RESPONSIBLE INVESTMENT, ENVIRONMENTAL, SOCIAL AND GOVERNANCE STATEMENT

ALCENTRA NY, LLC
ALCENTRA LIMITED

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INTRODUCTION

Founded in 2002, Alcentra's primary goal is to achieve attractive long-term investment returns for its clients. We seek to achieve this goal by investing in responsibly managed companies. Alcentra believes that responsibly managed companies are better placed to achieve sustainable competitive advantage and provide strong long-term growth.

The management of sustainability risk forms an important part of our due diligence process. When assessing the sustainability risk associated with underlying investments, we assess the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition.

As investors in credit markets, Alcentra faces challenges with regards to availability and transparency of ESG data and disclosures. In our role as stewards of our investors' capital, we find that engagement is the most consistent approach to understanding the ESG risks associated with our investments. As a result, we believe it is our responsibility to engage with portfolio companies and our markets to enact change.

This policy was developed by Alcentra's ESG Committee, which is comprised of Portfolio Managers, Heads of Research, as well as other senior members of the Alcentra group. The aim of this policy is to set out our approach to integrating ESG risk factors into our investment process. The policy is officially reviewed annually.

At Alcentra, our primary activity is lending to sub-investment grade companies. This policy seeks to highlight the approach we take in integrating the assessment of ESG risks and engagement with portfolio companies during our investment process. While this is a firm wide policy and we share a common philosophy across strategies, there are certain nuances in how certain strategies adopt this philosophy. Our Structured Credit business, for example, focused on investing in Collateralised Loan Obligations (CLOs), seeks to assess the risks of the structures they invest in and engage with the asset managers who originate those structures as it relates to ESG. We discuss our approach in the Structured Credit market in a separate section below.

ALCENTRA ESG COMMITTEE

Alcentra's global ESG Committee (the "Committee") monitors and promotes responsible investing across the firm. The Committee consists of senior employees across different business areas including investment, business development, product management, risk and compliance.

The Committee's responsibilities include assessment and monitoring of issuers deemed to have exposure to material ESG risks, approval of all responsible investment policies and procedures, monitor ESG exclusion lists, approve all funds with ESG credentials and identify and monitor regulatory developments.

The Committee meets at least quarterly and more frequently, as required. The ESG Committee reports to Alcentra's Global Investment Group.

DEFINITIONS

In line with the UN's Principles for Responsible Investment (UNPRI), we define responsible investment as a strategy and practice to incorporate Environmental, Social and Governance factors into our investment decisions. We consider our responsible investing approach under four key pillars, i.e. Climate Change, Environmental, Social and Governance.

CLIMATE CHANGE RISK

The climate crisis is among the most important risk factors affecting financial markets and society over the coming decade and beyond. Climate Change Risk refers to risks facing issuers resulting from climate change, including regulatory, reputational, physical risks, etc.

Our Climate Change Risk assessment focuses on Greenhouse Gas emissions, including Scope 1, 2 and 3, where available, as well as the commitment of the issuer to mitigate exposures to material ESG risks.

ENVIRONMENTAL RISK

Environmental risks relate to the quality and functioning of the natural environment and natural systems and the impact of a company's operations on the environment. At Alcentra, we consider all non-climate change effects, including water usage, land use, biodiversity and waste/pollution. This will include understanding a company's general attitude and internal policies towards protecting the environment. As well as assessing ordinary business risks we will also consider the impact that abiding by environmental trends and increasing regulatory requirements will have on ongoing expenditure and capex as well as potential remedial costs or fines in the event of non-compliance.

SOCIAL RISK

Social risks relate to how a company interacts with its employees, communities and societies it operates in. We consider factors related to human resources, health & safety, the full supply chain and the impact of the company's products and services on society.

GOVERNANCE

Governance risks relates to the decision making undertaken by the companies we invest in, including the rights and responsibilities of the various stakeholders in the business, as well as company policies and best practices. We consider the board structure, executive compensation, transparency and disclosures, AML/CTF & bribery risks among other factors.

EXCLUSION POLICY

We exclude issuers that generate any revenue from the sale, production or manufacture of:

Controversial Weapons

The production and use of certain weapons (defined as controversial) is deemed unacceptable under international conventions, and even illegal within certain jurisdictions. Alcentra defines controversial weapons as: cluster bombs and munitions, landmines, depleted uranium weapons and chemical and biological weapons, as per the UN Convention on Cluster Munitions.

Recreational Cannabis

A number of countries have begun decriminalising the use of cannabis for medical and recreational use. However, the majority of countries still prohibit the use of cannabis for recreational use by law, with varied punishments.

Payday Lending

Payday lending refers to small, short-term consumer loans where borrowers are required to repay from paychecks. Due to the high cost nature of these loans, it often leads to a cycle of increasing indebtedness from lower-income members of society. Our definition of payday lending is aligned with the UK's Financial Conduct Authority's definition of high-cost short-term credit.

In addition, we exclude issuers that generate more than 10% of revenues from:

- Sale or Extraction of Thermal Coal
- Sale or Extraction of Oil Sands
- Sale or Manufacture of tobacco or tobacco products
- Sale or production of Adult Entertainment

Analysts are required to complete a checklist and include as an appendix to the investment paper presented to the relevant Investment Committee. Any investment that falls into one or more of these categories is automatically excluded from Alcentra's investable universe.

ESG INTEGRATION

Integration of ESG factors in credit analysis entails the identification and assessment of material ESG risks. We have three key goals when integrating the assessment of ESG risks into our investment process. 1) Identify exposure to material ESG risks, 2) Assess potential financial impact of ESG risk, and 3) Assess the commitment of the issuer to manage/mitigate the risks.

PROCESS

Our process emphasises the importance of assessing material ESG risks at both sector and issuer level. To that end, we utilise two proprietary interdependent tools, 1) Sector Materiality Guide and 2) ESG and Climate Change Checklist. The aim is to provide our investment teams with a consistent framework to focus issuer engagement and in assessing material ESG risks of an issuer.

SECTOR MATERIALITY GUIDE

The Sector Materiality Guide aims to provide guidance on the most common and relevant ESG risk factors within each sector. The sector guide is based on SASB's materiality matrix, but adapted for sub-investment grade credit markets and arranged by Alcentra's industry classifications. The guide provides direction for analysts on key factors to focus on during issuer engagement efforts, while also informing ESG scores.

ESG AND CLIMATE CHANGE CHECKLIST

Our ESG and Climate Change checklist provides investment teams with a consistent approach to rating issuers across sectors and markets. The checklist results in a risk rating for each of the Environmental, Social and Governance pillars, in addition to an overall ESG score. In addition, we produce a distinct Climate Change Risk Rating centered on greenhouse gas (GHG) emissions.

We consider more than 20 common ESG risk factors across the four pillars of ESG analysis, which we believe are most relevant to our investment universe. Analysts are required to provide data (where available and applicable) and score each of the factors on the checklist. The analyst will then use the sector materiality guide to identify the key drivers of aggregate scores at both pillar level and overall ESG level.

The checklist contains a mix of quantitative and qualitative factors, which analysts are required to score. Where data is applicable, but not available, our teams undertake an assessment based on a benchmarking approach sector peers, while considering the company's commitment to mitigating material ESG risks. The approach to scoring is outlined in the tables below:

Scores at Risk Factor Level

Score	Risk Scale	Action
1	No Material Risk	No Action
2	Low Material Risk	No Action
3	Moderate Material Risk	Request info during issuer engagement activity
4	High Material Risk	Focus Issue for company engagement
5	Significant Material Risk	Focus Issue / Refer to ESG Committee

Scores at Pillar/Aggregate Level

Score	Risk Scale	Action
1	No Material Risk	No Action
2	Low Material Risk	No Action
3	Moderate Material Risk	IC made aware during credit approval
4	High Material Risk	Focus Issue at IC / Refer to ESG Committee
5	Significant Material Risk	Exclude from Portfolio

Any potential investment opportunities or existing investments assigned Risk Factor scores of 5 and/ or Pillar/ Aggregate scores of 4 or 5 need referral to the ESG Committee.

MONITORING

ESG risks and ratings are not static. Analysts continue to engage with issuers on ESG matters at least annually and more frequently for issuers with higher material ESG risks or where company-specific or macro risks are developing. We regularly monitor companies on these risk factors and update risk ratings accordingly.

During the life of the investment, we monitor sustainability risk by reviewing ESG data published by the issuer (where relevant) and an ongoing focus on active corporate engagement to determine whether the level of sustainability risk has changed since the initial assessment was conducted. The assessment of ESG factors is an important part of the daily credit monitoring process, whereby the analysts assess all risks and opportunities related to the issuer. In addition, Alcentra maintains an ESG engagement log to capture and measure the effectiveness of engagement activities. Where the sustainability risk associated with a particular investment has increased beyond the ESG risk appetite for the Fund, the investment team will consider selling or reducing the Fund's exposure to the relevant investment, taking into account the best interests of the investors.

STEWARDSHIP & ENGAGEMENT

The ownership structure of many of the constituent companies within sub-investment grade credit markets means they have historically lagged larger, public markets in information disclosure, in particular on ESG matters. As a result, we believe the most important tool available to achieve our goals is company engagement. We take a leading and active role in engagement with our markets and portfolio companies to better understand risks, improve disclosures and encourage issuers to act in a sustainable manner. We benefit from our scale and tenure in our markets, which provides access to company management teams, sponsors and other key stakeholders.

All engagement activities are logged in our Engagement Log. It is a key tool to measure the effectiveness of our company engagements. We assign specific targets to each analyst related to engagement activities on an annual basis. Individual variable remuneration is impacted by the success in achieving this goal.

Typically, investments in instruments that have voting rights is ancillary to the firm's investment strategy, which focuses on investments in private and public non-investment grade debt. All issuers are subject to successfully navigating our investment process, which involves a rigorous assessment of ESG risks. Where applicable to vote on such instruments and in subsequent decisions (dependent on the vote in question), we will follow the Firm's ESG approach outlined above.

ESG INTEGRATION: STRUCTURED CREDIT

Our approach focuses on an assessment of the investment policies of the CLO managers with respect to ESG matters, including the CLO managers' ESG policy, ratings process and tolerances, exclusions and ESG-related governance structures. The vast majority of CLO managers have developed their own ESG investing and monitoring framework. We believe this development is positive for the market and this combined with our continued engagement with CLO managers on this matter will help us and the wider industry drive further ESG integration across investment processes.

In addition, when purchasing CLO tranches in the primary market, where the Structured Credit team can have some influence over the loan eligibility criteria for the CLO, we ask for exclusions for companies involved in the development, production, maintenance, trade or stock-piling of weapons of mass destruction (in line with Alcentra's ESG policy on excluding controversial weapons) and the production or trade of illegal drugs or narcotics, including recreational marijuana. In addition, we ask for the exclusion of loans to companies whose primary revenues are derived from prostitution-related activities, the manufacture, sale or distribution of pornographic materials or content and the production or sale of tobacco and tobacco products, including e-cigarettes. Businesses that solely derive their revenues by doing business with excluded companies would also constitute an excluded company.

FINANCIAL PROMOTIONS

The Firm is required by regulation to ensure that any marketing materials remain consistent and do not contradict any of the Firm's actual approaches to integrating ESG factors/Sustainability risks into the management of client portfolios or Firm sponsored investment vehicles. As such, the Firm has in place standard descriptions regarding the integration of ESG/sustainability risks within its portfolio management processes and these are consistent with any pre-contractual disclosures that are provided in client and investment vehicle literature. All ESG linked disclosures (including marketing material, website postings, press announcements etc.) are approved by the Firm's ESG Committee and any changes/updates to these descriptions must be approved by this Committee prior to being included in any firm-wide or product/investment strategy marketing material.

INDUSTRY COLLABORATIONS

Alcentra considers its broader role in sub-investment grade markets carefully. We take a leading active role in engagement with our markets to improve disclosures and encourage issuers to act in a responsible manner.

Current ESG Collaborations:

- United Nations Principles of Responsible Investment (UNPRI) – Signatory since June 2018
- Task Force on Climate Related Financial Disclosures (TCFD) – Listed supporter since January 2020
- United Nations Principles of Responsible Investment (UNPRI) Credit Risk and Ratings Group – Member since 2020
- Member of the board of the European Leveraged Finance Association and a member of the Association's ESG committee

Disclaimer

This Policy is provided for use by professional investors and/or distributors and should not be relied upon by retail investors.

The views and opinions contained herein are those of Alcentra. This Policy is provided for information purposes only and is not intended to constitute a promotional material in any respect. This Policy is not intended as an offer or solicitation for the purchase or sale of any financial instrument. This Policy is not intended to provide, and should not be relied upon for, accounting, legal or tax advice, or investment recommendations. Reliance should not be placed on the views expressed and the information contained in this Policy when taking individual investment and/or strategic decisions.

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The Bank of New York Mellon Corporation ("BNY Mellon") holds the majority of The Alcentra Group (or "Alcentra"), which is comprised of the following affiliated companies: Alcentra Limited and Alcentra NY, LLC. Assets under management include assets managed by both companies. Alcentra NY, LLC and Alcentra Limited are registered with the U.S. Securities & Exchange Commission under the Investment Advisers Act of 1940.

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A prospective investor should consider the relevant strategy's investment objectives, risks, charges and expenses carefully before investing. Portfolios are subject to investment risks, including possible loss of the principal amount invested. Material in this Policy is for general information only and is not intended to provide specific investment advice or recommendations for any purchase or sale of any specific security or commodity.

Investments in sub-investment grade debt are speculative and involve special risks, and there can be no assurance that an account's investment objectives will be realized or that suitable investments may be identified. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. An investor could lose all or a substantial portion of his or her investment. No investment process is free of risk and there is no guarantee that the investment process described herein will be profitable. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

Conditions of disclosure of this Policy to you