

# Wafra

## Sustainable Investment Policy

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In keeping with its institutional heritage, Wafra Inc. (“Wafra” or the “Firm”) seeks to provide long-term oriented investment solutions that can span not just years, but generations. Wafra believes environmental, social and governance (“ESG”) factors are a component of long-term value creation and became a signatory to the Principles for Responsible Investment (“PRI”) in 2016. The PRI is a global investor network, supported by the United Nations, that seeks to facilitate the integration of ESG considerations into signatories’ investment decision-making and ownership practices.

Wafra’s Sustainable Investment Policy aligns with its mission to create strategic partnerships and embrace complex, innovative investment structures for the generational investor. Wafra is committed to sustainability by integrating environmental and social risk management and enabling strong governance within its investment process.

The purpose of this policy is to define Wafra’s ESG approach and inform clients of ESG integration strategies used during the investment decision-making process. The policy is applicable across Wafra’s investment and business groups.

## Wafra’s Ethics

Wafra recognizes the responsibility it holds towards its investors to make suitable investment decisions, manage risk and generate sustainable long-term returns. The Firm believes responsible ownership can lead to risk reduction, growth of investment efficiencies and increased brand value. Wafra takes a three-pronged approach to sustainability and investing:

1. Endeavor to be good stewards of capital and act in the best interest of fund clients and separately managed account investors (collectively, “clients”), by adhering to a high standard of ethics, honesty and transparency
2. Commit to integrating ESG factors in its investment decision making process
3. Invest in long-standing, prudent partnerships and encourage long-term value creation best practices

ESG analyses are embedded in Wafra’s investment process in order to produce underwriting and asset management insights that allow its teams to identify and build sustainable businesses. The Firm relies on the PRI standards to guide its investments and looks to create partnerships with ethical investors who share its long-term values. Wafra strives to conduct screens on its investments for those that violate the UN Global Compact Principles (i.e. violation of human rights, labor rights, environmental standards, or engaging in bribery or corruption).

Wafra takes a hands-on approach when analyzing ESG factors within the decision-making process. The Firm views investments as partnerships where it aims to educate, advance and engage on sustainability issues resulting in long-term value creation.

In instances of conflicts of interest, Wafra's Compliance Manual and Code of Ethics are designed to identify and properly disclose, mitigate and eliminate such issues. Conflicts of interest that involve Wafra or its controlled affiliates will generally be fully disclosed to the applicable clients.

## ESG Integration

In 2018, Wafra established a Sustainable Investing team to lead efforts to integrate ESG into the investment program and to work with its investment teams to provide ESG guidance. The team actively works alongside the investment groups to advise and evaluate Wafra's investments during the decision-making process.

The Sustainable Investment team is actively involved in the ESG community and represents Wafra at a variety of different events. Wafra's leadership represents the Firm on working groups, conferences and publishes research on Wafra's ESG implementation strategies. Wafra's Director of Sustainable Investing serves on the assurance working group at the PRI, advising on confidence building measures the PRI should mandate on signatories.

## Investing

### Strategic Partnerships

Wafra strives to establish investments and partnerships with industry-leading alternative investment managers to leverage strong, ethically sound investment teams and build alignment for shared success. To do this, the Firm acquires ownership stakes in both established and next-generation alternatives managers around the world. The investment teams seek long-term relationships to provide investors yield-producing investments with downside protections, finding value in both underlying fund manager performance and deal structure. Detailed diligence on governance factors is conducted for all partnerships to ensure there is a shared value alignment and no exposure to reputational risk. In some cases, the Sustainable Investment team will engage with the portfolio company and aid in implementing ESG value creation projects.

In 2018, Wafra helped launch Capital Constellation, an innovative, joint venture investment platform owned by three large global asset owners. The platform looks to build sustainable asset management businesses by making early-stage and catalytic investments in next-generation private equity and alternative managers. The investment platform presents a unique opportunity to implement strong, long-term stewardship practices, not only among a new generation of private equity managers, but also across their underlying investments. The strategy's ESG policy sets forth a robust process that seeks to integrate and provide ongoing guidance to portfolio companies for the duration of the investment. Since the platform's portfolio companies are asset managers, these ESG best practices propagate across a broader community of investment managers and, moreover, flow through to their respective underlying investments.

## Real Estate and Real Assets

As a property owner and operator, Wafra's real estate and real asset investment teams recognize the importance of including ESG factors in all facets of the investment process.

Wafra's real estate investment teams conduct both investment and ESG analyses on potential property investments. The Firm uses market studies to assess the local and regional economy to determine the probability of long-term stability of the property's environment. The analysis includes assessments of geography and potential climate-related risks. Analysts take into account broad, long-term macro trends including the growth of urbanization and the need for properties to be located within close proximity to mass transit networks and to be resource efficient from an operating standpoint.

The real estate underwriting process includes performance of physical, environmental, social and governance diligence on potential property investments to understand the asset and identify meaningful risks. Diligence will include the completion of third-party reports, including a Phase I environmental report, property condition report and third-party appraisal prepared by a nationally recognized appraiser. Environmental and social governance review includes due diligence on risks including property usage history, tenant base, sanitary sewage, hazardous waste, lead in water, radon, lead-based paint, harmful air emissions, etc.

Operational efficiency is another priority of the investment team that results in routine examinations of opportunities to promote energy efficiency and lower energy usage. In addition, the portfolio may include some LEED-certified buildings and often seeks to maintain and/or improve energy efficiency on an ongoing basis.

From an operating perspective, the investment team conducts a full diligence and often retains property management firms with local or sector expertise to handle day-to-day operations in order to ensure compliance with local ordinances, including any localized environmental or sustainability initiatives. The team continually solicits feedback and holds quarterly meetings with property managers to better understand issues tenants may be facing from a variety of perspectives, including ESG factors. Furthermore, the investment team is also committed to promoting a sense of community and implements a variety of social and wellness programs at portfolio assets, where possible or applicable.

Wafra's real asset strategies target a variety of high-quality real assets, including infrastructure investments. The team conducts diligence on ESG issues during the life of the investment with a focus on material ESG issues. This may include topics including worker health and safety, environmental record, quality of contractors and governance. The team analyzes long-term trends and opportunities and aims to invest in companies or structures that are built to endure macroeconomic trends including catastrophic weather and rapidly developing urbanization areas.

## Liquid Markets- Equity and Credit Strategies

Wafra's liquid markets investment team believes that identifying multi-year changes in companies and industries can lead to differentiated and profitable investments. The team incorporates ESG criteria into the investment process in three primary ways:

1. **Fundamental analysis:** Wafra performs extensive fundamental analysis on existing and potential investments. It uses external ESG ratings and research alongside its due diligence process in order to broaden its understanding of ESG risks and opportunities.
2. **Proxy voting:** Wafra has the fiduciary responsibility to vote proxies in a way that maximizes shareholder value, which includes ESG considerations. When voting, analysts review third-party recommendations on ESG issues that are specific to each proxy voting ballot.
3. **Client guidelines:** In some cases, clients have directed Wafra to limit investments in businesses that generate revenue from alcohol, gambling, weapons and other areas that are often excluded from ESG indexes. Wafra's due diligence process ensures adherence to investors' guidelines.

## Private Equity and Venture Capital

There exists a natural synergy between private equity and ESG in that they aim to create value and invest in long-term business plans and strategies. Wafra's diligence process considers a range of ESG factors.

- o **Values:** In some cases, Wafra's investors may be values-based allocators and ask for screens of portfolios that have business involvements, or derive revenue from, alcohol, gambling, weapons and other areas that are often excluded from ESG indexes. Wafra is able to incorporate these values and execute extensive research on potential portfolio companies to ensure adherence to the provisions.
- o **Diligence:** Wafra aims to better understand the investment opportunity and identify material ESG risks and management of these risks. Diligence includes environmental checks conducted by a third party and considers severe weather risk, wages and supply chain, board management and compensation statistics. After highlighting areas of potential risks, the investment team engages with portfolio companies to enable procedures or processes to bring a long-term solution to the concern. They conduct an annual diligence report that identifies and checks for an update on the ESG risks identified during the initial diligence.
- o **Long-term value creation:** The team continues to engage with managers and portfolio companies to better implement operational processes and best-in-class processes for the investment. Wafra seeks to provide ongoing consultation to its portfolio companies regarding ESG best practices including the development of sustainable policies and procedures.