



Taskforce on Climate-related Financial Disclosures Report 2021

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Introduction

GoldenTree is a global asset management firm specializing in opportunities across the credit universe, including high yield bonds, leveraged loans, distressed, structured products, emerging markets and credit-themed equities.

The firm's value-based investment approach emphasizes a high margin of safety, attractive relative value and a catalyst to drive total return. As fiduciaries of our clients' assets, it is incumbent on us to consider material factors that could impact the risk-adjusted returns of our investments, including risks posed by climate change.

GoldenTree supports the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) as a consistent framework for organizations across various sectors to disclose decision-useful information regarding climate risks. As a company, we have also turned the lens on ourselves to ensure we do our part at the firm level by beginning to map our operational carbon emissions, and continually adopting practices to reduce our environmental impact.

GoldenTree recognizes that in order to make meaningful contributions to reducing the impacts of climate change, our actions must be measured and thoughtful, and viewed as a journey. In this first annual report, we describe how we are laying the groundwork for the progress that we intend to make in the years to come, seeking to continually improve transparency into our practices.

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Core Elements of Recommended Climate-Related Financial Disclosures

GOVERNANCE

The organization's governance around climate-related risks and opportunities

STRATEGY

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

RISK MANAGEMENT

The processes used by the organization to identify, assess, and manage climate-related risks

METRICS AND TARGETS

The metrics and targets used to assess and manage relevant climate-related risks and opportunities



Source: Recommendations of the Task Force on Climate-related Financial Disclosures, 2017.

Governance

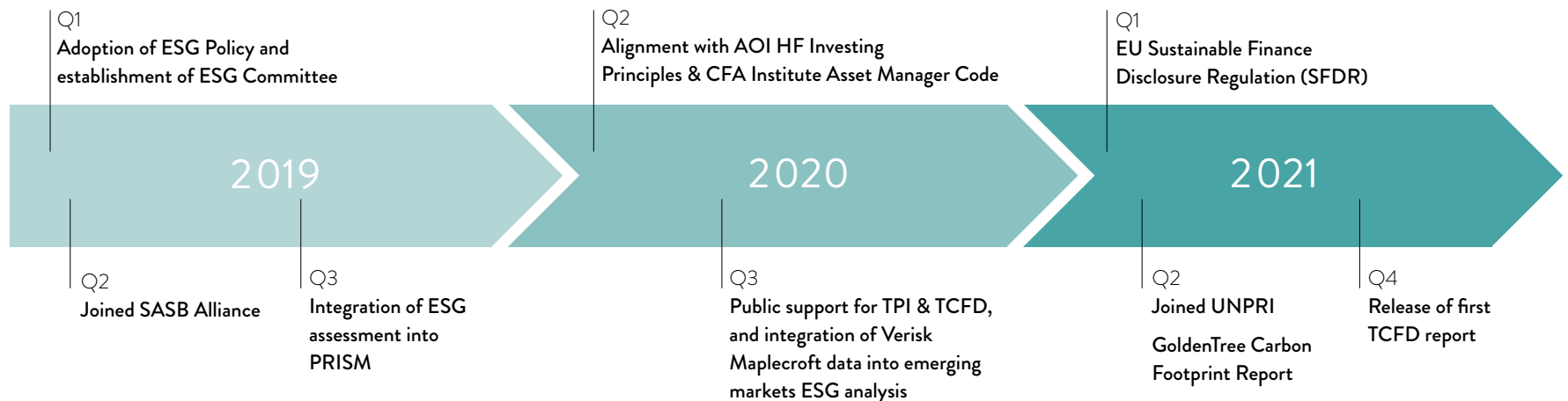
GoldenTree established its ESG Committee in 2019. The ESG Committee is comprised of three Executive Committee members, as well as Senior representatives from the Legal, Business Development and Portfolio Management functions.

The ESG Committee is responsible for maintenance of the firm's ESG policy and guidelines, as well as oversight of implementation, including the approach to climate risks and opportunities within the investment decision-making process. The ESG Committee provides the lead portfolio managers of our investment strategies with quarterly updates on the state of ESG implementation and performance.

At the investment level, investment professionals are responsible for conducting assessments of environmental risks, including climate-related risks and opportunities within a wider ESG assessment process for all investments. While tools and processes vary by investment type, assessments are ultimately vetted and incorporated into decision-making for each strategy.

For certain investments, where feasible, we use our position as an influential shareholder with companies to advance ESG priorities, including climate-related risks and opportunities where relevant.

To continue building upon and augmenting its approach to climate risks and opportunities, and to ESG more broadly, GoldenTree has aligned itself with a range of organizations that can provide unique insights into best practices in responsible investment, as well as topic-specific areas including climate change. These include the SASB Alliance and UNPRI. A summary of GoldenTree's ESG journey, including establishment of these relationships, is summarized below.





Strategy

GoldenTree invests across various different industry sectors. As such, a range of climate-related risks and opportunities can prove material to some of our investments. Given our holding periods for corporate investments can range from 12–24 months, our strategy emphasizes near-term mitigation of downside risks associated with material ESG factors, including climate change. In situations where GoldenTree is an influential shareholder, we may capitalize on investments that present climate-related opportunities, or engage in value creation opportunities where we have greater ability to meaningfully influence corporate policies. For example, we will invest in companies that are benefitting from climate change mitigation policies or have committed to carbon emission reduction targets, such as utility companies that are benefitting from legislation that targets 100% renewable power by 2030.

In our investment due diligence process, we may consider both physical and transition risks as relevant to the investment opportunity. These are defined below.

PHYSICAL RISKS

Impacts to assets, infrastructure and operations as a result of the acute (e.g. hurricanes and other extreme weather events) and chronic (e.g. sea level rise, changes in precipitation patterns and changes in infectious disease patterns) effects of climate change.

TRANSITION RISKS

Policy, legal, market, technology and reputational implications that could arise from the shift to a low-carbon economy and/or as a result of the physical impacts of climate change.

Corporate and sovereign issuers may be affected by both physical and transition risks in a range of ways. For corporate issuers, climate change could affect the integrity or value of assets, impact productivity or lead to changes in demand for products or services. For sovereign issuers, climate change has the potential to affect economic growth, impact prices and inflation and influence employment and labor productivity. Given the diversity of our portfolios, the scope, time horizon, and nature of impact associated with any identified climate-related risks or opportunities are considered on an investment-specific basis.

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GoldenTree's approach to climate risk rests upon understanding issuers' climate risks, mitigants and adaptation measures, and anticipating how these will affect their business operations. Our industry specialists may situationally evaluate environmental factors such as carbon emissions, waste mitigation practices, utilization of alternative fuel and energy efficiency. Although exposure specifically to climate risks and carbon emissions is not tracked holistically across the diversified portfolio, our industry specialists can situationally evaluate an individual company's environmental practices or externalities to determine whether there are any regulatory or reputational risks.

GoldenTree's investment strategies tap into a wide range of sectors, providing us the flexibility to avoid issuers with significant climate-related risks and to capitalize on climate opportunities as appropriate.

The firm evaluates environmental risk factors both at the individual investment level, as well as at the portfolio level. As fiduciaries of capital, our primary duty is to maximize returns to investors while minimizing risks. To manage risks, we focus on both applying a robust pre-investment diligence process to avoid and mitigate risk to the extent possible, as well as actively monitoring throughout the lifecycle of the investment. For our corporate investments, our analysts are required to update their fundamental analysis in our proprietary system at least quarterly, which includes ESG and operating factors. These insights are discussed as part of ongoing decision-making on whether to sell, trim or add to each respective position.

We utilize different tools and processes for our various investment types, as summarized on the following page. Furthermore, we are continuously exploring incorporation of additional data products and service providers that would allow us to apply a more fulsome ESG- and climate-specific risk lens to our investment decision-making processes.

Risk Management

GoldenTree's ESG Approach by Investment Type

CORPORATE

GoldenTree's industry specialists leverage the Sustainability Accounting and Standards Board ("SASB") materiality framework and industry standards to aid in the identification and ongoing monitoring of ESG factors for corporate issuers. Use of these resources allows our analysts to identify climate-related risks and opportunities specific to industry sectors where relevant.

ESG factors are included within GoldenTree's proprietary investment analysis tool, the Portfolio Ranking Investment Selection Model (PRISM). Our industry specialists use the PRISM system to evaluate issuers in our portfolios on an ongoing basis, monitoring changes in fundamentals and investment catalysts, including ESG factors.

STRUCTURED PRODUCTS

GoldenTree has engaged with our CLO managers and relevant parties of structured products investments on their approach to ESG and best practices via regular surveys. We incorporate responses into the structured finance analytics tool that we utilize, allowing the investment team to take into account CLO managers' ESG practices when evaluating new investments or when monitoring existing holdings.

DISTRESSED

GoldenTree utilizes its position as an influential shareholder in companies that have undergone restructuring to advocate for policies that advance our ESG priorities. Specifically, we seek to advance ESG priorities by 1) Encouraging management to address ESG concerns as an element of corporate strategy, 2) Exercising independent diligence to determine additional potential areas for ESG improvements, and 3) Using available avenues of influence to advocate for improvements we deem worthwhile and consistent with our objectives.

With respect to climate change, we leverage the Transition Pathways Initiative (TPI) Management Quality Framework where relevant in our engagements with management in order to systemically evaluate and drive progress on companies' management of GHG emissions and efforts toward a low-carbon transition.

EMERGING MARKETS

We work with the data provider Verisk Maplecroft, which calculates an independent ESG Score based on factors mapped to the UN SDGs for each EM country in GoldenTree's investment universe. This ESG score is then factored into the firm's proprietary Fundamental Sovereign Index (FSI) Score, which forms the foundation of our quantitative analysis of the creditworthiness of EM sovereigns.

Investment Examples

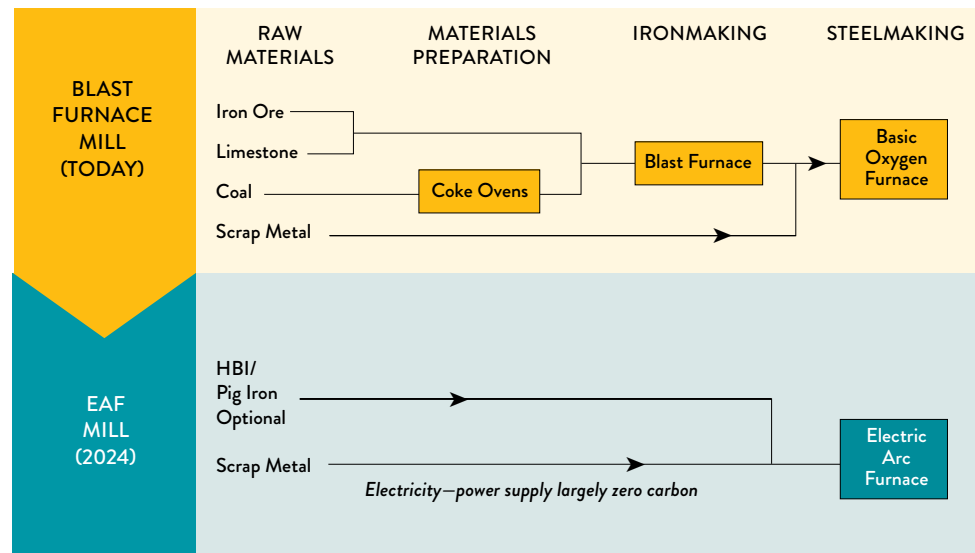
CASE STUDY 1

During pre-investment diligence activities of a steel production company, GoldenTree identified potential environmental issues that we deemed necessary for the company to address before becoming a significant equity owner. GoldenTree assisted in the negotiation of an action plan for site environmental remediation, as well as restructuring activities that created significant value.

The company is now in a stronger position and has recently entered into a merger agreement that will provide the company with investment capital for further transformative investments. GoldenTree holds a seat on the company Board of Directors and worked extensively with the company to assess the benefits and feasibility of replacing its current blast furnace infrastructure with an electric arc furnace (EAF). This included analysis of the climate risks associated with the current furnace, as well as comparison of emission analyses of the different technologies and analysis of cost and potential sources of capital for the investment.

Given that replacement of the furnace will contribute to significant emissions reductions (75% decrease per net ton), the company will also receive substantial contributions from the local and federal governments and the national infrastructure bank. With these improvements, the company is expected to become one of the cleanest producer of steel in Canada.

Environmental Impact	% Reduction Target
GHG EMISSIONS, CO ₂ , CO ₂ /NT PRODUCTION	70-75%
SOX EMISSIONS	82%
NOX EMISSIONS	52%
STACK AND FUGITIVE EMISSIONS	100%





CASE STUDY 2

GoldenTree considered investing in a national chain of gas station/convenience stores. However during the due diligence process, GoldenTree found that the environmental risks to which the company is subject could translate to material risks. Emissions both from evaporation of gasoline and from combustion of gasoline by consumers contribute to climate change. In addition, the potential for soil and groundwater pollution were considered to be significant risks.

GoldenTree also considered the transition risks associated with such an investment and concluded that the market places too high of a multiple on gas station businesses. Ultimately GoldenTree passed on the investment opportunity in light of these environment-related risks.

Our Firm's Carbon Footprint

This year we calculated our firm's carbon footprint for the first time, using the GHG Protocol and World Resources Institute's GHG Emissions Tool. In this first year, we focused on understanding our firm's emissions by capturing emissions from office energy usage, office waste, wastewater and offsite servers. We have also begun to develop processes to enable collection of business travel data in coming years.

Across our global offices and with our employee headcount of 235, we generated 405.1 metric tons of carbon dioxide equivalent in 2020. Emissions by office are shown in the table below.

	300 Park New York	485 Lex New York	London	West Palm Beach	Ireland	Singapore	Total MTCO ₂ e
SCOPE 1 FIRM-OWNED FACILITIES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SCOPE 2 OFFICE ELECTRICITY NEEDS	229.80	78.00	41.70	19.10	4.60	11.30	384.50
SCOPE 3 OFFICE WASTE, WASTEWATER, AND OFFSITE SERVER	8.60	8.70	2.30	0.20	0.40	0.40	20.60
SUBTOTAL	238.40	86.70	44.00	19.30	5.00	11.70	405.10

Footprint calculated by ACA Global leveraging the GHG Emissions Calculation tool, developed in coordination with the GHG Protocol and the World Resources Institute. Emission factors references: EPA, "Emission Factors for Greenhouse Gas Inventories," Table 1 Stationary Combustion Emission Factors, March 9, 2018 (<https://www.epa.gov/climateleadership/center-corporate-climate-leadership-ghgemission-factors-hub>); European Residual Mixes 2018 v1.2 (published July 2019)—Table 2, Direct GWP (gCO₂/kWh); EMA, https://www.ema.gov.sg/statistic.aspx?sta_sid=20140729MPY03nTHx2a1

Currently, GoldenTree has no Scope 1 emissions and at this stage only captures a modest amount of Scope 3 emissions.

Firm-level Behavioral Shifts

We intend to continue measuring out carbon footprint every year and hope to observe year-over-year reductions as we continue to implement behavior-based changes in the way we work. Aligned behavior changes that we have implemented recently are summarized on this page.



Since January 2021, **93% of the 1,300 meetings** our marketing team has hosted have been held virtually.



Paper **recycling** bins are located at each workstation, and all cans and bottles are sorted for recycling.



In 2018, our firm shifted to using **digital marketing materials** in lieu of printed presentations.



Assessing our Portfolios

This year we have begun to lay the groundwork to contract with third-party data providers with a view to tracking some key standardized climate-related metrics across our portfolios. This would allow for comparability across our portfolios in terms of business' resilience in an increasingly climate-affected world, thereby facilitating more informed investment decision-making on our part.

We recognize that we have progress to make both in gathering comprehensive data and defining the appropriate set of climate metrics across our portfolio, and we continue to work closely with various partners and advisors to further develop our program.

Disclosures

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