

POLICY CONCERNING ENVIRONMENTAL, SOCIAL AND CORPORATE-GOVERNANCE INVESTMENT FACTORS

Implementation Date: July 20, 2018
Most Recent Review Date: July 2021
Most Recent Amendment Date: July 2021

Background

This document sets forth the policy we have adopted, as investment manager for Aurelius Capital Master, Ltd. (the “Fund”), concerning environmental, social and corporate-governance (“ESG”) factors as elements of our investment analyses, and the operation of Aurelius Capital Management, LP’s (“Aurelius’s”) business decision-making.

Preface

Before turning to the specifics of the policy, it is worth placing it in the context of two longstanding precepts of our investment program for the Fund.

First, we endeavor to conduct deep fundamental investment research. This means that we seek to understand and consider all factors that realistically could have a material effect on the performance of each investment.¹

Second, our investment program is heavily predicated upon the rule of law, the bedrock of any civilized and productive state. The rule of law means that courts should construe and apply law consistently and dispassionately, without ad hoc departures based on expediency, politics, sentiment, or popularity, or a party’s attractiveness or lack thereof. A given law can be flawed, in which event its faithful application might lead to a result that some, perhaps most, citizens would find undesirable. Even in such situations, it is far better from a societal standpoint that the undesirable result occur than that judges feel free to make ad hoc departures, no matter how well intended. The injustice of an individual case can be rectified, and prevented from recurring, through legislative action; but even occasional departures from the rule of law undermine the entire legal system, and with it the basis on which a nation of individuals and entities make countless decisions about their personal and business affairs.

Our program is predicated on the rule of law in two basic ways. First, no person or organization is above the law, nor should any person or organization be deprived of the benefits the law affords them. Thus, we honor our legal and contractual obligations, we expect others to as well, and we expect the legal rights attendant to the Fund’s investments to be fully respected. Second, in most cases our investments are premised on the belief that the judicial system will endeavor in good faith to honor the rule of law – respecting the rights attendant to the Fund’s investments if they cannot be resolved through constructive negotiations.

¹ To be sure, we often make investments before our research is complete, in order to avoid the potential opportunity costs that could result from delay; but even in such circumstances it is our normal practice to continue to pursue the research in depth, and to reassess our interim investment decisions as the research progresses.

Investing Policy Statement

Our responsibility as investment manager is to maximize investment returns for the Fund, consistent with our strategic focus and overall risk-appetite.

Our policy as respects ESG factors is as follows:

- Consistent with our deep-research approach, we will seek to give due consideration of the material risks associated with ESG factors into our investment analyses and decision-making, both with regard to a given investment and for the portfolio as a whole. Our investment process takes into account myriad considerations, many of which are not ESG factors.
- ESG factors may be less relevant when securities are bought or sold with minimal or no regard to the nature of the underlying business, as can be a factor in capital structure arbitrage in bankrupt or insolvent entities.
- Without limitation, the following factors will normally be taken into account in assessing ESG investment considerations:
 - The asset class, sector and geography.
 - The nature and characteristics of the applicable entity and its business, including our prior experience with such entity or its management team.
 - The legal regime to which it is subject.
 - The nature, timing, size and likely duration of the investment.
 - Our ability to mitigate the risk through hedging or through our direct involvement with the investee entity. Given the nature of our investment program, we expect we will generally not be able to mitigate ESG risks by influencing the investee entity's conduct.

As ESG factors are integrated into our overall investment process, supervision of this policy falls upon the same people who are responsible for the investment process generally. Ultimately, this responsibility falls upon the Chief Investment Officer, Mark Brodsky, as to both specific investments and the portfolio generally. Compliance with this policy will be continually assessed as part of the ongoing process of assessing each investment and the portfolio.

Although ESG risks will vary from investment to investment, the following are examples of ESG factors that could entail material risks to the performance of a given investment:

- Environmental factors:
 - Regulatory framework applicable to the industry at large.
 - Costs of compliance/non-compliance with applicable regulations.
 - Use and management of resources and energy.
 - Costs associated with depletion of resources, dependence on diminishing raw materials or danger of obsolescence of a company's product or service.
 - Costs associated with a company's creation and handling of toxic waste.
- Social factors:

- Costs associated with violations of human rights, poor relations with indigenous people, child labor.
- Costs associated with poor worker and consumer health and safety.
- Relationship between union relationships and company value.
- Product/service integrity – including consumer safety and costs of litigation.
- Governance factors:
 - Management/board structure.
 - Capital structure.
 - Executive and director compensation.
 - Accounting and audit quality.
 - Shareholder and bondholder relations or protections.
 - Anti-takeover defenses and voting related issues.

Business Factors

Employee Benefits and Work Environment

Aurelius maintains a number of workplace policies each of which are contained in a written Employment Manual, including an Equal Employment Opportunity and Anti-Harassment Policy, a Policy Against Workplace Harassment and Discrimination, and a Parental Leave Policy. The firm maintains a culture of mutual respect and collegiality while holding team members to exacting standards of performance and integrity. We endeavor to maintain cohesiveness among a heterogeneous team – thereby benefiting from complementarity in serving a common mission. We have always hired, mentored, compensated and promoted team members without regard to their genders, ethnicities, or sexual orientations and with a keen regard for their skills, aptitude, reliability, dedication, integrity, resilience, collegiality, and judgment.

Aurelius maintains retirement programs or benefits for all U.S. and non-U.S. employees. We pay 100% of our participating employees' health care premiums for themselves and their dependents, and we provide access to dental and vision plans. In addition to these health and retirement offerings, we provide our employees with a wide variety of quality of life benefits, including primary caregiver leave, adoption leave, sick leave, and more. Aurelius offers our benefit plans to all full-time employees regardless of title, role, or responsibility.

For those working on-site at our offices, Aurelius provides a breakfast, a \$25 lunch stipend, and a fully-stocked pantry. For those staff members whose responsibilities require working later, Aurelius provides a dinner stipend and a car service home.

In addition, Aurelius fosters community and team-building through monthly celebrations of team members' birthdays and quarterly wine and cheese events on-site. At least twice a year Aurelius hosts a firm-wide social event away from the office.

Environmental Impact

The Aurelius office is located in a LEEDS-certified building and participates in recycling programs for paper, plastic, metal, and electronic waste. Further, Aurelius encourages employees to switch to reusable drink containers by providing a filter cold and hot water tap, coffee machines, and a dishwasher.

Community

Aurelius endeavors to support the community. On an annual basis, Aurelius typically makes charitable donations to certain institutions in New York City.