POLUS
CAPITAL MANAGEMENT

2024
Sustainability Report

Polus Capital Management

Contents

INTRODUCTION

Welcome to our fourth annual sustainability report. This report outlines the progress we have made over the past year in advancing our responsible investment practices and deepening our approach to sustainability and governance, both at the manager and portfolio levels.

The responsible investment landscape continues to evolve, marked by a growing emphasis on measurable outcomes, rising regulatory complexity and a shifting political climate in certain regions. At the same time, persistent concerns around greenwashing and gaps in corporate net-zero transition plans underscore the value of robust, transparent frameworks.

We are proud of the progress we have made. In 2025, we finalised our second TCFD-aligned climate report, building on efforts to embed climate risk considerations into governance, investment processes and manager-level risk management. We maintained our operational carbon neutrality and continued to report climate metrics across our portfolios. Engagement with investee companies and industry peers remain central to our approach, as we work to improve transparency and elevate climate-related dialogue in areas where data remains limited.

At the manager level, we also reached a number of milestones. We relocated to a new BREEAM-certified, EPC A-rated office at the Asticus Building, 21 Palmer Street, London, powered by renewable energy. Our Diversity & Inclusion ("D&I") Committee continued its fourth annual staff engagement survey, achieving an 87% response rate and so further helping to inform our internal priorities. Our 2024 summer internship programme was a notable success, thanks to the commitment of teams across the firm, and preparations are underway for the 2025 programme.

As we look ahead, we remain focused on building a proportionate, credible and transparent approach to sustainability – one that balances the realities of our investment strategies with our responsibility as a steward of capital. We welcome continued conversations and encourage you to share your feedback. Your perspectives play a vital role in shaping the direction of our sustainability efforts.

Tina De Baere
Head of Responsible Investment

ABOUT THIS REPORT

This report provides detailed information on our policies and initiatives at the firm level.

Governance Structure

At Polus, a commitment to responsible investment practices is deeply embedded in the firm's culture and championed by its executive leadership. Polus' board of directors and Executive Management Committee (EMC) oversee the firm's responsible investing initiatives, with Tina De Baere, Head of Responsible Investment, regularly reporting on progress and outcomes.

Tina leads the firm's strategy in this area full-time, offering in-house expertise and guiding related initiatives across the organisation, as well as among industry peers and portfolio companies. She works closely with investment teams to integrate key sustainable and governance factors into the investment process, with the support of Polus' Responsible Investment Policy Committee.

This Committee brings together senior leaders from across the firm, including Andrew Burke (Chief Investment Officer, Leveraged Credit), Graham Murphy (Chief Risk Officer), and Christian Herrmann (Senior Analyst, Special Situations). Alongside other key stakeholders, the group meets quarterly to review the firm's policy on responsible investment and assess the efficacy of its implementation.

	Oversight		Implementation	
	Responsible Investment	**Climate Change**	**Responsible Investment**	**Climate Change**
Board	●	●		
EMC	●	●	●	●
Responsible Investment Policy Committee	●	●	●	●
Head of Responsible Investment	●	●	●	●
Investment Team			●	●

Responsible Investment Policy

Polus' Responsible Investment Policy is publicly available on our website. Our approach is built around three core pillars:

(1) Manager-level activities;

(2) Portfolio-level activities; and

(3) Industry collaboration.

This report is structured around these pillars to highlight our key accomplishments over the past 12 months.

MANAGER-LEVEL ACTIVITIES

Since 2017, Polus has actively worked to embed sustainability and governance considerations across both its business operations and investment processes. As a responsible corporate citizen, Polus integrates these principles into its overall strategy and day-to-day management, with a particular focus on its people, the community and the environment.

Our People

At Polus, we believe that a positive, inclusive workplace culture is essential to our long-term success. As part of our ongoing commitment to our people, we recently expanded into a new office space, adding an additional floor equipped with dedicated meeting rooms and a large communal kitchen. This new space has quickly become a vibrant hub for collaboration, team celebrations and informal meetings.

D&I Initiatives

Polus is committed to attracting, developing and retaining a diverse workforce and to fostering an inclusive work environment grounded in trust, respect and integrity. In line with this commitment, we established our D&I Committee in 2020.

The Committee continues to advise the EMC on the firm's D&I strategy and helps implement various initiatives. The focus has been to:

(1) increase hiring and promotion of diverse talent;

(2) train and educate employees on D&I topics;

(3) develop initiatives to promote inclusion; and

(4) positively impact our local community.

D&I staff engagement survey

Since 2021, the D&I Committee has conducted an annual staff engagement survey to deepen our understanding of D&I within our firm.

The survey gathers demographic data as well as employee perceptions on a range of topics, including Polus' recruitment practices, psychological safety in the workplace and views on career progression. We also survey employees on neurodiverse conditions and socio-economic backgrounds.

Insights from the survey help shape our ongoing efforts to create a more inclusive and supportive working environment.

As of October 2024, women represented 24% of the workforce, while employees from ethnic minority backgrounds made up 25%. Staff engagement with the annual survey remained strong, with the 2024 edition achieving a robust 87% response rate, continuing a consistently high participation trend ranging from 82% to 98% since its launch in 2021.

Fairfield Enterprise

Polus is committed to improving social mobility within the finance industry. Since 2022, the firm has partnered with Fairfield Enterprise, a UK-based social mobility charity that supports ambitious young people, aged 19 to 24 from low-income backgrounds in building successful careers in finance.

Summer internship programme

Polus launched its summer internship programme in 2023, with the aim of offering a meaningful and transformative experience for Fairfield's Core Programme candidates. Our interns, sourced through our partnership with Fairfield Enterprise, spent eight weeks rotating across teams in our London office, gaining hands-on experience and valuable exposure to different areas of the business. The programme is designed to equip participants with the skills, knowledge and confidence needed to pursue careers in finance and investment after graduation.

Our 2024 summer internship programme was a clear success, as demonstrated by the positive feedback from both the teams who worked closely with our intern and the intern themselves.

In 2024, we expanded the initiative to offer even greater support for intern candidates. In addition to the formal interview process, we now invite shortlisted applicants to spend half a day at our office. During this visit, they meet Polus team members from various departments, receive personalised CV advice and industry insights, take part in networking sessions and begin building professional connections. This approach ensures that all candidates, regardless of whether they secure an internship, gain practical experience, valuable guidance and exposure to the industry. Several Polus employees volunteered their time to support the programme, further enhancing its impact. We find it incredibly rewarding to witness the positive effect this initiative has on young people and to contribute to broader efforts to improve access, inclusion and diversity in finance.

In February 2025, members of the D&I Committee took part in the Fairfield Enterprise Networking Event. One of them joined a panel discussion where they shared insights from their professional journey, offering guidance and encouragement to Fairfield's Core Programme candidates aspiring to enter the industry.

D&I events

The D&I Committee marked a range of cultural and awareness events throughout the year, including celebrations for the Chinese New Year, Mardi Gras/Shrove Tuesday, Black History Month and Thanksgiving. The Committee also organised a Macmillan Cancer Support bake sale and hosted a Ladies' Lunch in recognition of International Women's Day. These events aim to foster inclusivity, celebrate diversity and bring colleagues together in meaningful ways.

Our Local Community

Charitable donations

Polus continues to support charities, aligned with its D&I Committee's objectives. In 2024, we continued to support the following charities:

- Southside Young Leaders Academy
  Southside Young Leaders Academy is an early intervention organisation to support Black, Asian and Minority Ethnic boys aged 8 to 18 years and their parents or guardians that reside in the London Boroughs of Southwark and Lambeth. The organisation seeks to build character, improve academic achievement and develop the skills required to become the next generation of leaders.
- Fairfield Enterprise
  In addition to our ongoing partnership initiatives, Polus made a financial donation to Fairfield Enterprise in 2024 to further support its mission and programmes.

Volunteering and community engagement

Polus actively supports employee participation in community initiatives by offering two paid volunteer days each year for staff to contribute to charitable projects of their choice. Beyond this, several team members also serve as trustees or non-executive directors for charities and causes that are personally meaningful to them, further reinforcing our culture of social responsibility.

Our Environment

Excluding financed emissions, our direct environmental impact is relatively limited, given that we are an office-based firm with a straightforward supply chain. Nonetheless, we remain committed to measuring our operational carbon footprint and offsetting any unavoidable greenhouse gas emissions. We also continue to explore further opportunities to reduce our environmental impact wherever possible. In February 2025, the company relocated to a new office at Asticus Building, 21 Palmer Street, London, a BREEAM-certified building, rated Very Good with an EPC A energy efficiency rating. The building is powered entirely by electricity from renewable sources, with bills validated by Trio and backed by 100% REGO-certified supply. The Renewable Energy Guarantees of Origin (REGO) scheme is a UK government-backed certification that verifies the electricity has been generated from renewable sources such as wind, solar or hydro power.

As part of our ongoing commitment to sustainable operations and responsible resource management, Polus engaged Reuse Technology Group in 2025 to enhance our IT asset disposition strategy. ReuseTech specialises in secure, environmentally responsible solutions for managing end-of-life electronics. By partnering with them, we ensure that our retired hardware is either ethically recycled or refurbished for secondary use, thereby reducing electronic waste and supporting a circular economy.

Since 2021, Polus has worked with ClimatePartner to measure the firm's **corporate carbon footprint**.

We completed the measurement of our corporate carbon footprint for 2019, and 2021 to 2024. This includes scopes 1 and 2 and aspects of scope 3, such as staff commuting and business travel.

As in previous years, we are fully offsetting our corporate carbon emissions and continue to work towards improving our operational practices.

To offset our footprint, we continue to support high-impact projects, including:

- microloans for solar lamps and water filters for households in India; and
- expansion of renewable energy generation across Asia.

More details about our footprint and offset projects can be found using this link.

Accreditations and Commitments

As an investment manager, Polus is committed to upholding industry-leading standards of professionalism, integrity and responsible investment practice.

Principles for Responsible Investment (PRI)

Polus is a signatory to the PRI. In 2023, we received our latest assessment scores and were incredibly pleased with the results. The PRI evaluates signatories across a range of relevant modules, using a grading system that ranges from 1 to 5 stars, where 1 star indicates limited adoption of responsible investment practices and 5 stars reflects leadership in the field. We were also provided with peer median scores based on signatories of similar size and geography for context.

Polus' Score Card

Module	Polus Module Score	Peer Median Score
Policy Governance and Strategy	4 out of 5 stars (80%)	3 out of 5 stars (62%)
Direct – Fixed Income – Corporate	4 out of 5 stars (87%)	4 out of 5 stars (55%)
Direct – Fixed Income – Securitised	4 out of 5 stars (90%)	3 out of 5 stars (47%)
Confidence building measure	5 out of 5 stars (100%)	4 out of 5 stars (80%)

Source: PRI

Since January 2020, our Head of Responsible Investment has actively contributed to the PRI Securitised Products Advisory Committee. This Committee plays a key role in shaping PRI's approach to integrating sustainability considerations into structured products and facilitates cross-industry collaboration to drive meaningful progress. In 2025, our Head of Responsible Investment co-authored the report "*Responsible Investment in Securitised Debt: A Technical Guide*", a follow-up to the 2021 publication "*ESG Incorporation in Securitised Products: The Challenges Ahead*".

Standards Board for Alternative Investments (SBAI)

Polus is a signatory to the SBAI and supports its framework of best practices. These standards promote transparency and accountability across key areas including disclosure, valuation, risk management, fund governance and shareholder conduct.

UN Global Compact (UNGC)

Polus participates in the UNGC through its indirect shareholder Mediobanca S.p.A. The UNGC is a leading corporate sustainability initiative, promoting responsible business practices aligned with ten principles in the areas of human rights, labour, the environment and anti-corruption.

PORTFOLIO-LEVEL ACTIVITIES

At Polus, we view responsible investment as a key driver of long-term value creation. Considerations around sustainability and governance are fully integrated into our investment process through a combination of negative screening, the integration of sustainability and governance factors into our investment process and active engagement on sustainability topics.

Negative Screening

On a firm-wide basis, we exclude exposure to controversial weapons. In addition, certain mandates impose restrictions on business activities such as thermal coal extraction, civilian firearms, tobacco production, payday lending, gambling, and speculative oil and gas extraction.

Integration of Sustainability and Governance Factors into Investment Processes

We adopt a fundamental, bottom-up approach to evaluating investments, incorporating sustainability and governance factors.

The specific methodology varies by strategy and is outlined in detail in our 'Responsible Investment Procedures' document.

For **European Leveraged Credit**, credit analysts systematically consider material sustainability and governance factors within the investment process. Where applicable, this analysis is summarised in a dedicated section of the investment memorandum. Each corporate borrower in the portfolio is assigned a sustainability rating that reflects key considerations. For US Leveraged Credit, each investment complies with the UNGC Principles.

For **Special Situations assets**, our approach is tailored to the nature of each position (long, short, or litigation-related) and the degree of influence we can exert.

For control and influence positions, we actively seek to improve company performance by enhancing governance practices, which we find is often the quickest way to prevent value erosion. Once governance is strengthened, addressing broader operational and sustainability issues becomes more effective.

For passive long positions, we still encourage improved practices, although our ability to influence is naturally more limited.

We may take short positions in companies where we believe material sustainability risks are mispriced. We can also finance litigation against companies or individuals with poor practices or accountability records.

For **Structured Credit**, the investment team systematically integrates material sustainability and governance factors into the investment underwriting process. Each investment is evaluated using a tailored sustainability scorecard that includes an assessment of the sponsor, the reference portfolio and structural features of the transaction.

Climate Reporting

We are pleased to present our 2025 Climate Report, available upon investor request. This latest report is intended to align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) – a globally recognised framework for identifying and disclosing material climate-related risks and opportunities. The report outlines how Polus continues to integrate climate-related considerations across its investment strategies. Engagement on sustainability topics remains a core component of our approach. We engage with issuers on managing climate-related risks and work collaboratively with peers to strengthen industry dialogue and inform decision-making.

Within this year's report, we detail the steps we take to incorporate climate risks and opportunities into our investment process. This includes:

- estimating the carbon footprint of our portfolios;
- conducting high-level assessments of physical and transition risks (including regulatory risks) across portfolio companies; and
- measuring and reporting on our own operational emissions.

Post-investment, our investment teams perform a qualitative assessment of both physical and transition risks, informed by market dynamics, regulatory trends and broader climate considerations. Each sector is assigned a relative risk level (high, medium, or low), based on its exposure.

These annual assessments are conducted across our Special Situations and Leveraged Credit strategies. Within Structured Credit, there has been progress in European CLOs and ABS markets. European CLOs have seen rising investor demand for carbon emissions data on underlying borrowers and as a result, we have observed greater transparency within European CLOs compared to the previous year. However, corporate GHG emissions reporting remains inconsistent, and coverage by third-party data providers across the European leveraged finance universe is still limited. Due to ongoing challenges in obtaining timely, high-quality carbon data, comprehensive climate risk assessments are not yet standard practice in CLO investor reporting. To help address these gaps, our Head of Responsible Investment, who also serves as Co-Chair of ELFA's ESG Committee, actively engages with borrowers to advocate for improved disclosure.

Within the ABS market, we have observed increased issuance of 'green' instruments, such as solar ABS, and improved emissions data in the auto ABS segment.

Progress in SRT transactions has been mixed. While issuer and sponsor-level discussions on climate topics are becoming more common, particularly at the bank or lending-book level, data on specific portfolio line items remains sparse. This largely reflects a lack of consistent, detailed and shareable information from banks on their lending books. To support the evolution of disclosure standards in this space, our Head of Responsible Investment also contributes as a member of the PRI's Securitised Products Advisory Committee, promoting enhanced climate-related transparency across structured finance markets.

We subscribe to a third-party data provider to support carbon footprint analysis. We are able to estimate the emissions for:

- 100% of corporate long positions exceeding $USD 5 million in our Special Situations strategy, and
- 100% of our European Leveraged Credit holdings.

In control and influence positions within the Special Situations strategy, we engage portfolio companies to reduce carbon emissions and mitigate climate-related risks. Across the portfolio, we focus on emissions disclosure, Paris-aligned target-setting and the adoption of clean technology. In several cases, this has led to measurable real-world emissions reductions, demonstrating the impact of our hands-on value creation strategy.

We track and report on any measurable progress and continue to see tangible environmental improvements across the portfolio. Several companies have made meaningful advances in sustainability performance through targeted engagement on sustainability topics.

- **A standout example is a fleet of 11 container ships**, where we worked with the manager to install scrubbers, significantly reducing sulphur emissions. Carbon capture modules were also integrated, cutting GHG emissions by 38% since 2021. The company also recovered 380 kg of marine debris and recorded zero environmental spills. It has committed to net-zero emissions by 2050, with further progress expected next year. Alongside dry docking and installation, cost efficiencies were shared with charterers, generating a double-digit return for the fund.
- **A European food manufacturer** improved its GHG emissions profile, health and safety performance and fair-trade sourcing practices, strengthening its overall sustainability credentials. These enhancements supported a successful exit, delivering €100 million in additional proceeds.
- **An industrial company** made significant strides in environmental reporting, workplace safety and stakeholder alignment following our engagement. It plans to maintain ambitious sustainability targets under new ownership.

Engagement

Our Engagement Policy can be found on our website.

Polus takes two approaches to engagement: bilateral and collaborative engagement.

For our **European Leveraged Credit** business, we stimulate dialogue with issuers on strategy, risk and any specific sustainability topics. We encourage companies to improve their practices and maintain a long-term direct dialogue. Each year, we identify borrowers with low sustainability ratings across our Leveraged Credit portfolio and approach them with our concerns.

For **Special Situations**, the approach depends on the level of influence embedded in the investment.

For control and influence positions, we engage with companies at the board level to drive sustainability performance. We encourage boards to set annual targets, for example, in relation to GHG emissions and in line with science-based targets where possible, putting companies on a reduction path to net-zero by 2050.

Each year, the Special Situations investment team reach out to all portfolio companies on long positions with an exposure exceeding $USD 5m. We encourage companies to continue to embed sustainability within their business, produce investor information on their practices and keep us informed on any sustainability progress and developments.

Polus takes all areas of sustainability seriously. However, areas with a particular focus are governance and reporting transparency, GHG emissions, accident rates, forced and child labour prevention, anti-bribery and D&I.

For **Structured Credit**, our engagement will typically consider: (i) an analysis of the relevant portfolio; (ii) communication with the originator or servicer; and (iii) an analysis of the appropriate alignment of incentives and reporting governance within the structure. For control and high-influence positions, Polus engages with transaction counterparties to drive sustainability performance. We look for our counterparty to have policies in place that are aligned with Polus' responsible investment policy and to demonstrate that positive outcomes can be achieved over the position's potential life. For limited influence positions, Polus can, in most cases, have a discussion with the counterparty to understand sustainability considerations and, where appropriate, make sustainability-related recommendations. In secondary market transactions, Polus will likely have limited or no scope to discuss sustainability factors with the counterparty; however, Polus can still create a price for sustainability factors by considering sustainability risks and market liquidity.

Training

All members of the investment team have a thorough understanding of Polus' Responsible Investment Policy and approach. The investment team receive an update whenever there is a significant policy update and following each quarterly Responsible Investment Policy Committee meeting.

Where required, additional training is organised by our Head of Responsible Investment, or MSCI ESG Research LLC for example, to update the team on sector or regulatory developments.

INDUSTRY COLLABORATION

Apart from bilateral engagement, Polus also collaborates with like-minded peers to speak with one voice when engaging with and setting standards for corporate borrowers. We do this, for example, through our involvement in the following two industry associations:

European Leveraged Finance Association (ELFA)

Polus works closely with ELFA to facilitate engagement between investors and corporate borrowers on important sustainability topics. ELFA is a professional trade association representing the European leveraged finance investor community.

Our Head of Responsible Investment is involved in ELFA's ESG Disclosure Initiative as co-Chair of the ELFA ESG Committee. She is also the co-author of ELFA's ESG Fact Sheets, designed to support borrowers in preparing sustainability-related disclosure and outline the most material sustainability and governance topics for a given corporate sector. In Q1 2025, 75% of new issue LBO deals, where sustainability disclosures were available, used ELFA ESG Fact Sheets.

In 2024, our Head of Responsible Investment participated in several ELFA events including a teach-in on the EU Corporate Sustainability Reporting Directive (CSRD) and its impact on the leveraged finance market.

Alternative Investment Management Association (AIMA)

Polus is a member of AIMA's Responsible Investment Working Group.

This working group aims to promote sustainability integration and disclosure in the alternative investment market.

Regulatory consultations

Throughout the year, Polus engaged in key regulatory consultations to help shape the evolving sustainability landscape. We responded to the FCA's ESG ratings survey, which follows the UK Government's proposal to bring ESG ratings providers within the FCA's regulatory remit. The survey covered our use of internal and external ratings, market challenges, provider selection and resource allocation. Our participation aimed to ensure that future regulation reflects the practical needs of asset managers. We also submitted cost estimates to support the European Commission's review of proposed SFDR reforms, which are part of the EU's broader "simplification" agenda. A revised SFDR framework is expected in Q4 2025.

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