Compliance statement

The disclosure set out in this report for Sound Point Capital Management UK LLP complies with the requirements under Chapter 2.2 of the FCA's ESG Sourcebook, and other relevant sections.

Russell Holliday (Jun 30, 2025 20:43 GMT+1)

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Governance

Sound Point Capital Management UK LLP is FCA authorised and is 50% owned by Sound Point Capital (Services) Ltd. Together, they are an investment group whose principal activity is to provide is advisory services to its affiliate, Sound Point Capital Management, LP ('Sound Point'), a U.S. based investment adviser registered with the U.S. Securities and Exchange Commission. Sound Point Capital (Services) Ltd is also a wholly owned subsidiary of Sound Point.

Board Oversight (TCFD Governance – Section A):

Sound Point has a Board of Managers that provides top-level oversight, comprising senior leadership and key stakeholders. The board includes the firm's CEO and representatives of major owners.

The CEO serves a Managing Partner and CIO, chairs the firm's Management Committee and participates in most internal committees. This structure ensures that any escalated climate-related matters (like other strategic and risk issues) can gain visibility as needed with the highest levels of management.

- There is no segregated process for governance of climate risks and opportunities.
- Instead such risks are monitored through the ESG committee and escalated to the Investment committee and Board as necessary.

Management's Role (TCFD Governance – Section B):

Day-to-day responsibility for assessing and managing climate-related risks at Sound Point is assigned to a management-level ESG Committee with cross-functional senior members – for example, the Chief Credit Officer and Head of CRE Credit both sit on the ESG Committee alongside other executives.

Sound Point also has designated roles in its operations/risk team focused on ESG: The *Head of Risk, Valuations, and ESG*, and an Associate Director both specialize in ESG, risk, and valuation analytics. This structure ensures that climate-related responsibilities are appropriately mapped to domain expertise and accountability is further operationalised through specific positions within the ESG committee.

Strategy

Climate-Related Risks & Opportunities (TCFD Strategy – Section A):

Based on Sound Point's business model (credit-focused asset management), certain potential risks – e.g. *transition risks* in the medium term (regulatory changes or market shifts affecting high-carbon industries in their loan/CLO portfolios) and *physical risks* (e.g. extreme weather impacting real estate debt investments or issuer operations) may be of strategic relevance to the firm.

Sound Point undertakes ad hoc climate related scenario analysis which includes both physical and transitional risk and opportunity factors within its scope.

Impact on Business, Strategy and Financial Planning (TCFD Strategy – Section B):

The potential business impacts of climate-related risk and opportunities are considered by Sound Point in several respects:

Climate-related risks and opportunities influence several facets of Sound Point's CLO platform strategy, particularly in areas related to structuring, credit selection, and origination engagement

> **Product Structuring**: Climate and ESG considerations inform the design of eligibility criteria, exclusionary screens (e.g., thermal coal, speculative fossil fuels), and caps on exposures to environmentally sensitive sectors. Where appropriate, documentation allows for flexibility in managing climate-exposed positions post-reinvestment period.
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> **Origination and Underwriting**: ESG factors are reviewed as part of pre-trade diligence for new portfolio additions. While the CLO vehicle is not itself an originator, we are selective in trading into borrowers with persistent ESG controversies, regulatory risks, or high climate exposure. Where possible, we prioritize loans with ESG margin ratchets, viewing them as indicators of issuer engagement with sustainability goals.
>
> **Geographic Allocation**: Concentration limits and credit screens already restrict overexposure to jurisdictions with weaker sovereign ESG profiles (e.g., limits on obligors domiciled in countries rated below Aa3 by Moody's or AAA by Fitch), indirectly reducing geopolitical and climate policy risk.

Planned Strategic Responses:
Sound Point is considering ongoing integration of third-party ESG analytics platforms (e.g., ACA Ethos) into trade surveillance and covenant monitoring. Sound Point also perform climate scenario analysis to assess prospectively, potential impacts of climate stress on sector spreads, particularly in cyclical or emissions-intensive industries.

Resilience and Scenario Analysis (TCFD Strategy – Section C):

Sound Point uses 7 NGFS defined scenarios to undertake climate scenario analysis in order to test the resilience of its portfolios under different possible transition models.

These are:

Scenario.Title	*Description*
Below 2°C (Orderly)	Below 2°C gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C. Additionally, countries with net zero targets reach them partially (80% of the target).
Current Policies (Hot house world)	Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks.
Delayed Transition	Delayed Transition assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. Negative emissions are limited.
Fragmented World (Too little, too late)	Fragmented World assumes a delayed and divergent climate policy response among countries globally, leading to high physical and transition risks. Countries without zero targets follow current policies, while other countries achieve them only partially (80% of the target).

Low Demand (Orderly)	Low Demand explores the global efforts needed to be able to limit global warming to below 1.5°C by 2050 in an orderly fashion, aligned with the Paris Agreement, driven by lower energy demands. Given the policy delays, this orderly scenario shows that achieving these targets will require even greater ambition in future compared with the previously published 'orderly transition' scenarios.
Nationally Determined Contributions (NDCs) (Hot house world)	Nationally Determined Contributions (NDCs) includes all pledged targets even if not yet backed up by implemented effective policies.
Net Zero 2050 (Orderly)	Net Zero 2050 limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050. Some jurisdictions such as the US, EU, UK, Canada, Australia, and Japan reach net zero for all GHGs.

Quantitative analysis for each scenario is performed across immediate, short-term, medium-term and long-term horizons and the outputs are presented as indicative value-at-risk figures for each scenario and time horizon. Currently the analysis indicatives negligible levels of value-at-risk risk until at least 2050.

Given that these long-term horizons overshoot the typical lifecycle of the collateral within the CLOs managed by Sound Point (circa 1 to 5 years), the potential impact of climate related factors on impact credit spreads or default risks is generally unlikely to arise during the lifecycle of underlying loan portfolios.

Risk Management

Risk Identification & Assessment Processes (TCFD Risk Management – Section A):

Sound Point has a firm-wide Risk Committee and dedicated risk officers, but does not have a standalone committee for climate change related risks specifically.

Sound Point uses external data providers to gather climate related risk data across portfolio assets and seeks to calculate climate related metrics in line with PCAF methodologies wherever possible. The data collected in relation to climate drive value-at-risk reflects both physical risk factors to underlying assets and transitional factors such are carbon pricing, technology risk and policy risk.

The risk management process profiles these factors across 7 different climate scenarios and across short-medium, and long-term time horizons to provide a forward looking indication of how the risks in question are likely to evolve under different transition models.

To the extent that forward looking scenario models indicate potential value-at-risk that would be deemed material or in In cases where stress scenarios indicate potential covenant breaches or ratings downgrades linked to climate risk, these are escalated to the Investment Committee. The Investment Committee retains the right to mandate liquidation or prohibit reinvestment into flagged sectors or jurisdictions.

Risk Management Processes (TCFD Risk Management – Section B):

Sound Point manages portfolios of CLOs, which constitute a form of credit derivative instrument.

At the time of writing, the methodologies for identifying, tracing, characterising, and assessing climate risk exposure in relation to this asset class are nascent and known to be limited – in part due to the manner in which derivative instruments are often several degrees removed from underlying assets or economic activities that may be directly impacted by climate change and the transition to a low-carbon economy.

Despite these known limitations, Sound Point's risk mitigation and control framework integrates climate-related and broader ESG considerations into the portfolio lifecycle where possible through clearly defined

investment eligibility criteria, structural protections, oversight committees, and real-time monitoring technologies. The foundation of this framework lies in a combination of strong investment guidelines, ongoing portfolio surveillance, and independent risk governance.

Exclusionary Screening:
Sound Point's eligibility policies screen out exposures to controversial sectors such as thermal coal (max 10%), speculative fossil fuel extraction (max 5%). This controls exposure to fossil duel intensive industries.

Climate-Linked Margin Ratchets:
A growing proportion of the Euro-denominated loans Sound Point invest in feature ESG-linked margin ratchets**,** where the borrower's cost of capital is directly tied to the achievement of measurable ESG key performance indicators (KPIs). These typically relate to emissions reduction targets, renewable energy usage, diversity metrics, or sustainability-linked disclosures. Sound Point view these ratchets as a tangible mechanism to align borrower incentives with climate and sustainability outcomes, and we actively track and incorporate them into our ESG and credit assessments.

Scenario Analysis:
Further to this, Sound Point sources data on portfolio financed emissions and indicative data on climate value-at-risk (VaR), which is sourced from third party providers and presented as a percentage of overall asset value. Currently these figures show negligible immediate, and short-term climate value at risk – peaking at just 1.37% under the worst case 2030 climate scenario and breaching 3% only in 2050.

As a credit manager, credit risk, and liquidity risk are currently viewed as more proximate risk factors, with climate risk emerging as a longer-term consideration. The climate value-at-risk projections data presented in this disclosure are supportive of this outlook.

Any potentially significant risks from an investment management perspective will be flagged by the ESG Committee – however no standalone climate risk function or committee has been established.

Sound Point does not have climate-specific engagements with investees, because its positions (e.g. syndicated loans via CLOs) don't easily allow traditional shareholder engagement.

Integration into Overall Risk Management (TCFD Risk Management – Section C):

Over time Sound Point intends to integrate climate risk considerations, where deemed material, into its existing risk management framework rather than managing them in isolation.

Sound Point's organizational structure support this integrative approach:

- The Head of ESG (Doug Bortner) is also the Head of Risk
- There is significant crossover between members of Risk Committee and ESG Committee.

This structure allows for climate-related risks (if deemed material) to be discussed in the context of general risk governance rather than a silo. In practice.

Metrics and Targets

Metrics Used to Assess Climate Risks & Opportunities (TCFD Metrics – Sections A and B):

Sound Point has begun collecting certain metrics internally around its operational carbon.

London Office – Operational Carbon Footprint (2024) estimated*:
The firm has estimated its operational carbon footprint for 2024 for its London office, focusing on Scope 2 and select Scope 3 emissions.

2024 Scope 1 emissions (tCO_2e):	0
2024 Scope 2 emissions (market based) (tCO_2e):	6.10
2024 Scope 3 emissions (tCO_2e):	75.18
2024 Total operational carbon (tCO_2e):	81.28
2024 average number of full time employees:	19
2024 Operational emissions intensity (tCO_2e per full time employee):	4.278

*NOTES
These figures are calculated based on growth in operational activity versus the previous year. There are no Scope 1 emissions from direct fuel use (the company has no company vehicles or on-site fuel combustion). Exact metered data on Scope 2 energy consumption was not available for 2024, but the growth in energy consumption has been estimated.

The data for Scope 3 operational emissions is based on estimates for business air travel, other business travel, employee commuting, and data center usage. The employee commuting data for the London office assumes 3.5 days commute, all by driving.

Scope 3 operational emissions data does not include other Scope 3 sources like waste, upstream/downstream supply chain, or financed emissions. Financed emissions are treated separately under 'portfolio financed emissions' (see below).

Portfolio Financed Emissions (2024):

Scope 1 Financed Emissions:	33,395 tCO_2e
Scope 2 (market based) Financed Emissions:	23,718 tCO_2e
Scope 2 (location based) Financed Emissions:	31,296 tCO_2e
Scope 3 Financed Emissions:	456,656 tCO_2e

Portfolio Weighted Average Carbon Intensity by Enterprise Value (2024):

Scope 1 and scope 2 (market based) emissions intensity:	0.0362 tCO_2e per $million enterprise value.
Scope 3 emissions intensity:	0.290 tCO_2e per $million enterprise value.

Portfolio Weighted Average Carbon Intensity by Revenues (2024):

Scope 1 and scope 2 (market based) emissions intensity:	0.0791 tCO2e per $million revenue
Scope 3 emissions intensity:	0.633 tCO2e per $million revenue

Time Horizons:
Risk under each Climate Scenario is evaluated for the current reporting year, and also over the following short, medium, and long-term time horizons in order to align with standard TCFD-aligned reporting practice:

Short term	2030
Medium Term	2050
Long Term	2100

Note on Time Horizons:
It should be noted that while it is standard practice to employ these horizons in climate risk scenario analysis, they significantly overshoot the typical lifecycle of the CLOs Sound Point manages.

The underlying assets in Sound Point's CLO platform are primarily broadly syndicated loans (BSLs) with an average maturity of 3 to 5 years. Sound Point's internal time horizon definitions for assessing climate-related risks and opportunities are calibrated accordingly:

Short Term: 0–2 years
Captures immediate portfolio sensitivities, trading activity, and reinvestment decisions. Relevant for assessing short-cycle transition risks, regulatory changes, or margin ratchet outcomes.

Medium Term: 2–5 years
Aligns with the typical reinvestment period and WAL of our CLO portfolios. Encompasses borrower-level ESG trajectory, covenant evolution, and emerging sectoral shifts due to climate policy or energy transition.

Long Term: 5+ years
Extends beyond the typical CLO lifecycle but is considered for strategic platform planning, ESG data infrastructure investments, and evolving investor expectations around sustainable finance.

These definitions reflect both the investment duration and the operational cadence of CLO structuring and portfolio turnover, ensuring climate risk assessments are grounded in the actual risk-return profile of our investment vehicles.

In order to comply with standard climate reporting conventions however Sound Point also present scenario analysis data over the standard 2030, 2050 and 2100 horizons. The aggregated results of the scenario analysis are summarised as follows:

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2024	-0.03%	-0.01%	-0.01%	-0.01%	-0.03%	-0.03%	-0.03%
2030	-0.54%	-0.07%	-0.12%	-0.07%	-1.37%	-0.33%	-2.91%
2050	-1.39%	-0.48%	-1.47%	-1.11%	-2.59%	-0.69%	-3.12%
2100	-1.76%	-1.78%	-1.72%	-1.55%	-2.03%	-2.08%	-2.22%

Climate Value at Risk (VaR) :
Climate Value at Risk figures include the following subcategories of risk/ opportunity:

- Physical Risk (all source)
- Transition Risk – Carbon Price
- Transition Risk – Technology Risk
- Transition Risk – Climate Policy

Data Limitations:

Trend Analysis:
Since this is Sound Point's first report, historical or baseline data for portfolio finance emissions from which to perform trend analysis. Going forward, 2024 portfolio financed emissions will serve as the baseline year against which future comparisons will be calculated.

Asset Coverage
Sound Point data for financed emissions and for emissions intensity covers 88.24% of assets. Closure of the remaining gap (11.76%) is addressed as a forward-looking target.

Climate-Related Targets and KPIs (TCFD Metrics – Section C):

Sound Point commit, tentatively, to improving the current level of data coverage for portfolio such that, over successive years, we close data gaps and approximate full coverage. Our commitment is tentative and depends on the ongoing availability – and methodological comparability – of GHG emissions data.

Aside from this, no formal climate targets or emission reduction targets have been established.

Sound Point do not currently set formal GHG reduction or emissions intensity targets at the CLO or loan portfolio level. This is due to several structural and operational constraints:

- **Nature of the Asset Class**:
  CLOs invest in syndicated corporate loans, where primary GHG emissions data are not always consistently disclosed or standardized at the issuer level. Data coverage is improving, but remains fragmented, especially for smaller or privately held issuers.

- **Product Constraints**:
  As structured finance vehicles, CLOs have defined investment mandates and eligibility criteria driven by rating agency models and investor covenants. This limits flexibility in screening based on emissions metrics alone, particularly without compromising credit diversification or risk-return objectives.

- **Platform Focus**:
  Sound Point's CLO platform's primary investment objective is credit risk-adjusted return. However, the firm continues to monitor market developments, such as the adoption of climate-related disclosures under the SEC's proposed rules and EU SFDR mandates.

Review & Monitoring:
Sound Point periodically review the feasibility of introducing climate-related metrics into performance reporting and investment criteria, as ESG data coverage and investor demand evolve. This is overseen by the firm's ESG Committee in coordination with our Risk and Investment teams. Sound Point aim to reassess the inclusion of quantitative climate targets annually or as market standards mature.