

RS Fund Manager Limited

Environmental, Social and
Governance Investment Policy 2022

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1 Background and Purpose

RS Fund Manager Limited (“RoundShield”) is a European asset-backed special opportunities and distressed investment firm. RoundShield’s investment approach focuses on capital preservation and is opportunistic and fundamentally driven by the orderly liquidation value of the underlying assets.

This Policy document sets out RoundShield’s approach to the management of environmental, social and corporate governance (“ESG”) issues, including the principles which RoundShield aspires to and the procedures it has implemented in order to integrate these principles into its investment activities.

The ESG Policy covers all funds to which RoundShield advises and all investment activities across the deal cycle. All RoundShield staff are required to adhere to the ESG Policy.

2 Review of Policy

This Policy is reviewed on an annual basis by the ESG Committee of RoundShield Partners LLP, advisor to RS Fund Manager Limited, and approved by the Board of RS Fund Manager Limited.

The ESG Committee is comprised of Jonas Hybinette (Partner at RoundShield Partners LLP), Kristina Kuhnke (Partner), Nilesh Patel (Head of Portfolio Management), Hayley Stewart (Investor Relations) and Matt Talbot (Head of Compliance). The purpose of the Committee is to establish an ESG framework which promotes the recognition and application of ESG policies and procedures. The Committee’s responsibilities are documented in the ESG Committee Terms of Reference, which is available on request. RoundShield has also engaged NorthPeak Advisory, a specialist ESG advisory firm, to support in advancing internal ESG capabilities and structuring the ESG policy and framework.

3 ESG Philosophy

Investing responsibly is one of the key considerations of the investment process at RoundShield. We believe that ESG factors are important for identifying the most attractive investment opportunities as well as for monitoring our investments in the most comprehensive way possible. Financially material ESG factors can directly have an impact on the borrower’s financial performance or ability to meet its financial obligations, and therefore can affect the investment risk and performance. It is our fiduciary duty to act in the best interests of our clients and this requires the careful consideration of how ESG factors can be a source of value and risk management.

Consequently, we work hard towards encouraging responsibility and consideration for ESG factors with all our counterparties and look to promote characteristics, including environmental and social characteristics, that will be beneficial to our borrower’s, as we believe that the widespread acceptance of responsible investment principles has a positive long-term impact on investment returns. Furthermore, we firmly believe in the role of good governance as a foundation for all activity at a borrower, so will focus on this element for all investments.

Within our debt positions, RoundShield may have limited means with which to exert influence. Implementation of the principles must therefore be considered in this context. Throughout the investment period we will seek to monitor the borrower’s performance against sustainability indicators and will engage with borrowers and counterparties to help them improve disclosures and performance over time.

In line with our commitment to investing responsibly RoundShield (as RS Fund Manager Limited) became a Signatory of the PRI in September 2021. As such we are committed to the following six 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.

4 Approach to Responsible Investment

RoundShield recognises that ESG issues can directly impact investment risk and performance. Accordingly, RoundShield has created an ESG framework to structure the integration of ESG information throughout the investment process, from the pre-investment due diligence to post-investment monitoring and investment exit. At the core of our approach to ESG integration is the notion of financial materiality, which we seek to analyse for each investment. Our approach to responsible investment is continuously evolving and we will update this policy accordingly as we advance on our ESG journey.

Environment

RoundShield seeks to consider, minimise and manage key environmental impacts of its investments. Compliance with the appropriate regulatory framework is an essential requirement, and RoundShield expects all its investments and counterparties to have the appropriate monitoring systems in place to ensure all current regulatory requirements are met.

RoundShield and its counterparties will consider operational actions that may be taken to minimise environmental impact of activity, with respect to energy and water consumption as well as waste management.

People

Where relevant to investments, RoundShield will expect counterparties to meet industry levels and best practice in people management and benchmark themselves against peers with respect to:

- Health and safety in the workplace;
- Promotion of a diverse workforce; and
- Equality across all employees.

Business Ethics

At all times, RoundShield expects honest and transparent actions. We expect counterparties and parties related to our investments to:

- Maintain high standards of business integrity at all times;
- Have a clear anti-corruption and anti-bribery policy, supported by appropriate levels of compliance monitoring; and
- Understand the key risks associated with business partner's labour practices and environmental impacts.

Governance

RoundShield shall ensure at all levels there are regular, structured board meetings with supporting documentation, regular strategic planning, and a clear focus on the opportunities and operational improvements that will drive value. In addition, RoundShield will focus on the implementation of rigorous risk controls throughout any investment or related business.

Community

RoundShield and its counterparties will consider positive community engagement including, co-ordination with charities, non-profit organisations and community initiatives.

The above aspects are likely to vary in relevance depending on the investee’s business activities, size, and the markets in which RoundShield operates. RoundShield therefore applies these on a case-by-case basis to ensure it manages key *material* ESG issues.

Overview

Pre-Investment		Post Investment		
<p>Exclusions: The Investment Team will undertake screening to ensure that the exclusions are adhered to.</p>	<p>Integration: The Investment Team analyses the exposure and management of material ESG issues through a formal due diligence process. The analysis is embedded as part of the investment memo and goes to the Investment Committee for approval. Any ESG topics identified will be included in the post-investment monitoring.</p>	<p>Monitoring and Engagement: The Investment Team engages with the investee and stakeholders on the ESG issues identified and undertake an improvement plan where appropriate.</p>	<p>Reporting: RoundShield will report on any ESG updates and ask the investee to complete an ESG questionnaire annually.</p>	<p>Investment Exit: RoundShield will include ESG information when considering refinancing options and the close out process.</p>
Pre-Investment Report	Investment Memo	Deal Documentation	ESG Questionnaire	ESG Report

Pre-Investment

Exclusions

As part of RoundShield’s consideration of a potential investment or strategy, the Investment Team will undertake a high-level screening / sourcing, and in doing so will consider potential ESG implications. We do not consider businesses as a potential investment if they are directly involved in:

- Any illegal activity including human rights violations;
- The production of tobacco and related products;
- Pornography;
- The financing of the production of and trade in weapons and ammunition of any kind; and
- Businesses that derive more than 10% of revenues from the extraction of fossil fuels.

The Investment Team will consider the investment or strategy’s alignment to RoundShield’s values and principles. If any businesses are found to be in conflict with the restrictions above, RoundShield will not proceed with the investment.

RoundShield monitors investments in line with our exclusion criteria. If RoundShield becomes aware that a previously approved borrower moves into an excluded activity, the deal will be closely monitored by the ESG Committee and investment team. The investment team will communicate with the borrower to understand the details of the activity. Should the borrower’s activity remain problematic, RoundShield will not refinance the deal.

Integration

When a specific investment opportunity has been identified, the Investment Team will start by profiling the opportunity on its ESG merits and risks, depending on RoundShield's business activities, size, and location. The Investment Team will ensure that the exclusion policy is adhered to, and site visits will be carried out as appropriate.

Due Diligence

RoundShield has created a proprietary **Pre-Investment ESG Report**, which the Investment Team uses to evaluate each potential investment on relevant ESG characteristics. The purpose of the report is to identify any ESG issues that the company is exposed to, and to assess how well it is managing that exposure. RoundShield's framework for assessing ESG materiality is founded on work by the Sustainability Accounting Standards Board (SASB) and MSCI and is tailored to fit with the nature of investments that the RoundShield conducts.

In addition to identifying the exposure and management of financially material ESG issues, the Investment Team also assesses climate change risks and opportunities of all investments, irrespective of the type of business. The climate change assessment looks at the risk of stranded assets, exposure to direct and indirect physical climate risk, specific assets that may benefit, and those likely to contribute to achieving climate targets.

A foundation to any investment will be the presence of good governance, the Investment Team will assess the governance practices, frameworks and policies of the borrowers in order to confirm that good governance is practiced.

The Investment Team will tailor the scope of the diligence, with respect to the ESG opportunities and risks, appropriate to the specific investment opportunity. Specifically, the following environmental and social characteristics are assessed:

Environmental

- Biodiversity and Land Use
- Climate Change and GHG Emissions
- Energy Management
- Green Building
- Raw Materials Sourcing
- Toxic Emissions and Waste Management
- Water Management and Stress

Social

- Controversial Sourcing
- Employee Health and Safety
- Human Capital Development
- Labour Management
- Privacy and Data Security
- Product Quality and Safety
- Responsible Investment

Where necessary, such as in the case of environmental diligence on a real estate asset, the Investment Team will engage a specialist due diligence firm to analyse the ESG issues.

The outcome of the ESG assessment in the due diligence is to provide a summary of the ESG profile of the investee company, identify any potential implications for the investment performance, and identify relevant KPIs that will be used to monitor ESG performance and improvements during the ownership phase. The information gathered in the Pre-Investment Report will be included in the **investment memo**.

Investment Committee Approval

The full investment memo, including the outcome of the ESG assessment is presented by the Investment Team for approval. The Investment Team will be required to highlight any ESG concerns to the Investment Committee, who will then determine the appropriate course of action.

Deal Documentation

As part of the deal documentation, if the company does not have an ESG policy in place, RoundShield will provide an ESG policy template that the company is required to implement. All investments are also required to report in line with the ESG Questionnaire on an annual basis.

Post-Investment

Following completion of an investment, RoundShield will monitor the ESG issues that have been identified in the pre-investment due diligence process. Which ESG issues are financially material for a company changes over time, and it is therefore important to monitor minor exposures over time and track how resilient the company is to changing ESG issues. Where the due diligence process identifies poor management of a material ESG issue, RoundShield will assist the company to undertake an improvement plan where appropriate. RoundShield will ensure that the post-investment process considers ESG value creations and value protection opportunities, arising from due diligence and post deal engagement activities.

Monitoring and Engagement

Shortly after completing an investment, the Investment Team will seek to validate the ESG risks and opportunities it uncovered as part of its pre-investment due diligence. The Investment Team will hold early discussions with key stakeholders, including the management team (if applicable). The focus will be on the identification of routes to implement ESG initiatives and investment committee recommendations. The Investment Team will also seek to quantify the costs and benefits of such actions, and the return implications on investments.

Following a review and validation of the exposure and management of ESG risks / opportunities and determination of an action plan for ESG improvements, RoundShield will seek to implement its ESG strategy in co-ordination with other stakeholders. This includes a review of the ESG policy that is expected of all investee companies.

RoundShield will take steps to pro-actively monitor ESG risks and opportunities throughout the investment lifecycle. The Investment Team requires stakeholders (such as the management team) to report on the ESG KPIs defined as part of the due diligence and implementation process. The information is gathered and tracked in an annual **ESG Questionnaire**. Following the communication and review of the ESG issues as part of the reporting process to the Investment Team, RoundShield will actively take steps to promote, improve and progress the ESG actions of borrowers where necessary.

Proxy Voting

RoundShield invests in private credit and equity opportunities, providing private credit and some equity solutions in the small to mid-sized real estate, infrastructure, hard asset and financial asset markets.

Given the majority of investments are focused on credit opportunities, there is limited scope to participate in proxy voting. However, in cases of restructuring where RoundShield becomes a shareholder or private equity investments, the Investment Team will assess the financial implications of the vote and evaluate the alignment with the ESG beliefs of RoundShield.

Reporting

RoundShield reports on ESG performance of its counterparties on an annual basis. We are pleased with the initial uptake for data points received so far and are confident this will continue to increase over time leading to improved reporting for our investors.

In addition to the annual ESG report, RoundShield will also report on its processes via the annual UN Principles for Responsible Investment (“PRI”) reporting framework.

Furthermore, under the EU SFDR, RoundShield will provide disclosure in line with the requirements of the regulation.

Investment exit

When nearing the maturity of an investment, RoundShield will consider a review, if necessary, of any material ESG concerns, which can be identified prior to exit. The Investment Team will use the original due diligence reports as a baseline to build an understanding of material ESG issues and compare and contrast versus the current position of the investment. The Investment Team will then identify the necessary action to take with respect to ESG issues as part of the overall investment exit process.

5 Sustainability Objectives

ESG KPIs and plans for improving poor management are set and discussed together with the investee companies during the post-investment monitoring phase. RoundShield does not have a specific sustainable investment objective, but seeks to promote specific environmental and social characteristics. All investee companies are assessed on their exposure to climate related risks and opportunities and on their management of material ESG issues.

6 Advocacy

RoundShield actively promotes the acceptance and implementation of responsible investment principles with counterparties within its investment portfolio and other industry participants. We attempt to engage in active dialogue to promote the acceptance of and active engagement with ESG principles and to promote the wider adoption of ESG reporting in the sectors in which we invest.

RoundShield is a signatory to the UN PRI and is committed to implementing its six Principles with a view to aligning its investment management and advisory activities to the interests of wider stakeholders. In addition, RoundShield publicly supports the Paris agreement and the Task Force on Climate-Related Financial Disclosures (TCFD).

7 Training

RoundShield assesses training requirements on a periodic basis, as well as ad hoc when the need is identified. Regulation, business needs, and individual requirements are taken into consideration. All of our investment and asset management team members have been trained on the fundamentals of ESG, and we actively seek training opportunities to improve internal ESG capabilities and ensure consistent implementation of our ESG integration process.