

Strategic Value Partners, LLC

ESG Policy

March 2021

(Interim SFDR Update)

STRATEGIC VALUE PARTNERS, LLC

100 West Putnam Avenue

Greenwich, CT 06830

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Strategic Value Partners, LLC's - ESG Policy

Background

- Strategic Value Partners, LLC (“SVP”), as a fiduciary for our clients, recognizes the increasing importance of environmental, social and corporate governance (“ESG”) matters and their contribution to the value of businesses today. SVP will always act to protect our investors’ economic interest.
- SVP believes that a detailed, comprehensive view of a portfolio investment, including its ESG practices, is an important aspect of security analysis.
- Accordingly, in discerning the value of an enterprise through research and investment analysis, SVP takes into account ESG considerations along with other factors that will affect a portfolio investment’s long-term prospects.
- It is important to bear in mind that SVP’s investment strategy often presents limited, if any, direct opportunities to influence the ESG policies and practices of the portfolio investments in which it invests. SVP primarily purchases distressed debt securities and as such often is not eligible to participate in proxy voting because it lacks an equity stake. When we do own an equity stake and our ownership constitutes a majority interest, we work with company management to pursue responsible investment practices and improve their ESG framework.
- In 2020, we began undertaking a major review of SVP’s efforts in order to take the next step in SVP’s ESG evolution and deliver on our commitment to further incorporate ESG factors and considerations across our firm’s activities. Among other things, a new ESG policy will be formally adopted in the coming weeks. In the interim, we have updated our historic ESG policy in order to satisfy our obligations under the European Commission’s Sustainable Finance Disclosure Regulation (“SFDR”).

Policy

Taking all of the above into consideration, the tenets of SVP’s ESG policy are:

1. SVP has established an ESG Oversight Committee to oversee the ESG Policy, monitor its implementation and make recommendations to the CIO.
2. SVP will, as appropriate in light of its investment strategy, seek to understand the ESG risks, value creation opportunities and policies of the portfolio investments in which it invests. In discerning the value of an enterprise through research and investment analysis, SVP will take into account ESG considerations along with other factors that may affect an investee’s prospects. At the initial stages of diligence, we will complete an ESG Observation Worksheet identifying potential ESG issues.
3. Where SVP makes an investment, we will complete a Socially Responsible Investing (“SRI”)/ESG Trade Compliance Checklist on the date the investment is made.
4. In portfolio investments that SVP obtains control across its investment platform, SVP will require the portfolio investment to submit a Control Investment Questionnaire to determine what, if any, ESG/SRI related changes are required to be made at the portfolio investment. SVP will also encourage company managements to pursue responsible business practices. These practices will, by

their very nature, be investment-specific, and will vary materially by industry and geography. SVP will monitor its investments in order to help alert it to practices outside of appropriate ESG activities. Typically, the more influence we have in a situation, the more involved SVP is able to be and the more frequent the interaction and detailed the level of reporting.

5. SVP will work with clients at their request to create investment programs that address their specific ESG concerns. For example, SVP has accommodated investors by creating a socially responsible investment class in one of our commingled funds, and has the ability to screen out specific companies or types of investments to satisfy a client's ESG requirements.
6. SVP will take steps to become a participant in ESG-related organizations and attend relevant conferences and meetings. In December 2020, we became signatories to the United Nations Principles on Responsible Investing, UNPRI.
7. SVP is against corruption in all its forms, including extortion and bribery.
8. SVP's remuneration policies are consistent with its approach to the integration of sustainability risks in the investment decision making process. SVP believes that ESG considerations are an important aspect of security analysis and can be a type of financial risk. Accordingly, compliance with ESG factors or the integration or incorporation of such factors into SVP's investment process could have an impact (both positive or adverse) on the performance of investments and the performance of funds managed by the Firm.

Pursuant to SVP's remuneration policies, SVP is committed to maintaining a compensation structure that is aligned with its investors while at the same time is effective at attracting and retaining talent. SVP employees are compensated with a combination of salary and discretionary bonus, which is based on both individual and SVP's overall performance. Discretionary remuneration takes into account the performance of the individual employee and the size of the overall bonus pool. Accordingly, such discretionary compensation takes into account both future earnings and future risks. To the extent that ESG, like any other investment risk, has an impact on portfolio performance, this is likely to be reflected in the overall level of discretionary remuneration awarded to employees.

9. Consistent with its obligations under the SFDR, SVP does not consider the principal adverse impact of our investment decisions on sustainability factors because we view ESG as only one factor in investment value creation. Moreover, we note that we are not required to consider non-financial performance considerations in respect of our investment products under SFDR. We evaluate ESG factors in our investment due diligence in the context of our broader investment thesis that also includes financial, strategic, and operational considerations; and where we have control of a portfolio investment, we work with management to pursue responsible investment practices and improve their ESG framework.