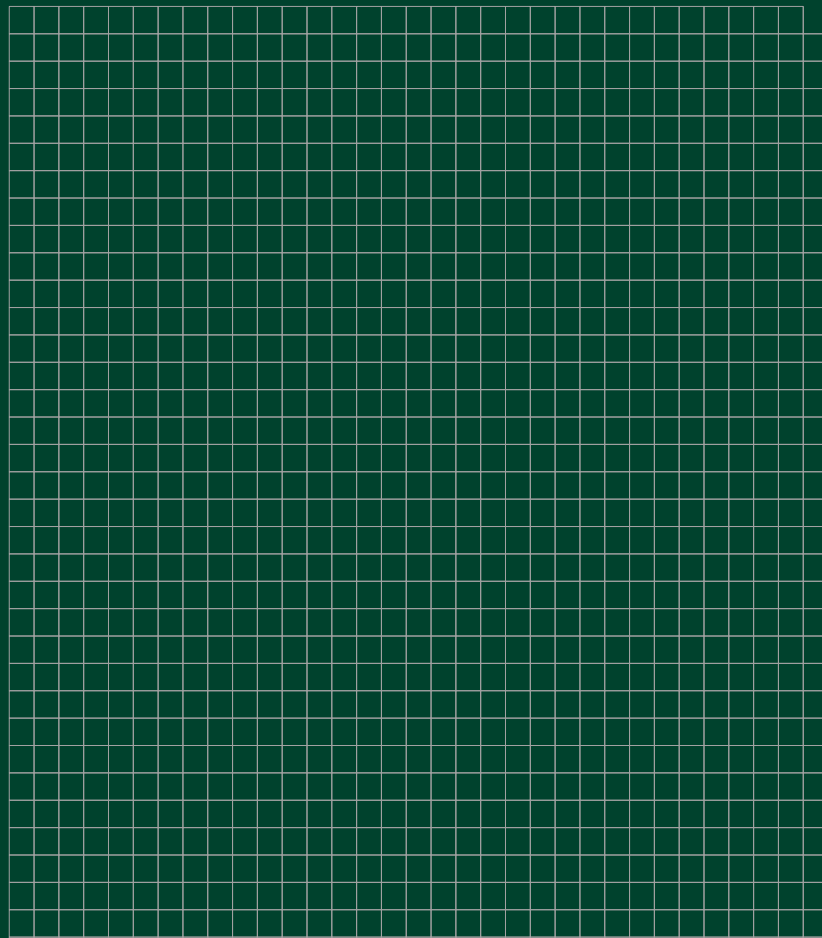


Responsible Investment Policy

Park Square Capital
November 2024



Park Square Capital – Responsible Investment Policy

I. Introduction

Park Square Capital, LLP and its affiliates¹ (“Park Square” or the “Firm”) focus on delivering attractive risk-adjusted returns to investors, based on a rigorous assessment of all risks including analysis of material ESG issues. Given the limited upside and potentially significant downside of credit investing, the focus of Park Square’s ESG analysis is on understanding and mitigating downside risks.

Park Square believes ESG factors can potentially have a material impact on a borrower’s long-term financial performance as poorly managed ESG risks can lead to inefficiencies, operational disruption, litigation and reputational damage, which may ultimately impact a borrower’s ability to meet their financial responsibilities or negatively impact company profitability. Park Square supplements its traditional financial analysis by reviewing ESG related management practices in order to identify potential risks.

In summary, we believe well run businesses make better, lower risk, investments.

The Firm considers ESG risks both as part of the detailed due diligence carried out before an investment, and as part of the ongoing monitoring of portfolio companies. Park Square declines opportunities that it believes provide an inappropriate exposure or insufficient management of ESG risks.

Park Square believes that incorporating ESG risks into its business decisions is an important part of its investment strategy, reduces investment risk and helps develop the sustainable long-term value of its investments.

Park Square is a signatory of the UN-supported Principles for Responsible Investment (PRI). The Firm is committed to supporting the goals of the Paris Agreement and the recommendations of the Task Force on Climate-related Financial Disclosure (“TCFD”), publishing its inaugural [Climate-related Disclosures in 2024](#).

Park Square operates its investment policies in accordance with the OECD’s Guidelines for Multinational Enterprises and supports the 17 Sustainable Development Goals (“SDGs”) and the 10 principles of the UN Global Compact.

Consistent with its fiduciary responsibilities to its investors, Park Square works with financial sponsors and portfolio companies to understand and address ESG risks through the following policies outlined in this document.

Park Square is committed to developing its Responsible Investment policy and integration in-line with internationally established guidelines and current industry best practices.

II. Definition

Park Square defines ESG risks as issues that can lead to inefficiencies, operational disruption, litigation and reputational damage, or a negative regulatory or tax change, which may ultimately impact a borrower’s ability to meet their financial responsibilities or negatively impact company profitability. Table 1. provides examples of typical ESG issues, please note that these are a broad overview and Park Square will consider a wider scope of ESG risks in relation to the specific countries and sectors a target or portfolio company is engaged in and will also analyse the company’s systematic and idiosyncratic ESG risks, in line with globally recognised frameworks such as Sustainability Accounting Standards Board (“SASB”) materiality map.

Note: ¹includes Park Square Capital Luxembourg Management Services S.à r.l
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Table 1. Examples of ESG issues considered

Environmental	Social	Human Capital	Governance
<ul style="list-style-type: none"> - Climate Change Risk & Vulnerability - GHG Emissions - Energy Management - Supply Chain Environmental Issue Management - Toxic emissions & Waste Management - Biodiversity & Land Use 	<ul style="list-style-type: none"> - Human Rights & Community Relations - Customer Privacy & Data Security - Product Safety & Quality - Selling Practices & Product Labelling - Supply Chain Social Issue Management 	<ul style="list-style-type: none"> - Labour Management - Health, Safety & Wellbeing - Human Capital Development - Diversity, Equity & Inclusion 	<ul style="list-style-type: none"> - Business Ethics - Risk management - Accounting & Tax Transparency - Executive Pay - Ownership & Control - Board Management - Anticompetitive Practices

Spotlight on:



Human Rights

Where material, in Park Squares’ ESG risk screen tool, investments are assessed on their management of local community relations, policies on conflict and human rights. Negative relations with local communities and other external stakeholders can lead to reduced access to resources, project delay, business discontinuity and lasting reputational risks. Park Square also excludes companies with material human rights violations from its investible universe.



Customer Privacy and Data Security

Where material, in Park Squares’ ESG risk screen tool, investments are assessed on their exposure to evolving or increasing privacy regulations, their vulnerability to data breaches and their systems for protecting personal data. Data security breaches can have a negative impact on firm reputation and lead to contingent liabilities, lower revenues, and in more severe cases to compliance and regulatory issues and legal claims against the company.

III. Exclusion and Negative Screening

On a firmwide basis, Park Square will apply negative-screening and decline opportunities where companies demonstrate the criteria outlined below, which can potentially have a negative impact on a borrower’s long-term financial performance. This list is non-exhaustive and additional ESG risks are assessed on a case-by-case basis:

- trading in contravention of trade restrictions and weapons embargoes adopted by the United Nations or the European Union;
- non-compliance with the international Bill of Human Rights, the UN Global Compact (UNGC) and the OECD Principles of Corporate Governance and applicable country legislation;
- manufacture and/or sale of anti-personnel mines, cluster bombs and weapons of mass destruction, such as chemical or biological weapons or is domiciled in a jurisdiction that does not comply with

the Treaty on the Non Proliferation of Nuclear Weapons (1968);

- actions directly violating the freedom of association or indirectly encouraging or contributing to the violation of the freedom of association;
- direct or indirect involvement in any type of illegal child, forced or compulsory labour;
- direct or indirect involvement in employment-based discrimination;
- poor occupational health and safety and poor working environments;
- price gouging and anti-competitive practices; and
- corruption.

In addition to this list, norms-based exclusions are also considered, and Park Square may include additional exclusions criteria in pre-contractual fund disclosures.

Table 2. Overview of Park Square's Investment Process

Business selection	Priority opportunities	Due Diligence & structuring	Investment committee	Risk management
Opportunity identified and logged in PSC database	Consent to proceed with further evaluation	Intensive evaluation of transaction	Formal presentation of investment case	Ongoing engagement with portfolio companies
<ul style="list-style-type: none"> ESG risks or concerns highlighted in weekly business selection meeting Third-party controversy analysis provider used to identify and assess ESG risks through a combination of AI, machine learning and qualitative analysis Utilise proprietary ESG screening tool to identify sector and geography “hotspots” Opportunity formally assessed against firmwide exclusions criteria 	<ul style="list-style-type: none"> Engage in discussions with sponsor / arranger on ESG issues Analyse, (i) sponsor’s due diligence information, (ii) audited financials, (iii) sustainability reports ESG data collection ESG risk exposure and management assessment 	<ul style="list-style-type: none"> Full suite of legal, financial & commercial due diligence Use of expert networks to further diligence ESG issues In-depth legal review of credit documentation, including review of ESG incentivisation Drafting of loan documentation ESG Committee convene to review material ESG considerations as required 	<ul style="list-style-type: none"> Members of the ESG Committee attend weekly Investment Committee ESG screening tool included in Investment Committee memorandum template Where material, ESG risks also discussed as investment concerns 	<ul style="list-style-type: none"> Third-party ESG risk ratings and material ESG updates discussed in detailed quarterly portfolio review Ongoing ESG risk incident alerts provided by third-party controversy analysis provider Engagement with sponsor and/or company where appropriate on ESG issues ESG questionnaire distributed to all portfolio companies Benchmarking reports provided to all questionnaire respondents

The investment team are supported by a dedicated internal ESG team and specialist ESG consultants when identifying and assessing ESG risks.

IV. Due Diligence

Park Square has implemented a selective and disciplined investment approach, using a high-touch “private equity-style” due diligence process, and seeks to differentiate itself on the quality and depth of its investment analysis.

The Firm considers ESG issues both as part of the detailed due diligence carried out before an investment, and as part of the ongoing monitoring of portfolio companies following an investment. Park Square will decline opportunities that it believes may provide an inappropriate exposure to ESG risks.

During Park Square’s initial high-touch “private equity style” due diligence, the investment teams will assess the target company’s management competence and resources. Park Square usually has access to detailed materials including:

- Information Memorandum
- Sponsor due diligence information
- Audited financials
- Sustainability and Environmental reports
- Market studies etc.

The thorough due diligence also includes meetings with management, reference calls with industry experts and, where appropriate, Park Square commissions its own proprietary due diligence.

The investment team are responsible for identifying and managing ESG issues within specific deals. Park Square believes this enhances our assessment of ESG risks as it is considered by the team closest to the target investee company. The Investment team receive periodic formal ESG training covering best practice, emerging issues and case studies. In order to support the identification of ESG issues to highlight in Investment Committee (“IC”) submissions, Park Square has developed the following tools and resources to support the investment team:

- Exclusions and Negative Screening Policy: Park Square operates an exclusions list that is updated at least annually in line with market best practice. This exclusions policy is applied firmwide and used by the investment team to assess investment opportunities. Please see section III for further details.
- Proprietary Screening Tool: Park Square has developed a proprietary ESG screening tool in collaboration with a specialist ESG consultant, that

- is used to identify and assess ESG risk exposure and record disclosure of ESG metrics. The tool incorporates globally recognised frameworks such as the Sustainability Accounting Standards Board (“SASB”) materiality map, ESG and corruption indices, MSCI Materiality map and SASB climate risk metrics. This screening tool is included in the appendix of the IC memorandum for every relevant new investment opportunity.
- Climate-risk Scenario Analysis Tool: Park Square has developed a bespoke scenario analysis tool to support the investment team in their assessment of a company’s exposure to physical and transition risks across a range of scenarios and time horizons.
- Third-Party Data: Park Square employs a third-party controversy analysis provider to identify company-specific, historic ESG risk incidents and provide an ESG risk rating. This rating considers the severity of historic ESG incidents coupled with the average sector and geography risk score.
- Expert Networks: Park Square partners with best-in-class providers of expert networks for discussions on a range of topics, including ESG risks.
- Specialist ESG Resource: Park Square has a dedicated ESG team as well as access to a specialist third-party ESG consultant to assess and monitor the materiality of ESG considerations.

Where risks are deemed material, i.e. has the potential to impact the company’s financial performance or valuation materially, these risks are highlighted in the main IC memorandum in the “Investments Concerns” section.

If there are any doubts regarding the company’s governance, social and/or environmental practices, this would be flagged as a risk factor in the early stages of the due diligence process. Once an issue has been identified, Park Square will work closely with the control equity owner to understand the company’s policies and procedures, as well as historic issues, which are in place to mitigate risk, with a view to quantify the potential financial impact of the risks to the company.

V. Decision making

Park Square typically invests in debt instruments and Park Square's key point of influence is therefore at or prior to investment. The Firm will actively engage with the private equity sponsor and company during the high-touch diligence process on ESG issues.

The responsibility for post-investment governance generally lies with the control equity owner although this can be supplemented by covenants within loan documentation where appropriate. This may include acknowledgement of Park Square's PRI status, ESG information rights, compliance with Environmental Laws, Compliance and / or Claims, Sanctions (i.e. Anti-Corruption Law and Sanctions, Sanctioned Person, Sanctioned Country) and Material litigation.

Park Square will consider any material ESG risks identified as an integral part of its decision making and decline investment opportunities that it believes may provide an inappropriate exposure to ESG risks.

Decisions relating to ESG risks are recorded in the Investment Committee minutes and noted on an ESG issues log by Park Square's Compliance team.

VI. Monitoring

After making an investment, Park Square seeks to ensure that portfolio managers maintain appropriate levels of oversight in the areas of audit, risk management and conflicts of interest, and will commission independent diligence where appropriate.

The portfolio companies' ongoing and emerging ESG risks are assessed throughout Park Square's robust monitoring process:

- **Quarterly Portfolio Review:** Third-party ESG risk ratings and material ESG updates are discussed in a formal quarterly portfolio review. This review is organised by the CFO and attended by the full investment team, with each deal team providing a detailed update on the performance and development of the portfolio companies for which it is responsible.
- **Ongoing monitoring:** Park Square receives daily alerts from its third-party controversy analysis provider issues when a new material risk incident is identified, allowing deal teams to investigate the issue further and engage with the sponsor and

portfolio company where appropriate. Third-party ESG risk reports are constantly iterated to also consider emerging sector and geography risk.

- **ESG Questionnaire:** Annual ESG questionnaires are distributed to all portfolio companies, requesting data on a pre-defined set of KPIs. Metrics received are analysed and monitored at the company, fund and total portfolio level.

In the event that Park Square is uncomfortable with how a portfolio company is managing its risks, and/or a change in industry dynamics, competitive positioning or company performance would warrant a re-evaluation of the original investment thesis, a business is placed on a "watch list" and given a heightened degree of scrutiny by the Investment Committee. If the Investment Committee's concerns cannot be successfully mitigated or addressed, a decision to seek divestment will be considered by the Investment Committee.

VII. Engagement

Park Square seeks to be accessible to, and to engage with, a range of stakeholders on key issues and challenges relating to ESG issues.

The Firm will seek to ensure that portfolio company managers maintain appropriate levels of oversight in the areas of audit, risk management and conflicts of interest, and will independently commission specific diligence reports from consultants where appropriate. If, during Park Square's ownership an issue is identified, Park Square will work closely with the control equity owner to understand the issue, and the plans in place to mitigate risk, noting that Park Square is primarily focused on investments in credit, rather than in control equity, and the responsibility for governance generally lies with the control equity owner. Material ESG incidents will be escalated for consideration by the ESG and / or Investment Committee.

If the Investment Committee's concerns cannot be successfully mitigated or addressed, a decision to seek divestment will be considered by the Investment Committee.

With the increasing prevalence of ESG reporting from borrowers, Park Square seeks to include standard language in its loan documentation. These may include acknowledgement of Park Square's PRI status, ESG information rights, compliance with Environmental Laws, Compliance and/or Claims, Sanctions (i.e. Anti-Corruption Law and Sanctions, Sanctioned Person, Sanctioned Country) and Material litigation. As a credit investor, the focus of ESG incorporation in the investment, monitoring and engagement process is to identify and manage ESG risks. However, Park Square does hold a number of investments containing a positive and / or negative margin ratchet linked to certain ESG KPIs. These margin ratchets may be used for managing the level of ESG risk in a particular investment and / or working towards sustainability outcomes prioritised by the company, sponsor, or lender.

Park Square also pro-actively engages with its portfolio via the distribution of the Firm's annual ESG data questionnaire. Metrics included in this questionnaire are those believed to be most material to Park Square's key investment sectors and align with recognised ESG frameworks such as Global Reporting Initiative (GRI) and ESG Data Convergence Initiative (EDCI). By requesting a standardised set of ESG metrics from portfolio companies Park Square hopes that companies will be encouraged to adopt responsible business practices and monitor key material ESG metrics. Survey responses are analysed over time at the individual company, fund and total portfolio and compared to available benchmarks to identify areas for engagement with portfolio companies. Key results from Park Square's ESG data collection process are communicated to investors within quarterly financials reports.

VIII. Investor Engagement, Transparency and Communication

On a fund-by-fund basis, Park Square makes formal ESG commitments in side-letters with investors.

Park Square discusses the development of its ESG policy at the Annual General Meeting, provides

regular ESG updates to investors in quarterly financial reports and has ESG updates calls with LPs upon their request.

In line with the Sustainable Finance Disclosure Regulation, Park Square will make entity-level disclosures and product-level disclosures in its annual report to investors and on its website.

Park Square seeks to provide timely information to limited partners and other stakeholders regarding the actions taken to address ESG issues, and to foster transparency in portfolio companies regarding these matters.

Park Square will disclose any material ESG factors which have a material impact on a portfolio company's value, to the extent that this is known. Where appropriate this disclosure will be made in quarterly investor letters.

IX. ESG Governance and Resourcing

Park Square's Executive Committee has mandated an ESG Committee, chaired by the co-head of Direct Lending and Partner in the Investment team, to maintain oversight of ESG strategy, assess and approve deals with respect to ESG where relevant and oversee communications with internal and external stakeholders regarding ESG matters. To ensure a diversity of perspectives, the ESG Committee also includes professionals from across the business including the CFO, Director of Finance and Investor Relations / Head of ESG and Head of Legal, Governance and Compliance. The ESG Committee are supported by a dedicated ESG team, senior individuals from across the business, where appropriate as well as a specialist third-party ESG consultant. Park Square has held ESG working group meetings quarterly and on an ad-hoc basis since 2018.

As mentioned above, the investment team remain responsible for identifying and managing ESG issues within specific deals. They are expected to consider and highlight any ESG risks, concerns or opportunities within their IC memoranda, supported by the internal ESG team where appropriate.

The Chair of the ESG committee also sits on the Investment Committee and has oversight on the ESG risks discussed at Investment Committee. If an issue is spotted and the Investment Committee is unable to get comfortable with the level of risk, they will either (i) commission more diligence on the matter, or (ii) decline the investment.

X. Park Square's Carbon Offsetting

Park Square also considers ESG and responsible business as core to its own operations. The Firm has committed to offset carbon emissions from its own travel and office operations. In 2023, Park Square completed a full carbon assessment of its office footprint and became a certified Carbon Neutral Company.

XI. Diversity and Inclusion

Park Square aims to apply the ESG expectations of its investees into everyday business practices and believes in the importance of a diverse and inclusive workplace.

Park Square has a well-established Diversity, Inclusion and Equal Opportunities ("DEI") policy, which is available to all staff to ensure that no individual suffers, unlawful direct or indirect discrimination, harassment or victimisation related to any protected characteristic.

Park Square is a signatory of the Institutional Limited Partners Association ("ILPA") Diversity in Action initiative. As part of the Firm's commitment to advancing diversity in the industry, Park Square publishes a DEI statement on its website and tracks and reports diversity statistics at the GP level to LPs upon request.

Park Square largely focuses its recruitment efforts on hiring talented graduates directly from universities, which provides a more diverse pool of candidates than experienced hires. Annually, Park Square runs a private debt investing webinar, marketed to female undergraduates in order to raise understanding and encourage the consideration of a career in investing.

Park Square also runs a one-year undergraduate placement program where individuals without extensive financial services experience, spend a year working at Park Square across a range of business areas.

XII. ESG Investment Related Policies

Park Square has adopted several complementary ESG investment related policies on specific topics.

These include the following:

- The UK Modern Slavery Act Statement;
- Diversity, Inclusion and Equal Opportunities Policy;
- Anti-Bribery & Corruption Policy;
- Climate Policy;
- Anti-Money Laundering Policy; and
- Remuneration Policy.

Policies are reviewed by Executive Committee and updated at least annually to reflect changes in circumstances and actual practice.

For more information, please contact:

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