Integration Approach

INVESTMENT TEAM AUTONOMY

For actively managed strategies, each of MacKay Shields' investment teams applies its own distinct process and experience to add value across capital markets. Accordingly, each investment team may consider ESG risks and opportunities alongside traditional factors that reflect the character of each asset class, investment style, and client goals. We believe that taking ESG factors into account gives us a better understanding of the value of an investment and that credit analysis may not be complete without it. For that reason, ESG risk assessments are incorporated into the process and the responsibility of each investment professional.

From time to time, MacKay Shields may manage accounts in line with a passive investment strategy. The processes and procedures described in this document may not apply to low-activity or non-actively managed strategies, for example, accounts that substantially track an index or seek to maintain a low tracking error. Some of the holdings in such accounts may nevertheless be subject to engagement based on exposure to those issuers in actively managed portfolios. Additionally, there may be positions in actively managed accounts that serve as cash equivalent or currency hedges or are securities that have resulted from corporate actions or client transfers, that would not be in scope of fundamental ESG analysis.

ESG SCORING

The firm has developed a scoring scale to assess ESG risk and opportunities. This is applied by each of MacKay Shields' investment teams according to its own distinct process and experience, with the goal of adding value across capital markets. Accordingly, each investment team considers ESG risks and opportunities alongside traditional factors that reflect the character of each asset class and investment style.

These ESG risk groups reflect our teams' judgment of the scope and materiality of ESG factors, a selection of which are included in the graphic below, and their anticipated impact on the issuer's viability and financial outcomes over the long-term. These categorizations are a signal to the portfolio management team of how much risk and/or opportunity is inherent in any given issue, and therefore may influence not just inclusion into a portfolio, but also the relative sizing of that position.

Risk Group Score

	Environment	Social	Governance	Composite Score
CORPORATE	▪ Pollution & Waste ▪ Resource Management ▪ Green CapEx ▪ Climate Change (Physical & Transition Risks)	▪ Human Capital Management ▪ Labor Relations (Collective Bargaining) ▪ Product Quality & Safety	▪ Business Ethics ▪ Financia/Capital Structure Policy ▪ Transparency & Accountability	
SOVEREIGN	▪ Energy Security/Equity ▪ Environmental Health ▪ Ecosystem Vitality	▪ Human Freedom Index ▪ Global Health Security Index ▪ Access to Information & Communication	▪ Political Stability ▪ Regulatory Quality ▪ Corruption Perception Index	
SECURITIZED[1]	How does the security affect issues such as access to renewable energy and electric vehicles contribute to Affordable & Clean Energy (SDG7) and Industry, Innovation & Infrastructure (SDG9)?	How does the security affect issues such as access to housing, education, and other general financing contribute to Decent Work & Economic Growth (SDG8) and Reduced Inequalities (SDG10)?	**Is the underwriting and origination of the security done with integrity?**	

BEST IN CLASS   LOW MATERIAL RISK   MATERIAL RISK   SIGNIFICANT RISK

The graphic above is for illustrative purposes only and represents a selection, not an exhaustive or complete list, of factors the teams may include. For more detail on the scoring process please visit the respective team policies.

1. The ESG assessment process for the securitized asset class is predicated on the idea that hurdles of sound governance of the issue has to be cleared in order for the security to be investible. If our analysts deem the governance of such securities lacks integrity, MacKay will consider that security uninvestible. For more information on the philosophy and process concerning securitized products, please refer to the GFI & GC RI policy.

These four ESG risk groups are proactive, forward looking, and predominantly based in qualitative analysis, supplemented with quantitative data, where available and applicable to the respective issue. The risk groups are an aggregate assessment of the ESG performance indicators that capture how exposed an issuer is to long-term ESG risks and opportunities. They are influenced by the controversies a particular issuer has experienced and how it has responded to such incidents, amongst other things. Analysts assess the issuer's strategy and ability to manage ESG risks in order to understand the issuer's ability to benefit or create value in the future. ESG risk groups for corporate issuers 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 (e.g. energy and transition risk). Our ESG risk groups are evaluated on an ongoing basis, with added scrutiny if there is a material change in the issuer.

Typically speaking, if two bonds have similar yields and spreads but are assessed to have different levels of ESG risk, the teams will tend to prioritize the bond with the lower ESG risk group. In addition, a security's ESG profile plays a large factor in conviction levels, and the weightings of securities in the portfolio. Generally, the largest positions in our portfolios will typically have lower ESG risk.

ENGAGEMENT

We view engaging with issuers as a natural part of the investment due diligence process. Our analysts engage with issuers to build relationships and create a constructive environment of information sharing. The knowledge gained during our engagement activities, along with our credit analysis and information received from third parties, help us to better assess the ESG risks an issuer faces and the issuer's awareness and management of such risks. 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, social, or governance 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 of 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 afford us less 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.

We believe that while ESG analysis is most effectively conducted directly by investment teams, the rapid evolution of sustainability issues, regulations, and global themes necessitates the provision of additional tools and resources to ensure thorough and responsible analysis. To meet our fiduciary obligations, analysts are equipped with internal ESG scoring tools and can draw on the expertise of the Responsible Investing (RI) team in engagement activity with an issuer when sustainability concerns are significant or closely aligned with a client's specific goals. This collaborative approach leverages both the deep asset and sector knowledge of the analysts and the RI team's specialized insights into sustainability trends and regulations. By combining these strengths, we enhance the overall quality of the investment process, aligning financial returns with responsible investment practices and ensuring that our teams remain adaptable and informed in a changing landscape.

LABELLED BONDS

Underlying our approach to labelled securities is the belief that authenticity in any sustainable investment is grounded in an organization's strategy and governance, rather than a standalone tangential project. We find that companies issuing labeled bonds to finance discrete projects while lacking a broader strategy around sustainability issues are less likely to be committed to achieving such goals. We make exceptions only for use of proceeds bonds that fund projects that we believe will credibly enable an issuer to achieve its plan to become more sustainable companywide.

To assess the impact materiality of an issuer's sustainability efforts and whether a bond will further them, we generally consider:

- Does the issuer have a well-developed sustainable finance framework?
- Is that framework reflected across the organization's practices?
- Are the projects that are to be funded by the debt well aligned with the issuer's mission?

If the impact materiality of the investment ill-defined or immaterial to the organization's strategic goals, we may conclude that the bond is an opportunistic financing vehicle rather than an authentic instrument of sustainable finance.

EXCLUSIONS

As a global asset manager, MacKay Shields is entrusted with the assets of a wide spectrum of clients with an equally wide range of priorities and objectives. We therefore do not apply firm-level exclusions and emphasize working case-by-case with clients to define investable universes that reflect their values and objectives.

To the extent that MacKay Shields applies firm-level exclusions, these fall within the various broadly accepted OFAC, EU, and UN sanctions lists. To complement our teams' research process, a norms-based alert has been implemented across the firm to identify very severe violations of the UN Global Compact[1] for further assessment by investment teams.

We manage client mandates that are subject to a variety of norms-based screening criteria, or exclusions on certain business practices or sectors. As each client has varying preferences, we work closely with them to determine their goals and objectives and have developed a process for monitoring of such guidelines, which is further detailed in the Oversight section of this document.

1. MacKay Shields has engaged a third-party research vendor to provide this screening data. Analysis is based upon the availability/coverage of the data provider.

ADDITIONAL DISCLAIMER

As all asset classes are not created equal when it comes to ESG data and application, we retain discretion to apply certain aspects of this policy to a greater/lesser extent depending on data availability, investment time horizon, and client objectives. In addition, [we believe that] there is no conflict between this policy and our responsibilities as an ERISA fiduciary with respect to our ERISA clients.

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