

Responsible Investment Policy

Marketing Communication

August 2022

Man Numeric Responsible Investment (RI) Policy

Man Numeric endeavors to responsibly manage client assets in line with their goals and objectives. In addition to specific RI considerations provided by the client, we strive to reflect RI principles in the investment process.

Man Numeric believes incorporating Environment, Social, and Governance ('ESG') signals into the investment process can be a benefit to portfolios from both a risk and return perspective, and has incorporated a proprietary ESG model across its equity strategies. Our RI approach is consistent with our founding investment philosophy: a quantitative implementation of fundamental, casual concepts focused on data and academic research rather than datamining factors. We believe in evaluating companies holistically: buying stocks that have desirable ESG characteristics that are also cheap, have positive trends, are high quality and are viewed positively by other investors. Recognizing that there is not a universal view of what constitutes a responsible approach to investment, Man Numeric's approach to implementing responsible portfolios is flexible and multi-faceted.

As a signatory of the United Nations-supported Principles for Responsible Investment ('PRI') since 2014 (elevated to the Man Group level in 2017) and a signatory to the Net Zero Asset Managers initiative in 2021, Man Numeric is committed to a RI approach that combines best practices in ESG analysis with the interests and values of clients. Man Numeric is supported by Man Group's RI Committee and Stewardship and Active Ownership Committee; these committees oversee and review the implementation of all RI policies and processes, as well as the firm's stewardship capabilities, across Man Group's investment engines.

Policy Implementation Efforts

ESG Data

In our view data is the heart of any quantitative investment process. The fact that ESG data is subjective, non-standardized and generally unaudited we believe makes RI a particularly challenging, yet exciting initiative.

Inputs to the process come from a variety of external ESG data vendors. We have undertaken a stringent process to understand the data, what the indicators measure, how vendors represent the data, how the data has changed over time, what factors are relevant for different industries, and whether there are any biases in the data (vendor, industry, and region). By understanding and compiling the disparate pieces of unstructured data, we can potentially turn the off-the-shelf data items into useful and informative inputs to Man Numeric's proprietary signal. The result is a deep understanding of the variables that we can use to inform our investment decisions.

ESG Model

Man Numeric has built a comprehensive suite of ESG models, including a Broad Based ESG model supplemented with more specialized ESG models.

Broad Based ESG Model

The goal of the Broad Based ESG model is to take a multiple perspective unbiased view of ESG utilizing multiple vendors. The model is created utilizing a fundamentally-based framework anchored by 15 key pillars representing E, S and G. Multiple data sources (MSCI, Sustainalytics and Trucost) are mapped to the principles-based pillars using data science techniques. The factors used and resulting weights are industry-focused and based on the expertise of the hundreds of analysts from the primary data providers.

- The Environmental pillar evaluates a company's impact on the environment in the context of operating its business. It takes into account a combination of environmental policies, resource usage, reporting standards and incidents for a company and its suppliers. In addition, carbon intensity/emissions are measured and a budget is applied at the overall portfolio level. The goal of the carbon budget is to help ensure that the portfolio will have less carbon intensity than the benchmark but done in an 'alpha-aware' manner as part of portfolio construction.
- The Social pillar evaluates a company's societal impact. It considers human capital, product (e.g., safety and privacy), supply chain, incidents, policies and social consciousness of a company. Key issues evaluated in this factor include, but are not limited to, employee training and development, diversity of workforce, labor and safety standards, data privacy, human rights and animal welfare.
- The Governance pillar evaluates the quality of a company's corporate governance and the effectiveness of the role of various stakeholders (board, management and shareholders). Key issues in this factor include board oversight, governance incidents, accounting, compensation, control and ethical policies.

The key pillars are adjusted for country, industry/sector and factor biases. The result is a proprietary ESG model that is integrated into the model mix.

Specialized ESG Models

The goal of Specialized ESG models is to supplement the Broad Based Model by focusing on specific ESG themes. Examples of Specialized ESG models include:

- The Climate model seeks to identify both the risk and opportunities due to climate change. There are four underlying components that drive the climate model output: Physical Cost, Transition Cost, Stranded Assets Cost and Opportunity.
- Other specialized ESG models look at specific ESG issues/themes including employee satisfaction/ratings and ESG news events.

Implementation

Man Numeric believes that there is no single way to incorporate RI concepts into a portfolio. Instead, we make use of all tools at our disposal to best meet the needs of clients. These include:

- **Exclusions:** Values-based screens and outright exclusions of certain controversial stocks/industries (e.g., Global Banned Weapons) are applied in universe construction to help ensure that the investable universe contains stocks consistent with the values of the asset owner.

- **Integration:** Man Numeric incorporates the proprietary ESG model into the overall investment model mix (Valuation, Momentum, Quality, Informed Investor and Alternative models). This results in a more holistic view of a company and identifies those stocks that are both responsible and have desirable characteristics one would expect to pay-off over the long run. This integration of the comprehensive ESG signal begin in Q1 2019 and builds on a long history of incorporating governance-related signals within its Quality model.
- **Exposures and Budgeting:** Man Numeric is capable of implementing exposure controls and budgeting, particularly around environmental metrics. These constraints are incorporated directly into the portfolio optimization process without significantly compromising existing alpha signals or meaningfully impacting the portfolio's risk profile.

Customization

Man Numeric offers clients the ability to express a specific worldview in their investment strategy. These strategies have included faith-based exclusions, restriction lists based on ESG scores and customized environmental targets.

Stewardship

Because Man Numeric's strategies are systematic, opportunities for direct engagement activity are consolidated at the Man Group level. The Stewardship team leverages Man Group's scale and aggregate ownership in securities to impose best practices related to E, S and G issues in order to affect meaningful, positive outcomes.

Man Group central Stewardship team is responsible for the application of an RI-oriented proxy voting policy applicable to all holdings and a bespoke screening system to identify high-value positions. The team oversees the proxy voting process and manages the relationship with our proxy service provider, Glass Lewis.

The Stewardship team is also responsible for engagement activities across Man Group and collaborates in several investor initiatives. These center around certain topics like board gender diversity, executive compensation, climate and social-related proposals, and other shareholder proposals.

Man Group ESG Analytics Tool

Man Numeric is a key stakeholder in the development of the Man Group ESG Analytics Tool (the 'Tool'). The Tool collates Man Numeric's in-house developed ESG scoring and quantifiable ESG data from third party data providers (MSCI, Sustainalytics, Trucost) for a more holistic perspective on a portfolio's ESG exposures. The tool is full-featured: it allows portfolio managers to see portfolio exposures to E, S and G, the biggest contributors and detractors to each pillar, trends in environmental usage, ESG leader/laggard analysis, ESG incidents and a detailed record of the portfolio's voting activities. The Tool empowers managers to analyse non-financial and financial data side by side in order to measure and manage portfolios to their ESG objectives.

RI Resources

Man Numeric's RI resources span portfolio managers, researchers, data analysts, compliance analysts and engagement specialists. Man Numeric's ESG team is responsible for the development and implementation of Man Numeric's ESG resources, namely the E, S and G models and data for the Man Group ESG Analytics Tool. The team aims to take advantage of what we believe to be our strengths as a quantitative equity investment manager: quantitative implementation of fundamental concepts by evaluating unstructured data while incorporating portfolio construction and risk management techniques. Jeremy Wee, Senior Portfolio Manager is Man Numeric's representative on Man Group's RI Committee; he and the team work side-by-side with the committee and specifically with Man Numeric's clients to help ensure that they have access to the latest innovations in RI.

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- II. MII's head office or principal place of business is located in the State of New York, U.S.A.;

- III. all or substantially all of MII's assets may be situated outside of Canada;
- IV. there may be difficulty enforcing legal rights against MII because of the above;
- V. the name and address of MII's agent for service of process in Ontario is 152928 Canada Inc., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario M5L 1B9.

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