

2022

Oaktree Responsibility Report



OAKTREE

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# Glossary

Term	Definition
ACORN	– Aiding Caregivers & Parents at Oaktree Through Resources and Networks
BoD	– Board of Directors
BREEAM	– Building Research Establishment Environmental Assessment Method
BSR	– Business for Social Responsibility
Carbon Footprinting	– Measuring the total amount of greenhouse gas emissions caused directly or indirectly by an organization
Carbon Intensity	– A measure of carbon dioxide and other greenhouses gases per unit of activity
Carbon Neutral	– A net equal balance between the amount of carbon dioxide emitted and removed
CEI	– Corporate Equality Index
CFA	– Chartered Financial Analyst
CLO	– Collateralized Loan Obligation
CMBS	– Commercial Mortgage-Backed Securities
CO2	– Carbon dioxide
CO2e	– Carbon dioxide equivalent
D&I	– Diversity & Inclusion
ECN	– Early Careers Network
EDCI	– ESG Data Convergence Initiative
ELFA	– European Leveraged Finance Association
Engagement	– Dialogue between an investor and company management on ESG topics
ESG	– Environmental, Social, Governance
ESG Integration	– The process of including ESG factors in investment analysis and decisions to better manage risks and improve returns
Financial Materiality	– Elements deemed fundamental to a company’s long-term financial success
FSA	– Fundamentals of Sustainability Accounting
GHG	– Greenhouse Gas
GRESB	– Global benchmark for real assets
HBCU	– Historically Black Colleges and Universities
ILPA	– Institutional Limited Partners Association
LEED	– Leadership in Energy and Environmental Design
LGBTQIA+	– Lesbian, gay, bisexual, transgender, queer, intersex, asexual or ally
MLT	– Management Leadership for Tomorrow

Term	Definition
Net Zero	– Net zero emissions are achieved when anthropogenic emissions of green house gases to the atmosphere are balanced by anthropogenic removals over a specified period
OCM	– Our Communities Matter
OSN	– Oaktree Sustainability Network
OWC	– Oaktree Women Circles
PCAF	– Partnership for Carbon Accounting Financials
Physical Risk	– Risks resulting from the physical impacts of climate change, including event driven (acute risks) or longer-term shifts (chronic risks) in climate patterns.
PRI	– Principles for Responsible Investment
REIT	– Real Estate Investment Trust
Responsible Investment	– A strategy and practice to incorporate environmental, social, and governance factors into investment decisions and active ownership
SASB	– Sustainability Accounting Standards Board
Scope 1 Emissions	– Direct GHG emissions occur from sources that are owned or controlled by the company
Scope 2 Emissions	– GHG emissions from the generation of purchased electricity consumed by the company
Scope 3 Emissions	– GHG emissions that are a consequence of the activities of a company, but occur from sources not owned or controlled by the company
SFDR	– Sustainable Finance Disclosure Regulation
SUDS	– Sustainable Urban Drainage System
TEU	– Twenty-foot Equivalent Unit
TCFD	– Task Force on Climate-related Financial Disclosures
Transition Risk	– Risks associated with transitioning to a lower-carbon economy, including policy, legal, technology, and market changes.
UGC	– United Groups Connect
VRF	– Value Reporting Foundation
WAVE	– Women’s Association of Venture and Equity
WIINN	– Women in Institutional Investments Network



# Overview

1

- Letter from Howard Marks
- Overview of Oaktree
- Investment Philosophy & Business Principles



# Letter from Howard Marks

We are pleased to publish our first Responsibility Report, which highlights Oaktree's initiatives related to Environmental, Social, Governance (ESG) integration; Diversity and Inclusion (D&I); and philanthropy.

When my partners and I founded Oaktree in 1995, we set out to create an investment firm that would seek to achieve superior performance while taking the high road. We believe how we invest is just as important as the returns we achieve, and thus we strive to operate with integrity and the highest ethical standards in every aspect of our business.

Responsibility – to our clients, our employees, and the communities in which we work and invest – is at the core of Oaktree's culture. And as long-term, fundamental investors, we believe integrating sustainability considerations into our investment practices helps us identify and manage risks and opportunities.

We are proud of where Oaktree stands today. We're convinced our efforts to enhance our ESG processes, improve the industry's access to reliable ESG data, and increase diversity in the alternative asset management industry will pay dividends for many years to come.

But we're not satisfied. As markets change, we will seek to evolve and continuously improve our ESG and D&I efforts while always abiding by our founding principles.



“Oaktree operates with the highest integrity and ethical standards, including the way we invest. We are committed to doing business on a high moral plane. As long-term fundamental investors, integrating sustainability into our investment practices helps us identify and manage risks and opportunities.”

**Howard Marks**  
Co-Chairman



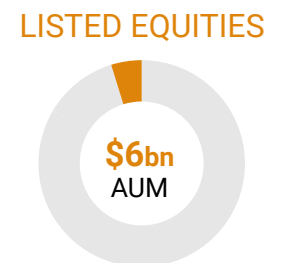
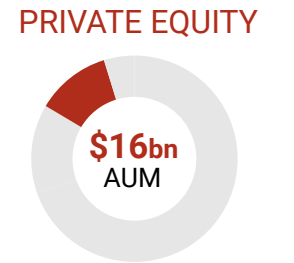
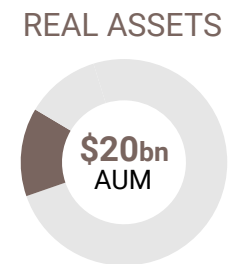
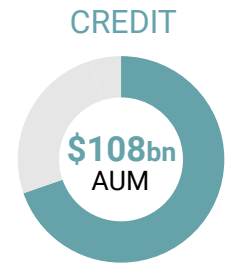
# Overview of Oaktree

Oaktree Capital Management is a leader among global investment managers specializing in alternative investments. The firm emphasizes an opportunistic, value-oriented, and risk-controlled approach to investments in credit, private equity, real assets and listed equities.

The firm has over 1,050 employees and offices in 20 cities and 15 countries worldwide. Oaktree has \$170 billion in assets under management.<sup>1</sup>



## Asset Classes



1. AUM as of December 31, 2022.



# Investment Philosophy & Business Principles

Our competitive advantages include our experienced team of investment professionals, a global platform, and a unifying investment philosophy that is complemented by a set of core business principles.

## Investment Philosophy

Oaktree strives to deliver superior investment results with risk under control while conducting our business with the highest integrity. Our investment philosophy consists of six enduring tenets that have remained unchanged since our founding over 25 years ago. See Oaktree's investment philosophy here:

[Investment Philosophy](#)

Oaktree's approach to ESG is an extension of our investment principles. We believe that ESG factors can directly and materially impact investment outcomes. These considerations are an integral part of prudent investing.

## Business Principles

Oaktree has been guided since its inception by a set of unifying business principles. We put our clients' interests before our own, pay strict attention to potential conflicts of interest, seek to achieve attractive returns without commensurate risk, and are dedicated to creating a harmonious and equitable workplace. See Oaktree's business principles here:

[Business Principles](#)

Responsibility has always been at the core of Oaktree's business. In 2022, for only the second time in Oaktree's history, we added a new business principle, **Responsibility**, to formalize our commitment to acting responsibly with our stakeholders and society at large.

## Our newest principle, **Responsibility**, states:

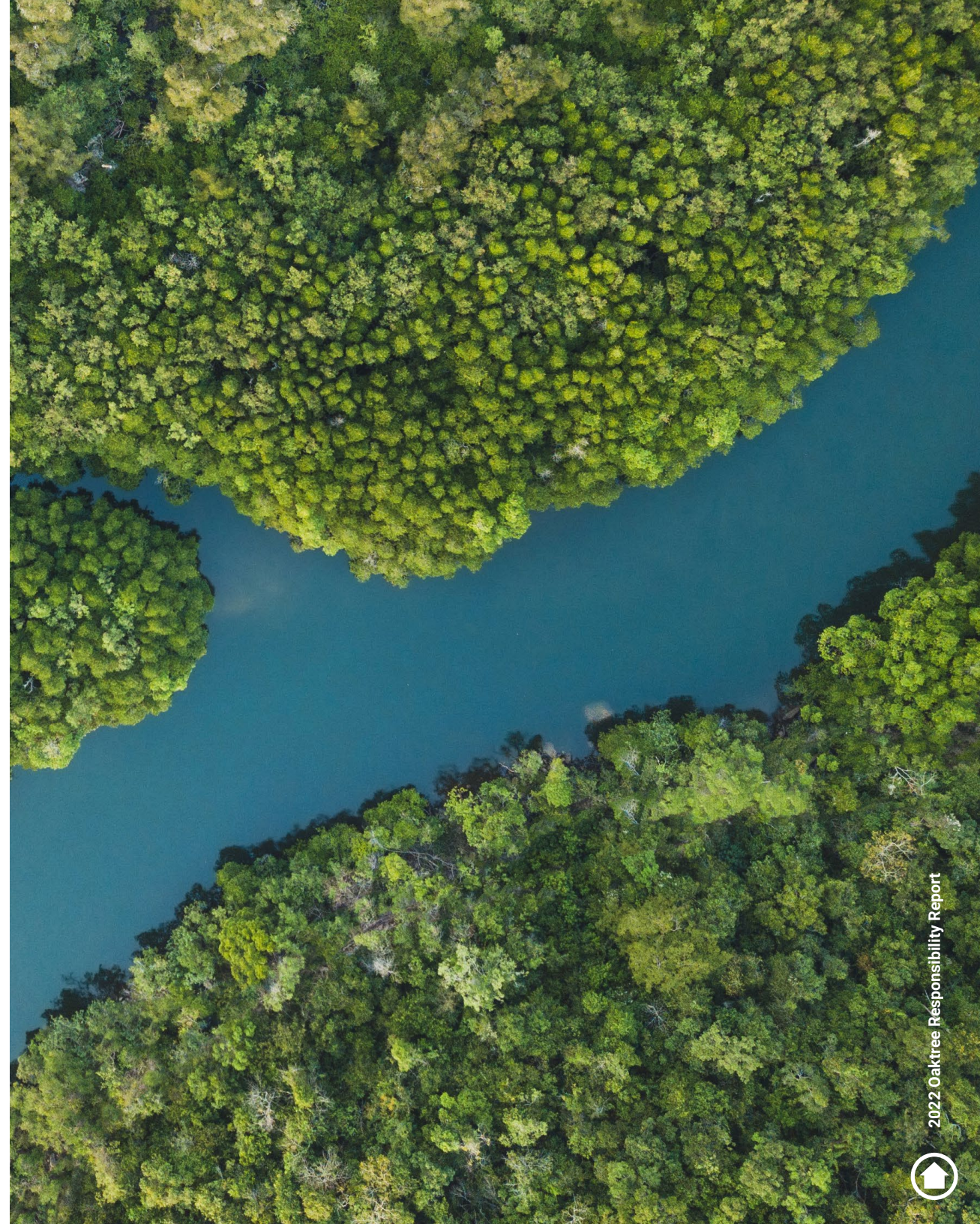
“We are committed to acting responsibly with our stakeholders and society at large. Oaktree (a) incorporates Environmental, Social and Governance considerations in its investment and business decision-making; (b) fosters an inclusive work environment that embraces diversity; and (c) supports the communities in which we live and operate.”



# ESG Program

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- Continuous Learning & Department Reviews
- Oaktree's ESG Team & Milestones
- Advancing Our ESG Program | Interview with Priya Prasad Bowe





# Firmwide Approach to ESG

Oaktree's investment philosophy has always stressed the importance of investing responsibly. We believe focusing on ESG throughout the investment lifecycle is key for long-term investing, as it better enables us to avoid undue risk and identify valuable opportunities. In addition, integrating ESG analysis into our investment process helps ensure that we are aligned with our clients, their beneficiaries, and society's collective long-term interests.

Our ESG journey accelerated in 2014, when we formalized this commitment in our firmwide ESG policy. Moving forward, we seek to continuously improve and refine our processes by participating in the development and implementation of new industry standards and best practices. ESG fits squarely within our commitment to excellence in bottom-up investment analysis.



# Four Pillars of Oaktree's ESG Program



## ESG Integration

Oaktree's ESG policy applies to every investment strategy at the firm. Our tactical approach to ESG varies across our numerous investment strategies based upon the particular attributes of the strategy. To address these nuances, investment teams are guided by an ESG Integration Plan that describes the specific strategy's approach to implement Oaktree's ESG policy throughout the investment cycle.

Our investment professionals are responsible for integrating ESG analysis into their underwriting, in line with both the firmwide ESG policy and their strategy's ESG Integration Plan.



## Engagement

In our investment process, we tailor our engagement approach based on our level of influence, investment time horizon, and the financial materiality of ESG considerations. Our level of influence is determined by our investment position in the capital structure, the size of our ownership stake, and/or the number of directors we can appoint to the board. We are focused on building engagement tools that will enable us to better identify material issues, track progress and outcomes, and design escalation strategies when needed.

Additionally, Oaktree is committed to engaging with leading responsible investment organizations to implement best practices and help advance the industry's ESG efforts.



## Communication & Transparency

Oaktree's ESG program is designed to increase transparency concerning Oaktree's ESG progress and goals through expanded public disclosure, thought leadership, and client communication. We are committed to publishing annual Responsibility and TCFD-aligned Reports to detail our investment strategies' objectives and accomplishments. We are also building processes to enhance resilience across Oaktree's business, anticipate future regulatory obligations, and meet client needs related to ESG.



## Education & Continuous Learning

Employee engagement is critical to the success of our ESG program. We identify and hire talented professionals who are committed to upholding high ethical standards. As part of our ESG program, we provide tools, training, and data to enhance our investment professionals' understanding of ESG factors.

We believe ESG considerations affect many parts of our business. We look to all Oaktree employees to help us deliver on our commitments, including new joiners, who complete ESG training as part of their onboarding process. Additionally, investment professionals are required annually to (i) participate in ESG training and (ii) certify their compliance with both Oaktree's ESG policy and their respective investment strategy's ESG Integration Plan.



# Industry Organizations

Oaktree partners with leading industry organizations to promote best-in-class practices for ESG integration, benchmarking, transparency, and reporting.

Our participation in industry initiatives and our collaboration with peers allow us to strengthen our ESG practices and share insights for the benefit of the broader asset management community.



Oaktree became a signatory to the PRI in 2019 and filed an inaugural PRI report in 2021 to deepen our longstanding commitment to ESG integration in investment decision-making. The PRI informs our ESG Policy and strategy-specific ESG Integration Plans.



Oaktree became a formal member of the European Leveraged Finance Association (ELFA) and a member of ELFA's ESG Committee in 2020. This commitment highlights Oaktree's support for greater standardization, disclosure, and transparency of ESG data in the credit markets. ELFA's ESG Committee has been crucial in advancing ESG programs targeting the high yield bond and senior loan markets, including ELFA's ESG Disclosure Initiative and PRI's ESG in Credit and Rating Initiative.



In 2020, Oaktree became a supporter of the TCFD, which develops recommendations for effective climate-related disclosures that will help stakeholders better understand their exposure to climate-related risks.



Oaktree's Transportation Infrastructure and Real Estate Income strategies participate in GRESB, a global ESG benchmark for real assets, to improve transparency and benchmarking of ESG performance. Oaktree joined GRESB in 2019.



In 2019, Oaktree joined BSR, a global non-profit organization that is working with a network of more than 300 member companies and other partners to build a more just and sustainable world. BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaborations.



In 2021, Oaktree partnered with SASB, whose standards enable investors to identify, evaluate, and manage financially material sustainability information. The industry-specific SASB standards, which are modeled on traditional financial accounting standards, are designed to inform decision-making that will drive long-term value creation.



In 2021, Oaktree joined EDCI, an initiative that seeks to streamline the private investment industry's historically fragmented approach to sustainability reporting. As part of this project, Oaktree works with our majority-owned portfolio companies to gather and report core ESG metrics.



In 2022, Oaktree became a member of PCAF, the leading standard used by financial institutions to measure carbon emissions in line with the Greenhouse Gas Protocol. The PCAF standards guide carbon footprinting across the firm.



# Governance & Oversight

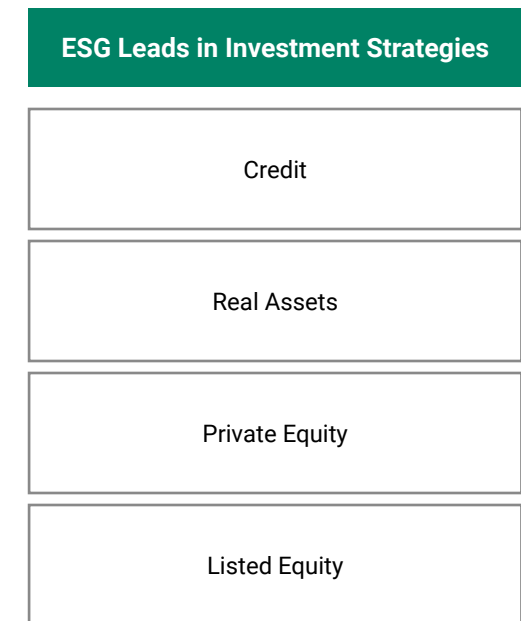
Strong governance and oversight practices are core elements of our ESG program. Our commitment to ESG begins with Oaktree’s Board of Directors, which oversees the firm’s ESG and climate strategies in our corporate and asset management activities.

[Oaktree’s Head of ESG](#) and centralized ESG team drive the firm’s ESG strategy. The Head of ESG reports to Executive Leadership and the Board on the firm’s ESG strategy, objectives, and outcomes. The ESG team advances sustainability initiatives at the firm-level and helps to enhance ESG integration across Oaktree’s various investment strategies.

Oaktree’s ESG Governance Committee – comprised of senior investment professionals and representatives from our Legal and Risk Management teams – is an oversight and decision-making body that helps set and monitor the firm’s ESG strategy and goals. The Governance Committee meets monthly to identify, promote, and share best practices across our investment strategies. As part of its oversight role, the Governance Committee reviews the firm’s ESG policy annually and approves investment teams’ ESG Integration Plans.

The investment teams appoint ESG leads, senior investment professionals who work with the strategy’s portfolio managers to ensure that ESG considerations are integrated throughout the investment lifecycle.

The ESG team and the Compliance department assess investment teams’ adherence to their stated ESG Integration Plans on an ongoing basis. In addition, Oaktree’s non-investment business groups – such as Legal, Compliance, Marketing & Client Relations, and Portfolio Construction & Risk Management – help to (a) advance ESG integration efforts and (b) ensure that external stakeholders better understand our ESG program.



# Continuous Learning & Department Reviews

## Continuous Learning

Since 2020, Oaktree has hosted firmwide ESG trainings. The 2022 training included an update on the firm's ESG goals and strategy as well as a review of our implementation of the SASB standards in underwriting and portfolio management. Representatives from the Value Reporting Foundation provided an overview of industry specific SASB standards, and various Oaktree investment teams presented case studies illustrating how they use these standards.

New Oaktree employees complete ESG training as part of their onboarding process. On an annual basis, investment professionals are also required to complete ESG trainings. These trainings cover Oaktree's ESG policy and commitments as well as best practices for ESG integration. There are also several asset-specific and tool-specific trainings throughout the year.

Oaktree also sponsors two elective ESG exams: SASB's Fundamentals of Sustainability Accounting Credential and the Chartered Financial Analyst ESG Certificate.

## ESG in Annual Reviews

Many departments play a role in advancing ESG. In 2022, ESG integration became a part of each department's year-end review and assessment process. Departments are required to describe how they have advanced ESG integration during the year, and the effectiveness of their efforts is taken into account as part of the year-end review process.



# Oaktree's ESG Team & Milestones

## ESG Team



**Priya Prasad Bowe**  
Managing Director, Head of ESG



**Greer Howard**  
Vice President



**Nicholas Cohn-Martin<sup>1</sup>**  
Vice President



**Daniela Greco**  
Assistant Vice President



**Meghan McMahon**  
Associate

## Recent Milestones

### 2021

- Appointed first [Head of ESG](#)
- Filed inaugural Principles for Responsible Investment (PRI) report
- Appointed first [Head of Diversity & Inclusion \(D&I\)](#)
- Partnered with the [Sustainability Accounting Standards Board \(SASB\)](#)
- Put Oaktree's ESG program under the oversight of the Board of Directors
- Launched mandatory firmwide [ESG training](#) for new hires and annual training for investment professionals

### 2022

- Added new Business Principle: [Responsibility](#)
- Partnered with the Institutional Limited Partners Association (ILPA) for the [ESG Data Convergence Initiative \(EDCI\)](#)
- Became a member of the [Partnership for Carbon Accounting Financials \(PCAF\)](#)
- Expanded ESG team with three new hires
- Put Oaktree's climate program under the oversight of the Board of Directors

### 2023 Strategic Priorities

- **Integration:** Deepen integration by identifying and implementing best practices across strategies while reflecting the specific needs of each asset class
- **Communication:** Publish inaugural Task Force on Climate-related Financial Disclosures (TCFD) and Responsibility Report
- **Transparency:** Support initiatives that seek to improve ESG reporting by leveraging third-party ESG data, company-reported information, and analyst input
- **Engagement:** Formalize Oaktree's approach to engagement
- **Education:** Empower investment analysts with training and tools
- **Climate:** Expand our efforts to measure carbon emissions in our operations and at the portfolio level

1. As of February 2023



# Advancing Our ESG Program | Interview with Priya Prasad Bowe



“Oaktree’s ESG strategy is focused on financial materiality. Oaktree has always believed that risk control is critical to long-term investment success. Thus, we think understanding the ESG risks of our investments is critical.”

**Priya Prasad Bowe**  
Head of ESG

## **What are the challenges that global, multi-asset managers face when integrating ESG considerations into investment decisions?**

Creating an ESG strategy that meets everyone’s needs requires a balancing act. On the one hand, global multi-asset managers must create ESG policies that address broad sustainability themes that apply across asset classes. But on the other hand, they must design policies that offer both flexibility and specificity to account for differences between investment strategies, including varying levels of ownership and influence, geographies, client preferences, regulatory requirements, holding periods, and time horizons. At Oaktree, we have addressed this challenge by establishing a firmwide ESG policy as well as ESG Integration Plans that govern our individual investment strategies.

## **How can addressing ESG risks and opportunities at portfolio companies help asset managers create value for their clients?**

Oaktree’s ability to both address ESG issues and create value at portfolio companies varies based on our investment time horizon, level of influence, and degree of ownership. Our ability to enact meaningful change is most substantial within our majority-owned companies, as we can work directly with management teams and boards. With non-control companies, we may have less influence, but we still seek to encourage management teams to enhance

their sustainability practices and address material issues.

Our investment teams often work with companies to improve ESG reporting and disclosures as well as overall corporate sustainability. We believe companies benefit from our expertise and the resources we can provide.

## **Regulators are now scrutinizing asset managers’ ESG practices. How can firms successfully navigate this complex and rapidly changing web of requirements and regulations?**

Clients and regulators focus on a broad range of issues – including ESG processes, procedures, and communications – which touch on many areas of our business, such as compliance, marketing, and investment decisions, among others. Therefore, we can’t consider ESG in isolation; rather, we believe a successful ESG strategy must be holistic and collaborative.

At Oaktree, we have deputized professionals across the firm to support our centralized ESG efforts. Our ESG team works cross-functionally to both ensure adherence to the regulations and manage our evolving ESG program in a way that fits our business.

Additionally, we’ve partnered with leading responsible investment organizations to better understand the regulatory environment and contribute to industry best practices.

## **What are Oaktree’s ESG priorities and how do you plan to achieve those goals?**

Oaktree’s ESG strategy is focused on financial materiality. Oaktree has always believed that risk control is critical to long-term investment success. Thus, we think understanding the ESG risks of our investments is critical. Additionally, in rapidly changing markets, monitoring ESG factors can help us identify opportunities.

ESG integration is our team’s top strategic priority. ESG integration means equipping our nearly 400 investment professionals with the tools they need to integrate ESG into their investment decisions and portfolio management. This initiative combines bottom-up efforts – such as providing training, tools, and data – with top-down governance-oriented efforts, including establishing Board oversight of our ESG strategy, involving portfolio managers in ESG risk monitoring, and appointing strategy leads to facilitate ESG integration.

Communication and transparency are other critical areas of focus. We seek to effectively communicate our efforts publicly, in direct conversations with clients, and within our organization. We believe it is essential that our more than 1,050 professionals understand the importance of ESG for their roles, our firm, and our clients.

## **How do you think the role of ESG in the investment process will evolve over time?**

ESG issues are increasingly considered a fundamental part of the investment process, rather than a separate line item. Over time, investors will decide how important ESG risks are to them, similar to any other risk.

We believe better data disclosure standards will become widely adopted, which will allow investors to integrate relevant ESG metrics more effectively into their investment processes. Improving disclosure can help investors obtain comparable data, benchmark performance, and identify areas for improvement. We’re pleased that many parts of the financial industry – including private equity sponsors, banks, and private credit firms – are increasingly focused on improving ESG data disclosure.

We expect there will also be greater differentiation in ESG investment approaches, ranging from integration, which prioritizes financially material ESG considerations, to impact, where investors aim to achieve positive sustainability outcomes. This will lead to a greater range of product offerings that will suit a diverse set of investor mandates.



# ESG Integration

## 3

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# Driving Transparency in Private Markets



In late 2021, Oaktree became an inaugural member of the ESG Data Convergence Initiative (“EDCI”). The initiative seeks to streamline private equity’s historically fragmented approach to sustainability reporting by generating useful, performance-based ESG data that can be compared across companies. This is the first collaboration of its kind among private equity managers. As part of this project, Oaktree works with its majority-owned portfolio companies to gather and report core ESG metrics, including greenhouse gas emissions, renewable energy, board diversity, work-related injuries, and employee engagement. Oaktree is also part of the ESG Data Convergence Initiative’s Private Credit Working Group, which seeks to establish similar standards in private credit.

## EDCI Data Categories



**GHG Emissions**



**Renewable Energy**



**Board Diversity**



**Work-related Injuries**



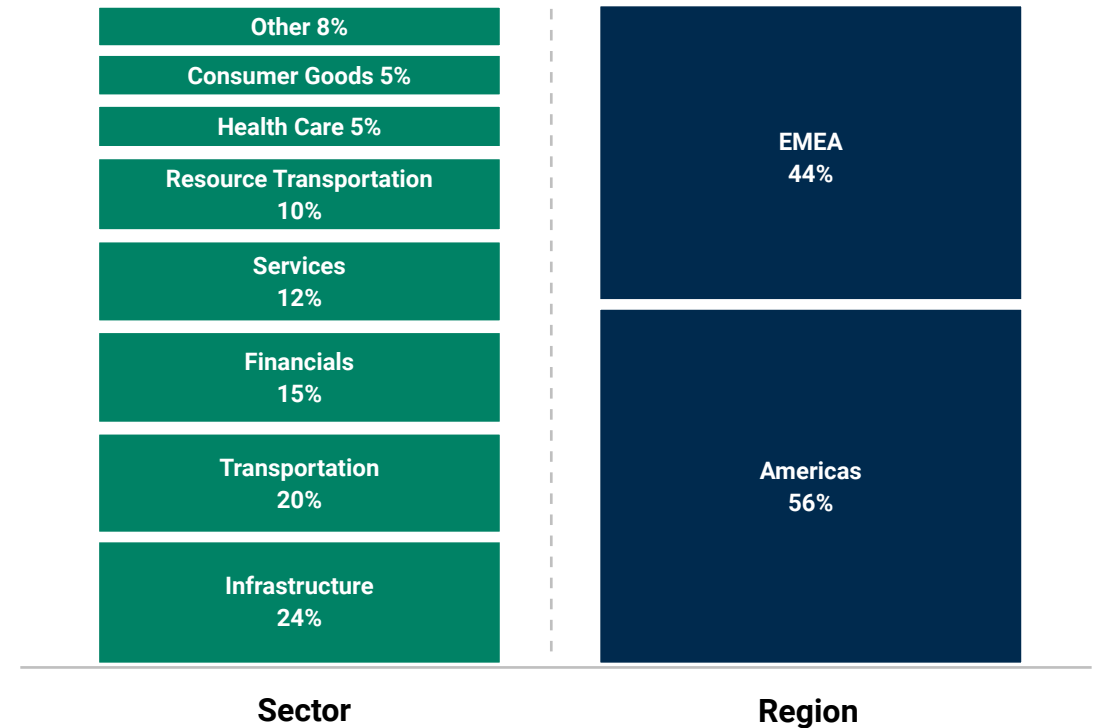
**Staffing Changes**



**Employee Engagement**

In 2022, Oaktree collected and submitted to EDCI data for the 2021 calendar year for over 40 portfolio companies from our European Principal, Global Opportunities, Power, Special Situations, and Transportation Infrastructure strategies. The data was from companies across 11 sectors in the Americas and EMEA.

## Participating Portfolio Companies





## Submission Rates

More than 80% of Oaktree reporting companies submitted data for each of the required metrics. Submission rates were particularly high compared to those of other EDCI participants for environmental metrics, including Scope 1 and Scope 2 GHG emissions and the percentage of renewable energy consumption relative to total energy consumption.

Many of Oaktree's portfolio companies had never calculated their carbon footprint before doing so for the EDCI reporting. Collecting these metrics therefore helped to increase data availability and transparency among the firm's privately owned companies. We commissioned BSR, a sustainability-focused consulting firm, to train companies on how to calculate and track their carbon footprint.

Categories	Metrics	# of Portfolio Companies that submitted data	Submission rate (out of 41 Portfolio Companies)
GHG emissions	Scope 1	36	88%
	Scope 2	36	88%
	Scope 3 ●	6	15%
Renewable energy	% Renewable energy	34	83%
Board diversity	% Women	40	98%
	% Under-represented ●	9	22%
	% LGBTQ ●	1	2%
Work-related injuries	% Injuries	35	85%
	% Fatalities	35	85%
	Days lost to injury	35	85%
Staffing changes	Organic hires	34	83%
	Total new hires	35	85%
	Attrition	35	85%
Employee engagement	Employee survey (Y/N)	39	95%
	Response Rate (%) ●	12	29%

● Indicates optional metrics for data submission



# Carbon Data: Minding the Gaps | Interview with Wayne Dahl & Sid Dastidar

“If you can’t measure it, you can’t manage it.”

attributed to Peter Drucker  
management theorist

When evaluating any risk variable, asset managers need access to relevant, reliable data from a wide swath of industries and companies. But investors seeking to manage risk related to ESG factors have long faced a significant hurdle: incomplete data sets. This is certainly the case with greenhouse gas (GHG) emissions data – an area of focus for Oaktree.

Wayne Dahl, Investment Risk Officer, and Siddharth Ghosh Dastidar, Head of Risk Modeling, recently sat down to discuss Oaktree’s efforts to fill these gaps and better integrate ESG data into our assessments of risk and relative value.



**The first tenet of Oaktree’s investment philosophy is the primacy of risk control. What role does data play in Oaktree’s approach to ESG risk management?**

**Wayne Dahl:** Our risk management process is rooted in rigorous in-depth analysis at the company level, and this requires dependable data that we can track over time. That’s why we believe obtaining accurate, consistently sourced ESG data is so critical as we seek to better incorporate ESG factors into our investment process. And it’s why we’re focused on identifying the ESG metrics that are most relevant to our risk assessments.

It’s important to note that we’re not only looking at where a company currently stands in terms of ESG factors, but also its long-term commitment and strategy. Remember, data is both an input and an output: It can inform us about potential risk, but it can also define the objective we’re seeking to achieve. (Carbon emissions reduction targets are one obvious example of this.) But we can only track progress if we have reliable data.

**Sid Dastidar:** Ultimately, data helps guide the ESG conversation. It allows us to assess relative value, determine if our portfolio companies are making improvements or backsliding, and compare our performance to that of

a benchmark. However, ESG data collection is uneven in terms of both what companies track and what they disclose. Moreover, companies often use different methodologies in their ESG assessments. For example, what firms choose to include in their calculations of Scope 1, 2, or 3 emissions can differ considerably even among businesses in the same industry. Finally, companies and asset managers are still learning how to interpret newer ESG metrics and how to quantify the financial impact of ESG factors.

One of the main areas of focus for Oaktree in recent years has been improving the quality and breadth of our GHG emissions data so that we can properly measure the carbon footprints of our portfolio companies and better assess risk related to carbon intensity. We’ve prioritized this area because we believe prudent long-term investors must consider the potential impacts of climate change and the energy transition. For example, businesses with high carbon intensities could end up with stranded assets or face the risk of obsolescence, while the changing climate itself creates heightened risk for producers in certain industries, such as agriculture or insurance, or in specific regions that may face more extreme weather patterns. Obviously, these risks are challenging to quantify, and we can’t know what the future will hold, but it’s

still our responsibility to analyze and monitor these risks as best we can.

**Describe Oaktree’s carbon-footprinting initiative. GHG emissions data is often incomplete, so how do you handle these gaps?**

**SD:** Oaktree is seeking to provide our analysts and portfolio managers with a clear, comprehensive understanding of our investments’ carbon footprints.

In order to do this, it’s vital that we engage with management teams at our majority-owned companies so that we can encourage them to track and report their emissions data or provide more comprehensive data when possible.

When we don’t have easy access to management or publicly available carbon data, we must then use data approximations, including carbon intensity proxies. What this means is that we calculate carbon intensity scores for our investment companies using a proprietary model that analyzes third-party GHG emissions data, company-reported data, and industry estimates. This information is fed into our Carbon Emissions Dashboard, where it can be used by analysts and portfolio managers to monitor risk as well as progress related to emissions reduction targets...



## Carbon Emissions Dashboard

In 2022, Oaktree launched the Carbon Emissions Dashboard, an innovative tool that enhances the firm's ability to measure portfolio companies' GHG emissions. The Dashboard uses reported data, vendor models, and our proprietary models to track emissions for the majority of our portfolios containing publicly-traded assets, as well as many of our portfolios holding private investments. The data is stored on an interactive platform, where analysts can review and refine the data as necessary.

The Dashboard gives us the ability to record analyst commentaries and document engagement with public companies. We're seeking to expand these capabilities so that we can better track our interactions with companies under our control, as these interactions tend to be more frequent given our access to management.

For select strategies, the carbon data is presented with risk/return projections that help us better integrate ESG criteria into our fundamental analysis.

In short, the Dashboard allows us to more easily monitor the emissions levels of our current holdings and better assess the ESG risks of potential investment opportunities.



**WD:** The asset management industry is still learning how to effectively use ESG metrics, including carbon intensity scores, as inputs in the investment process. While we know how to assess the impact on valuation of traditional metrics like yield and duration, we're still determining how best to incorporate ESG metrics into our models. We believe the more data we can capture – and the more quickly we can capture it – the stronger our ESG analysis will be and the more efficiently we can integrate it into our investment process. By doing so, we'll generate even more comprehensive ESG data, creating a virtuous cycle.

**SD:** Some of our portfolio managers are already integrating carbon data into their analysis. They're able to compare a portfolio's aggregate carbon intensity to specific benchmarks and rank different investments with similar return potential based on their carbon footprints. We don't exclude companies based solely on carbon data, but – like any other fundamental variable – carbon intensity can help us determine an investment's risk-adjusted return potential.

**You mentioned data approximations. How do you handle these, and do they vary by asset class?**

**WD:** While it's important to refine the outputs from our models, we believe it's crucial – first and foremost – that we eliminate gaps from our data sets, which means we must use proxies when company-specific data isn't available. As we produce more data, we identify a larger number of specific points that need to be improved, and by making these refinements, we enhance the quality of our ESG data sets, which can ultimately help us produce better proxies – another virtuous cycle.

We're developing a process to help with this that should work as follows. If I assign a

proxy to, for example, a natural gas utility, the analyst covering the company might note that the estimated score doesn't reflect the company's better-than-average emissions and thus that the score should be more in line with a peer utility that has strong ESG practices. We would then integrate this feedback, creating a more accurate analysis. By doing so, we would also have a more reliable point of comparison when generating the next proxy. So we don't expect the initial proxies to be perfect, but we do expect them to provide us with a basis for comparison. As an added bonus, this method of generating proxies forces analysts to make these assessments and thus refine their own understanding of ESG factors.

**SD:** We're using this basic proxy creation process in our multi-asset portfolios, but the details vary by asset type. While we often use industry proxies for individual bonds and loans, the method is slightly different for structured credit. With collateralized loan obligations (CLOs), we aggregate the relevant carbon intensity scores of the underlying loans based on industry. With commercial mortgage-backed securities (CMBS), we use available information from corresponding publicly listed real estate investment trusts (REITs).

In order to create proxies, we've calculated average carbon intensities by industry and subindustry. We currently have collected data across more than 70 industries and over 400 subindustries. Because of our robust modeling and estimation capabilities, we're now able to assign carbon intensity levels to over 90% of our publicly traded holdings. If we were relying solely on third-party vendors, our coverage would be much more narrow.

**What are some of Oaktree's key ESG data initiatives in 2023?**

**SD:** We're continuing to focus on improving data availability and accuracy. We're planning to make both our Carbon Emissions Dashboard and our ESG platform as interactive as possible by giving analysts the opportunity to override and annotate the data. This will allow us to refine our data sets much more frequently, which should ultimately make them more robust. We're also starting to track our ESG-related interactions to monitor the impact of engagement with companies over time.

**WD:** Another major area of focus this year will be strengthening data integration. We currently collect and monitor a tremendous amount of data related to various ESG factors. We're exploring ways to use this data more extensively in risk screening, relative value assessments, and the analysis of trends. Oaktree is continuously working to both improve the quality of our ESG data and refine our models. By doing so, we believe we can enhance our bottom-up analysis and thus our overall risk management – in keeping with Oaktree's core investment philosophy.

1. Industry and subindustry classifications are based on Bloomberg Industry Classification Standard. The data is based on Oaktree calculations.



# Credit

While varied in investment objective and risk/return profile, each of our credit strategies is grounded in Oaktree's unifying investment philosophy, placing primary emphasis on risk control and consistency. Our credit strategies invest in both liquid and illiquid instruments, sourced directly from borrowers and via public markets. We focus primarily on rated and non-rated debt of sub-investment grade issuers in developed and emerging markets, and we invest in an array of high yield bonds, convertible securities, leveraged loans, structured credit instruments, distressed debt and private debt.

In 2022, Oaktree's credit strategies made many strides in ESG. Teams collaborated to make meaningful progress on refining ESG processes, adopting new diligence tools, and further embedding material considerations into the investment lifecycle.



## Assessing Financial Materiality

In 2021, investment professionals in Oaktree's European High Yield Bonds and Senior Loans teams developed an **ESG Assessment Tool** using their bottom-up ESG analysis. This tool has since been adopted by multiple other Oaktree credit strategies. Investment teams utilize this tool to assess 15 ESG factors across prospective investments, as a complement to Oaktree's traditional credit-scoring methodologies. This enhanced diligence tool enables us to engage in more granular ESG analysis.

For example, the tool allows teams to assess how material a given ESG risk is (Materiality Assessment) and how well a company manages that risk (Risk Management Assessment).

- The **Materiality Assessment** is informed by (a) the SASB Materiality Map to align with industry standards and (b) analyst expertise. This assessment creates rankings for each sector. The rankings also take into account differences in

materiality across industries, as certain ESG risks, such as worker health and safety or data privacy and security, may be more or less financially meaningful depending on the industry. The ranking allows analysts to prioritize the most pertinent ESG issues in the diligence phase.

- The **Risk Management Assessment** analyzes a company's control over and mitigation of the 15 industry risk factors. For example, analysts would likely score very favorably a company that has aggressively cut emissions and has a robust decarbonization plan.

The investment team combines these assessments to generate an ESG score for the company. Teams seek to optimize investment performance, not portfolio scores, but grading the company helps (a) improve diligence, (b) inform relative value assessments, and (c) promote engagement with companies on ESG topics that can create value.

1,145

assessments  
completed

x

111

data points  
included

=

127,095

data points  
collected<sup>1</sup>

“Understanding ESG factors for the companies we lend to has always been a core part of our credit underwriting process. Our ESG assessment tool was designed to enhance our ESG analysis and complement our credit underwriting process. This tool is the product of many discussions with analysts as well as some guidance from the SASB industry standards. In 2022, we refined the tool and backfilled the assessments, while other teams incorporated the tool into their credit underwriting and ESG processes.”

**Savan Shah**  
Head of Research and ESG Lead,  
European High Yield and Senior Loans

1. As of 12/31/2022, Convertible Securities, Emerging Markets Debt, High Yield Bonds, Multi-Asset Credit and Senior Loans used the ESG Assessment Tool.



## Global Opportunities

Our Global Opportunities strategy seeks to identify market inefficiencies and take advantage of financial dislocation. We leverage our deep expertise in reorganizations and restructurings while taking advantage of our large geographic footprint. We target investments in seven key categories: distressed liquid credit, rescue financings, debtor-in-possession loans, bankruptcy exit financings, loan portfolios, platform investments, and opportunistic capital solutions.

We invest across all sectors of the economy, and our team includes dedicated specialists who are deeply familiar with a given industry's key constituents, valuations, trends, opportunities, and risks. This expertise has been particularly valuable in the rapidly changing energy sector. Achieving a successful energy transition requires asset managers to help provide the requisite capital. Moreover, credible and meaningful decarbonization requires the participation of

companies in hard-to-abate sectors. Thus, we may invest in opportunities involving energy and other companies that are part of the fossil fuel energy system if we believe that our investment will advance decarbonization and the energy transition.

We are also an investor in a variety of clean-energy companies, including direct suppliers of renewable energy and ancillary businesses that are facilitating the transition to low-carbon energy. These companies are poised to benefit from growing demand, new regulations, and tax credits. We believe that investing in a wide swath of energy-related opportunities will allow us to effectively navigate the energy transition. The next page has examples of two investments – one in clean energy and one in traditional energy – that illustrate the role we can play in the energy transition.



## Investing in the Energy Sector

### Financing the Clean Energy Value Chain

In 2021, a global leader in wind turbine blade manufacturing needed a financing solution after it encountered headwinds related to rapidly increasing commodity prices, a temporary decline in customer demand (driven in part by supply-chain challenges), and operational issues at two of its manufacturing plants.

The company had a long history of delivering high-quality, cost-effective solutions to leading wind turbine original equipment manufacturers. It aimed to become the ESG “gold standard” in its industry with respect to its relationships with its workforce, adjacent communities, and the environment. The company sought to become carbon neutral – based on Scope 1 and 2 emissions – by 2030. Moreover, it was on track to achieve emissions intensity reduction of roughly 9% between 2020 and 2021 by manufacturing longer blades and reducing waste in its manufacturing process.

Oaktree’s Power Opportunities and Global Opportunities strategies partnered to structure a capital solution for this company within a short timeframe. The company selected Oaktree as a partner given our (a) expertise in the renewables sector, (b) ability to move quickly during diligence, and (c) capacity to meet the entire funding need. Oaktree had recently taken public two companies in the renewables sector and was well positioned to present a capital solution and provide strategic guidance in a challenging situation.

Oaktree received a board seat and separate approval rights for various material corporate actions, such as capital expenditures above a certain threshold. In this role, Oaktree advocated for and guided management through projects to improve sustainability and operational efficiency. This included investments in renewable energy projects that supported the company’s electricity needs.

In 2021, the company produced more than 9,700 wind blades, representing an estimated<sup>1</sup>:

# 13

gigawatts  
of renewable  
power

# ~32%

of new installations in the  
global onshore wind energy  
market (excluding China)

# 422

million metric tons  
of potential reduction in CO<sub>2</sub>  
(over their 20-year life span)

# 1

year  
of electricity for 77  
million homes in the U.S.

### Actively Engaging in Highest-Emitting Sectors

We believe supporting decarbonization initiatives with the management of traditional energy assets can help mitigate risk and create value. This was highlighted in the actions Oaktree took when it led the restructuring of a natural gas exploration and production company. As one of the largest creditors, we were directly involved in the appointment of a new board and management team. In partnership with the new leadership team, we identified multiple ESG risks that were financially material to the company’s performance, and we backed a plan to address these risks. As part of this plan, Oaktree supported initiatives to promote best-in-class governance standards, reduce carbon emissions, and increase shareholder value. These initiatives included the following:

- **Decarbonization:** Committed to be carbon neutral in Scope 1 and Scope 2 by 2035.
- **Reduced Methane Emissions:** Retrofitted infrastructure to reduce methane intensity to 0.09%<sup>2</sup> by 2025. (The company met the goal four years ahead of schedule.)
- **Responsible Gas Sourcing Certifications:** Certified natural gas production in two major shale basins via an independent third party.
- **Governance:** Replaced the existing board members with highly qualified, shareholder-friendly, and diverse members and created an ESG committee for the board.
- **Public Disclosure:** Published TCFD- and SASB-aligned disclosures and reported progress on climate-related targets.
- **Diversity and Inclusion:** Developed an action plan for increasing both workforce and supplier diversity.
- **Human Rights:** Designed a new policy that covered both direct operations and the company’s supply chain.

1. Lifetime energy savings from the wind blades sold by the company are calculated as follows: estimated produced MWs x 1000 x total lifetime hours (20 year life-span) x estimated turbine capacity factor (DOE/IRENA) x IEA emissions factor of 475 g CO<sub>2</sub>/kWh.

2. Volume methane emissions divided by volume gross gas produced.





# Real Assets

Our real assets platform capitalizes on Oaktree's global footprint, multi-disciplinary capabilities, extensive network of industry experts, and key relationships with operating partners.

## Real Estate

Our Real Estate team applies Oaktree's philosophy of risk-control to its investment disciplines across its three synergistic, yet distinct, strategies: Opportunistic, Performing Debt, and Income.

We seek to generate positive financial outcomes for our investors, as well as our lenders, partners, and borrowers, by incorporating ESG considerations into the investment process. We are dedicated to the pursuit of excellence in underwriting and asset management practices, with an emphasis on engaging with stakeholders—including tenants and local communities, maintaining effective governance, and managing risks prudently.

In line with this commitment, we monitor and benchmark our practices in accordance with industry-leading organizations such as GRESB and UN Principles for Responsible Investment. By participating annually and aligning ourselves with these benchmarks, we strive to consistently meet and exceed the highest standards of responsible and sustainable real estate investment practices.

The team has a strategy-specific ESG Working Group that includes key members of Oaktree's Real Estate asset management, client relations, and ESG consultant teams. This team works with the strategy's portfolio managers to ensure that ESG considerations are integrated throughout the investment lifecycle.

## Transportation Infrastructure

Our Transportation Infrastructure strategy invests in North American infrastructure-related businesses and assets that support the movement of people and goods via air, land, and sea.

Consideration of ESG factors is a material aspect of the strategy's investment process. The team has a strategy-specific ESG committee, which has grown to include nine individuals (five members of the investment team, two industry specialists, and two client relations professionals). This committee meets monthly to discuss pertinent ESG-related topics. The committee has also developed an internal ESG KPI monitoring dashboard that portfolio companies populate on a semi-annual basis.

The Transportation Infrastructure strategy also participates in GRESB's sustainability reporting and benchmarking assessment on an annual basis.



Real Estate

Portfolio Highlight: YY London

In 2019, funds managed by Oaktree acquired a 307,000-square-foot office building located in the Central London submarket of Canary Wharf. The property was originally built in 1991 and is being completely renovated and modernized, with a particular focus on making changes that will support the wellness of building occupants.

The redeveloped building has sustainability at the heart of its design. It runs on 100% electrical energy and is highly energy efficient due to smart-building features. The building features sensors throughout that monitor and control the internal environment, including lighting, climate, and air quality. The integration

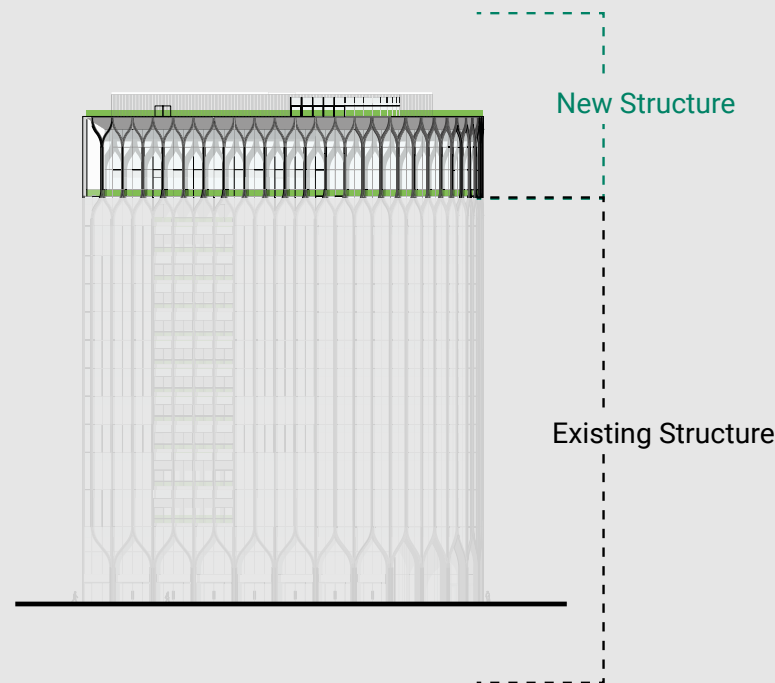
of modular, efficient lighting, heating, and air-conditioning units reduces wasted energy by ensuring that only the necessary amount is used to service the building at any given time. The building’s energy usage is roughly half of the pre-refurbishment level, even though three new floors were added that increased total square footage by 24%.

YY is seeking to secure an “Outstanding BREEAM” rating, the highest on BREEAM’s scale, which takes into account energy usage, health and wellbeing, material selection, and technical innovation.

Repurposing an existing structure, also called “adaptive reuse” in architecture, produces far fewer construction-related GHG emissions than building from the ground up. At YY London, the original steel structure, floor slabs, and basements were all retained.

48%

savings in carbon emissions by retaining existing structure vs. new construction



## Planned ESG Initiatives and Features at YY London

- Targeting BREEAM certification of “Outstanding”
- WELL Platinum ready
- High-performance façade
- Smart energy metering and systems
- Sustainable Urban Drainage System (SUDS) to harvest rainwater
- High-efficiency lighting and controls
- Reduced water consumption
- Heat recovery and central heat pumps
- 300 bicycle storage spaces

**10,260 tons of CO<sub>2</sub> saved in construction**

Equivalent to...

- 7,600 flights from London to Sydney
- 51,300 trees planted

**25%**

recycled content in new steel and concrete structures

**44%**

less operational energy used than the average London office building

**33%**

improvement in operational energy consumption per m<sup>2</sup> compared to the pre-renovation average

“A successful ESG program in our Real Estate strategy requires a concerted effort and collaboration among various parties. It begins with the investment and asset management teams and extends to our partners, property managers, and tenants. By engaging with multiple stakeholders, we can leverage our collective resources to drive better outcomes for our investors and the communities in which we operate.”

**Amy Johannes**  
Managing Director and  
ESG Lead, Real Estate

Transportation Infrastructure

Portfolio Highlight: Ports America

The Background

Ports America is the largest marine terminal operator and stevedore<sup>1</sup> in the U.S., with operations in 70 locations and every major port in the country. Annually, its container ship terminals handle cargo totaling over 13 million TEU<sup>2</sup>, while its cruise terminals service more than two million passengers. The company has been operating for over 100 years<sup>3</sup>, has approximately 600 full-time employees, and relies upon more than 12,000 union workers annually to operate its ports.

Oaktree’s Transportation Infrastructure team assumed management of Ports America in 2018.<sup>4</sup> Oaktree’s decision to invest was driven largely by Ports America’s widespread and difficult-to-replicate footprint, extensive operating history, and premier status within its industry – as well as the opportunities we saw to add value.

The Challenge

Ports America was negatively impacted by the Global Financial Crisis of 2007-09, as the slowdown in economic growth caused shipping volumes and travel to decline. Meanwhile, the governance and culture of the organization began to deteriorate, which impaired the company’s strategic direction and negatively affected its relations with employees and customers as well as its efforts to reduce its environmental impact. By the time Oaktree assumed management of Ports America, it became clear that improving the company’s financial performance would require overhauling its leadership and changing the culture from the ground up.

The Action

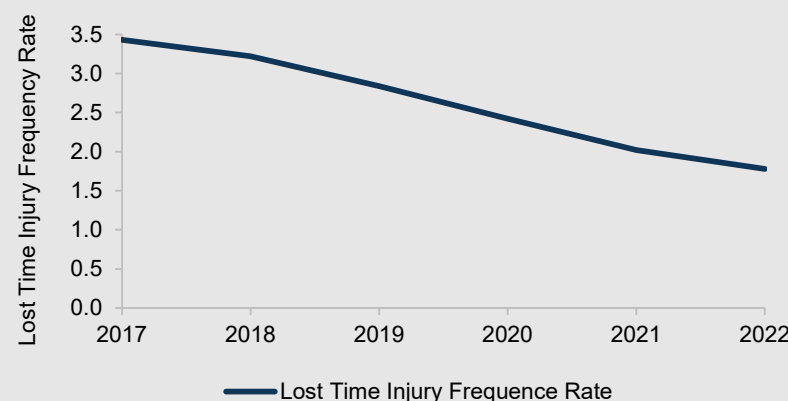
Improving governance and company culture were key pillars of Oaktree’s value creation plan for Ports America. We reshaped the company’s leadership team and then empowered it to create a values-based culture centered on safety, integrity, operational excellence, employee satisfaction, and teamwork.

Following guidance from Oaktree, Ports America adopted health, safety, and environmental standards that were (and are) stricter than the industry norm, put in place a comprehensive safety training program, and began to participate in GRESB, a leading global ESG benchmark for real assets. We believe the annual GRESB reporting process promotes transparency and accountability on ESG matters.

The Impact

Under Oaktree’s ownership, Ports America significantly improved its culture, customer relationships, and operations. Most importantly, the company saw a substantial reduction in accidents after implementing the aforementioned safety measures, as evidenced by the 48% drop in the rate of lost time due to injuries recorded between 2017 and 2022. (See Figure 1.)

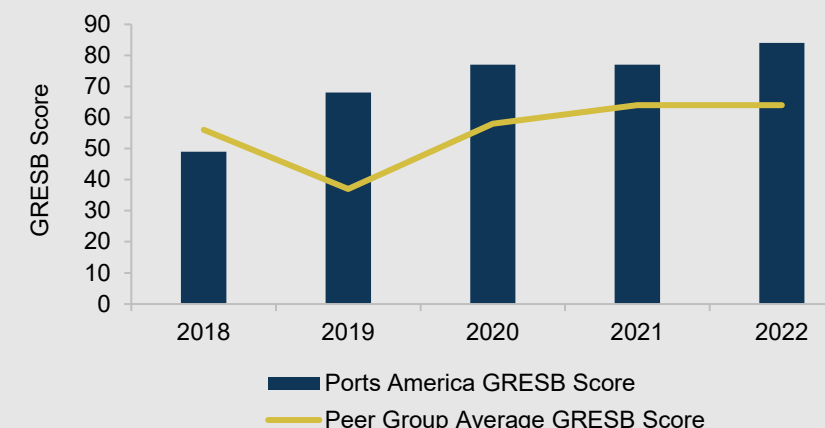
Figure 1: Workplace Safety at Ports America Has Improved



Source: Ports America  
Note: Year refers to fiscal year

These safety improvements along with other ESG initiatives – such as the company’s efforts to reduce its carbon emissions – have helped Ports America raise its GRESB score from 49 (in 2018) to 84 (in 2022). Ports America’s most recent GRESB score is 20 points above its peer average and the second-highest score in its peer group. (See Figure 2.)

Figure 2: GRESB: Ports America Is Outperforming Its Peers



Source: Ports America, GRESB

We believe Oaktree’s actions to enhance governance created a stable environment that enabled Ports America to improve its operations. Consequently, the company was well positioned to handle the challenges posed by the pandemic as well as the record-high shipping volumes witnessed in 2020 and 2021. Oaktree sold Ports America to Canada Pension Plan Investment Board in November 2021 but has since reinvested to become a minority owner. Looking forward, we believe Ports America will continue to be at the forefront of the marine transportation industry’s movement to promote safer and more sustainable practices.

1. A stevedore loads/unloads ship cargo.  
 2. Twenty-foot equivalent unit (TEU) is the unit of measurement for cargo capacity typically used in the container shipping industry.  
 3. This figure includes predecessor firms.  
 4. Oaktree initially gained ownership of Ports America through its acquisition of Highstar Capital in 2014. (Highstar acquired a controlling interest in Ports America in 2007.) The management of Ports America was officially transferred to Oaktree as part of a secondary transaction in 2018.



# Private Equity

Our private equity strategies focus on a broad set of regions and sectors, and they target opportunities in both traditional private equity and special situations.

## Special Situations

Oaktree's Special Situations strategy makes debt and equity investments in middle-market companies, often taking control positions. As part of its due diligence process, the Special Situations team leverages a proprietary ESG tracker to identify and rate possible ESG risks. The investment team is also committed to working with portfolio companies to identify and address opportunities for improvement in ESG-related areas.

## European Principal

Our European Principal strategy focuses on value-oriented investments that give it control of, or significant influence over, a company. Transaction catalysts are distress, dislocation, or the urgent need for liquidity. As part of the team's ESG approach, the European Principal team works with portfolio companies' management teams to develop action plans to address identified ESG issues.

## Power Opportunities

The Power Opportunities strategy invests in successful, growing companies that provide essential products and services to power, utility, energy, environmental and water/wastewater infrastructure. The investment team assesses ESG factors, such as sustainability, throughout the investment process including due diligence and ongoing portfolio monitoring.



## Special Situations

**Hands-On Approach: ESG Playbook**

The Special Situations team uses an internally developed private investment ESG playbook to help portfolio companies improve their practices. This framework advances corporate sustainability, acting as a roadmap for the implementation of best practices. It provides portfolio companies with a suite of tools, including a GHG self-assessment tool, a sustainability policy template, a supplier code of conduct, a guideline for creating employee handbooks, and an ESG communications

handbook. In addition, the Oaktree team assists companies in identifying and establishing a systematic approach for tracking key sustainability metrics applicable to their businesses.

In 2022, all majority-owned companies in the Special Situations portfolios used the ESG playbook. Most notably, all majority-owned companies adopted a sustainability policy that addressed both company-specific ESG concerns and Oaktree's firmwide ESG goals (ex-

cept one company, which already had a policy at the time of our initial investment). Additionally, all majority-owned companies calculate their GHG footprint, and 75% have adopted a policy to become carbon neutral. Companies that adopted carbon neutrality purchased Verra-certified carbon credits when emissions could not be reduced directly.

“Our companies openly embraced the ESG playbook, as all of them were willing to enhance their ESG practices and most needed a road map and concrete guidance on how they could best change their existing practices. We are particularly proud of the fact that 75% of our majority-owned companies have adopted a policy to become carbon neutral in 2022, taking a major step in their efforts to help mitigate climate change.”

**Amy Rice**  
Managing Director and ESG Lead,  
Special Situations



## Special Situations

**Majority-Owned  
Portfolio Company Data:**8 companies<sup>1</sup>

- **100%** had a sustainability policy (12.5% at entry)
- **100%** tracked their energy used (12.5% at entry)
- **100%** calculated their GHG footprint (12.5% at entry)
- **75%** were or pledged to become carbon neutral (0% at entry)

**All Portfolio  
Company Data:**14 companies<sup>1</sup>

- **100%** had an employee code of conduct (compared to 77% at entry)
- **100%** had a health & safety policy (compared to 92% at entry)
- **100%** had a cyber policy (compared to 62% at entry)
- **100%** had an anti-bribery policy (compared to 77% at entry)
- **100%** had zero workplace fatalities (same as at entry)
- **100%** had stable labor relations (same as at entry)
- **92%** had a whistleblower policy (compared to 62% at entry)
- **83%** had a consumer data protection policy (compared to 67% at entry)
- **69%** had an employee development program (compared to 62% at entry)
- **64%** had diverse<sup>2</sup> management teams (compared to 55% at entry)
- **57%** had calculated their GHG footprint (compared to 7% at entry)
- **50%** had diverse boards (same as at entry)
- **46%** had a D&I policy (same as at entry)
- **43%** were carbon neutral (compared to 0% at entry)
- **42%** had independent directors (same as at entry)

1. As of 12/31/2022.

2. Groups that are defined as American Indian or Alaska Native, Asian, Black or African American, Hispanic or Latino, or Pacific Islander and two or more races.



European Principal

## Portfolio Highlight: Zoomm

Zoomm is a fast-growing fiber broadband-internet provider in the United Kingdom that is focused on expanding in both suburban and rural areas. In 2020, funds managed by Oaktree acquired a majority stake in the company. Following the acquisition, the European Principal strategy worked with Zoomm management to help them develop an ESG strategy. The investment team worked with Zoomm in a series of workshops to identify high-priority ESG concerns within the broadband industry, including energy management, the environmental impact of project development, and employee health and safety. These assessments were guided by SASB's industry materiality framework. These workshops allowed the European Principal team to document the ESG-related policies already in place at the company and identify procedure gaps. The Oaktree investment team then worked with Zoomm management to create a formal ESG policy for the business, which covered topics including diverse hiring, sustainability of materials and products, and employee engagement. In addition to the policy, Oaktree teams worked with Zoomm to establish a regular reporting schedule for ESG data to improve transparency and accountability.





## Power Opportunities

### Oaktree Power & Infrastructure Portfolio Company Summit

Since 2015, Oaktree's Power Opportunities and Transportation Infrastructure teams have hosted an annual Portfolio Company Summit,<sup>1</sup> where executives from our portfolio companies share insights and discuss critical drivers of success in their businesses. Past summits covered topics such as safety, human capital, and best practices for assessing performance in achieving strategic goals.

The 2022 Summit brought together over 70 people, including executives from portfolio companies, outside advisors, and Oaktree investment professionals. The 17 portfolio companies in attendance represented over \$4 billion in market value and roughly 51,000 employees.<sup>2</sup>

The theme of the 2022 Summit – Company Culture – was chosen based on a survey that asked portfolio company executives to identify their most pressing business challenges. Key topics included establishing and maintaining a strong company culture and attracting and retaining top talent – which are crucial when seeking to generate long-term value.

Oaktree Co-Chairman Howard Marks and Power Opportunities strategy Co-Portfolio Manager Ian Schapiro kicked off the event with a fireside chat on creating and maintaining best-in-class culture. This was followed by three panel discussions that addressed (a) establishing and reinforcing culture in business strategy, (b) leveraging company culture for recruitment and retention, and (c) integrating company culture into an M&A strategy. Jerilyn Castillo McAniff, Oaktree's Head of Diversity & Inclusion, moderated a panel discussion on the intersection of company culture and recruitment/retention, and met with many Summit participants to discuss these topics further.

1. Oaktree's Power and Transportation Infrastructure Portfolio Company Summit did not take place in 2021 and was held virtually in 2020.

2. As of 6/30/2022.



# Listed Equities

Our listed equities strategies seek to invest in undervalued stocks across the globe.

## Emerging Markets Equities

Oaktree's Emerging Markets Equity strategy invests on a long-only basis in equities listed in emerging markets throughout Asia, Latin America, Eastern Europe, the Middle East, and Africa. Oaktree believes the inefficiencies inherent in these markets present experienced managers with the opportunity to identify undervalued assets.

At Oaktree, we believe that the best approach to generating consistently strong performance in emerging markets investment is through bottom-up stock selection. Accordingly, the investment team conducts fundamental analysis on potential investments in order to identify high-quality companies that have (a) sustainable business models and strong cash flows and (b) stocks that are trading at attractive valuations. The evaluation of ESG issues is integral to our research, analysis, and risk management.

## Value Equities

Our Value Equities strategy employs a bottom-up, value-oriented investment approach focused on long-term principal appreciation and preservation of capital. The strategy seeks to achieve attractive, risk-adjusted returns by opportunistically assembling and managing an unleveraged, concentrated portfolio of stressed, post-reorganization and value equities that offer asymmetric return profiles. ESG is a critical component of this process. The team incorporates material ESG factors into their assessments, and analysts weigh their ability to influence ESG-related change when considering various opportunities.



## Emerging Markets Equities

### Proxy Voting

Exercising voting rights related to our clients' equity holdings is an important responsibility. Proxy voting is a critical aspect of stewardship, as it allows us to have a say in important decisions that affect our clients' investments.

We strive to act on proxies for which we have voting authority. The investment team covering the security carefully assesses the potential impact on our portfolios of proxy proposals, and is responsible for the ultimate voting decision. Before any vote is cast, our compliance team reviews the proposal to identify potential conflicts of interest and to confirm alignment with Oaktree policies. We keep historical records, including supporting documentation, of all proxies voted.

Many of the voting requests that Emerging Markets Equities received in 2022 were related to corporate governance and shareholder rights. Corporate governance is especially important in emerging markets, where many ownership structures are tightly held (i.e., state-owned, or oligarch- or family-controlled). As a result, we devote considerable time and resources to meticulously assessing these matters and prefer investments that include protections for minority shareholders.

When evaluating proxy voting requests, we consider management's recommendations but ultimately make decisions based on our independent assessment of the outcome that is in the best interest of our clients. Below are two examples that showcase our approach.

In February 2022, we voted with management's proposal to approve a China-based food company's 2022 Restricted Stock Incentive Plan. The plan, which impacted 7,000 employees, increased alignment between management and minority shareholders. We were impressed by the specifics: a staggered vesting period; a lock-up period for senior management; and ambitious, yet achievable, targets. We will monitor the company's progress annually.

In December 2022, we voted against an India-based bank's proposal to increase the maximum number of board directors from 15 to 18. We were concerned this could dilute the Board's effectiveness, as the new number of directors was significantly higher than the average for the banking industry in India and in the emerging markets overall. However, the proposal passed. We plan to voice our concerns and will continue to assess any potential benefits of the measure, such as the additional skills and expertise that new directors might bring.

### Emerging Markets Equities 2022 Key Metrics

**1,201**

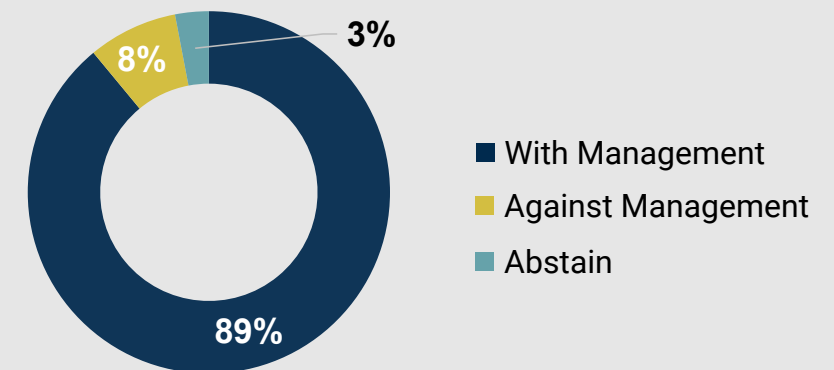
proxy  
resolutions  
voted

**100%**

of eligible  
resolutions  
voted

**124**

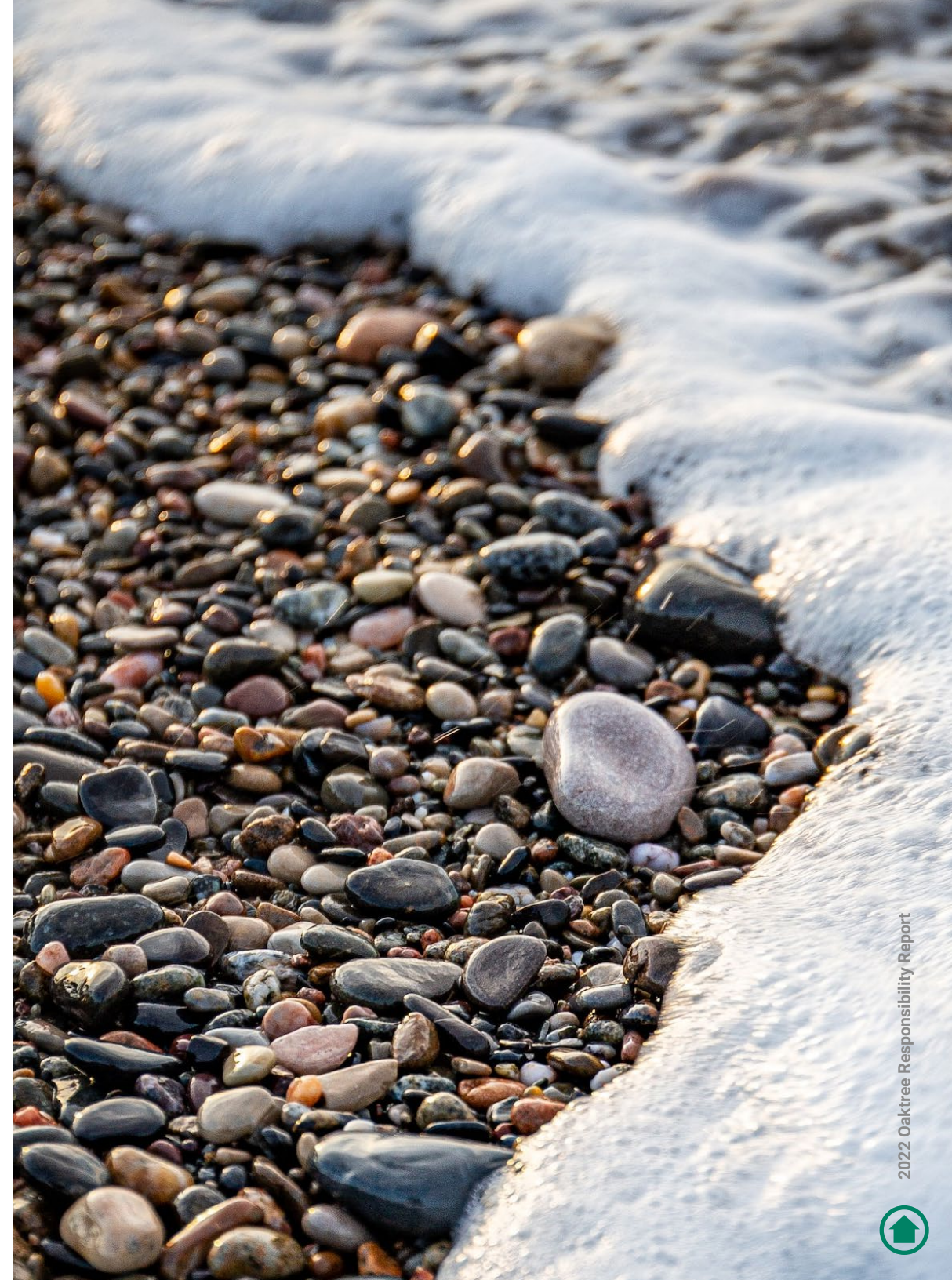
shareholder  
meetings  
voted



# Values

## 4

- Diversity & Inclusion at Oaktree
  - Staying the Course | Interview with Jerilyn Castillo McAniff
  - Oaktree's D&I Statistics
  - Employee Networks and D&I Councils
  - Recruitment & Partnerships
  - Accountability
  - AltFinance
- Our Culture
- Employee Benefits
- Our Communities Matter



# Diversity & Inclusion at Oaktree

In 2017, Oaktree formalized our strategy to increase diversity and inclusion at the firm. We're seeking to increase the number of women and members of underrepresented groups on our investment teams and at the officer level through enhanced recruitment, talent development, education, and awareness. We hold our leadership accountable by setting multi-year targets related to representation. Additionally, we welcome all colleagues to participate in a wide range of programs and activities to help make Oaktree a more diverse and inclusive workplace.

# Staying the Course | Interview with Jerilyn Castillo McAniff



“Including diverse perspectives when making investment decisions can improve discussions, generate new perspectives, and lead to better outcomes for our clients. Today, there’s an increased awareness of the breadth of characteristics that fall under the term ‘diversity.’”

**Jerilyn Castillo McAniff**  
Head of D&I

## What are the major themes you’ve seen emerge in the investment industry in 2022-23 regarding Diversity & Inclusion?

It is such an exciting time in our industry! Improving diversity and inclusion is a strategic priority for most organizations, and we can now apply operational rigor when seeking to understand which programs or processes are working and how we can better drive positive outcomes. This includes analyzing data, sharing it transparently with stakeholders, and establishing goals – at the corporate, team, and individual levels.

At Oaktree, we have established targets around representation, codified policies and procedures, and updated our Business Principles to include Responsibility as a key tenet.

Most exciting to me, companies are finding new ways to work in partnership with each other as we seek to tackle big challenges. We all understand that there is no monopoly on good ideas and that we all benefit when the industry expands the pie of talent and becomes more diverse. For one, organizations are collaborating to improve data collection and benchmarking. Our AltFinance initiative with Ares and Apollo is a great example of a specific multi-firm collaboration. So is the Bloomberg Women’s Buyside Network where I am so proud to work alongside Bloomberg and three other co-founders from different firms.

Including diverse perspectives when making investment decisions can improve discussions, generate new perspectives, and lead to better outcomes for our clients. Today, there’s an increased awareness of the breadth of characteristics that fall under the term “diversity.” Companies have embraced programs that not only promote gender and racial diversity, but also diversity related to sexual orientation, disabilities, neurodevelopmental differences, and socioeconomic status, among other dimensions. We believe supporting employee networks that focus on various groups can help bring our colleagues together and, in turn, make our organization stronger.

## What’s the secret to building a robust D&I program?

Oaktree’s programs are grassroots in nature, and their evolution is driven by data and ongoing feedback from our colleagues. Our nine employee networks are foundational to our broad D&I strategy. These programs were launched by colleagues who are passionate about creating an inclusive environment, raising awareness, and building community. However, one should never underestimate the importance of tone from the top. If the most senior leaders of an organization don’t buy into the business case for diversity and inclusion, then those trying to advance the work will find themselves running in place.

Our D&I Council, which includes a group of senior leaders, established a set of leadership

expectations for recruitment. This includes requiring that there be a diverse slate of candidates for open roles at Oaktree. We measure these processes, course correct when needed, and ensure that our recruiting search partners understand these expectations. Treating the effort as you would any strategic undertaking – with goals, KPIs, accountability, and support – is critical.

We also believe that allies are part of the solution. Our Women’s Leadership Council includes colleagues of all genders, and our United Groups Connect team – an employee network that celebrates a multitude of cultures and heritages – has always represented a highly diverse group of colleagues.

Additionally, there is strong engagement from our employees because we encourage our colleagues to participate in whatever capacity suits them. If someone enjoys teaching or working with more junior professionals, then we try to pull them into our mentorship program. If someone has a passion for raising awareness about neurodiversity or mental health, they can work with our Abilities network to help deliver educational programming on these important issues. We believe we increase the level of engagement by meeting our colleagues where they are.

## What does the future hold?

We are always learning and looking for ways to do better. We share best practices with

others inside and outside our industry, as there is so much we can learn from others. Last year, we launched an inaugural women’s development program called Rise after receiving feedback from female employees interested in receiving more coaching as they move through their careers. We’re continually trying to innovate, while acknowledging that not all of our efforts will be successful.

We are so excited about the momentum achieved by many of the programs we support. We have been pleased to see the level of diversity increase in our intern classes as well as our analyst and associate cohorts.

We are also very excited about the significant efforts our industry is taking to improve data collection related to D&I and ESG more broadly. Historically, it’s been difficult to measure one’s progress relative to that of the industry – but new initiatives are changing this. For example, the ESG Data Convergence Initiative now allows us to monitor diversity improvements or backsliding at our portfolio companies while also tracking how the industry itself is moving forward. There are an increasing number of groups that support benchmarking and cross collaboration, including the Institutional Limited Partner Association, the CFA Society, McKinsey’s DEI Private Markets Study, the Alternative Investment Management Association, and McLagan.



# Oaktree's D&I Statistics<sup>1</sup>

## Representation

**43%**

of our global workforce is female

**67%**

of our U.S. workforce is female and/or diverse

**45%**

of the members of our U.S. investment teams are female and/or diverse

## Hiring 2022

**49%**

of our new hires globally in 2022 were female

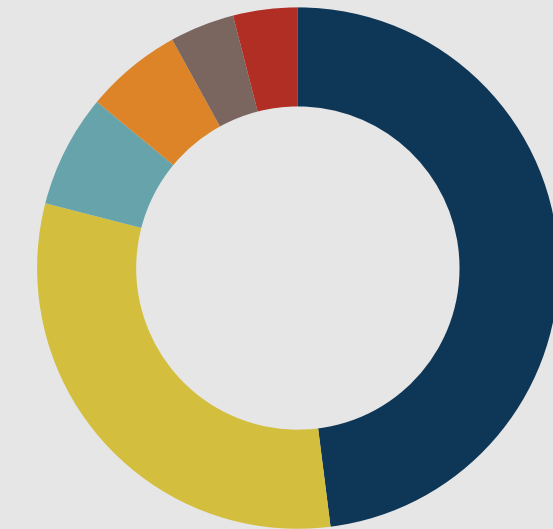
**40%**

of our new hires for investment teams globally in 2022 were female

**60%**

of our U.S. hires in 2022 were diverse

## Our U.S. Workforce:



- 48% White
- 31% Asian
- 7% Latino/Hispanic
- 6% Black
- 4% Multi-racial
- 4% does not report

1. As of December 31, 2022; race data is U.S. only. Diverse is defined as Asian, Black, Latino/Hispanic, Native American or Hawaiian, two or more races.



# Employee Networks and D&I Councils

Our mission is to increase diversity and inclusion at Oaktree. To that end, we are committed to increasing the number of women and members of underrepresented groups within our investment teams and at officer-level positions across the firm.

## Oaktree's Employee Networks

Encourage Inclusivity and Employee Engagement



## Oaktree's Diversity & Inclusion Councils

Drive Strategic Initiatives





# Recruitment & Partnerships

We seek to support female and diverse talent both at Oaktree and throughout the industry by partnering with innovative external programs.

## Internship Program

**43**

### Summer Interns in 2022

Provide early access and pathways for college students via our summer internship program in partnership with a wide range of diversity-focused organizations

**84%**

of U.S. interns in 2022 were female or from an underrepresented<sup>1</sup> group

**76%**

of global summer interns in 2022 were female

## Future Leaders Program

**151**

### Students in 2022

Each year, we invite 150+ college juniors and seniors from diverse and underrepresented backgrounds to an intensive two-day boot camp on credit analysis taught by Oaktree professionals

## Recruitment and Partnerships



## Educational Treks

**31**

### College Events in 2022

Host education treks, facilitate research projects, and organize external Women Circles to enable female and underrepresented students to learn about careers in investment management

### AltFinance

Marcus Shaw – CEO

“AltFinance is proving that early access to industry-specific curriculum and exposure to valuable networks can open doors for young diverse talent. This is particularly impactful for students who may not have previously considered a career in the alternative investment industry.”

Oaktree’s partnership and commitment to our mission to create more diversity in the alternatives industry epitomizes its value-driven approach to finding talent – and reflects the firm’s philosophy for investing. Our AltFinance Fellows receive invaluable mentorship from Oaktree professionals, and several have started their investment careers in Oaktree internships.”

### Girls Who Invest

Katherine Colsher – CEO

“Oaktree has been our partner since our founding in 2016, and its support has helped GWI pursue our mission to forever change the face of investing. Oaktree’s commitment to GWI has been unwavering, as demonstrated most recently by the firm’s decision to become an inaugural partner of our Leadership Circle in 2022.”

At GWI, we see firsthand the results of Oaktree’s pledge to foster an inclusive work environment that embraces diversity. Oaktree is with us every step of the way, whether it be by hosting GWI scholars for sophomore year internships, hiring and supporting GWI alumni and women, or helping us advance our alumni’s professional development.”

1. As of December 31, 2022; race data is U.S. only. Underrepresented Groups are defined as Black, Latino/Hispanic, Native American, Native Hawaiian and two or more races.



# Accountability

Executive leadership has prioritized Oaktree’s D&I goal by outlining clear expectations and responsibilities for department heads and hiring managers.



## Clear Targets

- Multi-year targets for representation on investment teams and in non-investment officer-level positions
- Closely monitor progress related to new hires, turnover/retention, and promotion at both the firmwide and department levels



## Firm-Wide Engagement

- Solicit employee feedback on D&I efforts through a firm-wide engagement survey
- Use employee input as another metric to evaluate and assess progress



## Firm D&I Leadership Expectations

- Set the tone from the top
- Codify Oaktree’s D&I values among the senior leadership team and managers
- Conduct annual departmental self-reviews on contributions to D&I efforts



## Internal Structure and Accountability

- Internal D&I Council comprised of business leaders and portfolio managers
- Establish leadership expectations for recruitment
- Monitor progress and provide regular updates to the Senior Leadership Council, Board of Directors, clients, and colleagues



## Industry Accountability

- Increase transparency by making commitments to organizations focused on advancing D&I in the workplace
- Participate in third-party studies, which help create better benchmarks for our industry

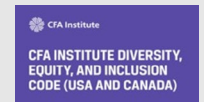


## Recruiting Requirements

- Require managers to evaluate diverse pools of candidates and encourage diverse interviewers in the recruitment process

## Industry Commitments

Oaktree regularly participates in industry surveys and programs in an effort to improve transparency.



# Spotlight on AltFinance



## The Challenge

“Alternative investment firms are managing public money – of teachers, firefighters, people who work hard for the benefit of their states, towns, and communities. It’s important that the people who are investing that money reflect the people whose money they’re investing.”

**Marcus Shaw**  
Chief Executive Officer, AltFinance

In 2021, Oaktree teamed up with Apollo Global Management and Ares Management to create AltFinance: Investing in Black Futures, an initiative to help Black students build careers in the alternative asset management industry. Over a ten-year period, the three founding firms will donate a combined \$90 million to AltFinance. The organization develops and runs a program designed to create opportunities for students at Historically Black Colleges and Universities (HBCUs).

The goal of AltFinance is to ensure that students are not only better informed about possible career paths in alternative asset management but are also better equipped to seize future opportunities. The program emphasizes the importance of making connections with industry pro

fessionals who have extensive experience and the ability to teach practical skills that are not typically covered in the classroom.

### In 2022, AltFinance:

- Launched two cohorts with a total of 73 fellows from eight partner HBCUs, including Howard University, Morehouse College, Spelman College, Clark-Atlanta, Hampton University, Florida A&M University, Morgan State University, and North Carolina A&T State University.
- Distributed more than \$3.4 million in scholarships and institutional grants.
- Fellows worked with coaches from Management Leadership for Tomorrow (MLT) and more than 50 volunteers and mentors from the three founding firms.

- Each fellow received on average 30 hours of one-on-one coaching and mentoring.
- Nearly 70% of fellows are interning in either alternative asset management or investment banking roles.

### In 2023, AltFinance will:

- Host five intensive weekend educational sessions that will include trainings, panels, coaching, and mentorship in Atlanta, Los Angeles, New York, Philadelphia, and Washington, DC.
- Welcome its third cohort of fellows.
- Launch the Virtual Institute powered by the Wharton School of Business.



To learn more about the AltFinance program, visit [altfinance.com](https://altfinance.com) or read our [Sustainability in Action](#) piece.



# Our Culture

Oaktree is a values-driven firm, and we seek to demonstrate integrity in all that we do. We are committed to cultivating an environment that is collaborative, curious, and inclusive - and one that supports diversity of thought. Providing training and career development opportunities and supporting our local communities through philanthropic initiatives are essential to our culture.



## LinkedIn's 2022 Top Companies

Oaktree was proud to be recognized as one of LinkedIn's Top Companies in the financial services industry in 2022. The annual list celebrates companies that (a) invest in their employees by providing the opportunities and resources they need to grow and succeed and (b) demonstrate a strong commitment to diverse recruiting.



## Human Rights Campaign Foundation's Best Places to Work 2022

Oaktree received a perfect score of 100 on the Human Rights Campaign Foundation's 2022 Corporate Equality Index, the nation's foremost benchmarking survey and report measuring corporate policies and practices related to LGBTQ+ workplace equality.











# Employee Benefits<sup>1</sup>

Oaktree Capital provides a robust and comprehensive benefits program that supports the diverse needs of our employees.

- Health
- Dental
- Vision
- Life Insurance
- Disability
- Sick Time
- Retirement Savings
- Adoption Assistance
- Parental Leave
- Vacation
- Employee Assistance Program (Mental Health Support)
- Employee Travel Assistance & Insurance
- Benefits Spending/Savings Accounts
- Telemedicine
- Mental Health & Wellness Resources
- Transgender Benefits Support
- Family Planning, Pregnancy, and Parenting Resources
- Onsite Daycare and Preschool
- Backup Dependent Care and Elder Care
- Milk Storage & Infant Caretaker Travel Policy
- Floating Holidays
- Long-Term Care
- Legal Insurance
- Pet Insurance
- Benefits Advocacy Services
- Corporate Discount Rates

1. Benefits vary by region.

**Spotlight on Talent & Development**

<div style="text-align: center; border-bottom: 1px solid #ccc; margin-bottom: 10px;"> <b>Oaktree Initiatives</b> </div> <div style="display: flex; flex-direction: column; align-items: center; gap: 20px;"> <div style="display: flex; align-items: center; gap: 10px;">  <div style="text-align: left;"> <p><b>RISE at Oaktree</b> is a women’s leadership development program for newly promoted talent and those taking on new leadership roles.</p> </div> </div> <div style="display: flex; align-items: center; gap: 10px;">  <div style="text-align: left;"> <p><b>Managing at Oaktree</b> gives people managers tools and resources to help them develop into the best leaders for their team and the firm.</p> </div> </div> <div style="display: flex; align-items: center; gap: 10px;">  <div style="text-align: left;"> <p><b>Oaktree University</b> provides employees with learning and training course offerings, with curriculum primarily developed by in-house subject matter experts.</p> </div> </div> <div style="display: flex; align-items: center; gap: 10px;">  <div style="text-align: left;"> <p><b>D&amp;I Mentorship Program</b> fosters developmental relationships, supports talent development, and increases knowledge sharing between mentors and mentees.</p> </div> </div> </div>	<div style="text-align: center; border-bottom: 1px solid #ccc; margin-bottom: 10px;"> <b>Third-Party Initiatives</b> </div> <div style="display: flex; flex-direction: column; align-items: center; gap: 20px;"> <div style="display: flex; align-items: center; gap: 10px;">  <div style="text-align: left;"> <p><b>Harvard ManageMentor</b> is a research-based leadership development platform using the latest ideas and best practices from Harvard Business School, Harvard Business Review, industry experts, and an advisory panel.</p> </div> </div> <div style="display: flex; align-items: center; gap: 10px;">  <div style="text-align: left;"> <p><b>LinkedIn Learning</b> is an online educational platform that helps employees develop and build new skills through online courses and personalized recommendations.</p> </div> </div> <div style="display: flex; align-items: center; gap: 10px;">  <div style="text-align: left;"> <p><b>McKinsey Connected Leaders Academy</b> is a training program that equips Black, Hispanic and Latino, and Asian leaders with the peer network, sponsorship, and capabilities needed to achieve their professional aspirations.</p> </div> </div> <div style="display: flex; align-items: center; gap: 10px;">  <div style="text-align: left;"> <p><b>Paradigm Reach</b> is an interactive blended learning platform that delivers impactful diversity, equity, and inclusion training to Oaktree’s employees, anywhere, anytime.</p> </div> </div> </div>
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2022 Oaktree Responsibility Report

# Our Communities Matter

Oaktree has a long-standing tradition of supporting local communities through grassroots efforts.

Our Communities Matter (OCM), an employee-run program that dedicates resources to meaningful initiatives around the world, has had a positive impact throughout the communities in which we live and work.

OCM empowers employees to support local causes that matter to them. It helps organize a variety of local, employee-led volunteering opportunities and company-sponsored gift matching programs throughout the year. It also sponsors ad hoc events in partnership with our Employee Networks such as Oaktree Pride, ACORN, and Oaktree Abilities.

## Volunteering

Local, grassroots organizations that matter to our employees are the backbone of Oaktree's OCM volunteer program. OCM has supported over 90 activities since 2015. Hundreds of Oaktree staff members have dedicated their time and resources to giving back to important causes such as healthcare, human services, food security, and environmental efforts.

## Giving

Oaktree is committed to supporting a wide range of important causes each year through donations and sponsorships. Causes have included Covid-19 support efforts, environmental disaster relief, and social and racial justice. In addition, Oaktree encourages its employees to offer support to organizations that matter most to them through its ongoing employee matching programs.

Walk Up the O2, London



AIDS Walk, New York



Food & Essential Program, Singapore



Fortune Bag Packing, Hong Kong



Walk n' Roll for Spina Bifida, Los Angeles



# Operational Sustainability

5

- Building Certifications
- Operational Emissions
- Oaktree Sustainability Network
- Cybersecurity & Data Protection
- Looking Ahead: Jay Wintrob



# Building Certifications

Oaktree is a global firm with 23 offices worldwide. Our largest offices are certified by internationally recognized green building rating systems: LEED (Leadership in Energy and Environmental Design) and/or BREEAM (Building Research Establishment Environmental Assessment Method). Our offices in Los Angeles, London, and New York, which account for over 80% of our workforce, hold the following building certifications:



## Los Angeles Office (Headquarters)

- ✓ LEED Gold Certified
- ✓ WELL Health-Safety Rating
- ✓ UL Verified Healthy Building
- ✓ BOMA 360
- ✓ ENERGY STAR



## London Office

- ✓ BREEAM Certified



## New York Office

- ✓ LEED Gold Certified
- ✓ 2-Star Fitwel
- ✓ ENERGY STAR





# Operational Emissions

Emissions measurement and management is a critical step in informing our long-term climate strategy. In this inaugural report, we are including our Scope 1 and 2 GHG emissions from our operations and Scope 3 business travel emissions for the 2022 calendar year.

Oaktree Operational Emissions Footprint <sup>1</sup>	2022 (MT CO <sub>2</sub> E)
Scope 1 GHG Emissions <sup>2</sup>	2,037
Scope 2 GHG Emissions (Location-Based) <sup>3</sup>	1,282
Scope 2 GHG Emissions (Market-Based) <sup>4</sup>	1,366
Scope 3 GHG Emissions <sup>5</sup>	2,854
Total Scope 1 + 2 GHG Emissions <sup>6</sup>	3,319
Total Scope 1 + 2 + 3 GHG Emissions <sup>7</sup>	6,174



1. Oaktree's 2022 GHG inventory was developed using the GHG Protocol operational control approach. Oaktree's inventory includes facilities in all countries in which it operates. Facilities were excluded from the inventory if no full-time employees were going into an office or were not yet assigned to an office in 2022.
2. Scope 1 emissions are direct sources of emissions. This category includes combustion of fuels, including natural gas, mobile combustion, and fugitive emissions, including refrigerants.
3. Scope 2 emissions are indirect emissions from the generation of purchased electricity. Location-based emissions are calculated using the average emissions intensity of grids based on geographic location. Electricity consumption was estimated based on the United States Energy Information Administration's (US EIA's) Commercial Buildings Energy Consumption Survey (CBECS).
4. Scope 2 emissions are indirect emissions from the generation of purchased electricity. Market-based emissions are calculated based on electricity sources that companies have purposefully chosen.
5. Scope 3 emissions are indirect emissions that are the consequence of the activities of a company. We are reporting business travel emissions (Scope 3 category 6).
6. Total Scope 1 + 2 emissions is reported using the location-based figure for Scope 2.
7. Total Scope 1 + 2 + 3 emissions is reported using the location-based figure for Scope 2.



# Oaktree Sustainability Network



The firm launched its newest employee network, Oaktree Sustainability Network (OSN), in 2022. Employees from Oaktree's London office spearheaded this initiative, which seeks to increase sustainability awareness among our colleagues and improve operational practices across Oaktree's offices.

The Oaktree Sustainability Network has expanded to our Los Angeles, New York, and Stamford offices. The group focuses on enhancing our sustainability initiatives, creating connectivity across offices, and strengthening the culture of sustainability at Oaktree.

"I'm passionate about the environment and highly supportive of Oaktree's ESG program. I put 'advancing the firm's ESG agenda' at the top of my goals in 2022. I completed a course with the Cambridge Institute for Sustainability Leadership that taught me about the importance of collaboration for achieving ESG success. As a first step, I set up a 'green working group' with volunteers from teams across the London office and was delighted by the enthusiastic response. I'm excited to bring everyone's ideas together and see what we can achieve in 2023 and beyond!"

**Emma Fletcher**  
Executive Assistant



# Cybersecurity & Data Protection

Oaktree has a thorough Cybersecurity Program and Control Framework, which is designed to meet Oaktree's business requirements, address security risks, and protect its organizational profile.

Oaktree's information security program seeks to:

- preserve the confidentiality, integrity, and availability of Oaktree's and its clients' sensitive and private data;
- ensure that electronic information entrusted to Oaktree is secure; and
- educate Oaktree staff about IT risks, vulnerabilities, and protection requirements.

## Key Components of Oaktree's Cybersecurity Program

### People, Leadership, and Oversight

Oaktree established a Cybersecurity Executive Leadership Committee to provide oversight and guidance in order to ensure compliance standards are met by Oaktree employees.

### Awareness and Training

Our goal is to build a human firewall that acts as the first line of defense in Oaktree's Cybersecurity Program. New hires receive cybersecurity training during the onboarding process, and we require Oaktree staff to complete annual cybersecurity training. Oaktree also regularly conducts simulated phishing attacks to test employee awareness of cybersecurity risks. Those who fail these exercises are required to take additional online cybersecurity training.

### Access Controls, Security Policies, and Auditing

Oaktree has developed a proprietary Identity Access Management System that ensures permissions are granted based on the principle of "least privilege," i.e., we limit user access to what the job function demands. A comprehensive set of security guidelines and controls are used to protect our systems, including information security, end-user acceptable use policies, and high-risk travel policies.

To maintain industry standards, aspects of the Cybersecurity Program are audited annually by Oaktree's Internal Audit team. Each year, the Security team also carries out a penetration test of Oaktree's systems to identify potential vulnerabilities. The Oaktree Audit Committee is

briefed quarterly regarding high-risk cybersecurity issues, initiatives, and program gaps, and the Oaktree Board of Directors receives similar updates on an ad hoc basis.

### Continuous Monitoring, Technical Systems, Controls, and Safeguards

Oaktree believes it's important to have a strong cybersecurity defense strategy and has thus implemented robust technical controls and systems. A security operations center continuously monitors Oaktree's systems and data – 24 hours a day, 365 days a year. The firm has implemented robust systems with backup structures to defend against and address potential attacks involving ransomware or other threats.

### Breach Preparedness

Oaktree maintains an active Cybersecurity Policy to address financial matters associated with Cybersecurity breaches. To support this, Oaktree has a Crisis Management team that oversees the firm's Incident Response Plan, which documents the response process in the event that there is a data breach. The team works closely with third parties to (a) address compliance and legal requirements for disclosure, (b) communicate with employees and clients, and (c) address any technical breaches that may occur.



## Looking Ahead: Jay Wintrob

Responsibility has always been at the core of Oaktree's business, and we will continue to refine and improve the methods we use to develop and enact our ESG program. We are proud of Oaktree's strides in thoughtfully embedding ESG principles into our corporate operations and investment strategies. Oaktree collaborates with our clients to understand their objectives and manage portfolios based on their needs and values. At Oaktree, we are committed to continuous improvement and very excited about the prospects of bettering our ESG program across the firm in the future.

**Jay Wintrob**  
Chief Executive Officer



# Task Force on Climate-related Financial Disclosures ("TCFD") Report

6

- Governance
- Strategy
- Risk Management
- Metrics and Targets



# Governance

Oaktree is committed to integrating material ESG factors, including climate-related risks and opportunities, throughout the investment lifecycle. In the next section of this report, we disclose information in line with the TCFD's recommendations to detail our climate governance, strategy, and risk management processes in our corporate and asset management activities.

Oaktree's Board of Directors oversees the firm's ESG strategy, including our process for monitoring and addressing climate-related risks and opportunities in our corporate and asset management activities. The Board receives annual updates on our ESG and climate strategies, objectives, and outcomes.

Oaktree's Head of ESG drives the firm's ESG and climate strategies. The Head of ESG provides regular updates to the Chief Executive Officer, Chief Investment Officer, Senior Leadership Council, and Board of Directors. Oaktree's centralized ESG team advances ESG efforts across the firm and within our investment strategies.

Oaktree's ESG Governance Committee includes the Head of ESG, senior investment professionals, and representatives from the legal and risk management departments. The Governance Committee meets monthly to discuss the firm's ESG and climate-related initiatives. As part of its oversight role, the Governance Committee reviews the firm's ESG policy annually and approves investment teams' ESG Integration Plans.

The investment teams appoint ESG leads – senior investment professionals who work with the strategy's portfolio manager to ensure ESG considerations are integrated throughout the investment lifecycle. Our investment professionals are responsible for integrating ESG analysis into their underwriting in accordance with both the firmwide ESG policy and their strategy's ESG Integration Plan.

In addition, Oaktree's non-investment business groups – such as Legal, Compliance, Marketing & Client Relations, and Portfolio Construction & Risk Management – help to (a) advance ESG integration efforts and (b) ensure that external stakeholders better understand our ESG program.

Please [see page 9](#) of the report for more information on the structure of our ESG program.

Role	Oversight <sup>1</sup>	Management & Accountability <sup>2</sup>	Implementation <sup>3</sup>
Board of Directors	✓	✗	✗
ESG Governance Committee	✓	✓	✗
Head of ESG & ESG Team	✓	✓	✓
Strategy ESG Leads & Portfolio Managers	✗	✓	✓
Investment Teams	✗	✗	✓
Internal Audit & Operational Risk	✓	✗	✗
Legal & Compliance	✗	✓	✓
Marketing & Client Relations	✗	✗	✓
Portfolio Construction & Risk Management	✗	✗	✓

1. Reviews and guides strategy and major plans of action related to climate. Monitors risk, compliance, and the organization's implementation and performance against set objectives, goals, and targets related to climate; informed and updated at a set cadence (e.g., annually).

2. Ensures that the organization implements its policies and is accountable for whether the organization achieves its objectives related to climate; assignment of responsibilities to management-level positions or committees for climate; assesses and monitors issues related to climate; reports to the board/senior leadership.

3. Designs and implements systems, processes, and procedures to ensure organizational compliance with policies and achievement of objectives related to climate.



# Strategy

The climate-related risks and opportunities relevant to each strategy vary based on the investment time horizon, degree of influence, and level of ownership.

## Potential Risks:<sup>1</sup>

- Increased costs to comply with ESG regulatory requirements;
- Greater resourcing requirements and costs for ESG data;
- Greater pressure to make climate-related commitments and spend resources to decarbonize;
- Heightened risk that the valuations of high-emitting assets will decline due to policy changes, demand shifts, and new technology;
- Greater reputational risk for failure to contribute to the transition to a low-carbon economy;
- Higher risk of damage to operations and assets due to the increased severity and frequency of extreme climate events.

## Potential Opportunities:<sup>2</sup>

- Invest in climate solutions;
- Provide financing to issuers in high-emitting sectors to support carbon reduction initiatives or sustainability enhancements;
- Support operational sustainability efforts and integrate climate issues into our investment process;
- Offer financial products with an ESG and/or a climate-related focus;
- Educate employees to increase climate-related corporate efforts; and
- Engage with portfolio companies to increase disclosure and drive credible decarbonization efforts.

We have identified five strategic priorities:



Carbon Footprinting



Engagement



Education



Resiliency



Investment Opportunities

1. [FINAL-2017-TCFD-Report.pdf \(bbhub.io\)](#)

2. Ibid.





## Carbon Footprinting

Oaktree is measuring the carbon footprint of our investments and operations, strengthening our data infrastructure, and building internal tools to assess climate risk exposure. As part of our carbon strategy, Oaktree:

- Joined PCAF to improve carbon footprinting of financed emissions.
- Launched a Carbon Emissions Dashboard to centralize portfolio-level carbon data ([see page 20](#) for a description of the carbon dashboard).
- Helped over 40 of our majority-owned portfolio companies report Scope 1 and 2 GHG emissions as part of our participation in EDCI ([see page 18](#) for further information on EDCI).



## Engagement

Oaktree's engagement strategy is focused on providing resources to portfolio companies, mitigating financially material ESG risks, and identifying areas needing improvement. Our engagement approach varies by strategy. In the last year we:

- Launched a proprietary ESG engagement tracker to systematically document engagement with portfolio companies.
- Conducted training for portfolio companies, including a GHG-accounting-tool training for companies participating in EDCI to prepare them for emissions reporting.
- Provided portfolio companies in some of our control-oriented strategies with an ESG Playbook, which includes a GHG accounting tool, a sustainability policy template, a supplier code of conduct, an employee handbook guideline, and an ESG communications handbook.



## Education

Our ESG training program is designed to share industry best practices and to ensure that we clearly articulate Oaktree's goals and ongoing initiatives. As part of our training program, we:

- Require investment professionals to participate in annual ESG training ([see page 13](#) for a description of our 2022 training).
- Require new Oaktree employees to complete ESG training as part of their onboarding process.
- Provide educational updates and guidance on best practice to various groups, including professionals in investment and client-facing roles.
- Provide strategy- or topic-specific training designed by investment teams.
- Support Oaktree professionals seeking to further expand their ESG knowledge ([see page 13](#) for a description of sponsored ESG certifications).
- Provide opportunities for employees to increase engagement on sustainability topics through the Oaktree Sustainability Network ([see page 50](#) for a description of OSN).



## Resiliency

We are mobilizing resources across the firm to address regulatory requirements, meet client needs, and increase transparency regarding Oaktree's ESG and climate strategies. To build resilient and sustainable processes across the firm, we:

- Established an ESG Regulatory Developments Working Group and SFDR Working Group to manage upcoming regulatory requirements related to responsible investment.
- Liaised with consultants and external counsel to prepare for new ESG regulations.
- Performed a design audit of Oaktree's ESG framework with the assistance of a third party.
- Launched the Sustainability in Action series through our Insights program to publicly highlight the firm's ESG initiatives and specific case studies.
- Committed to publishing an annual Corporate Sustainability and TCFD-aligned Report.



## Investment Opportunities

Oaktree is a key investor in a variety of clean energy companies and engages with traditional energy firms on decarbonization initiatives, when appropriate. To further advance our climate strategy in our investment activities, we may:

- Invest in direct suppliers of renewable energy as well as ancillary businesses that are facilitating the transition to a low-carbon future.
- Engage with the management of traditional energy companies about sustainability practices to help mitigate risks and create value ([see page 24](#) on our Global Opportunities case study).





# Risk Management

In this section, we discuss our efforts to mitigate climate-related risks in our investment strategies and business operations.

## Due Diligence

Oaktree is focused on deepening our ESG integration practices to manage risk and identify opportunities. To advance our ESG integration initiatives, we:

- Launched a proprietary ESG Assessment Tool, guided by SASB standards, which helps investment analysts identify financially material ESG factors by sector and assess the management of material ESG risks ([see page 22](#) for a description of the ESG Assessment Tool).
- May engage third-party experts to work with majority-owned portfolio companies to mitigate ESG risks identified during diligence.

## Assessing and Monitoring ESG Risks

Oaktree is piloting tools and processes to assess and monitor issuers' ESG performance. Depending on the strategy, we:

- Conduct periodic reviews to address financially material ESG considerations at portfolio companies.
- Monitor companies' carbon footprints.
- Identify a portfolio's top emitters during the quarterly review process using a net zero alignment framework.
- Benchmark portfolio companies' reported ESG metrics relative to peers following EDCI reporting.

## Engagement

A cornerstone of our ESG program is engagement with our portfolio companies as we seek to mitigate risks and create value. We are also focused on providing the investment teams with tools and training. To advance this initiative, we:

- Utilize proprietary ESG assessments to highlight opportunities for engagement when companies score below a defined threshold and identify material areas for improvement.
- Document investment teams' engagement with company management using an ESG engagement tracker. Escalation may cause us to divest or decrease our position if the issue is left unresolved.
- Employ an ESG Playbook in some of our control strategies, which may allow teams to mitigate risk if portfolio companies adopt better sustainability policies and improve their ESG reporting.
- Educate teams on industry best practices for effective engagement through our ESG training program, which covers climate-related issues.

## ESG Data

We are strengthening our internal ESG data infrastructure to improve transparency and our risk assessments. To build robust data and carbon footprinting processes, we are:

- Improving the quality of carbon data, which is not yet available or reliable for some of our investments. For public strategies, we use a combination of data from third parties and estimates based on our own proxies. For private companies, we include company-reported metrics, whenever possible.
- Developing our carbon dashboard to (a) increase transparency concerning portfolios' carbon emissions to both our investment analysts and our clients and (b) improve our assessment of relative value among issuers.



# Metrics & Targets

Emissions measurement and management is a critical step in informing our long-term climate strategy. In this inaugural report, we are including our Scope 1 and 2 GHG emissions from our operations and Scope 3 business travel emissions for the 2022 calendar year.

Oaktree Operational Emissions Footprint <sup>1</sup>	2022 (MT CO <sub>2</sub> E)
Scope 1 GHG Emissions <sup>2</sup>	2,037
Scope 2 GHG Emissions (Location-Based) <sup>3</sup>	1,282
Scope 2 GHG Emissions (Market-Based) <sup>4</sup>	1,366
Scope 3 GHG Emissions <sup>5</sup>	2,854
Total Scope 1 + 2 GHG Emissions <sup>6</sup>	3,319
Total Scope 1 + 2 + 3 GHG Emissions <sup>7</sup>	6,174



- Oaktree's 2022 GHG inventory was developed using the GHG Protocol operational control approach. Oaktree's inventory includes facilities in all countries in which it operates. Facilities were excluded from the inventory if no full-time employees were going into an office or were not yet assigned to an office in 2022.
- Scope 1 emissions are direct sources of emissions. This category includes combustion of fuels, including natural gas, mobile combustion, and fugitive emissions, including refrigerants.
- Scope 2 emissions are indirect emissions from the generation of purchased electricity. Location-based emissions are calculated using the average emissions intensity of grids based on geographic location. Electricity consumption was estimated based on the United States Energy Information Administration's (US EIA's) Commercial Buildings Energy Consumption Survey (CBECS).
- Scope 2 emissions are indirect emissions from the generation of purchased electricity. Market-based emissions are calculated based on electricity sources that companies have purposefully chosen.
- Scope 3 emissions are indirect emissions that are the consequence of the activities of a company. We are reporting business travel emissions (Scope 3 category 6).
- Total Scope 1 + 2 emissions is reported using the location-based figure for Scope 2.
- Total Scope 1 + 2 + 3 emissions is reported using the location-based figure for Scope 2.



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