

# **SUSTAINABLE INVESTING REPORT 2019**

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**MARCH 2020**

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**York University Endowment Fund  
Board Investment Committee**



## **SUSTAINABLE INVESTING REPORT**

In 2018, the Board of Governors approved revisions to the Endowment's Statement of Investment Policies and Procedures (SIPP) to reflect the University's commitment to sustainable investing. York University is committed to a sustainable investment strategy which integrates environmental, social and governance (ESG) factors in the overall management of its endowment portfolio. York University believes these factors can affect risks and returns, and that organizations that effectively manage environmental, social and governance factors are more likely to endure and create sustainable value over the long term. The University's approach to sustainable investing is evolving, recognizing that it is not a static concept, but one which changes and adapts as the linkage between ESG factors and risks and returns become better understood over time.

The University believes active engagement through its investment managers is an effective approach in assessing ESG factors and that an active approach will generate better and sustainable returns relative to a negative screening process, which would arbitrarily exclude certain investments.

The University will integrate ESG-related criteria in its manager selection process and hire managers who demonstrate transparent processes, incorporating material ESG consideration in their research and investment decision-making process.

The Sustainable Investing Report reflects the University's pledge to report to the community on how the University integrates environmental, social and governance practices in the management of its portfolio.

### **YORK'S COMMITMENT**

**York University's commitment states that:**

- 1. The University will monitor Investment Manager ESG integration and engagement on a regular basis. Such monitoring will include an annual reporting process to the University on incorporation of ESG factors by Investment Managers.**
- 2. The University will report annually to the University community, as part of its overall reporting of investment performance, on how managers incorporate ESG factors in their evaluation process.**

**Investment managers are required to provide the University with information on the following:**

- i. An enumeration of ESG factors that were incorporated in the investment decision-making and portfolio construction for York's investment, such as a particular ESG category or categories (i.e. environmental, social, or governance) and/or specific factors within those categories;
- ii. An explanation of the methodology used to incorporate these ESG factors;
- iii. A description of the scope of the application of ESG factors (i.e. are these factors applied to the entire portfolio, or only certain sectors, or types of investments?); and
- iv. A copy of any ESG or related policies that they have, that apply to York's investment.

The scope of the request for 2019 was expanded to include York Endowment's fixed income managers in addition to equity managers, covered in 2018. As of 2019 year end (YE), ninety-one percent (91%) of York's Endowment assets are invested in equities and fixed income assets.

Investment managers of the University's Endowment assets are aware that investing sustainably is important to the University. Any future mandates awarded to investment managers will contain clear expectations that sustainable investing principles, managed via ESG integration, must be integral to their investment analyses.

York's commitment to investing sustainably is strengthened by membership in the Responsible Investment Association, the Canadian Coalition for Good Governance, and the CDP (Carbon Disclosure Project).

**United Nations Principles for Responsible Investment**

All of York's investment managers abide by the United Nations Principles for Responsible Investment (UN PRI). The PRI's six principles are listed below.

- **Incorporate ESG issues into investment analysis and decision-making processes.**
- **Be active owners and incorporate ESG issues into their ownership policies and practices.**
- **Seek appropriate disclosure on ESG issues by the entities in which they invest.**
- **Promote acceptance and implementation of the Principles within the investment industry.**
- **Work together to enhance the effectiveness in implementing the Principles.**
- **Report on activities and progress towards implementing the Principles.**

The PRI represents a framework "by which all investors can incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large" (<http://www.unpri.org>).

All of the equity and fixed income managers are signatories to the PRI. The responses from York University's Endowment Investment Managers appear in the following order:

<b>Investment Manager</b>	<b>UN PRI Signatory</b>	<b>Date Signed</b>
<b>Equity Managers</b>		
1. Baillie Gifford	Yes	26 June 2007
2. C Worldwide	Yes	21 December 2011
3. Harris Associates LP	Yes	12 February 2019
4. Lazard Asset Management LLC	Yes	11 December 2014
5. Morgan Stanley Investment Management	Yes	26 July 2018
6. TD Asset Management	Yes	3 July 2008
7. Unigestion	Yes	25 March 2013
<b>Fixed Income Managers</b>		
1. RBC Global Asset Management	Yes	26 August 2015
2. Manulife Asset Management	Yes	1 December 2015
3. Stone Harbor Investment Partners LP	Yes	21 June 2012

## **CONCLUSION**

The endowment's investment portfolio will continue to evolve with greater emphasis placed on investing sustainably. Current and future investment managers are expected to demonstrate a commitment to ESG principles. Each of the portfolio managers integrate ESG principles in their investment decisions using their own philosophy and methodologies. What is noteworthy is the broad spectrum of ESG risks that portfolio managers evaluate.

The following reports demonstrate the commitment of York's investment portfolio managers to actively manage ESG risks in their investment decisions.

## INVESTMENT MANAGER ESG INTEGRATION

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### Baillie Gifford – Global Equity Manager (Long Term Global Growth Fund (LTGG))

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#### Enumeration of ESG factors

Baillie Gifford uses ESG factors in assessing the long-term growth prospects of every company, before and after purchase into the LTGG portfolio. ESG factors taken into consideration include:

- board skills, experience and diversity
- capital allocation decisions, share issuances
- climate change
- health and safety performance
- bribery and corruption
- remuneration and incentive structures
- environmental performance
- labour relations
- supply chain management and control
- stakeholder relationships

#### Explanation of methodology

Baillie Gifford does not apply ESG screens, rankings, or quantitative models when evaluating companies. It relies upon a 10-question stock research framework that considers industry background, competitive advantage, financial strength, management attitudes, and valuation of the company. Baillie Gifford does use external service providers in considering ESG factors but does not rely on the score from providers to determine capital allocation. External ESG research from MSCI, RepRisk, and South Pole is used to assist in assessing social and environmental risks and opportunities of current and potential investments. Proxy advisor research recommendations from Institutional Shareholder Services (ISS) and Glass Lewis are reviewed daily, but voting and engagement is not outsourced to third parties. Baillie Gifford conducts internal research on ESG issues in addition to the data from the aforementioned service providers and believes that investment opportunities lie with conducting due diligence and analysis of companies where ESG risks are misjudged.

#### Carbon footprint and reporting

Baillie Gifford views carbon footprinting as a useful tool in understanding a portfolio from a carbon perspective but does not set a target as a footprint number will fluctuate over time for reasons that do not indicate improvement or deterioration in the carbon efficiency of portfolio companies. As of 2019 YE C\$ 1M invested in the LTGG portfolio equated to a carbon footprint of 1.5 tons of carbon dioxide equivalent (tCO<sub>2</sub>e) versus a carbon footprint of 102 tCO<sub>2</sub>e for the benchmark MSCI ACWI<sup>1</sup>. Baillie Gifford's governance and sustainability documents are available [online](#).

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<sup>1</sup> Based on the ISS-Ethix Climate Solution carbon footprinting tool, MSCI ACWI = Morgan Stanley Capital International All Country World Index

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## **C Worldwide – Global Equity Manager (Global Equities)**

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### **Screening and research**

C WorldWide Asset Management (CWW AM) believes that ESG issues can affect the performance of shares in an investment portfolio. CWW AM has a long partnership with external consultant, GES®, now a part of Sustainalytics, and uses its own internal research and ESG input from sell-side analysts in its assessments. All portfolios managed by CWW AM are screened by Sustainalytics Global Standards Screening®. If a company is deemed to lack the will or resources to respect international law and conventions, the portfolio manager responsible will consider and possibly carry out a removal of the company from the relevant portfolio(s). ESG factors are not outsourced to outside teams or individuals; ESG research is generated internally and supplemented by external research from Sustainalytics

### **Engagement**

CWW AM believes engagement is an on-going process of interaction with portfolio companies. There are specific ESG meetings held with senior representatives of those companies, and leverage is also enacted via Sustainalytics engagement services and its network of institutional investors. CWW AM active ownership and engagement encourages investee companies to be aligned with the United Nations 17 Sustainable Development Goals (SDGs).

### **Proxy voting policy**

CWW AM formed a proxy voting partnership with ISS in 2017. CWW AM's proxy voting procedure incorporate the recommendations received from ISS, internal analysis, research, and sell side research. On occasion, portfolio managers may disagree with voting recommendations if they are not aligned with the managers' knowledge of an investee company and its management.

### **Reporting**

CWW AM is open to addressing individual client requests concerning investee company specific controversies. On a quarterly basis it distributes ESG reports highlighting outstanding ESG issues and progress in integration ESG considerations. In addition, CWW AM discloses a detailed, annual Responsible Investment (RI) Report that discloses how it is aligned with the PRI's six principles. Moreover, CWW AM is committed to the Danish Stewardship Code, and EU Shareholder Rights Directive which places a duty to disclose long-term stewardship factors. CWW AM's sustainable investing and stewardships documents are available [online](#).

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## Harris Associates – Oakmark Global Pooled Fund (Global Equities)

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### Overview

Harris does not use a negative screening approach, it incorporates non-financial factors, including ESG considerations into its investment process. Company specific ESG risks and opportunities are identified for a stock, prior to a formal review by Harris' Stock Selection Group (SSG). For ESG considerations deemed material, risks and opportunities may be factored into the metrics used to value a company. Escalation of ESG issues are driven by the Harris' analysts, and brought up for review at the weekly SSG meeting. If an ESG issue materially impacts the value drivers for a company, then Harris' portfolio management team revisits its internal assessment of intrinsic value and why the stock should be a part of the portfolio.

### ESG Process

1. Project list: ESG data is collected from proprietary and third-party sources (MSCI ESG Ratings and ISS) for all stocks on the research project list.
2. Due diligence: Material ESG factors are identified and evaluated when conducting fundamental research and presenting new ideas.
3. Valuation: Internal estimate of a stock's intrinsic value is adjusted to reflect material ESG risks and opportunities.
4. Approved list: For a stock to be approved for ownership, management must demonstrate proper stewardship or material ESG factors.
5. Ongoing engagement: Through proxy voting and management meeting, Harris encourages cooperation to take actions that enhance shareholder value.

### Stewardship

Harris works with collective bodies and other shareholders, accepts the Japan Stewardship Code, and is a member of the Asian Corporate Governance Association, an independent, non-profit membership organization dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia. Harris is also a supporter of the U.K. Stewardship Code.

### Reporting

Harris retains record of its proxy voting activity for 12 years. Upon request a client may obtain information from Harris on how its proxies were voted during a period, and an engagement report detailing private engagement. Harris can also provide MSCI's ESG report which shows how the portfolio is exposed to each of the three pillars (i.e. environmental, societal, governance factors). Harris' [Responsible Investing Policy Statement](#) is available to the public.

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## Lazard Asset Management – Global Equity Franchise (Global Equities)

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### Enumeration of ESG factors

Lazard's Global Equity Franchise strategy investment process has four stages, and ESG factors are incorporated into the investment decision making in all stages where Lazard believes they have a financial impact. Lazard's process is not sequential, and the portfolio management team will weight certain criteria over others.

Initial Filtering	Qualitative Risk Analysis	Fundamental Analysis and Value Ranking	Portfolio Construction
Stock identification Primary filtering ~ 1700 stocks	Scoring  750 stocks	Stock appraisal ESG 250 stocks	Portfolio rules  25-50 stocks

### Explanation of methodology

Lazard's process incorporates its best judgement of factors that will have a financial impact. These factors include those that are of an ESG nature. Lazard subscribes to several service providers to help gain a better understanding of a company's ESG practices. Trucost provides Lazard with environmental ratings and research to help assess a company's environmental impact and the overall footprint of Lazard's portfolio. MSCI ESG Research provides ESG ratings, screening and compliance tools to help Lazard's understanding of a company's ESG issues, allowing for comparison of ESG performance across companies. To assist it in its proxy voting responsibilities, Lazard subscribes to proxy advisory firms, ISS, and Glass, Lewis & Co.

### Scope

ESG factors described are applied across the entire portfolio but, there are certain sectors (tobacco, energy, mining) which are removed or subject to additional scrutiny due to environment, societal license, and other ESG issues.

### Proxy voting and reporting

Lazard will accept delegation from its clients to vote proxies but does not delegate that authority to any other person or entity. Not all clients delegate proxy voting authority to Lazard, and Lazard will not vote proxies, or provide advice to clients on how to vote proxies, in the absence of a specific delegation of authority or an obligation under applicable law. Similarly, Lazard will not generally advise, in advance, how it intends to vote on any specific issue, although they may be willing to discuss the relevant context and matters under consideration. [Lazard's ESG policy](#) is available to the public.



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## **Morgan Stanley Investment Management – Global Opportunity Fund (Global Equities)**

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### **Enumeration of ESG factors**

Morgan Stanley Investment Management (MSIM) ESG analysis focuses on areas such as environmental management, energy, water and resource consumption, consumer product safety, human capital management, supply chain management, regulatory impacts; and governance issues such as management incentives, capital allocation, independent boards and transparent accounting.

### **Explanation of methodology**

MSIM does not apply top-down ESG positive/negative screens to a benchmark and does not utilize ESG scorecards from third parties which rank companies against industry peers. It uses a bottom up approach that analyzes each company on its merits and views sustainability as a competitive advantage.

### **Application of ESG factors**

Different approaches are employed based on whether prospective companies are in developed or developing markets. In developing markets, additional due diligence steps are taken, and risks stemming from corruption, political instability, governance and accounting issues are thoroughly investigated with a full due diligence report to assess governance risk.

### **Proxy Voting**

MSIM does not automatically support management recommendations. Its Global Stewardship team provides clients with proxy voting records relating to voter held and voted on their behalf. All proxy voting decisions are made in-house based on members of the investment team and Global Stewardship team.

### **Reporting**

MSIM's annual [ESG and Sustainable Investing Report](https://www.morganstanley.com/im/publication/insights/investment-insights/ii_esgandsustainableinvestingreport_us.pdf) is available to the public. It summarizes engagement initiatives with portfolio companies and the Global Opportunity Fund's carbon intensity.<sup>2</sup>

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<sup>2</sup> [https://www.morganstanley.com/im/publication/insights/investment-insights/ii\\_esgandsustainableinvestingreport\\_us.pdf](https://www.morganstanley.com/im/publication/insights/investment-insights/ii_esgandsustainableinvestingreport_us.pdf)

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## **TD Asset Management – Low Volatility Global Equity Fund (Global Equities)**

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### **Enumeration of ESG factors**

TD Asset management (TDAM) believes that relevant ESG factors provide a more robust view of risks and opportunities facing the companies in which it invests. Key examples include: (i) Environmental – energy, fuel, water and chemical usage; (ii) Social – employee and stakeholder engagement, health and safety, working conditions and supply chains; and (iii) Governance – leadership, internal controls/policies, accounting standards and compliance

### **Explanation of methodology**

TDAM has ESG criteria in place for Low Volatility Equity (LVE) strategies to better understand and anticipate foreseeable risks. The objective of the LVE strategies is seek to identify better risk-adjusted total returns than the applicable capitalization weighted market index, the portfolios adhere to the firm-wide ESG policies which include TDAM's guidance on proxy votes related to ESG matters. The quantitative model is the main driver for the LVE investment process, but portfolio managers use judgement if an event is significant to warrant the exiting of a position. TDAM has explored screening out stocks with poor qualities (e.g. falling ESG scores, falling profitability) but ESG risk exposure data remain a new field of data collection. TDAM continues to look for ways to reduce portfolio risk and enhance performance using ESG factors.

### **Application of ESG factors:**

TDAM has a firm-wide Sustainable Investing Approach that guides the application and integration of ESG factors within its investment process. There is a dedicated ESG Committee that oversees TDAM's overall ESG strategy, integration, and implementation. Members of the committee collect feedback through client and consultant engagement, and review industry trends and academic research in the area.

### **Reporting**

TDAM's [Sustainable Investing Policy](#) is available to the general public, as are TDAM's Responsible Investing Transparency Reports.<sup>3</sup>

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<sup>3</sup> TDAM's Responsible Investing Transparency Reports in support of UN PRI and Sustainable Investing Policy are available at this link [https://www.tdaminstitutional.com/tmi/content/AU\\_CorpVision?language=en\\_CA](https://www.tdaminstitutional.com/tmi/content/AU_CorpVision?language=en_CA)

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## Unigestion – All Country World Equities Fund (Global Equities)

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### Enumeration of ESG factors

Unigestion sees ESG integration in its risk management process. In addition to traditional risk measures such as fundamentals, volatility and liquidity, ESG characteristics of companies, their carbon footprint and potential controversies are key considerations within our risk assessment.

### Explanation of methodology

Unigestion has a three-step investment process comprising bottom-up screening, reviewing of top-down risk, followed by a fundamental review to arrive at a portfolio of stocks. ESG criteria has four pillars, which are integrated in each of the steps.

Pillar I: Norm-based screening which excludes controversial weapons, tobacco producers, adult entertainment producers, and thermal coal producers (effective Q1 2020).

Pillar II: Exclusionary screening where non-covered companies, and negative-trend companies and high carbon emitters are excluded.

Pillar III: Risk controlling requires that the portfolio maintain an ESG score that is higher than the market reference on an ongoing basis.

Pillar IV: Active ownership is done through proxy voting, direct engagement, and collaborative engagement.

Pillar I and II are implemented in the bottom-up screening stage while Pillar III is implemented in the top-down risk review stage and Pillar IV is ongoing through Unigestion's process.

### Application of ESG factors:

The ESG processes apply to all of Unigestion's risk-managed equities and all securities held within them.

### Proxy Voting and reporting

Unigestion's proxy voting is carried out by ISS and incorporates ISS's Climate Voting Services' Climate Scorecard. Unigestion engages with companies directly and in collaboration with other investors. In 2019, Unigestion signed the PRI-lead Climate Change Engagement for Airlines and Aerospace Companies, publicly endorsing expectations that airlines and aerospace companies should take action to manage climate change risks. Unigestion's [responsible investment policies and reports](#) are available to the public.

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## **RBC Asset Management – Bespoke Fixed Income Portfolio (Global Fixed Income)**

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### **Enumeration of ESG factors**

RBC Asset Management (RBC GAM) considers the following factors:

**Environmental:** impact of a company's activities on the climate, including greenhouse gas emissions and the risks and opportunities presented by climate change, energy efficiency, pollution, water and waste management, site rehabilitation, biodiversity, and habitat protection.

**Social:** human rights, community consent/impact, respect for indigenous peoples, employee relations and working conditions, discrimination, child labour and forced labour, health & safety, and consumer relations.

**Governance:** executive compensation, board independence and composition, board accountability, shareholder rights, transparency/disclosure, anti-corruption measures, financial policies, and the protection of private property rights.

### **Explanation of methodology**

RBC GAM's Corporate Governance & Responsible Investment group (CGRI) has internal responsibilities which includes providing research to investment teams. In addition, RBC GAM engages with the following providers for ESG related tools and research: MSCI, Sustainalytics, TruValue Labs, ISS, Glass Lewis, and Bloomberg ESG.

### **Application of ESG factors:**

RBC GAM's unconstrained fixed income portfolio for York's endowment comprises funds from BlueBay Asset Management and Phillips Hagar & North (PH&N). For BlueBay, each security is rated by its analysts. Third party ESG data and internal credit analysis results in fundamental ESG ratings and an investment ESG score to provide relative valuation measurement. PH&N mandate contains exposure to Canadian commercial mortgages so ESG factors incorporate property specific and borrower specific risks. In addition, mortgage portfolios are tested under various climate change scenarios to assess the impacts of major climate events.

### **Reporting**

RBC GAM's [Approach to responsible investment](#) and [Stewardship in action](#) documents are available for review.

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## Manulife– Strategic Fixed Income Strategy (Global Fixed Income)

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### Enumeration of ESG factors

For Manulife Investment Management (MIM) ESG factors relevant to a company's business are contingent on the industry and geography in which the company operates, and may include:

- environmental pollution and natural resources utilization
- health and safety standards
- supply chain management
- product safety and quality
- climate change mitigation/adaptation
- new market opportunities driven by environmental & social trends
- employee and labour force management
- data and cyber security
- responses to technological disruption
- stakeholder relationships

### Explanation of methodology

ESG is integrated in three broad stages of the investment process: (i) ESG due diligence: investment teams consider ESG factors which may be material to their investment view of a company or country during initial and ongoing due diligence, leveraging third party ESG research data and internal ESG research; (ii). ESG risk monitoring: risk processes include daily risk reports and periodic meetings between the investment team and an ESG analyst to discuss specific portfolio-level ESG exposures or company-level ESG issues in more detail. (iii) active ownership: companies are identified as targets for engagement.

### Application of ESG factors:

All positions are reviewed a dedicated ESG analyst and the portfolio manager. Focus is applied to investments with higher ESG risks. An ESG credit risk template assesses ESG risks versus credit spreads, and the potential for ESG factors to impact spreads and possible default risks. At the security level, the credit research team considers MSCI ESG inputs, which are incorporated as part of its fundamental research process, and assesses the additional yield required to compensate for any ESG risks an issuer may present. At the portfolio level, the portfolio management team has regular discussions with dedicated in-house ESG team, using analytics based on MSCI screens, to review overall portfolio characteristics and company-specific issues.

### Reporting

MIM's [Environmental, Social and Governance Policy](#) and [Sustainable and responsible investing report](#) documents are available for review.

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## Stone Harbor Investment Partners LP – High Yield Bond Fund (Global High Yield)

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### Enumeration of ESG factors

Stone Harbor focuses on whether potential high yield portfolio credits adhere to best environmental practices, to sustainability standards, and developed market governance standards. Examples of the factors that credit analysts consider include the following

<b>Environmental factors</b>	<b>Social factors</b>	<b>Governance factors</b>
Natural resource use	Workforce health and safety	Board independence
Carbon emissions	Diversity/opportunity policies	Board diversity
Energy efficiency	Employee training	Shareholder rights
Pollution/waste	Human rights	
Sustainability initiatives	Privacy/data security	
	Community programs	

### Explanation of methodology

The investment process for Stone Harbor's high yield portfolio incorporates active engagement with existing and potential issuers to ensure they meet Stone Harbor's ESG diligence process. In addition to performing financial statement analysis and rigorous due diligence, credit analysts seek to engage with each of the companies held in the high yield portfolio multiple times per year, be it on or off site, one-on-one, at roadshows and conferences, via phone, etc.

### Application of ESG factors:

ESG factors are applied to the entire portfolio and governance is the most widely applicable ESG factor from a bondholder viewpoint, while environmental and social factors may be more relevant in certain industries.

### Reporting

Stone Harbor's [ESG statement](#) is available for public review.

## ESG Assessment of Investment Managers by Aon Hewitt (Investment Consultant)

The University also relies on its investment consultants to independently assess the University's investment managers with respect to ESG integration.

Aon uses a four-point rating system, and the ratings for each of the Endowment's investment managers is included for reference.

Investment Manager	Aon ESG Rating (out of 4)
<b>Equity</b>	
Baillie Gifford	2
C Worldwide	2
Harris	2
Lazard	2
Morgan Stanley	NR
TDAM	2
Unigestion	2
<b>Fixed Income</b>	
RBC GAM	NR
Manulife	3
Stone Harbor	NR

### Aon's ESG Rating Guide

Overall ESG Rating	What does it mean?
4	The Fund Management Team demonstrates high awareness of all known and potentially financially material ESG risks in the investment strategy and, at present, has incorporated appropriate processes to identify, evaluate and potentially mitigate these risks across the entire portfolio.
3	The Fund Management Team demonstrates an above average awareness of potential ESG risks in the investment strategy and has taken essential steps to identify, evaluate and potentially mitigate these risks.
2	The Fund Management Team is aware of potential ESG risks in the investment strategy and has taken some steps to identify, evaluate and potentially mitigate these risks.
1	The Fund Management Team appears unaware or unconcerned with ESG risks in the investment strategy and has not taken any material steps to address ESG considerations in the portfolio.
N/A (Not applicable)	An evaluation of ESG risks is not directly applicable to this strategy and therefore an ESG rating has not been assessed.
NR (Not rated)	An evaluation of ESG risks is not available for this strategy.

Aon's ESG ratings assess the key sustainable investing behaviours<sup>4</sup>:

**ESG Integration:** The degree to which ESG risk factors are incorporated in a manager's investment decision making processes.

**Active Ownership:** The level of active share ownership a manager can demonstrate alongside active proxy voting policies.

**Engagement:** The willingness of a manager to engage with companies in relation to ESG risk factors, and the ability of a manager to make progress on these issues.

**Collaboration:** The extent of external collaboration a manager undertakes with the wider RI community, furthering best practice and understanding.

**Organization:** A manager with a high qualitative ESG score for any strategy is likely to also score highly for its credentials on an RI culture at the organizational level.

**Staff and Resource:** Aon prefers portfolio managers and research analysts to have accountability for the integration of ESG risks and a level of senior sponsorship to drive an ESG risk culture in organizations of all sizes.

**Process:** Aon looks at key aspects of a manager's investment process and the extent to which the research and integration of ESG risk factors is systematically incorporated into processes.

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<sup>4</sup> Source: "Guide to Aon's ESG Ratings for Fund Managers"