

Since 2013, Payden & Rygel has been a signatory to the United Nations Principles for Responsible Investment.

As such, from environmental, social, and governance (ESG) considerations or strict exclusionary guidelines, to sustainable corporate practices and extensive community outreach, Payden & Rygel has a long history of responsible investing.

As a firm, we embed ESG considerations in all aspects of our investment process. Whether in the sovereign, quasi-sovereign, or corporate research process, evaluating environmental, social and governance issues is part of sound fundamental analysis. In particular, we often use the Sustainable Accounting Standards Board's (SASB) "industry standards" as a touchstone for organizing our ESG thinking at the issuer level.

Across all of our security holdings (corporate and sovereign), we utilize MSCI ESG research to monitor and proactively investigate ESG issues in our portfolios. Bloomberg also offers ESG specific research tools, both at the security level and at the portfolio level, which we use to monitor ESG factors. Finally, we work with our proxy voting firm, Glass Lewis as another way to check the ESG performance of our portfolio companies.

Where the SASB industry standards are specific and tailored to each industry, below we describe our general criteria for ESG. We prefer companies with the following **governance** factors:

Sovereigns:

- ✦ Institutional framework: Countries with strong central bank credibility, autonomy and finance ministry independence.
- ✦ Rule of law: Executive power should be limited by the strength of the legislative and judicial branches.
- ✦ Policy consistency: Consistent fiscal responsibility and monetary policy throughout government changes.
- ✦ Corruption: Sovereigns that score high on efforts against illicit transactions.

Corporates:

- ✦ Transparency of management: Publicly listed companies with audited, detailed financial statement disclosures, whose management team communicates regularly with investors.
- ✦ Board independence: A diverse board with appropriate controls.
- ✦ Executive compensation: Prudent compensation policy linked to performance.
- ✦ Reputation: Companies maintaining good relations with investors and their local communities..

The **social** factors we emphasize are:

Sovereigns:

- ✦ Human capital and education: Countries with widely available access to education.
- ✦ Employment levels and opportunities: Stable countries with adequate employment opportunities for its citizens.
- ✦ Freedom of political expression: Countries which encourage freedom of speech and political expression..

Corporates:

- ✦ Employee-employer relations: Companies with little/no history of work stoppages or strikes.
- ✦ Employee safety: Good safety record per company filings.

On the **environmental** side, we prefer:

Sovereigns:

- Environmental performance: We consider the relevance of factors including pollution, water availability, and climate change.

Corporates:

- Pollution impact: Policies in place that reduce/compensate for pollution footprint.
- Supply chain management: making sure materials are sourced ethically and safely
- Climate change: Awareness of the implications of climate change; policies designed to alleviate its effects.

HOW WE INTEGRATE //

Our ESG committee continually works with our executive committee, investment policy committee, our strategists, portfolio managers, analysts and compliance team in our efforts to integrate ESG at all levels of the investment process. We also utilize MSCI ESG research to aid in monitoring and ranking the ESG elements of our portfolios.

Specifically, as described above, our analysts and portfolio managers consider ESG issues whenever they depend on or undertake fundamental analysis. In our ESG analysis, we focus not only on the quantitative scores assigned by MSCI ESG research to each issuer but prefer to apply scrutiny to those ESG risks our analysts deem most material to a given company. The Sustainable Accounting Standards Board's industry guidelines help organize our thinking in this regard.

As part of Payden's commitment to ESG, we regularly engage corporate management and sovereign finance ministries on ESG related concerns. Not only do these discussions further enhance our fundamental analysis, they also provide an avenue for us to promote ESG values

across the world. We regularly engage our proxy voting firm (Glass Lewis) to make sure they are considering ESG in their voting recommendations.

Third party research aids our ESG integration, monitoring and fundamental analysis. In addition to MSCI ESG research, Bloomberg and Glass Lewis, below we list the providers we consistently use to integrate ESG into our portfolio investment decisions.

- Environmental: International Energy Agency, Yale's Environment Performance Index;
- Social: UN's Human Development Index; MSCI Sudan List
- Governance: World Justice Project's Rule of Law Index, Transparency International's Corruption Perceptions Index, Business Monitor International's Long Term Political Risk, World Bank's Ease of Doing Business

To stay current with the most cutting edge ESG thinking, we attend ESG conferences and workshops around the world. We recognize that ESG issues are often just as important globally as they are locally.

Finally, to ensure that ESG concerns do not go unaddressed, our ESG committee regularly sits down with our analysts to review new holdings. These quarterly reviews promote information sharing across the firm and allow us to highlight and understand both the risks and positive ESG related aspects of our clients' portfolios.