

RS Fund Manager Limited

Sustainable Investment Policy

November 2024



Contents

1	Background and Purpose	3
2	Review of Policy	3
3	ESG Committee	3
4	ESG Philosophy.....	4
5	Approach to Responsible Investment	4
6	Sustainability Objectives	10
7	Advocacy	10
8	Conflicts of interest	11
9	Training	11

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 Sustainable Investment Policy covers all funds which RoundShield advises and all investment activities across the deal cycle. All RoundShield staff are required to adhere to the Sustainable Investment Policy, with the implementation of this policy being a factor that impacts employee appraisals and remuneration decisions.

Aside from our investment activities, RoundShield also recognises the importance of Corporate Sustainability at the entity level, which is the way in which companies regulate themselves to ensure business activities are conducted in an ethical manner.

2 Review of Policy

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

RoundShield has also engaged NorthPeak Advisory, a specialist ESG advisory firm, to support in advancing internal ESG capabilities and structuring the Sustainable Investment Policy and framework.

3 ESG Committee

RS Fund Manager Limited Board has ultimate oversight over RoundShield’s ESG processes. However, day-to-day oversight has been delegated to RoundShield’s ESG Committee, who report to the Board. The Committee is responsible for overseeing the implementation of an Environmental, Social and Governance (ESG) framework which promotes the recognition and application of ESG policies and procedures throughout RoundShield.

The Committee is comprised of Jonas Hybinette (Partner at RoundShield Partners LLP), Marta Bishop (Legal), Maud Kerdelhue (Head of Risk), Nilesh Patel (Head of Portfolio Management), Spencer Rhodes (Partner), Hayley Stewart (Investor Relations), Matt Talbot (Head of Compliance), Christoph Wagner (Managing Director, Investments) and Charlotte Whelan (Human Resources). The Committee will meet at least twice a year, unless otherwise agreed by the Committee.

The Committee’s responsibilities are as follows:

- Guide and review the formulation of RoundShield’s ESG policies and strategies to ensure that they are in line with the needs of the Firm and comply with applicable legal and regulatory requirements.
- Oversee RoundShield’s management of Diversity, Equity and Inclusion (“DEI”), and climate change-related risks and opportunities.
- Review the Company's ESG Reporting and other ESG-related disclosures.
- Identify and monitor ESG risks related to RoundShield and assess the impact of such risks on the Firm.
- Ensure all RoundShield staff receive appropriate training on ESG related matters.
- Ensure the Investment teams follow the Sustainable Investment Policy in their investment processes.
- Promote best practices to external stakeholders.

4 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 borrowers (counterparties, companies, investees). We look to promote characteristics, including environmental and social characteristics, that will be beneficial to our borrowers, 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, and this is assessed for all investment opportunities.

Within our debt positions, RoundShield may have limited means with which to exert influence, and our responsible investment approach is adapted to this context. Throughout the investment period we 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 UN-supported Principles for Responsible Investment ("PRI") in September 2021. As such we are committed to implementing 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.

5 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 financial materiality, and it is through this lens in which we analyse ESG factors for each investment opportunity. 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 ensures 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 focuses 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.

Investment Process Overview

RoundShield’s responsible investment process comprises of following elements:

Pre-Investment		Post Investment		
<p>Exclusions: The Investment Team will undertake screening to ensure that firm-level 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 borrower and stakeholders on the ESG issues identified and undertake an improvement plan.</p>	<p>Reporting: RoundShield will report on any ESG updates and ask the borrower to complete an ESG questionnaire annually.</p>	<p>Investment Exit: RoundShield will include ESG information when considering refinance 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 to determine whether the potential borrower is directly involved in any of the following activities:

- 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, whilst borrowers are required to annually attest that they are not in breach of this criteria. Given the illiquidity of RoundShield's asset class, it is not possible nor feasible for the firm to immediately exit the investment, should a borrower be found to have breached RoundShield's exclusions. However, 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, whilst also working with the borrower to ensure their activity remains in line with RoundShield's exclusion criteria.

Should the borrower's activity remain problematic, RoundShield will not refinance the deal.

Integration

When a specific investment opportunity has been identified as having not breached RoundShield's exclusion criteria, the Investment Team will profile the opportunity on its ESG merits and risks, depending on its business activities, size, and location, 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 RoundShield conducts.

The foundation for any investment will be the presence of good governance, and the Investment Team will assess the governance practices, frameworks and policies of the borrowers in order to confirm their governance approach is in line with RoundShield's expectations.

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 may be assessed depending on their perceived materiality for an investment opportunity:

Environmental

- Carbon Emissions
- Climate Change Vulnerability
- Financing Environmental Impact
- Product Carbon Footprint
- Biodiversity
- Raw Material Sourcing
- Water Stress
- Electronic Waste
- Packaging Materials & Waste
- Toxic Emissions & Waste
- Opportunities in Clean Technology
- Opportunities in Green Buildings
- Opportunities in Renewable Energy

Social

- Health & Safety
- Human Capital Development
- Labour Management
- Supply Chain Labour Standards
- Chemical Safety
- Consumer Financial Protection
- Insuring Health & Demographic Risk
- Privacy & Data Security
- Product Safety & Quality
- Responsible Investment
- Community Relations
- Controversial Sourcing
- Access to Communications
- Access to Finance
- Access to Health Care
- Opportunities in Nutrition & Health

Additionally, RoundShield issues an ESG questionnaire as part of the due diligence process, and this questionnaire is sent to all potential investments who reach the integration stage of the Pre-Investment ESG Report.

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

Climate Change Due Diligence

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. This reflects RoundShield's belief that climate change is a systemic sustainability issue that has the potential to materially impact all investments within our funds. The climate change assessment looks at how the company has positioned itself relative to both transition and physical risks, as well as mitigation and adaptation driven climate opportunities, as defined by the Taskforce on Climate-Related Financial Disclosures ("TCFD"). Furthermore, for investments in companies that develop and operate real estate assets, or whereby the collateral of a particular deal rests upon the value of a singular or multiple real estate assets, a real estate focused climate assessment is also completed. This assessment looks at real estate asset specific climate change factors such as GHG emissions, energy efficiency ratings, green building certifications and exposure to localised physical risks.

Human Rights Due Diligence

RoundShield also assesses the human rights implications of all investments, again viewing this as a systemic sustainability issue, which aside from its ethical importance, presents genuine reputational, operational and financially material risks. Given RoundShield's exclusive geographic focus on Western Europe, concentrated portfolio and the fact that most borrowers are involved in real estate-related activities, RoundShield's assessment of human rights follows a bottom-up, company specific approach, rather than a top-down approach driven by portfolio geographic or sector exposure. RoundShield's assessment focuses on understanding whether there are any stakeholder groups whose human rights may be potentially impacted by the borrowers' products & services. These stakeholder groups include the internal workforce, suppliers, local communities, third-party contractors, and real estate tenants. All borrowers undergo an initial human rights assessment to understand the risk level associated with these stakeholder groups. If the initial assessment indicates potential risks for any one of the stakeholder groups, RoundShield will then conduct an enhanced assessment, where more detailed questions will clarify the nature and extent of the risks.

SFDR Article 8 Alignment

Additionally, RS Fund V ("Fund V") discloses under Article 8 of the EU Sustainable Finance Disclosure Regulation, meaning it endeavours to promote a mixture of environmental and social characteristics throughout its investments. Therefore, as part of the due diligence for investments in Fund V, the Investment Team will also determine which characteristics to promote and how they will be promoted by the Fund.

Investment Committee Approval

The outcome of this due diligence process is a summary of the ESG profile of the investee, the identification of any potential implications for the investment performance, and an understanding of the 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**.

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 Sustainable Investment Policy in place at the point of investment, RoundShield provides an Sustainable Investment Policy template and requires the company to adopt this template. All investments are also required to report in line with the ESG Questionnaire on an annual basis. RoundShield's expectations around the counterparties' Sustainable Investment Policy and annual ESG questionnaire.

Post-Investment

Following completion of an investment, RoundShield monitors 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. 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 validates the ESG risks and opportunities it uncovered as part of its pre-investment due diligence. The Investment Team holds early discussions with key stakeholders, including the management team (if applicable), with the focus being on potential routes to implement ESG initiatives and investment committee recommendations. The Investment Team also seeks to quantify the costs and benefits of such actions, and the return implications on investments.

RoundShield proactively monitors the investee's exposure to ESG risks and opportunities throughout the investment lifecycle. The Investment Team requires borrowers 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**, hosted by a third-party data management platform. Following the communication and review of the ESG issues as part of the reporting process to the Investment Team, RoundShield actively takes steps to promote, improve and progress the ESG actions of borrowers where necessary.

As RoundShield is usually the sole lender to investee companies, the firm has not established a systematic approach towards collaborative stewardship efforts. However, where feasible and additive, RoundShield will prioritise collaborative engagements, whether it be with other lenders, equity sponsors as well as the wider investment community.

Borrower Improvement Plans

As RoundShield is primarily a provider of debt, there are limitations to the degree in which the firm is able to engage with borrowers, especially compared to those equity holders. However, RoundShield recognises the importance of ongoing engagement with our counterparties, and an integral aspect of the firm's responsible investment process is the creation and distribution of Borrower Improvement Plans ("BIPs"). BIPs provide practical guidance for counterparties on how to begin measuring and managing relevant ESG factors. The plans are based off analysing their responses in the annual ESG Questionnaire, identifying gaps in their performance, and are intended to assist them in building their ESG capabilities.

RoundShield develops both generic and tailored improvement plans. Generic improvement plans focus on topics RoundShield deems relevant across the entire portfolio, whilst tailored plans cover counterparty-specific ESG risks and opportunities.

Proxy Voting

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 and is able to vote, the Investment Team will assess the financial implications of the vote and evaluate the alignment with the ESG beliefs of RoundShield.

Reporting

RoundShield has multiple ESG-related reporting obligations, which are either entity or fund specific.

At the entity level, RoundShield reports on the ESG performance of its counterparties through an annual ESG report, which is also aligned with internationally recognised sustainability reporting frameworks, such as the Taskforce for Climate-related Disclosures (“TCFD”) / IFRS S2. As a manager predominantly focusing on small-medium size private companies, the ability to collect and report ESG data is a challenge. However, RoundShield is pleased with the initial provision of data points received and is confident that data quality will continue to increase over time. RoundShield reports against the PRI’s reporting framework, thereby meeting one of the PRI’s six principles.

At the fund level, Fund V discloses against GRESB’s Real Estate Assessment framework. Currently, Fund V is only able to disclose under the “Management” component of this framework, given GRESB’s focus on investors that directly own real estate assets, as opposed to those who provide private credit solutions to real estate developers and operators. It is hoped that over time, Fund V will be able to better disclose against other elements of their framework.

Furthermore, Fund V discloses under Article 8 of the EU Sustainable Finance Disclosure Regulation (“SFDR”), providing disclosures and reporting in line with the regulation.

RoundShield’s annual ESG report is publicly available, whilst PRI, GRESB and SFDR Article 8 reporting is available to clients upon request.

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.

6 Sustainability Objectives

RoundShield assesses climate change risks and opportunities for all investments and engages with companies to support improvements on how material ESG issues are managed, through establishing ESG KPIs and BIPs, during the post-investment monitoring phase. However, given the firm’s interpretation of fiduciary duty, as discussed in the “ESG Philosophy” section of this Policy, no funds currently aim to meet or measure any pre-defined sustainability investment objectives or outcomes nor does RoundShield have any “impact”-related investment mandates. RoundShield recognises the increasing demand for such investments and will keep its position on the consideration of sustainability outcomes under ongoing review.

7 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. RoundShield is also a member of GRESB and is actively engaging with GRESB on the applicability of its reporting framework to debt funds.

RoundShield seeks to identify opportunities for direct engagement with policy makers and regulators on relevant ESG topics, whilst RoundShield indirectly engages with such stakeholders through its specialist ESG advisory firm.

8 Conflicts of interest

The Firm identifies and documents the key conflicts and potential conflicts it faces in the day-to-day business in the Conflicts Inventory. The Firm will periodically review the inventory and update it whenever a new conflict is identified. The Firm's Conflicts Inventory also summarises the means by which it arranges the conflict. The conflict policy and inventory is made available to all Personnel to ensure that they are aware of how the Firm deals with relevant conflicts.

The Firm has implemented a number of procedures and controls to detect conflict situations as they arise and the Principals will update the Conflicts Inventory accordingly. Once conflicts have been identified, further procedures and controls monitor the effectiveness of the management arrangements of such conflicts.

In addition, the Firm's Compliance Monitoring Programme incorporates a certain number of specific tests which are aimed at reviewing the Firm's performance in the management of conflicts that it has identified.

9 Training

RoundShield actively seeks training opportunities to improve internal ESG capabilities and ensure consistent implementation of our ESG integration process. RoundShield provides ESG training on an annual basis, whilst also provides ad hoc training when a specific need is identified. When identifying training opportunities, RoundShield ensures that factors such as 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 RoundShield's responsible investment approach.