

Polus' Transparency Statement on the UK Modern Slavery Act 2015

July 2023

This Statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes the Slavery and Human Trafficking Statement and Interim Statement ("Statement") for the financial year ending 31 December 2022 for Polus Capital Management Group Limited and its subsidiaries (including Polus Capital Management Limited) ("Polus").

This Statement outlines Polus' policy, approach and status in relation to the Modern Slavery Act 2015.

Polus strives to be a socially responsible company. We believe responsible stewardship of our investors' capital is central to achieving our mission. We aim to generate long-term, sustainable value for our investors and investing responsibly helps us make the best investment decisions and reduce risk. As a firm, we demonstrate our commitment to upholding the highest standards by being a signatory of several industry initiatives, including the Principles for Responsible Investment (PRI), the Standards Board for Alternative Investments (SBAI) and the UN Global Compact Principles.

At Polus, our core values are:

- **High Integrity:** We value individuals who are guided by an ethical compass and seek to manage every aspect of our business according to the highest moral standard.
- **Investor-Focused Mindset:** We value the trust and privilege granted to us by our investors and seek to deliver the best possible outcomes across all market environments alongside clear communication and transparency.
- **Technical Prowess:** We value insights gained from proximity to detail and consider ourselves second to none with respect to technical expertise and structuring capabilities.
- **Intellectual Curiosity:** We value deep thinkers willing to challenge the established norm and adapt their perspective to navigate changing market landscapes and remain relevant for investors over time.
- **Strong, committed and collaborative work ethic.**

1. Policy on slavery and human trafficking

Polus is committed to respecting human rights in all its operations and external business interactions. Polus' policy is not to tolerate slavery and human trafficking practices within its business and supply chains. Polus will take appropriate and reasonable measures to minimise this risk.

This Statement, including the policy, approach and status outlined in it, will be reviewed annually and updated where necessary to reflect changes in circumstances and actual practice.

2. Business and organisational structure

Polus is an investment management firm specialising in alternative credit strategies. Polus started life in 2004 as Cairn Capital operating through Cairn Capital Group Limited and its regulated subsidiary Cairn Capital Limited (together "Cairn Capital"). In August 2021 Cairn Capital acquired the business of Bybrook Capital LLP, and subsequently the combined business rebranded in November 2022, leading to Cairn Capital changing its name to Polus Capital Management. On 3rd November 2022, Cairn Capital Limited changed its name to Polus Capital Management Limited and Cairn Capital Group Limited changed its name to Polus Capital Management Group Limited.

The firm's principal office is located in London.

Polus Capital Management Group Limited is majority-owned by Mediobanca S.p.A. ("Mediobanca"), a leading Italian investment bank.

As at 31 December 2022, Polus had \$9.1bln in assets under management.

3. Our risk assessment, due diligence approach and management

Polus seeks to implement an appropriate risk-based approach to minimise the risk of slave labour. This includes consideration of supply chains and investment portfolios. Whilst it is acknowledged that risk factors are present in all global supply chains and across all sectors, we believe Polus' overall risk exposure to slavery, human trafficking and forced labour is low in relative terms given the nature of the business undertaken (asset management services) and the skillset required (mainly skilled labour). This is compared to other sectors or characteristics of supply chains considered 'high-risk'. Where there is a potential risk, we believe this is more likely to be indirect via our supply chains, rather than directly. However, Polus will endeavour to include appropriate risk assessments/actions designed to minimise the risk of slave labour within its employment, supply chain and investment management practises. The below details the scope of potential risk areas that Polus seeks to manage:

(a) Directly – employees and contractors

This could potentially be the risk of employing a trafficked or exploited person within the business or through a subcontractor or recruitment agency.

Polus had 61 permanent employees and 8 full-time contractors as at 31 December 2022, most of whom are based in the UK.

Policies and processes

Polus staff are already protected by relevant laws and regulations, which are fully reflected in the firm's policies and procedures. Contractors and consultants utilised by Polus carry out highly skilled activities and are therefore deemed low risk.

(i) Minimum pay

All statutory requirements of minimum pay are met across our office(s).

(ii) Polus' Code of Conduct and Code of Ethics

Polus is committed, in the way that it interacts with others, to treating everyone fairly and with dignity and respect. Every employee has a responsibility to act in a way that upholds our core values through their day-to-day activities. Our Code of Conduct and Code of Ethics set forth certain minimum expectations that Polus has for all employees.

(iii) FCA Conduct Rules

In 2019, the FCA introduced the new Senior Managers and Certification Regime ("SMCR"). This introduced new Conduct Rules for all employees. The rules include a requirement to act with integrity; to act with due skill, care and diligence; and to observe proper standards of market conduct. Senior Managers are also subject to an additional set of Conduct Rules. All employees at Polus receive training on these Conduct Rules.

As the Conduct Rules apply to Polus staff directly, they are intended to help shape the culture, standards and policies of the Company as a whole and to promote positive behaviours that reduce harm and improve standards of individual behaviour in financial services from the top down and bottom up.

(iv) Anti-bribery and Corruption Policy

Polus has an Anti-bribery and Corruption Policy in place.

Polus is committed to the highest standards of ethical conduct and integrity in its business activities in the UK and overseas. Every employee and individual acting on Polus' behalf is responsible for conducting company business honestly and professionally. Polus considers that bribery and corruption has a detrimental impact on business by undermining good governance and distorting free markets. Transparent, fair conduct helps to foster deeper relationships of trust between Polus and its business partners and clients.

(v) Whistleblowing Policy

We encourage open communication and regard integrity as a central part of our beliefs. We encourage employees to bring any concerns to the attention of their immediate supervisor, manager or the Chief Legal Officer. Employees can raise concerns around any suspicions of, or any circumstance that may give rise to an enhanced risk of, modern slavery or human trafficking.

To that effect, we have a Whistleblowing Policy in accordance with the Public Interest Disclosure Act 1998 (“PIDA”) – also referred to as ‘The Whistleblowers’ Act’ in the UK – which stipulates that employees are legally protected from unfair dismissal or victimisation by their employers as a result of raising concerns.

(vi) UN Global Compact Principles

Through our majority shareholder, Mediobanca S.p.A., Polus is a signatory of the UN Global Compact principles.

We support and respect the protection of internationally proclaimed human rights. We are committed to preventing and ending all forms of human rights, child labour and modern slavery abuses and are committed to fostering a work environment that is diverse, inclusive and free from discrimination and harassment (physical or verbal).

(vii) Polus’ D&I Policy

As outlined in our D&I policy, Polus commits to:

- Creating an environment in which individual differences and the contributions of all team members are recognised and valued;
- Creating a working environment that promotes dignity, fairness and respect for every employee, whether temporary, part-time or full-time;
- Not providing less favourable facilities or treatment on the grounds of age, disability, sex, gender reassignment, marriage, civil partnership, pregnancy, maternity, race (which includes colour, nationality, ethnic or national origins), sexual orientation, religion or belief. We are opposed to all forms of unlawful and unfair discrimination. An Equal Opportunities Policy is in place;
- Not tolerating any form of intimidation, bullying or harassment and disciplining those that breach the Anti-Bullying, Harassment and Sexual Harassment Policy;
- Encouraging anyone who feels they have been subject to discrimination to raise their concerns so we can apply corrective measures;
- Regularly reviewing all our employment practices and procedures so that fairness is maintained at all times; and
- Selecting candidates for employment, promotion, training or any other benefit on the basis of their aptitude and ability. A Recruitment Policy is in place.

(b) Indirectly - Supply chain

This could be through the supply chain (through illegal subcontracting or through use of products and materials which have been produced by people under conditions of forced labour) used by Polus.

Polus has third party suppliers, service providers and vendors which fall into the below categories:

- Service providers - We outsource certain functions to **service providers** and, in some cases, this involves employees of our service providers working onsite in our offices, for example our IT provider, Corporatec. We also use several professional services firms including lawyers, accountants and other contractors.
- Vendors – For example, software providers for off-the-shelf software which are hosted in our data centres including hardware vendors that a business uses to facilitate its business processes.

- Suppliers/counterparties – We have contracts with **suppliers or counterparties** to receive, for example, trading, brokerage and research services both for Polus and on behalf of our clients.
- Cloud/Hosted IT services – This encompasses a range of IT services provided in various formats over the internet and this includes, for example, private, public or hybrid cloud, as well as Infrastructure as a Service (IaaS) and Software as a Service (SaaS).
- Data Providers - These are organisations that provide data which are fed to Polus' systems or provide terminals with access to market data.
- Platforms - This includes electronic trading/clearing/settlement platforms, portals of prime brokers/custodians and other technology Platforms as a Service (PaaS).
- Others – This includes consulting, legal, real estate/building management, maintenance companies, training (education) and communications services. We purchase a variety of products, including IT hardware, office products and corporate branded merchandise (including clothing).

Policies and processes

At Polus, we are committed to running our business responsibly. This requires high standards to be maintained within our supply chain. We expect all our suppliers to meet the minimum standards set out in this Statement and fully comply with all applicable laws and regulations in relevant jurisdictions when conducting business with, and on behalf of, Polus. Our procurement processes apply across the firm.

We will work closely with our suppliers, service providers and vendors to promote ethical practices and raise awareness of the issue of modern slavery in our industry.

We promote best practice for sustainable procurement and ask suppliers for evidence of their ESG practices when sourcing, covering the following core areas: environmental, social, diversity and inclusion, economic and governance.

Like many of our peers, our supply chain is large and complex, with multiple layers and across many industries. We have considered how our business operations may be affected by modern slavery issues. Where necessary, increased levels of due diligence are performed to ensure suppliers not only deliver a quality service, but also manage risks. Due diligence is performed on all suppliers through policies and ongoing screening of financial stability, conflicts of interest and compliance monitoring. We endeavour to use suppliers that have values aligned to our own. As part of the basic due diligence checks, all suppliers are screened at onboarding and on an ongoing basis to identify any adverse information or sanctions that may suggest our suppliers are not acting in accordance with this Statement or are designated under global human rights sanctions regimes.

(c) Indirectly - Investment activities

This could be via Polus' investment activities.

Our investment portfolios may include exposure to issuers in sectors and markets (given that Polus manages debt strategies covering all industries and regions globally), where this can be a high-risk issue.

Policies and processes

(a) Polus' ESG Policy

Since 2019, Polus has had an ESG policy in place, which seeks to integrate material ESG topics into our investment process. One area that receives particular focus in our ESG analysis is a borrower's track record in upholding human rights for its workers and supply chain, specifically, policies and processes to prevent forced labour and child labour. We want to see borrowers protect labour rights and promote safe and secure working environments for all workers. For this reason, we seek policy information from borrowers on human rights policies, employee legislation and modern slavery and occupational health and safety, including their track record, e.g., historical accident rates. We also request information on borrowers' policies and processes to monitor labour standards across their supply chain.

If there are borrower controversies surrounding the use of child labour or forced labour, this will act as a **red flag** for our investment team. Identifying a red flag will typically result in declining the investment or, for an existing position, will trigger an immediate full divestment.

Our ESG policy and framework are overseen by our head of ESG, who works closely with investment team professionals to share insights and build ongoing awareness, knowledge and understanding of material ESG risks associated with investments.

(b) UN Global Compact principles

We ensure that all our investments comply with the UN Global Compact principles. Our borrowers should support and respect the protection of internationally proclaimed human rights and ensure that they are not complicit in human rights abuses.

Engagement with policymakers

In 2022, together with 38 other investors, Polus signed a letter calling on the UK government to bring forward a 'Business, Human Rights and Environment Act' to mandate all companies to conduct human rights and environmental due diligence. We worked on this letter with the PRI and the Investor Alliance for Human Rights. We expressed our support for such a law to include appropriate provisions to hold companies liable if they fail to prevent human rights or environmental harm.

We view rigorous due diligence legislation as good for businesses, investors, the economy and the people it serves.

Governments must protect against human rights abuses, including those of businesses, through effective regulatory measures, particularly where voluntary corporate efforts continue to leave significant gaps in human rights protections throughout value chains.

[4. Training](#)

Employees and contractors

We regard training as fundamental to raising awareness of these issues. A copy of this Statement is available to all new employees.

As a financial services firm, we provide anti-money laundering, terrorist financing and anti-bribery training to all new employees and annually for all employees across the firm.

We have introduced information on the Modern Slavery Act and an overview of this Statement into the Compliance training for all our new starters.

Investment team

Our head of ESG provides support to our investment teams to help them identify red flags when assessing investment opportunities.

We also run regular sectoral knowledge-sharing sessions between our ESG team, with support from MSCI ESG Research LLC, and the investment teams, so that the investment teams get a better understanding of the sectors in which human rights practices constitute a material ESG issue.

[5. Our conclusions](#)

Employment risk

To the best of its knowledge, Polus is not in breach of employment legislation for any of the jurisdictions in which it operates.

Supply chain risk

Polus does not believe that any of its suppliers engage in slave labour practices.

Investment risk

Given the absolute number of debt issuers Polus manages exposure to, whilst Polus has developed an ESG investment risk management framework, Polus cannot rule out that at any point in time, one or more of the investment portfolios which it manages may have had exposure to companies engaged in slave labour practices. Where identified we will seek to remedy per our approach as outlined in the ESG policy summary above.

Polus will review and update this Statement on an annual basis to ensure that we are taking all necessary steps to combat modern slavery in our operations and supply chains.

This Statement was approved by the Board of Directors of Polus Capital Management Limited on 18 July 2023 and is publicly available on Polus' corporate website.

Signed by CEO

Nicholas Chalmers

18 July 2023