BSP
BENEFIT STREET PARTNERS
by Franklin Templeton

June 2025

Benefit Street Partners Ltd – Entity Level

Task Force on Climate-related Financial Disclosures (TCFD)

Contents

This report provides Benefit Street Partners Ltd's (BSP Ltd) climate-related financial disclosures consistent with the 11 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Financial Conduct Authority (FCA) climate-related disclosure requirements for asset managers.

This report presents our approach to incorporating climate-related risks and opportunities into our governance, strategy, risk management, and metrics and targets (as per the TCFD-recommended disclosures), the progress we have made over the past financial year and key steps we plan to take next.

Vai Patel

Head of Responsible Investments

We are proud to publish our second TCFD report. This work builds on BSP Ltd's 2024 report and continues to expand our understanding of climate-related risks & opportunities by assessing forward-looking scenario analysis to understand both the financial impacts of climate change on our portfolio investments as well as how our investments align to our own climate commitments. We have made good progress on decarbonising our portfolio over the past year, but we recognise the ongoing challenge to understanding the nature of the climate risks and the steps asset managers like BSP Ltd must continue to take to help achieve a low carbon future.

Tim Raeke

Head of European Credit Research

BSP Ltd is committed to strengthening our responsible investing practices through reliable data and climate-aware investment decision making. We believe the TCFD's foundational work is an important step in harmonising investor-relevant disclosures, whilst also providing us, as asset managers, with clarity on the broad impacts of climate change on our investment portfolios. We look forward to learning from and contributing to the development of a single, common framework, helping the industry better understand the path to a low carbon economy.

Ruth Davis

COO of Global Business Development

BSP Ltd has long recognised the vital role financial markets can play in aiding the transition to a low carbon economy and avoiding the worst impacts of climate change. We have made strong progress on our own climate commitments, and we continue to use our influence to encourage sustainable actions associated with the climate transition. We understand that climate change requires both collective ambition and leadership by example, therefore we will continue to prioritise sustainability in how we invest and how we operate as a firm.

What is The Task Force on Climate-related Financial Disclosures (TCFD)?

Climate change presents financial risk to the global economy. Investors and managers require forward-looking assessments of climate-related issues, including information on how vulnerable investment portfolio companies may be to climate risks and advice on how they could mitigate these vulnerabilities. Similarly, investors and managers require a framework for disclosure of climate-related financial information to decide what information should be reported and how it should be presented.

In response, the Financial Stability Board (FSB) created the industry-led Task Force on Climate-related Financial Disclosures ("Task Force" or "TCFD") in 2015 to establish a set of recommendations for consistent "disclosures that will help financial market participants understand their climate risks."

In 2017, the Task Force issued a series of recommendations to address gaps in the information disclosed on the financial impact of climate risk across the investment chain. Since then, companies around the world have increasingly embraced these recommendations.

TCFD structured its recommendations around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

Pillars of TCFD

TCFD Provides a Taxonomy for Climate-related Risks and Opportunities

TCFD Recommended Disclosures

1 Governance
- Board oversight
- Management's role

2 Strategy
- Climate-related risks and opportunities
- Impact on the organisation's businesses, strategy and financial planning
- Resilience of the organisation's strategy

3 Risk Management
- Risk identification and assessment processes
- Risk management process
- Integration into overall risk management

4 Metrics and targets
- Climate-related metrics in line with strategy and risk management process
- Scope 1, 2, 3 GHG metrics and the related risks
- Climate-related targets and performance against targets

TCFD Taxonomy for Climate-related Risks and Opportunities

TCFD outlines 11 recommendations for organisations to include in their climate reporting across governance, strategy, risk management and metrics & targets pillars. Improved disclosure of climate-related risks and opportunities will provide investors and other financial markets stakeholders with the metrics and information needed to undertake robust and consistent analysis of the potential financial impacts of climate change.

TCFD has divided climate-related risks into two major categories: (1) risks related to the transition to a lower-carbon economy and (2) risks related to the physical impacts of climate change. It also acknowledges that efforts to mitigate and adapt to climate change also produce opportunities for organisations. Climate-related risks and opportunities will vary depending on the region, market, and industry in which an organisation operates.

Physical Risks

Acute risk: Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods.

Chronic risk: Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

Transition Risks

Policy and legal risks: Policy actions that attempt to constrain actions that contribute to the adverse effects of climate change or those that seek to promote adaptation to climate change. Increase in climate related litigation claims being brought before the courts.

Market risk: Shifts in supply and demand for certain commodities, products, and services.

Technology risk: Technological improvements or innovations that support the transition to a lower-carbon, energy efficient economic system.

Reputation risk: Changing customer or community perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy.

Opportunities

Resource efficiency: Use of more efficient processes, reduced energy and water consumption, less waste resulting in reduced operating costs.

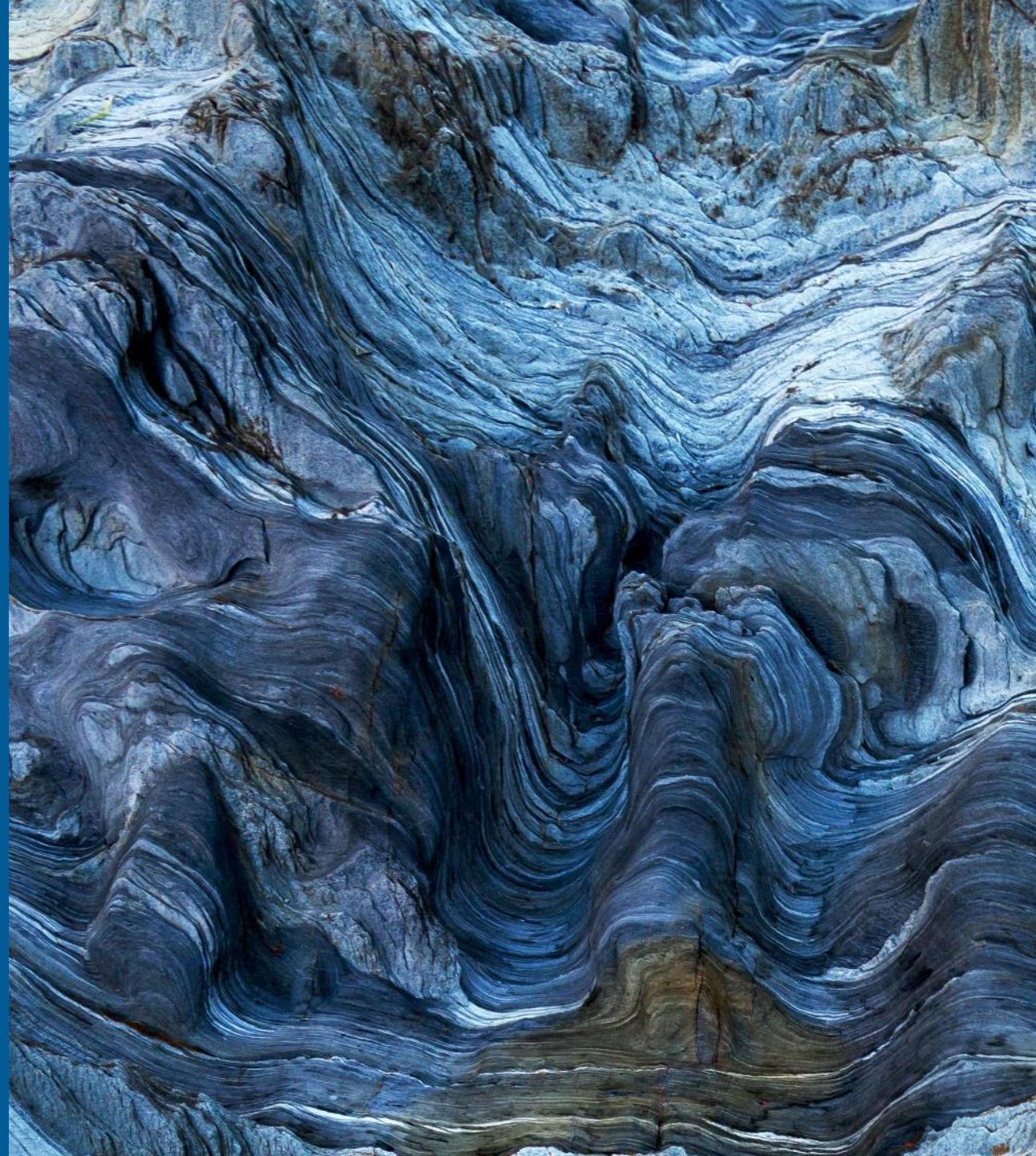
Energy source: Use of lower emission sources of energy or decentralised energy sources providing reduced operational costs.

Products and services: Development and/or expansion of low emission goods and services to increase revenue and expand market share.

Markets: Increased revenues through access to new and emerging markets.

Resilience: Increased market valuation through resilience planning.

1 GOVERNANCE



Governance

BSP Ltd is an indirect wholly owned subsidiary of Franklin Resources Inc.

Our system of governance allows executive committees and senior management to evaluate the climate-related business requirements and integrate risks and opportunities into strategy and decision-making. Oversight and management of climate-related risks and opportunities are incorporated into the Firm's governance structure and risk management framework.

The Board and the Management Committee receive regular updates on ESG & climate-related matters, and has delegated oversight of such matters, including progress towards BSP Ltd's net zero commitment to the Responsible Investment team (working in partnership with the investment teams and other stakeholders).

Board of Directors: Overall responsibility for ESG matters falls under the BSP Ltd Board of Directors ("the Board of Directors"; "the Board").

The Board of Directors embraces good practice in corporate governance and, as such, is charged with the responsibility for providing oversight of the activities and internal controls within the Firm.

The Board meets quarterly to review financial performance and strategy and has a formal schedule of matters reserved for its decision, which includes the setting of Firm goals, objectives, budgets, regulatory update and other plans.

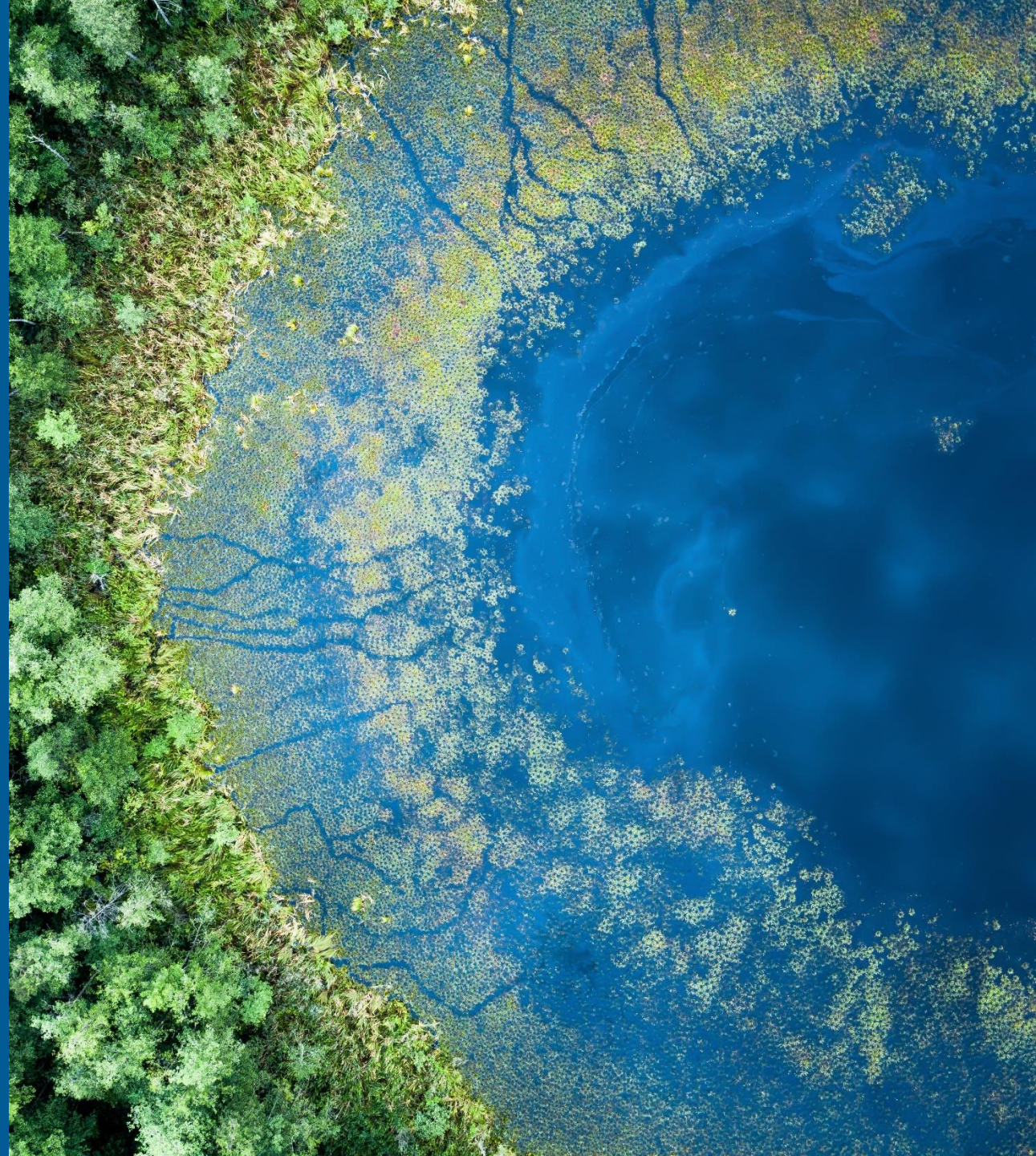
Responsible Investment Committee: The establishment of BSP Ltd's Responsible Investment Committee in 2021 denoted a focus on responsibility for the approval of ESG-related policies and procedures.

The committee monitors issuers with significant exposure to ESG risks and oversees our ethical exclusions. Additional responsibilities include the:

1. Approval of BSP Ltd's responsible investment policies and procedures
2. Offers recommendations to Investment Committee on non-standard ESG cases
3. Monitoring of relevant regulatory developments

The committee is comprised of senior leaders from the investment, business development, product management, responsible investment and risk and compliance departments to ensure relevant and diverse representation from all areas of the firm. The committee meets at least on a quarterly basis.

2 STRATEGY



Strategy

Climate change remains one of the most existential challenges of our time – a threat to human lives, the natural world, individual livelihoods, and economies at large. Addressing this challenge is an urgent yet complex task that requires a fundamental transformation of the global economy to reduce or achieve net zero greenhouse gas ("GHG") emissions.

Climate change is a systemic risk for most sectors we invest in. It presents risks for credit portfolios, although the magnitude and timing of the consequences are uncertain. Climate change is creating complex and interconnected risks that are challenging to measure and manage.

BSP Ltd supports the goals of the 2015 Paris Agreement to limit global warming to 1.5°C. An orderly transition in line with the Paris Agreement goals is important to reduce climate-related risks for the portfolio companies we invest in.

We became an official supporter of the Task Force on Climate-related Financial Disclosures ("TCFD") in 2020. We believe the TCFD recommendations provide a useful framework for companies to articulate how they identify, mitigate, and manage transition and physical climate risks.

Our principles for assessing and engaging with portfolio companies on climate change matters are broadly based on the TCFD recommendations. We assess portfolio companies' preparedness to manage the climate transition, through incorporation of our internal climate risk tool and we enquire about portfolio company climate targets in our engagements.

We also engage in collective action through our participation in industry groups to signal to policymakers the measures we consider are necessary to achieve an orderly climate transition. BSP Ltd signed the 2021 Global Investor Statement to Governments on the Climate Crisis. Alongside an additional 587 investors, representing over USD $46 trillion in assets (around 40% of the world's AUM), we called on governments to act on the climate crisis.

It is important that we continue to act as good stewards of our clients' capital by properly accounting for climate related risks and opportunities in the design of new products, our investment decisions and portfolio management activities, and the focused engagement with our portfolio companies, and industry peers.

As signatory to the FRC UK Stewardship Code, stewardship is a central tool we use to address climate risks. We believe standardised corporate climate disclosures aid us in making better informed investment decisions and help ensure a level playing field. We seek to enter into dialogue with portfolio companies in sectors highly exposed to climate risks to better understand the nature of their exposure, as well as the management of climate risks. Specifically, we seek to understand how portfolio companies' business models align with the goals of the Paris Agreement and firms' transition plans for reaching net zero GHG emissions in 2050.

Throughout 2024, we accelerated efforts to capture portfolio companies' climate data and analyse the climate impacts of our investments through the use of our proprietary Climate Risk Tool (see "Risk Management" section). Whilst we have been engaging with portfolio companies on climate change issues for several years, we intensified our dialogue to help improve the availability of climate data in the sub-investment grade market across 2024.

BSP Ltd's Drive Towards Net Zero

The emissions from our investment portfolios represent the largest proportion of our overall carbon footprint. As an asset manager, we are taking action towards decarbonisation.

BSP Ltd's parent Franklin Templeton is a member of Net Zero Asset Managers initiative. As part of this BSP Ltd commits to:

1. Take account of Scope 1 and 2 emissions and, to the extent possible, material Scope 3 emissions in investment portfolios
2. Set interim targets for 2030, for assets under management to be managed in line with the net zero goal, consistent with 50% global reduction in CO2 required to limit global warming to within 1.5-2.0°C
3. Implement a stewardship and engagement strategy, that is consistent with the ambition for all assets under management to achieve net zero emissions by 2050 or sooner

1. 2020

Became an official supporter of the Task Force on Climate-related Financial Disclosures

2. 2021

BSP Ltd signed the 2021 Global Investor Statement to Governments on the Climate Crisis and became a member of The Institutional Investors Group on Climate Change (IIGCC)

3. 2024

Achieved net zero across operational Scope 1 & 2 emissions

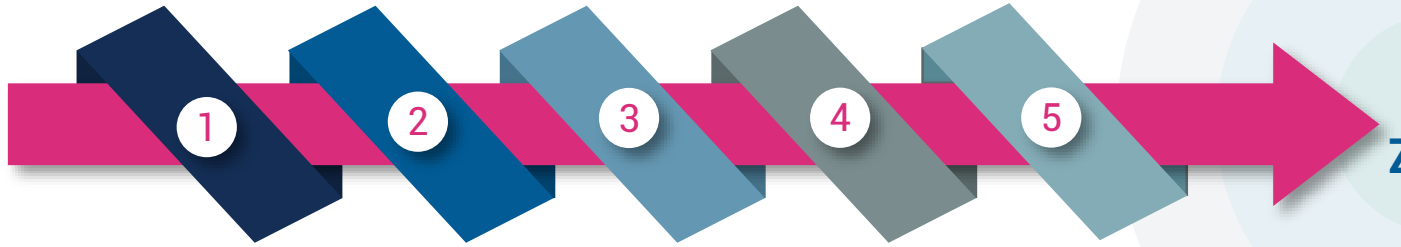
Set ambitious investment portfolio emissions targets for 2030 and 2050

4. 2030

Aim for 50% reduction across our Liquid Credit, Private Credit & Special Situations investment strategies (Structured Credit will focus on targets to improve CLO managers' climate disclosures and emissions reductions)

5. 2050

Achieve net zero across all our investment strategies



Carbon Action Plan

We aim to achieve our targets through an ambitious carbon action plan that utilises three key transition levers to drive real-world decarbonisation and support a just transition to a net zero economy. This in turn will allow us to manage our transition risk as a business, generating profitable growth in the future.

1. **Investment strategies:** optimising our investment portfolios to account for climate risks & opportunities
2. **Stewardship:** engaging with portfolio companies to increase climate disclosure and implement ambitious transition plans
3. **Advocacy:** Engaging with wider industry peers to drive real-world, positive change

2a Climate Risks & Opportunities

Climate-Related Risks & Opportunities

TCFD has defined categories for climate-related risks and opportunities. TCFD recommendations serve to encourage organisations to evaluate and disclose, as part of their annual financial filing preparation and reporting processes, the climate-related risks and opportunities that are most pertinent to their business activities.

The time horizons and materiality of the impact of climate-related risks and opportunities on our business may differ depending on a range of factors, including the nature and type of investments, geographical focus, and the external market environment. Generally, we look at three time horizons for the potential impacts of climate-related risks and opportunities: short term (0 to 5 years), medium term (5 to 10 years) and long term (10 to 30 years). These are broadly related to the length of an individual investment (short term), the length of a fund's life (medium term) and a reasonable period of visibility for the Firm as a whole (long term).

Climate-related risks and opportunities and their potential impacts and related metrics depend on access to accurate, verifiable, reliable, consistent and comparable climate-related data. BSP Ltd does not expect to see a sudden change in the value of its investment portfolios as a result of climate-related factors in the short- to medium-term (please see section "2b. Climate Scenario Analysis" for a full assessment of the impacts of climate scenarios on our investment strategies). Nor do we expect material impact from physical climate risk to our own operations (please see section "Scenario Analysis: Physical Risk").

The main climate-related risks and opportunities that may impact BSP Ltd's operations & investment management activities are described across the next three pages.

Category	Type	Risk Description	Primary Impact	Impact Area	Timeframe
Transition Risk	**Policy & Regulation**	• Enhanced climate-related disclosure obligations for funds and portfolio investments • Increasing regulatory pressure and litigation risk for current and potential investments in carbon-intensive portfolio companies not adequately prepared for a transition to a low-carbon economy	• Increased cost of compliance for funds and portfolio investments • Increased due diligence cost • Lower asset valuations impacting fund investments	• Investment management	• Short term
Transition Risk	**Market & Technology**	• Changing preferences on climate change affecting demand for products and/or services as well as of current or potential portfolio investments • Substitution of existing products and services with lower emissions options impacting the competitiveness of current and potential portfolio investments in certain sectors • Stigmatisation of specific industries, impacting existing investment exposure	• Lower asset valuations impacting fund investments • Loss of clients or reduced demand for our funds	• Investment management • Clients / investors	• Short to medium term

Climate-Related Risks & Opportunities (cont.)

Category	Type	Risk Description	Primary Impact	Impact Area	Timeframe
Transition Risk	**Reputation**	• Increased stakeholder concern (clients/investors) due to reputational damage, including new disclosure and compliance requirements related to climate related disclosure and reporting	• Negative stakeholder perception and impact on brand and positioning, especially in Western Europe	• Investment management • Clients / investors	• Short to medium term
Physical Risk	**Acute**	• Increased severity and frequency of extreme weather events that may cause damage to physical assets or disrupt critical operations of portfolio companies operating in certain industries and/or locations • Shifts in climate patterns, such as rising temperatures or sea levels that could affect entire sectors and geographic regions that have not built resilience or adapted to such risks (typically in the longer term)	• Business interruption caused by increased frequency of hurricanes, wildfires and flooding events • Reduction in returns from portfolio company investments due to extreme weather events as well as chronic effects that could impact many different types of portfolio companies and sectors, especially those not taking sufficient action to build resilience and adapt to climate change	• Own operations • Investment management	• Medium to long term
Physical Risk	**Chronic**	• Business interruption caused by rising mean temperatures, changes in precipitation patterns and variability in weather patterns, and sea level rise	• Labour productivity changes due to impact of rising mean temperatures	• Own operations • Investment management	• Medium to long term

Climate-Related Risks & Opportunities (cont.)

Category	Type	Opportunity Description	Primary Impact	Impact Area	Timeframe
Transition Opportunity	**Market & Reputation**	• Attracting new clients through strategies supporting the transition to low-carbon economy and investing in well positioned portfolio companies & sectors	• Growth in AUM through retention of current and attraction of new clients • Enhanced brand value if climate leadership position is maintained and grown	• Clients / investors	• Medium to long term
Transition Opportunity	**Transition & Physical**	• Enhanced returns on portfolio company investments which are resilient to the physical effects of climate change • Enhanced returns on portfolio investments aligned with the transition to a low carbon economy • Climate-linked financing reducing the cost of capital at deal and fund level	• Resilient / enhanced returns	• Investment management	• Medium to long term

2b Climate Scenario Analysis

Scenario Analysis: Climate Scenarios

Scenario analysis is a key tool to identify the potential impact of climate change on our investment portfolios. BSP Ltd has modelled three climate scenarios in line with FCA PS 21/24 regulations: <2°C orderly, <2°C disorderly and a 4°C 'hot-house' scenario. The three scenarios assume that the projected temperature increases are met by 2100 versus pre-industrial levels, in line with climate science backed by the IPCC. Asset-by-asset modelling is performed to 2050, and discounted back to NPV values at 2025, 2030 and 2050. Beyond 2050, the level of assumptions required would reduce the decision-usefulness of the results. Below is a description of some of the fundamental assumptions behind each of these scenarios, used in the climate modelling.

	2°C (or below) Orderly Scenario	2°C (or below) Disorderly Scenario	4°C "Hot-house" Scenario
2100 Temperature Outturn	Temperature Scenario c. 2°C. Physical risk Representative Concentration Pathway (RCP) 2.6.	Temperature Scenario c. 2°C. Physical risk RCP 2.6	Temperature Scenario c. 4°C. Physical risk RCP 8.5.
Decarbonisation Trajectory	Global decarbonisation trajectory achieved through annual reduction driven by immediate action to achieve a lower carbon economy, e.g. increasing electrification and energy efficiency, which achieves a steady transition over time. Governments deliver their stated nationally determined contributions (NDCs) by 2030 through introducing policies encouraging decarbonisation and carbon pricing increases steadily over time. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change.	Global emissions reduce more slowly, particularly in developing economies, until 2030 as policies encouraging decarbonisation are implemented. Technological developments required for Net Zero are assumed to be slowed until 2030 and carbon removal technologies are less available towards 2050. Due to the increased costs of reducing emissions, GDP is lower from 2030 onwards.	No further policies or commitments are introduced to reduce global emissions. Fossil fuel usage continues to drive growth in GDP across many sectors. Continual increases in global mean temperatures result in increased disruption through exposure to physical risk.
Energy Mix	Demand falls for fossil fuels as carbon taxes are introduced, and technology allows for rapid expansion in the capacity of renewables to meet demand without a sharp rise in cost.	Fossil fuels decline slowly for at least a decade then drop significantly. Power generation from renewables increases more slowly, creating a gap between supply and demand, raising prices.	Energy mix remains broadly consistent with unabated use of fossil fuels continuing and the capacity of renewables continuing to grow gradually.
Carbon Pricing	Carbon taxes are introduced by countries to meet their 2030 commitments, with the global price of carbon rising more quickly from 2040 onwards.	Delay in raising carbon taxes leads to slower progress in decarbonisation before countries raise regional prices to drive emissions reduction.	Carbon taxes are not introduced.

Scenario Analysis: Methodology and Context

Below is a brief summary outlining the methodology essential for interpreting the three core metrics used in scenario analysis: Climate Value at Risk, Implied Temperature Rise, and the Stressed Probability of Default. Please note, proxy data has been utilised to fill climate data gaps at the date of this analysis where information from portfolio companies was not available.

	Climate Value at Risk (CVaR)	Implied Temperature Rise (ITR)	Stressed Probability of Default (PD)
Definition	Climate Value-at-Risk (CVaR) is a forward-looking metric that models the potential change to an investment's EBITDA under a 4°C BAU (hot-house) scenario and compares it to a decarbonisation pathway that meets counterfactual scenarios: 2°C Orderly and 2°C Disorderly. The difference between the 2°C and the 4°C hot-house scenarios is calculated as the "value at risk" and expressed as a % or € value.	Implied Temperature Rise (ITR) is a forward-looking metric that translates the output of longer-term scenario analysis into an estimated change in temperature. The model calculates a 2°C-aligned CO2e pathway that is compared to the reduction targets set by portfolio companies. This helps investors to assess how aligned a credit asset is to global temperature targets.	Stressed Probability of Default (PD) calculations utilise earnings derived from the CVaR calculation to model the potential impact to probability of default across three FCA-aligned scenarios: 4°C hot-house, 2°C orderly and 2°C disorderly. This modelling uses EBITDA, return on asset cashflows, and credit ratings to calculate the potential change up to 2050.
Scenarios Utilised	• 2°C orderly • 2°C disorderly • 4°C hot house	• 2°C aligned • 4°C hot house	• 2°C orderly • 2°C disorderly • 4°C hot house
Method-ology	A portfolio company's EBITDA is modelled from the reporting year to 2050 and then discounted to their Net Present Value (NPV) at 2025, 2030 and 2050. Companies that perform differently in each scenario have a greater CVaR (either positively or negatively), which reflects the extent to which the asset performance may be exposed to the real-world scenario that transpires.	Investment portfolio carbon reduction targets are used to create an expected CO2e pathway across all scopes of emissions. This is compared to a 2°C carbon budget for the sector and region of operations. The difference between the two is converted into an expected temperature increase utilising assumptions from publicly available data. The temperature increases are banded using thresholds in line with the Paris Agreement of being aligned to 1.5°C or 2°C.	Portfolio company credit ratings are converted to an average PD percentage using publicly available methodologies provided by the relevant credit agencies. The change in EBITDA cashflows are inputted into a simplified Merton credit risk model that utilises the debt-to-equity ratio and return on assets at the start of the period to project the change in investment's PD percentage up to 2050.
Economic Factors	The climate modelling does not consider potential portfolio company-specific financial, operational or structural changes, such as capital expenditure or dividends that may be required to achieve the modelled earnings. 2°C transition scenarios within CVaR and PD assume that companies meet the carbon emissions reductions required for their sector and region to meet the temperature pathway of the scenario (i.e. 2°C). The ITR calculation assumes that all companies meet their respective emissions reduction targets set, in their target year.		

Structured Credit (SC)

SC 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 climate & TCFD considerations primarily sits with the CLO managers – as opposed to the underlying investments.

As part of our annual ESG questionnaire, we reached out to all CLO managers we invest with to ascertain their climate scenario analysis. Only a few managers were able to provide this (see "Metrics & Targets"). As a result, the scenario analysis outlined in the next few slides does not include Structured Credit – in line with market practice.

Scenario Analysis: Climate Value at Risk (CVaR)

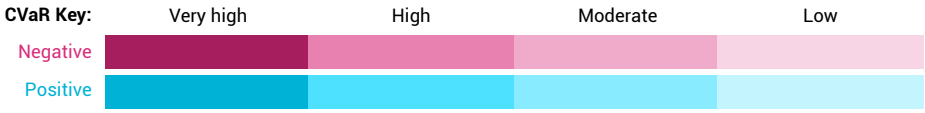
The Climate Value at Risk (CVaR) metric is a forward-looking estimate of the impact on our portfolio investments under different climate scenarios. The CVaR analysis quantifies the projected spread in portfolio company EBITDA between different climate scenarios.

Overall, BSP Ltd is modelled to have a moderate exposure to climate change at 2030. By 2050, Special Situations is modelled to be negatively impacted, in contrast to Liquid Credit and Private Credit that may see an increase to earnings under the modelling. The key drivers of the positive positioning are:

- **Geographical focus:** BSP Ltd's strategies are heavily weighted towards Europe, particularly UK, France and Germany. These countries are well positioned to take advantage of decarbonisation due to having established carbon emission reduction targets and progress in phasing out fossil fuels leading to less volatility in energy prices and increased ability to benefit from technology advances than comparative countries that are less mature
- **Sector strategy focus:** BSP Ltd's strategies also lean towards investments operating in services or trade industries that may have lower exposure to volatility in costs for raw goods and materials, and lower Scope 1 emissions that lead to less costs relating to carbon pricing

"Hot-house" vs *Disorderly* 2°C	2025		2030		2050	
Strategy CVaR	CVaR (€'000s)	CVaR (% EBITDA)	CVaR (€'000s)	CVaR (% EBITDA)	CVaR (€'000s)	CVaR (% EBITDA)
Liquid Credit	(4,208)	(0.4)%	(42,388)	(0.9)%	(51,061)	(0.4)%
Private Credit	(270)	(0.1)%	(2,560)	(0.2)%	57,508	1.6%
Special Sits	(3,794)	(1.8)%	(43,952)	(4.1)%	(331,874)	(12.2)%

"Hot-house" vs *Orderly* 2°C	2025		2030		2050	
Strategy CVaR	CVaR (€'000s)	CVaR (% EBITDA)	CVaR (€'000s)	CVaR (% EBITDA)	CVaR (€'000s)	CVaR (% EBITDA)
Liquid Credit	(9,642)	(1.0)%	(89,023)	(1.9)%	(119,064)	(1.0)%
Private Credit	(399)	(0.1)%	(715)	(0.0)%	53,623	1.5%
Special Sits	(9,580)	(4.7)%	(113,213)	(10.5)%	(441,837)	(16.3)%



European Liquid Credit (LC)

The LC strategy is modelled to have a limited aggregate exposure to climate change at 2030 and 2050. As part of the strategy, 70% of assets are modelled to have a climate opportunity, but this is offset by a small number of assets with a value at risk. This represents a marginal deterioration of the modelled strategy CVaR from the FY23 analysis as a result of new, more climate-exposed assets.

Private Credit (PC)

PC is modelled to have a potential risk up to 2030 of €2.5m but a modelled opportunity of €58m up to 2050. This represents an increase in resilience under a low carbon scenario from the previous year. Similarly to LC, this may be reflective of the number of European investments that operate in services industries that are able to take advantage of higher revenue growth under a 2°C transition scenario from 2030 onwards as global action to decarbonise increases.

Special Situations (SS)

The largest value at risk of the three BSP Ltd strategies is modelled to be SS, which has a modelled negative CVaR of up to €113m by 2030 and €441m by 2050. This represents a 10.5% risk to cumulative earnings by 2030 and a 16.3% risk by 2050, which is highly skewed by a small number of more highly exposed assets. BSP Ltd expects this modelled metric to improve due to portfolio exits and financial recovery of underperforming companies.

Scenario Analysis: Implied Temperature Rise (ITR)

Overall, BSP Ltd's credit strategies are typically between a 2ºC and 2.3ºC aligned temperature pathway by 2050. The key drivers for this are as follows:

- **Geographical focus (downwards pressure):** As previously noted with respect to CVaR, BSP Ltd's investments tend to be based in countries that are relatively more progressed in their transition (and with further credible transition pathways). Therefore, the emissions profile of portfolio companies operating in these geographies is modelled to reduce
- **Sector strategy focus (downwards pressure):** Similar to the commentary on CVaR, BSP Ltd's weighting towards services sectors means that portfolio companies tend to have a lower carbon footprint than manufacturing / industrials businesses
- **Upward pressure on ITR values due to:** 1) Lack of targets – modelled emissions of portfolio companies without targets increase under a 4ºC BAU trajectory, leading to upwards pressure on the ITR; and 2) Proxy data (positive or negative pressure) – as at the date of this analysis, a number of companies did not currently report Scope 1, 2 and 3 emissions, and therefore required proxy data to be utilised

ITR by Strategy	Cumulative to 2030	Cumulative to 2050
Liquid Credit	2.08°C	2.27°C
Private Credit	1.98°C	2.20°C
Special Situations	2.04°C	2.16°C

- 1.5ºC aligned
- 2.0ºC aligned
- Misaligned

Availability of Borrower Emissions Targets – FY24 vs. FY23

Category	Type	Time Period	LC		PC		SS	
			FY24	FY23	FY24	FY23	FY24	FY23
Emissions reduction targets used	Scope 1 or 2	Any period	39% ↑	24%	24% ↓	25%	41% ↑	35%
	Scope 3	Any period	32% ↑	14%	19% ↑	18%	33% ↑	18%

Key ↑ Increase in targets ↓ Decrease in targets

European Liquid Credit (LC)

LC has the highest modelled ITR of 2.27ºC at 2050 (a slight improve vs. FY23). LC operates across a range of sectors and predominantly (84%) European based.

While headline ITR figures are largely unchanged, we have seen the percentage of underlying borrowers set emissions reduction targets rise to ~45% (Scope 1+2) and ~32% (Scope 1+2+3) in FY24 (vs. ~23% and ~14% respectively in FY23). The modelling continues to penalise borrowers without targets with a 4ºC trajectory.

Private Credit (PC)

PC has the second highest modelled ITR of 2.20ºC at 2050, which worsens from being 1.98ºC aligned at 2030. This is slight improvement to the ITR values from FY23 showing progress with borrowers in setting emissions targets (albeit a higher percentage of shorter-dated targets).

At the date of this analysis, ~24% of the strategy had set emissions reduction targets, the majority of which cover all three scopes of emissions (NB there were several exits over the period).

Special Situations (SS)

SS has the lowest modelled ITR of 2.16ºC at 2050 driven by a larger percentage of its portfolio companies having set carbon reduction targets.

SS has the highest proportion of proxy emissions figures used (~45% across Scopes 1 and 2). As data collection progresses, analysis can be reperformed in order to gain a more reflective understanding of fund alignment.

Scenario Analysis: Stressed Probability of Default (PD)

The Stressed Probability of Default (PD) analysis models the potential impact of climate change to the PD of portfolio investments across different climate scenarios.

Overall, when isolating the impact of climate, there is a small potential impact to PD credit ratings across BSP Ltd's investments to 2030. By 2050, investments may see improvements, with the greatest number of movements modelled to be within PC.

The potential change in EBITDA cashflows across timeframes and scenarios (as established within the CVaR calculation) are used to project the percentage change in PD over time. Therefore, the factors impacting CVaR (namely the sector and geographical composition of BSP Ltd's investments) are also driving the modelled changes to PD.

Stressed Probability of Default - Change in Assets within each Credit Rating Band - Comparison of FY24 vs. FY23

Credit Rating Band	Starting PD	Business-as-Usual		2°C Orderly		2°C Disorderly	
		2030	2050	2030	2050	2030	2050
Aa	-	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
A	-	0.3%	1.1%	0.3%	1.4%	0.3%	1.4%
Baa	3%	13%	14%	13%	13%	13%	13%
Ba	20%	10%	13%	10%	13%	11%	14%
B	73%	71%	66%	71%	66%	70%	66%
Caa	5%	6%	6%	6%	6%	6%	6%

European Liquid Credit (LC)

The majority (~80%) of LC assets are modelled to remain within their current credit risk banding to 2030 and 2050 across each scenario. Europe is anticipated to implement carbon pricing at a higher rate compared to other regions, leading to decrease in profitability in the short- to medium-term.

In the longer term, as the sector aligns with a 2ºC scenario and the relative impact of carbon cost reduces, alongside continued sector growth, profit margins may increase, with an associated fall in PD.

Private Credit (PC)

A small percentage of portfolio companies within PC are modelled to remain in their present credit rating band, with the majority seeing an improvement in credit ratings by 1 to 3 bands to 2030 and 2050 across all three scenarios assessed.

Similar to the CVaR analysis, this is predominantly driven by 1) investments in services sectors; and 2) the modelled revenue growth for the sector and the relatively lower exposure to increased operational costs, such as fuel and procurement prices, improving profit margins and lowering PD.

Special Situations (SS)

The majority (~65%) of SS investments are modelled to remain in their present credit rating band to 2030. From 2030 to 2050, there is a modelled divergence from current credit ratings, including both positive and negative changes. Within the BAU scenario, a number (~20%) of assets may see improvements to their credit ratings, with the same assets experiencing an increase to their credit rating in the 2ºC orderly and disorderly scenarios. We also see negative impacts to investments in fossil fuel companies, where the sector is modelled to considerably decline in the 2ºC scenarios.

* Example: If a credit investment has a current credit rating of "Ba2", -1 represents a movement to Ba3, +1 represents a movement to Ba1.

How to Interpret Scenario Analysis Outputs

It must be noted that where climate and modelling-specific financial data hasn't been available, proxy data (based on sector averages) has been used. As such the CVaR, ITR and PD results will evolve with time as portfolio companies disclose more data. For investors, we recommend utilising the climate scenario analysis results as a guide on how the investment portfolios are positioned and how they might perform in different climate scenarios based on data available today, instead of treating the results as absolutes and concrete projections of future outcomes (especially as the portfolio compositions are likely to change over the coming years through natural churn).

Climate Value at Risk	The CVaR analysis quantifies the projected spread in portfolio company EBITDA between different climate scenarios. The results shown on slide 18 are the net present value of the sum of cumulative changes in portfolio companies' annual EBITDA to 2025, 2030 and 2050 under a 4ºC "hot-house" (BAU) scenario compared to a climate adjusted outcome under a 2ºC scenario (orderly and disorderly). The modelling shows overall BSP Ltd is well positioned across the majority of its portfolio companies. By 2030, BSP Ltd is modelled to have a low exposure to climate change across Private Credit (PC) and Liquid Credit (LC) investments. Special situations (SS) however has a high-modelled exposure at 2030, where EBITDA may see a decline of 10.5% in a 2ºC scenario relative to the 4ºC BAU scenario. By 2050, BSP Ltd's PC strategy may benefit from a small increase to EBITDA in the 2ºC scenarios. Whilst the portfolio companies BSP Ltd invest in will likely change by this point, it can be interpreted as indicative of the potential performance of the types of businesses BSP Ltd currently invests in (particularly for PC where investment periods are longer). EBITDA is modelled to continue to decline for SS in the 2ºC scenarios relative to the 4ºC BAU scenario, driven predominantly by a handful of investments in fossil fuel companies. In practice, BSP Ltd expects this modelled metric to improve as the portfolio naturally churns (including exits from fossil fuel companies) and underperforming companies go through recovery as part of the SS investment strategy.
Implied Temperature Rise	Overall, BSP Ltd's credit strategies are modelled to be between a 2.16ºC and 2.27ºC aligned temperature pathway at 2050. These implied temperature pathways for the strategies are driven downwards as a result of the geographies and sectors of the portfolio companies (mainly Western European and services based). However, these factors are offset by a lack of targets set across a number of portfolio companies (which remains an ongoing issue for companies in the sub-investment grade / mid-market space). Where there are no targets, portfolio companies are modelled to be aligned to the 4ºC BAU scenario in future periods, which penalises the ITR result. We expect the ITR values to change (with a reduction more likely) as more portfolio companies release climate targets. Currently, for Scope 1 & 2: ~39% of portfolio companies in LC; ~24% of companies in PC; and ~41% of companies in SS have set targets (with 4ºC BAU ITR modelled for the remainder). Additionally, at the date of this analysis, not all companies have comprehensive emissions inventories (across Scope 1-3). Therefore, the ITR modelling may not be truly reflective of their current emissions intensity.
Probability of Default	The PD analysis models the potential impact of climate change to the PD of portfolio companies across different climate scenarios. Overall, there is a small impact to PD credit ratings across BSP Ltd's investments to 2030. By 2050, there is a marginally greater divergence, with PC seeing the greatest number of potential improvements to credit ratings (up to 100% of portfolio companies) with an associated reduction in PD. SS may see a divergence in credit ratings by 2050 relative to the strategy's starting position. This includes negative impacts to investments in fossil fuel companies, where the sector is modelled to considerably decline in the 2ºC scenarios. In practice, BSP Ltd expects this modelled metric to improve as the portfolio naturally churns (including exits from fossil fuel companies) and underperforming companies go through recovery as part of the SS investment strategy.
Drivers of Financial Exposure	BSP Ltd currently primarily targets investment in Western European portfolio companies – these countries typically have established transition plans and NDC targets. These actions are already factored into the 4ºC BAU scenario, resulting in a smaller difference between a 4ºC hot-house BAU and 2ºC scenarios. Additionally, BSP Ltd is primarily exposed to services sectors within the LC and PC strategies. Services companies are modelled to be less impacted than heavier industry entities as they can focus on decarbonising their operations with (relatively) limited barriers to change with respect to core business offerings, reducing overall CVaR. The high CVaR values for SS can in part be attributed to the companies' lower profit margins or even their status as loss-making entities, at the date of this analysis. When a business operates with a lower profit margin, it becomes more vulnerable to modelled cost increases, even if the sector is anticipated to grow in a 2ºC scenario.

Scenario Analysis: Physical Risk

Overall, the impact of physical risk is modelled to be low relative to transition risk, with the impact to earnings for BSP Ltd's European-based investments potentially lower than other regions.

Our modelling includes both acute and chronic risks across eight perils: coastal inundation, soil subsidence, surface water flooding, extreme wind, forest fire, extreme heat, freeze/thaw.

These risks are estimated as the losses and reduction to asset value due to physical hazards in a given sector and location. This is calculated by applying a "productivity loss" metric that leverages "damage curves" (i.e. quantifying the damage associated with an event of a given severity) and quantifies the potential lost revenue due to operational disruption as a result of climate change.

Analysis

The tables to the right are based on the indicative impact of physical risk to the sector in each region in a counterfactual 2ºC scenarios comparative to the 4ºC hot-house scenario. The scale used is based on the relative impact in comparison to other sectors and regions within the portfolio. Please note, our modelling primarily considers transition risk and, as such, physical risk is a relatively small impact.

The majority of investments are based in Western Europe. As such, our analysis identifies that overall physical risk is low relative to the transition risks faced by the portfolio, with the caveat that our analysis is focused on the primary operating region whilst larger investments may have assets globally that are more highly exposed to physical risks.

Physical Risk – Own Operations:

We consider that the Firm's own operations are not materially exposed to physical climate-related risks because it's a professional service firm operating out of one office and is not reliant on complex supply chains.

From a real estate perspective, the firm operates from a leased office, and our employees can work remotely. Physical risk assessment of our London office indicate we are unlikely to be materially exposed to physical climate-related risks in the short and medium term.

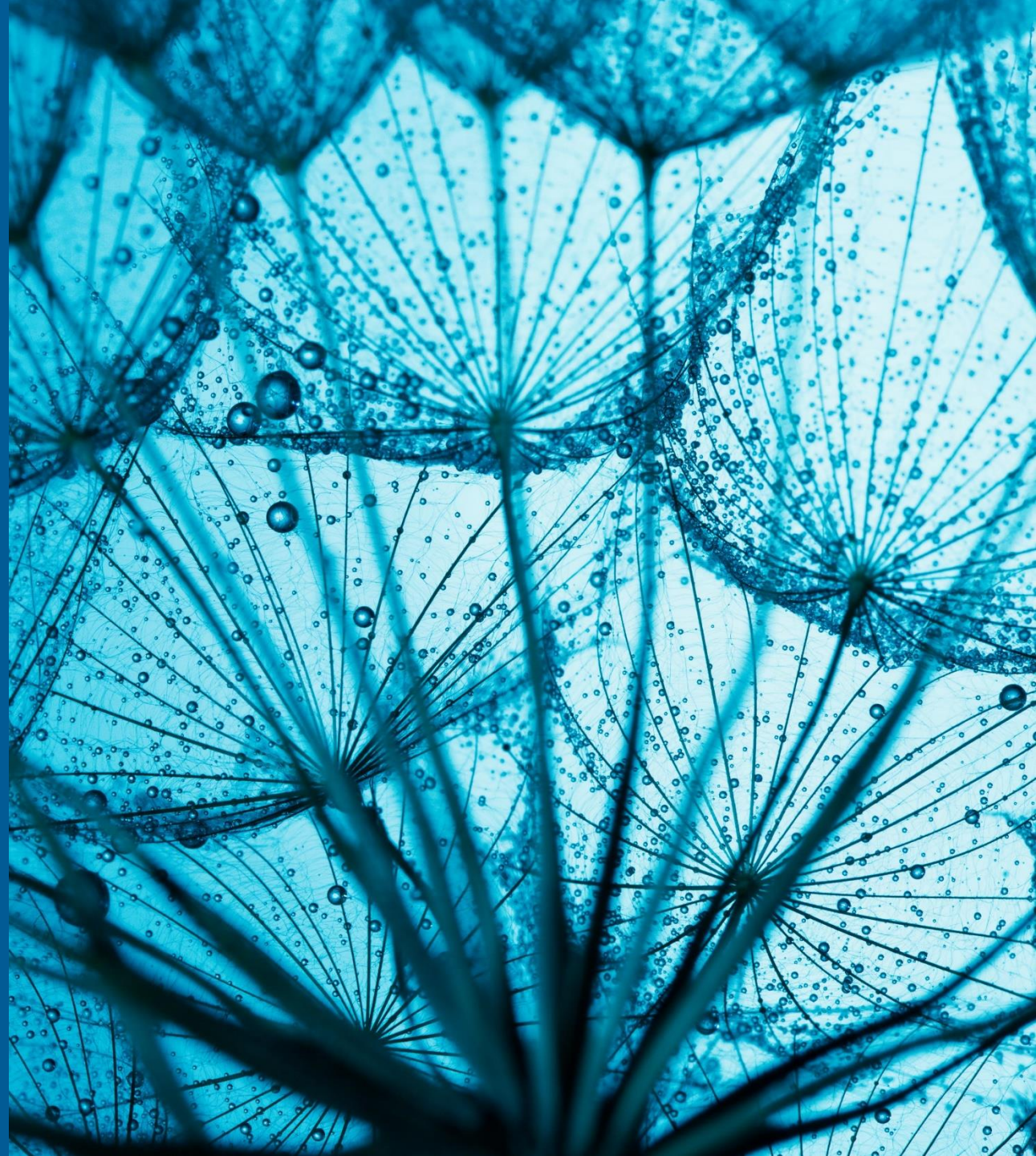
Disorderly 2ºC as at 2050			
Physical Risk by Sector	**Asia**	**Europe**	**North America**
Communication Services	N/A		
Consumer Discretionary			
Consumer Staples	N/A		
Energy	N/A		
Financials	N/A		
Health Care			
Industrials	N/A		
Information Technology	N/A		
Materials	N/A		
Utilities	N/A		N/A

Orderly 2ºC as at 2030			
Physical Risk by Sector	**Asia**	**Europe**	**North America**
Communication Services	N/A		
Consumer Discretionary			
Consumer Staples	N/A		
Energy	N/A		
Financials	N/A		
Health Care			
Industrials	N/A		
Information Technology	N/A		
Materials	N/A		
Utilities	N/A		N/A

Physical risk Key: High impact | Moderate impact | Low impact

N/A represents sector and region combinations that have no assets in the portfolio.

3 RISK MANAGEMENT



Risk Management

BSP Ltd's risk management program includes a risk appetite framework covering the key risks faced by our organisation. Our Risk and Compliance team, in collaboration with risk owners, identify qualitative and quantitative metrics and tolerance thresholds for defined risks to be used for monitoring on an ongoing basis. When metrics approach the predefined threshold levels, the risks are flagged for possible intervention from the business units and risk teams, and steps are taken to identify reasons for a metric approaching a threshold and the measures needed to address and mitigate the risks. These risk appetite statements are refreshed periodically, and the metrics used for this ongoing monitoring are reviewed and assessed on a quarterly basis.

When assessing potential risks from its ongoing operations, BSP Ltd has considered the following:

1. An assessment of BSP Ltd's business and operating model to identify all material harms that could result from the firm's ongoing business
2. An assessment of the Firm's full risk taxonomy
3. Considered the current economic cycle and ensuring no new risks have emerged
4. Considered future operational changes which could alter the risk taxonomy

Statement of Risk Appetite

Risk is a fundamental characteristic of BSP Ltd's business and is inherent in every transaction undertaken. As such, the Firm's approach to risk taking and how it considers risk relative to reward directly impacts its success. Therefore, BSP Ltd has established limits on the level and nature of the risk that it is willing and able to assume in achieving its strategic objectives and business plan.

BSP Ltd's Risk Appetite Statement, which is set by the Board, serves this purpose and guides its decision-making processes, including how it pursues its business strategy and the method by which it manages risk and determines whether the risk position is within appetite.

BSP Ltd is a source of innovative investment solutions for its clients, where key risks faced are operational, inclusive of the failure to meet fiduciary obligations. Strategic risk may arise from the failure to remain relevant and competitive, and some credit risk and market risk may arise from exposure to foreign exchange or seed capital investments. Additionally, the Board recognises that reputational risk could arise from shortcomings in any of these areas.

BSP Ltd is committed to ensuring all business activities are conducted with a clear understanding of the risks, maintaining a robust risk management framework, delivering excellence, ensuring transparent disclosure, and treating customers fairly, and meeting the expectations of major stakeholders, including clients, shareholders, employees, and regulators. The Board expects a culture of honesty and openness from all staff with a bias to escalation in case of doubt.

Risk Management Function: Lines of Defence & Elements of Operational Risk

BSP Ltd's approach to investment risk management and operational risk management is to ensure that all material risks to which BSP Ltd is exposed are defined, understood and effectively managed. A key aspect of BSP Ltd's Risk Management Framework is the establishment of the 'Three Lines of Defence' model that cover the 'Elements of Operational Risk'.

Three Lines of Defence Model

1

The First Line of Defence:

Owns and is accountable for the identification, assessment and management of risks that arise through the course of its business and service provision.

2

The Second Line of Defence:

Consists primarily of the Risk & Compliance Team. A key responsibility of the 2nd line of defence is oversight and challenge of the 1st line of defence identification, assessment and management of its risks.

3

The Third Line of Defence:

This is Internal Audit, which is organisationally independent from both the first and second lines of defence. A key responsibility of the third line is to opine on the adequacy of the framework and governance processes and undertake periodic reviews.

Elements of Operational Risk

1

Risk Identification, Assessment & Measurement:

Periodic risk assessments; analysis of risk events; scenario analysis; financial analysis; and understanding market practice. Qualitative and quantitative measurement of risk; and determination of risk capital.

2

Risk Management & Mitigation:

Implementing control and process enhancements in response to risk identification, assessment & measurement.

3

Monitoring & Reporting:

Escalation and oversight, including tracking the reporting of Key Risk Indicators against Board-approved risk appetite.

Risk Management Framework: Climate Risk

Our risk management framework sets out how we identify, measure, monitor, manage and report on the risks to which our business, customers and wider society are, or could be, exposed to (including climate and other sustainability related risks). Risk management is embedded across the Firm, which ensures that current and emerging risks are identified, assessed, monitored, mitigated, and appropriately governed based on a common risk taxonomy and methodology.

Pillars of BSP Ltd's Risk Management Framework

Corporate Risk Management

Risk management of the risks inherent in the activities of the Firm

Investment Risk Management

Risk management of the client funds

Integrating Climate-related Risks into Risk Management

BSP Ltd recognises climate change to be a significant risk over the medium to long term horizon to wider society. Its impacts are already being felt.

We continue to improve our understanding of climate transition, physical and litigation (including greenwashing) risks. Climate and other sustainability risks have been part of our risk policies.

Identifying snd Assessing Climate-related Risks

Going forward, we aim to identify potential exposure to climate related risks via the associated physical risk, transition risk and litigation risk for all direct investments via our Climate Risk Tool.

As outlined in this report, we use scenarios analysis to understand how climate-related risks might impact our investment strategy, and in turn our financial resilience, operational infrastructure, and franchise/reputation. Going forward, this will help guide management actions we might need to take as a result.

Monitoring snd Managing Climate-related Risks

We use several metrics to monitor and manage alignment with national targets on climate change and the potential financial impact on our business, including operational carbon emissions and financed emissions via our investments.

We use scenario analysis as an input to our risk assessment processes to test the resilience of our business strategy and adapt our business to ensure its longevity as an asset manager.

Risk Management Framework: Roles & Responsibilities

The Board of Directors of BSP Ltd has overall responsibility for the corporate risk management framework and is supported in the effective deployment of the framework by its delegated committees. Key roles and responsibilities of teams responsible for assessment & management of climate-related matters as well as providing associated risk & control functions are listed below.

Investment Teams

Investment teams identify and evaluate potential ESG & climate risks at the portfolio company level through propriety tools we have created (see next slide). Managing ESG & climate risks (mitigation efforts), involves active engagement with portfolio companies to understand disclosure, emissions reduction plans and management capabilities do deal with climate risk.

Responsible Investment Team

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 into investment decisions. The team works closely with the investment teams to integrate ESG and climate analysis tools, training, and monitoring of climate risk across our investments.

Risk & Compliance

The Risk & Compliance team is independent from all investment teams and may escalate matters directly to the Risk Committee and to the Board.

The Risk & Compliance team has oversight of the adequacy of controls of the investment process.

Along with the Legal team, Risk & Compliance monitor climate and sustainability-related regulatory developments across core jurisdictions in which we operate. It tracks any new climate-related legislation that could be enacted, or new interpretations, rulings, or regulations that could be adopted, including those governing the types of investments we are permitted to make.

Audit

Audit ensures the firm maintains effective controls by assessing the reliability of reporting, monitoring the firm's compliance with laws and regulations, and advising senior management and the Board of Director on developing control solutions.

Audit also provides assurance around the investment process and the ability to achieve the investment objectives as well as manage market, credit, and liquidity risk within risk appetite.

ESG & Climate Risk Assessment & Monitoring

BSP Ltd takes into account its responsibilities towards its stakeholders, clients, shareholders and employees with regards to investment and performance. Our ESG integration process emphasises 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 into the investment process, including: i) ESG Exclusions; ii) Sector Materiality Guide; iii) ESG Checklist Tool; and iv) Climate Risk Tool.

ESG Exclusions

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 investments (with the exception of our Structured Credit strategy). For a full list of exclusions, please see our Responsible Investment policy.

Sector Materiality Guide

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 Checklist Tool & Scores

BSP Ltd's ESG Checklist Tool 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 portfolios.

Our ESG scoring system relies on the assessment of more than 20 qualitative and quantitative indicators across each of the E, S, and G pillars. To inform issuers' scores, we rely on corporate disclosures and leverage our credit analysts' in-depth knowledge of their portfolio 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 (with 1 representing 'no risk' to 5 representing 'very high risk'). If an issuer scores 4 or 5 at a pillar or aggregate level, it will be referred to the 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.

Climate Risk Tool

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 across Scope 1-3 and seek to track performance over time. Where companies do not disclose this information, we use third party estimated emissions data.

In addition, analysts also assess how well-prepared issuers are to manage the climate transition; for example, by considering companies' climate transition plans and targets. The tool calculates a climate risk score, which feeds into the ESG Checklist Tool.

4 Metrics & Targets

Metrics & Targets

BSP Ltd is an alternative asset manager with an institutional client base. We control individually managed accounts and institutional funds and invest primarily in European and North American markets. As of March 2025, we have $30 billion of assets under management (AUM) and expertise in Senior Secured Loans, High Yield Bonds, Direct Lending, Structured Credit, Special Situations and Multi-Strategy credit.

AUM by Strategy

52% European Liquid Credit

22% Structured Credit

22% Direct Lending

4% Special Situations

Portfolio Companies (Directly Invested In)

>300 European Liquid Credit

>35 Direct Lending

>35 Special Situations

CLO Managers Invested With

>90 Structured Credit

We work with investors around the world to help them make the most of the market opportunities Our clients gain access through a large range of investment funds and where required we can help them build a portfolio tailored to their own specific needs and requirements.

Investor Base by Geography

28% North America

39% Europe

33% Asia & Middle East

Investor Types

35% Pension Funds

20% Banks

15% Insurance

10% Wealth Managers

20% Gov., Asset Managers, Other

Climate Metrics: Portfolio Investments (Scope 1 & 2 Only) – FY23 vs FY24

BSP Ltd uses several metrics and tools to assess climate-related risks and opportunities. While a source of important insight into BSP Ltd's climate-risk exposure and a measure of progress towards our net zero commitment, some of these metrics have inherent limitations (e.g. scope of coverage, availability of data as well as the uncertainty associated with some of the underlying assumptions).

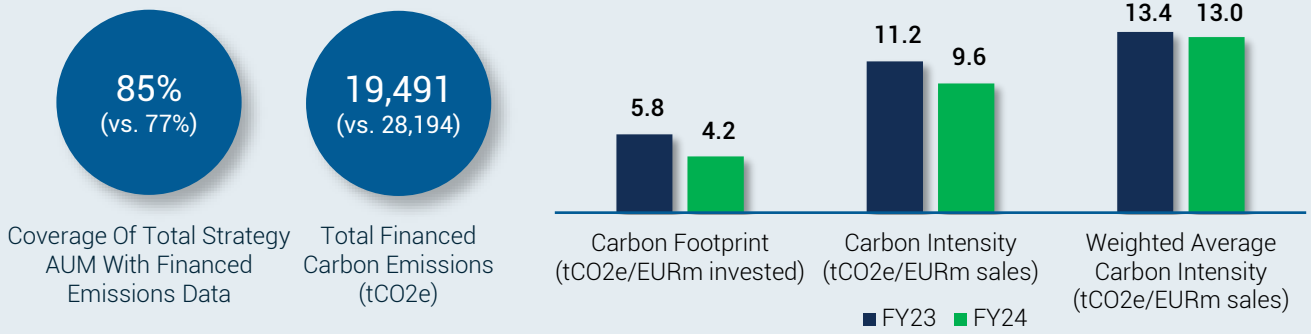
We utilise internal data and proprietary tools and methodologies, as well as external data sources and providers, to produce these climate metrics. Please note, proxy data has been utilised to fill climate data gaps at the date of this analysis where information from portfolio companies was not available.

For assets under management, we use four key climate metrics (see "Appendix" for definitions):

1. Total Financed Carbon Emissions (tCO2e)
2. "Carbon Footprint" - Financed Carbon Intensity Per Euro Invested (tCO2e/EURm invested)
3. "Carbon Intensity" - Financed Carbon Intensity Per Euro Revenue (tCO2e/EURm sales)
4. Weighted Average Carbon Intensity (WACI) (tCO2e/EURm sales)

While essential, carbon emissions analysis only tells part of the story. It is a static and backwards-looking metric that does not provide a view on progress companies are making to reduce emissions, their investments in low-carbon solutions, or an indication of their performance or valuation under a net-zero transition or other climate scenario (and hence the need for Scenario Analysis – see "Strategy" section).

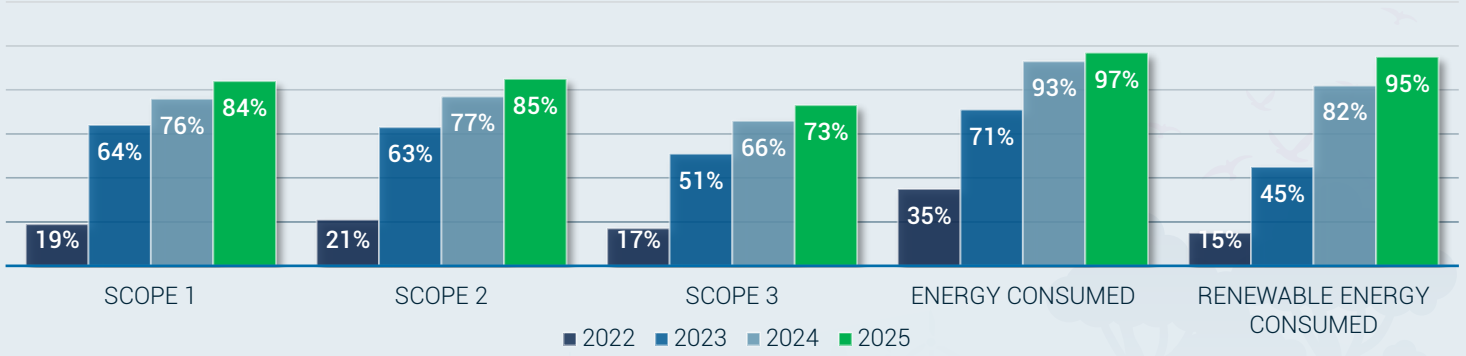
Private Credit



Low carbon metrics of the strategy is driven by the portfolio being weighted towards the services sectors (~65%) and operating predominantly (~80%) in Europe.

At the date of this analysis, ~24% of the strategy had set emissions reduction targets, the majority of which cover all three scopes of emissions. The strategy aims to utilise ESG KPIs focused on carbon reduction (via Sustainability-Linked Loans) to achieve portfolio decarbonisation.

Each year we ask all our portfolio companies to fill in a detailed ESG questionnaire. In 2025, we once again placed a greater focus on aligning the climate questions to TCFD recommendations. We have already achieved a response rate of 100% for the 2025 questions and have again seen strong year on year increases in the number of companies reporting climate data as shown in the table below:



Climate Metrics: Portfolio Investments (Scope 1 & 2 Only) – FY23 vs FY24

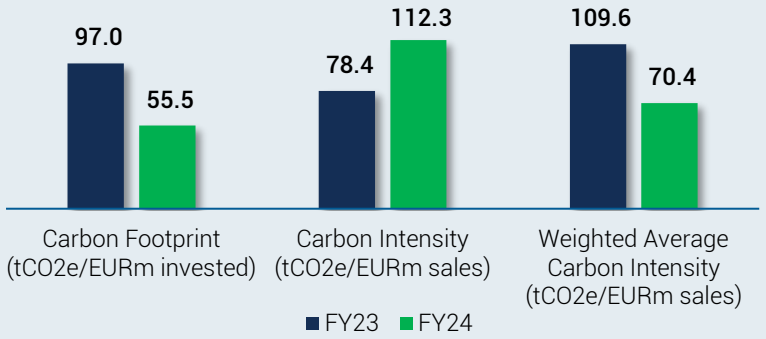
European Liquid Credit

85% (vs. 67%)

Coverage Of Total Strategy AUM With Financed Emissions Data

452,361 (vs. 548,834)

Total Financed Carbon Emissions (tCO2e)



The carbon intensity metrics for the strategy driven by sector allocations (e.g. services account for ~46% of LC). In addition, these sectors are well placed to take advantage of global decarbonisation trends.

BSP Ltd's LC strategy is the largest of the three modelled, with varying levels of investments in 302 portfolio companies. These portfolio companies tend be larger in term of scale of business operations, supply chains and emissions than PC portfolio companies (resulting in corresponding higher intensity metrics).

Across 2024, as part of TCFD efforts, Investment Analysts engaged with the majority of portfolio companies to measure their carbon footprint and carbon reduction pathways. Through the combination of engagement and issuer-led decarbonisation activity, we see an improvement in FY24 results.

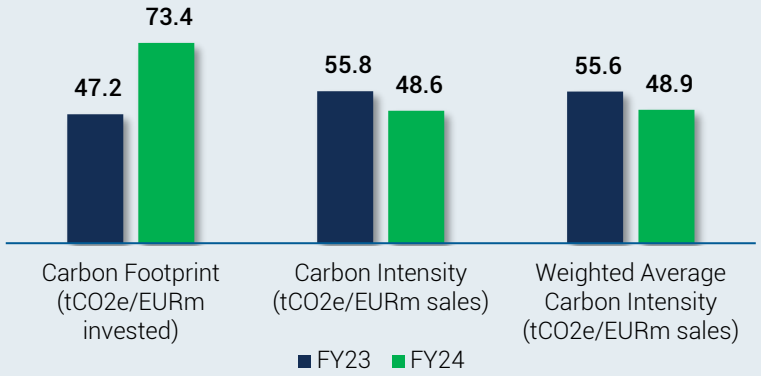
Special Situations

78% (vs. 66%)

Coverage Of Total Strategy AUM With Financed Emissions Data

102,807 (vs. 65,930)

Total Financed Carbon Emissions (tCO2e)



Despite the distressed / stressed status of businesses within the Special Situations portfolio, a relative high percentage of the portfolio publishes GHG emissions data & reduction targets (as shown by strong ITR values).

The relatively high total financed carbon emissions, despite the portfolio size, is driven by large holdings value relative to EVIC (meaning a higher proportion of portfolio company emissions are attributed to BSP Ltd). The strategy's largest exposure is to the food, building materials, healthcare, retail and autos sectors.

Overall coverage percentage increased, which is reflected in higher total financed emissions. But lower carbon intensity metrics than LC (and vs. FY23) show a truer picture of emissions on a per € invested or per € revenue basis.

Climate Metrics: Portfolio Investments (Scope 1 & 2 Only)

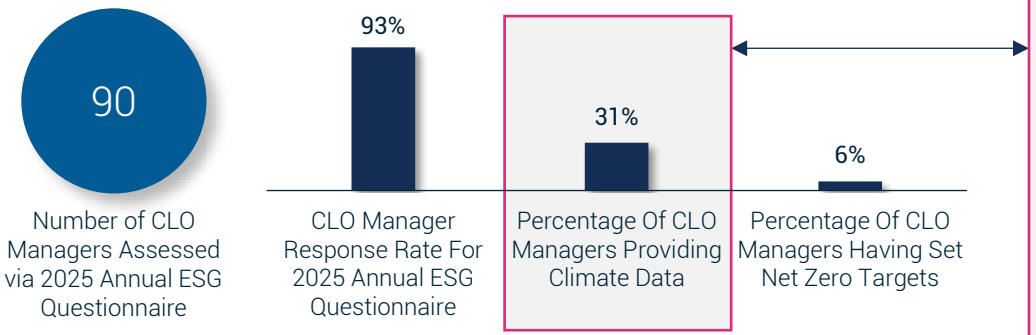
Structured Credit

The CLO tranches our Structured Credit (SC) strategy invests in provides exposure to pools of loans managed by external firms. Furthermore, CLOs are dynamic and allow reinvestment with the asset pool, therefore we are not able to control what the CLO manager is purchasing. Due to the nature of these investments, analysts' engagement regarding climate & TCFD considerations primarily sits with the CLO managers – as is standard market practice – as opposed to the underlying portfolio company investments. As a result, BSP Ltd is reliant on CLO managers producing climate and TCFD-relevant data metrics. As part of our TCFD reporting, we have been actively working with the CLO managers to request climate data and upskill them, where possible, including:

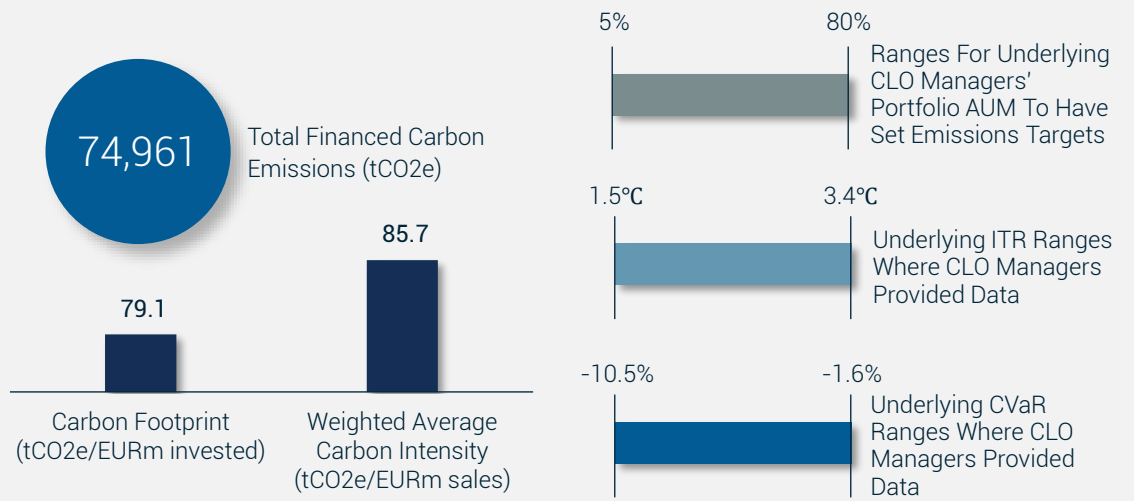
- To help CLO managers understand their climate data reporting requirements and reduce their carbon footprints, our Responsible Investment and Structured Credit teams collaborated to produce a climate guide which was circulated with all CLO managers we invest with. This provides a step-by-step resource for understanding TCFD regulation, calculating and reducing emissions and setting science-based emissions targets for their portfolio companies
- Several direct engagements with CLO managers on ESG exclusion, carbon data mapping, and evidencing engagement activity across their portfolios (engagement can include encouraging data disclosure; setting emission reduction targets; establishing a climate change policy; business preparedness to manage climate risk & opportunities, etc.)

2025 ESG Questionnaire Results: During 2025, our annual questionnaire sent to CLO managers includes TCFD focused questions:

1. Requested data on underlying emissions of their portfolios (Scope 1-2)
2. Requested data on percentage of issuers in their portfolios that have set carbon targets (incl. whether CLO managers had set a net zero target)
3. Requested scenario analysis data for CLO portfolios: CVAR & ITR



SC portfolio climate data based on investments in CLO managers that responded to the 2025 ESG Questionnaire with climate data (28%) for their underlying CLO investments:



Climate Metrics: BSP Ltd - Own Operations (Scope 1, 2 & 3)

Own Operations	2024
	TCO2e
Scope 1 emissions	0
Scope 2 emissions	0
Scope 3 emissions (business travel)	214

Head Office – Accounting For Scope 1 & 2 Emissions

BSP Ltd head office is located at Cannon Place, 78 Cannon Street, London, EC4N 6HL.

The office is powered with 100% renewable energy. This meets the quality criteria of the GHG Protocol (2015) for reporting zero carbon emissions and has been independently assured by EcoAct.

The building has an EPC rating A.

In addition, there is no usage of gas or oil for heating or other purposes across BSP Ltd operations.

As such, both Scope 1 and Scope 2 emissions for BSP Ltd are zero.

Business Travel & 3rd Party Suppliers – Accounting For Scope 3 Emissions

For the period 12-month period to 31 December 2024, the firm produced 214 tCO2e of Scope 3 emissions related to business travel (which accounts for the vast majority of the firm's estimated total Scope 3 emissions). Emissions associated with business travel are calculated by the firm's travel agency TAG Group – emission values are based on emissions factors from DEFRA.

Emissions associated with other 3rd parties remain limited as suppliers are predominantly office-related suppliers such as catering, office stationery suppliers, and external printing.

Targets

As BSP Ltd has already achieved net zero for its Scope 1 & 2 emissions, our focus of the coming years will be to reduce Scope 3 emissions.

As business travel accounts for the vast majority of our Scope 3 emissions, our focus will be on reducing that footprint.

1. As an immediate action, TAG Group already prioritises low emission flights and travel (e.g., through the use of green taxis)
2. BSP Ltd employees carry out air travel only when essential
3. Longer term, reduction in emissions linked to air travel will be aligned to the aviation industry's efforts to reach net zero through a combination of a) improved efficiency of flights and operations; b) use of sustainable aviation fuels (SAF); and c) new technologies

We are working closely with our office 3rd party suppliers to ascertain their carbon footprints, including plans on reducing their emissions. We hope to report on progress made during the next TCFD report.

5 Appendix

Greenhouse Gas Protocol

Many standards and methodologies exist for carbon accounting. The most widely used and recognised standard is the Greenhouse Gas Protocol (GHGP).

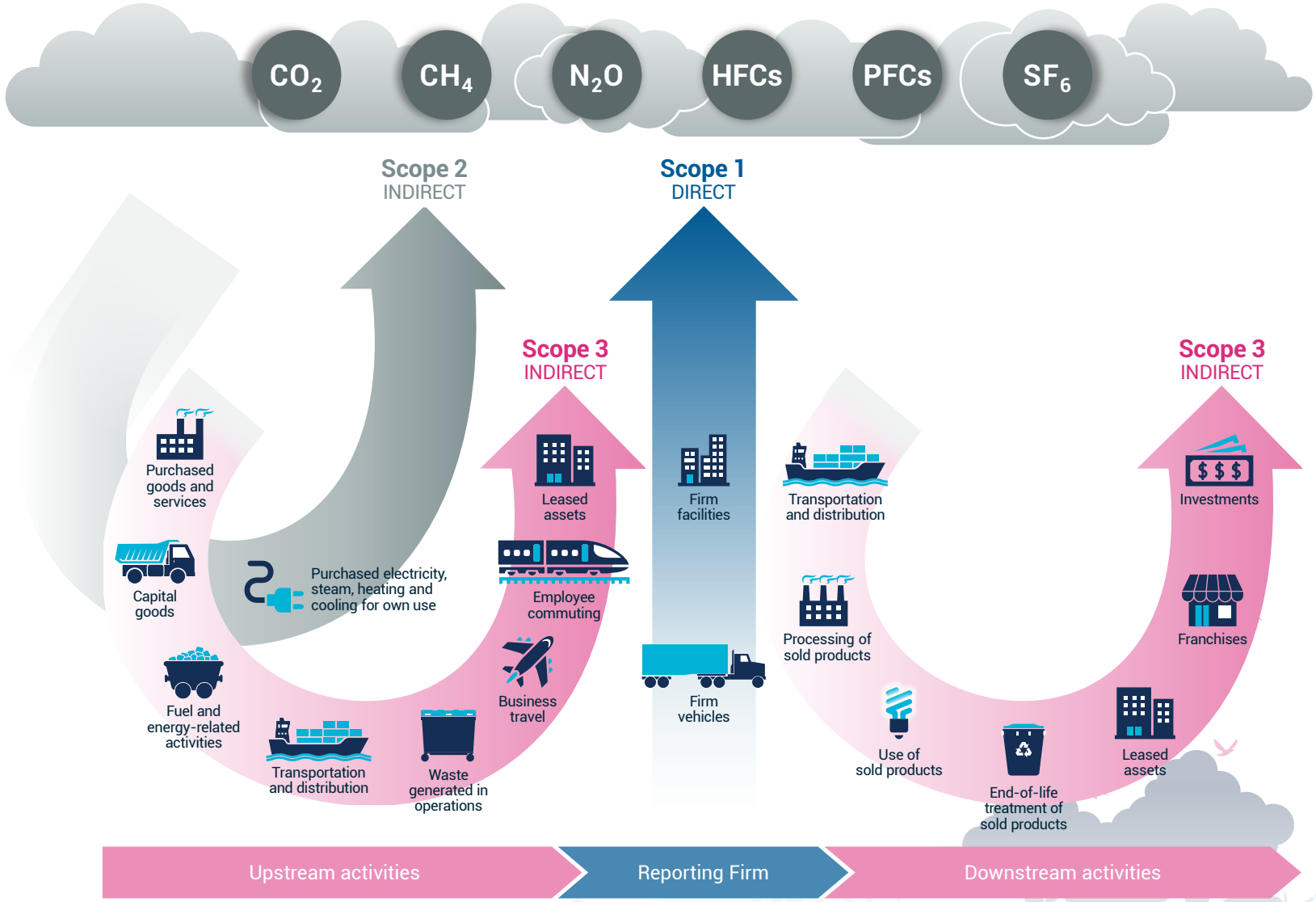
For structure and clarity to understand one's carbon footprint, The GHGP groups emissions under three scopes. Understanding these categories is essential for accurate measuring of a company's carbon footprint.

Scope 1: Direct emissions from owned or controlled sources;

Scope 2: Indirect emissions from the generation of purchased electricity, steam, heating, and cooling;

Scope 3: All other indirect emissions that occur throughout a company's value chain, which are split into 15 different categories. These include business travel, upstream and downstream transportation and distribution, capital goods, and processing of sold products

A corporate carbon footprint does not only include carbon dioxide (CO2) but the sum of all greenhouse gas emissions that are released as a result of a company's operations.



Climate Scenario Analysis is a Tool to Understand Potential Climate Exposure

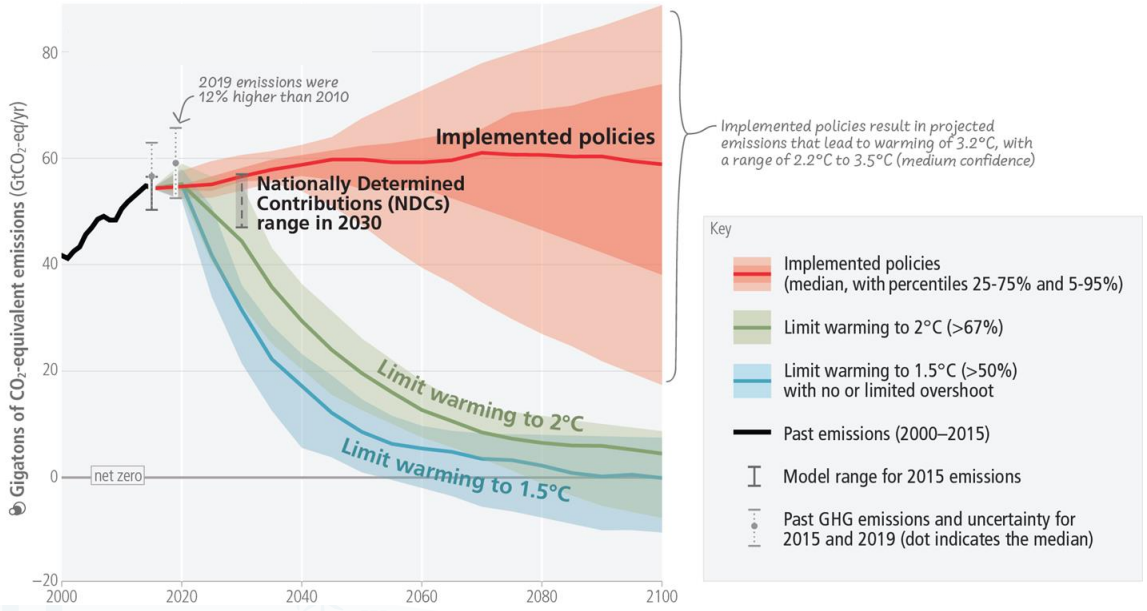
What Is A Scenario?

A scenario describes a path of development leading to a particular outcome. Scenarios are not intended to represent a full description of the future, but to highlight central elements of a possible future and to draw attention to the key factors that could drive future developments. Therefore, scenarios are hypothetical constructs; they are neither forecasts nor predictions; nor are they sensitivity analyses.

What Is Climate Scenario Analysis?

Scenario analysis is a tool used to explore different futures by capturing different assumptions about policy and our physical climate to project a range of possible outcomes.

Keeping Warming to 1.5℃ And 2℃ Involves Rapid, Deep and in Most Cases Immediate Greenhouse Gas Emission (CO2 & CH4) Reductions



What Are The Benefits Of Quantified Climate Scenario Analysis?

Understanding potential exposure to climate risks and opportunities enables more informed, strategic decision-making, including:

- Meeting regulatory requirements (FCA PS 21/ 24).
- Enhanced portfolio engagement
- Informing diligence processes
- Engagement with LPs
- Informing exit and investment strategies

Integrated Assessment Model Used to Perform Climate Scenario Analysis

	BSP Ltd Specific Inputs	Economic Scenarios		Physical Risk Impacts
Underlying Data Sources	Portfolio company specific data across BSP Ltd's investment strategies including: • Region and sector of operation • Scope 1, 2 and 3 emissions • Where relevant, details of emissions reduction targets • Financial information including revenue and operating expenses	BSP Ltd-specific sector and regional data		BSP Ltd-specific regional data XDI: The Cross Dependency Initiative
		International Energy Agency (IEA)	Model for the Assessment of Greenhouse Gas Induced Climate Change (MAGICC)	
		GTAP-Power Data Base: Version 10	Joint Research Centre (JRC) GECO reports	
		Journal of Global Economic Analysis	IIASA shared socioeconomic pathways database: • Population scenarios by age, sex and level of education for all countries to 2100 • Long-term economic growth projections	
		Global Energy and Climate Outlook 2019: Electrification for the low-carbon transition		
Proxy Data	Proxy data was utilised in instances where portfolio company-specific data was not readily available	Shared Socioeconomic Pathway 2 (SSP2) middle of the road assumption: • Global population growth is moderate and levels off in the second half of the century • GDP continues to grow in line with historical trends		Portfolio company locations and the use of country-specific data
Scenario Analysis Output	N/a	Potential financial impact of transition risks from 2024-2050 to BSP Ltd's strategy base information due to potential changes to macroeconomic variables based on the region and sector in which each asset operates		Business Interruption: the proportion of revenue at risk based on a portfolio company's primary location and the projected financials in each year 2024-2050

Key Modelling Assumptions: Climate Value at Risk

Category	Description
Modelling Assumptions	• The Integrated Assessment model produces transition scenarios by utilising: – Economic data from the GTAP database split by region and sectors to identify relationships between different regions and sectors for output, materials and labour, goods and services, and capital – Emissions and energy data from the Global Energy and Climate Outlook (GECO) – Emissions modelling using the Model for the Assessment of Greenhouse Gas Induced Climate Change (MAGICC) – XDI data on physical risks • For the model to change within scenarios, GDP and population projections are derived using Shared Socioeconomic Pathway 2 (SSP-2) assumptions to project global output growth and changes in labour costs for different regions and sectors. Emissions pathways are developed using the MAGICC model
Physical Risk	• Physical risk impacts are assessed through the potential impact to lost revenue, e.g. the impact of prolonged business disruption in key locations. Physical risk data is externally sourced and includes hazard projections and empirical loss data. Empirical data is used to estimate the losses and reduction to asset value due to physical hazards in a given sector and location, which is indexed forward using projections of hazard propensity
Factors Impacting Results	• **Portfolio company starting financial position:** At an asset-level, the modelling uses a combination of specific variables such as demand for fuels, electricity, labour and other commodities to model the potential impact to a portfolio company's cost base. The starting total and breakdown of operational costs is therefore a key assumption that can impact the results • **Economic trends - sector:** We model the sector output under each scenario differently, considering the current sector growth under 4ºC BAU scenario and the impact to the demand for sector in a decarbonising economy. For example, under the 4ºC BAU scenario, the Oil, Gas and Consumable Fuels sector is projected to grow, however, under the 2ºC scenarios, the economy is required to transition away from this sector and, therefore, we model the sector to decline to 2050. As a result, the initial sector mapping of portfolio companies is a key assumption • **Economic trends - regional:** In order to model the cost impact under 2ºC scenarios, we introduce a carbon price to each region and uses the portfolio company's Scope 1 emissions, projected using a 2ºC-aligned emissions pathway, to model potential carbon costs to the asset. The date and price that the carbon price is introduced varies by region with more advanced regions, in terms of decarbonisation ambitions, introducing a carbon price earlier and at a higher price than less advanced regions. Secondly, the economic variables and emissions projections for each scenario differ by region due to the varying decarbonisation ambitions and current state, and due to regional differences in market and labour dynamics, e.g. labour cost and sector output. Therefore, the geographical location of portfolio companies and the starting EBITDA margin are key inputs that can impact the results • **Portfolio weighting**: We create a weighted average when calculating portfolio- and fund-level outputs. This apportions the asset's CVaR and ITR based on the market value of BSP Ltd's investment in the portfolio company divided by the portfolio company's EVIC
Emissions Scopes Considered	• CVaR only considers Scope 1 as direct emissions will only be impacted by carbon pricing for the individual portfolio company

Key Modelling Assumptions: Implied Temperature Rise

Category	Description
Modelling Assumptions	• The modelling calculates a portfolio company's individual target emissions by creating a linear pathway between its starting emissions, interim targets and long-term targets. It does not assess the likelihood of an asset meeting its targets and assumes that once an asset has hit its longest-term target then it remains at that level of emissions. For example, if only a medium-term target of 40% by 2030 is provided, we model a linear reduction to 2030 and then models to remain at this level of emissions • If a portfolio company does not have a target, we assume the portfolio company's emissions pathway aligns to that of the average company in its sector & region in a 4ºC BAU hot-house scenario • The cumulative amount of emissions within the portfolio company's emissions pathway is then compared to the 2ºC pathway for the same portfolio company. We calculate expected Scope 1 and 2 emissions based on the portfolio company's revenue, sector and region. The portfolio company's reported Scope 3 is added to the portfolio company's emissions pathway to calculate the total carbon emissions to 2050. The total emissions is then projected using pathways derived from the Orderly 2ºC scenario, also used in the CVaR calculation • The difference between the portfolio company's pathway and the 2ºC budget measures the undershoot or overshoot of their 2ºC budget, which is then converted into a change in global temperature
Physical Risk	• The ITR metric does not consider physical risks
Factors Impacting Results	Factors that can influence the ITR outputs: • **Portfolio company's emissions data:** Based on their revenue, the expected amount of Scope 1 and Scope 2 emissions is higher or lower than the reported emissions data, which may result in an undershoot against a 2ºC budget • **Portfolio company's emissions mix**: The proportions of emissions under each scope may differ with each portfolio company , e.g. higher Scope 1 emissions in comparison to a similar portfolio company. As each scope has a different pathway to meet 2ºC, this may lead to an overshoot or undershoot of the 2ºC budget • **Portfolio company's emissions reduction targets:** Ambitious targets may lead to an undershoot against a 2ºC budget while smaller targets may lead to minimal reduction that still result in an overshoot. This is due to modelling that a portfolio company's emissions remains at the target set, unless a long-term target is also set. Therefore, if the target is lower than the required reduction in a 2ºC scenario for the sector, then an overshoot will be modelled to occur • **Portfolio company's Scope 3 emissions data:** Portfolio companies may not report under all 15 categories of Scope 3 emissions. As this will likely result in under reporting an portfolio company's actual Scope 3 and total emissions, this may impact the outputs of the ITR metric, which considers all three scopes • **Portfolio weighting**: We create a weighted average when calculating portfolio- and fund-level outputs. This apportions the asset's CVaR and ITR based on the Market Value of BSP Ltd's investment in the portfolio company divided by the portfolio company's EVIC
Emissions Scopes Considered	• ITR considers all scopes of emissions

Key Modelling Assumptions: Probability of Default

Category	Description
Modelling Assumptions	• We calculate the climate stressed Probability of Default by incorporating the earnings calculated under the CVaR metric to the starting credit rating for portfolio company investments. Using PD percentage data sourced from Moody's, the PD rating is converted into a percentage. The earnings and PD percentage data is inputted into a simplified Merton credit risk model to project the change in the investment's PD percentage to 2050 • Specific inputs that are utilised include: – Emissions data – Sector and geography of the assets – Baseline PD – Financial data including revenue, operational costs and capital expenditure to calculate the debt-to-equity ratio, return on assets and operating profits that is inputted into the simplified Merton model – Physical risk data from XDI
Physical Risk	• The PD metric does consider physical risks as this will directly impact asset values • Physical risk data is externally sourced and includes hazard projections and empirical loss data. Empirical data is used to estimate the losses and reduction to asset value due to physical hazards in a given sector and location, which is indexed forward using projections of hazard propensity
Factors Impacting Results	Many factors that influence the CVaR metric would also affect the PD outputs, including starting financial, emissions, sector and geographical data. However, there are additional factors that can influence the PD outputs which include: • **Portfolio company's baseline credit rating:** The PD percentage change is based off of the starting PD percentage of the portfolio company, therefore, the baseline credit rating will influence the results • **Portfolio company's assets and liabilities data:** The simplified Merton model utilises the starting debt-to-equity and return on assets ratios as inputs, and each ratio requires assets and liabilities data for the individual portfolio company investments
Emissions Scopes Considered	• PD only considers Scope 1 emissions

Key Modelling Assumptions: Physical Risk

Category	Description
Overview	• The proxy data for physical risk, is sourced from XDI and compiled into a consolidated list of sectors for each climate scenario in high level assessment within out modelling
High-level Methodology	• Climate data is based on IPCC AR5 global emission scenarios, based on previous IPCC publications • XDI uses an engineering-based probabilistic modelling approach to quantify risks. They use both general and regional (downscaled from general) circulation models to simulate climate systems • They provide an assessment of exposure and vulnerability of asset archetypes to climate change hazards
Hazard Coverage / Modelling Coverage	The physical risk model includes both acute and chronic risks, including: • Riverine and surface water flooding • Forest fire • Weather related events such as extreme wind, extreme heat and freeze/thaw • Coastal inundation • Soil subsidence
Use Case	• Analysis using the proxy physical risk dataset is more suitable for large portfolios, where the main aim is to get an overall/initial understanding into physical risks • It may be most useful as an input into an overall risk assessment
Outputs and Metrics	• Results are integrated into CVAR analysis and typically presented as a % of total EBITDA across different timeframes
Required Inputs	• Scenario selection • Sector and region of investments • Revenue and costs of investments
Timeframes and Coverage	• CVAR outputs are typically presented across up to three flexible time horizons between 2025 – 2050
Key Benefits	• The results are easily integrated into portfolio analysis and presented in simple-to-understand metrics • Limited inputs required for analysis.

Definitions Glossary

GHG Emissions

Climate Change: The overarching term used to describe the long-term shift in global climates associated with an increase in average global temperatures. These changes can include increased rainfall, increased desertification, more extreme temperature variations or higher frequency extreme weather events

Green House Gas (GHG): Is a gas that absorbs and emits radiant energy at thermal infrared wavelengths, causing the greenhouse effect. The primary greenhouse gases in Earth's atmosphere are water vapor (H2O), carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), and ozone (O3)

tCO2e: Refers to tonnes of carbon dioxide (CO2) equivalent. There are a number of greenhouse gases which warm the earth with different intensity levels. Rather than providing metrics for each gas they are converted into tCO2e for reporting

Nationally Determined Contribution (NDC): Is a climate action plan to cut emissions and adapt to climate impacts. Each country that signed the 2015 Paris Agreement is required to establish an NDC and update it every five years. NDCs are where countries set targets for mitigating the greenhouse gas emissions that cause climate change and for adapting to climate impacts. The plans define how to reach the targets, and elaborate systems to monitor and verify progress so it stays on track

Net Zero: Is an ideal state where the amount of greenhouse gases (GHGs) released into the earth's atmosphere is balanced by the amount of GHGs removed. Decarbonization efforts are needed to reach net zero

Scope 1 Emissions: Are the direct emissions associated with the business operations e.g. a utility company's emissions from combusting fuel

Scope 2 Emissions: Are the indirect emissions associated with the business' heating/power requirements e.g. a software company's emissions from buying electricity

Scope 3 Emissions: Emissions from: purchased goods and services; business travel; employee commuting; waste disposal; use of sold products; transportation and distribution (up and downstream); investments; leased assets; and franchises

TCFD Scenario Analysis

Scenario Analysis: The financial impact of climate change on a fund's assets is assessed based on a range of scenarios that have been assessed using a climate scenario model

Climate Value At Risk (CVAR): Is designed to provide a forward-looking and return-based valuation assessment to measure climate related risks and opportunities in an investment portfolio. Climate VaR is typically calculated using a combination of historical data, modelling techniques, and scenario analysis

Implied Temperature Rise (ITR): This estimates the global temperature increase contribution from a fund's current greenhouse gas emissions trajectory. It is a simplified tool to assess alignment of business strategies with climate goals like the Paris Agreement target

Stressed Probability of Default (PD): The Stressed Probability of Default (PD) analysis models the potential impact of climate change to the probability of default of investments across different climate scenarios. The climate PD is calculated by incorporating the earnings calculated under the CVAR metric to the starting credit rating for investments. Using PD percentage data sourced from credit rating agencies, the PD rating is converted into a percentage. The earnings and PD percentage data is inputted into a simplified Merton credit risk model to project the change in the investment's PD percentage to 2050

Definitions Glossary

GHG Emissions Intensity Metrics

Total Financed Carbon Emissions (tCO2e): Allocated emissions to all financiers. Measures the total carbon emissions for which an investor is responsible by their ownership. Emissions are apportioned based on ownership (% Enterprise Value Including Cash (EVIC))

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{issuer's\ EVIC_i} \times issuer's\ Scope\ 1\ and\ Scope\ 2\ GHG\ emissions_i\right)$$

"Carbon Footprint" - Financed Carbon Intensity Per Euro Invested ((tCO2e/EURm invested): Allocated emissions to all financiers (EVIC) normalized by EURm invested. Measures the carbon emissions, for which an investor is responsible, per EUR million invested, by their ownership. Emissions are apportioned based on ownership (% EVIC)

$$\frac{\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{issuer's\ EVIC_i} \times issuer's\ Scope\ 1\ and\ Scope\ 2\ GHG\ emissions_i\right)}{current\ portfolio\ value\ (€M)}$$

"Carbon Intensity" - Financed Carbon Intensity Per Euro Revenue (tCO2e/EURm sales): Allocated emissions per allocated sales. Measures the carbon efficiency of a portfolio, defined as the ratio of carbon emissions for which an investor is responsible to the sales for which an investor has a claim by their ownership. Emissions and sales are apportioned based on ownership (% EVIC)

$$\frac{\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{issuer's\ EVIC_i} \times issuer's\ Scope\ 1\ and\ Scope\ 2\ GHG\ emissions_i\right)}{\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{issuer's\ EVIC_i} \times issuer's\ €M\ revenue_i\right)}$$

Weighted Average Carbon Intensity (WACI)(tCO2e/EURm sales): Measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' Carbon Intensity (emissions/sales)

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ portfolio\ value} \times \frac{issuer's\ Scope\ 1\ and\ Scope\ 2\ GHG\ emissions_i}{issuer's\ €M\ revenue_i}\right)$$

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