



## SUSTAINABILITY GOVERNANCE

January 2026

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### **BACKGROUND**

Octagon's Sustainability Governance policy outlines the Firm's collaborative and integrative approach to: (i) achieving its objective of investing responsibly on behalf of its Clients; (ii) engaging with the broader investment community, and the issuers of securities managed on behalf of its Clients; (iii) adhering to effective governance practices and structures designed to provide oversight and review; and, (iv) communicating these efforts to the investment community and the Firm's investors.

Octagon serves as a sub-investment manager to at least one Client domiciled in the European Economic Area ("EEA") that complies with requirements under Article 8 of the EU Sustainable Finance Disclosure Regulation ("SFDR") designed and managed to promote sustainability objectives and has established a SFDR and sustainability Integration Framework. Additionally, at the request of certain Clients, Octagon has implemented restrictions to meet the Clients' sustainability-related requirements. Otherwise, Octagon has not initiated any other strategies or funds that are intended to be "sustainability compliant" or are designed or managed to promote sustainability objectives.

This policy is intended to apply to all asset types under management; however, certain legacy investments and add-on investments, "Trading Book" opportunities (*i.e.*, where the Head Trader initiates certain short-term trades in an effort to add value through short-term positions that the Head Trader believes offers prospective near-term favorable price movement) and cash and cash equivalents (*i.e.*, money market instruments, commercial paper, US Treasury bills/notes/bonds, bank deposits, etc.) have not necessarily been subject to the full diligence and sustainability investment processes described herein.

### **POLICY**

#### **A. Introduction**

Octagon recognizes that sustainability factors can have a meaningful impact on the businesses in which the Firm invests, and thus can consequently influence portfolio performance. The Firm is committed to investing responsibly on behalf of its Clients while satisfying its fiduciary duty owed to each Client, and seeks to align its investment activities with the tenets of the Principles for Responsible Investment ("PRI") initiative. Octagon has been a signatory to the PRI since 2020 and is committed to the PRI's six principles (where consistent with the Firm's fiduciary responsibilities):

*Principle 1:* We will incorporate Environmental, Social and Governance ("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.

According to the PRI, “Responsible Investment” involves (i) considering sustainability issues when building a portfolio and making investment decisions, and (ii) encouraging parties in which an adviser invests to improve their ESG risk management and develop more sustainable business practices (known as active ownership or stewardship).

## **B. Investment Process**

The Investment Team evaluates sustainability factors that pose clear risks or risk mitigants as part of the overall investment process and includes a sustainability-specific section in its credit memoranda (i.e., “deal sheets”) for most new loan and bond purchases. While the Investment Team seeks to incorporate sustainability issues into the investment analysis process, Octagon rarely considers a sustainability factor to be the sole determining reason for an investment decision.

Octagon does not typically negatively screen investment opportunities and Octagon generally does not make any external representations about any of its CLOs as “sustainability compliant” or otherwise designed or managed to promote sustainability objectives. However, the Firm currently adheres to specific exclusion criteria for certain Clients, including an EEA-domiciled Client that complies with requirements under Article 8 of SFDR. Additionally, Investment Committee members may occasionally exercise discretion to restrict investments due to investment risk factors, including sustainability-related risks, based on current risk assessment(s) of a particular sector, company, region, etc. Investment Team members are responsible for classifying new borrowers within the order management system as “compliant” or “not compliant” based on the defined sustainability criteria.

Octagon believes that analyzing sustainability factors can enhance the Firm’s ability to assess the creditworthiness of a borrower and has systematically incorporated sustainability considerations into the credit research and risk management processes. As part of the credit diligence process for a new investment in a corporate borrower, the Investment Team will reference various third-party resources and conduct independent research to assess environmental, social, and governance considerations or systematic sustainability risk factors relevant to the borrower’s industry (as applicable and where relevant) including, but not limited to:



- *Environmental*: GhG emissions, emissions reduction target(s), carbon footprint, climate-related risks (physical climate hazards, carbon pricing), renewable energy consumption, waste and hazardous materials management, emissions to water and other ecological impacts/considerations that may be sector-specific or company-specific.
- *Social*: human rights and community relations considerations (i.e., socioeconomic community impacts, community engagement, environmental justice, cultivation of local workforces, impact on local businesses, license to operate, and environmental/social impact), labor practices (i.e., ensuring basic human rights related to child labor, forced or bonded labor, exploitative labor, fair wages and overtime pay, and other basic workers' rights) and employee health and safety considerations.
- *Governance*: internal controls, history of sponsor actions, key person risk, board composition and compensation, executive behavior and compensation, corporate diversity, the borrower's bribery and corruption controls, among other corporate governance factors that may be sector-specific or company specific.

The Investment Team utilizes various information sources to evaluate sustainability considerations as part of their credit diligence and must document their research, as further described herein. Key sources of information include, but are not limited to, sustainability research and ratings reports published by major ratings agencies, regulatory agency policies, third party experts, diligence calls, sell-side research, litigation filings, public SEC filings, exchanges with company management as part of Octagon's pre-investment credit diligence and post-investment monitoring process, the Sustainability Accounting Standards Board ("SASB") Disclosure Topics, the Integrated Disclosure Project ("IDP"), and third-party databases (e.g., ESGx), as further described herein.

Moody's Credit Impact Scores are assessed, as available, as part of the diligence process and reflected in credit memoranda, where applicable, for new loan and bond issuers. Additionally, Octagon assigns a proprietary ESG score ("ESG score") for every loan and bond corporate borrower/issuer and reflects the ESG score in credit memoranda; however, the ESG score is only used in the evaluation of SFDR Article 8-compliant funds/accounts (see "*Proprietary ESG Scoring*" herein).

#### *Incorporation of SASB Standards*

In October 2021, Octagon contracted to license and use the Sustainability Accounting Standards Board standards ("SASB Standards") to help standardize the Investment Team's credit due diligence process while supporting the Firm's integration-based approach to sustainability considerations. The SASB Standards provide industry-based disclosure topics to help understand sustainability risks and opportunities by identifying financially material (i.e., reasonably likely to affect the financial performance of a typical company in an industry) sustainability information across various industries and sectors.



Octagon has also incorporated the SASB's Materiality Map tool (which provides an assessment of industry-level material sustainability risks) into the investment process. SASB's Sustainable Industry Classification System® ("SASB SICS") uses an impact-focused methodology categorizing companies under a sustainability lens. SICS builds on and complements traditional classification systems by grouping companies into sectors and industries in accordance with a fundamental view of their business model, their resource intensity and sustainability impacts, and their sustainability innovation potential. Each of the 75+ industries (across 10+ broad sectors) has its own unique set of sustainability accounting standards in the SASB system.

#### *The Integrated Disclosure Project ("IDP")*

The IDP is an industry initiative to improve transparency and accountability in private credit and syndicated loan markets. Octagon supports the IDP's goal to promote greater harmonization and consistency of disclosure of key sustainability indicators by borrowers in private credit and syndicated loan transactions. The Investment Team has incorporated the use of the IDP Template, to the extent it is completed by borrowers/issuers as part of its investment due diligence process. The IDP Template includes a set of general questions applicable to any company in any industry, as well as industry-specific questions based on SASB Standards per the SASB SICS.

#### *ESGx (Third Party Database)*

ESGx is an ESG key performance indicator ("KPI") data repository that provides data libraries and workflow to support ESG reporting for credit market participants. Octagon has incorporated the use of ESGx data to promote positive environmental and social outcomes for management of SFDR Article 8-compliant Client portfolios. Additionally, the quantitative component of Octagon's Proprietary ESG score (please refer to "*Proprietary ESG Scoring*" below) is based on specific ESG KPIs that are primarily sourced from ESGx.

### **C. Investment Process Guidelines**

The Investment Team follows screening procedures when diligencing loan and bond investments in corporate borrowers/issuers, and such procedures may vary depending on whether the opportunity is a new primary market transaction, a purchase of instruments offered by borrowers/issuers in which Clients have existing exposure and a purchase of instruments offered by borrowers/issuers in which Clients do not have existing exposure.

With respect to screening structured credit investments (CLO debt and equity tranches), the Investment Team follows a process to assess each CLO manager's approach to sustainability as part of its pre-investment process and includes deal-level investment considerations as part of its diligence.

Short-term "Trading Book" opportunities sourced by Head Trader are not necessarily subject to the sustainability Investment Process Guidelines herein.



#### **D. Proprietary ESG Scoring**

As part of the Firm's SFDR Framework designed to evaluate and monitor the sustainability performance of corporate borrowers, the Investment Team assigns a proprietary ESG score that reflects quantitative and qualitative assessments to ensure a holistic evaluation of an issuer's sustainability practices. The quantitative component is based on specific ESG key performance indicators (KPIs) that are primarily sourced from third-party data provided by ESGx and subject to information limitations from issuer reports. The qualitative assessment is intended to provide an additional layer of insight into the corporate borrower's sustainability practices through the evaluation of factors that may not be fully captured by quantitative metrics, such as the issuer's sustainability risk history, clarity in resolving sustainability-related issues, and the overall commitment to sustainability goals. By incorporating both quantitative and qualitative components, Octagon's ESG scoring system provides a robust and reliable assessment, ensuring that investments align with prescribed ESG criteria (as applicable) while also supporting the identification of, and engagement with, companies that demonstrate a strong sustainability focus.

While a proprietary ESG score will be assigned to all borrowers/issuers, from an investment eligibility perspective, the ESG score is only applicable for SFDR Article 8-compliant funds/accounts.

To ensure adherence to these sustainability standards, the Investment Team will review each borrower's ESG score on a quarterly basis, adjusting for any changes in the borrower's material sustainability risk profile.

#### **E. Ongoing Monitoring**

Investment Team members continuously monitor sustainability factors within their issuer universe, and proactively alert Investment Committee members to any significant sustainability-related developments or concerns for further scrutiny. The Investment Team is required to record, update, and maintain documentation of any significant issuer-specific sustainability considerations in their internal credit files. The Investment Committees may recommend certain actions in response to sustainability-related developments, such as requesting additional disclosure from a borrower/issuer.

Furthermore, the Investment Team, along with the Investment Committee, will occasionally conduct ad hoc discussions on the sustainability merits of a specific credit/issuer.

#### **F. Sustainability and Climate Change**

Octagon acknowledges climate risks among other traditional investment risks and its Investment Team assess the impacts of climate change and climate-related risks on borrowers as part of their credit research and ongoing monitoring process, as appropriate (such impacts/risks and their materiality vary by industry sector). At this time, the Firm does not seek to meet climate-related goals and is not a signatory to any climate action initiatives.



With respect to Octagon employees, remuneration is not linked to climate-related key performance indicators.

## **G. Governance**

Oversight and governance of Octagon's sustainability policy and framework, as well as its implementation, are the responsibility of senior management, including Octagon's Chief Executive Officer, who is ultimately accountable to Octagon's Board of Managers. Octagon established a Sustainability Committee whose purpose is to support Octagon's commitment to sustainability matters by providing oversight, guidance and perspective to Octagon personnel and the Board of Managers regarding the Firm's initiatives, processes, policies, and disclosures and to evaluate the Firm's progress with respect to such matters. Additionally, two members (at least one Sustainability Committee Co-Chair) serve as "Sustainability Focal Points" to address information requests related to Sustainability Governance from Generali Investments Holding S.p.A. ("GIH") and to safeguard against perceived or actual greenwashing risk.

Octagon's Portfolio Managers (with assistance from the Compliance and Accounting Teams), are responsible for oversight of, and compliance with, investor investment guidelines. Where conflicts arise between Octagon's sustainability policy and a Client's stated investment policy or objectives, Octagon will engage with the Client(s) to reconcile those conflicts within the regulatory and business framework while fulfilling the Firm's fiduciary duty to its Clients.

## **H. Transparency, External Communication and Reporting**

Octagon is committed to the PRI's annual reporting and assessment framework. The Firm views the PRI reporting framework as a key mechanism for both internal and public examination and communication, and utilizes the PRI reporting framework as a mechanism to both measure the Firm's progress across relevant areas and communicate such progress to its investors and peers. Octagon's most recent PRI public transparency report, sustainability policy and stewardship and engagement policy are available on the Firm's public website ([www.octagoncredit.com](http://www.octagoncredit.com)).

Octagon's Investor Solutions Group and Compliance Team will coordinate the assembly of all required information for annual PRI reporting, with oversight from the Sustainability Committee and assistance from other departments, including the Accounting and Investment Teams, as necessary.

Octagon does not currently publish a sustainability report at the organization-level; however, the Firm produces sustainability-focused quantitative reports to certain Clients. Sustainability-related claims at the product, service, or entity-level shall, as applicable, i) comply with applicable laws and regulations, ii) be accurate and fair, iii) be accessible, iv) be substantiated, and iv) be up to date. Any sustainability-related requests from prospective investors, existing investors or related parties, or other external parties (e.g., DDQs, RFPs, etc.) will be processed through Octagon's Investor Solutions Group and reviewed and approved by Compliance.

Periodic information flows on sustainability-related issues are established between Octagon and GIH with a focus on the management of greenwashing risk, including these related



to sustainability-related claims and sustainable products. In case of breaches or in the case of perceived or actual Greenwashing risk, these events are required to be escalated to Octagon's CCO, Chief Risk Officer ("CRO"), and to the appointed Sustainability Focal Points. Further, as part of Octagon's CRO's agreed upon reporting obligations to GIH, Octagon's CRO will report sustainability risk events to the GIH Sustainability Unit and GIH CRO function, as applicable.