



ARISTOTLE
CREDIT PARTNERS

Environmental, Social and Governance Policy Statement & Guidelines for Integration

Aristotle Credit Partners, LLC

Specialist in ESG Corporate Credit
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ESG Policy Statement

Executive Summary

We believe that integrating environmental, social and governance (ESG) factors into our investment analysis, engagement, and impact monitoring practices can positively influence corporate sustainability while enhancing our credit selection process and risk-adjusted performance. To this end, we invest in companies we deem to have positive practices for the advancement of ESG factors within their organizations and industries. Similarly, our ESG analysis also seeks to minimize exposure to companies whose ESG characteristics may be harmful to underlying creditworthiness and stakeholder interests. Through our stewardship and engagement activities, we seek to broadly improve corporate ESG disclosure and performance.



ESG Integration in the Investment Process

Positive Impact Analysis

ESG factors are integrated into our fundamental credit research process to select credits that meet our investment objectives while providing the greatest positive ESG impact on the portfolio. Aristotle Credit Partners, LLC (Aristotle Credit) focuses on investing in companies that we believe provide transparency on material ESG data, possess higher ESG scores relative to their peers and show the propensity to improve ESG disclosure and scores. Data provided by our vendors is deemed to add information/value regarding a company's current state of ESG compliance. We supplement this data with a more qualitative assessment of a company's forward looking ESG profile, incorporating policies and plans to manage and mitigate a range of ESG factors, exemplified by the list below. By investing in this manner, we are encouraging ESG best practices within our investable universe.

Using a variety of third-party resources, including paid subscriptions, memberships and affiliations, we evaluate a number of environmental, social and governance factors to arrive at our ESG rating for each issuer that we cover. The rating is an output of our customized model that recalibrates industry classifications for better comparable ESG performance analysis and standardized ESG factor weightings. We believe this analysis is complementary to the existing work that our credit analysts are conducting daily throughout the research process. Examples of factors that we consider, as data is available, include the following :

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Energy use	Workforce accidents	Size of the board
Greenhouse gas emissions	Employee turnover	Women on the board (%)
Water consumption	Workplace diversity	Independent directors (%)
Hazardous waste generation	Labor management relations	Board meeting per year
	Human rights	Executive compensation
	Corporate philanthropy	Reporting and disclosures

Performance Against International ESG Norms and Standards

- All else being equal, companies that do not conflict with the United Nations' Global Compact (UNGC) are preferred. The UNGC calls for companies to align strategies and operations with universal principles on human rights, labor, environment, and anti-corruption.
- We use this international norm-based approach because in our view, it provides an objective, multi-lateral, multi-stakeholder approach to defining key ESG issues.
- All else being equal, companies that are not identified in any verified or alleged controversies vis-à-vis the UNGC will be viewed more favorably in our ESG analysis.

Additional ESG factors unique to individual industries and credits are also considered.



Potential Negative Impact Analysis

To best assess companies' potentially negative impact on ESG factors, we use a screening approach to efficiently identify potential areas of risk and further analysis. To this end, our negative screens fall into two areas: (1) select industries that are prohibited as they are deemed to cause great harm to human life or the environment; and (2) companies that perform negatively against international norms and standards.

Excluded Industries

Thermal or Steam Coal Miners

- Coal-fired power plants are one of the largest sources of greenhouse gas emissions.

Oil Sands E&P Companies

- Greenhouse gas emissions for oil sands extraction and upgrading are significantly higher than conventional crude oil production.

Producers of Tobacco or Tobacco Products

- Tobacco use is carcinogenic and has been proven to be one of the leading preventable causes of death.

Controversial Weapons

- Where applicable, we will exclude companies involved in the production of controversial weapons as nuclear weapons, biological weapons, chemical weapons, anti-personnel mines and cluster munitions.

Excluded Companies Based on Performance Against International ESG Norms and Standards

Norm-Based Screening

- Just as we seek to invest in companies with favorable performance vis-à-vis the aforementioned international standards, we also seek to avoid those that have unfavorable performance. Companies with alleged or verified violations of international norms may be excluded from our investable universe after taking into consideration the severity and significance of the violations as well as actions taken to rectify the violation.

Sustainable Development Goals

- We also take into consideration the United Nations' Sustainable Development Goals (SDGs) as part of our ESG integration. The Goals identify the most critical global environmental, social, and economic issues—calling on both private and public sectors to contribute in addressing them.
- We understand that the SDGs are meant to be actioned by companies, policymakers, and individuals. As such, not all SDG themes are investable. Understanding these constraints, we look at the SDGs through the lens of a 'do not harm' principle.
- We strive to identify companies that act in conflict with the SDGs by causing harm to the environment, workers and society at large, or obstructing other stakeholder's contributions to the SDGs. Companies that conflict with the SDGs may also be excluded from our investable universe.



Industry Considerations

Aristotle Credit believes that certain industries provide a particular challenge to ESG investing because of their material environmental impact and vital necessity to our economy and society. Therefore, we believe it is most responsible for the ESG strategies to limit the industry allocation, while favoring companies who embrace ESG best practices and encourage them to advance their efforts.

Energy

When investing in energy companies we look for the following characteristics among others:

- Commitment to disclose more ESG information.
- Demonstrated effort to contain greenhouse gas emissions and other environmental impacts.
- Investment in renewable and other lower emission sources of energy, and where possible, a commitment to 100% renewable energy.
- Solid governance practices.
- Peer-leading safety record.
- Strong community relations.
- Board-level commitment to continually improve ESG scores and ratings.

The maximum Energy industry weight in the portfolio, at time of purchase, cannot exceed industry weighting in the appropriate benchmark (measured at the beginning of each month).

The Energy industry includes following subsectors: Independent Exploration & Production (E&P), Integrated Energy, Refining, Oil Field Services and Pipelines & Distributors.

Independent Power Producers

We seek to exclude companies that have higher net exposure to coal fired generation relative to their peers.

Climate Impact Assessment

We recognize that climate impact is one of the most prominent ESG issues facing the market today, and we seek to align our investments to this objective. Since the signing of the Paris Agreement in 2015, there has been a growing international consensus that immediate action must be taken to limit climate change to within 2°C of global warming above pre-industrial levels. We are proud to support the Paris Agreement as well as the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, a set of climate-related financial risk disclosures that seek to increase transparency and awareness around climate-related risks.

In addition to understanding our exposure to greenhouse gas emissions, we also seek to identify the risks and opportunities associated with both the transitional effects (technological advancements, regulatory changes, adapting social preferences, etc.) and the physical impact (extreme weather events and their associated economic effects) of climate change for credits in our investment universe. Relevant factors will be monitored and incorporated into our overall analysis to the extent the data are readily available and measurable.



ESG Engagement

We believe that a more holistic approach, incorporating analysis of financial data as well as environmental, social and governance factors, results in an enhanced understanding of a company, and therefore, can lead to better investment decision making. As such, we believe engaging in dialogue with companies on their ESG practices can provide important insights and seek to further improve returns. Likewise, as a source of liquidity and capital to companies, we are uniquely positioned to communicate the importance investors place on their sustainability practices. To maximize the impact of our ESG engagement activity, we directly engage management teams on ESG issues while also participating in investor engagement pools managed by third-party service providers.

Direct Engagement

- At Aristotle Credit, we engage directly with senior management teams of corporate bond issuers to not only improve our understanding of the overall credit risk of an opportunity, but also to understand the unique environmental, social and governance risks to which the company may be exposed.
- Our targeted and thoughtful written and verbal engagement with corporations, which includes calls and/or questionnaires sent out selectively on a quarterly basis, allows us to make more informed investment decisions while promoting the advancement and adoption of sound ESG business practices within the industries we cover.
- We typically reach out to company management teams first with our engagement questionnaire. We follow up with these companies to further discuss issues identified in the questionnaire or through our due diligence process.

Third-Party Engagement

- To supplement the direct engagement undertaken in our investment process, we also participate in investor pools managed by a number of third-party service providers.
- Within these pools, we engage with companies on a variety of environmental, social and governance issues.
- On a quarterly basis, we review progress reports on engagement activity.



ESG Portfolio Monitoring

Portfolio monitoring occurs on an ongoing basis to ensure our strategies maintain the desired characteristics relative to their respective benchmarks and that the investment team is aware of any meaningful changes in ESG ratings or characteristics at the issuer level. We use our custom ESG scoring model that evaluates each issuer based on the level of disclosure and performance across a comprehensive set of ESG factors. These scores are then rolled up to the overall portfolio level, allowing for comparisons between our portfolios and their respective benchmarks.

When identifying holdings that conflict with our ESG philosophy, we will engage with company management to assess whether their strategy to address an ESG issue is trending positively or negatively. With this assessment, position sizes may be grown or reduced based on anticipated ESG performance, as well as other factors that can drive investment performance.

Sustainable and Responsible Investment practices, such as ESG investing, innovate and evolve continuously. At Aristotle Credit, we endeavor to be at the forefront of this movement as we strive to innovate and implement best practices. This policy will be periodically updated to reflect enhancements to our responsible investment practices that we believe better reflect clients' values and improve the risk/reward profile of our strategy.



Disclosures:

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