Policy of Responsible Investment

including policy on integration of sustainability risks for the purposes of Art 3 of EU Sustainable Finance Disclosure Regulation ("SFDR")

Internal/External	Internal External subject to NDA External (DDQ/On-site visit)	☐ ☐ ☑
Funds/Mandate Concerned	Firm Wide Funds	☑ ☑

Version	Date	Reason for Change/Approval by
1.0	31 December 2017	Creation of document
2.0	28 February 2018	Sign off by the Board of Directors
3.0	30 October 2019	Minor updates and New Firm Template
4.0	November 2020	Sustainability related disclosure
4.1	9 December 2020	Approval by CCP and CIM Lux Boards
4.2	22 February 2021	Go-Live Date
4.3	9 March 2022	Update to exclusion principles and engagement approach
4.4	30 October 2023	Minor updates and New Firm Template
4.5	25 March 2025	Amendment to ESG Exclusion Principles

I. Introduction

Chenavari Credit Partners LLP and its affiliates, Chenavari Investment Managers (Luxembourg) Sarl and Chenavari Asset Management SAS ("Chenavari" or the "Firm") jointly represent an independent alternative fixed income manager in European credit markets, with expertise across the liquidity spectrum, from corporate and financial bonds, asset-backed securities to leveraged finance, private credit and specialty finance loan origination. Chenavari has been a signatory of the United Nations-supported Principles for Responsible Investment (PRI) since 2021.

Chenavari believes that Environmental, Social and Governance ('ESG') considerations will increasingly drive economies and markets and that global issues and cross-cutting societal concerns such as climate change have ushered in a new era for responsible investment and corporate social responsibility. As such, the Firm intends to integrate sustainability risks into its investment decision-making process and stewardship practices in accordance with and to the extent described in this Policy of Responsible Investment (the "Policy").

While this is a Group-wide policy which establishes a common responsible investment philosophy across investment strategies, several Chenavari strategies have adopted bespoke methodologies for advancing responsible investment practices.

The EU Sustainable Finance Disclosure Regulation ("SFDR") requires certain entities of Firm to make public and client-facing disclosures on sustainability matters. Section 4 of this document sets out the Firm's policies in respect of the integration of sustainability risks in the investment decision-making process, as required by Article 3 SFDR.

II. Governance & Implementation

Chenavari's Business Committee has appointed an ESG Committee, which includes senior members across the organisation, to assist in managing matters relating to responsible investment and corporate social responsibility, such as:

- Oversight of the development and implementation of the Firm's ESG strategy and associated policies for responsible investment;
- Monitoring compliance with applicable regulatory frameworks;
- Ensuring Chenavari's approach to responsible investments is consistent with market practice;
- Make certain that Chenavari's investment professionals receive periodic training pertaining to responsible investments.

Chenavari's Head of ESG leads the development and implementation of the Firm's ESG strategies, integrating responsible investment practices and sustainability initiatives across portfolios and operations.

Chenavari facilitates the integration of sustainability risks into the Firm's investment decision-making process via its Investment Committee and/or through implementation into its Risk Management Framework, depending on the investment strategy.

Article 4 of SFDR requires firms to disclose whether they consider the adverse impacts of investment decisions on sustainability factors. The Firm does not currently have a formal policy and process for considering such adverse impacts although may from time to time do so in its discretion. The Firm is separately publishing a public statement

to explain its decision not to implement such arrangements.

Chenavari aims to develop due diligence mechanisms to assess the principal adverse impacts of investment decisions on sustainability factors. However, given the nature and scale of Chenavari's investment activities as well as the products that the Firm makes available, this effort will evolve over time, in line with market practice.

III. ESG Exclusion Principles

The Firm adopts a series of exclusion principles for all future investments, across its three business lines: Tradable Credit, Private Credit and Leveraged Finance.

Chenavari excludes instruments issued by companies matching the below descriptions. Chenavari's proprietary list of excluded instruments is determined and maintained by the ESG Committee, which seeks to align to best practice standards in the responsible investment community. The ESG Committee ensures that the list is updated on a regular basis (i.e. at least annually) and that it is available upon request.

- Companies with more than 20% of their revenues directly derived from thermal coal mining or the generation of electricity using coal. When applying the revenue threshold, attention will be paid to forward-looking plans from the entities in question to reduce their dependency on thermal coal operations over time. Instruments, such as green bonds, issued by said companies that facilitate a transition to a more sustainable business model are not under the scope of this exclusion. By 2030, Chenavari will divest from and cease direct investments in electric utilities and mining companies with known thermal coal activities in OECD countries. By 2040, this policy will also be applicable to activities in non-OECD countries.
- Companies developing or planning to develop new thermal coal capacities[1] along the entire value chain (mining, power production, and infrastructures).
- Companies with more than 20% of their revenues directly derived from tar sands.
- Companies whose principal business is directly derived from the production of or trade in controversial weapons (including anti-personnel landmines, cluster weapons, nuclear weapons, and chemical and biological weapons).
- Companies that manufacture complete tobacco products. This criterion for exclusion is based on the production of tobacco, not on the sale of tobacco products. Also, the criterion is limited to the production of tobacco products themselves, not to additives or ingredients used in the production of tobacco products (such as paper, filters, etc).
- Companies which are known to be involved in the trade of products, services or activities involving pornography or prostitution, human trafficking, sexual violence against women, forced labour or child labour as defined by the International Labour Organisation (ILO) conventions, severe environmental damage, gross corruption, including extortion and bribery.

There are certain Chenavari strategies which may apply additional ESG exclusions, as per their specific investment mandate. Similarly, any Chenavari strategies which benefit from an external ESG/sustainability label will also comply with the ESG exclusions referenced in the respective label guidelines.

[1] The following companies fulfil the expansion criteria: 1) Power: Companies planning to develop new coal-fired power capacity of at least 100 MW. 2) Mining: Companies engaged in coal exploration activities; planning to develop new coal mines or planning a significant increase of at least 1 Mt annual thermal coal production. 3) Services: Companies involved in the development or expansion of coal transportation assets or other coal-related infrastructure such as coal-to-gas facilities.

The exclusion principles do not apply to investments in standardised index or basket products such as CLO tranches as well as indirect exposures, including but not limited to bank capital solutions transactions.

For complex situations, the deal teams may refer to the ESG Committee, which takes decisions on a case-by-case basis.

IV. ESG Integration into the Investment Process

(incl. policy on integration of sustainability risks for the purposes of Art 3 of SFDR)

The following section sets out the Firm's policy in respect of the integration of sustainability risks in the investment decision-making process, as required by Article 3 SFDR. Under SFDR, sustainability risk means 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. This section of the Policy therefore approaches sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of the Firm's Clients' investments. For the purposes of SFDR, sustainability risk is not concerned with the risk of harm that the Firm's investment decisions may do externally to sustainability factors.

Sustainability risks that could potentially exert a negative influence on the value of prospective or existing investments in the event of their occurrence are contingent upon the asset class, industry, or the particular borrower under scrutiny. These include, but are not limited to, the following aspects:

- Environmental risks may include climate-related concerns encompassing both transition and physical risks; air, water, and land pollution; impacts on biodiversity arising from changes in land use, deforestation, and harm to ecosystems; energy inefficiencies; the handling of hazardous and non-hazardous waste; and heightened water consumption or withdrawal in regions facing water scarcity.
- Social factors may consider aspects such as occupational and process safety standards, product safety and quality, vulnerabilities in privacy and data security, labour relations and the management of human capital, which encompasses matters of diversity and inclusion, infringements on employee rights or labour rights, human rights violations, incidents of child or forced labour, and violations of the rights of local communities or indigenous populations.
- Governance risks may revolve around the alignment of interests among management, controlling shareholders, and other capital providers, dealings involving related parties, the quality, efficacy, and oversight of the board, incentive structures for management, matters related to audit and accounting, the effectiveness of risk management, ethical conduct issues such as bribery, corruption, anti-competitive practices, advertising and sales practices, and the sustainability practices within the supply chain.

In recent years, the industry has become more aware of methodologies for incorporating sustainability risks into investment research and decision-making. The Firm acknowledges these developments and seeks to refine its process in this area. As such, Chenavari continues to develop its policies and procedures to assist the pre-investment analysis as well as the monitoring of relevant sustainability risks during the investment period. The Firm uses a variety of information sources to collect sustainability risk data but, as a debt provider, Chenavari recognises different limitations than a private equity investor acquiring a controlling stake in a company.

Chenavari aims to integrate sustainability risks into the following investment strategies, as further described below:

- **Private Credit, Leveraged Finance and other Illiquid Opportunities**

    - For private debt investments, ESG research notes are systematically incorporated into individual issuer summaries, or similar documents. When reviewing any investment opportunity, the deal team will consider the environmental, social or governance event(s) or condition(s) that could cause an actual or potential material negative impact on the value of the investment and will discuss such sustainability risks as a standard item during Investment Committee meetings. Sustainability risks identified during the pre-investment due diligence process will be included in a one-page summary and presented to the Investment Committee. The way ESG information and research is incorporated into investment decisions is duly recorded.
    - For investments which consist of loan portfolios (including bank capital solutions transactions, consumer debt and specialty finance), material, sustainability risks are assessed at the originator's level. Chenavari aims to engage with counterparties to understand how they integrate sustainability factors and how they take sustainability risks into account in their origination due diligence process.
    - For specific illiquid opportunities where Chenavari is a majority shareholder, formal meetings involving both portfolio managers and analysts may be held with investee companies. In addition to financial and strategic considerations, the discussion will cover a wide range of investment-related topics including, but not limited to, sustainability factors. Meetings may be supplemented by further due diligence such as written correspondence, ad hoc calls, as well as discussions with advisers. If utilising third party research or solicited advice, ESG considerations will often be included in the due diligence documentation.
    - Ultimate responsibility for assessing sustainability risks for any potential transaction lies with the deal teams. Deal teams can draw on the experience and advisory capability of the ESG Committee.

- **Tradable Credit**

    - For Corporate Credit and Financials, the Firm may reference research from external ESG rating agencies to help identify, understand, and integrate sustainability risks in the credit analysts' approach. Where available and used, ESG ratings will be included in analyst research notes and sustainability risks will be considered in the investment decision-making process. The nature of Chenavari's business implies that for certain investment opportunities, ESG ratings might not be available. In this instance, the Firm will, at a minimum, apply the exclusion principles and perform a controversy scan on a best-efforts basis. The Firm may utilise other third-party providers to aid in the due diligence screening and vetting process where there is limited public information available. These entities may include intelligence groups, negative-screening platforms, and seasoned due diligence providers.
    - For CLO investments, Chenavari will engage with CLO managers in order to understand how they integrate sustainability factors and how they take sustainability risks into account in their investment process. Chenavari will assess the CLO managers' implementation of ESG policies and/or negative screening criteria and will develop a methodology to assess each counterparty's ESG performance.

- For investments which employ the trading of well-diversified and standardised credit indices, in whole or in tranches thereof, the Firm has limited ability to integrate ESG criteria. However, Chenavari follows market developments such as new products which can offer more insight into sustainability risks.

The ESG Committee oversees the implementation of the ESG integration approach and will monitor the progress made.

While the Firm's deal teams are provided with information on sustainability risks and are encouraged to take sustainability risks into account when making an investment decision, sustainability risk would not by itself prevent the Firm from making any investment. Instead, sustainability risk forms part of the overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to a determination of risk.

SFDR requires that the Firm publish on its website information about its policy on integration of sustainability risks. The Firm satisfies this requirement by disclosing this policy on its website.

SFDR also requires that the Firm must include, in the pre-contractual disclosures for its financial products, a description of the manner in which sustainability risks are integrated into investment decisions. The Firm satisfies this requirement by disclosing a separate summary of this policy in pre-contractual disclosures. For these purposes, "pre-contractual disclosures" means the prospectus or offering document for a fund, and the investment management agreement or other terms and conditions for a portfolio management service.

V. Voting

Chenavari considers corporate governance and the exercise of voting rights as an important aspect of the investment decision process and governance within the Group. Chenavari's overarching principle is that proxy votes should be cast in a way designed to ensure that proxies are voted in the best interests of clients. Voting decisions are made on a case by case basis by an assessment of the matter at hand and after taking into consideration the likely effect on the performance of the portfolio or fund. There may be circumstances where Chenavari believes it is in the best interests of clients to vote in a manner which may differ to the general consensus of the market or industry convention at the time. Resolutions involving contentious issues will be dealt with thoroughly and thoughtfully and in the best interests of clients. For further information, please refer to Chenavari's Proxy Voting Policy.

VI. Supporting Responsible Investing via Collaborative Engagement

Chenavari works with a series of bodies to identify value creating ESG measures in the European leveraged finance market. In January 2022, Chenavari became a member of the European Leveraged Finance Association (ELFA), with Chenavari's Head of ESG joining ELFA's ESG Committee. ELFA is a trade association comprised of European leveraged finance investors of over 55 institutional fixed income managers.

ELFA has established itself as an independent platform to address important industry issues and has taken leadership on critical developments such as ESG. ELFA's diverse forum of investors engages with relevant stakeholders such as borrowers, advisors, rating agencies to educate and to promote ESG best practices and transparency in the leveraged

finance industry. Interactions with borrowers are undertaken mostly in the form of workshops targeted at improving investor understanding of sector-specific ESG issues and bridging gaps in ESG disclosure.

VII. Reporting

Over time, Chenavari intends to build reporting on the Firm's responsible investing activities detailing the progress made in further developing its approach to ESG integration. An example of such a report is Chenavari's Sustainability Report, available on the Firm's website.

VIII. Status of this document

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