European Credit (European Distressed Credit, European High Yield and European Financials) Sustainability related disclosures

References to the “**Group**” refers to AlbaCore Capital LLP, AlbaCore Capital Limited and AlbaCore Capital (UK) Limited.

Policies on the integration of sustainability risks

During the due diligence phase of analysing investments and during the ownership period, each entity within the Group will incorporate ESG considerations and seek to integrate sustainability risks. A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. Where possible, the emphasis will be on identifying key sustainability risks raised by an investee company’s business model and industry and ensuring that those sustainability risks are properly monitored and mitigated by the investee company. Alongside the broader risk assessment for each investment, the investment committee will factor in the consideration of sustainability risks to either:

- continue with the investment at the initial size preference, if it deems that sustainability risks are sufficiently mitigated;
- reduce the prospective size of the investment, if it deems that sustainability risks reduce the overall risk-reward balance to some extent;
- reject the investment at the pricing offered in the market, if it deems that sustainability risks are not sufficiently covered by the prospective return; or
- reject the investment outright, based on overall sustainability risks that are not sufficiently mitigated, or if the investment does not comply with its negative screening approach.

Further details of the process for identifying and integrating sustainability risk in investment decision-making can be found in the Group’s ESG policy, a copy of which can be found here.

Consistency of remuneration policy with integration of sustainability risks

The Group incorporates the management and identification of ESG considerations consistent with this Policy into the performance evaluation process and ultimately to remuneration.

Central to the Group’s Remuneration Policy is the promotion of sound and effective risk management which covers both financial risks and sustainability risks. Individuals involved in implementing and/or overseeing the Group’s ESG Policy will be assessed in this respect as part of the determination of variable remuneration awards by reference to their overall performance. The Group does not have any quantitative sustainability-focused performance targets at either a portfolio or asset level and therefore this is a qualitative assessment in respect of adherence to the Group’s internal procedures for integration of sustainability risks in investment decision-making process as outlined above.

Another key aspect of the Group’s remuneration policy is to avoid creating an environment which rewards or encourages excessive risk-taking. This principle extends beyond financial risk to incorporate sustainability risks so will be factored into decisions for variable remuneration awards for those individuals involved in implementing or overseeing the Group’s approach to integration of sustainability risks.

NO CONSIDERATION OF SUSTAINABILITY ADVERSE IMPACTS

Although AlbaCore incorporates ESG considerations into its investment process, we do not consider principal adverse impacts of investment decisions on sustainability factors in accordance with the technical requirements of the Sustainable Finance Disclosure Regulation ("SFDR").

Instead, due to the nature, scale, and complexity of the Group and its investments, AlbaCore currently incorporates its own ESG considerations with regard to sustainability factors. We believe this approach is aligned with our objective of delivering risk adjusted returns to investors, and noting that underlying investments are not widely obligated to report by reference to the same data required for Article 4 of the SFDR.

AlbaCore keeps this decision under review as market practice and supporting data availability develops in this area.

JUNE 2024