PineBridge®
INVESTMENTS

31 March
2021

Financial Reporting Council
UK Stewardship Report

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PineBridge Investments aligns with the Financial Reporting Council's UK Stewardship Code and welcomes its principles, which seek to improve the interaction of institutional investors with the management of companies. As a global asset management firm, PineBridge views the Code as an effective roadmap to serve the best interests of our clients by seeking to improve environmental, social, and governance outcomes for our investments.

We are pleased to report on the Code's 12 principles for 2020.

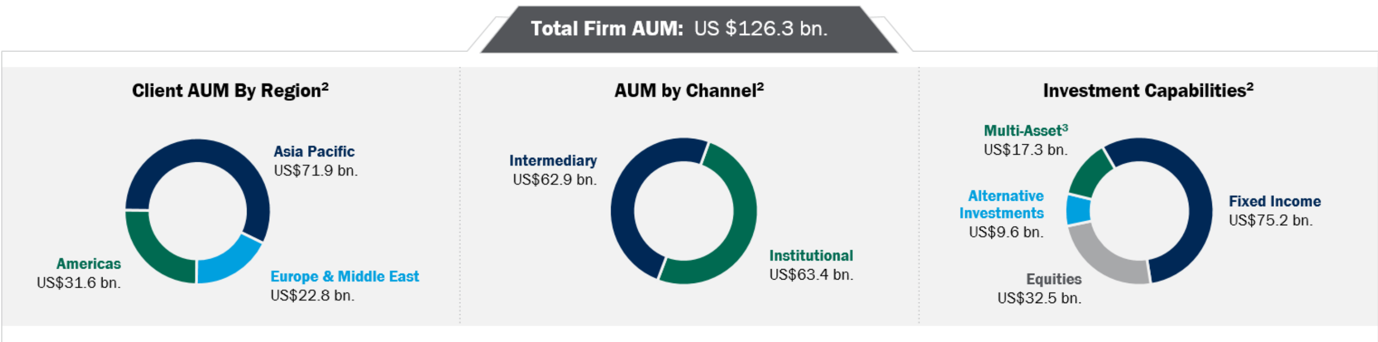
Principle 1: Purpose, strategy and culture

PineBridge Investments is a private, global asset management firm focused on fundamentally researched, actively managed, high-conviction investing to deliver industry-leading outcomes for our clients.

As of 31 December 2020, the firm managed US$126.3 billion across four asset classes: Multi-Asset, Fixed Income, Equities, and Alternatives. Each establishes its own investment processes applicable to the asset class and operates a globally based team. The firm has 700 employees, including 200 investment professionals, across 21 offices in the Americas, EMEA, and Asia. Our largest offices are located in New York, Hong Kong, and London.

While PineBridge is a mid-sized firm, we have the breadth and geographic reach usually associated with the very largest in the asset management industry. Our size is a key strategic advantage to harness the power of collaboration across our teams to deliver superior investment outcomes for our clients. In addition, PineBridge seeks to combine the structure and reach of a globally connected investment manager with the client-focused advantages of a private company. This means identifying investment opportunities for our clients, delivering superior investment performance through collaboration across teams, and providing a high degree of attention and service at every client touchpoint. We are governed by a corporate structure that ensures regulatory compliance, the achievement of client objectives, and adherence to our firmwide principles – including those related to environmental, social, and governance (ESG) issues and stewardship.

Our clients include corporate and public pensions, insurance companies, sovereign wealth funds, intermediaries, and high-net-worth individuals. As a privately owned firm, we adopt a long-term perspective which ensures that our interests are fully aligned with those of our clients.



Data as of 31 December 2020. [1] Investment professionals include portfolio managers, research analysts, traders, portfolio strategists, and product specialists, and are subject to change. [2] US$27.6 billion (US$18.3 billion equities, US$9.3 billion fixed income) of assets managed by joint ventures or other entities not wholly owned by PineBridge Investments. Includes PineBridge Benson Elliot Real Estate AUM of US$3.2 billion. [3] Multi-Asset includes US$8.4 billion allocated opportunistically by the Multi-Asset team to PineBridge equity, fixed income, and alternative strategies. Due to rounding, totals are approximate.

Responsible investing is at the core of our focus on investment excellence

We believe businesses that are sustainable create the most value for investors and for society at large – and this is true both for ourselves as a firm and for the companies in which we invest. We began our journey in 2006 when our investment teams integrated ESG principles into their investment processes.

As high-conviction investors, we are highly selective. We perform due diligence on companies with ESG either fully integrated or considered on most of our end-to-end investment processes. As investors and global citizens, we look for continuous improvement in ESG metrics rather than a narrow focus on a company's current state of being, which is prevalent in the industry through its overreliance on data vendors. With our research-driven, active, high-conviction approach, we are able to advocate for, and encourage, change in the select companies in which we invest. We do this by maintaining an active dialogue with management and co-investors, and partnering with them to define and advance best practices, leading to improvement over the medium to long term. Reflecting our journey since 2006, we are among the top 25% of UN Principles for Responsible Investment (UNPRI) signatories, with an A+ rating for our strategy and governance efforts.

As responsible corporate citizens, we understand that being a good steward of our clients' capital is not only about integrating ESG into our investment decisions; it is also about engaging to ensure corporate improvement and aligning our proxy voting principles with our investment processes and engaging practices.

And it is also about how we conduct ourselves as a firm. This means being a supportive and empowering employer, an involved member of our communities, a trusted partner for our clients, and a respectful, compliant firm in the numerous jurisdictions in which we operate.

Measuring our outcomes

Our focus on investment excellence has resulted in the following: above-industry-average organic asset growth, below-industry-average employee turnover, strong long-term investment performance, and industry awards. For example, in 2020:

- PineBridge was recognized as one of *Pensions & Investments'* **Best Places to Work,** which identifies the top employers in the asset management industry for their commitment to employees.[1]

- We were also recognized by *Citywire's* inaugural **Gender Diversity Awards**, winning two accolades for Best Gender Representation (firms with 20-50 managers) and Regional Leader Asia (20-50 managers).[2] In an improvement versus the prior year, the firm has 35% female representation at the Senior Vice President (SVP) and Managing Director (MD) levels, nearly twice the average of 18% for the wider global finance industry.[3]

- Our **below-industry-average employee turnover and above-industry-average organic growth** speak to favourable outcomes for our aspiration to meeting expectations for clients and staff.

- **The several thousand meetings with the top management of companies** conducted by our 200 investment staff indicate an active culture of engagement. Our voting in over 2,000 proxy meetings, many in emerging markets, with a 98.5% voting record, demonstrates our commitment to escalate

[1] For the 2020 Best Places to Work in Money Management List, *Pensions & Investments* partnered with Best Companies Group, a research firm specializing in identifying great places to work, to conduct a two-part survey process for employers and their employees. For details on eligibility criteria and the survey's methodology, click here.

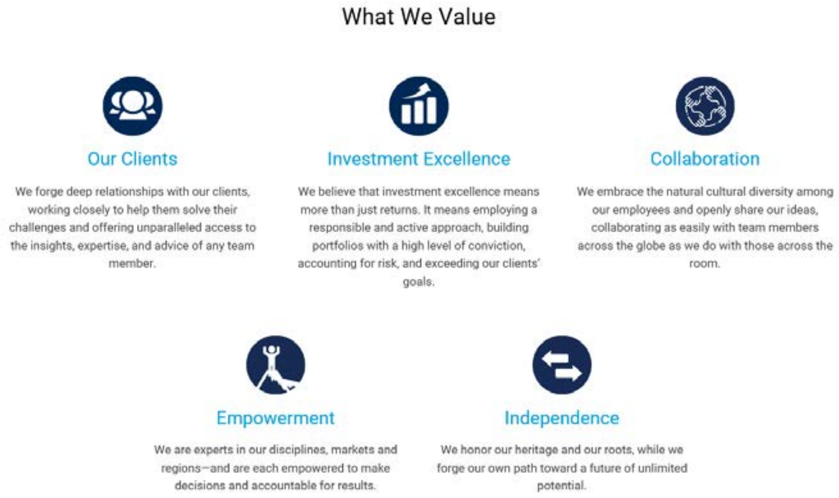
[2] Citywire held its first-ever Gender Diversity Awards ceremony on 9 December 2020 to recognize the progress made by fund management groups on the representation of women and gender diversity practices. To draw up the shortlist of 35 companies, Citywire used data from its Alpha Female report to look at the percentage of female managers at fund groups and the turnover rates of men and women over the past 10 years. The report previously recognized PineBridge's Elizabeth Soon's (Portfolio Manager, Head of Asia ex-Japan Equities) as a top 30 female fund manager; based on her consistently high ratings in the Citywire database over the last five years. The report also listed PineBridge as the fourth-highest firm in terms of female managers, for asset managers with 20 to 50 managers tracked by Citywire.

[3] Source: PineBridge Investments as of 31 December 2020.

issues on behalf of our clients.

Our culture and values

A collaborative global team is at the heart of our firm's culture and underpins everything we do.



As a geographically and culturally diverse firm, approximately 50% of our staff resides in Asia and 35% of women hold senior leadership roles, including senior vice president and managing director. In addition, our investment teams are staffed with professionals from diverse educational backgrounds from liberal arts to engineering and data science, and many have post-graduate degrees and qualifications. We consequently benefit from this diversity of thought when colleagues bring differences of opinion and skill sets to our investment and business decisions – critical to adding value for our clients and, in turn, succeeding as a business ourselves. These interactions take place in a network of regular investment forums bringing teams together across disciplines, markets, and regions of the world. We consistently reinforce the need to offer differing perspectives, and to be able to disagree without becoming disagreeable in order to achieve the best outcomes through informed debate.

As of 31 December 2020. 1 Investment professionals include portfolio managers, research analysts, traders, portfolio strategists, and product specialists, and are subject to change. 2 Includes investment professionals at the senior vice president and managing director level. 3 Access to Alternatives information is conducted in accordance with PineBridge policies and procedures relating to information barriers, conflicts of interest, and other restrictions.

'Organised familiarity' promotes collaboration

While many firms speak about their collaboration, in our view this often refers to within their investment teams. In our view, larger firms with more teams and locations often struggle with collaboration beyond their immediate teams. In this respect, size is a disadvantage without structure, culture, and incentives to collaborate. Our decades of collaborative experience have taught us that it does not happen by accident, and collaboration is a top goal of our senior management.

At PineBridge, in any given month, there are several regular forums within our listed securities asset classes that are open to the whole firm. For example, we have Global Industry Clusters that are staffed with investment professionals with specialist industry knowledge from our Equities and Fixed Income asset classes who bring diverse perspectives each month in order to generate non-consensus views. Other monthly investment meetings include our Investment Strategy Meeting, Fixed Income Asset Allocation Team meeting, Listed Equity Allocation meeting, and Asia Positioning Call. In each of these meetings we debate chosen market topics and share views on asset classes, industries, and regions. On a quarterly basis, the Multi-Asset team organises 19 cross-team forums focused on the next five years.

In addition to these structured forums, we provide incentives to collaborate through performance appraisals and reciprocity. For example, in listed equities which relies greatly on knowledge-flow at the industry and security level, the yearly incentive compensation allocates 30% for collaboration, which is measured annually. For multi-asset, the deferred component of compensation for investment professionals across equities and fixed income has a portion linked to the performance of the flagship multi-asset strategy.

We call this 'organised familiarity,' with the goal of creating investment networks across teams, geographies, and asset classes. The regularity of communication reinforces organised familiarity. The global asset class heads, along with our formal review process, monitor and reinforce this collaboration to ensure that these informal networks are in play and that collaboration between teams is taking place. We have developed a culture of sharing just as easily across the globe as across the table, with an ease of operating across time zones and a sense of responsibility toward each other as colleagues. This ability to collaborate in order to generate investment ideas is a key step in our investment process, which leads to our goal of consistency in delivering investment results to our clients in all market conditions. It also nurtures a culture that thinks of the greater good beyond the immediate self or team, which we view as an important bridge to sustainability practices.

Strong staff retention creates a virtuous circle

Based upon Johnson Associates data, our investment personnel turnover is regularly well below our peers'. This cohesion and strong staff retention includes senior investment professionals, who have an average tenure of 13 years at the firm, which in turn contributes to their ability to mentor more junior staff and to foster inclusiveness.

Our employees have consistently expressed strong satisfaction with their jobs, our values as a firm, and our efforts to build an inclusive company culture that values diversity.[4] And we believe the benefits of the cultural foundation of our firm and our collaborative network manifest in better-informed investment decisions and our ability to deliver results for our clients.

Business model and strategy: global perspective, local insights

While a US-headquartered firm, our longstanding presence in Asia gives us a strategic advantage, with approximately 50% of our staff resident in the region and offices in Hong Kong, Japan, India, Taiwan, Singapore, Malaysia, and Australia. Asia is not only the world's largest economic region in terms of gross domestic product, but also represents the highest contribution to annual global economic growth. Our on-the-ground investment professionals in Asia continuously collaborate with their counterparts in Europe and the Americas in the structured forms described above. This knowledge exchange, in which we share local insights and global perspectives, results in the identification of investment opportunities and the development of secular investment themes that are expressed in our portfolios across asset classes. It also results in the sharing of best practices, including on ESG issues, and in consistency in the application of our investment processes within each asset class.

[4] According to 2019 and 2020 PineBridge Employee Engagements Surveys conducted anonymously.

Our goal is to deliver the firm's full spectrum of investment capabilities and solutions to investors around the world. Our distribution teams consist of sales and client relations staff located in each of the major markets in which we operate, in order to achieve speed of response and a proper understanding of clients' needs, which are often nuanced, and of the applicable regulatory structures. This gives our clients comfort while also helping us to be a better corporate citizen in the countries and communities in which we operate. To this end, our control and support functions are designed to achieve the highest global standards while also meeting or exceeding all local client and regulatory requirements.

Investment beliefs: actively incorporating ESG

While each asset class is necessarily responsible for its own investment process, as they operate in different segments of the capital markets, all of our asset classes are fundamentally driven, with medium- to longer-term forward-looking perspectives. We embrace active, high-conviction investing and have developed investment processes that seek excess returns from targeted market inefficiencies. In evaluating investment opportunities, we either fully integrate or consider ESG considerations into our investment analysis, recognizing that such practices lead to more sustainable cash flows in the medium to long term. In our view, across all our asset classes, we believe that commercial success is dependent on the quality of governance and leadership, which in turn drives the competitive position of the business and its impact on society, and on the environment. We assess, and appropriately weight, materiality issues for our investments, going deep in our due diligence as part of our investment process in order to anticipate, and correctly value, the change in the business over time.

Ultimately, as fiduciaries of our clients' assets, our approach seeks to generate meaningful results for our clients – in the mutually dependent promotion of higher environmental and social standards and strong investment results – over a medium- to long-term time horizon.

Engagement

By their nature, different asset classes have different platforms from which to engage. Our equity peers can exercise their proxy vote, our fixed income peers can have an impact at issuance, our multi-asset peers can decide which asset class segments to invest in, and our private market peers can often have more direct control. In some of our equity and fixed income strategies, we seek to ensure that the improvements identified on ESG grounds when making the investment, are more likely to occur as a result of our engagement. As a firm, our priorities are engaging for climate and diversity & inclusion considerations, although various teams supplement those priorities with others that may be material based on the nature of the investment.

We emphasize direct dialogue with companies, taking a 'consultative' approach to governance issues that have a material impact on sustainable performance and the potential to create long-term value (or risks) for clients. We conduct several thousand company meetings in any given year with the top management of both current holdings and prospective investments, and we take each meeting as an opportunity to provide feedback in order to encourage change.

Proxy voting

PineBridge has established proxy voting policies and procedures that reinforce the firm's governance, climate, and diversity & inclusion priorities, and that harmonize with our teams' forward-looking expectations and engagement for improvement along ESG grounds. We engage a proxy agent to support us in developing and executing our proxy policies. Our objectives are to ensure that proxies are voted in the best interests of our clients, that our voting procedures are clearly outlined, and that clients may obtain information on how PineBridge has voted their proxies.

For more information on our proxy voting process, please refer to Principle 12, Exercising rights and responsibilities.

Principle 2: Governance, resources and incentives

We believe strong governance drives both financial and societal value. Over a longer time frame, those are one and the same. Since it may not be so during shorter periods, we view transparency via disclosure and rigorous management accountability as essential. Effective management and board oversight, programmatic assessments of D&I and compensation practices, and the protection of investor rights go hand-in-hand with a culture that promotes accountability, favours prudent risk management, encourages employee engagement, and yields organisational alpha. These elements form the foundation of change and are the essence of PineBridge's commitment to our own integrated approach to corporate responsibility.

Governance reinforces ESG and stewardship

The inclusion of ESG considerations in our investment process dates back to 2006, and today we are one of 25% of UNPRI Signatories rated A+, underlining the importance we place on ESG and stewardship.

Our Stewardship Committee for equities traces back to 2000, and in 2014 we established our ESG Committee to oversee and ensure best practices between the asset classes and investment teams. In 2019, to continue strengthening and evolving our approach to corporate responsibility on ESG issues and beyond, PineBridge formed its Corporate Responsibility Steering Committee (CRSC), led by a committee chair and 11 members of the organization, including our CEO, diversified by region and function.

In 2021, we added an additional level of governance by appointing a full-time Global Head of Corporate Responsibility to oversee the firm's corporate responsibility strategy and execution of key initiatives to incorporate ESG principles into PineBridge's investment process, stewardship, and corporate practices.

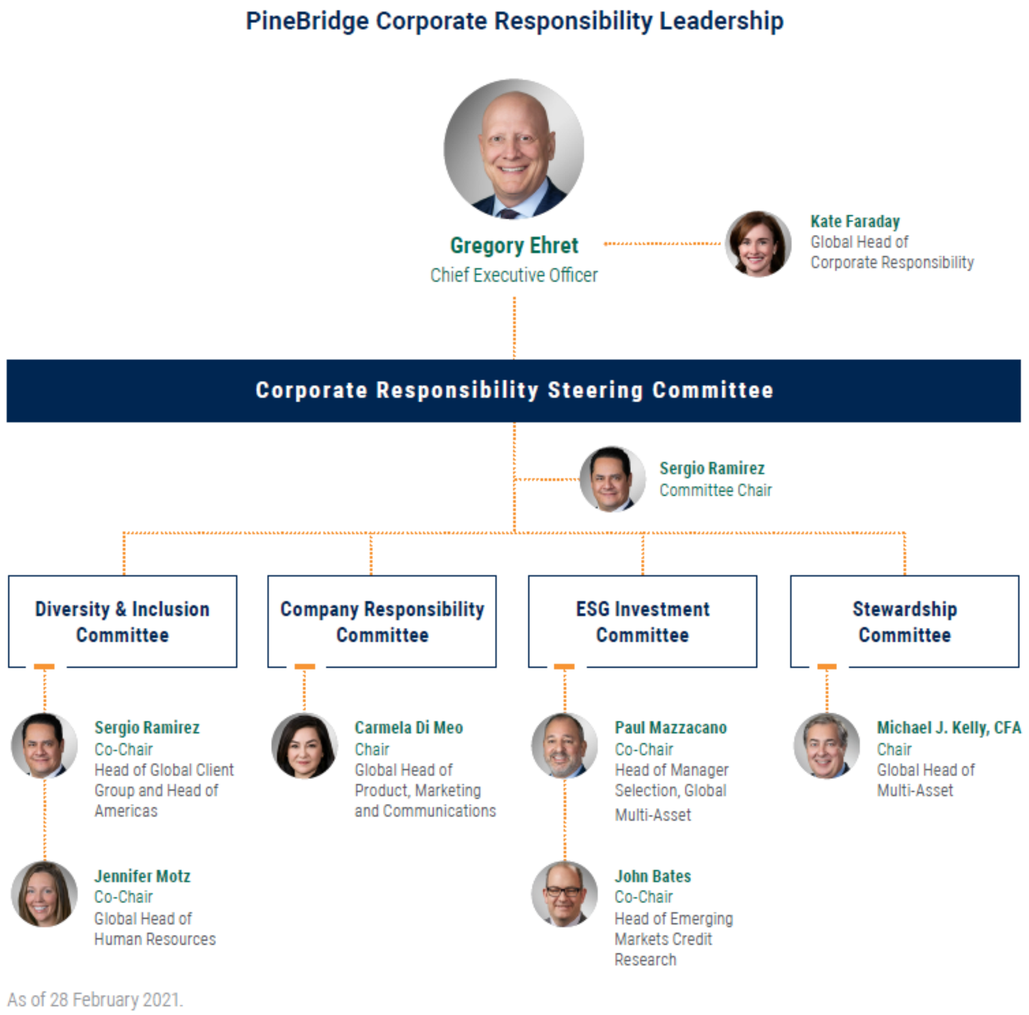
The CRSC reports directly into the firm's Global Head of Corporate Responsibility and CEO. Its purpose is to:

- Articulate the firm's guiding principles, policies, and best practices related to corporate responsibility matters;
- Ensure that our broad range of corporate and investment activities align with our purpose;
- Stay informed on ESG trends and regulations, increasing the impact of our efforts and measuring our results;
- Maintain transparency in communicating our activities both internally and externally.

The CRSC oversees four subcommittees, as follows:

1. ESG Investment – establishes the firm's ESG investing policy and best practices, integrates viewpoints from the firm's various investment teams, and drives thought leadership initiatives
2. Diversity & Inclusion (D&I) – works with Human Resources to define and implement firm policies that create a diverse and inclusive workforce and global culture
3. Company Responsibility – outlines the firm's social responsibility initiatives, including community activities, foundation and board memberships, vendor relationships, and environmental footprint management
4. Stewardship – defines and monitors the firm's proxy voting strategy and process and our engagement efforts, including the implementation of recommendations set forth by the Financial Stability Board's Task

Force on Climate-Related Financial Disclosures (TCFD).



Each subcommittee includes global, cross-functional employees who execute initiatives within their areas of focus, with oversight by the Steering Committee.

Our ESG and Stewardship Committees establish the firm’s standards, which are then applied by our investment teams at the asset class level. Each team maintains both proprietary and third-party systems to ensure our efforts are appropriately resourced.

Under the leadership of the CEO and the Global Head of Corporate Responsibility, the CRSC has initiated several key initiatives during the course of the year:

Greenhouse gas emissions control or reduction

We have initiated a project to gather data and conduct a global review of travel, airline options, and purpose of travel, as well as a utilities review and analysis of the firm’s offices globally with the goal of measuring, reducing, and offsetting our carbon footprint. With reduced travel and unoccupied office space this past year due to Covid-19, the project has been delayed, but reducing our carbon footprint remains a corporate priority.

Low-carbon economy

At a corporate level, the firm provides individual or shared resources to support local-office initiatives. Offices strive to be energy efficient and environmentally friendly through efforts such as:

- a robust recycling program, including education on proper disposal of rubbish and recyclable materials;
- proper disposal and recycling of old computer equipment;
- reduction in bottled water usage where offices have water filtration systems;
- entrusting employees with reduced paper consumption;
- use of energy-efficient hardware, lighting, and air conditioning systems;
- reducing emissions and carbon footprint through essential travel only and increased videoconferencing; and
- bicycle storage facilities in certain offices to encourage lower-carbon commute options.

Social

At PineBridge, respect for human rights is core to our corporate responsibility obligations across our platform and in alignment with all applicable laws. Our global Diversity & Inclusion efforts help ensure non-discriminatory practices in alignment with the needs of our employees based in their respective geographies. In addition, our investment teams continue to support the UN Guiding Principles on Business and Human Rights in carrying out their due diligence processes. These processes align with the obligations under international human rights law of our investee companies as relates to addressing the risk of potential business involvement in gross human rights abuses or corporate negligence.

Resources devoted to ESG and stewardship

As active, high-conviction investors, we believe in training and incentivising all of our investment personnel to integrate ESG and stewardship activities into their daily activities, instead of maintaining a separate staff of ESG experts. While the latter are well versed on policy, we believe proper training can impart this knowledge to our existing investment staff, a combination we believe is best suited to execute forward-looking investments that then engage for change. Of course, our ‘front line’ responsible for these activities must be supplemented with the right training, incentives, and resources.

PineBridge ESG Resources

Research, analysis, and systems:

- MSCI ESG: access to specific modules has been in place for several years. We are in a trial programme to evaluate expansion to a broader range of services.
- RepRisk: provides a real-time update on early warning signs of ESG risks, including climate-related risks.
- Institutional Shareholder Services (ISS):
    a. Climate Module: automatically flags upcoming votes on companies that are climate laggards and not aligned with TCFD recommendations or have climate-related shareholder proposals.
    b. Social and Governance components on over 7,000 issuers based on four pillars: 1) Board Independence, 2) Shareholder Rights, 3) Executive Pay, and 4) Audit Score.
- Sustainalytics: access to ranks and scores of 6,000 companies to evaluate asset classes and includes available security-level data in engagement memos.
- RobecoSAM: a Dutch asset manager that provides sustainable data analytics on over 2,000 issuers.
- CDP (formerly Carbon Disclosure Project) – provides a climate score and evaluates companies’ positive impact on climate change. CDP invites nearly 7,000 companies to respond to their online questionnaire.
- Bloomberg: access to relevant ESG-related data, including but not limited to company-level emissions and board diversity. ESG Disclosure Scoring provides data on over 120 indicators for over 10,000 publicly listed companies.
- Morningstar: provides asset class and index-level ESG metrics and involvement in activities that are related to ESG-sensitive areas.
- Broker research: we access specialist broker research, both written and via live discussions, to identify and assess ESG issues at the asset class level. Broker insight is used to gain greater understanding of companies in preparation for engagement on TCFD-related issues.

Our commitment to ESG training, oversight, and performance management

At an employee level, we ensure that employees are well-resourced and incentivized to integrate ESG into their day-to-day thinking and decision-making by:

1) Providing relevant training on ESG investing
2) Including ESG and D&I into standard employee performance evaluations

Training

In 2020, our ESG Investment Committee launched two modules in a series of educational training courses for all employees to complete. The initial courses include *ESG Foundations* and *How Does ESG Investing Work?* and provide foundational context to frame the importance of an integrated approach to ESG investment management, including the regulatory issues relevant to employees around the globe. More recently the firm has held training sessions regarding the European Sustainable Finance Disclosure Regulation (SFDR) and its requirements to make sure employees are fully informed and engaged about the implications for the firm's funds and reporting requirements.

The firm also conducts training courses on:

- **Unconscious Bias.** This course explains what unconscious bias is, describes how biases can influence workplace decisions, and provides suggestions to help individuals reach a higher level of awareness so they are better able to prevent personal biases from affecting their actions at work.
- **Workplace Diversity, Inclusion & Sensitivity.** This course explains what is meant by workplace diversity and provides practical steps to help individuals choose inclusive actions, improve cultural competency, and address personal biases. The course further emphasizes the role civility and workplace sensitivity play in promoting a respectful culture.
- **Preventing Discrimination and Harassment.** This course explains the behaviours that are expected of individuals to create a workplace that is free of discrimination, harassment, and bullying.
- **Incorporating D&I Into Recruiting and New Hire Onboarding Processes.** This interactive workshop familiarizes managers with resources designed to help them incorporate D&I both when recruiting talent and in onboarding and integrating new hires into the firm.

Incentives and measurement

1. ESG integration

   As a firm, we are committed to assessing our investment professionals' commitment to integrating ESG considerations in alignment with their team's investment philosophy and process.

   Each year we assess our employees' performance as part of their formal year-end review, which measures their individual results against goals as well as our firm's values, including collaboration, client focus, and commitment to excellence.

   ESG is an integral part of due diligence in our investment process, and all our investment professionals are reviewed with scores corresponding to levels of attainment against goals. The largest weighting in the scoring system across our asset classes is for investment performance. However, given our sophisticated clients, it's imperative that we deliver the right performance the right way. The latter includes adherence to our investment philosophy and our investment process, which fully integrates ESG. In addition, within the firm values section of our annual appraisal, we rate our investment professionals' commitment to ESG.

We are committed to improving progressively our evaluation and measurement processes to drive progress across all ESG dimensions, as part of our ultimate goal of providing results that help our clients meet their investment objectives.

2. Diversity & Inclusion

As part of our annual performance review process, employees are evaluated using a value-based system that ranks each individual's performance on the following goals:

- Supports the cultivation of a diverse and inclusive work environment in all that we do.
- Operates with self-awareness, recognizing how culture impacts work behaviours.
- Recognizes and respects individual differences and incorporates diverse perspectives into decision-making; respectful of ideas different than own
- Adapts own behaviours to work effectively with colleagues and clients across different locations around the world
- Actively seeks to attract, retain, and develop diverse talent when hiring, building project teams, and identifying candidates for opportunities within the company.
- Role Model Behaviour: Acts as a culture carrier for a diverse and inclusive workplace. Proactively ensures a diverse slate is considered for all hiring and promotional opportunities at all levels of the organization.
- Additionally, managers are evaluated on their ability to attract, retain, and develop diverse talent and incorporate inclusive behaviours as a core part of their leadership at the firm.

Outcomes

Our UNPRI rating of A+ is one measure showing that our ESG integration and our firm's values are working. This is reinforced by our Corporate Responsibility Steering Committee, ESG training, and annual assessment of all investment staff on these issues as part of their year-end compensation review. We believe our clients and prospects also recognise this. We attribute some of our above-average organic growth in assets under management to our demonstrated dedication to stewardship.

Principle 3: Conflicts of Interest

As a privately owned company with an exclusive focus on asset management, our interests are fully aligned with those of our clients. This reduces potential conflicts of interest related to ownership, certain investment activities, or debt versus equity structures, in addition to public versus private and affiliation concerns.

Our conflicts of interest policies

PineBridge's approach to conflicts of interest is to take all appropriate steps to identify and prevent or manage potential and actual conflicts of interest that could pose a material risk of damage to the interests of one or more of PineBridge's clients. Where PineBridge is unable to manage a conflict of interest, we will disclose the conflict to the client. A conflict of interest may arise between:

- *The interests of PineBridge, or its employees, and the interests of one or more clients.* For example, a potential conflict of interest may arise where an employee holds shares in a company which one of our clients is also invested in or which is likely to be suitable for their investment strategy.
- *The interests of PineBridge, or an activity performed by PineBridge, and the interests of one or more clients.*
- *The interests of two or more clients.* For example, a potential conflict of interest may arise where PineBridge is managing a portfolio on behalf of two clients that have similar objectives. PineBridge could

execute a preferred trade strategy for one client that could have a detrimental impact on the interests of the other client.

PineBridge has established the following procedures and controls to ensure that it is able to identify and manage conflicts of interest that arise and meet its regulatory obligations:

Conflicts of interest policy. This details PineBridge's identification and management controls. All employees must ensure they have read and understand the contents of this policy.

Conflicts of interest registers. PineBridge has established conflicts of interest registers for each business unit. These are designed to identify potential and actual conflicts of interest that may arise in each business area. The register will include a log of specific declared conflicts together with any action taken to mitigate that conflict.

General duty of confidentiality. All employees are required to adhere to a general duty of confidentiality. This means that confidential information should only be exchanged on a 'need to know' basis and through the ordinary course of business activities. The requirements for controlling the flow of inside information or other material non-public information (MNPI) are even more stringent.

Information barriers policy. PineBridge has established permanent information barriers to prevent the flow of confidential information between business areas. These are detailed in the Information Barriers Policy and cover IT security and data protection arrangements, additional requirements relating to inside information or other MNPI, physical segregation, and a clear-desk policy.

Potential conflicts of interest

- We may engage with or vote the shares of a company that is one of our clients, the sponsor of one of our clients, or is a company within the same affiliated corporate group as one of our clients.
- We may engage with a government or government body that is the sponsor of one of our clients or closely associated with one of our clients.
- We may engage with a company that has a strong commercial relationship with PineBridge and/or with our clients.
- We may vote on a corporate transaction, the outcome of which would benefit one client more than another.
- We may engage with a company in which certain clients are equity holders and others are bond holders.

Actual conflicts of interest

Certain staff members and/or teams at PineBridge may, from time to time, be privy to MNPI, which, if disseminated, would influence the price of the relevant issuers. An example would be where the senior management of an issuer is considering a corporate restructure or acquisition and seeks confidential views from market participants such as PineBridge on how and whether to proceed. PineBridge has strict policies and procedures in place to ensure that the flow of such information is controlled, recorded, and managed. In this way, any conflicts of interest that would arise from the misuse of such information are managed and mitigated. The firm has a zero-tolerance approach to any such behaviour.

PineBridge has a broad client base, ranging from individuals to institutions. Such clients may participate in the same or similar investment strategies managed by the same investment teams. Conflicts of interest may arise when it comes to allocating investment opportunities to clients. PineBridge has strict allocation methodologies and procedures to ensure that investment opportunities are allocated to clients in a fair and transparent manner. Any deviations from pro rata or predetermined allocations need to be documented and authorized. Surveillance is also conducted on the application of such procedures to ensure they result in the intended outcome and clients are treated fairly.

PineBridge manages complex investment structures, and some of these may involve PineBridge itself making proprietary interests alongside clients. While the investment of its own capital can result in the perception of a conflict of interest, these structures are designed to align the interests of both PineBridge and its clients and are fully transparent to existing and potential clients.

Clients are provided a summary of the PineBridge Stewardship Policy upon request, which is typical during onboarding. This transparency enables clients to make an informed decision to delegate proxy voting to PineBridge in the investment management agreement (IMA) or retain that function if preferred.

Compliance and senior management restrict directorships in public companies. With respect to private company investments by PineBridge's Alternatives team, PineBridge may seek or be asked to accept a directorship on the board of the target company. This may create the perception of a conflict of interest between the interests of PineBridge and/or its staff and its clients. PineBridge and its clients view this differently. Its directors are advocating for the benefit of PineBridge clients, and therefore PineBridge and our investors' interests are aligned.

Principle 4: Promoting well-functioning markets

As responsible stewards of our clients' investments, the orderly functioning of markets is key as we seek to deliver returns and solutions to our investors. For this reason, we actively seek to address systemic risks as a market participant, both directly in our investors' portfolios and through our own practices as stewards of our clients' assets.

Response to the Covid crisis

Covid-19 and the resulting volatility in the markets during March and April 2020 were a powerful example of systemic risks beginning in one part of the market – in this instance, public health – and quickly spreading to both private and public markets, eventually having massive impacts on both the micro and macro economies of the world.

While most of our teams and products outperformed during the crisis – evidence of some thoughtfulness in identifying this risk reasonably early on, and responding accordingly - we nonetheless believe it was a very difficult risk to assess. As a global firm with US headquarters, yet with over half of our clients, assets, and employees located throughout Asia, we had an early view on Covid's evolution. Our teams in the East shared their experiences with those in the West. While many speak to China's rapidly locking down its economy, Hubei province (in which Wuhan is located) represents only 5% of China's population, even if, as a transportation hub, it accounts for 20% of its economy. The rest of China was not locked down and controlled the virus (as did Taiwan, Korea, Japan, and Singapore) primarily through mask-wearing and testing. Given the East's successful precedent in how to manage the virus, we were surprised by the total lockdowns when they came to the West. Nonetheless, most teams' portfolios were defensively positioned and capable of taking advantage of dislocations once they occurred.

Our first line of defence in dealing with this exogenous shock was to ensure that PineBridge staff were safely able to continue to serve clients and their portfolios. PineBridge moved early to adopt a work-from-home approach across the global business, and by 20 March 2020, the firm was 75% remote. We focused on staff safety and well-being and were able to execute this transition smoothly and quickly, with virtually no disruption in service to our clients or impact on their portfolios.

Covid-19 also enhanced our understanding of the interconnectedness of risks across different sectors and parts of the market – i.e., the 'waterfall effect' down the supply chain and across sectors and companies that at first appeared to be disconnected from the core of the public health emergency.

Early in the crisis, our investment teams realized the potential for 'externalities' that could challenge the norms of production or consumption of goods and services in our investment universe. As supply chains, working capital ratios, capital expenditures, and debt service planning became more defensive, spreads widened, and most financial indices fell significantly. Our investment teams entered a period of heavy engagement with our clients to address their concerns, and we moved from theoretical regulatory stress-testing into real-time practice within the portfolios, with portfolio managers repeatedly conducting detailed modelling and analysis of stress scenarios across their investments.

Our Fixed Income teams were heavily in demand during the crisis, as credit markets were identified as among the most dislocated segments, and asset owners wished to speak to investors with perspective across the various credit markets globally.

We believe staying connected is one of the most important enablers of well-functioning markets.

Addressing climate change

Alongside Covid-19, we identified climate-related risks and opportunities as a specific area of focus given events tied to climate change and their impact on economies and global public opinion. In addition to our view that ESG-related factors should be assessed according to their financial materiality, we also consider the implications of climate change for carbon pricing, carbon taxes, and other fiscal or regulatory policies.

We address environmental issues (such as resource scarcity and climate change), social challenges (including poverty and human and labour rights abuses), and other sustainability-related issues in monthly investment committee meetings, including the economic implications and impact on growth and profitability across markets.

As a longstanding advocate for transparency in climate disclosures (see below under 'Contributing to industry initiatives'), we believe our efforts for meaningful climate disclosure will help prevent stranded assets and lead to faster decarbonisation than otherwise would have likely been the case, thereby contributing to efforts to avoid the discontinuous markets if such progress were not occurring.

Working with stakeholders to improve the functioning of financial markets

As a mid-sized asset manager, PineBridge is able to act as a 'practitioner participant' to promote the functioning of markets, a model in which portfolio managers, team leaders, and those who are actively involved in the day-to-day issues of managing client assets engage with industry bodies and other industry participants. This means we bring a true 'front line' perspective to the feedback and experiences we share. The following are several examples of different ways we have helped to promote the functioning of financial markets.

Client example: addressing liquidity challenges for pension funds in 2020

Mass unemployment due to Covid-19 led to regulatory actions in certain jurisdictions that made pension funds subject to early withdrawals. We partnered with clients to navigate their liquidity requirements and helped them to divest large positions in asset classes with traditionally lower liquidity, such as credit and small-cap equities, during a period of exceptional market volatility. We managed this process carefully to ensure that this trading activity did not disturb investors or the broader markets in which we were operating.

Industry example: backing Global Social Bond launch to support post-Covid-19 resilience-building programs

In March 2020, the World Bank's private sector arm, the International Finance Corporation (IFC), issued a US$1 billion three-year Global Social Bond to support resilience-building programs against Covid-19. The issuance was widely recognized as a historic transaction given challenging market conditions at the time. PineBridge's Global Fixed Income team championed the early funding of the inaugural Covid-19 social bonds and successfully invested in this innovative structure on behalf of eligible investors.

Innovation example: launched one of the first ESG funds in Taiwan

While ESG was well advanced in Europe, Oceania, and increasingly in North America, PineBridge has been using our Asian footprint to expand our focus in Asia, including developing an innovative ESG product. In January 2020, PineBridge launched one of the first ESG bond funds in Taiwan: a quantitative global credit exposure with sustainability at its core, and available to the retail market. With an extensive educational campaign in the local market, the fund raised more than $800 million in assets in its first year and won Asia Asset Management's award for Most Innovative Fund.[1]

[1]Source: Asia Asset, the Journal of Investments & Pensions. Best of the Best Awards 2021 Asia Asset Management. Winners announced in January 2021 and selectively profiled in the April 2021 pull-out Awards section of monthly *AAM* journal. Please visit: https://s3-ap-southeast1.amazonaws.com/i.aa.ievent.hk/upload/aa/files/Awards/2021%20Best%20of%20the%20Best%20Awards%20-%20Winners%20List.pdf. Last accessed 8 March 2021.

Contributing to industry initiatives

PineBridge believes in the value of industry partnerships and remains committed to advancing industrywide education and action related to a healthy market structure and advancement of ESG issues.

Counterparty relationships

Good market structure begins with the smooth exchange of assets, aided by effective price discovery and execution. Our investment teams have a strong relationship with their trading counterparties and engage with them regularly to review and discuss trade volume league tables, bid/offer spreads, trade success statistics, and investment research quality. Our Fixed Income teams have monthly broker data reviews that allow us to pool our collective feedback to pass on to the various counterparties.

This work to deepen relationships with counterparties and improve execution for our clients extends to efforts to make the counterparty ecosystem itself more diverse and competitive. PineBridge maintains a trading budget each year specifically allocated to minority-, women-, and disabled-owned brokers, underscoring our commitment to aligning our beliefs with our investment practice. We maintain a document listing our minority- and women-owned vendors and actively seek more opportunities to work with both brokers and vendors from non-traditional backgrounds.

HKSE Listing Committee

We were proud to see our Head of Asia ex Japan Equities join the Hong Kong Stock Exchange Listing Committee in 2019, which oversees and governs listings onto the HKSE, providing policy advice and approvals for significant changes to existing listings and applications for new listings. This appointment is a testament to the individual's proven skills as a portfolio manager, as an experienced local market participant, and as an investment expert across Asian equity markets.

Regulatory policy consultations

We also participated in regulatory policy consultations with entities such as the Monetary Authority of Singapore (MAS) Guidelines on Environmental Risk Management, as well as panels and events focused on green bonds and sustainable finance. We engage extensively with global regulators and industry bodies in the US, the UK, Ireland, Luxembourg, Germany, Malaysia, Singapore, Hong Kong, and Japan.

Sustainable investing initiatives

PineBridge is active in a number of industry organisations and is a signatory of several codes that aim to support the growth of sustainable investing, including the UN Principles for Responsible Investment (UNPRI), the UK and Japanese Stewardship Codes, and the UK Local Government Pension Scheme Code.

PineBridge is also a member of the Sustainability Accounting Standards Board (SASB) Advisory Group (with one of our senior investment personnel in a key spot chairing their Data Integrity Committee), the Transition Pathway Initiative, the Swiss Sustainable Finance Initiative, the Hong Kong Stock Exchange Listing Committee, and the Institutional Limited Partners Association (ILPA) Diversity in Action.

Thought leadership and active information exchange

Finally, we seek to contribute to the conversation around these industry issues by publishing and presenting our own thought leadership via internal and external channels. For example, in 2019 we participated in a live webinar forum on The Financial Materiality of ESG Factors for Fixed Income Investors, hosted by the UNPRI and SASB, where we explored the environmental impact of portfolio management through the lens of financial materiality. Similarly, as a contributor to the International Capital Market Association (ICMA) Climate Transition Finance Working Group, PineBridge helped align the climate strategies of issuer and investee companies with relevant transition pathways and sector-level carbon budgets.

We often use lessons from this information exchange and active industry involvement to refine our own portfolio approach. For example, we incorporated the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD):

- researching risk evaluation through scenario analyses; and
- employing implied carbon pricing to guide investment due diligence.

For a more detailed review of these efforts, please refer to our September 2019 white paper, "Building TCFD-Ready Portfolios with SASB's Framework," available in the Climate Disclosure Standards Board (CDSB)'s TCFD Knowledge Hub.

More information about our industry involvement can be referenced in Principle 10, Collaboration.

Principle 5: Review and assurance

Assessing our policies

PineBridge's active management ethos extends to all aspects of the firm, including the review of our policies and process assurance and our assessment of their effectiveness. We review all policies related to stewardship and proxy voting at least annually, and benefit from this proactive process of self-improvement. Here are just a few examples:

- PineBridge's Stewardship Committee meets with ISS, our proxy voting service provider, at least annually to review voting over the previous year against relevant metrics and to prepare for the upcoming proxy voting season, making tweaks as necessary. As part of this process, the Stewardship Committee meets with ISS periodically to discuss market trends and evolving best practices, evaluate how our votes compared with a group of peers we consider best-in-class, and update relevant policies as needed. We also periodically review the contract with ISS and compare its scope of and delivery of services with others in the market for various parts of the proxy voting and engagement value chain. To ensure proper oversight, at the end of each voting season we formally report to the Corporate Responsibility Steering Committee on our activities, improvements, and areas under consideration for further improvement.

- PineBridge maintains an engagement policy pursuant to the Shareholder Rights Directive, in the context of European listed equity investments. The engagement policy formalizes how we have long monitored and engaged with investee companies, exercised voting rights, cooperated with other stakeholders, and managed conflicts of interest. From 2021, we will review this annually and make disclosures against it annually. The engagement policy is located on pinebridge.com.

- PineBridge's European products are subject to initial product manufacturing analysis and a rigorous annual review process. This process aligns product design with target markets and distribution channels. For instance, our UCITS (Undertakings for the Collective Investment in Transferable Securities) product range is designed in every way to be appropriate for retail investors, whether advised or not, and wherever they may be located. It is a liquid product that provides easily understandable disclosures and high reporting transparency. By contrast, our institutional mandates and funds strategies sometimes require more market knowledge or are less liquid, and therefore should not be made available to retail investors. These outcomes are mapped to the product's underlying performance annually to ensure optimal stewardship for each type of investor.

- Finally, each subcommittee of our CRSC (Stewardship, ESG Investment, Diversity & Inclusion, and Company Responsibility) is charged with reporting to the CSRC verbally on a monthly basis and annually on a written basis, with formal reports on whether and how they are measuring up to their respective Terms of Reference, indicating any shortcomings and efforts underway to address potential weaknesses.

Assurance: our carefully honed approach

Internal assurance has meant bringing PineBridge's internal audit function to bear in assessing our stewardship's effectiveness in an annual risk-assessment and audit plan. The latter is designed to obtain an understanding of the key risks and controls of the processes/products/support areas and related systems being audited, evaluating their adequacy, and testing their degree of compliance with PineBridge's policies and procedures. In 2020, the audit plan included complete reviews of the collateralized loan obligation (CLO) products, the Research Enhanced Model, and Corporate Actions, as well as advancing reviews of the Global Valuation Process and ISO 27001 to the draft report phase. Crucially, one focus area in 2020 was the integration of ESG in Equities due diligence through the Equity Risk Assessment (ERA) framework.

The Audit Committee is hierarchically separated from the investment management business. PineBridge's internal audit team reports its findings at regular intervals to the firm's Management Committee and Audit Committee. The Global Head of Internal Audit reports directly to the Audit Committee of our Board of Directors, with an administrative reporting line to the CEO. The internal audit team is supplemented by a third-party audit provider.

In 2020, PineBridge also engaged Ernst & Young to conduct a Service Organization Control 1 (SOC-1) report on its global investment advisory operations processes for its debt, equity, and Hong Kong Alternative Investments businesses. The 2020 SOC-1 report assesses, among other things, PineBridge's corporate governance and oversight, integrity and ethical values, internal audit division, and compliance monitoring, including investment restrictions and guidelines, and corporate actions.

At the corporate level, we review, at least annually, the structure, remit, and staffing of PineBridge's Corporate Responsibility Steering Committee and various other committees and working groups. The CRSC evaluates the scope and effectiveness of each of the subcommittees (mentioned above). For instance, in response to the shifting stewardship, regulatory, data, and investor landscape, we believed 2020 was an ideal time to rethink how our committee structures supported evolving ESG and stewardship objectives. The Stewardship Committee led a consultative process from June through October 2020 that resulted in the development of specific working groups dedicated to delivering investment integration, standardized engagement and collaboration, reporting solutions, and engaging further with ISS on proxy voting guidelines and reporting.

Effectiveness of reporting

Our goal is to ensure that our reporting and other communications to clients are fair, balanced, and understandable for each type of client – a significant task for a firm with a broad scope of products and clients in numerous countries and with differing needs. To achieve this, our starting points are two key questions: what are our clients' expectations, and what are the regulatory requirements? We customize our client reports to meet clients' needs as necessary, and this may include reporting on our internal ESG rating and other measures of sustainability. We also provide full proxy voting records to clients as requested and as they pertain to client portfolios.

Regulatory expectations in relation to non-financial reporting are increasing, and PineBridge is evolving to meet those expectations on an ongoing basis. With the advent of the Sustainable Finance Disclosure Regulation (SFDR) in Europe, we are evaluating the detailed reporting requirements that will be required from 1 January 2022. The project to source, integrate, process, and report using the relevant non-financial data is underway as of the date of this report. Evolving regulations and client expectations – whether in Hong Kong, Singapore, or Japan, or the evolution of the European non-financial reporting framework – mean our reporting process and its oversight will be ongoing and will require continual adjustments.

Principle 6: Client and beneficiary needs

As mentioned in Principle 1, our clients include corporate and public pensions, insurance companies, sovereign wealth funds, intermediaries, and high-net-worth individuals across the Americas, EMEA, and Asia-Pacific regions. See Principle 1, Purpose, strategy and culture, for a snapshot of our clients and breakdown of our assets under management across asset classes, geographies, and channels.

Given the sophistication of this client base and to ensure we align with our clients' investment objectives, we discuss return objectives, risk budgets, time horizons, and reporting requirements as well as other client-specific goals at the outset, and incorporate them into a product, strategy, or separately managed account (SMA). Our business consists primarily of SMAs. Depending on the asset class, time horizons can vary; for example, we generally maintain a medium- to long-term horizon of three to five years for liquid strategies, and a longer horizon for closed-end alternative private equity strategies. Regardless, our primarily SMA structure with sophisticated clients and our customized approach help us to understand our clients' needs upfront.

We serve a wide array of mandates to accommodate clients' depth and breadth of ESG policies across jurisdictions. Key ESG considerations that routinely prompt exclusions include investments related to tobacco, cluster munitions, gaming, pornography, and any emerging controversial labor rights and environmental practices that are most likely to harm the reputation of a company or sector according to financial materiality.

Portfolio reviews: two way communications with our clients

We employ a regionally driven sales and client service model that aligns with local market needs and investor priorities. Clients have regular portfolio reviews with their dedicated relationship manager, portfolio managers, and senior members of the investment team. During these meetings, clients can have meaningful discussions with senior investment professionals to review their strategy, performance, and outlook and to ensure it is meeting their investment objectives.

Our client teams also use such meetings as well as periodic surveys to assess what our clients are telling us about their evolving priorities. We invite clients to relay questions, concerns, and opinions to their relationship management and investment team and welcome regularly scheduled conference calls to discuss strategy, performance, or account-related issues as necessary. Voting records are always available upon request, and investment examples often include not only discussions about the investment thesis, but also subsequent engagement with management. On this score, in 2020, strong regional differences emerged with respect to ESG. Our European clients continued to sharpen their focus on climate and preparing for SFDR, while our Australian partners homed in on modern slavery and our American clients elevated their focus on diversity issues.

These are reflected in notes in our SalesForce system and in reports to Senior Management and relevant portfolio teams to ensure that clients' voices are being heard and that their evolving priorities are attended to.

Principle 7: Stewardship, investment, and ESG integration

PineBridge believes an analytical approach that considers how companies seek to improve upon ESG issues can have a material impact on investment returns and risk mitigation over the medium to long term. In evaluating ESG issues, PineBridge recognizes that business models that improve upon their sustainability often create value which should be rewarded through a reduction in the cost of capital. We believe encouraging improvement in corporate ESG is more beneficial to all stakeholders than a mere rejection of the status quo. Change drives investment performance, and we believe our role as active managers is to encourage change through corporate engagement that seeks to enhance investment results. This analytical approach is at the core of our investment process across all asset classes.

A sustainable approach to investment

A sustainable approach to conducting business helps deliver results for all stakeholders, from companies, their employees, and their local communities to their investors. In aggregate, a sustainable approach to channelling investments has the power to create positive change globally.

We translate the degree of business sustainability into an investment risk, or opportunity, which we quantify through due diligence and incorporate into the valuation of securities for both debt and equity. Given the interrelationship between ESG factors and the strategic, financial, and risk expectations for a company, we fully integrate these factors in most of our investment strategies, and consider them for the remainder. Our proprietary due diligence frameworks across asset classes underscore our view that ESG should not be an "add-on" analysis, as it is for much of the industry. Rather, it is embedded into uniform, structured workflows from idea generation to portfolio construction and monitoring.

In-house ESG-scoring: forward-looking analytical frameworks

In most of our strategies which fully integrate ESG, we take a medium- to long-term perspective for our investments, seeking excess returns over benchmarks from security-level inefficiencies that result from the market's narrow focus on the short term while often mispricing the changes in companies over time. The ESG approach currently favoured by much of the asset management industry involves systematic scoring based on point-in-time data supplied by a plethora of vendors, which may often be inconsistent. At PineBridge, we take the opposite approach: our nuanced, forward-looking frameworks go beyond a company's current state and gauge its trajectory and improvement on ESG issues within a reasonable timeframe.

Research and data providers are chosen precisely because they can provide the raw information needed to support forward-looking views. Data providers are also used as a 'report card.' helping us to evaluate whether the ESG improvements we identified upfront actually occur. We seek to make ESG improvements more likely by engaging with company management for such changes, and if this does not work over time, we vote against the management. It is important to align one's stewardship in the engagement and voting stages with the upfront analysis, and this is what our in-house due diligence frameworks seek to achieve.

In-depth bottom-up analysis is the core of our investment processes

In most of our strategies which fully integrate ESG, our due diligence frameworks provide an assessment of where a company is traveling, and not just where it stands currently. Sound fundamental analysis that fully integrates ESG considerations can provide a view of how the business will evolve over time, and securities with favourable outlooks should be rewarded with higher valuations as these projections are realized.

Our due diligence frameworks typically group many analysis items under the headings of Quality of Governance and Leadership, Sustainability of the Business, and Financial Strength. Governance and Leadership quality is the cornerstone of our due diligence assessment, since effective strategy, execution capabilities, and corporate culture stem from strong management.

When assessing corporate strategy, we include the company's environmental and social strategy together with the commercial strategy given their interdependencies, particularly in the context of evolving regulatory requirements. Our analysis frameworks include a number of soft judgemental criteria for which no hard data exists, such as the reputation and the track record of the CEO and of the management team, since the best strategy cannot be successful without strong execution skills. We also incorporate materiality issues such as by reference to the SASB' Materiality Map by adjusting the raw scores for key material issues.

Our investment teams are bound by the due diligence analytical frameworks and the investment processes used within each of our asset classes, which are designed to ensure that there is no circumvention of the limits that are stipulated and that no shortcuts are taken in the workflow.

The forward-looking frameworks for due diligence contain many items for analysis, and even the highest-scoring company is unlikely to receive 'straight As' across the board. We use the framework's lower scoring items for the focus of our engagement with management, and we make the connection with our escalation processes to proxy voting as appropriate.

A consistent yet customized approach across asset classes

Our organizational structure results in a high level of consistency in our investment philosophy and process across our asset class teams. Unlike many of our competitors in the industry, we do not assign ESG responsibility to a silo-ed team. We believe that only focused investors who know the companies and the industries in which they belong can identify items, or have the credibility to press for change.

The high level of interaction that exists among our teams, together with the focused leadership for each asset class, ensure that our investment frameworks and workflows are followed consistently around the world. The thousands of company calls and meetings conducted each year with management teams at companies globally alert our investment teams to emerging issues before they're widely known, and we share these insights across asset class teams through regular meetings and specialist forums.

As active managers, our proposition to clients is that investment excellence flows from a clear and consistent focus on particular market inefficiencies, a culture and structure to generate ideas, and the ability to manage risks. Our clients hold us accountable to our investment mandates, and particularly our commitment to our investment objectives, and our investment philosophies and processes dovetail with those objectives. At PineBridge, our culture of collaboration extends beyond our investment teams to our clients as part of our goal to achieve the best outcome for asset owners. As a mid-sized firm, we can have a high degree of interaction with our asset-owners – a dynamic that is fast disappearing in the asset management industry as it consolidates to fuel its own profitability.

Priorities for assessing investments

From the asset owners, to ourselves as asset managers, and on to the issuers in which we invest, several priorities have emerged. PineBridge believes that the E, S, and G of ESG are equally important, but we see the following priorities within each pillar:

Environment

Since its inception in August 2019, our Corporate Responsibility Steering Committee has made the environment and climate change a priority by tasking two of its sub-committees to:

- take action to reduce our environmental footprint (under the Company Responsibility committee); and
- align our stewardship and engagement activities to support timely implementation of the TCFD recommendations (under the Stewardship committee).

The ESG Investment committee maintains oversight and sharing of best practices regarding the incorporation of environmental risks into portfolio decision-making over the investment horizon. The identification of climate-related impacts remains a priority in our journey as responsible investors and fiduciaries of our clients' assets.

i. Climate-related disclosures

In early 2020, the firm complied with step 1 of the TCFD reporting guideline by the PRI through the Climate Transparency Report of the 2019 PRI submission. Our firm continues to be an active supporter of the TCFD framework and was an early signatory of the Global Investor Statement to Governments on Climate Change (The Investor Agenda), which actively encourages alignment with TCFD recommendations.

ii. Climate scenario analysis

PineBridge follows a materiality-based evaluation of climate-related risks in our portfolio risk management process with respect to:

- assessment of climate resilience of portfolio holdings;
- assessment of reputational risk surrounding potential corporate complacency of investee companies on the matter of climate risk preparedness as well as emergency readiness (environmental as well as impact on local communities).

With respect to the first point above, in the case of developed market credit exposures, we follow in-house key risk indicators (KRIs) related to climate risk (i.e., greenhouse gas emissions, renewable energy programs, fuel economy, and low-carbon transition initiatives) in alignment with the SASB's guidance on environmental dimensions by sector.

With respect to the second point above, we conduct internal benchmarking analyses in alignment with the materiality portfolio risk framework. These rely on data analytics provided by RepRisk, a reputational and ESG risk provider, to augment due diligence efforts on ESG practices and business conduct. Among others, RepRisk indicators provide a real-time update on early warning signs of ESG risks, including climate-related risks within environmental, social, and governance dimensions. Our portfolio risk management process for sustainability risks relies on both longer-term and near-term evaluation of those emerging trends to address potential downside risk as well as investment opportunities in companies that are building enterprise value through climate resilience.

Governance and leadership

Consistent with the belief that issues associated with ESG factors can materially impact the performance of companies in which it invests, PineBridge’s investment teams seek to engage with investee companies on governance issues where relevant. The mechanisms for such engagement vary across asset classes. However, as part of our research processes within each asset class, our investment teams frequently spend time with senior-level management of the companies we are analysing, and this frequently includes discussions of how ESG issues could affect their businesses and potential investment performance. We believe that such discussions can help draw management attention to these issues and their importance to the investment community.

PineBridge utilizes Institutional Shareholder Services (ISS) to consult on and administer our proxy voting process. ISS scores are a by-product of their proxy services and address the social and governance components of ESG. ISS analysis is based on four pillars: 1) Board Independence, 2) Shareholder Rights, 3) Executive Pay, and 4) Audit Score. ISS covers 7,000 issuers and assigns Quality Scores from 1 to 10, with 10 the highest risk. ISS information is available to all Bloomberg subscribers. Our investment teams utilize this information in their analysis of companies and to facilitate meaningful engagement.

Stewardship in action

Within our investment processes, information gathered through stewardship frequently has an impact on buying, monitoring, and selling decisions.

Example: Brazilian Beef Sector

Within our Emerging Markets Fixed Income Corporates team, we have a strong example of engagement within the Brazilian beef sector, the world's largest beef export sector and an environmentally intensive industry. As investors in this sector, understanding the environmental risks has been crucial to our investment decisions and our interactions with management. The three largest issuers, which represent 70% of Brazilian beef production, committed in 2009 to a policy to prevent deforestations as a result of pressure applied from both the investor community as well as international organizations such as Greenpeace. Since then, our engagement has focused on the steps each company has taken to manage the environmental risks along their supply chains as well as the transparency of supply chain management. Progress along those fronts has enhanced our ability to analyse environmental risk, with an expansion of quantitative data regarding each company's breadth of supply chain coverage - in terms of hectares and the number of farms, investment toward improving management of environmental risks, pursuit of sustainable initiatives, and use of technology to ensure the integrity of environmental data along the supply chain. This, in turn, has had a major impact on which credits we have added, held, and sold out of in the relevant portfolios.

Although it can be a challenge to identify broad, forensic-level data to cover the breadth of the EM corporate landscape, data is available for investment managers who employ a strong bottom-up approach to fundamental analysis of ESG risk through strong stewardship. Before we add an issuer to our active coverage, we proactively screen the company for both availability and transparency of ESG-related data and disclosure. We consider all elements of financial condition and risk profile in our evaluation of ESG-related issues. These may include unrecognized regulatory and legal liabilities that may arise from environmental damage, and substantial changes in the economics of the business because of permanent increases in the costs of raw materials, energy, or labour. Our fundamental analysis of ESG risk includes, but is not limited to, carbon emissions levels, investment in environmentally friendly infrastructure, waste water management, investment in cyber security, commitment to operational workings of the company, and transparency of financial and operational data. In this case, while ensuring that our ESG risk analysis is firmly aligned with our firm's overall commitment to ESG, we view engagement with management as equally important to analysis of ESG data.

Principle 8: Monitoring service providers

PineBridge performs research and due diligence before entering into relationships with any subservice provider. Various key factors including governance are evaluated to assess compatibility with PineBridge operations prior to entering into a contract. The relationships with sub-service providers are monitored closely and reassessed periodically. These assessments are also included in our Global Risk Committee presentations.

Before choosing contracted service providers, PineBridge undertakes a thorough process of due diligence. Typically, this is driven by a request for proposal (RFP) sent to multiple vendors to ensure the capabilities of each potential provider are robust and that all internal control environments would meet our expectations. These controls would need to pass our audit standards to be considered for our business. The vendor selection process is driven by competitive bidding, which allows for vetting of costs and service levels. Before making a final decision, we will carry out an on-site visit if possible, or, at a minimum, will hold a meeting with the relevant parties at the vendor using the most appropriate technology to gain a further understanding of their capabilities. This meeting looks closely at the control environments built into the provider's business processes.

Proxy voting service provider oversight

In order to effectively discharge our fiduciary duty to exercise shareholder voting rights, PineBridge has developed internal proxy voting guidelines and custom policies to align with our ESG values. The policy customizations are reviewed and updated periodically to align with our ESG philosophy, including in key areas such as board membership/independence, executive remuneration, and climate change policy.

To make effective use of our resources, PineBridge has engaged a third-party vendor (ISS) to advise and assist us in developing our custom policies, and then to administer proxy voting on our behalf. At the end of each proxy season, the actual voting record is reviewed by our portfolio management and operations teams to ensure consistency with the stated guidelines, and completeness of votes cast. In certain instances, portfolio management may need to apply their specialized knowledge of the facts and circumstances and not just the prescribed voting policy. These step-outs are then reviewed collectively several times per year to ensure that portfolio managers in such events remain consistent with PineBridge's voting philosophy, and are acting in the best interests of our clients.

Furthermore, as referenced in Principle 2, Governance, resources and incentives, we established a Stewardship Committee responsible for defining and monitoring our proxy voting strategy and process. The committee – which includes members of senior management, portfolio management, and our Product, Compliance, Legal, and Operations teams – meets with the service provider annually to conduct a review of its voting recommendations versus peers. These annual meetings cover a range of issues, including macro and regulatory trends, policy updates, and peer analysis, as well as corporate developments, followed by a detailed discussion of specific issues, which informs our review of the proxy voting guidelines for the upcoming season.

While the annual review assesses the proxy vendor's adherence to voting guidelines and thoroughness of implementation, it is often a time to get their advice on new topics which will emerge for the coming voting season and to discuss how the community's thinking on various policies is evolving. This is a good chance to qualitatively review the quality of their research staff. Then, every several years we solicit other vendors to present to us. Comparing one's current vendor to the market as a matter of practice helps us to ensure our current choice remains best-in-class.

Additional controls and audit

PineBridge uses a sub-service organization to perform a range of functions, including, but not limited to, pricing, custody, administration, collateral management, and sub-advisory services to support our investment management operations. We also use vendor services to provide IT solutions (application hosting, application maintenance, and change services, etc.). PineBridge performs research and due diligence before entering into relationships with any sub-service provider, including evaluating various key factors to assess their compatibility with PineBridge operations. For instance, before engaging with a third-party vendor for proxy voting, PineBridge performed detailed due diligence of available service providers to ensure they met our requirements, taking into consideration factors including the value, scope, and coverage of their services.

PineBridge closely monitors relationships with sub-service providers and reassesses them periodically. We review the key vendors' SOC-1 reports annually to assess the design and operating effectiveness of the sub-service organization or vendor's control environment. PineBridge also reviews the Vendor Assessment Questionnaire (VAQ) completed by key vendors annually. This questionnaire, issued by PineBridge, is a self-evaluation of the information technology and business risks associated with conducting business with a third party or vendor. PineBridge also receives and reviews the Key Performance Indicators (KPIs) of the controls performed by the critical vendors. In addition, PineBridge conducts periodic service review meetings with key vendors to discuss outsourcing service activities and address any key questions or concerns.

PineBridge has Standards for Attestation Engagements No. 18 (SSAE 18) SOC-1 reports issued by Ernst & Young. The reports cover the suitability of the design and operating effectiveness of controls in relation to the outsourced functions and vendors. We recently issued a clean SOC-1 report with no material findings for the period covering 1 January 2020 through 31 December 2020.

We maintain custom policies with our third-party providers. For more information, please refer to Principle 12, Exercising our rights and responsibilities.

Principle 9: Engagement

At PineBridge, we believe change drives investment performance, and our role as active managers is to nurture change through corporate engagement to enhance investment results.

Identifying priorities

A company's board and management can influence nearly all aspects of the business and are key to our assessment of a company within our due diligence frameworks. Encouraging improvement in corporate governance through engagement is a key aspect of our investment philosophy and process, which look for the sustainability of a business over the medium to long term to generate superior investment returns. While our investment teams' mechanisms for such engagement necessarily vary across asset classes, we believe these discussions can draw management attention to relevant issues that are important to the investment community.

As a globally based and well-connected team of investment professionals, we harness information on best practices from around the world and around our firm to promote targeted improvements in corporate governance. We've found that management teams appreciate this form of 'consultivist' feedback, which may encourage companies to continue with current practices or at times advocate for change. Our firm's breadth and global reach makes it possible to collaborate across our investment teams, sharing knowledge spanning the world and across industries.

Our investment due diligence frameworks fully integrate ESG analysis in an end-to-end process as described in Principle 7. Because no company is likely to get 'top marks' across all the various assessment criteria, a key aspect of our due diligence framework is to identify items that need improvement or better disclosure. We do not assign a hierarchy of emphasis or prioritize certain items in our due diligence framework and generally disagree with the propensity to do so in much of the industry. Each situation is different, and our investment staff need to appreciate this to gain respect in our engagement. We do, however, take special note of the materiality of the various issues by reference to the SASB Materiality Map, a recognition that materiality varies greatly by industry.

As climate change is a firmwide priority, we have retained ISS's customized climate service, one of the first dozen firms to do so. This service helps to identify portfolio holdings where the current state of being for one of our investments is not at an acceptable level, and where management does not appear committed to an improved path, along with material disclosures that can be tracked to help us evaluate these situations. This is one of the many ways we ensure that we are actively engaging with portfolio holdings that may not be measuring up to the original investment thesis.

Our 'consultivist' approach

Engaging with companies in a consultivist dialogue with the objective of encouraging change can enhance our (and the capital markets') understanding of the business while helping management better understand evolving investor expectations. We believe a consultivist dialogue may better effect a positive outcome than the activist practice of prescribing remedies that short-term asset managers seeking quick returns often employ. Our investment professionals treat each meeting with top management as a valuable opportunity to provide feedback for improvement or to reinforce positive aspects of the company. This practice often enhances the company's longer-term sustainability, leading to a higher valuation of the security.

When bilateral engagement finds its limits, we will often discuss the relevant issues in large group meetings with the company and its top shareholders. We may also write to the board of a company expressing our viewpoints. In Equities, for instance, we exercise our shareholder rights on behalf of our asset-owning clients, ensuring that our investment philosophies are expressed through proxy voting policy customization on key issues. In Fixed Income, we believe it is important to maintain relationships with all issuers under active coverage. Our analysts have regular contact with company management teams and generally meet with each company one to three times per year at on-site visits, investment conferences, issuer roadshows, and other venues. We take an active approach to engaging with management teams on the ESG issues that are most relevant to the issuer's financial and operational sustainability. Although fixed income investors do not have equity voting rights, we have found that active engagement of bondholders can be effective in promoting increased awareness and responsiveness to ESG risks.

Example 1: Improving a textile company's environmental impact

Environmental impact is a key investment risk. Companies that lack a strategy to keep improving and have a poor track record relative to peers are likely to suffer competitive disadvantages, and they could face significant penalties that put their businesses at risk as environmental policies become more stringent globally.

PineBridge portfolio managers have engaged with a UK-based textile company to address the environmental impact of the textile and apparel industries, given the large amounts of water and energy used in textile manufacturing. The company is among the world's largest textile suppliers, with a relatively new CEO who is now focusing on the team's leadership to improve process efficiency. The company has embarked on a strategy to address these concerns by reducing waste and resource utilization through factory automation and supply-chain management that are unmatched by smaller peers. We believe further consolidation in the industry will lead to better resource utilization, and this company is likely to emerge as a key beneficiary through even greater scale and will improve its operating margins through higher efficiency, while reducing its environmental impact in this key industry.

Example 2: Engaging to create a forward-looking ESG ranking model

Our engagement efforts frequently have an impact on portfolio positioning because engagement is one of the key analytical processes for gathering intelligence on a given issuer. For instance, on our Emerging Markets Fixed Income team, the corporate analyst responsible for Turkish corporates attended an annual fixed income seminar in Istanbul and engaged with five banks and six corporate fixed income issuers over the course of one week. A specific and consistent process of posing nine ESG-related questions to each issuer led to the creation of a ranking model, which the team then produced and factored into portfolio positioning decisions. Typically, issuers with stronger ESG scores and positive forward-looking ESG 'trends' are assigned higher weights or concentrations in our portfolios.

Principle 10: Collaboration

PineBridge takes a collaborative approach to engagement both internally, among our various portfolio management teams, and externally, with our peers and industry associations. As active investors, we believe in the value of industry partnerships and remain committed to advancing industrywide education and action surrounding environmental, social, and governance issues.

Example 1: Raising awareness in a group meeting with leading shareholders of a mining products company

The mining products company has higher-quality products with a significantly longer lifespan. While the longer lifespan (and the higher cost) has not been a sufficiently high competitive advantage in the past, in the group meeting, our analyst raised the issue that mining companies are now seeking help with their environmental targets. The opportunity is to utilize the longer lifespan of the company's products as a way to reduce machinery replacements at mines, thereby lowering emissions in transportation of equipment for the mining company. We have seen that the company has indeed embraced this key advantage in their recent announcements.

Example 2: Raising awareness in a meeting with a water company on a governance issue

Short-term profits for a water company can be depressed even if the long-term profitability is attractive from the after-market sales if the company switches to an outsourcing business model, since revenues cannot be booked for an extended period while the project is being completed. Our analyst pressed the senior management of the company to overcome its focus on the short-term results and look to the long-term profitability, but also to provide enough disclosure to the market to help factor the long-term opportunity into the stock price. We are not shareholders of this company and are yet to see the company embrace our suggestion.

Thought leadership and case studies

We explore timely and relevant research topics and regularly author articles on a variety of ESG issues impacting the industry and our portfolios, across equities, fixed income, multi-asset, and alternative asset classes.

Industry presence

We actively participate in global industry discussions through working groups and formal and informal partnerships to help further progress the ESG conversation.

Signatory of:	Member of:	Participant in global industry discussions including:
UN Principles for Responsible Investment	Sustainability Accounting Standards Board Standards Advisory Group	G20 Global Summit, Karuizawa, Japan
UK Stewardship Code	Transition Pathway Initiative	UN Expert Group, New York, United States
Japan Stewardship Code	Swiss Sustainable Finance Initiative	IMF World Bank Annual Meetings, Washington, DC, United States
UK Local Government Pension Scheme Code	Hong Kong Stock Exchange Listing Committee	Global Investor Statement of Climate Change, Tokyo, Japan
	Institutional Limited Partners Association (ILPA) Diversity in Action	

The SASB Standards Advisory Group (SAG) is a standing committee of volunteer industry experts from corporations, financial institutions, and third parties that provide ongoing feedback on the implementation and use of the SASB standards, as well as emerging sustainability issues to be considered as part of the standard-setting process.[5] One of our senior investment staff chair's SASB's Data Integrity Committee.

The Transition Pathway Initiative (TPI) is a global, asset-owner-led initiative that assesses companies' preparedness for the transition to a low-carbon economy. The TPI is supported globally by more than 90 investors, including PineBridge, with more than $23.6 trillion in combined assets under management and advice.[6]

The Swiss Sustainable Finance (SSF) initiative strengthens the position of Switzerland in the global marketplace for sustainable finance by informing, educating, and catalyzing growth. The association, founded in 2014, has representation in Zurich, Geneva, and Lugano. Currently SSF unites 171 members and network partners, from financial service providers and investors to universities and business schools, public sector entities, and other interested organisations.[7]

[5] Source: https://www.sasb.org/standards/standards-advisory-group/
[6] Source: https://transitionpathwayinitiative.org/
[7] Source: https://www.sustainablefinance.ch/en/who-we-are-_content---1--1033.html

The Institutional Limited Partners Association (ILPA) Diversity in Action initiative, of which PineBridge was a founding signatory, brings together limited partners (LPs) and general partners (GPs) that share a commitment to advancing diversity, equity, and inclusion in the private equity industry.[8]

Principle 11: Escalation

We find exclusionary investing may fail to identify the potential good actors in segments that tend to lag in terms of ESG or other issues – companies that deserve to see their cost of capital favorably differentiated from others. Yet investing in such areas requires elevated investment diligence, sustained engagement, escalation when engagement does not appear to be working, voting against if necessary, and always explaining why to the portfolio company when we do – and finally, if all else fails, divesting. We believe this approach will lead to the most change. Escalation is an important step in the process.

ESG extends through the full life of the relationship with investee companies. Among other things, we review our Priorities for Assessing Investment annually, as described in Principle 7, Stewardship, investment and ESG integration, and our engagement and escalation are designed to deliver on these specific priorities related to environmental, social, and governance factors.

The key priorities for the firm's engagement and escalation are reviewed annually by a focus group of portfolio managers across all the asset classes. Experiences over the prior year are exchanged, we discuss changing priorities from our clientele and our firm's employees, and then share each other's experiences in driving engagement, including escalation. Although the precise approaches may vary by asset class and by geography (as you will see in some examples below), there is consensus not only around the fundamental principles of escalation (transparency, integrity, persistence, and use of the appropriate forum) but also the end goals.

In 2020, this joint working group between the ESG Investment and Stewardship Committees assembled in the context of the Covid-19 pandemic. The striking inequities highlighted by the Black Lives Matter movement were an area of focus, as well as the increasing evidence of devastating climate change juxtaposed with a diminishing timeline for action. While various teams maintained topics upon which to engage and escalate that were particularly meaningful for their asset classes, we all agreed that at a firm level, and at a minimum, all PineBridge investment personnel in the year ahead would engage and escalate for change on climate and diversity grounds.

We consider that part of our duty as good stewards is to amplify our voice by acting consistently on jointly established priorities. This led to procuring a service to bring us extra data on individual company climate profiles. At present, we are in the midst of doing the same to procure specialized data at the firm level on diversity grounds for 2021. Outside data is a starting point, not an answer, for those interested in evaluating change going forward.

We use a range of tools to achieve our objectives. These include in-depth analysis of publicly available materials, detailed fact-finding, consulting with experts, and sourcing third-party data, supplemented with proprietary analysis, discussions with management teams, and when it comes to ESG, sharing our insights with otherwise competitors. Within this framework, we use escalation strategically only after we engage and before we vote.

Most investee companies are highly responsive to our suggestions and welcome the open and ongoing dialogue we promote. We find that small and mid-sized companies need to be educated on many typical ESG issues, and they appreciate our doing so. Some companies provide data that we request, and hold periodic meetings with our analysts, ESG specialists, and activist portfolio managers. Forums are in place for two-way communication, often in collaboration with like-minded stakeholders.

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[8] Institutional Limited Partners Association is the only global organization dedicated exclusively to advancing the interests of LPs and their beneficiaries through best-in-class education, research, advocacy, and events. The goal of this initiative is to motivate market participants to engage in the journey toward becoming more diverse and inclusive by taking specific actions that advance D&I over time.

However, there are occasions when we need further information, need to address specific concerns with a company, or simply need confirmation that a company is taking a suitable approach to a priority or other item that we believe is key for the sustainability of the company's investment thesis. When that happens, we increase the level of engagement and may intervene more strongly in a carefully thought-out process, which varies by asset class.

Equities escalation

For equity investments, an ongoing forum between investors and management enables us to have an impact on stewardship and ESG outcomes. Our first approach is to arrange further meetings with management or, if this is difficult, with the company's advisors; in these meetings, we seek to work collaboratively with management to improve outcomes.

In India and Korea and parts of Asia, we make sure to be at the table when there is a significant issue by attending general meetings in person and vocalising our views to reach consensus with other investors and help to sway management. Annual general meetings (AGMs) provide us with an audience of not just the executives running the company, but the entire board of directors; in this way, if our view, suggestion, or idea is noteworthy, it could be implemented quite rapidly even if the executives have reservations. AGMs are attended by shareholders who really care about the company and thus provide an ideal platform to make our views public. If our ideas are in the interest of long-term shareholders, they will be magnified and place pressure on management to implement them (if they do not, someone else will point it out in the next AGM). Here are some examples:

- Our funds own a large cement company in India that had borrowed money in foreign currency and had not hedged it. We spoke at the AGM in front of the entire board and made them aware of the risks of an unhedged liability. Within a few weeks, the company had hedged the liability.

- We have been attending the AGM of an auto company for four consecutive years, and in every meeting we spoke about the need to focus on electric vehicles. The company has now launched them.

- We attended the AGM of a bank and highlighted its weakness in engaging with customers on social media. Management acknowledged this, and, more importantly, the board took notice of the same.

- We attended the AGM of another bank and highlighted the impact of changes in the retail payment space on their business. Management acknowledged this, and the board took notice as well.

- We attended the AGM of an engineering company and pointed out a qualification by the auditor. Following the AGM, one of the independent directors came to us and said they would personally look into it. The next year, the qualification did not appear.

In an equity context, if we cannot speak directly with management on a regular analyst call, our first step is to arrange additional meetings with company officers. We held one such meeting in November 2020 with the CFO of a US industrial company to highlight shortcomings in the quality of its periodic ESG reporting. Over the course of the meeting, it became clear not only that the company was willing to be more transparent, but that there were other opportunities as well. The CFO was unaware of the TCFD, and we were able to provide education about market expectations in this area. On top of this, the company has a positive story to tell as a result of its extensive recycling efforts, and we look forward to seeing the company's further progress toward improving its ESG reporting and credentials.

We engage or escalate with issuers in industries that tend to pollute or otherwise have poorer ESG or stewardship scores. For instance, we drove a conversation with one such issuer, and were able to leverage increasing pressure from the issuer's other investors, to drive our point. The issuer's treasurer was transparent about the company's recycling programs for packaging and the work it had started on the company's first annual sustainability report. The outcome was that the company's next sustainability report, expected to be published March 2021, will include metrics and align with SASB.

Fixed income escalation

In fixed income, we believe the best opportunity to positively influence ESG and stewardship outcomes is at the time the bond or loan is being marketed, in roadshows with other investors and arranging banks and other advisers. At this stage, when the deal is being formed, we can be involved in setting the terms of the deal by communicating clearly our ESG preferences, as outlined in an example below relating to an issuer in Singapore.

Frequently in the fixed income market, we escalate by expressing concerns through a company's advisors. This typically happens when the issuer is raising new financing through the public debt markets. The Fixed Income investment teams provide valuable feedback not only on credit fundamentals, but moreover on any management shortfalls in information and transparency. These factors can have an influence on the issuer's funding costs and are therefore a direct form of escalation. The roadshow process lends itself to this type of outcome, and also enables institutional investors to apply pressure as a group.

Intervening jointly with other investing institutions can be a powerful escalation tool. Issuers in the public markets are expected to attend investor conferences and roadshows attended by groups of investors. These often lead to escalation if investors agree that a shortfall exists and formal petitions on climate change targets, for example, can be presented to the issuer.

Increasingly we are seeing investor escalation resulting in more specific target-setting from issuers. One recent example is a Singapore-based urban design, infrastructure, and managed services consulting firm that was issuing a Sustainable Development Goals (SGD) bond. We have seen many green, sustainable, even 'blue' bonds being issued in the market, but this issuer took it one step further and offered to pay investors a 'premium payment' of 0.75% at maturity should external auditors deem that it had not met its sustainability targets. Stated targets include fulfilling a 10% reduction in greenhouse gas emissions per full-time employee by fiscal year-end 2029 and reaching net-zero carbon emissions at the main company campus by 30 August 2030. As investors, this also gives us more assurance that the proceeds are being put to 'green' use in accordance with what has been marketed.

Finally, our investment teams reserve the right to not acquire, or even to divest of, an equity or fixed income holding if we deem it necessary, providing full disclosure to the issuer or its advisors. This occurred recently when a Turkish financial institution failed to convince our EM Fixed Income investment team that the use of proceeds for a newly issued 'sustainable bond' was sufficiently sustainable. Of course, this form of escalation is a last resort and not the outcome either side would desire. However, we believe it is important to be wholly transparent about such outcomes, which may act as a deterrent and apply further pressure on issuers to do the right thing.

Principle 12: Exercising rights and responsibilities

The Stewardship Committee, which comprises members of senior management, portfolio management, and our Compliance, Legal, Product, and Operations teams, is responsible for defining and monitoring the company's proxy voting strategy and process. The committee evaluates and maintains the proxy voting procedures and guidelines contained in the company's proxy voting and stewardship policy and is also responsible for gathering members from the various teams periodically to discuss engagement, share best practices, and monitor this activity.

The committee is charged with establishing overall voting policies that are in the best interests of our clients, as well as in assuring that the investment beliefs and practices employed by our investment teams (fundamental, forward looking, medium term) when evaluating investments – particularly with respect to our integration of ESG and engagement – are harmonised with and reinforced by our voting policies. Our key ESG priorities across the firm and across asset classes are climate and diversity. While our full voting policies are 82 pages in length, where we differ from ISS we are more stringent on non-performance-based compensation, and with larger firms that are no longer in an entrepreneurial state, on dilution via stock options. We are also focused on CEO compensation relative to peers in the context of performance, and in relation to the median employee at their firm. Beginning in 2020, we also became more stringent in votes related to climate issues, and we currently have a 2021 workstream to do the same with respect to diversity. These are particular areas in which our policies will be more stringent than those of the proxy advisor and the peer group we compare ourselves to.

In carrying out these duties, the committee coordinates with the company's investment teams to ensure that an issuer's ESG practices are considered in the proxy voting context and must strictly adhere to fiduciary standards and comply with applicable securities laws and best practices, including but not limited to the implementation of recommendations and standards of the Shareholder Rights Directive II, the UK Stewardship Code, and the Task Force on Climate-Related Financial Disclosures.

Policies are maintained for all issues expected to come forth on proxies. We formally review those from the prior season at least annually, since best practices evolve over time. The committee periodically assesses voting activity to ensure the company's voting practices are consistent with the policy, and it reports to the Corporate Responsibility Steering Committee concerning its activities, either orally or in writing, at regular meetings of the CRSC, or at other times or occasions as the chair of the CRSC determines. The committee is also responsible for evaluating the performance, pricing, and ongoing engagement of our proxy voting service provider(s).

Proxy voting policies and procedures

PineBridge views proxy voting as an important right of shareholders such as our clients, and we take reasonable care and diligence to ensure such rights are properly and timely exercised. As a fiduciary for our clients, we must vote proxies in each client's best interest.

As a registered investment adviser that votes (or delegates the voting of) securities held in client portfolios, PineBridge has implemented proxy voting procedures that are reasonably designed to help ensure that a) PineBridge votes proxies in the best interest of its clients; b) describes its proxy voting procedures to its clients; and c) discloses to clients how they may obtain information on how PineBridge voted their proxies. These procedures are designed to help PineBridge manage material conflicts of interest. While PineBridge must disclose its votes upon request to clients, no public disclosure is required. (Note that disclosure is required for any mutual funds advised by PineBridge, on SEC Form N-PX.).

PineBridge does not engage in securities lending. We believe the vote has value, and with today's low interest rates, the risk of not receiving shares back in time to vote is not adequately compensated.

Recordkeeping

PineBridge must retain (i) these proxy voting policies and procedures; (ii) proxy statements received regarding client securities; (iii) records of votes it casts on behalf of clients; (iv) records of client requests for proxy voting information; and (v) any documents prepared by PineBridge that were material to making a decision on how to vote, or that memorialized the basis for the decision. We may rely on proxy statements filed on EDGAR (the Electronic Data Gathering, Analysis, and Retrieval system of the SEC) instead of keeping our own copies and rely on proxy statements and records of proxy votes cast by PineBridge that are maintained by contract with a third-party proxy voting service or other third party.

Proxies of shares of non-US corporations

PineBridge has implemented general voting policies with respect to non-US shares owned by clients. However, although US companies must give shareholders at least 20 days' advance notice to vote proxies, some non-US companies may provide considerably shorter notice or none at all. PineBridge is not required to 'rush' voting decisions to meet an impractical deadline, and as a result, PineBridge or our affiliates' regional designees under certain circumstances may not vote certain proxies. In addition, certain non-US regulations impose additional costs to a portfolio that votes proxies, and PineBridge will take that into consideration when determining whether to vote. Despite these hurdles, of the 2,921 voting meetings that required votes to be cast, we were able to deliver those 98.56% of the time.

In the case of a material conflict between our own interests and those of our clients, PineBridge will take steps to address such conflicts (which may include consulting with counsel) and will attempt to resolve all conflicts in the client's best interest.

Voting process

All geographies, funds, and separate accounts adhere to the firm's voting guidelines. Certain countries contain separate voting codes, and in these cases our intent is to lean toward our own views on global best practice while not getting too far ahead of established precedent in an individual country. Yet all such country-level policy codes are determined between the committee and ISS, often after consultation with our colleagues from various countries.

Individual clients can opt out of having PineBridge vote on their behalf, and vote all of their proxies on their own. Fund platforms often choose to vote their own proxies for consistency across their platforms.

PineBridge maintains its own customized voting policies, which are numerous. To bring the best expertise to this fiduciary task, the Stewardship Committee has retained ISS to assist us in developing and maintaining our customized policies. This involves reviewing the rationale behind ISS's starting point on each voting principle, surveying how other critical thought leaders and asset managers vote the issue, reaching out to our specialists for input, and debating within the committee before establishing a policy on how that issue will be voted for all proxies containing the issue. These deliberations crystalize in specific voting codes that we give to ISS, which then executes our custom-designed policies on our behalf. On matters of principle, we maintain voting codes for all such issues expected to come up on one of the 33,015 proposals we voted in 2020 over numerous countries, funds, and separate accounts.

Some proposals cannot merely consider principle, and must take into consideration the facts and circumstances. Corporate actions are good examples: For these sorts of proposals, ISS is directed to refer the items to the lead Portfolio Manager. When that is ambiguous, the request goes to our Manager of Operations, a committee member who will work with the Head of Equities to determine which equity professional is best suited to vote the issue at hand on behalf of all portfolio managers and clients of PineBridge. In doing so, they are armed with a report written by ISS on the issue, explaining various points of view (the Shareholder Proposal view, management view, and ISS view). They will often consult with the committee to understand our policies and are then expected to incorporate their knowledge of the company and industry and to vote in the best interests of our clients.

While integrating ESG in a forward-looking manner, once we purchase securities on behalf of clients, we look for improvement by portfolio companies. In seeking such, our approach to stewardship is to engage first, vote against second, and divest only when we do not find management themselves engaged on the issue, transparent, and committed to improvement on ESG grounds.

Fixed income stewardship

In Fixed Income, our investment process involves rigorous analysis of each issuance's Offering Circular and supporting documentation. This includes, among other issues:

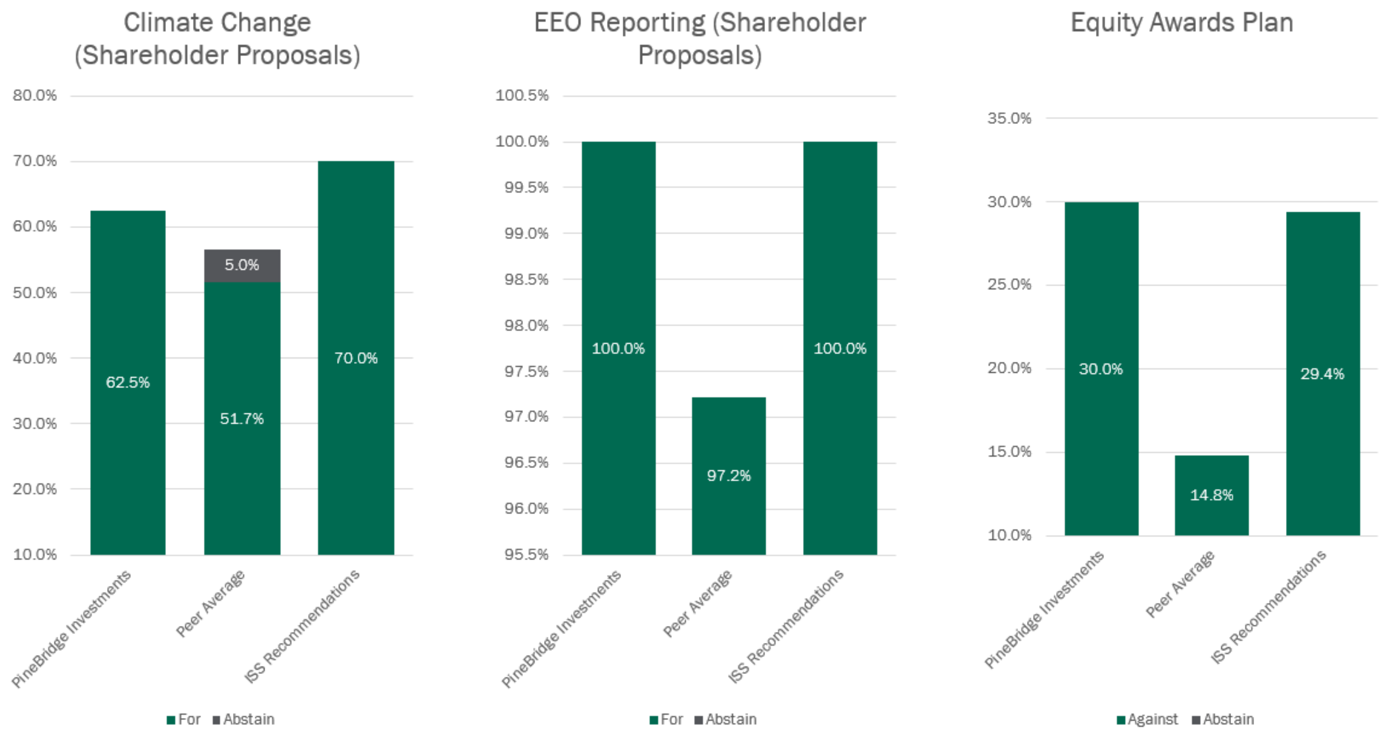
- terms and conditions of the offering
- financial information
- the various risk factors

- use of proceeds
- capitalization
- management's discussion and analysis of the financial and operational results
- a review of the overall industry sector
- analysis of the management, principal shareholders, related-party transactions, relevant sustainability targets, taxation considerations, and listing information

The investment teams have frequent engagement with the issuers and invest only in issuers that have a high level of transparency and access to information provided in the trust deeds. All documents are stored in our internal research databases. In issuance-oriented meetings, we do speak up to ensure that ESG-related issues are properly taken into consideration in pricing. The investment teams also have a Corporate Actions Process operated by StateStreet, which flags any amendments to the terms and conditions, and a formal process is in place that requires the approval of the dedicated analyst as well as the portfolio management team.

Below is a brief synopsis of our 2020 voting record:

Proxy Voting Summary Highlights: Votes Cast Different Than Management in 2020



Source: ISS. The peer average displayed reflects six large, global asset managers provided by PineBridge's proxy voting service, ISS.

Voting Statistics 2020

For further details, please refer to our 2020 Voting Summary in the pdf provided.

	Total	Percent
Votable Meetings	2,921	
Meetings Voted	2,879	98.56%
Votable Ballots	16,001	
Ballots Voted	15,357	95.98%

			Management Proposals		Shareholder Proposals	
	Total	**Percent**	**Total**	**Percent**	**Total**	**Percent**
Votable Proposals	33,015		31,916		1,099	
Proposals Voted	32,529	98.53%	31,441	98.51%	1,088	99.00%
FOR Votes	29,441	89.17%	28,666	89.82%	775	70.52%
AGAINST Votes	2,626	7.95%	2,324	7.28%	302	27.48%
ABSTAIN Votes	304	0.92%	293	0.92%	11	1.00%
WITHHOLD Votes	121	0.37%	121	0.38%	0	0.00%
Votes WITH Management	29,211	88.48%	28,407	89.01%	804	73.16%
Votes AGAINST Management	2,510	7.60%	2,244	7.03%	266	24.20%

Source: ISS. Note: Instructions of Do Not Vote are not considered voted; Frequency on Pay votes of 1, 2 or 3 Years are only reflected statistically, where applicable, but present in the underlying detail; and in cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted may be higher than unique proposals voted.

Global Disclosure Statement

PineBridge Investments is a group of international companies that provides investment advice and markets asset management products and services to clients around the world. PineBridge Investments is a registered trademark proprietary to PineBridge Investments IP Holding Company Limited.

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Risk Warning: All investments involve risk, including possible loss of principal. If applicable, the offering document should be read for further details including the risk factors. Our investment management services relate to a variety of investments, each of which can fluctuate in value. The investment risks vary between different types of instruments. For example, for investments involving exposure to a currency other than that in which the portfolio is denominated, changes in the rate of exchange may cause the value of investments, and consequently the value of the portfolio, to go up or down. In the case of a higher volatility portfolio, the loss on realization or cancellation may be very high (including total loss of investment), as the value of such an investment may fall suddenly and substantially. In making an investment decision, prospective investors must rely on their own examination of the merits and risks involved.

Performance Notes: Past performance is not indicative of future results. There can be no assurance that any investment objective will be met. PineBridge Investments often uses benchmarks for the purpose of comparison of results. Benchmarks are used for illustrative purposes only, and any such references should not be understood to mean there would necessarily be a correlation between investment returns of any investment and any benchmark. Any referenced benchmark does not reflect fees and expenses associated with the active management of an investment. PineBridge Investments may, from time to time, show the efficacy of its strategies or communicate general industry views via modeling. Such methods are intended to show only an expected range of possible investment outcomes, and should not be viewed as a guide to future performance. There is no assurance that any returns can be achieved, that the strategy will be successful or profitable for any investor, or that any industry views will come to pass. Actual investors may experience different results. Information is unaudited unless otherwise indicated, and any information from third-party sources is believed to be reliable, but PineBridge Investments cannot guarantee its accuracy or completeness. This document and the information contained herein does not constitute and is not intended to constitute an offer of securities or provision of financial advice and accordingly should not be construed as such. The securities and any other products or services referenced in this document may not be licensed in all jurisdictions, and unless otherwise indicated, no regulator or government authority has reviewed this document or the merits of the products and services referenced herein. This document and the information contained herein has been made available in accordance with the restrictions and/or limitations implemented by any applicable laws and regulations. This document is directed at and intended for institutional and qualified investors (as such term is defined in each jurisdiction in which the security is marketed). This document is provided on a confidential basis for informational purposes only and may not be reproduced in any form. Before acting on any information in this document, prospective investors should inform themselves of and observe all applicable laws, rules and regulations of any relevant jurisdictions and obtain independent advice if required. This document is for the use of the named addressee only and should not be given, forwarded or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

Country Disclosures:
Australia: PineBridge Investments LLC is exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 (Cth) in respect of the financial services it provides to wholesale clients, and is not licensed to provide financial services to individual investors or retail clients. Nothing herein constitutes an offer or solicitation to anyone in or outside Australia where such offer or solicitation is not authorised or to whom it is unlawful. This information is not directed to any person to whom its publication or availability is restricted.
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