



2022

Climate Report

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Executive Summary

Brigade Capital Management, LP (“Brigade”) is a well-established global investment advisor specializing in credit-focused strategies.

DISTINGUISHED TEAM

Led by CIO & Managing Partner, Donald Morgan, who has 29 years of leveraged finance experience

Senior investment team has 18 years of experience, on average

INVESTMENT FOCUS

Global investment platform focused on below investment grade credit strategies

Fundamental research process emphasizing free cash flow, asset coverage and relative value

BRIGADE EDGE

Disciplined investment process proven over numerous market cycles

Seasoned investment team with significant industry-specific experience

ORGANIZATION

2006

Year the firm was founded

\$25.2bn

Assets Under Management¹

127

Total number of employees globally

28

Equity partners across the employee-owned firm

51

Investment professionals with significant industry-specific expertise

¹ As of April 1, 2023.

Introduction

Brigade Capital Management, LP (“Brigade”), founded in 2006, is a global asset management firm which employs a multi-strategy, multi-asset class approach to investing across the broad credit universe.

Brigade seeks to invest throughout the capital structures of companies in the high yield universe, relying on a fundamental, bottom-up research approach to identify securities with the most attractive risk/return profiles. We believe that an integral component of our fiduciary responsibility to our clients is to consider all applicable material risks that may impact risk/return profiles of investment that we make, including climate-related risks.

Climate-related risks – specifically physical and transition risks – have the potential to disrupt businesses, supply chains, and workforces across economies. As a result, within the prior two decades a global push for an energy transition has begun which is shaping the century ahead. Many asset managers have begun to realize that taking climate-related risks into account is not just for the benefit of the planet but may also be for the benefit of contributing to client returns and mitigating potential risks.

We will seek to identify negative impacts to the environment, climate-related risks and other influences climate change will have on our business and investments. We will strive to align to best practices/frameworks to reduce our carbon footprint and report metrics whenever possible.

Brigade is proud to take the initial steps towards supporting the Task Force on Climate-Related Financial Disclosures’ (“TCFD”) recommendations and join our peers in providing transparency into how climate change is affecting our investment decision-making process. We understand full support will take time to build a program around, however, the first piece of this will be this climate report. In our inaugural report, we seek to disclose where and how these risks shape our investment processes and the steps that we have begun to take as a firm to address climate matters directly linked to our business.



Governance

We realize that addressing climate related risks and opportunities takes a firm-wide effort, which is why climate change and other ESG factors are overseen by Brigade's top governance body. Brigade's business oversight is handled by the Management Committee, which is a group of senior professionals across the firm.

Under the direction of management, Brigade formed an ESG Committee (the "ESG Committee") in 2019. The ESG Committee is responsible for overseeing Brigade's firmwide ESG efforts and comprised of key decision makers across the firm, including Portfolio Management, Research, Legal, Risk, Investor Relations and Technology. The ESG Committee formally meets on a quarterly basis with more frequent meetings held as needed. The ESG Committee is chaired by the Firm's Co-CIO.

The ESG Committee monitors climate risk of the firm's business operations as well as its investment portfolios. The ESG Committee aims to assess climate risk of the firm at least annually through a physical risk assessment which may have influence over the annual updates to Brigade's Disaster Recovery/Business Continuity Policies. Additionally, Portfolio monitoring reports are compiled on a quarterly basis and provided to the ESG Committee. If a material change in ESG metrics, including, carbon footprint or portfolio ratings was noted, the ESG Committee may alert the Portfolio Manager or analyst of the change.

This portfolio monitoring system includes overall MSCI ESG portfolio ratings or "Overall Scores". Similar to Brigade's internal ESG Scorecard, MSCI's Overall Score is compiled using an issuers individual environmental, social, and governance scores and is adjusted to reflect the industry-specific level of ESG risk exposure, and distribution of issuer climate risk mitigation practices, within that industry. The environmental score indicates how well an issuer manages its environmental issues.

The ESG Committee provides guidance and oversight to ensure consistent and high-quality implementation of Brigade's ESG Program. As an organization, we continue to build upon repeatable processes that can be applied across our platform in a consistent manner. Implementation of our ESG Policy within the investment process is the responsibility of the Investment Team. Portfolio managers and analysts are responsible for analyzing each of their covered issuers to determine key ESG factors and risks as well as their materiality.

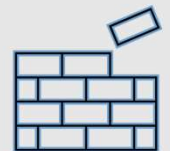
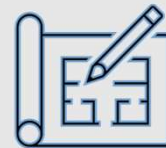
Where applicable and material, Brigade believes that engagement in dialogue with companies about ESG-related disclosures can help the companies further enhance their knowledge of ESG risks and take action to reduce their negative environmental and social impacts. Brigade actively engages its portfolio companies, transaction partners, peers, and other stakeholders to advance the principles of responsible investment and corporate social responsibility. It is common for the Investment Team to engage with company management in conversations related to ESG practices and behaviors.

The Brigade Management Committee

Brigade established a Management Committee in 2022 led by Don Morgan (Chief Investment Officer, Managing Partner and Portfolio Manager), which includes senior leadership across business units that allows for the ability to discuss all firm related initiatives on a regular basis. Brigade's Management Committee is responsible for overseeing Brigade's management as well as the firm's other committees. It serves as the main governing body for strategic initiatives and is the critical decision-making group of the firm.

Members include:

Doug Pardon (Co-Chief Investment Officer, Portfolio Manager of High Yield, Bank Loans, and Opportunistic Credit), Steven Bleier (Portfolio Manager of Structured Credit and Co-Head of Structured Credit), Gregory Soeder (Head of Portfolio Strategy), Thomas O'Shea (European CLO Co-Portfolio Manager and Head of European Investments), Raymond Garson (Head of Corporate Credit Research), Andrew Petitjean (Global CLO Portfolio Manager), Jenny Lee (Co-Head of Private Credit), Russ DiMinni (Co-Head of Trading), Michael Walker (Co-Head of Trading), Dylan Ross (Portfolio Manager and Co-Head of Structured Credit), Aaron Daniels (Chief Operating Officer and General Counsel), Joseph Turilli (Director of Marketing), Raymond Luis (Senior Vice President, Finance and Chief Administrative Officer), Brett Honneus (Chief Technology and Information Officer), and Patrick Criscillo (Chief Financial Officer).



The Brigade ESG Committee

Chaired by Doug Pardon, Co-Chief Investment Officer

Members include:

Ray Garson (Head of Corporate Credit Research), Gregory Soeder (Head of Portfolio Strategy), Robert Lefkowitz (Director of Risk), Aaron Daniels (General Counsel, Chief Operating Officer), Daniel Altabef (Chief Compliance Officer, Counsel), Brett Honneus (Chief Technology and Information Officer), Andrew Petitjean (Global CLO Portfolio Manager), Emily Keinz (Director, Portfolio Analysis & Trading), Matthew Plaveczyk (Managing Director, Investor Relations), and Tara Lenehan (Vice President, ESG and Sustainability)

Brigade is committed to the consideration of environmental, social and governance (“ESG”) factors and the impact it has on our clients’ investments, our company culture, and our planet. We believe that ESG considerations are an integral part of our fiduciary duty and ethical responsibility and that it will assist Brigade in evaluating material risks and identifying attractive opportunities.



Brigade Investment Team

Brigade's investment strategies are supported by substantial credit research and trading expertise.*

Donald E. Morgan III, CFA*
 CIO, Portfolio Manager, Managing Partner

29 Years

INVESTMENT COMMITTEE

Doug Pardon*

Co-CIO, Portfolio
Manager

21 Years

Steven Bleier*

PM, Co-Head of
Structured Credit

24 Years

**Gregory Soeder*,
CFA**

Head of Portfolio
Strategy

25 Years

Andrew Petitjean*

Global CLO Portfolio
Manager

22 Years

Thomas O'Shea*,²

PM, Head of European
Investments

26 Years

Jenny Y. Lee*

Co-Head of Private
Credit

29 Years

Raymond Garson*

Head of Corporate
Credit Research

28 Years

GLOBAL CREDIT RESEARCH

STRUCTURED CREDIT

RISK & TRADING

PRIVATE CREDIT

Kunal Banerjee, CFA* Chemicals	John Baylis* Media & Cable	Chris Chaice* Head of Distressed Research	Luc-Antoine Lebard*,² European Tech Media & Telecom	Matthew Perkal* Head of Special Situations & SPACs
Patrick Robb* Gaming, Homebuilding & Autos	Sumit Sablok* Technology	Pavlin Kumchev² European Healthcare & Industrials	Sandro Carissimo Energy	Florian Kass, CFA² European Business Services
Scott O'Brien Financials & Real Estate	Emily Brown Industrials	Matthew D'Ambrisi Tech, Media & Telecom	Sachin Abrol Retail & Consumer Products	Madison Delev Media, Cable & Publishing
Conor Dillon Autos, Gaming, Lodging, Leisure & Homebuilding	Tommy Anderson Healthcare	Christopher Lembo Energy, Power, Metals & Mining		

Dylan Ross* Co-Head of Structured Credit	Justin Pauley* CLOs	Michael Kreicher* CMBS
Max Scherr* FIG & Specialty Finance	Gaurav Tejwani* Derivatives	Philip Ha CLOs
Jess Wang RMBS	Priya Kothary Senior Product Specialist	Mia Qian CLOs
Byron Maturo, CFA Macro Credit	Gabby Champagne-Sitzler ABS & Specialty Finance	Hong Fan ABS & Specialty Finance

Russ DiMinni* Co-Head of Trading	Michael Walker* Co-Head of Trading	Jim Wolf Co-Head of Private Credit
Rob Lefkowitz, CFA, CAIA, FRM* Director of Risk	Xavier Mimaud Trader	Jason Wang Director
Charles Bartels Trader	Tom Eardley, CFA² European Trader	Tyler Williams-Sinclair Director
Emily Keinz Portfolio Analytics & Trading	Michael Bennett Trading Assistant	Haroon Ashraf Associate
		Diego Campos Associate

*Indicates Firm Partner.

¹Reflects years of relevant industry experience.

²Located in the London office.

There is no assurance that any individual will continue to be employed by Brigade or be involved in the management of any transaction for any period.

Business and Operations Team Structure

Aaron Daniels*
 Chief Operating Officer, General Counsel

ACCOUNTING, OPERATIONS, & TREASURY

Patrick Criscillo, CPA*
 Chief Financial Officer

Meghana Reddy, CPA
 Deputy Chief Financial Officer

Accounting & Tax
 12 Professionals

Jeff Fruscante
 Head of Operations

Operations
 15 Professionals

Michael Abbott
 Treasury Manager

Treasury
 1 Professional

TECHNOLOGY

Brett Honneus*
 Chief Technology and Information Officer

Tapan Talati
 Head of Infrastructure and Chief Information Security Officer

Jason Shuey
 Co-Head of Software Development

Christopher Alfonso
 Co-Head of Software Development

Infrastructure Technology
 5 Professionals

Software Developers
 9 Professionals

MARKETING & INVESTOR RELATIONS

Joseph Turilli*
 Head of Marketing

Lauren Stelzer
 Marketing

Jessica Walton
 Marketing

Rock Wilkinson
 Marketing

Marketing
 2 Professionals

Matt Plaveczyk, CFA
 Head of Investor Relations

Investor Relations
 5 Professionals

Tara Lenehan
 ESG & Sustainability

LEGAL & COMPLIANCE

Daniel Altabef
 Chief Compliance Officer and Counsel

Alistair Cuthbert¹
 General Counsel and Compliance Officer (UK/Europe)

Monica Jun
 Associate General Counsel

Compliance
 1 Professional

ADMINISTRATIVE STAFF

Raymond Luis, CPA, CFA*
 Senior Vice President, Finance & Chief Administrative Officer

Christine Curtis
 Head of Human Capital

Administrative Staff
 6 Professionals

*Indicates Firm Partner.

¹ Located in the London office.

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ESG Timeline

ESG considerations have been informally built into our investment process since the founding of Brigade in 2006. Our formal ESG program has become a primary focus over the last 5 years.



Strategy

Brigade offers a broad range of investments across the credit spectrum. Investors can access our credit strategies through commingled funds or separately managed accounts. Brigade has historically employed a bottom-up fundamental credit research approach that considers both quantitative and qualitative factors as it assesses the ability of an investment to perform across business cycles and changing regulations. As a part of the overall investment decision making process, Brigade considers material ESG factors in its fundamental research process, leveraging external ESG data, in-house qualitative assessment, and where we have influential positions, engagement with management teams to identify potential material risk factors. Insofar as climate-related risks are identified as material and pertinent to an investment, such risks are approached in terms of how the Investment Team believes such risks may have the potential to impact the returns on a given investment.

Issuers receive a Brigade ESG Scorecard which is based on series of standardized questions created by the Investment Team to determine a baseline of ESG risk associated with each company. Each industry carries more/fewer risks across the E, S, and G categories depending on the nature of its operations and what services or products it provides. Each sector analyst has defined the appropriate weights to these factors by relevance to the sector.

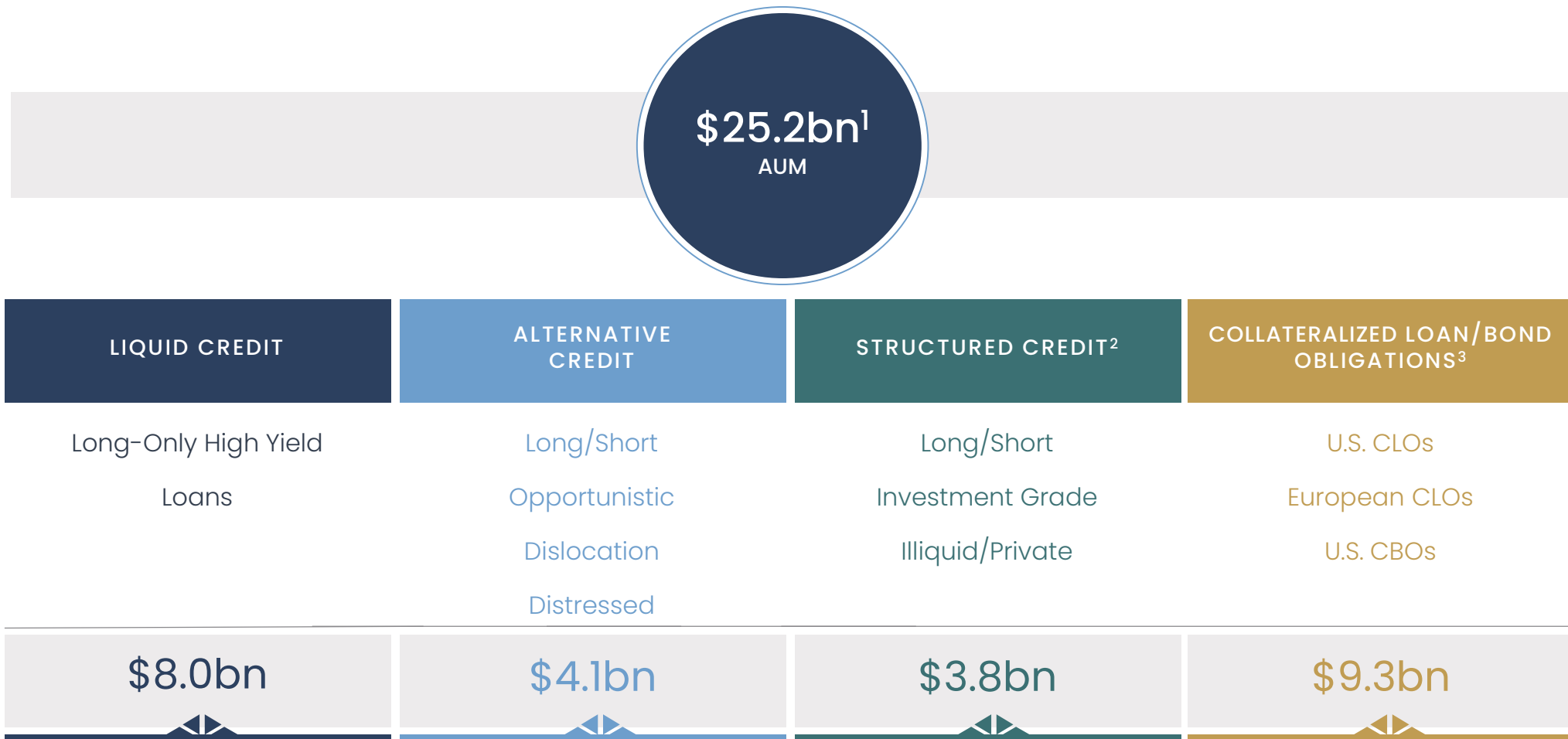
The ESG Scorecard analysis conducted will vary from investment to investment, depending on factors such as the investment's relevant asset class, industry, geography, and position within the capital structure. Just as each characteristic of an investment outlined above helps determine which ESG issues are material, they also dictate the extent to which those material ESG issues are weighted in the investment process, how much time is spent on their consideration, and how relevant ESG data is obtained and evaluated.

Where climate-related risks may be deemed material to an issuer or issuance, Brigade seeks to ensure that the risk/return profile of the potential investment accurately encompass such climate risks. Ultimately, ESG considerations inform our decision making, but it is important to note that this is but one of many qualitative and quantitative inputs into our investment process, not a primary objective.

Investments are regularly monitored for ESG-related risks through review of financials and other disclosures and through the engagement process. There may be instances in which the identified ESG risk is appropriately reflected in the price of an issue. In this case, we may invest despite climate risk concerns and later seek to improve upon these through engagement. If a material risk is identified that is believed to impact a company's long-term performance, the Investment Team will directly raise the issue with the company's management team or board of directors to help address the issue. The purpose of these engagement conversations is to better understand how potential ESG risks and opportunities are managed, among other issues. The process also allows the Investment Team to identify communication pathways to company management to establish and achieve sustainability initiatives and drive long-term growth. Brigade believes that in general, companies with strong ESG programs/practices that address climate change have better governance structures and therefore carry less risk overall.

The Brigade Credit Platform

Brigade offers credit solutions with centralized portfolio management and a consistent investment process managed by the same investment team across the Brigade credit platform.



AUM is as of April 1, 2023.

¹ Total Firm AUM is adjusted to exclude AUM of Brigade funds/accounts that are invested in Brigade managed CLOs.

² Excludes structured credit positions held in funds categorized as Liquid and Alternative Credit Strategies/accounts that are invested in Brigade managed CLOs.

³ Includes 16 U.S. CLOs, 5 European CLOs and 2 U.S. CBOs.

Portfolio Assessment

In order to establish a position in Brigade's portfolios, each company must pass through a qualitative screen which allow for ESG measures to be integrated on a line-by-line basis. Investment ideas must pass an investment screen, which includes research of both a quantitative and qualitative nature, before they are presented to the Investment Committee.

Each corporate issuer is assessed using the Brigade ESG Scorecard (the "ESG Scorecard"). The ESG Scorecard is made up of two sets of questions; the first is a series of 5 high-level questions that are standard for every issuer. These initial questions cover ESG data transparency, ESG controversies, DEI and MSCI data availability. Issuers can receive an above average, average or below average ranking. This is seen as our preliminary assessment tool that can be used while data for the for detailed scorecard is gleaned but does not carry the same weight in our evaluation as the next.

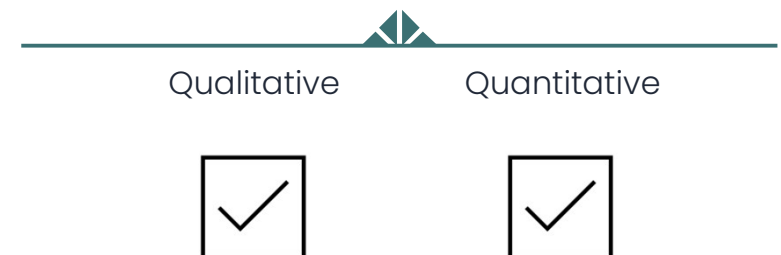
The second and more detailed set of questions Brigade analysts have developed focuses on industry-specific criteria. Each industry carries more/fewer risks across the E, S, and G categories depending on the nature of its operations and what services or products it provides. For instance, financial companies will have more factors relating to social and governance issues and fewer relating to environmental issues. Each response on this question set is given a superior (+15), satisfactory (+5), lagging industry (-5) or weak rating (-15).

Once the responses to the ESG Scorecard are recorded, the points associated with each ranking are assessed using a weighted average. As previously noted, the scores for the E, S, and G categories will be weighted differently based on relevance. This final numeric score is then put on the MSCI 10-point scale and assigned a letter rating.

ESG Scorecards can be updated by analysts at any time but are reviewed at least annually for material changes. Often, updates are the result of quarterly calls with company management or separate engagement conversations.

In addition to the robust research process which creates a system of constant monitoring of portfolio credits, ESG factors are monitored in two ways. The Scorecard system also provides email alerts to analysts when there is an MSCI rating change or if new or more severe controversies are identified (MSCI flag). On a quarterly basis, a sample set of portfolios/investments across our product offerings as well as two relevant indexes are assessed using MSCI ESG analytics and Brigade scores to determine the level of ESG risk associated with each. These reports include MSCI data coverage, MSCI ESG ratings, rating drivers, industry scores, and carbon footprint data such as financed emissions, WACI and carbon intensity.

We believe that this reporting gives us a preliminary assessment of some of the risks associated with climate change. We believe that lower emissions values can indicate a company's preparedness for a transition to a low carbon economy and therefore carry a lower risk than peers with higher emissions values. We also look at the overall governance scores of portfolios which we believe can be an indication of a company's ability to mitigate physical/transition risks.



ESG Scorecard Overview

We have developed a proprietary scoring system for issuers, which is built directly into the analyst view on our research system, to enhance monitoring and engagement firm-wide

Firm-wide issuer exposure by strategy and analyst

Standardized set of ESG criteria to evaluate all issuers

File Reports

Analyst: ALL

Analyst	Ticker	Issuer	TOTAL	Hedge Fund	Structured Cr	Specialized	Blended	Oppt Credit	Bank Loan	Long Only HY	CLO	Last Updated
MD	ARGMED		7.4						7.4			02/14/2022 9:02:48 AM
KB	FLXSYS		81.5					15.9	14.9			50/7 02/15/2022 11:01:53 PM
LL	FLORA		36.7					12.7	6.1			17/8 05/24/2022 11:08:47 AM
PGR	FLYAME		26.2						5.8			20/5
AP	FMGAU		0.2				0.2					02/14/2022 4:03:04 PM
PGR	F		53.7				0.6			39.3		13/8 06/14/2022 4:21:08 PM
AN	FTAI		63.1				0.4	12.8		46.6		3/3 02/03/2022 3:01:35 PM
PGR	FBM		17.1									17/1 06/16/2021 9:32:00 AM
PGR	MASHTU		101.9		1.2			46.0	17.8	32.4		4/5 02/17/2022 4:43:33 PM
FK	PINTRA		19.2						3.7			15/4 11/12/2021 4:36:59 AM
MS	PREMOR		156.3		8.7		1.0	38.6	6.3	97.6		4/1 12/20/2021 4:15:36 PM
AP	FCX1		195.9				2.4	4.4		189.1		12/29/2021 5:17:28 PM
FK	ADCOUM		14.9									14/9 05/23/2022 5:57:54 AM
SS	FTR		8.8			0.0	0.0			6.3		2/5 12/07/2021 10:42:08 AM
CA	CCORR		72.6				0.3					7/6 03/14/2022 5:33:42 PM

Issuer Detail

Links/Documentation

BRIGADE CAPITAL MANAGEMENT

MSCI

S&P Global Market Intelligence

ESG Scorecard - FREEDOM MORTGAGE CORP

Industry: Financials & Insurance

MSCI ESG Rating NR

1. Does the Company have MSCI coverage and rating?

☐ Yes ☒ No Rate relative to peer group Below Average

If so, what is the current rating?

2. Does the Company have a formal ESG policy/report/audit/leadership (BoD ESG committee, etc)?

☐ Yes ☒ No Rate relative to peer group Below Average

3. Does the Company have any history of ESG events that have impacted its financial performance or reputation?

☒ Yes ☐ No Rate relative to peer group Average

4. Are Senior Management (CEO, CFO, CIO, CTO, GC) or the BoD visibly diverse?

☐ Yes ☒ No Rate relative to peer group Below Average

5. Does the Board of Directors include independent directors?

☐ Yes ☒ No Rate relative to peer group Below Average

Environmental (15%)

1. Does the Company have any ongoing environmental clean-up liabilities or reserves?

☐ Yes ☐ No ☒ N/A Rating

2. Has the Company implemented policies/programs/customer initiatives that encourage/reward minimizing the business's impact on the environment?

☒ Yes ☐ No ☐ N/A Rating Satisfactory

3. Has the Company taken steps to measure/manage its Carbon Footprint [including lending relationships]?

☒ Yes ☐ No ☐ N/A Rating Satisfactory

4. Is the Company and/or the industry exposed to proposed/pending environmental oriented regulation that could meaningfully impact its cost structure?

☐ Yes ☐ No ☒ N/A Rating

Social (50%)

1. Demonstrate focus on company culture KPIs such as employee engagement, training programs, diversity and inclusion initiatives?

☒ Yes ☐ No ☐ N/A Rating Satisfactory

2. Does the Company attempt to measure and/or track diversity and inclusion among its target end market and business partnerships/relationships?

☒ Yes ☐ No ☐ N/A Rating Satisfactory

3. Does the Company support philanthropic activities and causes [internally and externally]?

☒ Yes ☐ No ☐ N/A Rating Satisfactory

4. Is the Company the subject of any State or Federal investigations including any current Civil Investigative Demands?

☐ Yes ☒ No ☐ N/A Rating Satisfactory

Governance (35%)

1. Are senior leadership and Board of Director roles clearly identified, structured in a manner that ensures independence?

☐ Yes ☒ No ☐ N/A Rating Weak

2. Has the Company been a consistent good steward for all its stakeholders?

☒ Yes ☐ No ☐ N/A Rating Satisfactory

3. Has the Company demonstrated a commitment to ensuring strong, diverse accountable leadership?

☐ Yes ☒ No ☐ N/A Rating Lagging Industry

4. Has the Company demonstrated a commitment to financial accountability transparency?

☒ Yes ☐ No ☐ N/A Rating Satisfactory

Engagement

Engagement

Last Updated

Date

Note

By

Date

03/16/2022

strategy, financial and reporting - worked with the com.

SYSTEM

06/08/2022 4:21:06 PM

Topic(s)

Environment - Climate change/Strategy, Financial and Reporting - Reporting/Strategy, Finan

Note

strategy, financial and reporting - worked with the company to enhance their ESG reporting which resulted in a comprehensive presentation providing transparency to investor base on policy, performance metrics, credit education and engagement with credit sensitive communities

Delete

Links are directly embedded for easy access to internal and external research

Enhanced engagement module with option dropdown to classify each conversation and track over time

Industry/credit specific set of ESG factors that are used to measure, monitor and engage on key E, S & G metrics

ESG Scorecard Overview

We are in Phase 3 of 3 of integrating the scorecard system which includes the build out of formal internal and external reporting using the scorecard data

ESG

Environmental (15%)

1. Does the Company have any ongoing environmental clean-up liabilities or reserves?

☐ Yes
☒ No
☐ N/A

Rating: Satisfactory

2. Has the Company implemented policies/programs that encourage/reward minimizing the business's impact on the environment?

☒ Yes
☐ No
☐ N/A

Rating: Weak

3. Has the Company taken steps to measure/manage its Carbon Footprint?

☒ Yes
☐ No
☐ N/A

Rating: Superior

4. Is the Company and/or the industry exposed to proposed/pending environmental oriented regulation that could meaningfully impact its cost structure?

☐ Yes
☒ No
☐ N/A

Rating: Satisfactory

Social (50%)

1. Does the Company attempt to measure and/or track its ethical responsibility?

☒ Yes
☐ No
☐ N/A

Rating: Satisfactory

2. Does the Company have a favorable relationship with employees?

☒ Yes
☐ No
☐ N/A

Rating: Satisfactory

3. Does the Company support philanthropic activities and causes?

☒ Yes
☐ No
☐ N/A

Rating: Satisfactory

4. Is the Company the subject of any State or Federal investigations and/or currently operating under a Corporate Integrity agreement?

☐ Yes
☒ No
☐ N/A

Rating: Satisfactory

Governance (35%)

1. Are senior leadership and Board of Director roles clearly identified, structured in a manner that ensures independence?

☐ Yes
☒ No
☐ N/A

Rating: Satisfactory

2. Has the Company been a consistent good steward for all its stakeholders?

☒ Yes
☐ No
☐ N/A

Rating: Satisfactory

3. Has the Company demonstrated a commitment to ensuring strong, diverse accountable leadership?

☒ Yes
☐ No
☐ N/A

Rating: Superior

4. Has the Company demonstrated a commitment to financial accountability transparency?

☒ Yes
☐ No
☐ N/A

Rating: Satisfactory

Industry / credit specific set of ESG factors that are used to measure, monitor and engage on key E, S & G metrics

Risk Management

Brigade seeks to control risk through a top-down approach, limiting the potential magnitude of capital losses. Risk is also controlled through Brigade's investment process, which is bottom up. Investment opportunities are assigned a relative risk ranking and compared against alternative investments. This risk ranking is determined by looking at the following: asset coverage, free cash flow generation, credit ratings, liquidity, industry conditions, earnings outlook and the strength of management. This allows the Investment Team to compare the yield and total return potential of an idea relative to other ideas with a similar risk profile.

Brigade has historically employed a bottom-up fundamental credit research approach that considers both quantitative and qualitative factors as it assesses the ability of an investment to perform across business cycles and changing regulations. As a part of the overall investment decision making process, Brigade considers material ESG factors in its fundamental research process which, leveraging external ESG data, in-house qualitative assessment, and engagement with management teams to identify potential material risk factors.

The risks associated with climate change are some of many criteria considered when establishing an issue's risk ranking. The Investment Team may include these considerations into the pricing of new issues, the size of a position, and identify engagement topics and pathways. The ESG analysis conducted will vary from investment to investment, depending on factors such as the investment's relevant asset class, industry, geography, and position within the capital structure.

Just as each characteristic of an investment helps determine which ESG issues are material, they also dictate the extent to which those material ESG issues are weighted in the investment process, how much time is spent on their consideration, and how relevant ESG data is obtained and evaluated.

Ultimately, ESG considerations inform our decision making, but it is important to note that this is but one of many qualitative and quantitative inputs that go into our investment process, not a primary objective. Investments are regularly monitored for ESG-related risks through review of financials and other disclosures and through the engagement process. There may be instances in which the identified ESG risk is appropriately reflected in the price of an issue. In this case, we may invest despite climate risk concerns and later seek to improve upon these through engagement. If a material risk is identified that is believed to impact a company's long-term performance, the Investment Team will directly raise the issue with the company's management team or board of directors to help address the issue. The purpose of these engagement conversations is to better understand how potential ESG risks and opportunities are managed, among other issues. The process also allows the Investment Team to identify communication pathways to company management to establish and achieve sustainability initiatives and drive long-term growth. Brigade believes that in general, companies with strong ESG programs/practices that address climate change have better governance structures and therefore carry less risk overall.

Investment Example

NGL Energy Partners (“NGL”) is a publicly traded midstream energy company that is primarily focused on the treatment, recycling, and disposal of wastewater generated in oil & gas production. NGL also provides transportation, storage, marketing and related logistics services to its E&P customers.

THESIS: We expect NGL to generate significant FCF and delever its balance sheet over the next 12-18 months, which should drive material spread tightening and an attractive risk-adjusted return. Management has largely completed the repositioning of the Company by exiting non-core businesses, investing in NGL’s wastewater management infrastructure and earmarking FCF generation for deleveraging. The Company also improved its liquidity profile & enhanced creditor/management alignment of interest through its 1Q21 secured bond offering, which Brigade helped negotiate and structure. Specifically, the new indenture requires NGL to deleverage its balance sheet before paying any distributions to its equity holders. Going forward, we also expect solid growth in NGL’s environmentally friendly wastewater service offering as producers increasingly look to reduce their carbon footprint and achieve incremental operating efficiencies.

QUANTITATIVE ASSESSMENT	QUALITATIVE ASSESSMENT	ESG CONSIDERATIONS	RELATIVE VALUE	CATALYST
<ul style="list-style-type: none"> Strong FCF generation. We expect ~\$400M of FCF over next 12-18mths. Water business has an attractive (+10%) growth profile & is well positioned in the Permian Driving debt reduction. We expect +1x improvement in NGL’s net leverage profile by FYE23 	<ul style="list-style-type: none"> NGL’s water franchise enjoys #1 market position in lowest cost & fastest growing basin (Permian) Efforts to simplify & focus the business largely complete, which should reduce earnings volatility Strong alignment of interest with creditors given equity distribution restrictions tied to debt reduction 	<p>Evaluate ESG risks</p> <p>Price Risk Factors</p> <p>Monitor & Engage</p>	<ul style="list-style-type: none"> +600bps risk premium to comparable story/energy credits Above average creditor protections, that limit incremental secured debt capacity & add leverage-based RP restrictions Water business provides additional diversification & reduces commodity risk 	<ul style="list-style-type: none"> Expect ~\$200mm of FCF in H2’23 (ended 3/31), which will be used to pay down debt Expect increased production in Permian & market share gains in water solutions business Increased confidence in go forward earnings outlook & ability to extend debt maturity profile

I. EVALUATION

- NGL’s pipeline network helps reduce carbon emissions and congestion by eliminating the need to transport water and crude on trucks and/or rail
- NGLs’ water recycling services limited the consumption of fresh water in O&G production, NGL provided over 14mm barrels of wastewater for reuse water in 2020
- Public company with independent directors and diverse management team

II. PRICE RISK FACTORS

- Water business helps drive below average ESG risk despite participation in the O&G production ecosystem
- Above average disclosure on its ESG initiatives, including a detailed sustainability report which is available on NGL’s website
- Brigade has strong access to management which has enhanced our ability to understand and discuss NGL’s approach to managing ESG risk factors in its business

III. MONITOR & ENGAGE

- We maintain regular dialogue with management, which provides us the ongoing ability to discuss progress with ESG efforts & share what we see as ESG best practices
- NGL includes ESG risks & considerations in its public filings
- The Company also prepares a sustainability report which provides details on NGL’s ongoing efforts to be a good steward of the environment

The case studies are presented for information purposes in order to present examples of Brigade’s analytical methods and investment approaches in the distressed space. This information should not be construed as a performance record or as an indicator of future performance results. The case studies should not be considered a recommendation to purchase or sell any particular security. There can be no assurance that any securities discussed herein remain in the portfolios of accounts managed by Brigade or if sold will not be repurchased. The securities discussed in this presentation do not represent the entire portfolio of the relevant accounts and in the aggregate represent only a small percentage of overall portfolio holdings in such accounts. Prospective investors should not assume that any of the holdings discussed in this presentation have been or will be profitable, or that recommendations made in the future will be profitable or will equal the investment performance of the securities discussed herein. The above reflects Brigade’s opinion at the time of the presentation and is subject to change at any time without notice. Please refer to page 21 for additional disclosures.

Engagement

If a material risk is identified that is believed to impact a company's long-term performance, the Investment Team will directly raise the issue with the company's management team or board of directors to help address the issue. We have recently added an application to the Brigade ESG Dashboard to record and track engagements over time.

Monitoring

Investments are monitored for ESG-related risks that may arise as part of ongoing analyst coverage through review of financials and other disclosures and through the engagement process. If a material risk is identified that is believed to impact a company's long-term performance, the Investment Team will directly raise the issue with the company's management team or board of directors to help address the issue.

Engagement

Engagement		Last Updated	
Date	Note	By	Date

Topic(s)

Note

Engagement Prompts

- Entity engaged with
- Engagement theme/topic
- What you have done
- Outcomes and next steps

Engagement

Brigade believes that engagement in dialogue with companies about ESG-related disclosures can help the companies further enhance their knowledge of ESG risks and take action to reduce their negative environmental and social impacts. Brigade actively engages its portfolio companies, transaction partners, peers, and other stakeholders to advance the principles of responsible investment and corporate social responsibility. Brigade is dedicated to tracking engagements through collecting information on engagement activity outcomes, engagement topic case studies, and a summary of meaningful engagements including highlights of escalations and issuer-specific engagement objectives. Reporting on this engagement activity will be produced at least annually. The Investment Team engages with company management in conversations related to ESG practices and behaviors. The purpose of these conversations is to better understand how potential ESG risks and opportunities are managed, among other issues. The process also allows the Investment Team to identify communication pathways to company management to establish and achieve sustainability initiatives and drive long-term growth.

In 2022, our analysts participated in an engagement training session which outlined the use of our new module. This recorded session is now required training for all new Investment Team hires.

Firm-Level Behavioral Changes

Brigade aims to continuously improve firm behavior to reflect our commitment to combating climate change. We will continue to monitor our carbon footprint to make reductions whenever possible, offset emissions when appropriate and strive to become a more sustainable business overall. Behavioral shifts we have made recently include:



As a result of the pandemic, work-from-home capabilities have vastly improved. Employees can work directly from their homes which in turn, reduces Brigade's energy consumption (lights, computers and printers on power-saver mode or off)



This has also led to the decommission of Brigade's "hot seats" located in Edison, NJ which also had a small footprint associated with renting



We are in the process of renovating our NY headquarters and will seek to make energy efficient choices whenever possible



Virtual meetings and presentation materials whenever possible



When material and applicable, marketers will seek to consolidate meeting dates to create more efficient itineraries



Brigade will seek to reduce all single-use water bottle usage to those provided to guests for onsite meetings



Recycling bins are located in each office and at every workstation and common area



We have allocated a portion of our charitable donation budget and will seek to allocate funds to combat climate change, protect biodiversity and provide aid those affected on a go-forward basis

Our Carbon Footprint

The firm has performed analyses to understand the carbon footprint associated with Brigade's business operations. Using a business travel log, commuter data, and electricity bills, we have calculated our firm's carbon footprint for 2019, 2021 and 2022, using the GHG Protocol and World Resources Institute's GHG Emissions Tool. The most obvious impact we have noted was the reduction in emissions associated with moving to a work from home environment over the course of the pandemic. The more recent increases in emissions can be attributed to a return to pre-COVID levels of business travel. We will continue to monitor our emissions with this annual analysis. We aim to reduce or offset this value as time goes on.

Based on the 2022 values we have purchased 400 carbon offset credits from Gold Standard, to neutralize business operations emissions. In addition to emission reduction through behavioral changes, we will look to allocate funds to at least one green project each year. We have selected credits that will fund a 20 MW Biomass Power Project in Chhattisgarh, India for our 2022 allocation. This project addresses 8 of the 17 UN Sustainable Development Goals including: good health and wellbeing, quality education, gender equality, clean water and sanitation, affordable and clean energy, decent work and economic growth, climate action and life on land.

Total Emissions ¹	2019 MTCO ₂ e	2021 MTCO ₂ e	2022 MTCO ₂ e
Total Scope 1 ²	0.0	0.0	0.0
Total Scope 2	100.1	81.3	84.6
Total Scope 3	274.3	138.8	303.65
TOTAL Emissions	374.4	220.1	388.3

¹Brigade's carbon footprint was calculated by our ESG consultant, ACA, based on company electric bills, business travel itineraries and distances/modes of transportation taken by commuters. Due to the complex nature of calculating emissions, all values referenced should be viewed as estimates. Gold Standard is a firm that offers voluntary offset programming focused on progressing the United Nation's Sustainable Development Goals (SDGs). Scope 2 emissions included purchased electricity for Brigade's New York Office. Scope 3 emissions included business travel (air and rail) and employee commutes.

²Brigade does not own assets that would be associated with Scope 1 emissions.

Gold Standard's website (<https://www.goldstandard.org/>) states:

Gold Standard was established in 2003 by the World Wildlife Fund and other international NGOs. Gold Standard sells verified emission reductions on behalf of participating project developers. To ensure that projects remain viable, a minimum price is applied for each different project type. This minimum price is calculated based on the Fairtrade carbon credit pricing model and adjusted by 2 cents for every \$ of shared value created to take into account the added benefits delivered beyond simply reducing carbon. 85% of the proceeds go to the project developers to help maintain and expand their climate protection projects. The remaining 15% is used to cover variable foreign exchange rates and service charges and the administrative costs in maintaining the platform and transparently retiring the credits.

ESG Disclosures

BRIGADE CONSIDERS ESG FACTORS IN ITS RESEARCH PROCESS FOR CERTAIN BUT NOT ALL INVESTMENT OPPORTUNITIES. BRIGADE IS UNDER NO OBLIGATION TO CONSIDER ESG FACTORS FOR ANY INVESTMENT OPPORTUNITY. FURTHER, TO THE EXTENT BRIGADE DOES ASSESS ESG FACTORS IN CONNECTION WITH AN INVESTMENT OPPORTUNITY, THE SCOPE OF THE ASSESSMENT WILL VARY FROM CASE TO CASE, AND IN ANY EVENT BRIGADE'S ESG ASSESSMENT WILL NOT BE A DISPOSITIVE FACTOR FOR ANY INVESTMENT DECISION. CERTAIN INVESTMENT OPPORTUNITIES BRIGADE CONSIDERS DO NOT LEND THEMSELVES TO THE CONSIDERATION OF ESG FACTORS.

BRIGADE IS CURRENTLY IN THE PROCESS OF DEVELOPING INTERNAL POLICIES AND PROCEDURES TO FORMALIZE ITS ESG INTEGRATION PRACTICES AND PROPRIETARY SCORING SYSTEM (INCLUDING THE BRIGADE NEW ISSUE SCORE CARD). THE INFORMATION PRESENTED HEREIN IS INCLUDED MERELY TO SHOW CERTAIN ESG FACTORS THAT BRIGADE EXPECTS TO INCORPORATE INTO ITS ESG INTEGRATION POLICIES AND PROCEDURES ("ESG POLICY"). HOWEVER, THERE IS NO GUARANTEE THAT BRIGADE'S FINAL ESG POLICY WILL INCORPORATE THE INFORMATION PROVIDED HEREIN. THE INFORMATION PROVIDED HEREIN IS BASED ON MATTERS AND EXPECTATIONS AS THEY EXIST AS OF THE DATE OF PREPARATION AND NOT AS OF ANY FUTURE DATE AND WILL NOT BE UPDATED OR OTHERWISE REVISED TO REFLECT INFORMATION SUBSEQUENTLY DEVELOPED OR TO REFLECT BRIGADE'S FINAL ESG POLICY. IN INSTANCES WHERE ESG FACTORS ARE CONSIDERED IN MAKING INVESTMENT DECISIONS, ESG WILL BE ONE OF MANY FACTORS CONSIDERED AND WILL BE PART OF THE TOTAL MIX OF INFORMATION USED TO MAKE THE INVESTMENT DECISION.

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BRIGADE MAY USE, AND RELY UPON, THIRD-PARTY PROVIDERS OF ESG SCORES, DATA, REPORTS AND RATINGS (E.G., MSCI) IN ITS RESEARCH PROCESS. BRIGADE WILL ONLY WORK WITH PROVIDERS THAT BRIGADE BELIEVES GENERATE RELIABLE AND ACCURATE INFORMATION, BUT SUCH INFORMATION MAY NOT IN ALL CASES BE RELIABLE AND ACCURATE.

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