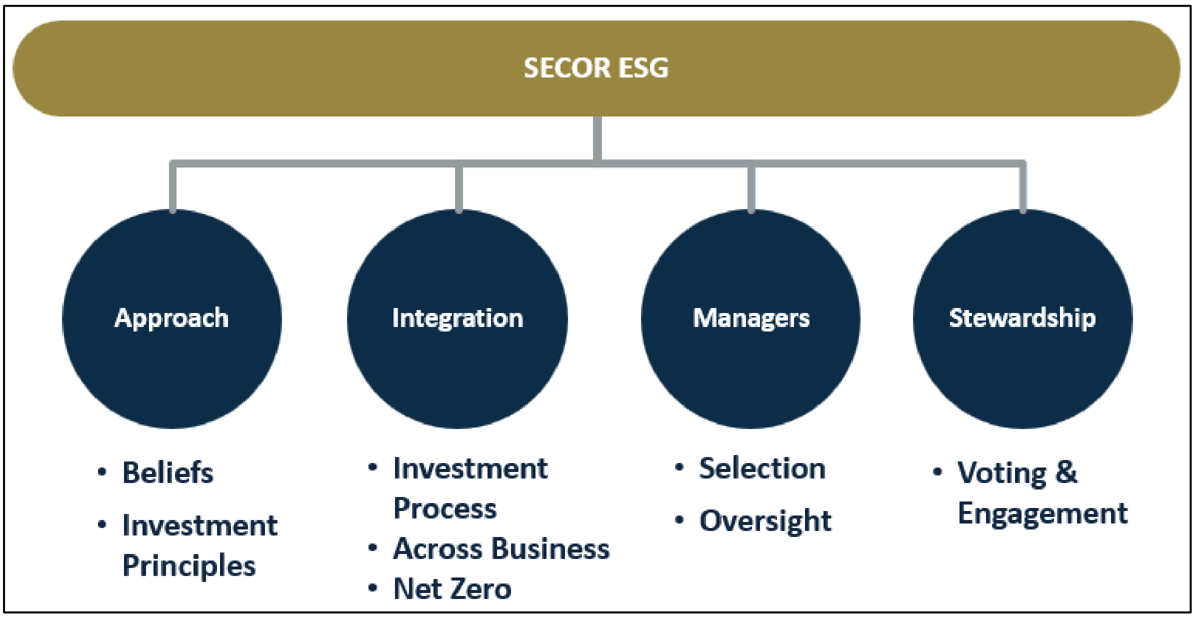
SECOR

Sustainability Policy

September 2023

Introduction

This document has been prepared and is maintained by SECOR's ESG Committee. It includes the key principles and approaches used by SECOR to address sustainability risks and opportunities, and other related considerations for SECOR's activities and advice to our clients.



While this document sets out our approach to sustainability in general, SECOR works with individual clients to implement bespoke Policies in line with their specific beliefs and requirements. Application may also vary depending on the degree of discretion, the asset class, range of available implementation options, and other factors when considering the best approach for a particular 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.

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 (ESG) as part of our approach to ESG.

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

This document should be read in conjunction with our:

- **ESG Policy** – which sets out our ESG Beliefs and Responsible Investment Principles, together with high level details of how we expect ESG and Stewardship to be integrated into our activities and advice for clients.
- **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

We recognise that there is a wide range of potential ESG and climate-related risks and opportunities (CRRO) which could affect the value of our clients' assets. These include, but are not limited to:

Environmental Risks

– Climate change
– Water
– Waste and pollution
– Biodiversity

Social Risks

– Labour standards
– Human rights
– Health and safety
– Social inequality
– Demographics/consumption
– Cost of living

Governance Risks

– Board composition and effectiveness
– Executive remuneration
– Conduct, culture and ethics
– Shareholder right

In SECOR's view, integrating these and other sustainability considerations into our investment approach is more likely to create and preserve long-term value. More specifically, we consider that investment implementation should reflect that:

– Sustainability and ESG factors could be a material driver of future risk and return;
– Climate change poses a systemic risk, and both transition and physical risks should be considered;
– Effective stewardship can help enhance long-term shareholder value;
– Identifying key sustainability themes and trends is likely to improve risk management and help identify opportunities; and
– Sustainability considerations are best addressed as part of the active management of portfolios.

SECOR evaluates sustainability policies, capabilities, and practices of potential and appointed managers, where relevant, as part of our integrated multi-manager selection and ongoing monitoring processes. We expect appointed managers to assess and reflect sustainability risks and opportunities in their security or asset selection and portfolio construction processes (although we acknowledge that the degree of relevance and materiality can vary between asset classes and investment strategies).

Climate Change

SECOR considers that climate change and climate-related risks pose a systemic risk, and that the financial impacts of climate change are likely to be driven by:

- Physical damage expected from an increase in average global temperatures, which includes availability of natural resources (including biodiversity), chronic damage (including to productivity), and acute damage (including catastrophes); and
- The associated transition to a low-carbon economy, which includes technology and policy risk factors.

SECOR recognises that limiting global average temperature increases to "well below two degrees Celsius", as per the 2015 Paris Agreement, is likely to be aligned with the best economic outcome for long-term diversified investors. SECOR supports this end goal, and we plan to increasingly structure portfolios with the aim of supporting it (where this is consistent with meeting our client's wider investment objectives).

SECOR's aspiration is to achieve net-zero absolute carbon emissions by 2050 for UK and European clients with discretionary portfolios. To help achieve this, and working with our investment managers, we seek to reduce our discretionary clients' portfolios overall contribution to carbon emissions by at least 45% over that period from 2019 baseline levels. We will also encourage non-discretionary clients to work towards these aims where they are compatible with their overall objectives. This will not necessarily result in low-carbon portfolios, since we recognise that some higher emitting activities are necessary, at least over the short to medium term, to help achieve reductions and a net zero economy overall.

SECOR supports the climate change risks approach consistent with the framework recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). In summary, we take the following approach to the TCFD's four elements for managing climate-related financial risks:

- Governance: SECOR's ESG Committee, chaired by our CEO and CIO, has responsibility for overseeing SECOR's approach to climate and other sustainability-related risks and opportunities, with support provided by the research and portfolio management teams. SECOR's management team will review progress through annual reporting prepared on behalf of the ESG Committee.
- Strategy: Climate-related scenario analysis will usually be undertaken as part of strategic reviews. Portfolio construction across asset classes will consider climate-related risks and opportunities, with climate transition analysis providing further insight.
- Risk management: Consideration will be given to risk-reducing strategies and to constructing portfolios which support the transition towards a net zero global economy and promote environmental characteristics or target environmental objectives.
- Targets/metrics: Metrics, such as carbon footprint analysis and forward-looking transition metrics, are assessed to review climate risks and we engage with managers on the results.

SECOR recognises that the risks and opportunities arising from climate change are diverse and continually evolving. We also recognise that data availability and quality is sometimes poor, but also improving.

As a business, SECOR has been Net Zero in terms of our operations since 2019. We have taken steps to reduce carbon emissions and other environmental impacts through reductions in air travel, the use of green energy, recycling, and involvement in other voluntary initiatives*. We participate in Carbonfund.org's Carbonfree® Partner Program to assess and offset 100% of our remaining carbon emissions.

In addition, we have engaged with third party investment managers to encourage reductions in their own carbon emissions and the publication of Carbon Offset papers.

Climate Scenario Modelling

In line with the TCFD framework, SECOR conducts top-down portfolio scenario analysis to understand how resilient a client's portfolio may be under various climate scenarios, and we use this insight to help guide the development of the portfolio over time. This analysis begins with a climate change risk assessment of physical and transition risks and the potential impact of carbon on the portfolio. Then, we assess potential opportunities that may arise.

Our analysis includes consideration of four potential scenarios that project the assets and liabilities forward based on a range of assumptions about how the future might unfold.

Based on the objectives of the Paris Agreement, the four scenarios that SECOR has developed are summarised below:

1. Orderly transition: 2° C or lower scenario where emission reduction starts now and continues in line with the Paris Agreement.
2. Abrupt transition: 2° C or lower scenario where little short-term action is taken, followed by sudden action in 2030 to address climate change.
3. No action: 4+°C scenario where society fails to address climate change.
4. Green bubble: A scenario where substantial financial investments aimed at addressing climate change are found to be ineffective, resulting in a bubble and crash, followed by a loss of confidence in any ability to truly address climate change using the financial system.

The scenarios above are deterministic scenarios that have been constructed based on SECOR's judgement of the climate risks embedded in each asset class, the potential implications of those, and what's already priced into markets. Each scenario represents a set of deterministic return paths ending in 2050. The scenarios are top-down scenarios and rely on available data and analytics to assess how each asset class might behave under each scenario.

* Other initiatives include: an LEED Silver Certified building (Energy & utility efficient building) for our New York office, encouraging environmental recycling and energy preservation measures in employees daily home/personal activities, promotion of "Meatless Mondays" to encourage non-meat meals for the health benefits and to support a healthy environment, promotion of "Wellness Wednesdays" to focus on physical, mental and emotional well-being, participation in Earth Day (April 2022) in person and virtual activities to promote environmental sustainability and awareness

Priority Themes

The United Nations Sustainable Development Goals (SDGs) signpost interconnected global challenges across social and environmental issues and related investment themes. SECOR supports the SDGs and recognises the need for investment towards achieving them by 2030.

To ensure an appropriate allocation of time and resources, SECOR has identified four priority themes to focus on.

Climate change

Related financial impacts are driven by the associated transition to a low-carbon economy and the potential physical damage of different climate outcomes. A well below 2^{0}C scenario is both an imperative and an opportunity.

Biodiversity

A flourishing ecosystem is the foundation of our life on this planet, and necessary for the success of the global economy. Promoting the sustainable use of our land and water and preserving biodiversity is key to our own survival and prosperity.

Human rights & labour practices

Workforce and supply chain safety and human rights practices should avoid contributing to modern slavery, exploitation, and other human rights abuses – these can contribute to economic instability, the threat of social tension, and subsequent political instability. Economic growth should be a positive force for the whole planet.

Diversity, Equity and Inclusion

In addition to being the right thing to do, including cognitive and identity diversity, equity, and inclusion throughout the global economy is likely to help create better outcomes and solutions.

We consider that these themes are key to achieving a sustainable global economy. We also feel that by focusing on these themes, we will be better able to influence and support positive outcomes, whether by engaging with our managers or by joining like-minded investors in a collaborative effort.

Our selection and monitoring processes for potential investments and appointed managers will include a questionnaire on, and a deeper dive into, the manager's approach as well as how their portfolio is positioned in relation to these themes. While we will also consider a range of other ESG issues depending on the asset class and nature of the mandate, we expect that the insights gained in relation to these themes will provide a good understanding of how the manager views and approaches sustainability issues in general when constructing their portfolio(s).

External manager selection and oversight

We 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. Therefore, SECOR delegates most day-to-day ESG decision making to our appointed third-party asset managers.

Manager selection

We consider ESG to be an important tool when evaluating managers as part of our holistic selection and oversight process. SECOR's multi-stage manager selection process integrates ESG factors as part of the investment evaluation and gives each manager an ESG rating as described below.

As part of the diligence process for each manager candidate, SECOR's investment team will issue a comprehensive ESG questionnaire and engage with the manager to assess their approach to sustainability. The ESG questionnaire is refreshed and reissued annually and is reviewed alongside the manager's ESG related policies and processes.

ESG is also discussed during semi-annual portfolio reviews, and regularly throughout the year during update calls and meetings. We note that many smaller or emerging managers may not have the depth of financial resources, personnel or expertise to effectively implement ESG and stewardship relative to larger more established managers. SECOR may consider this as an opportunity to assist and engage with lower scoring managers who display ambition and are committed to making improvements.

ESG Scorecard

We have developed a proprietary ESG scorecard to help us and our clients understand managers based on a range of criteria using a scale from 1 (lowest) to 5 (highest). Our assessment covers categories such as policies, governance, incorporation into the investment process, engagement, voting, and planned future improvements. The framework will be reviewed regularly and will seek to reflect our understanding "best practices" as they evolve. Absolute and relative peer/industry comparisons are conducted taking into account asset class, strategy, geographic and other relevant considerations. The chart below illustrates what we generally expect of managers at each level.

SCORE	CATEGORY	DESCRIPTION
5	Leader	Clear industry leader, innovative, setting and achieving high standards for every category. An active owner, with high standards of stewardship and collaboration. Clearly demonstrates positive outcomes.
4	Very Good	Consistently high standards and strong implementation across most categories. Evidence of effective stewardship and engagement with issuers. Good collaboration with other parties.
3	Good	Well developed, integrated, and consistent approach to ESG and sustainability. Reasonable stewardship program with good evidence of thoughtful voting and engagement activity.
2	Improving	Ad hoc process to ESG integration and active ownership, but good evidence of ongoing improvement initiatives and a desire to make progress.
1	Low/None	Little or no plans for integrating ESG or active ownership into the investment process.

When setting and reviewing the standards that we expect from managers at each rating level, we consider and seek consistency with accepted industry standards including SFDR (or similar) disclosure categories and requirements, the UK Stewardship Code, the UN Principles for Responsible Investment, and guidance from proxy voting providers such as ISS and Glass Lewis.

Our Investment Approval Committee evaluates the ESG policies and research findings for every investment and, if they are not satisfied, a manager will not be approved for new investments. Approved managers are generally expected to have and maintain a rating of at least 3 on our rating framework. Existing mandates will usually be put 'on watch', and may be disinvested, if the manager's rating fall below 3 (and they do 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. There may be particular circumstances or client requirements which mean that a rating below 3 is acceptable.

Manager oversight

Once we are satisfied with a manager's (including manager's corporate organization) ESG policies, approach, and integration; upon the manager being selected, we expect them to implement effectively. We consider the following aspects in our ongoing oversight, with a focus on the implications for our priority themes:

- the extent to which the manager can demonstrate their consideration and incorporation of ESG issues 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 into the investment of our clients' mandates.

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.