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ESG Policy & Procedures

Vibrant Capital Partners, Inc.

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I. Introduction

Vibrant Capital Partners, Inc. ("VCP") ESG Policy & Procedures are meant to reaffirm the firm's principles while providing guidance to continuously align its values and practices with industry standards related to ESG. At the same time, we recognize that global ESG investment trends are in many ways nascent and rapidly evolving, particularly within credit asset classes. As such, we fully plan to update this policy from time to time as the markets and our process continue to evolve.

Further, we have always sought to adopt industry best practices for investment management, risk management, operations, and client service. We recognize that the global institutional investor landscape, including firms like ours, have an increasingly urgent responsibility to contribute to improvements in the environment, global social cohesion, and governance. Further, in addition to moral imperatives, we also believe that global Environment, Social, and Governance ("ESG") investment trends will lead to significant economic change and differing outcomes for ESG and non-ESG-conscious organizations.

Notably, VCP's ESG Policy is designed to establish a unified framework that incorporates ESG considerations across each stage of our investment process for the firm's Structured Credit and Syndicated Credit investing activities. Specific ESG considerations applied to each investment's analysis will depend on a variety of factors which may change over time and may include both negative and positive investment screening. The ESG Committee is responsible for overseeing, updating, and ensuring the efficacy of the ESG policy.

Beyond the policy as it relates to its investment practices and aligning with broader industry norms, since its inception in 2006, Vibrant Capital Partners, Inc. ("VCP") has been committed to diversity and inclusion within its firm. Our team members hail from different countries and ethnicities, have varying educational and socio-economic backgrounds, and speak a myriad of languages. To build upon this, in June 2023, VCP also formalized a Vibrant Capital Partners Diversity & Inclusion Policy and implemented a Women Empowerment Mentorship program. We believe that this also promotes a healthy diversity of thought, which in our view creates the potential for a better investment process in service of our clients.

II. Corporate Responsibility

In June 2021, VCP was approved as a UN Principles for Responsible Investment ("PRI") signatory. The PRI is the world's leading proponent of responsible investment. It encourages the use of responsible investment to enhance returns and better manage risks but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but is not part of, the United Nations.

Through its membership with LSTA, and as a UN Principles for Responsible Investment (UN PRI) signatory, VCP acknowledges the critical connection between its responsible investment activities and fiduciary duties. Our ESG Policy & Procedures are designed to integrate ESG considerations throughout the investment process, reflecting our commitment to ethical stewardship and the belief that such integration is essential to managing risks and enhancing returns on behalf of our clients. This alignment ensures that we uphold our obligations while also promoting sustainable, long-term value creation consistent with our duty to act in the best interest of our beneficiaries.

III. Governance and Oversight

To further enhance and formalize governance of ESG Integration, VCP established an ESG Committee (the "Committee"), which comprises five employees across the firm:

- Risk Management: Selma Cilka, Co-CRO (Head of the Committee)
- Co-Founder: Kimito Iwamoto, Managing Partner
- Syndicated Credit: Eduardo Cabral, Co-PM; Dhruv Ohri, VP
- Business Development: Charlotte Fan, Director
- Compliance: Andrew Felsher, VP

The Committee meets on a weekly basis to discuss and plan ESG integration and monitoring as well as review the ESG regulatory landscape and reporting requirements.

IV. Current ESG Landscape in the U.S. Syndicated Loan and CLO Markets

We believe that the adoption of best practices in ESG investing for the U.S. syndicated loan and CLO markets has become increasingly critical. Most CLO managers and investors have adopted formal ESG Policies and Procedures and are committed to implementing an effective framework that aligns with industry standards. There remain certain challenges including the relative lack of available ESG data and differing approaches to seeking compliance. Moreover, unlike in other jurisdictions, ESG standards in the U.S. CLO market are market driven with little involvement from regulators.

We continue to monitor the development of ESG investing best practices in our asset classes and are committed to ethical stewardship. VCP as a firm practices ethical stewardship by seeking better access to ESG data as well as challenging both borrowers and CLO managers on their ESG practices.

V. Syndicated Credit ESG Policy

VCP's policy entails a pre-investment screening process (which includes negative and positive ESG attributes), defined investment guidelines, as well as monitoring and reporting practices.

A. Pre-Investment ESG Process

VCP's Syndicated Credit investment professionals incorporate ESG factors and considerations during the initial screening of any potential investment opportunity. Each of the three components of ESG is generally considered separately.

Below is a representative list of ESG components and their respective factors. The list is not exhaustive and may not include all factors deemed necessary for informing the scope of ESG-related judgements. The Syndicated Credit team considers such factors where applicable and subject to readily available information. (See **Appendix A** for details).

- Environmental:
  - Carbon Transition
  - Energy Management
  - Climate Risks
  - Environmental and Natural impacts
  - Water Management
  - Waste and Pollution

- Social:
  - Human Rights, Community Relations, Access, and Affordability
  - Customer Relations
  - Labor Relations and Practices
  - Health and Safety
  - Demographic & Societal Trends
  - Responsible Production

- Governance:
  - Management Strategy
  - Institutional Structure
  - Policy Credibility and Effectiveness
  - Transparency and Disclosure
  - Governance Structure

The team conducts both negative and positive screening detailed below, based on the above ESG components and factors.

i. Negative Investment Screening

Our negative investment screening generally focuses on issuers that are directly or indirectly involved in the production and distribution of the following.

- Controversial Weapons (Antipersonnel, Cluster, Chemical, Biological, Nuclear, Small-arms, Assault, etc.)
- Tobacco / Controlled Substances; Opioids / Federally Prohibited Drugs
- Thermal Coal/Uranium / War Zone Minerals
- Adult Entertainment
- Gambling
- Alcohol
- Fossil Fuels

- Payday or Subprime Lending / Highly Speculative Financial Operations
- Private Prisons
- Prohibited Chemicals

ii. Positive Investment Screening

Although negative investment screening is currently the more prevalent market approach, particularly among U.S. credit asset managers, VCP may use positive screening or a combination of both positive and negative screening to evaluate potential investment opportunities, where appropriate. Positive investment screening entails VCP evaluating the ESG practices of loan issuers or CLO managers based on any relevant information gathered.

Once an analyst has completed their initial assessment of ESG factors during the initial screening, these findings are discussed during Stage One of the Investment Committee process and subsequently Stage Two if applicable.

B. ESG Investment Due Diligence Guidelines

VCP has established the following ESG Investment Guidelines to create a standardized framework to evaluate and analyze each investment opportunity.

- Review and access available ESG-related information (past and present) on the company and its industry, including but not limited to
  - Legal and regulatory filings
  - Corporate Responsibility Reports of public issuers of term loan debt
  - Sustainability Reports of private issuers of term loan debt
  - Publicly available Human Rights-related benchmarks and data sources
  - Documents in data rooms, company communications, news, consultants, etc.
- Document ESG risks and opportunities
- Assess if negative ESG factors can be rectified or mitigated
- Assess if positive ESG factors can present opportunities to the company
- Discuss finding with VCP Syndicated Credit platform leadership, CIO and Co-CRO during the IC process or through ad hoc venues
- Incorporate ESG findings into investment write-ups
- Analysts assign an internal ESG Rating for each issuer and provide comments in CompanyBook. The ratings range from Very Positive to Very Negative or Unspecified for each ESG component.

C. ESG Monitoring and Reporting Practices

VCP monitors ESG considerations as part of the overall portfolio management process. Analysts are responsible for monitoring and reporting changes in ESG Factors over each investment's holding period:

- Analysts continuously maintains an updated VCP ESG assessment for each credit

- Any changes to analysts' assessments of ESG factors are brought to the attention of the Syndicated Credit Platform Leadership and incorporated into VCP's proprietary CompanyBook system and relevant Syndicated Credit investment memos
- The ESG Committee monitors the portfolio's overall exposure to industries (Metals & Mining, Oil & Gas exploration and Production) and geographies (countries that the US has sanctions with or countries that are involved in geopolitical conflicts) with material ESG risks
    - In the event of negative news regarding a particular industry or geography that VCP has exposure to through its syndicated credit portfolio, VCP's risk and portfolio management teams work together with analysts to quantify that exposure on an issuer-level and determine its potential impact on the issuer's future financial performance. They then collaboratively determine the best path forward, which could include taking no action, reducing exposure, or a full exit of the position

D. Stewardship

- VCP adheres to stewardship and aims to effectuate change in material ESG factors of the public and private issuers of debt that VCP invests in.
    - VCP analysts determine which ESG factors are most material to each issuer after assessing available ESG-related information (past and present) on the company and its industry. VCP analysts then review the company's ESG policy and determine which factors require more disclosure.
    - Analysts also consider the issuer's current financial position and model scenarios that could potentially occur if the material ESG factor is not addressed. This is more common when there is a material governance issue identified that has a quantifiable impact on the issuer's financial performance (dividends, debt-funded acquisitions, the utilization of credit agreement tools).

- Analysts engage with both management teams of potential credit investments and agents of new syndications to obtain additional disclosure, which will be used as part of their credit evaluations.
    - In instances where the management team or agent is not responsive on either providing additional disclosure or amending their ESG policy, analysts will notify the ESG Committee.
    - The ESG Committee will then have a discussion with the analyst and portfolio management team on the best action to take.

- In certain situations, analysts will engage with other creditors that have meaningful positions in the debt of public and private issuers in VCP's portfolio to effectuate changes in material ESG factors of the issuer. This is a common occurrence for issuers with near-term maturities that are undergoing restructurings, during which analysts work closely with other creditors and attorneys to devise solutions that maximize recovery levels and defend VCP's credit position against punitive actions by the debt issuer, financial sponsor, or other creditors.

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VI. Structured Credit ESG Policy

As part of its investment process, VCP's Structured Credit Investment Team follows defined ESG investment guidelines and requires all prospective CLO managers to complete the standard CLO manager ESG due diligence questionnaires, prior to investing in any third-party managed CLO transactions. This process is documented and included in the team's investment memos. In addition, the ESG considerations and integration are part of the agenda of every CLO manager due diligence meeting that the team conducts.

A. ESG Investment Guidelines

VCP's Structured Credit investment professionals incorporate the following when analyzing investment opportunities from an ESG perspective:

- For deals following negative investment screening, review specific issuers/industries excluded under the concentration limitations and collateral quality tests
- Check if there are ESG criteria and, if so, whether they are measured at the time of purchase or on an ongoing basis
- Screen industry/issuer exposures to identify those that might have significant negative ESG impacts or risks (Oil &Gas, Metal & Mining, Tobacco, Weapons, Airlines, Auto, etc.).
- For asset classes other than CLOs and Warehouses, screen for any negative ESG risks and escalate where appropriate.
- Check if the manager has sent the VCP or LSTA ESG Due Diligence Questionnaire.

B. ESG CLO Manager Due Diligence Questionnaire

VCP's Structured Credit Investment Team sends a standard CLO manager ESG due diligence questionnaire to prospective CLO managers for completion. Managers can choose to submit answers to either VCP's internal ESG due diligence questionnaire or the LSTA ESG Diligence Questionnaire. These questionnaires generally cover the following topics:

- Does your organization have an ESG policy in place? If so, please provide it.
- Describe the training on ESG provided at the firm and for investment professionals.
- Does your organization have a Diversity & Inclusion Policy ("DEI" Policy)? If so, please provide.
- Describe ESG affiliations, frameworks, or standards to which your organization adheres (e.g. is your organization a signatory of the UN PRI?)
- Describe the team responsible for ESG implementation and research as well as provide their backgrounds and histories at your firm
- How many of your deals have included ESG language? Please provide historical ESG-specific metrics for these transactions
- Describe your investment process and how ESG is incorporated
- Describe your ESG reporting standards
- What ESG data sources, tools, and research do you use?

- If your organization conducts ESG scoring as part of its process
    - Please describe your ESG scoring system in detail
    - Has your scoring system changed since its initial implementation? If so, how?
    - Has your organization faced problems in the past with respect to misleading ESG scores? Please provide examples
- Please provide any additional comments/considerations you would like us to be aware of in assessing your ESG policy and practices

Our team then analyzes managers' responses and incorporates them as part of the overall CLO manager assessment. In addition to internal ESG risk assessments (High, Medium, Low), any negative ESG aspects of a manager (lack of an ESG Policy or ESG-related affiliations/commitments) should be documented, and, if needed, brought to the ESG Committee's attention. VCP prioritizes transparency and robust dialogue to address any concerns, fostering a comprehensive and thoughtful approach towards aligning investment practices with our ESG objectives and principles.

C. ESG Monitoring and Reporting Practices

The Structured Credit Team is responsible for understanding ESG reporting requirements for each CLO and monitoring them over the investment's holding period. The team periodically updates and documents any changes or developments for each CLO manager with respect to its ESG policy and practices. In addition, on a monthly basis, the Structured Credit and Risk Management teams monitor investments with exposure above VCP's internal limits on sectors and country/region with negative ESG impacts or risks.

VII. Managing Conflicts of Interest

As a fiduciary, Vibrant Capital is obligated to act in the best interests of its clients and to make a complete and unbiased disclosure of all material facts relating to any conflict of interest throughout the investment processes for both Structured Credit and Syndicated Credit.

Our policy is to identify, address and detect any material or potential conflict of interest, between the interests of our firm or our personnel, and the interests of our clients. Any such conflict of interest must be resolved in the interest of the client. Additionally, we disclose any potential conflicts of interest in our Form ADV, Part 2A Brochure (which is updated at least annually) and/or in the applicable offering documents of the vehicle in which our investors invest.

With respect to responsible investing, any potential conflict of interest should immediately be brought to the attention of the ESG Committee, which may choose to escalate as needed. Vibrant Capital seeks to prevent conflicts of interest that are avoidable and effectively manage those that are not. Vibrant also aims to ensure its employees and directors are sensitive to conflicts and apply appropriate measures and controls to manage or prevent known conflicts of interest.

VIII. Appendix – ESG Component Details & Definitions

- Environmental:
  - Carbon Transition: Assess the impact of climate change on the company's financial performance and strategy for transitioning into a low carbon economy
  - Energy Management: Evaluate energy use efficiency and the integration of renewable energy sources
  - Climate Risks: Analyze vulnerabilities to climate change and the robustness of response strategies
  - Environmental and Natural impacts: Assess impacts with a specific focus on biodiversity, ecosystem services, and sustainable resource use
  - Water Management: Assess impacts on water resources and efficiency of water use
  - Waste and Pollution: Evaluate waste management practices and efforts to reduce pollution

- Social:
  - Human Rights, Community Relations, Access, and Affordability: Following the international standards set forth by the UN Universal Declaration of Human Rights and its related covenants such as:
    - The UN Guiding Principles on Business and Human Rights
    - The ILO Declaration on Fundamental Principles and Rights at Work
  - Emphasize prohibitions against any Human Rights violations and uphold a commitment to ensuring basic human values that are vital to social and economic well-being
  - Assess any negative human rights outcomes of potential investments and document as needed. If any known or potential human rights violations are discovered, it must be immediately escalated and brought to the attention of the ESG Committee, which will then determine appropriate remedial actions (this may entail informing the Chief Compliance Officer or outside legal counsels for guidance)
  - Customer Relations: Evaluate policies and practices related to customer welfare and protection
  - Labor Relations and Practices:
    - Explicitly forbid child and forced labor
    - Ensure the right to just and favorable working conditions; Protect workers' rights including privacy, freedom of expression, association, and peaceful assembly
    - A commitment to Diversity, Equity and Inclusion
  - Health and Safety: Recognize the impacts on vulnerable groups and ensure workplace safety and health standards
  - Demographic & Societal Trends: Assess how demographic changes and societal trends impact and are impacted by business practices
  - Responsible Production: Emphasize sustainability and ethical considerations in production processes

- Governance:

- Management Strategy: Evaluate the company's historical corporate strategy to assess the potential for corporate actions that favor shareholders over credits including debt-funded acquisitions and dividends
- Institutional Structure: Evaluate the composition of the company's board of directors to determine the likelihood of decisions that favor shareholders over creditors
- Policy Credibility and Effectiveness: Analyze the company's historical track record of adhering to the values set forth in their governance strategy
- Transparency and Disclosure: Assess the company's approach to ESG reporting and stakeholder engagement, committing to transparency through the adoption of recognized frameworks and regular communication
- Governance Structure: Assess commitment to ESG through governance mechanisms in place, including Board oversight and ethical business practices, to support ESG integration, supplemented by external verification where appropriate

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