



Benefit Street Partners Ltd

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Responsible Investment Policy

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1. Our Approach to Responsible Investment

Founded in 2002, Benefit Street Partners Ltd's (BSP Ltd) objective is to achieve attractive long-term investment returns for its clients. We seek to achieve this goal by investing in responsibly managed companies. We believe these companies are better placed to achieve sustainable competitive advantage and provide long-term growth. At BSP Ltd, our primary activity is lending to sub-investment grade companies. We have been a PRI signatory since 2018.

The aim of this policy is to describe our principles and set out our approach to integrating and managing ESG risks in our investment process.

BSP Ltd's ESG investment framework involves the following key activities:

- i. exclusion of companies based on defined product or conduct criteria ("Exclusions Policy");
- ii. in-depth analysis and ongoing monitoring of ESG risks;
- iii. active stewardship; and
- iv. collaboration with other investors and standard setters.

While this is a firm wide policy and we share a common responsible investment philosophy across investment strategies, there are certain nuances in how our Structured Credit strategy adopts this philosophy as outlined later in this document.

2. Governance of ESG Risks

Organisation-wide strategy to identify and manage material Climate-related risks and opportunities

At BSP Ltd, our primary activity is lending to sub-investment grade companies. BSP Ltd has an ESG policy that seeks to highlight the approach we take in integrating the assessment of ESG risks and engagement with portfolio companies during our investment process. While we share a common philosophy across the firm, there are certain nuances in how certain strategies adopt this philosophy. Specifically, our Structured Credit strategy, which is focused on investing in tranches of Collateralised Loan Obligations (CLOs), seeks to (where information is sufficiently available) assess the risks of the CLO tranches they invest in (rather than the underlying investments) and engage on ESG matters with the CLO Managers who select and actively manage the loans and bonds held within the CLO.

In addition, under parent company, Franklin Templeton, BSP Ltd has representation on the ESG Investment Council which meets to share thoughts and best practice across all firms. BSP Ltd's Head of ESG regularly attends the FT Stewardship and Sustainability Council (SSC) and the FT Alternatives SSC Sub-committee. In 2021, BSP Ltd established a dedicated Responsible Investment team to further develop the firm's responsible investment strategy, its policies and procedures. The Head of Responsible Investing is also a member of BSP Ltd's Investment Committee and chairs the Responsible Investment Committee. The Responsible Investment team works across the firm to support the execution of BSP Ltd's responsible investment strategy, including the integration of ESG factors in investment decisions.

BSP Ltd's ESG policy is approved by the Responsible Investment Committee and presented to the Board of Directors. The policy is reviewed on an annual basis.

3. Responsible Investment Pillars

BSP Ltd has established a series of responsible investment principles to guide our investment decisions and stewardship activities. We broadly base our due diligence approach on internationally recognised standards such as the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact. We have outlined our priorities across the key pillars: governance, climate change, environment and social.

Governance

BSP Ltd is a provider of capital to companies. We have an interest in ensuring the issuers in our portfolio are able to repay their credit obligations in a timely manner and that they maintain a stable credit risk profile. Although we do not have the same ownership rights as a shareholder, we share common interests. We believe good corporate governance is fundamental to ensure our interests as creditors are protected. An effective board is essential to oversee the adequate management of environmental and social risks. As part of our due diligence, we take into consideration various governance factors, including but not limited to the: **(i)** board structure and composition; **(ii)** remuneration practices; **(iii)** anti-corruption practices; and **(iv)** transparency and ethical conduct.

Climate Change

BSP Ltd believes the economic impacts of climate change will be felt across industries and markets; however, we recognize the magnitude and timing of these impacts remain uncertain. Aligning with global standards, we published our first TCFD report in June 2024, highlighting how we integrate climate-related risks and opportunities into our governance, strategy, and risk management processes. We conducted detailed, forward-looking quantitative analyses across all our assets. These analyses help us prepare for various climate outcomes and ensure our investments remain resilient and coherent with the Carbon Action Plan outlined in this policy. Our approach follows TCFD recommendations, and we advise investors to use climate scenario analysis results as a guide on how the investment portfolios are positioned to perform in different climate scenarios based on data available today, rather than absolute projections of future outcomes.

Environment

Environmental risks relate to the quality and functioning of the natural environment and natural systems and the impact of a company's operations on the environment. Companies could face increased compliance costs due to stricter regulatory requirements, fines, litigation risks, reputational risks and changes in consumer preferences. These risks could impact a company's ability to repay their debt. At BSP Ltd, we may assess issuers' exposure to material environmental issues, which could include water management, waste management, land use change and biodiversity, as well as airborne pollution. Our starting point is to identify the most material environmental risks relevant to the issuer's sector and regions of operation. We seek to understand the company's internal policies towards addressing environmental issues and the impact their operations may have on the environment.

Social

Companies may be exposed to social-related risks in their operations, supply chains and business relationships. As part of our due diligence, we may assess factors related to how companies manage human rights, human capital, the impact of companies' products and services on society, as well as how issuers manage relationships with stakeholders. These factors may pose reputational, regulatory and legal risks and costs to companies.

4. Exclusions Policy

BSP Ltd believes that some corporate activities and behaviours are not compatible with our business values and responsible investment philosophy. We have established an exclusion policy which applies to all our investments¹, with the exception of our Structured Credit strategy who operate a separate process – refer to Structured Credit section for further details.

We exclude issuers that derive any revenue from:

- Development, production or sale of controversial weapons. BSP Ltd defines controversial weapons as biological weapons, chemical weapons, nuclear weapons, depleted uranium weapons, incendiary weapons, cluster munitions and antipersonnel mines;
- Production or sale of cannabis for recreational use;
- Payday lending activities. Payday lending refers to small, high-cost short-term consumer loans as defined by the UK's Financial Conduct Authority². Due to the high-cost nature of these loans, it often leads to a cycle of increasing indebtedness from lower-income members of society.

We also exclude issuers that derive more than 10% of revenues from:

- Production or sale of tobacco or tobacco products;
- Production, operation and/or distribution of adult entertainment.

BSP Ltd has also established exclusion criteria for certain fossil fuel activities. We exclude:

- Issuers that derive 10% or more of revenue from thermal coal mining;
- Issuers that derive 10% percent or more of revenue from oil sands

5. Conflicts of Interest

BSP Ltd is committed to ensuring that the highest levels of integrity and ethics are maintained across operations. We are required by global regulators to identify conflicts of interest between ourselves and our clients and between clients. BSP Ltd has a fiduciary duty to its clients that requires each Employee to act solely for the benefit of clients. Each employee also has a duty to act in the best interests of the Firm. In addition to the various laws and regulations covering the Firm's activities, it is clearly in the Firm's best interests to avoid both potential conflicts of interest and the appearance of such conflicts.

We work to prevent and manage potential conflicts of interest, record conflicts of interest and maintain a Conflicts of Interest policy. The policy is managed and approved by our Head of Risk and Compliance. Our Conflicts of Interest Policy is reviewed every other year by our Compliance team. As a subsidiary of Franklin Templeton, BSP Ltd also adhere to certain global policies designed to mitigate Conflicts of Interest in so far as they apply to our business, for instance, Franklin Templeton's Anti-Corruption Policy.

6. Voting-Related Conflicts of Interest

As a credit manager, proxy voting is not material within the context of our activities. The number of occasions when BSP Ltd will be engaged in proxy voting will be limited. However, where votes are cast on behalf of clients these are done in line with the best interests of the underlying clients.

¹ No new investments have been made in companies that fall within the scope of the exclusion criteria. Through our screening process, we identified one legacy illiquid holdings that fall under the scope of the exclusion criteria. We have no intention of extending any further financing to these companies.

² <https://www.handbook.fca.org.uk/handbook/glossary/G3328.html>.

7. ESG Risk Analysis and Monitoring Process

Our ESG integration process emphasizes the importance of assessing material risks at both sector and issuer level. To that end, we have developed a suite of proprietary tools to support the integration of ESG factors in the investment process, including: (i) sector materiality guide; (ii) ESG and climate checklist; and (iii) climate risk tool. The aim of the tools is to provide our investment teams with a consistent framework to focus issuer engagement and in assessing material ESG risks of an issuer.

Table 1. BSP Ltd's Key ESG Tools

Sector Materiality Guide	As a starting point, credit analysts use a sector materiality guide to identify the ESG factors that could have a significant impact on issuers according to BSP Ltd's industry classifications. The guide helps inform issuers' ESG scores and provides direction for analysts on key factors to focus on during stewardship efforts.																		
ESG & Climate Checklist	<p>BSP Ltd's ESG & climate checklist was established in 2021 to provide investment teams with a consistent approach to assessing issuers across sectors and markets. Analysts use the checklist to capture relevant information on climate change, environmental, social and governance risks for new issuers. Issuers' ESG scores are used to construct and manage portfolios¹.</p> <p>Our ESG scoring system relies on the assessment of more than 20 qualitative and quantitative indicators across each of the pillars. To inform issuers' scores, we rely on corporate disclosures and leverage our credit analysts' in-depth knowledge of their companies, sectors and markets, as well as third-party data. In addition to having individual pillar scores, analysts rate the overall ESG risk profile of the issuer. We use a 1–5 risk scale as defined in the table below. If an issuer scores 4 or 5 at a pillar or aggregate level, it will be referred to the Responsible Investment Committee. If an issuer is deemed to pose a very high risk (5) at an aggregate level, it will be excluded from the portfolio. Analysts are required to complete the checklist and include it in the investment paper presented to the Investment Committee.</p> <table><tr><th>Score</th><th>Risk Scale</th><th>Action</th></tr><tr><td>1</td><td>No Risk</td><td>No action</td></tr><tr><td>2</td><td>Low Risk</td><td>Monitor</td></tr><tr><td>3</td><td>Moderate Risk</td><td>Inform relevant Investment Committee during credit approval process</td></tr><tr><td>4</td><td>High Risk</td><td>Escalate to RI Committee/focus issuer at relevant Investment Committee</td></tr><tr><td>5</td><td>Very High Risk</td><td>Exclude from portfolio and/or prevent further purchases</td></tr></table>	Score	Risk Scale	Action	1	No Risk	No action	2	Low Risk	Monitor	3	Moderate Risk	Inform relevant Investment Committee during credit approval process	4	High Risk	Escalate to RI Committee/focus issuer at relevant Investment Committee	5	Very High Risk	Exclude from portfolio and/or prevent further purchases
Score	Risk Scale	Action																	
1	No Risk	No action																	
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Climate Risk Tool	<p>BSP Ltd's Climate Risk tool was developed to support the assessment of companies' exposure and management of transition and physical climate-related risks. We concentrate on sectors highly exposed to climate-related risks, either through their operations or value chains. We gather relevant climate metrics on our issuers, including companies' greenhouse gas emissions (GHG) across Scope 1, Scope 2 and Scope 3 and seek to track performance over time. Where companies do not disclose this information, we use third-party estimated emissions data. In 2024, our Climate Risk Tool has been enhanced to assess companies' transition pathways and net zero alignment, including detailed information on decarbonisation targets, management's awareness of physical and transitional risks, and the robustness of climate governance and risk management practices. These factors, combined with historical carbon emissions performance and the assessment of climate change's materiality for the company's business, contribute to an issuer-level climate risk profile used in portfolio management and engagement.</p>																		

¹ Prior to 2021, certain assets were not put through the ESG Checklist assessment process. We are currently retrospectively completing this for all live holdings, across all strategies (except Structured Credit), firmwide.

8. Monitoring

ESG risks and scores are dynamic. The assessment of ESG factors is an important part of the daily credit monitoring process, where analysts assess all risks and opportunities related to the issuer.

As part of our regular company dialogue, analysts engage with issuers on ESG matters on a regular basis. Engagement may be more frequent with issuers exposed to higher ESG risks or where company-specific or macro risks are developing. Our approach to engagement is explained in more detail further below.

9. Carbon Action Plan

BSP Ltd's Carbon Action Plan aims for net zero by 2050, focusing on three key areas:

- **Investment Strategies:** we aim to optimise our investment portfolios to account for climate risks and opportunities. BSP Ltd has already achieved net zero for its operational Scope 1 and Scope 2 carbon emissions as of January 2024. For our investments, we aim to achieve net zero by 2050 across all strategies, with an interim target of a 50% reduction by 2030 for our direct lending, liquid credit, and special situations strategies. In alignment with Net Zero Asset Managers initiative, we commit to considering Scope 1, 2, and, where possible, material Scope 3 emissions in our portfolios;
- **Stewardship:** we engage with portfolio companies to enhance climate disclosure and implement transition plans, aligning with the Paris Agreement goals and supporting emission reduction targets;
- **Advocacy:** we work to improve market standards, promote transparency, and enhance ESG data availability through collaboration with stakeholders and participation in industry groups.

Through these actions, BSP Ltd aims to generate profitable growth while contributing to a decarbonised economy. Our proactive approach in adopting market-leading frameworks and engaging in stewardship and advocacy reflects our dedication to addressing the systemic risks posed by climate change.

10. Achieving Positive Outcomes

Given the nature of the Direct Lending and Infrastructure Debt asset classes, which we believe are particularly well-suited to achieve tangible positive outcomes while generating attractive risk-adjusted returns, BSP Ltd is increasingly focused on building robust impact frameworks and processes within these strategies. Our aim is to mitigate and tackle systemic risks, effectively measure and manage positive outcomes, and drive real-world changes linked to our investment decisions. This comprehensive approach not only supports the achievement of specific UN Sustainable Development Goals (UN SDGs) but also meets the increasingly demanding outcome-focused regulatory and client requirements.

In 2024, we developed two proprietary Impact Tools specifically for our Direct Lending and Infrastructure Debt strategies. These tools are designed to enable a structured and systematic approach throughout the entire investment process, helping to assess new investments' potential for achieving the positive outcomes that BSP Ltd is committed to. Additionally, these tools support analysts during the structuring phase of the deal by setting outcome KPIs, where needed, that are material and stretching for individual issuers. The KPIs prompted by the tools are aligned with recognized industry standards such as IRIS+, UN SDGs, and GRI, ensuring that our impact assessments are both rigorous and standardized. Finally, the tools facilitate systematic monitoring

and ensure continuous progress against the goals set. By providing a clear framework for tracking and measuring impact, we can ensure that our investments are not only financially sound but also contribute positively to society and the environment.

Our goal is to evaluate opportunities that exhibit impact-like features through the lens of the Five Dimensions of Impact. This analysis is conducted in addition to our rigorous ESG process throughout the investment lifecycle. By doing so, we aim to ensure value creation and the retention of financial returns, while simultaneously fostering positive change.

11. Structured Credit

BSP Ltd's Structured Credit strategy invests predominantly in CLO securities, which give indirect exposure to a diverse pool of syndicated loans. The CLO tranches our Structured Credit strategy invests in provides exposure to pools of loans managed by external firms. Due to the nature of these investments, Analysts' engagement regarding ESG considerations primarily sits with the CLO Managers – as is standard market practice – as opposed to the underlying borrowers, as is the case with our Liquid Credit, Private Credit and Special Situation strategies. Our aim is to understand how the CLO Managers we invest in consider and monitor ESG risks. This includes but not limited to, their ESG governance structure, responsible investment/ESG policy, ESG assessment framework, risk tolerances, exclusions policy, stewardship activities, and details on Managers' dedicated staffing.

The majority of CLO Managers have developed their own ESG investing and monitoring framework. We believe this development is positive for the market, and combined with our continued engagement with CLO Managers, will help us and the wider industry drive further ESG integration across investment processes.

When purchasing CLO tranches in the primary market, where BSP Ltd attempts to have influence over the loan eligibility criteria for the CLO, we look to request exclusions/restrictions of companies based upon a % of revenue or derive any revenue from certain activities including weapons, illegal drugs, tobacco and cigarettes, adult entertainment, and prostitution. Given each CLO manager typically has their own ESG framework, the exclusions we achieve vary from CLO to CLO, but we are generally able to achieve exclusions or restrictions that restrict lending to companies operating in the industries listed above.

12. Active Stewardship

As investors in the sub-investment grade credit market, BSP Ltd faces challenges related to availability and transparency of ESG data from issuers. As stewards of our investors' capital, we find that engagement is the most adequate approach to understand the ESG risks associated with our investments. We take an active role in engagement with portfolio companies to better understand risks, improve disclosures and encourage issuers to act in a sustainable manner. We benefit from our scale and tenure in our markets, which provides access to company management teams, sponsors and other key stakeholders. Our responsible investment principles guide our stewardship efforts.

Typically, investments in instruments that have voting rights is ancillary to the firm's investment strategy, which focuses on investments in private and public sub-investment grade debt. Where applicable to vote on such instruments and in subsequent decisions (dependent on the vote in question), we will follow BSP Ltd's ESG principles outlined above.

BSP Ltd maintains an ESG engagement log to capture and measure the effectiveness of engagement activities. ESG-related activities, including company engagements, are a component of analysts' variable remuneration.

As a signatory to the UN Principles for Responsible Investment (PRI), we submit an annual report summarising our main responsible investment activities. Additionally, we are a signatory to the Financial Reporting Council's UK Stewardship Code initiative, which further enhances our commitment to adherence to the highest standards of engagement and stewardship reporting. The external assessment of our approach to responsible investment helps inform our sustainability and stewardship practices and disclosures.

Structured Credit

As a reminder, BSP Ltd's Structured Credit strategy invests predominantly in CLO securities (both in the primary and secondary markets) which offer indirect exposure to a diverse portfolios of loans and bonds. CLOs are dynamic and allow the CLO Manager to reinvest and rotate of the asset pool, therefore we are not able to control which companies the CLO lends to – unless we have invested in the CLO in the primary market and requested industry exclusions in the CLO offering documents. Therefore, most of the, Analysts' engagement regarding ESG issues is with the CLO Managers rather than the issuers of the underlying loans.

Amongst other things, this includes speaking to CLO Managers that we invest with on a regular basis. This may include calls to get updates on underlying borrowers, the Manager's platform and their ESG policies. As part of this engagement, the Structured Credit team will promote BSP Ltd's ESG expectations, specifically on exclusions where possible. BSP Ltd also sends out an annual ESG questionnaire to CLO Managers we invest in to get a formal update on their ESG processes, policies and data.

13. External Collaboration

BSP Ltd collaborates with other investors and key stakeholders to improve market standards and exchange best practices as we work towards common goals. Better corporate disclosures on ESG issues remains a priority for BSP Ltd. In Table 2 we present the main organisation and industry initiatives we take part in.

Organisation	Year
Principles for Responsible Investment (PRI) 2018	2018
European Leveraged Finance Association (ELFA) 2019	2019
Task Force on Climate-Related Financial Disclosures (TCFD) 2020	2020
Institutional Investors Group on Climate Change (IIGCC) 2021	2021
FRC UK Stewardship Code 2022	2022

14. Financial Promotion

The Firm is required by regulation to ensure that any marketing materials remain consistent and do not contradict any of the Firm's actual approaches to integrating ESG factors into the management of client portfolios or Firm sponsored investment vehicles. As such, the Firm has in place standard descriptions regarding the integration of ESG/sustainability risks within its portfolio management processes and these are consistent with any pre-contractual disclosures that are provided in client and investment vehicle literature. All ESG-related disclosures (including marketing material, website postings, press announcements, etc.) are approved by the firm's ESG Committee. Any changes to these descriptions must be approved by the ESG Committee prior to being included in any firm-wide or product marketing material.

Disclaimer

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The views and opinions contained herein are those of BSP Ltd. This Policy is provided for information purposes only and is not intended to constitute a promotional material in any respect. This Policy is not intended as an offer or solicitation for the purchase or sale of any financial instrument. This Policy is not intended to provide, and should not be relied upon for, accounting, legal or tax advice, or investment recommendations. Reliance should not be placed on the views expressed and the information contained in this Policy when taking individual investment and/or strategic decisions.

BSP Ltd is authorized and regulated by the Financial Conduct Authority – Registration number 196845 – and regulated by the Securities Exchange Commission with respect to its US clients – Registration number 801-74223. Registered office for BSP Ltd is 78 Cannon Street, London, EC4N 6HL. BSP NY, LLC is regulated by the Securities Exchange Commission – Registration number 801-62417. Registered office for BSP NY, LLC is 9 West 57th Street, Suite 4920, New York, NY 10019, USA.

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Investments in sub-investment grade debt are speculative and involve special risks, and there can be no assurance that an account's investment objectives will be realized or that suitable investments may be identified. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. An investor could lose all or a substantial portion of his or her investment. No investment process is free of risk and there is no guarantee that the investment process described herein will be profitable. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

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