



Responsible Investing 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 many investors are paying increased attention to metrics related to Environmental, Social and Governance "ESG" issues. The Firm's forward-looking investment process is designed to be adaptive through time and to capture insights into how new financial metrics related to ESG and sustainability influence a stock's expected return.

The Firm incorporates environmental, social and governance factors in its investment process to enhance returns, reduce risk and meet client objectives. The Firm believes that ESG is both a return and a risk factor and that consideration of ESG criteria within a multi-factor framework in the stock selection process enhances a portfolio's risk and return profile. Los Angeles Capital also believes that companies with improving governance characteristics will outperform over time, and that the management of a company's human capital and natural resources plays an important role in creating long-term value for shareholders.

The Firm incorporates sustainability criteria as part of its fiduciary responsibility to consider material risks. Consideration of such risks support the Firm's core investment philosophy to build adaptive, forward-looking portfolios. In addition to integrating ESG criteria into client portfolios through factors within the Firm's proprietary investment model technology (the "Model"), the Firm also provides customized ESG solutions for investors seeking a more targeted responsible investment approach. Accordingly, the Firm takes a comprehensive approach to responsible investing through the Firm's innovative factor modeling, custom ESG solutions, risk management considerations, and stewardship as described below.

Comprehensive Approach to Responsible Investing

1. Innovative Factor Modeling

The Firm's quantitative Model incorporates a variety of ESG metrics to enhance returns and reduce unwanted risk. This includes: (i) longer term metrics related to Governance/Management Quality; (ii) a dedicated, multi-factor ESG Model which is used to assess future management success specifically through the lens of sustainability; (iii) valuation adjustments for ESG news events; (iv) dynamic peer group assessments that utilize machine learning techniques to capture ESG themes and other linkages across companies; (v) analysis of a company's fundamental momentum; (vi) an explicit ESG factor that captures the sentiment associated with ESG; and (vii) a Climate Opportunities factor that identifies companies best positioned for a low carbon economy.

2. Proprietary ESG Model

The Firm's proprietary, multi-factor ESG Model incorporates the Sustainability Accounting Standards Board's ("SASB") framework to emphasize the financially material key issues most relevant within each sub-industry, and therefore more likely to impact the company's financial performance or condition over the long term. This ESG Model integrates raw emissions data and proprietary modeling of carbon intensity, emphasizing the focus on long-term sustainability. The ESG Model is integrated into the Firm's quantitative Dynamic Alpha Model and therefore is a consideration for stock selection across all active portfolios. The ESG Model can also be elevated to the objective during the portfolio construction process upon client request.

3. Custom ESG Solutions

Upon client request, the Firm builds bespoke portfolio solutions to help clients achieve their unique ESG objectives.

- **Sustainability-focused Objective:** The Firm's ESG Model can be an explicit input to the portfolio construction process in order to identify high quality companies with attractive risk, return, and sustainability characteristics. This approach emphasizes the long-term value creation prospects for a company through the lens of sustainability and results in an improved ESG profile while harnessing the benefits of the Firm's adaptive alpha generation strategy.
- **Climate Considerations:** To meet the needs of a client's carbon budget or de-carbonization objective, Low Carbon optimization techniques are applied to achieve specific carbon emission levels or reduction targets. The Firm is able to provide carbon footprint reporting and scenario testing for various warming scenarios, and is able to implement considerations for forward-looking climate-related risks and opportunities.
- **Exclusionary Screening:** In addition to legally required exclusions that are identified on sanctions lists published by certain regulatory authorities, the Firm is able to employ bespoke screening based on a client's values or beliefs (weapons, alcohol, tobacco, religious, ethical, environmental, other values-based considerations etc.), or on minimum standards of business practices based on international norms. The firm can also establish constraints to satisfying minimum ESG criteria. The Firm works closely with clients to understand the impact of restrictions on portfolio risk and performance. The Firm also has tools in place to help monitor compliance with the client's investment policy.
- **Custom Benchmarks:** The Firm manages mandates against custom benchmarks upon client direction. This may include the omission of certain securities or industries, or the utilization of third party benchmarks with a low carbon or ESG orientation. The Firm's proprietary portfolio system integrates well with data feeds from third party vendors.
- **Impact:** The Firm is able to employ outcome-focused solutions for client portfolios that allocate capital to securities whose products, services or business operations create a positive impact for 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 help clients achieve their Paris-aligned investment portfolios by employing customized de-carbonization strategies and investment in climate opportunities. The Firm works closely with clients to understand their specific objectives as they relate to particular issues such as climate or diversity and is able to provide customized impact-focused reporting upon client request.

4. Risk Management

Los Angeles Capital believes that ESG and climate considerations are important aspects of a comprehensive risk management approach. Upon request, the Firm is able to systematically incorporate considerations for forward-looking transition and physical risks associated with climate change in client portfolios. The Firm evaluates how ESG and climate criteria may help to improve the management of both short-term and long-term portfolio risks. ESG controversies are monitored on a pre-trade basis and are incorporated into factors that are part of the Firm's systematic investment process. The Firm has developed in-house ESG and Carbon Footprint reporting suites to monitor investment risks through the lens of ESG and climate. Additionally, the Firm scenario tests portfolios for both transition and physical risks, as well as the opportunities associated with climate change.

The Firm's Sustainability and Climate Risk policy statement addresses how sustainability risks and principal adverse impacts are considered in the Firm's investment and risk monitoring process and outlines the Firm's measurement framework for assessing ESG and climate-related risk for its investment portfolios.

5. Stewardship

Investors are increasingly paying attention to sustainability characteristics, which the Firm believes are important in order to identify long-term value creation opportunities for our investment portfolios. The Firm's stewardship

efforts support the integration of ESG into the Firm's factor-based investment process through short, medium and long-term factors providing a diversified and balanced assessment of sustainability. The Firm's Stewardship Policy Statement reflects the Firm's approach to stewardship through its quantitative modeling, custom solutions and active ownership practices including proxy voting, collaborate engagement and global investor initiatives.

Governance and Oversight

Los Angeles Capital takes a holistic approach to responsible investing efforts in order to integrate ESG in the investment process. As such, the firm has established a Responsible Investment Solutions Group ("RISG") to manage responsible investment activities within the organization. The Group's objective is to develop, oversee and promote ESG integration, keep abreast of the political and economic landscape with regard to ESG, and to educate both internal staff and other investors on the subject. The RISG reports to the Board who believes the consideration of key ESG and climate-related factors are integral to the Firm's core business strategy given both the fiduciary responsibility to consider material risks and given the Firm's core investment philosophy to build adaptive and forward-looking portfolios that capture shifting investor preferences. The Board oversees engagement and policy activities, which support the incorporation of ESG criteria in investment analysis and the disclosure of material ESG and climate-specific risks in corporate reporting.

The RISG consists of members across the Firm's Portfolio Management, Research, Legal and Relationship Management teams and is chaired by the Director of Portfolio Strategy and Responsible Investing, who is also a Senior Portfolio Manager and member of the Investment Committee. Additionally, senior research team members, including the Co-Director of Research, are members of the RISG highlighting the Firm's integrated ESG approach. The Firm's Investment Committee approves all enhancements to the Firm's quantitative Model and ESG projects are managed by the Research Directors, Director of Portfolio Strategy and Responsible Investing, and the Chief Investment Officer with guidance from Portfolio Managers and the RISG. In addition to the Research team members focused on ESG and who serve as members of the RISG, additional Research team members are assigned to specific ESG projects based on the required skillsets for the project. The RISG Research team members meet frequently to collaborate on ideas and ensure that the Firm is making progress on the dedicated ESG Research goals.

The broad representation from different functional areas of the Firm brings diverse perspectives and fosters the robust integration of ESG in the investment process. Additionally, the Firm's Chairman, CEO, and CIO are part of the Portfolio Management team and are actively involved in ESG issues and discussion both internally and externally. The RISG team generally meets monthly to review and continue the development of various aspects of the Firm's responsible investing initiatives.

Reporting and Transparency

The Firm has incorporated robust ESG and climate-related data sets into client reporting tools and portfolio analytics systems. This integration enables the Firm to provide visibility into a portfolio's ESG profile, carbon footprint, climate-risk exposure and climate opportunities for both internal and external purposes.

For clients, the Firm provides exposure and attribution reporting that incorporates an explicit ESG factor as defined by the Firm's quantitative Model. The Firm is also able to provide robust ESG and Carbon Footprint Reporting as well as Climate Scenario Testing.

ESG Reporting Suite - Sample Metrics Include:

- Weighted average ESG score
- Breakdown of the ESG pillar scores through time
- ESG leaders and laggards exposure
- ESG momentum

Carbon Footprint Reporting Suite - Sample Metrics Include:

- Carbon Footprint based on both a total ownership perspective
- Weighted Average carbon intensity
- Carbon Intensity Attribution – by Sector and Security Level

Climate Reporting:

- Scenario testing that analyzes outcomes under various warming scenarios for climate-related physical and transition risks in addition to climate opportunities.
- Climate Opportunities exposure using the Firm's proprietary factor.
- Via third party tools, the Firm is able to report on green and brown revenue exposure.

The Firm works closely with clients to develop a bespoke ESG reporting package that meets their requirements.