

# Environmental, Social and Governance Policy Statement

Effective as of January 1, 2019

## Approach to Responsible Investing

Intech's approach to environmental, social and corporate governance (ESG) investing centers around one key consideration – our fiduciary responsibility to our clients. Our most important mission is to provide clients with investment strategies that meet their needs and deliver strong long-term, risk-adjusted performance. Consistent with this mission, we recognize that ESG considerations can meaningfully affect investment performance. Therefore, we incorporate ESG evaluation to encourage strong ESG practices at the companies in which we invest. ESG issues are not an adjunct consideration at Intech; they are systematically integrated into our portfolio management approach.

## Investment Integration

For clients with ESG-focused strategies, Intech's goal is to improve portfolio-level ESG scores. It's an implicit integration of ESG. Our process does not automatically or necessarily *screen out* companies with low ESG ratings; rather, it *favors* companies with higher ESG ratings. We believe this holistic approach is best suited for boosting the ESG profile of a portfolio versus its benchmark without impacting its risk-return profile.

## SECURITY SELECTION

Intech's investment process involves three basic steps: 1) estimating volatility and correlations of stocks; 2) determining optimally diversified portfolio weights for a given risk-return objective; and 3) rebalancing weights regularly to replenish diversification and extract a trading profit. We include ESG ratings as a security attribute in Step 1 so that we can also target portfolio-level ESG scores during the optimization process in Step 2. Therefore, we derive optimal portfolio weights based on a client's risk-return objectives *and* the client's desired portfolio-level ESG score.

## PROXY VOTING

Intech's Proxy Voting Policy ensures that we satisfy both our fiduciary obligation and our commitment to ESG issues. Intech clients who delegate proxy voting responsibility may choose from different groups of proxy voting guidelines offered by Institutional Shareholder Services, Inc. (ISS). To satisfy our clients' growing support for addressing ESG issues, the default proxy voting guideline will be the ISS Sustainability Proxy Voting Guidelines when Intech is granted proxy voting authority and clients do not specify their preferred ISS guidelines.

## Comprehensive ESG Analysis

Intech leverages MSCI's expertise in ESG research, offering us an ESG ratings database of over 13,000 issuers linked to over 590,000 securities. MSCI's global team of 185 research analysts examines the three pillars of responsible investing – environmental, social and governance – across 10 underlying themes.

### ENVIRONMENTAL

- Climate Change
- Natural Resources
- Pollution and Waste
- Environmental Opportunities

### SOCIAL

- Human Capital
- Product Liability
- Stakeholder Opposition
- Social Opportunities

### GOVERNANCE

- Corporate Governance
- Corporate Behavior

MSCI further segments these themes into 37 key ESG issues that focus on the intersection between a company's core business and industry issues that can create significant risks and opportunities. They derive peer-relative ESG ratings from scores on these 37 issues.

Source: [MSCI ESG Ratings Methodology](#) April 2018

## CORPORATE ENGAGEMENT

Intech may engage in direct, written communication with boards of directors of companies with low ESG ratings to detail our concerns over their ESG issues and request a response. The circumstances that may initiate this engagement include, but are not limited to:

- Appearing on a focus list of client holdings with low ESG scores
- Severely underperforming ESG rating versus industry peers
- Having a known contested situation or publicized governance issue

We may also contact companies with consistently low ESG ratings that either have been, or are expected to remain, in Intech's client portfolios for a long time as a result of Intech's investment process.

Intech's corporate engagement goal is to make firms aware of their ESG practices and to influence corporate behavior. It's essential that companies develop robust policies and design control processes to manage these risks.

## Program Oversight

Intech has a cross-functional risk oversight committee that facilitates advancement of and communication for our responsible investing efforts. The committee maintains regular oversight of ESG activities, providing updates to the firm's Executive Committee on an annual basis.

## Principles for Responsible Investment

Intech has been a signatory to the United Nations-supported Principles for Responsible Investing (PRI) since November 2012 as part of our long-standing commitment to corporate stewardship. Our status as a PRI signatory underscores Intech's dedication to ESG issues and we value the voice we have in defining and shaping ESG discussions, the development of best practices, and ultimately the potential to enhance the risk-adjusted returns we deliver to clients.

## Corporate Responsibility

Intech's dedication to ESG issues extends from within. We are committed to improving our sustainability practices by seeking to understand the impact of our business operations on the environment and developing offices, plans and processes that minimize these impacts. We actively embrace an environmentally aware culture and encourage employees to take steps towards creating positive sustainability in the office environment.

We believe there is a connection between sound ESG management and corporate resilience, and are committed to the the greater public scrutiny of companies and the role they play in the global economy. Intech's ESG Policy is part of that commitment which we will continue enhance as we work toward serving the needs of our clients.

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