

Environmental, Social and Governance Policy

Sculptor



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Foreword

A note from our Chief Investment Officer and Executive Managing Partner, Jimmy Levin



As stewards of our investors' capital, we are entrusted with the responsibility of identifying and assessing risks and opportunities. Over recent years, we've experienced a much needed (and in our view, welcome) structural shift in our industry whereby environmental, social and governance considerations have increased their predominance in long-term outlooks, either by impact (pandemics) or increased likelihood (physical climate risk).

The quick and ever-changing world around us requires us to use ESG as an additional lens to better understand risks and better price the investments we choose to make. We at Sculptor believe that to effectively integrate ESG into our investment approach, we must integrate its principles into how we run our business. We are proud of the strides we have made in building a diverse team who work together every day, bringing a breadth of perspectives and ways of thinking to all we do. This is critical for the deep fundamental analysis upon which our investment approach is predicated.

Through this deep fundamental analysis, we build groups of concentrated "best ideas" across the funds we manage. We constantly scrutinize each position from all angles, from deal sourcing to exit, and that enhances our ability to understand and pursue opportunities across regions, sectors, and capital structures

Generating attractive risk-adjusted returns remains our priority and as such, we believe that, if done properly and in a targeted fashion, focusing on ESG considerations can be accretive for an investment. We believe this can be achieved while promoting long-term sustainability, best governance and social practices and aligns with our commitment to act solely in the best interests of our clients.

Our ESG policy reflects our relentless drive to be at the forefront of the industry, and describes some of the important accomplishments we've made in progressing our ESG initiatives.

Our Philosophy and Commitment

Sculptor Capital Management seeks to create value through investment opportunities across Multi-Strategy, Credit and Real Estate. As part of our investment approach, we view ESG integration as a key component of our underwriting and risk monitoring processes across all investment disciplines. We believe our approach to ESG integration contributes to acting in the best interests of our clients.

The Firm is a signatory, and seeks to align its ESG investment practices with the tenets set out by the United Nations Principles for Responsible Investment ("UN PRI"). We recognize that industry guidelines and best practices for ESG management will continue to evolve over time. As such, we regularly review our ESG policy and expect to adapt accordingly.

Corporate ESG Strategy

Sculptor’s ESG commitment expands beyond our Funds’ investments and into our organizational framework. We believe that if we focus on ESG at the corporate level, all stakeholders will benefit.

A true commitment to ESG must begin with how we run our business. Our work environment is built on the premise that diversity, equity and inclusion is recognized as a business interest, leading to better performance. We start by recruiting diverse candidates. Sculptor has partnered with numerous diversity-focused groups including collegiate diversity programs, diversity-focused recruiters and networking events to source new team members. Our senior leadership then strives to develop, promote and retain diverse talent across our business. Our Partner Management Committee is 30% women and our Executive Managing Directors are 25% ethnically or gender diverse.

We take multiple steps to extend our focus on diversity, equity and inclusion into our community and culture. For example, we have Firm sponsored affinity networks that support a broad range of ethnicities, genders and culturally diverse groups with regular meetings and direct, substantive engagement with management. Furthermore, the employee and community events we host around relevant cultural issues aim to increase awareness and promote conversation. We engage with third party speakers on a quarterly basis to address the Firm, working in consultation with our affinity group leaders to select the most impactful speakers possible. Recent speakers included Huwe Burton, exoneree from The Innocence Project; Michelle Silverthorn, inclusion expert; Cynthia Marshall, CEO of the Dallas Mavericks, as part of East Harlem Tutorial Project virtual fundraiser; Sonia Nazario, award-winning author/speaker on immigration issues; H.C. Chang, President of OCA Houston Chapter, advocate on Asian American issues; RJ Thompson and Mohamed Attia, Urban Justice Center Sex Worker Project and Street Vendor Project leads, respectively.

Philanthropy is also a cornerstone of ours and is executed through our Sculpting Change initiative. We focus on activities and contributions to support marginalized women and children, sustainability, economic and educational progress and veterans. Examples of organizations we partner with include Habitat for Humanity, Women in Need, The Pat Tillman Foundation, Latino U College Access, The Innocence Project and KIPP NYC Public Schools. We also offer employees additional paid time off for volunteer services and match employee’s charitable donations.

More generally, we are committed to promoting the overall wellbeing of our employees, as they are our greatest asset. In addition to generous parental leave policies, we offer benefits and services to support mental health, eldercare and childcare, flexible work arrangements and physical wellness programs.

Diversity Initiatives



DIVERSE SENIOR LEADERSHIP

The Firm recognizes that having diverse senior talent in the organization has a positive impact across investing teams, business development and infrastructure groups.



RECRUITING

Sculptor focuses recruiting efforts on accessing a diverse candidate population. We collaborate with collegiate diversity programs through workshops, informational sessions and job postings with a goal of building a well-rounded pipeline of talent for our business management, infrastructure and investment functions. These and other programs have introduced us to highly qualified job candidates.



WOMEN AT SCULPTOR

Developing and advancing our female talent at Sculptor is a fundamental focus for the Firm, which we do in many ways, from daily informal mentoring to leadership training and Firm-wide events. Programs include panel discussions and networking events focused on career progression and relationship building. Additionally, Sculptor supports external organizations dedicated to elevating women and sponsors internal women’s career development.



AFFINITY NETWORKS

Sculptor offers employee affinity groups to support all genders, ethnicities and groups of people with similar interests. These are open to all employees, with the aim to promote stronger relationships among coworkers, share ideas on relevant topics, as well as raise awareness of diverse groups at the Firm.



COMPANY EVENTS

Sculptor celebrates and supports ethnic and culturally diverse groups with events throughout the year. For example, in the past the Firm recognized Pride Month with a guest speaker program and Women’s History Month with a networking event.



VETERANS AT SCULPTOR

Sculptor supports men and women who have served their countries and promotes hiring of veterans. In particular, the Firm sponsors The Pat Tillman Foundation.

Policy Governance and Roles

We believe responsible investing represents a much needed and welcome structural shift in asset management and successfully navigating this transition requires proactive integration. Said simply, we are not satisfied with an ESG policy only designed to pass ESG due diligence.

Our investment professionals have primary responsibility for identifying ESG risks and opportunities as part of investment idea origination, and material issues are escalated for consideration by the relevant strategy head(s) or investment committees, as appropriate. Similarly, all of Sculptor's engagement activities are the responsibility of investment professionals and are not delegated to dedicated stewardship specialists. Strategy heads and the Partner Management Committee maintain ongoing oversight and monitoring of salient ESG matters across the portfolio through formal quarterly reporting, and informally as material ad-hoc considerations are escalated by investment professionals. Senior management is ultimately accountable for ESG developments and issues.

As ESG practices and related rules and laws evolve, Sculptor further enhanced its ESG approach by establishing in-house ESG expertise to maintain and continually enhance its best-in-class ESG framework. ESG-focused professionals benchmark processes, review best practices, provide thought partnership, and education around ESG integration in each business line. The team engages external resources, such as third-party data and research providers, when more specialized expertise is required. In addition, the team leverages external counsel for regulatory advice and wider legal support to ensure compliance with a growing body of rules and regulations. ESG integration is directly overseen by the Firm's President and Chief Operating Officer.



ESG Policy Scope

Our ESG policy covers all Firm investment strategies and assets.

Our ESG policy covers all Firm investment strategies and assets. This approach is rooted in our belief that ESG considerations can have important implications in investment decision-making. We see ESG integration as a complementary step in information processing that can improve investment outcomes: whereas traditional investment due diligence is focused on identifying and analyzing mostly financial and economic information, the additional step of proactively considering a broad range of non-financial risks and their materiality may enhance investment returns and optimize risk management.

Since establishing our ESG policy, we have consistently improved AUM coverage, leading to complete coverage of all of the Firm's investment strategies. The first investment strategies to come under the scope of the policy were those which were primarily based on "fundamental analysis," whereby the Firm generally sought to measure a corporate issuer's intrinsic value - by examining the issuer, as well as economic and financial factors including industry and macroeconomic considerations - in an effort to determine whether the issuer's securities are undervalued, overvalued, or likely to increase or decrease in value based on a specific event, set of circumstances, or other considerations.

We have since extended the policy to include investment strategies that did not historically lend themselves seamlessly to ESG integration. This includes strategies that invest in securitized assets or certain structured products, and those that primarily involve "technical analysis" such as our Merger Arbitrage and Convertible & Derivative Arbitrage trading strategies which depend on analyzing the relative prices and relationships of two or more issuers or securities.



Integration Process

As the materiality of ESG factors and opportunities for proactive ESG engagement directly with companies varies across asset classes, industries, and investment approaches, we found it unsuitable to apply a one-size-fits-all process. In order to integrate the vast majority of our AUM we have developed several proprietary frameworks tailored to each investment strategy. These frameworks also ensure completeness in our ability to report core metrics, such as climate reporting or aggregate exposure to ESG laggards, across funds, strategies and business segments.

We continually explore ways to deepen our understanding of ESG factors and implement more ambitious goals across our platform for ESG issues, especially as we observe greater harmonization of standards and best practices across the industry.

In addition to identifying and quantifying sustainability-related risks and opportunities, Sculptor proactively engages with public and private issuers in order to communicate ESG findings and provide guidance to leadership teams and boards. Our ability to influence the consideration of ESG factors by portfolio companies and drive change is often limited by the size and nature of our ownership, for example, in instances where we are non-control lenders or own a small percentage in the equity of a large cap issuer.

USE OF THIRD-PARTY DATA AND RESEARCH

ESG integration, and investment underwriting, ultimately relies on successful information processing. Therefore, the breadth, depth and structure of data used is critical to effectively identifying, assessing and monitoring material ESG issues across our platform.

Sculptor leverages MSCI ESG data for investments in publicly listed entities. MSCI research

allows investment professionals access to in-depth ESG analysis on over 8500 companies globally, helping to shape our initial view of the risk-reward opportunity. This initial data can then be supplemented by our own ESG findings. MSCI assesses thousands of data points across 35 ESG Key Issues that focus on the interaction between a company's core business and the industry specific issues that may create significant risks and opportunities for the company, ultimately deriving an ESG rating that uses a rules-based methodology to identify industry leaders and laggards. All MSCI Ratings and reports by individual issuers are available to Firm personnel through a centralized in-house system. MSCI Ratings consist of seven possible ratings ranging from AAA to CCC. Companies with an MSCI Rating of AA or above are considered by MSCI to be ESG leaders, whereas companies with an MSCI Rating of B or lower are considered by MSCI to be ESG laggards.

Harnessing MSCI's proprietary ESG framework has enhanced our ability to objectively identify and quantify key risk factors. Where an MSCI ESG rating exists with regards to an investment, Sculptor's investment professionals use the MSCI research as a starting point to understand and measure material issues as part of the requirement to consider ESG factors in conjunction with the overall investment thesis.

Given the heterogeneity of ESG frameworks across third party research providers, we do not believe employing a second broad-based research provider would be accretive. Instead, we are currently focusing our ESG data efforts on sourcing additional data specific to individual key issues that are increasingly meaningful and likely to be impactful from a risk/return perspective, such as climate-related metrics. We believe being able to report on key issues at the fund level with appropriate coverage would have the most impact in enhancing our ESG framework.



Our Approach Across Strategies

FUNDAMENTAL EQUITIES

When originating a new trade idea within Fundamental Equities, investment professionals memorialize the consideration and underwriting of ESG factors for all positions where aggregate exposure is greater than \$10 million. Given the breadth of coverage that MSCI provides for public equities, our analysis almost always involves the review of the issuer's MSCI rating report. The investment professionals may also review information gathered through independent research, such as direct engagement with the company, regulatory announcements, reports and accounts, news coverage or data sourced through other financial information platforms, such as Bloomberg or sell-side research.

Furthermore, where any position has, or gets downgraded to, an MSCI rating of B or lower, the written thesis or note must include information indicating reasons to invest or maintain an investment, based on economic or non-economic factors that outweigh the risk posed by the key issues that make the issuer an ESG laggard. All written considerations of ESG factors are stored in Sculptor's ESG database.

PROXY VOTING

Sculptor has incorporated ESG considerations into its proxy voting process, consistent with our fiduciary duties, when exercising voting authority on behalf of our funds. The Firm's Proxy Voting Policies and Procedures form part of our Compliance Manual and make clear that the Firm votes on ESG issues based on the potential impact to the value of an investment.

Sculptor investment professionals are required to conduct a case-by-case review and analysis before making a decision about matters that directly affect ESG issues. As detailed in the Proxy Voting Policy, decision-making in the proxy voting context is a combination of all relevant economic and non-economic considerations rather than based solely on ESG considerations, consistent with the Firm's fiduciary duties and the investment mandates of the funds the Firm manages.

MERGER ARBITRAGE AND CONVERTIBLE AND DERIVATIVE ARBITRAGE

Merger Arbitrage and Convertible and Derivative Arbitrage differentiate themselves from Sculptor's other investment strategies through their focus on analyzing the relative security prices and relationships of two issuers, or between an issuer's different securities (debt, equity, options, etc.) and expressing an investment thesis through a non-directional trade construct. As a result, the opportunity for a positive return is rarely predicated on a fundamental assessment of the issuer. Our ESG approach for such strategies entails investment professionals memorializing the key underlying issues for positions that are rated as laggards by MSCI ESG. A materiality threshold of \$10 million applies.



Our Approach Across Strategies

CORPORATE CREDIT AND INSTITUTIONAL CREDIT STRATEGIES

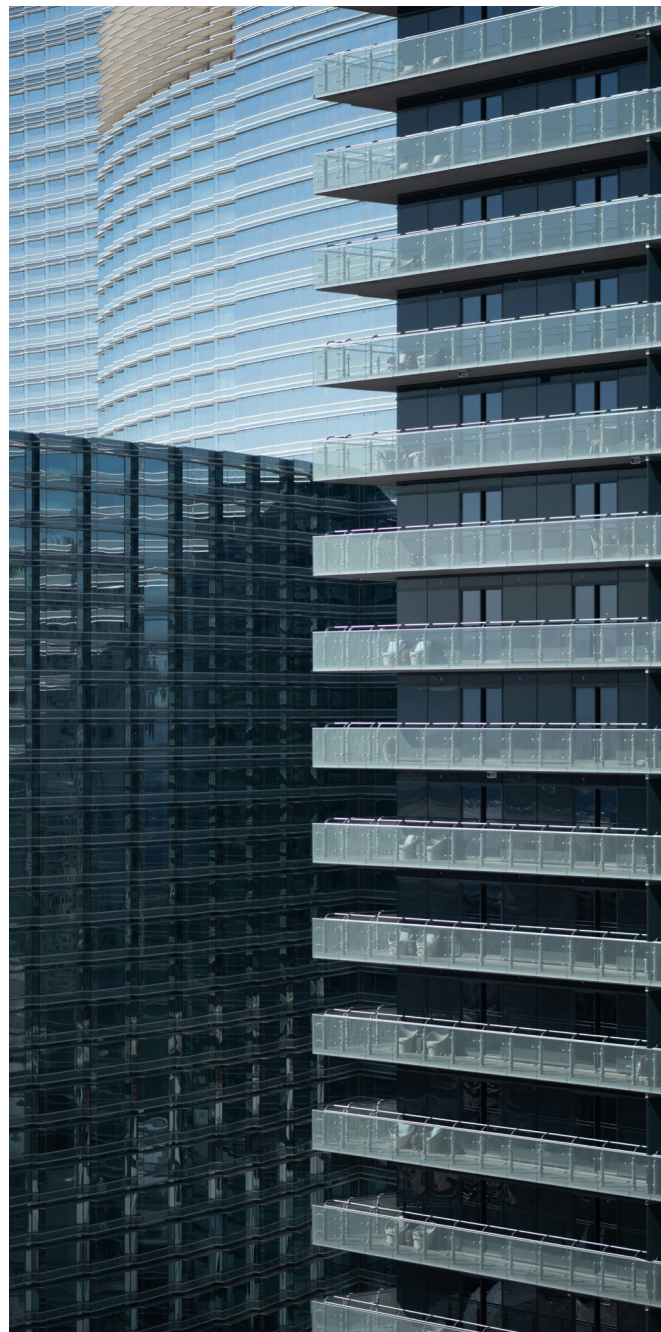
Within the Corporate Credit strategy, Sculptor takes a highly opportunistic approach to credit investing, and can do anything from buying “cheap” liquid securities following a brief or sustained dislocation, to the pursuit of alpha via an event-driven style that focuses on areas such as complex distressed situations, restructurings and bankruptcies. Within Institutional Credit Strategies, Sculptor invests in a broad range of performing credit across sectors and geographies. In order to integrate ESG across the entirety of our corporate credit portfolio, investment professionals use a combination of MSCI data and a proprietary assessment process. This applies to all positions where we plan to invest more than \$10 million in aggregate in a single issuer. Importantly, we don’t typically expect the outcome of our ESG assessment to lead to a binary decision to proceed with, or reject, a prospective investment, except in instances where the ESG risks create material downside scenarios that are impossible to mitigate. Rather, we assess whether we can structure the investment in such a way that the risks are either mitigated (through seniority, duration, etc.), adequately compensated or where we believe we can successfully influence outcomes and reduce risk through direct engagement with the company.

Where an issuer is MSCI ESG rated, investment professionals utilize MSCI ratings reports to assist in the identification of key ESG issues that are most impactful. Similar to other strategies, for those positions that have an MSCI rating of B or lower, or get downgraded to such a rating, a written memo is required that describes how the structural features of the investment (e.g., instrument choice, seniority, duration, hedges, etc.) outweigh the risk posed by the key issues that make the issuer an ESG laggard.

For those issuers where MSCI does not provide an ESG rating, investment professionals follow a proprietary ESG framework whereby the issuer is assessed on 11 key ESG issues. The key issues were calibrated based on guidance from relevant industry trade associations (e.g., LSTA, ELFA) and third-party ESG research frameworks. In cases where investment professionals identify material, subpar business practices of an issuer with regards to one or several key ESG issues, the investment is labelled as an ESG laggard. For such investments, a written commentary is required to describe how the structural features of the investment outweigh the risk posed by the key issues that drive the lagging rating.

ESG laggards are added to a watchlist. As part of this process, investment professionals may engage with company management to discuss specific ESG issues and written commentary of their conclusions are documented. Issuer-specific ESG considerations are evaluated alongside regular credit reviews in order to monitor progress on existing material ESG issues and assess opportunities to generate value from ESG initiatives. We strongly believe ESG continues to develop into a material driver of valuations and cost of capital and as such we aim to partner with companies where we can influence change in order to implement best practices into their business models and benefit from improved ESG credentials over our investment time horizon.

Our Approach Across Strategies



ASSET BASED FINANCE

While the pace of endorsement of responsible investment standards such as the UNPRI and SASB has intensified in recent years, ESG incorporation in asset based investments significantly lags other fixed income asset classes, largely due to the complex nature of the market. Currently, there is no harmonized standard of how best to build a rigorous framework for assessing ESG factors in mainstream asset based investments and enhancing credit risk assessment beyond traditional fundamental analysis.

Sculptor has adopted a proprietary ESG framework in order to successfully integrate its Asset Based Finance strategy. All investments that use more than 1% of strategy capital require assessment. Each assessment is split into two parts, one covering the collateral pool and nature of the underlying assets, and a second focused on the business practices and policies of the deal's originator. Given the broad range of assets that can be securitized, the underwriting of each deal is tailored depending on which sub-asset class the deal belongs to (e.g., CMBS, RBMS, CLO, ABS). For example, understanding the concentration of assets in geographies more exposed to physical climate change is relevant for CMBS and RMBS, whereas for Auto ABS deals, the investment professionals may focus more on the risk of faster depreciation for deals whose collateral is skewed towards older, more polluting vehicles.

Our Approach Across Strategies

REAL ESTATE

In the context of any real estate transaction, investment professionals review all potential new investments using our proprietary ESG framework, which may vary depending on the particular investment opportunity. By way of example, such ESG factors and considerations may include the following:

- Environmental conditions (ESA);
- Resource consumption (energy, water, waste);
- Environmental impact and resiliency;
- Code and ordinance compliance (PCA);
- Engagement opportunities;
- Economic and social development impact;
- Labor, health and safety factors affecting community/other stakeholders; and
- Ethical operator business.

For each investment, real estate investment professionals are required to include an analysis of the relevant ESG considerations in the final investment memorandum. Similarly, our post-investment framework ensures that ESG credentials are regularly monitored as part of our asset management strategy across Sculptor Real Estate. This involves a systematic approach to tracking key performance indicators (KPIs) that focus on material ESG factors. By actively engaging with our portfolio companies and collecting comprehensive data, we maintain a consistent view of building performance, including energy and water consumption, waste production, and greenhouse gas (GHG) emissions. In addition to tracking environmental performance metrics, we also monitor the attainment of green or sustainable building certifications such as BREEAM, Green Star, and LEED across our real estate investments. These certifications are benchmarks that reflect the sustainability and energy efficiency of our assets. This comprehensive monitoring program creates an opportunity for dialogue on how best to enhance returns in the investment through potential ESG-related initiatives.



Policy Training and Development

ESG-focused professionals provide guidance and training for investment professionals to ensure the team remains current on relevant developments and are consulted on enhancements to the various ESG frameworks. These sessions, held in both formal and informal settings, aim to provide thought partnership, education and detail around the integration into each line of business. We work to provide and update best practices for each investment strategy while factoring in strategy-specific constraints and sensitivities, and benchmarking internal processes with publicly available data.

Transparency

The Firm is committed to delivering a wide variety of reporting and transparency regarding ESG practices in a manner consistent with governing rules, regulations and investor requirements. As such, we integrate discussion of ESG matters, management activities and progress in communications with our investors as appropriate and aim to embed ESG metrics as part of our standard transparency in future reporting to investors. We will enhance the data needed for material ESG metrics through continuous improvement of portfolio monitoring and engagement support efforts.

