



## Los Angeles Capital Stewardship Policy Statement

Los Angeles Capital Management LLC's ("Los Angeles Capital" or the "Firm") investment philosophy is rooted in the belief that markets are dynamic and investor preferences for stock characteristics continuously evolve. Today, market participants are increasingly looking beyond traditional financial metrics and paying attention to sustainability characteristics that the Firm believes are important in creating long-term value for our investors.

The Firm defines Stewardship as the responsible allocation, management and oversight of capital to create long-term value for investors. The Firm's stewardship efforts support the integration of ESG into the Firm's stock selection process through short, medium and long-term factors to provide a diversified and balanced assessment of an issuer's expected return through the lens of sustainability as part of a multifactor framework. These efforts are reflected through the Firm's Quantitative Modeling, Custom Solutions and Active Ownership practices described below.

### **Quantitative Modeling:**

The Firm's proprietary investment model technology (the "Model") incorporates a variety of ESG metrics to enhance return and reduce risk in client portfolios. The Firm believes that companies who are good stewards of their human and natural capital generally will outperform over the long-term and the Firm incorporates a variety of ESG criteria to assess investment opportunities including an explicit ESG factor.

The Firm also has a dedicated ESG Model that seeks to assess long-term value creation through the lens of sustainability utilizing a multi-factor approach. The ESG Model assesses companies' management of material environmental, social and governance issues unique to each sub-industry and seeks to identify sustainability leaders across various dimensions of ESG. As requested by clients, this ESG Model is incorporated in the portfolio construction process.

Increasingly investors are assessing companies based on the management of their human and natural capital. This includes both the negative and positive impacts of their management practices, products and services on their stakeholders, the environment or society as a whole. We believe that applying a materiality-based framework, which assigns appropriate factors and weights to different industries, is critical to linking sustainability-outcomes to long-term returns.

### **Custom Solutions:**

While ESG criteria is integrated in client portfolios through factors within the Firm's quantitative stock selection Model, the Firm also provides customized ESG solutions for investors seeking a more targeted responsible investment approach. Upon client request, the Firm builds bespoke portfolio solutions to help clients achieve their unique objectives related to ESG, which may include goals focused on sustainability outcomes and the creation of real-world positive impacts to the environment or society as a whole. The Firm is able to align portfolios with certain Sustainable Development Goals, ensure adherence with the UN Guiding Principles on Business and Human Rights, and develop customized, de-carbonization strategies to help clients achieve their Paris-aligned objectives.

### Active Ownership:

The Firm's active ownership efforts focus on disclosure and transparency that can benefit the quantitative modeling process and portfolio returns. As a quantitative manager, data is at the heart of the Firm's investment process, which captures investor preferences as they evolve through time. With the industry's increased focus on sustainability, the need for accurate and comparable data on these issues is required to appropriately capture evolving themes. As such, the Firm has adopted a multi-dimensional approach to active ownership that emphasizes the Firm's support of a consistent and transparent framework for the disclosure of material financial information related to sustainability.

The Firm seeks to promote long-term value creation and stewardship from three primary vantage points of active ownership:

- Proxy voting,
- Collaborative engagement, and
- Global Investor Initiatives

Additionally, various members of the Firm engage with industry peers to advance the discussion around active ownership practices. Through these engagements, the Firm, as an organization, is developing a more robust and holistic view of opportunities to improve corporate disclosure practices that allow the Firm to better manage investment risks and opportunities.

### Proxy Voting:

The Firm votes proxies as directed by its clients. Clients may direct the Firm to use its standard, ESG and/or Climate Proxy Guidelines for their account, among others. The Firm is also able to facilitate certain custom proxy voting guidelines upon request. Glass Lewis serves as the Firm's third-party voting administrator and assists with various proxy functions.

The Firm's standard guidelines call for evaluation of shareholder initiatives regarding ESG issues with environmental and social issues considered in the context of the financial materiality to a company's operations. Members of the Firm's Proxy Committee review the Firm's proxy voting policy and guidelines and assess voting decisions for top holdings including those surrounding ESG issues. Committee members also review selected issuer comments on proposals to ensure that voting is in line with the account's proxy guidelines. Members of the Firm's Responsible Investment Solutions Group ("RISG") review the voting decisions of companies impacted by the Firm's engagement activities. This review aims to identify inconsistencies between proxy voting and the Firm's engagement efforts.

### Collaborative Engagement:

Los Angeles Capital believes that greater uniformity and transparency in corporate disclosure practices will provide material, decision-useful financial information, essential to making high quality investment decisions. This includes financially material information related to climate change in line with the recommendations of the Task Force on Climate-related Financial Disclosures. As a result, the Firm has signed on to Climate Action 100+ to assist in efforts to strengthen climate-related financial disclosure helping to enhance the investment decision making process as it relates to climate related risks and opportunities. The Firm is also a participant in the CDP's Non-Disclosure Campaign to support improved disclosure on climate, forests and water where material.

Given the Firm's broad opportunity set, the Firm has developed a quantitative assessment to identify engagement opportunities that evaluate companies based on ESG or climate-specific criteria derived from the Firm's ESG Model, proprietary modeling of carbon intensity laggards within core sectors, and future climate risk considerations. This stewardship tool leverages the Firm's data-visualization software to understand ESG and climate related-risks and is utilized by members of the RISG. The Firm works collaboratively with other investors committed to reducing and disclosing climate risks, while simultaneously embracing the opportunities presented by climate change. Members of the RISG participate in and track the progress of the Firm's collaborative engagement initiatives.

#### **Global Investor Initiatives:**

In addition to participating in Climate Action 100+, Los Angeles Capital has been a signatory of the Principles for Responsible Investment (PRI) since 2015 and publicly supported the Task Force for Climate-related Financial Disclosures (TCFD) in 2019. The Firm also became a signatory to the CDP in 2021. The Firm is a member of the Sustainability Accounting Standards Board (SASB) Alliance and incorporates the SASB framework in the Firm's proprietary ESG Model highlighting the Firm's support for the disclosure of relevant ESG criteria in accordance with the SASB framework.

In addition to the participation in the global investor initiatives above, the Firm collaborates with data providers and policy makers to support the incorporation of ESG criteria in corporate disclosure and investment decision-making, which the Firm believes enhances our quantitative modeling and investment analysis.

#### **Governance and Oversight:**

The Firm's Proxy Committee and Responsible Investing Solutions Group have responsibility for proxy and engagement/investor initiatives respectively. Stewardship efforts are communicated across the organization via educational sessions and the Firm's intranet where specific engagement objectives and activities are posted.