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**RIMROCK**

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CAPITAL MANAGEMENT, LLC

**Environmental, Social, and Governance  
("ESG") Policies**

**Q2 2023**

# RIMROCK ESG POLICIES

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## **Introduction**

Rimrock Capital Management, LLC (“Rimrock”) is committed to socially responsible investing and understands that environmental, social and governance (“ESG”) issues can materially and directly impact investment performance. Accordingly, Rimrock has adopted these ESG policies (the “Policies”) to promulgate and describe its ESG policies and procedures.

## **Consistency with Fiduciary Obligations**

Rimrock is a fiduciary to its clients and that fiduciary duty is always paramount. Rimrock seeks to assess ESG issues as part of its investment process, in a manner consistent with Rimrock’s fiduciary obligations and the need to act in the best financial interest of clients and investors. Rimrock must seek to maximize client investment returns over the long term in its investment process.

## **Scope of the Policy**

Rimrock directly manages all investments and does not use any external investment advisers or sub-advisers. This Policy applies to all of Rimrock’s fixed income clients, accounts, funds, and assets under management. This Policy also applies to a broad variety of fixed income investments for clients, including sovereign, credit, structured product, and similar investments.

## **Political Activities/Contributions**

Rimrock’s ESG approach is not intended to promote or support any domestic U.S. or non-U.S. political agenda or issue. Rimrock employees are prohibited from using this Policy to promote their own personal political views or any partisan or ideological goals.

Rimrock and its employees are subject to U.S. regulations that significantly limit their political contributions and related political activities. Rimrock’s policies and procedures on political activities and contributions, contained in its Code of Ethics, are incorporated herein by reference.

## **ESG Committee**

Rimrock has formed and shall maintain an ESG Committee. The ESG Committee consists of representatives of Rimrock’s Legal and Compliance, Investor Relations, Portfolio Management, and Operations teams. Rimrock’s General Counsel and CCO shall serve as the initial Chairman of the Committee. The ESG Committee shall maintain and seek to enhance the effectiveness of Rimrock’s ESG Policies. The ESG Committee shall also report, at least annually, on a calendar year basis, on Rimrock ESG activities and progress towards implementing the ESG Policies.

## **UN Principles of Responsible Investing**

Rimrock is a signatory to the United Nations Principles of Responsible Investing (the “Principles”). The Principles are as follows:

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

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The Principles are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. Currently there are over 3,000 signatories, with collective assets under management exceeding \$100 trillion. Rimrock will comply with these aspirational principles in carrying out its investment management business.

Rimrock will, through the ESG Committee, seek to promote acceptance and implementation of the Principles in the investment industry. The ESG Committee will also report, at least annually, on Rimrock's progress in implementing the Principles.

## **General ESG Approach – Integration in the Investment Process**

Rimrock follows the industry-standard approach to ESG identified by the Principles as "Integration." Integration means including ESG factors in investment analysis and decisions, to enhance risk adjusted returns. Rimrock does not use ESG "screens," "filters," or third party ratings to identify or rule issuers out of contention for investment. Nor does Rimrock invest with a deliberate intention to contribute to a specific environmental or social outcome (generally referred to as "impact investing"). Instead, Rimrock's approach integrates and incorporates ESG factors into its holistic investment process.

## **Incorporation of ESG in Rimrock's Fixed Income Investment Process**

ESG issues should always be considered when analyzing the potential returns of a prospective or existing investment. Rimrock believes that long term investment returns will be enhanced if it is aware of, and can potentially seek to manage, ESG risks. ESG-related analysis should give a more complete picture of the risks and opportunities faced by a securities issuer. This section outlines how Rimrock incorporates ESG factors into its regular, ongoing investment processes.

When evaluating an investment, Rimrock's portfolio managers and analysts generally seek to (a) identify ESG factors that may materially influence the investment, (b) evaluate the significance of, and risks that may arise out of, any identified ESG factors, (c) contemplate the potential benefits and costs of possible efforts to remediate ESG issues, and (d) assess Rimrock's ability, if any, to influence change. Based on that evaluation, Rimrock may seek to avoid an investment or to accept or address the ESG factors connected with an investment.

## **Stewardship**

"Stewardship" refers to the responsible allocation, management, and oversight of invested capital to create long term value for clients and beneficiaries. Stewardship includes, but is not limited to, proxy voting and engagement, discussed in more detail below. Rimrock is committed to promoting stewardship and seeks to be a good steward of client and investor capital. Rimrock Portfolio Managers and Analysts are encouraged to consider and participate in stewardship efforts, particularly those that are collaborative with other investors.

## **Proxy Voting**

Rimrock's Proxy Voting Policy, contained in its Policies and Procedures Manual, is incorporated herein by reference. Investments in fixed income instruments generally do not confer voting rights. It is Rimrock's policy to vote proxies of portfolio securities in the best economic interests of clients. ESG factors may be considered among other factors in the context of making such decisions.

When a client security conferring a voting right is loaned to a counterparty, as in a reverse repurchase agreement, Rimrock should nevertheless seek to exercise its voting right through the counterparty.

### **Engagement**

Rimrock may communicate with issuers, where appropriate, on the financial, reputational, ethical and other ramifications of ESG issues. However, Rimrock, as a fixed income investment manager, typically has much less ability to influence ESG issues at companies than would a manager engaged in managing public or private equity, who is an “owner” of the company. A holder of a bond or loan has a contractual, debt relationship with the issuer, not a relationship of ownership or control. Most bonds or loan contracts give the loan or bondholder limited, if any, influence over an issuer’s management except in cases of material default or bankruptcy.

Thus, Rimrock, as agent for clients holding bonds or loans, generally has limited influence on ESG factors. In connection with sovereign fixed income investments (e.g., U.S. Treasuries), Rimrock will, in fact, have very limited, if any, ability to influence the issuer and/or government officials. In the context of corporate issuers, Rimrock may also have such a small stake in the issuer’s securities as to be unable to exert any influence on issuer decision-making. On the other hand, with some smaller issuers, a bondholder such as Rimrock may have some ability to influence issuer behavior and operations. Rimrock may also collaborate with other institutional investors, where appropriate, in engagement efforts. Such collaborations provide greater leverage with an issuer and help to limit investor costs, since costs are typically shared among the collaborating investors. Where Rimrock becomes an equity owner or otherwise gains control of an issuer, Rimrock has greater ability to directly and affirmatively address ESG matters. In addition, because Rimrock’s investment focus is on providing investors with the best possible risk-adjusted investment returns, it may make or maintain investments despite material ESG issues if it deems it appropriate and in the clients’ best financial interests.

### **Conflict Mitigation or Management**

Rimrock and its employees must place clients’ interests ahead of our own in undertaking ESG and stewardship-related activities. If Rimrock identifies any actual or potential conflicts of interest in connection with the operation of this Policy, the matter will be escalated to the ESG Committee for review and determination.

### **Definitions**

- “Human Rights” are basic rights and freedoms that are considered fundamental and universal to all people. These rights are enumerated in a variety of United Nations documents and include freedom from arbitrary arrest, torture and other cruel, inhuman, or degrading treatment or punishment; freedom from slavery and forced labor; the rights to seek justice and receive a fair trial; equal treatment under the law; no punishment without law; freedom of thought, religion, and expression; right to privacy; right to marry and have a family, freedom of assembly and association; and equality and non-discrimination. Rights to own property, to education, adequate housing, access to medical care, and social security are also generally included.

- “Climate Change,” according to the United Nations, refers to long-term shifts in the Earth’s temperatures and weather patterns. Since the 1800s, human activities have been the main driver of climate change, primarily due to burning fossil fuels such as coal, oil, and natural gas. Burning fossil fuels generates greenhouse gas emissions, such as carbon dioxide, nitrous oxide, and methane, that trap the sun’s heat and raise temperatures. Greenhouse gas emissions primarily come from industrial use, transportation, buildings, agriculture, clearing of land and forests, and from landfills.

### Specific ESG Guidelines

- **When evaluating a prospective or existing investment, Rimrock Portfolio Managers and Analysts should perform a broad, general assessment of the investment’s ESG factors.**

This assessment is not expected to involve a formal process or documentation, but rather a general review of factors that may be relevant to ESG risk. Investment professionals should use their best judgment in identifying ESG issues, based on available information and research. For example, ESG risks may be identified based on an issuer’s industry and geographic location of operations. Investment professionals should feel free, when appropriate, to consult with colleagues, Rimrock’s General Counsel, and/or outside experts when they have ESG questions or concerns. The following sets out a non-exclusive list of potential ESG factors for consideration.

- a. Environmental Issues. These issues include an issuer’s activities and operations with respect to emissions and climate change, waste generation and mitigation practices, utilization of renewable fuels, commitment to resource conservation and sustainability, energy efficiency and chemical safety.
  - b. Social Issues. These issues include an issuer’s activities and operations with respect to bribery, improper political contributions, money laundering, equal employment and labor laws (including child labor, debt bondage, and other forms of modern slavery), fair compensation, worker health and safety (including access to safe drinking water, sanitation, and hygiene), human rights abuses and combat weapons.
  - c. Governance Issues. These issues include an issuer’s activities and operations with respect to investor and public transparency, internal controls, risk management, executive compensation, shareholder rights, accounting practices, independent oversight, conflicts of interest and legal and regulatory compliance.
- **Additional ESG due diligence on an investment may be required after the general assessment where ESG factors in an investment are material.**

Material ESG risk observed in a current or potential investment should trigger further due diligence. Low risk investments should not require much, if any, ESG due diligence. ESG due diligence for medium risk and high risk investments should be adjusted to the level of perceived risk and should also reflect the nature of the proposed investment. For example, if the company is listed on a U.S. securities exchange, it will likely be sufficient to review the relevant disclosures in the company’s public filings. If the company is private, more extensive ESG diligence may be warranted. The scope of Rimrock’s inquiry should be adjusted to the particular circumstances of the investment. Rimrock should generally expect to undertake more due diligence when it is expected to become a controlling investor than when it plans to simply acquire a modest percentage of a company’s bonds, bank debt or other debt securities, such as warrants. Since Rimrock’s primary responsibility is to seek to maximize investment returns of our clients, ESG due diligence should always be tailored with that goal in mind.

- a. Environmental Issues. Additional due diligence could include conducting environmental site assessments on potential real estate holdings or engaging consultants to review particular environmental issues, such as manufacturing operations or emissions taxes.
- b. Social Issues. Additional due diligence could include identifying where the issuer’s operations and customers are located. Certain countries are at greater risk for bribery, money laundering

or illegal child labor, or may be subject to U.S. sanctions that would prohibit or restrict clients from doing business in that jurisdiction. When appropriate, legal counsel or other experts may be engaged to review legal or regulatory proceedings, to ensure that the company maintains adequate health and safety safeguards, to ensure compliance with other applicable laws and regulations, or to confirm that the company engages in appropriate employment practices.

- c. Governance Issues. Additional due diligence could involve using attorneys to review organizational documents or accounting firms to review financial data.
- **Portfolio Managers and Analysts should factor the results of their ESG due diligence into their investment decisions.**

Results of Rimrock ESG due diligence may lead to a decision to avoid the potential investment because identified ESG risks materially and negatively impact the investment's anticipated returns. For example, an identified environmental liability or pending regulatory investigation may create an unacceptable risk of loss. In addition, due diligence may reveal unacceptable legal or reputational risk, such as unacceptable employment practices or relationships with governments subject to OFAC sanctions. Conversely, where an investment professional concludes that ESG factors are more favorable or manageable than may be perceived by the market, or the company is making significant ESG improvements, Rimrock may decide to invest or reinvest based in part on that assessment.

Assuming there is no material ESG-related reason not to make an investment, the Portfolio Manager or Analyst should nevertheless seek to address any identified ESG issues to the extent practical. In the case of a company where Rimrock exercises control, this may take the form of contractual representations, warranties, covenants, and indemnities.

- **ESG improvements should be instituted for appropriate investments to the extent necessary and consistent with long-term investment goals, and Portfolio Managers and Analysts should continue to monitor investments for ESG issues.**

The level of ESG activity after an investment is made should be determined by the level of ESG risk assessed previously or at the time of initial investment. For high and medium risk investments, if ESG improvements are warranted and can be effected, Rimrock should seek to influence management's ESG behavior through dialogue. In cases where Rimrock exercises control over management, it will have a greater ability to influence ESG-related decisions.

To the extent Rimrock has influence, investment professionals should seek to encourage management to develop an action plan to address identified ESG issues, if any, with appropriate goals for improvement. Investment professionals should monitor the companies they cover as appropriate for progress on ESG issues.

A number of issuer governance-related matters are separately addressed by Rimrock's proxy voting policies and procedures, which are included in its Policies and Procedures Manual. A copy of those policies and procedures are available upon request. Rimrock Portfolio Managers and Analysts should follow those guidelines when applicable with respect to any issue identified therein.

### **ESG Separately Managed Accounts**

Rimrock from time to time may accept and manage certain institutional separately managed accounts that have explicit ESG-related exclusions from securities holdings. For example, a client may ask Rimrock not to invest funds in securities of certain companies that produce and sell tobacco products or that engage in



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coal mining. Rimrock may accept reasonable ESG restrictions as part of the investment guidelines for such an account (an “ESG Account”), particularly where the client periodically provides a list of excluded issuers to Rimrock. If Rimrock accepts ESG-related guidelines for a separate account, it must comply with those investment guidelines. The Rimrock Compliance team will monitor compliance with all investment guidelines for ESG Accounts.

## **Other Policies**

These ESG Policies are focused on Rimrock’s investment processes. It does not cover *internal* environmental, social, or governance issues at Rimrock itself. Those issues are addressed separately, in a variety of other documents, including but not limited to the Rimrock Policies and Procedures Manual (including the Code of Ethics) and the Rimrock Employee Handbook. As examples, Rimrock maintains separate policies on health and worker safety and hygiene, diversity, privacy, sustainability, recordkeeping, internal controls, conflicts of interest, bribery and corruption, and philanthropy.

## **E.U. Disclosure**

Certain of Rimrock’s funds are subject to the E.U. Sustainable Finance Disclosure Regulation since they are marketed under at least one national private placement regime under Article 42 of the Alternative Investment Fund Managers Directive. Rimrock funds are not promoted as ESG or sustainable products. However, Rimrock's policy is to consider ESG issues when analyzing the potential returns of a prospective or existing investment for the funds. Rimrock believes that long term investment returns will be enhanced if it is aware of, and can potentially seek to manage, ESG risks.

## **ESG Reporting**

Rimrock shall report on its ESG program and policies to the UN PRI organization as required by the Principles.

## **Policy Review**

This Policy will be periodically reviewed and updated from time to time by the ESG Committee.

## **Availability and Disclosure to Investors**

This Policy is available upon request from any existing investor, prospective investor, consultant, adviser, or any member of the public.