Stewardship Policy

Metrics Credit Partners

11 DECEMBER 2024

Policy Administration and Controls Schedule

Policy Name	Stewardship Policy
Version Number	Version 1.0
Approval Date	December 2024
Next Review Date	December 2025
Title of Policy Owner	Metrics Executive Management Committee
Policy Approval Authority	Metrics Board of Directors

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Introduction

About Metrics

Metrics is an Australian-based alternative asset management firm and is an active participant in Australian fixed income, private credit, equity and capital markets.

Metrics is a Founding Signatory of Aotearoa New Zealand's first Stewardship Code (the Code). The Code gives investors a clear framework for using their influence to steer the companies they own on critical environmental, social, and corporate governance issues, codifying investor expectations in seeking to achieve long-term value creation – not only for the economy, but also for our environment and society.

Metrics is also a signatory of the UN-supported Principles for Responsible Investment (PRI). The PRI is a global network of asset managers, owners and service providers working collaboratively to implement responsible investment into practice. The PRI works with its international network of signatories to put its six Principles for Responsible Investment into practice.

What is Stewardship?

According to the PRI[1], stewardship is the use of influence by investors to protect and enhance overall long-term value, including the value of common economic, social and environmental assets, on which returns and client and beneficiary interests depend.

Effective stewardship, with an explicit focus on delivering sustainability outcomes and impacts, can be one of the most powerful ways for investors to shape sustainability outcomes and thereby mitigate system-level risks[2]. It is important to note that, while often highly valuable to Environmental, Social and Governance (ESG) integration, not all interactions between investors and their investees are classified by the PRI as stewardship. Interactions that are not seeking changes in ESG practice or an improvement in public disclosure of ESG matters are not stewardship for the purposes of this policy.

Stewardship capable of delivering real-world outcomes at the scale needed to achieve the collective goals of PRI signatories is an aspirational standard for improved stewardship, underpinned by an increase in investors' ambition and assertiveness, also referred to by the PRI as Active Ownership 2.0.

Active Ownership 2.0 was developed by the PRI. It builds on existing practice and expertise and prioritises the pursuit and achievement of outcomes over process and activity, and common goals and effort over narrow interests.

The three central elements to an Active Ownership 2.0 approach as set out by the PRI include:

- **Outcomes, not inputs or processes:** the pursuit and achievement of positive real-world goals is prioritised over resources, activity metrics and intermediate goals.
- **Common Goals:** a deliberate focus on and prioritisation of outcomes at the economy- or society-wide scale, rather than the risks and returns of individual holdings.
- **Collaborative Action:** enhanced collaboration among investors and service providers.

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[1] The PRI's Reporting Framework Glossary may be found on the PRI website at: https://www.unpri.org/signatories/reporting-and-assessment/investor-reporting-framework

[2] System-level risks as defined by the PRI: a catch-all term for systematic risk and systemic risk, both of which have implications for investment performance.

- Systematic risk: risk, transmitted through financial markets and economies, that affects aggregate outcomes, such as broad market returns. The term is interchangeable with "market risk" or "marketwide risk". Because systematic risk occurs at a scale greater than a single company, sector or geography, it cannot be hedged or mitigated through diversification. One example of a sustainability related systematic risk is the risk of reduced global economic growth due to sustained physical impacts of climate disruption; another is the opportunity cost associated with failing to meet the UN Sustainable Development Goals.
- Systemic risk: the risk that an event at a particular point in time or a chronic economic condition destabilises the financial system or leads to its collapse. An example of a systemic risk materialising would be a number of "too-big-to fail" financial institutions defaulting on obligations to their creditors or investors. An example of a sustainability-related systemic risk would be a sudden repricing of assets across the fossil fuel sector, resulting in cascading defaults that destabilise financial markets – this is sometimes referred to as a potential "climate Minsky moment".

Stewardship and Our Sustainability Objectives

Through our engagement and stewardship activities, we seek to produce practical real-world outcomes, in line with our views and aspirations around material ESG issues. Those real-world outcomes could be positive effects on the environment or society or a reduction in negative effects on the environment or society, for example in relation to climate change or workplace health and safety standards.

Metrics has a responsibility to act in the best long-term interests of investors in our funds. Our approach to responsible investment and ESG issues is growing in importance as regulation, climate change and societal expectations evolve. We believe that ESG issues present both risk and opportunity and can affect the performance of our funds and the long-term, risk-adjusted returns we ultimately deliver to our investors.

We are also committed to playing our part in the achievement of the UN Sustainable Development Goals and contributing to a better future. We acknowledge that, as a fund manager, the main channel through which we can influence the real world is through the entities in which we invest. We are therefore committed to incorporating ESG considerations into our investment decision-making process.

Metrics' Responsible Investment, Environmental, Social and Governance Policy (ESG Policy) outlines our approach to incorporating responsible investment, environmental, social and governance factors into our investment management activities as well as the management of our business. It outlines our approach to incorporating responsible investment, environmental, social and governance factors into our investment management activities as well as the management of our business.

Where relevant to our stewardship activities, we will consider and respect the cultural practices of Indigenous peoples, including Aboriginal, Torres Strait Islander and Māori peoples, and the importance placed by them on the interconnected relationship between nature and people.

Scope

This policy applies to the Managing Partners, Board members, our employees, contractors or anyone representing Metrics Credit Partners.

Negative Screening

Metrics believes that certain activities and industry sectors represent outsized risk to us and our investors. We structure our portfolios to avoid such activities and industry sectors. Details of the screening that applies generally across all Metrics managed funds are set out in our ESG Policy.

Our Approach to Stewardship

Metrics engages in stewardship activities (including at the policy, industry and company level) with the aim of promoting long-term value creation of the entities in which we invest. We will take appropriate steps, in line with our ESG Policy, in our path to achieve our sustainability objectives through our investment activities and advocacy.

A key feature of investing with a view to producing or achieving sustainability outcomes is intentionality. Accordingly, instead of treating sustainability outcomes as an unintentional by-product of our activities, we will set objectives to intentionally shape sustainability outcomes.

Below we present our approach against the PRI framework for shaping sustainability outcomes.

<table>
<tr><th colspan="2">PRI FRAMEWORK</th><th>METRICS' APPROACH</th></tr>
<tr><td>Identify Required Outcomes</td><td>Identify system-level risks and required outcomes
Identify sustainability-related system-level risks, taking into account broader objectives, mandates and strategy, and assess their potential effects on financial returns. Choose global/national sustainability goals and thresholds, and identify beneficiary preferences.</td><td>Environmental Factors
We recognise that a sustainable environment is critical to prosperity on a local, national, and international level.

In particular, we recognise the global climate emergency and the impact of human activity on climate change and support the Paris Agreement goals of:

▸ limiting global temperature rise to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change; and
▸ making finance flows consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development.

We recognise that effective management of sustainability issues is not limited to climate factors, however Metrics has been focused on understanding the impact of our operations and financing activities by measuring our emissions footprint.

We support the Kunming-Montreal Global Biodiversity Framework's four long-term goals to preserve and restore nature, protect biodiversity and prevent extinction of species and in particular its centrepiece "30x30" target to effectively conserve at least 30% of the world's lands, inland waters, coastal areas and oceans, and to restore 30% of already degraded terrestrial and marine environments.

As an Early Adopter of the Taskforce on Nature-related Financial Disclosures (TNFD) and a member of the TNFD Forum, we support the global, market-led initiative to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, with the ultimate aim to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

As a Signatory to the Business Benchmark on Farm Animal Welfare (BBFAW) Global Investor Statement on Farm Animal Welfare, Metrics has formally recognised farm animal welfare as being material to long-term investment value creation in the food sector, as well as committed to taking account of farm animal welfare in our analysis and engagement of food companies. Metrics is also a proud Member of the Farm Animal Investment Risk & Return (FAIRR) Initiative's investor network, which aims to build awareness of the most material risks and opportunities in the food sector.</td></tr>
</table>

PRI FRAMEWORK		METRICS' APPROACH
Identify Required Outcomes	**Identify system-level risks and required outcomes** Identify sustainability-related system-level risks, taking into account broader objectives, mandates and strategy, and assess their potential effects on financial returns. Choose global/national sustainability goals and thresholds, and identify beneficiary preferences.	**Social Factors** We believe that considering diversity and inclusion in the investment decision-making process will lead to better investment outcomes. We believe that diversity boosts the quality of decision making in our investees and encourages their people to be more creative and diligent. Diversity foster s enhanced innovation, expands perspectives and insights, and provides a competitive advantage which can lead to greater business success. Metrics is signatory to the Women's Empowerment Principles (WEPs). As a WEPs signatory, Metrics supports the United Nations initiative to end gender inequality in the workplace, marketplace and community. We also acknowledge business enterprises' responsibility to respect human rights standards. We believe that businesses ought to avoid infringing on the human rights of people and are responsible for addressing these impacts where they occur. Metrics will strive to protect the values of respect, dignity and equality for every person, irrespective of race, sex, religion, political opinion, disability, sexual orientation, gender identity, social status, age or other personal characteristics. Particular focus has been placed on our approach to modern slavery and human rights on an operational and investment activity level. We see ongoing monitoring as an important tool that can allow Metrics to better understand and act upon modern slavery risks. As we continue to build our processes and capacity in this regard, more focus will be placed on engaging with our investees to better understand and influence their approach to managing risks to people. We have identified reconciliation as a critical component of the equitable society we wish to create. Our efforts in working together with Aboriginal and Torres Strait Islander people aim to reduce inequality, generate decent work and economic growth, and promote the wellbeing of Aboriginal and Torres Strait Islander people. Our Reconciliation Action Plan records our plans for further contributing to Australia's national reconciliation movement and building respect for the knowledge, cultures and traditional practices of Aboriginal and Torres Strait Islander peoples within our sphere of influence.

PRI FRAMEWORK		METRICS' APPROACH
Identify Required Outcomes	**Identify system-level risks and required outcomes** Identify sustainability-related system-level risks, taking into account broader objectives, mandates and strategy, and assess their potential effects on financial returns. Choose global/ national sustainability goals and thresholds, and identify beneficiary preferences.	**Broader Sustainability** Metrics has conducted an extensive materiality assessment (involving both internal and external stakeholders) in order to understand the relevant ESG risks and opportunities for our business. In addition, in order to facilitate the integration of ESG topics into our investment decision making process, Metrics has developed a suite of voluntary industry-specific ESG & Sustainability Questionnaires for our investee companies, with a focus on material ESG topics for each industry. As such, a broad spectrum of ESG topics are integrated into our management of sustainability-related issues.
Set Strategy	**Set specific sustainability impact goals** Set clear goals and targets for reducing the negative and increasing the positive impacts of investments, in order to mitigate sustainability-related system-level risks, achieve chosen global/ national sustainability goals and/ or reflect beneficiary preferences.	To date, Metrics' target setting has focused on climate-related key performance indicators, recognising the urgency of the issue, as well as the availability of reliable, science-based frameworks to help us establish relevant targets. Metrics is an investor signatory to the Net Zero Asset Managers (NZAM) initiative and in November 2022 we made our initial target disclosures as required by that initiative. Metrics' initial targets for financed emissions were set by applying the temperature rating methodology under the Science Based Targets initiative (SBTi) framework for financial institutions. We are continuing to work toward verification of our near-term targets by SBTi, and expect to do so simultaneously with verification of net zero targets under SBTi's Financial Institutions Net Zero Standard. So far, we have committed to: ▸ Manage 97.5% of our AUM as at 31 December 2021 in line with a near-term science-based net zero target. ▸ Align our Scope 1 and 2 Portfolio Temperature Rating within the asset classes Corporate loan, Private equity and Project finance from 3.2 degrees Celsius in 2021 to 2.3 degrees Celsius by 2027. ▸ Align our Scope 1, 2 and 3 Portfolio Temperature Rating within the asset classes Corporate loan, Private equity and Project finance from 3.2 degrees Celsius in 2021 to 2.5 degrees Celsius by 2027. ▸ Reduce our absolute Scope 1 and 2 (market-based) GHG emissions 50% by 2030 from a 2021 base year and increase annual sourcing of renewable electricity from 0% in 2021 to 100% by 2030.

PRI FRAMEWORK		METRICS' APPROACH
Take Action	**Use levers to shape sustainability outcomes** Use a combination of investment decisions, stewardship and policy engagement to pursue the sustainability impact goals set.	In order to help achieve our broader objectives around sustainability, as well as our specific climate-related targets set out above, where appropriate, Metrics will: ▸ **Negative screening:** apply negative screening to all investment opportunities. ▸ **Policy-level engagement:** engage with governments, policymakers, standard setters and other relevant stakeholders to influence the development and implementation of laws, regulations, standards and policies that affect companies and markets. ▸ **Industry-level engagement:** collaborate with industry bodies to promote responsible and sustainable business practices within the investment industry. ▸ **Company-level engagement:** engage directly with our investee entities to better understand their management of ESG factors and their performance. In particular, a focus area for Metrics is the adoption by our investees of credible, climate-related targets.
Assess Impact	**Monitor and assess impact** Monitor changes in sustainability impacts and the achievement of the specific sustainability impact goals. Assess achievements by reference to these specific goals, global/national sustainability goals and sustainability-related risks.	Metrics will monitor its year-on-year progress against adopted targets and will aim to steer its engagement efforts towards the achievement of these targets. This is addressed further in the following sections of this Policy.

Policy and Industry Level Engagement

The goal of policy-level engagement is to create a more enabling environment for responsible and sustainable investment practices and Metrics may engage with governments, policymakers and standard setters and other relevant stakeholders where appropriate to help drive our sustainability objectives.

Metrics understands that as our ESG framework matures, we will need to collaborate with investors and stakeholders to address systemic ESG risks and achieve system-wide outcomes. To this end, we may seek to collaborate with our peers in the investment industry, independent experts on sustainability, academics and non-government organisations and others supporting responsible investment, to promote responsible and sustainable business practices within the investment industry and across different sectors of the real economy, particularly on initiatives supporting the transition to a more sustainable world.

We seek to be an active participant among a peer group of industry leaders, including by participating in a number of initiatives and associations with a climate or nature focus.

We seek to lead by example, including by our participation in a number of initiatives focusing on collaboration and/or engagement. For more information please refer to our website.

Company-Level Engagements

ESG Questionnaires

- Voluntary detailed ESG & Sustainability Questionnaires developed by Metrics and distributed to our investee entities to help us understand their approach and performance on various material ESG factors based on each investee entity's industry
- Portfolio coverage target: 100%

Direct Engagement

- For investee entities that do not respond to the survey request within a reasonable period, the relevant Investment Directors are responsible for reaching out and understanding the reason behind the lack of response.
- Once an investee entity has completed their ESG & Sustainability Questionnaires, our Investment teams review and analyse their responses, including by benchmarking to the performance of global industry peers.
- Once our initial analysis is complete, Metrics' Investment and Sustainable Finance teams will engage directly with the investee entity to discuss their responses, understand relevant development areas and finalise our analysis.
- As a final step, our analysis is presented to Metrics' Investment Committee for review and approval.

Deep Dives

- Over time, we expect that a large proportion of our investee entities will be required by legislation to measure and report their emissions and we expect that many will adopt science-based or net zero targets.
- In addition, some of our investee entities might be more exposed to social risks such as modern slavery as well as other sustainability risks and opportunities.
- Metrics adopts a risk-based approach, focusing on having "deep dive" conversations with relevant investee entities (for example high emitters etc) in order to support them in their sustainability journey and express our expectations.

Next Steps

- Metrics will re-evaluate its approach to engagement with investee entities after one year.

Our ESG & Sustainability Questionnaires

We have developed tailored ESG & Sustainability Questionnaires corresponding to each industry in which our investee entities operate to gather data on the ESG and sustainability performance of those investee companies. The ESG & Sustainability Questionnaires include detailed questions on key performance indicators including emissions and targets. The questionnaires are a voluntary initiative, and whilst our response rate is currently low, we encourage our investees to respond as they provide a valuable insight into their ESG operations and the industries in which they operate.

Direct Engagement

Investment Directors in the Portfolio Risk Management team are responsible for the accurate assessment and reporting to the Investment Committee of credit and non-credit investment risks, including ESG risks, of all proposed investments. Investment Directors in the Portfolio Risk Management team are responsible for the ongoing monitoring of credit and non-credit investment risks, including ESG risks, in Metrics' investment portfolios and for the escalation and reporting to the Investment Committee of any elevated risks.

ESG reviews allow us to monitor our investee entities' ESG performance and assists with identification of any emerging ESG risks. During an ESG review, any assigned entity ESG & Sustainability Ratings will be formally reviewed applying the same risk assessment methodology as during the initial investment process. An entity's ESG & Sustainability Rating may also be updated if Metrics becomes aware of new or elevated ESG-related risks. Where there is no existing ESG & Sustainability Rating for an investee at the time of its ESG review, we will seek to encourage that investee to complete our questionnaire to facilitate our assignment of a meaningful ESG & Sustainability Rating.

For those investee entities that do complete our ESG & Sustainability Questionnaire, our Investment Directors in Origination and members of the Portfolio Risk Management and Sustainable Finance teams will reach out and engage directly with that entity. This allows us to pursue any questions Metrics might have based on the entity's responses and to better understand their approach to ESG and sustainability as well as the various specific challenges they may be facing.

As a final step, this analysis is presented to the Investment Committee for its review and approval.

Deep Dives

In order for Metrics to achieve the targets outlined in this Policy relating to our financed emissions, our investee entities will have to adopt and demonstrate progress toward emissions reduction targets.

Initially, in order to address this need in an efficient and effective manner, Metrics has adopted a risk-based approach under which we prioritise engagement with our highest emitting borrowers.

Next Steps

Metrics' focus expands beyond environmental factors and through our own risk assessment and due diligence assessments we have noted other areas for engagement, such as nature and modern slavery and human rights, about which we will need to have deeper conversations with investee entities. We expect our approach to engagement to continue to evolve over time, with the view to expanding our deep dive engagement activities to a larger number of borrowers in future years. We will also seek to expand the discussion of these deep dive engagements to integrate a wider range of material ESG topics where required.

Reporting on Stewardship

As stipulated by the Code, of which Metrics is a Founding Signatory, stewardship includes monitoring and engaging with companies and holding them to account on material issues and then publicly reporting on the outcomes of these activities. All signatories must regularly measure and publicly report (at least annually) on their actions to support stewardship and demonstrate how these have contributed to the goals of effective stewardship.

Following the recommendations of the Code, Metrics will report annually on its engagement activities, starting in 2024.

Metrics will take into consideration and follow, where appropriate, the Code's recommended engagement disclosures.

Resourcing, Incentives and Remuneration

Metrics' dedicated Sustainable Finance team is responsible for supporting the Investment Committee in developing our stewardship strategy and initiatives to embed this policy. The Sustainable Finance team manages industry-level engagement and coordinates our stewardship activities through the memberships and collaborations listed on our website.

Our company-level engagement process is managed day-to-day by our Investment teams and is coordinated by our Portfolio Risk team. Our Sustainable Finance team will support and collaborate with these teams to ensure an appropriate framework is developed.

We intend to publish an Information Statement under Article 5 of the EU Sustainable Finance Disclosures Regulation with more information on how Metrics' remuneration policy is consistent with the integration of sustainability risks in 2025.

Oversight, Monitoring and Review

The Board of Metrics is responsible for overseeing this Policy, ensuring that our approach to stewardship is well aligned to our strategy. All policies are reviewed by the Board on a semi-annual basis.

Our Internal Audit and Compliance team regularly reviews Metrics' ESG framework, including compliance with this Policy.

Metrics will review this Policy twelve months after implementation and every 3 years thereafter.

Other Relevant Policies

Please refer to our Responsible Investment – Environmental, Social and Governance Policy (ESG Policy) for more information on our approach to incorporating responsible investment and ESG factors into our investment management activities as well as the management of our business.

DOCUMENT VERSION CONTROL TABLE

Version	Description of Changes	Date Approved by Board	Effective Date	Released by
V1.0	Initial policy	December 2024	December 2024	December 2024.

For more information

Please email **invest@metrics.com.au**

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11 DECEMBER 2024
ISSUED BY METRICS CREDIT PARTNERS PTY LTD