

Emso Environment, Social and Governance (ESG) Policy

Emso Asset Management Limited (“Emso”) is dedicated to conducting its business in accordance with optimal ethical and professional standards. As part of this aim, we recognize the importance of environment, social, and governance (“ESG”) issues in both our portfolios and our management company.

Portfolio ESG

The Emso investment research process considers a wide range of ESG factors and includes an in-depth assessment of those factors that could influence an investment’s current or future value and the risks associated with the investment. The specific ESG factors reviewed may vary based on the asset under review.

Matters of political risk and corporate governance (and the credibility of published data) have a particularly suggestive influence on any credit’s ability and willingness to pay future claims and thus typically form a significant part of any credit research analysis performed by Emso.

Environmental and social factors, while potentially less critical to the outcome of a credit investment, are also influential factors for any position’s liquidity and valuation.

More specifically, through its engagement with the ESG data provider Verisk Maplecroft, Emso typically takes account of the following factors:

ENVIRONMENTAL:

- Climate Change Exposure (Offshore)
- Climate Change Exposure
- Air Quality
- Biodiversity and Protected Areas (Marine)
- Biodiversity and Protected Areas (Terrestrial)
- Carbon Policy
- Deforestation
- Environmental Regulatory Framework
- Food Security
- Loss-adjusted Natural Hazards
- Natural Hazards - Vulnerability
- Waste Management

- Water Pollution
- Water Quality
- Water Stress

SOCIAL:

- Arbitrary Arrest and Detention
- Child Labour
- Criminality
- Decent Wages
- Decent Working Time
- Discrimination in the Workplace
- Freedom of Assembly
- Freedom of Association and Collective Bargaining
- Freedom of Opinion and Expression
- Human Capital
- Indigenous Peoples' Rights
- Labour Costs
- Land, Property and Housing Rights
- Migrant Workers
- Modern Slavery
- Occupational Health and Safety
- Poverty
- Right to Privacy
- Tax Burden
- Working-Age Population Trends

GOVERNANCE:

- Civil Unrest
- Corruption
- Contract Enforcement Process
- Corporate Governance
- Democratic Governance
- Efficacy of the Regulatory System
- Government Effectiveness
- Government Stability
- Judicial Independence
- Judicial Effectiveness
- Regulatory Framework
- Respect for Property Rights
- Trade Sanctions

ESG factors are initially assessed at the research level and are discussed by the team to determine the importance to the stability of future earnings streams and the resulting ability of the issuer to meet their interest and principal obligations. The research team assigns ESG trend ratings (positive,

negative, neutral) to the asset, indicating any ESG rating delta over the applicable review period. These ratings and ESG factors, amongst many other inputs, may then be taken into further consideration in the portfolio construction process.

Emso's ESG integration methodology relies less on exclusions based on absolute ESG ratings or factors, and more on identifying upward ESG score trends or "improving stories". We believe that including emerging market countries and companies that are on an improving ESG path early in the investment process can offer a "catalytic" approach to investing. We believe this catalytic approach can enhance flexibility (relative to an exclusionary approach), leverage our existing research process, and be beneficial for end investors as they get earlier exposure to a theme that could generate significant total returns as an issuer improves its ESG score.

Finally, we seek to pay due regard to the information needs of investors in our funds, and communicate adequate information to them, including on environment, social and corporate governance risks, in a way which is fair, clear, and not misleading.

As a signatory to the United Nations' Principles of Responsible Investment (UN PRI) initiative since 2015, Emso completes an annual report outlining its progress in the implementation of the PRI initiative's Six Principles.

For funds and accounts that do not employ an explicit ESG mandate or strategy, it is important to note that while ESG factors are routinely integrated into Emso's investment analyses, negative ESG factors are not dispositive, and investments, despite the identification of negative ESG factors, may still be made. If this is, or becomes, a material issue for a client or potential client, Emso may be able to offer a segregated (or themed) mandate to reflect a client's values within their investment approach.

Management Company ESG

Emso is also committed to the implementation of ESG principles at the management company level. The firm recognises that choices made at the company level impact the current and future wellbeing of its stakeholders, including shareholders, employees, service providers, the industry, and community. To this end, guided by the recommendations of the Emso Company ESG Working Group, the firm seeks to identify additional and innovative ways to implement beneficial ESG-related initiatives at the company level.

With regard to **ENVIRONMENTAL** factors, *amongst other initiatives*, Emso:

- seeks to offset its carbon footprint through donations to carbon neutralizing projects in target emerging market countries;
- engages in robust office-wide recycling initiatives; and
- minimizes the use of plastics in the form of water bottles, packaging and food wrap.

With regard to **SOCIAL** factors, *amongst other initiatives*, Emso:

- offers a modern slavery statement (see website);
- addresses matters related to the UK Stewardship Code 2020 (see website);
- engages in projects aimed to increase employee wellbeing;

- provides anti-bullying and harassment training;
- employs hiring practices which are supportive of diversity and inclusion across all function areas; and
- supports the work of numerous charities (see website).

With regard to **GOVERNANCE** factors, *amongst other initiatives*, Emso:

- has a fully independent Director despite being a closely held private company;
- is wholly-owned by a diverse group of employees;
- operates strong inter-functional practices through the routine use of committee/working group structures;
- seeks out and employs best practices, where appropriate and practicable;
- engages in robust AML processes;
- utilizes a code of ethics,
- has robust breach reporting practices;
- applies stress testing across the firm to protect stakeholders.

ESG Initiative Governance

Emso has established two ESG-focused working groups. The Portfolio ESG Working Group (“Portfolio ESG WG”) and the Company ESG Working Group (“Company ESG WG”).

The Portfolio ESG WG is made up of members of the firm’s front office, a member of the IR team, and the firm’s CCO/GC. The mandate of the Portfolio ESG WG is to identify, and recommend to the CIO, considered, commercial, and impactful ways to enhance the incorporation of ESG into the investment process and product line. Such recommendations may include, *but are not limited to*, recommendations with regard to ESG integration methodology, new data providers, and ESG-specific reporting to clients/investors.

The Company ESG WG is made up of a broad selection of Emso staff reflecting different function areas and levels of seniority. The mandate of the Company ESG WG is to identify, and recommend to senior management, considered, commercial, and impactful ways to develop Emso’s ESG impact footprint. Such recommendations may include, *but are not limited to*, managing the firm’s carbon footprint, recommending diversity and inclusion initiatives, and ensuring that service providers are able to articulate and evidence their own ESG-related initiatives and progress.

Both working groups seek to be on the forefront of ESG thinking as related to emerging markets fixed income strategies, and the investment management industry, respectively. As such, the members of the working groups are scanning the horizon for innovative technologies or approaches which can be adopted by the Emso business. Emso considers its ESG initiatives to be an on-going *work in progress*.

ESG-related matters/issues are reported at Emso’s Fiduciary Committee meeting and are further reported at the board level for board consideration and input.

Reporting

Emso submits an annual PRI report which is accessible to the public, with further private modules available upon request. For funds and accounts with a specific ESG-related mandate, ESG reporting

is devised on a product-specific basis. Emso is available to discuss its approach to ESG with interested parties, including investors, prospective investors, regulators, and/or industry groups such as PRI, MFA, and AIMA.

Engagement

Emso aims to engage widely on ESG matters. On the portfolio management and research side of the business, where possible and appropriate, Emso seeks to make explicit queries into relevant ESG-related matters with debt issuers, asset owners, and other market stakeholders.

Similarly, the management company is using its purchasing power to impact change by seeking ESG-related disclosure, such as sustainable practices, cybersecurity management, and diversity and inclusion, from vendors and services providers.

Finally, members of the Emso team regularly contribute ESG expertise to industry panels/conferences, working groups, and other industry initiatives.

Emso strives to be a thought leader in the application of ESG principals at both the portfolio and management company levels. It seeks to share the Emso experience of incorporating ESG both widely and deeply into its practices, and to encourage other firms to do the same.

Signatory of:

