PROSPECT SUSTAINABLE INCOME FUND, INC.
RESPONSIBLE INVESTMENT POLICY

As the advisor to Prospect Sustainable Income Fund, Inc. ("the Fund"), Prospect Capital Management L.P. ("Adviser") recognizes that environmental, social, and governance ("ESG") characteristics can have a meaningful impact on the businesses in which we invest, which can consequently influence portfolio performance. Adviser is committed to investing responsibly on behalf of our clients while maintaining Adviser's First Principles. Through this policy, Adviser seeks to provide investors with insight into the Fund's approach to ESG and responsible investing.

ADVISER'S FIRST PRINCIPLES

Adviser's investment decisions for the Fund must comply with Adviser's first principles to the extent reasonable and practicable under the circumstances in each case. When making investment decisions, Adviser seeks to:

- Preserve and protect capital;
- Accept analyzed and controlled risk;
- Require increasing reward for increasing risk;
- Use rational analysis of data to outperform;
- Pursue the larger objective, not the smaller;
- Look for the greater good in all we do; and
- Be guided not by "one size fits all" wooden rules, but by reason, honesty, and integrity in all we do, keeping the best interests of the Fund's investors front of mind.

The company, in applying Adviser's first principles, has generally refrained from seeking to invest in companies that needlessly despoil the environment, pursue unsustainable business models, or fail to adhere to proper governance.

ESG characteristics are not uniformly defined in the marketplace. Investors may differ in their views of what constitutes positive or negative ESG characteristics of a company. As a result, the Fund may invest in companies that do not reflect the beliefs of any particular investor.

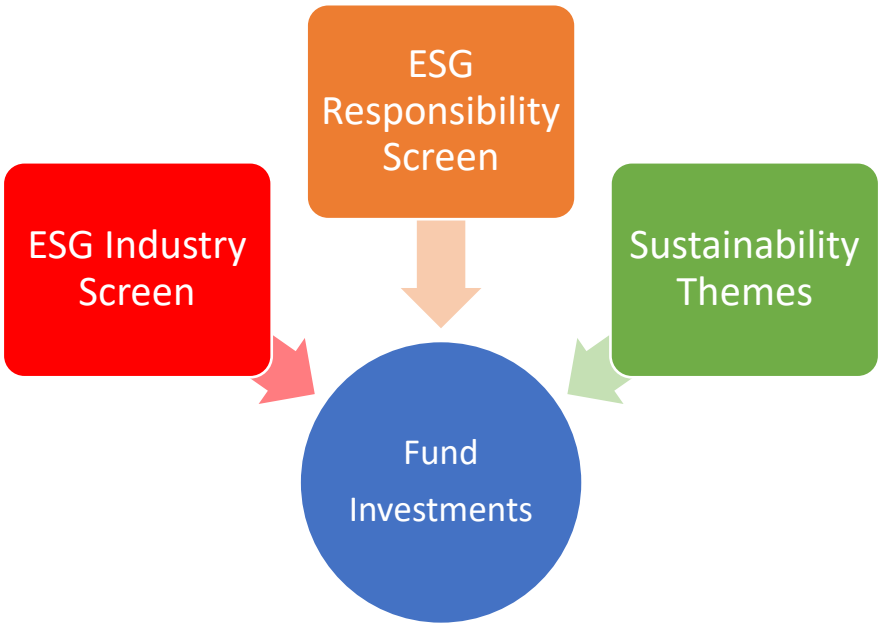
Adviser constructs the Fund's portfolio by analyzing companies' financial and ESG related performance to earn the best reward for risk in a socially responsible way.

A company's business practices, products, or services may change over time. It is possible that companies identified through Adviser's due diligence process will not operate as expected and will not exhibit positive ESG characteristics to the extent Adviser might have anticipated. ESG characteristics, however, are not Adviser's sole considerations when making exit decisions for the Fund. If Adviser identifies an investment that is not exhibiting positive ESG characteristics to the extent Adviser might have anticipated, Adviser will review both financial and ESG characteristics when determining the appropriate time to exit a portfolio position. Because of the illiquid nature of the Fund's investments, it may not be feasible to exist a specific investment in a timely fashion, or at a reasonable price, even if Adviser determines certain ESG characteristics for an investment have become unduly negative over time.

OVERVIEW OF ESG CRITERIA

Adviser believes that corporate responsibility is a hallmark of quality and has the potential to produce positive investment results. As such, Adviser has developed a responsible investment policy designed to allow investors to put their money into investments that follow our first principles and ESG criteria principles of responsible

investing. The Fund seeks investment opportunities in companies that align with our ESG industry screen and are secondarily informed by our ESG responsibility screen. Finally, we look at companies through a sustainability thematic focus. This is a discretionary part of investment selection, as not all companies provide "sustainable solutions."



The Fund utilizes exclusionary criteria to eliminate companies that derive significant revenue from certain products and services that go against the Fund's investment thesis. Adviser utilizes data from a variety of sources, including credit documentation, company reports, and direct communications with management to exclude companies that derive significant revenue from:

- Tobacco, Alcohol, and Gambling
- Nuclear Power
- Fossil Fuels
- Firearms and Munitions
- Military Contracting
- Private Prisons

Subject to the availability of information used to evaluate relevant factors, the Fund assesses each investment across five areas of potential business risks. This assessment further informs the investment decision process and includes the following areas:

- Business Ethics
- Community
- Corporate Governance
- Environment & Climate Impact
- Employment & Labor

The final evaluation of each investment in the Fund includes a review of the company's business operations to identify sustainable themes. Adviser looks for sound operational businesses where sustainability themes are proactively engaged by the investment sponsors and management. The current sustainability themes include:

- Access to Information
- Capacity Building
- Energy & Climate Change
- Food & Nutrition
- Health
- Infrastructure
- Protection of Ecosystems
- Responsible Finance
- Water & Sanitation

The Fund expects to primarily invest in loans and other debt instruments issued by private companies. ESG considerations assessed as part of the credit research process may vary, and not every ESG factor may be identified or evaluated for every investment. Information used to evaluate such factors may not be readily available, complete or accurate, and may vary across providers and issuers as ESG is not a uniformly defined characteristic. The Fund documents available ESG considerations for each potential portfolio company investment, and the investment committee takes the documented conclusions into account when making investment decisions.

A company's business practices, products or services may change over time. It is possible that companies identified through Adviser's consideration of ESG factors will not operate as expected and will not exhibit positive ESG characteristics to the extent Adviser might have anticipated.

ESG INDUSTRY SCREENING CRITERIA

The following discussion provides further detail regarding the Fund's ESG exclusionary criteria.

Tobacco

The Fund does not invest in companies that derive 15% or more of revenues from the manufacture or sale of tobacco products. This includes companies that:

- process and supply tobacco;
- produce cigarettes, cigars, pipe tobacco, and smokeless tobacco products (e.g. snuff and chewing tobacco);
- derive revenues from the retail sale of tobacco products; or
- derive revenues from the sale of goods used in the manufacture of tobacco products, such as cigarette papers and filters.

The Fund may invest in companies that derive revenues from the sale of certain products to the tobacco industry. These items include:

- cigarette packets, boxes, or cartons;
- the paperboard used in the manufacture of cigarette boxes or cartons;
- the cellophane wrap used to enclose cigarette packets or boxes;
- magazine or newspaper space sold for cigarette advertisements; and
- billboard space rented for cigarette advertisements.

In general, the Fund does not exclude such companies from investment, although it may reconsider companies that derive substantial revenues from these activities on a case-by-case basis.

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Alcohol

The Fund does not invest in companies that derive 15% or more of revenues from the manufacture of alcoholic beverages. This primarily excludes distillers of hard liquors, brewers, and vintners.

The Fund does not invest in companies that derive a majority of revenues from the retail sale of alcoholic beverages. This relates primarily to restaurant chains and convenience stores.

The Fund may invest in companies in the following areas:

- agricultural products companies that sell products to the alcohol industry for use in the production of alcoholic beverages (primarily grain alcohol producers);
- companies that sell unprocessed agricultural goods, such as barley or grapes, to producers of alcoholic beverages; or
- companies that produce products to be used in production of alcohol such as: enzymes, catalysts, and fermentation agents.

Gambling

The Fund does not invest in companies that derive 15% or more of revenues from the provision of gaming services. This primarily excludes owners and operators of casinos, riverboat gambling facilities, horse tracks, dog tracks, bingo parlors, or other betting establishments.

The Fund does not invest in companies that derive 15% or more of revenues from the manufacture of gaming equipment or the provision of goods and services to lottery operations

The Fund may invest in companies that:

- provide specialized financial services to casinos; or
- sell goods or services that are clearly nongaming related to casinos or other gaming operations.

Nuclear Power

The Fund does not invest in companies that are majority owners or operators of and derive greater than 15% of revenues from nuclear power plants. This primarily excludes major electric utility companies.

The Fund, however, may invest in companies in the following areas:

- engineering or construction companies that are involved in the construction of a nuclear power plant or provide maintenance services to such plants in operation; or
- electric utility companies that are purchasers and distributors of electricity that may have been generated from nuclear power plants (but are not themselves majority owners/operators of such plants).

Fossil Fuels

The Fund does not invest in companies that derive more than 25% of revenue from:

- manufacturers of hydrochlorofluorocarbons, bromines, or other ozone-depleting chemicals;

- manufacturers of pesticides or chemical fertilizers;
- the mining of thermal coal; or
- oil and gas production.

Firearms/Munitions

The Fund does not invest in companies that produce 15% or more of revenues from firearms such as pistols, revolvers, rifles, shotguns, or sub-machine guns. The Fund will also not invest in companies that produce 15% or more of revenues from small arms ammunition.

The Fund does not invest in companies that derive a majority of revenues from the wholesale or retail distribution of firearms or small arms ammunition.

Likewise, the Fund seeks to avoid companies directly and significantly involved with the production of controversial weapons, including anti-personnel landmines, cluster munitions, and depleted uranium weapons.

Military Contracting

The Fund does not invest in companies that derive 25% or more of revenues from weapons related contracts. Although the Fund may invest in companies that derive less than 25% of revenues from weapons contracts, the Fund generally avoids large military contractors that have weapons-related contracts that total less than 25% of revenues but are, nevertheless, substantial in dollar value and designed exclusively for weapons-related activities. While it is often difficult to obtain precise weapons contracting figures, the Fund will make a good faith effort to do so.

In some cases, it is difficult to clearly distinguish between contracts that are weapons-related and those that are not. The Fund will use its best judgment in making such determinations.

The Fund may invest in companies that:

- have some military business;
- have some contracts with the Department of Defense ("DoD") for goods and services that are not weapons-related; or
- manufacture computers, electric wiring, and semiconductors or that provide telecommunications systems (in the absence of information that these products and services are specifically and exclusively weapons-related).

Private Prisons

The Fund does not invest in companies that derive 15% or more of revenues in the operation of for-profit prisons or the provision of integral services to these types of facilities, given significant social controversy, reputational risks, dependency on Department of Justice policies, and facilities which are not easily reconfigurable for alternate uses.

ESG RESPONSIBILITY SCREENING CRITERIA

The Fund assesses investment ideas across fives areas of potential business risk, which forms the ESG responsibility screen. This screen informs the decision-making process as to whether or not a company is suitable for inclusion in the Fund. To the extent that companies perform poorly in these areas, the ESG

responsibility risk criteria may also act as an additional exclusionary screen in the investment process. The ESG responsibility screens include:

Business Ethics

The Fund attempts to avoid investing in companies that do not promote business ethics which includes a written and established code of conduct, ethical business practices, a strong culture with ethical behaviors, ethical sourcing and supply chain, and minimal lobbying.

Community

The Fund attempts to avoid investing in companies that are not leaders in their community which includes the proper licenses to operate in their industry and geography, have an established giving program, support the employment of local people, offering work placement schemes, and promote community volunteerism.

Corporate Governance

The Fund attempts to avoid investing in companies that do not promote good corporate governance which includes a written and established regulatory compliance program with market best practices and a commitment to the standards of good governance practice and process. Additionally, the Fund seeks companies with a board of directors represented by independent directors that are well-qualified with relevant industry expertise.

Environment & Climate Impact

The Fund attempts to avoid investing in companies that do not address their impact to the environment and climate which may include monitoring GHG emissions, committing to the reduced consumption of natural capital (recycling), responsible water usage and waste disposal, avoidance of controversial chemicals, monitoring and reducing air pollution, and supporting renewable energy such as wind and solar production.

Employment & Labor

The Fund attempts to avoid investing in companies that do not promote fair employment and labor standards which includes promoting equal opportunity and diversity in the workplace, an established and monitored anti-discrimination policy, a strong health & safety record, fair reward structures including living wages, and non-retaliation policies and training with whistle-blower protections.

The five ESG responsibility screen results are considered by the deal teams and investment committee and forms the basis for additional investment diligence as it relates to responsible investment. Negative factors identified in this screen will not necessarily result in passing on an investment and positive factors will not necessarily result in a decision to proceed with the investment. The ESG responsibility screen is one of the many factors taken into consideration during the investment process.

SUSTAINABILITY THEMES

Each investment decision is further evaluated against a set of sustainability themes that are used to identify the social and sustainability utility of each investment. Not every investment will have a sustainability theme; however, sustainability themes can influence the investment decision process when competing opportunities exist. The current list of sustainability themes include:

- **Access to Information** – allows populations who are underserved or who have disabilities with the ability to participate in the free flowing of information through new technologies, commitments to financing, and education.
- **Capacity Building** – commitment to developing new technologies and innovative services through capital investment.
- **Energy & Climate Impact** – proactive programs and investment in energy reduction and climate impact products and services such as electric transportation, recycling, virtual meetings, etc.
- **Food & Nutrition** – provides populations with access to humanely processed proteins and non-chemical vegetation. Also includes education around proper nutrition and providing meals to populations who do not receive adequate nutrition.
- **Health** – services and technology to improve the health of the US population including rehabilitation, pharmaceuticals, mental health, elderly care, etc.
- **Infrastructure** – capital investment in infrastructure resulting improved movement of populations, efficient modes of transportation, and development of impoverished rural areas.
- **Responsible Consumption & Production** – responsible development and consumption that results in the reduced impact to natural resources and responsibly reduces waste generation.
- **Responsible Finance** – provides financing opportunities to populations that have historically not had access to loans and investments. This theme also includes responsible finance by sponsors to invest in middle market companies that support other sustainability themes.
- **Water & Sanitation** – includes active measures to reduce water usage, clean wastewater disposition, and providing sanitation services or technology that results in healthier living environments for populations within the investment's geographies.