Morningstar Sustainable Managed Accounts – ESG Policy

December 2023

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Morningstar Investment Management's Sustainable Managed Accounts Investment Approach

Morningstar's Sustainable Managed Accounts, a suite of ESG multi-asset products, consists of the following:

- Sustainable All Growth Managed Account,
- Sustainable High Growth Managed Account,
- Sustainable Growth Managed Account,
- Sustainable Balanced Managed Account, and
- Sustainable Moderate Managed Account.

The Sustainable Managed Accounts adopt an investment approach incorporating ESG risk considerations alongside ESG related exclusions.

ESG risk considerations are integrated across various stages of the investment process:

i. Fundamental Research ESG Integration

MIM adopts a valuation-driven asset allocation process. To determine the attractiveness of a potential investment opportunity and allocate capital to assets that offer the highest reward for risk, MIM maintains asset class valuation models and assigns conviction ratings to a wide range of asset classes.

Asset class convictions are assigned based on four ratings:

- Absolute Valuation – is the asset class cheap/expense relative to history or its fair return?
- Relative Valuation – is the asset class cheap/expensive compared with similar assets?
- Contrarian Indicators – is there evidence of extreme investor pessimism/optimism?
- Fundamental Risk – what is the potential for a permanent loss of capital?

Because ESG risks can expose an asset class to reduced future cash-flows and/or a permanent loss of capital, we seek to include ESG risks within the Fundamental Risk conviction rating.

The risk of ESG-related permanent loss of capital is calculated by:

1) identifying contingent events arising from high exposure to material ESG issues.
2) assigning probabilities to those events
3) assessing the probabilistic impact of each event on the fair value assumptions
4) summing the overall expected impact on Fair Value, which equals the expected permanent loss of capital

Investment Selection - ESG Exclusions for the Sustainable Managed Accounts

When selecting investments, the Sustainable Managed Accounts apply a set of ESG-related exclusions.

Morningstar's ESG negative screening approach seeks to avoid direct holdings in the following industries or industry sectors, as defined by the MSCI Global Industry Classification Standard (GICS) Industry Group and GICS Sub Industry Group classifications:

- Tobacco
- Oil, Gas and Consumable Fuel
- Energy Equipment and Services
- the GICS Sub-Industry Groups
  - Casinos and Gaming
  - Brewers, and Distillers and Vintners

The GICS was developed by MSCI to provide a widely accepted tool for defining industries and classifying securities by industry. Its universal approach to industry classification aims to improve transparency and efficiency in the investment process.

An example of how we apply these rules in relation to tobacco exclusions can be illustrated using Woolworths Group Limited (Woolworths). This security may be included in the portfolios of the above funds because Woolworths is classified as "Food Retail" in the MSCI GICS Industry Group and is not classified as "Tobacco" in the MSCI GICS Industry Group even though Woolworths distributes tobacco products.

Morningstar also uses Morningstar Sustainalytics data for controversial weapons exclusions and seeks to avoid direct holdings in securities that meet the following Morningstar Sustainalytics category definitions:

- Controversial Weapons Tailor Made and Essential: Each company in this category is involved in a core weapon system, or components/services of a core weapon system that

are considered tailor-made and essential for the lethal use of the weapon.

- Controversial Weapons Non-Tailor Made or non-Essential: Each company in this category provides components/services for a core weapon system which are either not considered tailor-made or not essential to the lethal use of the weapon.

An example of how we apply these rules can be illustrated using Honeywell International Inc (Honeywell). This security would be excluded from the portfolio because the company has exposure to controversial weapons as identified by Morningstar Sustainalytics categories 'Controversial Weapons Tailor Made and Essential' despite Honeywell being a large conglomerate with multiple business lines.

Morningstar Sustainalytics, is an ESG and corporate governance research, ratings and analytics business that supports investors around the world with the development and implementation of responsible investment strategies.

ESG-related exclusions are not applied to:

- holdings in equity index futures or exchange-traded fund exposures held in the portfolio;
- portfolios managed by third party investment firms; or
- portfolios in which we do not have discretion over security selection.

Pre-trade compliance checks on portfolio holdings are conducted to ensure that the portfolio's directly held securities are aligned with the portfolio's stated ESG related exclusions. The portfolio's directly held securities are reviewed and monitored on an ongoing monthly basis to ensure adherence to the portfolio's stated ESG-related exclusions.

Where a directly held security in the portfolio is found to have exposure to controversial weapons (as identified by Morningstar Sustainalytics categories "Controversial Weapons Tailor Made and Essential" and "Controversial Weapons Non -Tailor Made or Non-Essential"), and/or non-permitted GICS Industry Groups and GICS Sub-Industry Groups, the security will be divested from the portfolio within 60 days of the security being identified in the portfolio.

The Fund will not attempt to negatively screen exposures of a listed security's associated companies, such as its parent company or subsidiaries for activities mentioned above. ESG-related exclusions are not applied to holdings in equity index futures or exchange-traded fund exposures held in the portfolio.

Portfolio Management ESG Integration

ESG-related considerations, as highlighted by our fundamental research and investment selection process, form an important part of fundamental risk assessment and are therefore considered by portfolio managers in the context of seeking superior risk-adjusted return outcomes for all our portfolios.