Gramercy

A Better Approach To Emerging Markets™

Gramercy Environmental, Social and Corporate Governance Investment Policy

February 2025

Signatory of:

PRI Principles for Responsible Investment

1. Environmental, Social and Corporate Governance Investment Policy

Our Mission is to positively impact the well-being of our clients, portfolio investments and team members. Gramercy continually endeavors to apply effective environmental, social, and corporate governance ("ESG") investment management practices in all activities, products, and services. We believe that financial institutions need to set a tone to enact change via banking, investment, and insurance activities. We believe that environmental, social, and corporate governance issues can affect the performance of investment portfolios and thus should be integrated into investment analysis and the decision-making process as a necessary step to promote a sustainable global economy and market stability.

There are various ways ESG can be incorporated and/or integrated into an investment strategy, and often, the investment strategy itself influences the degree to which incorporation and/or integration can occur. Gramercy is a diverse emerging markets investment manager and we apply ESG thoughtfully to each strategy and maximize our firm integration of ESG investing in accordance with our mission.

The investment professionals at Gramercy have dedicated their careers to emerging markets and our team has an extensive distressed credit / restructuring core competency. In the case of a debt restructuring, a private credit transaction or a primary market purchase, we recognize an ability to influence an issuer/entity and will use this leverage to the extent possible. In the absence of such influence, our willingness to restrict the purchase of credits due to ESG factors serves as a message to the marketplace and to issuers that poor policies will not be tolerated in today's global investment community. Our willingness to short sell such credits sends a further message that we may believe their policies are inadequate and we cannot be credit supportive unless positive change is enacted.

Gramercy is a signatory of The Principles for Responsible Investment ("PRI", formerly the "UNPRI").

As PRI Signatories, where consistent with our responsibilities, we commit to the following:

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

- **Principle 6:** We report on our activities and progress towards implementing the Principles.

The PRI qualifies these Principles as voluntary and aspirational; our implementation includes but is not limited to:

Ensuring that the investment analysis and decision-making processes incorporate ESG analysis.

Our investment professionals evaluate potential investments from the viewpoint of our diverse client base to assess whether an investment is potentially objectionable from environmental, social, corporate governance and/or other perspective. Each long investment is first evaluated within our framework of avoidance to ensure that a corporation is within an acceptable industry, and if so, that they conduct business in a way that we would be comfortable having an association with them. Once this initial screen is cleared, credits are evaluated on their absolute and relative ESG metrics, and the resulting analysis is directly integrated into portfolio management decisions.

We have established an ESG Committee, which is comprised of our CIO, lead portfolio managers, two research analysts and our Head of ESG, with each investment strategy represented. Our Chief Compliance Officer participates in all Committee business but is not a member. The committee meets monthly at the final investment team meeting of the month and on an ad hoc basis to discuss any new initiatives regarding our process and any credits that may warrant special consideration.

Each investment team has thoughtfully sought ways to apply our firm wide philosophy to their investments and integrate ESG into their decision making. Please see Section 2 for details regarding the integration of ESG into our investment process.

Obtaining appropriate disclosure regarding ESG issues by the entities in which we invest.

Gramercy research analysts utilize external information gathered from face-to-face company meetings, company financials and industry reports as well as industry studies and non-government organization reports to assess the overall ESG strength of a corporate or sovereign.

When working with a company on a restructuring, we seek to instill policies within the entity that will result in increased transparency to their operations and avoidance of practices that could be deemed objectionable from a social or environmental perspective. When extending a private loan, we seek to establish plans through which borrowers can create their own policies and mitigate potential risks that stem from their business.

Appointing a Head of ESG responsible for reporting to external agencies such as the PRI and working with the investment and compliance teams to ensure adherence to the firm's ESG policy.

Restrictions and reporting requirements vary amongst our investment strategies due to both the level of influence we are able to exert and the requirements of the various investors in a strategy. We strive to be as open and transparent as possible for our clients regarding these matters.

Our ESG roots, prior to becoming a PRI Signatory in 2014, are guided by our values and include additional measures such as:

Ensuring that leadership, innovation, and sustainability are core principles underpinning our investments for avoidance, adaptation and/or mitigation of negative impacts associated with ESG issues.

Gramercy takes into consideration the impact of environmental/climate concerns regarding our investments. Climate related catastrophes and their frequency can lead to volatile markets, impact prices, and make operations more difficult. We see that voluntary controls are more efficient and cost effective than government imposed non-voluntary hazard regulations and controls put in place after a disaster has occurred. We are cognizant of the long-term impact climate change can have on capital markets and recognize the need for financial institutions to take a role in and support initiatives via investment that encourages change in energy transmission and the creation of a low carbon economy.

We are also conscious of social responsibility elements when evaluating the appropriateness of a new investment. The on-going operations and procedures of a corporate are of great importance. Disregard for local laws and/or global concerns regarding the environment can have a prolonged impact on a corporate's ability to function normally within the capital markets.

Governance of portfolio investments is critical to our investment process. We are often proactive investors via creditor committee leadership, advisory boards, boards of directors, and even judicial action. This involvement is central to our up-front investment analysis before entering into an asset and is at the heart of our asset management and value recognition process during ownership. Beyond monitoring, we action governance and exercise all investment and legal rights at all times.

Monitoring of existing investments is an important element of our approach to integrating ESG. Analysts are responsible for understanding the social, environmental and governance factors of their credits and including these factors as a component of their broader credit and risk assessment. These factors also play a role in the assessment of absolute and relative valuation of credits.

Gramercy has controls in place via proprietary systems to both “pre check” investments for ESG matters and to restrict the purchase of specific sectors, credits, and sovereigns as appropriate based upon client guidelines and our internal ESG policy and research.

Ensuring a collaborative effort to enhance the effectiveness of implementing ESG policies, including compliance with applicable national laws.

Gramercy will ensure that all long investments are reviewed and evaluated against the applicable national laws on environmental, health, safety, and social issues. We take very seriously our obligations to comply with U.S. law and avoid investment in certain countries which the U.S. government has deemed inappropriate to do business with. When investing in emerging markets securities, we must remain mindful of these prohibitions and strictly avoid countries which are off-limits due to social oppression, terrorism, or other unacceptable behavior.

Ensuring transparency in our activities and ensuring that our clients understand the policy commitments made by Gramercy in this area.

We believe the best manner of ensuring that our clients understand our commitment an ESG policy is through open communication and reporting to our clients, responding to their inquiries as needed. Gramercy includes an overview of our policy and process as part of the presentation we make to all prospective investors when they are completing their due diligence.

We believe there are ample acceptable investment opportunities and no margin to violate our internal and/or our clients’ guidelines for the sake of a non-qualifying investment. Our clients include religious/church organizations, U.S. state pension plans, national pension plans, corporate pension plans within various countries, charitable trusts, and related organizations as well as many others that have strong environmental and social viewpoints. We evaluate each potential long investment for their guidelines and have passed on opportunities for these reasons. We always remain sensitive to the prohibitions our clients have against certain types of investments, including gambling, tobacco, alcohol, negative environmental impacts, human exploitation of any type, etc. Additionally, we strictly comply with the OFAC list to avoid any investment in oppressive countries where the U.S. government has opined that no such investment should take place.

2. Integration and Application of ESG into Investment Processes

Gramercy’s disciplined, well-defined and repeatable investment process starts with a thorough top-down approach and combines this with rigorous bottom-up research within an integrated risk management framework. Gramercy’s thematic top-down view generates investment themes and directional market views that guide positioning and plays an important role as a starting point for bottom-up credit selection. From a bottom-up perspective, Gramercy’s proprietary research leverages the extensive knowledge and relationships of one of the largest dedicated emerging markets investment teams with a process that allows for the continuous coverage of over 900 corporate and 75 sovereign issuers that make up the emerging markets universe. ESG research is an integral part of this process. At a firm level, we restrict issuers who earn more than 5%[1] of their annual revenue from the production or sale of weapons, tobacco or pornography (provided an applicable client restriction is not more restrictive). In addition to studying financial data, our investment team is dedicated to carrying out additional qualitative and quantitative analysis of potential investments and ESG factors are necessary to develop a complete view of a credit. Direct engagement and communication with issuers is an important part of our research and this interaction serves as an additional opportunity to uncover and address specific ESG concerns with the issuer. Distressed credits may provide an opportunity for direct engagement and/or accruing a positive social or environmental benefit when we are in restructuring negotiations. As a result of our process, analysts are well equipped to evaluate a credit and factor in ESG information not necessarily reflected yet in external data and scores. We manage multiple investment strategies that differ greatly in their underlying investments, and these differences influence how we approach and integrate ESG. Where each investment strategy has adopted a form of ESG rating or scoring, short positions, hedges, ETFs, options, futures, FX, and similar underlying investments are exempt from these rating and scoring processes.

We have created an automated pre-screen process as the initial step of ESG research. The system utilizes an online "Gramercy Portal" available to all employees and allows analysts to enter the name of an issuer, the industry, the country of risk and the country of domicile when they first begin exploring an investment to check for possible restrictions at a firm level due to MNPI, sovereign or other ESG restrictions. The information entered by the analyst is compared to a list of restrictions maintained by the Chief Compliance Officer and the Head of ESG. The purpose is to give immediate notice via email to the analyst, the Chief Compliance Officer, the Head of ESG and the Deputy ESG Officer of any potential issues that may arise regarding a credit that is being considered for research. This pre-screen is not an ESG authorization, nor does it replace any ESG research and documentation that must be completed for an investment. It serves to raise potential issues early in the process so they may be properly addressed. Specific client level restrictions are maintained in AIM to the extent possible, nuanced client restrictions may use this pre-screen mechanism when automated checks are otherwise not viable.

Public Credit Strategy

As part of our overall ESG integration, our Head of ESG is in constant communication with our team of analysts who verify that there are no serious known issues or red flags with respect to the various industry ESG standards as a component of their research.

With any credit, an external score is a starting point for ESG research and understanding.

[1] The 5% annual revenue threshold is measured by using the average revenue figures over the previous three years.

It is incumbent upon the analyst to understand why a credit is scored as it is on an absolute and relative basis for both external and Gramercy derived scores.

The analyst will also assess the ESG Outlook for an issuer. This outlook affords the analyst the ability to relay news not yet widely known that should be contemplated when purchasing a credit.

Our sovereign ESG research is underpinned by quantitative and qualitative approaches. We combine model outputs with analytical assessment and engagement with sovereign government officials, policymakers, private sector participants, and multilateral and non-profit organizations that support and promote sustainable investment in emerging markets. Certain quasi-sovereign credits (municipal or provincial issues) are assessed based upon the ESG score of the sovereign itself. Corporate analysts use our sovereign scores as an input to frame their top-down country perspective. Any credit may be sold short regardless of score when short selling is permissible by the investment strategy.

Experience has taught us that many emerging markets corporate issuers do not have the infrastructure and/or the reporting capability to publicly disclose the extent of their efforts in the scope of ESG. This offers us an information advantage when these efforts are discovered through our investment due diligence. Proprietary Gramercy ESG research is necessary for an issuer that is private, does not appear in the JPMorgan CEMBI ESG Index, or has an ESG score between 2 and 4. *It is important to remember that if a public corporate credit fails to qualify for the CEMBI Index, it cannot be in the ESG index; this does not automatically mean there are ESG issues.*

Publicly Traded Credit Summary	**Corporate**	**Sovereign**
External Data Applied	JPMorgan*	MSCI
Proprietary Qualitative Research	✓	✓
Proprietary Quantitative Research	✓	✓
ESG Score Scale	1-10	1-10
Threshold ESG Score Requiring Additional Research	4 and below	4 and below
Minimum Acceptable ESG Score for Investment	2	2
Gramercy Restricted Issuers	ESG score below 2	ESG score below 2^
Gramercy Restricted Sectors where more than 5% of annual revenue is from:	Weapons, tobacco, pornography	N/A

**Utilizes the JPMorgan CEMBI Broad Diversified ESG Index, which is based upon several widely used, reputable data providers. ^Gramercy compiles a Restricted Sovereign List.*

Research for any credit scoring between 2 and 4 can be summarized directly in Gramercy's proprietary EMU system rather than in a formal report and the resulting work / score revision should be reflected in the Gramercy ESG Override Score within EMU.

If the credit is not in the ESG index, if it scores 2 or below or if the credit is private, the ESG research required to score the credit should be summarized in a report that is stored in EMU. A score should be derived for each component of E, S, and G which are then averaged for an overall score. The scores should be entered as the Gramercy ESG Override Score and component scores.

If after the completion of ESG research the overall ESG score is below 2, the credit must be approved by a majority vote of the ESG Committee which can be accomplished by sending an email to the committee requesting override and stating why. Email voting is acceptable in the interest of timeliness.

Sustainable bond issues are given automatic override and approval for purchase (if necessary), this should be noted in EMU along with an override score.

Capital Solutions Strategy

Our Capital Solutions approach to ESG includes the Capital Solutions ESG Point Person, the Head of ESG and the Capital Solutions team with all individuals being actively involved in implementing our approach. The scope of the process is fully outlined and explained in the document "Gramercy Capital Solutions Environmental, Social and Governance Policy - Annex to Firm Policy". A brief overview is provided here for informational purposes.

Capital Solutions / Private Credit focuses ESG due diligence on four areas, largely aligned with the IFC Performance Standards on Environmental and Social Sustainability effective as of January 1, 2012 ("IFC Performance Standards"). We specifically focus on how we can manage risks or catalyse improvements in the following areas:

1. **A borrower's willingness and capacity** to assess and manage ESG risks as well as opportunities where better ESG performance can drive value creation. This includes, but is not limited to:
    - Management's understanding of and commitment to ESG risk management
    - Demonstrated commitment to ESG through an ESG risk management system
    - The borrower's ability to identify, manage, and monitor ESG risks and opportunities adequately, depending on the scale and significance of ESG issues
    - Adequate organizational capacity and competency with respect to ESG
2. **A borrower's impact on the natural environment**, including, but not limited to:
    - Reducing waste and preventing pollution
    - Encouraging the efficient and sustainable use of natural resource
    - Reducing GHG emissions and exposure to climate change risks
3. **A borrower's treatment of its employees and its community**, including, but not limited to:
    - Promoting good employee relations and organizational diversity,
    - Providing good working conditions (including elimination of child and forced labor),

- Ensuring the health and safety of local communities
- Minimizing the impact of business operations on local culture and history

4. **How a borrower is governed**, including, but not limited to:
    - Improving ownership structure
    - Understanding management's background and character
    - Institutionalizing board structure and diversifying composition
    - Increasing transparency and improving reporting methods

To identify, assess, manage, and monitor ESG risks effectively, our policy and process includes the integration of ESG factors into our underwriting and decision-making processes.

Special Situations Strategy

The Special Situations team begins their ESG research with the Gramercy Sovereign ESG Score as a top-down input to their work, and they determine the opportunity is not restricted based upon the Gramercy restricted sovereign and restricted industry lists.

Our Head of ESG participates in the team investment committee meetings to ensure that potential opportunities do not have any known issues or potential concerns from an ESG perspective. The analysts and the Head of ESG work together to further research and evaluate opportunities and create an ESG risk rating that mimics the scale used in our private credit deals. As our Special Situations team continues to explore and identify idiosyncratic investment opportunities, they will work closely with our Head of ESG to ensure the ESG standards of the firm are appropriately applied.

This Policy has been communicated to all employees of Gramercy.