

# SIMC Sustainable Investing Approach

MAY 2021

For over 50 years, SEI Investments Company's mission has been to help clients achieve continued success by developing consistently relevant solutions through an outstanding client experience. SEI Investments Management Corporation (SIMC), as the asset management arm of SEI, aims to accomplish this mission through an investment approach rooted in active management, guided by skilled manager research, driven by asset allocation and monitored by independent, in-house risk management.

SIMC recognizes that sustainability is increasingly important to investors and that many seek to minimize negative sustainability impacts and/or maximize positive sustainability outcomes through their investments. Further, SIMC understands that environmental, social and governance (ESG) factors may have material impacts on the financial performance of an investment, thereby impacting investors' ability to take advantage of opportunities, manage risk and achieve consistent returns. The approach laid out in this document applies to listed equities and fixed-income assets managed by SIMC.

SIMC seeks to incorporate ESG into its investment process through manager research, by enabling subadvisors that we hire to manage assets to consider ESG risks and opportunities in the investment selection process, and by striving to act as good stewards of our assets through shareholder engagement and proxy voting.

## ESG in Manager Research

Underpinning SEI's investment solutions is our foundation in manager research and selection. Our well-established approach to manager research includes a proprietary ESG scoring system. Every firm that is considered for our platform undergoes an ESG due diligence review and receives a score of Strong, Moderate or Weak. However, we have not established a minimum threshold to hire a firm as a manager. Our final ESG evaluation is based on three factors:

### Profile

We analyze the extent of the manager's sustainability practices in a broad sense, as well as its commitment to sustainable investing.

### Resources

We evaluate how well resourced the manager is to achieve its sustainable investing goals. We view this as the bridge between the manager's words and its actions.

### Practices

We assess how the manager actually implements sustainable investing in its investment process. This helps to distinguish true sustainable investing from "greenwashing," or presenting false integration of sustainable investing practices to attract clients.

## Fund Investment Integration

SIMC recognizes that ESG factors may have material impacts on the financial performance of an investment, thereby impacting our (or a manager's) ability to take advantage of opportunities, manage risk and seek to achieve consistent returns.

To the extent that it is consistent with their investment process, subadvisors and investment professionals who directly manage assets (in manager-of-manager funds and internally-managed funds) may embed such sustainability considerations in their investment process in order to help mitigate sustainability risk and improve long-term financial results for shareholders.

# Sustainable Products and Solutions

At SEI, we view sustainable investment strategies along a spectrum that seeks to align investment objectives with social and environmental considerations.

## Exclusionary

**Excluding certain sectors, companies or practices based on specific screening criteria**

- › Avoiding sectors such as tobacco, weapons, fossil fuels
- › Selecting a range of criteria aligned with faith-based beliefs
- › May be known as negative screening, exclusionary screening, divestment, SRI

## ESG Integration

**Incorporating environmental, social and governance performance into analysis and selection**

- › Inclusion of ESG data into financial analysis
- › Selecting investments with positive ESG characteristics relative to peers
- › Screening against minimum standards of business practices based on international norms
- › May be known as positive/best-in-class screening, norms-based screening, ESG investing

## Impact

**Targeting investments to generate a social or environmental impact alongside a financial return**

- › Investing in sustainable solutions, such as clean energy or sustainable agriculture
- › Community investing to provide capital to local initiatives
- › Financing businesses with a clear social or environmental purpose
- › May be known as impact investing, thematic investing, community investing

SIMC manages certain funds that promote sustainability characteristics, such as alignment with religious values or avoidance of controversial activities. These funds are subject to criteria detailed in their respective prospectus.

Through its advisory businesses, SEI also provides clients with access to a range of solutions that promote sustainability characteristics or have sustainability

objectives in Managed Account Solutions and other investment vehicles. These strategies are subject to SIMC's manager research process, including ESG due diligence and investment oversight practices. Solutions may include, but are not limited to:

- › Custom exclusionary screening in Managed Account Solutions
- › Investment strategies (SMAs and mutual funds) that adhere to exclusionary criteria, ESG integration approaches or impact investing objectives
- › Separate account strategies that invest in ETFs that adhere to exclusionary criteria, ESG integration approaches or impact investing objectives

## Investment Stewardship

As shareholders, our voices are meaningful to the companies in which we invest. SIMC's investment stewardship program seeks to support long-term management of sustainability risks and opportunities at the companies in which we invest through proxy voting and shareholder engagement.

### Shareholder Engagement

SIMC has retained a third-party vendor to assist with shareholder engagement. The vendor strives to help investors, such as the funds or managed accounts advised by SIMC, to manage risk and to increase corporate accountability. SIMC believes that proactive, professional and constructive engagement with companies should lead to a general improvement in standards with respect to sustainability risks.

SIMC takes two complementary approaches to shareholder engagement:

- › Norms and Standards: Engagement with companies with severe or persistent violations and/or breaches of global norms and standards related to sustainability, including environmental standards, human rights, labor rights and ethical business conduct.
- › Thematic: Engagement with companies potentially exposed to risks and/or opportunities associated with sustainability megatrends and in support of the United Nations (UN) Sustainable Development Goals.

SIMC believes that collaborative engagement efforts may support constructive dialogue and reinforce positive long-term relationships with investee companies. By participating in engagement activities in partnership with other asset managers and asset owners, we believe that SIMC can amplify its own voice as a shareholder.

## Proxy Voting

SIMC maintains a Proxy Voting Committee comprised of representatives of SIMC's Investment Management Unit and Compliance personnel. The Proxy Voting Committee provides oversight of SIMC's Proxy Voting Policy and activities and meets as necessary to perform its oversight function.

SIMC has elected to retain a third-party service to vote proxies on behalf of its clients in accordance with guidelines approved by SIMC's Proxy Voting Committee, with certain limited exceptions as outlined in the Proxy Policy. The guidelines set forth the manner in which SIMC shall vote—or the manner in which SIMC shall determine how to vote—with respect to various matters that may come up for shareholder vote. So long as the proxy voting service provider votes in accordance with the guidelines, SIMC believes that there is an appropriate presumption that the manner in which SIMC voted was not influenced by, and did not result from, a conflict of interest.

The engagement service provider will at times provide to SIMC proxy voting recommendations that may conflict with the guidelines. In such circumstances, the Proxy Committee will convene to consider the recommendation, in accordance with the Conflict of Interest policy set forth in the Proxy Policy. For any proposal for which the Committee determines that SIMC does not have a material conflict of interest, the Committee may follow the recommendation of the engagement service provider and overrule the service's recommendation if the Committee reasonably determines that doing so is in the best interests of SIMC's clients.

More details on SIMC's Proxy Voting Policy, including the Conflict of Interest Policy, are available on our [website](#).

## Industry Collaboration

SIMC and its affiliates, as wholly-owned affiliates of SEI Investments Company, seek to be active participants in industry dialogue related to ESG and sustainable investing. SEI is a signatory to the UN Principles for Responsible Investment (UN PRI) and encourages our subadvisors to sign on to the UN PRI as well.

Additionally, SIMC and/or its affiliates are participants in and/or signatories to a range of collaborative industry organizations, including but not limited to:

- › Climate Action 100+
- › Canadian Investor Statement on Diversity and Inclusion
- › Institutional Investors' Diversity Cooperative
- › The Responsible Investment Association of Canada
- › The UK Investment Consultants Sustainability Working Group
- › UK Stewardship Code (2012)
- › 100 Black Interns

## Important Information

*This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results.*

*Statements that are not factual in nature, including opinions, projections and estimates, assume certain economic conditions and industry developments and constitute only current opinions that are subject to change without notice. Nothing herein is intended to be a forecast of future events, or a guarantee of future results.*

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*There are risks involved with investing, including loss of principal. The value of an investment and any income from it can go down as well as up. Investors may get back less than the original amount invested. Returns may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results. Investment may not be suitable for everyone.*

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