



## RESPONSIBLE INVESTMENT POLICY

Signatory of:



### OVERVIEW

As a fiduciary, Fort Washington's clients are at the forefront of all we do. We believe in repeatable processes that balance risk and return while adhering to the policies and framework set forth by each individual client. Fort Washington utilizes a variety of mechanisms and sources of information to carry out our investment practices.

### FORT WASHINGTON'S APPROACH TO RESPONSIBLE INVESTMENT

Notably, we incorporate metrics related to environmental, social, and governance (ESG) factors, which complement our overall evaluation of risk and potential future returns. Through an analysis of these factors, we strive to proactively identify and address potential risks, providing us with a holistic understanding that goes beyond conventional financial metrics.

We believe that ESG metrics offer insights that traditional financial metrics may overlook, which includes considerations such as susceptibility to legal action within a dynamic regulatory landscape or exposure to reputational and brand risks associated with various governance issues.

By integrating ESG metrics with traditional financial analysis in our investment risk assessment, we strive to achieve a more comprehensive and holistic perspective on both the risk profile of individual companies and the overall portfolio.

### INCORPORATING RESPONSIBLE INVESTING

We work closely with our clients to understand their responsible investment preferences and construct portfolios for them accordingly. ESG goals, values, and risk tolerance ultimately shape the investment policy statement for the client. Fort Washington then seeks to maximize return while minimizing risk within the framework of the investment policy statement.

Additionally, Fort Washington integrates ESG factors into our investment analysis to understand exposures to ESG risks at the individual security level, portfolio level, and overall strategy level. This is done as a part of our comprehensive risk management program that aims to ensure that investment decisions at Fort Washington are based on a thorough assessment of risk-adjusted return. Some examples of factors potentially considered include:

**Environmental Factors** – Climate change, resource depletion, renewable energy sourcing, waste, pollution and deforestation.

**Social Factors** – Working conditions, discrimination, diversity policies, labor abuse, child labor, health and safety, alcohol and weapons.

**Governance Factors** – Executive pay, bribery, corruption, political lobbying and board diversity/structure.

Reporting on ESG metrics is provided regularly to the firm's Responsible Investment Committee as well as its Risk Management Committee. Among the information included in the data is a description of all firm-wide holdings with an ESG rating of CCC, as well as metrics from MSCI regarding the ESG characteristics of each investment strategy.

At the individual strategy level, investment teams throughout Fort Washington have tailored approaches to applying ESG factor analysis into investment decisions. They integrate responsible investing practices into portfolios for clients who prefer to include their organizational and/or personal values in their investment policy statement.

### **Integration of MSCI ESG Metrics**

An ESG Portfolio Summary Report, generated by MSCI ESG Research, is distributed to Fort Washington's Portfolio Managers on a monthly basis. These reports assess the positioning, exposures, and risks on an absolute basis as well as relative to strategy benchmarks. The reports provide metrics and analysis at both the portfolio level as well as at the individual security level. The Portfolio Managers review these reports to enhance their knowledge of the strategy composition and identify any material ESG risks that may impact their investments.

If a portfolio management team invests in a security rated CCC by MSCI, the covering analyst writes a memo rationalizing our decision to hold the investment. This memo is written and retained as part of our fiduciary duty. It also is reviewed by Fort Washington's Responsible Investment Committee members.

### **Integration of Morningstar Metrics**

Fort Washington employs positive screening on behalf of investors seeking to construct a portfolio consistent with their ESG values. Our Private Client Group constructs multi-strategy portfolios of mutual funds and exchange-traded-funds that commit to sustainability as an investment objective in their prospectuses.

Based on the investment policy developed with the client, each portfolio asset class is screened to seek external strategies that adhere to an ESG mandate. The due diligence selection process is both quantitative and qualitative. The process leverages Morningstar's sustainable investment metrics to screen managers and concludes with Fort Washington's Due Diligence Committee. The Committee comprises senior leadership and asset class specialists who interview the fund manager. These interviews include wide ranging discussions on how the strategy measures and incorporates responsible investing into their investment approach.

### **Integration of ESG Metrics within Due Diligence**

Fort Washington's private equity division, FW Capital, believes in a thorough, research-driven approach to assessing risks and opportunities. Investment managers ask deal-specific, ESG-related questions as part of their formal due diligence when evaluating new investments. ESG matters are also included in due diligence questionnaires utilized to monitor existing positions. A deep understanding of ESG issues associated with private deals can enhance our understanding of potential risks.

### **Exclusionary Screening**

Fort Washington has managed exclusionary or negative screens (elimination of companies) for client portfolios since the firm's inception. Our process incorporates exclusionary screens, an assessment of ESG factors, and other client-specific investment guidelines, allowing us to uphold standards that are important to our clients.

Negative screens can vary from client to client and reflect what is important to investors by ensuring that companies participating in specific business activities are not included in portfolios. The most common exclusions are companies that supply, manufacture, and/or distribute alcohol, tobacco, and weapons. Impact investors may screen out companies that derive a certain amount of revenue from fossil fuels. Clients with social objectives often screen out companies that engage in for-profit activity in countries with a history of human rights violations while faith-based clients may seek to exclude companies that participate in stem-cell research. We work with each client's specific wishes as communicated to Fort Washington or as defined in their Investment Policy Statement.

## **RESPONSIBLE INVESTMENT GOVERNANCE**

Given the complex nature of the ESG landscape, Fort Washington has established a Responsible Investment Committee to govern activities associated with ESG topics.

The Responsible Investment Committee was established in 2017 and is comprised of senior leaders in the organization and members from all areas of the company. The Committee establishes responsible investing policies and procedures, ensures they are documented and followed, and enhances responsible investment awareness across the firm.

Additionally, the Responsible Investment Committee provides an open forum to discuss ESG topics allowing for perspectives to be heard from members of all departmental units. During formal semi-annual meetings, and intermittent ad-hoc meetings, committee members will determine where and how to allocate resources to help build the capabilities necessary to effectively manage ESG issues.

## SUMMARY

This policy reflects our approach to integrating ESG considerations into our investment processes and aligning portfolio construction with the values and preferences of our clients. As a fiduciary, our clients are central to our decision-making. Fort Washington works closely with clients to understand their responsible investment preferences, values, and risk tolerance. Client input shapes the development of customized investment policies and portfolios that align with their ESG goals.

To effectively facilitate the implementation of responsible investing practices and expand our understanding of investment risks, Fort Washington has established a Responsible Investment Committee. Regular reporting on ESG metrics is provided to the Responsible Investment Committee, Risk Management Committee, and individual portfolio management teams. This reporting includes metrics on all firm-wide holdings, providing insights into the ESG characteristics of each investment strategy.

Fort Washington is committed to ongoing education and training for our associates to stay informed about evolving responsible investing practices. We regularly review our approach to ensure we achieve our mission of providing clients with proactive, strategic financial advice, decisive action, and a commitment to excellence.



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