Wafra

Sustainable Investment Policy

May 2021

Introduction

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.

Purpose

The purpose of this policy is to define Wafra's ESG approach and inform Wafra's Advisory Clients[1] of ESG integration strategies that may be used during the investment decision-making and ownership processes.

Scope and Limitations

This policy is designed to provide a broad framework for Wafra's approach to ESG integration across its investment strategies and is limited to those Advisory Clients whose constituent documents detail the integration of ESG into the investment strategy (all such Advisory Clients, "ESG-Forward Strategies"). The specific approach to ESG integration utilized by investment teams depends on multiple factors including, without limitation, the objectives of the relevant investment strategy, the asset class, investment time horizon, the relevant Advisory Client investment guidelines, Wafra's ability to influence and control companies in which Advisory Clients invest[2], and the applicable investment team's investment research, philosophy and process.

For the purposes of this policy, "material" ESG factors are defined as those that Wafra in its sole discretion determines to be reasonably likely to impact the financial or operating performance of a prospective investment. Wafra utilizes sector-specific guidance issued by the Sustainability Accounting

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[1] Wafra's advisory services are offered through a variety of investment products and arrangements, depending on the relevant investment strategy; such products include separately managed accounts, co-investment vehicles and pooled investment vehicles such as private investment funds (each such investment advisory client of Wafra, an "Advisory Client" and collectively, "Advisory Clients").

[2] Wafra may have limited control or influence in situations where, for example, an Advisory Client is a lender, is a minority shareholder, has limited governance rights, has delegated discretion to a third-party investment manager. In cases where Wafra determines it has limited ability to conduct diligence or to influence and control the integration of ESG considerations in an investment, Wafra will incorporate the applicable elements of this policy.

Standards Board ("SASB")[3] as a resource to frame the materiality discussion for each potential investment. In all instances, discussion of ESG risks herein is limited to material ESG risks. Material ESG risks are one of many factors that may be considered in Wafra's investment analysis and, unless specifically prohibited by an Advisory Client's constituent documents, the presence of material ESG risks will not necessarily preclude Wafra from acquiring or owning any investment on behalf an Advisory Client. This policy supersedes any policies or commitments made public prior to its effective date.

Governance

In 2018, Wafra established a Sustainable Investment Group ("SIG") to lead efforts to integrate ESG into the investment program and to work with its investment teams to provide ESG guidance. SIG is led by Wafra's Director of Sustainable Investing, who reports to the Firm's Chief Investment Officer with additional oversight from the Chief Operating Officer. Wafra's senior management provides ultimate oversight for the Firm's sustainable investing activities.

SIG actively works alongside the investment teams to advise and evaluate Advisory Client investments during the decision-making process. SIG facilitates the implementation of this policy and is responsible for maintaining and updating the policy as required on an annual basis. SIG is actively involved in the ESG community, representing Wafra at a variety of industry events and publishing research on Wafra's ESG implementation strategies.

To the extent that the investment team or SIG identifies a material ESG risk, the relevant investment committee or portfolio manager is responsible for ensuring that the risk is accounted for in the investment decision-making and ownership process.

Approach to ESG Integration

Wafra defines ESG as an investment approach that aims to reduce risk or capture opportunity as it relates to environmental, social and governance standards. Wafra recognizes the responsibility it has to Advisory Clients 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 its Advisory Clients by adhering to a high standard of ethics, honesty and transparency
2. Strive to integrate ESG factors in its investment decision making process, where relevant
3. Invest in long-standing, prudent partnerships and encourage long-term value creation

[3] SASB is a non-profit organization established in 2011 that is focused on developing sustainability accounting standards. SASB identifies a set of ESG factors that are likely to impact the operating or financial performance of a company within a particular industry. More information can be found here: https://www.sasb.org/

Due Diligence Approach

Wafra views ESG risks as investment-related risks and therefore pays close attention to these factors within the diligence process. Diligence can range from a screening approach to a quantitative-driven ESG scoring approach depending on an Advisory Client's investment guidelines.

In some cases, Advisory Client investors may be values-based allocators and ask for screens of portfolios that have business involvements, or derive revenue from, alcohol, gambling, and weapons. Wafra performs due diligence on potential portfolio companies in seeking to adhere to Advisory Client guidelines incorporating such screens. Additionally, for certain Advisory Clients, Wafra conducts screens on potential investments for companies that violate the UN Global Compact Principles (i.e., violation of human rights, labor rights, environmental standards, or engaging in bribery or corruption).

In order to integrate ESG considerations into Wafra's investment processes, SIG has developed a proprietary approach that is grounded in financial materiality and feasibility. This process typically involves conducting an in-depth diligence on material ESG factors prior to investing. The Firm licenses the ESG materiality framework developed by SASB to frame its investment diligence and incorporates its own analysis based on potential investment specific risks and opportunities as well as sector-agnostic ESG factors.

Wafra focuses on material ESG factors that vary based on the time frame, intensity and likelihood of a risk or opportunity affecting the financial performance of the investment. Additionally, Wafra seeks to integrate climate-related risks and opportunities throughout its investment diligence where deemed material across asset classes and sectors. Findings from both the ESG and climate-related diligence are included in investment committee materials and set the framework for Wafra's ESG engagement strategy during ownership.

Stewardship Approach

Wafra is committed to being an active owner and seeks to incorporate ESG considerations where material throughout its asset management practices. The Firm believes that meaningful engagement with investments may enhance its investment process and enable it to better manage long-term risk for its Advisory Clients.

Engagements typically focus on material issues identified during diligence that may, in Wafra's view, create material risks for an investment or offer significant opportunities. As part of this process, Wafra may focus on investment-specific issues as well as broader systemic risks, including those created by sustainability factors such as climate change, corruption and data privacy concerns. The decision to engage with a company is generally based on a combination of A) practical considerations such as the size of Advisory Clients' exposure and the expected likelihood of the engagement's success, and B) topic-specific considerations such as the urgency and severity of the issue for the company relative to the industry in which it operates.

Private Direct Investments

For certain private direct investments, SIG seeks to engage portfolio companies on both value retention and value creation opportunities. For those investments where the team chooses to engage, Wafra will develop specific key performance indicators ("KPIs") based on its pre-investment diligence to define a structured approach during ownership and track progress over time. SIG, in close collaboration with the investment team, will engage a particular portfolio company on only two or three material ESG factors in order to develop feasible solutions that are customized based on the portfolio company's particular needs.

Public Direct Investments

For its listed equity strategies, Wafra seeks to vote proxies in the best interest of the relevant Advisory Client. Wafra has retained a third-party proxy service (the "Proxy Service") to provide proxy research and recommendations, as well as record-keeping services, for accounts directed by Advisory Clients to vote proxies. Wafra reviews and approves the current Proxy Service voting guidelines and follows their recommendations on most issues brought to a shareholder vote. For certain sustainability-focused strategies, proxies are generally voted in accordance with the Glass Lewis ESG policy. Advisory Clients should refer to the Firm's Proxy Voting Policy for additional details.

Strategy-Specific ESG Integration

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, seeking value in both underlying fund manager performance and deal structure. Detailed diligence on governance factors is conducted for all new partnerships and, in some cases, SIG 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 structured, growth-oriented investments in alternative investment firms. The investment platform presents a unique opportunity to implement strong, long-term stewardship practices, not only among the platform's investment managers, but also across their underlying investments. The strategy's ESG policy sets forth a robust process that seeks to integrate with 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 should 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 the investment process. SIG focuses on ESG integration during the lifecycle of an investment. The real estate underwriting process may include physical, environmental, social and governance diligence on potential property investments to understand the asset. As part of its diligence process, Wafra may consider applicable physical climate risk such as exposure and resilience to weather-related events and natural disaster as well as transition risks such as evolving climate related policies and carbon pricing schemes.

For certain identified risks, there may be an opportunity to conduct value creation projects, especially around topics like efficiency. If this exists, SIG and the relevant investment team will work closely to facilitate such projects and may work with other JV partners, co-investors or the portfolio company, as necessary, in seeking to implement mitigation strategies and alignment with industry best practices, as determined in Wafra's discretion.

Traditional Equities and Fixed Income

Sustainability-focused public markets strategies conduct ESG analyses and utilize external ESG ratings and research as part of the due diligence. This aids in deepening the understanding of ESG risks and opportunities within the stock-selection process. Some listed equity accounts apply certain revenue-based exclusions that determine allowable business involvement thresholds in line with particular social, ethical, and values-based preferences of the Firm's clients. As part of the ownership process for sustainability-focused strategies, the investment team seeks to engage with companies on ESG risks highlighted in diligence and to generally vote proxies based on Glass Lewis' ESG recommendations.

Private Equity and Venture Capital

In the context of private equity and venture capital, diligence generally focuses primarily on governance factors and also may include other material factors such as data privacy and data security, physical climate risks and supply chain resilience. The SIG team has created a structured approach to conduct diligence on material ESG risks and opportunities and uses a proprietary scoring system to grade each investment. Wafra's ESG diligence findings are used to then inform potential value creation opportunities.