PEMBERTON

21 April 2022

ESG Policy

Policy Group:	***Investments***
Policy Level:	***Group***
Policy Owner:	***Douglass Welch***

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Section A: Policy Overview

1 Purpose

1.1 The Pemberton Asset Management group of companies (collectively referred to herein as the "**Pemberton**") is a responsible investor with a proactive approach to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters ("**sustainability**" or **ESG**") considerations within our business and our investments.

1.2 Pemberton believes that ESG factors are fundamental in achieving long-term value for our clients stronger and more profitable growth for our portfolio companies.

1.3 The objective of Pemberton's ESG Policy is to:

- Provide a framework so that we can act as stewards of responsible investment, identify borrowers with good ESG practices and encourage them to improve further.
- Enhance investor returns by identifying and improving on positive ESG characteristics and avoiding the downside risks of negative ESG characteristics.
- Meet our social obligations promptly and prepare our compliance to impending regulatory requirements.

2 Scope

2.1 Pemberton endeavours to embed ESG considerations across all levels of Pemberton Group.

2.2 The contents of this policy are applicable to all the Pemberton offices and operations and are applicable to all representatives involved in business activities on behalf of the organization, including its partners, directors, senior management, employees and suppliers or temporary workers wherever located ("**Employees**").

2.3 Pemberton Capital Advisors LLP ("**PCA**") has a compliance manual and Pemberton Asset Management S.A. ("**PAMSA**") a handbook of policies and procedures. These documents, together with, in some instances, additional standalone documents, such as the Pemberton Classification of Article 8 Financial Products under EU SFDR Guidelines; and the Sustainable Finance Disclosure Regulation Article 8 Compliance Policy build on the policy statements set out in this policy and set out the relevant procedures that apply.

3 Responsibility for the Policy

3.1 The ESG Committee is the owner of this policy. The ESG Committee is expected to provide reasonable assurance that this policy is a true and accurate representation of the applicable policies and that it is always kept up to date.

3.2 The ESG Committee is also responsible for the implementation of this policy throughout the Pemberton Group.

4 Review and Update

4.1 This policy shall be formally reviewed by PAMSA's Management Committee and the ESG Committee on an annual basis and more frequently if required.

VERSION NO	EFFECTIVE DATE	Author/Reviewer	INCORPORATED CHANGES
V. 1	2015	Compliance	Inception
V.2	November 2019	Compliance	
V.3	October 2021	Policies and Procedures Committee	Redraft of the existing policy
V.4	April 2022	Policies and Procedures Committee	Reflecting changes implemented in the new vintage funds for article 8 SFDR

Section B: Policy Governance

5 Approval

5.1 Any material changes to this policy will be approved by the governing body or a committee of each entity to whom such approval has been assigned, based on a recommendation from the policy Committee of Pemberton.

5.2 The governing bodies or committees, as appropriate, of all relevant Pemberton entities and, where appropriate, funds and/or self-managed SPVs must adopt this policy.

5.3 Any amendments and revisions to this policy should specify the superseded versions which will be retained for future reference with their date of application clearly recorded. These amendments will be made available to all members of staff of Pemberton in a non-editable version on Pemberton's SharePoint site.

6 Escalation

6.1 Any Pemberton employee can log breaches of this policy through the EDGAR Event Form. Breaches will be investigated and confirmed by compliance and, depending on the risk rating assigned, escalated to the group ESG Committee.

Section C: Policy

7 Approach to sustainable finance

7.1 As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG considerations can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

7.2 We recognise that applying the United Nations Principles for Responsible Investment ("**UNPRI**") may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following ESG principles:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of these principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing these Principles.
- Principle 6: We will each report on our activities and progress towards implementing these Principles.

7.3 Pemberton sees itself as stewards for responsible investment, supporting our borrowers and private equity sponsors in building value through sustainable growth. ESG considerations are a key part of that stewardship responsibility, and we are committed to furthering the interests of our clients and the private debt community in this area.

7.4 Whilst debt investors do not have all the controls of equity owners, we believe that lenders like Pemberton have an obligation to make an effort to improve ESG practices in our borrowers and in the direct lending debt market.

7.5 Pemberton recognises that climate change is a key priority for sustainable investing. We aim to consider long-term sector and asset related risks arising from climate-related matters during and beyond our investment time horizons, including heightened diligence on sectors or assets with exposure to CO2 production.

7.6 Pemberton, in line with its regulatory requirements, will in its investment process:

1) apply a high standard of diligence in the selection and ongoing monitoring of investments.
2) ensure that they have adequate knowledge and understanding of the assets in which the Client is invested.
3) establish, implement and apply written policies and procedures on due diligence and implement effective arrangements for ensuring that investment decisions on behalf of its clients are carried out in compliance with the objectives, the investment strategy and, where applicable, the risk limits of the client.
4) take into account sustainability risks when complying with the requirements set out in 1) to 3) above.

7.7 Pemberton shall ensure that when identifying the types of conflicts of interest, it shall include those types of conflicts of interest that may arise as a result of the integration of ESG considerations.

7.8 Within its investment process of the Pemberton AIFs, the PAMSA Investment Committee's review of investment proposals include ESG considerations.

7.9 Where ESG considerations raise ethical or reputational concerns, these issues are escalated through the ESG Committee. Areas with potentially material financial impact are reviewed for inclusion in our downside case modelling scenarios. Pertinent issues are raised for discussion at

our Credit Committee and all investments require 4 out of 5 committee members' approval to proceed.

8 EU Sustainable Finance Disclosure Regulation ("SFDR")

8.1 The purpose of SFDR is to facilitate comparison by investors of the sustainability credentials of both firms and their products by introducing mandatory sustainability related disclosure and transparency obligations across Europe. These obligations are applicable at both 'entity' and 'product' level. SFDR applies to a prescribed list of financial instruments, including portfolios managed in accordance with MiFID II, AIFs, UCITS and other insurance and pension products ("**Financial Products**").

8.2 SFDR delineates between three categories of Financial Product that (i) have sustainable investment as their objective ("**Article 9 Products**"); (ii) promote environmental and/or social characteristics ("**Article 8 Products**"), and (iii) fall within scope of SFDR but do not meet the Article 9 or Article 8 criteria ("**Article 6 Products**").

8.3 Please refer to Annex 1 of the **Pemberton Classification of Article 8 Financial Products under EU SFDR Guidelines** which sets out where Pemberton Asset Management S.A. (the "**AIFM**") is in scope of SFDR as well as the classification applicable to each in-scope Financial Product under SFDR. Please refer to **Sustainable Finance Disclosure Regulation Article 8 Compliance Policy**, which sets out our internal procedures for Article 8 Products.

Article 6 Products

8.4 In relation to Article 6 Products, a two-stage process is applied to integrate sustainability risks in the investment decision process in accordance with the Pemberton Group Ethical Investment Criteria, as follows:

a Firstly, the prospective borrower, being the counterparty to a portfolio investment of an AIF, is not permitted to operate in certain sectors, such as tobacco production, pornographic or violent material, payday lenders, pawn brokers or gold purchasers, certain animal testing, production or sale of weapons, nuclear energy, fossil fuel, sanctioned industries or operate in countries with oppressive regimes. This procedure is referred to as elimination through "**Negative Screening**".

The AIFM is bound to take investment decisions according to the borrower's eligibility subject to the Negative Screening. Where relevant Pemberton's ESG Committee will be requested to provide advice to the AIFMs Investment Committee in relation to this Negative Screening process.

b Secondly, the AIFM will conduct written due diligence on the prospective borrower to assess their adherence to certain ESG factors, referred to as "**Positive Screening**". The AIFM is, however, not bound to take investment decisions based solely on the outcome of the Positive Screening.

8.5 In addition, Pemberton will consider, where requested by a client, try to include additional screening into the investment process.

8.6 Pemberton encourages its portfolio companies to implement ESG guidelines and processes and have introduced financial incentives for borrowers to further strengthen their commitments to ESG.

Article 8 Products

8.7 For Article 8 Products, the Negative Screening and Positive Screening requirements applicable to Article 6 Products must be applied with the following mandatory additions:

a Additional Negative Screening criteria will be applied to Article 8 Products. This is mandatory where a Product is or will be marketed as an Article 8 Product and these additional screening criteria must be binding on the investment strategy (i.e. they cannot be dis-applied or overridden).

b Additional Positive Screening criteria will be applied to Article 8 Products. This is a mandatory part of the credit assessment process, in accordance with the Portfolio Management Procedures.

8.8 In order to assess the governance practices of the investee companies an ESG due diligence assessment is undertaken in relation to material sustainability and ESG factors (including – among others - sound management structures, employee relations, remuneration of staff and tax compliance).

8.9 If a Financial Product is held out as an Article 8 Product, compliance with these additional Positive and Negative Screening criteria is mandatory and forms part of Pemberton's SFDR compliance obligations. Accordingly, the ESG profile of each asset for an Article 8 Product must be assessed, prior to approval for investment, against the Direct Lending Screening Criteria to apply this additional positive and negative screening. The assessment will be made from expert due diligence reports, PCA credit and due diligence analysis and self-assessment criteria provided by the borrower and processed internally via third party ESG analysis tools.

8.10 Pemberton will monitor and report against compliance with these criteria on an ongoing basis. Please refer to the Sustainable Finance Disclosure Regulation Article 8 Compliance Policy which sets out periodic reporting requirements which apply for all Financial Products in scope of Article 8.

9 Principal adverse impacts

9.1 Principal adverse impacts ("**PAI**") are those impacts of investment decisions and advice that result in negative effects on ESG Factors. For the time being, the AIFM does not consider the adverse impacts of its investment decisions on ESG Factors, within the meaning of Article 4(1)(a) of SFDR.

9.2 The AIFM does not currently do so because, among other reasons, the draft Regulatory Technical Standards which set forth the scope of "principal adverse impacts" and the corresponding mandatory reporting template are not yet final, which makes voluntary compliance with Article 4(1)(a) challenging. The AIFM's position on this matter will be reviewed at least annually.

10 Training

10.1 As part of the firm's commitment to corporate sustainability, all employees receive ESG training to ensure they understand the importance of ESG, our commitment to the UNPRI charter and the environmental and social impact we can make together as an organisation.

10.2 Furthermore, conducting officers, senior managers of PAMSA and the general partners of each Pemberton fund have completed higher standard certified UNPRI training.

10.3 All Employees are assessed against certain ESG factors as part of the annual performance appraisal process.

11 Reporting & Transparency

11.1 Pemberton makes an annual submission to the UNPRI.

11.2 Currently certain disclosures have to be made for all Financial Products in scope under the Level 1 SFDR requirements.

11.3 Level 2 requirements are due to take effect on 1 January 2023, which will entail a significant uplift in the disclosures required for Financial Products in scope of Article 8 SFDR.

11.4 Please refer to the Sustainable Finance Disclosure Regulation Article 8 Compliance Policy which sets out the disclosure requirements which apply for all Financial Products in scope of Article 8 .