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# **CoreCommodity Management, LLC**

## ESG Policy

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May 2023

Revised  
July 2021

*Supersedes all previous Policies regarding this subject matter*

CoreCommodity has adopted the following environmental, social and governance “(ESG)” policies. CoreCommodity incorporates ESG considerations within its strategies to the extent relevant to client mandates. Depending on the investment program selected, and on the client’s investment policies, the Firm can include or exclude ESG screening factors in its equity security investment process.

Over the course of multi-decade careers in the commodity markets, CoreCommodity personnel have utilized responsible investing approaches that are among those now recognized as best practices by PRI in The Responsible Investor’s Guide to Commodities.

## **POLICY STATEMENT**

The Firm seeks to invest in commodities as an asset class on behalf of clients for the long term. The Firm’s ESG philosophy is centered on delivering sustainable, long term performance by ensuring clients’ investments remain relevant, both now and in the future, and adaptable to changing life cycles, markets, client and customer expectations. The approach to ESG management has its foundations in the following principles: (1) delivering investment performance for clients; and (2) the Firm’s fiduciary duty to act in the best interests of its clients.

## **ESG POLICY COMMITTEE**

The Firm maintains a standing ESG Policy Committee. The Committee currently includes members of the investment team, legal & compliance, and investor relations. The Committee is chaired by the Chief Operating Officer. The Committee meets at least quarterly.

## **UN PRINCIPLES FOR RESPONSIBLE INVESTMENT (“UN PRI” OR “PRI”)**

CoreCommodity is a signatory to the UN PRI. The Firm believes that ESG considerations can be important as part of the investment process to the extent relevant to client mandates.

## **INVESTMENT PROCESS**

CoreCommodity’s active management seeks to incorporate changing market dynamics into the investment portfolio, including, but not limited to:

### **THE FIRM DOES NOT TAKE PHYSICAL DELIVERY OF COMMODITIES**

CoreCommodity invests in commodity derivatives (such as futures contracts and listed forward contracts) as well as the equity of publicly traded companies. The Firm’s futures strategies do not take physical delivery of the underlying commodities (i.e., the strategies have limited ability to influence supply or demand) nor does the Firm hold any physical assets related to its commodity investment strategies.

Investing via these financial instruments has been shown to have no significant long-term impact on the price and volatility of underlying commodities. Source: Knoepfel, Ivo. (2011). *Responsible investment in commodities – The issues at stake and a potential role for institutional investors*. Switzerland: onValues Investment Strategies and Research. Page 2

#### STRONG FOCUS ON LIQUIDITY

The Firm incorporates liquidity into its determination of the commodities included in strategies and weighting schemes. Strategies generally do not invest in what CoreCommodity deems to be small, illiquid, or peripheral markets. This practice helps to avoid influencing spot prices.

Exposure to less liquid commodities may be maintained via investment in natural resource equities.

#### ANALYSIS OF MARKET PARTICIPANTS

As part of the investment process, CoreCommodity evaluates the positioning of non-commercial market participants (managed money) to monitor for “excessive speculation”.

#### MARKET FUNDAMENTALS

Fundamental analysis is a primary input into the investment process and a consideration in the construction and rebalancing of the portfolio, which may help stabilize prices.

#### PRESERVATION OF PRICE DISCOVERY AND RISK HEDGING

The Firm’s active term structure management permits investment in futures contract months across the forward curve, subject to risk guidelines and liquidity constraints. These constraints help mitigate the possibility of disrupting the market role of price discovery and risk hedging.

#### DIVERSIFICATION

CoreCommodity’s diversified approach helps to maintain compliance with position limits and avoids amassing a dominant position in a market thereby contributing to volatility.

### **NATURAL RESOURCE EQUITIES**

CoreCommodity’s incorporation of equities in the portfolio allows for the investment in growth areas that may address evolving changes in market dynamics as well as the opportunity to encourage companies to pursue ESG-aware actions through proxy voting and engagements to the extent relevant to client mandates. The Firm believes that by integrating ESG factors directly into the equity portfolio construction process it can further reduce the single-company idiosyncratic risk of the portfolio. Investing in industries and companies with better ESG-related business practices may result in more resilient portfolios able to benefit from the changes a more sustainable future will bring.

#### RELEVANT SET OF ESG FACTORS

The Firm uses carefully selected factors to assess ESG criteria for equity securities to the extent relevant to client mandates. This includes selecting some which apply only to particular industries (such as gas flaring for oil and gas companies or mining overburden for miners) in addition to more broadly applicable ones (such as racial and gender diversity and an accountable board structure).

#### BALANCE ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

When ESG factors are included, the Firm’s approach to equity security screening treats each vertical (environmental, social, and governance) as equally important, without over-weighting any single factor within each vertical (so long as the relevant set of factors is carefully chosen). So when evaluating a

company based on its ESG factors, the Firm gives equal treatment to the verticals (E, S, and G) as well as the factors behind each one.

#### MINIMIZE UNINTENDED PORTFOLIO BIASES THROUGH FAIR COMPARISONS

A well-known challenge to integrating ESG into an equity portfolio is that certain biases can be easily and unintentionally introduced. An example would be a bias toward European companies resulting from European countries having more ESG-related reporting requirements than other countries. Many other frameworks compare each name to every other name—regardless of its sector or industry—which can introduce those biases as well. The Firm believes that any larger tilting of the portfolio toward particular geographies, sectors, or industries is the job of the portfolio manager and should not be introduced unintentionally through the evaluation and incorporation of ESG factor data. When comparing ESG factors across companies the Firm evaluates the data only within the most relevant groups to attempt to avoid these issues.

#### INCORPORATE THE LEVEL OF DISCLOSURE WITHOUT MAKING ASSUMPTIONS ABOUT UNKNOWN DATA

Disclosure is an integral part of evaluating a company in terms of ESG, but there can be variations in the level of ESG data disclosed between companies. Unlike some other approaches, the Firm does not assume that undisclosed ESG data is necessarily good or bad. If a company doesn't disclose a particular piece of data, it could be for a number of reasons, so no assumptions are made about that company based on that data point. The Firm does, however, to the extent relevant to client mandates, seek to incentivize more disclosure—as investors want more data to help understand and evaluate the risks a company may face. So higher levels of disclosure (on both an absolute level and relative to peers) are rewarded, as is continually increasing the level disclosure over time. The reverse is also true: a company with poor disclosure of ESG data may be penalized. Importantly, this approach allows the Firm to incorporate the amount of disclosure into the evaluation of equity securities without making judgements due to missing or incomplete data.

### **RISK MANAGEMENT**

The Firm maintains reasonable risk/return objectives which reflect recommended ESG best practices and are consistent with CoreCommodity's comprehensive risk guidelines.

The Firm includes individual commodity, sector and portfolio level risk guidelines.

Macro level ESG risks are monitored closely as they can be important drivers of change in investments (e.g., global climate, the transition to a lower carbon economy, etc). This monitoring is integrated into the research and investment decision making process.

### **PROXY VOTING AND ENGAGEMENT**

To the extent agreed to, the Firm will typically exercise voting rights on behalf of clients to enhance governance in companies and improve value in the portfolios under management. The Firm employs Institutional Shareholder Services Inc. (ISS) as a proxy voting provider. Specifically, CoreCommodity utilizes ISS's Sustainability Voting Policy which integrates ESG considerations into proxy votes and is consistent with the objectives of sustainability-minded investors and fiduciaries, except where clients request that other proxy voting policies are used.

The Firm may also seek engagement with companies on certain matters. CoreCommodity believes that the long-term success of companies is supported by effective corporate stewardship and good governance. Firm engagements are typically done in conjunction with other investors. As an engagement progresses, the Firm may periodically evaluate the progress of the engagement. If it is determined that an engagement is unsuccessful, the Firm may ultimately decide to divest from the issuer from relevant client accounts.

CoreCommodity personnel have authored articles discussing ESG issues. Additionally, CoreCommodity have addressed ESG issues at industry conferences and public speaking engagements.

CoreCommodity will disclose voting intentions as well as historic votes to interested clients upon request. Additionally, the most recent quarter's proxy voting results are available on the Firm's website.

## **RESEARCH**

Ongoing research is conducted to understand the impact of ESG considerations on the markets prospectively. ESG considerations impact the investment process by influencing larger secular trends within supply and demand of the underlying commodities. The potential impact of changing consumption and production profiles is important to an understanding of market dynamics and thus is an input into the fundamental analyses which inform investment decisions.

CoreCommodity continues to research methods to include company specific ESG measures into the portfolio construction process and regularly examines datasets as reporting standards continue to evolve.

## **RESOURCES**

The Firm monitors and can utilize ESG scores of numerous independent, third-party service providers in its processes, including as applicable Sustainalytics Rank, Bloomberg ESG disclosures, RobecoSAM Rank, ISS QualityScore and CDP Climate Score.

ESG related fundamental information from government sources, industry sources, data aggregation service providers, academic and sell side research reports are available.

## **REPORTING / TRANSPARENCY**

In keeping with ESG best practices, the Firm provides transparency to investors with respect to research, process and portfolio positioning. Additionally, as a signatory to the UN PRI, the Firm provides public reporting through the Reporting Framework.

Consistent with recommended ESG best practices, as an investment adviser registered with the SEC, a commodity trading advisor (CTA) and commodity pool operator (CPO) registered with the CFTC and a member of the NFA, CoreCommodity provides requisite reporting to these regulatory entities as well as the exchanges.

## **CORPORATE APPROACH**

The Firm is committed to furthering its corporate sustainability. The Firm has undertaken a number of firm-wide initiatives to lessen the company's environmental impact, including having its office next to a major transportation hub, enacting multiple policies in an effort to decrease energy usage as well as

encouraging employees to recycle and limit paper usage. The Firm will continue to evaluate ways in which to improve its sustainability.