RESPONSIBLE INVESTING POLICY

MACKAY SHIELDS HIGH YIELD TEAM

EFFECTIVE SEPTEMBER 2022

Introduction

The MacKay Shields High Yield Team ("the Team") utilizes a bottom-up, value-oriented approach to investing in the US high yield market. Our objective is to outperform the high yield market over the long-term through superior credit selection while mitigating downside risks. Given the asymmetric risk/return profile of investing in high yield bonds, we believe appropriate risk compensation and a focus on downside protection are required to invest successfully in our market. We have a long-term outlook and do not attempt to time the market.

ESG Integration is a critical and natural part of our fundamental research, given our focus on long-term risks/opportunities and appropriate compensation for risk. We believe that material ESG issues could impact long-term investment risk and return and we integrate these issues into our fundamental analysis. Our Responsible Investing Policy is specific to our Team and is aligned with MacKay Shields' Responsible Investing (RI) Policy.

Approach

We believe that ESG research led by the investment team is the best approach to ESG integration, as our portfolio managers and analysts have the deepest understanding of companies and strongest relationship with managements. Our ESG Research is driven by our fundamental research, company sustainability reports, and engagements. While we utilize third-party ESG data providers to complement our findings and understand how the market may perceive a company's ESG risks, our internal ESG Risk Group scores are not based on third-party scores. Material differences between our assessment and market perception may be sources of opportunity.

Our senior team members have significant investment experience and have research responsibilities for specific sectors, each with deep knowledge of their sectors. Most have spent the majority of their careers covering the same industries and all have longstanding relationships with high yield market participants. The senior team members are supported by our generalist high yield analysts and the firm's dedicated RI Team. The RI Team supports the High Yield Team with ESG developments, data support and analysis, and regulatory updates.

The US High Yield market presents challenges regarding ESG:

- The market is comprised of many small and/or private companies that are not covered by third party data providers. These companies generally have less ESG related disclosure and may not have the resources to engage with data providers.
- High Yield companies may operate in niche industries rather than large, broad sectors – requiring more nuanced and company-specific assessments of material ESG risk.
- External data providers tend to view ESG through the lens of a shareholder, rather than a creditor.

HIGH YIELD ESG RISK GROUP FRAMEWORK

The Team, in consultation with our clients, initially developed an ESG Risk Group framework in 2014 to align with our existing Credit Risk Group framework. We believe this ESG Risk Group framework is beneficial as it provides greater transparency on all material risk considerations and allows for familiarity across our investment team as well as our clients.

We categorize securities in our portfolios into one of four Credit Risk Groups that are delineated by the strength of the asset coverage and the potential for default. Risk Group 1 designate the highest quality credits, Risk Group 2 are somewhat weaker, Risk Group 3 are the riskiest credits, and Risk Group 4 are special situations.

High Yield Credit Risk Groups

GROUP 1	GROUP 2	GROUP 3	GROUP 4
Highest Quality	**Seasoned Issuers**	**Risk Credits**	**Special Situations**
Strongest credit profile Lowest volatility	Significant equity value Strong credit statistics	Trading at discount More research intensive	Significant discount to asset value

Similarly, ESG Risk Groups reflect our judgment of the scope and materiality of specific ESG Factors and their anticipated impact on the business's viability and financial outcomes. ESG Risk Group 1 designates Best in Class companies, ESG Risk Group 2 have Low Material ESG Risk and positive ESG characteristics, ESG Risk Group 3 have Material ESG Risk, and ESG Risk Group 4 represent companies with Significant ESG Risk.

High Yield ESG Risk Groups

ESG GROUP 1	ESG GROUP 2	ESG GROUP 3	ESG GROUP 4
Best in Class	**Low Material Risk**	**Material Risk**	**Significant Risk**
Industry ESG leaders	Positive ESG characteristics	Increased exposure to ESG risks	Industry ESG laggards

ESG RISK AND OPPORTUNITY PERFORMANCE INDICATORS[1]

Environmental

- Biodiversity
- Carbon Emissions
- Climate Change
- Pollution & Waste
- Regulatory Risk
- Renewable/Green Energy Transition
- Resource Management
- Sustainability
- Water Stress

Social

- Community Relations
- Employee Well-Being
- Global Norms
- Health and Safety
- Job Creation
- Labor & Management Relationship
- Product Quality & Safety

Governance

- Accounting Practices
- Board Structure & Ownership
- Business Ethics ("Good Actors")
- Corruption & Instability
- Financial/Capital Structure Policy
- Incentive Structure
- Long-term Stakeholder & Customer Focus
- Transparency/ Accountability

1. Not an exhaustive list of indicators used for ESG Integration

ESG Risk Groups are dynamic and forward looking. They are based on the aggregate Environmental, Social, and Governance performance indicators specific to the industry and credit that seek to address three key questions:

- How exposed is the company to long-term ESG issues?
- How effectively is the company managing those issues?
- Will the company be able to benefit or create value in the future?

ESG Risk Groups are first compared on a relative basis with peers in similar industries and then compared across industries, given that certain sectors are more exposed to material ESG issues (i.e. Energy).

Active Ownership

We view ourselves as lenders to the companies in which we invest and therefore, we develop close relationships with management teams characterized by open, constructive dialogue. We believe engagement is important to improve disclosures and data transparency, enhance our understanding of a company's potential ESG risks and opportunities, and effect positive change over time, where possible. We seek to engage with issuers through meetings with company management, investment roadshows, onsite visits, industry conferences, and other interactions. The Team maintains a centralized record of conversations and engagements with companies, which is readily accessible by the entire team and allows for continuous dialogue and information sharing.

Portfolio Construction

We weigh our clients' interest in strong returns against the risk factors associated with the portfolio. As it relates to ESG-related risk factors, our commitment is to ensure that such factors are properly assessed and taken into consideration when constructing and managing client portfolios.

The determination of whether specific securities warrant inclusion in the portfolio is first based on client mandate suitability. If the security fits client guidelines, then inclusion is based on our assessment of the risk-adjusted return potential versus other investment alternatives as well as the impact on the return and risk profile of the portfolio in aggregate. The manner in which ESG related factors will affect security selection is qualitative.

The most straightforward case of how ESG risks are implicated in portfolio construction involves two securities that have similar return profile but different ESG characteristics. We will prioritize the security with the better ESG rating.

In addition, a security's ESG profile plays a large factor in our conviction level –and the weighting– of that security in the portfolio. Generally speaking, the largest positions in our portfolios have favorable ESG profiles.

Finally, a security having a higher ESG risk is subject to additional scrutiny in our research process. We consider whether we are adequately being compensated for higher ESG risk with higher return potential.

We work with clients on a case-by-case basis to determine whether additional ESG specific considerations should be taken into account in the construction of their respective portfolios (e.g., restricted security or industry list, prohibition of investments with a certain ESG Risk Group rating).

We have experience managing customized ESG High Yield portfolios based on client risk and return objectives. Portfolios can be customized on sector exclusions, issuer exclusion lists, and third-party ESG Rating guidelines. In addition, customized portfolios can utilize our ESG Risk Groups as part of their ESG guidelines. We can provide customized ESG Reporting on ESG Risk Group exposures and third-party ESG data analysis.