

LEADER IN SPECIALTY  
FIXED INCOME

---

# Responsible Investing Policy

2026



## Table of Contents

**INTRODUCTION**

**HISTORY & COMMITMENTS**

**STEWARDSHIP**

**INTEGRATION APPROACH**

**CLIMATE**

**ROLES, RESPONSIBILITIES, AND OVERSIGHT**

**CONTINUING EDUCATION**

**GLOSSARY OF TERMS**

### Introduction

MacKay Shields is a boutique investment firm focused on providing investors with specialty fixed income expertise across global fixed income markets. Our dedicated teams of specialists create customized solutions backed by disciplined research and a commitment to delivering long-term value for our clients. The MacKay Shields client experience provides investors with direct access to senior investment professionals.

This policy sets out our approach to Responsible Investing (RI) and our investment teams' risk management focus within the sustainability integration process. As all asset classes are not created equal when it comes to environmental, social and governance (ESG) data and application, we retain discretion to apply certain aspects of this policy to a greater or lesser extent depending on relevance, data availability, investment time horizon, and client objectives.

Each investment team at MacKay applies its own distinct process and experience to add value across capital markets. As such, each team considers material sustainability-related risks and opportunities alongside traditional factors that reflect the character of each asset class and investment style.

### PHILOSOPHY

Our mission is to provide a value-added experience to our clients through a combination of research-driven security selection, asset allocation, risk management and client service. As fiduciaries entrusted to act in our clients' best interest, we believe that consideration of material sustainability-related factors may have an impact on long-term investment performance and, therefore, can be an important component of disciplined investment research and management of client portfolios. As active managers and lenders of capital to the issuers in which we invest, we believe that engaging in active dialogue with the issuers in which we invest is an important component of our investment process.

## History and Commitments

Our responsible investing journey has kept pace with our clients’ evolving goals and priorities. MacKay Shields’ path has advanced through becoming a signatory to the PRI, investing in additional data resources as well as dedicated full-time staff, contributing to industry working groups, and developing actively managed sustainability-focused mandates for certain clients.

2015	2016	2018	2019	2021	2022	2023	2024-2025
Established initial framework for proprietary ESG analysis	Became a signatory of UN PRI	Appointed RI Director, Procured external ESG data	Established RI Advisory Committee	Became a TCFD Supporter, Expanded RI team, Launched first sustainability product	Built RI Resource Center	Expanded data capabilities to include SFDR PAI data	Developed data capabilities for financed emissions and net zero analysis for certain client mandates

### Delivering Value



We commit to delivering value. As stewards of our clients’ assets, our goal is to help clients reach their investment objectives. As an investment advisor, it is our duty to respect our clients’ investment autonomy, to understand all the elements of value they aim to receive from their investment managers, and ultimately to act in a way that reflects the best interests of each of our clients. Our clients may request the inclusion of sustainability objectives in a variety of ways such as norms-based screening, exclusions on certain business practices, or the inclusion of specific regulation-mandated ESG data. We believe it is our duty to identify the most appropriate tools and resources to manage these objectives, and to ensure a mutual understanding of the potential impact of such screens and exclusions on the investible universe and therefore performance across various market cycles.

### Transparency



We commit to transparency. As part of our commitment to the PRI, we report on our responsible investing activities on an annual basis and make the resulting transparency report available publicly on our website. Our commitment to transparency overlaps with our commitment to delivering value through the construction of bespoke client reports. As a pillar of our teams’ engagement efforts, we encourage disclosure and transparency on material sustainability-related risks with the issuers in which we invest. We believe engagement is a sensible path to influence best practices and we therefore prioritize constructive dialogue over exclusion or divestiture to empower outcomes that align with enhanced risk management and transparency. Reviews of our RI policies are conducted annually, though updates may not be necessary on such a frequent basis. All MacKay Shields’ Responsible Investing policies are available on our public website. Finally, our parent company, New York Life, also publishes an annual Corporate Responsibility Report to which we contribute.

### Collaboration



We commit to collaboration. In efforts to promote Principle 5 of the PRI, which states that we will work together to enhance our effectiveness in implementing the Principles, MacKay Shields seeks to collaborate across teams internally, when appropriate, and also with external stakeholders. For example, our professionals have contributed to PRI-led white papers on sustainability integration in specific asset classes; co-authored multiple sustainability oriented papers that are part of the CFA curriculum (Levels 1 and 2); are active members in industry working groups such as the Credit Roundtable, the CFA Institute’s Standards of Practice Council and the Emerging Markets Investors Alliance (EMIA); and participate in sustainability-focused investment panels and webinars. Additionally, our RI team collaborates regularly with their counterparts within the New York Life Investments family to discuss industry updates and developments within the firm.

## Stewardship

Our investment teams collaborate with issuers, trading partners, data vendors, and industry peers on sustainability-related matters to develop their knowledge and share ideas about best practices in risk mitigation. Our teams also regularly engage with clients to ensure we are delivering on their objectives as they define them.

As RI is integrated throughout our business, we believe a multi-stakeholder approach to engagement is the best way to deliver on our clients' goals and objectives. Depending on the relevance to investment and suitability for the mandate, we may collaborate with the following stakeholders:

**Issuers** | Each investment team has developed a process for conducting engagements that is consistent with its broader investment process and philosophy, as outlined in each team's Responsible Investing policy. A consistent theme throughout many of our engagements concerns material risks that arise from issues related to governance, and conduct relating to human rights, labor rights, and the environment, as outlined in foundational multi-lateral agreements such as the UN Global Compact, UN Guiding Principles on Human Rights, and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

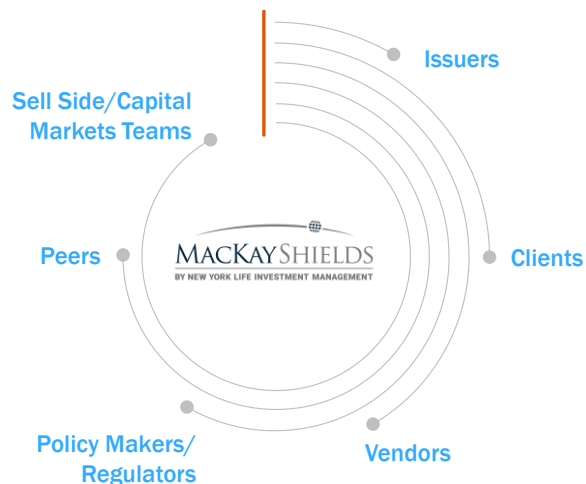
**Clients** | Our client portfolio managers, client service personnel, and Director of RI work with our clients to ensure we understand their objectives and collaborate on the best ways to achieve them. We may also collaborate with our clients to engage with issuers on sustainability objectives unique to their portfolios.

**Vendors** | Our investment professionals and data specialists work with third-party data providers to offer insights we feel may be missing from the provider's assessment, inquire about the inclusion of uncovered issuers in their ratings assessments, and offer feedback on the development of new products.

**Policy Makers/Regulators** | MacKay Shields' policy engagement occurs through our parent company, New York Life Insurance Company, and its Office of Governmental Affairs, which monitors and influences state, federal and international legislative and regulatory activity on behalf of New York Life and its subsidiaries.

**Peers** | Our investment and non-investment staff participate in industry events with our peers that foster collaboration and information sharing to help advance PRI goals.

**Sell-side Capital Markets Teams** | Our investment teams engage with sell-side capital markets teams to foster transparency and dialogue between investors and issuers on trends in the sustainable finance market.



## Integration Approach

### INVESTMENT TEAM AUTONOMY

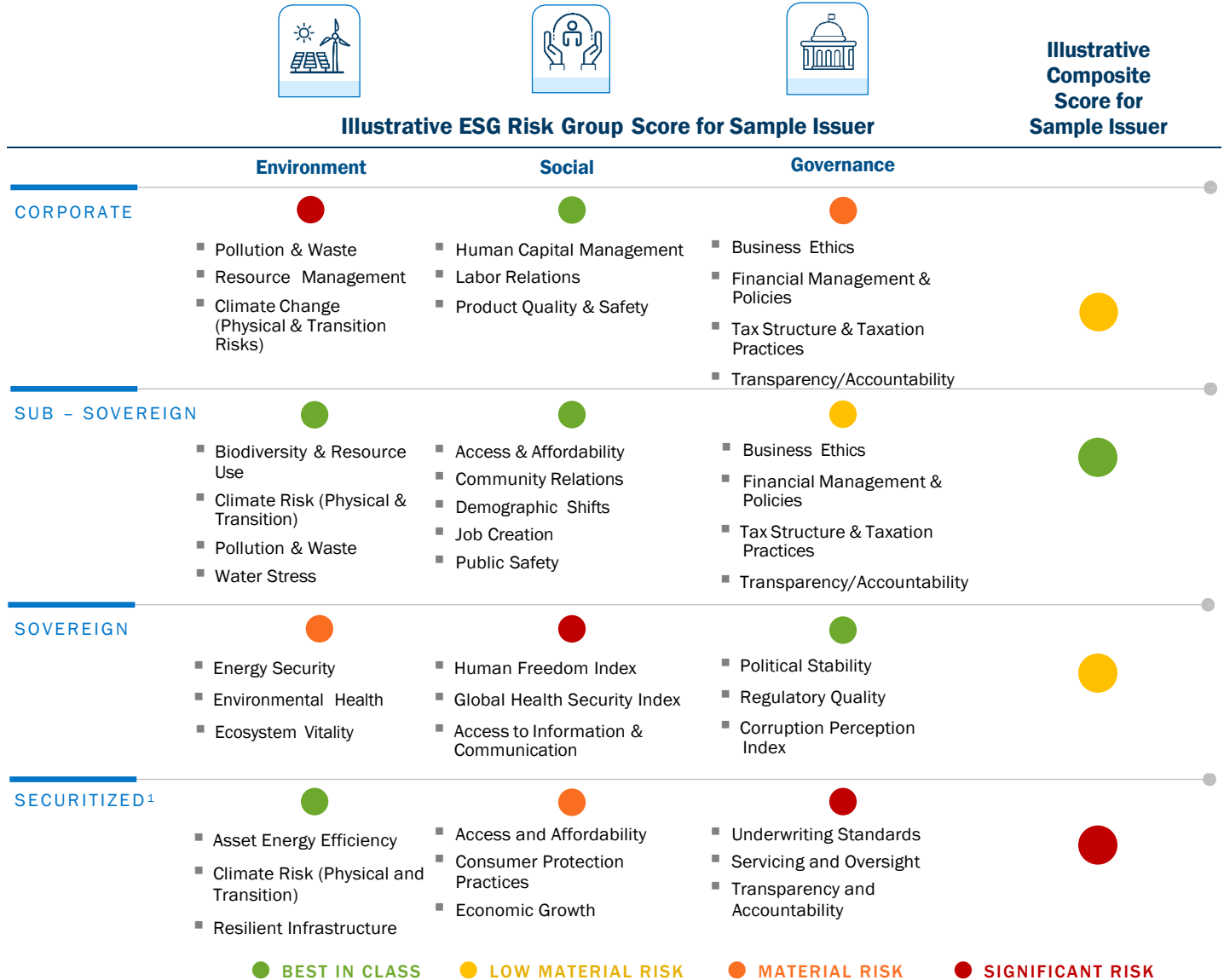
For actively managed strategies, each of MacKay Shields' investment teams applies its own distinct process and experience to add value across capital markets. Accordingly, each investment team may consider material sustainability-related risks and opportunities alongside traditional factors that reflect the character of each asset class, investment style, and client goals, to enhance their understanding of the risk-reward profile of an investment. For that reason, sustainability-related risk assessments are conducted directly by the investment teams and incorporated into each team's investment process.

From time to time, MacKay Shields may manage accounts in line with a passive investment strategy. The processes and procedures described in this document may not apply to low-activity or non-actively managed strategies, such as accounts that substantially track an index or seek to maintain a low tracking error. Some of the holdings in such accounts may nevertheless be subject to engagement based on exposure to those issuers in actively managed portfolios. Additionally, there may be positions in actively managed accounts that would not be subject to some or all of the sustainability assessments described herein, such as cash equivalent instruments, currency hedges, or securities that have resulted from corporate actions or client transfers.

**ESG RISK SCORING**

The firm has developed a scoring scale to assess sustainability-related risks and opportunities. This is applied by each of MacKay Shields’ investment teams according to its own distinct process and experience, with the goal of adding value across capital markets. Accordingly, each investment team considers sustainability-related factors alongside traditional factors that reflect the character of each asset class and investment style.

Our teams assess the scope and materiality of those sustainability-related factors, a selection of which are included in the graphic below, and their anticipated impact on the issuer’s viability and financial outcomes over the long-term. These assessments provide a signal to the portfolio management team of how much risk and/or opportunity is inherent in any given issue, and may influence not just inclusion into a portfolio, but also the relative sizing of that position.



The graphic above is for illustrative purposes only and represents a selection, not an exhaustive or complete list, of factors the teams may include. For more detail on the scoring process please visit the respective [team policies](#).

1. The assessment process for the securitized asset class is predicated on the idea that hurdles of sound governance of the issue have to be cleared in order for the security to be investible. If our analysts deem the governance of such securities lacks integrity, MacKay will consider that security uninvestable. For more information on the philosophy and process concerning securitized products, please refer to the [Global Fixed Income RI policy](#).

These four risk groups are proactive, forward looking, and predominantly based in qualitative analysis, supplemented with quantitative data, where available and applicable to the respective issue. The risk groups are an aggregate assessment of the performance indicators that capture how exposed an issuer is to relevant long-term sustainability-related risks and opportunities. Analysts assess the issuer's strategy to manage risks in order to understand the issuer's potential to create value in the future. The risk groups for corporate issuers are first compared on a relative basis with peers in similar industries and then compared across industries, given that certain sectors are more exposed to material sustainability-related issues (e.g. energy and transition risk). These risk groups are evaluated on an ongoing basis, with added scrutiny if there is a material change in the issuer.

Typically speaking, if two bonds have similar yields and spreads but are assessed to have different levels of material sustainability-related risk, the teams will tend to prioritize the bond in the lower ESG risk group. In addition, a security's sustainability-related risk profile factors into conviction levels, and the weightings of securities in the portfolio.

## **ENGAGEMENT**

We view engaging with issuers as a natural part of the investment due diligence process. Our analysts engage with issuers to build relationships and create a constructive environment of information sharing. The knowledge gained during our engagement activities, along with our credit analysis and information received from third parties, help us to better assess potential risks an issuer faces and the issuer's awareness and management of such risks. Depending on various factors, including, but not limited to, an issuer's weight in a portfolio or index, the materiality and likelihood of certain risks, and an issuer's risk management compared to its peers, each team determines the most appropriate means of escalation for addressing material risks with issuers. During our engagements, we aim to assess an issuer's awareness and management of what we view to be material sustainability-related issues and promote better disclosure of said issues, where relevant.

Detailed engagements, with objectives and goals for progress on material sustainability-related issues, are typically reserved for issuers where the position is, or has the potential to be, sizable; the issue is significantly material to the investment thesis; and the team feels they are well positioned to make meaningful progress with the issuer. In instances where our position size and/or influence with the issuer afford us less access to decision-makers, we are more likely to seek more information about an issuer's approach through constructive dialogue with issuers. Where access is most severely limited, yet we still consider a material sustainability-related risk to be insufficiently addressed and that risk to be significantly high without commensurate return potential, we may resort to downsizing or divesting from a position. Feedback from our engagements is used to inform each team's risk profile, and therefore return profile, of an issuer.

We believe that while sustainability-related risk analysis is most effectively conducted directly by investment teams, the rapid evolution of sustainability issues, regulations, and global themes necessitates the provision of additional tools and resources to ensure thorough and responsible analysis. To meet our fiduciary obligations, analysts are equipped with internal scoring tools and can leverage these tools in engagement activity with an issuer when sustainability concerns are significant or closely aligned with a client's specific goals.

## **LABELLED BONDS**

Underlying our approach to labelled securities is the view that effectiveness of any labelled bond in an investment context depends on how the financed activities relate to an issuer's broader business strategy, risk profile, and our clients' objectives, specifically regarding the consideration of impact materiality. We assess labeled securities with the same disciplined research process applied to other instruments, with additional consideration of whether the issuer's sustainable finance framework provides information that helps evaluate potential risks or opportunities and allows us to address our clients' objectives.

To assess the impact materiality of an issuer's sustainability efforts and whether a bond will further them, we generally consider:

- Does the issuer have a well-developed sustainable finance framework that offers clarity on use of proceeds and performance targets?
- Is that framework consistent with the organization's practices?
- Are the projects that are to be funded by the debt well aligned with the issuer's business strategy?

If the impact materiality of the investment is ill-defined or immaterial to the organization's strategic goals, we may conclude that the bond is an opportunistic financing vehicle rather than an instrument of sustainable finance.

## EXCLUSIONS

In recognizing the wide variance of client goals and objectives, MacKay Shields does not employ firm-level exclusions, screens, or filters for our investment teams outside of various OFAC, EU, UK, UN, and similar sanctions lists. However, to complement our teams' research processes, a norms-based alert has been implemented across the firm to identify very severe violations of the UN Global Compact<sup>1</sup> for further assessment by investment teams.

In addition, we emphasize working on a case-by-case basis with clients to define investable universes that reflect their objectives. We manage client mandates that are subject to a variety of norms-based screening criteria, or exclusions on certain business practices or sectors. As each client has varying preferences, we work closely with them to determine their goals and objectives and have developed a process for monitoring such guidelines, which is further detailed in the Oversight section of this document.

## Climate

Issuers can be significantly affected by government policy, regulations, and corporate commitments related to climate. MacKay Shields' investment teams seek to factor in material climate-related risks and opportunities as they seek to deliver on client objectives. We understand that significant uncertainty remains around climate-related data, modeling, and social impact; and that client perceptions on the urgency and financial importance of the topic of climate can vary greatly. As fiduciaries trusted to serve our clients in their best interests, we aim to be educated on climate-related topics such that we can meet our clients' goals and objectives, wherever they may fall on this spectrum of perceived importance. Many of our clients have their own sustainability goals including, but not limited to, aligning their portfolios with global geopolitical frameworks. It is our duty to help those clients invest their assets in a manner that meets their objectives.

Where feasible, we are actively taking steps to implement the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD) by seeking to identify climate-related risks and opportunities in our investments, evaluate the likelihood and time frame such risks may materialize, and assess the possible financial impact of that risk. We also report climate and carbon-related portfolio metrics to clients upon request.

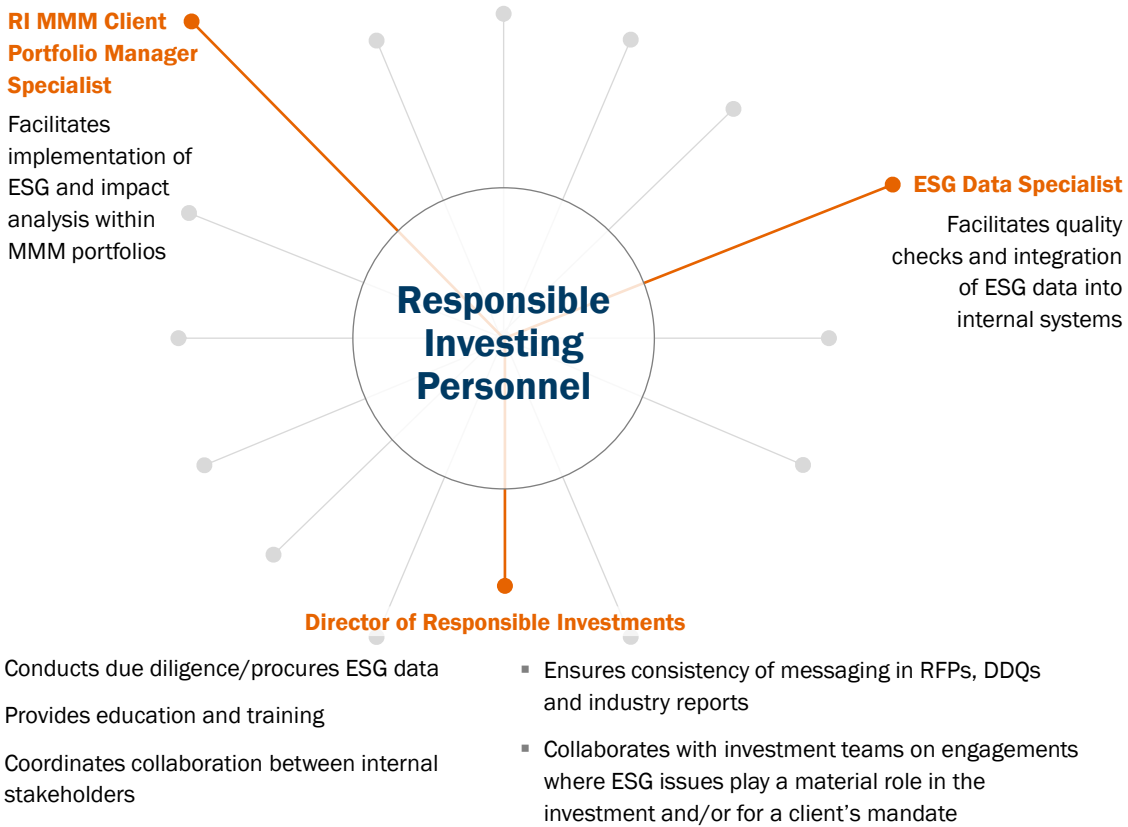
In coordination with our parent, New York Life, MacKay Shields is making efforts to define, observe and calculate firm-wide emissions and intensity data. You can access the results of this information in the New York Life Corporate Responsibility Report.

## Roles, Responsibilities, and Oversight

### ROLES & RESPONSIBILITIES

We view RI as an important component of investing, and as such do not think it is best placed as a separate business function, but rather that it is most effective when comprehensively integrated throughout our business. The firm acknowledges that sustainable solutions have become an increasingly important investment objective for certain clients and particular markets. Accordingly, it is the responsibility of each investment team to treat sustainability considerations with the same rigor and discipline applied to other investment objectives, to support analysis of risk and return. We believe that the integration of sustainability-related information can enhance the credit research process, and we are committed to delivering customized solutions for our clients. Non-investment staff support investment teams' work to deliver a fully integrated suite of RI competencies for our clients, including, but not limited to, specialized reporting. However, we do also recognize the swift pace of change in this field, and as such feel it is important that key personnel maintain a keen focus on the topics pertaining to RI. RI Specialists are personnel who dedicate a considerable amount of time to sustainability in addition to their primary functions within the business, while RI Leads are the representatives of teams who serve as conduits of sustainability-related information and support their broader teams across investment and non-investment functions.

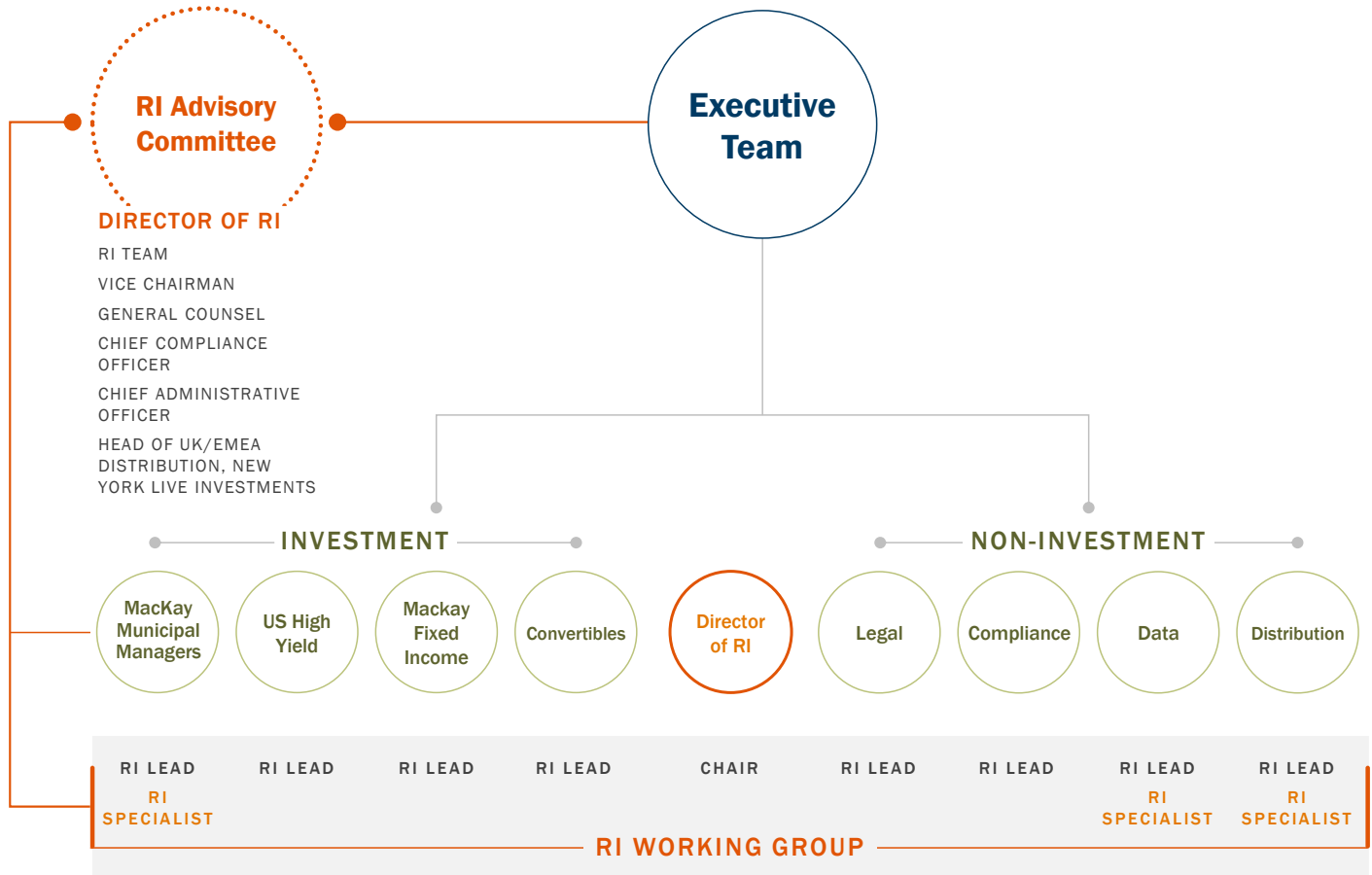
1. MacKay Shields has engaged a third-party research vendor to provide this screening data. Analysis is based upon the availability/coverage of the data provider.



**OVERSIGHT**

MacKay Shields' executive management team is responsible for oversight of the firm's activities, including RI strategy and implementation. Executive leadership is directly involved in the firm's strategic direction for RI, which is grounded in serving our clients' evolving goals and objectives. MacKay Shields has established a Responsible Investment Advisory Committee (RIAC) that is charged with overseeing our commitments as a signatory to the Principles for Responsible Investment and firmwide RI initiatives. The RIAC is chaired by our Director of RI, and is comprised of executive leadership from legal, compliance, investments, and distribution.

The Responsible Investment Working Group (RIWG) aims to meet monthly and is comprised of the RI team, investment professionals, and other staff, and is led by the Director of RI. The group is tasked with monitoring each team's ESG and engagement processes so that a consistent standard is upheld throughout MacKay Shields' investments. The group is also responsible for sharing experiences and best practices learned from continued client and issuer engagement, as well as approving updates to the firmwide RI Policy.



## COMPLIANCE

### Initiation

MacKay Shields' compliance department is responsible for monitoring client mandated restrictions, including coding client restrictions in the trade order management and compliance system. Before inception of a portfolio, the investment guidelines will be reviewed by the compliance department and other business areas within the firm, including portfolio management, to ensure that all parties involved understand the investment restrictions and agree on the ongoing monitoring framework to be implemented. In terms of the ESG data used, MacKay Shields may leverage external data from ISS and MSCI to help monitor client mandates according to their specified guidelines. In those cases, the compliance team works in coordination with the RI team, investment team, data team, and if necessary, data vendor to ensure the appropriate selection of data for the monitoring and management of investment guidelines.

### Monitoring

MacKay Shields' enterprise data services (EDS) team is responsible for managing data processes across multiple critical data sets by leveraging third-party software. The EDS team oversees all data acquisition and ensures that all data exceptions are resolved in a timely manner as data is published to all downstream systems. In the event that data feeds are not working properly or are missing, the EDS team will promptly notify the compliance department and other relevant departments and will work with the third-party data provider to resolve the issue as quickly as possible.

### External Communications

All marketing materials, such as, but not limited to, pitch books, fact sheets, white papers, and social media posts, are required to be reviewed and approved by a member of MacKay Shields' legal or compliance departments prior to use. RI policies are reviewed annually by the RI team, though updates may not be necessary on such a frequent basis. Any modifications, or need for clarification, are escalated to the RI Advisory Committee and team leads for ultimate approval.

### Regulatory Compliance (Adverse Impacts)

Though MacKay Shields tends to not fall directly within the scope of any sustainable finance regulations, we aim to be prepared

to adhere to global regulations related to sustainable investing to support our clients' regulatory obligations. As such, and pursuant to Article 4 of the SFDR, MacKay Shields may include consideration of the Principal Adverse Impact (PAI) indicators within in-scope portfolios, subject to the availability and integrity of data. For more information on our approach to Sustainability Risk and PAI indicator consideration within investments of in-scope portfolios, please see our [Sustainability Risk & PAI Policy](#).

#### DATA PROCUREMENT AND MANAGEMENT

ESG data quality assurance is a central focus for MacKay Shields. The firm continuously works to improve the centralized data tracking and monitoring system that all teams use to house their proprietary sustainability-related assessments and engagement notes.

The RI team is responsible for assessing the value offering of data vendors and gaining a comprehensive understanding of what data sets are required to meet the expectations of our clients. The RI team plays a pivotal role in conducting due diligence on and selecting ESG data vendors. Criteria that the team often assesses include, but are not limited to, coverage, accuracy, accessibility, ease of use (i.e. commensurate with how clients ask to see it), quality, timeliness, and cost. Once the RI team has conducted their initial analysis and selected an external vendor, the onboarding of that data is handled by MacKay Shields' Third-Party Vendor Management team, headed by the Chief Administrative Officer ("CAO") and including participation from members of the Compliance, Legal, Finance, and the Enterprise Technology Services Departments. The responsibility of the Third-Party Vendor Management team is to onboard new, and review on an ongoing basis, third-party vendors that service MacKay. The firm also has Third Party Vendor Management Standards Policies and Procedures. The processes of overseeing external data from onboarding to integration of systems is overseen and is the responsibility of the ESG Data Specialist.

We primarily use the following external ESG data providers as a reference to supplement our proprietary sustainability-related analysis, though the primary driver of our analysts' ESG risk groups and assessments is based on their own qualitative research. In some instances where raw data is necessary to meet a client mandate (e.g., product involvement or carbon data), we may rely on third party ESG data directly. Those providers are:

- **ISS ESG:** Used primarily for climate-related information, Product Involvement, Governance, Global Norms, SDG, and various other data points. Teams can access data via the online web portal, as well as through other systems such as FactSet.
- **MSCI ESG Research:** Used mainly for ESG, Climate, and Product Involvement data. Teams can access data via the online web portal, as well as through other systems such as Bloomberg and FactSet.
- **ICE Sustainable Finance (risQ):** Used by MacKay Municipal Managers™ to access various climate-related risk scenarios across municipal issuers and geographies.

Implementation of client IMAs (exclusion/restricted lists) is a collaborative effort between the ESG Data Specialist and the client service, RI, investment, and compliance teams, where the RI and investment teams identify the best and most accurate external data to use, Compliance codes rules to align portfolios to IMAs, and the ESG Data Specialist connects the technical infrastructure to ensure sound implementation with client guidelines.

#### INVESTMENTS

At the investment team level, portfolio managers and research analysts are primarily responsible for assessing and integrating sustainability-related risk factors into their research and analysis, including managing engagement activities. Each team follows its own process for discussing and evaluating thematic and issuer-specific risks as part of the decision-making process for purchasing, holding, or selling a particular security.

Research analysts generate their own proprietary research; however, they will also often refer to research from third parties to gain a better understanding of the 'market view' of RI issues. Investment team heads are responsible for overseeing the entire investment program for their team, which includes appropriately identifying and integrating sustainability-related factors into debt analysis. Oversight at the investment-team level is implemented through briefings, meetings between analysts and portfolio managers, and other forms of on-going dialogue where investment ideas are vetted amongst each team to assess not just the appropriateness of an investment in a particular mandate, but also the relative positioning of that investment within the context of the broader portfolio and strategy. On an annual basis, each team, represented by their RI Lead, is responsible for presenting their sustainability integration process, including examples of investment, engagement or escalation with relevant stakeholders, and potential outcomes, to RIWG. These presentations serve both as a forum for collaboration on complex sustainability issues and a way to share lessons learned between teams.

## Continuing Education

As a [PRI signatory](#), we are committed to continually strengthening and refining our approach to responsible Investing. As environmental, social, and governance issues evolve and grow in complexity, with variations in regulatory oversight across a growing number of markets, we are following a path of consistent learning and development to help us provide exceptional service to our clients.

The RI Resource Center, which is a central repository of responsible investing-related support and educational materials, was developed to support the shared responsibility of our MacKay Shields employees. Meant as a one-stop shop for any MacKay professional to go to understand the most salient and topical issues within Responsible Investing, processes and policies of MacKay's RI activities, and thought leadership by MacKay investment professionals, the RI Resource Center is a living educational tool for alignment of understanding of responsible investing at MacKay Shields. As a member of the New York Life Investment Management (NYLIM) family of boutique asset managers, we leverage the educational resources of our affiliated boutiques. RI representatives from NYLIM and each of its asset management boutiques aim to meet on a monthly basis to facilitate information sharing on RI topics and industry trends. Additionally, many of our investment professionals have also completed sustainability-related training offered by the PRI, obtained Sustainable Investing certificates from the CFA Institute and attend conferences and seminars on an ongoing basis.

## Glossary of Terms

In recognition that there are variations in terminology across our industry, this glossary sets out how we define and use some of the key terms in this document.

### RESPONSIBLE INVESTING

Responsible Investing ("RI") is the value chain of investment management processes that are required to deliver on clients' environmental, social, or governance objectives that include, but are not limited to:

- Investments
- Data
- Compliance & Legal
- Client Reporting
- Education/Training

The term **material** refers to information or events that are considered significant or important enough to potentially influence a reasonable investor's decision to buy, sell, or hold a particular security or investment. Not all information is useful, but to not at least attempt to include all potentially material information when making investment decisions is, in our view, a violation of our fiduciary duty. The Sustainable Accounting Standards Board Materiality Map is used as a guide to help us identify sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry.

### ESG

"**ESG**" refers to environmental, social, and governance data and information that can be leveraged to help assess the potential risk-return profile of an investment.

### SUSTAINABLE INVESTING

Sustainable investing refers to investing with ESG insights to improve long-term outcomes. We recognize that there are regional regulations that define what constitutes a sustainable investment, (e.g. the EU's Sustainable Finance Disclosure Regulation, or SFDR). For the purposes of MacKay's firm-wide approach to sustainability within our investments, we do not necessarily adhere to that strict definition, unless explicitly requested by a client that we do so.

### SUSTAINABILITY INTEGRATION

Sustainability Integration refers to the inclusion of sustainability-related data or other related information alongside traditional financial data when making risk/reward assessments in our fundamental security analysis process. The overarching driver in our portfolio decisions is the financial performance of the investment. ESG data or information is acted on to the extent that it is deemed material to investment returns or required to support client guidelines and objectives.

### SUSTAINABILITY RISK

Sustainability Risk represents environmental, social, or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of an investment. This definition is consistent with the concept of sustainability risk as defined by the EU SFDR on sustainability-related disclosures in the financial services sector.

**CLIMATE RISK**

Climate risk refers to the potential negative impacts that climate change can have on businesses, investments, and economies. It encompasses both physical risks from extreme weather events and long-term climate shifts, as well as transition risks associated with shifting to a low-carbon economy.

**IMPACT MATERIALITY**

Impact materiality refers to information or events that inform how a company's activities and investments influence environmental and/or social issues. This refers to the concept of "double materiality" that has gained prominence in Europe, as investors increasingly consider the societal and environmental externalities their capital allocation decisions may create. Evaluating impact materiality allows consideration of systemic risks that ESG issues could pose across portfolios and the broader economy.



**Transition Risks**

**POLICY AND LEGAL RISKS**

Changes in regulations and potential litigation

**TECHNOLOGY RISKS**

Disruption from low-carbon and energy-efficient technologies

**MARKET RISKS**

Shifts in supply and demand for certain commodities, products, and services

**REPUTATIONAL RISKS**

Changing customer or community perceptions related to climate action



**Physical Risks**

**ACUTE RISKS**

Increased frequency and severity of extreme weather events (e.g., hurricanes, floods, wildfires)

**CHRONIC RISKS**

Long-term shifts in climate patterns (e.g., rising sea levels, changing precipitation patterns)



**Financial Risks**

Potential for stranded assets  
Changes in asset valuations  
Increased insurance costs

#### ADDITIONAL DISCLAIMER

As all asset classes are not created equal when it comes to ESG data and application, we retain discretion to apply certain aspects of this policy to a greater/lesser extent depending on data availability, investment time horizon, and client objectives. In addition, we believe that there is no conflict between this policy and our responsibilities as an ERISA fiduciary with respect to our ERISA clients.

#### IMPORTANT DISCLOSURE

Availability of this document and products and services provided by MacKay Shields LLC may be limited by applicable laws and regulations in certain jurisdictions and this document is provided only for persons to whom this document and the products and services of MacKay Shields LLC may otherwise lawfully be issued or made available. None of the products and services provided by MacKay Shields LLC are offered to any person in any jurisdiction where such offering would be contrary to local law or regulation. This document is provided for information purposes only. It does not constitute investment or tax advice and should not be construed as an offer to buy securities. The contents of this document have not been reviewed by any regulatory authority in any jurisdiction.

This material contains the opinions of certain professionals at MacKay Shields but not necessarily those of MacKay Shields LLC. The opinions expressed herein are subject to change without notice. This material is distributed for informational purposes only. Forecasts, estimates, and opinions contained herein should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Any forward-looking statements speak only as of the date they are made and MacKay Shields assumes no duty and does not undertake to update forward-looking statements. No part of this document may be reproduced in any form, or referred to in any other publication, without express written permission of MacKay Shields LLC. ©2026, MacKay Shields LLC. All Rights Reserved.

Information included herein should not be considered predicative of future transactions or commitments made by MacKay Shields LLC nor as an indication of current or future profitability. There is no assurance investment objectives will be met. **Past performance is not indicative of future results.**

MacKay Shields LLC is a wholly owned subsidiary of New York Life Investment Management Holdings LLC, which is wholly owned by New York Life Insurance Company. "New York Life Investments" is both a service mark, and the common trade name of certain investment advisers affiliated with New York Life Insurance Company. Investments are not guaranteed by New York Life Insurance Company or New York Life Investments.

#### NOTE TO JAPANESE AUDIENCE

In Japan, this is issued by New York Life Investment Management Asia Limited (Financial Instruments Business Operator, Kanto Local Finance Bureau (FIBO) No. 2964, Member of Japan Investment Advisers Association and Type 2 Financial Instruments Firms Association) for institutional investors only. As costs and/or fees to be borne by investors vary depending on circumstances such as products, services, investment period and market conditions, the total amount nor the calculation methods cannot be disclosed in advance. All investments involve risks, including market fluctuation and investors may lose the principal amount invested. Investors should obtain and read the prospectus and/or information set forth in Article 37-3 of the Financial Instruments and Exchange Act carefully before making investment decisions.

#### NOTE TO UK AND EUROPEAN AUDIENCE

This document is intended only for the use of professional investors as defined in the Alternative Investment Fund Manager's Directive and/or the UK Financial Conduct Authority's Conduct of Business Sourcebook. To the extent this document has been issued in the United Kingdom, it has been issued by NYL Investments UK LLP, 200 Aldersgate Street, London UK EC1A 4HD, which is authorised and regulated by the UK Financial Conduct Authority. To the extent this document has been issued in the EEA, it has been issued by NYL Investments Europe Limited, 77 Sir John Rogerson's Quay, Block C Dublin D02 VK60 Ireland. NYL Investments Europe Limited is authorized and regulated by the Central Bank of Ireland (i) to act as an alternative investment fund manager of alternative investment funds under the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) and (ii) to provide the services of individual portfolio management, investment advice and the receipt and transmission of orders as defined in Regulation 7(4) of the AIFMD Regulations to persons who meet the definition of "professional client" as set out in the MiFID Regulations. It has passported its license in additional countries in the EEA.

This document only describes capabilities of certain affiliates of New York Life Investments and/or MacKay Shields LLC. No such affiliates will accept subscriptions in any funds not admitted to marketing in your country or provide services to potential customers in your country, including discretionary asset management services, except where it is licensed to do so or can rely on an applicable exemption.

#### NOTE TO CANADIAN AUDIENCE

The information in these materials is not an offer to sell securities or a solicitation of an offer to buy securities in any jurisdiction of Canada. In Canada, any offer or sale of securities or the provision of any advisory or investment fund manager services will be made only in accordance with applicable Canadian securities laws. More specifically, any offer or sale of securities will be made in accordance with applicable exemptions to dealer and investment fund manager registration requirements, as well as under an exemption from the requirement to file a prospectus, and any advice given on securities will be made in reliance on applicable exemptions to adviser registration requirements.