PROSPECT FLOATING RATE AND ALTERNATIVE INCOME FUND, INC.
RESPONSIBLE INVESTMENT POLICY

As the advisor to Prospect Floating Rate and Alternative 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. Through this policy, Adviser seeks to provide investors with insight into the Fund's approach to ESG and responsible investing.

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 are screened for ESG responsible investing.

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

The Fund expects to primarily invest in loans and other debt instruments issued by private companies. As a result, information about how such companies generate revenue may not always be readily available or complete. The Fund's portfolio management team will use their best efforts and judgement to obtain and interpret available information.

A company's business practices, products or services may change over time. It is possible that companies identified through Adviser's use of ESG screens will not operate as expected and will not meet ESG industry screening criteria to the extent Adviser might have anticipated.

ESG INDUSTRY SCREENING CRITERIA

The following discussion provides further detail regarding the Fund's ESG industry screening 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.

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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.

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.

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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 15% 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 15% or more of revenues from weapons related contracts. Although the Fund may invest in companies that derive less than 15% of revenues from weapons contracts, the Fund generally avoids large military contractors that have weapons-related contracts that total less than 15% 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.

EXIT

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 meet ESG industry screening criteria to the extent Adviser might have anticipated. If Adviser identifies an investment that is not meeting ESG industry screening criteria to the extent Adviser might have anticipated, we intend to exit the portfolio position. The Adviser will review both financial and ESG industry screening criteria when determining the appropriate time to exit a portfolio position. Because of the illiquid nature of the Fund's investments and so that an exit does not unduly financially harm the Fund, it may not be feasible to exit a specific investment in a timely fashion, or at a reasonable price, even if Adviser determines an investment no longer meets the ESG industry screening criteria.