



Gramercy

We are Emerging Markets

Gramercy Environmental, Social and Corporate Governance Investment Policy

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1. Environmental, Social and Corporate Governance Investment Policy

Our Mission is to positively impact the well-being of our clients, portfolio investments and team members. Gramercy continually endeavors to apply effective environmental, social and corporate governance (“ESG”) investment management practices in all activities, products and services. We believe that financial institutions need to set a tone to enact change via banking, investment and insurance activities. As a fiduciary, we believe that environmental, social, and corporate governance issues can affect the performance of investment portfolios and thus should be integrated into investment analysis and the decision making process as a necessary step to promote a sustainable global economy and market stability.

There are various ways ESG can be incorporated and/or integrated into an investment strategy, and often, the investment strategy itself influences the degree to which incorporation and/or integration should occur. Gramercy is a diverse emerging markets investment manager and we apply ESG thoughtfully to each strategy and maximize our firm integration of ESG investing in accordance with our mission.

The investment professionals at Gramercy have dedicated their careers to emerging markets and our team has an extensive distressed credit / restructuring core competency. In the case of a debt restructuring, a private credit transaction or a primary market purchase, we recognize an ability to influence an issuer/entity and will use this leverage to the extent possible. In the absence of such influence, our willingness to restrict the purchase of credits due to ESG factors serves as a message to the marketplace and to issuers that poor policies will not be tolerated in today’s global investment community. Our willingness to short sell such credits sends a further message that we may believe their policies are inadequate and we cannot be credit supportive unless positive change is enacted.

Gramercy is a signatory of The Principles for Responsible Investment (“PRI”, formerly the “UNPRI”), a collective international framework for institutional investors, investment managers and service providers to integrate ESG considerations into investment decision making and analyses. As Signatories, where consistent with our fiduciary responsibilities, we commit to the following:

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

The PRI qualifies these Principles as voluntary and aspirational; our implementation includes but is not limited to:

Ensuring that the investment analysis and decision-making processes incorporate ESG analysis.

Our investment professionals evaluate potential investments from the viewpoint of our diverse client base to assess whether an investment is potentially objectionable from environmental, social, corporate governance and/or other perspective. On a case by case basis, each long investment is evaluated within our framework of avoidance to ensure that a corporation is within an acceptable industry, and if so, that they conduct business in a way that we would be comfortable having an association with them.

We have established an ESG Committee, which is comprised of our CIO, lead portfolio managers, two research analysts and our ESG Officer with each investment strategy represented. Our Chief Compliance Officer participates in all Committee business but is not a member. The committee meets monthly at the final investment team meeting of the month and on an ad hoc basis to discuss any new initiatives regarding our process and any credits that may warrant special consideration for investment.

Each investment team has thoughtfully sought ways to apply our firm wide philosophy to their investments and integrate ESG into their decision making. Please see Section 2 for details regarding the integration of ESG into our investment process.

Obtaining appropriate disclosure regarding ESG issues by the entities in which we invest.

Gramercy research analysts utilize external information gathered from face-to-face company meetings, company financials and industry reports as well as industry studies and non-government organization reports to assess the overall ESG strength of a corporate or sovereign.

When working with a company on a restructuring, we seek to instill policies within the entity that will result in increased transparency to their operations and avoidance of practices that could be deemed objectionable from a social or environmental perspective. When extending a private loan, we seek to establish plans through which borrowers can create their own policies and mitigate potential risks that stem from their business.

Appointing an Environmental and Social and Corporate Governance Officer who is responsible for reporting to external agencies such as the PRI and who works with the investment and compliance teams to ensure adherence to the firm's ESG policy.

As Signatories to the PRI, we have found that the restrictions and the reporting requirements vary amongst our several investment strategies due to both the level of influence we are able to exert and the requirements of the various

investors in a strategy. We strive to be as open and transparent as possible for our clients regarding these matters.

Our ESG roots, prior to becoming a PRI Signatory in 2014 (at that time it was known as the UNPRI), are guided by our values and include additional measures such as:

Ensuring that leadership, innovation and sustainability are core principles underpinning our investments for avoidance, adaptation and/or mitigation of negative impacts associated with ESG issues.

Gramercy takes into consideration the impact of environmental/climate concerns regarding our investments. Climate related catastrophes and their frequency can lead to volatile markets, impact prices and make operations more difficult. We see that voluntary controls are more efficient and cost effective than government imposed non-voluntary hazard regulations and controls put in place after a disaster has occurred. We are cognizant of the long term impact climate change can have on capital markets and recognize the need for financial institutions to take a role in and support initiatives via investment that encourages change in energy transmission and the creation of a low carbon economy.

We are also conscious of social responsibility elements when evaluating the appropriateness of a new investment. The on-going operations and procedures of a corporate are of great importance. Disregard for local laws and/or global concerns regarding the environment can have a prolonged impact on a corporate's ability to function normally within the capital markets.

Governance of portfolio investments is critical to our investment process. We are often proactive investors via creditor committee leadership, advisory boards, boards of directors, and even judicial action. This involvement is central to our up-front investment analysis before entering an asset, and is at the heart of our asset management and value recognition process during ownership. Beyond monitoring, we action governance and exercise all investment and legal rights at all times.

Monitoring of existing investments is also an important element of our policy. All aspects of our investments including environmental and social responsibility are monitored by the particular analyst assigned to each investment. The analyst is responsible for understanding the social and environmental factors of an investment and ensuring that it does not violate internal and/or client guidelines, and does not become non-compliant from a regulatory perspective. The acceptable norms of operation are also considered.

Gramercy makes use of controls via proprietary systems to both "pre check" investments for ESG matters and to restrict the purchase of specific sectors, credits and sovereigns as appropriate based upon client guidelines and our internal ESG policy and research.

Ensuring a collaborative effort to enhance the effectiveness of implementing ESG policies, including compliance with applicable national laws.

Gramercy will ensure that all long investments are reviewed and evaluated against the applicable national laws on environmental, health, safety and social issues. We take very seriously our obligations to comply with U.S. law and avoid investment in certain countries which the U.S. government has deemed inappropriate to do business with. When investing in emerging markets securities, we must remain mindful of these prohibitions and strictly avoid countries which are off-limits due to social oppression, terrorism or other unacceptable behavior.

Ensuring transparency in our activities and ensuring that our clients understand the policy commitments made by Gramercy in this area.

We believe the best manner of ensuring that our clients understand our commitment to the goal of an ESG policy is through open communication and reporting to our clients, responding to their inquiries as needed. Gramercy includes an overview of our policy and process as part of the presentation we make to all prospective investors when they are completing their due diligence.

We believe there are ample acceptable investment opportunities and no margin to violate our internal and/or our clients' guidelines for the sake of a non-qualifying investment. Our clients include religious/church organizations, U.S. state pension plans, national pension plans, corporate pension plans within various countries, charitable trusts and related organizations as well as many others that have strong environmental and social viewpoints. We evaluate each potential long investment for their guidelines, and have passed on opportunities for these reasons. We always remain sensitive to the prohibitions our clients have against certain types of investments, including gambling, tobacco, alcohol, negative environmental impacts, human exploitation of any type, etc. Additionally, we strictly comply with the OFAC list to avoid any investment in oppressive countries where the U.S. government has opined that no such investment should take place.

2. Integration of ESG into our Investment Process

Gramercy's approach marries a top-down perspective with bottom-up analysis. We manage multiple investment strategies that differ greatly in their underlying investments, i.e. public credit vs. private credit vs. litigation claims, and these differences greatly influence how we approach and integrate ESG factors. Regardless of the strategy specific approach, we remain true to our firm's mission and commitments as PRI Signatories. To begin with, tobacco, weapons and pornography are prohibited sectors. Publicly traded corporate and sovereign credits (often securities with CUSIPS) are scored from 1 to 10 using a combination of external data and internal research. Distressed credits may provide an opportunity for direct engagement / impact investments when we are in direct negotiations with a credit due to restructuring. Private credits and special situation

opportunities undergo a slightly more nuanced approach that we believe is more appropriate for those investments.

In addition to studying financial data, our investment team is dedicated to carrying out additional qualitative and quantitative analysis of potential investments. On-site visits are an important aspect of their research, with supply chains, customers and ESG factors considered in developing a complete view of a credit. Our analysts are tasked with developing a deep understanding of each credit. Direct engagement with companies is a major part of our research and this engagement serves as an additional opportunity to uncover specific ESG concerns and to address any concerns we have with management. Through this understanding, corporate analysts are well equipped to evaluate a credit and factor in qualitative ESG information not necessarily reflected as yet in data and in our scores. As our analysts vet a potential investment, they may uncover an avenue by which we can pursue an impact oriented investment.

Our sovereign credit team assesses the long-term sustainability of the economic and political environment of a country as well as their social freedoms. Considering ESG issues logically becomes part of their fundamental country analyses.

We have created an automated pre-screen process as the initial step of ESG research. The system utilizes an online “Gramercy Portal” available to all employees and allows analysts to enter the name of an issuer, the industry, the country of risk and the country of domicile when they first begin exploring an investment to check for possible restrictions at a firm level due to MNPI, Sovereign or other ESG restrictions. The information entered by the analyst is compared to a list of restrictions maintained by the Chief Compliance Officer and the ESG Officer. The purpose is to give immediate notice via email to the analyst, the Chief Compliance Officer, the ESG Officer and the Deputy ESG Officer of any potential issues that may arise regarding a credit that is being considered for research. This pre-screen is not an ESG authorization nor does it replace the ESG research and documentation that must be completed for an investment. It serves to raise potential issues early in the process so they may be properly addressed. Specific client level restrictions are maintained in AIM to the extent possible, nuanced client restrictions may use this pre-screen mechanism when automated checks are otherwise not viable.

Gramercy Sovereign Restricted List and ESG Integration

Our sovereign ESG process is underpinned by quantitative and qualitative approaches. We combine model outputs with analytical assessment and engagement with sovereign government officials, policymakers, private sector participants, and multilateral and non-profit organizations that support and promote sustainable investment in emerging markets. The model examines the complete emerging markets sovereign universe and relies on data across environmental, social, and governance categories from Yale University and the World Bank. We standardize and average the data within E, S, and G categories for respective sub-scores for each individual EM sovereign. The results are assigned a score from 1-10 with 10 being the best. Corporate analysts use our sovereign scores as an input to frame their top-down country perspective. Sovereigns that receive a model score of 4 or below require additional qualitative research and assessment by

our team before purchase. We aim to encompass key triggers for improvement or downside risks which could materially threaten near term performance. Sovereigns that score 3 or below are restricted on ESG grounds and can only be considered for a long position if our ESG Committee grants an override upon further due diligence or an automatic override is in effect.

An automatic override is meant to streamline the sovereign investment process and takes effect when a sovereign that would ordinarily be restricted as a result of its output score is in the EMBIG and has one of the following 1) average S&G score > 4 or 2) a criteria based IMF Program. Index inclusion implies a baseline degree of market functionality, governance and transparency while social and governance factors often pose more material near term risks to investment performance. Environmental considerations, which tend to be medium term in nature, will be further considered upon qualitative and quantitative assessment as necessary. A government's commitment to an IMF program which entails robust benchmark conditionality provides an anchor for governance and increases chances of sustainable economic growth and policy over the tenure of the program.

Any sovereign may be sold short regardless of score when short selling is permissible by the investment strategy. Certain quasi-sovereign credits (municipal or provincial issues) are assessed based upon the ESG score of the sovereign itself.

The various components of the sub-scores are as follows:

Environment (source: Yale Environmental Performance Index)

Health

- Air Quality (PM2.5, Household solid fuels, Ozone)
- Sanitation & Drinking Water
- Heavy Metals (Lead)
- Waste Management (Solid waste)

Ecosystem Vitality

- Biodiversity (Terrestrial biomes-national & global, Marine protected areas, Protected Areas, Species Habitat Index, Species Protection Index, Biodiversity Index)
- Ecosystem Services (Tree cover loss, Grassland loss, Wetland loss)
- Fisheries (Fish Stock Status, Marine Trophic Index, Fish caught by Trawling)
- Climate Change (CO₂ growth rate, CH₄ growth rate, F-gas growth rate, N₂O growth rate, Black Carbon growth rate, CO₂ land cover, GHG intensity trend, GHG per capita)
- Pollution Emissions (SO₂ growth rate, NO_x growth rate)
- Agriculture (Sustainable N Management Index)
- Water Resources (Wastewater treatment)

Social (source: World Bank Human Development Report)

- Latest World bank Human Development Index (HDI), which includes life expectancy at birth, mean years of schooling, expected years of schooling, GNI per capita
- Female participation in labor force
- Gini coefficient (measure of income inequality)
- Unemployment rate (15 years and older)

Governance (source: World Bank Worldwide Governance Indicators)

- Political Stability
- Government Effectiveness
- Rule of Law
- Control of Corruption
- Voice and Accountability

Gramercy Corporate ESG Integration

Public Credit

Our corporate ESG approach begins with the results of our sovereign process, where our proprietary sovereign score acts as one of the top-down data points used by our corporate analysts. Similar to our sovereign approach, we utilize external data and scoring to begin our evaluation. We begin with a credit's composite ESG score as determined by JPMorgan when creating their CEMBI Broad Diversified ESG Index. JPMorgan in turn uses data from industry leading providers in their process and scores each credit in the non-ESG index, credits that score below 20 (on a 1-100 scale) are not included in the ESG version of the index.

We convert the JPM score to a scale of 1-10 and further research the credit to create a Gramercy score. Credits that have a score of 2 and above are eligible for purchase but credits that score below 3 and are constituents of the ESG Index are given a closer look. Company specific factors and the trend of the 1 month, QTD and YTD Score change are considered.

Proprietary Gramercy ESG research is necessary for an issuer that is either private or does not appear in the JPMorgan CEMBI ESG Index. *(It is important to remember that if a public credit fails to qualify for the CEMBI Index, it cannot be in the ESG derivative; this does not automatically mean there are ESG issues.)* As part of the overall ESG review, our ESG Officer participates in the Public Credit Global Research Committee Meetings (Investment Committee) as well as any ad-hoc investment opportunity reviews.

Proprietary ESG research is guided by themes and issues utilized by another leading data provider in their ESG rating process (UN Global Compact and UN Sustainable Development Goals are additional resources for guidance). Our analysts verify that there are no serious known issues or red flags with respect to these industry standard

guidelines. They then score the overall credit on a scale of 1-10 where a minimum of 2 is required for purchase.

With any credit, the score is a starting point for ESG research and understanding. It is incumbent upon the analyst to understand why a credit is scored as it is on an absolute and relative basis for both JPM derived scores and Gramercy derived scores.

Experience has taught us that many emerging markets corporate issuers do not have the infrastructure and/or the reporting capability to publicly disclose the extent of their efforts in the scope of ESG. This offers us an information advantage when these efforts are discovered through our investment due diligence.

The analyst will also assess the ESG Outlook for an issuer. This outlook affords the analyst the ability to relay positive news not yet widely known that should be contemplated when purchasing a credit.

Application of ESG Scores to Public Credit

The ESG score of a credit is the starting point for more granular ESG research and assessment. Risks, opportunities and trajectories are critical to understand regardless of the prevailing ESG score for a credit. Understanding what lies behind that score and how the components are moving allow us to find opportunities for outperformance and also to avoid potential pitfalls.

This analysis is partially accomplished by regressing our composite ESG score and our component scores versus the credit rating and the spread of the underlying issuer. Overweight and underweight decisions are aided by these regressions and are further influenced by our qualitative research which seeks to uncover why a credit scores the way it does. We believe that ESG scores are a component of our active management decision making that provide a valuable insight to a credit but are not the only factor that need be included.

In this spirit, we have adopted an automatic override principle when dealing with a sustainable bond issuance. Regardless of score, the issue of a sustainable bond makes the credit an accepted investment without ESG Committee approval. We believe this approach affords additional opportunities for alpha when backward looking data and scores represent the effect of the sustainable issue.

Capital Solutions

Our Capital Solutions approach to ESG includes the Capital Solutions ESG Point Person, the Gramercy ESG Officer and the Capital Solutions team with all individuals being actively involved in implementing our approach. The scope of the process is fully outlined and explained in the document “Gramercy Capital Solutions Environmental, Social and Governance Policy - Annex to Firm Policy”. A brief overview is provided here for informational purposes, please see the complete document.

Capital Solutions / Private Credit focuses ESG due diligence on four areas, largely aligned

with the IFC Performance Standards on Environmental and Social Sustainability effective as of January 1, 2012 (“IFC Performance Standards”). We specifically focus on how we can manage risks or catalyse improvements in the following areas:

1. **A borrower’s willingness and capacity** to assess and manage ESG risks as well as opportunities where better ESG performance can drive value creation. This includes, but is not limited to:
 - Management’s understanding of and commitment to ESG risk management
 - Demonstrated commitment to ESG through an ESG risk management system
 - The borrower’s ability to identify, manage, and monitor ESG risks and opportunities adequately, depending on the scale and significance of ESG issues
 - Adequate organizational capacity and competency with respect to ESG
2. **A borrower’s impact on the natural environment**, including, but not limited to:
 - Reducing waste and preventing pollution
 - Encouraging the efficient and sustainable use of natural resource
 - Reducing GHG emissions and exposure to climate change risks
3. **A borrower’s treatment of its employees and its community**, including, but not limited to:
 - Promoting good employee relations and organizational diversity,
 - Providing good working conditions (including elimination of child and forced labor),
 - Ensuring the health and safety of local communities
 - Minimizing the impact of business operations on local culture and history
4. **How a borrower is governed**, including, but not limited to:
 - Improving ownership structure
 - Understanding management’s background and character
 - Institutionalizing board structure and diversifying composition
 - Increasing transparency and improving reporting methods

In order to identify, assess, manage, and monitor ESG risks effectively, our policy and process includes:

Integration of ESG factors into our underwriting and decision-making processes

Our investment professionals evaluate potential investments on behalf of our diverse client base to assess whether an investment should be avoided due to ESG concerns. During the first stage of the investment process, our team screens every investment

against the Capital Solutions Exclusion List to ensure that no investment is made in a project or company that operate in excluded industries or with excluded activities.

Special Situations

The Special Situations team begins their ESG research with the Gramercy Sovereign ESG Score as a top-down input to their work and they determine the opportunity is not restricted based upon the Gramercy restricted sovereign and restricted industry lists.

Our ESG Officer participates in the team investment committee meetings to ensure that potential opportunities do not have any known issues or potential concerns from an ESG perspective. The team and ESG Officer work together to further research and evaluate opportunities and create a proprietary ESG score. As our Special Situations team continues to explore and identify idiosyncratic investment opportunities, they will work closely with our ESG Officer to ensure the ESG standards of the firm are appropriately applied.

This Policy has been communicated to all employees of Gramercy.