



# Annual Report on Environmental, Social and Governance Activity

2019 ESG REPORT

## **General**

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# / A Letter from the Chairman of the ESG Committee

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**This year will go down in York's history** as the year that York Capital Management fully bought into the concept of measuring the sustainability and societal impact of an investment in a company or business by the three central factors of Environmental, Social and Corporate Governance (ESG). Over the past year, the Firm's commitment to ESG gained momentum since our founding in 1991 and demonstrated real progress on multiple fronts. We have always prided ourselves on being good people just as much as being good investors. As the Chairman of the ESG Committee, it was gratifying to see the progress York has been able to accomplish.

In the past year, the Firm launched two new funds—York Distressed Asset Fund IV and York Special Opportunities Fund III—which are committed to introducing positive impacts through our investments, particularly those where we can use our ownership position to make ESG focused decisions and improve impact. In addition, our ESG Committee added members from all different areas of the Firm to reflect our expanding ESG efforts. As part of our mandate, the ESG Committee is training all the Firm's investment team to ensure they can confidently debate ESG issues from a position of authority.

Beyond our investments, York has also taken great strides to implement positive ESG improvements across the Firm. As such, in the past year the Firm launched **York Goes Green**, an employee-driven initiative to promote an environmentally conscious work environment. In 2019, the Firm also established **York Cares**, a new philanthropic arm dedicated to charitable causes, which encourages York employees to give their time and resources to causes that resonate with them.

Clearly, this is only the beginning of our initiative. The ESG Committee at York and I are committed to sustaining this momentum as we move into 2020. With the Committee's efforts, we will sharpen our focus on our investment portfolios. We will work harder to improve our hiring practices and our commitment to the environment. We believe that our ESG efforts will continue to gain traction after this inaugural year. Importantly, we are committed to listening to our investors and to other experts in the field who bring us ideas and opportunities to be better members of our global community.

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**Mark D. Schein**

Chief Compliance Officer  
Managing Director

Chairman of the ESG Committee

## A Global Diversified Alternative Asset Manager Seeking to Extract Value from Complexity

### Research-driven perspective

York adds value across the risk spectrum by identifying windows of inefficiency and capturing idiosyncratic alpha across the capital structure.

### Global mindset, elevated and innovative thinking

Genuine global capability powered by local expertise. True collaboration between our global offices provides a meaningful edge.

### Committed to excellence, driven by partnership

A client-first ethos is part of our DNA. We are, above all, good stewards of our clients' capital.

1991

FOUNDED

\$17.6B

ASSETS UNDER  
MANAGEMENT\*

\$1.1B

EMPLOYEE  
CAPITAL IN  
YORK FUNDS\*\*

202

EMPLOYEES

68

INVESTMENT  
PROFESSIONALS

60

COUNTRIES IN  
WHICH YORK HAS  
EXECUTED DEALS

3

OFFICES WORLD-  
WIDE IN NEW  
YORK, LONDON  
AND HONG KONG

\*Firm-wide, assets are calculated as of January 1, 2020, and consist of: 1. the net assets for all of York's hedge funds and managed accounts 2. assets attributed to Sub-Advised '40 Act strategy and CLOs managed by the Firm plus 3. aggregate committed capital for longer-term, drawdown private investment funds that are in their respective investment periods or invested capital for such funds that are in their respective harvest periods.

\*\* Includes current and former employees



# Unlocking Value from Change and Complexity



## How We Do It



We focus on identifying mispriced risk through divergent views of opportunities that algorithms and other investors can't easily navigate or replicate



We seek attractive risk-adjusted outcomes for our clients by nimbly identifying relative value and inefficiencies across all market cycles

## 29 YEARS OF EVENT-DRIVEN INVESTING

### Special Situations

- Operational Events (Management Change, Turnaround, Pro-Forma)
- Balance Sheet Events (Spin-offs, Demerger, Divestitures, Capital Allocation)
- Legal Events (Patents, Products, Antitrust)
- Consolidation Events (M&A Targets, Strategic Options, Contemplated Transactions)

### Credit

- Corporate Distressed (Bankruptcy, Restructurings)
- High-Yield Securities (Deleveraging, Refinancing, M&A)
- Distressed Assets and NPLs

### Arbitrage

- Merger Arbitrage Spreads (Antitrust, Buyer Vote, Geopolitics)
- Potentially Contested Transactions
- Other Arbitrage (Holdings, Share Classes, Tracker, Dual Listings)



York is focused on capturing idiosyncratic alpha across the capital structure, which is driven by event-driven change.

## What Sets York Apart?



### **A proven playbook from a long-tenured team**

Designed to capture new opportunities as they arise across the capital structure and all market cycles



### **True collaboration across borders**

Shared global ideas and local presence enable a broader, more diversified lens into opportunities



### **An all-season solution focused on generating alpha**

Seeks to shift portfolio between developing and distressed environments in real time, eliminating the need for our investors to try to time the market



### **Client-centric mindset**

Focus on treating investors as partners through transparent reporting and communication



### **Aligned interests**

Shared bonus structure, team incentives and **\$1.1B** of employee capital invested in the firm help lead to a stable platform and unified long-term vision

**An all-season approach executed with agility.**

# York's Diversified Investment Platform



Structured to Serve Investor Needs Through All Markets

## MULTI-STRATEGY EVENT-FOCUSED FUNDS

YORK MULTI-STRATEGY FUND	
1991	\$1.6B
YORK EUROPEAN OPPORTUNITIES FUND	
2004	\$2.4B
YORK ASIA OPPORTUNITIES FUND	
2006	\$2.0B
TOTAL RETURN	
2006	\$420M
EUROPEAN FOCUS	
2007	\$460M
UCITS	
2009	\$275M

## CREDIT EVENT-FOCUSED FUNDS

YORK GLOBAL CREDIT INCOME FUND	
2012	\$1.1B*
DISTRESSED ASSET	
DISTRESSED ASSET STRATEGY	
2013	\$2.7B*
CLO	
York CLOs	
2015	\$3.1B

## PRIVATE EQUITY

YORK SPECIAL OPPORTUNITIES FUNDS	
2008	\$1.5B*
ENERGY	
TACTICAL ENERGY	
2018	\$200M*

Our investment platform reflects York's deep investment capabilities in complex, event-driven situations.

As of January 1, 2020. Years refer to inception date year of fund/strategy. \*Net assets based on aggregate committed capital.

# Cultivating Talent Is Part of York's DNA



## A Deep Leadership Team

### FIRM LEADERSHIP



**James G. Dinan**  
Chief Executive Officer  
38 | 28



**Christophe Aurand**  
Co-Chief Investment Officer  
and Co-Managing Partner  
24 | 18



**Bill C. Vratatos**  
Co-Chief Investment Officer  
and Co-Managing Partner  
27 | 17



**Nathan Romano**  
COO, President  
and Partner  
26 | 1

### FIRM PARTNERS



**Jeremy Blank**  
North America Credit  
20 | 14



**Matthew Bonanno**  
PM - Co-Head, N.A. Credit  
14 | 9



**Zalmie Jacobs**  
Head, Private Equity  
28 | 11

AVERAGE YEARS OF EXPERIENCE	AVERAGE TENURE
23	13



**Fraser Maingay**  
PM - Europe Equity  
15 | 11



**Jeanne L. Manischewitz**  
PM - Co-Head, N.A. Credit  
23 | 14



**Akbar Rafiq**  
PM - Head, Europe Credit  
17 | 8



**Masahiko Yamaguchi**  
PM - CEO and CIO, Asia  
17 | 12

■ Years of Industry Experience ■ Years with York

As of December 31, 2019.

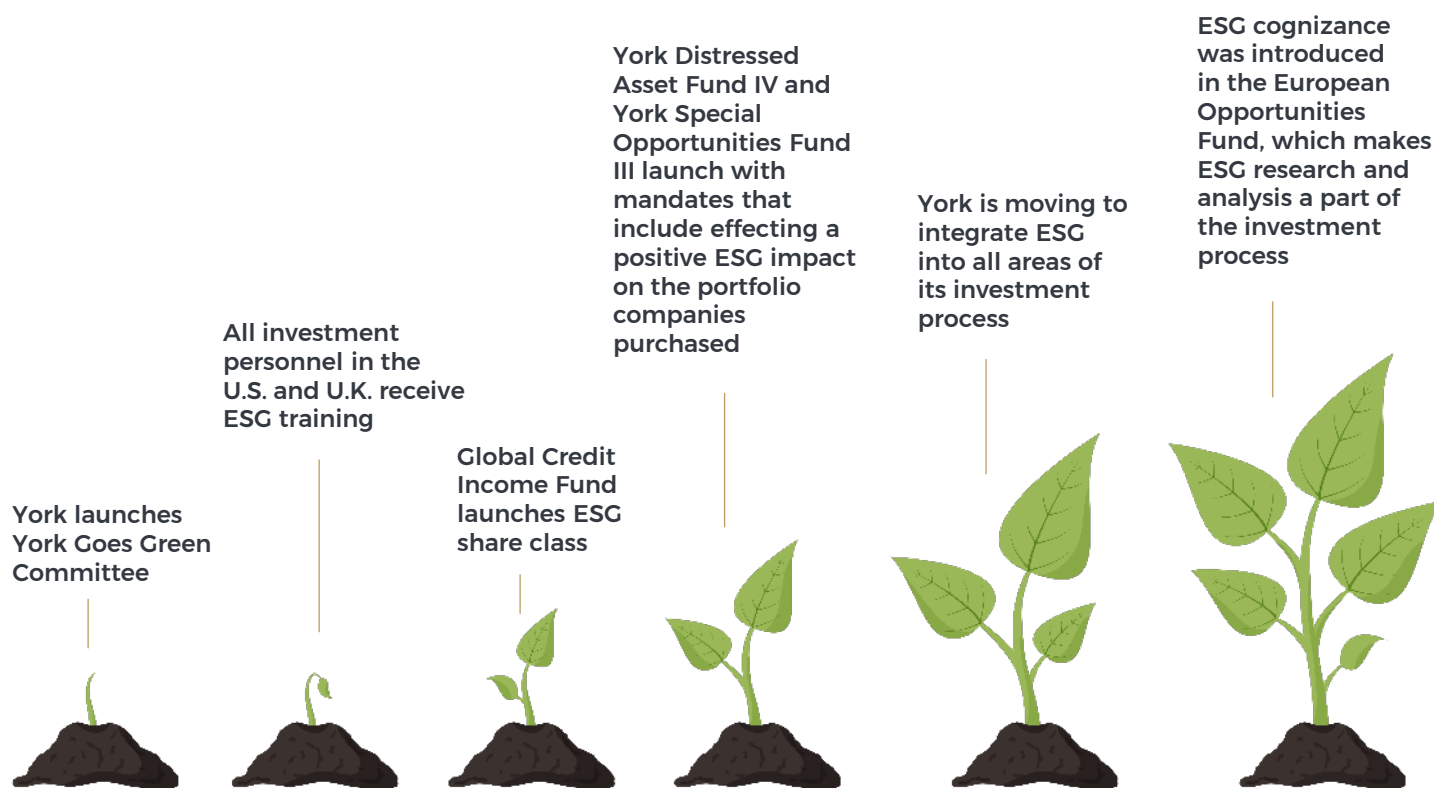


## A Year of Tremendous Progress

Historically, York's social responsibility evaluation was confined to due diligence and informal internal analysis. Still, over the past few years, it has become a larger part of our conversations with investors. The Committee, which was established in 2017, meets quarterly, but also consults on specific portfolio questions or firm-wide issues, as required. With the backing of the Firm's leadership teams, the Committee has made significant progress in building an ESG culture within York in 2019.

The **York Goes Green** Committee initiated several steps to improve our dedication to ESG issues. These measures included sensitivity towards our use of plastics, as well as a renewed effort toward composting and recycling.

We also placed greater emphasis on employee health and wellness, while new steps were taken to improve the diversity in our hiring pools and on boards of directors. For example, the new lighting lowered consumption by approximately 59%.



# York's ESG Committee



## A Growing Team with an Expanding Mandate



**MARK SCHEIN**

ESG Committee Chairman,  
Chief Compliance Officer



**BRIAN TRAFICANTE**

General Counsel



**JEANNE MANISCHEWITZ**

Partner and  
Portfolio Manager



**TRACY HART**

Head of Human  
Resources



**NATHAN ROMANO**

Chief Operating  
Officer



**BRUCE THATCHER**

Client Advisory



**BRANDON MATZ**

Client Advisory

### COMMITTEE RESPONSIBILITIES

- Meet quarterly to establish new ESG policies and programs
- Support the investment teams and provide ESG feedback on the portfolios
- Raise the Firm's awareness of ESG initiatives
- Conduct Firm-wide training
- Monitor industry trends

## Making a Difference in Everything We Do



York is dedicated to making ESG analysis a part of its investment process in the York Distressed Asset Fund IV and the York Special Opportunities Fund III. Where the Firm has direct control of the investment or portfolio company, York will put together a plan to promote positive ESG impact within the investment company.

- Each investment is analyzed for its potential based on two key criteria:
  - 1) Its potential to deliver positive performance and
  - 2) The opportunity to make a positive ESG impact. York's analysts have been trained in ESG and can avail themselves of other consultants or experts for additional ESG analysis, as required
- To accomplish each York investment thesis, an analyst must prepare an ESG plan for each investment, which is reviewed by the Firm's ESG Committee Chairman and shared with any joint venture partners involved in the project
- The ESG Committee Chairman checks in on the project within 150 days after an investment has closed to ensure that progress is being made to fulfill ESG goals

### ESG WITHIN THE YORK FUNDS

- Institutes new ESG programs in York Distressed Asset Fund IV and Private Equity portfolios
- York launches an ESG Share Class in the Global Credit Income Fund
- York European Opportunities Fund becomes ESG Cognizant





# ESG Analysis of Investment Opportunities



## ENVIRONMENTAL

York is striving to consider the following environmental factors, among others, when evaluating positions for the portfolio:

- Energy Management
- Waste Management and Recycling
- Water Management
- Resource Management



## SOCIAL

York is striving to consider the following social factors, among others, when evaluating positions for the portfolio:

- Health and Safety Management
- Employee Diversity
- Human Rights and Fair Labor Practices
- Corporate Social Responsibility





## GOVERNANCE

York is striving to consider the following governance factors, among others, when evaluating positions for the portfolio:

- Risk Management
- Anti-Bribery
- Employee Code of Conduct
- Ethics



Seeks to acquire high-quality, dislocated assets from forced sellers



Seeks to capitalize on undervalued companies with downside protection

## ESG OBJECTIVES

- Transparency and accountability
- Sustainable products and services
- ESG performance



### OPPORTUNITY



- High end real estate development in Italy
- New residential stock and a 190-room luxury hotel

### ESG IMPACT PLANS



- Energy efficiency
  - Installed renewable energy system, including solar panels on roof
  - Added charging stations for electric vehicles
- Required contractors to use renewable construction materials
- Installed a new focus on waste reduction and recycling during construction
- Local employment benefits to community
- Recruited Marriott International for its focus on governance provided to manage the hotel
- Asked local partners to submit progress reports on their ESG efforts

# Florida Home Improvement Associates (FHIA)



## Case Study | YSOF III/Private Equity



### OPPORTUNITY



- FHIA is a leading home improvement direct-to-consumer sales and marketing company, based in Ft. Lauderdale with operations in Florida, Texas, Oklahoma and Arkansas. The company specializes in the sale and installation of windows, doors, roofs and bathroom replacements

### ESG IMPACT PLANS



- The company sells and installs energy efficient windows, which significantly lower energy bills of its clients
- Enhanced corporate governance by adding formal board oversight along with a compliance function
- Established a team that is exploring new ways to use recycled windows
- Streamlined sales and ordering systems, adopting a new paperless process

## Case Study | YDAF IV



Amsterdam

### OPPORTUNITY

- Hotel renovation in a historic building in Amsterdam



### ESG IMPACT PLANS

- Introduced new energy efficiency measures affecting the hotel's operations, focusing on mechanical, electrical and plumbing
- Proactively worked with local authorities to preserve this historic building
- Improved health and safety policies for workers
- Invited a trusted and well-known hotel management brand to provide governance and oversight





## Case Study | YDAF IV



### OPPORTUNITY

- An affordable housing development in Rome, consisting of 98 residential units, including 30 earmarked as attainable housing



### ESG IMPACT PLANS

- Made the units energy efficient by installing a photovoltaic heating system and solar panels
- Lending to local developer
- Capped apartment prices to maintain affordability





## ESG AND THE YEO FUND

- In 2019 the York European Opportunities Fund (YEO) began to use ESG research and ESG ratings as part of its investment process
- Analysts review ESG developments when determining the risks and desirability of owning securities in a company or industry

# York is a Leader in Internal Governance and Responsibility

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York's sense of responsibility begins with its Code of Ethics



York's employees receive frequent creative training via videos, lectures, outside speakers and online programs on subjects like ESG, Compliance, Sensitivity and Investing.



The Firm holds as a top priority complying with U.S. and international laws related to finance, trading, bribery and money laundering



York applies this governance to its funds through an advisory board of independent directors



Some funds utilize an advisory board of limited partners



The Firm has implemented governance committees in areas such as Brokerage, Valuation, Operations, Business Leadership, Risk Management and others



The Firm partners with leading law firms, accountants and auditors to ensure that our strategies and activities are properly vetted

## Inspiring Change from Within



At York, ESG is not just segregation of duty and accountability, it's a philosophy that influences our investment decisions. It's also the responsible thing to do.

Over the past year we introduced several new measures to lower our environmental impact

- Eliminating plastic water bottles, straws and cups
- Using filtered water in reusable pitchers and glass cups for meetings
- Started recycling our shredded paper
- Staff encouraged to bring in reusable personal drinking containers
- Food waste bins were installed in the London office
- Chemical cleaners were eliminated and replaced with plant-based products
- All printers print only black and white and double sided
- Energy-efficient computer screens were installed across the Firm; the older monitors were donated to local charities and schools
- Hired sustainability consultant to conduct an energy efficiency review of our London office
- Approximately a quarter of the lighting in our New York office was upgraded to LEDs, lowering our energy bills by 59%

## Increasing Diversity Within York

York undertook new processes and efforts to increase the diversity of hiring pools and the diversity of potential directors brought on in the future.





## Giving Back to the Community

York Cares champions diverse social causes and hopes to inspire positive change in the communities in which we operate.



Over the past year, York Cares has:

- Donated more than **300** computer monitors to charity
- Raised money for numerous causes, including feeding the homeless
- York employees celebrated Habitat for Humanity Day by spending their time building houses for families in need
- Donated **1,300 boxes** of food to hungry U.S. families
- Donated boxes of items, containing hundreds of items to support hurricane relief programs in the Bahamas

# / The Future is Now for ESG at York



## Promoting Positive Change

At York, we have advanced our ESG efforts considerably in the past year, but more work needs to be done.

We will continue to work with our joint venture partners and portfolio companies to broaden our ESG processes and drive positive impact

The private asset funds such as YDAF and our PE funds will sharpen and enhance their adoption of “impact investing”

Under the direction of York’s leadership and the ESG Committee, we will continue to refine our ESG initiatives internally with our investment teams and employees.

The public securities funds such as YEO and York Asian Opportunities Fund will roll out more process around “ESG Cognizance” which will fortify the investment team’s risk analysis and provide additional touchpoints with which to evaluate a company’s risk-return





## Making Smart Investments for the Right Reasons

### Seeking Opportunities to Become Better Members of the Global Community

Mark is Chief Compliance Officer, Chair of the Firm's Brokerage and Socially Responsible Investment Committees and a member of York's Business Leadership, Risk Management, Valuation, IT, Information Security and Operating Committees.

Prior to joining the Firm in 2005, Mark worked as Director of Broker-Dealer Compliance at U.S. Trust Company, N.A., as the Director of Anti-Money Laundering at Schwab Capital Markets, as a trial counsel in the New York Stock Exchange's Enforcement Division and as an assistant district attorney in Bronx County.

Mark holds a BA in Economics and American Studies from Williams College and a JD from Vanderbilt Law School, where he serves as a board member.



**Mark Schein**

ESG Committee Chairman,  
Chief Compliance Officer

# Contact Information

## **York Capital Management**

767 Fifth Avenue, 17th Floor

New York, NY 10153

Main Phone: +1 (212) 300-1300

Investor Relations: +1 (212) 300-1311

[www.yorkcapital.com](http://www.yorkcapital.com)