

Incentive Sustainability Policy

Sustainability Statement

Sustainability is essential to our investment and portfolio management processes. That is why we have integrated sustainability analysis into our bottom-up research process.

Consumer preferences and government legislation are becoming more focused on sustainability issues, which is driving changes in companies' market opportunities and business models. We believe companies with higher sustainability standards will be rewarded with premium valuations versus their peers because the results of these sustainability efforts should lead to:

- relatively higher growth,
- more efficient operational performance,
- lower business risk,
- lower cost of capital, and
- greater protection of investors' interests.

Companies can capitalize on business opportunities arising from an increasing sustainability focus by considering all stakeholders, including employees, customers, suppliers, the environment, and society at large.

Sustainability issues are having a greater influence on a company's risk landscape. The demand from consumers and voters for greater sustainability among companies has translated not only into increased regulation but also into greater reputational and political risks. Strong corporate governance must therefore identify, evaluate, and manage sustainability risks.

At Incentive, we believe companies that genuinely work to remedy or manage sustainability issues will create higher value in the long run. Long-term profitability is intrinsically linked to the responsible management of a company's impact on the environment and society. We therefore work actively with our portfolio companies to promote good corporate governance on sustainability issues.

Sustainability Commitment

Based on our view that sustainable companies will perform better in the long term, Incentive is committed to integrating sustainability analysis. We will achieve this commitment through our Sustainability Framework, outlined below.

Incentive defines a "sustainable company" as a company whose products or services meet a real and substantive demand over the long term. A sustainable company also identifies and manages its sustainability risks and impact on the environment, society, and people in line with the expectations of society.

We will seek appropriate disclosures on sustainability issues from the companies we invest in, both pre-acquisition and throughout our ownership period. When we assess potential investments, we will consider issues including environmental and climate impact, labor and human rights issues, and ethics and governance issues as part of the due diligence process. When we invest in companies with real but manageable sustainability risks, we will engage actively with the company to mitigate the risks and improve its sustainability performance.

Our main commitment, and the purpose of the Sustainability Framework, is to promote and reward good corporate governance on sustainability issues. In the investment process, we consider how companies reflect upon and manage these risks and opportunities as well as their sustainability performance measurement and reporting, governing documents and strategies.

Sustainability Framework

The Sustainability Framework is designed to integrate sustainability analysis at every step of our investment process. By making sustainability analysis an integral part of our core process, we will be better positioned to make informed investment decisions and push portfolio companies to mitigate risks and capture opportunities.

Idea Generation

We begin by gathering and structuring information about the long-term, global trends that influence whole sectors of the economy. The analysis includes socio-economic trends, market and consumer trends, technological developments, global risks, and broader sustainability challenges. An overview of the global context and long-term trends is key to identifying future business opportunities and the potential for future growth as well as risks.

Quality Assurance

After generating that foundational understanding, we conduct a comprehensive analysis of business sustainability fundamentals. We conduct a risk analysis of environmental, social, and governance (ESG) factors, looking at the industry sector, the relevant markets and geographies, as well as governance and strategies, stakeholder management, risk management, performance, and reporting. The analysis covers the ESG risks in the value chain as well, and considers both physical, operational, reputational, political, and technological risks. The sustainability analysis also serves to identify market opportunities and growth potential as well as opportunities for value creation through improved sustainability management and governance.

Portfolio Construction and Risk Management

We practice active ownership by way of regular reviews, with a particular focus on the state of governance in each portfolio company. We maintain regular contact with the board of directors and top management, and we challenge them when progress on sustainability targets is slow or when emerging situations call for risk mitigation and/or improved governance.