

# Implementation Statement

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Cincom Systems (UK) Ltd Pension Plan

Smith & Williamson Investment Management

October 2021

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# 1. S&W Policy

It is Smith & Williamson's responsibility to undertake due diligence when appointing investment managers and review each of their policies on environmental, societal and governance (ESG) considerations as well as where practical, selecting funds managers who have become or are in the process of becoming a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and / or the UK Stewardship Code.

The trustee does not impose social, environmental or ethical constraints on the investment manager in relation to the selection, retention and realisation of investments. Smith & Williamson being signatories to the United Nations supported Principles for Responsible Investment and the UK Stewardship Code means that they are active when it comes to building portfolios to incorporate ESG issues. As the portfolio invests in pooled funds, the underlying fund managers remain in position to make decisions regarding voting votes and engagement. To ensure that votes are being placed on the trustees' behalf in a beneficial way, voting, engagement and stewardship policies are monitored and reviewed periodically.

# 2. Underlying Funds:

Listed below are the collective holdings with summaries of their respective stewardship, engagement and voting policies. For a few of the below, some of the voting statistics are shown for the companies.

## **RWC Enhanced Income**

(Complies with UK Stewardship Code and became signatory of UN PRI in March 2020)

RWC supports the introduction of the UK Stewardship Code for institutional investors, as well as the recommendations of the Kay Review. Although the Stewardship Code relates specifically to the UK, RWC seeks to apply the same principles in its overseas investments. RWC recognise that proxy votes are a valuable asset and must be exercised in the best interest of investors to enhance the long-term financial performance of investments. They believe that the authority to vote can be delegated or retained but should always be voted in the best interests of investors. As active investors, many of their teams interact intensively with company management.

## **GVQ UK Focus Fund**

(Complies with UK Stewardship Code and became signatory of UN PRI in November 2020)

GVQ believe that the exercise of voting rights by shareholders is the fundamental expression of the democratic "one share one vote" ownership of public companies. They believe that shareholders have a responsibility to vote at shareholder meetings and will endeavour to ensure that the votes of their underlying funds are always cast. GVQ aim to ensure that they are well enough informed on the relevant issues so as to be able to exercise good judgement in their voting. GVQ aim to vote all of their holdings on a best endeavours basis. For pragmatic reasons they do not publish their raw voting records but will always disclose their voting records on request. Their voting is typically executed on their behalf by proxy voting services.

## **JP Morgan UK Equity Core Fund**

(Complies with UK Stewardship Code and became signatory of UN PRI in February 2007)

J.P. Morgan Asset Management recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, they support the UK Stewardship Code. J.P. Morgan Asset Management endorses the Stewardship Code for its UK investments and supports the Principles as best practice elsewhere. JPM believe that regular contact with the companies in which they invest is central to their investment process, and also recognise the importance of being an 'active' owner on behalf of their clients.

The following are voting results from 2020 regarding their UK, European and African equity holdings:

- Number of meetings voted in - 8,158 (95.8%)
- Votes with management - 75,890 (87.3%)
- Votes against management - 7,312 (8.4%)
- Abstentions - 1,770 (2.0%)



### **Findlay Park American USD Dis**

(Complies with UK Stewardship Code and became signatory of UN PRI in December 2018)

Findlay Park Partners LLP (Findlay Park) is an independent investment partnership based in London. Their Investment Philosophy helps them to identify businesses that should generate sustainable returns and believe that they can achieve this by taking less risk. This Policy outlines why responsible investment matters to them. It details how meaningful consideration of environmental, social and corporate governance (“ESG”) issues and regular engagement are embedded in their investment process, and why they believe that responsible investment practices play an important role in delivering their purpose. It also outlines the structure and culture which underpins their approach.

From their responsible investment and engagement report 2h 2020:

- 100% voting record
- > 300 one on one meetings with companies in 2020
- Over 70 engagements with their companies where ESG issues were a focus

### **Xtrackers S&P 500 Equal Weight ETF**

(Became signatory of UN PRI in October 2008)

In 2020, DWS (Xtrackers) accelerated our efforts in active ownership and built on our existing expertise and thought leadership by participating in various industry initiatives but also dynamic discussions with investee companies across their equity and fixed income assets in actively as well as passively managed funds. They have managed to substantially increase the number of engagements over the course of the year. In 2020, they voted for 2355 shareholders' meetings, whereby we voted "Against" Management recommendations 24% of the time and out of all the voted items 67% had at least 1 vote "Against", "Withhold" or "Abstain". Additionally, they attended the AGM of 2 companies with a speech and sent their questions for the virtual AGMs of 22 companies.

### **CRUX Euro Special Sits**

(Complies with UK Stewardship Code and became signatory of UN PRI in November 2018)

Engagement and proxy voting form the two main pillars of CRUX's active ownership approach. As active investors, CRUX recognise their responsibility to make considered use of voting rights by evaluating voting issues on their investments and vote on them in line with their fiduciary responsibilities to clients. CRUX aims to vote on all resolutions. At the core of CRUX's rigorous investment approach is finding businesses whose management have proven track records. By this very nature, therefore, CRUX fund managers need to have significant confidence in the management's decision-making ability as a prerequisite for holding the investee company. It is for this reason that CRUX's default position is to vote with management, although they do reserve the right to vote against management if they believe it is their clients' best long-term interests.

Their voting records for Q1 2021:

- No of meetings voted in - 33
- No of resolutions - 447
  - With management - 431
  - Against management - 3
  - Abstain - 13

### **CF Morant Wright Nippon Yield B Inc**

(Generally supports the UK Stewardship Code, but not formally due to their exclusive operations in Japan. Signatory to the Japan Stewardship Code)

Morant Wright seeks to engage actively in a constructive and beneficial way with the companies in which they invest on their clients' behalf. Morant Wright place particular importance on corporate governance with the aim of contributing to the sustainable, long-term value creation of investee companies. They do this through a continuing dialogue with their companies and through having a clear and publicly disclosed policy on voting. Morant Wright will always vote against measures which they consider to be contrary to shareholders' interests. Their general stance is to be supportive of those managements which they believe prioritise good governance and shareholders' interests. While all shareholder votes are considered individually, they will generally vote in favour of proposals put forward by management which are considered to score highly in this regard. Morant Wright are long-term investors following a bottom-up, fundamental investment approach. A core part of their approach is to identify the financial and operational risks of the companies in which they invest. By analysing



operational risks in particular, they aim to recognise the impact of environmental and social factors on their holdings.

#### **JP Morgan Japan C Acc**

(Complies with Japan & UK Stewardship Code and became signatory of UN PRI in February 2007)

JPMorgan Asset Management (Japan) Ltd fully endorses the 2020 revision of the Japanese version of the Stewardship Code and, they have disclosed the steps they follow with regard to the principles of the Code. They recognize the importance of corporate governance when evaluating companies and continue with efforts to engage with companies as responsible institutional investors. They also positively evaluate the Corporate Governance Code introduced in June 2015 which they believe serves to further enhance corporate governance in Japan.

JPMorgan Asset Management (Japan) Ltd (AMJ) manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of AMJ to vote in a prudent and diligent manner, based exclusively on their reasonable judgment of what will best serve the financial interests of the beneficial owners of the security. When exercising their vote, the aim is to evaluate the governance of the company concerned and maximize returns to shareholders over the medium to long term.

The following are voting results from 2020 regarding their Japanese equity holdings:

- Number of meetings voted in - 1,942 (88.5%)
- Votes with management - 18,426 (77.8%)
- Votes against management - 1,884 (8.0%)
- Abstentions - 297 (1.3%)

#### **Schroder Asian Total Return Investment Trust**

(Became signatory of UN PRI in October 2007)

Schroders believe they have a responsibility to exercise their voting rights. They evaluate and vote in line with their fiduciary responsibility to clients and vote on all resolution unless they are restricted from doing so, for example through share blocking. This quarter they voted at 1026 meetings and on approximately 99.7% of all resolutions. They voted on 4 ESG-related shareholders resolutions, of which they voted with management on 1.

#### **Veritas Funds Plc Veritas Asian D Gbp Inc**

(Complies with UK Stewardship Code and became signatory of UN PRI in April 2018)

Veritas acts as an owner of the companies in which it invests, developing relationships and using its shareholder influence to improve long-term value creation. They regard shareholder voting as an important means of communicating with companies and therefore exercise their right to vote on behalf of clients. They subscribe to a proxy voting service provided by Institutional Shareholder Services (ISS), a global leader in corporate governance and responsible investment advice. ISS provides in-depth analysis of shareholder meeting agendas and voting recommendations based on their policies. Investment managers consider ISS reports, alongside their own analysis, experience and dialogues with the company concerned and apply their independent judgement when reaching each voting decision.

#### **Hermes Global Emerging Markets GBP Dist J**

(Complies with UK Stewardship Code and became signatory of UN PRI in April 2006)

Hermes engage with companies that form part of the public equity and corporate fixed income holdings of their clients to seek positive change for their clients, the companies and the societies in which they operate. Engaging with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and investors can operate more sustainably. They make recommendations that are, where practicable, engagement led and involve communicating with company management and boards around the vote. This ensures that their rationale is understood by the company and that the recommendations are well-informed and lead to change where necessary. They help their clients to fulfil their stewardship obligations by monitoring their portfolios to regularly identify companies that are in breach of, or near to breaching, international norms and conventions. In 2020, they cast votes at 730 meetings involving 8089 resolutions, they voted in 99.53% of all votable shares.

#### **BlackRock Gold & General D Inc**

(Complies with UK Stewardship Code and became signatory of UN PRI in October 2008)

Blackrock engage company leadership on key topics emphasising governance practices including management of environmental and social factors that potentially have material economic, operational or reputational



ramifications for the company. The purpose of engagement is to provide companies with their feedback as a long-term investor and to understand a company's approach. Where and when appropriate, in their voting they hold directors accountable for their action or inaction on material governance matters. In determining how to vote at shareholder meetings, Blackrock take into consideration a number of factors and inputs including a company's disclosures, external proxy research and any past engagements. Where necessary, they will also engage with company leadership to ensure they cast informed votes aligned with clients' long-term interests. They aim to cast votes at the shareholder meeting of every company in which their clients hold shares as they believe voting is an important feedback mechanism between companies and investors. BlackRock adheres to the UK, Dutch, Japanese and Taiwan Stewardship Codes.



### 3. MSCI ESG Extended Summary Report

Please see below the latest MSCI ESG report for the portfolio. On page 4 of the report, you will see an ESG rating distribution breakdown and note that 27% of the portfolio is not rated by MSCI. This mainly consists of overseas governments bonds and infrastructure funds which do not disclose their underlying holdings or private assets to MSCI. This figure has reduced from the 43% since our last report in December 2020 and is a result of funds' wider cooperation in reporting to MSCI.

FROM MSCI ESG RESEARCH LLC

## ESG PORTFOLIO EXTENDED SUMMARY REPORT

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Prepared for:	Cincom Systems (UK) Ltd Pension Plan
Portfolio Name:	Cincom Systems (UK) Ltd Pension Plan
Benchmark:	MSCI ACWI
Report Date:	October 21, 2021

Portfolio  
**Cincom Systems (UK) Ltd  
Pension Plan**

### MSCI ESG RATINGS



Benchmark  
**MSCI ACWI**

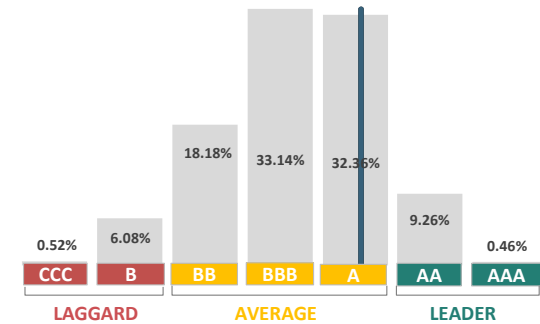


### How the MSCI ESG Rating is calculated

	Portfolio	Benchmark
Weighted Avg ESG Score	6.23	6.13
Adjustment		
+ ESG Trend Positive	10.54%	24.20%
- ESG Trend Negative	3.19%	11.75%
- ESG Laggards	2.73%	5.82%
Adjustment Total	4.62%	6.63%
Score Adjustment	0.29	0.41
<b>ESG Quality Score</b>	<b>6.52</b>	<b>6.54</b>
<b>ESG Rating</b>	<b>A</b>	<b>A</b>

### Distribution of MSCI ESG Fund Ratings Universe

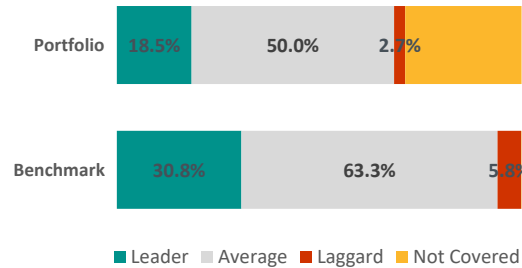
Colored bars correspond to portfolio and benchmark ESG Quality Scores



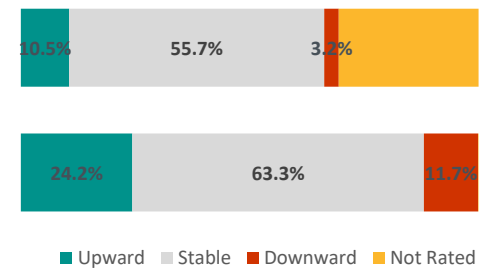
### PORTFOLIO ESG RATING SUMMARY

- ESG Quality** Average  
0.2% below benchmark
- ESG Ratings Distribution** Leaders 12.3% under benchmark  
Laggards 3.1% under benchmark
- ESG Ratings Momentum** Upward momentum 13.7% under benchmark  
Downward momentum 8.6% under benchmark

### ESG RATINGS DISTRIBUTION

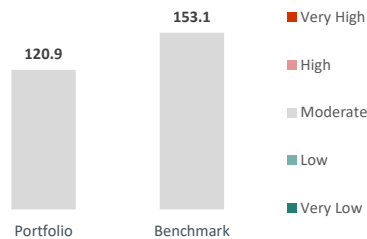


### ESG RATINGS MOMENTUM



### Carbon Risk

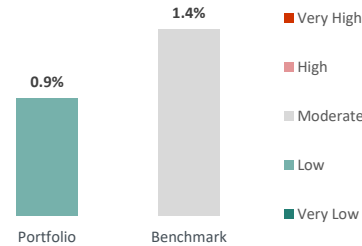
(T CO2E/\$M SALES)



Moderate Carbon Risk  
21.1% less than benchmark

### Reputational Risk

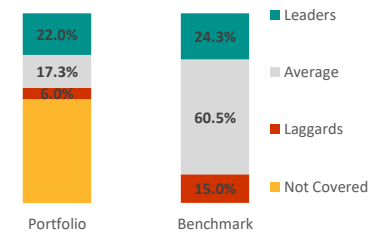
(Very Severe Controversy Exposure)



Low Reputational Risk  
0.5% less than benchmark

### Governance Risk

(Global Percentile)



Laggards 9.0% less than benchmark  
Leaders 2.4% less than benchmark



## LARGEST POSITIONS

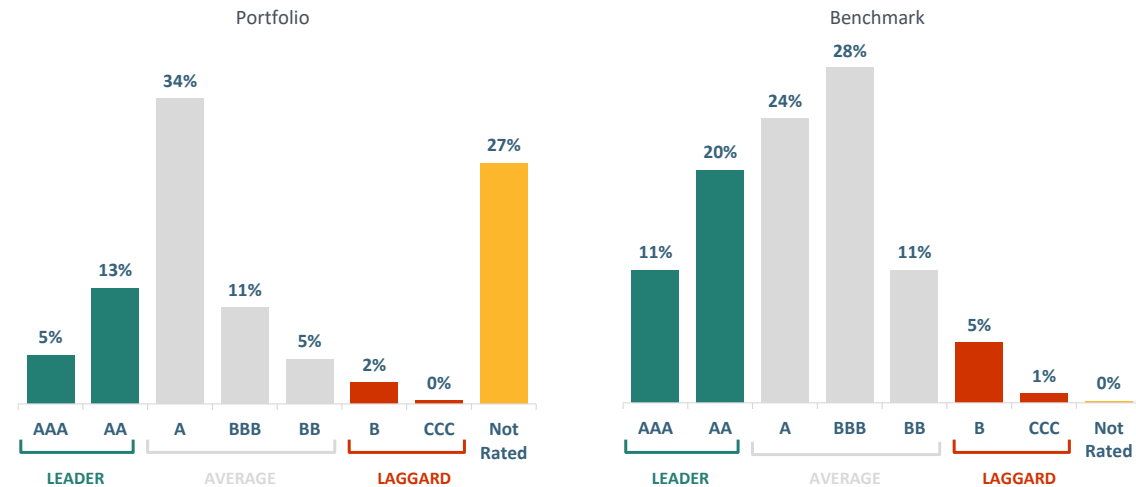
	PORTFOLIO WEIGHT	ACTIVE WEIGHT	ESG QUALITY SCORE	ESG RATING	ESG HIGHLIGHTS	ESG RATING MOMENTUM	CARBON RISK (T CO2E/\$M SALES)	REPUTATIONAL RISK	GOVERNANCE RISK
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	19.26%	19.26%	5.8	A	N/A	Stable	N/A	N/A	N/A
FINDLAY PARK AMERICAN USD	6.57%	6.57%	6.4	A	N/A	N/A	Moderate	Very Low	N/A
JPM UK EQUITY CORE E NET INC	5.10%	5.10%	9.3	AAA	N/A	N/A	Moderate	High	N/A
VERITAS ASIAN GBP D	5.04%	5.04%	5.7	BBB	N/A	N/A	Moderate	Very Low	N/A
RWC ENHANCED INCOME B GBP DIS	4.75%	4.75%	8.7	AAA	N/A	N/A	Moderate	High	N/A
SMITH & WILLIAMSON GL INFLATION LINKED BOND X INC	4.65%	4.65%	5.6	BBB	N/A	N/A	Moderate	Very Low	N/A
GVQ UK FOCUS I	4.56%	4.56%	8.5	AA	N/A	N/A	Low	Very Low	N/A
TM CRUX EUROPEAN SPECIAL SITUATIONS I GBP INC	4.21%	4.21%	8.7	AAA	N/A	N/A	Low	Very Low	N/A
SEI LIQUID ALTERNAT HDG GBP WEALTH A DIST	3.96%	3.96%	5.4	BBB	N/A	N/A	Low	Very Low	N/A
SCHRODER ISF ASIAN TOTAL RETURN C DIS GBP AV	3.87%	3.87%	7.2	AA	N/A	N/A	Moderate	Moderate	N/A

## ESG RISK EXPOSURE

### ESG QUALITY SCORECARD

	Portfolio	Benchmark	Active
ESG QUALITY SCORE(0-10)	6.5	6.5	-0.2%
ENVIRONMENTAL SCORE	5.2	6.0	-12.9%
SOCIAL SCORE	5.7	5.0	13.9%
GOVERNANCE SCORE	5.9	4.8	21.9%

### ESG RATING DISTRIBUTION



### ENVIRONMENTAL RISK

	Portfolio	Benchmark	Active
Carbon Risk (T CO2E/\$M SALES)	121	153	-21.1%
Fossil Fuel Reserves (%)	2.8%	5.7%	-2.9%
High Impact Fossil Fuel Reserves (%)	2.5%	4.8%	-2.3%
Exposure to High Water Risk (%)	4.8%	7.3%	-2.5%
Freshwater Withdrawal Intensity (m3/\$M SALES)	360,398	150,451	139.5%
Total Water Withdrawal Intensity (m3/\$M SALES)	325,176	143,844	126.1%
Freshwater Withdrawal Coverage (%)	15.8%	37.5%	-21.7%
Total Water Withdrawal Coverage (%)	16.2%	41.6%	-25.4%

### REPUTATIONAL RISK

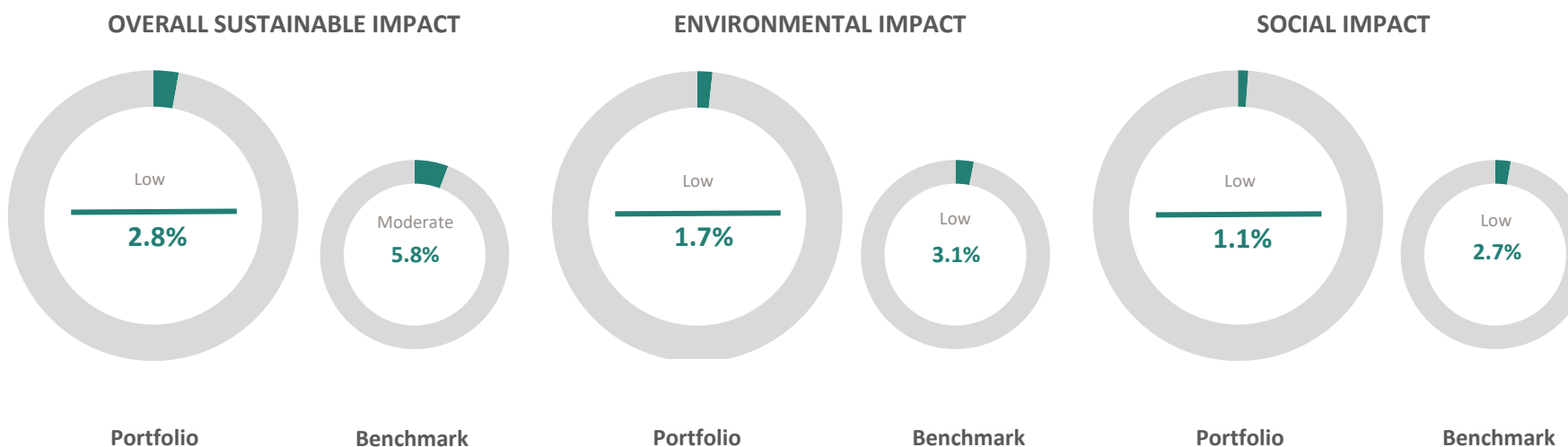
(Very Severe Controversy Exposure)

	Portfolio	Benchmark	Active
Overall Reputation Risk (%)	0.9%	1.4%	-0.5%
Environmental (%)	0.7%	0.8%	-0.1%
Customer (%)	0.0%	0.2%	-0.2%
Human Rights (%)	0.4%	0.5%	-0.1%
Labor (%)	0.0%	0.2%	-0.2%
Governance (%)	0.0%	0.3%	-0.3%

### GOVERNANCE RISK

	Portfolio	Benchmark	Active
Governance Leaders (%)	22.0%	24.3%	-2.4%
Governance Laggards (%)	6.0%	15.0%	-9.0%
Board Flag (%)	6.3%	15.9%	-9.6%
Lack of Independent Board (%)	7.5%	11.3%	-3.7%
No Female Directors (%)	2.3%	3.2%	-0.9%
Female Rep. 30% of Directors (%)	24.2%	55.0%	-30.8%
Accounting Flag (%)	10.9%	24.3%	-13.4%
Pay Flag (%)	3.6%	4.5%	-0.8%
Ownership & Control Flag (%)	5.6%	20.3%	-14.7%

SUSTAINABLE IMPACT EXPOSURE



CLIMATE CHANGE

	Portfolio	Benchmark	Active
Alternative Energy (%)	0.4%	0.4%	0.0%
Energy Efficiency (%)	0.9%	2.0%	-1.1%
Green Building (%)	0.2%	0.4%	-0.1%

NATURAL CAPITAL

	Portfolio	Benchmark	Active
Sustainable Water (%)	0.0%	0.1%	-0.1%
Pollution Prevention (%)	0.1%	0.2%	-0.1%
Sustainable Agriculture (%)	0.0%	0.0%	0.0%

BASIC NEEDS

	Portfolio	Benchmark	Active
Major Diseases Treatment (%)	0.5%	1.6%	-1.1%
Sanitation (%)	0.1%	0.3%	-0.2%
Nutrition (%)	0.2%	0.3%	-0.2%
Affordable Real Estate (%)	0.1%	0.2%	-0.1%

EMPOWERMENT

	Portfolio	Benchmark	Active
Education (%)	0.2%	0.0%	0.2%
SME Finance (%)	0.1%	0.2%	-0.1%
Connectivity (%)	0.0%	0.0%	0.0%

How to read this page

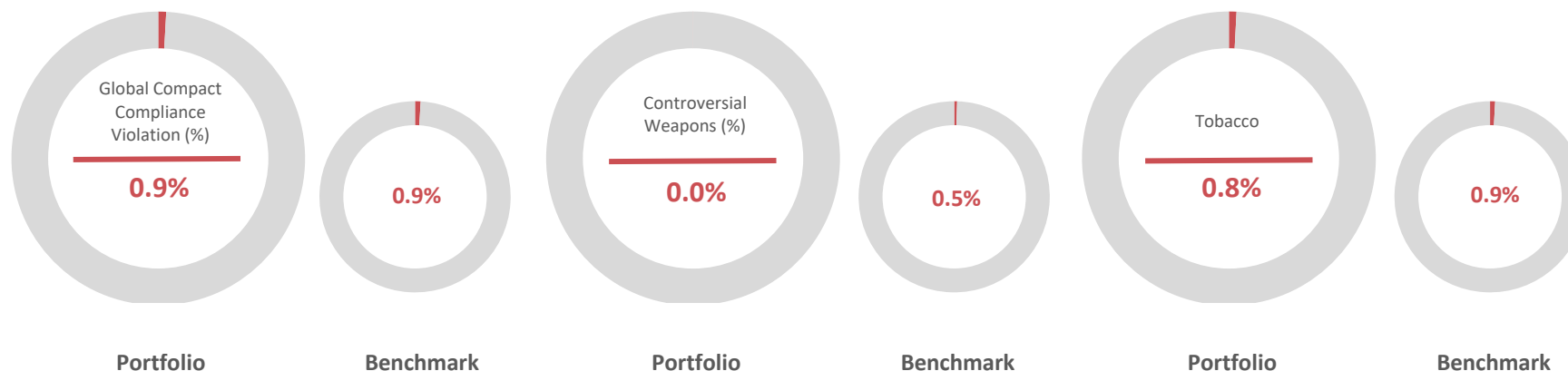
The exposure figures represent revenue exposure to Sustainable Impact Solutions which reflects the extent to which company revenue is exposed to products and services that help solve the world's major social and environmental challenges. It is calculated as a weighted average, using portfolio weights and each issuer's percent of revenue generated from Sustainable Impact Solutions. To be eligible to contribute, an issuer must maintain minimum ESG standards.

The classifications below help interpret the different degrees of exposure.

Impact Exposure Classification

Percentage	Exposure
>20%	Very High
>10% and <=20%	High
>5% and <=10%	Moderate
>1% and <=5%	Low
<=1%	Negligible

VALUES ALIGNMENT EXPOSURE



BUSINESS INVOLVEMENT

	Portfolio	Benchmark	Active
Adult Entertainment (%)	0.0%	0.1%	-0.1%
Alcohol (%)	1.6%	4.5%	-2.9%
Civilian Firearms Retailer (%)	0.0%	0.3%	-0.3%
Civilian Firearms Producer (%)	0.0%	0.2%	-0.2%
Gambling (%)	0.9%	1.3%	-0.4%
Nuclear Power (%)	0.3%	2.1%	-1.8%
Tobacco (%)	0.8%	0.9%	0.0%
Weapons (%)	1.0%	2.6%	-1.6%
Controversial Weapons (%)	0.0%	0.5%	-0.5%
Direct Predatory Lending (%)	0.3%	0.3%	0.0%
Genetic Engineering (%)	0.4%	0.8%	-0.4%

RELIGIOUS VALUES

	Portfolio	Benchmark	Active
Catholic Values Non-Compliant (%)	5.1%	0.0%	5.1%
Islamic Non-Compliant (%)	26.4%	78.3%	-51.9%

INTERNATIONAL NORMS

	Portfolio	Benchmark	Active
Global Compact Compliance Violation (%)	0.9%	0.9%	-0.1%
Global Compact Compliance Violation or Watch List (%)	4.5%	14.1%	-9.7%
Human Rights Norms Violation (%)	0.4%	0.5%	-0.1%
Human Rights Norms Violation or Watch List (%)	4.3%	13.6%	-9.3%
Labor Norms (%)	0.0%	0.2%	-0.2%
Labor Norms Violation or Watch List (%)	2.1%	11.4%	-9.3%

How to read this page

Values Alignment metrics provide transparency to help identify funds that align with ethical, religious or political views. The metrics measure the percentage of portfolio's market value exposed to companies flagged for controversial business involvement, controversies, global norms violations, and religious compliance.

Business Involvement

The percentage of portfolio's market value exposed to companies flagged for involvement according to our Highly Restrictive screen definitions.

Religious Values

The percentage of portfolio's market value exposed to companies that have been flagged for non-compliance for Catholic Values or Islamic Values.

International Norms

The percentage of portfolio's market value exposed to companies in violation of global.

## MARKET VALUE COVERAGE

	ESG QUALITY	CARBON RISK	REPUTATIONAL RISK	GOVERNANCE RISK
Portfolio	71%	46%	58%	45%
Primary Benchmark	100%	100%	100%	100%

Some of the metrics presented in this report vary in their availability across MSCI ESG Research's equity, fixed income, and fund coverage. The table below shows the expected coverage for each page of the report – note that actual results are populated based on subscription levels.

		Equity	Fixed Income		Funds
		Corporate	Corporate	Government	
Page 2	ESG Quality Score	Yes	Yes	Yes	Yes
	ESG Ratings Distribution	Yes	Yes	Yes	Yes*
	ESG Ratings Momentum	Yes	Yes	Yes	Yes*
	Carbon Risk	Yes	Yes	No	Yes
	Reputational Risk	Yes	Yes	No	Yes*
	Governance Risk	Yes	Yes	No	Yes*
Page 3	Same as page 2 except for the following:				
	ESG Rating	Yes	Yes	Yes	No
	ESG Highlights	Yes	Yes	No	No
	ESG Rating Momentum	Yes	Yes	Yes	No
	Governance Risk	Yes	Yes	No	No
Page 4	ESG Quality Score	Yes	Yes	Yes	Yes
	Environmental, Social, Governance Score	Yes	Yes	Yes	Yes*
	Environmental Risk	Yes	Yes	No	Yes*
	Reputational Risk	Yes	Yes	No	Yes*
	Governance Risk	Yes	Yes	No	Yes*
Page 5	Overall Sustainable Impact	Yes	Yes	No	Yes
	All other metrics	Yes	Yes	No	Yes*
Page 6	Business Involvement/ Religious Values	Yes	Yes	No	Yes*
	International Norms	Yes	Yes	No	Yes

\*These metrics populate with a FundMetrics subscription

## DEFINITIONS AND TERMS

### Summary

**ESG Quality Score** measures the ability of underlying holdings to manage key medium to long-term risks and opportunities arising from environmental, social, and governance factors. It is based on MSCI ESG Ratings and is measured on a scale of 0 to 10 (worst to best). The distribution of scores is based on the universe of approximately 28,000 funds included in MSCI ESG Fund Metrics.

**ESG Ratings Distribution** represents the percentage of a portfolio's market value coming from holdings classified as ESG Ratings Leaders (AAA and AA), Average (A, BBB, and BB), and Laggards (B and CCC).

**ESG Ratings Momentum** represents the percentage of a portfolio's market value coming from holdings that have had an ESG Ratings upgrade, and those with a downgrade, since their previous ESG Rating assessment.

**Carbon Risk** measures exposure to carbon intensive companies. It is based on MSCI CarbonMetrics, and is calculated as the portfolio weighted average of issuer carbon intensity. At the issuer level, Carbon Intensity is the ratio of annual scope 1 and 2 carbon emissions to annual revenue. Carbon Risk is categorized as Very Low (0 to <15), Low (15 to <70), Moderate (70 to <250), High (250 to <525), and Very High (>=525).

**Reputational Risk** represents the percentage of a portfolio's market value coming from holdings involved in very severe controversial events. It is based on MSCI ESG Controversies. Portfolio level Reputational Risk is categorized as Very Low (0%), Low (>0% to <1%), Moderate (1% to <5%), High (5% to <10%), and Very High (>=10%).

**Governance Risk** represents the percentage of a portfolio's market value coming from holdings classified as Governance Leaders (global percentile of 76-100%), Average (26-75%), and Laggards (0-25%).

### Risk Exposure Metrics

Risk Exposure metrics provide transparency on select environmental and governance risks. They provide insight into potentially unknown exposures and unintended bets the may pose risk to investors.

#### ENVIRONMENTAL RISK

**Weighted Average Carbon Intensity:** The Weighted Average Carbon Intensity measures a fund's exposure to carbon intensive companies. The figure is the sum of security weight (normalized for corporate positions only) multiplied by the security Carbon Intensity.

**Fossil Fuel Reserves (%):** The percentage of portfolio's market value exposed to companies that own fossil fuel reserves.

**High Impact Fossil Fuel Reserves (%):** The percentage of portfolio's market value exposed to companies that own high impact fossil fuel reserves. High impact fossil fuel reserves include Thermal Coal, Oil Sands, and Shale Oil and Shale Gas.

**Exposure to High Water Intensity Activities (%):** The percentage of portfolio's market value exposed to companies with operations in lines of business that are typically highly water intensive.

**Exposure to High Water Risk (%):** The percentage of portfolio's market value exposed to companies with a Water Stress Exposure Score > 6.6. Scores combine the geographic and business segment components and range from 0 to 10.

#### GOVERNANCE

**Board Flag (%):** The percentage of portfolio's market value exposed to companies ranking "below average" relative to global peers on MSCI's assessment of board structure and effectiveness.

**Lack of Independent Board Majority (%):** The percentage of portfolio's market value exposed to companies lacking an independent board majority.

The following Board metrics represent the percentage of portfolio's market value exposed to companies with their respective board independence:

- **Board Independence (0-25%)**
- **Board Independence (25-50%)**
- **Board Independence (50-75%)**
- **Board Independence (75-100%)**

**No Female Directors (%):** The percentage of portfolio's market value exposed to companies with no female directors.

**Female Represent 30% of Directors (%):** The percentage of portfolio's market value exposed to companies where women comprise at least 30% of the board of directors

**Entrenched Board (%):** The percentage of portfolio's market value exposed to companies with long-tenured or aging directors that suggest a problem with board entrenchment.

**Overboarding (%):** The percentage of portfolio's market value exposed to companies with executive board members that serve on the boards of two or more additional public companies.

**Negative Director Votes (%):** The percentage of portfolio's market value exposed to companies facing significant negative director votes.

**Ownership and Control Flag (%):** The percentage of portfolio's market value exposed to companies ranking "below average" relative to global peers on MSCI's assessment of ownership structure and risks.

**One Share One Vote (%):** The percentage of portfolio's market value exposed to companies flagged for limitations on voting rights including: multiple equity classes with different voting rights or voting rights limited by shares held, residency, duration, or minimum holding period.

**No Annual Director Elections (%):** The percentage of portfolio's market value exposed to companies where not all directors stand for annual re-election.

**Does not use Majority Voting (%):** The percentage of portfolio's market value exposed to companies that have not adopted majority voting in the election of directors.

**Controlling Shareholder (%):** The percentage of portfolio's market value exposed to companies with a controlling shareholder.

**Controlling Shareholder Concerns (%):** The percentage of portfolio's market value exposed to companies with ownership structure indicating special concerns for minority shareholders.

**Cross Shareholdings (%):** The percentage of portfolio's market value exposed to companies involved in a series of cross-shareholdings with other companies.

**Poison Pill (%):** The percentage of portfolio's market value exposed to companies that have adopted shareholder rights plans.

**Pay Flag (%):** The percentage of portfolio's market value exposed to companies ranking "below average" relative to global peers on MSCI's assessment of executive pay practices.

**Significant Votes Against Pay Practices (%):** The percentage of portfolio's market value exposed to companies facing significant shareholder votes against pay practices.

**No Pay Performance Link (%):** The percentage of portfolio's market value exposed to companies flagged for executive pay /performance gaps.

**Lack of Internal Pay Equity (%):** The percentage of portfolio's market value exposed to companies facing a lack of internal pay equity.

**Executive Pay Non-Disclosure (%):** The percentage of portfolio's market value exposed to companies flagged for executive pay non-disclosure.

**Accounting Flag (%):** The percentage of portfolio's market value exposed to companies ranking "below average" relative to global peers on MSCI's assessment of accounting aggressiveness.

### Sustainable Impact Metrics

Sustainable Impact measures revenue exposure to Sustainable Impact Solutions which reflects the extent to which company revenue is exposed to products and services that help solve the world's major social and environmental challenges. It is calculated as a weighted average, using portfolio weights and each issuer's percent of revenue generated from Sustainable Impact Solutions. Additionally, Sustainable Impact Solutions revenue from companies with negative externalities is excluded.

Negative externalities refer to very severe and severe ESG controversies, ESG Ratings of CCC and B, direct involvement in predatory lending, involvement in controversial weapons, more than 5% revenue from conventional weapons or firearms, and more than 10% revenue from alcohol or tobacco production.

## DEFINITIONS AND TERMS

### OVERALL

**Revenue Exposure to Sustainable Impact Companies (%):** A portfolio's exposure to Sustainable Impact Solutions is the portfolio weighted average of each company's percent of revenue generated by Environmental Impact and Social Impact Solutions goods and services. Additionally, Sustainable Impact Solutions revenue from companies with negative externalities is excluded.

### ENVIRONMENTAL

**Environmental Impact Companies (%):** A portfolio's exposure to Environmental Impact is the portfolio weighted average of each company's percent of revenue generated by Environmental Impact goods and services. Additionally, Environmental Impact revenue from companies with negative externalities is excluded.

The following environmental metrics represent a portfolio's exposure to each theme which is calculated as the portfolio weighted average of each company's percent of revenue generated from goods and services. Additionally, revenue from companies with negative externalities is excluded.

### CLIMATE CHANGE

- Energy Efficiency (%)
- Alternative Energy (%)
- Green Building (%)

### NATURAL CAPITAL

- Pollution Prevention
- Sustainable Waters

### SOCIAL

**Social Impact Companies (%):** A portfolio's exposure to Social Impact is the portfolio weighted average of each company's percent of revenue generated by Social Impact goods and services. Additionally, Social Impact revenue from companies with negative externalities is excluded.

The following social metrics represent a portfolio's exposure to each theme which is calculated as the portfolio weighted average of each company's percent of revenue generated from goods and services. Additionally, revenue from companies with negative externalities is excluded.

### BASIC NEEDS

- Major Disease Treatment (%)
- Nutrition (%)
- Sanitation Products (%)

### EMPOWERMENT

- Affordable Real Estate (%)
- Education (%)
- Social Finance (%)

## Values Alignment Metrics

Values Alignment metrics provide transparency to help identify funds that align with ethical, religious or political views. The metrics measure the percentage of portfolio's market value exposed to companies flagged for controversial business involvement, controversies, global norms violations, and religious compliance.

### BUSINESS INVOLVEMENT

**Adult Entertainment Involvement (%):** The percentage of portfolio's market value exposed to companies flagged for involvement in adult entertainment according to our Highly Restrictive screen definition. This includes all adult entertainment producers as well as adult entertainment distributors and retailers if the total revenue is  $\geq 5\%$ . The full weight of each flagged company is included in the calculation.

**Alcohol Involvement (%):** The percentage of portfolio's market value exposed to companies flagged for involvement in alcohol according to our Highly Restrictive screen definition. This includes all alcohol producers as well as alcohol distributors, suppliers, and retailers if the combined revenue is  $\geq 5\%$ . The full weight of each flagged company is included in the calculation.

**Gambling Involvement (%):** The percentage of portfolio's market value exposed to companies flagged for involvement in gambling according to our Highly Restrictive screen definition. This includes all gambling facility operators as well as support products & services if the revenue is  $\geq 5\%$ . The full weight of each flagged company is included in the calculation.

**Nuclear Power Involvement (%):** The percentage of portfolio's market value exposed to companies flagged for involvement in nuclear power according to our Highly Restrictive screen definition. This includes all utilities with nuclear power generation operations and suppliers to the nuclear power industry if the revenue is  $\geq 5\%$ . The full weight of each flagged company is included in the calculation.

**Tobacco Involvement (%):** The percentage of portfolio's market value exposed to companies flagged for involvement in tobacco according to our Highly Restrictive screen definition. This includes all tobacco producers as well as tobacco distributors, suppliers, and retailers if the combined revenue is  $\geq 5\%$ . The full weight of each flagged company is included in the calculation.

**Weapons Involvement (%):** The percentage of portfolio's market value exposed to companies with ties to the manufacture of conventional (including depleted uranium), biological/chemical, or nuclear weapons systems and components. This includes companies that provide support systems and services, as well as those with indirect ties to weapons production through ownership. Note: Involvement in the production of landmines and/or cluster bombs is not captured here, but tracked separately.

**Controversial Weapons Involvement (%):** The percentage of portfolio's market value exposed to companies with ties to landmines, cluster munitions, biological, chemical, or depleted uranium.

**Civilian Firearms Retailer (%):** The percentage of portfolio's market value exposed to companies that derive any amount of annual revenues from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.

**Civilian Firearms Producer (%):** The percentage of portfolio's market value exposed to companies that manufacture firearms and small arms ammunitions for civilian markets. The research does not cover companies that cater to the military, government, and law enforcement markets.

**Direct Predatory Lending Involvement (%):** The percentage of portfolio's market value exposed to companies that provide products and services associated with certain controversial lending practices.

**Genetic Engineering Involvement (%):** The percentage of portfolio's market value exposed to companies flagged for involvement in genetically modified organisms according to our Highly Restrictive screen definition. This includes all manufacturers of GMOs for agricultural purposes. The full weight of each flagged company is included in the calculation.

### INTERNATIONAL NORMS

**Global Compact Compliance Violation (%):** The percentage of portfolio's market value exposed to companies in violation of the UN Global Compact principles.

**Global Compact Compliance Violation or Watch List (%):** The percentage of portfolio's market value exposed to companies in violation of the UN Global Compact principles, or on MSCI's "Watch List" for potential violations.

**Human Rights Norms Violation (%):** The percentage of portfolio's market value exposed to companies in violation of international norms around human rights.

**Human Rights Norms Violation or Watch List (%):** The percentage of portfolio's market value exposed to companies in violation of international norms around human rights, or on MSCI's "Watch List" for potential violations.

**Labor Norms Violation (%):** The percentage of portfolio's market value exposed to companies in violation of the International Labour Organization's broader set of labor standards.

**Labor Norms Violation or Watch List (%):** The percentage of portfolio's market value exposed to companies in violation of the International Labour Organization's broader set of labor standards, or on MSCI's "Watch List" for potential violations.

### RELIGIOUS VALUES

**Catholic Values Fail (%):** The percentage of portfolio's market value exposed to companies that have been flagged for one or more of the underlying USCCB exclusionary factors: abortion, contraceptives, stem cells, discrimination, adult entertainment, defense and weapons, landmines, or predatory lending.

**Islamic Non-Compliant (%):** The percentage of portfolio's market value exposed to companies that are non-compliant according to Sharia investment principles. Non-compliant companies are those with ownership of a prohibited business activity or Hotel tie or have total revenues greater than or equal to 5% from prohibited business activities or with financial ratios greater than or equal to 33.33%. Prohibited Business Activities include Adult Entertainment, Alcohol, Cinemas, Conventional Financial Services, Gambling, Music, Pork, Tobacco, and Weapon.

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