

INHERENT GROUP ESG POLICY

I. MISSION STATEMENT & ESG COMMITMENT

Inherent Group (“we”, “Inherent”, or the “firm”) believes that businesses are uniquely positioned to address environmental and social challenges through product innovation, operational excellence, and sustainability advocacy. Furthermore, we believe that businesses that incorporate material sustainability factors into their strategy, operations, and culture will outperform over the long-term.

Our principal duty is to act in the best interest of our investors. Through our engagement with selected companies, we aim to inspire business owners and managers to incorporate sustainability factors into their decision-making, and to encourage business more broadly to address environmental and social challenges. Our mission is to compound capital at superior rates of return by investing in companies that we believe are financially, environmentally, and socially sustainable.¹

Our Values:

- **Purpose.** Refer to our mission as our north star. Patiently but urgently execute our mission.
- **Discipline.** Stick to our strategy, strike zone, and investment process. Think like an owner.
- **Diversity.** Seek diverse backgrounds and perspectives in our hiring and research processes.
- **Candor.** Take and give honest, constructive feedback. Be open about what we do and don't know.
- **Sustainability.** Reduce our environmental impact. Recognize our responsibility to give back to the community.
- **Joy.** Create a positive, collaborative environment where people enjoy coming to work and pursuing our mission.

Our Approach:

Inherent integrates environmental, social, and governance (ESG) considerations into our investment process for selected positions, using ESG where relevant as a tool to enhance the sourcing of investment ideas, the underwriting of risk-reward, and the efficacy of our engagement with a subset of our portfolio companies. We believe that this approach helps us build a differentiated investment portfolio, deepens our fundamental investment analysis, and increases our understanding of a company's culture and its incentive alignment.

Our Commitment:

Inherent is a signatory to the UN Principles for Responsible Investment (UN PRI) and a member of the PRI Reference Group on Corporate Reporting.

Our investment philosophy¹ is generally aligned with the six UN PRI Principles:

- We incorporate ESG issues into investment analysis and decision-making processes.
- We are active owners and incorporate ESG issues into our ownership policies and practices.
- We seek appropriate disclosure on ESG issues by the entities in which we invest.
- We promote acceptance and implementation of the Principles within the investment industry.
- We work together to enhance our effectiveness in implementing the Principles.
- We report on our activities and progress towards implementing the Principles.

¹ As described further herein. Inherent performs analysis of financially material ESG matters as it deems relevant for a subset of the positions it holds alongside more traditional investment analysis. Subject to the Important Notes at the end of this document, Inherent generally performs such analysis for net long holdings in corporate-issued instruments, although position-size or other limitations may apply in Inherent's sole discretion. See Important Notes for further information.

Inherent is a certified B Corporation

As a B Corp, we have formally committed to consider our firm’s impact on a broad range of stakeholders—including our investors, the local community, the environment, and employees—and to maximize our positive impact on society as a whole. The firm is subject to physical site reviews and, every three years, full recertification involving comprehensive evaluations of our operations and business impact. The company’s B Impact Report is available online at <https://www.bcorporation.net/en-us/find-a-b-corp/company/inherent-group>. We decided to become a B Corp to lend support to the growing global movement of more than 6,000 B Corps² that focus on more than just financial returns to their owners, and because we wanted to undertake the same sort of policy-setting, operational, and business improvements that we encourage our portfolio companies to pursue.

Inherent is a founding signatory of the Net Zero Asset Managers initiative (“NZAM”)

NZAM currently represents 301 signatories managing \$59T in assets.³ In our first target submission, we committed to reduce the attributed CO₂-equivalent (“CO₂e”) emissions per invested dollar for covered AUM (a) by 50% by 2030 versus a 2019 baseline and (b) to net zero by 2040. Covered AUM is initially 74% of the firm’s AUM.⁴ Our plan is consistent with the goal of the Paris Agreement to limit global warming to 1.5 °C, which will require aggressive action by companies, investors, and governments globally. As the scope of various regional and national CO₂e compliance regimes expands globally, more companies adopt Paris-aligned net zero targets, and CO₂e allowances and voluntary offsets increase in price, we believe that our efforts in managing the CO₂e footprint of our portfolio will contribute to better investment performance. We have already made significant progress towards our targets. The firm’s first target submission is available online at <https://www.netzeroassetmanagers.org/NZAM-Progress-Report.pdf>.

II. 360° ESG INTEGRATION

WHAT WE OWN

Long-term thinking is a critical feature of ESG-integrated investing, a core value at Inherent, and a key component of our investment approach. We seek to identify investable ESG themes that can affect asset prices for applicable positions over the next three to five years. While the firm generally focuses on developed markets, these themes are often aligned with products, services, and outcomes relating to the United Nations Sustainable Development Goals (SDGs).

Investable SDGs we prioritize:

- Goal 3: Good Health and Well-Being
- Goal 4: Quality Education
- Goal 5: Gender Equality
- Goal 7: Affordable and Clean Energy
- Goal 9: Industry, Innovation, and Infrastructure
- Goal 11: Sustainable Cities and Communities
- Goal 13: Climate Action

² Source: <https://www.bcorporation.net/en-us/faqs/how-many-certified-b-corps-are-there-around-world>, accessed May 11, 2023.

³ Source: <https://www.netzeroassetmanagers.org/>, accessed May 11, 2023.

⁴ As of October 15, 2021 submission of initial target to NZAM.

HOW WE INVEST

ESG analysis is integrated in the investment process and conducted by the investment team in tandem with fundamental analysis for applicable positions. We use ESG as a tool, where relevant for applicable positions, in one or more of the following ways:⁵

SOURCING

Seek compelling investment opportunities aligned with SDGs

Identify investable dislocations & ESG engagement opportunities

UNDERWRITING

Identify financially material ESG risks & opportunities

Analyze company using proprietary ESG framework

ENGAGEMENT

Develop ESG action plan focused on material sustainability issues

Collaborate with management of selected companies on action plan goals

REPORTING & MONITORING

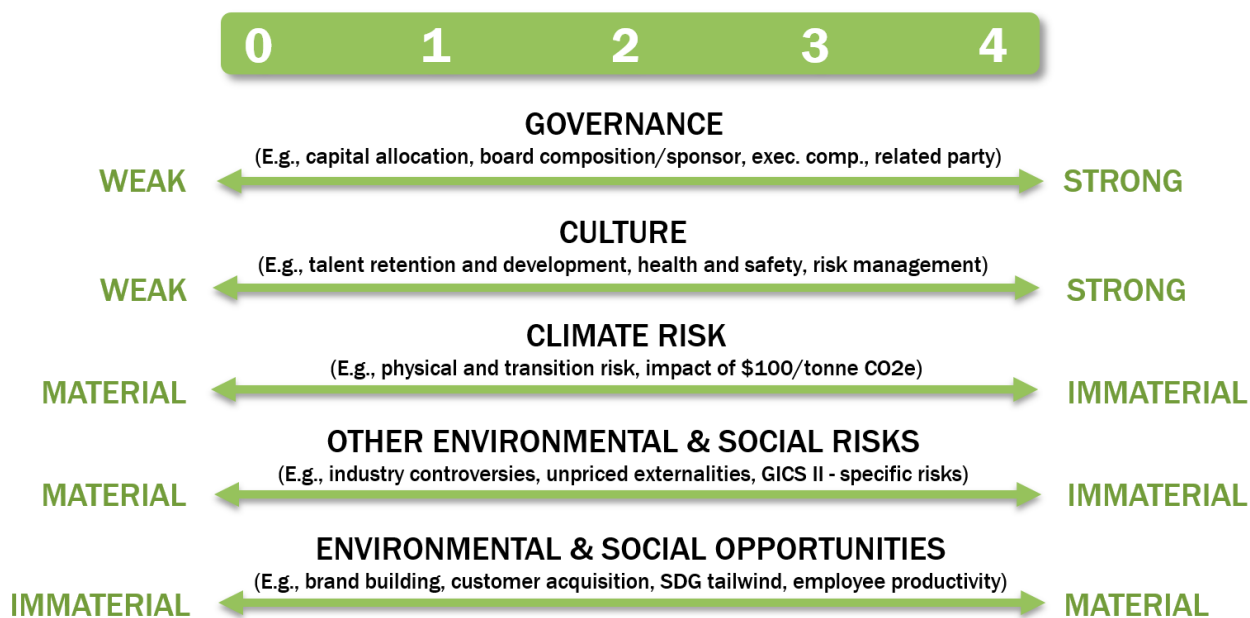
Track progress & hold management accountable

Report on progress to investors

Underwriting & Financial Materiality

We believe strong performance on financially material ESG factors can reduce a company's cost of capital, reduce the risk of unforeseen liabilities, and improve productivity. Our assessment of financial materiality for applicable positions is company-specific and determined through our proprietary research. Where applicable, we may supplement this assessment with ESG-related data from certain firms (e.g., Sustainable Accounting Standards Board standards, Bloomberg, and/or others).

As part of the underwriting process for applicable positions, we seek to analyze a company's performance on financially material ESG matters versus its peers, which we attempt to identify using our proprietary ESG framework. We evaluate applicable positions along the following dimensions, with scoring from 0 (unfavorable) to 4 (favorable):



⁵ The investment frameworks described herein illustrate how Inherent may implement the investment strategy and processes with respect to applicable positions. No representation is made that such frameworks are implemented in all respects with regard to every position in any fund managed by Inherent; such frameworks are not applied to certain positions, including but not limited to smaller positions and certain hedges, indices, and baskets, and may not be applied at the time of initial investment. See Important Notes at the end of this document for further information.

Engagement

Inherent is an active stakeholder that seeks to engage with selected portfolio companies on ESG performance, reporting, and progress. Goals include increasing the sustainability of the enterprise and improving financial results.

Engagement topics may include:

- Integration of material ESG considerations into business strategy and operations
- Development of Paris-aligned net zero CO2e strategies
- Externality pricing strategy (e.g., carbon, water, sulfur dioxide)
- Transparency and consistent reporting of material ESG targets and performance
- Executive compensation alignment
- Regulatory compliance
- Human capital management (e.g., talent retention and development, diversity and inclusion, health and safety, labor relations)
- Supply chain sustainability
- Climate risk and environmental impact
- Board structure, composition, and quality

Exclusions

Where relevant when underwriting applicable positions, Inherent attempts to understand the impact that currently un- or under-priced externalities may have on such companies over time. Such analysis may include the effect of potential CO2e pricing in applicable jurisdictions. Furthermore, as reflected in our mission statement, we generally seek to invest in companies that we believe are financially, environmentally, and socially sustainable. This typically entails consideration of a company's operations, products, and services on relevant stakeholders.

In addition, with respect to our long investments, the firm has adopted the Paris Aligned Investment Initiative's policy on coal and tar sands, which reads as follows: "It is recommended that investors should not allocate additional capital to companies which are planning or constructing new thermal coal projects and associated infrastructure (power, mining) or taking forward new exploitation of tar sands. Where investors are existing shareholders or bondholders in such companies, they should use active and escalating engagement with the aim of ensuring no new thermal coal generation is developed and no further tar sand resources are exploited, and also that phase out of existing unabated capacity and activity is undertaken in line with net zero pathways. In advocating for these transition plans, investors should recognize the need for a just transition in countries or regions where there is significant economic dependence on thermal coal power or mining."⁶

Investment Stewardship

Proxy voting is both a fiduciary responsibility and an opportunity for dialogue with companies. We consider various strategic, operational, financial, and ESG matters, as applicable, when determining how to vote proxies. We do not use external proxy advisors to guide our voting decisions; we independently determine how to vote each ballot measure.

HOW WE OPERATE

Just as we engage with selected companies to improve their ESG performance and to encourage them to set appropriate net zero CO2e targets through NZAM, we also endeavor to lead by example on ESG in our own operations. And we are always looking for ways to improve.

⁶ Source: https://www.parisalignedinvestment.org/media/2021/03/PAII-Net-Zero-Investment-Framework_Implementation-Guide.pdf

Environmental Impact

- We measure and offset the firm's operational carbon footprint via the purchase and retirement of voluntary CO2e credits.
- We encourage a paperless office, with idea-sharing and meeting documents shared primarily electronically.
- We support select advocacy efforts. For example, we were signatories to the Global Statement to Governments on Climate Change (2018), the CEO letter on Investor Expectations on Climate Lobbying (2019), and the Investor Statement on Coronavirus (2020) and we wrote to the Department of Labor regarding the proposed DOL Employee Benefits Security Administration's rule, Financial Factors in Selecting Plan Investments (Regulatory Identifier Number 1210-AB95), which rule proposed prohibiting ERISA plans from investing in ESG vehicles (2020).

Diversity & Inclusion

Because we believe that valuing diversity will lead to better investment and business outcomes, we strive to build a culture of cognitive and cultural diversity that embraces difference and fosters inclusion. We aim to do this by:

- Seeking diverse backgrounds for candidates in our hiring process and diverse viewpoints in our research processes.
- Valuing and welcoming the insights of diverse groups; employees are not alienated or excluded because they don't fit a set of cultural norms. At Inherent each employee has a voice and is encouraged to participate in meetings.
- Encouraging respectful communication between all employees regardless of title or level.
- Prioritizing internship candidates from communities underrepresented in the financial services industry.
- Advancing social enterprises in education, the environment, and sustainable investing through Inherent Foundation, which is supported by a portion of the carried interest generated by certain funds that we manage.

Governance

Inherent's Investment Committee has direct responsibility and oversight of ESG integration including the application of this and related policies. We also maintain an external Advisory Council whose members provide guidance and feedback on sustainability-related best practices, trends, and opportunities.

In addition to our ESG policy, our work is guided by our Code of Ethics and Compliance Manual.

Broader Sustainability Ecosystem & Advocacy

Our sustainability advocacy work encompasses a number of efforts beyond investing as we aim to encourage business to address environmental and social challenges.

- Ceres: Board Member and Member, Investor Network
- NYU Stern Center for Sustainable Business: Supporter
- CREO: Member
- Business for Social Responsibility Sustainability Principles and Objectives Framework: Advisory Council Member

In addition, Inherent Foundation supports both non-profit organizations and high-impact for-profit companies that are improving educational opportunities and career pathways, benefiting the environment, and advancing the field of sustainable investing. Inherent employees are eligible for a 5x matching gift program by Inherent Foundation of up to \$15,000 per employee per year for mission-aligned non-profit organizations.

Important Notes

While Inherent Group (the “Firm”) endeavors to implement this policy, in substance, with respect to the Firm, as applicable, and selected Firm-managed funds open to unaffiliated investors (each, a “Fund”), as applicable, the Firm makes no representation that every aspect of this policy is always implemented exactly as stated herein. This policy and the information contained herein is subject to change without notice at any time in the Firm’s sole discretion. This policy is reviewed on an annual basis and updated as necessary. For more information on the Firm’s investment process or the policies cited herein and its applicability to the Firm and Funds, please email info@inherentgroup.com.

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The investment frameworks shown herein illustrate how the Firm may implement the investment strategy and processes with respect to selected positions of its Funds, are shown for discussion purposes only, and are subject to change without notice. The Firm performs analysis of financially material ESG matters as it deems relevant for a subset of the positions it holds alongside more traditional investment analysis. The Firm generally performs such analysis only for net long holdings in corporate-issued instruments, although position-size or other limitations may apply in the Firm’s sole discretion. For example, in a certain Fund managed by the Firm, such analysis generally applies only to “core positions,” which the Firm generally regards to be those held in single-corporate-issuer equity or fixed income instruments where the absolute value of the position size for such issuer is at least 2% of NAV in the applicable Fund, although other factors may influence such determination. No representation is made that any ESG-related objective may be obtained or that such frameworks are implemented in all respects with regard to every position in every Fund or at the time of initial investment in any Fund; such frameworks are not applied to certain positions, including but not limited to smaller positions and certain hedges, indices, and baskets.

Certain organizations referenced herein charge membership or other fees to the Firm. No representation is made that any such organization endorses the Firm or a Fund for any purpose.