ESG Policy

August 2023

Introduction

AlbaCore Capital LLP ("AlbaCore", the "Investment Manager") is authorised and regulated by the Financial Conduct Authority ("FCA"), with firm reference number 775385. AlbaCore provides discretionary investment management services and is authorised in the UK as an Investment Firm under the Markets in Financial Instruments Directive ("MiFID"). AlbaCore is also registered with the Securities and Exchange Commission (the "SEC") as an Exempt Registered Adviser, with the CRD # 290704.

AlbaCore Capital Limited (the "Company") has been authorised by the Central Bank of Ireland ("CBI") as an Alternative Investment Fund Manager ("AIFM") with Company registration number C168785. The Company wholly owns AlbaCore Capital (UK) Limited, which is the Corporate Member of AlbaCore (together, the "Group"). The Company has been appointed to act as AIFM for a number of Alternative Investment Funds ("AIFs") and has delegated the investment management to the Investment Manager.

AlbaCore may enter into contractual arrangements to act as an investment manager to other entities, such as co-investment vehicles, parallel funds, segregated mandates, collateral loan obligation vehicles (together with the AIFs, the "Funds").

This policy (the "Policy") sets out the policy and related procedures of the Group with respect to environmental, social and corporate governance ("ESG") considerations. We believe that companies that operate at an environmentally and socially sustainable level are more likely to deliver long-term earnings and grow their value. An analysis of the quality of management structures, the suitability of internal controls, the identification and management of environmental and social risks and opportunities is highly relevant to prudent risk management. As part of our focus on both capital preservation and total return, this policy outlines the integration of our approach to ESG considerations into our investment process.

All AlbaCore directors, officers, partners, consultants and employees ("AlbaCore Persons") are expected to have read and to understand this Policy. The overall responsibility for the ESG arrangements for the Group rests with the ESG Committee. This policy will be reviewed on an annual basis or sooner should there be a material change in the systems and procedures or regulatory and legal requirements.

ESG Policy

AlbaCore's ESG Policy is based on values that are consistent with the United Nations-supported Principles for Responsible Investment ("PRI"). AlbaCore's ESG Policy describes our responsible investment approach to identifying and managing ESG factors within the investment and portfolio management process.

1. Overview of ESG Approach

AlbaCore places a strong focus on health, safety, environmental, social responsibility, and corporate governance issues, and has adopted an ESG Policy based on values that are consistent with the UN PRI. The senior investment team started investing with an ESG focus in 2010 when they worked together at Canada Pension Plan Investments (CPPIB) and implemented ESG considerations in investment committee ('IC') approvals from AlbaCore's inception. In addition to already having a responsible investment process, we regularly review and update our ESG processes and methodology.

We believe that companies that operate with appropriate Environmental, Social and Governance standards are more likely to deliver long-term earnings and fundamentally increase value.

2. ESG Governance

ESG considerations drive internal AlbaCore policies and culture. The Investment Manager has established the environmental, social and corporate governance committee (the "ESG Committee") consisting of members from across business functions for the purpose of overseeing the integration of ESG considerations into AlbaCore's investment and firm-level processes. The overall responsibility for the ESG arrangements of the firm rests with the ESG Committee. AlbaCore's Head of ESG leads AlbaCore's ESG strategy and integration. The Head of ESG also oversees the monitoring and mitigation of ESG risks and is supported by an ESG analyst alongside the ESG Committee.

AlbaCore has five thematic sub-committees that meet periodically, with the entire ESG Committee comes together once a quarter to discuss progress in each of the sub-committees.

ESG sub-group	Details
Investment Risk	This sub-committee focuses on identifying material ESG risks and mitigating ESG risks, in addition to improving ESG risk integration.
Reporting	This sub-committee discusses relevant regulatory and investor ESG-related reporting. Areas of work include TCFD, SFDR and UNPRI reporting.
Management Company Initiatives	This sub-committee spearheads our charity initiatives through 'AlbaCares' (our charity initiative) along with firm-level initiatives.
Carbon Conscious Investing	This sub-committee explores AlbaCore's Climate Strategy to develop carbon-conscious product offerings for investors.
Industry Bodies and Trends	This sub-committee explores new ESG ideas, trends and industry practices for AlbaCore to consider and leverage as a part of its ESG strategy.

3. Identification of ESG Risks

During the due diligence phase of analysing investments and during the period when an investment is held in the portfolio, AlbaCore will incorporate and track any potential or perceived ESG risks. Where possible, the emphasis will be on identifying key ESG risks raised by the investee company's business model and industry and ensuring that those sustainability risks are properly monitored and mitigated by the investee company.

AlbaCore has identified a number of sustainability factors that the Investment Committee considers as part of its investment decision-making to identify sustainability risks. As part of its investment due diligence, the investment team will include in each Investment Committee memo (an "IC Memo") an ESG checklist. The ESG checklist, which is maintained and reviewed by the ESG Committee, contains a number of sustainability factors against which an investment will be assessed in order to determine the potential sustainability risks of the investee company.

Examples of ESG considerations may include the following:

- Environment considerations
  - Climate change
  - Natural resources
  - Pollution and waste
  - Environmental opportunities
- Social considerations
  - Human capital and human rights
  - Product liability
  - Stakeholder opposition to controversial practices of any kind
  - Social opportunities
- Governance considerations
  - An empowered and effective board
  - Effective systems for internal control and risk management covering ESG and other areas of risk
  - Suitable transparency and accountability
  - Business ethics, anti-competitive practices, corruption.

4. Integrating ESG Risks in Investment Decision-Making

These and other ESG considerations will be considered and discussed as appropriate by the Investment Committee and where relevant used to help determine their likely impact on the stability of future earnings streams and the resulting ability of issuers to meet interest and principal obligations. Qualitative analyses like these may be difficult to value precisely, but will be considered as part of our core portfolio construction process and play a role in decision-making on intended position size and assessing the appropriate risk premium appropriate for each investment.

In determining how to proceed with an investment, the Investment Committee will review the ESG checklist in each IC Memo for an initial assessment of the key ESG risks. Where relevant, the analyst responsible for researching the investment opportunity may also seek supplemental guidance from the ESG Committee if outliers have been identified. The investment team will often, when available, incorporate insights from third-party research providers (e.g., MSCI ESG and 9fin) both assessing direct company analysis as well as industry-wide or peer company analysis to help identify relevant ESG risk areas that need further investigation. Where appropriate and available, the relevant investment team member will review the company's ESG policy and factor in mitigating circumstances, policies or actions of the company against key ESG risk areas. Alongside the broader risk assessment for each investment, the Investment Committee will factor in the consideration of sustainability risk to either:

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

5. ESG Analysis and Monitoring

We assign an ESG rating to the credits we invest in. Our proprietary 'Risk Framework' and process against which we assess investments within our due diligence process helps us identify as well as monitor these risks post-deal. For each investment, the respective investment analyst scores it individually for E, S, and G as well as an overall ESG risk of the investment. We look at the firm individually but also take the industry into account to assess the relevant material ESG-related risks.

We currently have an ESG risk monitoring system for investments that are classified as high ESG risk. These names are monitored on an ongoing basis, and any material issues are noted. If an investment has been flagged for a material ESG concern, the ESG Investment Risk sub-committee will opine as required on the best course of action. We also conduct regular review exercises to test our processes and to review data sources and research as it becomes available. The goal of testing our processes is to derive the best methodology to quantify our investments' material ESG risks.

6. Negative Screening Process

One of the ways we approach ESG during the investment process is by using a risk lens. We exclude certain industries based on revenue thresholds as part of our negative screening process (which varies depending on product type). Please refer to our ESG Negative Screening Process for further details on our negative screening process.

7. Principal Adverse Impacts (PAIs)

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. For further reference, please visit https://albacorecapital.com/european-regulatory-disclosures.

8. Structured Credit

AlbaCore's investments in Structured Credit incentivize us to carefully assess the ESG risks associated with Collateralized Loan Obligations (CLO) managers we invest with. For Structured Credit investments, we have developed an ESG checklist to determine the ESG strength of each CLO manager. As part of this, we ask each CLO manager to complete our ESG due diligence questionnaire and their responses are included in a CLO IC Memo. The CLO manager due diligence questionnaire includes questions regarding a manager's ESG policy, governance structure around ESG and integration of ESG in the investment process amongst other criteria. Each CLO manager is then given an ESG score which is discussed at the CLO Investment Committee.

We have observed that the majority of CLO managers have developed their own ESG investing and monitoring framework, which we see as a positive development for the market. This trend, combined with our continued engagement with CLO managers, will help us and the wider industry drive further ESG integration across investment processes.

AlbaCore also acts as collateral manager to a number of CLOs, which are each bound by additional ESG criteria and restrictions. Please refer to the legal documentation for each CLO for the relevant additional ESG criteria, as applicable.

9. ESG Affiliations

AlbaCore is a signatory to the Carbon Disclosure Project and supporter of the Task Force on Climate-Related Financial Disclosures.

AlbaCore also has representatives on the European Leveraged Finance Association ESG Task Force to engage and promote change with industry peers.

The ESG Committee monitors on an ongoing basis third-party affiliations where we can be a thoughtful and engaged partner.

10. Remuneration Policies

One way that AlbaCore incorporates environmental and social considerations consistent with this Policy is through our remuneration policies.

- AlbaCore incorporates the management and identification of ESG considerations consistent with this Policy into the performance evaluation process and ultimately into remuneration.
- Central to AlbaCore's remuneration policy is the promotion of sound and effective risk management, which covers both financial risks and ESG risks (including 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. AlbaCore does not have any quantitative sustainability-focused performance targets at either a portfolio or an asset level

and therefore this is a qualitative assessment in respect of adherence to AlbaCore’s internal procedures for integration of sustainability risks in the investment decision-making process as outlined above.

- Another key aspect of AlbaCore’s remuneration policy is to avoid creating an environment that 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 AlbaCore’s approach to the integration of sustainability risks.

11. Bribery

AlbaCore maintains strict policies that prohibit bribery and other improper payments to public officials consistent with the UK Bribery Act, Criminal Justice (Corruption Offences) Act 2018 in Ireland, and other and similar laws in other jurisdictions in which it invests.