



Empyrea Bond Impact



OUR FIRM

Empyrea Group Inc, is a private, independent, employee-owned investment manager. The firm manages a range of strategies—including equity, fixed income, quantitative and multi-asset class, private equity, real estate and hedge funds – on behalf of institutions, advisors and individual investors globally. With offices in 23 countries, Empyrea's diverse team has over 1,500 professionals. For over 35 consecutive years, the company has been good in Pensions & Investments, Best Places to Work in Money Management survey (among those with 1,000 employees or more).

In 2020, Empyrea as a Leader, a designation awarded to fewer than 1% of investment firms for excellence in Environmental, Social and Governance (ESG) practices. The firm manages over \$160 billion in client assets as of December 31, 2022.

INTRODUCTION

Since the inception of the firm, Empyrea's purpose has been to deliver compelling investment results for our clients over the long-term supporting them to achieve their investment objectives. We also understand that for many clients the impact of their portfolios is an important consideration in conjunction with investment performance. Empyrea has been at the forefront of integrating ESG factors into investment processes. Today, we continue to innovate, driven by our belief that ESG factors, like any other factor, should be incorporated in a manner consistent with the specific asset class, investment objective and style of each investment strategy. ESG factors can be employed in a variety of ways to help generate enhanced returns, mitigate risk, and meet specific client objectives within a portfolio. We believe that our approach, which is focused on maximizing results for our clients, can also support better-functioning capital markets and have a positive impact for people and the planet.

SCOPE

Our ESG policy (the "ESG Policy") applies to all asset classes across our investment platform including equities, fixed income and private markets and is intended to provide a broad framework for our approach to integrating ESG factors into our investment management. The specific approach to ESG integration utilized by our portfolio managers depends on multiple factors, including the objectives of the strategy, asset class and investment time horizon, as well as the specific research and portfolio construction, philosophy and process used by the portfolio managers. In addition, our integration of ESG factors can be customized by the type of investment vehicle to meet the goals and values of clients.

WE BELIEVE THAT MATERIAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS ARE AN IMPORTANT DRIVER OF LONG-TERM INVESTMENT RETURNS FROM BOTH AN OPPORTUNITY AND A RISK-MITIGATION PERSPECTIVE, AND WE UNDERSTAND THAT FOR MANY CLIENTS THE IMPACT OF THEIR PORTFOLIOS IS AN IMPORTANT CONSIDERATION IN CONJUNCTION WITH INVESTMENT PERFORMANCE.

An aerial photograph of a river delta, showing a complex network of blue water channels branching out into a vast, orange-brown, textured landscape of land and sediment. The water flows from the bottom left towards the top right, where it disperses into many smaller channels.

OVERSIGHT

Our dedicated ESG Investing team is responsible for setting the firm's ESG strategy in collaboration with the Committee and after consultation with portfolio managers, CIOs and our CEO. The ESG strategy is reviewed by the firm's Partnership Committee and Board of Directors on an annual basis.

The Committee's broader responsibilities include:






- Approving updates to the firm-wide Climate-related Corporate Strategy on at least an annual basis
- Approving new investment strategies that formally integrate ESG factors or social/environmental impact objectives as part of their investment process
- Monitoring the ESG-related aspects of existing investment strategies that formally integrate ESG factors or social/environmental impact objectives as part of their investment process
- Supporting the process of enhancing the integration of ESG factors into investment analysis and decision-making across the firm
- Supporting engagement activities with issuers across equities and fixed income, including reviewing the proxy voting policy

Asset Class-Specific ESG Philosophies

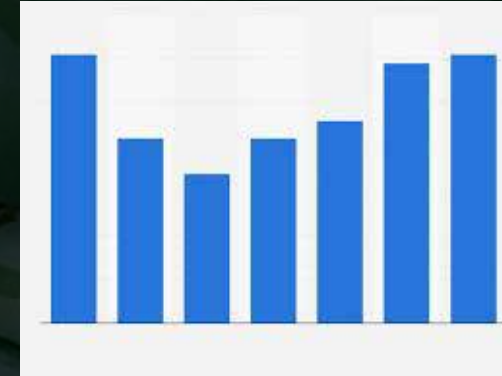
Our ESG working groups have developed asset class-specific ESG philosophies that are aligned with our overall firm philosophy:

- Facilitating the sharing of research, analysis and insights on ESG issues and trends, as well as the publication of ESG research for use by clients where possible.
- Supporting efforts to collaborate with clients and others in the investment industry to support the broader acceptance and implementation of ESG investing.
- Supporting efforts to address the emerging and evolving regional regulatory landscape2.
- Overseeing reporting to third -party organizations on our ESG investing activities, including the UN -supported Principles for Responsible Investment (PRI).
- Listening to clients and anticipating their evolving ESG-related needs and objectives.

Key Stats

\$83 billion*	
Capital committed to transactions	
200+*	
Portfolio companies	
28*	
Countries invested in	
1,500+	
Employees	
23	
Offices Globally	





• **PUBLIC EQUITY:** Empyrea believes the analysis of material ESG risks and opportunities along with our engagement efforts are an integral part of the firm's focus on fundamental research and achieving attractive long-term risk-adjusted returns.

• **PUBLIC FIXED INCOME:** Empyrea believes that the consideration of material ESG factors is critical to our credit underwriting process. Systematic integration of those considerations combined with our engagement activities help us reduce the overall credit risk of our portfolios and enhance our analysis.



• **MUNICIPAL FIXED INCOME:** Empyrea believes ESG factors are an important part of fundamental municipal credit analysis. Governance has historically been an excellent leading indicator of future credit quality, as fiscal decisions and public policies ultimately flow through to financial performance. Environmental and social factors are growing in importance as climate change impacts municipal economies and debt positions and municipal economic development policies influence income disparities.

• **SOVEREIGN DEBT:** Karlyel believes a responsible sustainable sovereign debt investor requires a deep understanding of a country's business and economic profile, as well as its evolving legal and regulatory context. Karlyel considers a variety of sustainability indicators when measuring progress on a sovereign's environmental and social goals through its proprietary Karlyel Sovereign Sustainability Assessment Framework of our portfolios and enhance our analysis.



• **REAL ESTATE:** Empyrea believes that integrating and evaluating material ESG factors is an important part of real estate investing from both an opportunity and a risk-mitigation perspective. Assessing and engaging with real estate companies regarding relevant ESG factors is a critical component of our investment process.

• **PRIVATE EQUITY :** Empyrea believes that material ESG factors are an important part of the due diligence of any private investment. We consider ESG factors when we conduct diligence on a particular company and on a private equity fund (primary or secondary). Given our unique positioning in the private equity ecosystem, we engage with our partners to share and promote best practices and resources related to ESG integration.

• **PRIVATE DEBT :** Empyrea believes that identifying and incorporating ESG analysis into the due diligence of portfolio companies and private equity sponsors is essential for high-quality credit selection, and provides a lens to identify value-creation opportunities. We believe that this allows us to generate consistent positive investment returns and appropriately manage and reduce risk in the portfolio.

• **NFT DIRECTORIES:** Empyrea is the wealth management platform of choice for crypto-savvy investors. Trusted by 1M+ verified clients and 350 global institutions to manage \$10B in crypto assets
Managing risk and security is a key part of our DNA
Manage competitive loans product in the industry
Manage knowledgeable, responsive and friendly customer service team in the industry
We offer very competitive rates, most flexible structures and highest degree of security available in the blockchain lending ecosystem. We operate within regulatory guidelines at the federal and state level in the U.S.
Empyrea team has decades of experience in consumer lending and financial services. Empyrea is the only independent lender with institutional backing from investors and some of the biggest names in the crypto space.



Empyrea ESG Quotient

In keeping with our belief that ESG integration must be based on the principle of materially impacting performance or risk and be appropriate for the specific investment process, our teams do not simply rely on a third-party ESG research provider for ESG analysis. Instead, portfolio managers and research analysts have access to a wide range of ESG data sources and research providers, including our Karlyel Industry Materiality Matrix, as well as the advanced analytics capabilities of our Data Science team and the insights we glean from engaging directly with investee company management teams.

Our Empyrea Industry Materiality Matrix spans more than 75 different industries, under 11 sectors and across 33 ESG factors. The matrix allows us to develop forward-looking views by industry, guiding ESG investment analysis and engagement in a consistent and comparable way, and accommodating real-time insights from sector experts. The matrix is available to all investment teams to use as a starting point for further ESG analysis, and can be applied to asset classes, including private markets.

The result of this work is an industry-relative rating for each company under coverage on separate Environmental, Social (ES) and Governance (G) characteristics that are available for all investment professionals at Empyrea throughout the research environment. The underlying data is updated weekly and the rating methodology is reviewed at least annually with the sector analysts. These resources are integrated by our central equity and credit research analysts into proprietary ratings for sovereigns and corporates that have been developed specifically for each asset class, namely the ESG Quotient. These custom ratings cover over 7,000 equities and 2,500 credit issuers while incorporating the analysts' extensive industry experience to make decisions on qualitative categories that may be hard to measure. Given limited disclosure of ESG data in some markets and for some types of issuers, many ratings include significant qualitative judgment from analysts themselves. Those ratings are used by portfolio managers as part of their approach to ESG integration, for example, by adjusting internal credit ratings up or down based on the ESG Quotient.

ESG IMPLEMENTATION SPECTRUM

Developed Systematic and Industry-Specific ESG Ratings by Company Proprietary ESG Quotient Rating
Example: Retail and General Merchandise Industry



A large, weathered piece of driftwood dominates the left side of the image, its surface showing deep textures and natural patterns. It rests on a beach with smooth, dark and light-colored stones. The background is a soft-focus view of the ocean under a clear sky.

ENGAGEMENT AND ACTIVE OWNERSHIP

We believe that engaging with issuers is an essential part of being a long-term active owner and that engaging with issuers on ESG topics can improve their performance and reduce their risk profile. We believe that engagement is important not only for public equities, but for all asset classes, and that it is the responsibility of each portfolio manager and research analyst to engage on ESG topics as part of their ongoing dialogue with management. For this reason, we do not have a separate stewardship team.

We utilize several methods of engagement in our stewardship efforts including, but not limited to, company meetings, written communication, proxy voting, advance vote disclosure, and industry collaboration. For public equities, engagement activity can also occur in the form of shareholder activism, which may include, but is not limited to, communication with company management and boards, and recommendations for director candidates that could potentially lead to a formal nomination or a proxy contest. We also may consider, where appropriate and subject to applicable law, working with other investors in support of engagement objectives, for example, through joint letters or other collaborative engagement efforts. The method and frequency of engagement are determined by a host of factors that include our history of engagement with the company, the relevant issue and asset class. Just as we have ESG philosophies for each asset class, our approach to engagement varies by asset class to appropriately consider our relationship with the issuer, the methods of engagement available, our engagement objectives and other asset class-specific considerations.

We provide transparency into our stewardship activities through our ESG Annual Report, NB Votes initiative and regular proxy voting and engagement reports specific to equities and fixed income. Further, we intend to publish an annual stewardship report to our active ownership activities, the philosophies and processes that underpin them, and the outcomes they produce, in accordance with disclosure best practices set forth by various global stewardship codes.

Due to the importance of stewardship to our business, we have established policies and procedures to address actual or potential conflicts of interest that may arise in the scope of our stewardship activities. We acknowledge our position as a fiduciary for our clients and their beneficiaries, and seek always to act in their best interests. Accordingly, we take reasonable steps to identify actual as well as potential conflicts which may give rise to a material risk of damage to the interests of our clients.

We believe the sustainability outcomes generated from engagement are an important part of the impact we have as investors. Therefore, we measure and track progress of our engagement-focused strategies that may set objectives centered around sustainability outcomes.



MONITORING PROGRESS

We monitor the progress we are making and are continuously enhancing the integration of ESG into our investment processes. Relevant indicators of progress include the proportion of assets under management that are formally ESG-integrated, our score in the PRI assessment report each year, the effect of ESG analysis on portfolio performance, the impact of our engagement and proxy voting activities, and whether we are meeting the needs of our clients for ESG-integrated solutions.

Given the dynamic and evolving nature by which ESG factors are material to investment performance, we are committed to continued innovation and improvement.

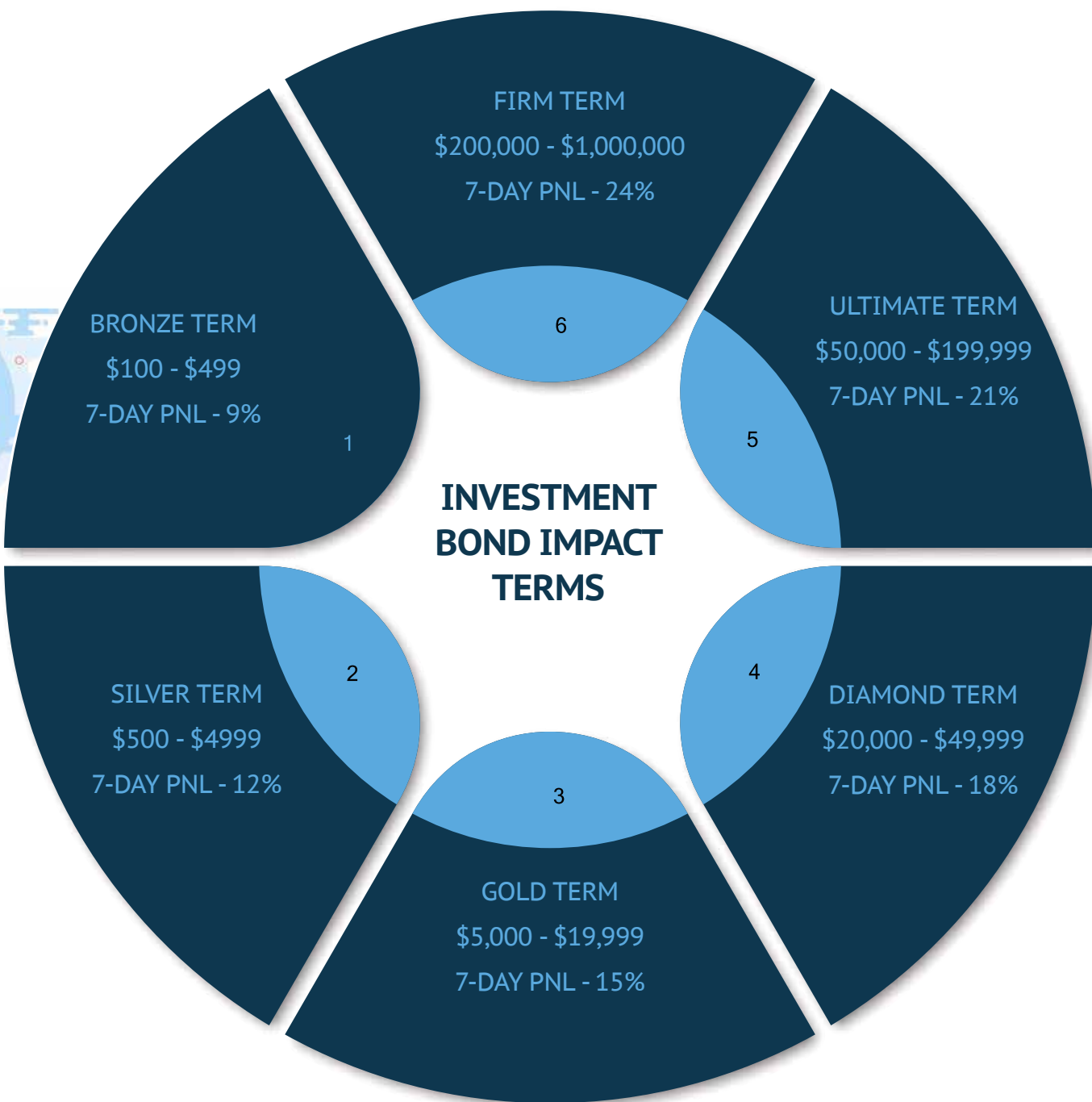


Affiliate Profits By Network Level

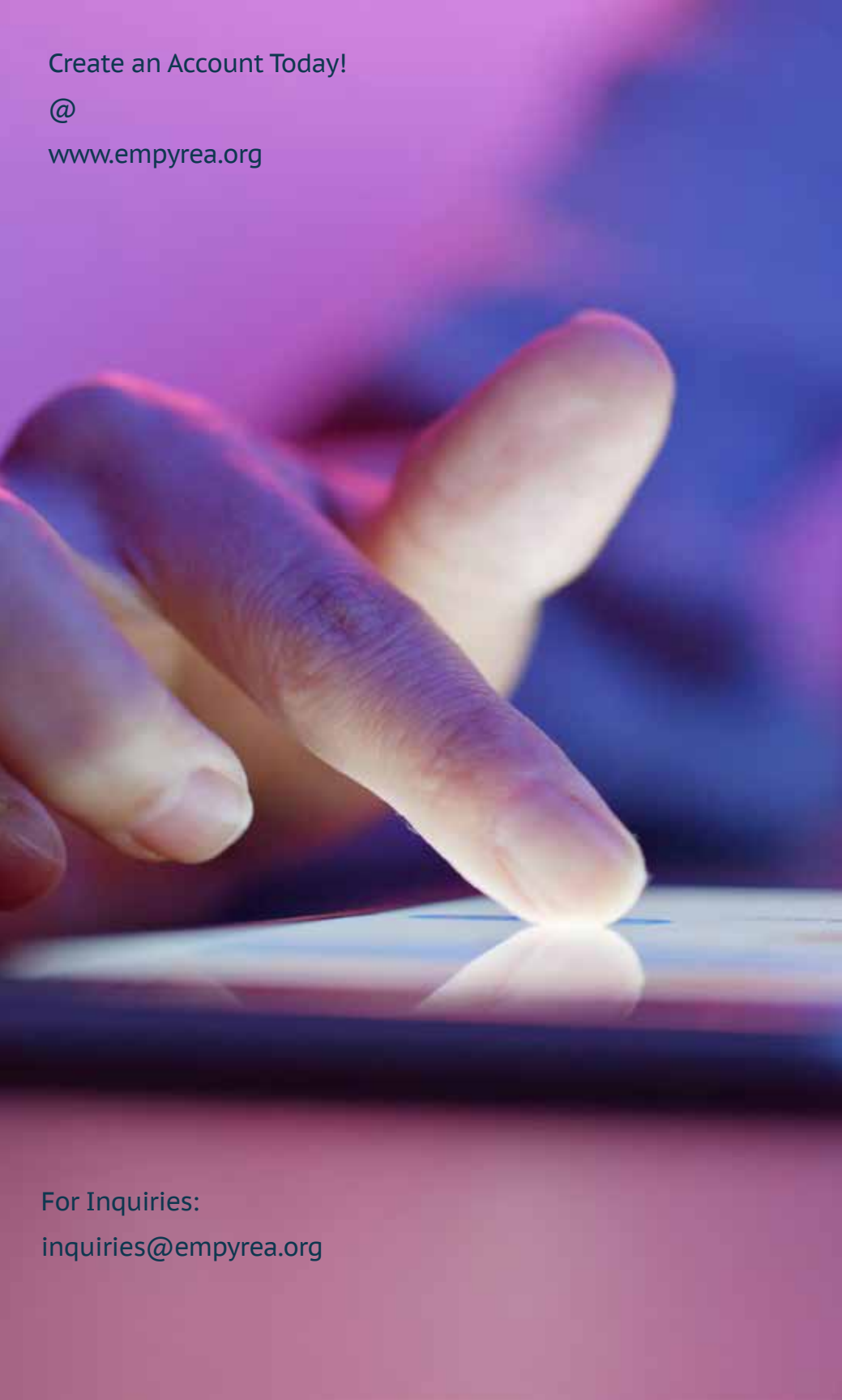
1st Level - 3.00%

2nd Level - 1.09%

3rd Level - 0.50%



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www.emptyrea.org



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Empyrea Group