Responsible Investment Policy

Arcmont Asset Management Limited

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Contents

Introduction and Background

Responsible investment involves considering environmental, social and governance (ESG) issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship)[1]. This policy document outlines the extent and process of Arcmont's responsible investment activities. The objective is to provide transparency around Arcmont's responsible investment philosophy and approach.

This policy covers all of Arcmont's assets under management and is reviewed on at least an annual basis by the ESG Committee. The first iteration of this policy was implemented in 2013, with the latest enhancements rolled out in June 2024. Note that any updates made to the policy apply to the Arcmont funds that are still in their investment periods at the time changes are made. Funds that are no longer investing will not be subject to the new requirements.

Arcmont's responsible investment focus was established in 2013 when the firm implemented a dedicated ESG investment risk management process and became a member of the United Nations-supported Principles for Responsible Investment (PRI) while part of BlueBay Asset Management.

As a PRI signatory, Arcmont is committed to the six Principles for Responsible Investment. Further, as a UK Stewardship Code 2020 (the "**Code**") signatory, Arcmont has demonstrated that the 12 principles of the Code are embedded in the firm's investment process.

Related Policies

In addition to this Responsible Investment Policy, Arcmont adheres to a Climate Change Addendum and ESG exclusions policies as well as an internal Voting Policy.

[1] UN PRI: Introductory Guides to Responsible Investment

Material ESG Factors

Material ESG factors are those with a substantial impact on the current and future financial, economic, reputational and legal prospects of an issuer, security, investment or asset class[2]. Note that the materiality of ESG factors will vary across companies, sectors, regions, asset classes and through time. Please see below definitions and examples of material environmental, social and governance factors.

	Environmental	Social	Governance
Definition[2]	Issues relating to the quality and functioning of the natural environment and natural systems.	Issues relating to the rights, well-being and interests of people and communities.	Issues relating to the governance of companies and other investee entities.
Examples of material ESG factors	- Climate change (regulatory): Costs to comply with incoming climate-related regulations.	- Human rights: Reduced demand for products in response to supply chain human rights abuses.	- Business ethics: Fines and criminal proceedings from corrupt practices.
	- Climate change (physical): Asset impairments due to impact of extreme weather event.	- Employee engagement: High employee turnover from poor workplace culture.	- Anticompetitive practices: Fines from anticompetitive practices.
	- Toxic waste: Fines from improper disposal of waste.	- Diversity, equity and inclusion: Legal costs from discriminatory practices.	- Tax compliance: Fines relating to tax malpractices.

Responsible Investment Philosophy

ESG factors are financially material. They are a source of investment risk and a driver of investment value. As such, understanding and minimising ESG risks and promoting better ESG performance within Arcmont's investment activities is essential to create long-term value for clients and beneficiaries, in line with the firm's fiduciary duty. Further, practising and promoting responsible investment amongst portfolio companies allows Arcmont to contribute to sustainable benefits for the economy, the environment and wider society. It also aligns with investors' broader environmental and social objectives and positions the firm well for the increasing regulations and policies relating to ESG issues and disclosures.

Note that the generally capped upside of Private Debt investments post-closing means Arcmont's focus is drawn to the potential downside risks that may lead to a default. This generally means that Arcmont prioritises ESG factors that might be drivers of risk as opposed to sources of opportunity.

[2] UN PRI: Reporting Framework Glossary

Responsible Investment Approach

Over the years, Arcmont's responsible investment approach has continued to be enhanced and developed to reflect best practice guidance. Today, Arcmont integrates ESG factors at every stage of the deal lifecycle with two key objectives:

1. To identify ESG risks and opportunities to enhance investment decision making; and
2. To encourage portfolio companies to improve their sustainability performance, with a specific focus on their climate performance.

A summary of the process is shown below. Each step is further explained on the following pages.

1 Negative Screening

Opportunities are screened against an ESG Exclusions Policy and screened for ESG risk incidents using RepRisk.

2 ESG Due Diligence

An ESG materiality assessment is conducted and the opportunity is assigned an ESG Risk Score. As part of this, a Good Governance assessment is undertaken. The analysis is documented and then sent to Arcmont's ESG Consultant to independently review and agree the score.

3 Final Investment Decision

The relevant Investment Committee considers the credit analysis including the results of the ESG due diligence before making their decision to pursue the opportunity.

4 Deal Approval Committee

To obtain Deal Approval Committee approval, the deal team must populate a checklist that contains specific ESG questions relating to Arcmont's responsible investment policies and investor ESG requirements.

5 Engagement (Stewardship)

Arcmont primarily engages with borrower via sustainability-linked margin ratchets. However, in some specific cases, Arcmont may engage with portfolio companies via tailored ESG engagement plans and voting.

6 Monitoring

The deal teams maintain an active dialogue with portfolio companies and sponsors during the holding period. A formal quarterly review takes place where any ESG updates are documented and the ESG Risk Scores are adjusted where necessary. This independently reviewed by Arcmont's ESG Consultant.

7 Reporting

Investors are provided with product level quarterly ESG reports, annual ESG data reports and Sustainable Finance Disclosure Regulation (SFDR) disclosures.

- Pre-investment
- Post-investment

1. Negative Screening

The first step in Arcmont's responsible investment process is to screen prospective companies against an ESG exclusion policy. Note that Arcmont utilises RepRisk to source additional information on ESG risk incidents and controversies. RepRisk screening is a fundamental part of the pre-investment screening process, providing an additional layer of comfort on each investment decision.

2. ESG Due Diligence

Arcmont's Universe of ESG Issues

In conjunction with subject matter experts, Arcmont created a tool titled "Arcmont's Universe of ESG Issues". The tool captures the most relevant and material ESG factors for the companies in Arcmont's investable universe and was built with reference to the Sustainability Accounting Standards Board (SASB) Standards' issues categories[3] as well as other guidance materials. These factors are systematically considered when assessing and monitoring investments.

ENVIRONMENTAL	SOCIAL	GOVERNANCE
• Biodiversity and Land Use • Climate Risk (Physical) • Climate Risk (Regulatory) • Climate Risk (Transitional) • Energy Management • Material Sourcing and Efficiency • Toxic Emissions and Waste Management • Water Stress	• Access and Affordability • Community Relations • Customer Privacy and Data Security • Employee Wellbeing, Health and Safety • Human Capital Development • Labour Practices and Human Rights • Product Design and Lifecycle Management • Product Quality and Safety • Selling Practices and Product Labelling • Supply Chain ESG Standards and Monitoring	• Business Ethics • Enterprise Risk Management • Management of the Legal and Regulatory Environment • Ownership and Control • Tax Transparency and Accounting

ESG Materiality Assessment and ESG Risk Score

Arcmont has developed a bespoke ESG Appendix Generator together with sustainability experts to identify and assess material ESG risks. The Appendix includes all the factors in Arcmont's Universe of ESG Issues tool.

(a) Identifying Potential Material ESG Risks

By selecting an investment's industry classifications (i.e. MSCI's Global Industry Classification Standard (GICS)[4] and SASB's Sustainable Industry Classification System (SICS)[5]), the Generator will highlight potential material ESG risks leveraging MSCI and SASB materiality matrices, SASB's Climate Risk

[3] SASB Standards
[4] MSCI GICS
[5] SASB SICS

Technical Bulletin and Arcmont's bespoke GICS mapping tool as well as other sources. Note that Arcmont believes the following factors can be material for every investment and should be assessed in detail regardless of industry:

- Climate Risk (Regulatory)
- Energy Management
- Product Quality and Safety
- Ownership and Control
- Tax Transparency and Accounting

(b) Assessing Material ESG Risks

Where an ESG risk is deemed to be material by the ESG Appendix Generator, corresponding questions are shown for the deal team to answer. The questions consider a company's business activities, geographic location and other pertinent factors that were determined by Arcmont's ESG Consultant. This helps the deal team determine whether the suggested risk is material for the business in question and ensures a systematic evaluation of ESG factors during due diligence.

(c) ESG Risk Score

Next, prospective investments receive a rating along each pillar of 'E', 'S' and 'G', according to their potential negative financial impact on the investment. These are then aggregated to form an overall ESG Risk Score which quantifies the likelihood of a negative financial impact on the investment due to ESG risks. The score ranges from +6 (Very Low Risk) to -6 (Very High Risk). Arcmont has a policy not to invest in a company with a score of less than -3 (High Risk) i.e. a company that is exposed to material ESG risks, but the risks are not sufficiently managed.

(d) UN Sustainable Development Goal (SDG) Alignment Assessment

To understand the positive sustainability outcomes of investments, Arcmont screens each company's products and services for potential contributions to the UN SDGs using the Asset Owner Platform's Sustainable Development Investments Taxonomy, with support from Arcmont's ESG Consultant. Companies are screened against the list of investable entities and, where there is a match, a revenue assessment is undertaken by the deal team to determine the magnitude of contribution.

(e) Independent Review

Once the deal team has completed and documented the ESG materiality assessment and score, the materials are sent to Arcmont's ESG Consultant for an independent review.

3. Final Investment Decision

Once Arcmont's ESG consultant has reviewed the ESG materiality assessment and score, the information is included in the ESG section of the Final Investment Memorandum (FIM). The relevant Investment Committee will consider this information alongside the credit analysis before making their investment decision.

4. Deal Approval Committee

In addition to being approved by the relevant Investment Committee, every deal must be approved by the Deal Approval Committee (DAC) before it can be executed. To obtain approval, the deal team must complete a Deal Approval Checklist which contains questions on legal, tax, compliance and ESG matters. The ESG questions directly reflect Arcmont's ESG policies and investors' ESG requirements. The DAC reviews the populated checklist as well as the FIM containing the ESG analysis and score. A member of Arcmont's Responsible Investing team is required to sign off on every investment as part of this process.

5. Engagement (Stewardship)

Arcmont leverages the Investment Consultants Sustainability Working Group's (ICSWG) definition of engagement which is "purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement"[6].

Using this definition, Arcmont primary engages with borrowers via sustainability-linked margin ratchets. However, in some specific cases, Arcmont may engage with portfolio companies via tailored ESG engagement plans and voting.

(a) Sustainability-Linked Margin Ratchets

As a Private Debt asset manager, Arcmont has less influence over portfolio companies than managers of other asset classes. To gain influence over portfolio companies' ESG management practices, Arcmont offers certain primary borrowers sustainability-linked margin ratchets[7] i.e. provisions that tie the rate of interest a borrower pays to pre-agreed key performance indicators (KPIs) and sustainability performance targets (SPTs) associated with each KPI.

Each ratchet is bespoke. Therefore, the number of KPIs and SPTs varies for each investment as does the financial incentive which is determined based on the size of Arcmont's holding and the ambition of the plan. To ensure the integrity of Arcmont's offering, the firm follows the Loan Market Association's Sustainability-Linked Loan Principles (SLLPs) to the extent possible.

Arcmont endeavors to include a climate change-related KPI in every ratchet and has a specific focus on encouraging borrowers to set and achieve science-based GHG emissions reduction targets[8]. When selecting other KPIs to be included, Arcmont pursues a materiality-first approach focusing on the issues that are likely to have the most significant financial impact, based on the result of the pre-investment ESG materiality assessment. This approach ensures every KPI is tailored to the characteristics of the portfolio company. Arcmont also prioritises systemic issues that are relevant to each borrower, including human rights, cybersecurity and biodiversity.

(b) Tailored ESG Engagement Plans

In some instances, Arcmont's investments take on an equity element. In instances where Arcmont holds significant equity ownership (>20%), or where Arcmont has become a majority owner of a company following a restructuring and performance has stabilised, a tailored ESG engagement plan will be offered to encourage the company to better manage material ESG risks and mitigate potential negative external impacts[9]. The engagement plans focus on performance gaps and will include at least one climate related KPI. Participating companies are required to report on measures implemented to improve ESG performance and provide performance data annually.

[6] ICSWG Engagement Reporting Guide.

[7] Arcmont has a policy to offer a sustainability-linked margin ratchet to every (i) new primary borrower since April 2021 and (ii) existing primary borrower who is provided additional financing after April 2021. Note that ratchets are voluntary, and borrowers elect to participate.

[8] At the time of implementation in April 2021, Arcmont endeavored to create a bespoke plan for every participating borrower, targeting a specific material environmental and/or social issue a borrower faced, based on the results of the pre-investment ESG due diligence. However, in July 2022, in support of the transition to a net zero economy, the programme was revised to specifically target borrowers' climate change mitigation practices.

[9] Note that tailored ESG engagements plans are voluntary, and borrowers elect to participate.

(c) Voting

In terms of voting rights, Arcmont may be able to vote in limited instances where investments take on an equity element and shareholder voting rights are granted. In such instances, the processes and procedures outlined in Arcmont's internal Voting Policy will be followed.

Escalation

Arcmont is committed to escalating any issue that is not in line with the firm's responsible investment objectives. In such cases, Arcmont will raise concerns directly with management teams and other transaction parties (private equity sponsors and other lenders), leveraging the firm's relationships to ensure appropriate remedial action is taken. If remedial action is not taken, Arcmont may not provide any additional facilities to the borrower and, as a last resort, may consider selling the investment to a third party. Note that Arcmont is committed to exhausting all available avenues to remedy any situation rather than divest immediately.

Collaborative Engagement

Arcmont is committed to working with others to promote responsible investment within its investment activities. This includes other lenders, private equity sponsors in addition to wider stakeholders. Given that Arcmont typically invests in middle-market companies, there is less opportunity to participate in large collaborative engagement platforms, which often target large corporations with significant environmental or social impacts. It is for this reason that Arcmont primarily engages with other lenders and sponsors specifically to implement sustainability-linked margin ratchets.

6. Monitoring

Arcmont maintains an open and active dialogue with management teams to closely monitor the ESG profiles of portfolio companies. A formal quarterly review takes place where the deal teams raise the material ESG risks identified with management teams, asking for relevant updates as well as an update on general ESG performance and objectives. Note that new material ESG risks can be added over Arcmont's holding period. Based on the monitoring updates, the ESG Risk Score of every portfolio company is reviewed and updated where necessary. This is documented and then sent to Arcmont's ESG Consultant to review before being finalised.

For portfolio companies with sustainability-linked margin ratchets or with tailored ESG engagement plans, milestone updates are required to ensure the company is on track to meet the SPTs set.

Note that Arcmont also utilises RepRisk as part of ongoing monitoring efforts. Each portfolio company is placed on Arcmont's watchlist and is screened for ESG risk incidents daily.

7. Reporting

Arcmont is committed to providing investors and stakeholders with comprehensive information on the Firm's responsible investment activities.

(a) Product Level Reporting

Arcmont provides investors with comprehensive ESG information for each product, including:

- Quarterly ESG reports
- Annual ESG data reports
- Sustainable Finance Disclosure Regulation (SFDR) disclosures

(b) Public Disclosures

Details of Arcmont's responsible investments activities are also reported in a number of the firm's public disclosures, including Arcmont's annual:

- Corporate sustainability report
- UN PRI transparency report[10]
- Stewardship report
- Entity-level Task Force on Climate-Related Financial Disclosures (TCFD) report

[10] Following Nuveen's acquisition of Arcmont, Arcmont will report under Nuveen.

Governance

ESG Committee

The ESG Committee (the "**Committee**") is responsible for ensuring the Firm's corporate operations and investment practices are performed in a responsible manner and are supportive of sustainability outcomes. Members of the senior management team sit on the ESG Committee, which is comprised of the Chief Operating Officer (Chair), Co-Chief Investment Officer, Head of Corporate Sustainability and Responsible Investing, Chief Compliance Officer and Head of Portfolio Monitoring. These individuals were purposely selected as they sit on central decision-making committees and span across various teams. This ensures that ESG matters are considered at critical operational and investment decision points, and the importance of investing and operating responsibly is communicated across the firm.

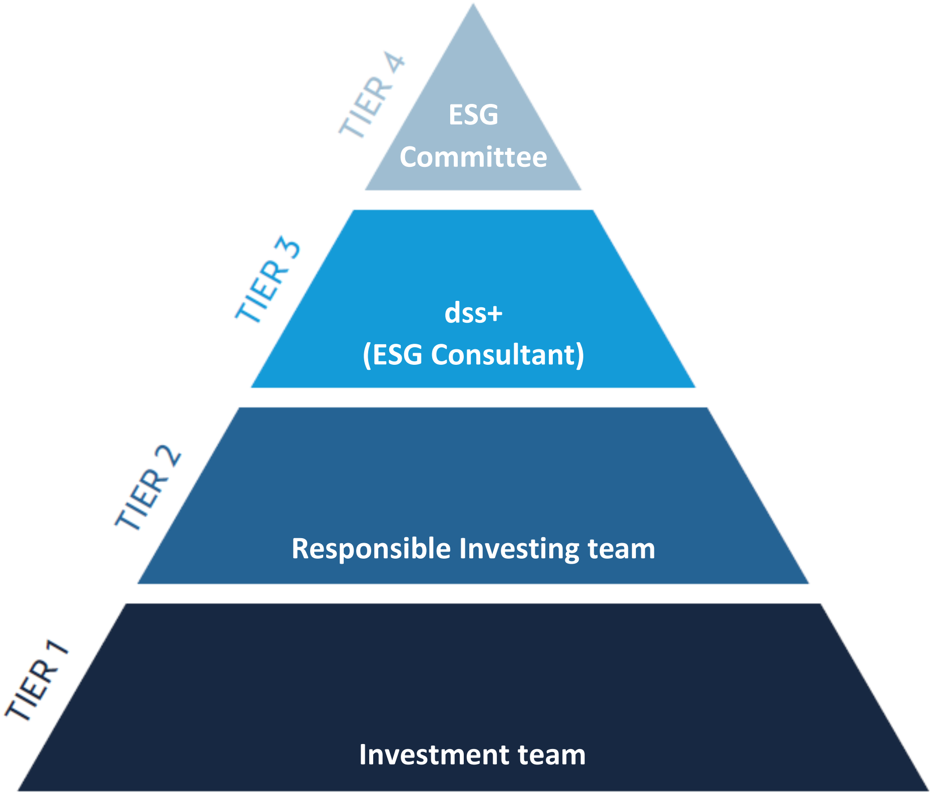
Below are some of the Committee's core responsibilities:

- Oversight of ESG integration and stewardship strategies and programmes;
- Ensuring appropriate resources are available to execute effective ESG-integration and stewardship activities;
- Reviewing and updating (as appropriate) Arcmont's ESG-related policies;
- Determining the frequency and scope of all responsible investment training;
- Ensuring compliance with applicable sustainability-related legislation, including the EU's SFDR;
- Ensuring the company complies with its obligations and commitments as a signatory to sustainability-related memberships;
- Overseeing the role of Arcmont's external ESG consultants and other ESG service providers;
- Reviewing and approving proposed sustainability-linked margin ratchets and tailored ESG engagement plans with respect to Arcmont investments; and
- Monitoring progress against ESG targets, including developing climate-related targets.

The Committee meets quarterly to review responsible investment-related performance and set objectives. Members are therefore able to evaluate the effectiveness and appropriateness of control mechanisms and targets, making enhancements and amendments where necessary. Note that the ESG Committee members receive regular responsible investment training.

Policy Implementation

Arcmont operates a four-tiered approach to the implementation of this policy as shown below.



Tier 1: Investment team

The investment team is responsible for incorporating ESG factors into the deal life cycle and undertaking stewardship activities. At Arcmont, the same investment professionals who execute a deal will monitor the investment during the holding period. As the ultimate risk takers and investment experts, they are best placed to execute effective ESG-integration and stewardship activities amongst investments.

The team is regularly trained on responsible investment, at least annually, and all new joiners receive responsible investment training as part of the onboarding process. The team is also supported by the Responsible Investing team and dss+, who are on hand to answer any questions and fill any knowledge gaps. Note that there are three ESG champions in the team and one of Arcmont's Co-Chief Investment Officers sits on the ESG Committee.

Tier 2: Responsible Investing team

The Responsible Investing team is responsible for ensuring the investment team executes their responsible investment duties in an effective manner and for supporting the investment team's engagement efforts. The team is also responsible for ESG reporting, including the relevant products' SFDR disclosures. The team comprises two individuals who have been upskilled in responsible investment and receive regular training.

Tier 3: dss+ (ESG Consultant)

dss+ is a leading provider of operations management consulting services with a focus on sustainability. The dss+ team specialises in strategy and research, empowering their clients to create long-term value through the integrated management of economic, environmental, social and governance factors. dss+ assists Arcmont with the development and execution of the firm's sustainability strategy, with a specific focus on responsible investment. dss+ ensures Arcmont is aware of industry best practices and provides the firm with specific subject-matter expertise.

Additionally, dss+ serves as an independent layer of oversight to help ensure the integrity and thoroughness of Arcmont's responsible investment commitment. The team independently reviews all the responsible investment endeavors undertaken by the investment team. This review occurs both during the pre-investment phase and quarterly post-investment, assuring continuous alignment with Arcmont's responsible investment goals. For further information on dss+, please visit the company's website.

Conflicts of Interest

Arcmont seeks to operate in accordance with the highest standards of compliance and ethical conduct. Accordingly, an extensive conflicts of interest framework that includes addressing conflicts of interest related to responsible investment and stewardship activities has been established. Arcmont has a documented Conflicts of Interest Policy.

External Initiatives

Arcmont is committed to working with others to promote responsible investment. Accordingly, the firm and members of the firm participate in a number of initiatives which help to inform and develop Arcmont's responsible investment practices, contribute to the creation of Private Debt specific industry best practice and serve to bring about positive environmental, social and economic change.

Initiative	Status
UN PRI	Firm is a signatory
UN PRI Private Debt Advisory Committee	COO is a member
UK Stewardship Code 2020	Firm is a signatory

Contact Details

For further information on Arcmont's responsible investment approach, please contact ESG@arcmont.com.