



## **Responsible Investing** **Redwood Investments, LLC**

### **Mission Statement**

Redwood Investments, LLC (“Redwood”) views our approach to considerations of E, S, and G factors as Responsible Investing and believes that Environmental, Social, and Governance (“ESG”) factors can impact a company’s financial performance, competitive positioning, brand equity and other determinants of long-term shareholder value creation. As a result, our team integrates ESG analysis into both the quantitative and qualitative components of the investment process.

### **Approach**

The Redwood investment process is built upon a foundation of bottom-up, fundamental research that demands engagement with management. An integral part of the investment process is asking management questions about the most relevant and critical ESG variables to help identify opportunities and avoid tail risk. We need to understand which is material and what can positively or negatively influence investment performance.

This approach allows us to consider factors that do not neatly fit in any bucket such as ethical decision making, emphasizing long-term decisions over shorter-term, and products/services that improve quality of life. Redwood utilizes ESG integration, which we consider as analyzing environmental, social, and governance qualities of a company at the fundamental level – material factors that we believe can impact an investment thesis and improve risk adjusted returns for our client portfolios. Redwood strives to invest in companies that we feel “run their businesses the right way” by investing with management teams that emphasize the long-term and building shareholder value. We view investing as a puzzle, and each relevant data point that we uncover provides more information. Traditional fundamental analysis - earnings growth, balance sheet leverage, or P/E – starts to fill in pieces of the puzzle. Considering ESG factors integrated with traditional fundamental analysis provides incremental and uncorrelated insights to further complete the investment puzzle. Overall, Redwood believes that an integrated approach blending traditional financial factors with ESG metrics has the most potential to positively impact risk-adjusted returns.

Redwood believes that shareholder returns can be enhanced by integrating the analysis of ESG factors with the company’s approach to responsible investment best practices. When preselected ESG factors, that have been determined to have the potential to create value are combined with traditional financial factors, a more robust analysis of a company’s business prospects can be ascertained. Redwood has researched many ESG factors and discovered that many ESG factors provide additional insight and can improve a company’s near and intermediate term financial results and contribute to a portfolio’s risk adjusted returns. Many other ESG factors can improve a company’s longer-term prospects because key stakeholders recognize and are likely to reward management teams for acting responsibly.

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Redwood believes:

- Customers will reward businesses that share their values and “do the right thing.”
- Employees will appreciate equitable practices and reward employers with higher engagement and reduced turnover.

In addition, our research shows ESG factors are highly uncorrelated with traditional financial factors and embedding ESG factors have the potential to enhance returns and mitigate risk. Redwood started incorporating ESG factors more than a decade ago and consistent with our goal of perpetual improvement seek to review and enhance our process. Initially, we heavily utilized company reported ESG metrics through providers such as MSCI and KLD. We have since upgraded our quantitative data source to Truvalue Labs, which analyzes publicly available information hidden in massive volumes of unstructured data, including real ESG behavior. The solution delivers analytics on ESG factors identified by the Sustainability Accounting Standards Board (SASB) as having a material impact on company value by industry and sector.

**ESG & Activism**

Redwood does not invest in companies with the objective of becoming an Activist Investor, nor do we invest based on our moral or ethical opinions. We do engage company managements in detailed discussions to better understand how ESG and other factors play a part within their operating and decision-making frameworks. During these discussions, we strive to be proactive in providing our thoughts to management teams regarding their strategic initiatives and governance policies. Conclusions derived from this engagement will affect our decision to invest or divest shares in a company.

**ESG & Proxy Voting**

Redwood Investments believes that Proxy Voting is an important tool for investors to communicate with companies and express opinions related to corporate policy. We take this responsibility of representing our clients’ interests seriously by implementing a thoughtful proxy voting policy. We seek to remain current by updating our procedures as appropriate to consider all aspects of what we believe to be sound responsible investment practices that either create or preserve shareholder value.

Our policies and procedures are designed to ensure that we collect and analyze relevant information and incorporate our analysis when voting. Our process integrates internal reviews with the recommendations from a Proxy Voting Specialty Services company which allows Redwood Investments to vote proxies in what we deem to be in the best interests of our clients.

**ESG & Redwood Governance**

The Co-CIOs are responsible for oversight of the Responsible Investment approach at Redwood. The Responsible Investment Committee includes representatives from the Investment Team and Marketing. It seeks to meet quarterly and is charged with oversight of this Responsible Investment Policy and related initiatives, including vendor assessment and management, ESG/RI training, creation and standardization of reporting, among others.

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Past performance not indicative of future results.

This is not a recommendation to buy or sell a particular security.

There is no guarantee of the future performance of any Redwood portfolio.

Redwood reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs.