

Investment and Engagement Policy

Responsible Investing

Since its inception, NorthStar has always focused on socially responsible investing (SRI). NorthStar's mission is to provide integrative and effective portfolio management available by connecting social concerns to stock selection, asset allocation, and activism. Our goal is to engage along the whole spectrum of financial activity, from equities, to loans and loan guarantees, to supporting local businesses, to finding private alternatives, and finally through philanthropy, in order to effect change.

We believe that creative shareholder engagement, local investing, financial literacy, and targeted giving are positive forces for change. We also believe that intentionally and purposefully perpetuating the wealth gap and income inequality is wrong. When NorthStar portfolios include public equities, we use a fundamental analysis approach for social and environmental issues in order to avoid investing in companies with poor track records in human rights, the environment, employee relations, and corporate citizenship and seek out companies with positive records. We use shareholder activism to address a variety of issues such as executive compensation (economic inequality), predatory lending practices, inequity in nondiscrimination policies, the human right to water, environmental impact, and other social and environmental concerns.

We screen all investments in light of five important criteria: race and gender, economic inequality, human rights, corporate governance, and environmental justice, health, and safety.

The Chief Executive Officer (CEO) and Chief Investment Officer (CIO) have final say on decisions regarding issue priorities and investment decisions related to all client portfolio management decisions. These decisions are aided by research and diligence from the equity research team, the director of shareholder activism and engagement, as well as our head of outside investments.

Public Equities

We believe that prioritizing short-term financial returns to shareholders can compromise

the fair and equitable treatment of a company's employees, suppliers, and customers; it can compromise a company's long-term planning, research, and development; and it can be at the expense of the environment. Rather than expecting companies to minimize expenses in order to leave a higher profit for shareholders, we rearrange the financial equation so that all constituents, including shareholders, are on the same side. This encourages us and the companies with which we engage to consider what a fair allocation of business revenues would look like rather than trying to minimize expenses, externalize costs, and defer capital outlays in order to increase the residual (return to shareholders).

We do not invest in gaming, tobacco, gambling, weapons manufacture or nuclear energy or in companies with a track record of funding right wing, oppressive organizations through their philanthropy. No investment is perfect, and this is particularly true of public equity. As a result, we engage with companies on our public equity buy list through targeted shareholder activism. (See more on this below.) We perform fundamental analyses on each potential and current portfolio company related to a variety of issues including but not limited to the race and gender demographics of the senior management team and board of directors; various human rights policies, procedures, violations, or controversies; employee relations policies, benefits programs, advocacy activities, and diversity and inclusion policies and statistics; and environmental policies and actions. While there are some publicly traded stocks that NorthStar would never hold, there are companies that perform important social functions that impact the lives of stakeholders throughout the globe. From time to time NorthStar makes a strategic decision to place a company on our buy list that meets our financial criteria but merits improvement from our socially responsible perspective; although should the company choose not to change, we reserve the right to omit the security from our buy list.

The public equity portion of our client portfolios consists of approximately 45 companies from around the globe, selected to provide risk diversification across market capitalization size and industry sectors relative to a global benchmark, with the goal of adding alpha¹ through idiosyncratic stock performance. With a long-term horizon, we purchase public equity with an intended holding period of five to ten years. The equity portion of our client portfolios is comprised of individual stock holdings, which we call our "buy list." These stocks range in market capitalization from under \$1 billion to over \$150 billion. With a long-term horizon, we purchase stocks with the intention of holding them for five to ten years. We use an equity benchmark of 70% of the S&P 500 and 30% EAFE.

The asset allocation of each NorthStar portfolio is client-specific, and we are also able to (and accustomed to) modifying each client portfolio to include or exclude specific investments based on the individual client's wishes. Our priority is to have each client portfolio reflect the desires of the client with respect to their social concerns and financial needs. Our allocation strategy is based on a combination of NorthStar's current economic forecast and a client's financial needs, investment horizon and tolerance for risk. This asset allocation is reviewed quarterly, with an eye to client need and changing market conditions.

¹ Defined as the excess return of the fund relative to the return of the benchmark index

To guard against idiosyncratic security risk, we limit the holding weight for each individual stock to no more than 5% of the asset class. This means that no portfolio will have an equity holding that ever represents 5% of the entire portfolio; the cap for an individual stock is 5% of the equity portion of the entire portfolio.

Investing in stocks involves the risk of loss. Equity investment risks include, but are not limited to, changes in revenue, margins, earnings, dividends, cash flow, balance sheet, leverage, liquidity, solvency, legal matters, negative publicity, brand image, and general market volatility.

Fixed Income

Our fixed income investments are selected from a pool of individual federal agency bonds, certificates of deposit, treasuries, inflation protected treasuries, municipal bonds, and corporate bonds. We select bonds that mature within a time horizon with which we feel comfortable given current bond yield curves, with the goal of holding them until maturity. We match bond selections with the specific needs of each individual discretionary client. We regularly seek out fixed income opportunities that have stated social or environmental benefits, such as green bonds, social bonds, or women-focused bonds.

In choosing fixed income investments for our clients, we evaluate options in the following ways:

- We conduct an analysis of the yield curves for investment grade bonds, including government, municipal, and corporate;
- We examine the existing bond holdings in each account;
- We create a ladder selecting bonds with the highest rate of return for the shortest rate of time;
- Our strategy is to hold bonds until maturity, and to select bonds that mature at a timeline with which we feel comfortable given current bond yield curves. In general, we match bond selections and maturities of bonds as well as interest rates with the individual needs of the client. Depending on client needs, we may purchase federal agency bonds, certificates of deposit, treasuries, inflation protected treasuries, municipal bonds, or corporate bonds.

The safety of bonds, CD, and money market accounts cannot be taken for granted, and we pay as much attention to putting together a portfolio of bonds that are appropriate for each client – minimizing risk and maximizing yield – as we do when we are carefully selecting individual equity positions.

We regularly review our fixed income engagements, including “outside investments” (described below), and when necessary, we engage issuers on issues or incidences that are problematic from our SRI perspective. However, should the issuer choose not to change, we reserve the right to omit the security from our buy list.

Cash and Cash Management

We periodically review each client's cash flow needs in light of the interest rate environment and the client's risk tolerance in order to recommend an appropriate target percentage for cash held in the portfolio.

Outside Investments

Often, clients add non-publicly traded investments to their existing portfolios. These "outside investments" in NorthStar client portfolios may consist of private equity investments, real estate investment trusts, private limited partnerships, community loan funds, micro-lending products, private loans and certificates of deposit. These investments are made in response to a particular client's desire to have a more direct relationship with an organization or impact on a project in their community or area of interest. While these investments are made with input from NorthStar as to client suitability relative to risk and client objectives, the investments themselves are either held in custody by the clients or by the issuing organizations. These investments are often in the form of community loan funds, micro-lending corporate bonds, and innovative private equity investments that align with client and NorthStar values. NorthStar monitors and facilitates transactions related to these investments as part of the management process, providing recordkeeping, funding capital calls, and depositing interest, dividends and return of principal, all with written authorization from the client.

This type of investing involves greater risk than any other type of investing and thus requires careful analysis and diversification. Adverse changes may include fraud, default, bankruptcy, poor management, lack of liquidity and other risks. Investments in private equity, unrated fixed income investments or other "outside" investments such as community loan funds or micro-lending bonds can be speculative and illiquid. Within the category of outside investments, there is a wide range of risk profiles depending on whether the investment is a diversified fund, a non-diversified fund, a single holding in a company or other enterprise, or a cash equivalent holding in a loan fund, lending organization, or community bank.

We perform in-depth analysis of potential new outside investments, including fundamental analyses of diversity of the organization management, staff, and board or trustees, as well as connections between the investee and our priority issue areas (race and gender, economic inequality, human rights, sustainable governance, and environmental justice, health and safety). Our internal process includes a systematic review of these investments over the course of our investment. We reach out to issuers to access revised data or to engage on issues of concern.

Guidelines on Environmental, Social, and Corporate Governance Issues

Across our portfolio of investee companies, environmental, social, and governance issues require the attention of active investors. These concerns are ever-evolving as companies react to public policy changes, political environments, worldwide human rights and environmental developments, and much more. We regularly update our [Proxy Voting Guidelines](#) to present our perspectives on these issues as related to both investment screening and proxy voting decisions.

Climate Change

NorthStar is committed to minimizing its impact on the environment through waste and emission reduction, energy efficiency, promoting sustainable practices both internally and amongst clients and suppliers. NorthStar continually evaluates its current operations, and strives to improve its environmental performance and implement sustainable business practices. Accordingly, we seek investment opportunities that align with our intentions for climate change mediation. As governments and companies slowly move towards a lower-carbon economy, NorthStar seeks investment opportunities that raise the bar on environmental matters such as lowered GHG emissions, innovative creative ways to reduce energy usage, and providing renewable energy to communities.

Shareholder Activism and Corporate Engagement

As long-term investors that intend to hold investments for 5-10 years or longer, NorthStar views shareholder activism as a tool to protect our clients' public equity investments, as well as a fiduciary duty to address social, environmental, and governance issues that concern our clients. Since 2000, we have sponsored resolutions on issues of predatory lending, executive compensation, equal rights, environmental practices, political spending, the human right to water, and much more. Each year, we use the Shareholder Proposal Process to encourage portfolio companies to make forward progress on issues that fall into our firm's five focus areas: human rights, race and gender, economic inequality, environment/health/safety, and corporate governance. Shareholder activism remains integral to our core purpose as a company – to effect social change. Learn more on our [Creating Change](#) webpage.

Proxy Voting

Where NorthStar has discretionary authority to vote client shares, it is the firm's policy to monitor events affecting the issuers as required to cast informed votes and to exercise its voting authority in a manner consistent with the best interest of the client, including aligned with firm and client social and environmental goals. Unless otherwise instructed by the client, NorthStar votes all client proxies in-house, according to its [Proxy Voting Guidelines](#)

which are updated regularly as new issues arise.

Reporting

NorthStar strives to annually produce a Shareholder Activism & Proxy Voting Report (published on our [Creating Change](#) webpage) which details the prior year's activism efforts within the firm, as well as our perspective on the year's proxy voting activities.