APOLLO

The Evolution of ESG Credit at Apollo: From Managing Risks to Seizing Opportunities

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Apollo has built an ESG credit platform that empowers our investment professionals, not only those with ESG in their title. Our integrated platform enables investment team collaboration with a dedicated ESG team to identify ESG risks and assess emerging ESG opportunities. We believe that a credible ESG platform is rooted in the fundamental investment process, aligning with our rigorous approach to finding value. This report builds on Apollo's longstanding commitment to transparency and expertise in credit strategies by providing an in-depth look into the ESG credit platform's foundation and development.

KEY TAKEAWAYS

- Apollo's ESG integration framework is clear and straightforward. It enables investment professionals to integrate ESG considerations into the investment process and offers clients a clear understanding of the role ESG integration plays in our decision-making process **(Exhibit 1).**
- Apollo's recently evolved ESG Risk Rating framework for credit is robust and scalable in its assessment process, designed to capture material ESG issues to investments. The framework now encompasses a wide variety of sectors, teams, and investment disciplines, including corporates, infrastructure, aviation, real estate, sovereigns, and certain elements of structured credit.
- With enhanced ESG due diligence, Apollo's investment teams are equipped to thoroughly assess an issuer's ESG strategy, performance, risks, and opportunities at an early stage in the investment life cycle. We believe the close coordination and collaboration among Apollo's investment teams and dedicated ESG Credit Team differentiates our approach and provides us with the ability to not only identify potential risks, but also assess opportunities that can strengthen the overall investment thesis.
- We challenge the notion that investors can only engage on ESG issues through a shareholder vote. We believe that the credit markets in which Apollo participates can play a meaningful role in encouraging change in issuer disclosure, behavior, and decision-making, thereby driving value creation.
- Apollo remains steadfast in our commitment to utilize our deep experience to provide capital solutions that drive the transition to a more sustainable future and expand opportunities for companies and communities. Leveraging industry best practices, we have established internal frameworks that enable us to identify and develop transaction structures that include sustainability features.
- Apollo remains committed to participating in certain ESG initiatives that aim to advance ESG integration across the private credit markets. This is demonstrated by Apollo's work as the inaugural chair of the ESG Integrated Disclosure Project (ESG IDP), a recent initiative in the private credit industry to harmonize ESG data collection.
- As part of our longstanding commitment to transparency, Apollo's credit business has enhanced its ESG reporting capabilities, leveraging both internal and external data to generate periodic reporting for an increasing number of Apollo-managed funds and accounts.

Exhibit 1:
Apollo's ESG credit platform by the numbers

3100+
ESG risk ratings applied

82
Sector-specific ESG credit scoring frameworks

150
Sustainability-linked, impact, and sustainable investment assessments conducted

$50bn by 2027
$100bn by 2030
Apollo's Sustainable Finance Commitment

$13 bn
Yield investments deployed into climate and transition over the last 6 years

51
ESG credit fund reports produced

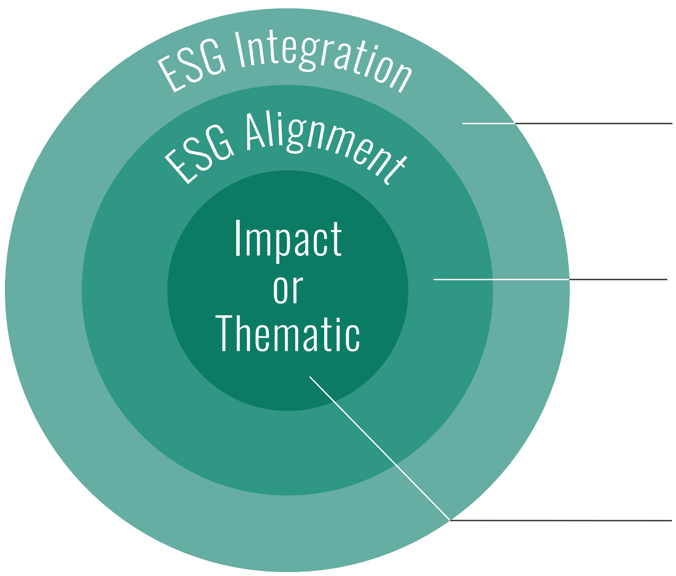
4
ESG credit dedicated individuals across Apollo

As of March 31, 2023. There can be no assurance that the goals and targets described herein will be achieved as expected or at all.

ESG credit philosophy and key definitions

At Apollo, we take a clear and concise approach to ESG by defining its various facets and relevance to our credit business **(Exhibit 2)**. Apollo recognizes that ESG issues can affect the investment risk and performance of the firm and the companies in which Apollo-managed funds invest. Where applicable and appropriate, ESG considerations are therefore incorporated as one of the core components of the investment process, and in some cases, certain strategies may also employ ESG alignment and/or impact approaches. We believe this helps us to address evolving investor demands for strategies or products with explicit ESG investment requirements.

Exhibit 2: Apollo's approach to ESG within the credit platform



ESG Integration

- Incorporating material ESG risks and opportunities into the fundamental investment process to drive better outcomes.
- Utilized in nearly all credit investment strategies.

ESG Alignment

- Incorporating ESG integration, as well as aligning with certain ESG objectives through negative/positive screening and/or portfolio level targets.
- May be utilized at a strategy or fund level. Separately managed accounts (SMAs) may be tailored to reflect client-requested criteria.

Impact or Thematic

- An impact investment is an investment made with the intention to generate positive, measurable social and/or environmental impact alongside a financial return. ESG integration and ESG alignment are applicable to impact investments.
- May be utilized at a fund or SMA level.

Apollo's ESG credit platform

We believe a high level of coordination and strategic alignment is vital to the success of Apollo's ESG strategy. While the ESG Credit Team provides guidance, training, and support, the investment teams are responsible for fundamental oversight of investment decisions (including consideration of ESG risks). Likewise, ESG Credit frameworks are created and implemented via a highly iterative and collaborative partnership between the investment teams and ESG Credit Team **(Exhibit 3)**.

Exhibit 3: Apollo's ESG credit platform capabilities

Capability	Ownership	Support and Review
ESG Risk Rating Framework	Investment teams apply ESG Risk Rating frameworks or methodology to holdings	ESG Credit Team oversees framework development/rating application and provides feedback to investment teams
ESG Due Diligence Framework	Credit investment teams apply ESG Due Diligence to new private and direct origination deals	ESG Credit Team oversees due diligence framework development and application and provides feedback to investment teams
ESG Stewardship and Engagement	May be done unilaterally or collectively by the ESG Credit Team and credit investment teams	ESG Credit Team provides engagement topic suggestions to investment team
Sustainability-Linked Ambition Assessment Framework	ESG Credit Team applies Sustainability-Linked Ambition Assessment	Credit investment teams provide supporting information and insight
Impact and Sustainable Investment Assessment Framework(1)	ESG Credit Team applies Impact and Sustainable Investment Assessments	Credit investment teams provide supporting information and insight
Climate and Transition Assessment Framework(1)	ESG Credit Team applies Climate and Transition Assessments	Credit investment teams provide supporting information and insight

(1) The analysis performed for impact and sustainable investment assessments has many of the same features as the analysis performed for climate and transition investment assessments.

SECTION 1

Corporate, real estate, infrastructure and aviation finance: A materiality-based rating framework

Apollo's evolved ESG Risk Rating framework for the corporate, real estate, infrastructure, and aviation finance sectors was designed with a focus on sector-specific, materiality-based considerations, and relativity to sub-sector peers. The framework covers more than 80 sub-sectors and draws upon internationally recognized materiality frameworks and standards, including the Sustainability Accounting Standards Board (SASB) and United Nations Sustainable Development Goals (SDGs). The framework can also be applied to Collateralized Loan Obligations (CLOs), credit secondary transactions, and certain other securitized structures.

Case Studies: ESG Risk Ratings

5.00–4.01	4.00–3.01	3.00–2.01	2.00–1.01	1.00–0.00
Very High ESG Risk	High ESG Risk	Average ESG Risk	Low ESG Risk	Very Low ESG Risk

1 Sub-sector materiality map/ scorecard selected and peer set established

2 ESG Risk Ratings assigned to subthemes most material to investment risk for the selected sector

3 Momentum scores assigned to pillars, enabling reflection of forward-looking trajectory

4 ESG materiality guidance leveraged from SASB, UN SDGs, and other standards is provided to guide investors in the sub-theme scoring process

5 Brief commentary provided to support individual pillar ratings and overall ESG rating assigned

Subsector: Leisure Facilities and Entertainment 1

		Weight	ESG RISK RATING (Very High, High, Average, Low, Very Low)	RATING VALUE 0–5 (auto-calculated)	MOMENTUM (Very Positive, Positive, Neutral, Negative or Very Negative)
Sector-Based ESG Overall Score and Momentum		100%	High	3.05	Neutral
ESG Overall Score Comments	The high score is largely driven by multiple environmental and social lawsuits the company has been the subject of that could pose reputational risks. We could reassess the risk rating if the effects of these lawsuits roll off. The company is inherently exposed to outsized GHG emission and pollution risks given the nature of its operations. It has developed a well-defined ESG Policy to mitigate some of these risks, including GHG emission and waste reduction targets. It also has strong diversity policies and initiatives compared to peers. It has a standard governance structure for a public company although there is some concentration in voting power.				
Environmental Pillar Overall Score and Momentum		25%	High	3.10	Neutral
Environmental Score Comments	The company has been the subject of several environmental litigations. It agreed to take actions as a result. We assess environmental risk as high until impacts of the litigations have rolled off and mitigating actions have fully gone into effect.				
Environmental Themes	GHG Emissions (Carbon) & Trajectory	10%	High		
	Physical Climate Risk	5%	Average 2		
	Pollution (Air/Waste/Packaging)	5%	High		
	Energy Management	5%	Average		
Social Pillar Overall Score and Momentum		40%	High	3.13	Neutral 3
Social Score Comments	The company has been the subject of various lawsuits related to labor management and customer safety. It has had to pay various fines for these incidents which while small in amount, may have significant reputational impacts.				
Social Themes	Human Capital Management (Engagement & DEI)	5%	Low		
	Human and Labor Rights	5%	Average		
	Worker Health & Safety	10%	High		
	Product Quality, Reliability, Affordability & Safety	20%	High		
Governance Pillar Overall Score and Momentum		35%	Average	2.93 4	Neutral
Governance Score Comments 5	Public company with standard board structure (majority independent, minority female). One shareholder owns a significant share of the voting power.				
Governance Themes	Board or Management Quality	20%	Average		
	Business Ethics and Transparency	15%	High		

The case studies provided herein have been provided for discussion purposes only and were selected using an objective non-performance-based criteria to illustrate our ESG Risk Rating approach and capabilities. Schedule(s) of investments are available upon request.

Case Studies: ESG Risk Ratings *(continued)*

5.00–4.01 Very High ESG Risk	4.00–3.01 High ESG Risk	3.00–2.01 Average ESG Risk	2.00–1.01 Low ESG Risk	1.00–0.00 Very Low ESG Risk

Real Estate – Hotels and Lodging		Weight	ESG RISK RATING (Very High, High, Average, Low, Very Low)	RATING VALUE 0–5 (auto-calculated)	MOMENTUM (Very Positive, Positive, Neutral, Negative or Very Negative)
Sector-Based ESG Overall Score and Momentum		100%	Low	2.00	Neutral
ESG Overall Score Comments	Portfolio consists of three luxury hotel properties. Low environmental risk given all three properties were constructed in the last 4 years. Physical risk is average considering two properties are located along the coast while one is inland in an area with low exposure to physical risk events such as hurricanes/tsunamis. Water stress is also average - two properties face medium to high water stress, although one faces low water stress risk. The properties are in very good condition with no quality or safety issues noted. The sponsor has not been involved in any controversies or lawsuits we are aware of.				
Environmental Pillar Overall Score and Momentum		50%	Low	1.80	Neutral
Environmental Score Comments	The portfolio comprises three newly built / refurbished hotels constructed in the last 4 years. The renovations were complete to a very high standard, with significant carbon embodiment, hence the Carbon & Trajectory is considered low.				
Environmental Themes	GHG Emissions (Carbon) & Trajectory	10%	Low		
	Physical Climate Risk	10%	Average		
	Water Stress	5%	Average		
	Biodiversity and Land Use	5%	Low		
	Energy Management	10%	Low		
	Green Products and Business Opportunities	10%	Low		
Social Pillar Overall Score and Momentum		20%	Low	1.75	Neutral
Social Score Comments	The sponsor is focused on promoting the health and well-being of the hotels' guests and employees through a sustainable offering (e.g. products and food) and pollutant-free material selection and indoor environment quality.				
Social Themes	Human Capital Management (Engagement & DEI)	5%	Average		
	Worker Health & Safety	5%	Low		
	Product Quality, Reliability, Affordability & Safety	10%	Low		
Governance Pillar Overall Score and Momentum		30%	Average	2.50	Neutral
Governance Score Comments	Experienced sponsor that has not been involved in any controversies or lawsuits we are aware of.				
Governance Themes	Board or Management Quality	20%	Average		
	Business Ethics and Transparency	10%	Average		

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Sovereign credit: A materiality-based data-driven ESG rating framework

Apollo's Sovereign ESG Risk Rating framework has evolved to a data-driven weighted rating system based on material E, S, and G subthemes. Apollo's ESG Credit Team, sovereign economists and investment risk teams partnered to identify ESG subthemes and related indicators that represent potential risks and opportunities for sovereign credit worthiness. The sovereign risk ratings are designed to be comparable to peers, with Developed Market (DM) countries ranked versus other DM countries and Emerging Market (EM) countries ranked versus other EM countries.

Case Study: Sovereign ESG Risk Rating

5.00–4.01	4.00–3.01	3.00–2.01	2.00–1.01	1.00–0.00
Very High ESG Risk	High ESG Risk	Average ESG Risk	Low ESG Risk	Very Low ESG Risk

1. Subthemes identified that represent potential risks and opportunities for sovereign creditworthiness
2. ESG Risk Ratings systematically generated for applicable subthemes
3. Overall and pillar ESG Risk Ratings automatically generated by weight
4. Momentum scores assigned to pillars, enabling reflection of forward-looking trajectory
5. Explanation for E, S, G, and overall ratings provided

Sovereign			Weight	ESG RISK RATING (Very High, High, Average, Low, Very Low)	MOMENTUM (Very Positive, Positive, Neutral, Negative or Very Negative)
ESG Overall Score and Momentum			100%	Average	Positive
ESG Overall Score Comments	[illegible]				
Environmental Pillar Overall Score and Momentum				Average	Neutral
Environmental Score Comments	[illegible]				
Environmental Themes	Energy Transition 1	[illegible]	[illegible]	Low	
		[illegible]	[illegible]	Average	
	Physical Climate Risk & Pollution	[illegible]	[illegible]	Low	
		[illegible]	[illegible]	Average 2	
		[illegible]	[illegible]	High	
	Biodiversity	[illegible]	[illegible]	High	
Social Pillar Overall Score and Momentum				Average 3	Neutral
Social Score Comments	[illegible]				
Social Themes	Demographic Imbalance	[illegible]	[illegible]	Low	
		[illegible]	[illegible]	Very Low	
	Income/Opportunity and Inequality	[illegible]	[illegible]	High	
		[illegible]	[illegible]	Very Low	
	Access to Basic Services	[illegible]	[illegible]	Average	
		[illegible]	[illegible]	Low	
	Human Rights and Political Freedoms	[illegible]	[illegible]	High	
		[illegible]	[illegible]	High	
Governance Pillar Overall Score and Momentum				Average	Positive 4
Governance Score Comments	[illegible]				5
Governance Themes	Institutional Quality	[illegible]	[illegible]	Very High	
		[illegible]	[illegible]	High	
		[illegible]	[illegible]	High	
		[illegible]	[illegible]	High	
	Transparency	[illegible]	[illegible]	Very Low	
		[illegible]	[illegible]	Average	
	Sanctions	[illegible]	[illegible]	No	

The case studies provided herein have been provided for discussion purposes only and were selected using an objective non-performance-based criteria to illustrate our ESG Risk Rating approach and capabilities. Schedule(s) of investments are available upon request.

SECTION 2

ESG due diligence and transaction structuring

Our enhanced ESG Due Diligence process for new directly originated and private credit transactions – which is performed using Apollo's ESG Due Diligence Memo – goes well beyond just evaluating ESG risks, providing a deeper understanding of an issuer's ESG strategy and performance early in the investment life cycle. This enables investment teams, in collaboration with the ESG Credit Team, to engage with issuers on potential ESG risks and opportunities which could be addressed by embedding a sustainability feature directly into the deal structure.

Case Study: Apollo ESG Due Diligence

1 Revenue exposure to high-risk activities assessed

2 ESG regulatory, compliance, or reputational concerns that may result in material credit risk evaluated

3 ESG Risk Rating summarized

1	Exposure to Certain Sectors or Revenue Involvement	% Revenue
a)	[illegible]	0%
b)	Thermal Coal Mining/Extraction	0%
c)	[illegible]	0%
d)	[illegible]	0%
e)	[illegible]	0%
f)	[illegible]	0%
g)	[illegible]	0%
h)	[illegible]	0%
i)	[illegible]	0%
j)	[illegible]	0%
k)	[illegible]	0%
l)	Tobacco Production	0%
m)	[illegible]	0%
n)	[illegible]	0%
o)	[illegible]	0%
p)	[illegible]	0%
q)	[illegible]	0%
r)	[illegible]	0%
s)	[illegible]	0%
t)	[illegible]	0%
u)	[illegible]	0%
v)	[illegible]	0%
w)	[illegible]	0%
x)	[illegible]	0%
y)	[illegible]	0%
z)	[illegible]	0%
2	**Assessment of ESG Regulatory, Litigation/Compliance, and/or Reputational Risks**	
a)	Has the direct or parent issuer recently been identified in the media for any ESG issue that could pose a reputational risk for stakeholders in the transaction?	Yes Negative headlines regarding quality of service in prisons following suicides. Deaths and suicides are common in prisons, so occasional headlines can be expected. Risks are partially mitigated by the fact that the company performs well across key quality ratings.
b)	Have any existing or proposed regulations that may result in a material ESG risk for the direct or parent issuer been identified?	No
c)	Have any existing or prior litigation/compliance issues that may result in a material ESG risk for the issuer been identified?	No
d)	To the best of your knowledge, has the company violated the United Nations Global Compact (UNGC) principles?	No
3	**Application of Apollo ESG Risk Rating**	
a)	Has the preliminary and/or final Apollo ESG Risk Rating and Momentum been assigned to the direct issuer?	Yes
	Please provide overall ESG Risk Rating.	Average ESG Risk
	Please provide overall Momentum.	Neutral
	Please provide rating template rationale.	[illegible] Overall, we view the ESG risk to be average, supported by strong performance on environmental metrics, a favorable public/private mix, low private pay pricing, and a positive social impact in prisons. [illegible]
b)	Does the direct issuer have any ESG subthemes that are identified as a High ESG Risk (3.01 to 4.00) or a Very High ESG Risk (4.01 to 5.00)? Please identify those subthemes and whether they are High or Very High ESG Risk (ESG sector must be selected above).	Yes
	Human Capital Management (Engagement & DEI)	High ESG Risk

The case studies provided herein have been provided for discussion purposes only and were selected using an objective non-performance-based criteria to illustrate our ESG due diligence approach and capabilities. Schedule(s) of investments are available upon request.

Case Study: Apollo ESG Due Diligence *(continued)*

4 Investment teams may leverage existing relationships with issuers and/or sponsors to conduct engagement on ESG issues and gather information on an issuer's ESG strategy, relevant KPIs, and/or performance	**5** Investment teams identify and incorporate ESG characteristics directly into deal structures, as applicable and appropriate	**6** Investment teams incorporate ESG considerations into their views on repayment or refinancing risk

4	**Disclosure of Material ESG Key Performance Indicators (KPIs)**	
a)	Has the direct or parent issuer proactively disclosed any material ESG Key Performance Indicators (KPIs) relative to the issuer's subsector?	Yes
	Please detail the ESG KPIs provided.	Scope 1 and 2 emissions, quality ratings, public vs. private pay, gender pay gap, employee turnover
b)	Has engagement been initiated to obtain material ESG KPIs?	Yes 4
		Apollo is currently engaging with the company to introduce a sustainability-linked ratchet into the transaction structure.
5	**Identification of ESG Opportunities within Deal Structuring**	
a)	Can the Transaction potentially be identified as a Green, Social, Sustainability (based on company or project-level), Green or Social Sustainability-Linked, or Energy/Climate Transition (company/project level or sustainability-linked)?	Yes
	Please identify the potential identifications:	
	Social (company or project-level):	Yes
	Please provide additional details/justification re. the identifications selected above.	5 The majority of the company's total revenue comes from the provision of high-quality, affordable healthcare to the general population and serves as a critical partner to the public healthcare system. It also provides healthcare to incarcerated patients in the state-owned prison system. This bolsters the ESG credentials of the investment, in our view, and supports collinearity of our investment with positive social outcomes.
b)	Has the transaction classification been reviewed by the ESG Credit Team?	Yes
c)	Are there any other sustainability-related aspects of the transaction structure?	No
d)	Have any sustainability-linked KPIs been offered as a term of the loan/bond?	Yes
	Please describe the proposed KPI(s), margin ratchet or redemption details, and the response/outcome.	Currently working with the company to introduce sustainability-linked ratchets in the transaction structure. KPIs have yet to be agreed.
e)	Have any other recommended changes to the initial structure of the deal been offered to encourage positive change in the issuer's ESG performance or behavior?	No
6	**Evaluation of Collateral and Exit Viability**	
a)	Has the evaluation undertaken to determine the value of the loan/bond collateral or the ability to refinance the loan factored in current/evolving ESG risks?	Yes 6
b)	Have ESG factors been evaluated in relation to Apollo's position and future potential buyers in the event of an issuer's default and collateral possession by loan/bond holders?	Yes

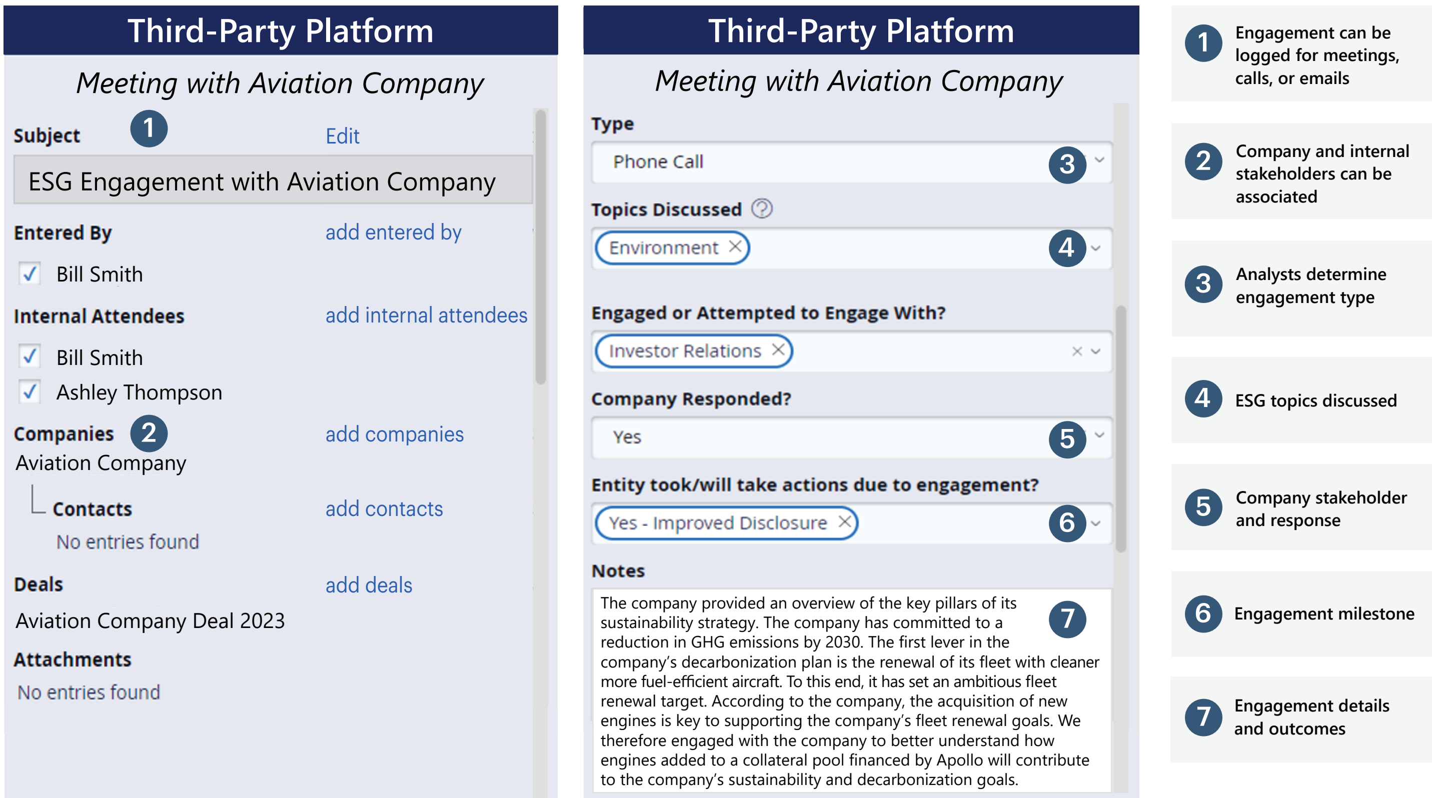
The case studies provided herein have been provided for discussion purposes only and were selected using an objective non-performance-based criteria to illustrate our ESG due diligence approach and capabilities. Schedule(s) of investments are available upon request.

SECTION 3

ESG engagement within credit: A key element of the lending process

Apollo sees engagement with issuers as an integral part of the lending process and believes that debtholders can play a meaningful role in encouraging positive changes in issuer disclosure, behavior, and decision-making that can impact financial performance. Apollo's ESG Credit Team continues to develop infrastructure to more effectively track and report on engagement activity. As a result of these efforts, we are now able to capture more granular details of ESG-related engagement activities and associated outcomes **(Exhibit 4)**.

Exhibit 4: Documenting engagements



The illustration provided herein have been provided for discussion purposes only and were selected using an objective non-performance-based criteria to illustrate our ESG engagement approach and capabilities. Schedule(s) of investments are available upon request.

SECTION 4

Apollo's Sustainability-Linked Assessment Framework: Evaluation of KPI relevance, SPT ambition, and ratchet structure/sophistication

Apollo-managed funds may participate in the syndication of deals with sustainability-linked features when an attractive opportunity arises and may also incorporate ESG considerations directly into structures that we originate privately. To provide greater transparency around sustainability-linked deals that we may participate in, Apollo has developed an assessment framework. This framework allows us to evaluate most transactions with a sustainability-linked provision, and assesses KPI relevance, sustainability-performance target (SPT) ambition, and ratchet structure/sophistication holistically to form an overall view of ambition.

Case Study: Sustainability-Linked Assessment

1. Level of ambition identified based on rigorous evaluation of the SPTs and transaction structure
2. Ratchet structure and sophistication
3. KPI relevance, measurement, and comparability
4. SPT ambition and benchmarking

The company is a wholesaler and distributor of petroleum products. It offers biofuels, lubricants, specialty products, engine oil, diesel, and degreasers.

ESG Risk Rating	High ESG Risk
Overall Ambition Level	Moderately Ambitious
Target(s) Classification	Environmental

Sustainability-Linked Ambition Assessment

Target/Ratchet(s) Overview	KPI/TARGET(S) DESCRIPTION	RATCHET(S) DESCRIPTION
	1. Reduction in scope 1 and 2 carbon intensity relating to refining business 2. Reduction in scope 1 and scope 2 emissions intensity for the retail convenience business 3. EV charging points installed, to be supplied by renewable energy	• Issuer call option: call at par if sustainability targets met, call at 101 if targets not met • Investor conversion to equity: conversion at specified discount to VWAP if sustainability targets met

Transaction/ Ratchet Characteristics		• Three targets, no interim targets • One-way, call price penalty if targets are not met • Callable only after target expiration; targets expire three years before first optional redemption date
KPI #1 Relevance	Core	• **KPI Relevance:** Scope 1 and 2 GHG emissions are highly relevant to the downstream O&G sector and the company's sustainability strategy. That said the company's most material environmental impact is indirect (Scope 3) which is not addressed by this target
SPT #1 Ambition	Beginner	• **SPT Ambition:** The target is part of the company's newly implemented sustainability strategy. The expected reduction is in line with the company's historical performance trajectory; in order to meet the target, the company will need to identify new cost-effective energy efficiency and operational improvement projects; the target has not been benchmarked to peers
KPI #2 Relevance	Core	• **KPI Relevance:** Scope 1 and 2 GHG emissions are highly relevant to the company's business where it has started implementing energy management measures and pilot initiatives. It does not address indirect Scope 3 emissions
SPT #2 Ambition	Moderately Ambitious	• **SPT Ambition:** Total energy use across the company's network has increased over the last three years supporting the ambition of this target which will rely on new solutions such as solar PV installation, LED lighting upgrades, and power factor correction and behavior change to achieve; the target has not been benchmarked to peers
KPI #3 Relevance	Secondary	• **KPI Relevance:** The investment supports the uptake of battery electric vehicles and the transport sector's transition to cleaner energy; the sector was responsible for ~25% of CO_2 emissions globally in 2020 (Source: UN Transport Report)
SPT #3 Ambition	Moderately Ambitious	• **SPT Ambition:** This is a relatively new initiative for the company limiting historical benchmarking but supports the company's efforts to address Scope 3 emissions across its value chain. Renewable energy requirement bolsters ambition

The case studies provided herein have been provided for discussion purposes only and were selected using an objective non-performance-based criteria to illustrate our sustainability-linked assessment approach and capabilities. Schedule(s) of investments are available upon request.

SECTION 5

Apollo's Impact and Sustainable Investment Assessment Framework

While ESG integration is foundational across certain Apollo's investments and product offerings, in our credit business, certain investments may be classified as impact or sustainable. Potential impact or sustainable credit opportunities are identified within Apollo's investable universe after receiving strategy approval by Apollo's investment committee. Identified investments are then rigorously evaluated through an Impact or Sustainable Investment Assessment.

Case Study: Impact and Sustainable Investment Assessment–Social

1. Collinearity demonstrated
2. Scale and depth of the impact determined
3. Unique or unreplaceable role in supporting impact mission
4. KPIs tracked that are core to the issuer or project's operations

Provider of mission-critical systems for Medicaid, Medicare, and related health programs for state and federal customers.

ESG Risk Rating	Average ESG Risk
Impact category	Impact Enabling
Classification	Social
Entity/Use of Proceeds	Entity

5 Dimensions of Impact Screen

What	COMPANY OUTPUT	INTERMEDIATE OUTCOMES	TARGET OUTCOMES
	• Provides technology enabled software and services solutions designed to efficiently deliver federal and state Medicaid programs.	• The company's products/services help accelerate claims processing, support value-based care, and control escalating costs in the healthcare sector.	SDG 3: Good Health and Well-Being; SDG 9: Industry Innovation and Infrastructure
	• **As the company grows its product and service offering, it expands its client reach and as a result the positive impact it has on the livelihoods of ultimate beneficiaries.** 1		
Who	• Low-income individuals.		
How Much	• The company has a leading position in the market with its footprint encompassing a large number of key federal healthcare agencies. 2		
Contribution	• The company has a reputation as the provider of choice for large agencies and therefore plays an important role in supporting improved quality of care, patient experience and outcomes in the healthcare sector. 3		
Risks and Mitigants	• **Risk:** Implementation failure • **Mitigant:** The company has a reputation as the provider of choice for large agencies driven in part by its various health care quality accreditations.		
Tracking & Engagement	• **Available KPIs:** provider volumes supported, annual claims processed, disbursements 4		

The case studies provided herein have been provided for discussion purposes only and were selected using an objective non-performance-based criteria to illustrate our impact & sustainable investment assessment approach and capabilities. Schedule(s) of investments are available upon request.

SECTION 6

Climate and Transition Assessment Framework

Apollo remains firmly committed to leveraging our deep experience to provide capital solutions which accelerate the energy transition for companies and communities globally. Potential climate and transition investments undergo a rigorous screen which leverages many of the same features as our Impact or Sustainable Investment Assessment.

Case Study: Climate and Transition Assessment–Climate

1. Transaction achieves positive outcomes aligned with the UN SDGs
2. Activities achieve an environmental impact
3. Potential risks to the company achieving the positive impact and associated mitigants

Investment-grade capital solution for two operational wind projects.

Sustainable Economy Activity Category	Energy Transition
Sustainable Economy Activity	Wind Power
Climate and Transition Framework Classification	Climate
Apollo Influence	Credit

5 Dimensions of Climate and Transition Screen

What	COMPANY OUTPUT	INTERMEDIATE OUTCOMES	TARGET OUTCOMES 1
	• New renewable energy capacity generated through wind turbines	• The generation of renewable energy avoids emissions that would otherwise be generated by fossil fuel-based power.	SDG 7: Affordable and Clean Energy; SDG 13: Climate Action
	• **The more renewable energy the company sells, the more revenue it generates, and the more emissions avoided. The transaction also supports the utility's aggressive environmental targets and affordability/reliability commitments and lays the groundwork for future renewable energy transactions.**		
Who	• Global environmental benefit		2
How Much	• 100% renewable energy capacity		
Contribution	• The company's assets provide renewable power in the United States. Were the company not to provide this power, the US energy mix would be more fossil-fuel intensive. Both projects are located in strong wind resource areas and will benefit from location diversification across two states.		
Risks and Mitigants	• **Risk:** Reliability • **Mitigant:** The assets are in a condition typical of their age and are operating at reliabilities near or above industry average.		3
Tracking & Engagement	• **Available KPIs:** MW of installed renewable energy capacity, new energy output		

The case studies provided herein have been provided for discussion purposes only and were selected using an objective non-performance-based criteria to illustrate our climate and transition assessment approach and capabilities. Schedule(s) of investments are available upon request.

SECTION 7

Apollo's industry association(2)

Apollo remains committed to participating in collaborative ESG initiatives that aim to advance ESG integration across the credit markets. In November 2022, Apollo announced its role as the inaugural Chair of the ESG Integrated Disclosure Project (ESG IDP), a recent initiative in the private credit industry to harmonize ESG data collection. The ESG IDP is led by the Principles for Responsible Investment (PRI), Alternative Credit Council (ACC), the private credit affiliate of the Alternative Investment Management Association (AIMA), and the Loan Syndications and Trading Association (LSTA) as its secretariats and is also supported by a diverse coalition of market stakeholders including CDP, the ESG Data Convergence Initiative and the Loan Market Association. Alongside Apollo, a number of LPs and GPs sit on the executive committee or as supporters.

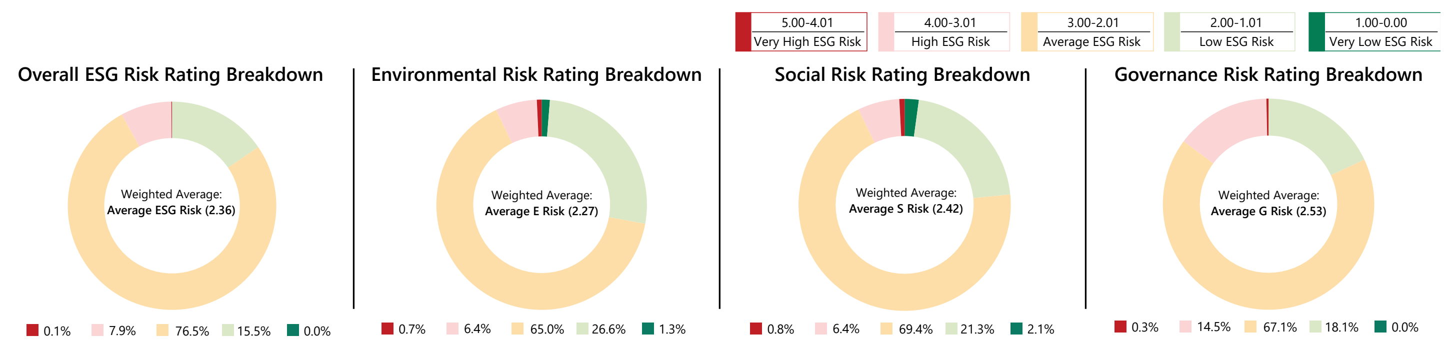
The ESG IDP is designed to enhance transparency and consistency for both private companies and credit investors by providing a standard template for ESG-related disclosures. The template offers private companies a baseline from which to develop their ESG reporting capacity. It also enhances investor ability to identify industry specific ESG risks in their credit portfolios and compare meaningful data across alternative asset managers more consistently. We believe that this harmonized approach will facilitate the development of ESG data disclosure, tackling one of the greatest challenges to ESG integration facing the private credit market today. Within Apollo, credit investment teams are encouraged to send the harmonized questionnaire annually for their holdings and as part of the due diligence phase for new transactions.

SECTION 8

ESG credit reporting: Continuing our commitment to transparency

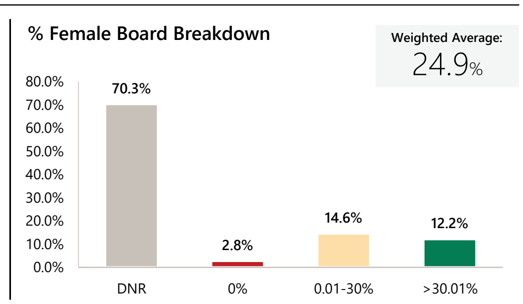
Apollo's credit business produces ESG quarterly reporting for select funds and SMAs, leveraging both internal data and external data from third-party vendors. In 2022, we enhanced our quarterly reporting capabilities based on client feedback and broader market expectations. The reports include a summary of our evolved ESG Risk Ratings and engagements, as well as climate, governance, and controversy data **(Exhibit 5).**

Exhibit 5: Illustrative ESG reporting



Climate Metrics (Scopes 1&2)	Portfolio
Carbon Footprint(1)	
Financed Carbon Emissions tons CO2e/$M invested	62.2
Total Financed Carbon Emissions tons CO2e	32,718.5
Financed Carbon Intensity tons CO2e/$M sales	75.1
Weighted Average Carbon Intensity(2)	
Corporate Constituents tons CO2e/$M sales	248.7

Issuer Engagements in Past Year	#
Total # of Engagements	62
Environmental	48
Social	34
Governance	29
# of Issuers Engaged with	59



For illustrative purposes only. Rating weighted averages are independent of sector-specific ESG rating weights. Weighted average by portfolio MV. DNR = Does not report. (1) Covers 32.2% eligible portfolio MV. (2) Covers 31.8% eligible portfolio MV.

(2) The organizations listed herein are not affiliates or clients of Apollo and this information should not be construed as an endorsement of Apollo by any of the listed organizations.

Forging ahead: Evolving our ESG credit framework for tomorrow's market

Though we have made significant progress in the development and implementation of our ESG credit platform over the last 12 months, our work is not finished. We pride ourselves on constant learning, contrarian thinking and rigorous debate, which means we will constantly seek to evolve our process in pursuit of ongoing improvement. We intend to continue investing in our ESG capabilities in 2023 and beyond, to help drive strong financial performance while also seeking to meet our clients' expanding ESG objectives. We plan to focus on conducting more comprehensive engagement with issuers, expanding our reporting capabilities to encompass more credit funds and managed accounts, and developing ESG risk rating methodologies for additional security types. We look forward to sharing our progress as we iterate and build upon our robust ESG credit platform.

About the authors:

Joseph Moroney, Partner
Head of Sustainable Finance & Co-Head of Global Corporate Credit

Joe Moroney is a Partner, Head of Sustainable Finance and Co-Head of Global Corporate Credit at Apollo. Prior to joining the Firm in 2008, Joe was with Aladdin Capital Management where he served as a Senior Managing Director of its Leveraged Loan Group. Joe's investment management career includes experience at various leading financial services firms including Merrill Lynch Investment Managers and MetLife Insurance. Joe graduated from Rutgers University with a BS in Ceramic Engineering and is a Director Emeritus of the Rutgers University Foundation. He is a CFA charterholder and a member of the NYSSA.

Michael Kashani, Managing Director
Head of ESG Credit

Michael Kashani joined Apollo Global Management as the Head of ESG Credit in October 2021. He currently represents Apollo across several industry initiatives, including as the inaugural Steering Committee Chair of the ESG Integrated Disclosure Project. Michael formerly served as the Global Head of ESG Portfolio Management within the Fixed Income division at Goldman Sachs Asset Management. Prior to that role, he was on the Goldman Sachs Asset Management municipal team as a senior research analyst. Michael graduated from University at Albany (SUNY) with a BS in Business Administration and a concentration in Finance and Management Information Systems.

Lori Shapiro, Associate Director
Senior Stewardship and Engagement Specialist

Lori Shapiro joined Apollo's ESG Credit Team as a Senior Stewardship & Engagement Specialist in May 2022. She was previously a member of the Sustainable Finance team at S&P Global Ratings. Prior to that role, Lori worked as a credit ratings analyst on the corporate and sovereign ratings teams at S&P Global Ratings. She graduated from Brandeis University with a BA in Economics and Business and is a CFA charterholder.

Amanda Gray, Principal
Senior ESG Research Analyst

Amanda Gray is a Senior ESG Analyst on the ESG Credit Team. Amanda joined the ESG Credit Team from Apollo's Emerging Market Credit investment team where she was a Principal responsible for Emerging Markets Financial Sector investments. Prior to joining Apollo Global Management in October 2019, Amanda was a Senior Credit Analyst on the Emerging Markets team at BlueBay Asset Management. Amanda has over 15 years of credit investing experience. She has a Master's from the Fletcher School at Tufts University and a BA from Eckerd College.

Edward Brierley, Associate Director
ESG Research Analyst

Ed Brierley joined Apollo's ESG Credit Team as an ESG Credit Research Analyst in January 2023. Ed previously worked on the Sustainable Finance team at ING Bank. Prior to that role, Ed worked at the UK Government's Department for Business, Energy and Industrial Strategy as a Policy Advisor on nuclear decommissioning and radioactive waste. Ed graduated with a BSc Hons in Marine Biology and Oceanography from the University of Liverpool.

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