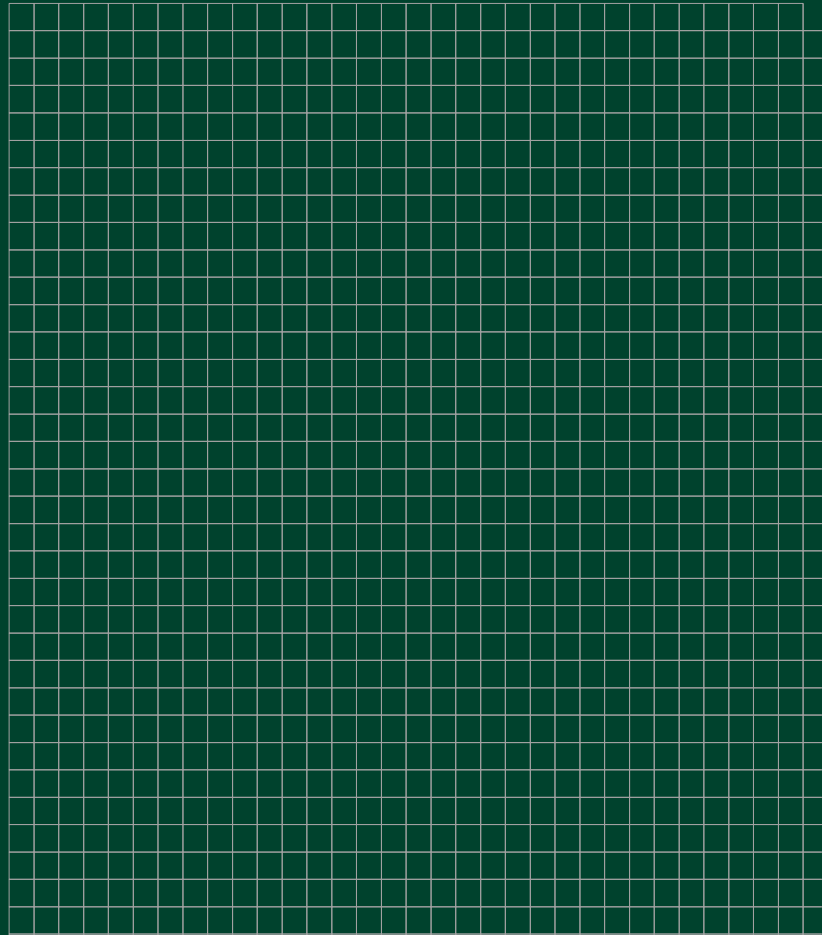


ESG Policy

Park Square Capital
March 2023



Park Square Capital - Environmental, Social and Governance (“ESG”) Policy

I. Introduction

Park Square Capital, LLP and its affiliates¹ (“Park Square” or the “Firm”) recognises the importance of ESG issues and is a signatory of the UN-supported Principles for Responsible Investment (PRI). Park Square is committed to supporting the goals of the Paris Agreement and supports the recommendations of the Task Force on Climate-related Financial Disclosure (“TCFD”).

Park Square has considered ESG factors in its decision making since inception. Given the limited upside and potentially significantly downside of credit investing, the focus of Park Square’s ESG analysis is on understanding downside risks. 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.

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

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

The Firm considers issues 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 to ESG risks.

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

Where possible, and consistent with its fiduciary responsibilities to its investors, Park Square works with financial sponsors and portfolio companies to address ESG issues through the following policies outlined in this document.

Park Square is committed to developing its ESG policy and integration in-line with internationally established guidelines and conventions for responsible investing, current industry best practices and is committed to engaging with peers in the industry and the PRI to promote ESG investing.

II. Definition

Park Square defines ESG risks as issues that can lead to inefficiencies, operational disruption, litigation and reputational damage, which may ultimately impact an issuer’s ability to meet their financial responsibilities. Table 1. provides examples of the 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.

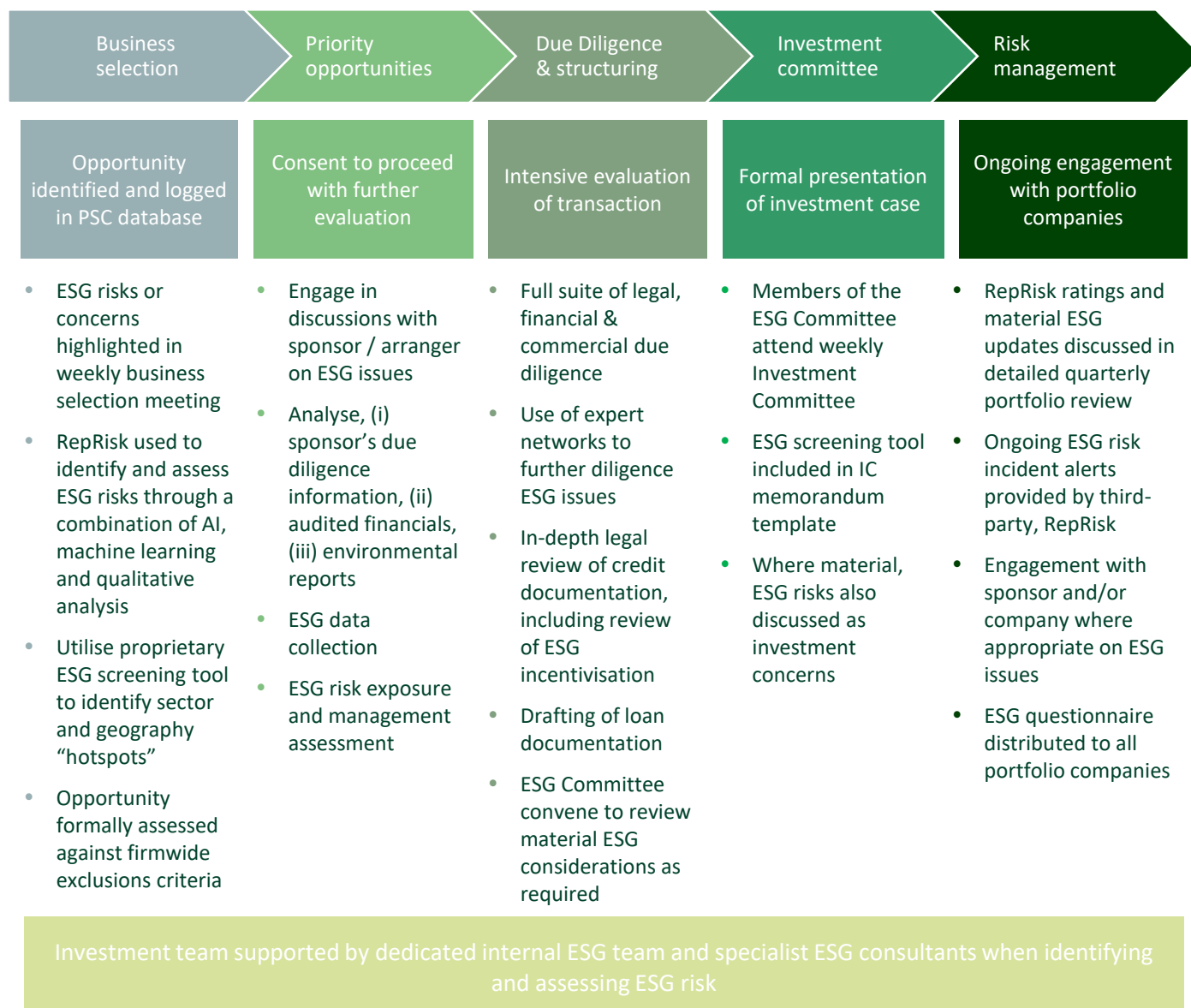
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Note: ¹includes Park Square Capital Luxembourg Management Services S.à r.l

Table 1. Examples of ESG issues considered

Environmental	Social	Human Capital	Governance
<ul style="list-style-type: none"> - Climate change - Energy use and management - Air quality - Waste and hazardous materials ecological impact - Sustainable land use - Plastics 	<ul style="list-style-type: none"> - Human rights and labour standards - Customer privacy and data security - Product quality - Selling practices 	<ul style="list-style-type: none"> - Labour and employee relations - Employee health and safety - Employee engagement - Diversity and inclusion 	<ul style="list-style-type: none"> - Business ethics - Competitive behaviour - Risk management - Tax avoidance - Executive pay - Corruption - Director nominations - Cyber security - Anti money laundering

Table 2. Overview of Park Square's Investment Process



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 are 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 OECD Principles of Corporate Governance and applicable country legislation and recommendations on corporate governance;
- primarily engaged in the operation of illegal gaming, casinos, racing tracks or lotteries;
- 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);
- derives more than 5% of its annual revenues directly from the production and or/sale of tobacco or cannabis for recreational purposes;
- derives more than 20% of its annual revenues from:
 - coal exploration, extraction, production, transportation, power generation, distribution and/or storage;
 - oil (including oil from tar sands) exploration, extraction, production, transportation, power generation, distribution and/or storage;
 - gas exploration, extraction and/or production;
 - production and/or sale of arms or ammunition;
- human rights violations or indirectly encouraging or contributing to the violation of human rights;
- 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 labor;
- direct or indirect involvement in employment based discrimination;
- poor occupational health and safety and poor working environments;
- serious or long-term damage to the environment;
- price gouging and anti-competitive practices; and
- corruption.

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:

- Offering 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 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 a comprehensive 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 IV 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 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.
- **Third-Party Data:** Park Square employs third party data provider, RepRisk 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 risk
- **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. The investment will either be declined at pre-screening stage, or if the level of risk is deemed immaterial or manageable, the investment opportunity and the risks associated with the company will be discussed at the Screening Committee and the Investment Committee.

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. 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 ESG issues 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 or opportunities are recorded in the Investment Committee minutes and noted on an ESG issues logged 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:** RepRisk 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:** RepRisk provides alerts 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. RepRisk ratings 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. Park Square also holds a number of investments containing a positive margin ratchet for ESG compliance.

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 proposed implementation of 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, Head of Investor Relations, Director of Finance and Strategy / Head of ESG and Head of Legal. 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.

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.

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 victimization 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;
- 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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