

## MADISON CAPITAL FUNDING LLC ESG POLICY

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The purpose of this Policy is to define Madison Capital Funding LLC's ("Madison" or the "Firm") approach to integrating environmental, social and governance ("ESG") considerations into its investment process and decision making with respect to its senior secured loan investments and related equity co-investments (together "Investments").

### I. Introduction

As a signatory to the United Nations Principles for Responsible Investment ("UN PRI"), Madison is committed to considering ESG issues, including those described below, in the course of its due diligence and investment decision process. For the purpose of this Policy, ESG issues are defined as those Madison, in its sole discretion, determines have, or have the potential to have, a direct substantial impact on a Portfolio Company's ability to create, preserve, or erode economic value, as well as environmental and social value for itself and its stakeholders.

Madison, along with many of its private equity sponsors ("Sponsors"), and the senior management of Portfolio Companies are conscious that as ESG motivated standards and regulations become more widely promulgated, it is likely that the companies better positioned to embrace the aspirational goals of the UN PRI will benefit financially in the future. Consequently, many Sponsors have implemented ESG policies and included these considerations in their investment process; and management is increasingly focused on the financial benefits and positive social and environmental impact of integrating ESG criteria into their operations. In addition to this Policy, Madison directly benefits from the ESG efforts of its Sponsors and the management teams of its Portfolio Companies.

### II. Scope

This Policy applies to Madison's senior secured loan investments and related equity co-investments. For any equity co-investment Madison makes it is required that Madison also provide the debt at consummation of the equity. Therefore, the ESG Considerations and Analysis and Procedures discussed herein will apply to all Madison investments.

Furthermore, as lender or non-voting equity investor, Madison has limited rights to influence or control the integration of ESG considerations in an investment following is closing. Thus, Madison, to the extent the Sponsor is not already considering ESG principles and Madison believes it can influence the Sponsor, will engage with Sponsors to encourage them to consider relevant ESG related principles with respect to the Portfolio Companies. Madison will document these requests, as applicable, in emails delivered to Sponsors, internal memoranda to file, or deal team/investment committee materials related to the investment.

### III. ESG Considerations

There is no exhaustive list of ESG issues. Set forth below are examples of certain ESG related factors, one or more of which Madison may consider during its investment process and decision making with respect to Investments:

- Environmental Issues, including but not limited to:
  - o Climate change and carbon emissions
  - o Air and water pollution

- Biodiversity
- Deforestation
- Energy Efficiency
- Water scarcity
- Social Issues, including but not limited to:
  - Customer Satisfaction
  - Data protection and privacy
  - Gender and diversity
  - Labor standards
  - Human rights
  - Community relations
- Governance Issues, including but not limited to:
  - Corporate structure and ownership
  - Accounting practices
  - Executive compensation
  - Lobbying
  - Political contributions
  - Management backgrounds

#### **IV. ESG Analysis and Procedures**

The level of impact from ESG factors may differ by company, sector, geography, asset class and time period. Madison recognizes that applying these principals may better align its investment activity with broader objectives of society. Therefore, Madison is committed to the following:

- Madison will incorporate Environmental, Social, and Corporate Governance issues into its investment analysis and decision-making process; as appropriate;
- Madison will encourage the companies, when appropriate, in which it invests to consider relevant ESG issues, with the goal of minimizing adverse effects in these areas and ultimately providing long-term sustainability for the benefit of all stakeholders;
- Madison will remain committed to compliance with applicable national, state and local labor laws in the jurisdictions in which it invests and proactively promote such compliance;
- Madison will assign an internally created ESG Risk Rating (#1-4) to all Portfolio Companies in its portfolio and provide ESG reporting for clients with ESG considerations upon request. The ESG Risk Rating will be a numerical score given to an investment to represent its overall quality and risk profile related specifically to ESG factors.

The underwriting and analysis of ESG related risk factors is a core part of Madison's due diligence, underwriting, and portfolio management. ESG considerations are performed as part of Madison's standard initial and second stage due diligence, and material changes in ESG risk factors are documented on a quarterly basis as part of the ongoing portfolio management process.

Madison has created an ESG Risk Rating Grid that includes four risk groups for each primary ESG risk category. Madison's underwriting teams will use their collective professional judgement in combination with review of the ESG Risk Rating Grid to assess the Portfolio Company's Risk Rating across the three ESG risk categories. An ESG Rating of 'Low Risk', 'Low Material Risk', 'Material Risk', or 'Significant Risk' will be assigned for each risk and an overall numeric ESG Score between 1-4 will be calculated for each new investment. Madison's underwriting teams are required to document this analysis within the underwriting materials that are presented to Madison's Investment Committee for all proposed new investments. The Account Manager is responsible for completing this initial ESG review as well as making updates to the ESG Risk Rating and Score throughout the life of a given investment when deemed appropriate and revaluated on a routine basis as an integrated component of Madison's broader quarterly portfolio monitoring activities.

It is the responsibility of all Account Managers to remain mindful of changes at the Portfolio Company level, or within the Company's industry or geography, that could impact the existing ESG Risk Rating.

## **V. The United Nations Principles for Responsible Investment**

Madison became a signatory to the UN PRI In June 2019. As a signatory, Madison has committed to act in the best long-term interest of our investors and clients, and believe that environmental, social, and corporate governance issues can affect the performance of its investments and third-party vehicles. Where consistent with its fiduciary duties, Madison will aspire to consider the UN PRI's six principles when making investment decisions. The six principles include:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

As a UNPRI signatory, Madison will ensure its annual membership fee is paid on a timely basis.

## **VI. Madison UN PRI Reporting**

As a UN PRI signatory, Madison must publicly report on its investment activity through the UN PRI's Reporting Framework. This Reporting Framework is intended to promote the application of Principle 6 stated above. The Reporting Framework contains 12 individual modules which address, among other items, Madison's history, investment strategy, policies and procedures, corporate governance and human resource practices, and steps Madison takes to encourage responsible investment.

## **VII. Governance and Oversight**

Governance and oversight of ESG policy implementation starts with Madison's ESG Committee, which includes leaders from its credit, investment management and compliance departments. The ESG Committee is responsible for the Firm's ESG focused policies, governance, reporting and education. Madison's ESG Committee reports directly to the Firm's Chief Executive Officer and meets on a quarterly basis (or more often) to discuss the firm's ESG objectives and ongoing responsible investment initiatives.

## **VIII. Recordkeeping**

All reports and records required to be kept in accordance with these procedures and the Investment Advisers Act of 1940 will be retained for a period of 8 years in an easily accessible location, the first two of which in an appropriate office of the investment adviser.

## **IX. Annual Review/Revisions**

This Policy may be revised as needed to accommodate any changes in practices consistent with the applicable regulations. Compliance will review this Policy consistent with Rule 206(4)-7 under the Investment Advisers Act of 1940, as amended, which requires among other things, that each registered investment adviser review, no less frequently than annually, the adequacy of its policies and procedures and the effectiveness of their implementation.