



The background of the slide is a scenic photograph of a mountain lake. The water is calm, reflecting the surrounding green forested mountains and a bright blue sky with scattered white clouds. Overlaid on the left side of the image is a large, semi-transparent teal graphic containing the year '2024'. The '2' and '0' are on the left, and the '4' is on the right, with a diagonal line connecting them. To the right of this graphic, the words 'Stewardship Report' are written in a white, sans-serif font.

DRIVING SUSTAINABLE CHANGE

Contents

The Financial Reporting Council ('FRC') UK Stewardship Code aims to enhance the long-term returns to shareholders via improvements in the quantity and quality of engagement between companies and investors through integration of Environmental, Social and Governance matters into the investment approach. We have integrated the FRC Stewardship definition within our efforts.

This document outlines our stewardship activities during the reporting period 2024, with a focus on the integration of Environmental, Social and Governance factors into our investment process. We believe that our stewardship activities directly support our objective of delivering strong, long-term investment returns for our clients.



Purpose and Governance	1
Principle 1 Purpose, strategy and culture	2
Principle 2 Governance, resources and incentives	9
Principle 3 Conflicts of interest	13
Principle 4 Promoting well-functioning markets	16
Principle 5 Review and assurance	23
Investment Approach	28
Principle 6 Client and beneficiary needs	29
Principle 7 Stewardship, investment and ESG integration	35
Principle 8 Monitoring managers and service providers	44
Engagement	49
Principle 9 Engagement	50
Principle 10 Collaboration	60
Principle 11 Escalation	63
Exercising Rights and Responsibilities	66
Principle 12 Exercising rights and responsibilities	67

“

Vai Patel

Head of Responsible Investment



With upcoming regulations, more stringent stewardship requirements, and additional investor reporting, our commitment to responsible investment is stronger than ever. We are dedicated to not only meeting these regulatory standards but exceeding them by focusing on real-world outcomes and driving meaningful change. By actively engaging with companies, we aim to foster transparency, promote sustainable practices, and create long-term value for our clients and society. Our approach ensures that we are not just passive investors but active stewards of a sustainable future.

Tim Raeke

Head of European Credit Research



Our stewardship approach focuses on the responsibility to our clients and wider stakeholders to create long-term sustainable value. By integrating the principles of the Stewardship Code into our investment decision-making, we ensure that sustainability and corporate governance are central to our fundamental analysis. This comprehensive approach allows us to better understand the risks and opportunities facing issuers today. Our commitment to stewardship is embedded in our culture, driving us to make informed investment decisions that align with our values and those of our clients, ultimately fostering a more sustainable future.

Ruth Davis

COO of Global Business Development



Our success is deeply intertwined with our commitment to stewardship and ESG integration. By embedding these principles into our business strategy, we have enhanced our operational efficiency and strengthened our reputation and client relationships. Engaging with our stakeholders, from investors to the communities we serve, helps us understand their needs and expectations better. This proactive approach ensures that we remain agile and innovative and enables us to drive real sustainable growth.

”



PURPOSE AND GOVERNANCE



1

PRINCIPLE

Signatories' **purpose, investment beliefs, strategy and culture** enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society

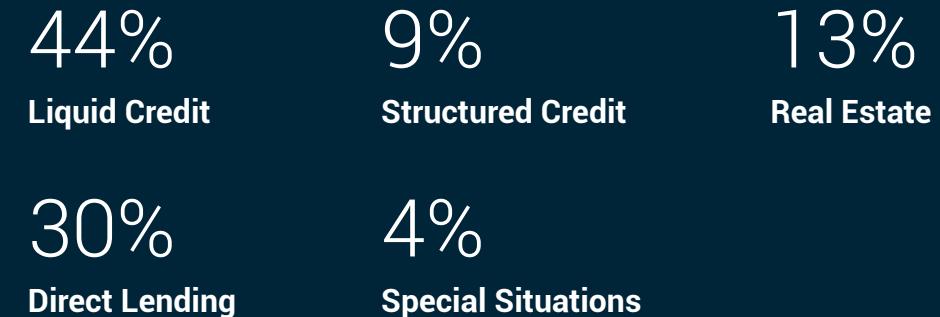


Business Model

BSP Ltd is one of the largest alternative credit managers globally, with a multi-strategy approach targeting attractive opportunities in the global credit markets. It has expertise in Senior Secured Loans, Private Credit, Structured Credit, Special Situations, High Yield Bonds, Multi-Strategy Credit, and Commercial Real Estate. We employ a disciplined, value-oriented approach to evaluating individual investment and portfolio construction across all our investment strategies.

We have a highly experienced team of professionals based across the globe who work across asset classes, business sectors and geographies. Our investment team has significant expertise and a deep understanding of corporate debt across our strategies

AUM by Strategy



The senior management team of BSP Ltd is a diverse group, with female representation in senior roles across the firm, such as: the Co-Head of Direct Lending, the Head of Trading (non-FX), the Head of Structured Credit, the Co-Heads of Product Management, the Head of Operations and the COO of Global Business Development. BSP Ltd's Board of Directors consists of five members, with representation from one independent non-executive director.

Strategy

Our product range has been thoughtfully, and deliberately developed, into a broad, complementary set of investment strategies and products allowing us to work with investors around the world to help them make the most of market opportunities. As a dynamic credit partner, we believe our strategy will, over time, help us make the most of new opportunities as they arise.



We are connected

to the world and our clients and place great importance on keeping in touch with emerging economic trends and major market insights to energise our thinking and keep our business moving forward.

Our Strategy Means



We are solution providers

not product driven, using our unrivalled knowledge to produce smart, credit-led responses and provide client-focused advice with an edge.



We embrace an entrepreneurial spirit

with challenging and fulfilling work in a stimulating environment of learning and expertise to lead the industry by example.



We are invested in

credit and committed to the talent, tech and infrastructure needed to deliver our distinct yet discerning investment solutions that meet a wide range of financial objectives.

Culture

BSP Ltd's culture is sustained by the following three shared values – **creativity, collaboration, and commitment**. These values are the glue that binds the team together. Within this value system, BSP Ltd encourages employees to model these beliefs and behaviours. As a company, we are focused on maintaining a culture that values and exemplifies ethical and honest conduct, to protect our investors' capital and to engage with communities to make them a better place.



CREATIVE

- We listen to our partners and team members
- We share our learning and knowledge
- We strive to have fun as a team



COLLABORATIVE

- We are open to new ways of thinking and we assume a solution is possible
- We recognise the importance of diversity in broadening perspectives
- We prioritize simplicity over complexity



COMMITTED

- We act ethically and honestly
- We aspire to deliver outstanding client and career experiences
- We engage with our communities to make them a better place

INVESTMENT BELIEFS



BSP Ltd's Responsible Investment Policy has been established to outline the principles that guide our investment decisions and stewardship activities. We broadly base our due diligence approach on internationally recognised standards such as the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact. We have been a signatory to the UN Principles for Responsible Investment ("PRI") since 2018.

We believe some corporate activities and behaviours are not compatible with our business values and responsible investment philosophy. Consequently, we have also established ESG exclusion criteria and apply a negative screen to our investments.

As stewards of our clients' capital, we manage our investments in a responsible manner. BSP Ltd believes that responsibly managed companies

are better placed to achieve sustainable competitive advantage and provide strong long-term growth. The consideration of sustainability risk forms an important part of our due diligence process. When assessing the sustainability risk associated with our investments, we assess the potential risk that their value could be materially negatively impacted by environmental, social or governance ESG factors. This analysis requires an understanding of

companies' impact on their environment and society. We believe this approach allows us to make better investment decisions.

We have outlined below our priorities across governance, climate change, environment and social matters when assessing and engaging with companies. Our teams collaborate with clients to determine the allocation, management, and oversight of capital.



GOVERNANCE

As a provider of capital to companies, we have a vested interest in ensuring the issuers in our portfolio can service their credit obligations in a timely manner and that they maintain a stable credit risk profile. Although we do not have the same ownership rights as shareholders, we share common interests. We believe good corporate governance is fundamental to ensure our client's interests as creditors are protected. An effective board is also essential to oversee the adequate management of environmental and social risks. The board sets the tone for the organisation and influences firms' behaviour on environmental and social matters. As part of our governance due diligence, we take into consideration various factors, including but not limited to (i) board structure and composition; (ii) remuneration practices; (iii) anti-corruption practices; (iv) transparency and ethical conduct; and v) oversight of sustainability risks.



SOCIAL

Companies may be exposed to social-related risks through their operations, supply chains and business relationships. As part of our due diligence, we may assess factors related to how companies manage human rights, human capital, the impact of companies' products and services on society, as well as how issuers manage relationships with stakeholders. Social factors may pose reputational, regulatory, and legal risks and costs to companies and, through our rigorous assessment, we aim to not only identify and mitigate these but also act towards incentivising companies to achieve positive outcomes through their product and services and/or their operations.



ENVIRONMENT

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



CLIMATE CHANGE

BSP Ltd believes the economic impacts of climate change will be felt across industries and markets; however, we recognise the magnitude and timing of these impacts remain uncertain. BSP Ltd supports the goals of the Paris Agreement to limit global warming to 1.5 degrees Celsius. An orderly transition in line with the Paris Agreement goals is important to reduce climate-related risks for the companies we invest in. To further our commitment to climate action, we became an official supporter of the FCA's Task Force on Climate-related Financial Disclosures ("TCFD") in January 2020. In June 2024, BSP Ltd published its inaugural TCFD disclosure, the report highlights how we integrate climate-related risks and opportunities into our governance, strategy, and risk management processes.

Actions We Have Taken to Enable Effective Stewardship

Our strategy, culture and investment beliefs provide the foundation for all interactions; they align our values, set our expectations and improve decision making, ultimately enabling us to effectively engage with stakeholders. Over the period, our investment beliefs have guided our stewardship activities and shaped our interactions with the market. The initiatives we will outline demonstrate how our investment beliefs on the importance of addressing climate change and achieving positive outcomes have led to proactive engagement and changes to the portfolio composition.

Initiative 1: Systematic Principle Adverse Impacts (PAIs) Disclosure Investment Strategies Applicable: Liquid Credit and Direct Lending

One of the primary ways we promote environmentally and socially sound investments is by defining these beliefs as key sustainable characteristics of our Article 8 designated funds under the EU Sustainable Financial Disclosure Regime (SFDR) regulation. Both our Article 8 funds in the European Direct Lending and Liquid Credit strategies aim to promote environmental and social characteristics through engagement and increased awareness of greenhouse gas emissions, circular economy practices, human rights, workplace equality, and diversity. Our ESG processes, which underpin how the funds promote these characteristics, have been integrated into our responsible investment approach for several years. As part of the Article 8 classification, these ESG processes are supported by detailed reporting on how the funds embed sustainability into investment decisions to achieve the best possible risk-adjusted returns for our clients. In 2024, we built out our reporting capabilities enabling us to regularly report Principal Adverse Impacts (PAIs) in the quarterly ESG disclosures for both strategies. This enhances transparency, ensures compliance, and builds investor confidence, while also providing valuable insights into the sustainability performance of our investments. These benefits reflect our ongoing commitment to responsible investing and stewardship.

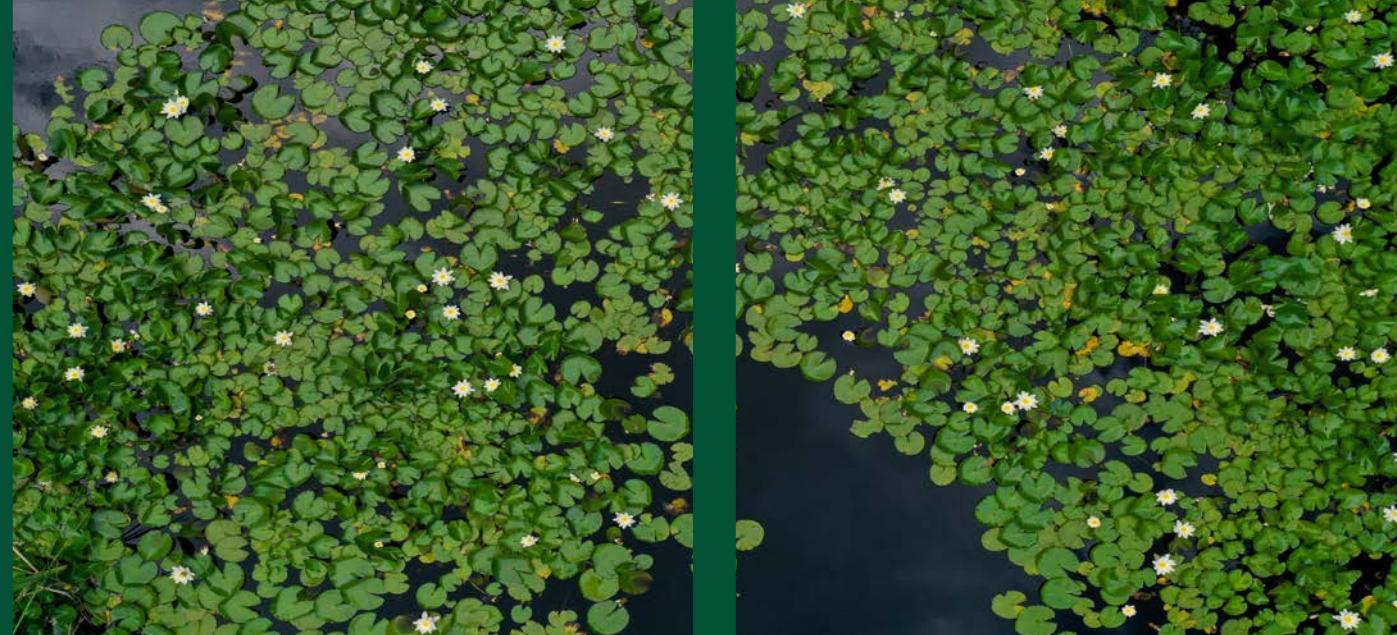
Initiative 2: Achieving Impact in Direct Lending Investment Strategies Applicable: Direct lending

We believe that Direct Lending as a strategy offers advantages over the broader private debt asset class with regards to achieving impact and monitoring outcomes. As a result, BSP Ltd has actively engaged in initiatives to highlight the benefits, challenges, and best practices of impact investing. During the reporting period, we hosted a roundtable with investors to discuss the definition of 'impact' within the private credit asset class. We shared insights on delivering risk-adjusted returns

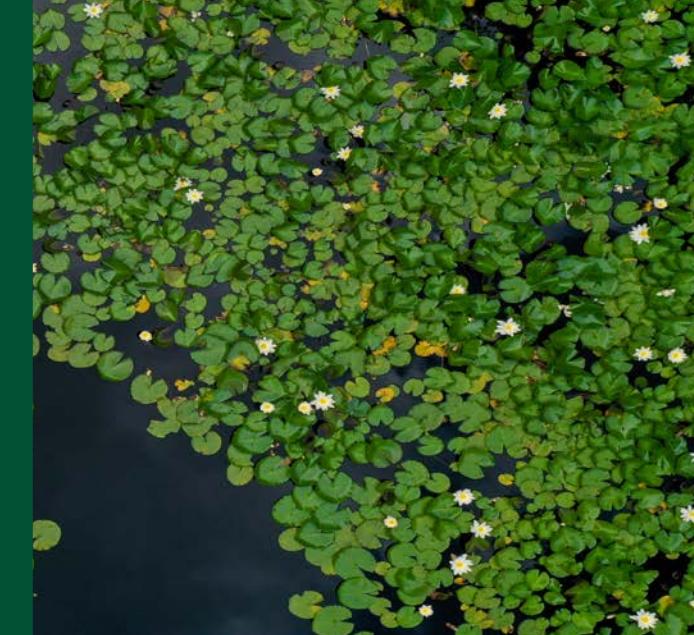
through an impact lens and explored the opportunities and challenges of pursuing positive impact as a Direct Lending investor. In order to increase understanding on the topic, we produced a whitepaper titled "Achieving Impact in Direct Lending", which delves into the key characteristics and evolution of impact investing and explains why we believe direct lending is particularly well-suited to achieving both impact and financial goals. As the market grows, we aim to play a pivotal role in investing in companies whose products and services bring measurable benefits to people and the environment. To do so, we have proactively adopted market-leading frameworks and developed a proprietary Impact Tool to be leveraged throughout our investment process to assess new investments' potential for generating positive outcomes and their alignment with BSP Ltd's sustainable goals. Once invested, we also evaluate embedding outcome KPIs in loan facilities to ensure tangible outcomes are achieved through the borrowers' products, services, and operations as well. Our goal is to support the expansion of impact-like features within the asset classes in which we operate and generate positive change.



Key Outcomes & Effectiveness



Our investment beliefs significantly influence our investment decisions. At the most basic level, our beliefs regarding environmental, social, and governance factors guide which deals we choose to finance and which we reject. For instance, in 2024, our Direct Lending strategy declined 30 deals partly due to ESG considerations. As described in more detail in Principle 11, over the same period we have also divested from a number of oil and gas companies across our Liquid Credit platform that did not align with one of our client's Responsible Investment criteria. Overall, we leverage our investment beliefs to identify borrowers that align with our corporate values, in addition to our exclusion list.



We aim to build partnerships with portfolio companies that, through stewardship and shared targets and KPIs, can contribute to real-world positive outcomes. By doing so, we aim to protect and enhance the value of clients' investments, supporting the delivery of attractive returns. BSP Ltd strives to work collaboratively with clients and beneficiaries, continually acting in their best interest and being a responsible steward of capital. We are dedicated to further integrating our ESG principles across our firm's culture and investment strategies. The improved reporting capabilities, combined with a focus on tangible outcomes, will provide clear evidence of these efforts and their real-world impact.

9

PRINCIPLE

Signatories' **governance, resources and incentives** support stewardship



Governance of ESG Risk

Overall responsibility for ESG matters falls under the BSP Ltd Board of Directors ("the Board of Directors"). 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 Responsible Investment Committee monitors issuers with significant exposure to ESG risks and oversees our ethical exclusions.

Additional responsibilities include the:



Approval of BSP Ltd's responsible investment policies and procedures



Approval of financial products with responsible investment credentials; and



Monitoring of relevant regulatory developments

The Responsible Investment Committee is comprised of senior members 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 Responsible Investment Committee meets on a quarterly basis. BSP Ltd's Responsible Investment policy is approved by the Responsible Investment Committee and presented to the Board of Directors. The policy is reviewed on an annual basis.

The Responsible Investment Team

BSP Ltd's dedicated Responsible Investment team, established in 2021, works to further develop the firm's responsible investment strategy, policies, and procedures. The team consists of the Head of Responsible Investing, a Responsible Investment Assistant VP, and a Responsible Investment Associate. Our Responsible Investment team is fully integrated into our investment team. Their scope of work is broad and includes supporting analysts and portfolio managers in:

- i** **Conducting company and sector research**
- ii** **Making investment decisions**
- iii** **Monitoring credits**
- iv** **Providing constructive challenge; and**
- v** **Engaging with companies on ESG matters**

Additionally, the team monitors regulatory developments relevant to BSP Ltd and the companies we invest in. They work across the firm to support the execution of BSP Ltd's responsible investment strategy, including the integration of ESG factors into investment decisions.

The Head of Responsible Investment is responsible for ensuring our investment process incorporates the assessment of ESG risks and for further enhancing the firm's ESG capabilities. This involves conducting training and delivering information sessions on relevant policy, market, and technology developments. As our internal processes evolve, the Responsible Investment team provides training to the investment team to ensure our tools are used appropriately. Training is typically held in person and delivered quarterly.

Notable training sessions in 2024 included upskilling the investment teams on the enhanced Climate Risk Tool to introduce an expanded climate assessment which includes additional considerations on a company's transition pathways and net zero alignment. Training was also delivered on the EU Corporate Sustainability Reporting Directive ("CSRD") across all investment teams. The training was tailored to each investment strategy and covered reporting requirements and timelines mandated by the regulator.

Enhancing the Responsible Investment Team over 2024 and into 2025

Over the last 12 months, BSP Ltd has enhanced the Responsible Investment team through both resourcing and improving its operations. In May 2024, the team hired a new Responsible Investment Associate. This role is strategy-agnostic and primarily focuses on enhancing ESG integration into all credit processes, as well as leading on investor-related ESG requests.

Throughout 2024, we improved our processes by integrating all ESG data, including engagements stewardship activity, and live portfolio data, into one aggregated ESG database. This allows us to analyse engagement statistics across funds over time and track the effectiveness and outcomes of engagements more effectively. Similarly, in 2024, we launched an automated weekly monitoring email for our Liquid Credit investment team. This email flags issuers whose ESG risk profile needs to be reviewed in the next 60 days or requires updates. This ensures that all ESG risk profiles are reliable and up to date, enhancing the risk control process and increasing operational efficiencies through automation.

Regarding senior-level oversight, Vai Patel has moved into the newly expanded role of Head of Responsible Investments, overseeing the firm's ESG and responsible investing policy. Vai has taken over responsibilities from Ross Curran, who has stepped back from his role as Head of Responsible Investing to focus on his role as portfolio manager across BSP Ltd's Leveraged Loan, Multi-Asset Credit, and High Yield bond portfolios.

Looking ahead to the next year, we are committed to further enhancing our capabilities and internal systems to create additional synergies and boost operational efficiencies. We will continue to refine our ESG integration process and aim to adopt best practices across regions and asset classes. This approach helps us ensure consistent progress while considering the unique features of

each investment, maintaining reliable and up-to-date ESG risk profiles across our portfolio.

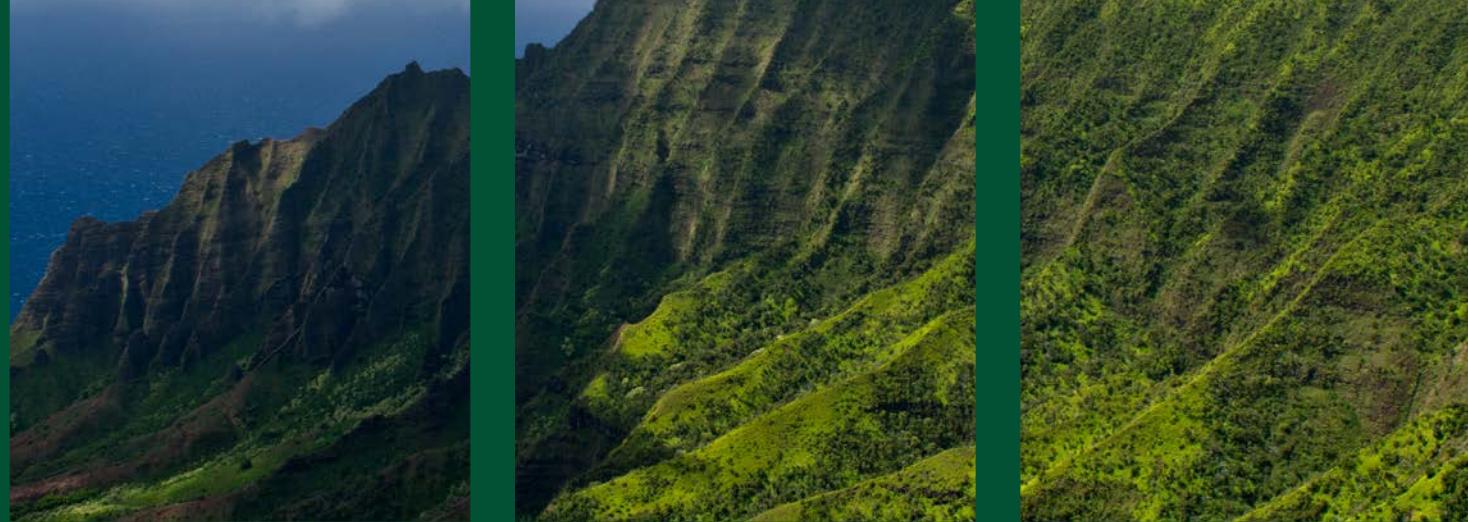
Resourcing and Stewardship

The primary responsibility for conducting stewardship activity lies with our investment professionals. This is because our investment analysts have the most in-depth knowledge of the material risks affecting issuers and the best understanding of the unique risk profiles of each company. Our Responsible Investment team supports engagements and typically steps in when dialogue turns to more nuanced topics such as ESG regulation or climate disclosures. The investment teams are well-resourced, allowing for a favourable issuer coverage ratio. We employ high-calibre professionals with strong academic credentials and experience, who can assess the holistic risk profile of an investment, including ESG risk, and effectively engage with our stakeholders to assess and manage ESG considerations.

Linking ESG To Remuneration

BSP Ltd recognises the importance of ESG integration to support our mission of creating sustainable, long-term value and returns for our clients. The firm's Remuneration Policy promotes non-excessive risk-taking by its employees, including its investment professionals. ESG-related activities, including company engagements, are a component of the investment team's individual variable remuneration.

Key Outcomes & Effectiveness



BSP Ltd's governance structures have been effective in monitoring ESG risk and enabled us to achieve the positive outcomes our strategies are committed to. With oversight from our Head of Responsible Investment, Responsible Investment Committee, and Board, we believe we have the appropriate layers of governance to manage risk effectively. Clearly defined responsibilities for our Responsible Investment team and committee ensure accountability and effective ESG integration across the business.

We continuously seek out ways to scale up our efforts in integrating ESG considerations across our investment strategies and build efficiencies in managing large and complex sets of information for decision-making. We will continue to evolve and enhance the ESG capabilities of the organisation across our different investment pillars through training and market research to stay competitive and in line with best practices and regulatory requirements.

The Board makes recommendations for future appointments and ensures plans are in place for the orderly succession of the Board and Senior Management positions. Throughout the process, it is assisted in the evaluation of its effectiveness by an independent third party. Ensuring the effectiveness of the Board and appropriate appointments is essential for maintaining proper oversight of risks, including all ESG matters.

3

PRINCIPLE

Signatories manage **conflicts of interest** to put the best interests of clients and beneficiaries first



HOME

Managing Conflicts of Interest

BSP Ltd is committed to ensuring that the highest levels of integrity and ethics are maintained across operations. We are required by global regulators to identify conflicts of interest between ourselves and our clients and between clients. We work to prevent and manage potential conflicts of interest, record conflicts of interest and maintain a Conflict of Interest policy. The policy is managed and approved by our Head of Compliance and Risk. Our Conflicts of Interest Policy is reviewed every other year by our Compliance team. No material changes were made to the policy in 2024.

As part of the policy, staff are required to report any potential conflicts to the Compliance team for assessment. BSP Ltd maintains a Conflict of Interest Register to capture and measure potential conflicts. All staff are required to follow policies and procedures related to handling confidential and inside information and conflicts of interest. Staff are required to complete mandatory training upon induction to the company and may also be required to conduct annual or more frequent reviews. Some of our key policies and training courses for employees, are outlined to the right.

Firm and Group Policies

- Handling of Complaints
- Error Reporting
- Employee Code of Ethics
- Order Execution Policy
- Aggregation / Allocation Policy
- Inside Information, Firewalls and Market Sounding Policies
- Anti-Corruption Policy
- Personal Securities Trading Policy
- Gifts and Entertainment Policies/Outside Interests
- Proxy Voting Policy
- Conflict of Interest Policy

Training

- Culture of Compliance: The Franklin Templeton Code of Ethics and Business Conduct
- The Franklin Resources Anti-Corruption Policy
- Communication and Information Security at Franklin Templeton
- Privacy and Data Protection Essentials
- Respect in the Workplace
- Anti-Money Laundering at Franklin Templeton
- Annual U.K. Regulatory Compliance Training (U.K. only)
- Personal Investments and Insider Trading Policy
- Annual Compliance Meeting / Firm Element
- HIPAA Security Policy

Mitigating conflicts of interest BSP Ltd recognises there may be situations that create conflict of interests. To ensure that any potential risks are mitigated, BSP Ltd creates a culture of good governance with appropriate policies and processes in place to identify and mitigate such risks. It is of utmost importance that our employees abide by the BSP Ltd policies and procedures.

In the table below we describe some examples of identified ***potential conflict of interests***:

Example	Conflict situation	How we manage the conflict
External Directorship	Where members of staff hold external directorship functions, there may be certain situations that will present a conflict between services provided to the company in which staff hold such positions, and duty of care to one or more clients.	Investment managers have a fiduciary duty to manage the client's best interests. In addition, we do not retain any remuneration. Where the underlying company pays a director, the fee goes to the underlying funds. Therefore, we are incentivised to work for our client, not the issuer or borrower. All Board directorships must be approved by the firm's Compliance Team, prior to acceptance
Cross Trades	BSP Ltd funds from time to time engage in intra-fund cross trades; these need to demonstrably be to the interest of all parties.	The BSP Ltd Order Execution Policy alongside desk procedures addresses how cross trades are to be dealt with. Regular management information is provided to the BSP Ltd Risk Committee.
Allocation of Trades	A conflict may arise if the aggregation of client orders does not include all eligible accounts, or if the post trade allocation of a partial fill does not evenly distribute the scaled back amounts fairly to the participating accounts	The Firm has in place an Aggregation and Allocation Policy which provides the high-level principles that the firm employs, including the default methodology of pro rata for scale backs. Each strategy has an agreed allocation methodology. Quarterly Allocation Surveillance results are provided to BSP Ltd Risk Committee.

Voting-Related Conflicts of Interest

As a credit manager, proxy voting is not material within the context of our activities. The number of occasions when BSP Ltd will be engaged in proxy voting will be limited. However, BSP Ltd's Compliance team works to ensure that all potential voting conflicts of interest are mitigated through the following checkpoints:



BSP Ltd will retain the contractual right not to vote when it perceives potential conflicts between the services offered to the company and the duty of care to clients.



When unsure if voting will create a conflict for BSP Ltd clients, this must be discussed with Risk and Compliance.



In cases where there are identified conflicts, including but not limited to voting, this should be escalated to Risk and Compliance.



BSP Ltd's Compliance Department should be informed of situations where the teams have abstained from voting.

4

PRINCIPLE

Signatories identify and respond to market-wide and systemic risks to **promote a well-functioning financial system**



In alignment with our purpose, we believe it is essential to identify and work to mitigate systemic risks to support a more equitable, sustainable and well-functioning financial system.

BSP Ltd actively works to improve market standards and promotes transparency and ESG data availability. We do this individually, as well as in close collaboration with other stakeholders, including peer investors; for example, through our participation in various working groups or committees in the PRI, the Loan Market Association (LMA), and a number of investors' roundtables. Please refer to Principle 10 for more detail on our collaborations. We also respond to consultations from standard setters to voice our views on matters that are relevant to our business and the companies we invest in. Systemic risks have the potential to impact on the return of our investments.

Climate Change

Climate change is a systemic risk for most sectors we invest in, presenting complex and interconnected challenges that are difficult to measure and manage. The magnitude and timing of these risks are uncertain, but their potential impact on credit portfolios is significant. At BSP Ltd, we are committed to addressing these risks. In alignment with our purpose, we have set ambitious targets and implemented comprehensive strategies to combat climate change. As part of this, we are rolling out our Carbon Action Plan with the goal of reaching net zero by 2050. *This plan focuses on three key areas.*

Investment Strategies



We aim to optimise our investment portfolios to account for climate risks and opportunities. BSP Ltd has achieved net zero for its operational Scope 1 and Scope 2 carbon emissions as of January 2024. For our investments, we aim to achieve net zero by 2050, with an interim target of a 50% reduction by 2030 for our Direct Lending, Liquid Credit, and Special Situations strategies.

Stewardship



Engaging with portfolio companies to increase climate disclosure and implement ambitious transition plans is central to our approach. We support companies in setting targets to reduce emissions and align with the Paris Agreement goals.

Advocacy



We actively work to improve market standards and promote transparency and ESG data availability. We collaborate with stakeholders and participate in working groups and committees such as PRI and the European Leveraged Finance Association (ELFA).

To support these efforts, we have developed a proprietary Climate Risk Tool. This tool assesses the climate risk profile of our borrowers and our entire portfolio, helping us account for any financially material risks and protect our investments' value. By ensuring our portfolio is ahead of the curve in decarbonising and addressing climate risk, we not only safeguard our investments but also contribute positively to the economy. A proactive approach to climate risk can lead to a more resilient economy by reducing the financial impacts of climate change and fostering sustainable growth. As part of this, we also leverage climate scenario analysis to support this process, ensuring our strategies are robust and forward-looking.

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

Initiative 3: BSP Ltd's first Task Force on Climate-related Financial Disclosures (TCFD)

Investment Strategies Applicable: All Strategies

As we encourage companies to disclose more detailed climate data, we are now able to report and track four different climate metrics for assets under management, measuring both absolute and intensity emissions (i.e. Total Financed Carbon Emissions (tCO2e), Carbon Footprint (tCO2e/ EURm invested), Carbon Intensity (tCO2e/ EURm sales), Weighted Average Carbon Intensity (WACI) (tCO2e/EURm sales)). While carbon emissions analysis is essential, it only provides a static, backward-looking view. To gain a more comprehensive understanding, we have conducted scenario analyses to identify the potential impact of climate change on our investment portfolios. We modelled three climate scenarios in line with FCA ESG Handbook: <2°C orderly, <2°C disorderly, and a 4°C 'hot house' scenario. The core metrics used in this analysis are Climate Value at Risk, Implied Temperature Rise, and Stressed Probability of Default, with asset-by-asset modelling performed to 2050, and discounted back to NPV values in 2025, 2030 and 2050. 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.

Next Steps:

As we move forward and portfolio companies disclose more data, the results of our Climate Value at Risk, Implied Temperature Rise, and Probability of Default analysis will evolve as well and become more accurate. To support this process, we have enhanced our resources and processes by:

- Onboarding third-party data providers to augment our research and review of systemic climate risks;
- Scaling up and redirecting our engagement efforts based on the outcomes of our climate risk analysis;

- Further developing our Climate Risk Tool to include forward-looking information beyond GHG emissions disclosure:

Our Climate Risk Tool has been enhanced to assess companies' transition pathways and net zero alignment, including detailed information on decarbonisation targets, management's awareness of physical and transitional risks, and the robustness of climate governance and risk management practices. These factors, combined with historical carbon emissions performance and the materiality of climate change for the company's business, contribute to an issuer-level climate risk profile which can be used in portfolio management and engagement.

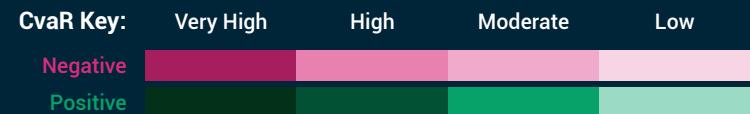
Through these actions, BSP Ltd aims to manage transition risks, deliver on our decarbonisation commitments, and support a just transition to a net zero economy. Our proactive approach in adopting market-leading frameworks, engaging in stewardship, and advocating for improved market standards reflects our dedication to addressing the systemic risks posed by climate change.

Climate Scenario Outputs

As mentioned above, the Climate Value at Risk (CVaR) metric estimates the impact on our portfolio under different climate scenarios, measured by the projected spread in portfolio company EBITDA. By 2030, BSP Ltd is expected to have moderate climate exposure. By 2050, Special Situations may be negatively impacted, while Liquid Credit and Private Credit could see earnings increase.

Percentage of Portfolio Companies that Disclosed Data

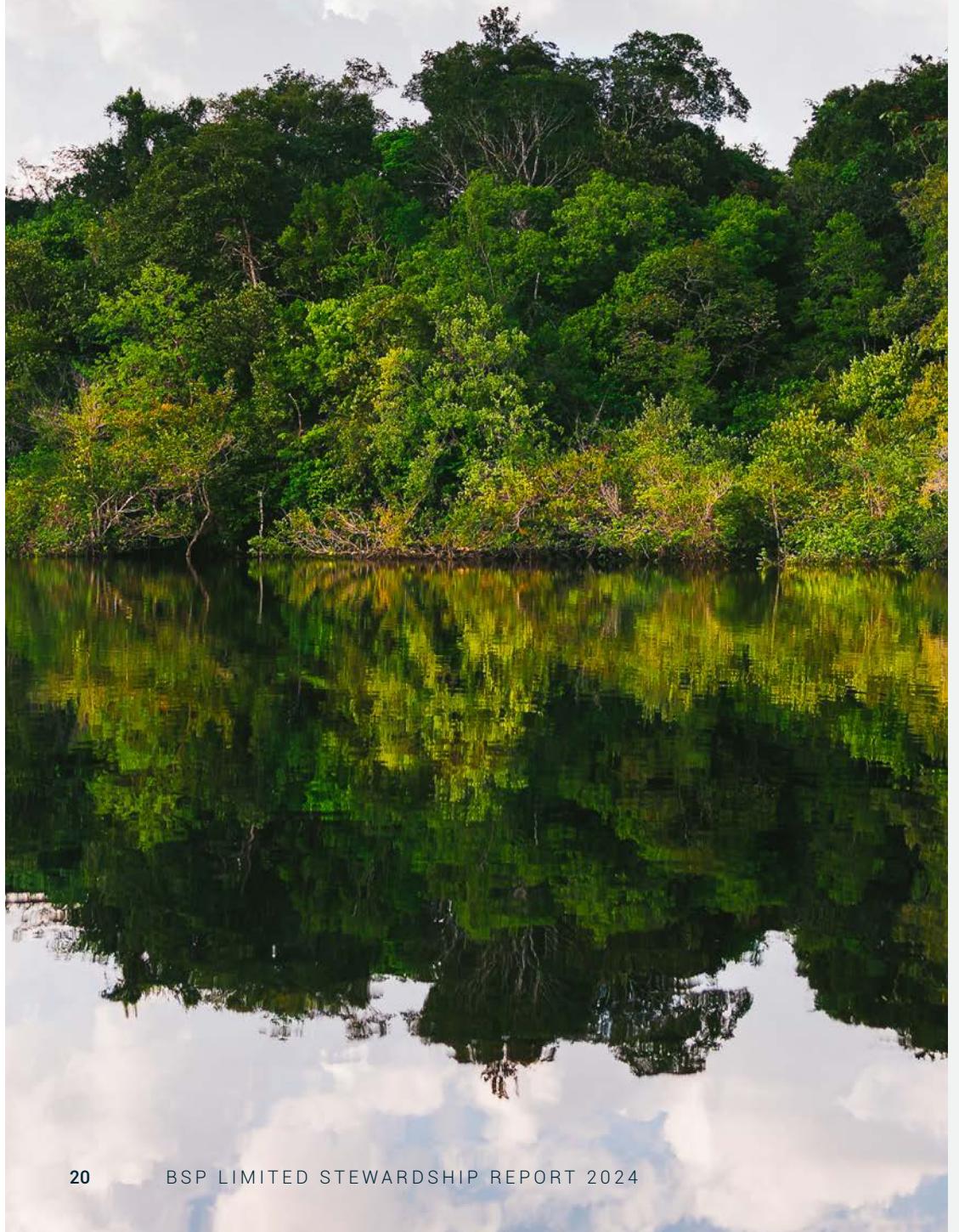
			2025		2030		2050	
Strategy CVaR			CVaR (€'000s)	CVaR (% EBITDA)	CVaR (€'000s)	CVaR (% EBITDA)	CVaR (€'000s)	CVaR (% EBITDA)
"Hot-house" vs Disorderly 2°C	Liquid Credit		(1,041)	-	(11,189)	(0.2%)	112,956	0.9%
	Private Credit		(276)	-	(2,910)	(0.2%)	51,763	1.3%
	Special Situations		(15,235)	(0.7%)	(75,395)	(3.3%)	(286,622)	(12.7%)
"Hot-house" vs Orderly 2°C	Liquid Credit			0.1%	905	-	137,856	1.1%
	Private Credit		192	-	850	-	52,124	1.4%
	Special Situations			(1.5%)	(166,265)	(7.4%)	(445,032)	(19.7%)



Key drivers of positive positioning are:

- Geographical focus: Strategies are weighted towards Europe, benefiting from established carbon reduction targets and progress in phasing out fossil fuels.
- Sector strategy focus: Investments in services or trade industries have lower exposure to raw material cost volatility and lower Scope 1 emissions, reducing carbon pricing costs.

These outcomes are an example of how climate scenario analysis can enhance our understanding of the financial materiality of climate risks on our portfolio. They will guide our investment decisions and engagement efforts to address this systemic risk, helping us to build a more resilient and well-positioned portfolio.



Collective Participation

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. Through this collaboration, we acknowledge that governments' ability to deliver on their commitments will depend on private capital assistance to mobilise finance at the scale that is needed to achieve the Paris Agreement's goals.

We closely monitor the development of industry standards that help shape market practices. We will continue to engage with standard setters to express our views on relevant regulatory proposals. In 2024, we participated in several industry working groups to develop frameworks that help financial institutions assess climate impacts and focus on outcome-oriented results. This includes our work with the Loan Market Association (LMA) and our participation in the UK Stewardship Code consultation. As investors, we understand the importance of addressing market-wide and systemic risks constructively. Collaborating with peer investors has helped us improve market standards and reduce systemic risks. However, we recognize the need for further collaboration within the global investment community. Therefore, we will continue to explore and prioritize initiatives and working groups that address systemic risks relevant to our firm.

Risk Management Framework

BSP Ltd operates a strategy that incorporates 'three lines of defence' in the management of risk. Key roles and responsibilities are defined within the firm's Corporate Risk Management policy. 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.

There are four key elements to the Operational Risk Management Framework:

- Risk Identification**  Periodic risk assessments; analysis of risk events; scenario analysis; financial analysis; and understanding market practice
- Risk Assessment & Measurement**  Qualitative and quantitative measurement of risk; and determination of risk capital
- Risk Management & Mitigation**  Implementing control and process enhancements in response to elements 1 and 2
- Monitoring & Reporting**  Escalation and oversight, including tracking the reporting of Key Risk Indicators against Board-approved risk appetite

We continuously evolve and adapt our risk management strategies, as and when necessary. The three lines of defence strategy can be summarised, as follows:

- First line of defence**  Business departments responsible for performing activities including the design, implementation and execution of tasks and associated controls
- Second line of defence**  Compliance and Operational Risk - responsible for advising on and testing the effectiveness of implemented controls
- Third line of defence**  Internal Audit - report to the Board on the Firm's overall control environment

All members of staff must adhere to the Operational Risk Management Framework in the performance of their roles and responsibilities – and to identify and escalate – where any control gaps are identified. If there are any errors or process detected, employees must immediately report this to Operational Risk.

BSP Ltd's Compliance team actively review forthcoming regulations and advise the business on any changes that could influence the firm. For example, the team has been closely following the various proposals under the EU SFDR and the UK FCA's rules on TCFD disclosure and UK FCA's Sustainable Disclosures Regime ("SDR") for asset managers. Our Head of EMEA Compliance Advisory, who is a member of the Responsible Investment Committee, provides regular updates on relevant regulatory developments to the Committee.

Risk Management Framework: Roles & Responsibilities:



Investment Teams

Investment teams identify and evaluate potential ESG & climate risks at the portfolio company level through proprietary tools we have created and described in detail in Principle 7. Managing ESG & climate risks, involves active engagement with portfolio companies to understand disclosure, emissions reduction plans and management capabilities to deal with ESG & climate risk.



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 sustainability-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.



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 ESG and climate risk across our investments.



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.



5

PRINCIPLE

Signatories **review their policies, assure their processes** and assess the effectiveness of their activities



HOME

Review and Assurance of Policy & Processes

BSP Ltd has established a Responsible Investment policy to help guide our investment decisions and stewardship activities. We review our policies and procedures on an annual basis and conduct audits to ensure that they are adequately implemented and effective.

The Responsible Investment Committee meets on a quarterly basis to review progress in the implementation of the firm's responsible investment strategy. The Responsible Investment Committee is advised of investments in issuers that are deemed to pose high ESG risks, which have been discussed at the Investment Committee.



The Responsible Investment Committee reviews and approves BSP Ltd's Responsible Investment policy. Amendments to the policy are proposed by the Responsible Investment team, which are presented to the Responsible Investment Committee for approval. The policy was last updated in March 2025.

As part of the policy review, we made a number of revisions and improvements, the outcomes of which are as follows:

TCFD Analysis

We added details on progress in data gathering, scenario analysis, and portfolio alignment to the Paris Agreement following our first TCFD report.

In June 2024, we published our first TCFD report, detailing how we integrate climate-related risks and opportunities into our governance, strategy, and risk management. Following TCFD recommendations, we advise investors to use climate scenario analysis results to guide investment portfolio positioning under different scenarios based on current data, rather than as definitive future projections.

Please refer to Principle 4 for more details on our TCFD analysis.

Enhancing our Climate Tool

We added details on the enhancements made to the tool over the reporting period.

Our Climate Risk Tool has been enhanced to assess companies' net zero alignment, decarbonisation targets, and climate governance. It combines these factors with historical emissions and climate change impact to create a climate risk profile for portfolio management.

Please refer to Principle 4 for more details on our Climate Risk Tool.

Carbon Action Plan

We added a sub-section on the ambitious targets we have set to address climate change.

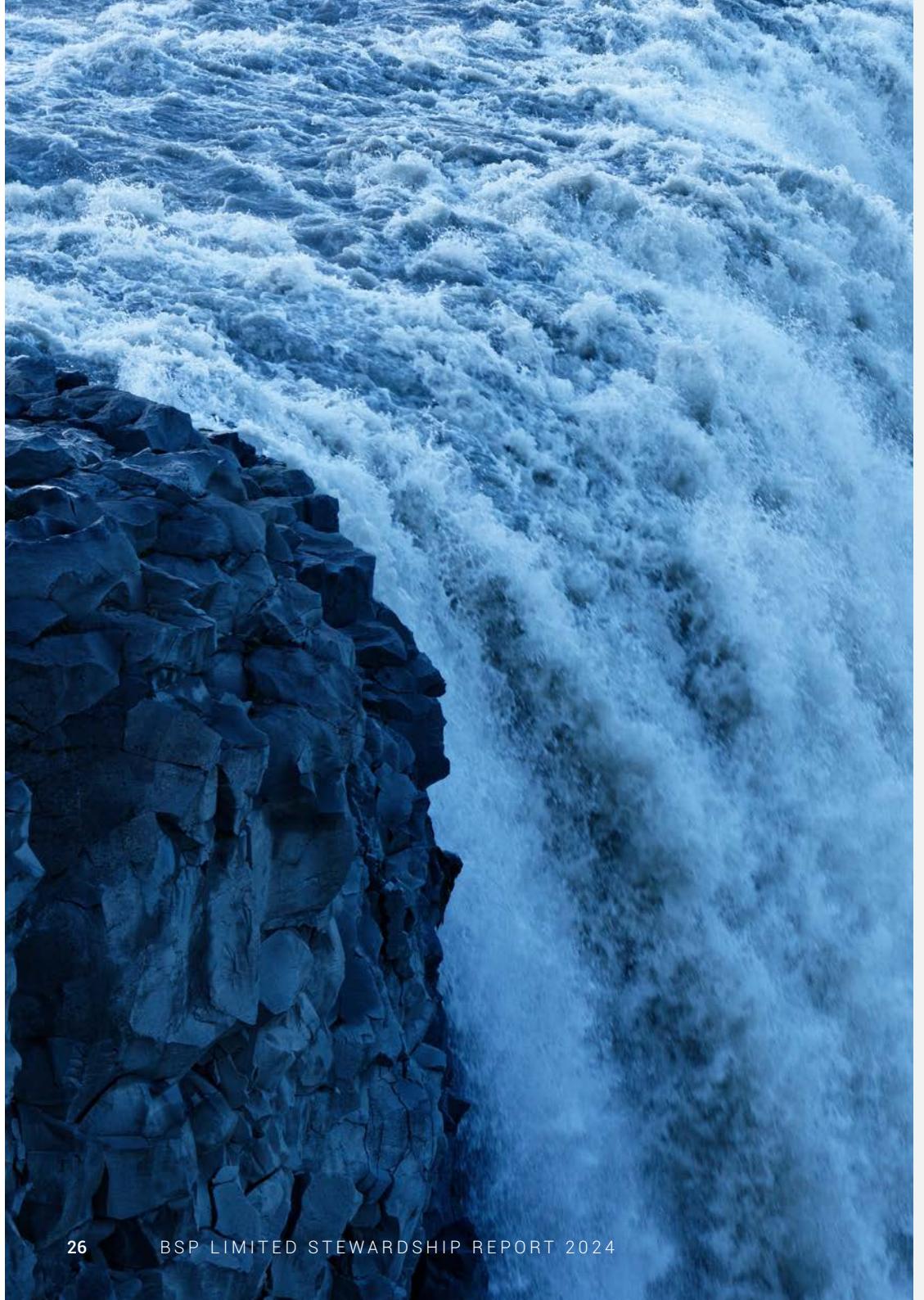
Our Carbon Action Plan aims for net zero by 2050, with a 50% reduction by 2030 in key strategies. We focus on optimising investment strategies, engaging with companies, and advocating for better standards. We achieved net zero operational emissions in January 2024.

Please refer to Principle 4 for more details on our Carbon Action Plan.

UN SDGs Alignment

We added information on how the UN SDGs and achievement of positive outcomes influence our investment decisions within our Direct Lending and Infrastructure strategies.

As we address market demands for tangible positive outcomes and tackle systemic risks, we have developed two proprietary Impact Tool for our Direct Lending and Infrastructure Debt strategies. These tools enable a structured approach throughout the investment process, assessing new investments' potential to achieve BSP Ltd's committed positive outcomes and monitoring progress against these goals.



The Responsible Investment Committee is responsible for approving any updates to BSP Ltd's ESG risk framework, including the tools and data sources used to assess issuers including:

- i **Materiality matrix**
- ii **ESG Checklist**
- iii **Climate Risk Tool**

The tools were presented and approved by the Responsible Investment Committee before their implementation.

BSP Ltd has adopted criteria for excluding issuers from our investment universe. The exclusion criteria are outlined in our Responsible Investment policy. In 2021, the scope of our exclusions was broadened, and in 2023 we amended our ESG integration tools to tighten our internal controls on exclusions. We conduct primary and secondary research of companies' activities to ensure compliance with the policy.

There is close collaboration between the Responsible Investment team and our different investment teams so that ESG factors are incorporated into our investment processes and engagement is reported in a fair, balanced and understandable way. BSP Ltd maintains an ESG engagement tracker log to capture and measure the effectiveness of our engagement activities. The engagement log is relied upon to track the progress of our dialogues and to ensure reporting of engagement reflects what happened in an accurate and fair manner. As primarily private-market investors we do not disclose names of companies when reporting on engagement to preserve anonymity.

Assurance

All public reporting on BSP Ltd's ESG integration and stewardship activities, including the PRI Assessment and Stewardship Code are reviewed and signed off by the Head of Responsible Investment, the Head of Compliance and Risk, our Chief Operating Officer of Business Development and investment teams' Portfolio Managers. The multi-layered approach to approval limits the possibility for engagement activity to be reported on in an unfair or unbalanced manner.

UN Principles of Responsible Investment ("UN PRI")

As a signatory to the UN PRI, we submit an annual report summarising our main responsible investment activities. The external assessment of our approach to responsible investment helps inform our sustainability and stewardship practices and disclosures. As part of the assessment of our 2023 UN PRI report, we received the following scores.

**Policy,
Governance
and Strategy**

63

**Direct –
Fixed Income –
Private Debt**

97

**Indirect –
Hedge Funds –
Structured Credit**

95

**Direct –
Hedge Funds –
Special Situation**

88

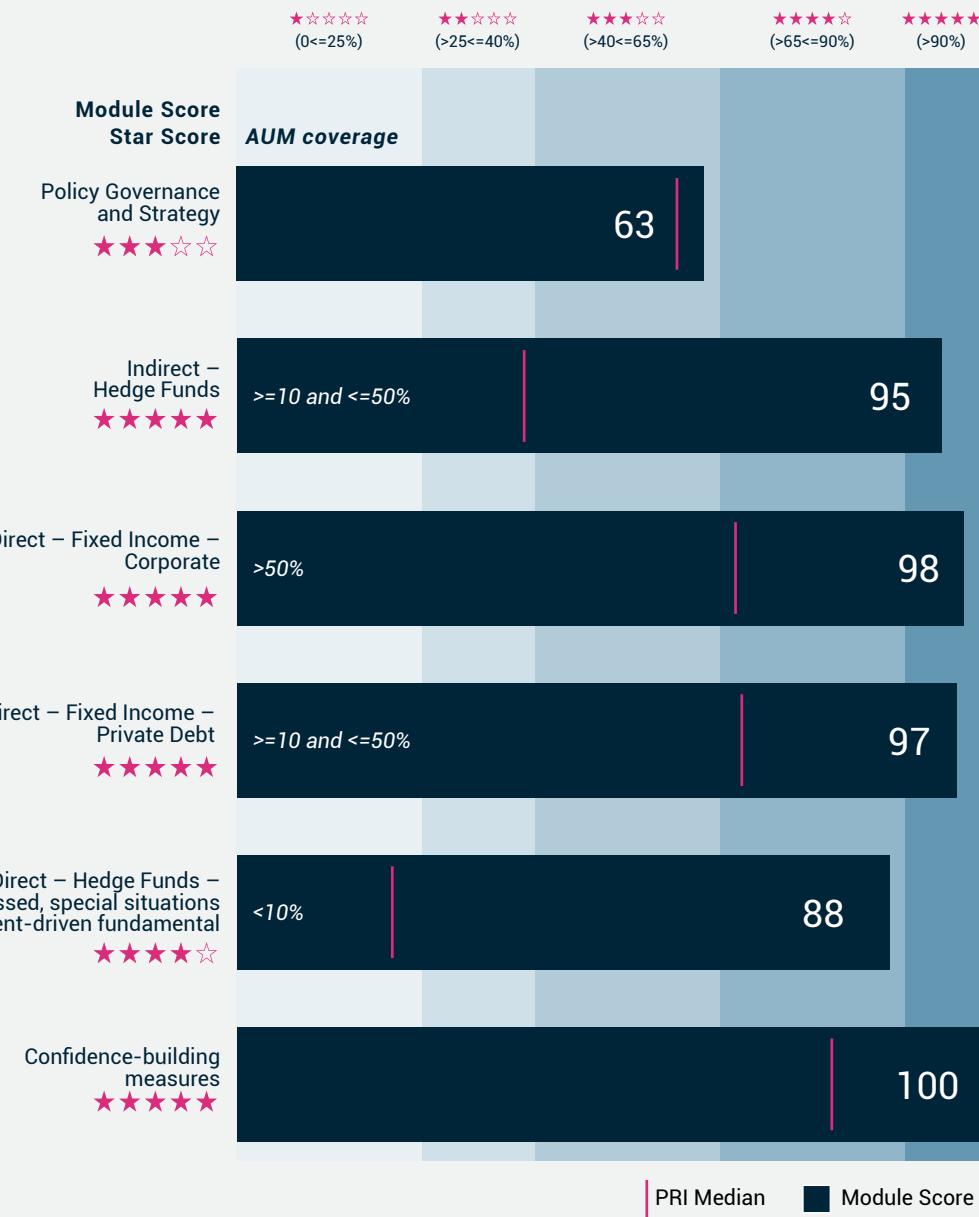
**Direct –
Fixed Income –
Corporate**

98

**Confidence
building
measures**

100

Each strategy's score is considerably ahead of the UN PRI median scores for comparable firms. Our Policy, Governance and Strategy score is also above the median, providing us with external assurance that we are acting in accordance with best practice. We deem our assessment by the UN PRI as an appropriate approach to gaining assurance over our Responsible Investing policy and the integration of ESG into our investment process as the institution reviews comparable firms and is therefore able to benchmark our approach against our peers. In 2025, we plan to update our PRI Transparency report to reflect the improvements and developments made over the past reporting period.

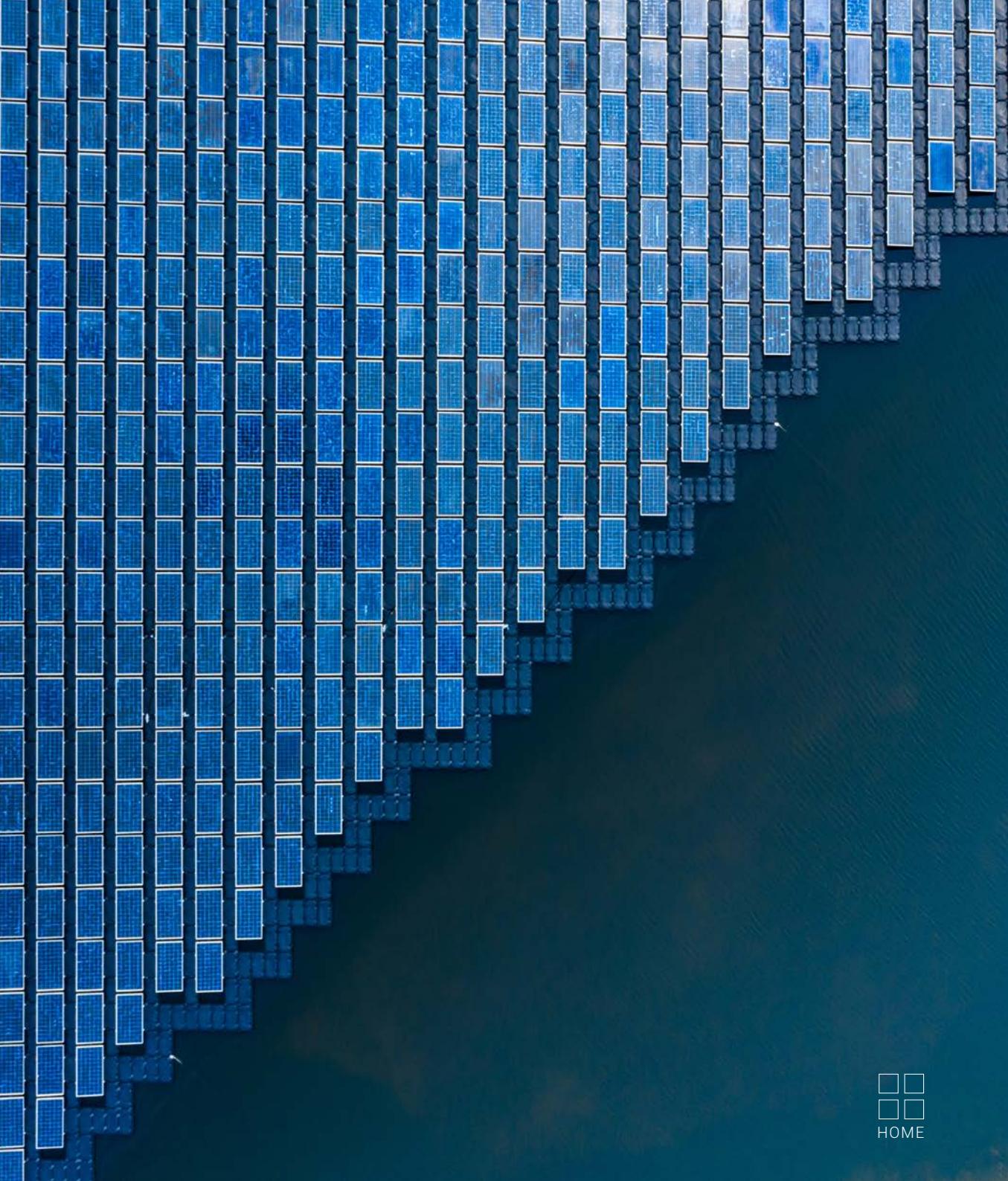


INVESTMENT APPROACH

6

PRINCIPLE

Signatories take account of **client and beneficiary needs** and communicate the activities and outcomes of their stewardship and investment to them



Client and Beneficiary Needs

BSP Ltd is an alternative asset manager with an institutional client base. Our clients are the focal point of the business. We control individually managed accounts and institutional funds and invest primarily in European and North American markets. In 2022, BSP Ltd was acquired by Franklin Templeton. BSP Ltd is one of the largest alternative credit managers globally, with a multi-strategy approach targeting attractive opportunities in the global credit markets. The combined platform manages \$76 billion in assets under management (AUM) and has expertise in Senior Secured Loans, Private Credit, Structured Credit, Special Situations, High Yield Bonds, Multi-Strategy Credit, and Commercial Real Estate. BSP Ltd's client relationship management team is composed of experienced and dedicated professionals that work to serve our clients' best interests and needs. Our Investor Relations team includes a dedicated client Relationship Management team who work directly alongside our investment teams, focussed on serving clients' needs.

We collaborate with clients to suit their specific responsible investment needs. For example, some of our clients have separately managed accounts (SMAs), which may have specific ESG language in the investment management agreement (IMA) and/or side letters, which could include specific ESG exclusion criteria. We utilise a rigorous approach to ensure that we abide by the criteria through internal system control guidelines and measures with our internal CRM system.



Focus on the financial outcomes that matter to our clients



Be their investment allies: working tirelessly to overcome their challenges



Engage with their individual needs, responding with the right solution not just the easiest



Elevate their experience by matching the right people, advice and expertise to their desired outcomes

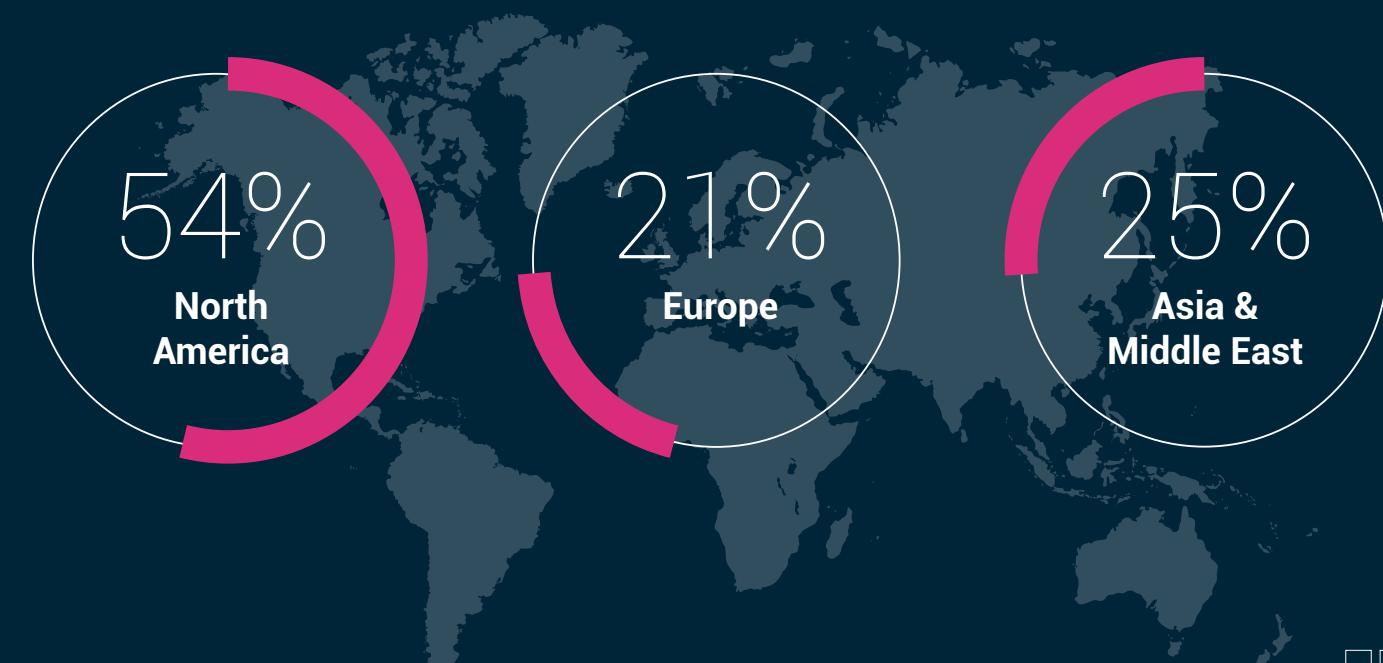
Our Investors

We work with investors around the world to help them make the most of the market opportunities



As of December 2024.

Investor Base by Geography



Investment Horizon

The investment time horizons vary by strategy and client. For example, European direct lending loans typically have maturities of 5-7 years, slightly longer and more stable than leveraged loans or high-yield bonds (4-7 years)¹. This reflects the asset class characteristics as well as clients' preferences. With all our assets being managed in bottom-up investment strategies, regular interaction with portfolio company management is an integral part of the investment process. As a result, BSP Ltd's investment professionals have an in-depth knowledge of individual companies and long-standing relationships with company management teams that can help to support constructive engagement and dialogue. In the case of Structured Credit, instead of portfolio companies, the interactions and relationships are with CLO Managers we invest in.

Some key topics of interest for our clients and consultants included:



ESG Policy at firm level



Climate change data of the portfolio and exposure to fossil fuels



Implementation of the TCFD recommendations



ESG client reporting



Business ethics considerations



Stewardship activities / engagement examples



ESG due diligence approach and exclusions



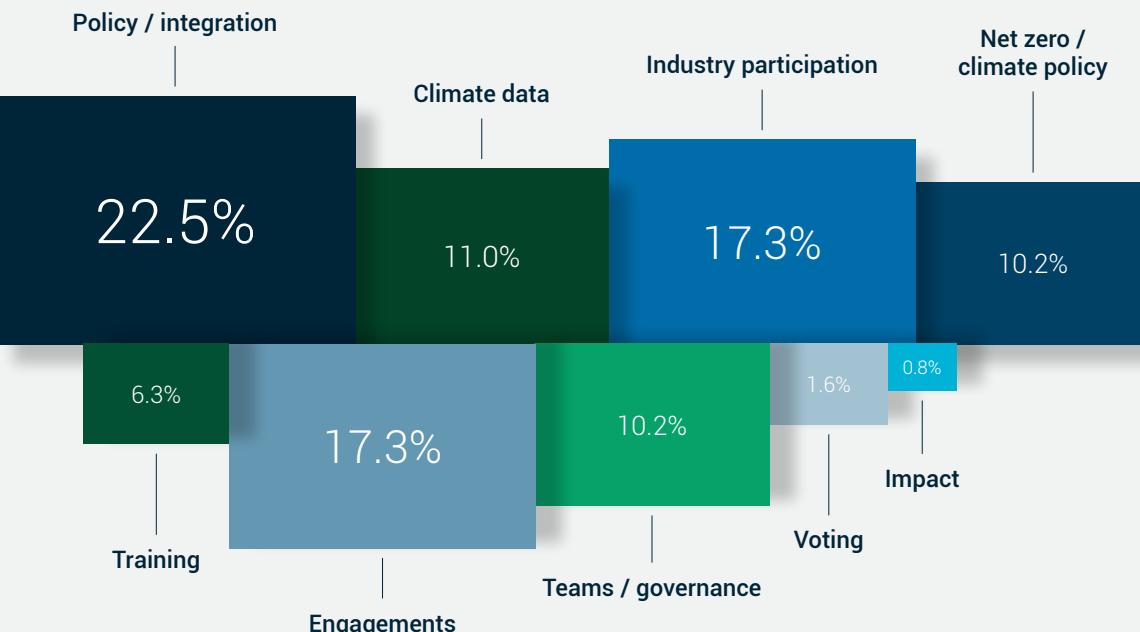
Cybersecurity policies, training and data loss mitigation practices



Approach to voting

Investor Engagement

Throughout 2024, BSP Ltd addressed 143 dedicated ESG information requests, with a growing emphasis on climate change themes and investment impact outcomes. This trend is reflected in the topic breakdown snapshots observed over the period



¹ BSP Ltd market observation and experience, as of April 2025, which is subject to change.

Improving Reporting

Given the increasing demand for more detailed requests for information from our clients, along with stricter regulatory requirements, we are continuously enhancing our reporting standards at both the fund and firm level.

During the reporting period, we enhanced the quarterly ESG reports for our Direct Lending and Liquid Credit strategies to: (i) reflect BSP Ltd's progress in ESG integration, engagement, and data collection; and (ii) better meet the needs of our clients and beneficiaries through increased standard and periodic disclosures. This enables investors to assess the alignment between our funds' sustainability performance and their own commitments.

Main improvements included:

SFDR-linked enhancements

We have included Principal Adverse Impacts (PAIs) disclosure in our quarterly ESG reports for Direct Lending and Liquid Credit strategies on a best-effort basis. Although we do not systematically include PAIs in our investment process, due to data limitations, this increases transparency and provides detailed insights into potential environmental and social impacts.

Climate data disclosure

In 2024, we successfully reported on financed emissions, carbon footprint, and weighted average carbon intensity (WACI) for all our investment strategies. This demonstrates our commitment and progress towards our Carbon Action Plan.

Engagement

Engagement activities, a core focus for our clients, are central to all fund-level and platform-level reports. This includes tangible examples with clear descriptions of rationale, actions, and outcomes. For Direct Lending, we provide summaries of frequent engagement topics tracked in accordance with the Investment Consultants Sustainability Working Group ("ICSWG") categories. Additionally, we include examples of deals declined due to ESG reasons, demonstrating the integration of ESG considerations into each investment decision.

As we continue to implement our Responsible Investment policy and measure the improvements within our portfolio, we recognise our clients' need for detailed information on our progress to make informed investment decisions. While we are currently addressing this need through our disclosures and reporting efforts, we will further enhance these initiatives to ensure our progress is effectively tracked and communicated.

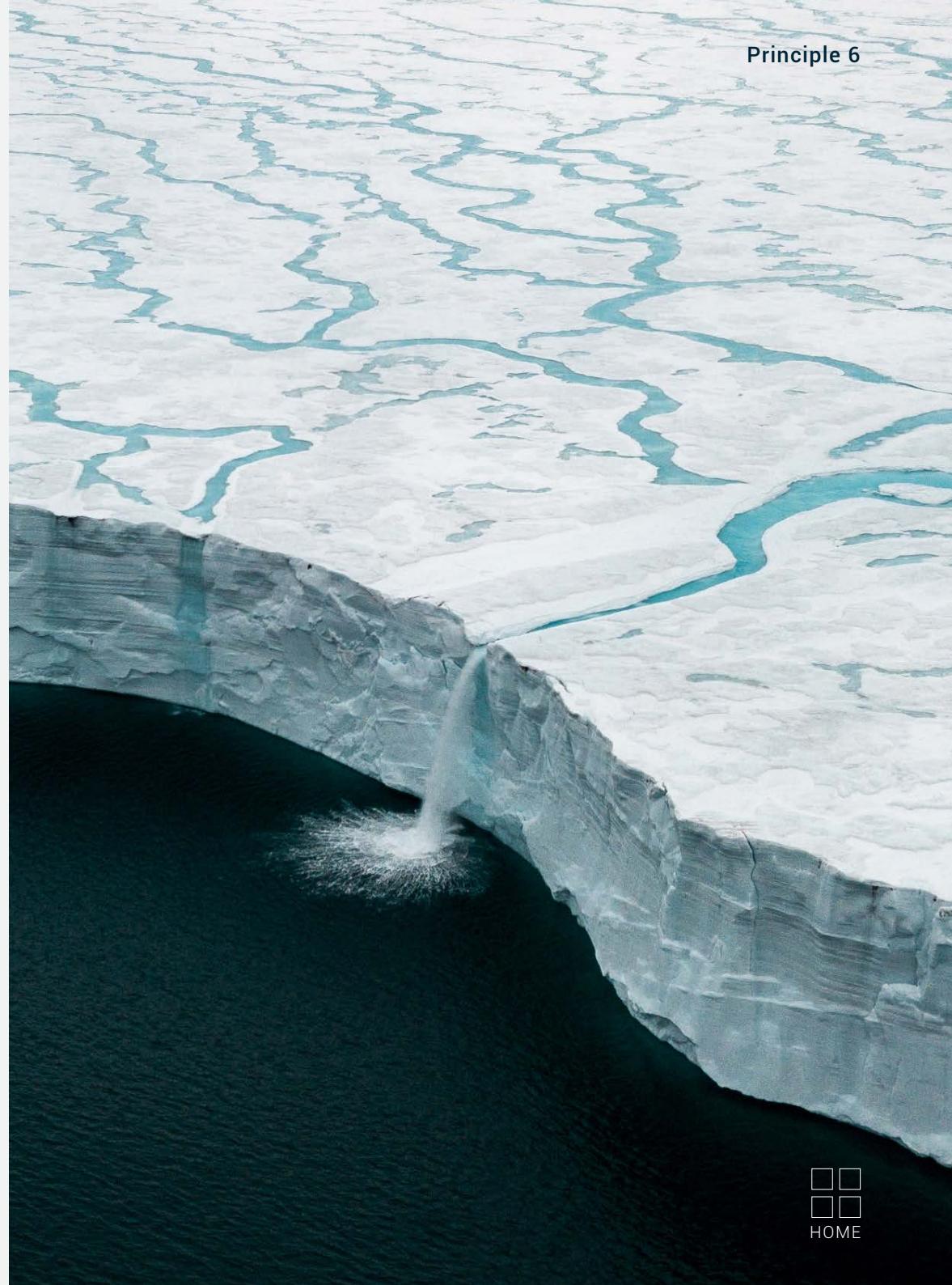
Meeting the needs of the market

When we think about our clients' interests, it is crucial to stay aware of market dynamics, new requirements, and gold standards to maintain our competitive edge and ability to generate value. As such, in 2024 we have focused on the TCFD reporting standards and the upcoming Corporate Sustainability Reporting Directive ("CSRD"), which affects most of our portfolio companies and contributes to BSP Ltd's SFDR disclosures.

Our Response and Action

We regularly incorporate investor feedback to improve our ESG reporting. Based on this feedback and our understanding of the market, we have taken several actions:

- For our Direct Lending platform, we have updated our annual questionnaire sent to borrowers, including new environmental and social data points to meet specific investor requests. We have also aligned our questionnaire with CSRD and TCFD requirements to guide portfolio companies' reporting processes and integrate this information into our own reports;
- For our Liquid Credit strategy, we have agreed to periodically produce bespoke ESG reports for multiple investors to meet their specific needs and requests. This ensures they receive all the necessary information to conduct their internal assessments;
- In June 2024, we published our first TCFD report, using investor feedback from 2023 to shape our approach to climate risk assessment and disclosure, as outlined in detail in Principle 4. In future reports, we aim to build on this foundation by assessing portfolio performance over time against different scenarios, increasing engagement with companies based on the report's findings, and further elaborating on our Carbon Action Plan and progress towards transitioning to net zero.



HOME

Key Outcomes & Effectiveness



BSP Ltd has significantly improved its ESG reporting standards to ensure comprehensive and transparent disclosures. This includes the addition of SFDR-linked disclosures and detailed climate data metrics. Furthermore, BSP Ltd has produced bespoke ESG reports for multiple investors, addressing their unique needs and enhancing client engagement and satisfaction. These efforts demonstrate BSP Ltd's commitment to meeting regulatory requirements and client expectations through regular and tailored reporting.

The publication of BSP Ltd's first TCFD report highlights the firm's progress in assessing climate risks and opportunities, as well as its dedication to achieving its Carbon Action Plan and net-zero goals. This report includes scenario analysis and tracks the firm's progress over time, reinforcing BSP Ltd's proactive approach to address climate change.

Our reporting on responsible investment continues to evolve, and we benefit from clients, consultants, and standard setters' feedback as we seek to enhance our disclosures.

7

PRINCIPLE

Signatories systematically integrate **stewardship and investment, including material environmental, social and governance issues**, and climate change, to fulfil their responsibilities



ESG Exclusion Criteria

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, except for our Structured Credit strategy¹

- We exclude issuers that derive any revenue from:
 - Development, production, or sale of controversial weapons. BSP Ltd defines controversial weapons as biological weapons, chemical weapons, nuclear weapons, depleted uranium weapons, incendiary weapons, cluster munitions and anti-personnel mines;
 - Production or sale of cannabis for recreational use;
 - Payday lending activities. Payday lending refers to small, high-cost short-term consumer loans as defined by the UK's Financial Conduct Authority. Due to the high-cost nature of these loans, it often leads to a cycle of increasing indebtedness from lower-income members of society.
- We also exclude issuers that derive more than 10% of revenues from:
 - Production or sale of tobacco or tobacco products;
 - Production, operation, and/or distribution of adult entertainment.
- BSP Ltd has also established exclusion criteria for certain fossil fuel activities. We exclude:
 - Issuers that derive 10% or more of revenue from thermal coal mining;
 - Issuers that derive 10% or more of revenue from oil sands.

¹ The Structured Credit team works with the CLO Managers they invest in, at the point of appointment, for primary deals, to request wording in the CLO documentation to apply separate restrictions and exclusions, wherever possible. The wording is utilised to prevent CLO Managers from buying assets with exposure to certain industries – as further described in the Structured Credit section below. Most Managers are quite constructive in including this language in their CLO documentation. Please refer to Principle 8 for more details on our approach to integrating ESG into our Structured Credit strategy.

ESG Integration

BSP Ltd considers 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 Sector Materiality Guide
- ii ESG Checklist
- iii Climate Risk Tool

The aim of the tools is to provide our investment teams with a consistent framework to assess material ESG risks and to help inform our engagement activities.

Sector Materiality Guide

As a starting point, credit analysts use a sector materiality guide to identify the ESG factors that could have a significant impact on issuers according to BSP Ltd's industry classifications. The guide helps inform issuers' ESG scores and provides direction for analysts on key factors to focus on during stewardship efforts.

ESG Checklist

BSP Ltd's ESG Checklist was established in 2021 to provide investment teams with a consistent approach to assessing issuers across sectors and markets. Analysts use the checklist to capture relevant information on climate change, environmental, social and governance risks for new issuers. Issuers' ESG scores are used to construct and manage portfolios.

Our ESG scoring system relies on the assessment of more than 20 qualitative and quantitative indicators across each of the pillars. To inform issuers' scores, we rely on corporate disclosures and leverage our credit analysts' in-depth knowledge of their companies, sectors and markets, as well as third-party data. In addition to having individual pillar scores, analysts rate the overall ESG risk profile of the issuer. We use a 1-5 risk scale as defined in the table below. If an issuer scores 4 or 5 at a pillar or aggregate level, it will be referred to the 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.

Score	Risk Scale	Action
1	No risk	No action
2	Low risk	Monitor
3	Moderate risk	Inform relevant Investment Committee during credit approval process
4	High risk	Escalate to ESG Committee/focus issue at relevant Investment Committee
5	Very high risk	Exclude from portfolio and/or prevent further purchases

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 (GHG) across Scope 1, Scope 2 and Scope 3 and seek to track performance over time. Where companies do not disclose this information, we use third-party estimated emissions data.

Monitoring

ESG risks and scores are dynamic. The assessment of ESG factors is part of the daily credit monitoring process, where analysts assess risks related to issuers. We monitor companies on ESG risk factors and update risk ratings accordingly. As part of our regular company dialogue, analysts engage with issuers on ESG matters regularly. Engagement may be more frequent with issuers exposed to higher ESG risks or where company-specific or macro risks are developing. We provide further details on our approach to engagements under Principle 9.

Direct Lending

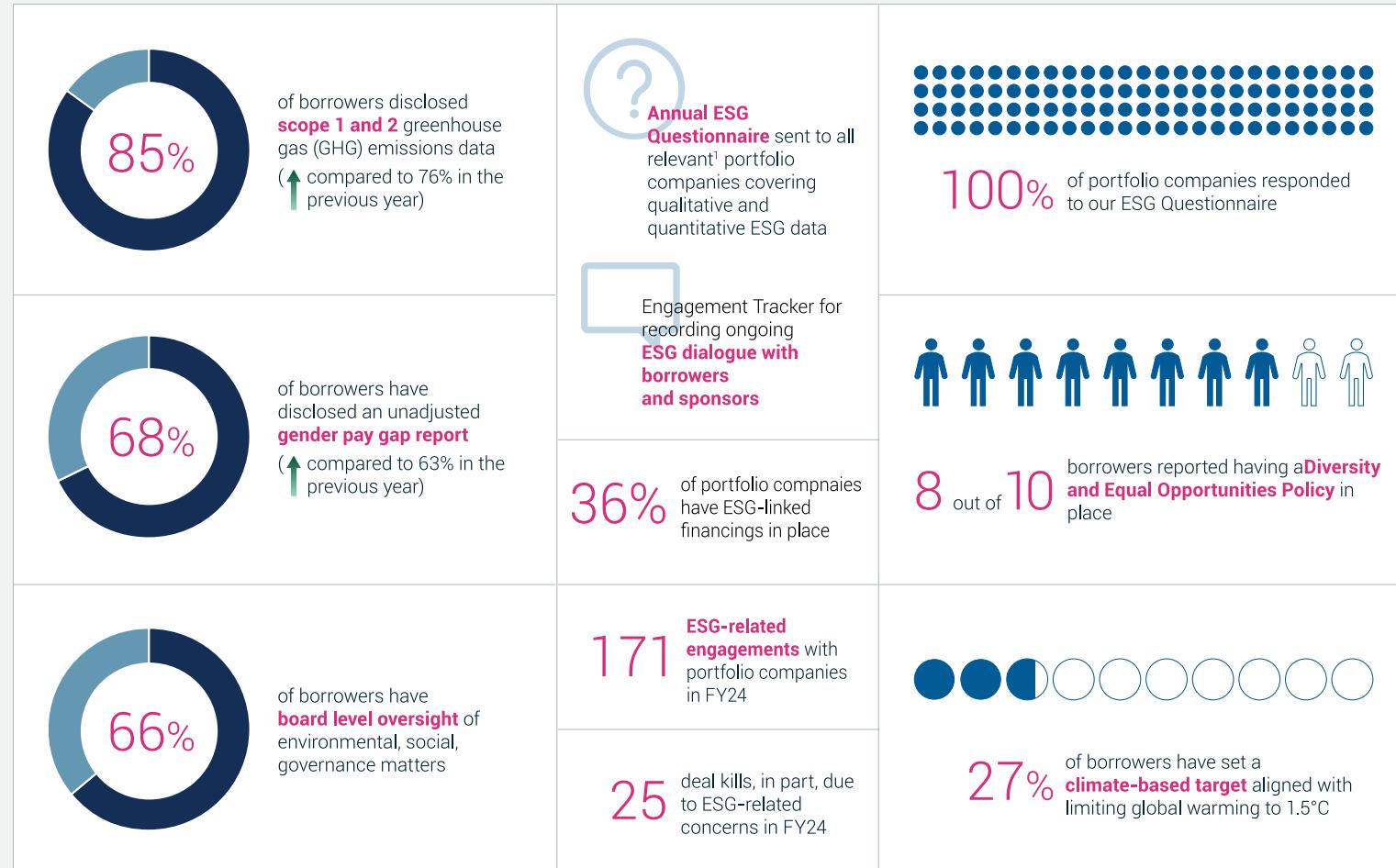
BSP Ltd's Direct Lending platform has often the ability to exert some influence over borrowers as in many cases, we may be the sole lender and remain invested in the company for a longer time horizon, typically 5-7 years, and the strategy offers more granular insight and closer relationships with portfolio companies, given the majority lender position in capital structures.

In 2020, we implemented an ESG questionnaire to assess and monitor companies' exposure to ESG factors. The questionnaire is sent out to companies in our Direct Lending portfolio on an annual basis. Borrowers are required to provide qualitative and quantitative information regarding their sustainability strategy and approach to mitigating and managing key ESG risks. This information is used to track borrowers' ESG risk profile and to monitor portfolios. In 2022, the response rate to our ESG questionnaire was 94%, this increased to 100% in 2023 and 2024.

While all companies in our portfolio are expected to respond to the annual questionnaire to the best of their abilities, we recognise that some may currently lack the resources and capabilities to meet the level of detailed and data granularity that certain questions require. In these cases, we continuously collaborate with companies that have not yet provided certain ESG data points, supporting them in their journey to measure relevant metrics for their business and develop their sustainability strategies. One of our primary methods is through engagement and the incorporation of ESG KPIs into Sustainability-linked Loan facilities, with the support of the Impact Tool described in Principle 4 throughout the process.

Direct Lending (continued)

Outcome from Our ESG Questionnaire for Direct Lending



A look ahead to the 2025 enhancement of the questionnaire

Each year, we strive to enhance our questionnaire to align with market best practices and meet the increasing expectations of our investors. In 2025, we have updated the questionnaire to include: (i) new metrics to address bespoke client requests, (ii) additional quantitative and qualitative climate metrics to feed into our Climate Risk Tool and inform our climate analysis and transition plans, and (iii) further alignment with TCFD and CSRD requirements to guide borrowers in their reporting processes.

Note: The ESG Questionnaire was only sent to companies where BSP Ltd holds a material debt position, excluding those where a near term exit was anticipated.

Initiative 4: Measuring Positive Outcomes

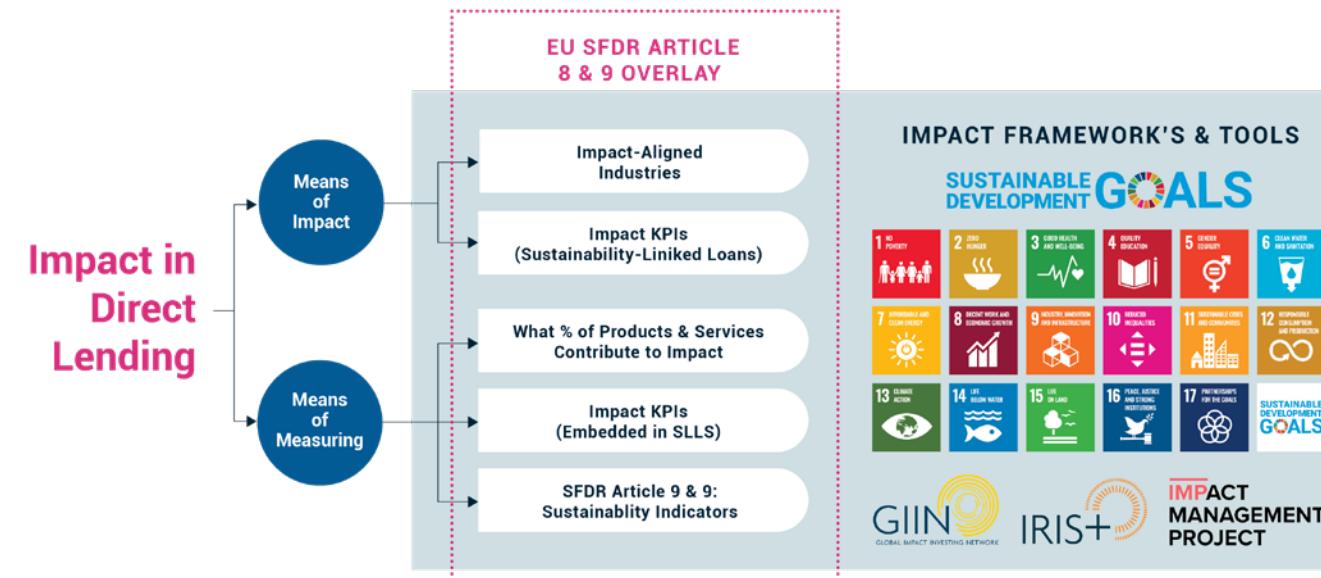
Investment Strategies Applicable: Direct Lending

Challenging the consensus view that impactful investments are only possible via equity or venture capital, at BSP Ltd we see our European Direct Lending strategy as part of the solution to addressing real-world issues. In addition to applying our rigorous ESG integration process throughout the investment life-cycle, investment opportunities going through the lens of our impact framework are subject to an extra layer of analysis. This builds on top of the BAU investment process to ensure value creation and financial returns retention.

Our strategy supports mid-market European companies to achieve real-world positive outcomes through:

- 1 Direct investment in businesses delivering positive change through their products or services in impact-aligned industries; and/or
- 2 Embedding impact KPIs in the debt instrument via Sustainability-Linked Loans (SLLs).

Both routes aim to align with the UN SDGs and other recognised frameworks, leveraging the Five Dimensions of Impact and our wider Impact Tool.



Our European Direct Lending strategy also benefits from SFDR Article 8 requirements, promoting ambitious environmental and social characteristics for a minimum of 70% of invested capital.

- 1 Set clear objectives in alignment with our investor mandate and the UN SDGs
- 2 Achieve the goals set in two different ways, depending on the nature of each investment, in accordance with the Sustainable Development Investments (SDIs) Taxonomy - i.e., positive impact through products and services (by investing in impact-aligned borrowers) or positive impact through operations and conduct (by setting impact KPIs).

Impact Tool

Over the reporting period, we have developed a proprietary Impact Tool with the aim of undertaking a structured approach throughout the investment process to assess new investments' potential of achieving the positive outcomes BSP Ltd is committed to and subsequently monitor and ensure progress against these goals.

As the tool is aimed at overlaying each step of our investment process, it is divided in three sections

1

Due Diligence

This section is leveraged during the pre-investment phase, it resembles the Five Dimensions of Impact framework and as such, prompts our investment analysts to reflect on the "what", "who", "how much", "type of investor contribution" and "risks" of the positive outcomes a potential issuer could achieve because of the nature of their business or through their operational choices.

2

Structuring

This section is leveraged to select meaningful ESG KPIs for a Sustainability-Linked Loan facility, whether during deal structuring or engagement; it comprises a library of outcome KPIs classified by alignment with recognised industry standards (e.g., GRI, IRIS+), sectors, and UN SDGs; depending on the type of business, analysts are prompted with a number of applicable KPIs to be discussed with the borrowers, making it easier for both parties to set relevant and feasible goals, fit to achieve and demonstrate positive impact.

3

Monitoring

This section is leveraged during the post-investment phase and aims at tracking the progress made towards the targets set for each KPI selected (if any); this ensures accountability as well as recognition for the efforts made, and it also provides an opportunity for BSP Ltd to identify areas for engagement wherever needed.

2024 Sustainability-linked Loans (SLLs) statistics for our Article 8 fund in our European Direct Lending strategy

Invested amount represented by companies who have ESG KPIs agreed or ESG language in docs covering at least one facility

75% of funded capital

Invested amount represented by companies who have agreed ESG KPIs covering at least one facility

54% of funded capital

We engage in ongoing discussions with borrowers to set new KPIs and track progress towards agreed-upon targets, fostering constructive dialogue and relationship building

ENGAGEMENT EXAMPLE 1

Direct Lending – Impact-aligned Industry



BSP Ltd is invested in a TICC (Testing, Inspection, Certification, Compliance) service provider specialising in a wide range of analytical, logistical, and specialist services across the Food, Environment, and Life Sciences segments. The company upholds sustainable practices, complies with environmental regulations, and enhances the safety and quality of consumer products—direct benefits of its products and services. These features have consistently stood out during our impact assessment, demonstrating alignment with our investment strategy and theory of change.

The company offers a variety of services, including laboratory analysis, data management, and specialised logistical support for clinical trials. It provides consulting services for private companies and public institutions in research, product development, market development, and consumer protection. The company operates in an attractive and sizeable market, benefiting from growing volumes and appealing verticals driven by increased outsourcing trends, stricter regulatory requirements, and public sector environmental targets, ensuring a sound financial risk profile.

Due to the nature of its business, the company achieves several positive outcomes aligned with the UN SDGs through its services, including:

- Enhancing product quality and ensuring contaminant-free food products reach the market, thereby ensuring the availability of safe food;
- Contributing to the pharmaceutical and medical devices sectors by supporting drug manufacturers in producing safe and effective drugs and vaccines;
- Ensuring clean drinking water by analysing contaminants, conducting environmental tests, and supporting regular testing for legionella in drinking water;
- Enhancing recycling processes and eco-friendly waste management, recovering valuable resources, and reducing waste.

As investors in this business, we have the responsibility to ensure the company's objectives are achieved sustainably, generating positive change and ensuring alignment with our investment beliefs.

UN SDG Alignment



ENGAGEMENT EXAMPLE 2

Direct Lending – ESG KPIs



BSP Ltd held detailed discussions with an advertising technology company regarding ESG KPIs and their broader ESG strategy.

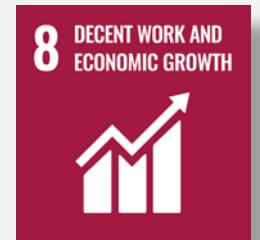
Following these discussions, it was agreed that:

- i. The company will develop a Climate Transition Plan to set targets for reducing emissions using a robust methodology aligned with the GHG Protocol. This will enable the company to comply with CSRD disclosure requirements;
- ii. The company will formalize and implement several governance procedures, including anti-money laundering, cybersecurity, human rights and modern slavery, and health and safety;
- iii. The company will aim to improve its employee engagement scores through various initiatives focused on work environment, purpose, management, professional development, and recognition.

These KPIs primarily pertain to the company's operations and internal processes. However, they are also closely linked to several UN SDGs (i.e., 13, 10, 8), allowing a company not operating in a traditionally impact-aligned industry to achieve meaningful outcomes and generate positive change.

As investors, we will continuously monitor the progress towards the set targets, periodically reviewing and updating them to consistently raise the bar and ensure they remain meaningful and feasible.

UN SDG Alignment



8

PRINCIPLE

Signatories **monitor and hold to account** managers and/or service providers



HOME

Service Providers

We continuously strive to enhance the research and data we use to inform our investment decisions. As part of the credit analysis, investment teams are required to assess the ESG risk profile of issuers. To do this, we rely on a variety of sources, including company-reported information, research from sell-side banks, data from specialist firms and third party ESG data providers. While coverage from third-party service providers in our investment universe is limited relative to other asset classes, the information provided is useful, in particular to obtain sector-level insights.

During 2023, the Responsible Investment team successfully onboarded a new third-party ESG data provider, following approval by the Responsible Investment Committee. The data provider focuses on standardised ESG and sustainability reporting for the leveraged finance and private assets markets and is able to provide a more extensive data coverage for the sub-investment grade market compared to providers which focus primarily on public assets. In 2024, we expanded this relationship to include a wider range of securities and geographies in our partnership. This extension covers new markets with historically limited sustainability data, thereby enhancing our visibility on ESG risks and performance, and improving our own disclosure standards. The overarching goal of external data is to complement our in-house research and database and to provide a holistic and comprehensive view of ESG risks and opportunities.

Our review process of external data providers consists of understanding the metrics and methodologies used to assess companies, as well as reviewing their coverage of the sub-investment grade credit market. We have continued to build and foster relationships with external data providers to provide feedback on an ongoing basis. We have found that this has been helpful when identifying and querying data points that may have been inaccurate or if we observed gaps in the data. We recognise this is a rapidly evolving space, so we will continue to explore other third-party providers to further enhance our ESG database, for example, on climate, biodiversity and human rights' data.

As a credit manager, voting is not material within the context of our activities. Therefore, we do not use proxy voting providers. We explain our approach to voting in more detail under Principle 12.

Structured Credit

ESG is integrated across the firm, and whilst we share a common philosophy across strategies, there are certain nuances in how strategies adopt this philosophy. BSP Ltd's Structured Credit strategy invests predominantly in CLO securities, which give indirect exposure to a diverse pool of syndicated loans. The CLO tranches our Structured Credit strategy invests in provide exposure to pools of loans managed by external firms. Due to the nature of these investments, analysts' engagement regarding ESG considerations primarily sits with the CLO Managers - as is standard market practice - as opposed to the underlying investments, as is the case with our Liquid Credit, Special Situations and Private Credit strategies. Over the past year, there has been a significant effort made to enhance the integration of responsible investment and ESG considerations into the Structured Credit's strategy.

ESG remains an important principle for the team, however for our Structured Credit investments, we aim to understand how the CLO Managers we invest in, consider and monitor ESG risk; for example, their governance structure, responsible investment policy, ESG assessment framework, risk tolerances and exclusion criteria.

As part of our monitoring and assessment process, our Structured Credit team:

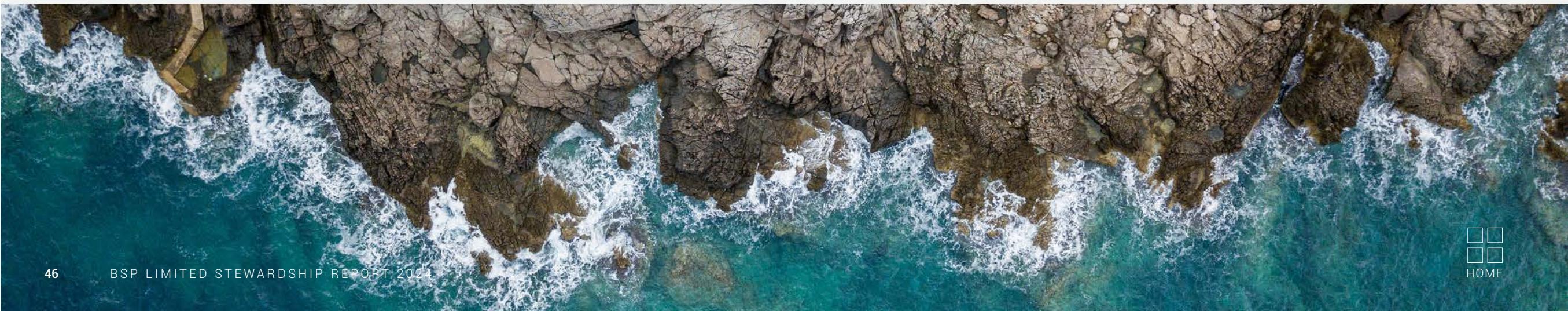
Speaks to CLO Managers that we invest with on a regular basis. The calls are to get updates on underlying loans, the Manager's platform and to engage with managers on their ESG policies;

Send out an annual ESG questionnaire to a large proportion of CLO Managers to get a formal update on their ESG processes and policies, and ESG data on the underlying borrowers (including climate metrics);

Request CLO Managers to share their ESG & responsible investment reports (both public & private) annually at a minimum;

Request regular updates regarding CLO Managers dedicated ESG staff and resourcing, and we monitor the appropriateness and suitability of the staff.

Throughout 2024, we reinforced our commitment to integrating Responsible Investment principles into our strategy. We enhanced our annual questionnaire sent to CLO managers to analyse the state of ESG integration in the CLO market. This allowed us to significantly increase climate data disclosure, identify key areas for engagement, and gather insights to inform our investment decisions in selecting managers.



Initiative 5: Insights into ESG Integration in the CLO Market

Investment Strategies Applicable: Structured Credit

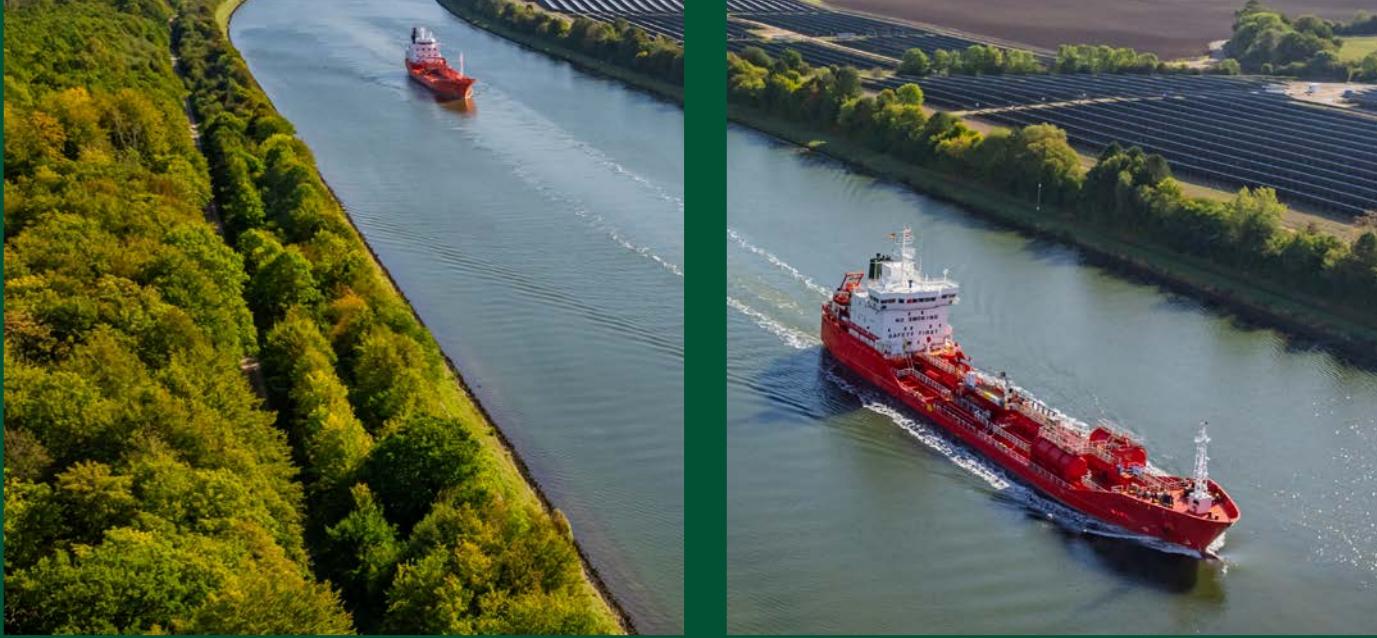
As the CLO market evolves, there is a growing emphasis on integrating ESG factors into investment processes. This shift is driven by increasing regulation and changing investor expectations. In response, BSP Ltd published a whitepaper in 2024 that delves into how CLO managers are adapting to these changes and incorporating ESG into their investment strategies.

The insights in the paper are based on responses from our annual ESG questionnaire - which was sent to around 90 US and European CLO managers we invest in - and supported by other publicly available data. From these responses, we drew a number of key conclusions:

Negative Screening	Beyond Exclusions	Improved Data Availability	Rising Investor Demand
The most common method for incorporating ESG considerations into CLO documentation in both Europe and the US is still through negative screening via exclusions;	CLO managers are advancing beyond exclusions by implementing formal ESG policies, integrating ESG principles into credit selection, and adopting ESG scoring systems. Notably, 70% of managers report assigning ESG scores to issuers using their own proprietary scoring systems;	Standardised industry frameworks, the upcoming CSRD regulation, and corporate engagement are enhancing data availability across the asset class, addressing one of the historical challenges in ESG integration for CLO managers;	Investor demand for ESG data is increasing, prompting CLO managers to provide "Principal Adverse Sustainability Impact Statements" per Article 4 of SFDR. Many non-EU managers are voluntarily complying to meet investor transparency and sustainability needs.

These findings reassure us that managers are increasingly using financially material ESG factors to inform their investment decisions. However, we remain committed to engaging with the CLO managers we invest in, as well as the broader market, to promote the consistent adoption of ESG analysis and reporting. We believe, this will help the CLO market, and the wider economy, become more sustainable.

Key Outcomes & Effectiveness

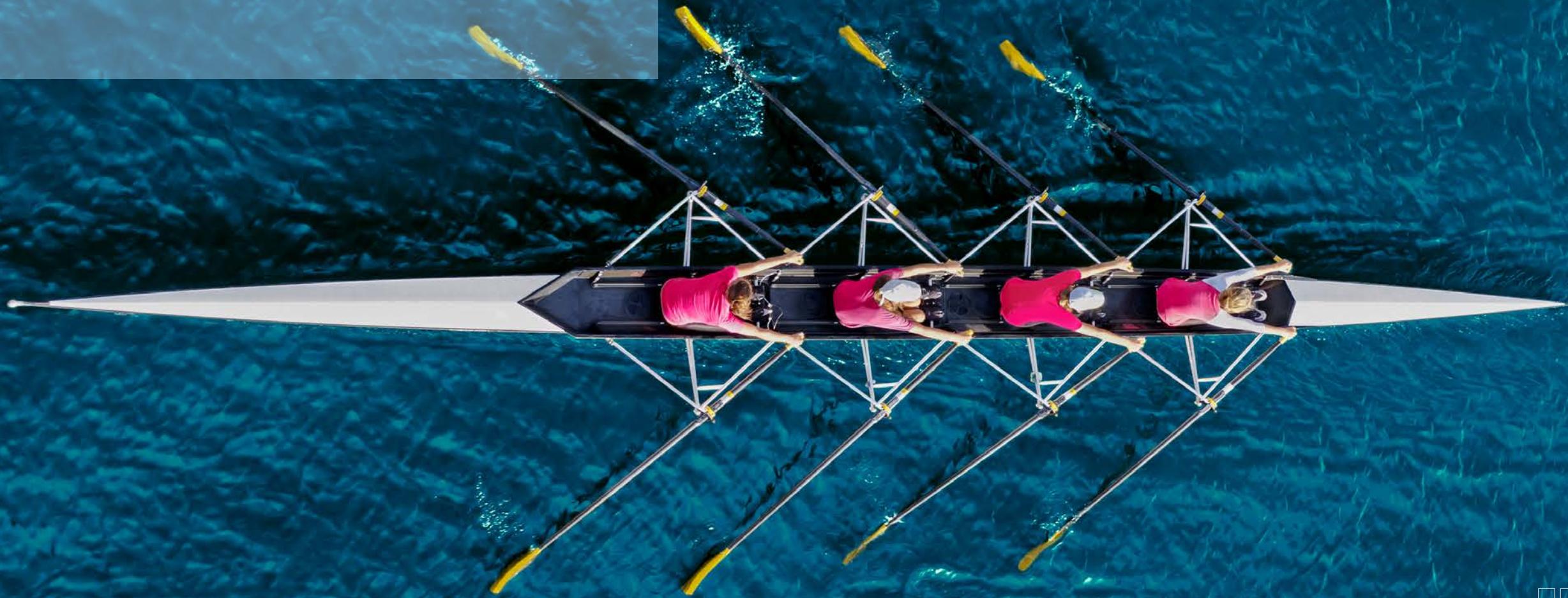


As outlined in our latest whitepaper, most CLO managers now have clear exclusions and ESG integration frameworks in place. We believe this development is positive for the market. Combined with our continued engagement and new regulatory pressures, it will help lead the industry to further embed sustainability into decision-making processes and investment strategies.



BSP Ltd's annual questionnaire sent to managers will enable us to track the progress made in standardising ESG integration frameworks. This tool can serve as a benchmark for the wider market and guide our efforts to drive meaningful engagement.

ENGAGEMENT



9

PRINCIPLE

Signatories **engage** with issuers to maintain or enhance the value of assets



HOME

Stewardship Outcomes

As stewards of our investors' capital, we find that engagement is the most effective approach to understanding the ESG risks and opportunities associated with our investments. Our responsible investment principles guide our stewardship efforts, and we take an active role in engaging with existing companies in our portfolio, as well as with new issuers to better understand risks, improve disclosures and to encourage issuers to act in a sustainable manner.

We benefit from our scale and tenure in our markets, which provides access to company management teams, sponsors, and other key stakeholders. Our strong relationships provide us with the opportunity to meet with companies at conferences and road shows. Depending upon the strategy, our engagement efforts will be slightly different and more or less involved, according to the nature of the relationship with the company or the management team. For instance, our Direct Lending and Special Situations teams may often have a more involved relationship with the company and have the ability to exercise additional influence – particularly, if an BSP Ltd employee holds a seat on the Board of the company.

As indicated in Principle 8, in our Structured Credit investments, we apply a more strategy-specific approach to engagement whereby we engage with CLO Managers to understand how they consider and monitor ESG risks. This includes but not limited to: ESG governance structure; good governance at portfolio companies; ESG policies; ESG assessment framework; stewardship activities; PRI signatory status & scores; and details on Managers' dedicated staffing. We also proactively engage with Managers with regards to ESG exclusions. The Structured Credit team works with the CLO Managers they invest in, at the point of appointment, for primary deals, to request wording in the CLO documentation to apply separate restrictions and exclusions, wherever possible.

As previously indicated, as investors in the sub-investment grade credit market, BSP Ltd faces challenges related to availability and transparency of ESG data from issuers. Expectations surrounding the scale and effectiveness of engagement are a consideration across all asset classes and as noted above, there are specific nuances within the Structured Credit investments.

Our Engagement Objectives Include:

- Uncovering information on companies' ESG risk exposures and management practices
- Monitoring issuers' exposure and performance
- Addressing concerns related to governance and management practices, performance and/or controversies.
- Encouraging disclosure aligned with internationally recognised standards; and
- Promoting the adoption of sustainable business practices

Who We Engage With

We engage with management teams, technical experts and, where relevant, board members, shareholders and/or arranging banks. Depending on the nature of our engagements, these may take the form of one-on-one company meetings, investor group discussions and/or written exchanges. The decision to focus on a particular strategic engagement typically occurs based upon the potential urgency of the dialogue. For instance, if a controversy arose, we would work to speak directly with the relevant parties – as soon as possible – either in a face-to-face meeting or on a call with management. Where possible, engagements focus on topics that are material to each business.

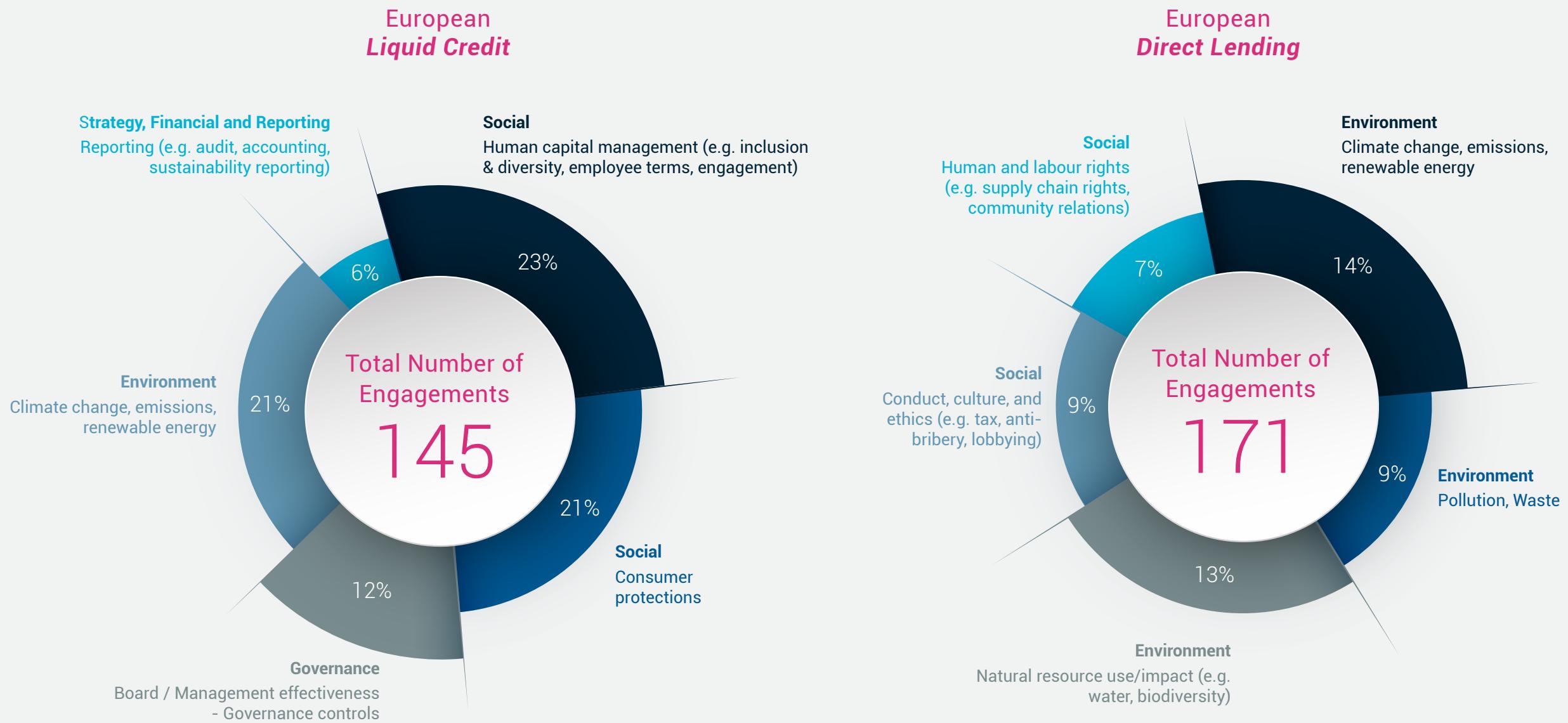
Prioritisation of Engagements

We determine our engagement priorities on a case-by-case basis but may consider such additional factors as the investment exposure, stakeholder concerns and geography. We have focused previously on thematic engagements with carbon-intensive sectors, such as the oil and gas sector. As we consistently monitor headlines – we will engage with issuers that may be subject to an incident requiring further information. Similarly, we will engage proactively with companies following on from an issue that may have arisen from a competitor's misstep to provide our portfolio companies the opportunity to learn and potentially mitigate similar risk.

Engagement Tracking

In 2021, we introduced an engagement log to track our dialogues with companies, and we have continued to use this tool since. We upgraded our engagement monitoring system to align with the Investment Consultants Sustainability Working Group ("ICSWG") categorisation of engagement themes, aiming to meet the increasingly standardised approach to stewardship reporting. We now track engagements according to these topic specifications. As we set increasingly outcome-focused internal KPIs, we monitor companies' responses to track progress over time. While it can sometimes be challenging to directly attribute changes in companies' practices to our engagements, we view stewardship as essential for driving positive change and mitigating risks related to our investments.

Engagement Statistics FY2024: Top 5 Topics Split



ENGAGEMENT EXAMPLE 3

In 2024, we actively engaged with a portfolio company to provide guidance and support in designing a robust ESG & Impact (ESGI) Strategy Report. Leveraging our position as business owners and Board of Directors' members, we were able to provide unique insights and take a leading position in this initiative. The company, which provides high-quality apprenticeship and recruitment services, self-funded training courses, and bespoke programs for employers of all sizes in both the public and private sectors, naturally achieves positive social outcomes through its core products and services. However, with rising market standards and expectations for tangible positive outcomes, we identified the need for a formal ESGI plan with actionable goals and KPIs and actively advocated for this requirement as part of our contribution to the Board's discussions. The plan we promoted aimed to showcase and quantify both the positive changes achieved and anticipated, uncovering potential business efficiencies and enhancing the company's appeal to impact-focused market segments.



Initially, the Board's decision was to prioritise setting KPIs for various social metrics. However, through discussions with internal and external stakeholders, it became evident that a structured ESGI strategy was necessary to support these objectives. This strategy would identify areas of strength and improvement, as well as market needs and internal feasibility. Given the limited specialised resources within the company, the Board, including BSP Ltd, recommended appointing Clearwater as a consultant to develop an ESGI strategy.

Throughout the latter half of 2024, BSP Ltd's representative played a key role within the Board in providing guidance on the desired outcomes, the company's management advocated for the day-to-day business needs, and the consultant brought subject matter expertise. Together, they held monthly meetings to formalise a strategy addressing market and sustainability opportunities and challenges, considering multiple priorities. As part of this, a survey was distributed to all internal stakeholders, including the Board of Directors, to gather perceptions on areas of strength and development and set priorities for the strategy.

After months of iterative progress and feedback, the company has now implemented a comprehensive ESGI strategy. We strongly believe that the strategy report, which explicitly references and tracks UN SDG targets and utilises performance social metrics such as Social Return on Investment (SROI), will be crucial in creating efficiencies, setting objectives, and quantifying real-world positive outcomes. Additionally, it will provide the company with more business opportunities by expanding the pool of capital they can attract. BSP Ltd's representative continuously reviews the company's progress and compliance with established policies, and will continue to advocate for best-in-class sustainability performance as the company develops new capabilities.

ENGAGEMENT EXAMPLE 4

In 2024, we engaged with a portfolio company in the services sector. One of its subsidiaries achieved an Eco Vadis gold rating, and management mentioned on a lender call that they aim for the other subsidiaries to achieve similarly strong ratings. Following this statement, our investment analyst engaged with management to understand the steps they were taking to align the other entities with the subsidiary's ESG profile and ensure the company had the support needed to succeed in this ambitious goal.

Through this engagement, the company confirmed its commitment to improving sustainability performance and has made significant progress, including: (i) improved measurement of its GHG footprint; (ii) signing the SBTi commitment letter with the objective to reduce GHG emissions through renewable energy sources, a 100% green fleet, and sustainable procurement for scope 3 emissions; and (iii) monitoring ESG implementation progress across its supply chain. Our analysts engage with the company on specific KPIs and monitor the Eco Vadis status of subsidiaries to ensure progress towards their goals. This demonstrates that the company's efforts are valued and keeps it as a high priority on their radar.



ENGAGEMENT EXAMPLE 5

In Q2 2024, our investment analyst engaged with a borrower in the services sector to better understand the human capital concerns affecting the company. After extensive discussions, the management revealed difficulties in sourcing talent, which was contributing to a slowdown in revenue growth.

Through this engagement, our analyst gained confidence that the ongoing human capital issues were being proactively addressed by management through bespoke processes and changes to the governance structure. As a result, staff turnover has decreased over the past three years since peaking after Covid. The company has invested in internal training and other initiatives, such as an AI hub, to improve employee NPS scores. Additionally, the company confirmed that the Group COO now has direct oversight of recruitment, and further actions are being taken to enhance workforce planning. Our analyst has since regularly followed up with the company to ensure the issue is continuously monitored and addressed until recruitment stabilises. This engagement allowed us to fulfil our objectives by addressing a management concern and consistently monitoring performance to ensure the company fulfils its duties.

ENGAGEMENT EXAMPLE 6

In Q2 2024, our investment analyst engaged with a pharmaceutical company to understand the European Commission's decision to revoke the marketing authorisation for one of its drugs due to a lack of clinical evidence of improved outcomes. Through discussions with management, our analyst was reassured that the lack of improvement was due to recruitment challenges for testing, as patients opted for alternative treatments rather than the placebo.

After securing a temporary suspension of the EC's decision, the Conditional Marketing Authorization (CMA) for the drug was ultimately revoked. However, the EC may allow the drug to be supplied on a compassionate basis for existing patients, subject to national-level negotiations. Additionally, the analyst engaged with management to understand how they are mitigating the impacts of this decision on the rest of the business. Our analyst concluded that the company is taking appropriate steps to mitigate potential impacts on trading through new pipeline launches and cost reduction opportunities. This engagement enabled our analyst to continuously monitor the situation and make sure the medium- and long-term consequences of the controversy get proactively tackled and mitigated by the company.



ENGAGEMENT EXAMPLE 7

The investment analyst engaged with a portfolio company in the education sector, which operates a global network of schools providing high-quality education through personalised learning and data-driven decisions to enhance student enrolment and resource allocation. Given the high volume of stakeholders, the analyst engaged with the company to understand their safeguarding policies for children and students under their care.

Through this engagement, our analyst gained confidence that appropriate measures and controls were being implemented to adequately safeguard the children. This included oversight by a market-leading third-party independent entity, which was believed to be more stringent than any peers' standard. Additionally, our analyst was reassured by the fact that a global inspection body concluded there had been no safeguarding issues at the company in the last five years. The analyst will continue to have periodic conversations with the company to ensure good performance is maintained and any potential safe-guarding issues are identified and mitigated in a timely manner.

ENGAGEMENT EXAMPLE 8

In 2024, our investment analyst engaged with a portfolio company in the healthcare sector to investigate any misconduct issues by nursing staff related to the quality of care, following negative press. This initial focus expanded to include a broader assessment of the Board composition and governance committees, ensuring a robust governance structure with effective policies and processes to prevent reputational risks. Additionally, the analysts discussed management's plans for measuring scope 1-3 GHG emissions as part of our ongoing portfolio decarbonisation efforts.

During the engagement, the company satisfactorily addressed all questions raised. However, they did not comment on past incidents with nurses but only clarified two ongoing minor litigations. As a result of the engagement, the company is considering establishing enhanced ESG reporting to showcase performance and processes across the three pillars, including governance and scope 1-3 GHG emission data. The analysts will continue to engage on these topics to ensure necessary information is provided regarding potential misconduct and that progress is made towards the enhanced disclosure and the recognised reporting standards to which the company committed.



ENGAGEMENT EXAMPLE 9

In Q2 2024, our investment analyst engaged with management to discuss the governance and disclosure practices of a portfolio company in the technology sector, following shortcomings in communicating capital allocation and the company's dividend policy.

During the engagement, our analyst expressed concerns about the reporting and disclosure practices. Management acknowledged that previous communication had been insufficient and has subsequently committed to improving the level of detail in disclosures and providing better guidance to the investor community by year-end, which has now been actioned.

ENGAGEMENT EXAMPLE 10

BSP Ltd's Responsible Investment team engaged with an IT recruitment and training services portfolio company seeking feedback on their corporate ESG strategy to ensure compliance with the recent Corporate Sustainability Reporting Directive ("CSRD"). BSP Ltd analysed the company's responses to their ESG questionnaire, identifying areas for improved ESG data disclosures. They discussed how the data collected during the baselining activity could support the development of robust, data-backed KPIs for future sustainability-linked lending facilities.

The company committed to incorporating BSP Ltd's feedback to enhance their ESG strategy. BSP Ltd will continue to engage regularly with the company, providing further feedback, exploring potential ESG KPIs for the loan facility, and tracking improvements in ESG performance. In Q1 2025, through our annual ESG questionnaire, we will conduct an initial assessment to verify improvements from the previous year and identify areas for further engagement.



ENGAGEMENT EXAMPLE 11

In Q3 2024, we engaged with a digital advertising services company to embed ESG KPIs into their loan documentation. The company initially proposed three KPIs: increasing climate awareness among suppliers, enhancing employee engagement, and improving ESG awareness among senior leadership.

BSP Ltd suggested enhancements to make these KPIs more impactful, including:

1. Measuring scope 1, 2, and 3 emissions to increase climate data disclosure and reduce emissions;
2. Using tangible survey outputs and scores for employee engagement initiatives to improve wellbeing, training, and retention;
3. Detailing senior management's involvement in the ESG program, including assessment methods.

Implementing these enhanced KPIs helps portfolio companies assess the impact of their initiatives and encourages broader ESG improvements among stakeholders. The company agreed to these ambitious KPIs and committed to working with BSP Ltd on the monitoring, evaluation, and review of the specified targets, adjusting margin ratchets, and increasingly raising the bar for sustainable goals.

ENGAGEMENT EXAMPLE 12



As part of our ESG engagement strategy and plan to transition to a more robust framework of SLLs when lending to our borrowers, in Q4 2024, we engaged with a portfolio company that operates in the financial services industry to consider embedding ESG KPIs into their loan with us.

For one of the KPIs, the company was keen to embed a social target that looked to develop its approach towards supporting vulnerable clients (VC) as defined by the FCA. The company's proposals covered improving the client journey, asking relevant questions earlier in the journey, better controls, and data recording. As part of the engagement,

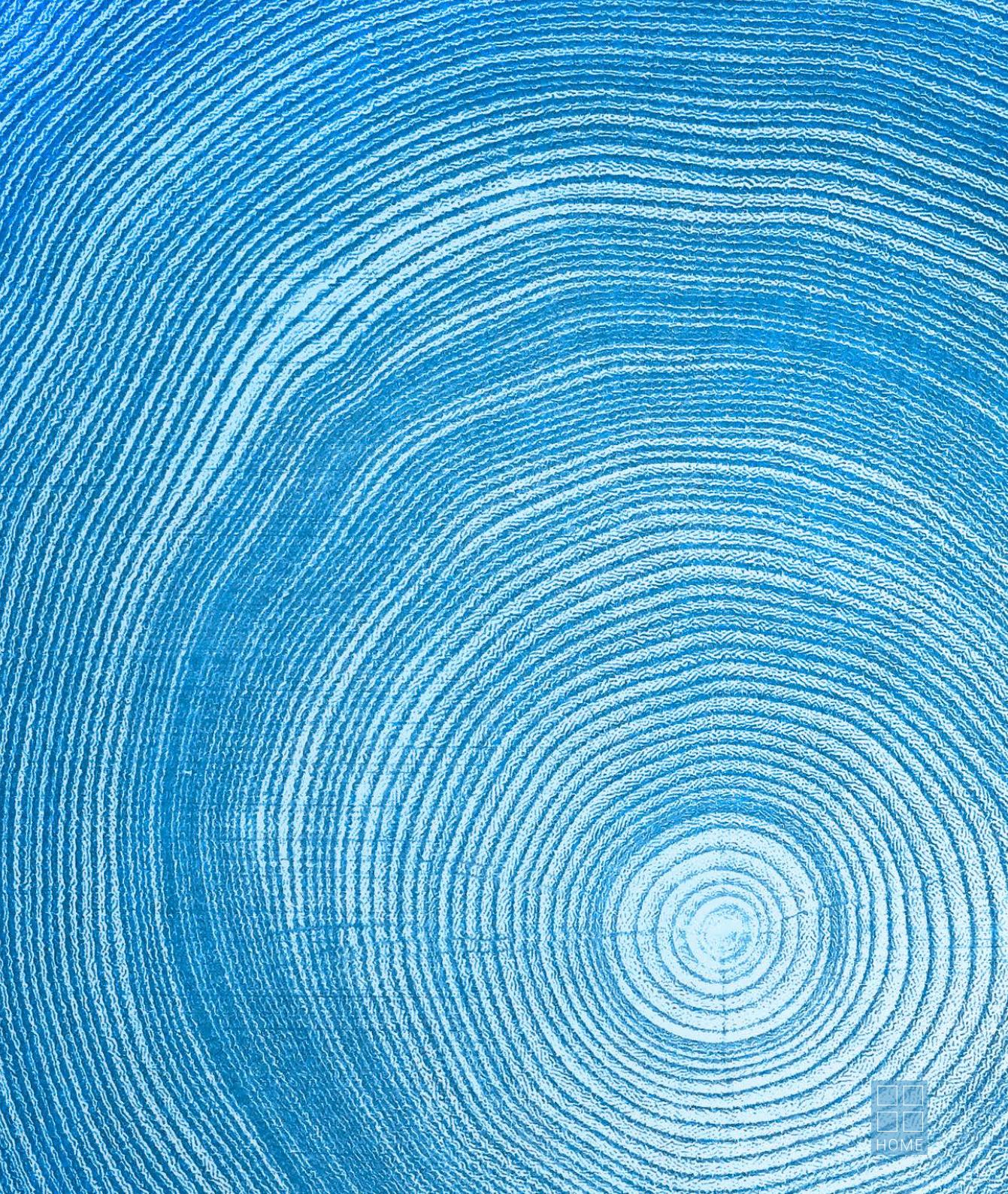
BSP Ltd pushed the company to confirm the trajectory of the percentage increase in VCs identified and served; confirm additional staff training to deal with VCs; and provide details on annual review process.

Through the engagement, the company confirmed details that it was on track to hit its increased targets; run additional staff training; and the company's Consumer Duty Champion will be responsible for annual reviews and reporting to the Board and Group Operating Committee.

10

PRINCIPLE

Signatories, where necessary, participate in **collaborative engagement** to influence issuers





External Collaborations

The team at BSP Ltd is committed to serving our clients – and working collaboratively with a wider group of stakeholders – to assist in making a transformational change through engagement and collaboration. BSP Ltd collaborates and engages with peer investors and other stakeholder groups to improve market standards and exchange best practices as we work towards common goals

We participate in a range of external initiatives. We became a member of the Institutional Investors Group on Climate Change (IIGCC) in 2021, the European membership body for investor collaboration on climate change. We advocate in support of their mission to enable the investment community to drive considerable progress by 2030 towards a net zero and resilient future. In

addition, BSP Ltd became a signatory of the 2021 Global Investor Statement to Governments on the Climate Crisis. Alongside other 587 other investors with around 40% of the world's AUM, we called on governments to act on the climate crisis.

We will continue to explore opportunities to expand our external collaborations across environmental, social and governance topics. A key focus area is to work with other investors to advance the standardisation of ESG disclosures in the private sector.

ENGAGEMENT EXAMPLE 13

Over the reporting period, our Head of Responsible Investment participated in several round tables with peer investors to address emerging opportunities and challenges in the responsible investment landscape. These discussions allowed us to share our views and explore solutions on topics such as:

- The debate around "ESG" versus "sustainability" terminologies, including regional differences, political influences, and implications;
- The increasing need for a standardised reporting framework for companies and investors;
- Strategic ways to overcome data gaps and the importance of a unified investor voice when setting borrower requirements;
- The opportunity, driven by regulatory tailwinds, to incorporate sustainability KPIs to improve risk-adjusted returns, strengthen investor-borrower relationships, and embed sustainability into fund construction.

The insights and learnings shared will help advance our responsible investment strategies, creating efficiencies for borrowers, improving their sustainability performance, and positively impacting the market. For this reporting year, this has led to the implementation of several best practices to enhance our monitoring and compliance efforts, as detailed in Principle 6. These measures have enabled us to effectively fulfil our fiduciary duties and manage risks, including greenwashing.



ENGAGEMENT EXAMPLE 14

Our Head of Responsible Investment participated in a focused roundtable discussion with the LMA, banks, and investment managers on addressing greenwashing risks in private markets. The session explored evolving UK and EU regulatory frameworks and their influence on sustainable loan uptake, emphasizing that enhanced regulatory clarity and industry-based principles are crucial to distinguish genuine sustainability efforts from mere greenwashing.

In addition to regulatory impacts, the conversation highlighted the importance of collaborative approaches between stakeholders to develop robust yet adaptable standards. The insights gained are set to inform the upcoming LMA insights paper on greenwashing risk, reinforcing our commitment at BSP Ltd to driving transparency and responsible investment practices in the market.

11 PRINCIPLE

Signatories, where necessary, **escalate stewardship activities** to influence issuers



Escalating Stewardship Activities

Engagements with issuers on ESG matters typically involve multiple interactions over a set period. These dialogues are conducted in close collaboration between the investment and Responsible Investment teams. Although we do not typically hold voting rights as shareholders, we may still be able to influence companies as a provider of capital.

BSP Ltd believes that to observe meaningful changes in companies' governance and sustainability practices, we need to be i) effective at conveying our messages; and ii) allow sufficient time for companies to take on board our input. We also recognise that in some cases, our engagements may not result in the desired outcomes.

Escalation measures will depend on the scope of our engagement, the severity of the issue, the size of our holdings, the company's response to date and likelihood of

enacting change. The Investment Committee and Responsible Investment Committee participate in the monitoring of credits that pose elevated ESG risks. If an engagement with a high-risk issuer proves to be ineffective, the Responsible Investment Committee may make recommendations to the relevant Investment Committee on potential escalation measures, which depending on the asset class, may include a reduction in position on a particular credit, or divesting entirely.

The time horizons for divestment or the outcome of the escalation process may differ from strategy to strategy, depending on the liquidity of the assets. For example, if a controversy occurs or any ESG risk factor increases to the point that we believe the correct course of action would be to divest of an asset held in our Liquid Credit funds, we will attempt to do so promptly. The assets in these funds and the broader European loan market

are reasonably liquid allowing us, in normal market conditions, to typically divest effectively. Prior to deciding to divest, we would undertake the process of assessing a controversy and would undergo detailed analysis, which includes engaging with the portfolio company and often the owner of the business.

BSP Ltd maintains an ESG engagement tracker to capture and measure the effectiveness of our engagement activities. The engagement log is relied upon to track the progress of our dialogues and to identify situations where we need to escalate measures; for example, by divesting or reducing our position.

ENGAGEMENT EXAMPLE 15



Following conversations with one of our investors, who highlighted concerns regarding the alignment of certain US oil and gas companies with their sustainability criteria and values, we undertook a comprehensive re-assessment of these companies against our investment beliefs and through the lens of the investor's criteria. Our review revealed a heightened risk profile, with potential material risks associated with continuing investments in these companies, including reputational damage and financial risks due to their gaps in responsible practices.

Given these material risks and the absence of both significant opportunities and clear intentions for improvement in the short- and medium-term, we decided to divest from these companies. This decision enabled us to fully fulfil our fiduciary duty and align our investments with our client's needs. It also reinforced our commitment to stewardship, demonstrating our proactive approach to managing material risks and promoting sustainable and responsible investment practices.

Key Outcomes & Effectiveness



We escalate our engagements when our objectives are not met. Escalation occurs on a case-by-case basis and the decision to reduce our position, or ultimately divest, is a multi-faceted consideration.

We consider the severity of the engagement issue, the responsiveness of the management team, the strategic plan put in place to mitigate further incidents and the geography of the company's operations.



EXERCISING RIGHTS AND RESPONSIBILITIES

12

PRINCIPLE

Signatories actively
**exercise their rights and
responsibilities**



Exercising Rights and Responsibilities

As one of the leading participants in the syndicated leveraged loan and high yield bond markets across various sectors in both Europe and the United States, BSP Ltd has some influence as an actual or potential lender or noteholder. BSP Ltd regularly attempts to effect changes to term sheets, loan agreements, offering memorandums and prospectuses during the marketing stages of the vast number of transactions presented to us. Given our position in the market, our feedback and views are often sought by borrowers, issuers, sponsors and/or arranging banks in pre-marketing stages. This preview, ahead of general launches to the wider market, provides us with a first attempt to change and shape key factors through the introduction of ESG considerations, most commonly with the goal of embedding ESG KPIs.

Our legal review process is robust. Our internal legal team, specialising in leveraged financing, will conduct a detailed review of the legal documentation provided. The result of that review is a list of items that require further attention. Our internal legal counsel also has access to reports prepared by external document review providers. The analyst covering the relevant transaction will then consult with our internal legal counsel to determine a further refined list of points, whilst considering the transaction specifics. These details will then be raised with the arranging / underwriting banks. Depending on the circumstances, a discussion with such banks may take place. Our portfolio managers and investment committee members are kept abreast of these movements and often raise queries or engage in related discussions.

A similar process applies to amendment, consent and/or waiver requests, where the borrower or issuer of one of our existing investments is seeking to amend the loan or bond documentation via a voting process. The nature of these requests means that the relevant analyst may also have an opportunity to engage with the borrower, issuer or, if relevant, sponsor to gain a deeper understanding of the context, rationale and impact and present any initial feedback or views. Taking all relevant factors into consideration, we may then seek to influence the path forward by consenting, abstaining, or rejecting with regards to such vote, including, where relevant, proposing changes or conditions.

It should be noted that, when assessing a potential investment, we will consider the legal documentation along with other key decision drivers, including but not limited to, ratings, credit quality, sector, geography, ESG risk profile and economics. As such, if a borrower or issuer holds a relatively strong position and we have strong conviction on its outlook and relative value, we may be more likely to accept document concessions when investing.

Initiative 6: ESG Margin Ratchets Tracking

Investment Strategies Applicable: Direct Lending

To promote sustainable performance, BSP Ltd integrates ESG principles by linking borrowers' interest payments to predefined ESG targets. This ESG margin adjustment mechanism is structured around specific ESG KPIs and targets. Depending on the borrower's performance against these targets, the margin can be reduced. This approach incentivises borrowers to improve their sustainability performance.

In 2024, we improved our tracking system to maximise benefits for our borrowers. We also consistently review our approach to:

- 1 Push KPIs further and convert them into outcome-based KPIs where possible;
- 2 Encourage the adoption of KPIs across most of our portfolio companies

We conduct systematic quarterly reviews of the SLLs we have structured using a bespoke tool to track progress and identify potential improvements. This ensures that KPIs are met, tangible progress is measured, and borrowers receive the appropriate incentives.

In 2025, we aim to leverage this tracker as a strategic tool to further encourage the adoption of ESG KPIs and initiate new conversations with companies that have not yet set any ESG targets.

By providing useful insights through this process, BSP Ltd is able to advocate for and implement relevant amendments to loan documentation, reflecting the outcomes of such engagements. This ensures that our commitment to sustainability is embedded in our investment processes and that we continue to drive positive change across our portfolio.

Restructurings

Restructurings potentially provide us with even greater, and direct, influence over the legal documentation, which we use in striving to obtain the best outcome and value for all relevant parties. Depending on the amount of our exposure or holdings, we may join an bespoke committee or group of lenders or noteholders, the key aim of which is to lead, formulate, negotiate and manage the relevant restructuring. Given the nature of these special scenarios, lenders or noteholders also tend to possess more bargaining power, relative to par or performing investments. Our internal legal team will be involved in the process, bolstered by external legal counsel and other advisers appointed to assist.

Voting Activity

As a credit manager, proxy voting is not material within the context of our activities. The number of occasions when BSP Ltd will be engaged in proxy voting will be limited. It is most likely to occur with high yield bond investments, where an allocation may take on formal voting rights. In such instances, BSP Ltd uses the opportunity to vote on matters concerning governance and corporate responsibility.

BSP Ltd generally will not be called upon to vote for proxies for its syndicated loan and Direct Lending investments because of the nature of the instruments involved in the investment strategy (i.e., loans rather than securities). An exception may be when BSP Ltd holds loan investments which could be converted to voting securities.

Proxy votes are also not generally conducted for corporate bonds. Proxy votes may take place from time to time in respect of structured credit investments, in the vast majority of cases this would be where our funds hold the equity tranche. This is typically regarding matters such as calling or refinancing the deal. Sometimes AAA holders, and even more rarely holders of other tranches, are asked to vote on CLO deal documentation matters such as CLO Weighted Average Life (WAL) test extension. When voting in proxy for our structured credit investors we will act in the best economic interests of each fund or account that is entitled to vote, i.e. with a view toward enhancing the economic value of the aggregate investments in that CLO issuer held by each fund or account. This may lead to BSP Ltd submitting different proxy vote responses on behalf of the various funds or accounts it manages.

When engaged by a client to provide discretionary advisory services, BSP Ltd is typically delegated the responsibility to vote on matters considered at portfolio companies' shareholder meetings, usually by means of a proxy ballot ("proxy voting"). In these instances, BSP Ltd has a duty to monitor corporate events and to vote proxies in the best interest of its client and not subrogate the interests of its clients to its own interests. This generally means voting with a view toward enhancing the economic value of the investment.

When it has voting responsibility, BSP Ltd will make every attempt to vote when given an opportunity to do so. However, there may be instances when the Firm is unable or unwilling to vote because of legal or operational difficulties or because it believes the administrative burden and/or associated cost exceeds the expected benefit to a client. BSP Ltd reviews the circumstances for each vote to determine which stance would best serve its clients and aims to act accordingly.





London

Cannon Place
78 Cannon Street
London
EC4N 6HL
UK

www.bspcredit.com