

Our Philosophy

Responsible investment and responsible citizenship are core to our duty of responsible service. We believe that caring for employees, living and encouraging mindsets of sustainability, and promoting the well-being of local communities are essential to building an enduring business and delivering strong results to our clients. As fiduciaries entrusted to act in our clients' best interest, we believe that consideration of material environmental, social, and governance ("ESG") factors can have an impact on long-term investment performance and, therefore, is a natural and important component of disciplined investment research and management of client portfolios.

Across MacKay Shields' investment teams, climate-related risks have become an increasing concern as impacts from both physical and transition risks play an important role in regulatory and client concerns. As with other ESG factors, we recognize that climate-related risks can have a significant impact on issuers. Given our long-term investment horizons, climate change and the associated impacts on the environment are considered by our investment teams when assessing the sustainability of a company's business model and the potential impact on its long-term financial outcomes.

OUR JOURNEY

Since becoming a signatory of the Principles for Responsible Investment ("PRI") in 2016, MacKay Shields has consistently worked on developing internal and collaborative practices in exemplifying the six principles. MacKay's journey has evolved by bringing on additional resources in the form of alternative data sets as well as dedicated full-time staff, publicly supporting the Taskforce for Climate-related Financial Disclosures, contributing to industry working groups and thought leadership by our investment professionals, and developing actively managed ESG strategies.

OUR COMMITMENT

As part of our commitment to the PRI, we report on our Responsible Investing ("RI") activities on an annual basis and make the subsequent transparency report available [publicly on our website](#). We endeavor to develop disciplines that deliver results that align with our clients' goals and objectives. Furthermore, we actively pursue high standards of disclosure and transparency on material environmental and social risks from the issuers in which we invest. We believe engagement is a sensible path to influence best practices and, therefore, prioritize constructive dialogue over exclusion or divestiture to empower outcomes that align with responsible corporate citizenship. In parallel, we offer transparency on portfolios' material ESG risks to our clients. Our service commitment includes bespoke reports including data related to specific RI criteria that align directly to a clients' objective.

Our Approach

INVESTMENT TEAM AUTONOMY

Each of MacKay Shields' investment teams utilizes its own distinct process and experience to add value, and as such, each investment team considers ESG risk and opportunities alongside traditional factors that reflect the character of each respective asset class and investment style.

MacKay Shields does not employ firm-level exclusions for our investment teams outside of various OFAC, EU, and UN sanctions lists. However, to complement our teams' bottom-up ESG research process, a norms-based screen has been implemented across the firm to identify very severe violations of the UN Global Compact for further assessment by investment teams.

STEWARDSHIP

MacKay Shields believes active ownership is an integral part of managing material risks that arise from environmental and social issues, and that maintaining a constructive dialogue with issuers and market participants is the best path to achieving long-term value for our clients. Our investment teams collaborate with companies, trading partners, and industry peers on ESG-related matters in the pursuit of developing knowledge of and sharing ideas about market best practices in risk mitigation. As with our

research process, engagements are conducted directly by our analysts and portfolio managers, as we believe they have the experience and deep knowledge to understand and address potentially material ESG matters with issuers most effectively.

In recognition of the various factors that determine feasibility of desired outcomes, including an issuer's weight in a portfolio or index, the possibility of material environmental or social risk, an issuer's relative standing on ESG risk management compared to its peers, and the team's influence with the issuer and/or influence in their respective markets, each team determines the most appropriate means for escalation for addressing material ESG risk with issuers. During our engagements we aim to assess an issuer's awareness and management of what we view to be material ESG issues and promote better disclosure of said issues, where relevant.

Detailed engagements, with objectives and goals for progress on material ESG issues, are typically reserved for issuers where the position is or has the potential to be sizable, the ESG issue is significantly material to the investment thesis, and the team feels they are well positioned to make meaningful progress with the issuer. In instances where our position size and/or influence with the issuer may result in more limited access to decision-makers, we are more likely to raise any relevant concerns or observations regarding ESG risks and seek to learn more information about an issuer's approach to managing ESG risks through constructive dialogue with issuers. Where access is most severely limited, yet we still consider an ESG risk to be insufficiently addressed and that risk to be significantly high without commensurate return potential, we may resort to downsizing or divesting from a position. Feedback from our engagements is used to inform each team's risk profile, and therefore return profile, of an issuer.

Each investment team has developed a process for conducting engagements that is consistent with its broader investment process and philosophy, which is outlined in such team's Responsible Investing Policy.

Separate Responsible Investing Policies describing each investment team's ESG integration process and can be found on our website at www.mackayshields.com under "Responsible Investing Policies."

DATA & RESOURCES

During their research and due diligence, the MacKay Shields investment teams may use third party data from a variety of providers. This data serves many functions, including market reference with which they compare their own proprietary research, as well as more concrete reliance in terms of data that is specifically material to client investment guidelines. MacKay Shields relies on the use of external providers for emissions data as well as climate scenario analysis in client portfolios where transparency on climate-related risks is a stated investment goal.

Additionally, our investment teams are supported by our RI team, which consists of a dedicated resource within the Investment division as well as ESG specialists in the Data and Distribution divisions. The RI team serves to support the investment teams in their pursuit of staying abreast of developing trends and themes within RI, particularly pertaining to regulatory and policy developments and individual client mandates.

Governance

OVERSIGHT

MacKay Shields' executive management team and its Board of Managers are responsible for oversight of the firm's activities, including RI strategy and implementation. To establish appropriate operational controls, the firm has implemented various governance structures across its committees and working groups.

More specifically, as it relates to the oversight of RI matters, the Responsible Investment Advisory Committee ("RIAC") is charged with overseeing our commitments as a signatory to the PRI and firmwide RI initiatives. The RIAC is co-chaired by our Co-Heads of RI, and is comprised of executive leadership from Legal, Compliance, Investments, and Distribution. The RIAC aims to meet bi-annually with the following objectives:

- Discuss current and new ways to approach and enhance ESG integration within investment teams and across the firm
- Share information and ideas on ESG research, trends, and regulatory developments
- Discuss the application and viability of new and existing third party ESG products and tools to support internal efforts
- Promote ongoing RI training and education
- Oversee authenticity in deliverance of RI value proposition for our clients

EDUCATION

Additionally, at MacKay Shields we know that continued learning is a crucial element in developing sophisticated RI strategies. As environmental and social issues emerge and grow in complexity, with fragmented regulatory oversight of them across various markets, seeking and providing continuous edification is a priority of the RI Team and ESG champions throughout our business.

The Responsible Investment Working Group (“RI Working Group”), a sub-group of the RIAC, aims to meet monthly and is comprised of the RI Team, investment professionals, and other staff, and is led by the Co-Heads of RI. The group is tasked with collectively monitoring each team’s ESG and engagement processes, so that a consistent standard is being driven through MacKay Shields investments. In addition, the group is also responsible for sharing experiences and best practices learned from continued client and issuer engagement, as well as approving updates to the firmwide RI Policy.

Further collaboration takes place within the broader network of boutiques of New York Life Investment Management (NYLIM). RI representatives from NYLIM and each of its various asset management boutiques aim to meet on a monthly basis with the objective of facilitating information sharing on ESG topics and industry trends.

COMPLIANCE & DATA MANAGEMENT

We understand the complexities involved in implementing sophisticated and transparent responsible investment strategies. Due to the fractured and novel nature of much of the data available to measure and track environmental and social issues, ESG data quality assurance is a central focus for MacKay Shields as we aim to ensure sound data integrity both for our investment professionals and our clients. In addition, our Compliance team works in collaboration with our RI Team to conduct internal reviews of each team’s processes. To strengthen these efforts, MacKay Shields will continue to develop and enhance our centralized data tracking and monitoring system that all teams use to house their proprietary ESG assessments and engagement notes.

An Ongoing Commitment

In efforts to promote Principle 5 of the PRI, our professionals have contributed to PRI-led white papers on ESG in specific asset classes, co-authored multiple ESG papers that are part of the CFA curriculum (Levels 1 and 2), are actively involved in industry working groups such as the Credit Roundtable, the CFA Institute’s Standards of Practice Council, the Emerging Markets Investors Alliance, and participate in ESG-focused investment panels and webinars.

We are committed to continually strengthening and refining our approach to Responsible Investing and commitment as a PRI signatory. We understand that the work of becoming a more Responsible Investor is never complete, and therefore commit to persistent learning and development in the pursuit of providing exceptional service to our clients.