

ESG Investing Policy

1. POLICY INTRODUCTION:

CFI Partners, LLC (“CFIP” or the “Firm”) is a predominantly credit-focused investment management firm. Our culture and investment process are rooted in three defining principles: rigorous fundamental analysis, strong risk management, and ongoing portfolio optimization.

This Environmental, Social, and Governance (“ESG”) Investment Policy sets out CFIP’s commitment and general approach to considering ESG factors in the investment process and managing ESG issues throughout an investment's lifecycle.

2. SCOPE AND LIMITATIONS:

This ESG Investment Policy applies to all assets under the management of CFIP, consistent with and subject to any applicable fiduciary, legal, regulatory, and contractual requirements. The extent to which CFIP can influence our invested companies and exercise control over ESG issues will depend on the specific investment structure and terms. There may be instances where our capacity to conduct due diligence or manage ESG concerns is limited due to our position in the investment or fund structure. In such cases, CFIP will selectively apply this ESG Investment Policy to the extent it is commercially feasible. For instance, at the investment level, our influence might be limited if our fund is a minority debtholder, our governance rights are restricted, or other conditions hinder our ability to assess, establish, or oversee ESG-related performance objectives. Similarly, at the fund level, our influence might be limited in cases such as a jointly managed fund, a fund that acts as a lender without any signs of control, or an existing collateralized loan obligation vehicle with virtually unalterable investment criteria.

3. PRIMARY OBJECTIVE AND CORE ESG TENETS:

The Firm’s primary objective in considering ESG factors in investment analysis and decisions is to manage potential ESG-related risks and opportunities that may financially impact an investment.

We view ESG analysis as an integral part of our investment framework. It facilitates improved risk identification and the avoidance of extreme downside events (i.e., cutting off tail risk), preserving capital for credit investments and generating superior returns in equity investments.

Our primary objective aligns with our fiduciary duties to clients and is supported by the Firm's Core ESG Tenets:

We believe:

1. **Strong ESG performance is good business:** companies that perform well in financially material ESG factors make good investments. Well-run businesses devote time and resources to address these factors and position themselves for long-term success. By contrast, companies that fail to address ESG concerns adequately expose themselves to litigation and reputational risks that can significantly impact investment returns.
2. **ESG should be viewed through a holistic lens:** a company's overall impact extends beyond its core operations to include the impact of supply and distribution chains and overall waste, emissions, and other material factors.
3. **Trajectory matters in ESG:** companies that dedicate resources to improve their efficiency and ESG performance in the future are attractive long-term investments.
4. **Relative value can be a competitive edge:** in addition to absolute performance, a company's relative ESG performance versus industry peers also matters in increasingly competitive sustainability-focused environments.

4. ESG COMMITMENTS:

UN-supported Principles for Responsible Investment ("PRI")

As of February 6, 2023, CFIP became a signatory of the PRI. Through its association with the PRI, CFIP is committed to adhering, where consistent with our fiduciary responsibilities, to the six Principles for Responsible Investment:¹

- **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.

¹ "What Are the Principles for Responsible Investment?" Principles for Responsible Investment. <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>.

- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

Task Force on Climate-Related Financial Disclosures (“TCFD”)

As of January 3, 2023, CFIP became a supporter of the TCFD, a globally recognized framework that helps organizations disclose their climate-related risks, opportunities, and financial impacts. As a TCFD supporter, CFIP is committed to aligning our disclosures with the TCFD’s recommendations to demonstrate our proactive stance towards climate-related risk management to our investors and other stakeholders and promoting more informed decision-making within our investment portfolio.

5. ESG IMPLEMENTATION APPROACH:

In keeping with the commitments set forth above, the Firm encourages investment professionals to infuse ESG factors into their strategies by adopting these five key ESG Pillars, where feasible:

1. **Model Integration:** Incorporating financially material ESG risks and opportunities within the investment process.
2. **Active Stewardship:** Influencing management behavior through investor engagement, resolutions, voting, and litigation.
3. **Sustainability Outcomes:** Identifying and incorporating potential sustainability outcomes connected to our investment activities.
4. **ESG Reporting:** Monitoring, tracking, and assessing the impact of Model Integration, Active Stewardship, and Sustainability Outcomes on the investment process.
5. **Continuing Education:** Staying abreast of ESG developments in a rapidly changing landscape through periodic training, attending relevant conferences, and obtaining ESG certifications.

We plan to roll out the ESG Pillars across all investment strategies throughout 2024. The way each ESG Pillars is applied may differ from one strategy to another depending on several factors, including the type of investment, data availability, and, in the case of separate accounts, investors’ specific goals and targets.

The remuneration for senior leaders of investment-focused business units will include consideration of the successful adoption and incorporation of the ESG Pillars.

6. ESG DATA:

CFIP conducts ESG analysis using a range of tools and resources, including reporting provided by entities directly, as well as third-party ESG ratings and research. These tools and resources may include MSCI ESG Data, third-party ESG ratings and scores such as Sustainalytics accessed via Bloomberg, ESG commentary provided by Moody's and S&P ratings where available, and sustainability and ESG reports provided directly from investee entities.

Third-party coverage for many of our investment strategies is still improving. We continue to review potential sources of ESG research and methodologies for incorporating ESG-related data and research into our investment process going forward.

7. GUIDELINES ON ESG FACTORS:

No definitive list of ESG issues exists. Attempting to create an exhaustive or definitive list and accompanying definitions would neither be feasible nor desirable. Such a list would inevitably fall short and quickly become outdated.

For high-level guidelines on ESG factors, CFIP may reference PRI examples of environmental, social, and governance issues identified or assessed in ESG investment processes.

As applicable and material to any given investment, the specific ESG factors integrated into our investment process may include, but are not limited to, MSCI Industry Materiality Map factors such as:²

² "ESG Industry Materiality Map." MSCI, <https://www.msci.com/our-solutions/esg-investing/esg-industry-materiality-map>.

Environmental Factors	Social Factors	Governance Factors
■ Carbon Emissions	■ Labor Management	■ Governance
■ Product Carbon Footprint	■ Health & Safety	■ Ownership & Control
■ Climate Change Vulnerability	■ Human Capital Development	■ Board
■ Financing Environmental Impact	■ Supply Chain Labor Standards	■ Pay
■ Water Stress	■ Product Safety & Quality	■ Accounting
■ Biodiversity & Land Use	■ Chemical Safety	■ Business Ethics
■ Raw Material Sourcing	■ Consumer Financial Protection	■ Tax Transparency
■ Toxic Emissions & Waste	■ Privacy & Data Security	
■ Packaging Material & Waste	■ Responsible Investment	
■ Electronic Waste	■ Community Relations	
■ Opportunities in Clean Tech	■ Controversial Sourcing	
■ Opportunities in Green Building	■ Access to Finance	
■ Opportunities in Renewable Energy	■ Access to Health Care	
	■ Opportunities in Nutrition & Health	

Ultimately, the integration and impact of ESG factors will vary by data availability, industry classification, company relevance, and the type of investment, among other factors. Of the ESG factors available for analysis, CFIP emphasizes those factors related to the broader categories of climate risk and board governance.

We provide our investment professionals with access to guidance and resources for implementing ESG factors by investment strategy in the Firm’s internal ESG Procedures Manual, which we plan to make available in the first quarter of 2024.

8. SUSTAINABILITY OUTCOMES:

While all our investment strategies consider financially material ESG factors, most of our strategies, unless designated as an Impact strategy, are not designed to deliver specific sustainability outcomes, which we define as positive and negative externalities. Still, we seek to identify positive externalities (e.g., MSCI Sustainability Impact Metrics) and negative externalities (e.g., MSCI Controversies) connected to our investment activities. Identifying and managing negative externalities is especially important as they may carry undesired regulatory, litigation, or reputational risks.

MSCI is our primary data provider for assessing sustainability outcomes. When MSCI data is unavailable, our investment team may reference additional frameworks related to sustainability outcomes in the Firm’s ESG Procedures Manual.

9. ESG REPORTING:

Assessing the application and outcomes of ESG factors in our investment process is important for demonstrating our ESG goal alignment, tracking our progress, and transparently sharing our achievements with stakeholders.

By measuring ESG, we aim to pinpoint areas for enhancement, leading to long-term, sustainable value creation for our investors.

We believe reporting on our sustainable investment and ESG initiatives is essential to our overall program. To this end, we are working on implementing internal reports for the ESG Committee and, eventually, an Annual Sustainability Report for external distribution.

10. CONTINUING EDUCATION:

Continuing education is integral to successfully incorporating ESG factors into investment strategies, portfolio management, and risk assessment. As such, the Firm provides annual ESG training to all employees.

Investment professionals are expected to use their best efforts to remain reasonably informed of the latest developments, best practices, regulatory changes, and emerging trends in ESG Investing related to their investment strategy. In addition to the annual ESG training, CFIP also encourages investment professionals to attend relevant conferences and earn ESG certifications, such as the CFA Institute Certificate in ESG Investing, to enhance their expertise and ability to make informed decisions, particularly in the dynamic and evolving landscape of ESG Investing.

11. STEWARDSHIP, PUBLIC POLICY & STAKEHOLDER ENGAGEMENT, CONFLICTS OF INTEREST AND PROXY VOTING:

CFIP has implemented an Active Stewardship Policy, which applies where opportunities exist to engage with investee entities, managers, policymakers, and industry peers.

The Firm's Compliance Manual addresses our policy on managing potential conflicts of interest, including potential conflicts of interest related to proxy voting.

The investment teams oversee stewardship activities and maintain engagement records through an Engagement Tracker.

12. ESG COMMITTEE:

CFIP's ESG culture has been developed by its senior management, who maintain oversight and accountability of CFIP's approach to ESG. CFIP has established an ESG Committee consisting of senior and junior individuals representing a range of business areas. Perry

Hollowell, Head of Sustainable Investing & Equities, chairs the Committee. Additional Committee members can be found in our ESG Procedures Manual.

The ESG Committee has formal responsibility for CFIP’s ESG Investment Policy and strategy. The duties of the ESG Committee include developing and reviewing the ESG investment policy, working to ensure policy implementation, conducting annual assessments to evaluate ESG investment practices, promoting transparency through reporting, fostering stakeholder engagement with internal and external stakeholders, monitoring industry developments and collaborating with industry bodies and peers, and facilitating training and development.

The Investment Committee reserves the right to veto an investment based on ESG considerations that could affect its expected financial return.

13. POLICY REVIEW:

The ESG Investing Policy is reviewed at least annually and may be changed as CFIP considers necessary or advisable.

14. INVESTMENT OR GOVERNANCE AMENDMENTS TO THE ESG INVESTING POLICY:

Version no	Date changed	Summary of changes	Changes made by
1.0	January 2023	Initial ESG Policy	N/A
1.1	April 2023	Updated ESG Policy	Perry Hollowell
2.0	January 2024	Inclusion of Sustainability Outcomes	Perry Hollowell
2.1	April 2024	Updated Stewardship, Public Policy, and Engagement section	Perry Hollowell