

Environmental, Social and Corporate Governance (ESG) Policy

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ESG investment philosophy

Bentham Asset Management is a specialist global credit investment manager. Our investment management philosophy is based on a strong credit culture and a systematic investment process, with a focus on the preservation of principal and protection against downside risk.

We believe environmental, social, and governance (ESG) issues are an important consideration in the credit research process. ESG analysis can assist in the identification of risks that may significantly impact creditworthiness. Therefore, considering ESG issues alongside financial measures provides a more complete view of the risk / return characteristics of potential investments.

ESG analysis is incorporated into our credit research process and is aligned with our active approach to investing. We believe disciplined application of ESG principles contributes to management of investment risks and long-term value preservation.

Application of ESG to Bentham fixed income products

Bentham Asset Management provides diversified exposure to global fixed income and credit markets through its specialised funds. These funds provide exposure to domestic and global credit markets, including Senior Secured Loans, High Yield Bonds, Bank Capital Securities, Fixed Interest and Asset Backed Securities.

ESG issues can affect the risk characteristics of credit markets in various ways depending on the industry and / or individual company. Bentham Asset Management attempts to reflect these risks through a scoring process that allows for variations between sectors. The score for each company reflects their material risks and is an input into relative valuations and portfolio positioning.

Bentham seeks to support its clients ESG policies and goals through the provision of information and ESG engagement. Bentham adopts client specific ESG policies for Institutional mandate clients.

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ESG integration approach

Bentham integrates ESG into the credit research process. Our credit team reviews information on ESG factors that are material to issuers as part of the fundamental credit analysis framework. Potentially material ESG issues are initially identified through application of the Bentham ESG risk framework (which is built using the SASB materiality framework and internal analyst research), which outlines ESG risk factors on an industry basis. Where ESG factors are considered material to credit pricing or default risk, they are assessed in greater detail as part of a bottom-up credit risk analysis. This entails assessment of ESG factors in conjunction with qualitative risk information, top-down sector selection and financial risk metrics. Our approach anchors ESG analysis in Bentham's fundamental investment decision processes. Common ESG factors considered include:

- Governance considerations regarding board decision making, red flag issues and corporate culture.
- Material climate regulations and policies which effect enterprise value and the quality of climate information.
- Intersection and conflicts between ESG goals and policies. Complementary ESG goals and policies.

The Bentham ESG risk framework is reviewed and updated periodically to ensure it reflects evolving ESG issues relevant to fixed income & credit investing.

In addition, our credit team receives regular training to stay informed of ESG developments and emerging ESG themes. Bentham also engages external experts to provide training on ESG.

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Sub-Advisers

Bentham applies the ESG policy and ESG risk framework to evaluate Sub-adviser ESG integration.

UBS Credit Investment Group (CIG), our sub-adviser for the Bentham Syndicated Loan Fund and the Bentham High Yield Fund, also employs an integrated approach in relation to ESG. CIG analysts evaluate ESG risks in each credit memo based on internal training provided by UBS in combination with sector expertise.

In 2014, CIG (then within Credit Suisse) became a signatory to the UN's Principles for Responsible Investment – a voluntary, investor-led framework that helps signatories to better understand the implications of sustainability and incorporate ESG considerations into the investment decision making process. As a signatory to the PRI, CIG commits to acting in the best long-term interest of clients by incorporating ESG criteria into the investment process and decisions.

ESG exclusions

Bentham excludes Tobacco product manufacturing and controversial weapons from its investment funds. The exclusion process is supported by external information providers and internal research. Exclusions are included in fund disclosure documents.

ESG oversight

Bentham Asset Management is committed to ongoing improvement in ESG analysis. This ESG policy reflects our current approach to ESG integration within the investment process.

We have established an internal group responsible for oversight and implementation of this policy. Members of this group serve as internal leaders for our ESG integration activities, and a focus point for ensuring experience gained through implementation of ESG risk analysis is incorporated into any updates of ESG risk frameworks and application guidance.

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The Bentham ESG Policy has been developed internally under advice from external ESG specialist consultants.

Bentham is a signatory to the Principles for Responsible Investment (PRI).

Bentham will continue to monitor and adopt best practice in relation to ESG. This policy will be reviewed annually and is approved by Bentham's Board who have ultimate oversight and responsibility for investment activities and ESG strategy and policy.