NOMURA

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NCRAM ESG and Responsible Investment Policy

Nomura Corporate Research and Asset Management Inc. (NCRAM) operates as a boutique investment management firm specializing in the below investment grade credit market focusing on US and global high yield bonds, leveraged loans and emerging market debt. We aim to enable our clients that have a strong commitment to responsible and sustainable practices in investing to achieve their investment objectives and ensure that responsible investment (RI) considerations are integrated into our investment process and strategies, where consistent with our fiduciary duty to our clients. As both a fiduciary and a bond investor, we act to ensure and protect our clients' interests as creditors.

At NCRAM we consider RI to be an investment approach which integrates environmental, social, and corporate governance (ESG) considerations, along with systemic risks including climate change and carbon footprint, into investment and active ownership practices. We believe that material ESG and climate change issues and other systemic risks can become credit risks that, if not properly addressed, can impact a company or issuer's financial performance and long-term sustainability. We aim to identify these sustainability risks as part of our broader analysis of securities. We strive to consider material ESG factors in our credit research, but we may not conduct this analysis for all issuers in all portfolios. We also believe consideration of RI is congruent with our Strong Horse investment philosophy and helps us to invest in stronger companies and improving credits.

The terms "RI", "sustainability" and "Environmental, Social and Governance" or "ESG" are used interchangeably in this document.

Responsible Investment Overview

NCRAM signed the United Nations Principles for Responsible Investment (UNPRI) in 2013 and is committed to these principles:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
Principle 6: We will each report on our activities and progress towards implementing the Principles.

We are willing to share our UN PRI report and assessment upon request.

NCRAM is a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) and also generally supports the goals of the Paris Agreement. We believe wider adoption of more consistent climate-related disclosures by the issuers we cover would be beneficial in our credit research process.

We offer our separate account clients the ability to customize portfolios based on exclusion lists and other ESG factors, and also offer ESG-tilted pooled investment vehicles.

Responsible Investment Implementation: ESG Integration and Sustainability Risks

Our RI implementation is based on ESG integration in our fundamental credit analysis and investment process along with communication and active engagement with issuers to seek to improve their long-term sustainability. We conduct targeted engagement but do not seek to engage with all issuers held in our portfolios, and ESG factors will not be a material component in all issuer analyses and investment decisions.

NCRAM believes that a total return strategy driven by credit research and a team effort is the best way to generate alpha. This is the core of our "Strong Horse" investment philosophy. We expect Strong Horse issuers to carry their debt loads through the economic cycle, generating strong, sustainable cash flows that enable them to de-lever their balance sheets and improve their ratings. NCRAM believes RI requires that ESG risk factors and systemic risk factors such as climate change be integrated with the fundamental credit research that is part of our Strong Horse philosophy. The management of sustainability risk is an important part of NCRAM's credit research process. When assessing the sustainability risk associated with relevant issuers in our portfolios, NCRAM is assessing the risk that the value of these investments could be materially negatively impacted by an ESG event or condition.

We aim to integrate ESG considerations as a standard part of our investment process. As part of our fundamental credit analysis, we consider relevant and material ESG factors that are unique to each industry and sector. We evaluate whether, in our estimation, the issuer is properly disclosing and managing its ESG risks. We expect a company to act in a sustainable way with regard to the environment, uphold certain social standards with regard to their employees and other constituents, and govern in a manner that is transparent and fair for stakeholders. In evaluating environmental risk, we consider climate change and carbon emissions as part of our environmental risk analysis, and we incorporate an issuer's environmental record into our assessment. We generally consider a company's employee and community relations practices. We evaluate the management, weigh their corporate governance, and consider whether they act in a sustainable way with regard to their stakeholders. In addition, we may consider their track record in behaving fairly towards bondholders and other investors. As a fixed income manager, NCRAM generally believes that the downside RI and sustainability risks are more material to its investments, since these risks have a direct impact on whether bondholders will be repaid in full. However, upside growth potential, through positive ESG characteristics and robust management of identified future ESG risks, is also considered.

We believe a holistic approach to ESG analysis that seeks to balance a variety of relevant factors is the most appropriate approach for our strategies. NCRAM's credit analysts are generally responsible for identifying and understanding material ESG risks and integrating these risks into their financial modeling, research reports, and/or valuation assessments. We judge whether the ESG strengths and risks are priced into market yields and spreads. We expect higher yields and spreads for issuers with substantial ESG risks in order to compensate for the increased risk.

NCRAM analysts typically include a summary of their assessment of an issuer's RI strengths and risks with regard to ESG factors in new-issue or other introductory credit reports. We may document our ESG views in other credit research materials, though we do not maintain formal documentation of all views on all issuers. Our analysis of ESG factors is based on both direct communication with the issuer as well as secondary sources of information, including public filings, financial news and third party research.

Existing positions are monitored by the research analyst and also are formally reviewed during periodic portfolio reviews among the portfolio managers and credit analyst. Should we assess that the issuer's activities may not reflect our ESG principles, the holding will be re-evaluated.

We have engaged a recognized third-party ESG specialist to supplement our internal research, and we have integrated ESG risk scores and available carbon metrics provided by the vendor in our daily risk and portfolio monitoring reports, and as a resource supporting our credit analysis process. We recognize that ESG and sustainability ratings, while a valuable input, may have certain limitations with regard to fixed income. For example, these ratings may not reflect differences between equity and fixed income in terms of materiality. The ratings may also have a backward-looking bias since they are based on historical data. As an active fixed income manager, we consider forward-looking analysis essential and use the sustainability ratings as one input considered in our fundamental credit assessment.

NCRAM also creates internal ESG scores based on our analysts' holistic analysis of their credits, which may differ from the third-party ESG specialists' ratings. We assign internal ESG scores for the vast majority of issuers in which we invest, by utilizing a rubric that incorporates ESG/sustainability risk, ESG disclosure, and plans to mitigate such risk. We can offer clients the option to base their portfolios on our absolute one to eight rating scale, or a relative rating scale that accounts for differences in key ESG considerations across sectors.

Examples of sustainability risks that NCRAM may consider to be relevant are summarized as follows:

Environmental sustainability risks may include:

- Climate change
- Air and water pollution
- Biodiversity

- Deforestation
- Energy efficiency
- Waste management
- Water scarcity

Social sustainability risks may include:
- Human rights and labor standards
- Customer satisfaction
- Diversity
- Employee engagement
- Community relations
- Conflict zones

Governance sustainability risks may include:
- Tax avoidance
- Executive compensation
- Bribery and corruption
- Board composition
- Audit committee structure
- Lobbying
- Political contributions

ESG ratings are generally reviewed quarterly. Should some new piece of ESG information come to light regarding a security, NCRAM's investment team will weigh the impact of the new information with a view to reassessing the security's sustainability risks.

Responsible Investment Implementation: Exclusion List

NCRAM maintains an ESG exclusion list, the constituents of which have been chosen on the basis of NCRAM's view of material financial risk factors endemic to certain sectors and issuers, such as excessively high regulatory and litigation risk, stranded asset risk, and reputational risk, among other possible factors. The resulting list restricts purchases of issuers that generate more than 5% of revenue from thermal coal extraction, production of tobacco products, or controversial weapons (including, but not limited to, cluster munitions, biological, chemical, landmines, depleted uranium, blinding laser, non-detectable fragments and/or incendiary weapons). NCRAM's ESG exclusion list applies only to commingled vehicles managed or subadvised by NCRAM, but NCRAM clients with separately-managed accounts may opt in to these exclusions. Many NCRAM managed or subadvised portfolios have existing restricted lists, which will continue to supersede or complement NCRAM's list. These restrictions became effective as of January 1, 2022, and any residual holdings in restricted issuers purchased before the implementation date are to be sold as liquidity permits, and when NCRAM judges such sales to be in the best interest of a portfolio.

Responsible Investment Implementation: Engagement and Active Ownership

NCRAM believes that engagement helps its professionals understand how issuers are committed to incorporating ESG issues and integrating sustainability risks into their ownership and management, and their plans to address those ESG risks that may have a material financial impact in the future. Engagement can also help us advocate for better disclosure from issuers regarding ESG risks, and can help us support an issuer's efforts to manage its ESG risks and improve its ESG practices. As part of our research process, we attend conferences, investment road shows, regular company calls, and meetings with company management. These events enable us to frequently communicate with company management with regard to factors that may have potential credit impacts, including ESG factors. If we consider an issuer to have material ESG, financial or other risks, our analysts would generally engage in a conversation with the management of the issuer and share our concerns regarding these issues. We encourage issuers that we consider to have problems with certain ESG issues to improve their approach through engagement activities.

As bondholders, we have some limits on our ability to influence an issuer's operations and governance. However, we can attempt to motivate issuers to take our engagement seriously by reevaluating our investment decisions and our participation in new issues if we feel that an issuer is not doing enough to address the ESG risks that may impact their financial outlook. NCRAM may sell certain holdings if it is unsatisfied with the ESG risks of an issuer, or with the company's management of those risks, as compared to its industry peers and credit fundamentals.

NCRAM generally holds fixed income investments. Therefore, proxy voting is not a material aspect of our RI policy. We vote proxies in accordance with our Proxy Voting Policy.

Responsible Investment Implementation: Governance and Oversight

NCRAM has established an ESG Committee consisting of both investment and non-investment personnel that meets quarterly, or as needed. Our CEO/CIO acts as the Committee Chair, and membership includes representatives from NCRAM's investment and product development teams, as well as our Compliance, Risk, and Legal departments. The committee is responsible for designing and implementing NCRAM's ESG policies and procedures and monitoring market trends and applicable regulations. Committee members may review materials from organizations such as the UN PRI and other industry groups and forums, as well as interface with other Nomura Group companies.

The ESG Committee reflects its findings back to the broader investment team, and provides ESG training to all investment personnel at least annually, based on material from both industry groups and internal sources. Our ESG policy is reviewed as necessary and at least annually by the ESG Committee.

NCRAM's CEO/CIO supervises our investment process, including ESG considerations, and NCRAM's ESG policy will be reviewed periodically by our Board of Directors. Additionally, the firm may be subject to ESG-related policies maintained by other Nomura entities where those policies apply to NCRAM.

ESG Reporting

In addition to annual UN PRI reporting, NCRAM will complete periodic questionnaires on our ESG policies and implementation, at the request of our clients. We offer reporting to our clients on our ESG integration, which may include information on the distribution of ESG scores, available carbon data, and qualitative examples. We may provide examples of credits that we have over- or under-weighted, or avoided based on our ESG evaluations of the credits and can provide examples of our engagement with issuers on ESG issues. We may offer other metrics, on client request and subject to data availability. We aim to partner with our clients to meet their ESG and responsible investing objectives.

NCRAM's ESG policy was implemented in July 2015, and subsequently revised effective as of May 6, 2021, January 1, 2022, March 31, 2023, December 15, 2023, and April 23, 2024.

NCRAM uses certain processes when determining the ESG strengths and weaknesses of issuers. Different ESG processes may achieve different results. NCRAM's overall ESG determinations with regard to issuers may change over time. NCRAM's ESG determinations may not conform to a client's ESG determinations. NCRAM may purchase or hold securities from issuers which may be considered to have low ESG ratings and/or substantial ESG risk (unless limitations are stipulated in client guidelines). Low ESG determinations do not automatically result in an exclusion or sell decision (unless exclusions are stipulated in client guidelines).