SHENKMAN

Environmental, Social and Governance Policy

Effective as of April 3, 2017

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 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 and 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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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 dialog 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."

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.

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 dialog with clients, educate team members and continue to evaluate the best practices for responsible investing.