

# PANAGRAM

## **Panagram’s Environmental, Social, and Governance Responsible Investment Policy (the “Responsible Investment Policy”)**

Panagram Structured Asset Management, LLC (together, with Panagram Capital Corporation Adviser, LLC, “Panagram”), is a registered investment adviser with the United States Securities and Exchange Commission (the “SEC”) specializing in collateralized loan obligations (“CLO”), asset backed securities (“ABS”), and commercial real estate (“CRE”). These strategies are effected through separately managed accounts, registered funds including actively managed exchange traded funds (“ETF”), and private funds.

As a signatory of the United Nations Principles for Responsible Investment (“UNPRI”), Panagram is committed to the consideration of environmental, social, and governance (“ESG”) factors within its investment activities and operations to minimize risk and seek best execution on behalf of its clients. Panagram recognizes that ESG issues can have a material impact on the financial outcomes of markets and investments and seeks to prioritize ESG considerations to achieve strong risk-adjusted returns and contribute to a sustainable future.

Panagram recognizes that the ESG space continues to evolve. Panagram is committed to maintaining an open dialogue regarding ESG with its clients, shareholders, employees, partners, and regulators. To reinforce its commitment to these ESG-related factors, Panagram’s Responsible Investment Policy seeks to:

- Emphasize responsible investment selections and portfolios built with the aim to maximize long-term, risk adjusted returns;
- Incorporate ESG due diligence in Panagram’s investment process, including in its compliance and risk management systems; and
- Ensure Panagram continuously improves and updates its policies and procedures regarding responsible investment and ESG.

### **Guidelines and Process**

As an investor in structured products, including CLOs, ABS, and CRE, Panagram’s Responsible Investment Policy emphasizes generalized ESG guidelines for evaluating potential investments at the portfolio level (i.e., assets held and underlying obligors) and structural level (i.e., governing documents and portfolio managers). ESG integration is at the discretion of the investment team and may vary depending on circumstances surrounding a specific investment. Panagram expects its investment team to factor in ESG considerations into the investment process as the team deems appropriate. ESG considerations for investments include, but are not limited to the following:

- Selection of CLO manager or ABS issuer. Panagram seeks to do business with larger, long-standing CLO managers and ABS issuers that have (i) a robust infrastructure capable of

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overseeing operations, managing risk, and sourcing acceptable investments; (ii) a formalized investment committee approval process with an experienced management team, preferably over multiple credit cycles with a strong track record and active portfolio management; (iii) strong ESG related governance with adequate ESG policies and procedures and consideration of ESG metrics and risk factors in the investment process; and (iv) transparency and commitment to ESG principles and responsible investing, as evidenced by online reporting, oversight, and accountability, as well as UNPRI membership or involvement with other reputable organizations.

- **Governing Documents.** The indenture documents governing the securities must have acceptable obligor, industry, and country concentration limitations, and must also include baseline ESG prohibitions.
- **AML Considerations.** The indenture documents governing the securities must prohibit beneficial owners of the notes from being any person with whom dealings are restricted or prohibited under any law relating to economic sanctions or anti-money laundering of the United States (or any other applicable jurisdiction).
- **Underlying Loans.** The underlying loans in the CLOs are primarily broadly syndicated, senior secured, floating-rate loans that are rated by a nationally recognized statistical rating organization (“NRSRO”), and the CLO debt securities in which Panagram invests are also rated by a NRSRO with minimum ratings pursuant to applicable client documentation.

## *Baseline Exclusions*

Panagram will seek managers and issuers that maintain baseline limitations and/or exclusions that avoid investments in certain higher risk industries, such as coal, controversial weapons, hazardous chemicals, ozone-depleting substances, production or marketing of opioids, and endangered or protected wildlife or wildlife products.

## *Social*

Panagram seeks to prioritize investments, managers, and service providers that abide by the United Nations Guiding Principles on Business and Human Rights (the “UN Principles”). Any potential violations of the UN Principles are considered for exclusion. Furthermore, Panagram strives to uphold the UN Principles within its own business practices.

Panagram also believes in the importance of upholding ESG principles throughout the life cycle of the investment process. For Panagram’s ETFs, Panagram has committed a portion of its management fees to be donated to the Mosholu Montefiore Community Center (“MMCC”), in an effort to drive real change in local communities.

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## **Due Diligence**

Panagram maintains risk assessment controls in connection with its investment process and ongoing portfolio and manager monitoring. These controls include certain ESG due diligence practices. As noted above, Panagram invests primarily in securitized products, which gives a certain base-level of protection and less direct exposure to potential negative effects related to ESG risk. All potential investments are reviewed by Panagram's Investment Committee and must be approved by Panagram's Chief Investment Officer prior to execution.

Panagram's investment team seeks to invest with leading, responsible CLO managers and ABS issuers that maintain adequate ESG policies and procedures and implement appropriate considerations in their business and investment practices. Periodically, Panagram's investment and compliance teams conduct due diligence reviews on the relevant managers and broker-dealers. Panagram also conducts frequent check-ups with the CLO managers and ABS issuers and uses various analytical tools to monitor the underlying portfolios for concentrations, ratings dispersion, credit exposure, ESG risks, and other factors. In addition, Panagram's compliance team monitors trade activity, holdings reports, underlying portfolio exposures, and potential conflicts of interest, and performs risk assessments and maintains abreast of current regulations and sanctions.

## **Stewardship & Governance**

Panagram believes that considering ESG factors in its investment and risk management processes will better equip the firm to perform its duty as a fiduciary, mitigate risks, and maximize value for its clients. ESG considerations are becoming an increasingly influential criteria in investment decisions, and companies with stronger ESG profiles may achieve higher financial returns as investors give stronger valuations to companies that implement ESG best practices.

As a responsible investor, Panagram seeks to comply with all applicable laws and regulations in the jurisdictions it serves and is committed to the integration of ESG principles into its investment management process.

Panagram believes that strong governance is fundamental to successful long-term ESG integration throughout its business and places emphasis on stewardship, diversity, and equity to help protect and generate long-term value for its clients and ensure employee satisfaction. Panagram maintains an ESG Committee, which is responsible for overseeing ESG integration and driving the firm's continued commitment to ESG initiatives.

## ***Proxy Voting***

Given the nature of the securities in which Panagram invests on behalf of its clients, occasions for proxy voting are not regularly expected to arise. It is Panagram's general policy to exercise a client's voting or consent rights in a manner that is in accordance with the proxy voting instructions conveyed by the client with respect to that client's securities, to the extent any such

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proxy voting instructions exist, and to otherwise vote such proxies in the best interests of clients, and in accordance with Panagram's proxy voting policies and procedures.

## **Firm-wide Approach and ESG Commitment**

Panagram believes that responsible investing is key for investment returns and risk mitigation, which is only achievable when ESG factors are supported in all areas of the firm. Incorporation of ESG factors includes, but is not limited to, (i) reviewing Panagram's investment strategies, systems, analytical tools, and capabilities as the firm continues to grow; (ii) promoting responsible investment and ESG considerations in its investment process; (iii) incorporating a sustainability and diversity, equity, and inclusion ("DEI") framework in Panagram's policies and procedures; and (iv) emphasizing ongoing education and training for employees.

Panagram is committed to continue to improve its ESG integration throughout the business and will continue to review and update its policies and procedures to reflect best practices and the evolving ESG landscape.