Integration of Environmental, Social and Governance Factors into the Investment Decision Making Process for the York University Pension Fund

York University Pension Fund Sustainable Investing Principle

“Integration of environmental, social, and governance (ESG) factors in the investment selection and evaluation process is consistent with the expectation that the Fund shall provide sustainable investment performance over the long term. The Fund will continue to monitor sustainable investing practices and evaluate whether an allocation or specific criteria are worthy of inclusion, considering potential return enhancement, cost, resource requirements and other relevant factors”.

ESG factors encompass a broad range of issues in addition to traditional financial and risk analysis. ESG factors are applied within the Investment Manager portfolios, and the particular factors and risks assessed differ depending on the Mandate. The determination and evaluation of relevant ESG factors is delegated to the Fund’s Managers, to be used in the risk assessment and investment decision making process as deemed appropriate, considering their particular Manager Mandate.

This document is a compilation of information received directly from the Investment Managers that describes each Manager’s approach to the integration of ESG factors. Additional, more detailed information for some managers may be available to Plan Members on a confidential basis. For additional information, please contact Leona Fields, Director, Pension Fund at fieldsl@yorku.ca.

July 2016
BlackRock

How ESG Factors are Incorporated within the BGF Fixed Income Global Opportunities Fund

Our processes include factors that may affect the economic performance of companies over time. However, BlackRock does not expect ESG to be the sole consideration for making investment decisions, and assesses a variety of factors to build and monitor a portfolio of appropriate investments for clients. Please find below an outline of our approach to the integration of ESG factors into the investment process.

Generally, BlackRock fixed income teams consider material ESG factors as they relate to an issuer’s creditworthiness. More specifically, BlackRock’s investment grade credit research team includes ESG information alongside credit ratings and internal research opinions in regular research communications to active fixed income portfolio managers. With regard to sovereign debt, political uncertainty is the social factor perhaps most considered as part of the investment process. Where applicable, we consider any factor that in our judgment will affect the creditworthiness of companies over time, which includes the financial impact of non-financial factors. These may include board leadership, management quality, and mitigation of risks (e.g., physical risks, reputational risk, regulatory risk and legal risks). These risks may come from climate change, social trends, consumer behavior, or government intervention. In fixed income, the emphasis is on the protection of downside risk.

In addition, in line with the UN Convention on Cluster Munitions which prohibits the use, production, acquisition or transfer of cluster munitions, BlackRock arranges for the screening of companies globally for their corporate involvement in anti-personnel mines, cluster munitions and depleted uranium ammunition and armour. Where such corporate involvement has been verified, the policy for our Luxembourg domiciled UCITS funds is not to permit investment directly in securities issued by such companies.

As a fiduciary investor, BlackRock has a duty to protect and enhance the value of our clients’ assets. The BlackRock Investment Stewardship team helps do that through engagement with portfolio managers and companies on the value impacts of material ESG factors.
We believe environmental, social, and governance (“ESG”) awareness is central to a well-run business. As long-term investors, we are motivated to ensure the long-term sustainability of our businesses. We conduct our operations with honesty and integrity, balance economic goals with sustainability, and strive to operate under the following principles:

**ENVIRONMENTAL STEWARDSHIP**
- We identify ways in which we can minimize the environmental impact of our operations, utilizing in-house experts and specialist consultants as necessary.

**EMPLOYEE WELL-BEING & LABOR RELATIONS**
- We strive to meet or exceed all applicable labor laws and standards in jurisdictions in which we operate, which includes respecting human rights, offering competitive wages, providing safe work environments, and implementing non-discriminatory hiring practices that are fully inclusive.
- Our goal is to have zero serious safety incidents within all portfolio companies by following a robust set of health and safety practices that are applied across the global infrastructure platform.

**GOVERNANCE, ETHICS & FAIRNESS**
- We operate with high ethical standards by conducting our business activities with honesty and integrity and in compliance with applicable legal and regulatory requirements, governed by our Code of Business Conduct and Ethics.

**STAKEHOLDER ENGAGEMENT**
- We engage with stakeholders that may be affected by our actions to ensure that their interests are appropriately integrated into our decisions.

**TRANSPARENCY**
- We strive to be accessible to our investors and responsive to requests for information. Our goal is to be timely in our communications.

**CORPORATE CITIZENSHIP**
- We empower our employees to participate and use our resources to give back to the communities in which we operate.

*These ESG Principles are being provided as a high level overview of Brookfield Infrastructure’s current ESG principles and are subject to change.*
Fengate Capital Management Ltd. invests funds it manages in infrastructure projects and businesses. It evaluates investments in all infrastructure sectors including social infrastructure, energy, transport and utilities. Environmental, Social and Governance (“ESG”) factors form an integral part of Fengate’s investment process. ESG factors are integrated into every phase of the investment lifecycle – from investment due diligence through ongoing management to exit. As infrastructure assets are typically long term investments they present long term risks so Fengate’s investment appraisal and management systems must be designed to evaluate these risks.

Imbedded in Fengate’s investment approach is a belief that a careful consideration of ESG issues can assist in identifying investment opportunities, protect investment returns and add value to operational governance.

To put some substance to the principals articulated above, due diligence needed to invest in infrastructure assets requires environmental assessments which take into account the long term considerations such as climate change and demographic projections. Similarly, community and other stakeholder concerns about a project have to be both addressed and anticipated. Appropriate governance systems and protections must be designed when creating a project structure that will ensure that investments are not in projects that violate human rights, run afoul of local law, damage the environment or have unfair labour practices.

To assist Fengate in achieving these ESG risk assessment and evaluation goals, Fengate undergoes a comprehensive due diligence process that involves seeking verifiable satisfactory answers to many very specific questions such as:

1. Does the project entity have processes in place to comply with health and safety regulations?
2. How does the project entity deal with conflicts of interest?
3. What processes does the project entity have in place to mitigate environmental impacts of the investment?
July 8, 2016

An Investment Perspective on Understanding ESG Risk Factors

In the institutional investment market, we have witnessed a growing trend by clients to request our views on considering environmental, social and governance related factors in our security analysis. These risk factors are a few of the many risk factors in which we will consider when making an investment. In our view, we will evaluate ESG factors as follows:

1. **Environmental** factors include climate change, carbon practices, water scarcity, habitat protection and site rehabilitation;

2. **Social** factors include human rights, employment and pay equity, health and safety standards, fair wages, child and forced labour, and employee relations;

3. **Governance** factors include voting practices and share structures, executive compensation, disclosure practices, anti-corruption measures, board accountability and independence.

ESG factors have been integrated into FGP’s Investment Grade Rating checklist for a number of years. We have recently introduced an ESG Checklist for all fixed income and equity securities evaluated by FGP analysts. This checklist reports on the company’s disclosures relating to carbon emission, water and energy usage. Attached is a sample copy of this checklist for Teck Resources Ltd. This checklist will be incorporated in to all of our research reports.

FGP Portfolio Managers and Analysts are strongly encouraged to engage the management of the companies in which our funds invest including addressing climate change policies within their risk management considerations.

At FGP we recognize the importance of understanding all risk factors inherent in the companies we own. These risk factors include Environmental, Social and Governance related issues. We believe that a clear understanding of these risk factors helps ensure that our investments will be sustainable for the long-term. We incorporate these considerations as one component of our comprehensive and proprietary Investment Grade Rating (IGR) that we prepare when considering a security for purchase in our portfolio and for the purposes of sizing our portfolio holdings. We believe that ESG factors can have an impact on the profitability of a company and therefore an effect on the valuation of the asset.

If ESG factors are seen as decreasing the quality of the investment, we may give the security a reduced investment grade quality rating and therefore a lower weighting in the portfolio as a risk mitigation measure. If ESG risks were extreme, they could lower a stock to a rating below minimum investment grade which would make it ineligible for investment.
As you may know, we have subscribed to Sustainalytics Inc. since October of 2012 to enhance our coverage of these risk factors. Our subscription service provides ESG research on Canadian equities from an independent, ESG-focused research specialist.
First Reserve

Summary of Responsible Investing Policy

First Reserve supports the goals of responsible investment on behalf of our investors, and the integration of environmental, social and governance (“ESG”) issues into our investment decision-making practices and maintains a Responsible Investing Policy to that end. Consistent with our fiduciary duties, First Reserve manages its funds with the primary obligation to maximize the value of their holdings for the benefit of our investors. In carrying out this duty, First Reserve understands that a broad range of factors may be relevant in assessing whether particular investments may be additive or detrimental to this objective. These non-financial, ESG considerations are taken into account to the extent they affect an investment’s risk and return profile. This approach emanates from First Reserve’s core values and the express goals of its investors. First Reserve evaluates ESG issues when evaluating investment opportunities during due diligence (including evaluating the ethical, social and environmental integrity of an acquisition target) and, where applicable, incorporates ESG initiatives into post-acquisition monitoring.
For public information on GAM’s Corporate Responsibility and Sustainable Investing Guidelines, please follow this link:

For public information on our ESG policy, please see the Corporate Responsibility section on our website:

The Greystone Real Estate Strategy aspires to integrate best-in-class sustainability practices in all our real estate investment and portfolio management processes, including acquisitions, developments, capital planning and ongoing operations. We believe that our Sustainability Policy is fully aligned with our culture that focuses on risk management, disciplined processes, sustainable returns and being relevant to our key stakeholders – our clients and the tenants in our properties.

Sustainability includes how we consider environmental and social impacts and performance in decision-making and how we govern and manage ourselves to fulfill our commitments.

Greystone’s full Sustainability Policy as well as the Annual Investment Review including a section on Sustainability can be made available to York University Pension Plan members upon request, with the understanding that the information is confidential and cannot be shared with other parties.
How are ESG (environment, social, corporate governance) factors incorporated into the firm's investment process?

Gryphon International does not explicitly integrate ESG factors into the investment process; however, any matter, ESG, or otherwise, considered to be potentially material is evaluated, both with respect to initial and ongoing investment considerations, and the voting of proxies for investment holdings. As applicable. Gryphon International endeavors to invest in companies which exhibit strong corporate governance and management sustainability over time.

Environmental issues are understood to concern companies’ relationship to the natural environment they operate within, and their efforts with respect to such matters as renewable/sustainable resources, energy conservation, as well as product life, impact and biodegradability. Social issues are considered to relate to companies' responsibility to their employees, and local operating environment as well as their contribution to society generally (both local and international); social issues concern such matters as diversity, equality, health and safety, demographics, and politics. Governance matters are understood to be any issue affecting the corporate governance of a company. Governance relates to individual companies’ structure and processes e.g. regarding strategy, operations, financial activity, and organizational structure. Governance also relates to the macro environment locally, regionally, nationally and internationally, and the inter-relationship of internal and external factors concerning corporate governance. Good corporate governance is expected to be transparent and add value for shareholders, taking into consideration views of employees, customers, and minority investors wherever possible and appropriate.

Gryphon International considers corporate governance and management quality to be of vital importance when considering securities for potential investment. These and other factors provide the basis of our investment criteria and we routinely meet with the management of the companies in which we are invested in effort to ensure stated goals are being met.

What is the source of the investment team's data on ESG factors? We do not use a single source or specific ESG source for data which the investment team uses to review ESG factors. Data sources referenced will vary on a case-by-case basis and may include a wide variety of inputs.
Are there certain business sectors, corporate activities, or countries/regions that are excluded by the investment team during security analysis?

No; although corporate governance quality and other pre-requisites like the openness of a country to investment may in practice debar frontier markets and many emerging markets, and necessary growth parameters mean investments in the Utilities sector are not likely.

Who is the best contact person for any additional questions?

Nicholas Spiers, Chief Compliance Officer.
Responsible Investment Policy
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1. Introduction

iCON Infrastructure LLP ("iCON") recognises the importance of integrating considerations of environmental, social and governance factors into our decision making process and the ongoing management of our assets. We believe that incorporating relevant ESG issues into our investment analysis as well as our policies and procedures makes sense both for financial and social reasons. By doing so we are better equipped to manage our clients’ assets so that they deliver long term sustainable performance within a framework of corporate responsibility.

In line with our ESG commitment we have decided to become a signatory of the United Nations Principles of Responsible Investment (UNPRI). As a signatory we report on our progress towards becoming a more responsible investor and benefit from benchmarking ourselves against other organisations as well as learning from best practice.

This policy outlines our approach to responsible investment and how we incorporate this commitment into our day-to-day investment processes as well as in our ongoing asset management strategy. The policy will be reviewed on an ongoing basis and at least annually to ensure it takes into consideration ESG developments and good practice. In this way the policy will keep adding value to our Firm, our clients and our investee companies and equally to the environment in which we make our investments and the people affected by them.

2. Responsible Investment Guidelines

According to Mercer’s definition the term **Responsible Investment** can be understood as:

*The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance*.¹

iCON is an Investment Advisor to funds which focus solely on investing in core infrastructure assets in developed (OECD member) markets in the EU, EEA and North America. As such, the risk of ethical issues arising is considered to be relatively low compared with other asset classes and geographies. However, a significant number of the assets in which the funds have invested and will invest may previously have been owned by governments, provide essential services to the community and/or have been established with regard to general public interest. Infrastructure assets also tend to have a large physical foot print in local communities, meaning that a proper analysis of ESG issues is extremely important. In light of this, iCON has committed to maintaining appropriate ESG standards in its investment analysis and management processes, as well as in its internal policies and engagement with external stakeholders.

¹ Mercer: The language of responsible investment: An industry guide to key terms and organisations
As a UNPRI signatory iCON uses the 6 UN principles of responsible investment below as a framework for the Firm’s RI approach:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will report on our activities and progress towards implementing the Principles.

3. Our Approach to Responsible Investment

In this section iCON’s Responsible Investment approach has been divided into six parts to reflect the way in which we address each of the six UN principles.

3.1 We will incorporate ESG issues into investment analysis and decision-making processes.

First and foremost, iCON’s policy is to be fully compliant with all applicable laws and regulations in all countries in which the Firm operates or has investment activity. In addition, broader ESG issues are taken into account in investment analysis and oversight, including through:

- Appropriate environmental and technical due diligence being obtained from industry experts where environmental and/or technical risks have the potential to impact value.
- An assessment of risks associated with social factors, such as labour relations.
- A requirement that all portfolio companies demonstrate an appropriate standard of accountability and corporate governance, and that the iCON Team possesses sufficient influence over the management of the company to ensure that performance on financial, operational and ESG issues can be appropriately monitored.

As mentioned above, given the essential (and often industrial) nature of infrastructure facilities, the entities in which the iCON Funds will invest are likely to have the potential for wide-ranging environmental impacts. A key goal of the Investment Advisor’s approach to corporate governance in the context of its investment oversight programme will be to minimise to the extent practicable the environmental impact of the Funds’ investments. Investment processes incorporate an assessment of historical compliance with environmental laws and regulations and the company’s ability to manage its environmental risk profile in the future. For example, when in February 2011 the iCON II fund made an
acquisition of a 49% equity interest in Mountaintop Energy Holdings LLC, a key aspect of the due diligence for the Fund’s investment was to ensure both that: (1) there were no historic environmental liability issues; and (2) all technical systems and processes in place were sufficient to manage the risk of environmental damage arising in the future to the extent practicable.

To incorporate ESG factors both into the Due Diligence process and when presenting new investment opportunities to the investment committee, it is important that our staff and management are knowledgeable on ESG issues. We have therefore initiated regular ESG training which incorporates recent ESG developments within the different asset classes to ensure such issues are understood and prioritized appropriately in the investment process. We have also established and maintain an ESG data centre containing research and information on specific ESG issues relevant to infrastructure investments, which functions as a useful resource in the investment process.

Although we will train our investment managers to be knowledgeable on ESG issues, we recognize the complexities of these issues and that staff resources may be limited. Therefore, we have appointed third party Due Diligence specialists who are knowledgeable on ESG issues to investigate and address these where appropriate.

When submitting investment proposals to the investment committee, the investment manager includes ESG factors for their consideration. Our General Partners Board level approvals of investments also explicitly comment on ESG factors.

To ensure ESG ownership we have appointed a designated person responsible for Responsible Investment each within the team, on the Investment Committee and on the Board of General Partners. These individuals are listed below:

- Team RI designated person: Anette Grindsted
- Investment Committee RI designated person: Paul Malan
- Board of General Partners RI designated person: Paul Malan

We believe in the constant improvement and development of our policies and processes and will support further development of our ESG tools and analysis as our investment managers grow in their experience of and expertise in dealing with ESG factors and the implementation of the responsible investment principles.

3.2 We will be active owners and incorporate ESG issues into our ownership policies and practices.

The iCON Team, in conjunction with the relevant Industry Specialists, will take an active approach to stewardship of the investment, setting strategic goals and monitoring performance against objectives which include ESG objectives. Whenever practicable we will participate in the development of policy, regulation and standard setting for our investee companies to ensure that ESG factors are considered and reported on.

However, while the General Partner is an active manager of the Fund’s investments, it does not seek to take day-to-day control of the business. The General Partner considers that the optimal approach to the management of investments in operational infrastructure assets is to empower high quality, internalised management teams to deliver against (and, where possible, surpass) value case targets. Accordingly, a key evaluation criterion at the time of investment is the quality of the relevant incumbent management team and its ability to deliver appropriate investment returns. Such evaluation will also take management’s
approach to ESG factors into consideration. If the existing management team is believed to be inadequate, either active steps will be taken to supplement or replace the relevant executives.

As an active investor, the funds will generally expect to appoint representatives to the relevant underlying boards of directors of portfolio companies. This will be supplemented by continuing dialogue with management in relation to key issues affecting the portfolio and will incorporate ESG issues. The Fund seeks to undertake investments in circumstances in which the funds and its partners will have the ability to exercise the influence necessary to achieve their investment objectives.

The priorities of ESG change over time across the different asset classes and over the life span of the investment. Therefore we will review ESG performance of our existing investments on a periodic basis.

3.3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.

We will work with the boards of our investee companies to improve ESG factors. This will include obtaining analysis of ESG factors they have identified and how those risks are dealt with. Issues we will address will include the following: are ESG data collection and reporting systems providing adequate information to decision-makers? Are management accountable to shareholders and aligned with ESG value creation plans? Is the business compliant with industry regulations? Are risk management procedures in place? Are appropriate stakeholder relations/ESG policies in place? We will furthermore encourage the promotion and implementation of energy saving initiatives and other environmentally friendly policies where appropriate and at the same time highlight any cost savings to be made through implementing such policies and procedures.

We will encourage our portfolio companies to report regularly on ESG issues identified in the investment analysis and progress made as well as to integrate ESG issues within their annual financial reports. Where appropriate we will seek to standardize reporting on ESG issues using tools such as the Global Reporting Initiative and adopt relevant norms and standards relevant to the particular infrastructure environment of the investee company.

We will work with the management board of the investee company to identify the most relevant ESG issues to take into consideration for analysis and reporting. Below are examples of ESG issues that may be included depending on the nature of the asset:
Environmental issues | Social issues | Governance issues
---|---|---
- Climate change strategy | - Stakeholder relations | - Board structure
- Environmental policy | - Working conditions | - Independent board directors
- Sustainability best practice | - Supply chain management | - Independent board leadership
- Environmental management practices | - Health and safety conditions | - Separation of Chairman and CEO
- Pollution management | - Product safety measures | - Executive compensation
- Water supply management | - Collective bargaining | - Shareowner rights
- Sustainable transport | - Labour relations, including relationship with unions | - Accounting quality
- Waste management | - Community impact assessment | - Audit quality

3.4 We will promote acceptance and implementation of the Principles within the investment industry.

We will support the development of ESG benchmarking tools amongst responsible investors and contribute to such developments where reasonably practicable.

We will promote ESG/RI issues in our Firm’s communications when relevant and publicise our ESG/RI commitment on our website including our Responsible Investment policy.

We will communicate ESG issues and responsibilities to staff, management and investee companies through team briefings and management updates. We will include RI/ESG updates as part of the agenda for our management board meetings.

3.5 We will work together to enhance our effectiveness in implementing the Principles.

As a UNPRI signatory we will use the tools available on the UNPRI website to keep updated with new developments and to engage with other signatories through the UNPRI clearinghouse.

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We will also seek to develop our staff’s knowledge and engagement with RI/ESG issues, through formal and informal commitment of RI/ESG issues, encouraging them to participate in ESG/RI seminars.

3.6 We will report on our activities and progress towards implementing the Principles.

We will report on our activities and progress toward implementing the UNPRI into our investment practices, taking into consideration confidentiality issues where appropriate. This will be done through an annual submission of the UNPRI assessment outlining our progress and achievements as a responsible investor as well as any challenges we may face. We will seek to explain the impact our RI approach has had on our existing and new investments and use this to raise awareness among our stakeholders including our investee companies.

4. Reviewing the Policy

This policy will be reviewed regularly, and at least annually, by the Board of General Partners RI designated person and will be approved by the Management Board.
LSV Asset Management
Statement of Responsible Investment Initiatives

General Statement

LSV Asset Management ("LSV") provides discretionary investment management services in portfolios of publicly-traded global equity securities to a variety of institutional clients, including private funds and mutual funds, utilizing the application of LSV’s proprietary quantitative models. The portfolio decision making process is driven by (1) a proprietary model which ranks securities based on fundamental measures of value, past performance and indicators of recent positive changes and (2) a risk control process that controls for residual risk relative to a benchmark. The fundamental premise on which LSV’s investment philosophy is based is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioral weaknesses that influence the decisions of many investors. These include: the tendency to extrapolate the past too far into the future, to wrongly equate a good company with a good investment irrespective of price, to ignore statistical evidence and to develop a “mindset” about a company.

Principles for Responsible Investment ("PRI")

LSV became a signatory to the PRI in April 2014. The PRI provides a framework, through its six principles, for consideration of environmental, social and governance ("ESG") factors in portfolio management and investment decision-making. The six principles ask an investment manager, to the extent consistent with its fiduciary duties, to seek to: (1) incorporate ESG issues into investment analysis and decision-making processes; (2) be an active owner and incorporate ESG issues into its ownership policies and practices; (3) obtain appropriate disclosure on ESG issues by the entities in which it invests; (4) promote acceptance and implementation of the PRI principles within the investment industry; (5) work to enhance its effectiveness in implementing the PRI principles; and (6) report on its activities and progress toward implementing the PRI principles.

LSV Responsible Investment Initiatives

The PRI, and the application of the foregoing principles, is intended to be aspirational and not a prescriptive set of rules. Given its business model, fiduciary duties to its clients and contractual limitations, LSV may not apply all six principles in its daily activities. However, LSV has taken the following actions that promote ESG factors and is committed to continuing such efforts into the future:

1. Internal Research and Analysis

LSV is frequently looking for new ways to measure value and conducts research on an ongoing basis on a variety of topics in order to develop enhancements to the LSV quantitative model. LSV has conducted a review of ESG issues and their potential impact on performance, and will continue to review and monitor new research and other developments in this area.
2. **Investment Management**

LSV has developed a means to apply ESG factors at the portfolio level for clients that provide us with specifications. This is most commonly done through an exclusion list. In addition, LSV also has the capability of incorporating certain ESG factors into the portfolio construction process. LSV subscribes to two different ESG data sources, MSCI and IW Financial, so that we can accommodate clients who would like to apply ESG principles to their portfolio. LSV believes that by having access to two different vendors’ data we can provide reliable ESG data that meets our clients’ specifications.

At the firm level, as a signatory to the PRI, LSV is committed to reviewing ESG factors that may have an impact on performance and, after appropriate verification and testing, incorporating such factors into its model.

3. **Proxy Voting**

LSV’s standard investment management agreement expressly authorizes LSV to vote proxies on behalf of a client’s account. Therefore, unless the client reserves proxy voting responsibility, it is LSV’s responsibility to vote proxies relating to securities held for the client’s account. LSV has retained an expert third party, currently Glass Lewis & Co. ("GLC"), to implement LSV’s proxy voting process, provide assistance in developing proxy voting guidelines and provide analysis of proxy issues on a case-by-case basis. GLC is also a signatory to the PRI.

For clients where LSV has proxy voting authority, certain ESG factors are built into our standard proxy voting guidelines. For example, GLC views the identification, mitigation and management of environmental and social risks as integral components when evaluating a company’s overall risk exposure. In cases where the board or management has failed to sufficiently identify and manage a material environmental or social risk that did or could negatively impact shareholder value, GLC will recommend shareholders vote against directors responsible for risk oversight in consideration of the nature of the risk and the potential effect on shareholder value. In addition, GLC generally recommends supporting shareholder proposals likely to increase and/or protect shareholder value and also those that promote the furtherance of shareholder rights. In evaluating shareholder resolutions regarding environmental and social issues, GLC examines: (1) direct environmental and social risk, (2) risk due to legislation and regulation, (3) legal and reputational risk, and (4) governance risk. Finally, through GLC, LSV is able to offer additional guidelines that provide another level of analysis for clients seeking to vote consistent with widely-accepted enhanced ESG practices. These ESG-specific guidelines are available to clients with a focus on disclosing and mitigating company risk with regard to ESG issues.

4. **Disclosures and Reporting**

LSV discloses information concerning its proxy voting policy in its publicly available Form ADV Part 2A. In addition, LSV clients may obtain a copy of LSV’s complete proxy voting policies and procedures and information from LSV about how LSV voted any proxies on behalf of their account upon request. In addition, LSV will annually report on its activities and progress toward implementing the PRI principles as required.
Macquarie Infrastructure and Real Assets

Environmental, Social and Governance Report in their 2016 Annual Report

Approach to ESG Factors

This document outlines Mawer Investment Management Ltd.’s approach to incorporating environment, social and governance (ESG) factors into the investment decisions we make on behalf of our clients. It reflects our belief that high standards of corporate responsibility and behaviour help lead to long-term success in investing.

Environment

We believe in being economical with resources. This is good practice at both the personal and corporate level. It also shows respect for our planet, its limited resources, and consideration for future generations. Over the long-term, businesses also have an economic incentive to interact responsibly with the environment, as they are only as sustainable as their assets and inputs. Moreover, society tends to punish companies that leave negative environmental footprints. Fines and lawsuits are clear value destroyers for shareholders, and regulatory bodies can put a company out of business.

There is often upside to be gained by companies that pursue positive environmental policies. Businesses can increase profit by minimizing waste. Not only do waste reduction programs often drive lower costs, but the creation of these processes can be a catalyst for business insight, better corporate governance and improved operations. Companies may also grow their revenues by offering products and services that meet the specific environmental qualities sought by customers, or improve their overall corporate brand through positive environmental policies.

Social

Like individuals, corporations also benefit from operating in trustworthy and caring ways and by treating others as they would like to be treated. There is sometimes a view that corporate goals are in competition with societal ones. Yet it is the experience and conclusion of our team that good corporate behaviour is compatible with long-term value creation. For example, many decisions are better made when there is a diversity of thought, backgrounds, and a respect for many points of view. Human resources policies can encourage these elements. Further, good labour relations and healthy business cultures can help to increase productivity, decrease absenteeism and foster loyalty.

Positive relationships with the community are also often integral to success. Acting in good faith with a community is not only important from a brand and reputation standpoint, it can be a game-changer in high-stakes negotiations. Companies that have built strong community partnerships are more likely to move things forward and to receive the benefit of the doubt in difficult situations or community debates.

Companies are made up of people, run by people, and provide goods and services to people. Therefore, the principles of good citizenship that apply to individuals, also apply to companies.

Corporate Governance

Corporate interests should ultimately be aligned with shareholders’ interests. Owners of a business have the right to be informed and to have a say in certain corporate decisions. Corporate governance standards and practices are the main vehicles through which this is ensured. For their part, shareholders have a responsibility to exercise their rights, including through proxy voting.

Strong corporate governance is at the heart of running successful enterprises. It facilitates effective monitoring and can encourage companies to use resources more efficiently. It also leads to more effective management of the business, including in the management of risk, and can help minimize losses. From the shareholders’ perspective, corporate governance policies are a major component of fostering trust between a company and the market. Companies with stronger corporate governance practices may find they have a lower cost of capital than their competitors.
Implications

ESG factors are considerations in our analytical, portfolio construction, and risk management processes. They are incorporated into our assessment of each company’s business model, its management and its valuation. When a company behaves in a way that demonstrates poor ESG practices, it weakens our confidence that the business will succeed in creating shareholder value in the long run. Thus, poor ESG practices are a negative signal and explicitly weighed as such in our investment process. They take on even greater significance if they are repeated and systemic within the company.

In addition to weighing these factors in our investment process, ESG risks are evaluated as part of the quarterly risk report produced by the Chief Investment Officer (CIO). As part of this process, the Research team, as part of its ongoing due diligence on companies in the portfolio regularly reviews the ESG risks to the companies within the portfolios and considers the alignment between our stated values and the investments we hold.

We believe in exerting positive influence and, where possible, we will engage with companies on these issues and seek to influence their future actions if we feel there have been breaches. We also vote our proxies based on our own analysis and by utilizing outside opinions where appropriate. If a company does not behave in a way that is aligned with our values, we consider avoiding, reducing, or exiting the investment.

Our Commitment

We strive to assess ESG factors in making investment decisions to the best of our ability. However, we know we won't be perfect. The asymmetry of information between investors and management, the complexity of global issues, and sheer scale of the companies we invest in means that we will not always be aware of all ESG related activities. Our clients can be assured this will not be intentional and we will attempt to obtain the best information we can through our initial due diligence and ongoing monitoring process.

We also commit to exerting positive influence on the companies with which we engage, but we recognize that we cannot force them to change. Accordingly, when the gap between our high standards of corporate responsibility and a company’s behaviour is too wide, we will avoid, reduce, or exit the investment.

Although we believe in having high moral standards and have several strong beliefs, we recognize that there are few, if any, moral absolutes. Therefore, we do not make hard and fast rules with respect to ESG issues but instead evaluate every situation individually. We understand the absence of strict rules makes our decision-making process more nuanced, but we believe that only by being willing to dig into the nuance do we ultimately do justice to the high standards we endeavor to uphold. For this reason, we do not screen out companies based on broad-based rules, like whether they operate within a certain industry, but instead consider each business on its individual merits against the principles outlined in this document.

Clients should not mistake the lack of hard rules with the absence of high standards.

Mawer Investment Research
June 2016
Meridiam’s approach to ESG and integration in the investment and asset management process.

Meridiam was founded on the principle that infrastructure investment should be on a long-term, responsible and sustainable basis, with clear benefits to local communities. Meridiam puts ESG principles at the forefront of everything it does.

We have developed a systematic approach to ESG that is embedded at every stage of our decision-making process, and have mainstreamed this throughout our investment and asset management processes: it is a requirement to develop and further analyze ESG considerations as a project progresses. Each internal project milestone will include a specific focus on ESG.

In terms of standards, Meridiam has developed ESG principles to include not only global standards such as the UN Principles for Responsible Investing, the Equator Principles, Global Compact, ILO Conventions, OECD Recommendations and the Universal Declaration of Human Rights, and also to take into account ESG criteria of leading Development Finance Institutions such as the European Investment Bank and the European Bank for Reconstruction and Development, as well as those of the Caisse des Dépôts et Consignations, the savings bank of the French government. These principles constitute a key element of Meridiam’s risk management approach. ESG is integrated throughout the investment and asset management processes.

The 2016 assessment by the UNPRI\(^1\) rated Meridiam’s approach to ESG as:

- A+ (29/30) for overall approach to ESG
- A (27/30) for infrastructure specific issues

Enumeration of factors

A project specific analysis is always conducted and the specific factors vary greatly from project to project.

Meridiam’s ESG methodology includes continuous improvement and recent enhancements include:

- a systematic approach to carbon issues with a commitment to measure carbon footprint for every new investment
- an early stage assessment of energy, carbon and climate risk.

ESG Incorporation Methodology

Meridiam’s risk management system is based on its quality manual and book of procedures, which sets out in detail the company’s internal procedures and precisely describes roles and responsibilities in the development and monitoring of a project, as well as the rules with which all staff are required to comply.

Meridiam’s risk management system was certified ISO 9001:2008 in 2012, and this certification has since been renewed every year.

The system includes the enforcement of Meridiam’s Sustainable Development Charter in relation to ESG principles, reporting and communication. Indeed, it is Meridiam’s fundamental belief that the adequate management of ESG risks and opportunities is a key aspect of risk management.

Meridiam follows a systematic approach to investment and in particular to the analysis of ESG aspects which are included for each milestone.

ESG Policies

Meridiam has adopted a Sustainable Development Charter which summarizes its commitments to ESG and which is publicly available on its website:

Responsible Investment Policy

In connection with the management of Stonepeak Infrastructure Fund II LP and its parallel funds and related entities (collectively, the “Fund”), Stonepeak acknowledges principles and objectives set forth in the UN Principles for Responsible Investment (the “UNPRI Guidelines”) and the benefits of promoting good environmental, social and corporate governance policies (“ESG Policies”) in connection with the management and activities of the Fund and its investments. Stonepeak believes that sound ESG Policies are important to the long-term success of Stonepeak and its investment activities.

In connection with the foregoing, Stonepeak confirms that it intends to consider the principles and objectives set forth in the UNPRI Guidelines and to promote sound ESG Policies to the extent reasonably practicable under the circumstances when making investment decisions with respect to the Fund and subject, in each case, to the terms and conditions of the Fund’s limited partnership agreement and Stonepeak’s fiduciary obligations to seek to maximize the pre-tax returns on investment for all partners of the Fund.
Sustainable Investing Approach

TD Asset Management ("we", "TDAM") manages a wide range of investment accounts and funds, and we believe incorporating sustainability criteria within the investment framework is compatible with our goal of maximizing long-term financial returns. More specifically, we believe that considering environmental, social and governance (ESG) factors provides us with a more robust view of potential risks and opportunities. Based on our fiduciary duty to clients, we focus on ESG issues that are likely to influence the value of an investment.

Our approach

As a signatory to the Principles for Responsible Investment (PRI), TDAM’s approach to sustainable investing is broadly based on the six principles set out in the PRI:

1. Integration

We integrate ESG factors directly into our investment analysis by maintaining a database of sector-specific and thematic ESG research as well as a proprietary ESG risk management matrix. The matrix uses a number of ESG indicators that we believe apply to all industry sectors, and any issues that could put a company’s expected earnings at risk are of particular importance. The output produced by the matrix is one of several fundamental indicators used by our active equity and fixed-income portfolio managers.

While we do augment our work with information from third parties, we consider conducting our own research a key part of the analysis process. Therefore, our sector specialists regularly interview company management teams and discuss applicable ESG issues, goals and trends, and the findings are included in internal write-ups and research reports.

2. Active Ownership

We strive to be active owners by engaging with the companies in which we invest and by taking advantage of our voting rights to help effect change.

Engagement – Our sector specialists meet with corporate management teams as part of our broader engagement efforts. The information they gather is used in our corporate analysis and helps us when making investment or voting decisions. We primarily focus on Canadian companies, and our efforts are bolstered by governance engagements conducted by the staff and board of the Canadian Coalition of Good Governance (CCGG) on behalf of their members. In addition, we participate from time to time in relevant engagements presented to us through the PRI Clearinghouse.

Proxy Voting – We vote on proposals that involve environmental or social issues on a case-by-case basis. Since 2008, we have supported over 450 shareholder proposals related to a wide range of environmental and social issues, plus a number of governance issues that have an environmental or social link.

3. Disclosure

We collaborate with regulators to ensure that securities filings disclose key ESG facts in plain language. For example, our work with the Canadian Securities Administrators led to its notice on environmental disclosure requiring Canadian public companies to disclose any carbon pricing assumptions they have made in planning their activities. In addition, we have helped the Toronto Stock Exchange (TSX) design and run environmental and social disclosure workshops for TSX-listed companies.
4. Advocacy

We continue to encourage others in the investment industry to embrace sustainable investing. For example, to promote an increase in the amount of ESG research by sell-side analysts, we allocate broker votes to firms that produce it. We urge our sub-advisers to integrate ESG issues into their investment analysis and decision-making processes. We also help educate the business media, speak at industry conferences and share our experience as a PRI signatory with firms that are considering becoming signatories.

5. Collaboration

Our chances for success are sometimes better when we collaborate with other institutional investors. Therefore, we participate in initiatives that make collective action easier, including Carbon Disclosure Project (CDP) Climate Change, CDP Water, CDP Forests, CDP Carbon Action and the CCGG.

6. Reporting

To help investors and potential investors understand our approach in more depth, our website includes an annual report disclosing how we have delivered on our PRI commitments, plus annual reports disclosing how we have voted at hundreds of company meetings.

The statements contained herein are based on material believed to be reliable. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete. The information does not provide individual financial, legal, tax or investment advice and is for information purposes only. Past performance is not indicative of future returns. TD Asset Management Inc., The Toronto-Dominion Bank and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered. Certain statements in this document may contain forward-looking statements (“FLS”) that are predictive in nature and may include words such as “expects”, “anticipates”, “intends”, “believes”, “estimates” and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS. TD Asset Management operates through TD Asset Management Inc. in Canada and through TDAM USA Inc. in the United States. Both are wholly-owned subsidiaries of The Toronto-Dominion Bank. All trademarks are the property of their respective owners. © The TD logo and other trade-marks are the property of The Toronto-Dominion Bank.
ESG Commentary

Integrating ESG
31 December 2015
Overview

Walter Scott’s investment approach rests on a core conviction that over the long term, returns to shareholders can only ever be as great as the wealth generated by the underlying businesses in which they are invested. The primary task is therefore identifying companies capable of sustaining the highest rates of wealth generation.

For Walter Scott, good stewardship is best achieved through the consistent application of the firm’s philosophy and process. All companies are analysed and monitored in the same indepth manner. A proportionately large number of the firm’s staff are dedicated to investment research and follow a methodology that has stood the test of time. Indeed Walter Scott’s investment philosophy and process, in which issues around corporate governance and responsible investing are an important and integral part, have been consistently applied since the firm was founded in 1983. The investment rationale for each and every stock held is built around long term ownership with no defined expectation of sale.

ESG concerns are an integral part of the investment process rather than an adjunct to decision making

Long-term ownership is central to Walter Scott’s investment approach and in that context meaningful ongoing dialogue, respect for responsible investing and robust corporate governance is vital.

Every company that has been researched over Walter Scott’s history has been analysed using the same framework. The considerations and judgments that must be made are the same at the point of initial research into a company as they are in the monitoring and review of any company held in a portfolio.

ESG issues are considered at every stage of this research. Importantly, as ESG concerns are an integral part of the investment process rather than an adjunct to decision making so it is the role of the investment team to consider these issues. Walter Scott does not have a separate ESG team. It is the responsibility of every member of the investment team to embrace ESG considerations in all research and analysis, all of the time.

An integrated investment approach

Integral to Walter Scott’s investment philosophy is a belief that there is a definite link between corporate governance and corporate performance. Over time corporate performance is the key determinant of investment performance and therefore Walter Scott is committed to encouraging the highest standards of corporate governance in the companies in which it invests.

In this context, corporate governance is understood to include all factors that may be considered under the terms SRI or ESG. Walter Scott’s investment process is deliberately structured to discard companies where ethical, governance, environmental or social standards are deemed to put the achievement of the long term portfolio return targets at risk.

Walter Scott is committed to encouraging the highest standards of corporate governance

ESG considerations are present throughout the firm’s investment activities. However, they come to the fore particularly in three areas. The first of those is within the initial research on any company, where those with poor standards of governance are screened out. The second area is in face to face meetings and other communications with company management. Lastly, ESG considerations are central to the firm’s proxy voting policy and in the way proxy votes are exercised. The investment team is responsible for all three aspects.

Research

Through in-house research and communication with investee companies, the investment team seeks to identify and review all relevant factors appropriate to assessing a company’s ability to generate wealth, including ESG factors.

ESG factors are considered across all seven areas of investigation

In researching any company, regardless of geography or sector, the same analytical framework is followed. That framework forms an important part of the overall research process and is based on seven areas of investigation.
Integrating ESG
31 December 2015

As outlined below, ESG factors are considered across all seven areas but those considerations will usually come to the fore in the areas of investigation titled, “integrity” and “control of destiny”. Assessing a company’s integrity encompasses matters such as accounting methods, off-balance-sheet financing, treatment of minorities, insider selling as well as ethical and governance factors. A company that cannot show integrity in its operating structure and practices is not a valid long-term investment idea.

Similarly, in assessing whether a company is in control of its destiny, it is only companies with market leadership based on reputable ethical and operating practices that will retain that control.

The seven areas of investigation:
1. Control of Destiny
Walter Scott’s investment effort is directed towards the search for world leading companies. Whether dealing with government, the media, NGOs or any other stakeholder, market leading companies will often be subject to more rigorous standards than a smaller peer. So whilst Walter Scott seeks to invest in companies with the strategic and market strength to grow meaningfully over time, the team must also be assured that a commitment to the highest operational and ethical practices is central to that strategy for growth.

2. Integrity
A judgment on a company’s institutional integrity will depend on financial and non-financial criteria. Whilst the focus may rest upon financial considerations, any “sharp practice” in terms of financial reporting may well reflect a short-termist or imprudently aggressive corporate culture. Both may diminish a company’s potential to generate meaningful, and profitable, growth over the long term.

3. Market Position
With a long-term investment outlook and a quest to find companies that can grow through the economic and business cycle, the investment team has a disciplined focus on companies with a leading market position. The team must be assured that market position can both grow and be defended over time. Just as importantly, they must be assured that the current market position is grounded in a “real” competitive advantage or barrier to entry; a technological edge proven over many years and supported by meaningful ongoing investment in R&D or a leading position within a niche market with strong customer loyalty based on a superior product and/or service levels. Customer or client loyalty, as well as staff loyalty, over the long term will rest upon appropriate, proper and ethical business practices and behaviour.

4. Profitability
In order to be assured of the potential of any company to grow profitably over time, the team must understand the source of past profit growth. The impact, or otherwise of M&A, the sustainability of margin expansion, sufficient cash generation to fund self-financed growth; all must be considered. Meaningful, profitable and sustainable growth cannot be met by short-term financial engineering or cost cutting. Instead the ability to pursue long-term profitable growth rests upon a compelling market and strategic position, financial strength and robust operating procedures and culture.

Without an appropriate corporate culture, implemented and protected through proper controls and robust corporate governance, profitable growth over the long term may well be a tall order.

5. Financial Control
Minimal, or at least highly manageable, levels of debt are one of the key criteria set by Walter Scott. Therefore, all aspects of a company’s debt profile must be assessed in order to understand any particular pressures in the currency or duration of that debt, as well as the absolute level. Whilst such consideration is not directly related to ESG related issues, more generally it speaks to the investment team’s search for companies that are financially robust. That strength should allow a company to weather external pressures, or internal issues which in turn provides confidence that rigorous operating procedures, standards and practices will not be sacrificed due to particular financial constraints or pressures.

With a long-term “buy and hold” approach, the strength and vision of management is crucial

Reaching any conclusion on the merit, or otherwise, of a company’s culture will depend on meetings with senior management as well as less senior divisional management. The perspective gained through spending time in a company’s headquarters or its operational facilities is also considered an important factor. So too is desk-based research and the critical appraisal of the increasing number of reports devoted to sustainable business.
6. Management
With a longterm “buy and hold” approach, the strength and vision of management is crucial. In considering that strength, current management must be assessed as well as possible successors. Management is considered in its widest sense with the past records of all executive and non-executive directors considered. A “hiccup” in the record of any single member of the board or senior management team will often be sufficient to bar investment. Management structures are also carefully considered. A corporate culture that supports and respects formal policies as well as informal practices across the ESG spectrum must be framed by management structures.

In 2015, the investment team undertook around 800 meetings with senior company management

Therefore, the investment team will seek to understand management codes of conduct and reporting lines. The team will also seek assurance around appropriate board oversight and examine board composition. Whilst board practices and procedures around remuneration may be the most frequently discussed topic in this regard, the conversation will not be limited to that subject.

7. Valuation/Trading
The impact of ESG related issues, and/or the interpretation thereof, on an individual company’s share price has become increasingly evident as awareness of such issues has grown. A notable movement in the share price of any holding will prompt increased scrutiny by the investment team and in this instance the investment team’s perspective and view on the particular issue will be tested against that of the market.

Company meetings
The firm does not have a specific policy relating to formal engagement with investee companies, however, the investment team actively seeks to meet with senior management on a regular basis. Such communication and dialogue forms a critical part of the firm’s investment process. Again, the absence of any formal engagement strategy should not suggest that engagement is viewed as an optional aside. Instead it reflects the fact that engagement on such issues is an integral part of ongoing dialogue. In 2015, the investment team undertook around 800 meetings with senior company management both in Edinburgh and around the world.

Proxy voting
Responsibility for proxy voting rests with the investment team rather than a separate corporate governance team. It is a responsibility that is taken very seriously. Voting is undertaken in line with the firm’s proxy voting policy and procedures. This policy is strictly followed and reviewed regularly. Proxy voting is the responsibility of each “stock champion” but where there is any doubt or any contentious issue, a clear procedure is followed. In line with the proxy voting policy, such issues are referred to a sub-group that consists of the “stock champion”, senior members of the investment team and a representative from the firm’s Risk and Compliance department.

Codes & organisations
Walter Scott has not become a signatory to the Principles for Responsible Investment (PRI) or any other such code. This stance reflects a belief that there are no substitutes for in-house research and autonomous decision making from first principles. That said, it is unlikely that the firm’s actions would materially contradict any of the recognised codes and Walter Scott is generally aligned to the spirit and aims of such groups. However, the firm has formally and publicly acknowledged its commitment to support the broad ethos of the UK Stewardship Code as encouraged to do so by the UK Financial Conduct Authority. Similarly, Walter Scott has also formally, and publicly, responded to Japan’s Stewardship Code. In 2014, the firm completed the UK National Association of Pension Funds (NAPF) Stewardship Disclosure Framework.

Members of the team regularly attend ESG related meetings and conferences, in addition to direct ESG engagement with companies. A member of the team also attended the PRI in Person event in London and others attended the ISS 2015 European conference, both of which provide useful insight for the whole investment team. Further, it should be noted that becoming a signatory to the PRI is a matter that is regularly reviewed and assessed.
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WEDGE Capital Management

Incorporation of ESG Factors

WEDGE Capital Management incorporates ESG considerations throughout the investment process.

We seek to invest in undervalued businesses with sustainable business models that create value for their stakeholders and shareholders. It has been our observation and experience that companies that fare poorly on ESG issues tend to produce poor returns for shareholders. For example, companies that are poor environmental stewards are likely to face significant remediation liabilities. Companies with poor board oversight are more likely to allocate capital sub-optimally. These considerations have long played a role in our investment process. In short, we believe poor ESG is a risk to shareholder value.

To supplement our analysts’ anecdotal observations, we also subscribe to MSCI ESG Research Intangible Value Assessment (IVA), a third-party tool which provides a standardized methodology for the research, ratings and analysis of companies’ risks and opportunities arising from ESG factors. The ESG score is provided to our fundamental analysts during the initial screening phase of our investment process when our Fundamental Value and Financial Quality models are run. Individual company reports are made available to our analytical teams. The data we review includes an overall company rating (AAA-CCC), a final industry-adjusted company score and a weighted average key issue score. These include an environment score and environment weight; the social score and social weight; and the governance score and governance weight. They are applied to all of our holdings. These ratings and scores are populated for each, separate stock within our portfolio and our investable universe. Reports are generated and reviewed by the analysts in their bottom-up research. Our analysts incorporate these independent factors into their observations and conclusions regarding ESG risk, as part of the mosaic of inputs used in reaching our investment decisions.