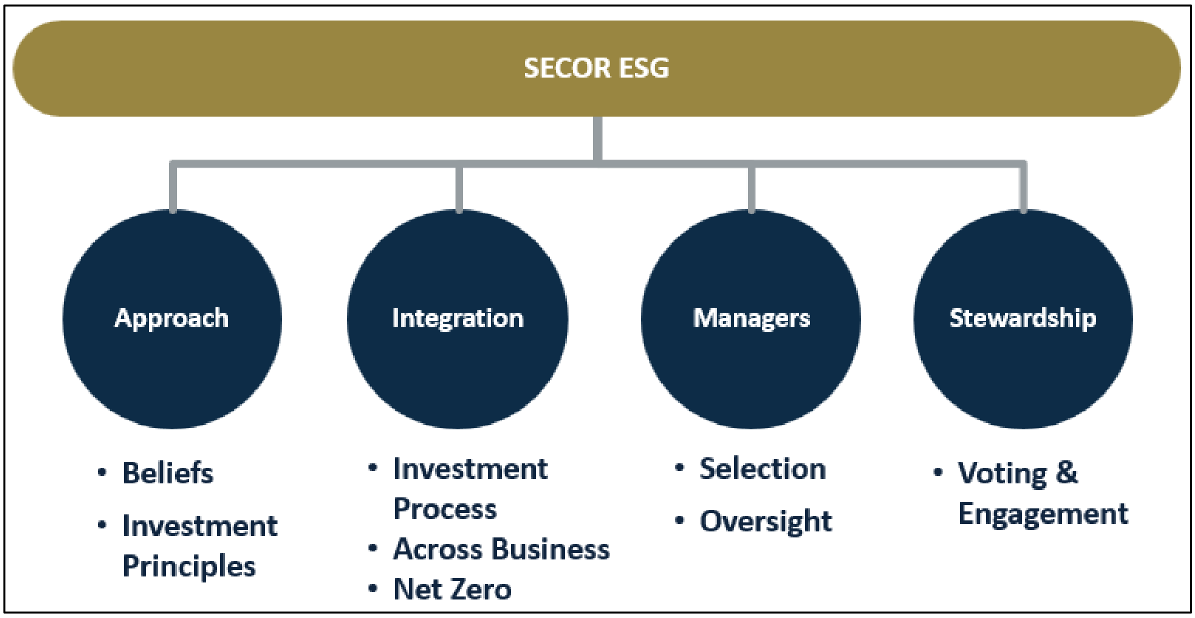
SECOR

Environmental, Social & Governance (ESG) Policy

September 2023

Introduction

This document has been prepared and is maintained by SECOR's ESG Committee. It sets out our approach to ESG and Stewardship (which we consider collectively as Responsible Investment). It includes our ESG Beliefs and Responsible Investment Principles, together with information on how we expect ESG and Stewardship to be integrated into our activities and advice to our clients.



While this document sets out our approach to ESG in general, SECOR works with individual clients to implement bespoke ESG and Stewardship Policies in line with their specific requirements.

This document should be read in conjunction with our:

- **Sustainability Policy** – which sets out the key principles and approaches used by SECOR to address sustainability risks and opportunities, and other related considerations.
- **Stewardship Policy** – which sets out our approach to stewardship (active ownership) and the ongoing oversight of, and engagement with, our clients' third-party managers with the aim of enhancing long-term value for our clients while contributing to the sustainability and health of the environment and society.
- **Proxy Engagement Policy –** which set out our approach and expectations of appointed managers in relation to exercising rights attached to investments and their engagement with debt and equity issuers.
- **Modern Slavery Act and Human Trafficking Statement** – which sets out our commitment to ensuring that our business and supply chains are free from modern slavery and human trafficking.

Overview

SECOR considers ESG incorporation to be an important part of how we manage both our business and our client's assets, and we believe it is essential for running a successful business and providing the best investment advice and solutions.

We believe that the best approach to ESG depends on each individual client's beliefs and circumstances, and we customise our approach and resulting portfolios accordingly. We do not believe that there is a 'best', one-size-fits-all approach to ESG incorporation. That said, we also believe that ESG considerations will meaningfully impact future investment returns, that adhering to sound ESG principles is the right thing to do, and that doing so is likely to improve risk adjusted returns over time.

We further believe that ESG considerations are best addressed as part of the active management of portfolios and will generally recommend for new clients that a meaningful part of their portfolio is invested in mandates which have specific objectives aimed at 'doing good' (i.e. having a positive impact on the environment and society) alongside financial objectives aimed at 'doing well' (subject to alignment with their beliefs and objectives).

SECOR is a signatory to the UN Principles for Responsible Investment (since 2020), which is globally recognised and designed specifically for financial institutions. As a signatory, SECOR is dedicated to publicly demonstrating our commitment to responsible investment.

We agree with and support the UN Global Compacts' principles on human rights, labour, environment and anti-corruption and societal goals, and we have incorporated these principles of Environmental, Social, and Governance as part of our ESG philosophy described in this document.

SECOR also recognises the 17 Sustainable Development Goals (SDGs) of the UN Global Compact and, as appropriate, reviews and selects managers and investments in part based on the considerations highlighted by the SDGs.

ESG Responsibilities

SECOR's ESG efforts are led from the top by, our CEO & CIO. We have also appointed a Chief Sustainability Officer, who is responsible for leading SECOR's ESG activities and reports directly to the CIO/CEO and a Head of Responsible Investment Research, who works closely with other members of the research team and the wider business to promote ESG best practices and identify key ESG themes and other engagement topics relevant to our clients and managers.

High level ESG beliefs, principles, and strategy are the responsibility of SECOR's ESG Committee which comprises:

- CEO and CIO
- Chief Sustainability Officer
- Head of OCIO and Fiduciary Management
- Head of UK Investment Strategy

Integration of ESG considerations into our portfolios and day to day activities comprises:

- Portfolio design, which is the responsibility of the investment strategy team
- Manager selection and oversight, which is the responsibility of the Investment Approval Committee
- Stewardship, engagement and voting, which is the responsibility of Head of Responsible Investment Research
- ESG reporting, which is the responsibility of Head of ESG Risk Analytics & Reporting
- ESG regulatory, which is the responsibility of Head of Regulatory Surveillance

As a boutique specialist firm, and in keeping with our preference for an integrated approach to ESG, we have decided that the best approach for our business is to allocate other ESG responsibilities and day to day activities across our various teams and operational functions, rather than put in place a standalone ESG team (which could risk operating in a silo). Consistent with this approach, ESG criteria are a key part of our staff evaluation structures, particularly for Investment Management, ESG support functions, and Corporate Responsibility.

ESG Beliefs

Our ESG beliefs are that:

1. ESG considerations are an essential component of comprehensive investment analysis, and our ESG beliefs are inextricably linked to our wider investment beliefs.
2. ESG considerations will have a meaningful impact on the performance of companies and security pricing over time, and missteps with respect to ESG risks could lead to long-term losses or missed opportunities for our clients.
3. Integrating sound ESG principles throughout our process is likely to improve risk-adjusted return.
4. ESG considerations are an important component for all active manager decisions.

Responsible Investment Principles

Based on the above ESG beliefs, we have developed a set of Responsible Investment Principles which are outlined below:

1. Portfolios should incorporate a balanced and well diversified range of potential sources and drivers of future return (including ESG factors)t.

2. Unrewarded risks (including ESG related risks) should be avoided or hedged wherever possible and cost effective to do so.
3. A meaningful proportion of return seeking portfolios (e.g., up to 20%) should comprise mandates which seek to support and benefit from ESG related opportunities (while also taking account of other / more traditional investment considerations).
4. All other relevant mandates should fully incorporate ESG considerations as part of the investment and reporting process.
5. Exclusions, with the exception of those required by law or regulation, are best considered at individual manager and mandate level to ensure that they are consistent with the specific role and investment philosophy for the allocation.
6. Private markets and/or actively managed mandates are most appropriate when seeking to benefit from ESG related opportunities and manage ESG related risks (since it is only possible to beat the market with information that is not already in the price).
7. Time and effort spent on ESG considerations should be focused on activities which we believe 'makes a difference'.

SECOR acknowledges that incorporation of these beliefs and principles can take many forms and will be impacted by asset class, investment style, and other investment mandate specific factors.

Approach to Responsible Investment

Responsible Investment requires the consideration of ESG issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship). This is an essential part of our investment process.

Responsible investors can have different objectives. Some focus exclusively on financial returns and consider ESG issues that could impact these. Others aim to generate financial returns and to achieve positive outcomes for people and the planet, while avoiding negative ones.

Our approach (where the client does not have a particular preference) falls somewhere in the middle – we seek to achieve an agreed financial objective and minimise risk, while at the same time 'doing good'. We believe that this is possible without compromising expected return, risk exposure, or overall portfolio diversification.

ESG integration in our investment process

ESG considerations do not generally affect our strategic asset allocations i.e. the decision to invest x% of the portfolio into equities. At the asset class level, ESG considerations do influence (along with a range of other factors) the choice of mandate and selection of third-party managers.

For new clients who do not have a preference for any particular approach, our starting point is to put forward a portfolio which includes a meaningful proportion, e.g. up to 20% of return seeking assets, in mandates which have a specific ESG component (i.e. have an objective to "do good" alongside more traditional return and financial risk management objectives).

On the basis that ESG considerations are likely to be a key driver of future investment performance, we consider that this strikes a good balance between making a meaningful allocation that will have an 'impact' (on both overall financial performance and the wider world), while leaving sufficient room to include exposure to a range of other risk premia (sources of potential return) to meet the overall stated risk and return objectives. While we incorporate the consideration of ESG in our investment process, we believe that the ultimate tool is the portfolio construction process which would ensure the final portfolio metrices will meet the stated objectives. An allocation of this size also means that more can be allocated in future should that be deemed appropriate as markets and manager offerings continues to evolve.

We expect ESG considerations to be appropriately addressed as part of all our managers' investment processes (not just the up to 20% with a specific ESG objective).

ESG integration across our business

We conduct weekly all-hands meetings which all client teams, researchers, portfolio managers, and implementation / technology / operations staff, are expected to attend.

At these meetings, we review all client portfolio and market outlook considerations (including ESG) with discussion to ensure that everyone is aware of, and has an opportunity to contribute to, what's happening across the firm.

All investment strategy advice is reviewed by either the Global Head of Investment Strategy and/or Head of UK Investment Strategy, who collaborate closely to ensure consistency of approach and advice.

In addition, all investments are reviewed and approved by members of the Investment Approval Committee (IAC), which include the CEO/CIO and Head of OCIO and Fiduciary Management, who are also members of the ESG Committee.

External manager selection and oversight

SECOR does not directly select individual securities; instead, it selects and combines specialist third party investment managers (managers) to implement day-to-day investment activities, which includes voting and engagement.

We believe that the benefits of ESG integration will vary by asset class and over time. We also believe that (appropriately skilled) managers are best positioned to assess and incorporate ESG considerations dynamically, and that this should be done at individual mandate level.

Manager selection

We consider ESG to be an important tool when evaluating a manager as part of our holistic selection and oversight process. We have developed a manager peer comparison scorecard to help evaluate each manager based on an ESG rating scale from 1 to 5 (with 5 being the highest).

SECOR includes a comprehensive ESG questionnaire in our manager RFP and selection process. Responses are considered as part of the aggregate new manager assessment which is consistent with the process for evaluating current managers. The ESG questionnaire is refreshed and reissued annually and is reviewed alongside the manager's ESG policy. ESG is also discussed during all semi-annual portfolio reviews, and regularly throughout the year during update calls and meetings.

Our Investment Approval Committee evaluates the ESG considerations and research findings for every investment and, if they are not satisfied, a manager will not be approved for new investments. In addition, any existing mandates will be put 'on watch' and may be disinvested, if we have concerns and a manager does not respond appropriately to our ongoing engagement with them.

Managers and mandates are assessed on a case-by-case basis, taking into account the type of assets that the external manager invests in, and the particulars of the investment mandate. We do not expect, or seek, a uniform approach across asset classes and managers.

Manager oversight

Once we are satisfied with a manager's ESG policies and approach and the manager has been selected, we expect them to implement effectively. We consider the following aspects in our oversight, with a focus on the implications for our priority themes (which are climate change, biodiversity, human rights and labour practices, and diversity, equity and inclusion - please refer to our Sustainability Policy for more information):

- the extent to which the manager can demonstrate their consideration and incorporation of ESG considerations into their investment analysis and portfolio construction;
- the extent to which the manager is an active owner, with the exception of quantitative and other strategies where active ownership is less practical;
- whether the manager can demonstrate their ongoing commitment to the UN Principles for Responsible Investment (PRI) and UK Stewardship Code 2020 (or that they are achieving a similar standard);
- whether the extent and quality of the manager's voting and engagement activity meets the standards we expect (where relevant and appropriate to the mandate); and
- how the manager communicates their activities and ongoing adherence to their ESG investing policy. We ask all our managers to demonstrate how they have integrated ESG in the investment of our clients' mandates.

Stewardship (Engagement)

SECOR considers that stewardship plays an important role in managing ESG risks, and that it can help enhance value for clients with longer-term investment timeframes. Consequently, we consider that effective stewardship is in the best interests of our clients.

SECOR is committed to high standards of governance and stewardship, such as the UK Stewardship Code 2020 and the UN Principles for Responsible Investment.

SECOR does not directly select individual securities; instead, it selects and combines specialist third party investment managers (managers) to implement day-to-day investment activities, which includes voting and engagement. We recognise however, that we have an important role in monitoring our managers' activities and promoting best practice.

As part of our manager due diligence process, we seek to understand each manager's approach to voting and engagement, and the extent to which they rely on the services of proxy voting providers like Glass Lewis or ISS. A manager may not be selected unless we are satisfied with their approach and track record.

Through our ongoing engagement with managers, we review their engagement and voting activity, and challenge them where it appears to be out of line with best practice, their stated policies, or the advice of their providers. Where a client has particular requirements, beliefs, or areas of focus, we will either seek to integrate those into the relevant mandate or encourage the manager to engage with investee companies on those topics.

SECOR engages with each third-party manager to understand and support their efforts to improve their approach to ESG and responsible investing. Since each manager's investment strategy and policy can be different (and designed to suit their individual mandate), any improvements we identify and encourage will be manager specific.

At a minimum, SECOR conducts semi-annual meetings, receives quarterly reporting, and seeks regular updates via calls and email correspondences. Where any issues are identified, more frequent engagement will take place.

Our research team is expected to maintain records of managers' ongoing and intended engagement activities as part of their research duties, and to follow up with managers in subsequent discussions to understand what the outcomes of those have been.

Relevant information will be shared with clients as part of our ESG reporting, the process of preparing various disclosure requirements, and/or during dedicated ESG discussions, depending on the client's preferred approach.

SECOR is in the process of applying to be a signatory of the 2020 UK Stewardship Code.

Policy Review and Update Process

This policy is designed to be a "living document" and will evolve over time. SECOR will regularly assess the appropriateness and sufficiency of this Policy and it will be updated as required.

Appendix 1 - ESG Committee Terms of Reference

Introduction

The primary purpose of the Committee is to provide guidance to, and oversee the activities of, the business in relation to ESG and Stewardship considerations, with the aim of supporting our clients to generate long term value and manage risk for the benefit of their members and/or other stakeholders.

To perform their role effectively, each member of the Committee must be familiar with these terms of reference as well as the aims and objectives of our various clients.

Members

The Committee shall consist of at least 4 senior members of the business which represent a range of different business functions. The membership of the Committee will be reviewed at least annually.

Current members of the committee are:

- **CEO and CIO**
- **Head of OCIO & Fiduciary Management**
- **Director of UK & Europe**
- **Head of UK Investment Strategy**

Responsibilities

The Committee's responsibilities will include:

1. Review current and emerging ESG trends, relevant international standards and legislative requirements; identify how these are likely to impact investment strategy and implementation; and determine if and how these are incorporated into or reflected in the business's ESG policies and objectives.

2. Set and maintain high level ESG beliefs, Responsible Investment Principles, and ESG policies for the business.

3. Oversee the integration of ESG considerations by the various research, operational, and client teams.

4. Oversee that appropriate objectives have been agreed with clients for ESG activities, and that key metrics are monitored and fairly reported.

5. Oversee membership of and collaboration with relevant industry bodies.

6. Oversee internal and external ESG reporting as required.

Meetings

The Committee will meet at a minimum 4 times a year. We expect/experience a higher frequency of meetings as ESG is continuingly evolving.

Internal or external (e.g. experts from asset managers) subject matter specialists may be invited to meetings to share their perspective and ideas.

Other matters

Members of the Committee shall:

- have access to sufficient resources in order to carry out its duties;
- be provided with appropriate and timely training; and
- arrange for periodic self-assessment of its own performance and, at least annually, review these terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary.

Authority

The Committee is authorised to:

- request information from employees or partners of the business to support its duties;
- obtain independent professional advice on any matter it believes is necessary and within its terms of reference; and
- call employees or partners to be part of a meeting of the Committee as and when required.