

Thornburg Environmental, Social, & Governance Policy Statement

Background

At Thornburg, fundamental analysis is the foundation of our investment decisions. Through our bottom-up collaborative approach, we seek to understand the long-term sustainability of a company's business model, and the factors that may cause it to change. We believe that environmental, social and governance (ESG) issues influence investment risk and return and, therefore, seek to incorporate ESG opportunities/risk considerations into our deep-dive fundamental investment analysis.

Accordingly, Thornburg is a signatory of the Principles for Responsible Investment (UN PRI). We support the PRI framework as an effective means to encourage better dialogue among investors and improve disclosure from companies globally. Our ESG analysis serves to complement our ultimate objective of delivering superior long-term investment returns to clients.

Guiding Principals

The primary responsibility for determining the impact of ESG factors on clients' investments lies with our analysts. Our approach is driven by the following principles:

- 1. Fundamental Research:** We believe ESG analysis and engagement are most effective when led by experienced investors who know the companies well and are best positioned to evaluate these considerations in the appropriate context.
- 2. Materiality:** We focus on the ESG factors we consider most likely to have a material impact on the performance of the companies in our clients' portfolios over our investment time horizon.
- 3. Collaboration:** We believe companies, investors and governments all have a role to play in improving corporate disclosures and strengthening the sustainability of business practices over time.
- 4. Accountability:** Our investment analysts are responsible for assessing the full range of factors likely to have a meaningful impact on the company's performance and they receive specialized resources and training to enable them to make these assessments.
- 5. Stewardship:** We believe our responsibilities as diligent investors do not cease with the decision to purchase a security. We maintain regular dialogue with the managements of our portfolio companies.

How do we integrate ESG issues?

When we assess the suitability of an investment for our clients' portfolios, we consider a variety of factors, which can be highly dependent on the country, industry, company type, and broader economic circumstances.

Therefore, the particular issues considered vary with each investment. Some specific examples of the broad range of ESG issues we may consider in our investment research process are:

- **The Environment:** including GHG Emissions, Air Quality, Energy Management, Water and Wastewater Management, Waste and Hazardous Materials Management and Ecological Impacts
- **Leadership and Governance:** including Business Ethics, Competitive Behavior, Management of the Legal & Regulatory Environment, Critical Incident Risk Management, Systemic Risk Management
- **Business Model and Innovation:** including Product Design and Lifecycle Management, Business Model Resilience, Supply Chain Management, Materials Sourcing and Efficiency and Physical Impacts of Climate Change
- **Human Capital:** including Labor Practices, Employee Health & Safety, Employee Engagement, Diversity & Inclusion
- **Social Capital:** including Human Rights & Community Relations, Customer Privacy, Data Security, Access & Affordability, Product Quality & Safety, Customer Welfare, Selling Practices & Product Labeling

Responsibility for incorporating ESG risks into investment decisions is embedded across and into the full investment team. Analyst responsibilities include meeting the management teams, conducting site visits and producing company and industry analysis which include ESG related issues.

In order to supplement our analysts' assessment of ESG risk and opportunity factors, we combine our own internal due diligence with that of external research partners to provide detailed company-level reports. Combining our own research with that of other organizations help to verify and challenge our in-house, analyst specific views.

Engagement & Proxy Voting

We also have a proprietary system for analyzing and recording our portfolio managers' proxy voting decisions and our engagement activities. Communication with management teams is an integral component of our active management. Discussions often include debate on ESG issues identified during the fundamental research process. Exercising proxy voting rights is in the best interests our clients. We have policies and procedures to collect and review relevant information to vote in a timely manner.

Finally, we have our own engagement and stewardship subject matter experts integrated into our investment team. These experts are a part of, and work with our investment analysts and portfolio managers to help them understand relevant political, governance and regulatory risks related to the companies in which they invest.

Our ultimate goal: Superior long-term investment returns for our clients

All portfolios are managed to provide long-term reward commensurate with acceptable risk. By assessing and understanding the range of ESG risks, together with many other investment criteria, we believe we will be better positioned to deliver consistent, superior long-term investment returns for our clients.

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