



Responsible Investing Policy Statement

Los Angeles Capital's investment philosophy is rooted in the belief that markets are dynamic and Investor Preferences for stock characteristics evolve continuously. The Firm's investment technology is adaptive and well-suited to capture insights into how non-traditional financial metrics, related to ESG, influence a stock's expected return. The Firm believes that incorporating ESG data into a multi-factor framework has the potential to improve forward-looking expected risks and returns over short, medium and long time horizons. Los Angeles Capital 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. While ESG criteria is incorporated in the Firm's quantitative stock selection Model across all client portfolios; the Firm also provides customized ESG solutions for investors seeking a more targeted Responsible Investment approach. Through the Firm's quantitative Model, bespoke portfolio construction techniques, and risk management considerations the Firm takes a comprehensive approach to Responsible Investing.

Comprehensive Approach to Responsible Investing

1. Innovative Factor Work

The Firm's Dynamic Alpha Model incorporates a variety of ESG metrics including Governance/Management Quality measures, valuation adjustments for ESG news events, and dynamic peer group assessments utilizing machine learning techniques to capture ESG themes, and other linkages across companies. Select ESG criteria is integrated in the investment process for all clients and exploring additional ESG metrics remains a priority of the Firm's research agenda.

The Firm has also developed a proprietary ESG signal utilizing the Sustainability Accounting Standards Board's ("SASB") framework to emphasize the financially *Material* key issues most relevant within each sub-industry, and therefore most likely to impact the company's financial performance or condition over the long term.

2. Portfolio Construction

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

- **Integrated ESG: A Dual Investment Objective:** When building targeted ESG portfolios, the Firm optimizes to simultaneously maximize expected return and ESG, while minimizing risk and transaction costs. The Firm has developed a proprietary ESG signal that is considered directly alongside the Firm's alpha Model when selecting securities, resulting in an improved ESG profile for the portfolio.
- **Climate Considerations:** To meet the needs of clients' carbon budget the Firm incorporates a Low Carbon optimization approach whereby constraints are used to ensure a specific carbon emissions level or reduction target. The Firm provides carbon footprint reporting and scenario testing for various warming scenarios, and is able to implement considerations for forward looking climate-related risks.

- **Exclusionary Screening:** The Firm incorporates exclusionary screens for investors who wish to restrict specific securities for religious, ethical, environmental or other values based considerations. The Firm works closely with clients to understand the impact of restrictions on portfolio risk and performance and has systems in place to ensure compliance with the client’s investment policy.
- **Custom Benchmarks:** The Firm manages 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 offers seamless integration with data feeds from third party vendors.

3. Risk Management

Los Angeles Capital believes that ESG and climate considerations are important aspects of a comprehensive risk management approach. The Firm evaluates how ESG criteria may help to better manage both short-term and long-term portfolio risks and has developed an in-house Carbon Footprint report. Additionally, the Firm works with a third party vendor to scenario test portfolios for both Transition and Physical risks, as well as the opportunities associated with climate change.

4. Proxy Voting and Active Ownership

Los Angeles Capital’s third party provider is highly experienced in implementing ESG and other custom proxy voting guidelines upon request. The institutional guidelines adopted by the Firm 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 members of the investment team review third party voting decisions for top holdings and are exploring opportunities for proxy voting customization. The Firm does not currently engage with companies, but has developed a quantitative assessment to identify potential engagement opportunities, and generally supports the disclosure of relevant ESG criteria in accordance with the SASB framework.

Governance, Accountability and Transparency

The Responsible Investing Solutions Group (“RISG”) consists of members across the Firm’s Portfolio Management, Research, Legal and Relationship Management (US and UK) teams. The Group is responsible for oversight of the Responsible Investing efforts firm wide and works closely with the Chief Investment Officer and Investment Committee on research and implementation considerations. Los Angeles Capital is a signatory of the United Nations supported Principles for Responsible Investment (PRI) and participates in various global forums to further the collective dialogue surrounding Responsible Investing.

Los Angeles Capital aims to deliver detailed and transparent portfolio analysis to provide clients with a clear understanding of the drivers of portfolio risk and return, including those associated with ESG. For additional information regarding Los Angeles Capital’s approach to Responsible Investing, please refer to the Firm’s PRI Transparency Report which can be found on the Responsible Investing tab of the Firm’s website.