(1) Do you consider ESG-related information material to your investment decisions? If so, in what way? Is ESG-related information important to your evaluation of a municipal issuer's creditworthiness? If so, what ESG-related information do you consider most relevant to a municipal issuer's creditworthiness and why?

MacKay Municipal Managers™ (MMM) is a fundamental relative-value bond portfolio manager, applying both top-down analysis and bottom-up credit research in the construction of municipal portfolios. Our investment philosophy is centered on the belief that strong long-term performance can be achieved with a relative value, research-driven approach. As we focus on bottom-up security selection, we perform extensive security-specific risk analysis on the bonds we purchase. MMM believes that Environmental, Social and Governance (ESG) investing can be material to the risk/reward profile of every municipal bond credit. As such, in line with our fiduciary duty to act in the best financial interest of our clients, these factors are a meaningful part of our credit analysis.

Because ESG concepts are complex and dynamic, with little standardization in the municipal market, MMM has developed an internal process to assign an ESG risk ranking to each municipal issuer under consideration. The process created a matrix to assign ESG scores to new potential investments. Each security score is subjective, based on a rubric of criteria, and is assigned as part of each security specific credit analysis. We believe the consideration of ESG factors in assessing both risk and return at the security and portfolio levels should be an integrated and dynamic part of the research, portfolio constructionand risk management processes.

We acknowledge that certain ESG risks (including climate risks) and opportunities may be more material for certain issuers and geographies, and may present themselves over the short-, medium- and longer-term. The weight of an ESG factor vs a more traditional factor will depend on our assessment of the potential financial materiality of that particular factor as compared to other considerations. In addition, many of the factors have traditionally always been a part of and integrated into our overall credit analysis.

For the full MMM ESG Policy, please click here.

(2) Do you generally have access to all the ESG-related information you need to make an informed investment decision? If so, can you identify the source(s) of the information you use (*e.g.*, municipal issuer disclosures on the EMMA® website, other municipal issuer communications, time-of-trade disclosures, third-party data vendors or proprietary analyses)? If not, please identify the gaps in information and market transparency.

Recently there has been a growing interest in the impact of ESG factors in the municipal market in the investment process yet little research focusing on the municipal market is available from outside sources. At the start of 2021, MMM engaged an outside data provider, risQ, for their online tool that overlays physical climate risk with governmental census data to project potential impacts on US municipalities from climate-related events. While this tool is helpful in giving the team an understanding of impact of physical climate risks, it's limited in usefulness due inability to matriculate the data into our traditional analytical tools (via datafeed, for example). Additionally, we continue to work with other 3rd party vendors to develop towards more standard reporting and disclosure in the municipal market. We note the Green or Social Bond designation on Bloomberg, however, this data is typically self-reported or scrubbed through Bloomberg AI, and can not translate to standardized reporting across issuers.

Additionally, we feel a gap still remains in the market to define the standard of ESG-risk versus -impact information and assessment in municipal bonds. MMM is not new to the consideration of impact. The nature of municipal bonds is such that the structure of the investments themselves often beg the question of the impact based on the use of proceeds, on a population of individuals, or sometimes even questions around the generation of such proceeds. Understanding how to consider these elements within the context of our investment strategy has been something the team is continuing to develop and build expertise on, as these issues of ESG and Sustainability continue to evolve and grow in prominence within the investing world. As the world moves increasingly towards a focus on "double materiality," we often find ourselves debating whether there could or even should be a singular point of reference for ESG within the muni market, or if it would be more accurate to assess risk and impact separately, despite how intricately tied the two are for this asset class.

(3) Does your expectation as to the availability and sufficiency of ESG-related information change depending on whether the purchase of municipal securities is made in the primary market or the secondary market? If so, how?

Due to the nature of a rapidly evolving space, expectations for the availability of ESG-related information would naturally be higher for new issues as we see the market trend towards more transparency and greater disclosure. Therefore, , that does not necessarily mean there is not sufficient information in the secondary market. Anecdotally, we could envision a situation where there is some sort of supplemental information provided at the issuer level that allows for comparison or shared reporting across a portfolio that has both types of holdings.

(4) In light of the potential availability of ESG-related information from other sources, how can municipal issuers best present and disseminate their ESG-related information to investors? What topic areas do you believe are most relevant for municipal issuers to include when providing ESG-Related Disclosures? In your view, is it sufficient for ESG-Related Disclosures to just describe material ESG-related risk factors? Is there a benefit to municipal issuers further describing the initiatives and other projects they are pursuing to address such risks?

Following the response articulated in the answer for Question 2, the topic areas that would be most relevant for municipal issuers to include would be their understanding of material risks to, as well as impact of, the funded project and/or issuer. Understanding the key performance indicators of municipal projects on local constituencies is essential to an investor's ability to measure effectiveness of a stated impact. Issuers should continue to disclose capital projects supporting ESG-related initiatives as well as provide updated disclosure on progress of the projects as well updates on material, reportable results from these projects.

At MMM, we believe that the inclusion of ESG-related factors within the context of material risks that could affect the financial performance of a particular instrument to be an essential component of our fiduciary duty to our clients. As the market evolves and client demands become more focused on the ways the financial sector can play a role in the development of a more sustainable and just society, having information that helps us analyze the impact investments have on the world will become increasingly important. In recognition of the natural connection between many of the processes and investment objectives already underway in our municipal bond investments and the Sustainable Development Goals, MacKay Municipal Managers is starting to explore ways in which we can more systematically map our investing efforts to those 17 governmental goals. Because our view of municipal investment so inherently lends itself to that lens of impact, providing investors with a clearer understanding of what broader sustainability goals are being worked towards through our investment decisions is a level of transparency we would like to see disclosed. However, as with ESG-related risks, lack of standardization in the municipal space makes it challenging to assess the authenticity of such claims without a considerable amount of additional investigation and analysis.

(5) Certain market participants have expressed concerns that, while analysts and investors have expressed their desire for more standardized ESG-Related Disclosures, there is no consensus on which data and metrics are important or essential. Do you believe such disclosures should be standardized? Do you believe there is a consensus on which data and metrics are important or essential? If so, can you provide insight as to what consensus you believe does or could exist? If not, what barriers do you believe exist in reaching a consensus?

At MMM, we do believe ESG-related disclosures should be standardized, even if at the most basic level. Unfortunately, the scope and number of different issuers in the municipal market presents a challenge for standardization. Requiring standardization on reporting and disclosure could present sizable investments and potentially prohibitive costs for issuers. In addition, we expect that the data and metrics would vary across the multiple sectors and issuer-types in the municipal market.

- From a risk perspective, understanding the potential physical climate risks inherent in investing in particular jurisdictions (i.e. increased frequency and severity of wildfires in the west, hurricanes in the southeast, etc.) is crucial.
- Within impact, the UN SDGs appear to be the most common frame of reference for achieving stated impact. Typically speaking, the GRI reporting framework tends to be the most commonly used framework for a double-materiality type perspective on business operations.

(6) When purchasing municipal securities for ESG-Designated Funds, what ESG-related information is most useful for the investment decision? How do fund managers screen securities to ensure that they meet a fund's criteria? Once purchased, what information is most relevant in assessing that a security continues to meet the ESG criteria established for an ESG-Designated Fund?

At MMM, we do not purchase bonds for specific ESG-Designated Funds and we do not screen or exclude securities based on ESG-fund criteria. In assigning our internal ESG scoring through our process (discussed above) we have identified criteria for each of the the Environmental, Social and Governance sectors. W In regards to purchased positions, it remains difficult to report on impact criteria as reporting is not available and/ or continues to be limited in the municipal market. In the future, as ESG issuance continues to grow in the municipal market, we expect issuers to provide updates from 3rd party verifiers and through continuing disclosure to report the impact and the financial materiality of the specific project or social program that the bonds are financing through the increased use of SASB and/ or SDG alignments, or something similar.

(7) When purchasing ESG-Labeled Bonds, do you evaluate municipal securities with an independent certification differently from bonds that do not have such a certification? If so, how? If not, why not? In your view, what are the benefits to an investor of purchasing a bond with an independent certification?

We will take note if there has been external verification of an ESG-labelled bond, as that will provide us with some understanding of the authenticity of any stated claims by the issuer. However, because there are still no market standards, it's not always clear what exactly the label is certifying and therefore, we would still need to do a considerable amount of our own analysis to understand the true risk and impact of an ESG-labelled bond. We continue to note the increase in the use of independent certification which we believe will promote the growth of disclosure and reporting standardization among issuers and in the market, in general.