Environmental, Social and Governance Policy

Effective as of March 29, 2019

Shenkman's long standing investment philosophy integrates Environmental, Social and Governance ("ESG") factors into its overall credit research process. This ESG Policy is designed to ensure that Shenkman's investment process considers whether ESG factors are relevant to an investment and whether they could have a financial impact.

DEFINING ESG

ESG considerations are often broadly applied by market participants and may include integration of ESG factors, responsible and sustainable investing, exclusionary screening (e.g. sin issuers/coal/gun manufacturers), corporate engagement and impact investing (targeting investments to solve social or environmental problems). Examples of E, S & G factors are provided below:

Environmental (E)	Examples of environmental issues include biodiversity loss, greenhouse gas (GHG) emissions, climate change impacts, renewable energy, energy efficiency, resource depletion, chemical pollution, waste management, depletion of fresh water, ocean acidification, stratospheric ozone depletion, changes in land use and nitrogen & phosphorus cycles.
Social (S)	Examples of social issues include activities in conflict zones, distribution of fair trade products, health and access to medicine, workplace health safety and quality, HIV/AIDS, labor standards in the supply chain, child labor, slavery, relations with local communities, human capital management, employee relations, diversity, controversial weapons and freedom of association.
Corporate Governance (G)	Examples of governance issues include executive benefits and compensation, bribery and corruption, shareholder rights, business ethics, board diversity, board structure, independent directors, risk management, whistle-blowing schemes, stakeholder dialogue, lobbying and disclosure. This category may also include business strategy issues, both the implications of business strategy for environmental and social issues, and how the strategy is to be implemented.

ESG PHILOSOPHY & CORE PRINCIPLES

Shenkman believes that ESG factors can be an indicator of credit quality. Shenkman's structured and disciplined approach and proprietary tools, including its C.Scope® Score, are designed to assess the credit worthiness of high yield companies. As part of its investment process, Shenkman seeks to consider all meaningful risks, including those related to ESG, that may have an impact on a company's future prospects, operating performance or valuation.

Shenkman's core ESG principles are:

- ESG factors are considered when making investment decisions.
- ESG issues can have a direct impact on profitability, cash flow and an issuer's ability to pay back debt in a timely manner and, therefore, are a critical part of investment analysis.
- ESG factors are not "stand-alone" but are integrated into Shenkman's disciplined and structured investment process.
- The ability to constructively engage with management teams and equity sponsors is a core principle of Shenkman's investment philosophy.

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PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

Shenkman signed the PRI in 2017 and is fully committed to the PRI-developed six investment principles:

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

ENGAGEMENT

A key element of Shenkman's investment process is engagement with company management, underwriters, sponsors/owners, as well as clients. Prior to investing in a company, Shenkman's research analysts must meet with or talk to management. Ongoing dialogue with managers is a hallmark of Shenkman's investment process.

Amongst others, Shenkman's goals in management engagements are to:

- Assess the quality of corporate strategy, as well as the quality, track record and ethics of the management team.
- Identify potential enterprise-level risks to the company, including ESG-related risks or otherwise.
- Understand management's commitments to bondholders (e.g., pay down debt, avoid dividends, potential for acquisitions, etc.).
- Encourage management teams to improve disclosure, hold conference calls and keep investors well informed.
- Encourage the continuation of protection of bondholder rights and covenants. Covenants should be consistent with the stated strategy.
- Failure to live up to commitments could lead to inclusion of the company on Shenkman's "Hall of Shame."

HALL OF SHAME

Debt investors are perceived to lack a role in governance, as lenders do not control the board of directors and have neither voting rights nor a say in executive compensation. However, this is an incomplete story. Lenders provide crucial sources of capital and thoughtful management teams understand that having continued access to this capital at attractive rates is very important. At Shenkman, we have always valued long-term partnerships with management teams. Management transparency, integrity, protection of debtor rights and covenants are important factors for a successful investment. To further these goals, and most importantly to influence change, Shenkman created a Hall of Shame, which consists of companies that have failed to meet these standards. A vital element of our ESG engagement is to inform the management team that they have been added to our Hall of Shame. We will provide them with the reasons for their addition, as well as action items that can be taken to be removed. This aspect will form the basis of future engagement with the company. The Hall of Shame plaque is displayed in our New York office to be seen by all sponsors, bankers and managers that visit our offices.

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ESG INTEGRATION

Shenkman believes that the asymmetric risk profile of fixed income investing requires a disciplined approach to uncover any factors that could lead to credit impairment or valuation degradation. By incorporating ESG factors, Shenkman can potentially uncover areas of risk that were not raised by traditional analysis.

ESG is incorporated into Shenkman's credit research process in the following ways:

- Shenkman's proprietary 25 question management checklist is designed to evaluate governance and management integrity.
- Shenkman's proprietary risk assessment checklist seeks to quantify both quantitative and qualitative risk factors.
- Key risk factors quantified by Shenkman's analysts are often important ESG variables to consider.
- Shenkman's proprietary financial models can quantify the impact of many ESG factors.
- Shenkman's proprietary C.Scope® Score assesses risk factors that impact credit quality.

Shenkman's ESG checklist pulls together all the factors listed above.

ESG CHECKLIST

While included in our credit approval process for many years, we recently systematized our ESG integration. As a result, we have developed a proprietary ESG checklist, which incorporates and measures factors we have long considered. This checklist highlights any particular ESG issues around a company and allows us to address them in a proactive and meaningful way. Amongst other factors, these checklist items were informed by the UN Global Compact. Specific topics that are addressed include:

- Emissions of carbon/greenhouse gas/pollutants
- Environmental liabilities/spending/regulations/violations
- Impact from climate change
- Access to skilled labor
- Child labor/human rights violations
- Community/stakeholder/labor/consumer relations
- Quality of financial reporting
- Management integrity/honesty
- Strategic/financial policy
- Board composition

As the risks from environmental, social and governance factors vary greatly from one another, we utilize a separate section for each category, as well as an overall ESG ranking. Based on the results of this checklist, each company is placed in one of four ESG tiers. If a company's ESG ranking places them in the lower two tiers, the credit must be submitted to the Risk Committee for further review and approval. The Risk Committee will then work with the research team on communicating to the company management the reasons for their ESG ranking and the types of activities necessary for improvement.

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SOCIALLY RESPONSIBLE INVESTMENT (SRI) SCREENING

Shenkman specializes in developing customized solutions for investors and we have a long history of including SRI factors at a client's request. These factors are not universally applied in our process, as they are geared toward the specific goals of an individual client. Client-determined restrictions are managed through one of three processes: (1) maintaining a restricted list of securities, which is provided to us from the client; (2) utilizing Shenkman's proprietary SRI screens; and (3) restricting investments of any type in certain pre-determined industries.

Over time, Shenkman has identified the most common SRI factors and considers different tolerance levels. While many organizations use third party vendors, we have found that these are heavily focused on equities and that the overlap with the leveraged finance market is incomplete. As a result, Shenkman has developed proprietary screens broken out into the most common categories with different levels of exposure tolerance. Companies in a portfolio are eligible to be screened by these criteria, with information updated at least annually. We will continue to evaluate third party providers as their products evolve over time.

CLIMATE POLICY

As part of our integrated approach, Shenkman considers all risks that could impact the credit quality of an investment. Specifically, climate-related issues can reveal long-term risks and opportunities that are critical to understanding a company's future profitability and valuation. Environmental factors can present financial risks in the form of material on or off balance sheet liabilities, capital expenditures or costs to comply with regulations. Furthermore, a company that has high emissions of carbon might face higher future regulatory costs. These factors are incorporated into our fundamental analysis and highlighted on our ESG Checklist. Additionally, we also highlight a company's climate change vulnerability – or the impact of climate change, extreme weather events or water scarcity on assets and operations. At a client's request, for a separately managed portfolio, Shenkman can restrict investments on climate related issues. As is our practice, Shenkman supports efforts and encourages companies to improve and enhance disclosure on climate-related risks.

CONTINUOUS REVIEW

Shenkman is committed to incorporating all factors that could potentially impact the value of an investment. Shenkman's ESG thought leaders remain engaged in the space, maintain ongoing dialogue with clients, educate team members and continue to evaluate the best practices for responsible investing.