Payden & Rygel

2022 TCFD REPORT

CLIMATE RELATED DISCLOSURES

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From our inception nearly 40 years ago our emphasis has been on collaboration. This creates a culture where competition is external rather than internal. It has allowed us to cultivate an inclusive culture where all voices are heard, respected, and where constructive debate is encouraged. We believe this cultural feature, coupled with a focus on passion and commitment, enhances our client relationships. These characteristics allow us to attract the best talent, which supports improved investment results.

It is acknowledged by many of the world's financial regulators that climate change poses long-term geopolitical transition issues and that the economic shifts around climate change are vast. Climate change considerations represent a significant challenge for the global economy and well-functioning markets will require responses from each participant to the risks and opportunities that the climate change agenda presents.

Our primary aim has and always will be to help our clients meet their investment goals. Our culture represents the core of how we manage our business, with an unwavering commitment to our clients' needs.

We think that clients should be able to enjoy the proceeds of their investments both today and in the future. These values are seen in our company commitments, which represent where we as an organization, devote time and resources beyond our asset management activities. We believe that by doing so we can play a role in creating a positive impact in our communities, help develop our industry for the future and increase awareness of geopolitical and regulatory developments relating to climate matters. We are committed to helping raise awareness of the coming economic transformation, to help ensure that businesses are prepared in an evolving world.

This document comprises Payden & Rygel Global Limited's TCFD entity report for 2022 as required by the UK Financial Conduct Authority for UK authorised and regulated asset managers.

Payden & Rygel Global Limited's in-scope business is portfolio management. During 2022, the reporting calendar year, Payden & Rygel Global Limited provided portfolio management services to investors domiciled in the United Kingdom and overseas pursuant to tailored separately managed account mandates, and also served as investment manager of Payden Global Funds plc, an Irish-domiciled umbrella fund with segregated liabilities between sub-funds.

Payden & Rygel Global Limited is a wholly owned subsidiary of Payden & Rygel. As such, it both provides and receives intra-group services in the furtherance of the global organization's objectives as an asset manager. The climate-related business strategy and transition plan of Payden & Rygel Global Limited are closely linked with those of its parent entity, whilst recognizing the varying needs of investors may vary from jurisdiction to jurisdiction especially as these pertain to climate-related activity. Specifically, as regards climate-related governance matters, four of the five directors of Payden & Rygel Global Limited are members of Payden & Rygel's Managing Committee and thus involved in the oversight of climate-related risks and opportunities and the organization's transition plan. A director and the General Counsel of Payden & Rygel Global Limited are members of Payden & Rygel's ESG Committee to facilitate exchange of know-how and best practice in the implementation of transition planning and the organization's climate-related business strategy.

A Payden & Rygel Global Limited director serves on the Investment Policy Committee of Payden & Rygel and can thus facilitate integration of investment strategy related to climate seamlessly across the organization. Payden & Rygel Global Limited outsources certain aspects of its investment risk management, and the production and reporting of climate-related metrics and targets to its parent entity, Payden & Rygel, and is thus fully integrated with Payden & Rygel in these aspects of its climate-related transition activities.

For the reasons stated above, Payden & Rygel Global Limited places reliance on the climate-related financial disclosures contained herein consistent with the TCFD Recommendations and Recommended Disclosures made by Payden & Rygel in producing its TCFD entity report. These group disclosures are relevant to Payden & Rygel Global Limited and cover the assets that it manages as part of its TCFD in-scope business.

There are no material deviations in approach under the TCFD Recommendations and Recommended Disclosures between Payden & Rygel Global Limited and Payden & Rygel.

As Chairman of the Board of Directors of Payden & Rygel Global Limited, I confirm that the disclosures in this report, including the group disclosures, comply with the ESG Sourcebook of the Financial Conduct Authority where applicable to the TCFD in-scope business of the company.

Robin Creswell
30th June 2023

$133 Billion
in assets under management

230+
employees across four offices

100%
independently owned

OVER 39 YEARS

OF INSPIRING CONFIDENCE WITH AN UNWAVERING COMMITMENT TO OUR CLIENTS' NEEDS

Established in
1983
with a history of no layoffs and a culture of inclusion

Developed and Demonstrated
Expertise in managing a broad spectrum of global asset clients

As of 31/12/2022

Global Investment Management Capabilities

Payden & Rygel is an SEC registered investment adviser headquartered in Los Angeles, with offices in Boston and subsidiaries in London (Payden & Rygel Global Limited) and Milan (Payden Global SIM SpA). Founded in 1983, we are one of the largest independently-owned asset management organizations in the world. Payden was built on the tenets of collaboration, financial independence, and customization of portfolio strategies to meet the evolving needs of institutional investors.

Leader in the Active Asset Management Industry

We are a leader in the active asset management industry and invest assets on behalf of institutional investors primarily through customized investment strategies but also through a range of pooled funds domiciled in Ireland and the U.S. Advising some of the world's leading institutions and individual investors, we provide portfolio solutions for clients across global economies and capital markets.

Steward of Our Clients' Assets

For nearly four decades, our independence has enabled us to manage portfolios focused on our clients' objectives. We believe that investment management is a personal service business, an important part of which is our philosophy of stewardship, developing close and meaningful relationships with our clients by providing an industry-leading level of service and problem solving. Given our diverse client base and the rapid pace of ESG evolution, we have developed tools that we can apply to client portfolios, adapted to each client's requirements. We customize portfolios to meet each client's financial goals and any non-financial objectives corresponding to the client's own stance on climate-related matters.

This document comprises the climate-related financial disclosures required of Payden & Rygel Global Limited pursuant to the FCA ESG Sourcebook as well as setting out our organization-wide response and adherence to the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). The TCFD recommendations are a set of reporting guidelines for disclosure of climate-related risks and opportunities. The reporting period covered is calendar year 2022 and the TCFD Recommendations stipulate that we outline how as an organization Payden factors climate-related risks and opportunities into governance, strategy, risk management, and metrics and targets.

Pillars		TCFD Recommendation	Summary
Governance	Disclose the organization's governance around climate-related risks and opportunities	**a.** Describe the board's oversight of climate-related risks and opportunities **b.** Describe management's role in assessing and managing climate-related risks and opportunities	We include an overview of our framework, systems and controls for climate-related risks and opportunities through our governance structure and committees, our climate-related stewardship resources, and our climate-related commitments.
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material	**a.** Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term **b.** Describe the impact of climate-related risks and opportunities on the organization's business, strategy and financial planning **c.** Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a +2° C or lower scenario **d.** Describe how climate-related risks and opportunities are factored into relevant products or investment strategies and describe the related transition impact	We include an overview of our climate-related transition plan: where we are today and a timeline of our various climate commitments and initiatives. We also include a summary of how we have integrated the impact of climate-related matters into our business strategy as well as our investment capabilities for both our pooled funds and segregated client portfolios.
Risk Management	Disclose how the organization identifies, assesses and manages climate-related risks	**a.** Describe the organization's processes for identifying and assessing climate-related risks **b.** Describe the organization's process for managing climate-related risks **c.** Describe how processes of identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management **d.** Describe engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and assess climate-related risks **e.** Describe how they identify and assess material climate-related risks for each product or investment strategy	We include an overview of our business and investment risk management processes. In addition, we provide an overview of our approach to engagement with issuers regarding climate matters as well as our organization-wide engagement prioritization and the connection to our net zero commitment.
Metrics & Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	**a.** Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process **b.** Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks **c.** Disclose the targets used by the organization to manage climate-related risks and opportunities and performance against targets	We have reported both on our own business operations as well as our portfolio management activity. We include climate metrics from our business operations, details of our CarbonNetural® company certification and offsets along with our carbon reduction initiatives. We also detail the climate metrics from our clients' investment portfolios.

Providing strategic direction and oversight for all forms of business-related risks and opportunities, including climate, at Payden & Rygel.

The Payden & Rygel Managing Committee is comprised of twelve senior professionals, all of whom are active in day-to-day management of our activities. The Managing Committee oversees the organization's operations and monitors business and operational risks. Members of the Managing Committee include the leaders of key areas, including investment strategy, research, client service, operations, technology, and risk, and the Committee coordinates closely with every functional area. Committee meetings are scheduled bi-weekly and more frequently as needed. Climate-related reporting is presented to the Managing Committee by the Head of the ESG Team.

The Managing Committee adopted the organization's ESG Investment Policy setting the governance framework for climate-related business strategy, and also took the strategic decision to embed stewardship throughout the organization rather than allocating responsibility to only the ESG Team. We believe this makes the best use of our collaborative culture to encourage shared responsibility and ensure alignment of the organization's stewardship activities. We believe having a flat corporate structure with reporting committees promotes transparency across the organization.

The Managing Committee is responsible for approving and overseeing Payden's stewardship strategy and has ultimate decision-making authority for our relevant stewardship related memberships and affiliations. Payden's climate-related transition plan and climate-related affiliations are subject to Managing Committee oversight.

Name	Title	Years at Payden	Years of Experience
Joan A. Payden, CFA	President & CEO	39	49
Brian W. Matthews, CFA	Managing Director & CFO	37	41
James P. Sarni, CFA	Managing Director	32	40
Mary Beth Syal, CFA	Managing Director	32	38
James T. Wong, CFA	Managing Director	28	32
Kristin J. Ceva, CFA, PhD	Managing Director	25	34
Gregory T. Morrison, CFA, CPA	Managing Director	24	29
Robin Creswell, FCSI	Managing Director	24	44
Nigel P. Jenkins, ASIP	Managing Director	17	34
Justin G. Bullion, CFA	Managing Director	13	32
Alfred Giles, III, CFA	Managing Director	10	22
Antonella Manganelli, CFA	CEO – Payden Global SIM (Milan)	2	18

As of 31/12/2022

Our ownership structure aligns our interests with those of our clients. Our independence enables us to avoid conflicts of interest and to offer stability of strategy and consistent management of portfolios.

Embedding Stewardship considerations throughout the organization provides accountability at all levels.

Managing Committee

Oversees the management of our business, including investment and long-term corporate strategic plans. The committee comprises senior professionals, all of whom are active in the day-to-day management of the organization, and thus providing close supervision of all functions.

Payden's integration of ESG factors into its investment processes involves collaborative efforts by multiple Payden groups who play important roles in formulating and overseeing the ESG investment processes.

Investment Policy Committee	ESG Committee	Compliance

Committees & Groups that inform our ESG & Stewardship activities

Independent Risk Team	ESG Compliance Sub-Committee	Dedicated ESG Team	Diversity & Inclusion Committee	Best Execution Committee

Liquidity Risk Committee	Proxy Voting Committee	Business Continuity Committee	Valuation Committee

The Managing Committee oversees multiple groups and committees contributing to our broader stewardship. Below we highlight those groups with responsibilities related to climate considerations:

Investment Policy Committee (IPC)

11 Members

The IPC, consisting of eleven of the most senior investment professionals at the organization, maintains oversight over all of Payden's strategies and is an integral part of our decision-making and risk management process. IPC monitors the impact of ESG and climate considerations, including regulation such as the Sustainable Finance Disclosure Regulation on strategies.

ESG Committee

9 Members

The global ESG Committee is broad, diverse and represents the key functions of our business. This diversity allows for the input of climate considerations into the oranization's activities and our investment processes from multiple perspectives.

Dedicated ESG Team

2 Members

The ESG team works across the business to ensure we have the applicable processes and policies in place; that we partner with clients to customize climate specific mandates, meet regulatory reporting requirements, implement employee training and effectively communicate our activities both internally and externally. We have further expanded our dedicated resources with 2 additional team members in 2023.

Business Continuity Committee

5 Members

The Business Continuity Plan, which incorporates climate related risks, was developed and is monitored by the Business Continuity Committee. The Committee consists of senior managers, including the heads of the Trading, Portfolio and Trading Operations, Compliance and Information Technology departments and a Senior Compliance Officer.

In the timeline below we have set out our short, medium and long-term horizons for climate-related issues.

It is part of our climate-related transition plan to align ourselves with external organizations that provide guidance and standards to our industry. Information on regulatory and NGO initiatives related to climate help inform our product offering across a full spectrum of clients, from those that do not engage in the climate agenda to those for whom we recognize this is an important topic. As part of our governance accountability, the Managing Committee approves new commitments for the organization.

We are committed to a number of initiatives focused on climate in preparation for the evolving economic and regulatory transformation. Our memberships span both corporate and investment-oriented organizations.

Our memberships and commitments inform our policies, proprietary tools, frameworks and processes in line with the management of climate risks and opportunities.

2013

- Became signatories to the **UN PRI**

2017

- Joined **SASB**

2018

- Became a member of the **PRI Sovereign Working Group**

2019

- Became a member of **CDP**
- Became a member of the **PRI Sub-Sovereign Working Group**
- Certified a **CarbonNeutral®** company

2021

- Became signatories to the **Net Zero Asset Managers initiative**
- Became signatories to the **UK Stewardship Code**
- **Classified 13 funds as Article 8** pursuant to SFDR
- **Appointed a Head of ESG** for the organization

2022

- Became a member **Climate Action 100+**
- Invested and expanded our **ESG related IT infrastructure**
- **Published our SFDR ESG policies** for our Article 8 Funds
- Launched our **Targeted Engagement Strategy**

2023

- Published our inaugural **Task Force for Climate related Financial Disclosures Report**

2025

- Targeted **60%** in scope AUM for engagement with issuers to align with a net zero pathway

2030

- Targeted **90%** in scope AUM for engagement with issuers to align with a net zero pathway

2040

- Targeted **100%** in scope AUM for engagement with issuers to align with a net zero pathway

Name	Description	Our Commitment
CarbonNeutral® company	Carbon neutrality is achieved by calculating our carbon footprint and reducing it to zero through a combination of in-house efficiency measures and supporting external emission avoidance/reduction projects.	Annual assessment and offsetting programme
CDP	As investor signatories, we help promote industrial-scale environmental disclosure aligned with the TCFD, and advance more transparent disclosure on environmental issues. The CDP (formerly the Carbon Disclosure Project) is a carbon disclosure framework and aggregator working with issuers (corporate, sovereign, municipal, etc.) around the world to publish and manage their carbon emissions, water security, and deforestation profiles.	Collaborative engagement
Climate Action 100+	As a participant in Climate Action 100+, we are committed to using engagement as a tool to improve disclosure. Collaborative engagements via this investor-led initiative seek to inform action on climate change by the world's largest corporate greenhouse gas emitters.	Collaborative engagement
Net Zero Asset Managers Initiative	We are a signatory to NZAM, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner.	Signatory
IFRS Sustainability Alliance	Payden is a member of the IFRS Sustainability Alliance Member (formerly the SASB Alliance), a global membership programme for sustainability standards, integrated reporting and integrated thinking.	Member
TCFD	The Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) is a market-driven initiative, developed as a set of recommendations for voluntary and consistent climate-related financial risk disclosures. This is our inaugural TCFD report.	Supporter
United Nations Principles for Responsible Investment	As signatories to the UN PRI, we are committed to providing transparency on responsible investment activity and report annually on our practices.	Signatory
PRI Sovereign Debt Advisory Committee	One of only 17 global members with Kristin Ceva, PhD, CFA, Managing Director, Head of Emerging Market Debt as our organization's representative. During our membership Payden has contributed to publication guides, workshop discussions and other collaborative industry participation.	Member
PRI Sub-Sovereign Debt Advisory Committee	One of only 14 global members to the committee during our membership Payden has contributed to publication guides, podcasts and other collaborative industry engagement.	Member
13 Article 8 Funds under SFDR	Our 13 Article 8 funds promote the E/S characteristic of Climate Change mitigation. This is implemented through the application of our ESG Investment Exclusion Policy and consideration of GHG emissions and climate scores during portfolio construction and engagement on climate topics.	Fund manager

Summary of Climate Related Risks and Opportunities

The ESG Team works with the Payden Managing Committee to identify, assess, mitigate and monitor climate-related risks and opportunities arising in the business which could have a material financial impact.

Risk/Opportunity	Time-frame	**Challenge:** Identify and Assess	**Response:** Manage and Integrate
Operational/Physical	Long-term	Payden offices could be impacted by adverse climate events.	Given the current location of Payden's offices, the business risk of climate-related events is limited. However, we have a Business Continuity Policy and a Business Continuity Plan that are continuously monitored and updated annually. It is noted that the organization's IT systems are based in Los Angeles with offsite back up disaster recovery site in Massachussetts. The organization has no outsourcing arrangements in countries with high exposure to climate-related events.
Market	Near-term & Long-term	Evolving client demands and sentiment concerning climate will likely lead to the development of new product offerings and strategies. Investor sentiment may vary according to sector and geography and the regulatory environment in which our investors operate.	These are opportunities to innovate and further develop emissions focused solutions for our clients. Our partnership approach to client relationships will enable us to demonstrate our resourcefulness across client types and jurisdictions.
Regulatory	Near-term & Long-term	Legal and regulatory risk resulting from increasingly stringent climate disclosure and reporting across global jurisdictions could increase costs for the business. Evolving regulation could also impact our product offerings and require us to focus further on delivering custom portfolios to meet client specific needs. In addition, increasing divergence of legal and regulatory interpretations of climate assessment across global jurisdictions will require an increase in time and resources.	Payden has the flexibility and entrepreneurial culture to collaborate both internally and with external stakeholders to adapt to change. The organization engages with external advisers and its own internal legal counsel and compliance department in the formulation of compliance protocols designed to meet regulatory requirements.
Reputational	Near-term & Long-term	As a global organization, we see increasingly diverging client view on climate change and we are well positioned to assist clients in the dissemination of information on climate topics. In addition, as fiduciaries of our clients' assets, we understand that the money we manage is not ours, but theirs. While engaging with issuers across holdings to discuss disclosure of climate related and decarbonization plans will bring increased awareness to issues around climate change, it may not allow us to tangibly reach net zero.	We have chosen to deliver on our net zero commitment through engagement in research.

Summary of Climate Related Risks and Opportunities

Risk/Opportunity	Time-frame	Challenge: Identify and Assess	Response: Manage and Integrate
Supply Chain and/or Value Chain	Near-term & Long-term	Both our supply chain and/or value chain may be affected by climate-related events such as adverse weather leading to supply disruption and relocation of services. Suppliers may tailor their products for certain market segments that do not address our more global needs leading us to need to identify and engage with other suppliers, such as in the field of data services.	We actively manage our supplier relationships. We have no material outsourcings and have developed our own in-house bespoke data management systems to cater for the tailored needs of our clients.
Client Offerings	Near-term	The ability to design and customize climate solutions for our clients is an opportunity going forward. There is a spectrum of receptivity towards climate-related initiatives in the investor community. Our role is to provide insight and expertise based on our data-driven approach to tailor client separately managed accounts accordingly. There are risks in offering financial solutions that do not integrate climate-related considerations into the investment process, and by the same token, there are risks in not facilitating clients to disapply climate-related considerations in their mandates should they so desire. Investors may demand non-standard benchmarks, widely varying investment guidelines and a range of performance objectives and risk tolerances.	For our separate account clients, we offer customized solutions to meet specific client needs and objectives. We have integrated third-party data with our own research processes to devise systematic reference materials permitting our strategy teams to tailor mandates to meet clients' financial objectives as well as any climate-related factors that they may wish to integrate. This can, and often does, include non-standard benchmarks, widely varying investment guidelines and a range of performance objectives and risk tolerances. For investors seeking a pooled fund solution, we have 13 funds designated Article 8 pursuant to SFDR which promote the E/S characteristic of Climate Change Mitigation, and a further 2 funds designated Article 6 of SFDR which do not promote climate-related characteristics. We have integrated client suitability assessments in relation to preferences on climate-related matters into our onboarding processes and our ongoing client reviews.
Research and Development	Near-term	We identify the risks and opportunities with regard to data requirements to assess climate-related risks and opportunities and report on these to our investors as well as to factor these into our own business planning.	We have invested in systems, data acquisition and personnel in order to integrate climate-related data into our investment processes as well as our business strategy planning. We have developed climate-related reporting for our investors.
Acquisitions or Divestments	N/A	Payden has no climate-related acquisition or divestment activity.	
Access to Capital	N/A	Payden has assessed that climate-related risks and opportunities do not impact its access to capital. Payden & Rygel is wholly-owned by employees and has no external investment or loan obligations.	

In response to the evolving climate-related geopolitical agenda, we identified the need to label products appropriately so that investors can make clear choices whatever their preferences and requirements in relation to climate considerations. We have adopted a data-driven approach in our investment offerings.

We offer choice for our investors by offering separately managed accounts with bespoke integration of climate related factors where required on a tailored basis, as well as offering pooled funds ranging from those that are neutral to climate-related considerations to those which actively promote climate change mitigation characteristics.

SFDR Article 8 Mutual Funds

We have 13 funds designated Article 8 pursuant to SFDR which promote the environmental characteristic of Climate Change Mitigation. This is achieved through the application of our ESG Investment Exclusion policy, portfolio construction using climate data and our mitigation against environmental Principal Adverse Impacts.

Climate Change Related Restrictions*

Theme	Description
Oil & Gas	• Any Companies which derive >5% of reported or estimated revenue from arctic oil and/or gas production. • Any Companies which derive >5% of reported or estimated revenue from unconventional oil and gas; examples include oil shale, shale gas, shale oil, coal seam gas and coal bed methane. • Any Companies which derive >5% of reported or estimated revenue from oil sands extraction for a set of companies that own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. • Any Companies with disclosed oil sands reserves who derive >5% of reported or estimated revenue from oil sands extraction.
Thermal Coal	• For Corporates, any companies that generate >10% of reported or estimated revenue from thermal coal-based power generation. • For Emerging Markets, any companies that generate >25% of reported or estimated revenue from thermal coal-based power generation. • Any Companies that generate >1% of reported or estimated revenue from the mining of thermal coal.

Climate Change Portfolio Construction

Climate Change Mitigation is measured via greenhouse gas (GHG) intensity data for corporate and sovereign holdings and the climate score of the underlying securities for the U.S. securitised issues. Each fund has a comparable ESG Universe in which to target a lower GHG intensity than. The ESG Universe is representative of its broad allocation over time. This is implemented during portfolio construction, by sector:

- Corporates: lower greenhouse gas intensity of investee companies versus corporate portion of the ESG Universe.
- Sovereigns: lower greenhouse gas intensity of investee countries versus sovereign portion of the ESG Universe.
- Securitised: invest in securitized bonds backed by physical properties that face less than average climate risk.

Climage Change Related Principal Adverse Impacts

Corporate Holdings	
1. GHG Emissions	Targeted engagement
2. Carbon Footprint	Targeted engagement
3. GHG Intensity of investee companies	Portfolio construction
4. Exposure to companies active in the fossil fuel sector	Climate change restrictions*
5. Share of non-renewable energy consumption and production	Targeted engagement
6. Energy consumption intensity per high impact climate sector	Targeted engagement
7. Activities negatively affecting biodiversity-sensitive areas	Targeted engagement
8. Emissions to water	Targeted engagement
9. Hazardous waste ratio	Targeted engagement
Sovereign Holdings	
15. GHG Intensity	Portfolio construction

**Applied through the application of the ESG Investment Exclusion Policy*

ESG factors, including climate, are identified, monitored, and managed by Payden using both quantitative and qualitative processes.

Separately Managed Accounts

Climate change concerns are driving global economic and political agendas. We have integrated climate change metrics into our Research and Strategy frameworks and client reporting. In addition, as part of our customized approach to portfolio management, we partner with clients on their objectives, which include the analysis of ways in which climate change and environmental objectives may be reflected in their portfolios. We offer customized solutions to meet specific client needs and objectives. This can, and often does, include non-standard benchmarks, widely varying investment guidelines and a range of performance objectives and risk tolerances. Our product offering is broad enough to address the needs of investors who are neutral to climate-related characteristics as well as those investors for whom this is an important investment consideration.

Research Frameworks

Apply a variety of ESG factors, including climate at the issuer level

Correspond to major capital market issuer types:

- Developed Sovereigns (e.g. GHG per GDP)
- Municipals (e.g. entity disclosure, sustainability reporting)
- Securitized (e.g. physical climate risk)
- Corporates (e.g. carbon emissions, reduction target)
- Emerging Market Sovereigns (e.g. emissions per capita)

Informed by ESG initiatives & recommended practices

Strategy Frameworks

Aggregate ESG factors at the portfolio level

Used to view portfolio level ESG metrics and applied to client accounts in accordance with client guidelines and/or applicable regulation

May complement our assessment of portfolio positioning

Examples of climate metrics include GHG per GDP/per Capita, weighted average carbon intensity, % aligned with an SBTI target and the carbon footprint of the portfolios

Customization

Use third-party data providers to aid in monitoring climate considerations

Partner with clients to implement exclusions and/or set reduction targets to help meet climate objectives

Examples include:

- Targeting emissions X% lower than a benchmark
- Assist in the transitioning of corporate holdings on a lower emissions glidepath in an effort to align with the Paris Agreement
- Increased allocation to companies with climate targets verified by SBTi

Investment Monitoring

Payden's ESG process involves collaborative efforts by multiple Payden groups:

- Managing Committee
- Investment Policy Committee
- ESG Committee
- Compliance group
- ESG dedicated team

Proprietary portfolio monitoring tools provide ESG data on a real time basis

Climate scenario analysis is a tool to better understand how different potential climate and response scenarios may impact the global economy.

Climate Scenario Analysis Overview

Our climate-related scenario analysis is outlined in the following pages. Our approach uses MSCI aggregated Climate Value at Risk (VaR) analysis, representing MSCI's overall climate analysis at the issuer level. The Climate VaR represents a forward-looking and returns-based valuation assessment that measures climate related risks and opportunities under different climate change scenarios. As the analysis is at the issuer level, it aggregates the potential VaR impact on both the equity and debt of a company.

In addition, the analysis combines physical and transition risk. The physical risk component uses a model for evaluating an "average" physical risk outcome based on business interruption and asset damage from extreme weather events. For transition risk, company level costs from emission reduction are calculated through the use of carbon prices on carbon emissions. Profits are calculated by assessing the low-carbon patents and related technology opportunities. Company level Climate VaR is based on the estimated, aggregated costs and profits from physical and transition risks under the NGFS 1.5°C "Net Zero 2050", NGFS 2.0°C "Below 2.0°C", and NGFS 3.0°C "NDC" scenarios, respectively. More details are provided on the following page.

It is important to note that Climate VaR metrics are long-term in nature and represent scenario outcomes with a 15+ year time horizon. As a predominately fixed income manager, we look to provide corporate debt level climate analysis as third-party capabilities evolve.

	1.5°C Net Zero	2.0°C or Below	3.0°C Hot House World
Scenario	NGFS 1.5°C "Net Zero 2050"	NGFS 2°C "Below 2°C"	NGFS 3°C "NDC"
Description	where climate policies are introduced early and gradually become more stringent over time	where a delayed policy response results in increased climate risks	where a limited climate policy response leads to greater warming and greater climate risks
Climate Value at Risk relative to estimated return impact on market value	-6.9%	-3.2%	-3.6%

Scenario analysis results relate only to the corporate debt and equity holdings in client portfolios as there are existing and credible methodologies associated with these asset classes.

Scenario analysis is evolving in other potential investable instruments, such as sovereigns and securitized instruments. We plan to add additional scenario analysis results when available.

Source: MSCI, Payden & Rygel
Climate VaR metrics based on Payden debt and equity holdings with data from 30 December 2022 and MSCI Climate VaR analytics as of 30 April 2023 to leverage MSCI's updated analytics

Chosen Scenarios

The scenarios chosen and the analytical results are not intended to be our predictions of the future but rather highlight various risks and opportunities arising from a range of possible outcomes. This analysis is based on current holdings and does not consider actions to mitigate such risks.

Where possible, we chose scenarios aligned with the Networks for Greening the Financial System (NGFS), representing a network of Central Banks and Supervisors. These organizations voluntarily share practices and contribute to the development of climate and environmental risk management, reporting and financial modeling into mainstream finance. We chose NGFS scenarios as they represent transition pathways that have become standard for climate stress testing and regulatory reporting, such as those initiated by the Bank of England and the EU Central Bank. In addition, the "Hot House World" scenario incorporates Nationally Determined Contributions (NDCs). These are part of the Paris Agreement and embody efforts by each signatory country to reduce national emissions and adapt to the impacts of climate change. The selected scenarios assume climate policies are introduced early and become gradually more stringent.

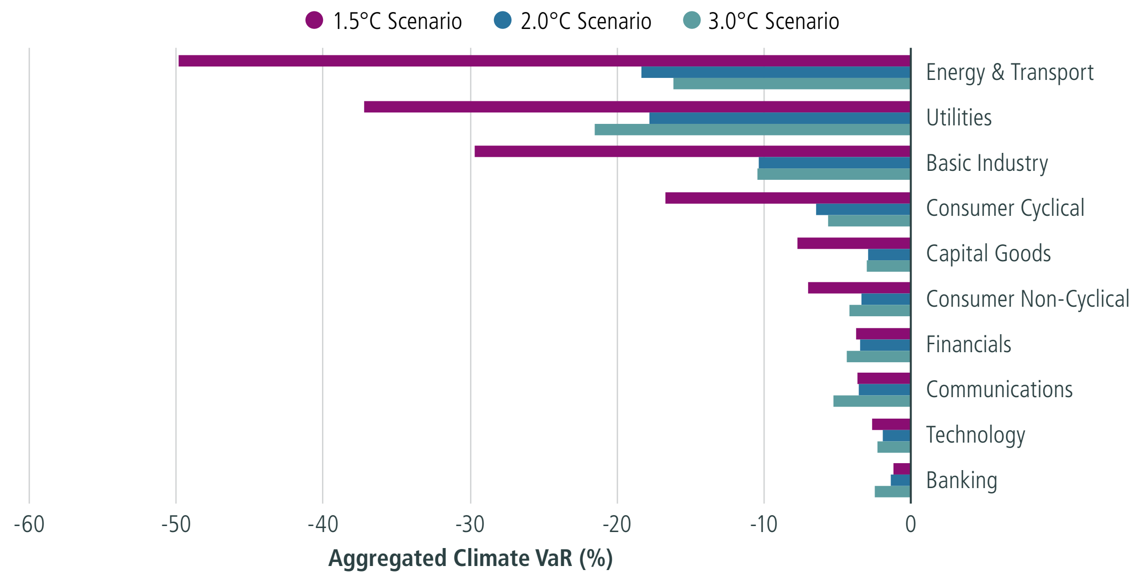
Definitions of Risk Categories	
Physical Risks	Reflect the risk to corporate issuers associated with long-term changes as weather patterns change and extreme weather events may impact business activities and property. This is a forward-looking risk metric which evaluates exposure to ten climate hazards such as extreme cold, extreme heat, extreme precipitation, heavy snowfall, extreme wind, coastal flooding, fluvial flooding, tropical cyclones, river low flow and wildfires. It is expressed as a percentage change from a company's current valuation.
Transition Risks & Opportunities	Many transition risks and opportunities are possible; this analysis specifically evaluates policy risks and opportunities via technology.
Aggregated Policy Risks	MSCI distinguishes transition risk into a variety of policy risks. This analysis aggregates the various policy risks into one metric that reflects the risks to corporate issuers associated with economic changes considered required to mitigate long-term temperature rise. This includes company level emission reduction costs calculated through the use of carbon prices. Company level profits are calculated by assessing the low-carbon patents and related technology opportunities. It is expressed as a percentage change from a company's current valuation.
Technology Opportunities	A subset of transition risk reflecting the technological opportunities for corporate issuers. It is expressed as a percentage change from a company's current valuation.

Source: MSCI, Payden & Rygel
Climate VaR metrics based on Payden debt and equity holdings with data from 30 December 2022 and MSCI Climate VaR analytics as of 30 April 2023 to leverage MSCI's updated analytics

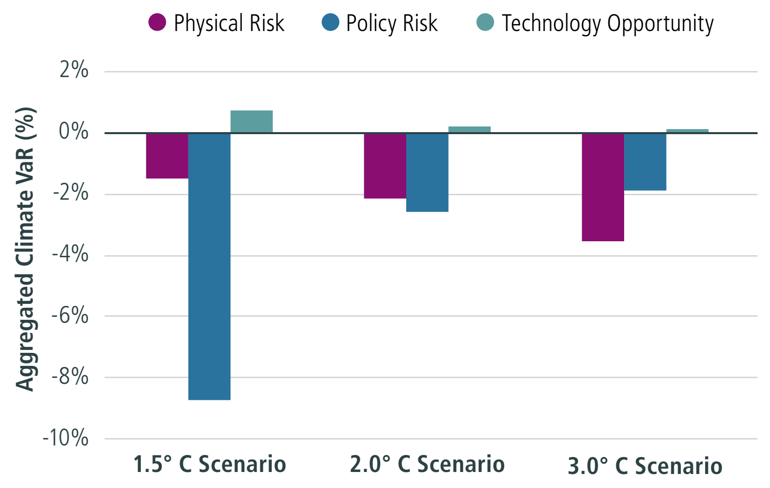
Scenario Analysis Findings by Sector

Aggregated climate risk at the company level (combining equity and debt Climate VaR) is most severe in applying a 1.5°C scenario. The output shows that Climate VaR generally diminishes as the temperature, as the primary factor in the scenarios, increases. Not surprisingly, there is greater downward Climate VaR within sectors more closely tied to the climate transitions, such as Utilities, Energy/Transportation and Basic Industry.

Climate VaR by Sector for Corporate Debt and Equity Holdings Across Scenarios



Climate VaR Risk Type by Corporate Debt and Equity Holdings Across Scenarios



Physical and Transition Risks by Climate Scenario

The above analysis decomposes the average physical risk, aggregated policy risk, and technology opportunities under the same three potential climate outcomes where world temperatures increase by 1.5°, 2.0°, and 3.0°C. When evaluating risks in different temperature scenarios, the data shows that policy risk is the largest source of risk in an aggressive climate scenario. However, physical risk increases in warmer climate scenarios. The model shows that the speed of policy response across the globe may impact physical climate outcomes in the future.

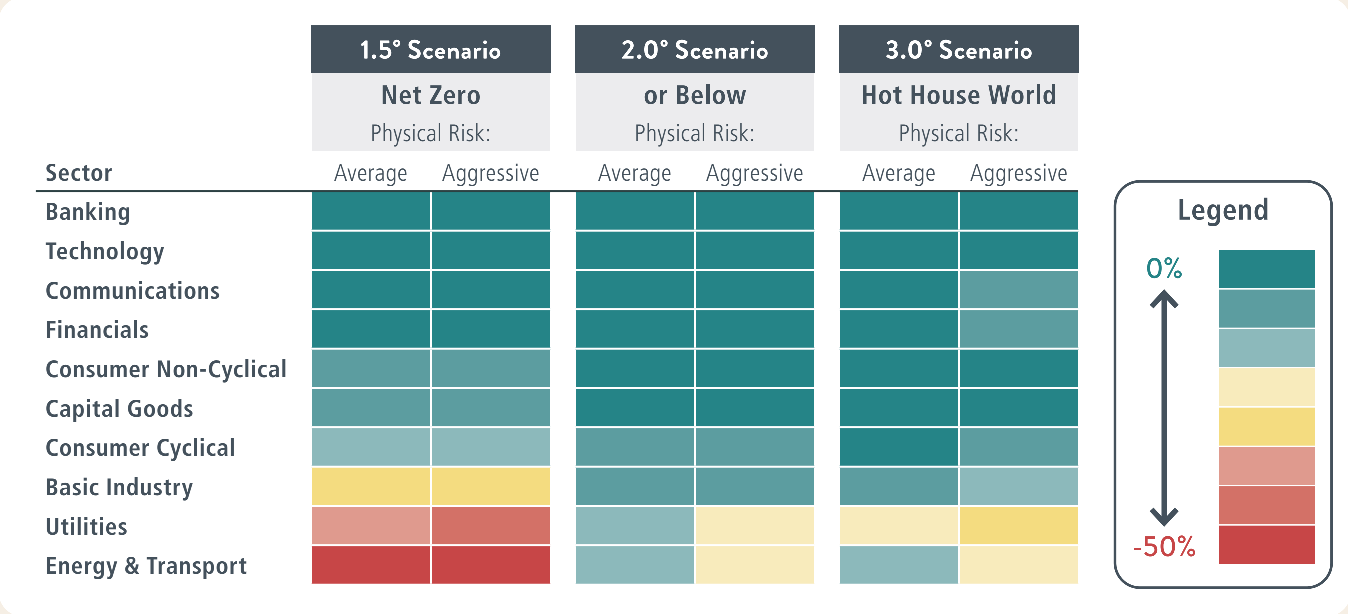
Source: MSCI, Payden & Rygel
Climate VaR metrics based on Payden debt and equity holdings with data from 30 December 2022 and MSCI Climate VaR analytics as of 30 April 2023 to leverage MSCI's updated analytics

Looking Through to Physical Risks

The analysis on the previous pages uses the MSCI aggregated Climate Value at Risk (VaR) analysis. The chart below takes the sector-based Climate VaR analysis one step further outlining the Climate VaR by sectors under "average" and "aggressive" physical risk scenarios.

In accordance with MSCI's Climate VaR analysis, modeling "aggressive" physical risks result in lower Climate VaR metrics. In addition, like the previous analysis, sectors such as Utilities and Energy/Transportation demonstrate the greatest downside in the NGFS scenarios.

Physical Risk Heat Map



The Severity of Physical Risks

The MSCI analysis takes two complementary views on physical climate risk, referred to as the average and aggressive scenarios.

"Average" The average scenario considering the most likely impact of climate change over the modeled 15-year period.

"Aggressive" The aggressive scenario explores the severe downside risk within the distribution of physical risk and extreme weather costs. It relates to the 95th percentile of the cost distribution. As the variance of the cost distribution is driven by uncertainty from the climate system and other modeling uncertainty, the aggressive scenario can be considered a worst-case scenario.

Source: MSCI, Payden & Rygel
Climate VaR metrics based on Payden debt and equity holdings with data from 30 December 2022 and MSCI Climate VaR analytics as of 30 April 2023 to leverage MSCI's updated analytics
[1] NGFS Scenarios: NGFS Scenarios Portal

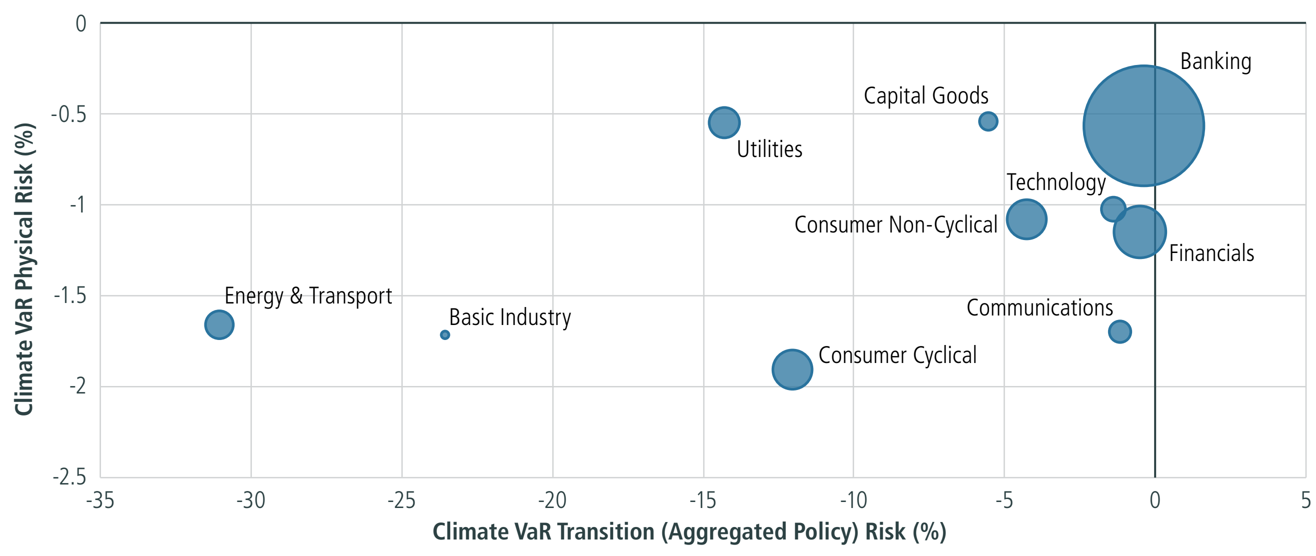
Physical Risk and Transition Risk Exposures

Across sectors, transition risk significantly outweighs physical risks across corporate sectors. While transition risk is the most severe in a 1.5°C scenario, client assets are still subject to physical risk in the models.

The aggregated client portfolios at Payden are more heavily weighted toward sectors with fewer transition and physical risks. Companies in sectors such as Banking, Technology, and Financials are frequent issuers in parts of the bond market where we invest. According to the climate models, even with physical risk being relatively lower, these sectors are also subject to less transition risk than other sectors.

The Payden Client Portfolio AUM Exposure is a function of the corporate debt and equity holdings across client portfolios. The size of the bubble is a function of the amount of the total AUM held in each sector. The AUM is represented across climate scenarios, irrespective of the underlying securities having transition or physical risk coverage by MSCI. The size and scope of the climate risks of the corporate debt and equity holdings of our client portfolios inform our risk management processes in portfolios where clients have requested that we do so.

AUM Across Climate VaR by Sector for Corporate Debt and Equity Holdings in a 1.5°C Scenario



Source: MSCI, Payden & Rygel
Climate VaR metrics based on Payden debt and equity holdings with data from 30 December 2022 and MSCI Climate VaR analytics as of 30 April 2023 to leverage MSCI's updated analytics

To ensure continued viable operations in the event of potential disasters, Payden has developed a formal business continuity/disaster recovery plan to ensure that critical functions continue in the event of a disaster.

Our Business Continuity Plan addresses climate-related risks. It was developed and is monitored by a committee of senior managers, including the heads of the Trading, Portfolio and Fund Operations, Compliance and Information Technology departments. The Committee meets regularly to discuss any necessary updates to the Plan and coordinates on-going tests of the back-up data centre by a team of employees from various departments.

The Committee also solicits feedback from personnel based on the on-going tests and promptly adjusts the Plan and the back-up office resources, as necessary. The Business Continuity Committee meets regularly to discuss any necessary updates to the Plan and coordinates on-going tests of the back-up Boston location by a team of employees from various departments. A summary of the plan is available on our website.

Identification & Asessment Of Climate Risks

For clients targeting climate goals in their portfolios, we customize portfolio solutions to meet their needs. Our proprietary ESG Research Frameworks provide us with the analysis to assess various climate metrics, including physical and transition risks.

The cornerstone of our investment philosophy is that active management combined with a robust risk management process, enhances long-term portfolio returns. Portfolios are managed with an emphasis on risk control that is consistent with clients' overall objectives and investment guidelines.

Centralized Risk Management

Payden has a centralized Risk Management Team. It is independent of the Portfolio Management Group, the ESG Team, the Compliance Group, and the Investment Policy Committee (IPC). Each of these also has risk management responsibilities. The Risk Management Team members are investment professionals that work in conjunction with the ESG Team and the Compliance Group in monitoring firm-wide risk parameters established by the Risk Management Team and the IPC. The Head of the Risk Management Team is functionally and hierarchically segregated from the investment teams.

Management Of Climate Risks

Climate risks are integrated into our companywide risk management process. The indicators we monitor are sourced from our proprietary ESG frameworks which are available across the organization for reference and assessment. The ESG Team works in conjunction with the Risk Management Team to develop a process to formally review a variety of environmental, social and governance related risks. Select climate indicators are flagged and reported to the IPC on a quarterly basis.

In addition, the IPC has formal oversight of various climate related risks and may override traditional investment decisions based on climate indicators for certain client mandates based on client guidelines and their tolerance for exposure to climate related risks.

Portfolio Monitoring

Payden employs a combination of proprietary and third-party systems to monitor portfolios. The organization's information technology group develops and manages our in-house systems. Single Account Monitor (SAM): SAM reports provide a detailed view of portfolio and benchmark exposures across many dimensions, including duration, sector allocation and yield curve placement. In addition, SAM includes a detailed view of portfolio ESG exposures, sourcing data in accordance with our ESG Data Policy. It is used by the investment strategy teams in managing portfolios with ESG guidelines.

The Compliance Group is responsible for ensuring that the company complies with all operational and regulatory requirements, that procedures are in place to ensure compliance with client guidelines, company policies and procedures, and that these policies and procedures are being followed. Reflecting the importance of the compliance function and the need to be independent of the investment function, the Chief Compliance Officer reports directly to our CEO and Managing Committee.

The ESG Committee is responsible for oversight of the implementation of our SFDR ESG policies working in conjunction with all of our investment research and strategy teams. The ESG Compliance Sub-Committee, which includes the compliance group, is responsible for the monitoring and testing of the SFDR ESG Policies. The Managing Committee reviews and updates the SFDR Policies at least annually and periodically, as appropriate, upon the advice of the ESG Committee and Compliance Group.

In addition, the ESG Committee works with individual strategy teams to develop strategy frameworks to monitor the integration of ESG investment processes where appropriate. Strategy Frameworks are subject to approval by the Compliance Group. The Compliance Group reviews the Strategy Frameworks on an annual basis. Further, as Strategy Frameworks are dynamic, ongoing changes to the frameworks may be proposed and approved by the ESG Committee and the Compliance Group. The methods used for ESG monitoring or integration vary by strategy. Strategy Frameworks are used to view portfolio's ESG profile and may be applied to client accounts as outlined in client guidelines or regulation such as SFDR. Strategy Frameworks may complement Payden's assessment of portfolio positioning and may support our ESG initiatives and signatory commitments.

Sample Climate Metrics	
Corporate Emissions Scope 1 & 2	Corporate Emissions Scope 1, 2, & 3
Revenue exposure to Thermal Coal	Revenue exposure to Fossil Fuels
Climate Value at Risk: 1.5° Scenarios	Climate Value at Risk: 3.0° Scenarios
Physical Risks	Transition Risk
Sovereign Emissions per unit of GDP	Securitized Climate Score (U.S. RMBS and U.S. CMBS)

Overview of Our Approach

Payden became a signatory to NZAM in 2021 and published our targets in 2022. NZAM represents an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

Our commitment is to engage with corporate debt and equity issuers (approximately 30% of our AUM) to align with a net zero pathway/1.5° C or lower.

Our Initial Engagement Target:

60% by 2025 | 90% by 2030 | 100% by 2040

We selected asset classes where there are existing and credible decarbonization methodologies. We will aim to update our commitment and increase the AUM in scope over time as the industry establishes climate plans for additional asset classes.

Our approach uses engagement with issuers to enquire about their progress toward decarbonization goals. We intend to reach our net zero targets through the implementation of an engagement strategy with issuers across our corporate debt and equity holdings. Our centralized research function across all strategies enables us to scale our engagement approach to the maximum number of investee companies and have that information available for portfolios across all our strategies. Our engagement efforts are focused on issuers without SBTi approved targets and/or those with implied temperature rise greater than 1.5°C.

Our net zero commitment assumes that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met. Our business model is comprised mostly of customized, institutional, separately managed accounts where clients determine their investment objectives and parameters. Our ability to adjust client guidelines is dependent on client consent which includes adjusting portfolio positioning to meet climate objectives. Using engagement with in-scope issuers provides the ability to make a real-world impact without changing client investment management agreements.

For separately managed account clients who express an interest in developing portfolios with a lower carbon or net zero aligned profile, we can partner with them to set their own reduction targets and reflect their decarbonization goals within their portfolio.

Indicative Metrics that inform engagements:

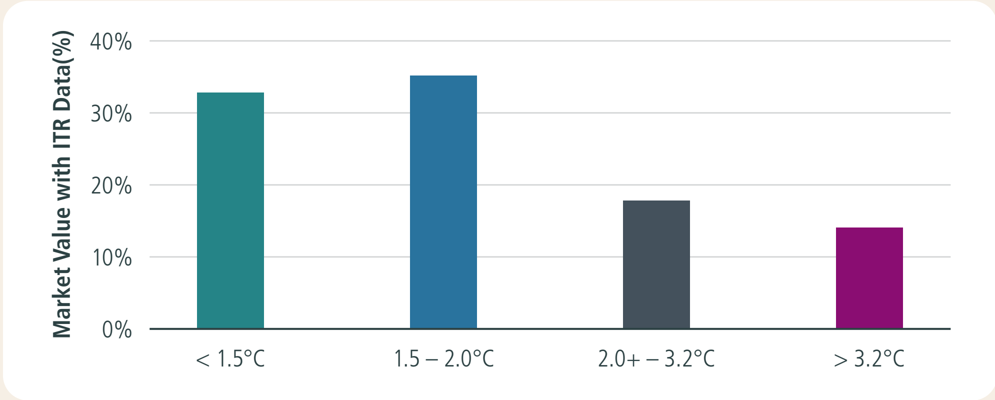
Indicative Metrics that inform engagements: For this analysis, Payden relies on MSCI data and analytics as the basis for the engagement process across our pooled products that we have designed as promoting climate-related characteristics.

Engagement Based on Implied Temperature Rise (ITR)

ITR is a forward-looking metric, rather than a measure of risk exposure. It indicates how companies align with climate targets set by governments and other regulatory organizations across the globe. Under ITR, companies' projected emissions are compared to their allocated and aligned carbon budget. This process uses the scienced-based Transient Climate Response to Cumulative Emissions. Estimates assume an over-/undershoot level of greenhouse gas emissions and use the issuers' most recent Scope 1, 2 and 3 projected emissions. Each company's emissions are translated into a global warming score between 1.3˚C and 10˚C. An ITR of greater than 2°C is considered misaligned with the goals of the Paris Agreement with an ITR of over 3.2°C is considered strongly misaligned.

Temperature pathways can help highlight potential future physical and transition risks. While we view the model outputs as unlikely to be predictive of the actual future path for financial markets, they provide a useful lens for evaluating how the economic transition may transpire. The chart below shows the ITR breakdown of Payden's client assets with ITR data.

Implied Temperature Rise Breakdown

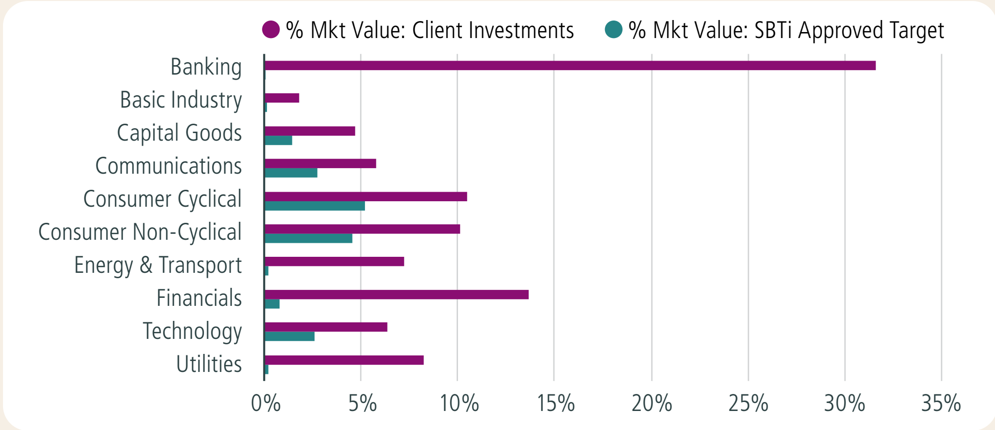


Engagement based on the Science Based Targets initiative (SBTi)

SBTi is a non-profit organization that looks to promote climate action in the private sector by enabling organizations to set science-based emissions reduction targets. SBTi defines best practices in emissions reductions and net zero targets in line with climate science, provides technical assistance and expert resources, and provides companies with independent assessment and validation of targets. Companies that SBTi has designated as "Aligned", are deemed to have active carbon emissions reduction targets approved by SBTi.

As the table below shows, industry adoption of SBTi targets has been slow. For example, very few issuers in the banking sector have adopted the SBTi methodology. Not all sectors are eligible for SBTi approval. However, the organization is developing robust methodologies that will support decarbonization across sectors.

Exposure and SBTi Approved Status by Sector



Source: MSCI, Payden & Rygel
Analysis is based on Payden debt and equity holdings as of 30 December 2022, SBTi data as of 30 December 2022 and and MSCI ITR analytics as of 30 April 2023 to leverage MSCI's updated analytics

We differentiate our engagement activities into two types, **integrated engagement** and **targeted engagement**.

Integrated Engagement

Integrated engagements seek to understand how ESG topics, such as climate-related matters, and traditional key performance indicators overlap, and where this overlap can impact the performance of relevant securities over our typical investment horizon, which is over the near to medium term. Investment teams may use the information derived from integrated engagements as inputs along with a host of other qualitative and quantitative information points to assess the overall attractiveness of the risk / return profile of an investment.

These engagements can occur with many different stakeholders. We engage with issuers to understand their plans to address relevant ESG-related topics as well as at times to communicate ESG-related characteristics we believe will improve the risk / return profiles of their securities. We engage with issuers directly on ESG factors that may impact financial and operating performance. This can occur during the process to issue new financial securities, at industry conferences, roadshows, country research trips, or at dedicated meetings set up at our request. Where appropriate we may also engage with broker dealers for additional insight into market trends related to ESG to gain an improved understanding of the evolving pricing dynamics across various asset classes. In addition, we may engage with nationally recognized statistical ratings organizations to understand how they view ESG-related risks for an asset class, sector, or issuer.

Targeted Engagement

Targeted Engagements seek specific outcomes related to ESG objectives. These objectives align with initiatives we believe can support long-term value creation/protection and/or reflect the values of those on whose behalf we invest. We utilize several methods for conducting targeted engagements in our stewardship efforts. The method and frequency of engagement are determined by several factors including our history of engagement with the issuer, the relevant issue, and asset class.

These engagements generally occur in two manners:

Direct: Direct Targeted Engagements are when a member of our team communicates with an issuer to make them aware of our expectations for the trajectory of a specific ESG-related metric or practice. These engagements take place via several methods, which include, but are not limited to, written communication and company meetings.

Collaborative: To the extent permissible by applicable law, we engage in collaborative targeted engagements whereby we partner with other participants in the marketplace in furtherance of one or more desired ESG outcomes. In those instances, we seek to influence financial industry participants towards greater disclosure and improved transparency of relevant ESG indicators. These engagements can occur through both written communications and meetings.

How We Prioritize:

In accordance with our SFDR ESG Engagement Policy, Payden's ESG Committee is responsible for determining the priorities for targeted engagement themes. The ESG Committee seeks to ensure that we are efficiently utilizing resources to align our efforts with enterprise-wide initiatives, regional specific ESG engagement requirements, and client specific requests. The determination of relevant factors for targeted engagements will vary by asset class as they may be driven by a combination of inputs. Payden is selective in its engagement activity. Engagements are prioritized based on a variety of factors ranging from the size of our holding to the distance from a pre-defined target to a topical engagement on a specific subject. Where relevant, our approach is informed by global frameworks (Sustainability Accounting Standards Board (SASB) Engagement Guide, UNPRI ESG Engagement for Sovereign Debt Investor, etc.) or aligned with broader projects.

Example Engagement Topics (per our SFDR Engagement Policy):

Climate Change Mitigation: Payden is committed to the goals of the Paris Agreement and is a member of the Net Zero Asset Managers Initiative. The climate change agenda presents a long-term systemic risk and Payden engages with issuers via targeted topics related to climate change, pollution, and biodiversity.

Principal Adverse Impacts: For pooled products that promote environmental and social characteristics pursuant to the Sustainable Finance Disclosure Regulation (EU 2019/2088) Payden seeks to manage the risks connected with potential adverse impacts from our investments in various ways, including engagement. More information can be found under Payden Irish Funds.

Governance Practices: Payden's ESG Good Governance Policy is utilized where Payden has been appointed as investment manager/adviser to various EU domiciled collective investment schemes designated as Article 8 financial products pursuant to the Sustainable Finance Disclosure Regulation (EU 2019/2088). More information can be found under Payden Irish Funds.

The Paris Agreement | United Nations includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change, and calls on countries to strengthen their commitments over time

The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions

EMERGING MARKETS DEBT

Quasi-Sovereign

Collaborative Engagement

Payden has been participating as a collaborative investor with this issuer since 2022. This Quasi Government entity is identified as both a red flag issuer by MSCI due to controversies and as a top 100 emitter by Climate Action 100+. The latter directly influences portfolio construction for our Article 8 pooled funds that factor in climate-related considerations. Under our ESG Good Governance Policy, these funds are not able to invest in issuers with very severe controversies. The engagement is focused on improving disclosures, methane emissions and business controversies.

The initial outcome of our engagement is the entity has been working on improving its disclosure. Some improvements have been made to the reports available on its website. They are willing to have regular meetings and engagement is ongoing.

69% of our engagements during 2022 were focused on environmental topics including:

- Companies without carbon emission reduction targets
- Share of non-renewable energy consumption
- Scope 1, 2 & 3 emissions
- Biodiversity
- Hazardous Waste
- Water Emissions

EMERGING MARKETS DEBT

Southeast Asia Sovereign

Integrated Engagement

Rationale In April 2022, Payden hosted a delegation from a Southeast Asian country. The Ministry of Finance and Central Bank were represented in our Los Angeles office for a non-deal roadshow and engaged substantially on ESG. We specifically asked about their policy stance toward coal; they have extensive plans to expand the issuance of Sustainable Development Goals and Green financing, largely to promote the reduction of fossil fuel emissions.

Overview On coal, the representatives pointed towards their recently passed carbon tax and their ongoing development of a platform to facilitate foreign investment in renewable energy. They explained some of the impediments to phasing out coal, including that coal plant project financing and power purchase agreements need to be paid for before existing capacity can be phased out, aside from the cost of replacement renewable power. It would be challenging for the country to simply phase out coal without an alternative replacement. The fiscal cost of the government taking on decarbonization alone would be very large. Nonetheless, they emphasised their commitment to being carbon neutral by or before 2060 and reinforced that their active policy is to facilitate a phase-out of coal.

Outcome & Next Steps The engagement met our objectives and helped inform our assessment of the sovereign issuer and its country scorecard. The engagement is ongoing, and we plan to monitor investment and emissions data closely to ensure that this plan is being implemented according to pledged timelines and encourage acceleration when possible.

CORPORATE

Independent Oil and Gas Company

Targeted Engagement

Rationale We engaged management to better understand the firm's broad ESG goals across multiple topics. The engagement was designed in a broad fashion to allow for a baseline of expectations and to begin a tracking and follow-up process. With our focus on specific ESG outcomes, especially related to climate, we prioritise engagements through an issuer focus list based on a variety of factors. Progress is tracked and reviewed. In addition, we are signatories to the Net Zero Asset Managers Initiative, which informs our engagement approach. This was our initial engagement with the firm on specific ESG topics. The engagement was led by our credit research team.

Overview The investor relations team responded in a timely manner and informed us to expect further enhanced disclosure comparable with industry peers going forward. We view this as a positive step in their disclosure process.

Outcome & Next Steps The next steps of the engagement will include incremental conversations with management for updates on whether they plan to disclose metrics surrounding the focus of our engagement. In addition, we will be looking for further information about the company's longer-term plans to address carbon emissions.

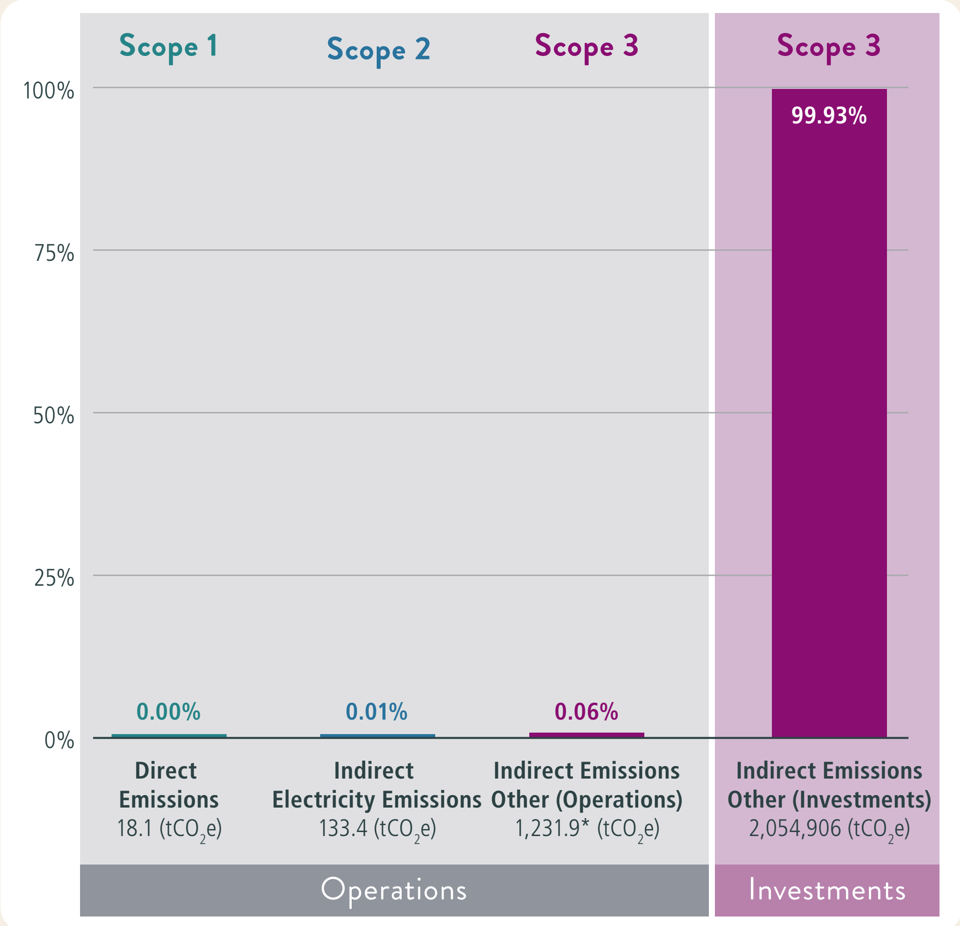
We apply the central philosophy of stewardship to our own carbon footprint. At a group level, we achieved CarbonNeutral® company certification for the fourth year in 2022. Payden & Rygel has committed to continue to maintain this status on an annual basis. In addition, we ask our employees to describe their contribution to ESG initiatives as part of our annual remuneration cycle.

Our Emissions Reduction Initiatives

We have the following emissions reduction measures:

- Investing in video conferencing and telecommunication services that enable communication to reduce travel.
- Focus on technology to replace paper reports. To the extent that paper reports are essential, we have a recycling program.
- Corporate subsidised public transportation for U.S. based employees.
- Cycle to work scheme and loans for season train tickets for UK based employees.
- We choose to be headquartered in a LEED gold certified building that provides the following environmental policies:
  - » Water use is benchmarked using the Energy Star Portfolio Manager tool.
  - » Electrical use is benchmarked using the MACH Energy tool.

Payden's Carbon Profile 2022



Business travel accounted for 65% of scope 3 operations emissions.

Defining Our Emissions

Scope 1: Direct emissions from owned, leased or directly controlled stationary sources that use fossil fuels or emit fugitive gases. Payden does not have any corporate car fleets on-site power generation or fuel combustion for heating and power.

Scope 2: Indirect emissions associated with off-site generation of purchased electricity, heat and steam and cooling.

Scope 3: All other indirect emissions sources not accounted for within scope 1 and 2. The GHG Protocol describes the quantification of scope 1 and 2 as mandatory, whereas scope 3 emissions are optional. However, The CarbonNeutral Protocol requires the inclusion of certain scope 3 emissions. For Payden, our scope 3 emissions include business travel, employee commuting, waste disposal, water and wastewater, consumables and outsourced activities such as outbound couriers. The carbon profile of the scope 1 & 2 emissions from our client investment portfolios is also included.**

CERTIFIED CARBON NEUTRAL® company
CarbonNeutral.com

***Scope 3 indirect emissions, (investments) are not included in our CarbonNeutral® company certification. Source: MSCI, Payden & Rygel*

As a certified CarbonNeutral® company, we calculate and offset the carbon footprint associated with our business operations globally in accordance with The CarbonNeutral Protocol.

To achieve this annual certification, we partner with Climate Impact Partners, specialists in carbon market solutions for climate action. As a company, we undergo an independent assessment of our scope 1, 2 & 3 emissions* and reduce it to zero in accordance with The CarbonNeutral Protocol. Our offsetting programme finances emission reduction projects, supporting the transition to a low carbon global economy.

The projects selected for our carbon credits are chosen with advice from Climate Impact Partners from its accredited portfolio. All the projects are independently verified, ensuring that the emissions reductions are real, measurable, additional and permanent. This ensures the highest environmental integrity in our immediate positive impact on the climate. Payden chooses projects that offer a wide range of sustainable development benefits around the globe.

Efficient Cook Stoves
Africa**

Type: Health and Livelihoods | Clean Cooking

Standard: Gold Standard

Around 3 billion people around the world lack access to technology for safe meal preparation; relying on polluting, open fires or inefficient, climate-harming stoves to cook. Burning solid fuels for heating and cooking in homes account for more than half of anthropogenic black carbon emissions, making domestic energy the biggest source of black carbon that can be controlled. The result is annual emissions of over 120*** megatons of climate pollutants.

These projects provide access to an efficient cookstove to help reduce day-to-day emissions and the future demand for fossil fuels. In addition, clean cooking technologies save families money, create local jobs and improve health by reducing exposure to household air pollution.

Clean Water & Cooking
Guatemala

Type: Health and Livelihoods | Clean Cooking | Clean Water

Standard: Gold Standard

Given the significant prevalence of diarrheal disease and chronic malnutrition, Guatemala has designated water-borne disease as a national priority.

This project distributes water filters and stoves, enabling access to clean water and improved cooking conditions by enhancing fuel efficiency and lowering dangerous indoor air pollution. Avoiding the need to boil water to make it safe to drink and a reduction in the amount of fuel required for cooking lessens the demand on national forests. In addition, the project reduces indoor air pollution, improves the affordability of energy within the project area and promotes gender equality by reducing the time spent by women cooking and collecting wood.

Scope 3 emission include business travel, employee commuting, waste disposal, water and wastewater
***Includes 2 project portfolios, Gyapa Efficient Cookstoves Ghana and Efficient Cookstoves Portfolio, Africa*
****Source: https://cleancooking.org/wp-content/uploads/2022/08/Accelerating-Clean-Cooking-as-a-Nature-Based-Climate-Solution.pdf*

Our Client Portfolio Carbon Profile

In accordance with the TCFD guidelines, we use third-party-provided data to calculate emissions in line with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF Standard). We recognize that numerous climate metrics are available and provide different lenses on the carbon profile of our client portfolios. As a manager focused on customized separate accounts, we manage portfolios for a wide range of clients, each thinking about carbon in different ways. We have numerous clients with mandates focused on achieving a lower WACI number than a representative universe for their portfolios, but we also provide client reporting and base our engagement on other metrics, such as ITR. We have been evolving our standard client reporting based on developments with SFDR for our Article 8 pooled funds and client requests for our customized separate accounts. We will continue to explore new and improved options for optimizing client portfolios to lower carbon metrics based on client needs.

Metrics	Scope	2022	Measurement
Total Carbon Emissions	Scope 1 & 2	2.1	$MtCO_2e$
Total Carbon Emissions	Scope 3	15.8	$MtCO_2e$
Total Carbon Emissions	Scope 1, 2 & 3	17.9	$MtCO_2e$
Carbon Footprint	Scope 1 & 2	39.5	tCO_2e/\$M invested
Weighted Average Carbon Intensity (WACI)	Scope 1 & 2	180.6	tCO_2e/\$M revenue
Implied Temperature Rise (ITR)	Scope 1, 2 & 3	2.6	°Celsius

Source: MSCI, Payden & Rygel

Summary	Calculation
Total Carbon Emissions Emissions of a portfolio's investments	$MtCO_2e = \sum \left(\frac{\text{Value of investment}}{\text{Issuer's EVIC}} \times \text{Issuer's emissions} \right)$
Carbon Footprint Portfolio emissions normalized by the amount invested across the capital structure	$tCO_2e/\$M\ \text{invested} = \frac{\sum \left(\frac{\text{Value of investment}}{\text{Issuer's EVIC}} \times \text{Issuer's emissions} \right)}{\text{Portfolio Value}}$
Weighted Average Carbon Intensity (WACI) Portfolio emissions normalized across companies of different sizes	$tCO_2e/\$M\ \text{revenue} = \sum \left(\frac{\text{Value of investment}}{\text{Portfolio Value}} \times \frac{\text{Issuer's emissions}}{\text{Issuer's revenue}} \right)$

Definitions

Implied Temperature Rise (degrees Celsius (°C)): Measures the implied temperature rise (in the year 2100 or later) if the whole economy had the same over-/undershoot level of greenhouse gas emissions to the company analyzed, based on its most recent Scope 1, 2 and 3 projected emissions.

Scope 1 Emissions: (MtCO2e): Measurement of the most recently reported or estimated Scope 1 greenhouse gas emissions (GHG) for companies, where available. Scope 1 emissions are from sources owned or controlled by the company.

Scope 2 Emissions (MtCO2e): Measurement of the most recently reported or estimated Scope 2 greenhouse gas emissions (GHG) for companies, where available. Scope 2 emissions are those caused by the generation of electricity purchased by the company.

Scope 3 Emission (MtCO2e): Measures emissions beyond Scope 1 & 2 that are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly affects in its value chain.

Carbon Footprint (tCO2e/$M invested)	Portfolio emissions of corporate security and equity security holdings normalized by the amount invested across the capital structure by using EVIC as the normalization measure.
Carbon neutral	A current state which is achieved when the GHG emissions associated with an entity, product or activity are reduced and offset to zero for a defined duration.
CarbonNeutral®	The registered trademark of Climate Impact Partners licenced for use by entities which have achieved CarbonNeutral certification.
The CarbonNeutral Protocol	A framework for Climate Responsibility developed by Climate Impact Partners (CIP) is an additional layer on top of the GHG Protocol and describes the requirements for achieving specific CarbonNeutral® compliant certifications (e.g., CarbonNeutral® 'Company').
CarbonNeutral® certification	The process by which a client receives recognition that it has met the provisions of The CarbonNeutral Protocol for a specific subject. CarbonNeutral® certifications can only be awarded by a CarbonNeutral certifier.
Carbon offsetting	The act of purchasing a carbon credit and retiring or cancelling the unit to compensate for one tonne of GHG emissions released to the atmosphere elsewhere. When the subject is said to be offset, the unabated emissions associated with the subject are equal to the amount of carbon credits retired or cancelled.
Calculating emissions	The GHG assessment uses Payden-supplied activity data (e.g., kWh of electricity or litres of fuel combusted), from which GHG emissions estimates are quantified by applying the most relevant emission factor(s) from published reputable sources. An emission factor is a representative value that relates the quantity of a pollutant released to the atmosphere with an activity associated with the release of that pollutant. An emissions factor is a representative value that attempts to relate the quantity of a pollutant released to the atmosphere with an activity associated with the release of that pollutant. Factors are typically available from government publications, independent agencies, and scientific research journals; however, the quality and accuracy of factors can vary. Factors can differ depending on the research body and/or underlying methodologies applied. It is therefore good practice to apply factors from reputable sources, such as the UK's Defra.
Climate Action 100+	An investor-led initiative seeking to inform action on climate change by the world's largest corporate greenhouse gas emitters.
Climate Value at Risk (VaR)	Represents forward-looking and returns-based valuation assessment that measures climate related risks and opportunities under climate change scenarios.
EVIC	Represents Enterprise Value Including Cash. It is an alternative measure to Enterprise Value (EV) to value a company by adding cash and cash equivalents to EV. Enterprise value is calculated as total company value (market capitalization of the company, preferred equity, minority interest, total debt) minus cash and cash equivalents. i.e. EVIC = Market capitalization at fiscal year-end date + preferred stock + minority interest + total debt.
Implied Temperature Rise (ITR)	Implied temperature rise (in the year 2100 or later), calculating the over-/undershoot level of greenhouse gas emissions to the company analyzed, based on its most recent Scope 1, 2 and 3 projected emissions. Measured in degrees Celsius.
Net Zero Asset Manager Initiative	An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. More information can be found on the NZAM website.
Paris Agreement	The Paris Agreement is a **legally binding international treaty on climate change.** It was adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016. Its overarching goal is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels." Further information can be found through the UN website.

Physical Climate Risk	
Reporting standards	GHG assessments are generally carried out in accordance with one of two recognized standards for accounting and reporting corporate GHG emissions. The best-known is the "Greenhouse Gas Protocol Corporate Accounting and Reporting Standard" (GHG Protocol, 2011) developed in a partnership of the World Business Council for Sustainable Development (WBCSD) and the World Resource Institute (WRI). The International Organization for Standardization (ISO) also produced the ISO140641 specification series, detailing specification and guidance for the organization and project levels, as well as for the validation and verification of emissions.
Revenue	The value of all sales of goods and services recognized by a company in a period. Also know as a company's sales.
Scenario Analysis	The process of estimating the expected value of a portfolio after manipulating a number of key variables.
Science Based Targets Initiative (SBTi)	Companies that has one or more active carbon emissions reduction target/s approved by the Science Based Targets initiative (STBi). Further information can be found through the SBTi website.
Scope 1 Emissions: (MtCO2e)	Measurement of the most recently reported or estimated Scope 1 greenhouse gas emissions (GHG) for companies, where available. Scope 1 emissions are from sources owned or controlled by the company.
Scope 2 Emissions (MtCO2e)	Measurement of the most recently reported or estimated Scope 2 greenhouse gas emissions (GHG) for companies, where available. Scope 2 emissions are those caused by the generation of electricity purchased by the company.
Scope 3 Emission (MtCO2e)	Measures emissions beyond Scope 1 & 2 and that are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly affects in its value chain.
Sustainable Development Goals (SDGs)	Adopted by all United Nations Member States in 2015, the SDGs provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. There are 17 Sustainable Development Goals (SDGs). More information can be found through the SDG website.
Total Carbon Emissions (MtCO2e)	Emissions of a portfolio's corporate and equity investments.
Transition Climate Risk	
Weighted Average Carbon Intensity – WACI (tCO2e/$M revenue)	Portfolio emissions for corporate and equity holdings, normalized across companies of different sizes. Revenue is used as the normalization measure.

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