guidelines for responsible investment in Vinci Partners, for Equities and Private Credit strategies.

The construction of this policy took place through a collaborative process, involving managers and analysts in the areas of Equities and Private Credit, professionals in support areas such as Compliance and Legal, in addition to external specialists. This policy will be updated whenever there are relevant changes in our ESG investment integration process.

## Definitions

**Responsible Investment:** Integration of environmental, social and corporate governance (ESG) themes in investment management and ownership practices, based on the premise that these themes may impact the risk and performance of assets.

**Interested parties:** Investors and users of the products we offer; Companies that are part of our investment universe.

## Principles

Our ESG integration process in asset valuation takes place based on four main elements.

**Transversality:** The evaluation of ESG issues occurs in parallel with our regular investment process, led by analysts and managers, using proprietary methodology.

**Proportionality:** The in-depth analysis of ESG topics occurs only for topics that we consider relevant in terms of impact on the value of the assets we hold. In addition, ESG integration in investments should respect the particularities of the different Equity and Private Credit funds that we manage.

**Relevance:** Asset valuation from an ESG lens will be focused on those assets that are relevant to our portfolio and investment universe. No asset is excluded from the investment universe based only on ESG issues, except in cases of explicit requests from clients with exclusive funds and which are provided for in the fund's regulations.

**Continuous improvement:** We understand that the integration of ESG themes in investments is an evolutionary process. Therefore, we seek to develop and improve the

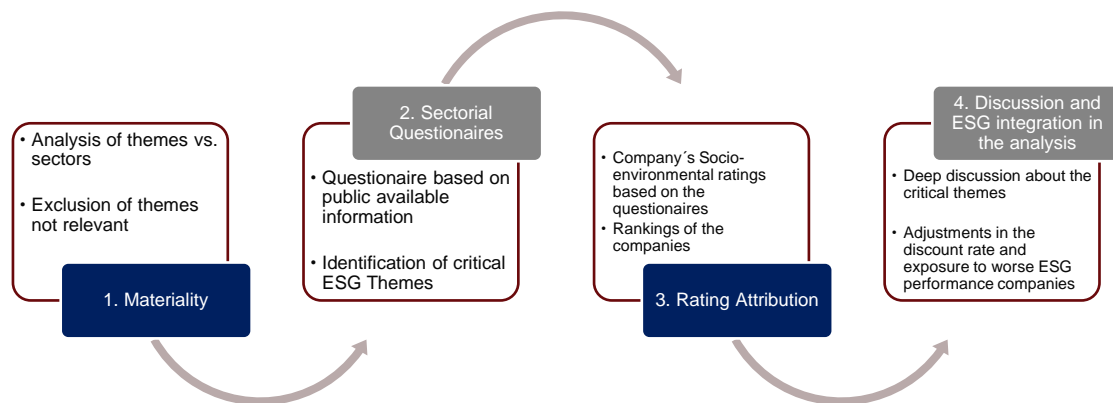
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approaches and methodologies developed in order to mitigate risks and generate value for our clients, as part of our fiduciary duty.

## Approach to ASG integration in Equities

Our approach to integrating ESG into equity funds that invest in listed companies comprises the following steps:



1. The first step consists of a materiality assessment, where we filter the environmental, social and corporate governance issues relevant to the companies we are analyzing. Themes considered non-relevant or non-material are downgraded.

2. Then, using sectoral ESG assessment questionnaires, we evaluate the main indicators and metrics of the companies, based on public information. The questionnaires were developed using some of the main sustainability standards for company analysis. From these questionnaires, we were also able to identify critical gaps and recurrent ESG controversies, which can be further explored later.

The information to carry out these analyzes comes especially from annual and sustainability reports of companies, providers of financial and sustainability information, direct questions from our analysts to the companies analyzed, as part of our traditional research process, as well as news.

3. In the subsequent stage, we assign an overall score and theme for the companies analyzed, ranging from one to one hundred. This score is a summary of the companies' ESG performance, which allows us to create sectoral and general rankings.

4. Finally, the ESG analysis is integrated into our investment analysis based on the following actions:

- Potential adjustment in the discount rate according to the perception of the responsible analyst;
- Committee discussion and in-depth analysis of ESG topics considered critical;
- Limit on exposure to papers issued by a company with ESG performance in the last quartile;
- Requirement of a higher rate of return for the acquisition of papers from companies with lower performance.

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## Engagement and ownership

Whenever we hold a relevant position in any company, we seek to engage with the following objectives:

- Promote a dialogue with companies in order to better understand ESG challenges and opportunities;
- Encourage the adoption of best sustainability practices by companies;
- Encourage better transparency about your performance on relevant ESG topics
- Improve the level of monitoring about the investee companies' sustainable performance.

Whenever possible and relevant, we act through collective engagement actions with other investors. This process involves the definition of specific engagement criteria to cover the largest possible number of investors within relevant topics for improving companies' ESG practices.

## Exercise of voting rights (proxy voting)

In line with the recommendations of the Principles for Responsible Investment, we are committed to being active and diligent in voting at meetings. For this reason, we exercise this right in order to improve environmental, social and governance performance in invested assets. We understand that this approach helps to generate value from a greater alignment of companies with the interests of shareholders. This role is put into practice by the managers of our funds.

The vote to be taken at meetings counts on the participation of analysts and managers, and will take place in accordance with our Voting Rights Policy. For ESG topics, we seek to speak out whenever the company represents a significant percentage of our funds and the content of the vote may affect the value of the assets held. Examples of ESG themes on which we can speak include:

**Environmental:** use of natural resources, waste management, effluents and atmospheric emissions, impacts on ecosystems and biodiversity, changes in climate.

**Social:** Health and safety, working conditions, relationship with communities, supply chain and relationship with customers:

**Governance:** transparency practices, remuneration of top management, respect for minority shareholders, quality of the board, among others.

## Approach to ESG integration in Private Credit

Today we have three strategies for private credit. They are: (i) corporate credit, focused

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on large corporate debt; (ii) structured credit, which focuses on investment in credit rights of small and medium-sized companies (iii) long-term credit, which includes investments in fixed-income real estate (Certificates of Real Estate Receivables or debentures backed by real estate guarantees) and renewable energy (debentures of renewable energy generation, energy efficiency transmission, among others). In view of the particularities of each type of fund, we divided the analysis into three segments.

### Corporate Credit

For our corporate credit funds, the analysis process will follow a similar path to equity, using sector questionnaires based on public information and assigning a rating of one to one hundred based on primarily public information (see previous section).

### Long Term Credit

To assess the ESG performance of the fixed income real estate fund, we developed a framework aimed at evaluating the assets that serve as ballast or guarantee for the issuance of CRI or debentures. This is done based on a specific questionnaire for the main types of real estate assets in the portfolio: Residential, Commercial Real Estate, Malls, Health and Electric. For this, we use some of the main sustainability standards in the real estate sector, such as Global Real Estate Sustainability Benchmark (GRESB), Leadership in Energy and Environmental Design (LEED), Sustainability Accounting Standard Board (SASB) and Climate Bonds Initiative (CBI).

To assess the ESG performance of the sustainable energy fund, we have developed a specific framework for assessing the sustainability performance of the asset and the issuer. The analysis of the asset will be carried out based on a questionnaire sent to the company, whereas the analysis of the issuer will occur primarily based on public information, in addition to the second opinion reports on the green credentials of the issue, when available.

This evaluation generates a rating from one to one hundred as an output, in addition to the identification of critical ESG topics that may be further discussed in the investment committee.

Once the analysis on the asset and / or the debt issuer has been carried out, the results are presented to the investment committee, where the following actions can be taken:

- Veto investment on debt of assets / issuers with insufficient ESG performance;
- Limitation on the portfolio's exposure to assets / issuers with ESG performance below the established limit;
- In-depth analysis and quantification of the critical ESG themes identified;

### Structured Credit

For our structured loan funds, in view of the large number of evaluated companies, we use a more simplified process. In this process, we look at the history of fines and penalties of an environmental and social nature (labor, civil), based on consolidated

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databases, such as SERASA. A summary of the approaches adopted for our different fixed income funds is presented in the table below:

Strategy	Corporate	Structured	Long Term Real Estate	Long Term Sustainable Energy
Focus of the analysis	Debt issuer	Issuer of receivables	Asset ballast of the issue or guarantee	Asset and issuer
Approach	Framework with industry questionnaires	History of environmental and social penalties and licenses	Framework with questionnaires for real estate assets	Framework with questionnaires for assets and for the issuer
Output	Rating from one to one hundred and identification of critical ESG themes about the issuer	High, medium or low risk rating	Rating from one to one hundred and identification of critical ESG themes on the asset	Rating from one to one hundred and identification of critical ESG topics about the asset and the issuer
Source of information	Public data	Consolidated database (eg SERASA)	Issuer questionnaire	Questionnaire for issuer and public data

In addition, in our credit products we seek to promote positive practices in the market through investments in securities that have a positive socio-environmental impact, such as green, social and sustainability bonds. In addition, we were selected as managers of the first renewable energy fund in Brazil

## Final Considerations

This policy is publicly available on our website. This policy will be revised whenever there is any relevant change in our processes, in order to ensure that it is in line with our investment philosophy and the best market practices in terms of ESG integration.

We keep our shareholders aware of our ESG valuation process for fixed and variable income assets through our website and letters to investors.



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