



## **Octagon Credit Investors, LLC (“Octagon”) • Stewardship and Engagement Policy**

*Policy Date: December 2022, updated January 2024, September 2024, February 2025*

As an investment advisor to its Clients,<sup>1</sup> Octagon strives to meet fiduciary obligations as it performs its investment advisory work. Octagon’s fiduciary responsibilities require the Firm to act in the best interest of our clients and protect and enhance the economic value of investments managed on their behalf. We believe good stewardship, founded upon a sound governance and risk framework, and further supported by active engagement (with corporate borrower as well as third-party CLO managers, as applicable), and in some instances, policymaker engagement, is key to delivering on those responsibilities.

Octagon integrates ESG factors into its investment policies and processes as well as its business practices, including engagement with issuers and with policymakers (either directly or indirectly), as applicable to Octagon’s business.

### **Engagement, Stewardship Tools and Approach to Collaboration**

Engagements with corporate borrowers, third-party CLO managers, third-party organizations and/or policymakers (either directly or indirectly) are undertaken to seek influence (or identify the need to influence) ESG practices and/or improve ESG-related disclosures. Octagon recognizes the impact of ESG factors on business performance; as a PRI signatory the Firm seeks to uphold its commitment to the PRI principles, which include seeking appropriate disclosures on ESG issues by the companies in which it invests. Octagon perceives value in supporting enhanced transparency on material ESG matters, and therefore seeks to engage with stakeholders (as applicable) to facilitate the standardization and dissemination of reliable ESG-related information to lenders.

Primarily a credit investment manager, Octagon believes direct engagement with issuers can be effective. However, Octagon also recognizes the industry momentum and institutionalizing responsible investment (“RI”) guidelines and seeks to collaborate with other asset managers, the LSTA, and the PRI in an effort to strengthen public policy engagement on RI topics and encourage alignment between RI commitments and public policy efforts, when in the best interest of its Clients.

### **Corporate Borrowers**

The majority of corporate borrowers in the below investment grade corporate credit market are private companies, which can pose challenges as it relates to the availability and transparency of ESG data from private borrowers. Engagement efforts with corporate borrowers improve Octagon’s understanding of the ESG risks faced by corporate borrowers and borrowers’ approaches to managing such risks, and broadly encourages communication for greater transparency.

Octagon engages with corporate borrowers on issues affecting the long-term sustainability of the borrower’s business wherever possible. Issues may include, but are not limited to, business strategy, economic performance, operations, internal controls, risk management, capital structure, governance, environmental, and social

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<sup>1</sup> Octagon generally manages: (1) CLOs; (2) other pooled investment vehicles, including those sponsored by Octagon and by non-affiliated third parties, and which are exempt from registration under, or otherwise outside of scope of the 1940 Act (the “Private Funds”); (3) one or more pooled investment vehicles registered under the Investment Company Act of 1940, as amended (each a “Registered Fund” and, collectively with the CLOs and Private Funds, the “Funds”); and (4) separately managed accounts, structured in various entity types and forms, including but not limited to trusts, partnerships, or limited liability companies (the “Accounts” and, together with the Funds, “Clients”).



responsibility. Prioritization of ESG factors varies by borrower and industry. For example, environmental factors would be a primary focus for manufacturing industries with high historical levels of emissions, either through production or end use of products, while governance is a greater focus for financial service companies.

Direct engagement with corporate borrowers is the responsibility of Octagon's Investment Research Professionals and is an element of their credit diligence and analysis for most new loan and bond purchases. ESG-related topics/areas of prioritization when engaging with management teams will vary by sector and borrower. Octagon does not currently track or quantify the effectiveness of any such engagement effort(s).

The scope of the Investment Research Professional's engagement varies, but typically involves one or more of the following:

- Direct meetings with issuer representatives, advisers, and stakeholders
- Written, telephonic and video communication with Issuer representatives, advisers, and stakeholders
- Collaborative engagement with other members of the investment community
- Exchanges with corporate borrower management occur as part of the Investment Team's initial syndication /
- Credit diligence process (pre-investment) and ongoing monitoring process (post-investment).

#### *Engagement Example 1 – Direct and Collaborative*

As a member of the Loan Syndication and Trading Association's (the "LSTA") ESG Committee, Octagon contributed to the development of and supported the use of the LSTA's ESG Diligence Questionnaire for Borrowers, which was phased out at the end of 2022 with the adoption of the ESG IDP Template. The Firm's Investment Research Professionals promote the completion of the ESG IDP Template by borrowers in Octagon's marketplace, as appropriate.

#### *Engagement Example 2 – Collaborative*

In September 2022, Octagon supported a PRI coordinated statement on ESG in credit risk and ratings for supporters who share a common vision to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness.

### **Third-Party CLO Managers**

On an annual basis, Octagon's CLO Investment Team requests the completion of the LSTA and LMA's ESG Diligence Questionnaire for Investment Managers to support their diligence efforts when evaluating external collateral managers.

#### *Engagement Example– Collaborative*

As a member of the Loan Syndication and Trading Association's (the "LSTA") ESG Committee, Octagon contributed to the development of, and supported the use of, the LSTA's ESG Diligence Questionnaire for Asset Managers, published in 2021 to solicit reliable ESG information about third-party CLO managers as part of the investment due diligence process. Additionally, in the evolution of the diligence questionnaire, Octagon reviewed and opined on the proposal to update the LSTA ESG Diligence Questionnaire for Asset Managers to align with the PRI DDQ for Private Debt Investors, in consideration of broader harmonization and transparency objectives supported by the PRI, LSTA, Loan Market Association ("LMA") and other industry organizations. Further to its publication in October 2024, Octagon supports the use of the LSTA and LMA's ESG Diligence Questionnaire for Investment Managers.



## Approach to Engaging with Policymakers

Octagon's primary approach to engaging with policymakers is through indirect engagement as members of third-party organizations, such as the LSTA and PRI, that engage directly with policymakers. Additionally, Octagon engages with third-party consultancies (e.g., healthcare policy and government policy consultants) on issues of key industry and credit considerations, some of which are ESG-related items, as part of Octagon's investment due diligence process. To the extent relevant to its business and in the best interest of its clients, Octagon participates in "sign-on" letters/statements and also responds to policy consultations on ESG policy topics.

Examples of previous engagement efforts include but are not limited to:

- **June 2021:** In response to the SEC's request for comment on climate change disclosure, Octagon supported a sign-on statement with the PRI and other signatories supporting standardized, mandatory disclosure of material climate and ESG information to fulfill its fiduciary obligation to fully consider material information in the investment due diligence process and make informed investment decisions for long-term value creation. Octagon submitted a quote for the PRI to use and include as part of its comment letter to the SEC.
- **July 2022:** Octagon supported a PRI-led sign-on statement that seeks to support stronger alignment of regulatory and standard setting efforts around sustainability disclosure.
- **June 2023:** Octagon supported a PRI-led sign on statement calling on the European Commission to uphold the ambition and integrity of the first set of the European Sustainability Reporting Standards ("ESRS").
- **December 2024:** Octagon supported a PRI-led sign on statement calling on the European Commission to preserve the integrity and ambition of the EU's sustainable finance framework.

To stay abreast of policy issues relevant to Octagon's business, Octagon representatives subscribe to the PRI's Policy Newsletter and report notable updates to the Firm's ESG Committee. Additionally, an Octagon representative is a member of the PRI's Global Policy Reference Group (the "GPRG") and a part of the PRI's collaboration platform in an effort to provide feedback on industry policy issues and participate in engagement efforts.

Octagon believes that indirect, collaborative efforts are effective; given the nature of its business, it is unlikely that the Firm will engage directly with policymakers. The SEC and many states have enacted very strict "pay to play" laws that extend to individuals at registered investment advisory firms seeking commitments or currently managing assets of state and local pension plans, as such, Octagon maintains a separate and comprehensive Political Contributions and Political Activities Policy.

## Proxy Voting

Octagon is responsible for voting proxies in a manner consistent with each Client's best interest (i.e., meaning the Client's best economic interest over the long-term), which may vary among Clients. Due to the nature of its business, it is very rare that Octagon will be asked to vote a shareholder proxy; however, when Clients hold securities interests in either public or private companies and a shareholder vote takes place, Octagon shall vote in accordance with its Proxy Voting Policy. While ESG considerations are not a formal part of Octagon's proxy voting process, Investment Research Professionals are required to update Investment Committee members on material ESG developments for corporate borrowers, as applicable. Where Octagon casts a proxy vote or abstains from voting on behalf of a registered fund, Octagon will highlight in its records to which of the 14 categories



(including environmental, social, and governance matters and other social justice matters) enumerated on Form N-PX a proxy vote applies. Octagon's Proxy voting Policy addresses procedures and policies related to Octagon's voting of proxies and participating in other corporate actions in a manner consistent with its Clients' best interest.

### **Climate Risks**

Octagon acknowledges climate risks among other traditional investment risks and its Investment Research Professionals assess the impacts of climate change and climate-related risk as part of their credit research and ongoing monitoring process (such impacts/risk and their materiality vary by industry sector), as appropriate. As such, Octagon integrates investments' exposures to climate risk qualitatively as part of its ESG analysis of corporate borrowers of the sustainability and/or valuation of most of its new loan and bond investments.

As part of its credit analysis process, Octagon's Investment Research Professionals evaluate exposure to physical risk from climate change at the corporate borrower level and/or industry level, as well as CO2 emission intensity, and the transition risks and opportunities presented by moving towards a low-carbon economy (which may affect performance and valuations).

### **Escalation**

Escalation strategies will be determined on a case-by-case basis. Octagon does not currently have any restrictions on escalation measures used for stewardship and engagement. While no escalation strategies are prohibited, Octagon's ESG Committee oversight is required, and senior management approval may be required.

### **Mandatory Elements**

To the extent applicable, adherence to the Firm's Stewardship and Engagement Policy applies across all asset classes, as previously described herein, though it bears noting that there are differences with respect to engagement with corporate borrowers and third- party CLO managers.

### **External Communications**

Octagon is committed to the PRI framework of annual reporting and review, which the Firm considers a key mechanism to measure, examine, and communicate its progress across relevant areas. Octagon became a PRI Signatory in February 2020 and submitted its first publicly accessible Transparency Report in 2023. Additionally, Octagon's most recent PRI public transparency report is available on the Firm's public website ([www.octagoncredit.com](http://www.octagoncredit.com)).