

# Sound Point Capital Management – SFDR Disclosures

## Index

<b>Confirmation of Sound Point Structure and Jurisdictional Scope</b>	Page 1
<b>Sustainability Risk Policy</b> (per Article 3 SFDR)	Page 2
<b>Comment on Principal Adverse Impacts</b> (per Article 4 SFDR)	Page 4
<b>Comment on Remuneration Policy Alignment</b> (per Article 5 SFDR)	Page 5
<b>Product Level Precontractual Disclosures</b> (per Article 6 SFDR)	Page 5-6

## 1. Sound Point Structure and Jurisdiction

**Sound Point Capital Management, LP (“Sound Point”, “the Group”)** is a global credit-focused asset manager with approximately USD 45–46 billion AUM, investing across leveraged loans, CLOs, direct lending, opportunistic credit, structured credit and commercial real-estate debt. The group is headquartered in the United States.

**Sound Point Capital Management UK LLP (“SPCM UK”)** is the UK-based advisory arm of the Sound Point group. SPCM UK is authorized by the FCA as a MiFIDPRU investment firm (classified as a small non-interconnected firm) under the MiFIDPRU prudential regime, and does not hold client money or assets.

### 1.1 EU regulatory perimeter:

- Sound Point operates Irish and Luxembourg-domiciled securitization entities via its U.S. advisers
- The firm does not operate an EU-regulated management company.
- SFDR obligations apply to “financial market participants” (FMPs), including AIFMs and management companies, when they market financial products within the EU.
- Even though Sound Point does not itself have an EU-regulated AIFM, its non-EU advisers market Irish and Luxembourg domiciled products in the EU.
- Because the group employs fewer than 500 staff (as evidenced by head-count figures in the organizational chart), it is not required to publish a full principal adverse impact (PAI) statement. Instead, it may opt to explain why PAIs are not considered.

### 1.2 SFDR – Summary of Key Articles

- **Article 3** – requires in-scope entities to publish an entity-level sustainability-risk policy describing how environmental, social and governance (ESG) risks are integrated into investment processes.
- **Article 4** – require in-scope entities to explain whether or not Sound Point considers principal adverse impacts of investment decisions on sustainability factors. Given the staff threshold and data limitations, Sound Point has chosen not to consider PAIs at entity level.
- **Article 5** – requires in-scope entities to include a statement on how the firm’s remuneration policy is consistent with the integration of sustainability risks.
- **Article 6** – requires in-scope products to publish product-level pre-contractual disclosures on how sustainability risks are integrated in each EU-marketed product, or explain why such risks are not relevant.

## 2. Sustainability Risk Policy (Article 3)

### 2.1 Purpose and Scope

This policy applies only where a Sound Point entity is an EU ‘financial market participant’ for SFDR purposes. It outlines how Sound Point integrates sustainability risks – defined as environmental, social or governance events that could materially affect investment value – into investment decision-making. The policy complements product-level SFDR disclosures and links to the remuneration policy described in Section 4.

### 2.2 Definitions

- **“Sustainability risk”:**  
An environmental, social or governance (ESG) event or condition that, if it occurs, could cause a material negative impact on the value of an investment (SFDR Art. 2(22))
- **“Sustainability factors”:**  
Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters (SFDR Art. 2(24)).
- Internal terms used in operations:
  - **“controversy”:** means ESG event severity bands
  - **“watchlist”:** means heightened-monitoring issuers
  - **“transition risk”:** means policy/technology/market/reputation
  - **“physical risk”:** means acute/chronic
  - **“data coverage threshold”:** means minimum inputs for use in models.

### 2.3 Governance and Accountability

Sound Point’s ESG policy assigns responsibility for sustainability risk integration to the firm’s investment committees and ESG Committee. The Board of Managers oversees the policy and sets risk appetite. Day-to-day implementation is led by the investment teams, supported by risk and compliance functions that challenge methodologies and monitor adherence.

#### Committees:

- An ESG Committee comprising senior investment heads meets bi-annually or as needed to review ESG issues and advise on actions.
- The Credit Investment Committee (IC) approves new exposures and material amendments
- The Risk Committee (RC) sets risk appetite, approves controls and monitors concentration/limit use
- The Conflicts Committee oversees MNPI and greenwashing risks.

#### Delegation:

Because Sound Point delegates management of EU-domiciled vehicles to its U.S. advisers, the advisers retain ultimate responsibility for ESG integration and must ensure that any sub-delegates maintain equivalent standards.

### 2.4 Integration in the Investment Lifecycle

Sound Point uses a research-intensive investment process. ESG considerations are integrated at each stage:

- **Universe construction & exclusions**  
Sound Point does not impose firm-wide exclusions but most European CLOs incorporate written restrictions prohibiting investments in industries such as adult entertainment, controversial weapons, unconventional fossil-fuel extraction, coal and other activities deemed controversial.

Analysts also apply client-specific exclusion lists when mandated.

- **Research & due diligence**

Analysts assess ESG risks most likely to affect a borrower's financial condition. They draw on guidance from the Sustainability Accounting Standards Board (SASB) and Sound Point's internal ESG database, which contains third-party ESG ratings and raw data fed from an external vendor (currently ACA Ethos) and an in-house physical-risk model. ESG factors considered include environmental impacts, public health and safety, governance structures, labor practices, anti-corruption policies and human rights. Material ESG risks are documented in investment memoranda and discussed at weekly investment committee meetings.

- **Pre-trade assessment**

Portfolio managers consider identified ESG risks alongside credit and market risks when sizing positions and determining expected return and loss scenarios.

- **Portfolio construction**

ESG risk assessments inform limits on exposures to certain issuers or sectors and may influence probability-of-default/loss-given-default assumptions for credit positions.

- **Post-trade monitoring**

Significant ESG developments are tracked through event alerts, covenant breaches and periodic reviews. Where ESG risks change materially, analysts update the ESG database and may notify the ESG Committee. Because Sound Point often invests in leveraged loans or securitized exposures, it has limited ability to influence issuers directly. This means that monitoring and documentation are important.

## 2.5 Data Sources and Methodologies

Sound Point's ESG framework relies on a combination of internally captured data and third-party sources. The firm maintains a centralized ESG database integrated with its portfolio management system, which aggregates ESG scores and raw data from ACA Ethos and other providers. Analysts also review issuer-reported information, regulatory filings and research from external providers.

A proprietary physical-risk model assesses exposure to climate-related natural disasters. Data quality is reviewed periodically. When reported data are unavailable, proxy estimates may be used, with limitations disclosed in investment memoranda.

## 2.6 Risk Appetite, Limits and Escalation

Sound Point accepts exposure to sustainability risks where they are commensurate with expected returns and sufficiently understood, priced and monitored. For high-risk issuers, pre-trade reviews may be enhanced and position sizes capped. Investments are prohibited where issuers breach written ESG restrictions in the relevant CLO documentation. Breaches of ESG limits or emergence of severe controversies trigger escalation to risk/compliance teams and may result in engagement, exclusion or divestment.

## 2.7 Stewardship and Engagement

Given the nature of its portfolios (leveraged loans, CLOs and other credit instruments), Sound Point typically has limited shareholder rights and cannot vote on corporate resolutions. Engagement with borrowers is therefore constrained. Where the firm manages private credit or direct lending mandates, investment teams may engage with borrowers on ESG risks; progress is recorded in the ESG database. For securitized positions, Sound Point instead mitigates ESG risks through due diligence, covenant structuring and

adherence to contractual exclusions.

## 2.8 Conflicts and Greenwashing Risk

Sound Point recognizes that promoting ESG credentials without commensurate action can lead to greenwashing. Compliance reviews public claims for consistency with underlying portfolios and ensures that marketing materials do not overstate ESG integration. The remuneration policy avoids incentivizing excessive risk-taking or mis-selling. Potential conflicts arising from sustainability-linked incentives are recorded in the Conflicts of Interest Register, and unresolved conflicts are disclosed to clients.

## 2.9 Review and Publication

This policy is reviewed at least annually or sooner if material regulatory or strategic changes occur. It is published in a prominent, easily accessible area of Sound Point's website and is cross-referenced to the PAI statement and remuneration policy.

# 3. Principal Adverse Impact Statement (Article 4)

### Applicability of Article 4 Requirements to Sound Point:

Sound Point Capital Management, LP and Sound Point Capital Management UK LLP are not "financial market participants" for the purposes of the EU Sustainable Finance Disclosure Regulation (SFDR) in relation to their current activities. Accordingly, SFDR Article 4 (principal adverse impacts at entity level) does not apply to these entities at this time. Where a third-party EU AIFM is appointed for an EU-domiciled product, that AIFM (rather than Sound Point as delegate) is responsible for SFDR Article 4 disclosures.

### "Do-not-consider" explanation with respect to PAIs (per Article 4(1)(b))

As of the date of this statement, Sound Point does not consider principal adverse impacts (PAIs) of investment decisions on sustainability factors at entity level within the meaning of SFDR Article 4. This position reflects Sound Point's size and the nature of our strategies (predominantly private and securitized credit), for which comparable, decision-useful PAI data are not consistently available across counterparties:

- Sound Point has fewer than 500 staff
- The nature of Sound Point's investment strategies which primarily involve diversified pools of leveraged loans and securitizations.
- Reliable data on mandatory PAI indicators are not available for many underlying issuers, and the firm's ability to influence borrowers is limited.

Sound Point will continue to monitor regulatory developments and data availability and will review this decision by 30 June 2026.

Although PAIs are not considered at entity level, Sound Point does collect product-level emissions data for certain European CLOs to inform risk assessments. Table 1 (overleaf) summarizes financed emissions and emissions-intensity metrics for the CLOs which are marketed in the EU. These figures are derived from internal calculations using available data and may be refined as reporting standards evolve.

**Table 1 – Summary of financed emissions for selected in-scope CLOs**

CLO	Scope 1 (tCO <sub>2</sub> e)	Scope 2 (tCO <sub>2</sub> e)	Scope 3 (tCO <sub>2</sub> e)	Total emissions (tCO <sub>2</sub> e)
Sound Point Euro CLO I Funding DAC	2,298.79	1,487.05	29,012.69	32,798.53
BlueMountain EUR CLO 2016-1 DAC	1,520.57	1,081.73	20,333.25	22,935.55
Sound Point Euro CLO VI Funding DAC	2,124.04	1,281.91	24,812.86	28,218.81
Sound Point Euro CLO VIII Funding DAC	2,286.39	1,594.54	32,299.91	36,180.84
Sound Point Euro CLO 10 Funding DAC	2,084.03	1,640.99	29,964.12	33,689.14

#### 4. Remuneration Policy (Article 5)

Sound Point's remuneration policy is designed to ensure sound and effective risk management. The Board is responsible for setting and reviewing remuneration arrangements. Variable compensation is determined by individual, team and firm performance. Risk and compliance input is sought in setting awards, and no staff member is guaranteed a bonus. The firm applies a balanced mix of fixed and variable remuneration and reviews gender neutrality and equality annually.

To comply with Article 5 SFDR, Sound Point confirms that its remuneration policies are consistent with the integration of sustainability risks. Employees whose activities materially impact the risk profile of EU-marketed products are expected to adhere to the firm's ESG and sustainability-risk policies. Compliance with these policies is considered qualitatively in annual performance assessments. A negative assessment of ESG compliance may reduce variable remuneration. However, the firm does not currently link bonuses to specific ESG metrics. Guaranteed bonuses and buy-outs are only granted in exceptional circumstances for new hires, and retention awards are subject to Board approval.

#### 5. Product-Level Pre-Contractual Disclosures (Article 6)

All of Sound Point's EU-marketed CLOs and other alternative credit vehicles are aligned with Article 6. These products do not promote environmental or social characteristics and do not have sustainable investment objectives. Nevertheless, Sound Point integrates sustainability risks into investment decisions in the manner described in Sound Point's Sustainability Risk Policy (Section 2 of this document).

**Table 2 – In-scope products and SFDR classification**

Product	SFDR classification	Domicile	Investment strategy	Sustainability risk integration & EU Taxonomy alignment
Sound Point Euro CLO I Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %
Sound Point Euro CLO II Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %
Sound Point Euro CLO III Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %
Sound Point Euro CLO IV Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %

Product	SFDR classification	Domicile	Investment strategy	Sustainability risk integration & EU Taxonomy alignment
Sound Point Euro CLO V Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %
Sound Point Euro CLO VI Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %
Sound Point Euro CLO VII Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %
Sound Point Euro CLO VIII Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %
Sound Point Euro CLO 10 Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %
Sound Point Euro CLO 11 Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %
Sound Point Euro CLO 12 Funding DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered in due diligence No sustainable objective under SFDR. EU Taxonomy alignment 0 %
BlueMountain EUR 2 021-1 CLO DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered No sustainable objective under SFDR. EU Taxonomy alignment 0 %
BlueMountain EUR 2 021-2 CLO DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered No sustainable objective under SFDR. EU Taxonomy alignment 0 %
BlueMountain Fuji E UR CLO III DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered No sustainable objective under SFDR. EU Taxonomy alignment 0 %
BlueMountain Fuji E UR CLO IV DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered No sustainable objective under SFDR. EU Taxonomy alignment 0 %
BlueMountain Fuji E UR CLO V DAC	Article 6	Ireland	Credit securitisation of leveraged loans	ESG risks considered No sustainable objective under SFDR. EU Taxonomy alignment 0 %

This document is based on internal policies and data available as of July 2025.

Sound Point will update these disclosures as required by regulation and as additional data become available.