BRIGHTWOOD

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# Sustainability-Related Disclosures

**The information in this document is provided to satisfy the requirements of Article 24 of Chapter IV of the Commission Delegated Regulation (EU) 2022/1288, dated 6 April 2022, supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council, dated 27 November 2019 (the "Sustainable Finance Disclosure Regulation" or the "SFDR") and is not intended for any other purpose. Nothing herein shall be construed as an offer to sell or the solicitation of an offer to buy any investment product managed by Brightwood Capital Advisors, LLC ("Brightwood").**

**Each of the funds (each, "a Fund," and collectively, "the Funds") listed below are classified as Article 8 pursuant to the SFDR**

**Funds:**

Brightwood Capital Offshore Fund V-U, LP
BW Credit Fund SCSp SICAV-RAIF

## (a) Summary

The Funds will be categorized as in compliance with Article 8 of the Sustainable Finance Disclosure Regulation (SFDR). The Funds promote environmental or social characteristics, but do not have as their objective sustainable investment.

The Funds will invest in portfolio companies in alignment with the Promoted Sustainability Characteristics (as defined below). The selection of these characteristics were informed by broadly accepted human rights frameworks including the Ten Principles of the United National Global Compact and the Organization for Economic Cooperation and Development (OECD) guidelines for multinational enterprises. Brightwood has selected characteristics from each framework, which it will endeavor to support in its investing activities within the Funds

Selected characteristics for promotion within the Funds include:

1. Ensuring portfolio companies are not complicit in human rights abuses
2. The elimination of all forms of forced and compulsory labor
3. The effective abolition of child labor
4. Elimination of discrimination in respect of employment and occupation
5. Working against corruption in all its forms, including extortion and bribery

The above comprise the list of sustainability characteristics selected by Brightwood for promotion within the Funds, and will be referenced herein as the Funds' "Promoted Sustainability Characteristics."

In order to promote the necessary sustainability characteristics, the Funds will engage several processes throughout its transactional due diligence process, including:

(a) an exclusions list,
(b) consideration of risks material to selected Promoted Sustainability Characteristics within transactional diligence,
(c) a scoring methodology engaged during transactional diligence aligned with the Funds' Promoted Sustainability Characteristics

The Funds do not maintain a specific reference benchmark to quantify/qualify achievement of specific Promoted Sustainability Characteristics within the Funds.

The Funds will monitor investments for continuing alignment with the Promoted Sustainability Characteristics and seek to remedy any such future mis-alignment by whatever means available to the Funds.

**(b) No Sustainable Investment Objective**

The Funds promote environmental or social characteristics, but do not have as their objective sustainable investment.

**(c) Environmental or Social Characteristics of the Funds**

The Funds will promote the following characteristics:

1. Ensuring portfolio companies are not complicit in human rights abuses
2. The elimination of all forms of forced and compulsory labor
3. The effective abolition of child labor
4. Elimination of discrimination in respect of employment and occupation
5. Working against corruption in all its forms, including extortion and bribery

**(d) Investment Strategy**

In order to promote the necessary sustainability characteristics, the Funds will engage several processes throughout its transactional due diligence process, including:

(a) a list of excluded businesses

(b) consideration of risks material to the Funds' selected Promoted Sustainability Characteristics within transactional diligence,

(c) a scoring methodology engaged during transactional diligence aligned with the Funds' Promoted Sustainability Characteristics

Exclusions

Any investment deemed in conflict with the Funds' exclusions list will be omitted from consideration within such Fund's allocation. The list of exclusions is set forth in each Fund's confidential disclosure ("Annex II").

Scoring Methodology

Following a cross-check of an opportunity against an industry exclusions list, opportunities will be measured and allocated based on their following categorization: Any investments included within the Funds will require a Tier designation (as defined in Annex II) of either 1, 2, or 3; conversely, opportunities deemed as Tier 4, or Tier 5 are to be excluded.

Assessment of Good Governance

Brightwood undertakes extensive measures to assess the governance practices of its prospective borrowers through both its internal due diligence processes and any external due diligence engagements solicited. The methodology scoring procedure will naturally take into account a prospective borrower's governance capacity. Much of this capacity is a reflection of asset-level incidents, violations, and other claims (or lack thereof). Significant trends of adverse actions at the borrower-level can indicate insufficient internal policy/procedure or insufficient enforcement/oversight of such risk areas. Absence of reasonable capacity is a material reflection of the prospective borrower's governance posture. Inclusive of the above, other such material indications of the prospective borrower's governance posture – management structures, employee relations, remuneration of staff, and tax compliance – will be considered where information is available.

**(e) Proportion of Investments**

The Funds will have an investment breakdown, as follows:

- 75% or more of investments will be those that promote the Funds' desired characteristics (i.e., Tier 1 or Tier 2)
- 25% or fewer of investments will be those that do not conflict with the Funds' desired characteristics (i.e., Tier 3)
- 0% of the Funds' Portfolio Companies will come from industries or business models within the Funds' exclusions list as illustrated in Exhibit A of Annex II
- 0% of the Funds' Portfolio Companies will fall within Tier 4 or 5 classification.

**(f) Monitoring of Environmental or Social Characteristics**

The Funds monitor investments for continuing alignment with the Promoted Sustainability Characteristics through portfolio management, direct contact with management and third party platforms. The Funds will address any future mis-alignment by whatever means available, including engagement with management, the equity stakeholders or, if possible on commercially reasonable terms, divestiture of the asset.

**(g) Methodologies**

The proprietary scoring methodology uses both qualitative and quantitative analysis of databases and public resources to document the prospective borrower's risk exposure and incidents related to applicable characteristics. The numberical score is provided by an independent, third-party, responsible investment advisor and provides the basis for the prospective borrower's Tier designation. The scoring methodology is designed to provide reasonable assurance of a prospective borrower's alignment with the Funds' Promoted Sustainability Characteristics, and informs the extent to which subsequent diligence is taken by Brightwood to receive comfort that the potential Borrower is in alignment with the Promoted Sustainability Characteristics. In order to confirm the efficacy of the scoring methodology, repeated testing of the scoring system was undergone.

**(h) Data Sources and Processing**

Brightwood's scoring methodology is comprised of information from primarily public resources, including over 20 public databases, which are a combination of general and industry-specific resources. Such databases are aligned with both social and environmental considerations, which will help assess a prospective borrower's potential to align with the Funds' Promoted Sustainability Characteristics. Such databases will represent the prospective borrower's sustainability risk profile, using both quantitative and qualitative data. The databases will be supplemented by public resources to ensure that the scoring methodology is able to adequately gauge the overall risk profile.

### (i) Limitations to Methodologies and Data

There can be no assurance that the investment methodologies will be successful in assuring alignment with the Promoted Sustainability Characteristics. Third party data providers may not capture the full extent of a potential borrower's activities. Most companies worldwide are not currently required by law to report data on responsible investing principles. Furthermore, the vast majority of the Funds' investments will be loans and not equity ownership stakes, which limits the level of access and ability to compel borrowers or sponsors (as applicable) to share data.

### (j) Due Diligence

Brightwood believes it is critical to conduct extensive due diligence on investment targets. In evaluating new investments, the Funds aim to conduct a rigorous due diligence process that draws upon investment experience, industry expertise and a network of contacts of Brightwood's senior underwriting professionals, as well as the other members of the Investment and Risk Teams. Among other things, Brightwood's due diligence is designed to ensure that a prospective portfolio company will be able to meet its debt service obligations. Brightwood's diligence process is typically four to six weeks. In conducting due diligence, Brightwood does an extensive review of the business supplemented by publicly available information as well as information from relationships with former and current management teams, consultants, competitors, and investment bankers. Brightwood's due diligence methodology further allows it to screen a high volume of potential investment opportunities on a consistent and thorough basis.

Brightwood's due diligence is tailored to the specific opportunity and industry, but includes the following areas:

- review of historical and prospective financial information;
- research relating to the company's management, industry, markets, products and services and competitors;
- on-site or virtual visits;
- discussions with management, employees, customers or vendors of the potential portfolio company;
- review of senior loan documents;
- background investigations; and
- reference checks

### (k) Engagement Policies

Additional due diligence for escalated opportunities may include engagement with the prospective borrower's management team to pose clarifying questions regarding risks identified in the methodology scoring process. Dependent upon the severity of identified risks and level of informational availability, confirmatory due diligence may require an in-depth review of the prospective borrower's overall risk profile and its internal capacity to mitigate associated risks. This additional review may require the engagement of an external third-party advisor. The intent of such engagement is for Brightwood to receive further clarification as to the opportunity's suitability within the Funds, in consideration of the Funds' Promoted Sustainability Characteristics.  Please see (f) Monitoring of Environmental or Social Characteristics above for more information regarding engagement post-investment.

### (l) Designated Reference Benchmark

No reference benchmark has been designated for the purpose of identifying the environmental or social characteristics of the Funds.