



# Our commitment to ESG

Responsible Investment Report 2020

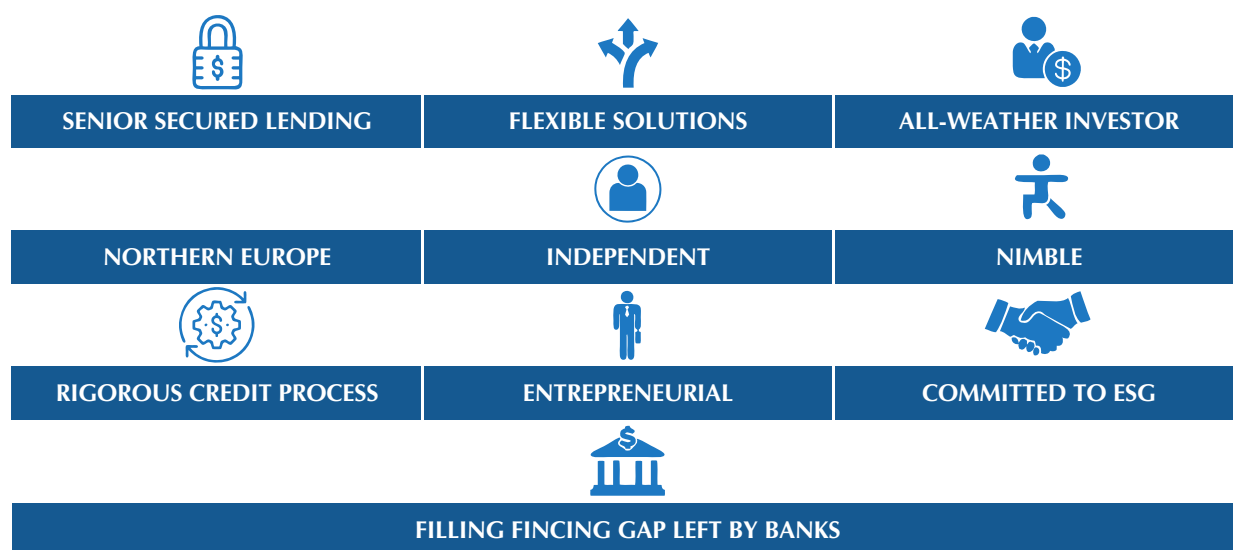
## CORDET

CORDET was founded in 2013 to provide private debt, direct lending and alternative funding solutions to smaller mid-market companies in Northern Europe while also addressing the need of many institutional investors for attractive risk-adjusted core income-focused credit investment returns. CORDET has so far successfully arranged c. €1.0 billion in financing commitments across more than 50 transactions with smaller mid-market companies in Northern Europe.

We are investors with a credit focus. We originate, evaluate and structure our debt investments locally through offices in London and Stockholm and we seek to develop and maintain long-term and sustainable partnerships with borrowers, banks, intermediaries and financial sponsors.

Our primary focus is to provide superior risk-adjusted returns to our investors through a strong credit focus. We invest only in sectors where we have prior experience. As a result, our decision-making process is based on thorough fundamental, bottom-up analysis, conservative structuring and appropriate pricing.

CORDET's decision-making processes, guidelines and principles provide a strong framework to ensure responsible investment. CORDET believes it is crucial to understand the environmental, social and corporate governance ("ESG") aspects of the businesses in which we invest, and that these aspects represent instrumental elements of long-term value creation.



### FOR BORROWERS

- Independent and entrepreneurial approach
- Flexible lending solutions – enabling growth and superior value creation opportunity
- Speed of execution and hands on approach
- Partnership focus and long-term perspective
- Deal certainty and early conviction feedback
- Experience and value focus allowing openness to complex situations

### FOR INVESTORS

- Diversified, sustainable and stable portfolio
- Sector and market expertise – only investing in industries that we understand well
- Strong focus on both ESG risks and opportunities
- Rigorous credit process with senior team
- Low structural risk and strong downside protection
- Superior risk reward exposure

**22** professionals averaging 20 years' experience, speaking **9** languages

**€1.0bn** gross debt committed since inception

- Representing over 30 Limited Partners
- CORDET's Limited Partners include public pension funds, sovereign wealth funds, insurance companies, endowments and family offices across Europe, Asia and North America
- Deploying capital with a pipeline of opportunities representing on-going credit requests totalling >€500m

**5** mega trends forming part of our investment strategy and approach



TECHNOLOGICAL  
CHANGE



AGING POPULATION



INCREASED  
NETWORKS



CLIMATE CHANGE



URBANISATION &  
IMMIGRATION

**4** core target regions of **UK & Ireland, Nordics, DACH and Benelux**

**3** offices in each of **London, Stockholm and Luxembourg**

**2** funds and 1 SMA raised to date

**1** focus on **Responsible Investment that creates value** for investors and all our stakeholders



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## LETTER FROM THE CO-MANAGING PARTNERS

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2020 was an extraordinary year that challenged us all to consider our priorities and our purpose. In a year that has seen huge dislocation and financial instability as a consequence of the COVID-19 pandemic, CORDET has demonstrated a unique resilience and momentum which has confirmed its reputation as a leading alternative credit investor. We completed 21 new transactions in 2020, providing tailored support and flexible financing solutions to new and existing borrowers during the COVID-19 crisis and aspiring to enable transformational growth. In recognition of our successes in 2020, we were delighted to receive the CFI award for “Best Alternative Credit Investor (United Kingdom)” and second place award for “Lower Mid-Market Lender of the Year” the Private Debt Investor European awards for 2020.

The ongoing COVID-19 crisis has emphasised the growing need for alternative financing solutions to smaller mid-market companies, as this crisis is accelerating the retrenchment of banks from this segment of the market. CORDET exists to provide support to these smaller mid-market companies, with a focus on the target regions of UK & Ireland, Nordics, DACH and Benelux. We invest exclusively within our circle of competence in sectors where we have extensive knowledge and experience, and the resilience of CORDET’s strategy has been demonstrated by our current performance to date.

CORDET has been a signatory to the United Nations Principles for Responsible Investment (the “UN PRI”) since 2014, and it remains firmly committed to Responsible Investment and ESG. The UN PRI has seen its signatories jump from 1,250 in 2014 to over 3,000 in

2020, and we are proud to have received a consistently strong rating of A and A+ from the UN PRI over this period. In addition to adhering to the UN PRI’s exclusion criteria, we have a thorough approach to integration of ESG considerations into our investment decisions and processes.

It has never been more important to maintain a clear focus on ESG considerations in order to protect and nurture portfolio companies, as well as identify new opportunities. CORDET is uniquely positioned to support long-term value creation in the smaller mid-market by filling the gap left by banks and traditional credit providers and providing flexible financing solutions with an entrepreneurial and partner-driven relationship approach. CORDET’s strategy delivers a well-diversified, sustainable and stable portfolio of senior secured smaller mid-market loans to our investors whilst achieving a superior risk-reward profile and an ambitious Responsible Investment agenda.

CORDET has also enhanced its approach to influencing and nurturing the companies in its lending portfolio to ensure they operate in accordance with socially responsible business standards, which includes an increased focus on alignment with United Nations Sustainable Development Goals (the “SDGs”) and becoming a public supporter of the Task Force for Financial Climate Disclosures (the “TCFD”) and the Paris Agreement. At the same time, we have taken further steps to demonstrate our own commitment to behaving and operating in a responsible and sustainable manner, which includes reducing our environmental impact and promoting a diverse, supportive and inclusive culture.

*Signatory of:*



CORDET's flat structure, meritocracy and entrepreneurial spirit provides employees with considerable room to grow and has led to several recognitions this year. For example, we were thrilled to see Rebecca Fels awarded "Investment Leader of the Year – Sweden" at the Finance Monthly Women in Finance Awards 2020 and George Velikov recognised as one of Private Debt Investor's "Rising Stars" for 2020. CORDET's management style is progressive and nurturing, with twice-weekly round table meetings where everyone is invited to

*Public supporter of:*



contribute, and this has been essential for team development, participation and wellbeing during 2020. CORDET engages in Responsible Investment because it is committed to supporting smaller mid-market companies and creating value for all stakeholders. CORDET has taken significant steps in 2020 to advance its Responsible Investment agenda and demonstrate its long-term commitment to ESG, and we are delighted to share with you our Responsible Investment Report for 2020.



A handwritten signature in black ink, consisting of stylized initials and a surname.

Jakob Lindquist

*Co-Managing Partner*



A handwritten signature in black ink, featuring a prominent, sweeping initial.

Magnus Lindquist

*Co-Managing Partner*



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## THE CORDET DIFFERENCE

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### Specialist

We have a clear focus on being a Credit Specialist. We only invest in sectors where we have prior experience.

### All-weather experience

The CORDET Team benefits from strong lending and investing expertise across sectors in Northern Europe, in particular the Nordics and the UK, over three credit cycles. This all-weather experience is essential to investing successfully across the credit cycle. CORDET also benefits from significant restructuring know-how and experience in dealing with distressed credits (which we actively seek to never have to use).

### Relationship-driven

CORDET aims to build and maintain strong and longstanding relationships with our investors, borrowers and partners. We only make a dozen or so investments each year and this allows us to be highly selective and to focus on establishing strong relationships with our counterparties. This is a key facilitator of information flow of good and bad news.

### Alignment

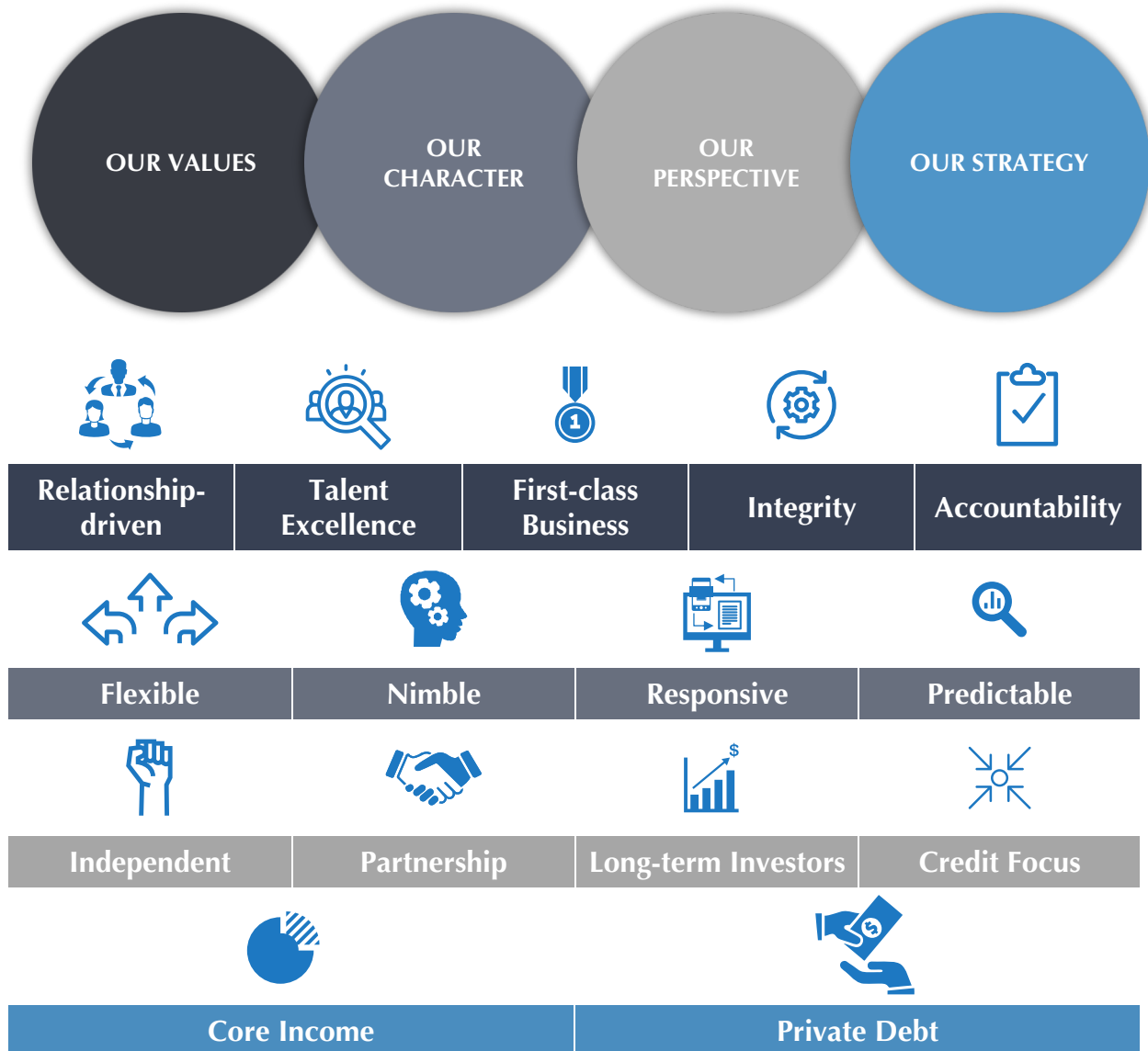
CORDET professionals believe in skin in the game. Therefore, the Team co-invests with our investment partners and also owns the firm.

## MISSION AND VALUES

*Our mission is to support our borrowers to make relevant, enduring and material improvements in their financial performance.*

*Our primary focus is on providing superior risk-adjusted returns to our investors through strong credit focus. We only invest in sectors where we have prior experience. As a result, our decision-making process is based on thorough fundamental, bottom-up analysis, conservative structuring and appropriate pricing.*

*We are aligned to our investors through performance-based rewards and by co-investing alongside them. We focus on contractual returns by capturing the illiquidity premium in non-investment grade (often unrated) private debt.*





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## RECOGNITION AND AWARDS

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In a year that saw huge dislocation and financial instability as a consequence of the COVID-19 pandemic, we have demonstrated our "all weather" investment approach and our ability to assess and adapt to the changing environment, with strong deployment and performance which has again been recognised in CORDET being ranked #2 in the "Lower Mid-Market Lender of the Year (Europe)" category by Private Debt Investor ("PDI") in Mar-21.

This continued success had previously been recognised through a number of awards during the course of 2020, including "Best Alternative Credit Advisor" UK winner by CFI in June, and being a finalist in both the Private Debt Investor Awards ("SME Lender of the Year") in Mar-20 and the Creditflux Manager Awards in Jun-20.

### Growing Reputation Within Investor and Borrower Communities

- #2 ranked "Lower Mid-Market Lender of the Year" by PDI in 2021
- #3 ranked "SME Lender of the Year" by PDI in 2020
- #3 ranked "SME Lender of the Year" by PDI in 2019
- "Best Fund Manager" runner up by Growth Finance in Sep-19
- "Best European Direct Lending Fund" finalist by Creditflux in Apr-19
- "Manager Awards" finalist by Creditflux in Jun-20
- "Global Newcomer of the Year" by PDI in 2017



### Investment and Personnel Recognition

- CORDET's investment in ABAX, backing Norvestor, won the award for "Nordic Deal of the Year" in the 2018 Private Equity Awards (Realdeals)
- George Velikov recognised as one of PDI's "Rising Stars" 2020
- Rebecca Fels named "Investment Leader of the Year Sweden" at Monthly Women in Finance Awards 2020



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## ESG HIGHLIGHTS

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- Strong sustainability framework alignment with the UN PRI, UN SDGs and TCFD
- Consistent strong UN PRI rating since becoming a signatory in 2014
- Partnering with 18 portfolio companies with >3,000 full-time employees in 2020
- 21 new compliant and transparent business transactions in 2020
- Consistently decline investments related to alcohol, tobacco, gambling, pornography, trafficking etc. per the UN PRI exclusion principles
- Thorough implementation of bespoke ESG scorecards
- No investments to date linked to negative climate impact, e.g. oil & gas, mining, shipping, resource intense industry or high emissions industry
- Significant progress on ongoing monitoring of ESG issues including borrower questionnaires
- Steps taken towards completion of CORDET's first and annually recurring carbon footprint assessment
- Support for PE sponsors and entrepreneurs to help drive and finance change, including leading responsible investors such as FSN Capital, Nordic Capital, Inflexion, CapMan & Priveq
- Increased focus on contribution and alignment with UN SDGs
- Development of junior and mid-level investment professionals:
  - Rebecca Fels awarded "Investment Leader of the Year – Sweden" at the Finance Monthly Women in Finance Awards 2020
  - George Velikov recognised as one of Private Debt Investor's "Rising Stars" for 2020
- ESG investment highlights in 2020:



- Niche waste management solutions
- Circular economy
- Sustainable agriculture
- R&D in future solutions



- Disrupting e-commerce delivery solutions
- Fossil free delivery service
- Commitment to being carbon neutral



- Leading provider of end-to-end logistics software
- Improves efficiency of shipping and transportation leading to reduced CO2 emissions

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## COVID-19 RESPONSE

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*Decisive and thoughtful action to support existing portfolio companies and avoid unnecessary short-term value destructive action during the COVID-19 pandemic – enabled by information sharing and a partnership driven approach*

### 1 Action

- Focused on demonstrating **resilience** and **momentum**
- No portfolio company exposed to the hardest hit industries such as hospitality, restaurants, catering, events or air travel
- **Strong path to recovery seen** during Q3-20 for the portfolio companies most negatively affected by the COVID-19 crisis
- **Portfolio regularly assessed** across six key impact areas:



*21 new transactions in 2020 across 9 borrowers*

### 2 Resilience

The global challenges presented by COVID-19 have accelerated the need to focus on Responsible Investment and led to increased scrutiny on corporate practices regarding ESG responsibilities. Earlier this year, Larry Fink, Blackrock's CEO, wrote a letter to CEOs titled "A Fundamental Reshaping of Finance" and noting that "a strong sense of purpose and a commitment to stakeholders helps a company connect more deeply to its customers and adjust to the changing demands of society. Ultimately, purpose is the engine of long-term profitability".

CORDET acted quickly in response to the pandemic, with close and detailed monitoring of COVID-19 related impacts and risks for the portfolio. Our analysis focused on the COVID-19 impact on each company across six criteria:

(1) Supply, (2) Demand, (3) Net working capital, (4) Liquidity, (5) Operations and (6) Covenants / Valuation. Ratings in these six categories are aggregated to produce an overall Impact Rating, with ratings continuously re-assessed and, during the more critical stages of the pandemic, re-assessed on a fortnightly basis.

We took decisive action to support our existing portfolio companies and drive growth and avoid unnecessary short-term value destructive action, which has included providing waivers and extending additional facilities to portfolio companies where capital was needed. None of these facilities have been drawn to date for COVID-19 reasons, which is a clear reflection of the strong financial health of CORDET's portfolio companies. Notable examples of our bespoke and solutions-driven approach during

this challenging period include our provision of acquisition financing to Baird Capital owned asset Aura Futures (Apr-20), where our deal team benefitted from in-depth sector experience, and the introduction of a revolving credit facility to a UK, PE-owned portfolio company (Jun-20) to ensure that the company would have a liquidity solution in place for potential investment requirements when business resumes post COVID-19 related international lockdowns.

CORDET has also shown considerable operational resilience whilst offices and

countries have been closed, with an immediate and seamless transition to remote working supported by its advanced and agile IT infrastructure and strong team culture. To ensure mental wellbeing and keep up the team spirit, we have had regular social online gatherings and set up friendly, internal running competitions. A number of the senior CORDET team members have also been involved in online conferences and talks with leading industry commentators.

### 3 Momentum

The ongoing COVID-19 crisis has emphasised the growing need that smaller mid-market companies have for alternative financing solutions, as it is accelerating the retrenchment of banks from this segment of the market.

We have demonstrated our “all-weather investor” approach over the course of 2020, consistently investing in new deals both in the benign environment pre-COVID-19 and in the current time of heightened uncertainty. In contrast to some other lenders that have chosen to focus solely on their existing portfolios, CORDET stands out by having closed a significant number of transactions with new borrowers, all with COVID-19-resilient business models. We have maintained momentum and demonstrated our constructive partnership approach to resolutely support borrowers at the same time as ensuring the protection of our investors’ interests and still proving highly

capable of capitalising on new opportunities to enable steady and sustainable growth.

In total, we have executed 21 new transactions in 2020 across three existing borrowers and six new borrowers, representing new capital commitments of €140m (primarily to finance new acquisitions, growth capex and add-on acquisitions). All of these transactions were closed following the onset of the COVID-19 crisis. We believe this demonstrates an unprecedented level of investment activity, capability and flexibility for 2020. On another note, we also completed the standout exit of CSAM, a leading provider of niche eHealth solutions in the Nordics which conducted an IPO in Oct-20. As an alternative credit investor, CORDET has been instrumental to CSAM's growth story by supporting the company on four separate add-on acquisitions.





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## ESG INTEGRATION

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*ESG integration is fundamental to our business. CORDET maintains strong sustainability framework alignment with the UN PRI, UN SDGs and TCFD, and became a signatory of the UN PRI in 2014, two years before holding the first closing of its first fund*

### CORDET's ESG principles

At CORDET, we believe that the integration of ESG considerations into our lending decisions and our ownership practices impacts long-term value creation and financial performance. We have therefore committed to the following three ESG principles.

<b>ESG standards</b>	Constantly and consistently operate as a responsible lender and fund manager by promoting adherence to ESG standards at CORDET and in all borrower companies
<b>ESG diligence</b>	Thoroughly diligence relevant ESG factors, and the management of those factors, in the early stages of assessing potential lending opportunities as these can have a significant impact on the operating success, and therefore repayment potential, of the underlying companies
<b>ESG Dialogue</b>	Engage in an active dialogue with members of the financial and business communities, as well as with relevant stakeholders, to support best practices as relates to the advancement of responsible business standards

### The UN Principles for Responsible Investment

The PRI is a world leading proponent of Responsible Investment. Signatories pledge to incorporate ESG issues into analysis, ownership and decision-making processes while promoting acceptance and implementation of the Principles within the investment industry. CORDET's public transparency reports are available on our website, [www.cordet.com](http://www.cordet.com), or from UN PRI's website, [www.unpri.org](http://www.unpri.org).

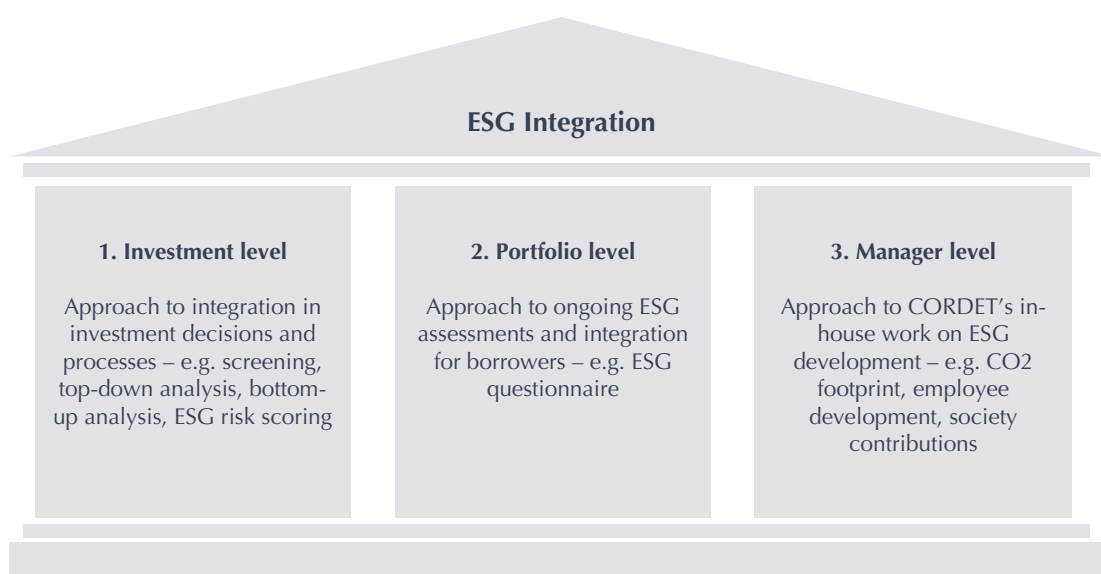
Signatory of:



We also promote responsible business standards by taking into consideration globally accepted best practices. In addition to adhering to our own principles, and as a signatory of the UN PRI since August 2014, CORDET is committed to the following six principles of the UN PRI:

UN PRI Principles	Example of CORDET actions to uphold
1. We will incorporate ESG issues into investment analysis and decision-making processes	ESG issues are considered at every stage of the investment review process from screening to review to decision
2. We will be active owners and incorporate ESG issues into our ownership policies and practices	Our relationship driven approach enables a close interaction with ability to influence and bring ESG issues up the agenda
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest	We discuss ESG issues and opportunities continuously with portfolio companies and have an annual ESG Questionnaire to assess ESG KPIs
4. We will promote acceptance and implementation of the Principles within the investment industry	We are an avid promoter of the UN PRI Principles and always highlight our commitment to UN PRI to investors and potential portfolio companies
5. We will work together to enhance our effectiveness in implementing the Principles	We engage in several forums and conferences annually to share best practices with industry peers and ESG advisers
6. We will each report on our activities and progress towards implementing the Principles	We report annually to the PRI and share our PRI transparency reports with our investors

At CORDET, we are committed to influencing the companies in our lending portfolio to ensure they also operate in accordance with socially responsible business standards, as well as demonstrating our own commitment to operating in a responsible manner. This section therefore outlines our approach and updates to ESG integration across our business, with a focus on integration at the following levels



# 1 Integration at the investment-level

We have developed a comprehensive strategy for ESG integration in our investment decisions and processes, with a focus on the investment and risk management processes required to identify and assess ESG risks.

ESG analyses are fully integrated in the decision-making process of all new and existing transactions. Whilst ESG risks are not automatically resulting in exclusion, the investment team has a duty to ensure they provide the Investment and Credit Committee ("ICC") with all necessary information to make informed decisions. ESG factors, and in particular any issues or concerns in this regard,

are considered by the ICC as part of its assessment of each credit commitment. We continuously work on improving the effectiveness and implementation of our ESG integration in our investment decisions and processes, and have established an ESG Working Group to monitor developments and update our approach. The group engages in monthly meetings and is led by the Chief Credit Officer. The group also include two Investment Professionals, our ESG Advisor and one Partner.

Our approach to ESG integration at the investment-level is broadly split between a top down and a bottom-up analysis.

## Top-down analysis

Since inception, we have placed certain fundamental trends at the centre of our investment strategy, pursuing investments in niche leaders benefiting from one or more of our identified global mega-trends (see RHS).

This focus gives us an automatic alignment and advantage when assessing ESG risks and opportunities, as all investments generally bear a number of positive top-down ESG characteristics. We also promote strong sustainability framework alignment with industry bodies such as the UN PRI, UN SDGs and TCFD, which contributes to the top-down analysis and provides a deep understanding of the political, economic, social, technological, legal and environmental macro-level factors that impact borrowers.



### Mega-trends

#### Technological change

Increasing connectivity and data processing capabilities

#### Increased networks

Decreasing costs of doing (international) business

#### Urbanisation & immigration

Increasing demand on infrastructure, services and convenience

#### Aging population

Increasing need for efficiency, cost management, new solutions and healthcare

#### Climate change

Increasing demand for renewables, recycling and system protection

## Bottom-up analysis

### *Negative screening*

At CORDET, we apply exclusion criteria that excludes potential borrowers that have contributed to systematic denial of basic human rights, demonstrate a pattern of non-compliance with environmental regulations, show a pattern of engaging in child labour or forced labour, or produce weapons that through their normal use may violate fundamental humanitarian principles, may kill or maim people or devastate places. We also follow UN PRI guidance and exclude companies producing tobacco products or alcoholic beverages, and companies whose business is commercial gambling or pornography. The exclusion criteria and avoidance of ESG negative sectors is applied consistently and has ultimately led to us declining a number of investments.

On a case-by-case basis, we often go one step further and decline investments with a secondary exposure to these sectors. Examples of such potential investments include hospitality businesses with the majority of revenue coming from the sale of alcohol and affiliate marketing businesses with the majority of revenue coming from promoting online gambling activities.

### *ESG scoring methodology*

We also exclude from our portfolio any businesses that receive a negative overall score following assessment pursuant to the CORDET ESG scoring methodology. The ESG scoring methodology has been developed in-house by us and provides a proprietary assessment tool by which we can include ESG analysis at every stage of our three-stage investment decision process, from tear sheet to MCR and ultimately ICC decision.

The ESG scoring methodology tool allows for a structured assessment of ESG risks and opportunities to be performed without using an overly complicated rating system. This allows for a qualitative and semi-quantitative analysis of ESG risks and opportunities which is detailed, efficient and protects from unwanted greenwashing. ESG factors assessed include:



This ESG scoring methodology translates into a thorough and detailed review of ESG considerations on every transaction, beginning with a high-level assessment of any issues at the outset, and ending with a full written report and statement on each issue as part of every ICC memo. The ESG scoring methodology and resulting report therefore form a key part of the overall decision made by the ICC in its assessment of each CORDET credit commitment. In sponsor-backed transactions, we often also benefit from ESG due diligence reports prepared by third-party ESG consultants.



















## ESG portfolio review

Thorough ESG integration in all of our investment decisions and processes has contributed to a diverse and resilient portfolio that exhibits strong ESG characteristics, as presented in the following table. Even if CORDET does not employ a direct impact strategy to invest in companies that align with the UN SDGs, CORDET has, thanks to our high focus on ESG through our investment decision process, a strong alignment with the UN SDGs across its portfolio and for each of its investments in the portfolio.

The Sustainable Development Goals ('SDGs'), also known as the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. For both companies and investors, the pursuit of SDGs offers an avenue of growth and value creation while also addressing social problems. In addition, assessing alignment (or misalignment, possibly) with the SDGs can work as a framework to identify potential operational or investment risks.



Investment	Description and key ESG considerations	SDG alignment
	<p>Providing contract and permanent IT staff to SMEs. Addresses the difficulty of finding suitable personnel to operate CRM, ERP and Big Data systems</p> <p>Low resource use, low emissions, supporting job growth and resource allocation for IT professionals, award winning – “to work for” and management</p>	 
	<p>One of the world's leading and most technologically advanced suppliers of automotive mirror glass products</p> <p>Innovative, high-performance glass manufactured in modern facilities, leading scrapping rate, high-standard mineral sourcing policies, strong governance</p>	 
	<p>Online insurance broking platform specialising in the distribution of insurance products in several non-standard niche areas towards consumers and SMEs</p> <p>Low resource use, low emissions, innovative, data driven technology finds best insurance for consumers, investing in workforce, strong governance</p>	
	<p>Leading UK private car park operator offering a fully automated Automatic Number Plate Recognition (“ANPR”) service with focus on SME clients</p> <p>Low resource use, low emissions, innovative, helping clients manage unauthorised car park use, approved BPA operator, highly entrepreneurial</p>	 
	<p>Global provider of online payments and security solutions focusing on delivering an end-to-end solutions platform to e-commerce clients</p> <p>Low resource use, low emissions, innovative, technology prevents payment fraud or prohibited geo-locations, protects identities, cheaper solution for clients</p>	
	<p>Multi-channel gifting, recognition and rewards business focused on the sale of +2,000 branded and white-label curated experiences, e.g. cookery classes</p> <p>Low resource use, low emissions, innovative, technology helps drive consumer shift from goods to experiences, high employee satisfaction, award winning</p>	 

## 2020 ESG Portfolio Highlight



### Virgin Experience Days wins the European Contact Centre & Customer Service Awards ('ECCSA') category Responding in a Crisis – Supporting Customers (Retail)

The ECCCSA's are the longest running and largest awards programme in the European customer contact industry. The awards recognise organisations across Europe that are leading the way in delivering exceptional customer service. There were over 400 applications across the whole of Europe, and Virgin Experience Days were competing in against retail giants such as Tesco, Halfords, Very, M&S, The Co-op and Gusto.

During the year of the COVID-19 crisis, which has been the most challenging time that Virgin Experience Days have encountered, they not only continued to transform their customer service operation and end-to-end customer experience, but they also used their purpose and values to steer their way through 2020 – taking care of their customers, team and partners. This was a huge cross functional effort and demonstrated Virgin Experience Days' strong corporate culture and focus on customers to ensure an extraordinary customer experience.

## ESG portfolio review (continued)

Investment	Description and key ESG considerations	SDG alignment
Nordax Group	Leading niche bank, offering personal loans, mortgages, equity release products and savings accounts to customers as well as non-standard mortgage solution Low resource use, low emissions, provide financing to financially sound but “non-standard” consumers who are disregarded by the high-street banks, strong governance	 
aelive	Leading provider of television graphics and data solutions, with a reputation for reliable and innovative service delivery, e.g. virtual studios, OTT apps and AR Low resource use, innovative, high employee satisfaction, entrepreneurial, strong governance, offering top-of-the-line broadcasting services for live events, recent innovations in remote production which reduces the need for travel and transport	 
SCHMID	Leading manufacturer of printed circuit board (PCB) and photovoltaic (PV) production facilities with a strong reputation for high quality and innovative products Empowering solar panels, innovative production for lower resource use, Germany compliant H&S standards, free healthcare for employees, support schools in China	  
Millbrook Healthcare	Leading provider of outsourced community equipment, wheelchair and home improvement agency services as well as maintenance services in the UK Low resource use, low emissions, high quality and safety standards, good employment terms, services improve quality of life for the disabled and elderly	 

## 2020 ESG Portfolio Highlight



### **Millbrook Healthcare provides vital services and equipment on behalf of NHS and Social Services**
























Throughout 2020, Millbrook continued to serve the NHS and the Department for Social Care during the global pandemic. Millbrook worked at pace to adapt their business so they could continue ensure those most vulnerable received essential equipment and services. This involved ensuring that Millbrook's employees had continued access to Personal Protective Equipment ("PPE"), information, and support to stay safe and minimise the number of Covid-19 infections. Millbrook also shifted parts of its manufacturing to support care homes with the supply of PPE.

Millbrook is a great example of a business that takes ESG seriously and builds the opportunities it presents into a strengthened culture that lays the foundation for value generating growth. Thanks to its heightened environmental awareness, the business has worked to become ISO 14001:2015 Environmental Management System certified, has a Zero Waste to Landfill commitment and runs its facilities to 100% from Renewable sources. Over the past three years, Millbrook has decreased its carbon footprint by 23%, and one example of Millbrook's commitment to Zero Waste to Landfill is that any scrapped or unwanted equipment is donated to charities, such as groups like "Wheels for Africa".

Employees are at the core of Millbrook's business and care is taken through e.g. continuous controls for Health & Safety risks as evidenced through their OHSAS 18001 certification. Millbrook also has its own charitable foundation, The Millbrook Foundation, through which Millbrook makes donations alongside engaging employees in charitable work. For example, the foundation encourages every member of staff to dedicate one day of paid service to supporting a charity, which has delivered upwards of 1,000 days of volunteer service.

Lastly, Millbrook is a promoter of the value of inclusivity, accessibility and equality, in particular when it comes to hiring and operations. As a Disability Confident Employer, a Stonewall Diversity Champion and a signatory to the Armed Forces Covenant, Millbrook recognises the importance of inclusivity and the value of having employees contributing with different perspectives.

## ESG portfolio review (continued)

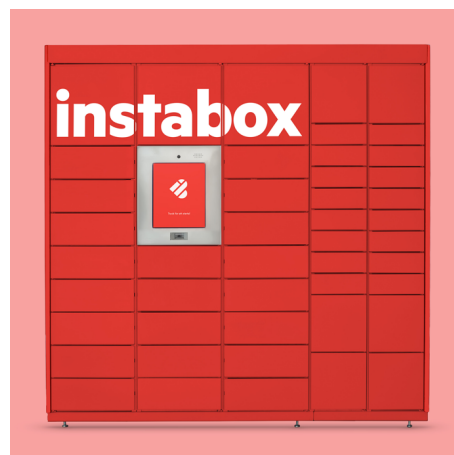
Investment	Description and key ESG considerations	SDG alignment
	<p>Well-established provider of print solutions, independent specialist communications and managed IT services to UK SMEs</p> <p>Low resource use, low emissions, high quality service, leading customer service satisfaction – supporting SMEs in digital transformation</p>	
	<p>Leading specialists in Workspace Consultancy &amp; Transformation, Collaboration Solutions, Visual Communications and Augmented Print &amp; Workflow solutions – Underpinned by a fully managed end-to-end support and service offering</p> <p>Low resource use, low emissions, leading customer satisfaction, supporting enterprise clients with workspace technology solutions – awarded the HP Partner Sustainable Impact Awards and Silver Medal by EcoVadis for Environmental Sustainability (top 25% of global companies assessed)</p>	 
	<p>Digital freight company that offers its e-commerce clients a revolutionising parcel delivery service through its own in-house logistics, freight and consumer pick-up locker solution</p> <p>Low resource use, low emissions (fossil free), highly innovative, driving the industry towards fossil free e-commerce delivery solutions</p>	  
	<p>Leading one-stop-shop provider of software solutions and related services for customers facing complex product development and manufacturing challenges</p> <p>Low resource use, low emissions, highly entrepreneurial, exceptional company culture, supporting clients with e.g. Industrial IoT and AR</p>	 
	<p>Leading managed services business specialised in data privacy, offering customers data analytics services as well as an end-to-end encrypted cloud infrastructure and IT managed services</p> <p>Low resource use, highly entrepreneurial, supporting clients with digital transformation, multi-award winning for innovation, vision, service and results</p>	 
	<p>Leading provider of fully horizontal logistics software, providing mission-critical solutions for shipment tracking and customs regulation compliance</p> <p>Low resource use, low emissions, strong product ownership culture, offering bespoke solutions to support clients in optimising freight routes and minimise emissions</p>	 
	<p>Market leader within circular solutions for the agricultural industry and Swedish farmers, managing biosolid waste for wastewater treatment plants</p> <p>Low resource use (driver of circular economy solution), highly entrepreneurial, providing renewable resources to farmers which e.g. reduces the need for imports of mineral fertilizer (commonly shipped from Morocco)</p>	   



## 2020 ESG Investment Highlight

### Growth capex financing to support Instabox

Founded in 2015 and headquartered in Stockholm, Instabox ([www.instabox.io](http://www.instabox.io)) is a digital freight company that offers a revolutionised road freight shipping service for its online retail merchants, delivering parcels across Sweden (and since Q2-20 also Norway and Denmark) through its own in-house logistics, freight and consumer pick-up locker solution, and the newly launched completely emission-free bike delivery service Instabikes.



Instabox's modern technology platform provides the team with real-time, end-to-end tracking of all deliveries, allowing for optimisation at each step of the way. Efficiently consolidating deliveries through a hyper-local fulfilment network brings not only speed, convenience, and cost benefits, but also creates sustainable delivery alternatives for consumers and merchants alike.

In addition, Instabox is committed to providing the most environmentally friendly online retail delivery solution, with a goal to be nearly completely fossil-free. This is evidenced by Instabox as of Feb-20 shifting their entire fleet of delivery vans to only use fossil free HVO fuel instead of diesel – expected to reduce Instabox's CO2 emissions by up to 90%.

Today, Instabox is the largest and fastest growing last-mile logistics start-up in Sweden, growing by over 300% annually and delivering more than one million parcels each month, with over two million users across the country. Norway and Denmark are also seeing rapid growth and plans for new markets are in development.

After having closely followed Instabox since Dec-19, CORDET began supporting Instabox in its growth journey in Apr-20 when it committed a growth capex financing solution to fund the roll-out of smart lockers in Sweden. In addition to being supported by the structural growth in e-commerce and the expected boost it would get from the COVID-19 crisis, CORDET appreciated the value of Instabox's business model with high repeat revenue, a truly digital foundation and a high cashflow generation potential – underpinning the investment thesis and enabling Instabox to steadily take market share.

Since CORDET's investment in Apr-20, Instabox has enjoyed exceptional success which in Feb-21 led to a landmark investment from EQT Ventures in a \$90m capital raise to support the continued optimization of frictionless last-mile logistics services across European territories, with a sustainability focus.

Please read more about Instabox's climate strategy on: <https://instabox.io/se-en/fossil-free>

## 2020 ESG Investment Highlight

Acquisition financing to support MVI's acquisition of 



Biototal ([www.biototal.se](http://www.biototal.se)) is a market leader within circular solutions for the agricultural industry and Swedish farmers. Since being founded in 2006, the company has been built around putting farmers' needs first and developing products and services for sustainable food production. Biototal's services include:

- i). management of biosolid waste to supply agriculture with fertiliser from organic recycled material
- ii). creation of vegetation layers in the final stages of covering of waste storage facilities
- iii). environmental support services to enable active upstream work and identify pollution risks and problems.

Biototal also operate a strong R&D department with close relationships to leading universities with a focus on developing future solutions and products across several different target areas.

Biototal, with its base outside of Linköping, has shown strong growth in recent years, and through partnering with MVI ([www.mvi.se](http://www.mvi.se)) it will be set to accelerate its growth journey. CORDET is providing additional committed and uncommitted senior secured debt facilities to support MVI and Biototal on this journey.

Already in Mar-21, CORDET supported Biototal with follow-on capital to support its acquisition of Mewab Group AB, a leading company active within circular solutions for biosolids, biofertilizers and lime mud. Within its Agriculture business area, Mewab is a leading provider of lime mud that is used to help farmers optimise the soil's PH level for optimal crop production conditions.

The investment fits well with CORDET's Direct Lending strategy, with Biototal benefitting from contracted revenue and non-cyclical supply-demand dynamics which has proven insulated from the COVID-19 crisis. Biototal also benefits from structural ESG trends from increasing demand for sustainable agriculture and circular waste solutions, supporting customers with circular waste management and providing renewable resources to farmers. The fact that nutrients and soil substances are returned to modern plant cultivation benefits both the economy and the environment as well as long-term sustainability.

Please read more about Biototal's services on: [www.biototal.se](http://www.biototal.se)

## 2 Integration at the portfolio-level

At CORDET, we are committed to driving the ESG agenda forward in the finance community and understanding the progress being made in the futureproofing of our portfolio companies. In our role providing tailored support and flexible financing solutions to borrowers, we are well positioned to monitor and nurture our portfolio companies through ongoing interactions, dialogue and relationship building.

### Compliance with principles

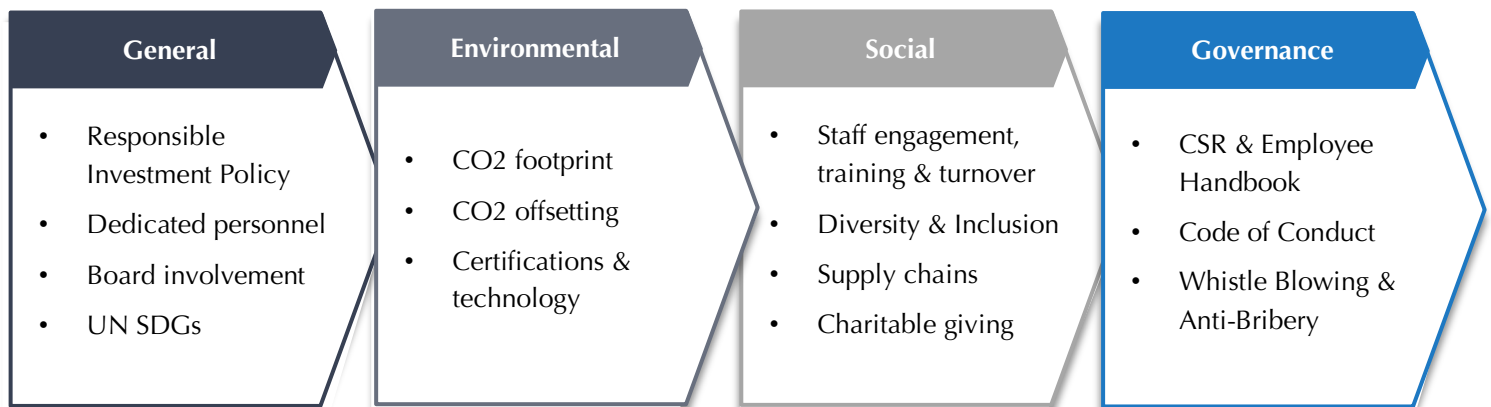
We support management teams in their compliance with CORDET's Responsible Investment principles by making available information, tools and training on best practices.

### ESG Questionnaire

At the centre of ESG integration at the portfolio-level is CORDET's ESG Questionnaire, which is completed by all borrowers on an annual basis. CORDET encourages all borrower to respond in full, and all answers to the questionnaire are assessed by the ESG Working Group, led by our Chief Credit Officer. Following a comprehensive review, all responses are then fed into CORDET's overall ESG risks and developments assessment of the portfolio.

Depending on the level of our stakeholder role with portfolio companies, we will engage more or less to drive development of ESG matters, with a focus on materiality. Importantly, at this stage we are predominantly interested in tracking the development of each portfolio company and the portfolio as a whole for each KPI rather than the details of each answers.

### KPIs



### Future developments

We are continuously reviewing and updating our ESG integration process with a view to listening to the latest industry developments and keeping the process as relevant as possible. While there is currently formal feedback outstanding on the answers to the ESG Questionnaire, we look forward to sharing

future developments in the integration process which we anticipate will include enhanced feedback and tracking of KPIs as part of our ongoing discussions with borrowers.

### 3 Integration at the manager-level

At CORDET we promote ESG and sustainability within our own business as well as throughout our portfolio and investment processes. We have taken a number of steps at the manager level to embed strong ESG practices and improve our focus on sustainability and employee wellbeing, and we are delighted to share updates and examples of our in-house work on ESG development.

#### Assessing our environmental impact

In addition to steps taken at the portfolio level, we have taken significant steps to improve our own carbon footprint and environmental credentials. 2020 saw the instigation of our first and annually recurring carbon footprint assessment, which takes into account our business travel, office building emissions, water and energy consumption, waste volumes, paper usage and IT & Office equipment. We take consideration of environmental issues in our business very seriously and we are committed to reducing our environmental impact. We are refining our approach to measuring our carbon emissions, including work to develop a detailed methodology and a commitment to becoming carbon neutral, and we look forward to reporting in greater detail on our carbon assessment and offset programme going forward. In 2020, we took the first step in deciding to offset our carbon footprint stemming from all future air travel.

We moved to our new London headquarters in St James's Market in 2018 – a step which was taken with a long-term perspective on bringing CORDET into a modern, sustainable, energy efficient, centrally located and beautiful space for employees and guests to thrive in for many years to come. Our London office is dedicated to maintaining strong sustainability standards and practices on an ongoing basis.

In addition to our London headquarters, CORDET occupies space and environmentally

efficient locations in Stockholm and Luxembourg. The local presence in Stockholm significantly reduces emissions from air-travel and surmounts CORDET's strong local connectivity to the Nordic region.

#### Promoting employee development

Since inception, we have encouraged development and training for our employees, seeking to offer an exciting work environment where employees can learn and thrive.

Our flat structure, meritocracy and entrepreneurial spirit provide employees considerable room to grow and have led to several recognitions this year. For example, we were thrilled to see Rebecca Fels awarded "Investment Leader of the Year – Sweden" at the Finance Monthly Women in Finance Awards 2020 and George Velikov recognised as one of Private Debt Investor's "Rising Stars" for 2020. CORDET's management style is progressive and nurturing, with twice-weekly round table meetings where everyone is invited to contribute, and this has been essential for team development, participation and wellbeing during 2020.

At CORDET we are focused on making sure all employees are up to date and conversant in ESG and sustainability issues. It is essential for all employees to be aware of the relevant issues and to support firm wide ESG development. In light of this, we have instigated an ESG training programme which encourages additional learning and technical understanding of the relevant issues, where all employees are urged to participate and contribute ideas.

As an economic incentive to employees, CORDET offers a market-leading level of ear-marked financial support to promote physical and mental well-being, including for example financial incentives for gym membership and promotion of mindfulness activities.



## Celebrating our contribution to society

We are proud of the contribution our employees make on society and the broader communities in which we operate. It is important to give back to the community, and we are proud to support non-profit organisations and charitable initiatives on an ongoing basis. This includes participation in a number of sponsored charitable hiking challenges, which has been in CORDET's DNA since the very beginning (with our Co-Managing Partner conceiving of the idea of setting up CORDET while climbing to the top of Mount Everest and raising money for UNICEF back in 2012). At CORDET we make a concerted effort to promote charitable giving, particularly at Christmas time, and we are a regular supporter of ZOV (meaning 'appeal' in Bulgarian), which is a small children's charity that works with children living in institutions in Bulgaria.

Additional examples include CORDET's regular 4-week activity challenge where the firm is split into teams to compete in fitness activities such

as running and cycling. The losing teams will subsequently donate money to a charity chosen by the winning team. The top-performers regularly record activity of >100km in running-equivalent distance.

We are also a regular participant in sponsor-led charity events which has included additional donations to a number of charities and active participation by CORDET team members.

## Ambitions and future engagement

In creating and designing our Responsible Investment Policy and report, the ESG Working Group has considered numerous international standards to develop CORDET's structured approach to ESG issues and assist with the integration of responsible lending and ownership procedures into our investment and credit process. In addition to becoming a signatory of the UN PRI, CORDET has committed to regularly assessing and implementing ESG global best practices including the adoption of relevant ESG industry frameworks.



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## PROGRESS AND AMBITIONS

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*CORDET is proud of the progress made towards fulfilling its commitment to Responsible Investment and delighted to share further details of its ambitions and new initiatives for 2021 and beyond*

### Progress in 2020

- Implementation and tracking of ESG Questionnaires completed by borrowers on an annual basis
- Expansion of the CORDET ESG Working Group
- Enhanced ESG reporting and materials
- Steps taken towards completion of CORDET's first carbon footprint assessment
- Increased focus on contribution and alignment with UN SDGs and Paris Agreement
- Participation in ESG seminars and events to develop ESG capability and know-how
- Updates to the CORDET Responsible Investment Policy

### Ambitions for 2021 and beyond

- Enhance CORDET's first CO2 footprint assessment and formalise clear climate ambitions and targets
- Focus on furthering Diversity & Inclusion as a theme for CORDET and its portfolio companies
- Continue to develop oversight by the ESG Working Group and expand internal ESG expertise, training and capability
- Explore further stewardship and engagement activities with portfolio companies and policy makers
- Improve client reporting on ESG including more regular updates to investors on ESG matters
- Explore new Responsible Investment certifications and credentials including alignment with additional industry bodies





*"Through a challenging year we have now proven CORDET's resilience, partnership driven approach and our all-weather investing capabilities. We have also seen the positive result of having an ESG-friendly portfolio – which reinforces our commitment to continue to invest responsibly in long-term sustainable businesses."*

- Magnus Lindquist  
Co-Managing Partner



*"2020 was a phenomenal year for CORDET, not only from an investment activity perspective but also when it comes to our further establishment as an institution. I see tremendous opportunities ahead for us to continue to drive the ESG agenda forward with our investee companies, entrepreneurs and financial sponsor partners."*

- Jakob Lindquist  
Co-Managing Partner



For further information or questions about this Responsible Investment Report, potential feedback or ESG related topics, please contact [responsibility@CORDET.com](mailto:responsibility@CORDET.com)