ENVIRONMENTAL, SOCIAL AND GOVERNANCE GROUP POLICY

POLICY REVIEW LOG	
Last Update	January 2024
Review Frequency	Annual
Next Review Date	January 2025
Ownership	ESG Committee (approval of ExCo FR and UK)

Rules Reference:	EU Sustainable Finance Disclosure Regulation ("**SFDR**"). UK Sustainability Disclosure Rules ("**SDR**"). UN Principles for Responsible Investment ("**UNPRI**" and/or "**Principles**").
Rules Summary:	SFDR requires Selwood to provide certain disclosures to clients in respect of how sustainability is integrated into our business and the Firm's financial products. SDR requires Selwood UK to ensure that any reference to the environmental or social characteristics of a product or service is: (a) consistent with the sustainability characteristics of the product or service; and (b) fair, clear and not misleading. UNPRI allows Selwood, as a signatory, to publicly demonstrate its commitment to including environmental, social and governance ("**ESG**") factors in investment decision making and ownership.
Scope:	The purpose of this policy is to define how Selwood seeks to integrate ESG factors into its investment and asset management process. This policy applies to all Selwood entities and funds groupwide. This policy applies from the date of its publication.

Introduction

This policy applies to each of Selwood Asset Management LLP ("**Selwood UK**") and Selwood Asset Management (France) SAS ("**Selwood FR**") (each referred to individually or jointly, as appropriate, as "**Selwood**" or the "**Firm**"), save where the context requires otherwise.

As investment professionals, Selwood and its staff can have a role to play in enabling issuers to develop resilient ESG practices. Selwood has established processes designed to be dynamic and actively evolving over time to incorporate the best ESG practices.

Selwood UK pursues two distinct investment strategies for its clients: the credit opportunities strategy, focussing primarily on credit assets referencing predominantly European and US corporate issuers (the "**Credit Strategy**") and long/short equities strategy, which seeks to gain exposure primarily to European companies (the "**Equities Strategy**"). Selwood FR pursues solely a Credit Strategy.

Regulatory context

SFDR

Selwood UK is subject to SFDR to the extent it markets its funds in the EU under the National Private Placement Regimes ("**NPPRs**") provided for in Article 42 of the EU Alternative Investment Fund Managers Directive (2011/61/EU) ("**AIFMD**"). Selwood FR is directly subject to the requirements under SFDR.

Among other things, SFDR requires that Selwood determine, on a product-by-product basis, whether sustainability risks are relevant to the Firm's financial products. All of the Article 6, 8 and 9 funds managed by Selwood are listed in Schedule A.

SDR

Under the FCA's SDRs, from 31 May 2024, Selwood UK is subject to an anti-greenwashing rule which requires the firm to ensure that any reference to the environmental or social characteristics of a product or service is: (a) consistent with the sustainability characteristics of the product or service; and (b) fair, clear and not misleading.

The SDR applies from 31 May 2024, with phased implementation of the relevant rules over a three year period. Save for the anti-greenwashing rule (which applies to all FCA-authorised firms), the SDR is of primary relevance to UK asset managers of UK funds. Selwood UK has undertaken an initial assessment and has concluded that only the anti-greenwashing rule will apply to the firm. Legal & Compliance will keep the application of the SDR to the firm under review.

In connection with this assessment, Selwood UK has also concluded that the firm is not in scope of the FCA's climate-related financial disclosure requirements, which apply to UK asset managers (i.e., fund managers and investment managers) and UK asset owners (such as insurers and FCA-regulated pension providers). These rules are set out in the Environmental, Social and Governance sourcebook in the FCA Handbook. This is on the basis that the AUM of Selwood's UK's business is less than GBP 5 bn (calculated as a three year rolling average).

UNPRI

Selwood is a recent[1] signatory to the UN Principles for Responsible Investment which consolidates Selwood's responsible investment approach.

Selwood believes that ESG issues can affect the performance of certain investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). Selwood recognises that applying these Principles may better align investors with broader objectives of society. Thus, Selwood is committed to (when applicable):

- Principle 1: Incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: Be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: Seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: Promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: Work together to enhance our effectiveness in implementing the Principles.
- Principle 6: Report on our activities and progress towards implementing the Principles.

[1] October 2022; work is ongoing on implementation.

ESG governance, roles and responsibilities

Governance: Selwood promotes a sound business governance framework, having put in place robust Executive Committee oversight, which is made up of the Senior Managers of the Firm, and which is charged with the day to day running of the Firm.

The Firm has implemented appropriate risk management processes, procedures and controls with a Risk Management Committee headed up by the CRO and an independent compliance function with representation on the Executive Committee.

Selwood promotes a strong internal culture that values fairness and accountability with clear reporting lines and job specifications for all Staff.

The Firm has implemented appropriate code of conduct and compliance policies to detect and prevent breaches of regulations and bribery and corruption.

Selwood, and each of the funds managed by it, is subject to effective external audit on an annual basis.

ESG Committee

Selwood has set up an internal ESG Committee which includes representatives of key functions of Selwood.

The purpose of the ESG Committee is to:

- define, develop and update the responsible investment policy of Selwood;
- define and monitor Selwood's responsible investment framework, based from input from the relevant Selwood Business Development /PROD, Risk Management and Investment Teams;
- review the operational implementation of the ESG policies on a regular basis and at least every 12 months;
- review and validate the annual PRI reporting;
- assess and review current ESG products and future products and/or how to incorporate ESG considerations in the product approval process;
- ensure that the relevant investment professionals receive periodic training pertaining to ESG; and
- monitor compliance with the ESG investment restrictions for an ESG fund, provided that compliance with the ESG investment parameters and restrictions lies with the CIO managing the relevant ESG fund.

The ESG Committee meets on a quarterly basis and is composed of:

No.	Member Name	Title	Location	Responsibility Area
(1)	Guillaume Merle	RCCI and CEO	Selwood FR	Governance
	Johanna Wood	Head of Legal and Compliance	Selwood UK	
(2)	Mathieu Labelle <u>or</u>	CIO	Selwood FR	Investment

	Thibault Brohard and Karim Moussalem	Co-CIO CIO	Selwood FR Selwood Equity Absolute Return Fund	
(3)	Fares Bouanika or	Risk Manager	Selwood FR	Risk
	Wissam Dia	Head of Risk	Selwood UK	

The quorum for the ESG Committee is three.

The Firm has implemented a framework for protecting and supporting the Staff. Selwood has established, implemented and maintains remuneration practices for remuneration code staff which are consistent with, and promote, sound and effective risk management (including with respect to the integration of sustainability risks) and do not encourage risk-taking which is inconsistent with the risk profile of the funds Selwood manages.

Philanthropy and Charities: Selwood supports charitable causes, including supporting certain charitable foundations and partially discounted fees for certain charitable foundations. Staff may individually take part in a variety of charitable initiatives.

Reporting

In accordance with SFDR and its Regulatory Technical Standards, Selwood commits to disclose certain information regarding its ESG policies and procedures at entity level and fund level (in respect of the ESG funds) on its website https://www.selwoodam.com/regulatory-disclosures.php and https://selwoodam.fr/RegulatoryDisclosures.html.

SELWOOD
ASSET MANAGEMENT

SCHEDULE A – Selwood Funds

Entity	Name of the fund	ESG fund / Non-ESG fund	SFDR Classification	In transition (Yes/No)
Selwood UK funds				
Selwood UK	Selwood AM Credit Fund	Non-ESG fund	Art 6	N
Selwood UK	Selwood Market Neutral UCITS	Non-ESG fund	Art 6	N
Selwood UK	Selwood Credit Opportunities I	Non-ESG fund	Art 6	N
Selwood UK	Selwood Credit Opportunities III	Non-ESG fund	Art 6	N
Selwood UK	Selwood Credit Opportunities IV	Non-ESG fund	Art 6	N
Selwood UK	Selwood Equity Absolute Return UCITS ("ESG Equity Fund")	ESG fund	Art 6	Work in progress for a transition towards Art 8
Selwood FR funds				
Selwood FR	Star Wood FCP	Non-ESG fund	Art 6	N
Selwood FR	Auris Investment Grade UCITS	ESG fund	Art 8 (limited to the PPM)	Please refer to Auris Gestion website for details
Selwood FR	Alma Euro High Grade UCITS	Non-ESG fund	Art 6	Under review if a transition is possible
Selwood FR	Selwood ESG Credit ("ESG Credit Fund")	ESG fund	Art 8	N

ENVIRONMENTAL, SOCIAL AND GOVERNANCE GROUP PROCEDURES

ESG funds: how we integrate ESG into the investment process

ESG investment methodology

Selwood applies an ESG exclusion methodology to the management of each of the ESG funds: the ESG Credit Fund and the ESG Equity Fund. The overall aim of applying an ESG exclusion methodology to the investment universe for these funds is generally to eliminate issuers with bad or less good ESG practices. This can be done through exclusions of controversial sectors (tobacco, alcohol, arms, etc.), exclusions of issuers with the worst governance practices in a defined universe, etc.

Monitoring performance

Selwood monitors ESG performance in investee companies of the ESG funds through qualitative and quantitative indicators, which we gather from issuers and/or data providers on a regular basis.

1) Guiding principles

Selwood ESG Credit Fund

- Contributing to the financing of climate change mitigation and pollution prevention: the ESG Credit Fund seeks to promote environmental characteristics, such as climate change mitigation and pollution prevention and control. The ESG Credit Fund seeks to achieve the promotion of these environmental characteristics by investing in the green bonds issued by governments and supra-nationals ("**Green Bonds**").
- The ESG Credit Fund seeks to promote certain social characteristics, such as corporate behaviour, human capital and social opportunities, through seeking long (or replicating) exposures to iTraxx MSCI ESG Screened Europe Index ("**iTraxx ESG Screened**").
- Ensuring that sustainability risks are integrated in the screening methodology of the ESG Credit Fund: As part of the investment process, Selwood FR will consider sustainability indicators to measure the environmental and social characteristics promoted by the ESG Credit Fund. Please refer to Annex II of the ESG Credit Fund.

In respect of the environmental characteristics promoted by the ESG Credit Fund, the following sustainability indicators will be used:

- for corporates only: CO_2 Scope 1 & 2 emissions (tCO2eq);
- carbon footprint; and
- companies without carbon emission reduction initiatives (i.e. investing in companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement; formal commitment to set themselves a target approved by SBTI).

In respect of the Green Bond portfolio, Selwood FR shall rely on the following: Issuer documentation of the Green Bond, type of Green Bond, use of proceeds description, process for project evaluation and selection, management of those proceeds, annual reporting (projects on the year, amount allocated, expected impacts), Sustainable Developments Goals ("**SDGs**"), 'do no significant harm' assessment incorporated by the issuer, UN and OECD Guidelines Signatory, Taxonomy aligned (when available) and finally any auditor or third party validation.

The annual report issued in respect of the Green Bonds will include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected environmental impact. The environmental objectives of the Green Bonds in which the ESG Credit Fund will invest are fully aligned with the environmental characteristics promoted by the ESG Credit Fund and, as such, the annual report (and other documents listed above) will enable Selwood FR to measure the extent to which the environmental characteristics promoted by the financial product have been attained. On top of that Selwood FR will use an external ESG data provider (S&P Global Trucost) to be able to aggregate main ESG metrics at the fund level.

In respect of the social characteristics promoted by the ESG Credit Fund, the following sustainability indicators will be used:

- board gender diversity (i.e. women on board of entities); and
- UNGC / OECD Guidelines violations (i.e. monitoring the share of investments in investee companies that have been involved in violations of UNGC principles or OECD Guidelines).

We do not set specific thresholds for these indicators, against which the impacts of our investments are measured. Performance against the indicators may also improve or decline in a given year. However, we monitor the indicators on a monthly basis and will engage with the relevant company board and/or management team when considered necessary.

Selwood ESG Equity Fund

In respect of the promotion of environmental characteristics, the ESG Equity Fund aims to invest in a portfolio which monitors carbon footprint and focuses on companies that have positive carbon reduction initiative; i.e. Selwood will look at the positive trend more than the current carbon footprint and may open a dialogue with the management of the target company to improve those metrics.

As far as the promotion of social characteristics, Selwood shall seek to avoid gaining long exposure in companies which are currently in violation of the UN Global Compact Principles.

For the avoidance of doubt, the short book of the ESG Equity Fund is excluded as seeking short exposure is the opposite of "promoting". Selwood will not net long and short exposures under ESG metrics.

These sustainability indicators will be used to measure the attainment of each of the environmental and social characteristics promoted by the Fund and will be included in the ESG Equity Fund's mandatory periodic report (as per the requirements of Article 11 of SFDR). We do not set specific thresholds for these indicators, against which the impacts of our investments are measured. Performance against the indicators may also improve or decline in a given year.

Sector Exclusion / Screening

In addition to the above, Selwood will operate an exclusions list and commit to not gain long exposure to any issuer that derives significant revenue from certain activities such as: adult entertainment; controversial weapons; animal testing; genetically modified organism; nuclear weapons; civilian weapons, provided that companies deriving 10% or less of their respective aggregate revenues from the production, distribution, retail, supply and licencing of such activities will be exempted from the screening exclusion. Exclusion lists are based on data provided by third party providers and aim to enable Selwood to exclude assets exposed to significant sustainability risk.

Good governance practices of investee companies to which the ESG Equity Fund seeks to gain long exposure are assessed and monitored through a review of different governance factors such as board diversity and gender pay gap monitoring. In addition, Selwood seeks to maintain a qualitative forward-looking ESG direction assessment of the business and its management in order to assess potential improvement of good governance practices.

2) <u>Sustainability risk assessment</u>

(A) Sustainability risks identified

SFDR defines sustainability risk as "an environmental, social or governance event or situation which, if it occurs, could have a material adverse effect, actual or potential, on the value of the investment" (Article 2 SFDR). Selwood has reviewed and identified certain sustainability risks under the following three pillars: (a) environmental; (b) social; and (c) governance. A few examples of the sustainability risks are set out below:

Environmental Risks	Social Risks	Governance Risks
• Environmental controversies (pollution, poor waste management, damage to biodiversity) ➔ legal consequences • Inadequacy of economic models for the global fight against climate change and the energy & ecological transition (thermal engines, coal production, etc.) • Production exposition to extreme heat ➔ disruption of the production chain	• Poor human resources (lack of training, demotivation of employees, lack of suitable resources) leading to difficulties in ensuring the company's production and meeting customers' needs • Violations of human rights (forced labour, child labour) leading to legal consequences (lawsuits, fines) • Unhealthy atmosphere in the company leading to a wave of suicides ➔ legal consequences and commercial consequences	• Corruption, lack of integrity, tax evasion, conflicts of interest, legal fines for the company, financial penalties, closure of access to certain markets • Absence or insufficiency of a risk management system within the company, including environmental and social risks, which may lead to excessive and unmeasured risk-taking

(B) Sustainability risks for the ESG funds

ESG Credit Fund

Selwood FR is aware of the relevance of the sustainability risks of the companies or projects which the ESG Credit Fund finances or refinances through the investment in the Green Bonds and the constituents to which it has long exposure via iTraxx ESG Screened (or replication thereof).

Selwood FR shall consider ESG factors when selecting, monitoring and managing the investment exposures it seeks for the ESG Credit Fund, noting that the ESG Credit Fund's hedging strategy is not intended to have an ESG screening or focus.

The ESG Credit Fund will seek to invest a minimum of 50% of its Net Asset Value in Green Bonds. Green Bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bonds Principles ("**GBP**"). The four core components for alignment with the GBP are:

1. Use of Proceeds: The cornerstone of a Green Bond is the utilisation of the proceeds of the bond for eligible Green Projects, which should be appropriately described in the legal documentation of the security. All designated eligible Green Projects should provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer. The GBP explicitly recognise several broad categories of eligibility for Green Projects, which contribute to environmental objectives such as: (i) climate change mitigation, (ii) climate change adaptation, (iii) natural resource conservation, (iv) biodiversity conservation, and (v) pollution prevention and control.

2. Process for Project Evaluation and Selection: The issuer should clearly communicate (i) sustainability objectives, (ii) a process to determine how the project fits within the eligible Green Projects categories, (iii) identification of social and environmental risks.

3. Management of Proceeds: The proceed of the bond needs to be credited to a sub account or moved to a sub portfolio or tracked in an appropriate manner (external auditor is recommended).

4. Reporting: The annual report should include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. Issuers should refer to and adopt, where possible, the guidance and impact reporting templates provided in the Harmonised Framework for Impact Reporting.

When reviewing the Green Bonds available for investments, Selwood FR's Investment Team will consider the ESG event(s) and/or condition(s) that could cause an actual or potential material negative impact on the value of the investment and will discuss such sustainability risks as a standard item during Risk Management Committee and ESG Committee meetings. Sustainability risks identified during the pre-investment due diligence process will be reported by the Investment Team to the ESG Committee.

Selwood FR will classify the Green Bonds allocation for the ESG Credit Fund using the 17 Sustainable Development Goals ("SDG"), therefore, mapping the sustainability risks and targets to each of these SDG and depending on the specific goal.

ESG Equity Fund

Selwood will seek to implement an overlay over the investment strategy and shall integrate "ESG factors" (including the integration of sustainability risks into the investment decision making process). The specific approach to ESG integration taken by Selwood will depend on multiple factors including analysing the target company's response to ESG factors. Selwood will not divest from or be obliged to invest in companies solely based on their achieved ESG ratings.

The ESG Equity Fund will seek 50% of long investments to be aligned with environmental or social characteristics. The rest of the investment exposure does not actively seek alignment with environmental or social characteristics. Short investments will not follow the same guidelines and planned allocation as long investments.

Selwood recognizes that the ESG Equity Fund's investments are exposed to sustainability risks that may impact long-term risk-adjusted returns. Sustainability risks form part of the overall risk management processes, and are some of many risks which may, depending on the specific investment opportunity, be relevant to a determination of risk.

3) <u>Exclusions process</u>

ESG Credit Fund

Selwood relies currently on the ESG screening methodology applied by MSCI and Markit to iTraxx ESG Screened (the latter being a long exposure sought by the ESG Credit Fund).

iTraxx ESG Screened tracks the most liquid segments of the European CDS market but excludes entities which do not qualify with the stringent ESG criteria. MSCI follows a 3-step screening methodology based on MSCI ESG Research which is then indirectly adapted and relied upon by Selwood FR:

(a) Business involvement exclusions

Issuers breaching specific revenue thresholds due to their involvement in the below activities are excluded by MSCI from iTraxx ESG Screened:

Adult Entertainment	Controversial Weapons	Genetic Engineering	Tobacco
Alcohol	Conventional Weapons	Nuclear Power	Thermal Coal
Civilian Firearms	Gambling	Nuclear Weapons	Unconventional Oil and Gas

(b) Norm-based exclusions

Norm-based screening is applied to rate companies, based on how well they adhere to international norms and principles such as the UN Global Compact and International Labour Organization's ("**ILO**") Core Conventions. MSCI provides a score on a scale of 0 to 10, 0 being the entities involved in most severe controversies regarding norms and principles. The index excludes issuers with a score of 0.

(c) ESG rating based exclusions

MSCI ESG rating measures sustainability risks and opportunities faced by a company and how well those risks are managed by comparison with its industry peers. The index excludes issuers with a rating of BBB and below, on a scale of AAA (best) to CCC (worst).

ESG Equity Fund

Sector exclusion is the main binding element applicable for the strategy. The ESG Equity Fund has a revenue threshold-based exclusion policy on the following sectors:

(i) Adult entertainment
  a. derives 10% or more revenue from production of adult entertainment material
  b. derives 10% or more revenue from adult entertainment material.

(ii) Controversial weapons
  a. involved with production/ownership of chemical or biological weapons or related components
  b. has industry tie to cluster bombs.

(iii) Animal testing
  a. involved in any form of animal testing.

(iv) Genetically modified organism
  a. involved in any form of genetically modified organism program.

(v) Nuclear weapons
  a. manufactures nuclear warheads and/or whole nuclear missiles
  b. manufactures components for nuclear-exclusive delivery platforms
  c. provides auxiliary services related to nuclear weapons
  d. manufactures components that were developed or are significantly modified for exclusive use in nuclear weapons
  e. manufactures components that were not developed or not significantly modified for exclusive use in nuclear weapons but can be used in nuclear weapons
  f. manufactures or assembles delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons
  g. manufactures or assembles delivery platforms that were not developed or not significantly for the exclusive delivery of nuclear weapons but have the capability to delivery nuclear weapons.

(vi) Civilian weapons
  a. derives 10% or more revenue from the manufacturing of civilian weapons.

4) <u>ESG funds: limitations with ESG integration</u>

There is currently no market consensus or universally accepted criteria, framework or purely objective way to integrate ESG factors into investment decisions. For example, Selwood's ESG exclusion methodology (as described above) represent ESG indicators that we have identified as important for the purposes of our ESG approach. However, the ESG exclusion methodology does not represent an exhaustive assessment of all ESG issues relevant to all issuers. The application of the ESG exclusion methodology may also include subjective elements where we will apply our professional judgement based on available information. No assurance can be given that an issuer will meet any or all client expectations regarding 'ESG', 'sustainable', 'responsible' or other similarly labelled objectives or that no adverse environmental, social, or other impacts will occur. Investors should carefully assess this policy to understand our approach and review its alignment with their ESG expectations for their investments.

The investment process may rely on subjective judgements, estimates, assumptions, methodologies, models and data. The standards for ESG-related data, methodologies and models are constantly evolving and not subject to the same standards for financial information. We strive to provide accurate ESG information and data to our investors but we can make no warranty as to the quality or completeness of the information and data provided to us by the portfolio companies. Any limitations with the information and data provided by the portfolio companies could impact the manner in which we manage the Selwood funds, monitor the ESG exclusion methodology and integrate ESG risks and opportunities into the investment process.

Non-ESG funds

Selwood has determined that sustainability risks are not materially relevant to the investment strategies pursued by Selwood on behalf of the non-ESG funds it manages.

This determination is based on a number of factors, including without limitation:

i. the fact that the main focus of the Credit Strategies pursued by Selwood on behalf of the non-ESG Funds is trading the iTraxx and CDX indices for which Selwood has no ability to influence the composition or weighting of the indices it trades; and
ii. the high degree of geographical and sectoral diversification present in these indices, thus minimising the impact of idiosyncratic sustainability risks that occur at the corporate level.

Although taken into account as an element contributing towards performance of a particular issuer, sustainability risks are not the driving factor in any investment decision and do not prohibit Selwood from taking a position in any name. Selwood does not expect that sustainability risks will materially impact the expected risk or return characteristics of the non-ESG funds.

Website SFDR disclosures for Selwood

The EU's Sustainable Finance Disclosure Regulation ("**SFDR**") requires firms to provide certain disclosures to clients in respect of how sustainability is integrated into their businesses and financial products. This page includes all information related to the implementation of SFDR by Selwood Asset Management LLP and Selwood Asset Management (France) SAS (each referred to individually or jointly, as appropriate, as "**Selwood**" or the "**Manager**"), save where the context requires otherwise. The SFDR applies to Selwood because we may market funds in the EU under the National Private Placement Regimes ("**NPPRs**") provided for in Article 42 of the EU Alternative Investment Fund Managers Directive (2011/61/EU) ("**AIFMD**") or manage funds, which makes us a market participant under SFDR's definition. For the purposes of this disclosure, "fund" and "funds" shall mean any or all alternative investment funds for which Selwood acts as an AIFM or UCITS sub-funds for which Selwood is appointed as a delegated portfolio manager.

This page includes information on:

- Integration of sustainability risk policies in investment decision making
- Remuneration policies and integration of sustainability risks
- No consideration of adverse impacts of investment decisions on sustainability factors
- Sustainability-related disclosures for funds
- Commitment to the UN Principles for Responsible Investment

1. Integration of sustainability risk policies in investment decision making

For the purposes of SFDR, "sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

The ESG-integration section of Selwood's Environmental, Social and Governance Policy describes in detail how we integrate sustainability risks in our investment decision-making process.

Selwood's ESG funds

Selwood is aware of the relevance of the sustainability risks of the companies or projects which its ESG funds finance or refinance, which may impact long-term risk-adjusted returns. Sustainability risks form part of the overall risk management processes, and are some of many risks which may, depending on the specific investment opportunity, be relevant to a determination of risk.

Selwood considers ESG factors when selecting, monitoring and managing the investment exposures it seeks for the ESG funds. The specific approach to ESG integration taken by Selwood will depend on multiple factors including analysing the target company's response to ESG factors. Selwood will not divest from or be obliged to invest in companies solely based on their achieved ESG ratings.

When reviewing a target company for investment, Selwood's Investment Team will consider the ESG event(s) and/or condition(s) that could cause an actual or potential material negative impact on the value of the investment and will discuss such sustainability risks as a standard item during Risk Management Committee and ESG Committee meetings. Sustainability risks identified during the pre-investment due diligence process will be reported by the Investment Team to the ESG Committee.

Selwood's non-ESG funds

Selwood has determined that sustainability risks are not materially relevant to the investment strategies pursued by Selwood on behalf of the non-ESG funds it manages.

This determination is based on a number of factors, including without limitation:

i. the fact that the main focus of the credit strategies pursued by Selwood on behalf of the non-ESG Funds is trading indices for which Selwood has no ability to influence the composition or weighting of the indices it trades; and

ii. the high degree of geographical and sectoral diversification present in these indices, thus minimising the impact of idiosyncratic sustainability risks that occur at the corporate level.

Although taken into account as an element contributing towards performance of a particular issuer, sustainability risks are not the driving factor in any investment decision and do not prohibit Selwood from taking a position in any issuer. Selwood does not expect that sustainability risks will materially impact the expected risk or return characteristics of the non-ESG funds.

The ESG-integration section of Selwood's Environmental, Social and Governance Policy describes in further detail how we integrate sustainability risks in the investment decision making process. Selwood's Environmental, Social and Governance Policy is made available to investors on request.

2. Remuneration policies and integration of sustainability risks

Selwood has established, implemented and maintains remuneration practices for remuneration code staff which are consistent with, and promote, sound and effective risk management (including with respect to the integration of sustainability risks) and do not encourage risk-taking which is inconsistent with the risk profile of the funds Selwood manages.

3. No consideration of adverse impacts of investment decisions on sustainability factors

The SFDR requires an in-scope firm to make a "comply or explain" decision whether to consider the principal adverse impacts ("**PAIs**") of its investment decisions on sustainability factors, in accordance with a specific regime outlined in SFDR. The Manager has opted not to comply with that regime (both at entity level and in relation to the funds managed by it).

The Manager has carefully evaluated the requirements of the PAI regime in Article 4 SFDR, and in the Regulatory Technical Standards (the "**PAI regime**"). The Manager is supportive of the policy aims of the PAI regime, to improve transparency to clients, investors and the market, as to how financial market participants integrate consideration of the adverse impacts of investment decisions on sustainability factors. However, taking account of the Manager's size, the nature and scale of the Manager's activities and the types of products the Manager makes available, the Manager considers that it would be disproportionate to comply with the PAI regime.

Accordingly, the Manager does not consider the principal adverse impacts of its investment decisions on sustainability factors.

4. Sustainability-related disclosures for funds

The SFDR requires product-specific disclosures, including the pre-contractual disclosures, periodic disclosures, and website disclosures.

Product-specific disclosures for our funds can be found on the product website for each fund.

5. UN Principles for Responsible Investment

Selwood is a recent[2] signatory to the UN Principles for Responsible Investment which consolidates Selwood's responsible investment approach.

Selwood believes that ESG issues can affect the performance of certain investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). Selwood recognises that applying these Principles may better align investors with broader objectives of society. Thus, Selwood is committed to:

- Principle 1: Incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: Be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: Seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: Promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: Work together to enhance our effectiveness in implementing the Principles.
- Principle 6: Report on our activities and progress towards implementing the Principles.

[2] October 2022; work is ongoing on implementation.