

# POLICY ON ENVIRONMENT, SOCIAL & GOVERNANCE PRACTICES

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## **Background and Principles**

This document sets forth Makena Capital Management, LLC's ("Makena" or the "firm") policy on environmental, social and governance ("ESG") factors. Makena provides diversified alternative asset exposure through its range of pooled investment vehicles (the "Funds"). Our goal is to offer alternative investment expertise, scale, and access to our diverse client base which includes endowments, foundations, family offices, sovereign wealth funds, and international institutions focused on preserving and growing perpetual capital. This investment approach incorporates the full range of asset classes, including private equity, real assets, hedge funds, public equity, and fixed income.

Makena's long-term investment horizon and fiduciary duty to our clients shape our investment principles. Our philosophy surrounding sustainability is consistent with these core investment beliefs as we believe that managers and companies that consider sustainability are better long-term stewards of capital and hence, we believe could produce higher, long-term returns. We evaluate the risk/return profile of each investment through a bottom-up framework that considers risks that could jeopardize sustainability and long-term investment outcomes. Sustainable, well-managed companies that are diligent in their governance, effective in their management of internal and external relationships, and conscious of reducing their carbon footprint, will have less regulatory, operational, and reputational risk, which we believe should make them more likely to outperform over the long-term.

## **General Framework**

Makena believes it is both prudent and necessary to embed ESG considerations into the overall investment and asset management process. We focus on identifying and mitigating ESG risks and opportunities throughout the portfolio by employing a clearly delineated ESG framework. Our framework recognizes the fact that our fiduciary responsibility is to produce the highest risk-adjusted returns for our investors and focuses on topics which have material impact on financial outcomes or operating performance. Although we do not employ explicit exclusion policies, we proactively integrate ESG into our investment process. Within this framework, our key principles include:

- Understand the unique ESG considerations across geographies, sectors, and strategies
- Establish an open dialogue with our external managers on ESG best-practices, conduct an annual sustainability survey and encourage the adoption and implementation of responsible investment criteria
- Engage with our network (external managers, peers, colleagues, and investors) on responsible investing to raise awareness, share our knowledge, and improve our capabilities

## **ESG Definition**

Makena defines ESG as a range of performance indicators related to environmental stewardship, social impact, and corporate governance. Within this framework, we focus on the following areas related to ESG concerns with an understanding that each investment has a unique set of circumstances in which particular ESG issues may be more or less significant.

### **Environmental Practices**

We monitor our environmental impact and encourage the use of robust environmental practices by our managers. Common themes include:

- Carbon and greenhouse gas emissions
- Resource depletion
- Water scarcity
- Hazardous waste disposal

### Social Impact

We are committed to building a multi-generational firm which requires investment in and the development of our employees. The firm fosters a culture of high moral and ethical standards. We seek partnerships with managers whose objectives and culture are aligned with our own. Social attributes we review include:

- Corporate Culture
- Health & safety
- Data privacy
- Gender & Racial Diversity

### Corporate Governance

We aim to run our business with ethical corporate governance and place the utmost importance on transparent and responsible reporting to all stakeholders. We partner with managers who share these values, and we regularly evaluate:

- Alignment of shareholder and management interests
- Ethics & integrity
- Transparency
- Composition and structure of governance

### **Investment Process—Diligence, Execution & Monitoring**

ESG considerations are constantly evolving as the world changes. Therefore, Makena believes it is integral to improve and adapt our ESG practices regularly. To that end, we will provide periodic training to our investment professionals on key ESG considerations as part of our overall Makena compliance program.

### Diligence & Execution

Makena has robust pre- and post-investment and operational due diligence procedures in place. This process includes targeted ESG questions and requirements which are tailored to each manager's size and strategy. The firm signed onto BCG's ESG Data Convergence Initiative which may aid in greater transparency of ESG data for private companies. In addition to environmental and social concerns, Makena views strong corporate governance practices as an integral part of the diligence process for investment managers and for the portfolio companies in which they invest. Makena's investment professionals and operational due diligence team evaluate corporate governance practices along with corporate behavior during the diligence process. Key tenets include evaluating governance structures, employee ownership, and retention schemes. Additionally, we encourage our investment managers to actively influence portfolio companies' boards, when appropriate, to improve governance practices.

Makena implements a sustainable scoring system to identify any potential environmental, social and governance issues in a prospective manager and has specific guidelines/metrics on the following factors:

- Environmental factors: Makena assesses whether managers consider their overall energy consumption profile, and if managers take steps to mitigate and/or manage carbon emissions.
- Social factors: Makena assesses whether managers demonstrate strong stewardship and effective oversight of social factors such as corporate culture, community relations, health, safety and security, and etc. Makena considers the holistic aspects of the managers' governance, committees, and board oversight.

- Governance factors: Makena assesses the manager's distribution of company ownership and carry and other factors including culture, team retention at the management, turnover ratio, etc.

### Monitoring & Reporting

Our ESG engagement with managers does not cease once an investment is made - equally important are the ongoing monitoring and continuous improvement for both Makena and our managers. Following investment committee approval and upon hiring an investment manager, Makena will continue to assess whether and to what extent our underlying managers are committed to ESG factors in their investment decisions and in the management of their own business. We invite and encourage all our portfolio managers to conduct an annual review on any ESG items within their respective portfolios and report findings through Makena's annual Sustainability Survey. This survey includes questions related to updates and enhancements of ESG processes and practices as well as any ESG issues that occurred in the prior year. The survey also collects information related to DEI practices and gender and ethnic diversity. Following this annual review, Makena will report significant findings or material concerns to management and relevant committees within Makena. In addition, Makena produces an annual Sustainability Report that documents our survey findings and ESG practices.

We are in the process of exploring ways to estimate our portfolio-level carbon emissions. Although the availability of detailed and accurate data with this level of granularity is the primary impediment to this objective, we are working with peers and across working groups to advance our measurement capabilities with the end goal to make progress in managing our carbon footprint.

### Proxy Voting

As part of its fiduciary duty to its investors, Makena aims to vote all proxy ballots for its direct holdings in a manner that is supportive of long-term shareholder value. In this aim, Makena will generally focus on ensuring good corporate governance within its underlying holdings, although it may also consider environmental and social factors, among other issues. Specific factors that Makena may consider when voting proxies include the following:

- Board diversity: Makena agrees with evidence linking cognitive and demographic diversity on a board of directors to long-term financial performance and votes in a way that encourages progress in this area.
- Board independence: Makena believes that an independent board can serve as a check against poor corporate management.
- Management remuneration: Makena believes that management and board remuneration should be aligned with the interests of the company's stakeholders, including shareholders.
- Capital discipline: Makena believes that monitoring management's capital policies, including, but not limited to its issuance of equity and debt instruments, may help preserve and protect shareholder value over the long term.

Makena generally votes in accordance with management's recommendations on routine matters, however, consideration is also given to the advice of Glass Lewis, a proxy voting service. Ultimately, Makena retains the authority to override any recommendation made by management or Glass Lewis, in furtherance of our fiduciary duty.

### ESG Integration at the Firm Level

As Makena strives to promote the highest standards for Environmental, Social, and Governance actions and outcomes, we established an ESG Committee, comprised of cross-functional members of the firm, to coordinate and oversee the implementation and integration of ESG efforts, some of which are discussed below.

### Environmental Stewardship

Makena believes in the importance of doing our part to reduce any of our potentially adverse impact on the environment. Besides our recurring sustainability actions focused on efficiently using resources, Makena has committed to improving our firm level emissions levels, with an ambition of eventually reaching a business level net zero target. We plan to reach this goal through the purchase of carbon offsets, reduction of electricity consumption, and continued evaluation of the environmental impact of frequent work-related travel and commuting.

### Social, Ethics & Community

In line with our core investment principle “People Matter,” we view our people as our greatest asset. We know that managing perpetual capital requires a multi-generational firm. In this spirit, we deliberately designed an investment process that is not reliant on any one individual, and devised a compensation and succession structure that properly aligns our interest and time horizons with those of our clients. Further to this, Makena has built and continues to foster a culture of inclusion where all members of the firm pledge to treat one another with respect and conduct themselves in a manner that is becoming of a professional and ethical organization. Makena’s Code of Ethics is reviewed, updated, and circulated firm-wide on an annual basis.

Makena encourages all employees to be positive contributors to the communities in which we operate. In an effort to increase our commitment to charitable giving and volunteerism in our community, we established the Makena Foundation in 2019. The primary objectives of the Foundation are to support local non-profits that are performing work reflective of Makena’s values, further align Makena employees with our clients and their respective missions, demonstrate Makena’s commitment to constructive citizenship, and foster cross-collaboration and relationship-building across the firm. The Foundation has been endowed by a sizable contribution from Makena and will hopefully exist in perpetuity, with an annual budget to allocate across non-profits and select charities that align with the mission of the firm.

### Corporate Governance & Reporting

Makena strongly believes that proper governance policies are an integral component of successful businesses. The importance of such policies is not limited to ethical considerations, but we firmly believe said policies can positively influence business outcomes.

Makena believes transparency and ethical reporting should be imperative for any investment institution. We seek to provide best-in-class customer services which includes complete transparency to enhance understanding and communication around our investment results and practices.

Signatory of:



### **United Nations Principles for Responsible Investment**

Makena became a signatory to the United Nations Principles for Responsible Investment in 2016. In becoming a signatory, Makena pledged to pursue the below principles to the best of our ability.

1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the principles
6. We will each report on our activities and progress towards implementing the principles