EnTrust Global

ESG Investment Policy

November 2022

EnTrust Global

I. ***Introduction***

EnTrust Global ("ETG") offers a range of alternative investment solutions across asset classes and strategies including opportunistic co-investments, private debt and real assets, multi-asset and multi-strategy portfolios, hedge fund strategies, and customized separate accounts. At the core of the firm's culture is an emphasis on client service and communication, extensive due diligence and proprietary risk management. This longstanding commitment naturally dovetails with our commitment to responsible investing, as described in this policy.

ETG seeks to promote responsible investing and sustainable practices in a number of ways, including (i) through firm-level practices and (ii) with respect to investments with investment partners and engagement with them, where applicable, as well as in our own direct investment portfolio.

II. Corporate ESG Principles

ETG has established a Corporate Responsibility Committee that oversees, amongst other things, the firm's environmental, social and corporate governance ("ESG") impact in the general operation of its business. The firm has defined ESG goals, including reducing its carbon footprint; eliminating waste; giving back to the community and creating a positive workplace. These goals apply to all offices and regions, though their application may differ based on local practice, requirements, or other factors. The Corporate Responsibility Committee consists of members from different business units and is responsible for furthering ETG's ESG goals both through principles and specific initiatives. Consideration of ESG, however, is a responsibility of all ETG employees.

ETG has adopted a number of policies and initiatives at the firm level, including among others, policies/initiatives regarding:

- Meeting its obligations as a fiduciary and steward of investors' money
- Fulfilling its obligations as a shareholder/fund investor (i.e., through its proxy voting policy)
- Management of conflicts of interest
- Anti-money laundering and anti-corruption
- Hiring practices, including diversity and inclusion
- Employee well-being, including employee benefits, workplace policies designed to promote an inclusive and healthy environment, and training.

III. Investment Overview

ETG defines '<u>responsible investing'</u> as the incorporation of environmental, social and governance factors in investment decisions. ETG seeks to promote responsible investing while meeting its obligations as a fiduciary and steward of investors' capital and meeting the established investment objectives of each fund.

ETG defines '<u>stewardship'</u> as the use of influence to maximize overall long-term value including the value of common economic, social and environmental assets. Through various investment programs and funds, EnTrust Global has been a proponent of shareholder activism and stewardship through our underlying fund managers for over 15 years. The Opportunistic Strategy, as described further below, includes, and is anticipated to continue to include, a sub-set of investments where an underlying fund manager is driving change at the target portfolio company in an effort to increase shareholder value.

Broadly speaking, for the purposes of this policy, ETG can be viewed as engaging in three primary categories of investing activities: investments in hedge fund strategies ("**Hedge Fund Strategies**"), opportunistic co-investments/direct investments in specific assets ("**Opportunistic Strategies**"); and direct lending and other financing activities in the maritime sector ("**Blue Ocean Strategies**").

In the course of our continued efforts and innovation to serve our clients, we strive to integrate ESG factors within the investment process, as applicable and appropriate within the investment mandate. We take a pragmatic approach to ESG factors and engagement, and typically prefer to seek constructive engagement or stewardship, over simple negative screening. Given the diverse nature of the business described above, we do not believe a narrowly defined or "one size fits all" approach to ESG factors would be suitable or practical. Instead, ETG looks to incorporate ESG considerations or engagement into the investment process for its various products, where it believes it is appropriate and/or required and as set forth in this policy, as well as in the customized mandates managed for clients who express their desire to include such factors as part of their mandate.

ETG has further strengthened its governance structure through the establishment of an ESG Investment Committee composed of the firm's CEO, CRO, senior investment professionals, and senior legal professionals. The Committee is responsible for our ESG approach and application, informing the broader team of progress made, ensuring implementation of the ESG investment policy and addressing changes and challenges in the global ESG environment.

This ESG policy provides an overview of the approach taken by ETG and will generally be reviewed on an annual basis.

IV. ***<u>Sustainable Finance Disclosure Regulation ("SFDR") – Disclosure on Sustainability Risks</u>***

ETG views an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment (a "**Sustainability Risk**") (as well as competitive strengths emerging from ESG considerations) as an important factor when considering an investment in an underlying fund, as part of its overall investment analysis and risk assessment. In forming an assessment of Sustainability Risks, ETG seek to combine internal experience with information received from the underlying managers and in some cases may use information from third party data specialists and rating agencies. In this regard, ETG considers Sustainability Risks to varying extents depending on factors such as the availability and type of ESG data, the investment horizon and objectives of the investment strategy. Whilst ETG engages in the assessment of Sustainability Risks as described above, ESG does not have formal quantifiable targets or hurdles for such. Accordingly, ESG does not follow a mechanistic approach to determine which Sustainability Risks might be most material, but instead assesses those risks on an item-by-item and investment-by-investment basis taking into account available information and data. Any information ETG receives is limited and subject to change and may be dependent on an underlying fund's regulatory disclosure requirements. Where ETG intends to make new investments in underlying funds that were not previously part of a fund's portfolio, such investments will only be made after ETG has taken into account any (if at all) relevant potential Sustainability Risks, noting however that ETG has no direct control over the investment decisions or timing thereof at underlying fund level. This potentially wider scope of investment due diligence (beyond financial metrics only) is dependent on the specific asset and relevant ESG factors.

The remainder of this policy sets forth the integration of Sustainability Risks, if applicable, in the investment process.

V. ***<u>Hedge Fund and Opportunistic Strategies</u>***

As an investor in externally managed investment vehicles, ETG does not always have real-time full transparency on all underlying positions held in Hedge Fund Strategies and does not generally have control over the manager's strategy or positions within the manager's portfolio. ETG also believes that restricting a manager's investment activity using a single predetermined set of criteria may lead to undesirable outcomes.

The Opportunistic Strategies at ETG are by design flexible and meant to target attractive investments on an opportunistic basis; in addition, the investor base in the commingled funds offering these strategies typically has a desire to maximize returns. As such, unless otherwise determined in the future, ETG does not apply any blanket ESG restrictions or prohibitions to these commingled funds.

Investments across the Opportunistic Strategy, however, are evaluated against the backdrop of responsible investing, stewardship and ESG as a whole, in an extension of ETG's risk and portfolio management processes. ETG recognizes that ESG issues can have a material impact on investment return, volatility, risk and/or risk mitigation. ETG will typically evaluate ESG risks and/or opportunities as part of its overall analysis of an investment, where and to the extent the ETG investment team determines such risks and/or opportunities are material to the risk or performance associated with a specific investment, consistent with its fiduciary duty to its clients. Where such material ESG concerns are determined to exist, they will typically be addressed in the team's investment memorandum and/or other analysis.

A. Stewardship

ETG's policy regarding stewardship includes understanding the path to change at underlying portfolio companies, which may include proxy contests, engagement with portfolio company management, engagement with unaffiliated investors in the same portfolio company and litigation, amongst other approaches. The initial due diligence process conducted prior to investment, as well as subsequent assessments of the investment, may include, as applicable, an assessment of underlying manager's stewardship approach, and for Opportunistic Strategies, the anticipated economic, social and/or environmental impacts that may affect the portfolio company's share price directly or indirectly.

The approaches employed by underlying fund managers may not always be successful in increasing the value of economic, social and environmental assets simultaneously. In some circumstances, economic value may be at the expense of social or environmental benefits, or vice versa. The investment team, as part of its due diligence process, will aim to consider the net impact in aggregate when reviewing Opportunistic investments. Generally speaking, subject always to the investment objective and policy of an underlying fund, economic benefits, including increasing the market value of a portfolio company, will take priority over other benefits, unless an ETG investment vehicle has a specific mandate or regulatory requirement regarding stewardship and/or ESG. In all instances, the governing documents of the relevant investment vehicles will supersede this policy. Guidance will be provided by ETG's legal team, to the extent necessary, when evaluating such offsetting impacts.

B. Qualitative Manager Assessments and Engagement

On a periodic basis, ETG will require certain underlying fund managers in the Opportunistic Strategies to complete an ESG due diligence questionnaire covering five sections: policy, governance, investment process, monitoring and reporting, and diversity and inclusion. The manager's responses are reviewed both holistically, to understand any relevant trends in the ESG space, and individually, to understand how an underlying fund manager considers ESG as part of their overall investment process.

VI. ***Blue Ocean Strategies***

ETG manages a number of products and customized mandates that engage in direct lending and other financing activities within the maritime industries. ETG recognizes that ESG factors, particularly environmental factors, can impact the risk and performance of maritime assets.

Blue Ocean (Maritime Finance): Blue Ocean maritime lending does not apply blanket ESG restrictions or prohibitions. The evaluation of ESG factors (in particular, environmental and social factors) is typically an integral part of the investment analysis undertaken by the investment teams when originating loans, because they naturally correlate with the value of the vessel securing the loan and the reputation and reliability of the borrower operating the asset. ESG factors, particularly with respect to pollution and emissions, are taking on increasing importance in the maritime industry, with resulting impact on the economic success of ship owners and operators. The Blue Ocean team typically incorporates evaluation of various ESG factors into its investment analysis, such as:

- Evaluating vessels' fuel efficiency, emissions reductions and other environmental factors
- Knowing borrowers and their reputations, including their reputation for environmental and regulatory compliance and vessel working conditions/treatment of crews
- Engaging a third-party inspection firm to provide inspection reports of vessels for loan originations. These reports typically check for crew welfare, safe operation of the vessel, crew motivation, pollution controls and compliance with pending regulations.

Blue Ocean Impact Strategy: Blue Ocean 4Impact ("**BO 4Impact**") is focused on reducing GHG emissions and other pollutants as part of the overall investment approach. BO 4Impact provides equity capital to acquire and own environmentally-advanced maritime vessels and infrastructure equipment ("**maritime assets**"), leased to large end users (corporates and governments) with a fundamental use for the maritime asset and an ambition of reducing GHG emissions and other pollutants from their operations. BO 4Impact's environmentally-advanced maritime assets will be diversified across the short sea, renewable/sustainability, and deep sea sectors, and provide a positive environmental impact by utilizing low- to zero-carbon fuel technologies, energy saving devices and design & operational efficiencies. An annual sustainability report will detail maritime assets' emissions on an absolute basis, versus peer assets, and versus decarbonization trajectories in line with the UN International Maritime Organization's decarbonization trajectory and the Paris Agreement targets (if available). In addition, details will be provided on other environmental and social policies in place, such as ballast water management, waste disposal, sustainable maritime asset recycling and employee well-being.

VII. ***Training***

Periodic training sessions will be conducted regarding this policy and ESG considerations at the firm and investment levels generally.