

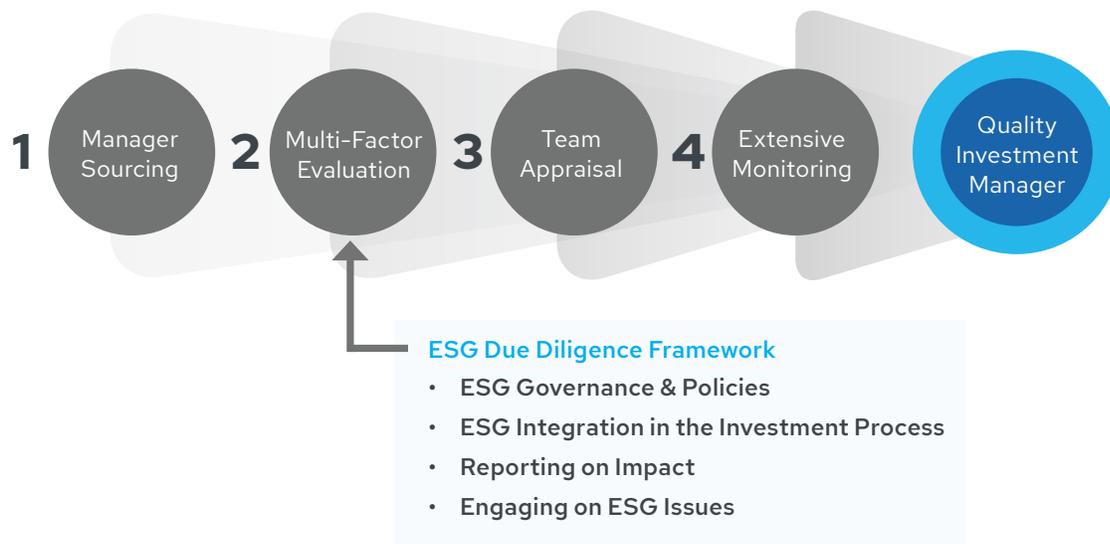
ESG Due Diligence Framework

Envestnet | PMC Research incorporates an additional layer of analysis within its comprehensive research and due diligence process to uncover high-conviction equity and fixed income managers that are meaningfully and systematically integrating environmental, social and governance (ESG) information into the investment process. We do this by evaluating firm-level governance of ESG, ESG integration into the investment process, reporting on impact, and engagement on ESG issues.

Finding Quality ESG Focused Strategies

To construct the list of available investment products designated as Impact-ESG, we perform a multi-step process. We partner with many organizations such as Morningstar in an effort to align with best practice and common understandings of definitions of ESG. Morningstar defines ESG Funds as sustainable strategies that incorporate ESG criteria throughout the investment process. We partner with Veris Wealth Partners to support us with ESG due diligence on separately managed accounts. The work done by our partners informs the initial stages of our ESG due diligence process.

When a strategy is added to coverage and due diligence is conducted by the PMC research team, there are four components in the analysis of an ESG focused strategy: evaluating firm-level governance of ESG, ESG integration into the investment process, reporting on impact, and engagement on ESG issues. This information is collected through a questionnaire and the evaluation is done through extensive conversations with investment teams.



More on the Four Components of our ESG Due Diligence Framework



ESG Governance & Policies

- Is there a dedicated ESG oversight function at the firm?
- How is progress on ESG initiatives monitored over time, and how is success measured?
- What is the firm's overarching philosophy on sustainable investing?
- What is the firm's history with sustainable investing? How has the approach evolved over time?
- Does the organization have firm-wide policy on ESG? If yes, how often is it reviewed?



ESG Integration in the Investment Process

- In what parts of the investment process (security selection, portfolio construction, risk management, asset allocation) have ESG insights been integrated?
- How does the team evaluate the materiality of ESG issues at the industry and company level?
- What weighting do ESG factors have in the investment decision making process? How often are ESG factors reviewed for relevance? What ESG research and data is being accessed and leveraged?
- Does the strategy employ exclusionary screens? If yes, what is the rationale for selecting these screens? What are the thresholds for a company to be flagged for involvement?



Reporting on Impact

- Does the manager report on the environmental and social outcomes of the portfolio on a regular basis?
- Are the impact metrics used in reporting relevant to the strategy?



Engaging on ESG Issues

- What is the framework for engagement on ESG specific issues? How are ESG issues identified as engagement topics?
- How are ESG engagements prioritized, monitored and tracked over time? How does the process influence investment decisions?
- Does the team advocate for better disclosure of ESG information and transparency?
- Who oversees ESG engagement activities at the firm? Are ESG engagement activities outsourced?



**For more information about Impact Investing at
Envestnet, please visit InvestPMC.com/Impact**



Disclosure

For more details on PMC's research practices and/or portfolio attributes, please contact pmc@envesnet.com or call 1-888-612-9300. Advisors should always conduct their own research and due diligence on investment products and the product managers prior to offering or making a recommendation to a client.

All environmental, social & governance data including impact scores are believed to be from reliable sources; however, we make no representations as to its accuracy or completeness.

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Investments in smaller companies carry greater risk than is customarily associated with larger companies for various reasons such as volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources. Investing overseas involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets. Income (bond) funds are subject to interest rate risk, which is the risk that debt securities in a fund's portfolio will decline in value because of increases in market interest rates.

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