

ESG Investment and Risk Policy

(Responsible Investment)

1. Introduction

This policy document outlines Beechbrook Capital's ("Beechbrook") approach to integrating Environmental, Social and Governance ("ESG") factors within its investment risk management framework. It applies as standard to all investments made within all Funds and Managed Accounts managed by Beechbrook and forms an intrinsic part of the main investment strategy at Beechbrook.

This Policy was developed by the ESG Committee in Beechbrook. The ESG Committee represents members from all departments in the firm and feedback from all stakeholders in Beechbrook contributed to the development of this policy.

The policy is reviewed on a regular basis by the ESG Committee and approved by the Board. It is updated where necessary to reflect changes in circumstances and actual practice.

Beechbrook Capital is an Investment Manager/Advisor to sponsored private debt funds and to sponsorless direct lending funds.

2. ESG Principles

As an organisation, we engage in responsible investing for a number of compelling reasons including to create both financial and non-financial value for all stakeholders including, but not limited to, our investee companies and our investors. We have a fiduciary duty to act in the best long-term interests of our beneficiaries and incorporating ESG risks into our investment decision making process is an important objective to achieve this goal. By considering the goals of internationally recognised sustainability frameworks in our investment decision making process, we are reducing the impact to financial returns due to sustainability risks, while aligning our investors and our Private Debt and UK SME Credit Fund strategies with the broader goals of society.

As an investment manager, our focus since inception has been the SME market. We understand the contribution well-governed and functioning social, environmental and economic markets make towards the long-term sustainable growth of the SME market. By incorporating ESG risks into our investment analysis we are supporting this goal. As an investor, we are committed to encouraging companies to adopt policies and practices that will support sustainable financial performance, and have a wider positive impact on numerous factors including but not limited to, job creation, employee health and wellbeing, strong governance and business ethics, and the environment.

Our policy goals are primarily guided by the six principles of the UN PRI (the "PRI Principles"):

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

Beechbrook Capital LLP

In addition to the above PRI Principles, our responsible investment strategy aims to consider the ten principles of the UN Global Compact, the Principle Adverse Impacts on sustainability factors under the Sustainability Financial Disclosure Regulation (SFDR) and the subsequent Regulation Technical Standards (RTS), the climate related risks identified by the Task Force for Financial Disclosures, and the UN Sustainability Goals.

Our ESG policy sets out the steps which are applied by the investment teams in order to align with the principles set out before. The strategy is pragmatic, taking account of our position as a debt provider, and therefore, not active owners of the investee companies. However, we always where possible, seek to positively influence and shape our investee companies ESG impact and position. As a debt provider, we understand the importance of the pre-deal due diligence process to identify any ESG risks, and to establish possible mitigants before a final investment decision is made.

We believe in a transparent approach with investee companies to understand ESG risks and try to collectively agree on practices that will reduce risk and enhance the sustainability characteristics of the business long-term. By setting ESG objectives at the beginning of an investment, our strategy is to remain engaged with companies throughout the life of the investment, monitor and report to our investors on the progress of the business in their endeavour to achieve these objectives.

3. ESG investment Guidelines

Environmental, Social and Governance (“ESG”) covers a broad agenda, including issues relating to the workplace, community, marketplace, environment and governance. Beechbrook recognises that ESG factors can have a positive impact on the value of an investment, however we also understand the risk of value destruction if ESG risks are not adequately considered and measured as part of the investment decision making process.

Environmental

Climate or environmental related risks can cause a material negative impact on the financial value of a business and a harmful impact on the environment. We try to influence companies to adopt practices that can reduce certain environmental related risks and to generally aim to make a positive contribution towards sustainable environmental goals. These goals can include but are not limited to:

- Reduction of toxic emissions, fluids and other materials
- Sustainability of resources
- Efficient energy consumption
- Eradication of forest and other natural habitat destruction
- Responsible disposal of hazardous materials

While we acknowledge that companies at all levels can make a positive environmental contribution with their business practices, our approach is practical for the relatively smaller size of companies in the SME market.

Social

We acknowledge that social factors can affect the long-term financial performance of a business and by addressing social concerns within a company, this can both enhance the financial performance of the business and benefit multiple stakeholders including employees, investors, suppliers, customers and communities, amongst others. During Beechbrook’s due diligence process we particularly look at the impact a company has on its staff, local communities and society as a whole.

The main areas of consideration are:

- Avoidance of any complicity in human rights abuses

Beechbrook Capital LLP

- Health and safety
- Avoidance of child labour and harmful related business practices
- Inclusion, equality and diversity
- Non-discriminatory practices
- Avoidance of exploitative business practises

Corporate Governance

Strong governance practices are the foundation for a successful business. It increases the possibility of long-term sustainable growth and promotes trust among all relevant stakeholders. Ensuring effective governance practices is of particular importance for growing SME businesses seeking to embark on long-term growth initiatives.

The main areas of governance considered by Beechbrook are:

- Management structure and effective boards including independent oversight
- Transparency around roles and responsibilities
- Incentive structures and executive remuneration
- Reliable and transparent financial reporting and audit independence
- Compliance with relevant laws and regulations
- Corporate codes of conduct and governance documentation

4. ESG Investment Strategy

Beechbrook implements an integrated approach with ESG considerations forming part of the investment decision process for all our credit strategies.

Overall, our ESG integrated investment strategy aims to address risks at four levels:

- Company: Analysis at company level. What is our ESG credit risk at a company level? What risks could arise going forward? This usually comprises a fundamental bottom-up micro-level analysis of the various ESG risks and opportunities of the business using the indicators in the internally developed ESG scorecard. Completing this scorecard requires the investment team to source qualitative and quantitative data through interviews with management, credit due diligence, third-party support etc.
- Sector/industry: What are the key ESG issues in the respective industry? What can be done to mitigate the risks identified? The sector analysis generally consists of a detailed top-down macro-level analysis of trends and developments relating to political, economic, social, technological and legal aspects. Our main sources of information are third-party due diligence providers, industry experts and proprietary analysis conducted in-house.
- Portfolio/team: How do identified risks compare and correlate to other elements of the portfolio?
- Group: How would the investment impact the overall strategy of Beechbrook?

As a passive private debt investor with a focus on the SME market, our ESG investment strategy and ability to collect relevant data is practical and constantly evolving in nature. By striving to implement this strategy, we feel we can identify material ESG risks, influence management to consider ESG in their policy and practices, and improve the benefits to all stakeholders relevant to the transaction. While ESG risks are addressed at each investment committee, Beechbrook investment committee members are cognisant of the fact that there may be certain information gaps around specific ESG risks due to the size of the companies in our investment universe and the varying quality of information available and reported within potential investee companies. Therefore, investment committee members take a pragmatic approach to formal decision-making incorporating this point.

Beechbrook Capital LLP

T +44 (0)20 3551 5965 F +44 (0)20 7839 4736 E info@beechbrookcapital.com W www.beechbrookcapital.com

Registered in England No OC337678 Registered office 2nd Floor, 43-45 Dorset Street, London W1U 7NA Authorised and regulated by the Financial Conduct Authority

The table below was prepared by the PRI with tailored adjustments made to reflect how ESG considerations are integrated in the Beechbrook investment strategy at each phase of a transaction. The steps described in the table below incorporate the principles and guidelines described in this ESG policy.

	Typical considerations for private debt investments	ESG considerations	Engagement activity
Pre-transaction			
Phase I Origination & Pre-assessment	<ul style="list-style-type: none"> Sourcing & origination: <ul style="list-style-type: none"> Generate investment ideas Identify investment opportunities. Pre-assessment: <ul style="list-style-type: none"> Conduct first stage due diligence. Identify any red flags for further consideration in second stage due diligence process. Take decision to proceed to due diligence phase. 	<ul style="list-style-type: none"> Apply negative ESG screens. Identify any ESG red flags for consideration and further assessment in due diligence process based on the key areas identified in the guidelines of the ESG policy for environmental, social and governance factors. Consider jurisdictional ESG issues such as local governance, legal systems, and regulation. Would this investment align with the overall ESG strategy at Beechbrook. 	<ul style="list-style-type: none"> Engage senior management of prospective borrowers for disclosure of potential ESG risks.
Phase II Due diligence & Investment approval	<ul style="list-style-type: none"> Conduct credit analysis. Conduct in-depth due diligence. Write up investment memorandum. Negotiate/finalise terms. Take investment committee decision. Transact. 	<ul style="list-style-type: none"> Collect data and conduct ESG due diligence by addressing each factor in the Beechbrook ESG scorecard developed by the Beechbrook ESG Committee. Integrate ESG scorecard and detailed commentary in investment memorandums. Educate investment committee on relevant ESG considerations and risks identified and describe mitigants and objectives agreed with management to address these risks. Incorporate ESG objectives and conditions in the relevant loan agreement based on the discussions with management, due diligence findings and investment committee feedback. Establish key ESG items that require monitoring in the business and include appropriate reporting requirements for the borrower in the loan agreement. 	<ul style="list-style-type: none"> Discuss with management any areas of concern identified from the ESG scorecard and due diligence process. Agree with management potential changes to reduce ESG risks and timelines to implement these changes. Identify additional areas of potential improvement and proactively seek to influence management on making additional ESG improvements. Arrange regular dialogue with borrower management and educate borrowers about investor ESG needs. Define requests for ongoing monitoring of pertinent ESG criteria.
Post-transaction			
Phase III Investment holding period	<ul style="list-style-type: none"> Ensure on-going borrower reporting and monitoring of financial performance and credit analysis. Ensure covenants agreed with the borrower are passed on a quarterly basis. Provide detailed and transparent reports to our investors on each investment on a quarterly basis. 	<ul style="list-style-type: none"> Analyse key ESG considerations identified during the pre-deal phase on a quarterly basis. Ensure completion of ESG objectives are in line with the agreed timelines. Incorporate any other changes to ESG in the quarterly reporting and monitoring reports for our investors alongside additional credit and risk items. 	<ul style="list-style-type: none"> Include ESG agenda items in regular borrower meetings. This typically will occur at the board level through Beechbrook's Board Observer position at the investee company level. Manage ESG risks relating to potential defaults. Try to influence where possible potential improvements to the

Beechbrook Capital LLP

T +44 (0)20 3551 5965 F +44 (0)20 7839 4736 E info@beechbrookcapital.com W www.beechbrookcapital.com

Registered in England No OC337678 Registered office 2nd Floor, 43-45 Dorset Street, London W1U 7NA Authorised and regulated by the Financial Conduct Authority

	<ul style="list-style-type: none"> – Address developments and incidents that pose risks/potential defaults – Provide technical assistance – Undertake potential restructuring process 		borrowers ESG policy and practices throughout the life of the investment.
Phase IV Exit	<ul style="list-style-type: none"> – Consider possible refinance options. – Close out process. 	<ul style="list-style-type: none"> – Undertake ESG impact assessment by reviewing key ESG considerations identified in the pre-deal phase. – Complete an ESG scorecard at exit and benchmark against scorecard at entry to establish our ESG impact and improvements achieved over the life of the investment holding period. – Review ESG objectives and confirm the borrower has met these objectives. – Facilitate manager ESG reporting to investors. – Analyse the ESG impact in the context of the overall Beechbrook portfolio and use as a benchmark for the ESG Committee to make potential changes if necessary. 	<ul style="list-style-type: none"> – Consider close-out process with borrower, including ESG lessons learned. Outputs from this exercise also provides valuable insight and enables best practice sharing on ESG topics across the wider Beechbrook portfolio. – Address each indicator in the scorecard with management at exit.

Source: Spotlight on responsible investment in private debt, Beechbrook analysis

ESG Negative Screening

This is one of the first steps implemented by the investment team when analysing a new investment, in addition to ensuring we follow all applicable laws, regulations, and economic sanctions. We apply negative screening for potential investments in all funds. The screen is produced, based, and centred on excluding corporate issuers' involvement in a number of products and industries which we view can have a negative impact on the principles of this ESG policy. The scope of the restrictions is reviewed on a regular basis and decisions to change the scope are signed off by the board at Beechbrook.

The list below provides an overview of industries / businesses that are excluded from investments as part of the negative screening process:

- an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to the Partnership, including without limitation, human cloning for reproduction purposes);
- the production of and trade in tobacco and related products;
- casinos and equivalent enterprises including online gambling;
- pornography.
- the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
- businesses that derive revenues from the extraction of fossil fuels.

ESG Scorecard

The scorecard was developed internally by the ESG Committee and includes numerous indicators which we believe reflect the various risks at environmental, social and governance levels. The indicators selected aim to incorporate recommendations from the UN PRI ESG considerations, Principle Adverse Impact indicators from the SFDR and the supplemental Regulation Technical Standards. Additionally, the indicators used attempt to address some of

Beechbrook Capital LLP

T +44 (0)20 3551 5965 F +44 (0)20 7839 4736 E info@beechbrookcapital.com W www.beechbrookcapital.com

Registered in England No OC337678 Registered office 2nd Floor, 43-45 Dorset Street, London W1U 7NA Authorised and regulated by the Financial Conduct Authority

the UN Sustainability Goals. The indicators are frequently reviewed by the ESG Committee and may change based on feedback from investment teams, experience with SME borrowers and monitoring over the life of the investment. Each indicator is scored to determine what next steps are possible. A minimum threshold for an ESG score of an investee company is not applied. The intention is for each investment team to score each indicator either zero, one or two. An indicator score of zero implies that the business has not policy in place to address this risk and no process can be implemented to mitigate the risk in the future. This scenario would be addressed in detail at the investment committee stage and the recommended course of action would be dependent on the materiality of the risk. An indicator score of one implies certain ESG risks have been identified and by collectively agreeing with management, a process is put in place to address this risk. An indicator score of two implies no immediate ESG risk can be identified for that specific indicator in the business.

5. Stewardship and Engagement

As a private debt investment manager, we believe it is our fiduciary duty to our investors and ultimate beneficiaries to try and influence where possible our investee companies to adopt policies and procedures to achieve long-term sustainable growth in the business. Our approach to stewardship is pragmatic as debt providers, as we do not have ownership control in the businesses that we invest. Nonetheless, we believe in collaborative and proactive engagement with investee companies in addressing ESG risks and identifying areas of potential improvement. Any conflicts of interest with the investee company are notified to the investment committee at the pre-deal phase.

During the due diligence phase of any transaction we seek to identify all ESG risks and it is at this phase that we can maximise our influence with investee companies and make recommended changes to the ESG policy and practices in the business. Specific ESG conditions and/or recommendations can at this point be included in the loan agreement providing Beechbrook as a debt provider with greater control and influence over the life of the investment in addressing these potential ESG issues.

We take an active role in monitoring and reporting on each investee company throughout the life of the investment. To fulfil this reporting obligation to our investors requires frequent engagement with management to understand the performance of the business. We achieve this primarily through holding Board Observer positions on the majority of our investments. This ensures proximity and effective ongoing dialogue with management. Our engagement might intensify based on specific events that may occur over the course of the loan which may be linked to covenant breaches or some other risk event and given the correlation with ESG risks and business performance, by actively monitoring ESG risks throughout the investment, we are in a favourable position to anticipate any potential negative impacts to the investment.

Finally, as a debt provider, we continuously try to improve the ways to perform effective ESG engagement to maximise the impact of such engagement and make the most efficient use of resources, including involving investors and other stakeholders.

6. ESG Responsibility and Reporting

Beechbrook has formed an ESG Committee which has responsibility for:

- Maintaining the ESG policy and ensuring it is up to date and reflects the best practices of Beechbrook on an ongoing basis.
- Ensuring all team members receive appropriate training on ESG related matters.
- Ensuring the Investment and Portfolio Teams follow the ESG guidelines and strategy in their investment processes.

Beechbrook Capital LLP

T +44 (0)20 3551 5965 F +44 (0)20 7839 4736 E info@beechbrookcapital.com W www.beechbrookcapital.com

Registered in England No OC337678 Registered office 2nd Floor, 43-45 Dorset Street, London W1U 7NA Authorised and regulated by the Financial Conduct Authority

BEECHBROOKcapital

First Floor | 38 St Martins Lane | London WC2N 4ER

- Keeping up to date on relevant regulation and ensuring Beechbrook meets its regulatory obligations.
- Promoting best practices, both internally developed within Beechbrook and specific guidance from recognised industry bodies, to external stakeholders and reporting to investors on the ESG strategy within relevant investment documents.

The ESG Committee currently includes Emily Woollaston, Alan O Dea, Daire Creighan, Tom Grizzelle, and James Wong.

Beechbrook Capital LLP

T +44 (0)20 3551 5965 F +44 (0)20 7839 4736 E info@beechbrookcapital.com W www.beechbrookcapital.com

Registered in England No OC337678 Registered office 2nd Floor, 43-45 Dorset Street, London W1U 7NA Authorised and regulated by the Financial Conduct Authority