

ESG - YEAR IN REVIEW



Revolution Asset Management (Revolution) recognises environmental, social and governance (ESG) is an ever-evolving field and is committed to continuous development. Accordingly, Revolution continuously reviews and strives to strengthen its practices in line with UN Principles for Responsible Investment (PRI) and industry best practice. The following is a summary of developments in Revolution's ESG process which have been implemented over the past 12 months.

INCREASED ENGAGEMENT WITH PORTFOLIO COMPANIES

Increased engagement with corporate borrowers, directly through company management, sponsors or arrangers in financing transactions. This leads to increased awareness, transparency and requirement on borrowers to provide ESG related information, and higher scrutiny over borrowers ESG practices and hurdle for investment approval.

NEW BORROWER QUESTIONNAIRE USED IN DEAL DUE DILIGENCE

Introduction of a structured ESG questionnaire to the due diligence process, where each borrower is asked to answer ESG questions and provide supporting policies and information. Questionnaires are tailored to each borrower based on the industry in which they operate and are key inputs into Revolution's ESG and credit assessment process and a starting point for further engagement as appropriate.

FORMAL INCORPORATION OF CLIMATE CHANGE & MODERN SLAVERY

The consideration of climate change and modern slavery issues in the investment process has been formalised with dedicated sections on these areas in the scorecard and ESG rating.

INTRODUCTION OF LBO ESG SCORECARD AND LBO ESG RATING

Addition of structure to Revolution's ESG assessment for all Leveraged Buyout (LBO) investments through introduction of ESG scorecard and ESG rating which now forms part of the credit assessment. The scorecard covers industry as well as borrower-specific considerations and highlights key factors in Revolution's ESG assessment. It assigns a risk rating to each underlying factor, building up to E, S and G scores, which form into an overall ESG rating for each investment.

MEMBER OF ASF INVESTOR SUBCOMMITTEE DEVELOPING IMPROVED ASSET BACKED SECURITIES (ABS) ISSUER ESG DISCLOSURES

Participant in the Australian Securitisation Forum (ASF) ESG Working Group tasked with developing a "Market Guideline" to assist the securitisation market adopt practices relating to ESG and ESG disclosure. The objective of the Market Guideline is to provide originators, issuers, investors and other intermediaries a reference point for developing ESG practice in securitisation which enhances transparency and comparability in the Australian market.

JOINED ESG HARMONISATION CREDIT CONSORTIUM COLLABORATION BETWEEN PRI, LSTA AND ACC MEMBERS

Working Group Committee Member of a worldwide initiative jointly led by members of the Alternative Credit Council (ACC), the Loan Syndications and Trading Association (LSTA) and the PRI. The effort aims to standardise ESG information provided during the investment process through a development of a tool which will enable the consistent collection of data from sponsored and non-sponsored borrowers across the private and broadly syndicated credit markets.

INCREASED FOCUS ON APARTMENT BUILDING COLLATERAL IN ABS POOLS

Revolution's ability to shape terms have led to negotiation with ABS originators to impose limits on or exclude as appropriate high rise apartment buildings from Revolution's ABS collateral pools due to the rising issues with apartment buildings such as structural defects and impact from combustive cladding which raise social concerns.

COMMENCED DIRECT ENGAGEMENT WITH AN AUTO ABS ISSUER TO IMPROVE ENVIRONMENTAL DISCLOSURE

Revolution has commenced engagement with issuer to jointly develop improved disclosure of greenhouse gas intensity of the collateral pool post financing of an ABS auto finance warehouse.

FIRST SUSTAINABILITY LINKED LOAN (SLL) FINANCING

Revolution has funded its first sustainability linked loan (SLL). The loan has a two-way margin adjustment linked to three sustainability linked KPIs, which are documented in the loan terms.

ESG INCORPORATED INTO INDIVIDUAL PERFORMANCE REVIEWS

Following an introduction of ESG discussions in performance assessments last year, Revolution has formalised this process to incorporate into remuneration outcomes for all investment staff.

FOR MORE INFORMATION

For more information on private debt or to subscribe to our regular insights and education, contact Channel Capital - Revolution Asset Management's investment manager partner or visit our website.

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Revolution conducts a review of its ESG Policy on an annual basis. The ESG Policy was last reviewed in May 2022.

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