



BRIGADE
CAPITAL MANAGEMENT

Climate Report

2022



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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

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 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 the Management Committee, 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.

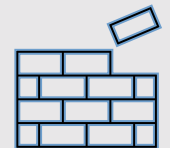
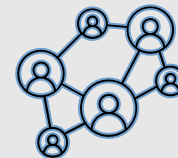
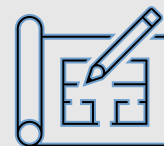
Where applicable and material, Brigade believes that engagement in dialogue with companies about ESG-related disclosures can help the companies further enhance their knowledge of ESG risks and take action to reduce their negative environmental and social impacts. Brigade actively engages its portfolio 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
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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	Dylan Ross* Co-Head of Structured Credit	Justin Pauley* CLOs	Michael Kreicher* CMBS	Russ DiMinni* Co-Head of Trading	Michael Walker* Co-Head of Trading	Jim Wolf Co-Head of Private Credit
Patrick Robb* Gaming, Homebuilding & Autos	Sumit Sablok* Technology	Pavlin Kumchev² European Healthcare & Industrials	Sandro Carissimo Energy	Florian Kass, CFA² European Business Services	Max Scherr* FIG & Specialty Finance	Gaurav Tejwani* Derivatives	Philip Ha CLOs	Rob Lefkowitz, CFA, CAIA, FRM* Director of Risk	Xavier Mimaud Trader	Jason Wang Director
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	Jess Wang RMBS	Priya Kothary Senior Product Specialist	Mia Qian CLOs	Charles Bartels Trader	Tom Eardley, CFA² European Trader	Tyler Williams-Sinclair Director
Conor Dillon Autos, Gaming, Lodging, Leisure & Homebuilding	Tommy Anderson Healthcare	Christopher Lembo Energy, Power, Metals & Mining			Byron Maturu, CFA Macro Credit	Gabby Champagne-Sitzler ABS & Specialty Finance	Hong Fan ABS & Specialty Finance	Emily Keinz Portfolio Analytics & Trading	Michael Bennett Trading Assistant	Haroon Ashraf Associate

Diego Campos Associate

*Indicates Firm Partner.
¹Reflects years of relevant industry experience.
² Located 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 Frusciante
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 Alfonzo
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

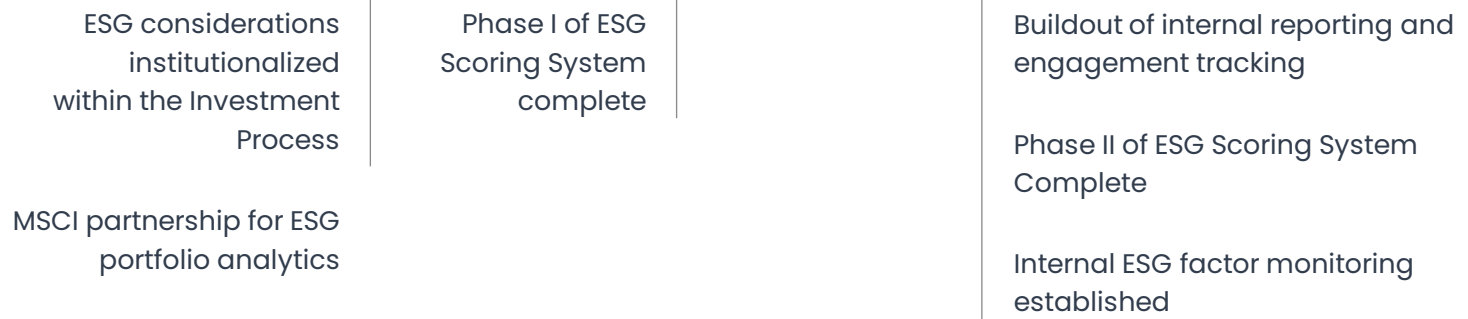
ESG considerations have been informally built into our investment process since the founding of Brigade in 2006. Our formal ESG program has become a primary focus over the last 5 years.



FIRMWIDE



INVESTMENT PROCESS



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.

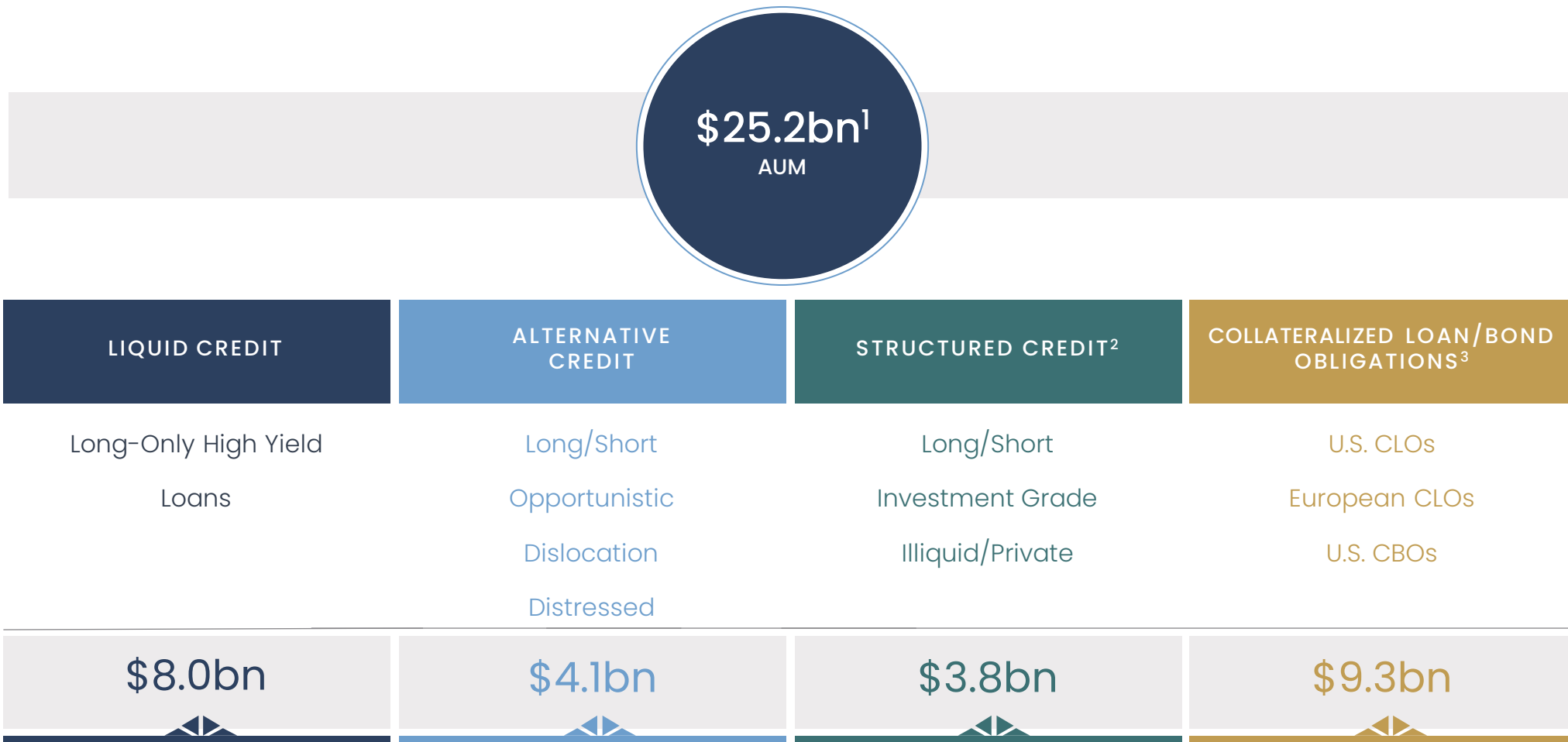
The ESG Scorecard analysis conducted will vary from investment to investment, depending on factors such as the investment's relevant asset class, industry, geography, and position within the capital structure. Just as each characteristic of an investment outlined above helps determine which ESG issues 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.

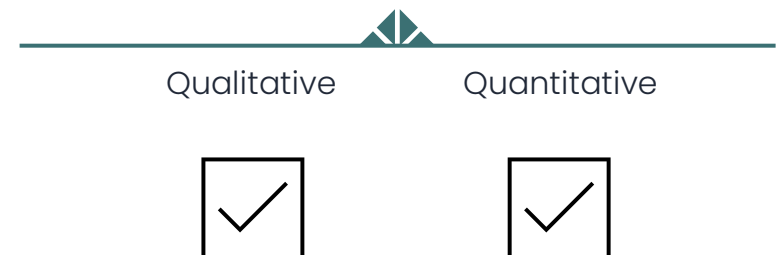
The second and more detailed set of questions Brigade analysts have developed focuses on industry-specific criteria. Each industry carries more/fewer risks across the E, S, and G categories depending on the nature of its operations and what services or products it provides. For instance, financial companies will have more factors relating to social and governance issues and fewer relating to environmental issues. Each question 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

The screenshot displays the ESG Scorecard interface. At the top, there is a table of issuers with columns for Analyst, Ticker, Issuer, and Market Value (\$MM). The Market Value is broken down into categories: TOTAL, Hedge Fund, Structured Cr, Specialized, Blended, Oppt Credit, Bank Loan, Long Only HY, and CLO. The 'Last Updated' column shows the date and time of the last update, along with the analyst's name.

Below the table, there is an 'Engagement' section with a table of engagement activities. The table has columns for Date, Note, and Last Updated. A note is visible: 'strategy, financial and reporting - worked with the com. SYSTEM' dated 03/16/2022.

The main part of the interface is the 'ESG Scorecard' for 'FREEDOM MORTGAGE CORP'. It includes a dropdown for the industry (Financials & Insurance) and the MSCI ESG Rating (NR). There are five questions related to MSCI coverage and reporting, each with radio button options for Yes/No and a dropdown for 'Rate relative to peer group' (Below Average, Average, Above Average).

Below these are three sections: Environmental (15%), Social (50%), and Governance (35%). Each section contains four questions with radio button options (Yes, No, N/A) and a dropdown for the Rating (Satisfactory, Weak, Lagging Industry).

Standardized set of ESG criteria to evaluate all issuers

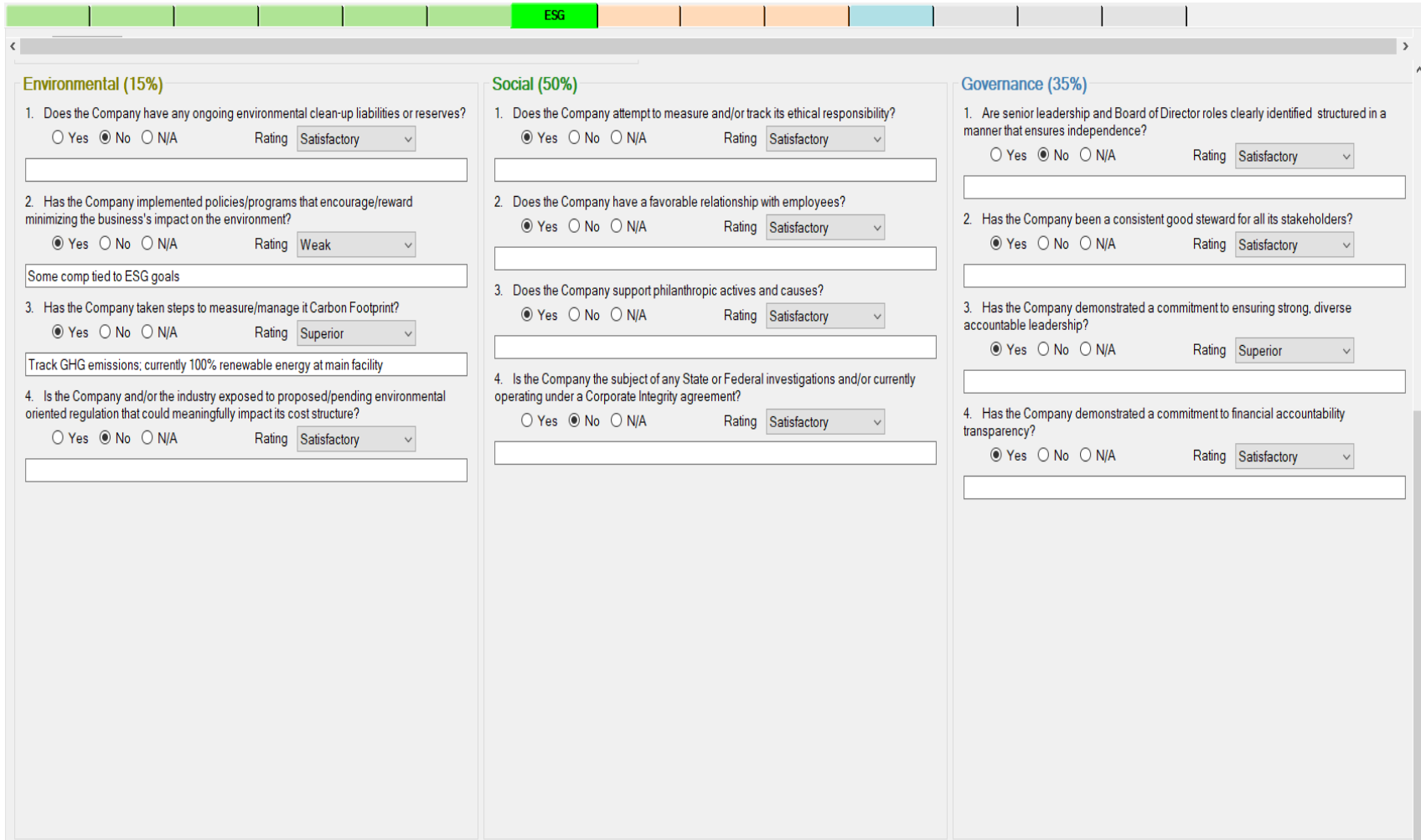
Links are directly embedded for easy access to internal and external research

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



The screenshot displays the ESG Scorecard interface with a progress bar at the top. The 'ESG' section is highlighted in green. The scorecard is divided into three main categories: Environmental (15%), Social (50%), and Governance (35%). Each category contains several questions with radio button options (Yes, No, N/A) and a Rating dropdown menu. The Environmental section includes questions about environmental liabilities, policies, and carbon footprint. The Social section includes questions about ethical responsibility, employee relationships, and philanthropic activities. The Governance section includes questions about leadership roles, stakeholder stewardship, and accountability.

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

- 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

QUALITATIVE ASSESSMENT

- 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

ESG CONSIDERATIONS

- Evaluate ESG risks
- Price Risk Factors
- Monitor & Engage

RELATIVE VALUE

- +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

CATALYST

- 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

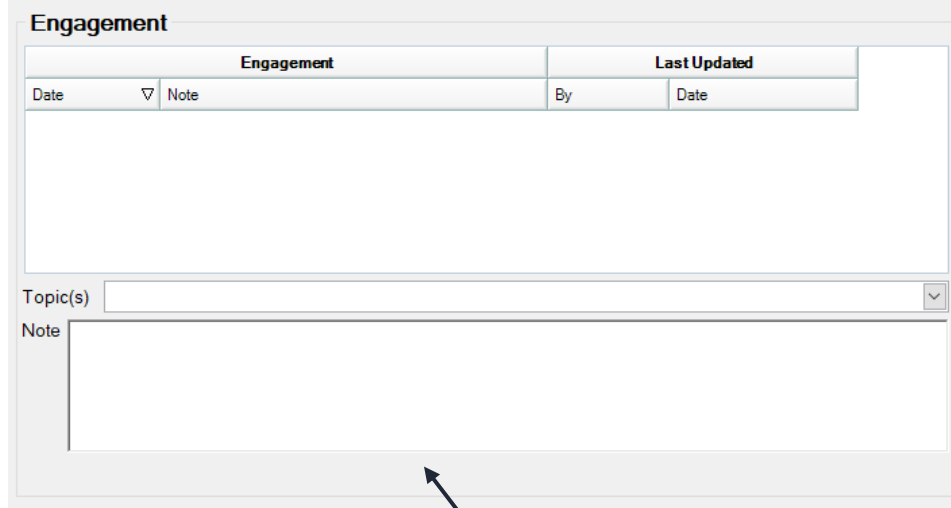
- We maintain regular dialogue with management, which provides us the ongoing ability to discuss progress with ESG efforts & share what we see as ESG best practices
- NGL includes ESG risks & considerations in its public filings
- The Company also prepares a sustainability report which provides details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

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



The screenshot shows a web form titled "Engagement". At the top, there are two columns: "Engagement" and "Last Updated". Under "Engagement", there are fields for "Date" (with a dropdown arrow) and "Note". Under "Last Updated", there are fields for "By" and "Date". Below these fields is a large text area for "Note". At the bottom of the form, there is a "Topic(s)" dropdown menu and another "Note" field.

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	2021	2022
	MTCO ₂ e	MTCO ₂ e	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.

TAKING ESG FACTORS INTO CONSIDERATION MAY NOT IMPROVE, AND MIGHT DETRACT FROM, INVESTMENT PERFORMANCE OVER ANY PERIOD OF TIME. BY CONSIDERING ESG FACTORS IN INVESTMENT DECISIONS, BRIGADE MAY INVEST IN A MANNER THAT IT WOULD NOT OTHERWISE HAVE DONE IF ESG FACTORS WERE NOT CONSIDERED. MOREOVER, THERE MAY BE SITUATIONS WHERE BRIGADE DETERMINES TO MAKE A PARTICULAR INVESTMENT EVEN THOUGH BRIGADE DETERMINED THAT THE INVESTMENT IS UNFAVORABLE FROM AN ESG PERSPECTIVE.

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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