



RESPONSIBLE INVESTMENT POLICY

OVERVIEW

Kayne Anderson Rudnick (“KAR” and the “Firm”) believes that responsible investment practices which incorporate the consideration of environmental, social, and governance (“ESG”) topics add sustainable value for our investors and are consistent with our fiduciary duty.

We believe in conducting business in a manner that is:

- Compliant with applicable laws, regulations, and best practices;
- Ethical and respectful to our stakeholders, which include investors, portfolio companies, employees, communities, and the environment; and
- Considerate of the ESG impact of our investment decisions to our stakeholders and the communities in which our investments operate.

As such, we seek to align our ESG practices consistent with the principles outlined by the Principles for Responsible Investing (“PRI”) which are listed in Appendix I.¹

During the investment process, we address ESG topics in the same manner as other investment risks and opportunities. We seek to consider ESG factors that we believe may influence risks and rewards as an element of our investment research and decision-making processes; however, such ESG factors are not by themselves determinative to an investment decision.

PURPOSE

The purpose of this Policy is to define our approach to integrating the consideration of ESG risk factors and opportunities into both the pre-investment and ownership phases of our investments strategies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDELINES

In developing this policy, we considered the philosophy and guidelines from leading non-profit organizations focused on advancing responsible investment including the PRI and the Value Reporting Foundation. Additionally, this policy is informed (though not governed) by the recommendations of the Task Force on Climate Related Financial Disclosures (“TCFD”) and the Paris Agreement, as applicable.

GOVERNANCE

Leadership

KAR’s Chief Investment Officer provides formal oversight for responsible investment activities of the Firm.

ESG Steering Committee

KAR has a formalized ESG Steering Committee with representatives from different functions across the Firm, including executive management, investment research, compliance, and marketing. This committee meets on a regular basis to ensure alignment on ESG definitions and objectives and to discuss the evolution of KAR’s ESG integration across different functional areas within the Firm.

KAR’s ESG Steering Committee is responsible for assessing the responsible investment/ESG training needs for KAR’s investment professionals on a routine basis, to occur at least annually. Additionally, on an annual basis, the ESG Steering Committee is also responsible for reviewing the KAR Responsible Investment policy and updating it as appropriate.

¹ See: <https://www.unpri.org/>

Investment Team

ESG research is conducted by KAR's Portfolio Managers and/or Research Analysts rather than dedicated ESG research staff. KAR believes that it is important to leverage the investment team's deep knowledge of the businesses the Firm own or seeks to own. The Firm believes the primary investment team for its holdings (and prospective holdings) is best equipped to identify which ESG issues are material and how they impact each company. The Firm's Portfolio Managers and/or Research Analysts review and update the internal ESG rating for each of our holdings at least annually.

ESG INTEGRATION

Due Diligence

Our investment team uses a proprietary ESG ratings framework to generate ESG scores for businesses in our portfolios as well as portfolio scores, which incorporates materiality topics as defined by the IIRC's SASB standards.

Additionally, we have identified key ESG issues that we believe are universally relevant and material for each sector. The research analysts also have discretion to determine other key ESG issues should they be material to a specific business model.

To conduct our analysis, the investment team evaluates a company based upon its ESG merits. The team may also use ESG data provided by third-party data providers as supplemental to our own internal process. Such data may be adjusted by our team where inaccuracies are found through additional research, including fact-finding engagements with companies.

Engagement

KAR has a formalized proxy voting policy which governs our voting activity. As is stated in our policy, "KAR votes all proxies so as, in its opinion, to maximize shareholder value which is defined as long-term value accretion through dividend and price appreciation." In doing so, KAR utilizes the services of Institutional Shareholder Services, Inc. to administer and analyze our proxy votes where clients request that we vote proxies on their behalf. Our votes on ESG topics are in accordance with our philosophy to address ESG topics in the same manner as other investment risks and opportunities, as we recognize that the consideration and management of ESG has the potential to add sustainable value for our investors. We do not necessarily give different priority to ESG considerations as compared to other investment considerations when voting our clients' proxies unless our clients direct us to.

Exclusions

KAR does not exclude specific companies or sectors from its investment universe, unless directed by our clients. KAR will implement and manage portfolios in accordance with its contractual obligations. Some of these restrictions may be considered ESG-related, as directed by any such clients.

TRANSPARENCY & REPORTING

1. KAR aspires to continually enhance reporting and transparency. KAR became a PRI signatory in January 2019 and reports annually to the PRI framework.

APPENDIX I

The PRI's six principles of responsible investment are as follows:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.