

## Environmental, Social & Governance Policy

# Aristotle Atlantic Partners, LLC

December 31, 2022



## ESG Policy Statement

### Introduction

Aristotle Atlantic Partners, LLC (“Aristotle Atlantic”) is a registered investment adviser specializing in large cap growth, focus growth and core equity strategies for institutional and individual clients around the world. We believe a foundation of successful investing can be attained by identifying companies that are poised to benefit from secular themes, product cycles or industry trends. As a result, by identifying these factors early on through fundamental, bottom-up research of companies, products and economic cycles, we believe consistent risk-adjusted returns can be achieved.

As part of our fundamental investment approach, we believe that integrating environmental, social and governance (“ESG”) factors into our security selection process helps achieve our investment aims. Our ESG integration approach is both systematic—spanning our entire security selection process—and client-driven. Furthermore, we seek to advance awareness of the importance of ESG issues in our engagement with management.



## Approach to ESG Integration

ESG issues are incorporated throughout our investment analysis and decision-making process when we believe they could have a material impact on a company's valuation and financial performance. To this end, Aristotle Atlantic integrates ESG into its investment decision-making process in two ways:

### 1. Incorporation of ESG into fundamental analysis

ESG integration complements our overall fundamental analysis by evaluating a range of ESG-related considerations for potential and existing portfolio holdings. Combining fundamental research with ESG analysis gives us a more comprehensive understanding of the companies and sectors in our coverage and helps us build more effective investment portfolios. We identify and assess material ESG factors relevant to companies and their respective industries to better understand their impact on society, the environment, and the economy. We also seek to evaluate any controversy involvement in violation of global norms that could increase financial and reputational risk for companies. A comprehensive evaluation of these risks helps us better understand how they might affect the long-term performance of our holdings.

Evaluation of material ESG factors starts with initial due diligence, where we seek to identify where a company's management team may be making decisions that raise operational or reputational risk. An issue is considered material if we believe it could have a material impact on a company's valuation and financial performance. This process involves leveraging third-party ESG research to assess material ESG risk and controversy involvement. Additional resources include company regulatory filings, financial reports, sustainability statements, and insights gathered from industry conferences and management meetings. A company is approved for investment or removed from consideration based upon our overall assessment of material ESG risks and controversies and whether we believe they pose a significant threat to its reputation or financial performance.

Our ESG integration process also informs our identification and evaluation of secular themes, product cycles, and cyclical trends to identify alpha-generating companies for our portfolios. Although not typically the sole driver in identifying themes and cycles, ESG is an essential input to our investment process that can help determine a more or less favorable view of an identified trend.

Regardless of potential trends, we will not likely invest in companies whose broader business objectives are deemed to have detrimental societal or environmental impacts that far exceed any potential investment opportunity those companies may present. For example, we will consider not investing in companies engaged in certain business activities, such as tobacco or tobacco-related products.



## Climate Change and Environmental Impact

Current and future effects of global climate change can pose significant risks to long-term financial performance of our portfolio holdings. Aristotle Atlantic seeks to understand its potential impacts at the sector, industry and company level. Our holistic investment approach considers important climate-related issues that include carbon emissions, emerging “green” technologies, energy efficiency and pollution, among others. We evaluate these issues for companies under consideration for investment and continuously monitor the existing holdings.

Aristotle Atlantic currently monitors climate change risk in our strategies by utilizing third-party research to assess a company’s exposure to carbon-related risks as well as a company’s management of risks related to its own operational energy use and greenhouse gas emissions. Additionally, we are proud to support the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, a set of climate-related financial risk disclosures that seek to increase transparency and awareness around climate-related risks.<sup>1</sup>

## 2. Client-mandated investment restrictions

In partnering with our clients and to help them achieve their investment objectives, where applicable, we will follow and implement client-directed ESG-related beliefs and restrictions into those clients’ investment portfolios. For example, we will partner with our clients who believe certain industry exposures to their investments may not only negatively impact their long-term financial goals, but also conflict with their societal beliefs in looking at companies’ ethical values for which their business is involved. For those clients we can work to incorporate their personal values, a detailed values-based investment discussion will be part of the client advisory process.

## Product Involvement Exclusions

We recognize that certain industries and/or companies are deemed to have detrimental societal or environmental impacts that far exceed any potential investment opportunity they may present. We utilize third-party product involvement research to help identify companies that a client may wish to exclude to meet objectives related to faith or values-based criteria, legislative requirements and/or overall financial risk management. This research includes details on how a company is involved in one or more areas as well as the degree of involvement, generally using revenue as a proxy. It also tracks corporate actions in order to capture changes in Product Involvement that might arise through mergers and acquisitions or spin-offs.

## 3. Engagement

To further expand our impact in the market and to ensure that companies are aware of investor sensitivity around ESG issues, we engage directly with corporate issuers. We independently conduct meetings with company management in order to understand how companies are using their capital and conducting their business. During these meetings, we may engage directly with company management on a variety of issues, including ESG matters as identified through our research process, which can present a potential material risk to a company’s financial performance.

In addition to our direct engagement, we express our ESG concerns to issuers by participating with likeminded investors in pooled engagement. The pooled engagement focuses on companies that are assessed to be involved in alleged or verified severe, systematic or systemic





failures to respect international norms for environmental protection, human rights, labor standards and anti-corruption.

We believe both strategies present us the opportunity to advance ESG issues to the corporate community and seek appropriate disclosure on ESG issues by the companies in which we invest.

#### 4. Voting

Our policy is based on the view that, in our role as investment managers, we must vote proxies based on what we believe will maximize shareholder value as a long-term investor, and the votes we cast on behalf of our clients are intended to accomplish that objective. Consistent with our investment approach, and in line with our fiduciary duties, we seek to leverage our proxy voting rights, where applicable, in promoting relevant ESG factors that may play a role in the long-term growth and economic interest of our clients' capital.

As proxy voting is integral to our investment process, we consider ESG issues when presented for shareholder vote and vote in what we believe to be in the best long-term economic interests of our clients. Supporting these matters, when determined to be in our clients' best interests, elevates our promotion of change to corporate policies and practices that may be misaligned with shareholder interests.

#### Conclusion

We recognize that an understanding of a company's ESG practices is a relevant input in identifying investment risks and opportunities. Consistent with our fiduciary responsibilities, we commit to incorporating ESG issues into the investment analysis and decision-making process to the best extent possible based on both client interest and investment objectives and practices. We also seek to raise visibility around the importance of ESG issues through our engagement and voting practices. In this fashion, we believe our integration of ESG is complete across the investment chain: from the selection of investments, to the monitoring and stewardship of the assets we hold on behalf of our clients.





*Disclosures:*

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