



Tree Line ESG & Impact Policy



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I. Introduction

Tree Line Capital Partners, LLC (“Tree Line”) is a private credit asset management firm focused on direct lending to the lower middle-market. Tree Line manages \$1.4B in investable capital and has completed over 110 transactions with companies with between \$3 and \$40M of EBITDA.

As a lower middle-market direct lender, Tree Line maintains direct relationships with hundreds of private equity firms and screens thousands of investment opportunities. We have integrated a comprehensive environmental, social and governance (“ESG”) policy into our investment processes in addition to the material commitments Tree Line has made as a firm.

We believe it is our duty both as investors and citizens to not only acknowledge the impact of our investments on society and the environment, but to actively promote the success of those businesses that make positive change in the world possible.

We have structured our ESG and Impact Policy initiatives across three major platforms.

- **Corporate Initiatives** include Tree Line’s corporate capital commitments and

volunteerism to environmental and social causes. Tree Line is a member of *1% for the Planet* and contributes 1% of its management company revenue to environmental non-profits and causes. This contribution is accounted for in both dollars and volunteerism. Additionally, Tree Line will provide employees with an opportunity donate one day per month to volunteer and work with approved non-profits and organizations.

- **ESG & Investing Principles** were developed to guide Tree Line screening and investment process. We screen every transaction for positive and negative ESG factors. Tree Line has also become a signatory to the United Nations Principles for Responsible Investment.
- **Impact Investing** is embedded within certain funds at Tree Line. Our unique access to the lower middle-market creates an opportunity to utilize our platform to drive a positive impact and deliver growth capital to underserved markets.

CORPORATE IMPACT

- *1% for the Planet* member contributing 1% of management company revenue to environmental causes
- Target participation in Social Reform programs
- Tree Line volunteering program allowing employees to spend one day per month on charitable causes

ESG & INVESTING PRINCIPLES

- ESG Policy integrated across Tree Line platform with positive & negative investment criteria screening
- Principles for Responsible Investment Signatory

IMPACT INVESTING

- Deliver capital to the underserved lower middle-market
- SBIC Fund mandates 25% of investment to LMI (low or moderate income) zones
- Drive job growth and target diversity
- SBIC Fund

II. ESG & Impact Policy Objectives

Tree Line's ESG & Impact Policy objectives are designed to be integrated into both our corporate culture as well as our investment and screening processes. Key objectives are to:

- Create a corporate program and culture that delivers the strength of our team, platform and resources to address challenges confronting us in today's world.
- Utilize a positive and negative screening process to both promote and penalize investment opportunities.
- Ensure portfolio companies align with both Tree Line's and its investors' values.

III. Corporate Impact

Tree Line has established a corporate impact policy that promotes action across our team on two major initiatives. Our policy allows employees to contribute one day per month of their time towards volunteering, charitable work or other approved causes. We will measure our contributions across the variety of non-profits and organizations we work with and share these results in our Annual Report.

Tree Line has highlighted two primary areas for employee involvement in our corporate impact program.

- **1% for the Planet** – Tree Line is a member of this organization and donates up to 1% of its annual revenue to environmental causes and non-profit organization. Tree Line is able to contribute up to 25% of its donation through volunteering. Tree Line has a task force in place to research, screen and coordinate with non-profits receiving our donations and coordinate volunteering activities for team members and/or the firm.
- **Social Reform** – Tree Line has a task force in place to research opportunities for team members and/or the firm to volunteer for causes focused on social reform. Our objectives are focused on children, students and other organizations that are focused on the advancement of minorities and disadvantaged communities.
- **Other Activities** – Tree Line will approve employee and/or firm involvement in a variety of other causes on an-hoc basis.

IV. ESG & Investing Principles

Tree Line has integrated its ESG policy directly into its screening and investment processes. We are additionally a signatory to the Principles for Responsible Investment. The following principles guide Tree Line's approach to ESG integration:

- **Active Stakeholder Communication** - We seek to maintain an active dialogue with our stakeholders to incorporate relevant ESG risk factors into our current processes.
- **Avoid Harm** – We seek to avoid investments with companies whose products or services cause meaningful environmental or social harm.

- **Promote Positive Practices** – We seek to promote positive environmental and social practices through our direct engagement with existing and prospective portfolio companies and further utilize our due diligence and structuring discussions to discuss such practices.
- **Measure ESG Performance** – We seek to measure changes in ESG performance over the course of an investment to guide future investment decision making with any existing portfolio company.
- **Transparency** - We provide an annual update on all ESG activities and include an overview of our policy for all stakeholders to review on our website.

V. Implementation

Tree Line's ESG & Impact Policy is implemented directly into our investment processes, governed through active monitoring at multiple touchpoints throughout a deal's life and reported annually to all stakeholders in our Annual Report.

Tree Line utilizes the following screening methodology supported by a tailored ESG Impact Matrix to identify specific areas of focus and concern.

Negative Screen

Companies that are in violation of our ESG policy due to potential harm being caused by certain products, services or operating procedures to the environment or society.

Positive Screen

We seek to align our portfolio with borrowers that overlap with our corporate ESG principles and values. Specifically, these companies operate sustainably, maintain diversity or promote positive ESG best practices.

Dillgence Escalation

Certain investments will require additional diligence to determine their fit within our ESG guidelines. Our Investment and Risk Management committees are responsible for the evaluation of such escalated issues.

VI. Governance & Reporting

We have developed a comprehensive monitoring and governance framework, illustrated below, that is integrated across the Tree Line platform.

Design/Oversight

- Maintain an ESG framework that is relevant to current environmental and social issues.
- Utilize our leadership committees to provide proper oversight and integration of our policy.

Dillgence Actions

- Screen for ESG concerns and opportunities for influence.
- Develop appropriate mitigants or strategies where applicable.
- Document action items and monitoring plans where applicable.

Reporting/Monitoring

- Include ESG metrics and results within Annual Report.
- Monitor portfolio performance to assess changes in ESG matters.

Investment & Risk Management Committees

The **Investment Committee** is responsible for properly screening each investment in accordance with the ESG Policy. The Investment Committee reviews every deal a minimum of three times throughout a diligence process and a specific ESG review is required at the screening stage, underwriting stage and funding stage.

The **Risk Management Committee** will monitor the overall effectiveness of the ESG Policy and provide an annual review of the policy. Additionally, the committee will ensure implementation at the fund level and the individual deal level.

Impact Committee

The Impact Task Forces work with our approved non-profit partners to carry out our corporate commitments and strategies.

Tree Line Team

The Tree Line team will contribute to our Impact activities across the firm as well as be actively involved in the screening, diligence and monitoring of portfolio companies.

Exhibit A

IMPACT MATRIX








Tree Line’s ESG screening matrix & guidelines







The positive and negative factors below are used as a guide to evaluate new investment opportunities. Tree Line emphasizes a focus on materiality and commitments in place to improve current operations and practices.

POSITIVE







NEGATIVE








E

-  Residential/Commercial Energy Efficiency
-  Automobile Efficiency
-  Combined Heat and Power
-  Green Technology
-  Renewable Energy/Recycling Raw Materials
-  Energy Conversion Systems
-  Smart Grid






-  Fossil Fuel Extraction, Refining, and Distribution
-  Metals and Mining
-  Thermal Coal Power Generation and Related
-  High Potential Soil, Air, or Water Contamination
-  Non-Renewable Resource Consumption
-  Operators with Significant GHG Emissions







S

-  Low Income Community Development
-  Women, Minority, and Veteran Owned Businesses
-  Veteran Recruitment and Hiring
-  Minority Leadership Programs
-  Responsible Sourcing Practices
-  Employee Health and Wellness Programs

-  Weapons Manufacturing
-  Pornography and Adult Entertainment
-  Gambling
-  Tobacco Products
-  Illicit Drugs
-  Nuclear Energy
-  Predatory Consumer Finance (Payday Lending)

G

-  Truly Independent Board Members
-  Gender and Racial Diversity in Board and Executive Management Makeup
-  Data and Cyber Security Preparedness
-  Executive-to-Employee Compensation Ratio
-  Gender and Minority Compensation Equality (Equal Pay for Equal Work)

-  Limited Transparency and Accountability (Minutes and Management Presentations)
-  Lack of Independent Committees (Audit/Comp)
-  Weak Financial Reporting / Absence of Reputable Third-Party Auditor
-  Absence of Worker Safety Programs
-  Limited Compliance and/or HR Resources
-  Lack of Resources and Training Related to Anti-Discrimination, Sexual Harassment, Employee Rights and Compliance