
CoreCommodity Management, LLC

ESG Policy

February 2021

Supersedes all previous Policies regarding this subject matter

CoreCommodity has adopted the following environmental, social and governance “(ESG)” policies. CoreCommodity believes ESG serves an important role within its strategies. The Firm maintains a strong commitment to the inclusion of ESG considerations in its investment process in order to best serve the long-term interests of its investors.

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. Incorporating ESG principles into the investment process may also better align investors with the broader objectives of society.

INVESTMENT PROCESS

CoreCommodity’s active management seeks to incorporate changing market dynamics into the investment portfolio. ESG considerations are incorporated into the investment process including, but are 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 ESG concerns as well as the opportunity to encourage companies to pursue ESG-aware actions through proxy voting and engagements. 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. 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

The Firm believes that each vertical (environmental, social, and governance) is equally important, and that no single factor within each vertical is more or less important than the others (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, 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 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 ensure 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.

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.

CoreCommodity personnel have authored articles discussing ESG issues and advocating for ESG policy changes. 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 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.