

2021 ANNUAL REPORT

ESG AND SUSTAINABILITY

ABOUT OAK HILL ADVISORS



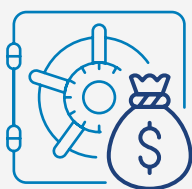
Oak Hill Advisors (“OHA”) is a leading **global alternative credit investment specialist** with **\$57 billion** of **assets under management** across performing and distressed **credit related investments** in **North America, Europe** and other geographies.

EXPERIENCE



30+
YEARS

SCALE



\$57
BILLION¹

TEAM



300+
COLLEAGUES

OHA has the **experience, scale, and team** of experienced investment professionals to allow it to successfully navigate the high yield, leveraged loan, structured, distressed, and private credit markets.

PRIVATE STRATEGIES

\$23
BILLION

LIQUID STRATEGIES

\$18
BILLION

STRUCTURED CREDIT

\$16
BILLION

1. Estimated as of December 31, 2021. Includes net asset value, portfolio value and/or unfunded capital. Uses respective USD exchange rates as of month-end for any non-USD assets. Additional information on calculation methodology is available upon request. Private Strategies, Liquid Strategies and Structured Credit based on the primary strategy of each Client Account. Certain Client Accounts may invest in multiple asset classes, and this does not represent the assets under management for any asset class. Totals may not add due to rounding.

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A MESSAGE FROM OUR FOUNDER AND CEO



Oak Hill Advisors is dedicated to conducting its business in a responsible and sustainable manner, through its responsible investment practices, as well as through its corporate operations.

The consideration of environmental, social, and governance (“ESG”) factors, and the assessment of sustainable business practices, are essential in seeking long-term value creation on behalf of our investors. As such, OHA seeks to encourage sustainable business practices across our investments in several ways. As an experienced credit investor with over 30 years of history, OHA has cultivated a rigorous process to analyze companies from an ESG perspective and to facilitate early and active engagement with companies during the diligence and post-investment phases. Furthermore, at the broader industry level, OHA is a leading advocate for various ESG initiatives alongside other credit investors, with the goal of promoting industry-wide transparency and accountability. These efforts range from encouraging companies to implement sustainability-oriented policies, to attending roundtables or other events hosted by the world’s leading finance associations. OHA continually seeks to be an active sustainability advocate in the broader finance industry, while simultaneously advancing and embedding ESG efforts across our platform.

Since OHA’s inception in 1991, the importance of sustainable and responsible investment has accelerated meaningfully. We are proud of the progress we have made as a firm in all areas of ESG, from evaluating climate risk in our investments, to implementing initiatives and policies to advance diversity and inclusion efforts. We know that the continued success of our firm is inextricably linked to the success of each employee, our communities and ultimately the world in which we live. In our inaugural ESG & Sustainability report, we are pleased to share our progress over the last year and our goals for the future.



GLENN R. AUGUST
Founder & CEO

Responsible Investment

Corporate Sustainability

OUR COMMITMENT



Promote sustainable practices across firm activities, throughout markets, and within our community



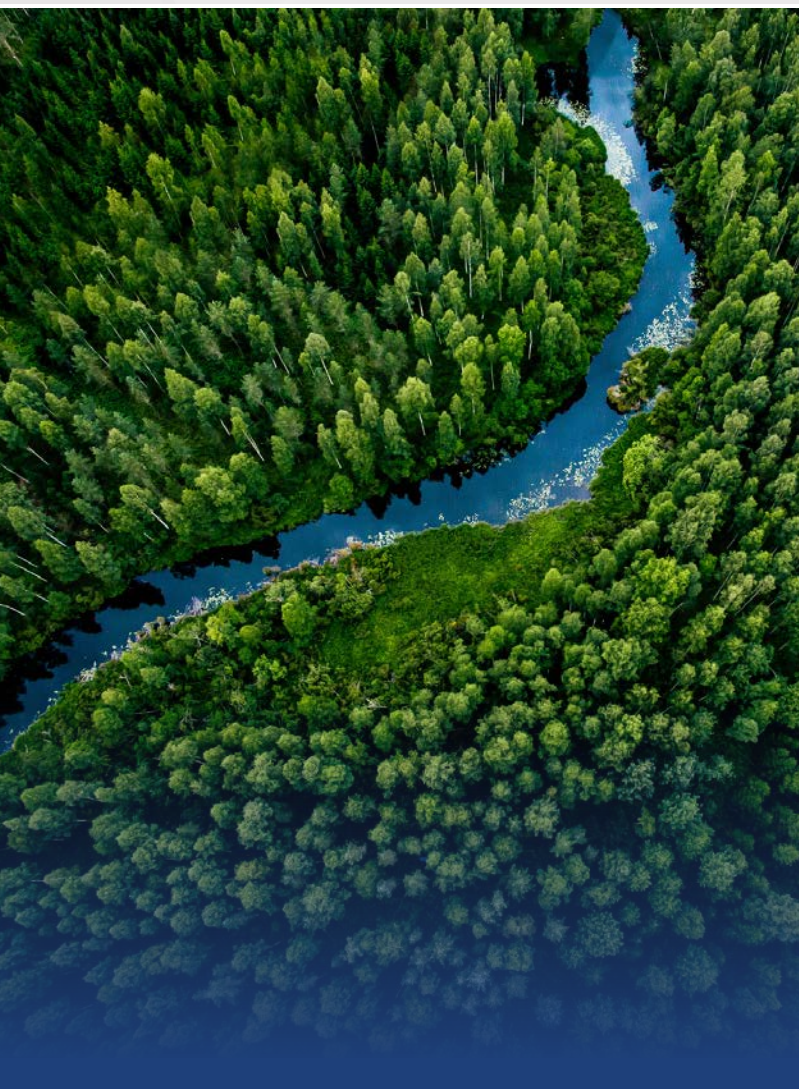
Encourage a culture of collaboration, diversity and inclusiveness



Achieve targeted investment returns for our partners while investing in a sustainable manner



RESPONSIBLE INVESTMENT



SUSTAINABILITY COMMITMENT

OHA is focused on the continuous development of its approach to sustainable investing and incorporating ESG considerations into its investment process.

OHA takes a holistic approach to responsible investing by incorporating a tailored approach across all asset classes in which it invests. OHA's investment professionals consider ESG criteria to gain insight into the quality of a company's business, management, culture, and its overall risk profile. These considerations can impact the firm's decision to buy or sell a potential or existing investment.

2. Certain exceptions apply, including where the nature of the investment or issuer does not lend itself to a standard ESG assessment.

ESG INTEGRATION

OUR APPROACH

ESG integration is an integral component of OHA's investment process and its approach to seeking long-term value creation. OHA therefore seeks to integrate and apply its ESG & Sustainability Policy across all of the firm's activities. We rely on a thorough due diligence process prior to making an investment as well as ongoing monitoring during our holding period, including engagement with borrowers and other stakeholders on material sustainability factors.

INVESTMENT PROCESS

Our investment team of more than 100 individuals is trained in ESG analysis for investments, ensuring that ESG is systematically incorporated into every company analyzed using a formalized evaluation template. Our proprietary data analytics system, Pulse, captures and documents the results of our findings, which are then used to assess absolute and relative value across the firm's investments.

Research

During the underwriting process, analysts utilize a variety of data sources to inform their analysis

This is documented in the ESG evaluation template and credit memorandums



Borrower Engagement

Maintain active dialogue with management teams, sponsors, and other industry participants

Utilize borrower questionnaire for select investments

Log discussions to prioritize areas of opportunity and reporting actions



Proprietary Scoring

Typically, OHA corporate issuers receive individual E, S and G assessments²

SASB Standards and OHA proprietary industry considerations guide scoring

Ratings are entered into Pulse, OHA's proprietary data analytics system



ENGAGEMENT

OHA seeks to use its scale and influence to promote awareness around sustainability and other ESG matters.

In doing so, OHA prioritizes areas which it believes are material to the credit profile of a particular investment, and can vary greatly among companies and industries. Maintaining active dialogue with management teams, sponsors, and other industry participants is a core tenet of OHA's investment process as we believe it leads to a better assessment of a company's long-term business prospects and value. OHA seeks to engage prior to making an investment and on a regular basis thereafter as part of its established investment process. Sustainability matters are discussed and, if relevant, pursued with the company as part of this process, with the purpose of contributing to positive outcomes and value-add creation.

Given OHA's broad investment platform, which includes a wide range of investment strategies, the firm utilizes a tailored approach towards engagement based on factors such as level of control and access to management. For example, in control or influence type strategies, or in more direct loans made by a small number of investors, OHA typically has greater access to management teams and is able to exert more influence on ESG matters as compared to syndicated loans or public bonds where there are typically a large number of lenders. In these markets, collaborating with key field building initiatives and trade associations to promote transparency and disclosure provides an opportunity to elevate the awareness of important ESG issues for company management consideration. In situations where financially material ESG issues are not addressed or prioritized by the company, OHA may avoid investment or divest its holdings if it believes ESG risks exist.



TRANSPARENCY

OHA is committed to optimizing transparency and accountability through the disclosure of ESG practices and metrics for our investors and our industry at large. In addition to being a signatory to the UN-supported Principles for Responsible Investment, OHA provides customized reporting and regular updates to many of its investors on various aspects of its ESG program. OHA's ESG & Sustainability Policy is available publicly on [our website](#). Transparency remains a priority for OHA and we are committed to furthering our work in this area in the future.

GOVERNANCE

OHA's ESG & Sustainability efforts are led by Jeff Cohen, Head of ESG & Sustainability, and Erin Hartney, Principal, ESG & Sustainability. They are both members of OHA's ESG Committee, which is comprised of partners and senior members across the firm and serves as the strategic body for the firm's responsible investment and sustainability initiatives. Committee members are responsible for evaluating current market best practice for ESG issues relating to credit-focused investment managers, assessing feedback from investors, and providing general oversight and information dissemination regarding the firm's ESG policy, process, and approach. The committee meets formally on a quarterly basis and as required throughout the year. Outside of the quarterly meetings, there is regular dialogue between ESG Committee members and relevant colleagues on ESG-related matters.

ESG COMMITTEE



BILL BOHNSACK

President & Senior Partner



ADAM KERTZNER

*Portfolio Manager &
Senior Partner*



ALEXIS ATTESLIS

Co-Head of Europe & Partner



NATALIE HARVARD

*Head of Investor Relations
& Partner*



LUCY PANTER

Portfolio Manager & Partner



GREGORY RUBIN

General Counsel & Partner



FRITZ THOMAS

*Head of Client Coverage
& Partner*



DECLAN TIERNAN

Co-Head of Europe & Partner



THOMAS WONG

Portfolio Manager & Partner



COLIN BLACKMORE

*Managing Director,
European General Counsel
& CCO*



JEFF COHEN

*Managing Director,
Head of ESG & Sustainability*



NATHANIEL FURMAN

Managing Director



JOHN MACK

*Managing Director,
Operations & Client Accounting*



STEVE JONES

*Managing Director &
Chief Operating Officer –
U.S. Credit*



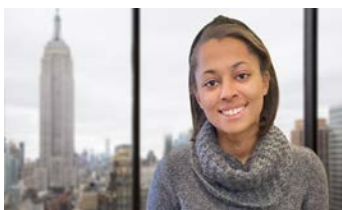
ERIN HARTNEY

Principal, ESG & Sustainability



JACK CROWELL

Vice President, Product Specialist



BLAIRE ROWE

Associate

2021 ESG ACTIONS AND ACHIEVEMENTS



OHA prioritized several initiatives in 2021 that demonstrated the firm's focus on the continuous improvement of its approach to responsible investing and to incorporating ESG and sustainability considerations within its own organization.



- Committed to aligning our portfolios appropriately in relation to the global transition to a lower carbon environment
 - Became a public supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) and the Transition Pathway Initiative (TPI)
- Conducted an inaugural carbon footprint assessment for the firm and offset 100% of our 2019 and 2020 carbon emissions through the purchase of conservation VERs (verified emissions reductions) of a forestry project in Maine
- Partnered with third party carbon accounting platform (Persefoni) to quantify carbon footprint of OHA's flagship liquid credit fund
- Continued to invest in industry and peer sustainability focused groups
- Submitted second PRI transparency report
- Became a member of the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative
- Formed new recruitment partnerships focused on attracting diverse talent with Wharton Alliance and Out For Undergrad

As a result of its enhanced focus on advancing its sustainability posture in 2021, OHA is now a supporter of the following key sustainability initiatives, in addition to adhering to its own internal ESG strategy and procedures:



LIQUID STRATEGIES

SPOTLIGHT ON INDUSTRY COLLABORATION

OHA manages \$18 billion of capital across liquid strategies with a bias toward larger cap issuers. In these markets, OHA is focused on actively managing its investments to capture opportunities up and down the capital structure.

ESG analysis is integrated throughout the investment process and includes engagement where possible. Engagement activities may take various forms, depending on both the company and type of investment (e.g., size, seniority, private vs. public). While OHA seeks to use its influence as a creditor to manage ESG risks and encourages the transparency of borrowers, the extent of our influence is often determined by the nature of the investment.

Generally, in larger cap issuers in the liquid markets, there are a large number of lenders, which limits access to management teams. However, OHA seeks to engage as much as possible and when not able to speak directly with management, we leverage other points of contact, such as sponsors or banks for information.

OHA is particularly focused on engagement efforts with non-issuer stakeholders, seeking to improve disclosure and promote transparency on sustainability matters within these markets.

Several sitting members of the OHA ESG Committee participate in partnerships to bolster industry collaboration and assist with implementing tangible change across the industry. These include:



ESG working group organized by the Loan Sales and trading Association (LSTA), focused on the ongoing improvement of ESG integration within the senior loan market



ESG working group of the European Leveraged Finance Association (ELFA), aimed at improving ESG disclosure by issuers and capital markets participants



The Loan Market Association (LMA) Responsible Investing Working Group works to advance ESG initiatives within the regulatory landscape



The Alternative Investment Management Association's (AIMA) Responsible Investment Working Group, represents private credit and non-bank finance participants in asset management to better inform the regulatory debate in the United Kingdom (UK)



OHA sits on the board of the Alternative Credit Council (ACC), an affiliate of AIMA that represents firms in the private credit space, and promotes various ESG related initiatives

OHA engages with a wide range of participants with the goal of educating and encouraging sound ESG practices and reporting



Thomas Wong, Portfolio Manager & Partner, is a member of OHA's Investment Strategy committee and ESG committee, and is also a sitting Board Director of the LSTA, representing OHA.

Given Mr. Wong's breadth of perspective and focus on ESG, he was able to serve as an instrumental voice in the development of the LSTA's recently finalized ESG disclosure protocols. **As part of this initiative, Mr. Wong proactively advocated for the creation of an internal LSTA ESG working group to develop a standardized borrower ESG questionnaire, which was formally published in February 2020.** The questionnaire aims to optimize transparency, disclosures, and accountability for ESG practices and incorporates the Sustainability Accounting Standards Board (SASB) standards, and valuable input from private equity firms, arrangers, and other relevant stakeholders. OHA utilizes the LSTA borrower ESG questionnaire to engage with companies and to gain additional insight on ESG matters. The questionnaire focuses on:

- Environmental Practices
- Governance
- Diversity & Inclusion practices
- Revenue sources



With several OHA ESG Committee members sitting on the board of LMA and ELFA working groups, including **Lucy Panter, Partner & Portfolio Manager**, OHA contributes to various initiatives promoting sustainability across the European leveraged finance markets.

One highlight includes our work with these organizations to develop best practice guidelines with respect to Sustainably Linked Leveraged Loans in order to advance sustainability and promote transparency in the leveraged loan marketplace. The guide provides practical guidance on the application of the Sustainable Linked Loan Principles to traditional leveraged loans which seek to incorporate any kind of ESG factor or metric. For example, the guidance includes topics such as the selection of key performance indicators, reporting and verification, and documentation. OHA's support in the development of best practices in the Sustainably Linked Leveraged Loan space offers uniformity and consistency within a quickly evolving and increasingly relevant market.

Within its European investments, OHA participated in Sustainably Linked Leveraged Loans or Sustainability Linked Bonds for 31 issuers in 2021, covering a broad range of industries including healthcare, food, telecom, building products, technology, and waste management. In many cases, OHA has done diligence and provided feedback on the specific sustainability performance targets (SPTs) included in these instruments.

PRIVATE CREDIT STRATEGY BLUESOURCE CASE STUDY

OHA manages \$23 billion of capital across private strategies where it employs an opportunistic, solutions-oriented investment strategy, primarily targeting investments in first and second lien secured debt, with flexibility to invest in more junior parts of the borrower's capital structure.

Our approach to ESG is consistent within our private credit business, however, engagement can play a more meaningful role in the credit underwriting and monitoring process as we have better access to management teams and/or sponsors. Smaller lender groups allow OHA to exert more influence, and longer-term private credit investments lend themselves to more constructive engagement with borrowers on ESG and sustainability goals and outcomes.



Investment
Preferred Equity

Sourcing
Relationship
development

Committed Capital
\$500 million

Investment Year
2021

ESG Commitment by Bluesource ↗

COMPANY OVERVIEW

Bluesource is a leading U.S. corporate climate and energy advisor, which partners with some of the world's largest companies to create and transact in environmental attribute credits, including carbon credits, to empower them to take their next steps toward achieving their sustainability goals. Founded in 2001, Bluesource now manages more than 3.1 million acres of forest assets across 77 projects in the U.S. and Canada and has been voted Environmental Finance's Best Project Developer for five consecutive years.

TRANSACTION OVERVIEW

OHA was introduced to Bluesource through a long-standing relationship with their advisor and was attracted by the investment's real asset component and credit-like risk/return profile. OHA believes this investment provides the opportunity to create strong returns with downside protection and multiple upside opportunities as the carbon market develops. Further, Timberland properties are anticipated to benefit from governmental and commercial tailwinds, opportunistic pricing, and stable long-term cash flows. After thorough due diligence and a 6-month competitive process, OHA was awarded the opportunity and committed \$500 million to create Bluesource Sustainable Forests Company ("BSFC").

"We view this to be an incredibly large opportunity... this transition is happening in real time and forestry assets continue to be a measurable way of removing carbon from the atmosphere. We're excited about the ability to invest in attractive assets while also providing significant environmental benefit."

**Adam Kertzner, Oak Hill Advisors, Wall Street Journal,
October 12, 2021**

SUSTAINABLE PARTNERSHIP DETAILS

BSFC will fund the acquisition of commercial hardwood timberlands to create a sustainable forestry strategy focused on creating and selling carbon credits.

Goals

- Material improvements in land management, including long-term certainty that the stocking of its forests with timber will not be reduced
- Long-term environmental benefits such as habitat rejuvenation, soil retention and water management
- Real and permanent reduction in greenhouse gas emissions via generation of carbon credits
- Long-term conservation easements on forests to mitigate harvesting from reaching below an established baseline for at least 30–100 years

Bluesource utilizes proprietary research and analytics to establish carbon programs where landowners are not pursuing carbon development opportunities and would otherwise plan to sell the properties.

This partnership exemplifies OHA's philosophy focused on achieving attractive returns for investors while promoting sustainable practices across markets and the broader economy

Please reference the final page of this report for further information regarding case study selection.

DISTRESSED STRATEGY

VALARIS CASE STUDY

OHA has been investing across distressed opportunities including trading, influence and control strategies for more than 30 years. In certain control-oriented investments, OHA has the ability to enact change, including on ESG related matters.

OHA has led numerous creditor committees, participated on multiple company boards and led other aspects of turnarounds and restructurings, promoting ESG matters where appropriate.



Pre-reorg Investments

Various Unsecured Bonds and Revolving Credit Facility

Post-reorg Investments

New 1L 8.25% Bonds and Public Common Shares

Sourcing

Secondary trade

Invested Capital

\$186 million

Investment Year

2020 / 2021

Valaris Sustainability Report ↗

COMPANY OVERVIEW

Formed in 2019 through the merger of two leading operators, Ensco and Rowan Companies, Valaris is the largest offshore oil and gas driller in the world. Valaris operates a diverse fleet of rigs and provides drilling services across all water depths with compelling scale, geographic presence and customer relationships.

TRANSACTION OVERVIEW

In March 2020, during the COVID-19 dislocation, OHA began building a position in the Valaris bonds at severely distressed prices, eventually becoming the largest bondholder. In summer 2020, OHA and other large creditors led bondholder steering committee negotiations that initiated the company's Chapter 11 filing in August 2020. As part of the Chapter 11 plan, OHA and other large creditors committed to a DIP financing and agreed to backstop a \$550 million exit financing. The Chapter 11 Plan was unanimously approved by the court in March 2021 after OHA led negotiations to settle the confirmation objections from a revolving bank group.

- OHA recognizes the importance of a global transition to a lower-carbon environment and as such has limited investments in conventional oil and gas. However, we recognize that supporting companies like Valaris is important during this transition and when we do invest in such sectors, we focus on improved ESG practices and building a sustainable model to succeed.
- Offshore oil and gas production has among the lowest carbon emissions per barrel of oil produced of any type of oil and natural gas production.³

ENGAGEMENT OUTCOMES

Through OHA's involvement, Valaris formed an ESG Board Committee, whose mission is to assist the Board in overseeing the company's policies, programs and practices regarding matters relating to ESG and the company's management of ESG risk.

The ESG Committee also worked with the Compensation Committee to establish appropriate ESG targets, track the relevant metrics over time and benchmark the company's performance against these goals.

3. Source: Valaris, "Building the lower carbon transition" Webinar by Wood Mackenzie, January 2021."

Please reference the final page of this report for further information regarding case study selection.

Valaris is focused on reducing its carbon footprint in three ways:

Fuel Efficiency

- Engine optimization by operating at higher load factor with fewer engines online
- Increasing fuel efficiency and lowering fuel costs

Emissions Reduction

- Reduce NOx emissions through selective catalytic reduction system
- Retrofitting of fleet is currently in process

Increase use of electric power over diesel

- Hybrid energy from stored batteries/power sourced from platform gas turbine generator or shore power
- The company developed the Valaris Intelligence Platform ("VIP") to enable real-time tracking and analytics of greenhouse gas emissions (GHG) and fuel efficiency with the goal of implementing VIP fleetwide by 2022. VIP will offer:
 - Near real-time data of fuel consumption and greenhouse gas emissions for each engine across the fleet
 - Established baselines by rig and engine type for setting and monitoring emissions reduction targets
 - A reporting tool to Valaris management, customers, and regulatory authorities

ESG INVESTMENT HIGHLIGHTS

In September 2021, Valaris announced it was awarded a contract with TAQA offshore the Netherlands for VALARIS JU-123, which will be equipped with a selective catalytic reduction ("SCR") system, enabling the vessel to eliminate almost all NOx and SOx emissions generated by the rig. The contract is part of a the Porthos CO₂ transport and storage project, which aims to achieve Netherlands' progressive climate objectives by transporting and storing CO₂ generated by industry in the Port of Rotterdam underneath the seabed. The contract commenced in the fourth quarter of 2021 with an estimated minimum of 60 days.

In addition, Valaris announced that its ultra-deepwater drillship VALARIS DS-12 has become the first vessel in the world to receive the BAS Enhance Electrical System Notation EHS-E, which is specifically designed to allow the drillship to optimize powerplant performance, enabling operations on fewer generators and reducing emissions.

COMMERCIAL REAL ESTATE STRATEGY

PARKMERCED CASE STUDY



OHA’s commercial real estate platform originates across a range of instruments including senior mortgage loans, mezzanine loans, private placements, structured debt, and structured equity. OHA’s dedicated real estate team is fully integrated within OHA’s industry focused verticals and seeks to integrate sound ESG practices and diligence across all transactions. In its commercial real estate lending practice,

we utilize a systematic and informed approach toward ESG issues, focusing on best-in-class properties with sustainable operations. Where possible, OHA engages with operating partners and property managers to ensure the companies are proactively addressing ESG issues. This may include checks on energy efficiency and ensuring companies are acting as fair and safe employers for their employees.



Investment Sourcing

Relationship with
advisor / sponsor

Committed Capital

\$200 million
second mortgage loan

Investment Year

2022

Parkmerced Sustainability Report ↗

COMPANY OVERVIEW

Parkmerced is the largest single multifamily asset in San Francisco, California with more than 3,000 existing multifamily units, in addition to as-of-right entitlements for up to a total of 9,800 units on the property.

Amenities of the property include on-site fitness and business centers, a community clubhouse, numerous outdoor green spaces, electronic car charging stations, access to Lake Merced and high-speed internet services.

TRANSACTION OVERVIEW ⁴

OHA provided a \$200 million second mortgage with equity participation as part of a \$320 million financing package intended to refinance existing debt, establish working capital and pre-development reserves to bridge the transaction until upcoming construction.

ESG HIGHLIGHTS

Since taking ownership in 2005, the sponsors of Parkmerced have positioned the property in accordance with ESG principles while planning for additional ESG enhancements in the future development.



4. Transaction closed 2/4/22.
Please reference the final page of this report for further information regarding case study selection.

Environmental Sustainability

Environmental Sustainability provided for by maintenance of vast green spaces and targeted through numerous green metrics in the future development including:

- A 60% reduction in greenhouse gas emissions accomplished through smarter transportation system and less resident dependence on cars
- A 60% reduction in wastewater
- A 100% reduction in stormwater achieved by restoring the natural watershed and site hydrology reconnecting Parkmerced to Lake Merced
- A 60% reduction in potable water consumption
- A 56% reduction in energy consumption by smarter green-friendly designs including cogeneration systems, solar panel lighting, etc.

Award-Winning Eco-Friendly Design

Parkmerced embraces a new paradigm, where open spaces are developed to provide benefits for both people and the functioning of ecological systems including hedgerows and bioswales, bio-gutters, a seasonal pond and stream corridor, energy efficient transportation options, and a network of urban and natural systems to reduce overall resource consumption (e.g., micro power grids to convert waste heat into energy sources and solar panels).

Social Responsibility

Social Responsibility is accomplished through affordable housing emphasis, tenant assistance programs (e.g., mental health and financial planning assistance programs implemented during COVID), and diversification of tenant base through re-districting efforts.

Ethical Governance

Ethical Governance is accomplished through a promote-free investment structure, ensuring alignment between all equity shareholders, and involvement in resident governance.

REAL ASSET AND INFRASTRUCTURE STRATEGY

INTERSECT POWER & DIGIPLEX CASE STUDY



OHA's Real Asset & Infrastructure investment platform leverages OHA's multi-strategy capabilities across real asset industries and different parts of the capital structure.

OHA focuses on both private and performing origination as well as dislocated secondary opportunities and credit-like preferred/structured equity. OHA believes it is making scalable environmentally responsible investments, both domestically and globally, to demonstrate its commitment to ESG and sustainable practices.



Investment Sourcing

Sponsor relationship

Committed Capital

\$75 million first lien loan

Investment Year

2021

Intersect Power is a large, best-in-class developer of utility-scale solar projects. The company currently has five⁵ large scale solar projects in California and Texas that are ready for near term development.

TRANSACTION OVERVIEW

Intersect Power was seeking capital to retain long-term project ownership and launched a process to raise \$1.1 billion of secured funding with the use of proceeds to develop 5 utility scale solar photovoltaic projects in California and Texas.

OHA leveraged its knowledge of the company, assets, and relationship with the sponsor to secure a favorable commitment during syndication.

OHA is excited to support the clean energy industry through scalable low-carbon solutions provided by Intersect Power.



5. As of January 31, 2022.
Please reference the final page of this report for further information regarding case study selection.



Investment Sourcing

Sponsor relationship

Committed Capital

\$50 million second lien loan

Investment Year

2021

DigiPlex is a Nordic data center company, primarily focused on large hyperscale (e.g., Microsoft, Amazon) / high performance compute (e.g., HP) and wholesale customers (e.g., Nasdaq) with a portfolio of seven facilities across Norway, Sweden, and Denmark.

Digiplex offers access to 100% green energy usage, along with access to a developed portfolio of data center facilities across the Nordics with large expansion capacity.

TRANSACTION OVERVIEW

The sponsor, IPI Partners, focuses exclusively on data centers and other technology/connectivity related assets and has the goal to create a European hyperscale data center platform by combining DigiPlex with additional European data center investments.

OHA believes green and efficient data centers have a critical role to play in supporting the transition to a more sustainable economy and is excited about growing its partnership with this company and sponsor.



CLIMATE COMMITMENT

PUBLIC SUPPORTERS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)



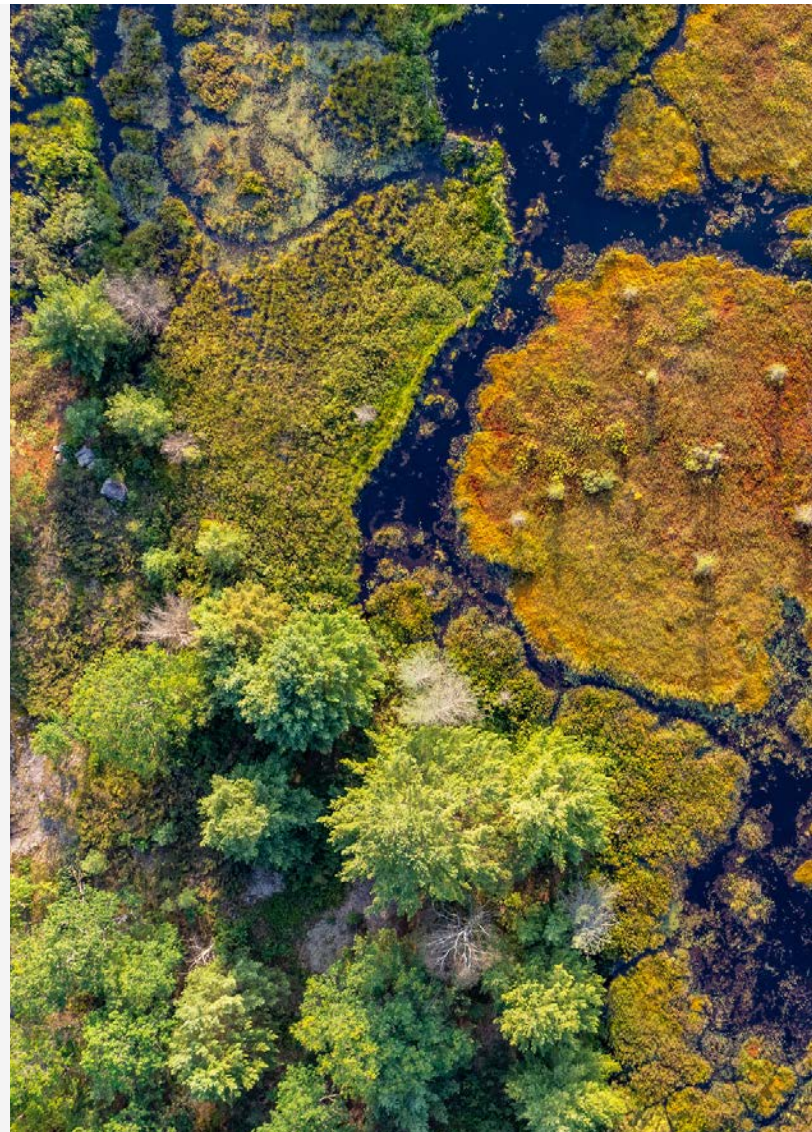
OHA is committed to making a positive impact through our investments and activities.

OHA's integrated approach towards ESG analysis has driven its investments towards lower carbon emitting industries including Technology, Healthcare, & Services. As a sign of our commitment to climate change, OHA became a public supporter of the TCFD in March 2021. Since this milestone, we've completed our first-ever carbon footprint assessment along with our TCFD-aligned disclosures.

GOVERNANCE

The management and oversight of climate-related risks / opportunities analysis resides within OHA's ESG governance structure, led by Jeff Cohen, Head of ESG & Sustainability. OHA's ESG Committee, which is comprised of senior-level leadership across the firm, is responsible for leading all efforts around sustainable investment, including climate change management across our portfolio. The ESG Committee meets formally on a quarterly basis and disseminates information on an adhoc, but at least weekly, basis to portfolio managers and others throughout the firm.

As with other ESG due diligence, climate-related analysis is integrated within existing core functions of management-level positions, predominantly portfolio managers, to ensure a holistic approach. OHA's portfolio managers are ultimately responsible for incorporating the industry team's analysis of ESG matters, including climate change, into each investment decision. As ESG responsibilities are fully integrated among both core investment functions and the ESG Committee, climate-related risks and opportunities are discussed and reported on an ongoing basis by the ESG Committee. OHA portfolio managers hold numerous meetings on a daily and monthly basis that cover global investment strategy, industry reviews, and trading themes. The team integrates their bottom-up views of specific credits with the firm's top-down macroeconomic and asset class views to make highly informed investment decisions across the portfolio.



STRATEGY

As credit investors, our strategy is sector specific. Our ESG Committee has aligned with TCFD guidance to develop a set of ESG criteria that outlines key risk considerations by sector that could have a material financial impact on our investments, which may include either transition or physical climate-related risks. To determine which risks and opportunities may have a material financial impact, OHA may evaluate investments' carbon intensities and energy inefficiencies against sector averages or industry standards. Mitigation efforts such as those outlined in the case studies above demonstrate OHA's incorporation of medium- and long-term climate related considerations within its investments to promote the transition to a greener economy.

OHA believes that the heaviest carbon emitting companies reside within four main sectors: Oil & Gas, Metals & Mining, Natural Resources and Utilities, to all of which OHA has low exposure.

Further, OHA believes that it has thoroughly underwritten the firm's holdings within these sectors and is comfortable with each company's plan to handle climate-related risks and opportunities ([see Valaris case study](#)). Our strategy within the Oil and Gas sector is primarily focused on offshore oilfield services, typically avoiding exploration and production and coal focused companies. Understanding that these are the heaviest carbon emitting sectors, OHA's total exposure to Oil & Gas remains less than 4% of the firmwide market value across all portfolios. OHA's sector focus remains on Technology, Healthcare, and Services, making up over 40% the firms investments.⁶ Although climate risks remain within these sectors, the assessed risk factors are relatively low comparatively.

As OHA continues to develop its climate-related risk management strategy, considerations associated with a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant, scenarios consistent with increased physical climate-related risks will be taken into account.



6. As of 12/31/2021. Represent the exposure market value that OHA has for each sector as a percentage of the firms total exposure market value of all long positions in accounts for which OHA has discretion. OHA's holds a large number of asset backed positions (e.g. CLO's and Closed End Funds) whose underlying exposures are not included in this analysis. Sectors represent Bank of American Merrill Lynch Level 3.

RISK MANAGEMENT

OHA's investment analysts utilize the aforementioned ESG criteria to support the due diligence process, and which are discussed during regular meetings between investment team members and portfolio managers when trying to better understand risk. OHA's assessment of ESG issues, including climate-related risks, relating to a potential investment begins with following the guidelines set forth by our internal ESG evaluation report which is leveraged during the underwriting process. The completion of the ESG evaluation report is informed by industry standards (e.g., SASB), and verified through data sources such as Bloomberg, public databases, NGOs, and public regulatory databases. Findings from the report are then captured and consolidated by OHA's proprietary risk analytics system, Pulse, as well as in internal credit memorandums, to make ESG scores

and commentary from the evaluation report readily accessible and monitored appropriately.

OHA assesses investments with elevated risks for transitional and physical risks, as applicable, and evaluates a strategy and process to integrate appropriate climate related analysis. At this time, OHA engages with certain investee companies to further encourage best practices on climate-related risks and opportunities where applicable.

OHA is in the process of determining the acceptable boundaries of climate-related scenario analysis risks and evaluating an appropriate platform to integrate these risk findings. As scenario analyses are integrated, our goal is to capture the complete lifecycle of identifying, assessing, and managing climate-related risks within a fully integrated risk management process.



METRICS & TARGETS

As a result of OHA's strategy and risk management around climate-related analysis, risks associated with water, energy, land use, and waste management may be evaluated. As part of its detailed industry and company-level analysis, OHA has identified and evaluated physical risks in past investments, for example:

- Weather-related operational losses for real assets or the insurance business unit
- Proportion of our property, infrastructure, or other alternative assets in an area subject to flooding, heat stress or water stress

From a transition risk standpoint, OHA has identified carbon intensity, total carbon emissions, carbon footprint and weighted average carbon intensity as relevant climate-related metrics to track across the organization and its investments.

Within alternative credit, data quality, availability and consistency remain a challenge. OHA believes many borrowers have not experienced the scrutiny on ESG topics as compared to larger, public companies and therefore are not equipped to provide reliable data. Further, we believe smaller companies lack resources and education to track and report on many of the ESG

metrics that are becoming essential to investors. As such, OHA is collaborating with its peers on various industry wide initiatives pertaining to ESG metrics. We believe a systematic effort to get access to metrics directly from the companies helps facilitate consistency and comparability in the market.

OHA is in the process of building a long-term strategy and adding resources to focus on collecting climate-related data from its companies. Once that process is completed, we will determine where appropriate targets should be set.

CARBON FOOTPRINT



BRIDGE
HOUSE
ADVISORS
A BETTER ENVIRONMENT FOR BUSINESS

In 2021, OHA engaged a third-party consultant, **Bridge House Advisors**, to better understand the carbon impact of its business operations.



Bridge House Advisors calculated OHA’s operational carbon footprint by collecting data for the following Scope 1, 2 and 3 greenhouse gas emissions (GHG) across the business:



SCOPE 1
Stationary combustion of natural gas at office locations (including home offices, shared office space, and workstations).

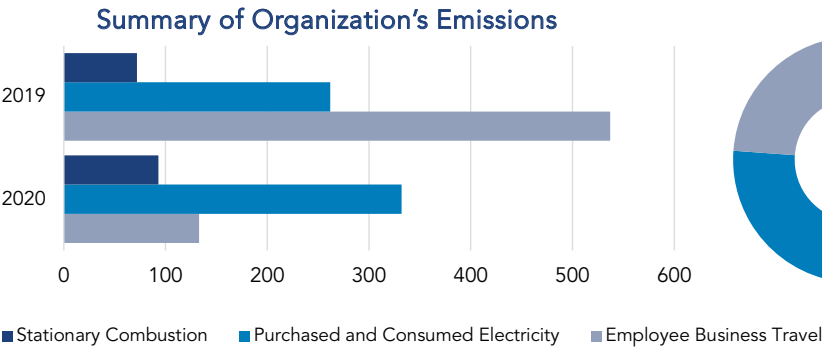


SCOPE 2
Purchased electricity across office locations.

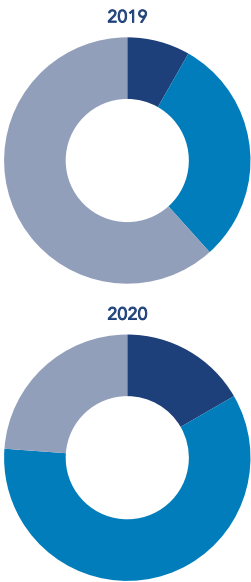


SCOPE 3
Business travel via car, rail, and air.

The results of the carbon footprint analysis revealed that during calendar year 2020, OHA emitted approximately 558 metric tons of CO₂-e.⁷ During 2019, the carbon footprint was slightly larger (871 metric tons of CO₂-e) from additional business travel that was curtailed due to the pandemic in 2020. The breakdown of the carbon footprint by source for each year is illustrated in the figures below.



7. Metric tons of carbon dioxide equivalent emissions.



OHA has offset 100% of its 2019 and 2020 emissions through the purchase of conservation VERs (verified emissions reductions) of a forestry project in Piscataquis, Maine from Bluesource. This 100-mile wilderness project protects 13,300 acres of previously logged forest. Since the implementation of the project, the landscape has begun recovering with the return of wildlife such as the Atlantic Salmon and Canada Lynx. While these offsets benefit the development of the wilderness project and counterbalance OHA’s carbon footprint, OHA acknowledges VERs are not a perfect solution to our overall climate impact. We are committed to continuously evolving our approach to reducing our operational footprint and overall carbon impact through strategic investments at the firm and investment level.

SUSTAINABILITY AT THE OHA HEADQUARTERS



OHA partnered with SL Green Realty, a real estate investment trust, to make investments in **sustainable features during the redevelopment of OHA's headquarters**, located at One Vanderbilt in New York City.

One Vanderbilt has one of the lowest carbon footprints across similar scaled buildings in New York City and has received top certifications including:

- LEED v4 Gold & LEED v3 Platinum (first building globally to receive a dual certification of this magnitude across two versions of LEED)
- Wired – Platinum
- WELL – Health & Safety Rating
- OHA has achieved LEED Gold certification for its two floors

In addition to investments in sustainable physical assets, OHA has several ongoing employee awareness efforts including:

 RESPONSIBLE PRINTING	 RECYCLING FACILITIES	 RESPONSIBLE ENERGY CONSUMPTION	 WATER FILTRATION SYSTEMS
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CORPORATE RESPONSIBILITY

CULTIVATING A DIVERSE AND INCLUSIVE WORKFORCE

OHA is committed to fostering a diverse and inclusive working environment where we value and develop employees of all backgrounds and experiences.

OHA acknowledges it operates in a predominantly homogeneous workplace environment among the professional and business services industry, which is why we are committed to making significant and proactive efforts in fostering a diverse and welcoming workforce. We believe collaboration among team members with diverse backgrounds and perspectives generates broader and deeper insights to serving our investors, employees, and community.

DIVERSITY & INCLUSION (D&I) COUNCIL

Led by our **President & Senior Partner, Bill Bohnsack**, the D&I Council is responsible for monitoring the firm's progress on organization-wide D&I initiatives. Mr. Bohnsack is supported by a team of cross-sectional employees along with partner representation from OHA's London Office.

OHA's Chief Human Resources Officer, Gail Burlant, works closely with the firm's leadership on the implementation and monitoring of the firm's diversity and inclusion initiatives, and all senior level employees are held accountable for contributing to these initiatives.

The development of our D&I Council allows us to pursue the following objectives:

- Recruit, develop and retain talented employees with diverse backgrounds and experiences
- Enhance employee engagement
- Expand community engagement and impact



RECRUIT, DEVELOP, AND RETAIN TALENTED EMPLOYEES WITH DIVERSE BACKGROUNDS AND EXPERIENCES

OHA is actively involved with numerous non-profit organizations to support the successful recruitment of full-time candidates for both investment and non-investment roles. We are excited about our recent partnerships with Wharton Alliance, whose mission is to educate undergraduates about the opportunities that exist in the business world for LGBTQ+ students and with Out For Undergrad, a non-profit organization focused on advancing undergraduate LGBTQ+ leaders in their professional lives.

girls who
invest®

SEO Seizing Every Opportunity

npower

WHARTON
ALLIANCE

o4U OUT FOR UNDERGRAD

Through OHA's increased focus around the recruitment, retainment, and development of a diverse workforce, OHA recruited and hired 4 interns and 3 full-time employees for OHA's U.S. Credit and Client Coverage groups through the firm's partnerships with Seize Every Opportunity and Girls Who Invest, and **increased women analyst class representation by almost 25% across the 2020-2021 Analyst Class.**

CULTIVATING A DIVERSE AND INCLUSIVE WORKFORCE



ENHANCE EMPLOYEE ENGAGEMENT

During the year, OHA conducted a series of fireside chats to enhance employee participation and engagement. Topics addressed include racial justice, art and culture, diversity and inclusion, and entrepreneurship and professional development.

Held four women's and multi-cultural events:

- Employee-hosted Lunar New Year and Vaisakhi Celebrations
- The League of Women Voters of the City of New York
- Black History Month and Women's History Month
- Pride Month speaker from Stonewall National Park

OHA also established a dedicated Women's Network and a LGBTQ+ affinity group.

EXPAND COMMUNITY ENGAGEMENT AND IMPACT

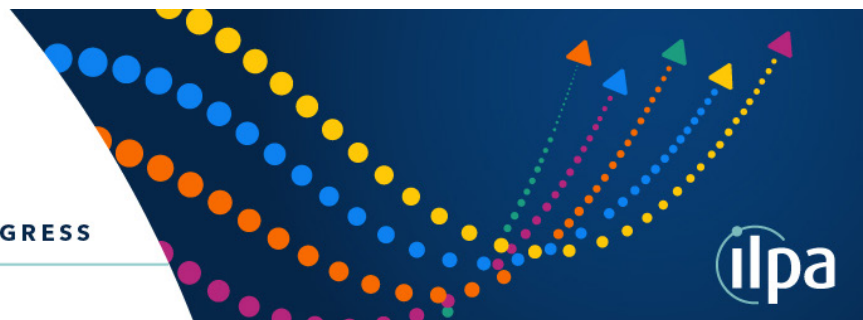
OHA became a member of the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative, which is comprised of private asset managers committed to advancing D&I within their own organization and across the broader industry.

Throughout the year, we attended quarterly roundtable discussions focused on ways to improve diversity and inclusion through the alternative finance industry including how to expand the talent pipeline, how to foster inclusive cultures to attract and retain diverse talent and ideas for training and employee engagement.



Diversity in Action.

SHARING OUR PROGRESS



OHA IS PROUD TO HAVE SUPPORTED THE FOLLOWING ORGANIZATIONS THROUGH CHARITABLE CONTRIBUTIONS.⁸

 American Red Cross		
		
		

In response to the COVID-19 pandemic, OHA launched an employee matching program to support donations to organizations addressing racial equality and COVID-19 relief

VOLUNTEERING

OHA offers sponsorship opportunities for employees to participate in community-based projects and events in each of OHA's primary locations.

OHA has established relationships with several charitable organizations to promote volunteering among the workforce:

- **Read Ahead:** Employees mentor local elementary school children on a weekly basis
- **ACH Child & Family Services:** provides back-to-school supplies and holiday meals to those in need
- **National Alliance of Mental Illness:** helps families and individuals affected by mental illness build better lives through education, support and advocacy

8. Please note that this list is illustrative and not comprehensive.

OHA believes 2021 represented a landmark year in OHA's sustainability journey including its contributions to the transition to a lower carbon environment, demonstrated by OHA's investment in its inaugural carbon assessment, and signing on as supporters to the Task Force on Climate-Related Disclosures and Transition Pathway Initiative. After partnering with Bridge House Advisors to understand its carbon footprint, OHA and Bridge House Advisors collaborated to assess its current processes and tools for both pre-investment ESG due diligence and ongoing monitoring of our investments. This process allowed OHA to better position itself to invest in technology driven solutions that will improve its internal ESG processes. This includes an acute focus on climate change and sustainability and how best to position our portfolios for the future. OHA is involved in a number of initiatives focused on establishing disclosure standards and benchmarks and improving the availability of climate related data within the alternative credit landscape.

ESG & SUSTAINABILITY LEADERSHIP AT OHA

As a testament to our commitment, OHA has further institutionalized its ESG & Sustainability program by adding dedicated ESG & Sustainability professionals. Mr. Cohen, hired in February, 2022, reports to Bill Bohnsack, President and Senior Partner, and Declan Tiernan, Co-Head of Europe and Partner, both of whom are members of OHA's ESG Committee. In addition, Ms. Hartney assumed a dedicated role focused on ESG & Sustainability, reporting to Mr. Cohen.

This inaugural report marks a pivotal point in OHA's sustainability journey as we strive to continuously improve upon our contributions to our employees, stakeholders, investors, and broader communities. As such, we encourage all of our stakeholders to continue to engage with and challenge us on our path towards deepening our impact and building our sustainability story.



JEFF COHEN

Managing Director, Head of ESG & Sustainability

Jeff Cohen has management responsibility for the incorporation of ESG matters within the firm's investment processes as well as other sustainability initiatives at the firm.

Mr. Cohen is a member of OHA's ESG committee and a member of OHA's Diversity & Inclusion Council. Prior to joining OHA, he was the Director of Capital Markets Integration and Head of Private Investments Initiatives at the Sustainability Accounting Standards Board Foundation (SASB). In this capacity, Mr. Cohen advised alternative investors on the development and integration of ESG factors into various phases of the investment process. He started his career in the Global Markets division at Deutsche Bank. Mr. Cohen earned an M.B.A. from the Georgetown University McDonough School of Business and a B.B.A from the University of Michigan's Ross School of Business. Additionally, he has earned the Chartered Alternative Investment Analyst designation and is a Fundamentals of Sustainability Accounting Credential holder.



ERIN HARTNEY

Principal, ESG & Sustainability

Erin Hartney is focused on the incorporation of ESG matters within the firm's investment processes as well as other sustainability initiatives at the firm.

Ms. Hartney is a member of OHA's ESG committee. She previously worked in the areas of investor relations and new business development at OHA. Prior to joining OHA in 2013, Ms. Hartney worked in equity research at Barclays and began her career as a Teach For America corps member in New York City. She earned a B.A., magna cum laude, from Vanderbilt University.



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