ESG Philosophy at Essex Investment Management

ESG Philosophy

Essex Investment Management, LLC is an independent, employee-owned institutional investment firm that utilizes a fundamental investment process to invest in dynamic, global growth equity trends. Essex has more than 40 years of experience identifying growth trends and investing in inefficient areas of the capital markets to create long term value for our clients. It is the firm's perspective that environmental, social, and governance (ESG) factors are material when evaluating a company and its equity shares from both a risk and an investment opportunity perspective. Essex investment professionals incorporate ESG factors in their investment research and portfolio management processes. ESG criteria are also incorporated into the Essex engagement and proxy voting processes as discussed in our policy statements below.

Essex is a proud signatory of the U.N. Principals for Responsible Investment (UN PRI), a global network of investors working to promote responsible investment principles throughout the industry. The Responsible Investment (RI) policy and statement for Essex:

Essex Investment Management incorporates environmental sustainability and social factors into our portfolio management process. We believe the environmental, social and governance factors of a company can determine investment differentiation and opportunities as well as uncover risks. We believe that innovative solutions will solve the world's critical challenges.

Essex ESG analysis evaluates whether companies are building sustainable businesses, while also considering how a company's products impact society. Strong ESG performance in key areas such as governance, human capital, diversity, and environmental impact is crucial to sustaining long-term business success. Essex identifies and invests in companies with good ESG attributes since we believe strong ESG performance is a vital component of long-term financial success. However, Essex also invests in companies that are transitioning to more sustainable business models and improving ESG performance. In the case of ESG improvers, Essex looks for companies that show evidence of progress towards better ESG performance and a more sustainable business as evidenced by R&D spending, capex, revenue exposure, or other factors. Essex also believes global problems and social and environmental megatrends are not only investment risks, but more importantly are investment opportunities. We believe global problems can be solved by technological and service solutions which are aligned with our long-standing investment philosophy of investing early in dynamic growth trends. Therefore, an important consideration in our ESG analysis is considering how companies address global problems and affect stakeholders. For example, Essex invests in thematic ESG trends such as climate change solutions, education, electric vehicles, medical technology, and smart cities, enabling the firm to support a sustainable and inclusive society while providing attractive returns for our clients.

Stewardship

Essex believes that investment stewardship is an important aspect of fiduciary duty and helps maximize long-term shareholder value for our clients. Essex's stewardship approach is executed through direct company engagement, industry level engagement, and proxy voting, all of which help enact positive environmental and social outcomes at company and industry levels.

Direct company engagement

Engaging with companies on ESG factors enhances long term shareholder value and is an important aspect of active ownership. Essex favors a direct dialogue approach with company management when discussing relevant ESG issues since we feel the collaborative approach fosters an atmosphere of trust. Direct engagement enhances our investment process by helping analysts and portfolio managers better understand the ESG factors of investee companies from both an ESG risk and opportunity lens.

Essex engages with companies on ESG issues when analysts or portfolio managers identify weaknesses in ESG performance. The firm invests in many companies with a strong focus on environmental and social solutions and we strive to collaborate on improvements in corporate ESG performance. Specific topics for engagement include, but are not limited to governance, board composition, labor practices, diversity, environmental impact (including greenhouse gas emissions and water consumption), ESG reporting, and climate change.

Essex invests in inefficient areas of the listed-equity market which enables strong access to company management teams for engagement. We prioritize our engagement efforts based on a combination of criteria. Relevant factors that are considered when concentrating engagement activities include: whether we expect to be long-term shareholders in a company, the extent of investment exposure to a company firmwide, a reasonable opportunity for successful engagement, and the financial materiality of relevant ESG issues.

Industry level engagement

ESG investing continues to evolve as more asset managers offer ESG products and asset owners demand the incorporation of ESG factors into investment strategies. Essex feels that the firm should play an active role in the ESG landscape within the investment industry and recognizes the importance of collaboration in driving meaningful change. As a smaller firm with fewer engagement resources than a large asset manager, collaborative engagement with non-profits and peers helps Essex gain influence in the industry. As a signatory of the PRI, Essex participates in signatory activities with other asset managers in the field of responsible investing. Essex also contributes to other investor coalitions and non-profit organizations including Ceres, the Ceres Investor Network on Climate Risk (INCR), the CDP, the Intentional Endowments Network (IEN), and the Global Impact Investing Network (GIIN).

Additionally, members of the firm's Global Environmental Opportunities Strategy (GEOS) team are frequently sought after to speak at conferences about ESG topics due to their leadership in impact and climate change investing. These engagements provide Essex the opportunity to learn about innovative ESG practices that can be incorporated into our responsible investment framework, while also affording the firm the opportunity to contribute to the growth of ESG investing.

Proxy Voting

Essex views seriously its responsibility to exercise proxy voting authority over securities within its clients' portfolios. As an investment adviser and fiduciary of client assets, Essex utilizes proxy voting policies and procedures intended to protect the value of shareholder investments and are designed to reasonably ensure that Essex votes proxies in the best interest of clients for whom Essex has voting authority. In voting proxies, we seek to both maximize the long-term value of our clients' assets and to cast votes that we believe to be fair and in the best interest of the affected client(s). Proxies are integral to asset management and are managed with the same care, skill and diligence as all other client assets. The following is a summary of the policies and procedures that govern the voting of proxies in situations where Essex is responsible for such voting. Essex clients will either retain proxy voting authority or delegate it to Essex. If a client has delegated such authority to Essex (whether in the client's investment management agreement with Essex or otherwise), Essex will vote proxies for that client. If a particular client for whom Essex has investment discretion has not explicitly delegated proxy voting authority to Essex, Essex will vote such client's proxies.

Essex has contracted with an independent third party Institutional Shareholders Services ("ISS"), to conduct in-depth proxy research, execute proxy votes, and keep various records necessary for tracking proxy voting actions taken and proxy voting materials for the appropriate client account. The third party voting agent specializes in providing a variety of fiduciary-level services related to proxy voting and researches proxy issues independent from Essex executed votes.

Essex has adopted the third party's proxy voting policy guidelines as its own and votes client proxies (for those clients over which it has proxy voting authority) according to those policy guidelines. Essex voting policies currently include but are not limited to the ISS Benchmark Policy and the ISS Sustainability Policy. The ISS Sustainability Policy guidelines vote in favor of ESG principals, with emphasis to climate change, environmental actions, and positive social change. The policy also seeks to promote global governing bodies for sustainable business practices that advance positive corporate ESG actions. The appropriate proxy guidelines (as chosen by Essex as they align to the client's strategy and/or client's legal entity status) are to be utilized by Essex for our client base for all U.S. and Global proxies.

Investment Exclusions

Essex seeks to avoid companies that exhibit irresponsible business practices and are involved in significant ESG controversies. Investing in companies with significant ESG deficiencies is not aligned with our belief that ESG factors are material to the investment process. If Essex discovers any significant ESG controversies concerning an investee or potential investee company uncovered via internal or external

ESG research, the company will likely be removed from any existing portfolios, or no investment position will be initiated.

Essex avoids companies based on the ESG criteria outlined below:

Environmental

- Pattern of environmental degradation or pollution
- Significantly hinders global progress on climate action through emissions, deforestation, or other factors

Social

- History of human rights violations such as child or slave labor
- Discriminatory business or employment practices
- Poor historical performance on employee wellness and safety

Governance

- Poor governance quality due to corruption, excessive executive compensation, disorderly transitions, lack of transparency, or other relevant factors

Sustainability Outcomes

Essex recognizes the responsibility and opportunity that financial markets have to create a more sustainable, resilient, and inclusive society. Investing in enterprises that offer solutions to reduce environmental degradation, improve global health, and increase equity and inclusion beneficially impacts global stakeholders. Furthermore, opportunities to create a more sustainable and inclusive society provide attractive investment opportunities that Essex believes can maximize value for our clients. Essex has adopted the UN Sustainable Development Goals (SDGs) as an impact management framework to shape our efforts around sustainability and determine where our investments have impact. The UN Sustainable Development Goals (SDGs) are 17 goals adopted by United Nations member states in 2015 to solve current global environmental, social, and economic challenges. The objective of the SDGs is to create a more sustainable, resilient, and inclusive society by 2030 and we believe investors can be a major driving force for progress on these goals. As part of our sustainability approach, Essex is supportive of accomplishing the goals of the Paris Agreement which aims to limit global temperature rise to less than 1.5 degrees Celsius, thereby avoiding the most significant consequences of climate change. Our commitment to sustainability also includes support for the PRI and the Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD seeks to improve the quality of company disclosures on climate-related risks and opportunities. The TCFD will help provide more transparency around the extent of climate-related risks to the financial system and help steer more capital to sustainable solutions and responsible businesses.