



June 2024

# ESG Policy Presentation

# Elmwood's Commitment to Responsible Investing

Elmwood (or the “Firm”) recognizes that environmental, social, and governance (“ESG”) factors can, in certain circumstances, materially affect an issuer’s business operations and thereby impact investment performance.

Elmwood’s ESG Committee is responsible for the establishment, review and implementation of the Firm’s ESG policy.

- Committee is comprised of members of the Firm’s senior executive leadership, including Elmwood’s founders, as well as members of the investment team.
- Meets at a minimum quarterly to review changes to the ESG landscape and update the Firm’s policy as appropriate.

To remain informed on ESG developments, the Committee reviews the investment team’s company-specific ongoing due diligence and ESG scores, receives updates regarding regulatory developments or trade association guidance, and evaluates peer practices to incorporate best practices wherever applicable.

The Committee further leverages external resources, including company and trade association reports and third-party research.



# Elmwood's Commitment to Responsible Investing

The goals, considerations, and guidelines detailed in Elmwood's ESG policy are intended to help the Firm's employees identify and monitor ESG-related issues and developments that may impact a company's ability to sustain its business operations and financial performance.

In connection with its investment strategies, Elmwood seeks to:

- Consistent with the Firm's fiduciary obligations to its advisory clients, consider environmental, health, safety, governance, and social issues associated with any investment opportunity.
- Engage, to the extent possible and/or practicable given Elmwood's limited influence as a lender, with relevant market participants such as companies, sponsors, peers, underwriters, and broad representative industry groups such as the LSTA regarding ESG issues and topics that the Firm believes will promote long term fundamental performance and sustainability.
- Evaluate and assess Elmwood's approach to ESG on an ongoing basis as ESG standards, rules, regulations, and market practices evolve.

To accommodate bespoke ESG client needs, Elmwood's compliance controls and infrastructure further allow for the implementation of customized investment guidelines.

Further, Elmwood is a signatory to the Principles for Responsible Investment ("PRI") an investor initiative in partnership with UNEP FI and the UN Global Compact. Elmwood is also an Associate Member of the Loan Syndications and Trading Association ("LSTA") and part of the LSTA's ESG Committee.

Elmwood is committed to considering ESG factors in the course of its due diligence, fundamental credit research, asset selection as well as risk and portfolio surveillance to the extent reasonably practical.

Certain markets, such as leveraged loans, may lack consistent data and uniform reporting standards from borrowers or have non-public issuers who are not subject to certain SEC disclosure requirements. Given these limitations, Elmwood utilizes publicly-available ESG resources such as company websites, sell side research reports and outputs from organizations such as the LSTA and UNPRI to collect ESG-related data, news, and information.

Elmwood's focus as an investor in the performing credit space limits its ability to influence companies as it relates to corporate strategy and ESG issues. Despite this limitation, investment team members evaluate ESG factors and may engage in dialogue with company management regarding ESG practices and risks, especially where they believe that such engagement may enhance the company's investment performance and/or help sustain the company's business operations long term. Such factors include:

## Environmental

- A company's impact on the natural environment and its ability to operate sustainably.
- Specific environmental factors may include energy consumption, greenhouse gas emissions, waste reduction, and natural resource conservation.

## Social

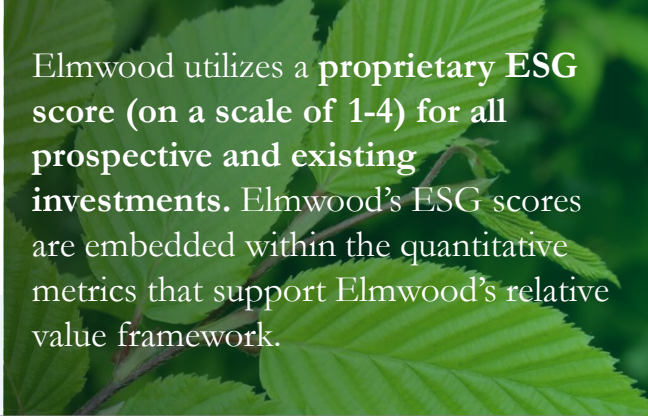
- A company's strengths and weaknesses in dealing with labor, politics, safety, and social changes.
- Social performance indicators include product safety, human rights and equality, working conditions, and community relations.

## Governance

- A company's approach to and behavior regarding corporate transparency, internal controls, legal and regulatory compliance, addressing conflicts of interest, reasonable executive compensation, and board composition and independence.

Elmwood's ESG scoring system seeks to identify whether any of the companies it covers are at risk of negative impact due to identifiable or potential ESG factors.

Elmwood's ESG scoring guidelines integrate with the Firm's credit research and portfolio management processes as well as its relative value framework.



Elmwood utilizes a **proprietary ESG score (on a scale of 1-4) for all prospective and existing investments.** Elmwood's ESG scores are embedded within the quantitative metrics that support Elmwood's relative value framework.

## Elmwood's ESG-related process focuses on:

### Engagement

- Monitor market data and breadth of data providers.
- Engage in dialogue with market industry groups and thought leaders.
- Where applicable, pursue opportunities to discuss ESG-related topics with issuers and sell side partners.

### Integration

- All investments assigned an ESG score to segment low from high risk, as part of initial and ongoing due diligence.
- ESG scores are embedded in the Firm's relative value process. Key ESG factors considered along with other quantitative metrics (e.g., asset coverage, free cash flow, etc.) to provide a comprehensive view when pricing risk and evaluating likely future performance.
- All credit memoranda report the ESG score. ESG scores reviewed at least quarterly and adjusted intra-quarter upon significant changes in factors.
- All issuers with a score of 4 (high risk) automatically included in Elmwood's watchlist.

### Transparency

- Simple scoring system provides team with easy access to the relative ESG risks associated with a company.
- ESG committee representation across the Firm provides for oversight and broad communication on ESG topics.
- Updates and reports related to Elmwood's approach to ESG considerations are made available upon request or as provided on Elmwood's website.