# Annual Fiduciary Report

*As Required by 40 ILCS 5/22A-113.5*

ISBI ILLINOIS STATE BOARD OF INVESTMENT

**September 1, 2023**

Illinois State Board of Investment
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

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## INTRODUCTION

The Illinois State Board of Investment ("ISBI") is pleased to share this Annual Fiduciary Report describing how ISBI and its Board of Trustees ("Board") consider and integrate sustainability factors into investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership.

ISBI was established in October 1969 and given responsibility to manage the investment assets of the General Assembly Retirement System, the Judges' Retirement System of Illinois, and the State Employees' Retirement System of Illinois. In August 2007, ISBI was given responsibility for the management of the investment assets of the Illinois Power Agency Trust Fund. ISBI currently manages assets totaling approximately $23.9 billion on behalf of over 170,000 beneficiaries.

The Board considers material and decision-useful sustainability factors when evaluating asset allocation, managing risk, and planning for the portfolio's future. Also, ISBI participates in a range of activities aimed at promoting diversity, advancing good corporate governance, and improving equity.

The Board sets the fund's asset allocation and partners with a range of investment management firms to invest the portfolio, including investment advisory firms, to whom the Board has delegated authority ("Strategic Partners") in order to access best-in-class active managers. ISBI's investment managers and Strategic Partners invest subject to the guidelines and parameters set by the Board, including ISBI's Investment Policy and Diversity Policy.

The Investment Policy sets forth ISBI's investment objectives, policies, and procedures to achieve ISBI's mandate of maximizing long-term return objectives while maintaining prudent risk exposure subject to fiduciary and financial prudence. Upon the passage of the Sustainability Act in 2019, ISBI expanded its Investment Policy to incorporate material and decision-useful sustainability factors when evaluating investment decisions.

Furthermore, ISBI's longstanding Diversity Policy recognizes the importance of increasing access and opportunities for minorities, women, and persons with a disability in the investment industry. Within the bounds of financial and fiduciary prudence, ISBI seeks to hold its investment managers and Strategic Partners accountable to the goals and objectives set forth in the policy.

ISBI is committed to continuing its integration of sustainability factors into its investment decision-making, subject to its financial and fiduciary responsibilities.

### 1. Board Consideration of Sustainability Factors

Pursuant to ISBI's investment policy, the Illinois Sustainable Investing Act, and the Illinois Pension Code, the Board considers material, relevant, and decision-useful sustainability factors to evaluate investment decisions within the bounds of financial and fiduciary prudence.

These factors include, but are not limited to, the following:

- Corporate governance and leadership;
- Environmental impact;
- Social capital;
- Human capital; and,
- Business model and innovation.

In addition, ISBI's efforts include:

- Periodic evaluation of sustainability factors to ensure they are relevant to ISBI's investment portfolio and the evolving marketplace; and,
- Periodic monitoring of investment managers to encourage implementation of the aforementioned factors.

**2. ISBI's Approach to Risk Management**

The intent of risk management is not to eliminate risk, but to ensure that market risk taken to achieve return objectives is prudently managed. ISBI recognizes that investors are rarely compensated for risks that can be eliminated through diversification. Risks will be a primary consideration throughout the investment process.

The Fund's asset allocation is the primary risk management tool used to calibrate the relationship between investment risk and return for the Fund. Asset allocation modeling incorporates measures of risk, return, and correlations between the various asset classes in which the Fund invests. Periodically, Staff, the General Consultant, and the Board conduct a thorough assessment of the Fund's asset allocation and the Fund's overall risk profile including stress testing, scenario analysis, value at risk, tracking error reporting, and standard deviation of returns analysis.

In addition, Staff and the General Consultant regularly review each Strategic Partner's risks within the context of the overall asset classes they manage to ensure that there are no unintended risks being experienced at the aggregate class level. This review process includes evaluation of traditional investment and financial factors while integrating a wider range of risks and value opportunities related to environmental, social, and governance factors that can have a material impact on investment performance.

ISBI utilizes BlackRock Solutions' Aladdin Risk to provide a bottom-up model of risk. Aladdin Risk Models are used to view risk measurements and provide custom analysis on a quarterly and ad hoc basis. Aladdin Risk Models provide a view of total portfolio risk, both systematic and idiosyncratic, resulting from changes to the portfolio or broad market environment. The model provides analysis on the sources of and changes to active risk at the total portfolio, asset class, or manager level. Aladdin Risk provides analysis on macro factor risk breakdowns and additional stress-testing and scenario analysis. Aladdin Risk incorporates data from MSCI, Sustainalytics, and other providers for sustainability exposures and scores for portfolio holdings.

**3. Manager Consideration of Sustainability Factors**

ISBI Staff and Strategic Partners, who both serve as fiduciaries to the Board, are committed to integrating sustainability factors into the investment decision-making process for ISBI's portfolio. ISBI's Strategic Partners consider sustainability factors in a multitude of ways, including both qualitative and quantitative measures. While the methods to assess these factors may vary slightly between Strategic Partners, each fiduciary considers the sustainability factors listed above to vet investment managers and portfolio companies.

Attached as Exhibits 1-10 are responses from ISBI's Strategic Partners and select managers describing how each partner integrates sustainability factors in its decision-making process. Each response includes a detailed explanation of how the factors are considered from the firm level down to the specific investments made on ISBI's behalf. Also included are some case studies of investments made for ISBI with detail of how sustainability factors were assessed in the underwriting process.

## 4. Comprehensive Proxy Voting Report

ISBI takes its responsibility as a shareholder seriously and partners with Glass Lewis, a leading proxy service provider, who follows a robust process to ensure proxy votes for shares held directly by the Board are taken in furtherance of the creation of long-term shareholder value. Moreover, ISBI believes transparency is paramount, and regularly provides comprehensive information and reporting on proxy voting activity on its website. A comprehensive proxy voting report for shares held directly by the Board is attached as Exhibit 11.

## 5. Corporate Engagement and Stewardship Activities

ISBI is serious about its mandate to manage the retirement assets of the employees, judges, and General Assembly members of the State of Illinois, as well as the assets of the Illinois Power Agency. ISBI pursues investment excellence in all aspects of its administration and is proud of the top-tier performance it has achieved on behalf of the state's public servants. ISBI executes its mandate according to the standards of fiduciary prudence, including its corporate engagement and stewardship efforts, which encompass a range of activities and partnerships. ISBI participates in a range of industry initiatives, some of which are described below.

Midwest Investors Diversity Initiative

ISBI pursues corporate engagement as part of the Midwest Investors Diversity Initiative ("MIDI"), a coalition of institutional investors led by the Illinois State Treasurer's Office that seeks to increase the racial, ethnic, and gender diversity of Midwest-based companies' corporate boards. As part of MIDI, ISBI uses corporate engagement and shareholder rights to promote shareholder value and maximize returns.

MIDI's membership encompasses 17 different Midwest-based institutional investors, who together have over $1 trillion in assets under management. By pooling resources and engagement efforts as part of the coalition, ISBI and all members benefit from the strength of MIDI's collective voice.

Specifically, the coalition promotes adoption of evidence-based diversity measures by corporate boards of Midwest-based companies, including:

- A diverse search policy ensuring consideration of women and people of color for every open board seat;
- Disclosure of the gender and race/ethnicity of individual board directors; and,
- Disclosure of the company's consolidated EEO-1 Report.

MIDI views a diverse board as a sign of strong corporate governance and relies on the consensus among academics, industry specialists, and financial analysts that a diverse board and workforce creates shareholder value. ISBI is committed to the important work of MIDI and is particularly proud of MIDI's successful model of corporate engagement. Over its 8-year existence, MIDI has engaged 70 companies, with a total of 95 women and persons of color receiving board appointments. In addition, 51 of those companies have adopted a diverse search policy and 46 now publicly disclose board diversity data.

Council of Institutional Investors

ISBI is a member of the Council of Institutional Investors ("CII"), a nonprofit, nonpartisan association. The group includes U.S. public, corporate, and union employee benefit funds, foundations and endowments, and other entities with combined assets under management of approximately $4 trillion. CII is a leading voice for effective corporate governance and strong shareholder rights, promoting policies that enhance long-term value for U.S. institutional investors and their beneficiaries.

As a member of CII, ISBI contributes to and benefits from CII's collective advocacy on behalf of institutional investors, especially public pension funds and their beneficiaries. CII engages with key market participants across the investor spectrum, advocates on behalf of members with companies, legislators, and regulators, and promotes strong governance policies through corporate engagement and stewardship.

Illinois Investment Policy Board

ISBI holds one of seven seats on the Illinois Investment Policy Board ("IIPB") which is the entity tasked with implementing provisions of the Illinois Pension Code ("Code") forbidding investment of public assets in prohibited entities. Specifically, the Code prohibits certain investments in companies that boycott Israel, companies that contract to shelter migrant children, Iran-restricted companies, expatriated entities, companies that are domiciled or have their principal place of business in Russia or Belarus, and companies that are subject to Russian Harmful Foreign Activities Sanctions.

As a member of the IIPB, ISBI engages with any company that meets the criteria of a "restricted entity" and becomes subject to divestment pursuant to the Code. The engagement seeks to encourage a company to cease the prohibited activity, or in the case of Russian- or Belarus-based companies, to relocate their bases of operations. Engagement includes written correspondence as well as an invitation to appear before the IIPB at one of its public meetings. ISBI takes seriously this avenue of corporate engagement which is designed to ensure the investment of public dollars aligns with the values of the State of Illinois, as established by the General Assembly.

Russell 3000 Board Diversity Disclosure Initiative

ISBI also participates in the Treasurer's Office's Russell 3000 Initiative, dedicated to encouraging all companies within the Russell 3000 Index to disclose the gender and racial/ethnic makeup of their boards of directors. The Russell 3000 Initiative works hand-in-hand with MIDI to promote corporate board diversity given the correlation between such diversity and long-term performance.

ISBI joins 25 other member organizations as part of the initiative, representing a collective $3 trillion in assets under management and advisement. ISBI uses its voice alongside other initiative members to advocate for increased board diversity disclosure as part of a letter campaign to all companies within the index. According to the Treasurer's Office, from 2020 to 2022, the number of companies disclosing their board diversity increased by 292.

Racial Justice Cohort – Initiative for Responsible Investment

ISBI's Executive Director and Chief Investment Officer participated in the 2020-2021 Racial Justice Cohort organized by the Initiative for Responsible Investment at the Harvard Kennedy School. The cohort brought together a diverse group of decision-makers from a small group of institutional investors with a demonstrated commitment to racial justice. The cohort examined investment practices through the lens of racial justice and explored ways that new practices could seek to dismantle systemic racism in the financial industry.

At its final meeting in the fall of 2021, the cohort produced a toolkit of resources for institutional investors seeking to implement changes. The toolkit includes a best-in-class investor policy statement, standards for due diligence, evaluation, and monitoring of asset managers and consultants, criteria for a assessing a racial justice audit, and strategies for shareholder engagement on racial justice.

BlackRock Emerging Broker Council

In accordance with the Illinois Pension Code and the Board's Diversity Policy, ISBI set goals for its public markets managers' use of diverse-owned broker/dealers. ISBI seeks to go beyond these requirements by holding its managers accountable to improve equity and access for such broker/dealers across their broader asset base. Toward that end, ISBI partnered with BlackRock to form the Emerging Broker Council on which ISBI sits alongside several Illinois-based, minority-owned broker/dealers. The council works to expand access and opportunities for diverse-owned broker/dealers and to create connections between asset managers and diverse-owned broker/dealers.

Inclusion and Partnership in Private Markets

In September 2022, the Board adopted a policy promoting the utilization of diverse-owned investment banks within the Fund's private markets portfolio, subject to best execution and fiduciary prudence. This policy includes a commitment to pursue opportunities and increase access to diverse-owned investment banks within the industry.

As part of that commitment, in February 2023 ISBI hosted an industry-leading event that brought together ISBI's private equity managers with a wide array of diverse-owned investment banks. Attendees engaged in a frank exchange of ideas centered on fostering connections and creating opportunities for partnership. ISBI hopes this initiative will continue to drive improved services and best execution while increasing access for diverse-owned firms.

Responsible Contractor Policy

Adopted in 2008 and revised in 2020, the Board's Responsible Contractor Policy is designed to guide ISBI's selection of independent contractors and their subcontractors in a manner consistent with ISBI's statutory standards of fiduciary responsibility and prudence in managing its investments. ISBI recognizes that the workforce is a key asset to deliver long term value and that incorporating human capital factors into the investment process results in fair, beneficial, and sustainable investments. As part of the 2020 revision, ISBI staff reviewed over 20 policies from public pension plans, investment managers, and unions and worked with internal and external stakeholders to develop an industry-leading policy that operates prudently.

The policy supports and encourages fair compensation and fair benefits for workers employed by ISBI's contractors. It promotes the engagement of contractors who can be expected to provide high quality services to ISBI properties and investments while properly training and fairly compensating employees. The policy applies to those who provide building operations services, hotel management services, construction, renovation, maintenance, and other services to properties in which ISBI directly invests. It supports a healthy and profitable business environment through market competition, small business development, and control of operating costs.

Glass Lewis Engagement

As ISBI's proxy voting provider, Glass Lewis provides comprehensive proxy research and recommendations to ISBI for the annual meetings of public companies within ISBI's portfolio. ISBI relies on Glass Lewis' research and analysis capabilities, executed in line with the Board-approved proxy voting policy. As part of that research and analysis, Glass Lewis engages broadly with companies, shareholder proponents, industry experts and other stakeholders, and encourages robust disclosures of material information in order to inform analysis and decision-making. For additional information, please refer to the Glass Lewis Engagement Policy, attached as Exhibit 12.

Additional Advocacy and Partnerships

In addition to the initiatives and partnerships discussed above, ISBI works with a number of affinity groups to advance diversity and inclusion in the financial industry.

ISBI has developed and maintains strong relationships with the following:

- *National Association of Securities Professionals (NASP)*: NASP is a leading voice for Blacks, ethnic minorities, and women seeking inclusion in the financial industry. ISBI seeks to serve as a partner to NASP leadership and to learn from NASP's advocacy and education efforts.
- *National Association of Investment Companies (NAIC)*: ISBI is a regular participant in NAIC's institutional investor roadshows, which create connections between capital allocators and NAIC's membership of diverse-owned alternative investment firms.
- *New America Alliance (NAA)*: ISBI regularly joins the NAA National Tours to help build networks to advance access to capital for women and minority-owned firms, with a focus on American Latino success.
- *Women Investment Professionals (WIP)*: WIP is a professional community dedicated to enhancing women's opportunities in the investment industry. ISBI staff members have participated in a range of WIP events and ISBI's Executive Director and Chief Investment Officer was selected as WIP's 2022 Woman Investment Professional of the Year.
- ISBI serves as a resource to endowments, foundations, and other pension funds seeking to establish diverse management programs.

# Appendix

ILLINOIS STATE BOARD OF INVESTMENT

# ISBI Annual Fiduciary Report

In accordance with 40 ILCS 5/22A-113.5, ISBI is required to post an Annual Fiduciary Report containing how each of its Investment Managers integrates the sustainability factors outlined in the Illinois Sustainable Investing Act.

Name of Asset Management Firm: Blackstone Inc.

Firm Address: 345 Park Avenue, New York, NY 10154

Please describe how the firm integrates sustainability factors into the decision-making process.

Please refer to Blackstone's Environmental, Social, and Governance Policy, included at the end of this document.

Blackstone

# Environmental, Social, and Governance (ESG) Policy

## Introduction

Blackstone believes that Environmental, Social, and Governance (ESG) principles are crucial to developing resilient companies and assets that deliver long-term value for our investors. We are committed to integrating ESG into our investment process and operating philosophy.

This ESG Policy outlines our firm-wide approach to integrating ESG in our business and investment activities. Certain of our business units maintain their own individual ESG policies, which are aligned with this policy and reflect the unique factors applicable to their respective investment strategies.

## ESG at Blackstone

Blackstone is committed to integrating ESG factors throughout its own corporate operations and we focus on matters that are meaningful to our employees and investors. We seek to lead by example and apply our insights to drive change across our portfolio, including by:

- Measuring and reducing GHG emissions resulting from our business operations and increasing the use of clean energy across our corporate offices
- Recruiting and fostering diverse talent through active affinity networks such as the Women's Initiative, Diverse Professionals Network, Veterans Network and OUT Blackstone that are dedicated to hiring, retaining and raising awareness of diverse groups through speaker series, networking events, service opportunities, and mentoring relationships
- Driving social change in communities where we operate by providing opportunities for the people in those communities through the Blackstone Charitable Foundation in collaboration with our nonprofit and educational partners
- Training applicable full-time employees and certain other temporary personnel, consultants and advisers through Annual Compliance Training, which includes topics such as data protection and privacy, our Code of Ethics and fiduciary duties / conflicts of interest among others, in addition to an initial training during their onboarding
- Engaging the entire firm annually through our cybersecurity awareness program to educate our employee population to recognize suspicious activities and report them for investigation

## ESG Integration in the Investment Process

The integration of material ESG factors[1] into our investment decisions and ownership is an important part of fulfilling our mission to create strong returns for our investors.

Based on our experience, we think that consideration of ESG factors not only enhances our assessment of risk – it helps us identify opportunities for transformation and value creation. We believe that our ESG program can strengthen companies, drive value, enhance returns, and help to create better outcomes for people and communities.

1 For the purposes of this ESG Policy, "material" ESG factors are defined as those factors that the firm determines have–or have the potential to have–a material impact on an investment's going-forward ability to create, preserve or erode economic value, including as related to environmental and social value, for that organization and its stakeholders. The word "material" as used herein should not be equated to or taken as a representation about the "materiality" of such ESG factors under the US federal securities laws or any similar legal or regulatory regime globally.

As applicable and material to any given investment, the ESG factors that may be incorporated into our investment evaluation and monitoring processes include, but are not limited to, the following:

| Environmental Considerations | Social Considerations | Governance Considerations |
|---|---|---|
| ▪ Greenhouse gas emissions<br>▪ Air pollution<br>▪ Waste management (including land and water impact)<br>▪ Energy management and efficiency<br>▪ Land use<br>▪ Climate risk | ▪ Diversity, equity, and inclusion (including anti-discrimination)<br>▪ Human rights and modern slavery<br>▪ Employee health and safety<br>▪ Labor relations and practices<br>▪ Customer privacy and security<br>▪ Product quality and safety | ▪ Corporate governance and oversight<br>▪ Risk management<br>▪ Conflicts of interest<br>▪ Transparency (including financial and operational reporting)<br>▪ Fraud, anti-bribery and anti-corruption controls |

ESG expertise is embedded across Blackstone, with domain experts sitting within our business units, Asset Management teams, and corporate functions. We strive for a highly coordinated approach, knitting our efforts together through a dedicated corporate ESG team that looks to apply best practices, champion firm-wide initiatives, and regularly report to stakeholders where applicable.

### Pre-investment

We consider ESG factors a key part of evaluating new portfolio companies, investments, and businesses (collectively, Portfolio Companies). By considering applicable ESG factors in the investment process, we aim to identify and address material investment risks and drive value.

For majority and minority investments, as the firm deems appropriate, our team engages external counsel or other advisors to assist in conducting ESG due diligence. Our Investment Committees are apprised of material ESG findings where applicable.[2]

## ESG Monitoring and Engagement

### Post-investment

Post-investment, we generally use an annual ESG survey and data collection process to monitor certain participating Portfolio Companies. Participation in our survey and data collection is expected for companies where we hold significant influence.[3] In addition, Portfolio Companies that are in scope of our Emissions Reduction Program (as described below) are expected to track utility spend in our centralized utility management system. We use this data to calculate annual greenhouse gas (GHG) emissions, allowing us to measure progress and focus our efforts on the largest opportunities for achieving reductions within our portfolio. We also encourage Portfolio Companies to report to their respective boards regarding ESG on a regular basis, with respect to priority ESG topics that they deem to be material to their business.

### Portfolio Company Engagement

Our Portfolio Operations Group and Asset Management teams seek to partner with participating Portfolio Companies. We help them implement best practices through offering tools, training, and expertise; manage material ESG factors; implement Blackstone-specific initiatives; and measure progress.

We also have firm-wide programs in which in-scope Portfolio Companies acquired after January 1, 2021 are expected to participate, including:

- Our target to reduce carbon emissions of new Portfolio Companies where we control energy usage by 15% in aggregate within three years of ownership (the Emissions Reduction Program); and
- Our target of one-third (1/3) diverse representation on controlled Portfolio Company boards located in the US and Europe.

2 ESG due diligence will vary based on (i) the nature of Blackstone's investment, (ii) the transaction process and timeline, (iii) the level of access to information, specifically as it pertains to ESG factors, and (iv) the target investment's sector or business model.

3 Significant influence is generally deemed to exist where there is ownership of more than 20% of the company's common equity. Data collection is conducted with respect to Portfolio Companies of Blackstone business units including Private Equity, Tactical Opportunities, Growth, Infrastructure, Real Estate, Blackstone Credit, and BAAM (BSCH only).

As owners and operators, we seek to encourage and implement appropriate governance structures, policies, controls, and processes at our Portfolio Companies to strengthen them and thereby enhance returns.

For Portfolio Companies that are not controlled or otherwise not in scope, we seek to encourage participation in our firm-wide ESG programs, offering resources and expertise to support implementation and improvements.

# Focus Areas

Across our corporate and investment activities, we have identified priority ESG topics that we believe can most affect our ability to build strong companies of enduring value.

## Climate Change Mitigation, Resiliency, and Adaptation

We recognize that climate change is a systemic issue, affecting all sectors and geographies. Our goal is to partner with Portfolio Companies across sectors to help them reduce carbon emissions through our Emissions Reduction Program – a commitment that is guided by climate science. We also see energy transition as an important investment theme. Finally, over time we intend to assess physical and transition risks to Portfolio Companies from climate change, and develop resiliency responses to these risks, where applicable, as part of our investment process.

## Diversity, Equity, and Inclusion (DEI)

We are highly focused on driving diversity within Blackstone and across our portfolio, as demonstrated by our one-third board diversity target across controlled Portfolio Companies acquired after January 1, 2021 located in the US and Europe. Moreover, we are working to foster employment opportunities and career mobility for diverse and historically underrepresented talent at our Portfolio Companies through our Career Pathways pilot program. We are also committed to hiring veterans and their spouses and caregivers across Blackstone and our Portfolio Companies.

## Good Governance

We believe that good corporate governance is essential for financially sound companies. We support our Portfolio Companies at various stages of their life cycles to implement good governance spanning board governance to controls. Specifically, we prioritize an experienced, active and engaged board of directors with the skill to properly oversee and direct management and encourage protocols to enhance transparency and good governance. Further, we provide governance training to our professionals serving on Portfolio Company boards and recommend Portfolio Companies provide regular board reporting on their ESG program.

# Stewardship

We regularly engage with our limited partners, investors, stakeholders, and industry on ESG matters. As applicable, ESG matters are discussed at Blackstone's quarterly board meetings, at annual investor meetings for our business groups, and annual Limited Partner Advisory Committee (LPAC) meetings. Blackstone is a member of Ceres Investor Network, Business for Social Responsibility (BSR), the Global Impact Investing Network (GIIN), the 30% Coalition, the Sustainable Markets Initiative, a signatory of the Principles for Responsible Investment (PRI) and the UK Walker Principles, helped craft the American Investment Council (AIC) Guidelines for Responsible Investment for our industry and participates in group-sponsored initiatives that align with our ESG Focus Areas (Climate Change, DEI and Good Governance). Blackstone's membership in these institutions contributes to informing its consideration of material ESG factors throughout the investment process.

# Reporting

We are committed to being transparent with our investors, shareholders, and other stakeholders about Blackstone's ESG initiatives, successes, and goals. Our ESG report provides updates regarding our ESG program firm-wide on an annual basis, and we provide periodic ESG updates on our website. We value regular, frequent engagement with our stakeholders on ESG matters.

## Roles and Responsibilities

Blackstone's Chairman/CEO and President/COO have ultimate responsibility for overseeing the Blackstone's ESG Policy. The corporate ESG team coordinates initiatives across the firm to maintain consistency in approach. The Legal & Compliance teams of Blackstone's respective business units, along with Heads of ESG, are responsible for supporting and ensuring compliance with additional ESG policies and related standards and overseeing their annual review. The corporate ESG team also monitors changes or updates to industry trends, policy, and regulations and provides specialized expertise to the business units as needed.

Blackstone's Global ESG Steering Committee, which consists of professionals from across the firm's business units and corporate groups, advises on ESG matters across Blackstone. We have regional steering committees in Europe and Asia, which regularly report to the Global ESG Steering Committee.

Blackstone has dedicated Heads of ESG for our reporting segments, who work with Blackstone's investment and Asset Management teams to integrate the consideration of material ESG factors throughout the investment lifecycle. The Portfolio Operations and Asset Management teams are responsible for operationalizing key ESG programs across Portfolio Companies.

## Scope

This ESG Policy applies to Blackstone's investments and business units and is reviewed annually to reflect changes to the business. We have separate ESG policies for certain of our business units, as well as specific ESG frameworks and approaches, which consider the material ESG factors according to each industry, geography, asset class and investment horizon. Blackstone's ability to influence and exercise control over ESG matters with respect to the companies in which its business units invest will vary depending on the asset class, investment structure and contractual rights. In cases where Blackstone determines it has limited ability to conduct diligence or to influence and control the consideration of ESG issues in connection with an investment, Blackstone will only apply those elements of this ESG Policy and the foregoing approaches that it determines to be practicable in light of the underlying facts and circumstances. Examples of such cases may include where Blackstone is a minority shareholder and has limited governance rights or other circumstances where Blackstone is a minority shareholder and has limited ability to assess, set or monitor ESG-related performance.

This ESG Policy was last updated in January 2022 and is subject to change as the firm considers necessary or advisable. This policy is intended to be reviewed approximately annually. Further, this policy shall supersede and replace Blackstone's September 2019 Responsible Investing Policy and shall apply on a going forward basis, subject to the limitations discussed herein, to the firm's existing and future investments.

ILLINOIS STATE BOARD OF INVESTMENT

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Name of Asset Management Firm: Apollo Asset Management, Inc.

Firm Address: 9 West 57th St, 42nd Floor, New York, NY 10019

Please describe how the firm integrates sustainability factors into the decision-making process.

Apollo Asset Management, Inc. (the "Company," "Apollo," or "our") takes an integrated approach to ESG management, with oversight from Company leadership and collaboration from across the business. Investment professionals and portfolio managers are expected to integrate sustainability into their processes, to the extent appropriate and feasible in accordance with each strategy. To facilitate our approach to sustainable investment, and to help address client and market expectations, Apollo's sustainable investing framework is built around five themes: Integration, Engagement, Transparency, Product Solutions, and Compliance. For more information about how Apollo integrates sustainability factors into the decision-making process, please refer to our Sustainable Investing and ESG Policy: https://www.apollo.com/~/media/Files/A/Apollo-V3/documents/apollo-sustainable-investing-and-esg-policy-final-6-12-23.pdf

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Name of Asset Management Firm: Ariel Investments

Firm Address: 200 East Randolph Street, Suite 2900, Chicago, IL 60601

Please describe how the firm integrates sustainability factors into the decision-making process.

Ariel Investments ESG Policy is as follows:

**1. Objective**

Our tailored approach to investing recognizes ESG issues as potentially material to business outcomes and views management teams as collaborative partners in strengthening ESG performance. As part of our bottom-up fundamental research process, our Domestic, International/Global ("I/G"), and Emerging Markets Value ("EMV") investment teams assign a Proprietary ESG-risk rating for a company based on the team's assessment of industry exposure, disclosure and management of material industry-specific ESG risk factors. Each team integrates their ESG risk ratings into their financial valuations. Such financial modeling and valuation work can directly impact portfolio construction. Ariel seeks to engage with management teams on ESG topics. As long-term investors we understand that many interactions do not fit neatly into short-term binary outcomes, but rather are part of a longer-term dialogue.

**2. Governance**

The ESG Committee (the "Committee") is responsible for reviewing Ariel Investments ESG policies annually. The Committee meets quarterly and documents its proceedings in the form of agendas and meeting minutes. The Committee is chaired by the Director of ESG Investing and is comprised of senior investment professionals from the Domestic, I/G, and EMV research teams. The Committee also includes senior leaders from Client Relations, Consultant Relations, and Legal & Compliance. In addition, the Committee is responsible for reviewing the ESG policies of Ariel Investments' affiliate, Ariel Alternatives, and includes a representative from Ariel Alternatives.

The Committee facilitates reporting and communication among its members and the broader Ariel Investments community regarding ongoing ESG-related investing and engagement topics, third party research, training opportunities, trends in the marketplace, and the regulatory landscape. In addition, the Committee facilitates an annual review of each investment team's ESG approach by Ariel Investments' board of directors and the Ariel Investment Trust board of trustees.

The Committee's other responsibilities include:

- Coordinating disclosure practices;
- Assessing firm-wide current and prospective commitments including but not limited to Principles for Responsible Investment, affiliations, and policy/advocacy statements relevant to ESG investing;
- Reviewing recommendations identified from third party or internal compliance reviews.

The Committee recognizes each strategy's chief investment officer has the responsibility for executing ESG integration activities into the respective investment processes. Our compliance team conducts periodic reviews of our ESG processes and disclosure practices to ensure compliance with applicable legal and regulatory requirements.

### 3. ESG in the Investment Process

As part of our bottom-up fundamental research process, each investment team (Domestic, I/G, and EMV) assigns a Proprietary ESG-risk rating (Low / Moderate / Elevated / High) for a company. Such assessments can be based on objective data or subjective judgment, including industry risk exposure, quality of ESG disclosure, forward-looking assessments of management performance, as well as other factors.

Each team integrates their ESG risk ratings into financial valuations. As a result, ESG factors incorporated into our financial modeling and valuation work can directly impact portfolio construction. ESG is one of many factors that may impact an investment decision. In addition, our portfolio-level dashboards monitor ESG issues across our strategies, which can help to inform our overall ESG risk management, future research priorities and continued learning and engagement opportunities.

Our ESG analysis is supported by Ariel's proprietary ESG platforms, providing decision-useful insights obtained from third-party sources, such as Bloomberg, ISS, MSCI, Refinitiv, and Sustainalytics, alongside data points from our proprietary research. Our proprietary research is informed by company disclosures such as company websites, sustainability reports, and SEC filings, direct dialogue with management teams, and other ESG-focused organizations, such as SASB.

Our proprietary ESG data platforms are made accessible to the respective investments teams and inform company-specific ESG research. Each investment team maintains a customized approach to setting ESG ratings as well as curating and integrating ESG data into their respective investment processes. In general, we view individual data points on a case-by-case basis as part of a broader mosaic approach. There may be variation among the teams' ESG risk assessments and ESG data integration (even for similar or the same companies), as the investment teams set their own ESG ratings and approach to integrating ESG data into their investment decisions.

The primary objective of integrating ESG into investment analysis and decisions is to manage potential risks and opportunities which may have a material financial impact on clients' investment portfolios. This aligns with the overall investment objectives of the strategies that Ariel manages, as disclosed in the applicable governing documents of each portfolio, as well as our fiduciary duty to protect client assets and act in the best interest of investors. In addition, considering ESG factors helps us to develop a deeper understanding of sustainability issues and potentially reduces detrimental sustainability outcomes.

### 4. ESG Considerations

The relevance and materiality of ESG factors varies by industry and geography and their impact on our investment thesis. We therefore do not have a "one-size-fits-all" approach but a case-by-case assessment of materiality and relevance, as determined by the investment teams. For example, we may consider the Social factors to be highly relevant for a financial services company with a retail client base, while Environmental issues may be more relevant for a utility or energy services company because they enable the transition to a low-carbon economy. Finally, corporate Governance is relevant if management engages in behavior or decision-making that would harm shareholders over the long-term. As patient investors who invest with a long-term investment horizon, we consider the materiality of ESG exposures from both a short- and long-term point of view.

We consider a wide range of ESG-related factors to better understand a company's risk exposure, risk management, quality of disclosure, performance, and potential for improvement.

*Climate Change*

Ariel Investments, as a company, is committed to assessing and managing our exposure to climate-related risks and opportunities. Our investment teams incorporate physical or transition climate risk and opportunity assessments into their analysis and/or direct company engagement when relevant and material as part of the broader review of an investment. In addition, we perform a quarterly climate risk analysis across our strategies to monitor carbon footprint and carbon intensity metrics relative to the strategies' respective benchmarks. At the firm level, we track metrics related to the firm's overall environmental footprint. Ariel Investments supports the primary goal of the Paris Agreement – to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

*Human Rights*

Our investment teams incorporate human rights considerations into their analysis and/or direct company engagement when relevant and material as part of the broader review of an investment. We recognize the direct and indirect impacts portfolio companies may have on human rights, and we seek to mitigate any potential significant harm or adverse impact on human rights. In general, we support the goals of the UN Principles on Business and Human Rights.

*Diversity, Equity, and Inclusion*

At Ariel, diversity is not aspirational, it's foundational. Our culture was built on the conviction that diverse perspectives lead to better decision-making which we believe leads to better outcomes. The wide range of experiences, backgrounds and viewpoints across our teams gives us a competitive advantage that enhances the financial futures of our clients. Our investment teams incorporate diversity, equity, and inclusion assessments when relevant and material as part of the broader review of an investment. In general, we encourage portfolio companies to embrace diversity practices to strengthen their businesses.

*Other ESG Issues*

Examples of other sustainability-related issues include the following:

*Environmental*
Air Quality
Energy Management
Ecological Impacts
Greenhouse Gas (GHG) Emissions
Physical Impacts of Climate Change
Waste and Hazardous Materials Management
Water and Wastewater Management

*Social*
Access and Affordability
Customer Privacy
Customer Welfare
Data Security
Diversity and Inclusion
Employee Engagement
Employee Health and Safety
Human Rights and Community Relations
Labor Practices
Materials Sourcing and Efficiency
Product Design and Lifecycle Management
Product Quality and Safety
Selling Practices and Product Labeling
Supply Chain Management

*Governance*
Business Ethics
Business Model Resilience
Competitive Behavior
Critical Incident Risk Management
Management of the Legal and Regulatory Environment
Systemic Risk Management

5. **Exclusions**

Ariel's portfolio managers are responsible for investing each client's portfolio in accordance with the client's respective investment guidelines and in accordance with regulatory restrictions communicated to them by clients and/or the legal and compliance department. While Ariel does not employ strict exclusionary practices across all strategies, our domestic strategies avoid companies whose primary (greater than 50%) source of revenue is derived from the production or sale of tobacco products, the manufacture of firearms, or the operation of for-profit prisons. The portfolio managers of these strategies believe these industries are more likely to face shrinking growth prospects, draining litigation cost and legal liabilities that cannot be quantified. The I/G and EMV teams consider exclusions of certain sectors or securities, for ESG or other regulatory reasons, at client request.

6. **Engagement and Active Ownership**

Our approach to ESG engagement is grounded in principles of inclusion and improvement via engagement and dialogue. Our primary stewardship objective is to maximize overall value to our clients. We engage with the goal of preserving or enhancing value over the long term. Ariel seeks dialogue with management teams to encourage improvement on ESG disclosure and performance across financially material ESG issues. The materiality of ESG factors varies by industry, geography, and impact on our investment thesis. In general, as part of our ESG engagement, we seek to focus our discussions on key ESG improvements that will drive the greatest financial impact and/or where our efforts or support can have a higher probability of success, such as instances in which we are large and/or long-standing investors.

Our investment teams employ a variety of methods in ESG engagements. For example, direct engagement typically includes conversations and other interactions with management teams, board members, and key business unit or organizational leaders on specific issues, letters on thematic ESG topics, company-tailored recommendations for diverse board members, and other forms of direct dialogue. Individual investment teams may also engage in dialogue with subject matter experts, regulators, suppliers, and third-party vendors. The engagement method and frequency of interaction varies depending on the individual context for a given investment portfolio company.

We track our interactions with portfolio companies. As long-term shareholders we understand that many engagements do not fit neatly into short-term binary outcomes, but rather are part of a longer-term dialogue.

While our approach to ESG engagement typically focuses on supporting or partnering with management teams on their efforts to strengthen management and disclosure of material and relevant ESG issues, we may employ escalation tactics on a case-by-basis when we believe material ESG issues are not being adequately addressed by management teams. We do not employ a formulaic approach to escalation. While stewardship is not mandatory, approaches will vary depending on the relationship and history with management, the industry or business model, and/or the nature and materiality of the ESG issue. As long-term investors, we recognize that meaningful change does not happen overnight. Our forms of engagement may vary from identifying and engaging with key business unit or organizational leaders with responsibility for a given topic, articulating or sending a letter to management outlining our concern, vote against management on a proxy voting proposal, and/or consider selling a position.

On occasion, we may consider participation in 'collaborative engagement' initiatives, such as through joint letters, in partnership with other investors or third-party organizations. Such opportunities are evaluated on a case-by-case basis and executed in a manner consistent with applicable laws and regulations.

We integrate ESG considerations into our proxy voting decisions. Ariel's proxy voting guidelines for its investment strategies are detailed in our Proxy Voting Guidelines which are made available upon request to ClientserviceIR@arielinvestments.com.

In general, the investment teams seek to promote positive sustainability outcomes and avoid adverse sustainability outcomes. While we focus on outcomes that are relevant and material to the investment thesis, sustainability outcomes are not our primary driver or objective.

7. **Collaboration**

Ariel Investments, as a company, plays an active role in the broader ESG community to encourage greater adoption of ESG best practices among investors and corporations. We participate in or support various investor initiatives and partnerships.

8. **Reporting**

Ariel produces an annual publicly available ESG Report detailing our approach to ESG integration, engagement activities, participation in industry groups, policy discussions, and leading ESG performance as a firm.

9. **Conflicts of Interest**

Ariel has adopted a Code of Ethics and other compliance policies and procedures, inclusive of conflicts of interest and proxy voting policies and procedures, to preserve the independence of its investment advice to its clients. Ariel's proxy voting policy addresses how Ariel manages and mitigates conflicts of interest with respect to voting its clients proxies.

ARIEL INVESTMENTS

ANNUAL 2021

# Environmental, Social & Governance Report

Table of Contents



Ariel Investments, LLC is a global value-based asset management firm founded in 1983. Ariel is headquartered in Chicago, with offices in New York City, San Francisco and Sydney. With approximately $17.8 billion[1] in assets under management as of March 31, 2022, Ariel Investments serves individual and institutional investors through five no-load mutual funds and nine separate account strategies. For more information, please visit our website at arielinvestments.com.

[1]As of December 31, 2021, Ariel's assets under management include $0.87 billion from Ariel Alternatives, a private equity subsidiary of Ariel Investments.

1.

# Introduction

# The Road to Progress

As we know all too well, 2021 was marked by a prolonged pandemic, the long-awaited United Nations Climate Change Conference (COP26) and a new administration in the U.S. Rapid changes in how we work and power our economy pose new challenges and opportunities. Meanwhile, the effects of climate change on supply chains and local communities are evident everywhere, from arctic freezes in Texas to floods in Tennessee.

Despite modest gains in areas such as board diversity, many minority-owned businesses continued to be disproportionately impacted by the pandemic. As a result, the wealth gap continues to grow. Against this backdrop, 21st century management teams must prioritize critical environmental, social and governance (ESG) issues to deliver shareholder value and attract a strong workforce.

Investment flows into ESG strategies have soared in recent years — despite a lack of consensus around how to define and implement sustainable investing strategies. Since our founding 39 years ago, ESG has always been integral to how we invest, engage and behave at Ariel.

In these pages, we outline our disciplined approach to what we call *active ESG* and detail the outcomes we achieved over the past year.

Highlights of our efforts include:

- **ESG Integration:** As part of our bottom-up fundamental research process, our investment teams assign a proprietary ESG-risk rating to individual companies. In 2021, we formally expanded ESG integration to all our assets under management.
- **Active Ownership:** We have a deep history of engaging management teams to drive shareholder value over time. In 2021, we recorded 319 engagements and interactions with our portfolio companies on specific ESG issues. Since our inception, over 55 Domestic portfolio companies have added diverse directors as a result of our questions and encouragement.
- **Driving the Conversation:** We are in active dialogue with the broader ESG community to encourage greater adoption of best practices among investors, corporations, policymakers and regulators.
- **Living Our Values:** We hold our firm to the same high standards expected of our portfolio companies. As part of our community efforts, we continue to work to create unique opportunities to expose young people to financial concepts and careers in the investment industry through the Ariel Community Academy and the John W. Rogers, Jr. Scholars program at the University of Chicago.

While Ariel's tortoise mascot reminds us to stay focused on the long-term — there is an urgency to our patience. We are excited to share our progress in our 2021 Environmental, Social & Governance Report, but remain mindful of how far we have to go.

We appreciate your consideration and support.

Sincerely,

**John W. Rogers, Jr.**
Chairman and Co-CEO Ariel Investments, LLC

**Mellody Hobson**
President and Co-CEO Ariel Investments, LLC

# Key ESG Activities in 2021

**319**
Engagements and interactions with portfolio companies on financially material ESG issues

**71**
Interactions with portfolio companies on GHG emissions and targets

**374**
ESG research reports and write-ups

**56**
Portfolio company signatories to the CEO Action for Diversity & Inclusion pledge since 2017

**55+**
Portfolio companies added diverse directors following engagement with Ariel since inception

**151**
Fortune 500 board members virtually attended the 19th Black Corporate Directors Conference

**48**
Graduates of the Ariel Community Academy, which offers an innovative savings and investment curriculum to Black elementary school students

**1983**

**Founded** as the first African American-owned investment management firm in the United States

**1986**

**Adopted** negative screen on South Africa to end Apartheid

**Partnered** with the Calvert Group to distribute our flagship Ariel Fund

**1989**

**Incorporated** environmental research and due diligence into equity research process

**Adopted** negative screens on weapons

**1990**

**Joined** the Forum for Sustainable and Responsible Investment (US SIF)

**1996**

**Established** Responsible Investment Policy including environmental and social considerations

**Adopted** negative screen on tobacco companies for Domestic Strategies

**Founded** the Ariel Community Academy

**1997**

**Recorded** first portfolio company appointing a diverse director following Ariel's engagement

**2002**

**Incorporated** environmental and social considerations in proxy voting guidelines

**Co-founded** the Black Corporate Directors Conference

**2011**

**Launched** International & Global Strategies

**2016**

**Launched** the John W. Rogers, Jr. Scholars internship program at the University of Chicago

**2018**

**Appointed** Director of ESG investing

**Developed** proprietary ESG risk rating

**2019**

**Expanded** designated team of ESG professionals across our Domestic and Global research teams

**2020**

**Signed** the United Nations Principles for Responsible Investment (PRI)

**2021**

**Expanded** ESG integration across all portfolios

**Launched** Ariel Alternatives

**Schwab Ariel ESG ETF** began trading

# Tracking Our Progress

In 2021, we completed the expansion of our ESG integration program. While 98% of our assets under management featured ESG integration at year-end 2020, 100% of our assets include ESG in the investment process today.

In addition to extending and deepening ESG integration coverage across existing portfolios, we expanded our capabilities through innovative new strategies. Last year, we partnered with Charles Schwab to launch the Schwab Ariel ESG ETF[1] (NYSE: SAEF). This new vehicle represents Schwab's first ESG fund, first active exchange-traded fund (ETF) as well as the first ETF sub-advised by Ariel.

SAEF seeks to deliver long-term capital appreciation by leveraging Ariel's value-based investment process. This ETF is focused on small- and mid-cap U.S. companies with favorable environmental, social and governance characteristics as measured by our proprietary ESG risk rating process. Our negative screening process excludes companies whose primary source of revenue is derived from the exploration for or the extraction of fossil fuels.

We also announced our first foray into the private equity sphere with the launch of Ariel Alternatives, LLC, a private asset management firm and wholly-owned subsidiary of Ariel Investments in February 2021. Ariel Alternatives is initially focused on scaling sustainable minority-owned businesses by investing in middle-market companies that can be transformed through our ownership.

Our activities will forge a new class of Black, Latino and Latina entrepreneurs and position these companies to be Tier 1 suppliers to Fortune 500 corporations. In so doing, we can close the racial wealth gap by generating jobs, economic growth and equality within underrepresented populations from the entry level to the boardroom.

[1]Ariel serves as sub-adviser to the Schwab Ariel ESG ETF but does not distribute the ETF. This communication is not intended to promote or offer the ETF and should not be considered a recommendation for any security, including the ETF.

## How can companies improve their ESG performance?

"We feel very strongly about targets. I use the word 'target' intentionally as opposed to 'quotas.' We want to see targets around diversity. We want to see workforce diversity reporting disaggregated by race/ethnicity, gender, etc., so we can see where there is lack of representation from the board and management all the way to the rank and file."

— Mellody Hobson
Co-CEO & President

II.

# ESG Integration

## Our Philosophy

Nearly 40 years of investing has taught us that diligently executing and closely monitoring environmental, social and governance (ESG) practices can help preserve a company's economic moat; lead to growth opportunities; foster consumer loyalty; and enhance brand relevancy. Corporate management teams embracing this reality are able to: recruit top talent; pivot their business strategies; and innovate their offerings far more effectively than those who do not.

Across our investment strategies, each research team integrates ESG considerations into their reviews of the material risks and opportunities for current and potential portfolio holdings. We know ESG issues are always potentially material to business outcomes. We treat portfolio company management teams as our partners in the pursuit of enhanced ESG practices — and ultimately, strengthened performance.

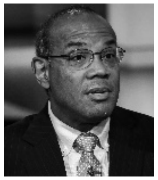
Our proprietary approach is fully integrated. Our research teams conduct their own independent analyses — leveraging industry analyst and ESG specialist expertise to generate tailored, actionable insights. In our bottom-up fundamental research processes, every company is assigned an ESG risk rating ranging from low, to moderate, to elevated, to high. These assessments are derived from a variety of objective and subjective data sources. We consider industry risk exposure; quality of ESG disclosures; forward-looking assessments of management performance; and other factors. ESG risk ratings are formally integrated into the discount rates used in our financial modeling. This valuation work can directly impact our portfolio construction.

Our portfolio-level dashboards monitor ESG issues across our strategies, helping inform overall ESG risk management, future research priorities and continued learning and engagement opportunities.

Ariel's portfolio managers invest clients' portfolios in accordance with their investment guidelines. They also follow the regulatory restrictions communicated by clients. While we do not employ strict exclusionary practices across all strategies, our Domestic portfolios avoid companies whose primary source (more than 50%) of revenue is derived from the production or sale of tobacco products, the manufacture of firearms, or the operation of for-profit prisons. The portfolio managers of these strategies believe these industries are more likely to face shrinking growth prospects, draining litigation costs, and unquantifiable legal liabilities.

Meanwhile, our Global team has no broad exclusions but will eliminate certain sectors or securities for ESG or regulatory reasons upon client request including: tobacco; businesses with human rights violations in the Republic of the Sudan; and companies that produce nuclear energy.

| Level of ESG Risk Rating | Description |
|---|---|
| High | Viewed as materially unfavorable to the median company |
| Elevated | Viewed as unfavorable to the median company |
| Moderate | Base level of risk and thus no further adjustment to the discount rate |
| Low | Viewed as favorable to the median company |



### Why ESG Matters

"We think by embracing ESG, companies are more likely to be profitable and enhance the performance of our strategies. In today's competitive economy, 21st century companies realize that customers also care deeply about ESG."

— **John W. Rogers, Jr.**
Chairman, Co-CEO & Chief Investment Officer

## Our Approach to Data

Our ESG data analysis considers proprietary research as well as third-party resources:

- Our tailored research is informed by company disclosures including websites, sustainability reports and SEC filings, as well as sell-side reports, data from ESG-focused organizations such as Sustainability Accounting Standards Board (SASB) and direct dialogue with management teams.

- Third-party sources that yield actionable insights when considered alongside data points from our research include Bloomberg, ISS, MSCI, Refinitiv and Sustainalytics.

Each of our investment teams maintain their own customized approach to curating and integrating ESG data into their respective processes. We view individual data points on a case-by-case basis as part of a broader, diversified approach.

### ESG Analysis Enhances Our Domestic Research Effort

"ESG analysis influences our bottom-up fundamental analysis through two primary mechanisms: the discount rates we use for valuation purposes and our assessment of a company's competitive advantages, or economic moat. We view risk related to a company's ESG performance the same way that we view risk associated with a company's capital allocation policy or balance sheet. For as long as our philosophy and process has been in place, it has been clear to us that companies engaging in questionable or ethically challenged practices create real business and financial risk for investors."

— **Tim Fidler**

Executive Vice President, Director of Research, Portfolio Manager

## Materiality

As patient portfolio managers who invest with a long-term time horizon (generally three to five years), we consider the materiality of ESG exposures from both a short-term and long-term point of view. We seek to develop an in-depth understanding of financially material ESG risks and opportunities at both the industry and company management levels. Through this process, we strive to enhance the rigor of our valuations and improve risk awareness. We seek to evaluate the relevance and materiality of ESG factors based on the company's industry, geography and its impact on our investment thesis. For example, we may consider social factors more significantly for a financial services company with a retail client base.

Meanwhile, environmental issues may be more consequential for a utility or energy services company because they enable the transition to a low-carbon economy. We attempt to anchor our assessments in the SASB materiality standards, and we make necessary adjustments on a company-specific basis.

Sample Industry Materiality Perspective

| Topic | Consumer Products | Industrials | Financial Services | Health Care | Media |
|---|---|---|---|---|---|
| Energy & Emissions Management | Medium | High | Low | Medium | Medium |
| Physical Impacts of Climate Change | Low | High | Medium | Low | Low |
| Ecological Impacts | Medium | High | Low | Low | Low |
| Human Capital Management | Medium | High | High | High | Medium |
| Diversity, Equity & Inclusion | High | High | High | High | High |
| Supply Chain Management | Low | High | Low | Medium | Low |
| Business Model Resilience | Medium | Low | Low | Low | Medium |
| Business Ethics | Medium | Medium | High | High | High |
| Risk Management | Low | Low | High | Low | Low |

High Medium Low

# Spotlight on Climate Risk

We understand that climate risk can have different implications – both within and across industries.

### Insurance Industry

The insurance industry is widely considered to be exposed to physical climate risk. Our analysis considers the type of insurance products offered in assessing this risk. For example, a US provider of home insurance within states that have higher risk of wildfire activity is likely to continue experiencing catastrophic loss resulting from wildfire-related claims. And yet, physical climate risk may not be a material risk for an insurance company whose revenues are mostly derived from offering supplemental insurance.

Our Global investment team also considers the long-term investment opportunity of reinsurance companies, which offer policies insurance companies purchase to help insulate themselves from the risk of a major climate or environmental event.

### Across Other Industries

When looking across our portfolios, climate change risk must be assessed on a case-by-case basis. Despite the prevalence of physical risk in insurance and other industries, transition risk may be an ESG issue of greater materiality.

At first glance, an industrial manufacturer in our Domestic portfolio did not appear to have either physical or transition risk. Upon further analysis, we realized a material proportion of their revenues are derived from heavy machinery sales to the oil and gas industry. As we expect these end markets to decline with the transition to a low-carbon economy, our conversations with the company sought to understand its plans to grow revenue in industries that would withstand the climate transition.

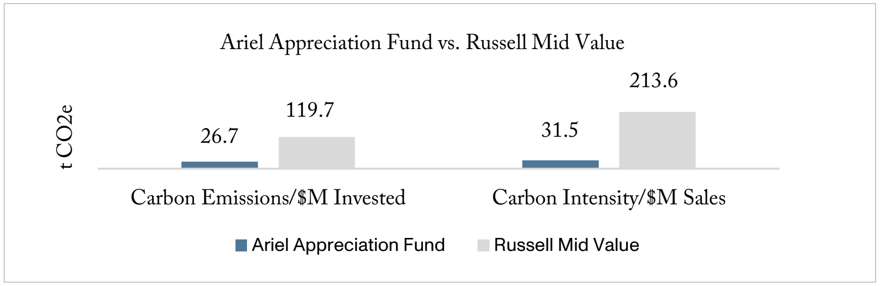
# Fund-Level ESG Characteristics

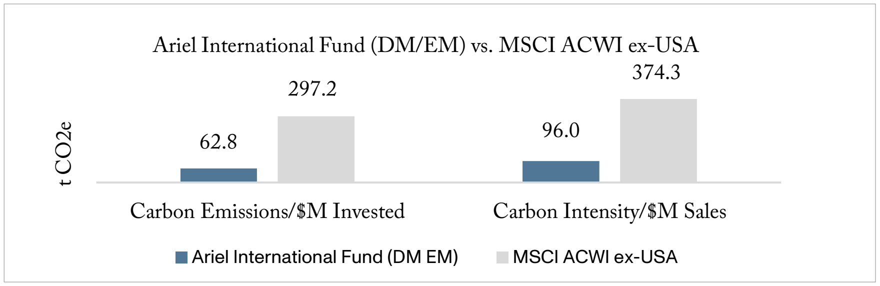
As part of our disciplined approach to ESG integration and focus on risk management, Ariel monitors a range of ESG indicators across our strategies.

For example, we regularly assess climate risk exposure at the portfolio level by reviewing metrics such as carbon footprint and carbon intensity relative to benchmarks. Ariel Appreciation Fund and Ariel International Fund are representative of the favorable climate risk profiles our strategies exhibit across our firm.

As of December 31, 2021, both strategies have significantly lower absolute carbon emissions and carbon intensity metrics relative to their respective benchmarks based on MSCI ESG Research's Carbon Portfolio Analytics which measures and estimates carbon risk at the company and portfolio level.

## Carbon Risk Assessment vs. Benchmark




**Notes on Methodology:**

*MSCI ESG research defines portfolio carbon footprint as the carbon emissions per $M invested.
**Companies that are not included in MSCI climate coverage are excluded from the portfolio and the weights of the remaining companies are rebalanced.

## Governance at Ariel

We consistently re-evaluate our ESG procedures with ever-evolving oversight and governance practices. In 2021, Ariel established an ESG Committee that meets quarterly to discuss topics including: firmwide ESG integration and engagement activities; third-party research; disclosure practices; training and professional development; marketplace trends; regulatory shifts; and adherence to the United Nations Principles for Responsible Investment (PRI). The ESG Committee also annually reviews our ESG Policy and facilitates our Board's evaluation of each investment team's ESG approach.

The Committee is chaired by the Director of ESG Investing and comprised of senior investment professionals from the Domestic and Global research teams; leaders from the Institutional Client and Investor Relations, Consultant Relations and Legal & Compliance teams; and a representative from the Company's private equity subsidiary, Ariel Alternatives.

This year, our Board of Directors also formed a dedicated Corporate Responsibility, Sustainability and Governance Committee, which oversees ESG implementation across the firm. Additionally, our Mutual Fund Board of Trustees routinely reviews ESG procedures with our research teams.

We are proud of the diverse expertise and perspectives represented across our company Board of Directors and Mutual Fund Trustees. We benefit meaningfully from the depth of their experience and leadership on key ESG issues across the public and private sectors.

## Promoting a Culture of Ethics & Compliance

Just as we continuously re-assess our ESG procedures, we regularly evolve our internal ethics and compliance program. We work to create a culture of compliance by encouraging our teammates to be vigilant. Legal & Compliance emphasizes the importance of protecting our clients' capital through ethical conduct and by avoiding potential conflicts of interest. We annually hold firmwide trainings on our Code of Ethics, privacy policy, ePolicy and confidentiality.

Last year, the Legal & Compliance department offered supplemental compliance trainings on insider trading, cybersecurity, conflicts of interest and advertising. This team also conducts frequent reviews of our ESG process and disclosure practices to ensure compliance with SEC rules and other regulatory trends.

III.

# Active Ownership

## Our Engagement Strategy

Effective engagement stems from ongoing dialogue. Across the firm, our investment teams encourage corporate management teams to develop best practices in ESG and implement improvements — all with the goal of creating shared value in the long term. We often concentrate our efforts in areas where Ariel's support has a higher probability of success. This includes portfolio holdings where we are a large or long-standing investor.

Most importantly, we ensure our engagement is tailored to each company's needs. There is no "one size fits all" ESG approach at Ariel. For example, at a utility company, we may focus on renewable energy capital expenditures because they enable the transition to a low-carbon economy. When engaging with a food retailer, we might concentrate on the quality, sourcing and affordability of products to meet a growing consumer base.

The majority of our ESG engagement meetings include active participation by senior members of our investment teams along with portfolio company board members, management team and key business unit leaders. Executive presence from both sides helps us assess the quality of the company's leaders as well as the risks and opportunities that lie ahead.

We define direct engagement in various ways, including letters to management discussing ESG topics; company-tailored recommendations for diverse board members; and other forms of direct dialogue. Our investment teams may also consult with third-party subject matter experts, regulators, suppliers and vendors to gain further insight into our companies.

As long-term shareholders, we know many portfolio company engagements do not immediately lead to short-term or binary ESG outcomes. Rather, they require longer-term, evolving conversations. As a result, we closely track each of these interactions.

While we work to partner with company leadership teams to strengthen management and disclosure of material and relevant ESG issues, we may employ escalation tactics on a case-by-basis when we believe issues are not adequately being addressed. Approaches will vary and may include engaging with the key business unit or organizational leaders on a given topic; verbal or written communications outlining our concern; voting against management on a proxy voting proposal; or selling out of a position. On occasion, we may collaborate with other investors or third-party organizations. We evaluate these opportunities individually and execute in a manner consistent with applicable laws and regulations.



### Engaging with Small- and Mid-Cap Companies

"Many small-cap companies don't have a single full-time resource dedicated to ESG, let alone to a singular issue like climate. Long-term investors can help put ESG on the agenda and offer best practices and subject matter expertise. Our ESG team brings expertise on issues such as clean energy and climate risk, and they work closely with portfolio companies to strengthen their ESG policies, practices and impact."

— **John Oxtoby**

Senior Vice President, Director of ESG Investing

# Engaging in Our Domestic Investment Portfolio

As long-term shareholders in small- and mid-cap U.S. companies with concentrated portfolios, we are often among a portfolio company's largest shareholders.

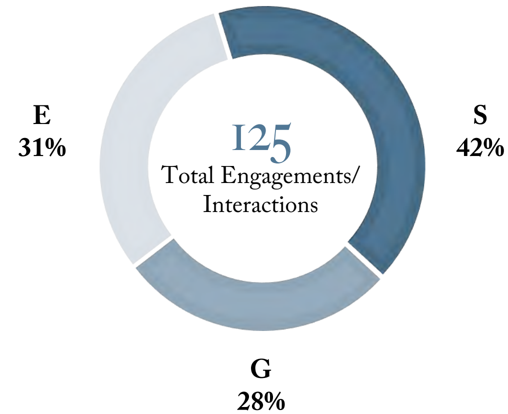
We form deep relationships with companies' management teams and subject matter experts. We help put ESG on the agenda and offer best practices for many companies who are early in their ESG journeys.

## Management Teams Seek Input Too

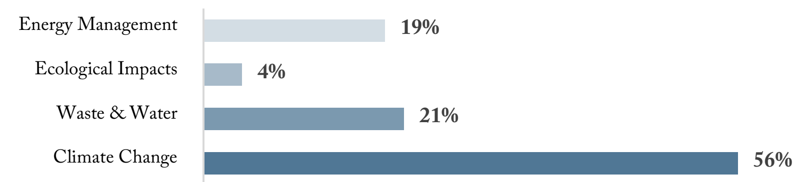
"Ariel fills a need by being a constructive resource to management teams who are looking to us for learnings, information and guidance. Third-party data and ratings providers often come to different conclusions on the same companies, especially among small- and mid-cap companies. Our proprietary approach to gathering data and establishing ratings is critical for this reason. Mid- and small-cap companies are often earlier in their ESG journeys."

— **Kenneth Kuhrt**

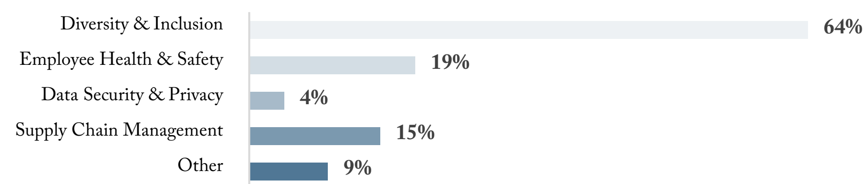
Executive Vice President, Portfolio Manager



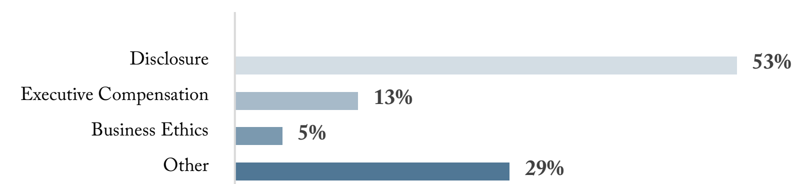

### Environmental




### Social




### Governance



## Spotlight on Vail Resorts, Inc.

Social – Diversity, Equity & Inclusion

### Background

Vail Resorts, Inc. is an industry leader in the snow ski resort business with 37 owned and operated resorts in North America and Australia. Its properties include: Vail Mountain Resort, Beaver Creek Resort, Whistler Blackcomb, Breckenridge Ski Resort, Park City Resort, Stowe Mountain Resort, Crested Mountain Resort, Keystone Resort and other notable resorts.

### Approach

There is low representation of people of color across customers and employees at Vail Resorts and across the broader ski industry. Management has been working to attract customers from diverse communities within proximity of its resorts. We initiated a dialogue on growth strategies, as well as improving Diversity, Equity & Inclusion practices at the company. The discussions focused on leadership diversity and business diversity. We also discussed signing the CEO Action for Diversity & Inclusion pledge, whereby signatories are expected to expand training on unconscious bias, share best practices and create a Diversity, Equity & Inclusion strategic plan. In addition, our ESG team worked with Vail's management to recommend adoption of a Diversity, Equity & Inclusion strategy with pillars focused on exposure, inclusion, accessibility and community.

### Results

Following our engagement, Vail has implemented a series of concrete actions towards creating a more inclusive company and industry. It signed the CEO Action for Diversity & Inclusion pledge in October 2020. In February 2021, Vail announced additional racial equity commitments consistent with Ariel's previous recommendations, including initiatives focused on elevating diverse voices through its podcast and other channels and expanding its youth access program to all 34 U.S.-based sites. In September 2021, Ariel Co-CEO Mellody Hobson addressed Vail's top 2,000 leaders to discuss best practices in diversity in leadership. This was an opportunity to positively influence the culture among key senior and mid-level managers. Ariel is pleased with Vail's progress and will continue to work with management on these critical issues.

## Spotlight on ADT Inc.

Environmental – GHG Emissions

### Background

ADT, Inc. is a leading provider of automated security for consumers and businesses in the United States. Today, the company serves more than 6.5 million recurring revenue customers through more than 300 locations, nine monitoring centers, and the largest network of security and home automation professionals in the U.S.

### Approach

Shortly after initiating our position in 2021, Ariel hosted ADT's CEO at our Chicago office to discuss the company's ESG strategy and management of material ESG risks. We identified the largest contributor to the company's environmental footprint and employee health and safety risk exposure: fleet management of its more than 8,000 vehicles. We subsequently held ESG engagement meetings and encouraged the company to set GHG emissions goals and consider pursuing electrification of its fleet. We believe investing in electric vehicles (EVs) would not only mitigate climate risk, but also save money on gasoline, reduce annual maintenance costs and reduce noise pollution. Our ESG team encouraged ADT to join the Ceres Corporate Electric Vehicle Alliance (CEVA), a collaborative group that supports companies in making and achieving commitments to fleet electrification. Ariel discovered the significant benefits of CEVA membership from engagement with JLL, another portfolio company. Ariel is also a member of the Ceres Investor Network on Climate Risk and Sustainability.

### Results

In December 2021, ADT committed to formally join CEVA in support of its fleet electrification goals and a broader strategy to reduce GHG emissions. In addition, ADT committed to launching a pilot program with Ford F-150 Lightning Electric Trucks beginning in 2022. We will continue to look for opportunities to partner with the ADT management team on critical ESG issues.

## Engaging in Our Global Investment Portfolio

# 194

### Total Engagements & Interactions

We believe our reputation as long-term global investors provides us with a strategic advantage and opportunity to engage on all topics relevant and material to our investment decision process—including ESG. Various legal and regulatory challenges in foreign jurisdictions may lead the Global team to take a different approach to board and leadership diversity than the Domestic team.

We encourage positive change at the company level and target key issues where we believe ESG improvements will drive the greatest financial impact.

In 2021, the Global team's 194 engagements and interactions with portfolio companies on ESG issues included: greenhouse gas emissions, product design and lifecycle management, product quality and safety, selling practices, sourcing, resource use efficiency, access and affordability, opportunities arising from climate change and energy transition, board diversity, corporate governance and adequate disclosures, among others.

### ESG Our Way

"We are investors, not divestors. We believe selling the problem is not solving the problem. Investors have a choice between either an active and engaged, or a passive and exclusionary approach to ESG. Passive ESG may be appealing due to the potential cost savings, but we believe an active approach enables investors to benefit from our holistic investment process. Our approach to change is rooted in ongoing, constructive dialogue. We see ourselves as advocates, not activists."

— **Rupal Bhansali**
Chief Investment Officer and Portfolio Manager, Global Equities

# Spotlight on Ahold Delhaize

Social – Customer Welfare & Diversity, Equity & Inclusion

## Background

Ahold Delhaize is one of the world's largest food retail and ecommerce groups. The company operates in the United States and Europe with brands including Giant, Stop&Shop, Albert, FreshDirect, Hannaford and Peapod. It maintains a portfolio of over 7,000 stores with more than 400,000 employees.

## Approach

As a shareholder in Ahold since 2012, Ariel has engaged in ongoing dialogue with the company on three core ESG issues: healthy and affordable food options, board and management diversity and underfunded pensions. While we do not claim credit for many of the improvements made over this timeframe, our Global Portfolio Manager, Rupal Bhansali, has kept these issues high on the agenda of successive management teams.

As recently as Q2 2021, we discussed the company's nutritional goals and healthy product targets with the CEO. At the time, we also conveyed our belief that gender diversity should reflect closer to a 50% split between men and women at executive levels and asked the company to consider raising its targets. We expressed concern about low gender diversity on the Board (30%) and in its executive ranks (35%). Additionally, since 2020 we have continued to convey our concern around Ahold's underfunded pension in the U.S.

## Results

We believe Ahold has successfully focused on crucial social issues as a core part of its business strategy. We were pleased with Ahold's Q4 2021 discussion of forward-looking health and nutrition targets, including a goal of 55% healthy private label products and 100% customer-facing nutritional guidance systems in place for its brands by 2025. Ahold also announced its intention to be "100% gender balanced, 100% reflective of the markets we serve, and 100% inclusive every day." Moreover, in 2021, Ahold's U.S. brands signed the CEO Action for Diversity & Inclusion pledge. Finally, with respect to the underfunded pension issues, we were pleased to see management use COVID-related windfall profits to reduce the company's underfunded pension liability.

# Spotlight on Michelin

Environmental – Climate Transition

## Background

Michelin is a French multinational tire manufacturing company. The company is also involved in the provision of tire-related services, including development of mobility solutions for fleet managers, mobility services and lifestyle products. With nine R&D centers around the world, 117 production sites in 26 countries, a commercial presence in 170 countries and 124,000 employees worldwide, Michelin is present on every continent.

## Approach

In 2014, Ariel began engaging Michelin on the environmental impact of its operations and requested additional information on the CO2 emissions associated with tire production. In 2016, we discussed the company's role in supporting the transition to electric vehicles. We encouraged the company to continue its investments in electric vehicle-related research and development to ensure their tires are supporting optimized battery performance and range. Since electric vehicles (EVs) are generally heavier than automobiles with internal combustion engines, the tires support more weight, reducing overall efficiency. As more and more EVs are sold each year, this presents a long-term value creation opportunity for shareholders.

## Results

We have been pleased to see the company disclose targets and performance metrics associated with environmental topics including a net-zero emissions goal by 2050. We believe alignment with the climate transition, whether through fuel efficiency, circular economy, or electric vehicle initiatives, creates an opportunity for Michelin to build a long-term competitive advantage relative to their peers. Beyond environmental issues, Michelin discloses targets and performance metrics on social issues including workforce safety, employee engagement and gender representation. This has improved the company's standing with influential organized labor groups in France. We look forward to continuing this dialogue.

# Our Approach

ESG considerations are integrated into our proxy voting decisions. Ariel Investments has retained Institutional Shareholder Services, Inc. (ISS), a third-party proxy voting service, for its research, as well as receiving, cataloging, voting and reporting proxies. ISS votes our proxies at our direction. Ariel's portfolio management teams are responsible for proxy voting decisions, and they incorporate ISS research and recommendations into their processes. They also engage directly with ISS through surveys and other interactions to offer their perspective and feedback. Our use of ISS's recommendations for proxy voting decisions differs for our Domestic strategies versus our Global strategies, as reflected below:

- Our Domestic team does not rely on ISS's proxy voting recommendations to make proxy voting decisions. However, they may defer to ISS's proxy voting recommendations with respect to certain proxies subject to a conflict of interest.
- Our Global team generally votes in accordance with ISS's recommendations. However, they periodically obtain outside research for specific proxies to determine whether to vote in-line with ISS.

In 2020, the Domestic team established an additional proxy voting policy on board diversity. We generally vote against committee chairs (or equivalent) of boards that lack racial/ethnic or female directors. The policy also clarifies that we evaluate each voting decision on a case-by-case basis recognizing that improving board diversity takes time.

Following the enactment of our Domestic proxy voting policy on board diversity in Q4 2020, we informed portfolio companies of our policy and offered to help identify talented directors with the required skillsets. Of the nine Domestic portfolio companies that lacked racial/ethnic board diversity, eight have since added ethnic/racially diverse directors, and the ninth has made a commitment to enhance the diversity of its board in the near term.[1]

**Notes on Methodology:**

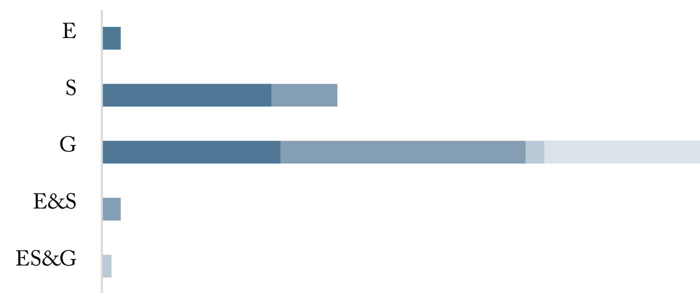
[1] The universe of nine companies refers to those Ariel portfolio companies we owned at the time the policy was established in Q4 2020 and held continuously through 12/31/2021.

# 94

## Total Shareholder Proposals*



### Shareholder Proposal Voting




| | E | S | G | E&S | ES&G |
|---|---|---|---|---|---|
| For | 2 | 18 | 19 | 0 | 0 |
| Against | 0 | 7 | 26 | 2 | 0 |
| Abstain | 0 | 0 | 2 | 0 | 1 |
| Do Not Vote | 0 | 0 | 17 | 0 | 0 |

*This figure represents the total number of shareholder proposals for portfolio companies across Ariel's Domestic and Global strategies during the 2021 proxy season. Proxy voting data is derived from ISS voting records and ESG categories are reported according to ISS guidelines.

## Spotlight on Johnson & Johnson

### The Proposal

A shareholder proposal at Johnson & Johnson called for a third-party audit of the racial impact of the company's products and practices.

### Our Rationale

Johnson & Johnson plays a critical role in global healthcare, and its business practices and policies impact a diverse group of stakeholders. We assessed the company as lagging peers on diversity reporting, policies and practices. We determined voting for the proposal was in the best interest of shareholders.

### Vote

**FOR**

## Spotlight on The Goldman Sachs Group, Inc.

### The Proposal

A shareholder proposal at Goldman Sachs called for a racial equity audit. This proposal would encourage input from a broad group of stakeholders, including employees, civil rights organizations and customers.

### Our Rationale

While we acknowledge Goldman Sachs has increased disclosures on corporate diversity, Ariel believes shareholders would benefit from increased disclosure on Diversity, Equity & Inclusion practices.

### Vote

**FOR**

IV.

# Driving the Conversation

CDP

Ariel is an investor signatory of CDP, a global disclosure standard for companies, cities, states and regions to report their environmental impacts.

In June 2021, we partnered with CDP to hold a high-level webinar on issues of climate and environmental justice and the many inequities raised in the aftermath of George Floyd's murder. The discussion featured our Director of ESG Investing John Oxtoby in addition to Illinois State Chief Investment Officer, Rodrigo Garcia, and Northern Trust Head of CSR and Global Diversity & Inclusion, Connie Lindsey.

In addition, we played a lead role in CDP's 2021 Non-Disclosure Campaign with a portfolio company in the consumer discretionary sector. We were co-signers on a letter to management and raised the issue directly with the company — making the case that CDP's disclosure framework would be complementary to the company's recent net-zero carbon emissions announcement. We also emphasized the benefits to investors, including comparable, decision-useful data.

PRI | Principles for Responsible Investment

Ariel is a signatory to the PRI, a United Nations-supported international network of investors working together to implement six principles of responsible investing.

In October 2021, Mellody Hobson was a keynote speaker at the PRI's annual conference where she discussed our views on ESG and Diversity, Equity & Inclusion.

In November 2021, we consulted on the development of the PRI's Diversity Equity & Inclusion-focused due diligence questionnaire (DDQ). The DDQ is designed to support asset owners' efforts to elicit information from their investment managers and consultants on how they approach Diversity, Equity & Inclusion at an organizational and investment level.

Ceres

Ariel is a member of the Ceres Investor Network on Climate Risk and Sustainability. Ceres is a nonprofit organization bringing together leading investors and corporations to advance solutions for a sustainable future for people and the planet.

Mellody Hobson was the keynote speaker at Ceres' March 2021 Annual Conference. She discussed the role of ESG in driving success for "21st century companies." In addition, our ESG team has partnered with the Ceres Corporate Electric Vehicle Alliance (CEVA) team to support portfolio company efforts to transition their fleets to electric vehicles.

MIDWEST INVESTORS DIVERSITY INITIATIVE

Ariel is a member of Midwest Investor Diversity Initiative (MIDI), an investor coalition of regional institutional investors engaging companies in the Midwest on board diversity. Led by the Illinois Treasurer, MIDI members work collaboratively to understand company practices and take targeted engagement actions to institutionalize best practices and improve board diversity.

We supported the Illinois State Treasurer's Russell 3000 Board Diversity Disclosure Initiative. Launched in October 2020, the initiative includes 26 investor organizations representing over $3 trillion in assets under management and advisement. In 2021, we co-signed letters asking all companies within the Russell 3000 Index to disclose the makeup of their boards — inclusive of gender, race and ethnicity.

### CEO ACTION FOR DIVERSITY & INCLUSION

We are a member of CEO Action for Diversity & Inclusion - a collective action pledge aimed to rally the business community to advance Diversity, Equity & Inclusion within the workplace.

### COUNCIL OF INSTITUTIONAL INVESTORS (CII)

Ariel belongs to CII, a diverse community of professionals who come together to learn, share perspectives and advocate. CII educates members, and the public, about best corporate governance practices and provides opportunities for members to interact with peers, investment executives and policymakers.

### INTERNATIONAL CORPORATE GOVERNANCE NETWORK (ICGN)

We are also a member of ICGN. Led by investors responsible for assets under management in excess of $59 trillion, ICGN brings together companies and stakeholders around the world. ICGN advances the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to sustainable economies, social prosperity and a healthy environment.

### JUST CAPITAL

John W. Rogers, Jr. serves on the Board of Directors of JUST Capital. JUST Capital is a leading platform for measuring and improving corporate performance in the stakeholder economy.

### NYU STERN CENTER FOR BUSINESS AND HUMAN RIGHTS

John W. Rogers, Jr. serves on the Advisory Council of the Center for Business and Human Rights. Our broader team is actively involved on the Advisory Council of the Center for Business and Human Rights. The Center conducts research on current challenges at the intersection of business and human rights.

### RFK HUMAN RIGHTS

John W. Rogers, Jr. serves on the Board of Directors of RFK Human Rights. RFK Human Rights supports investors and asset managers to more deeply consider human rights issues in the investment process while seeking superior risk-adjusted returns.

### SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

We are members of the SASB Alliance and report SASB metrics (see Appendix). SASB develops best-in-class, industry-specific sustainability reporting standards helping businesses around the world to identify, manage and report on financially-material ESG topics.

### TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

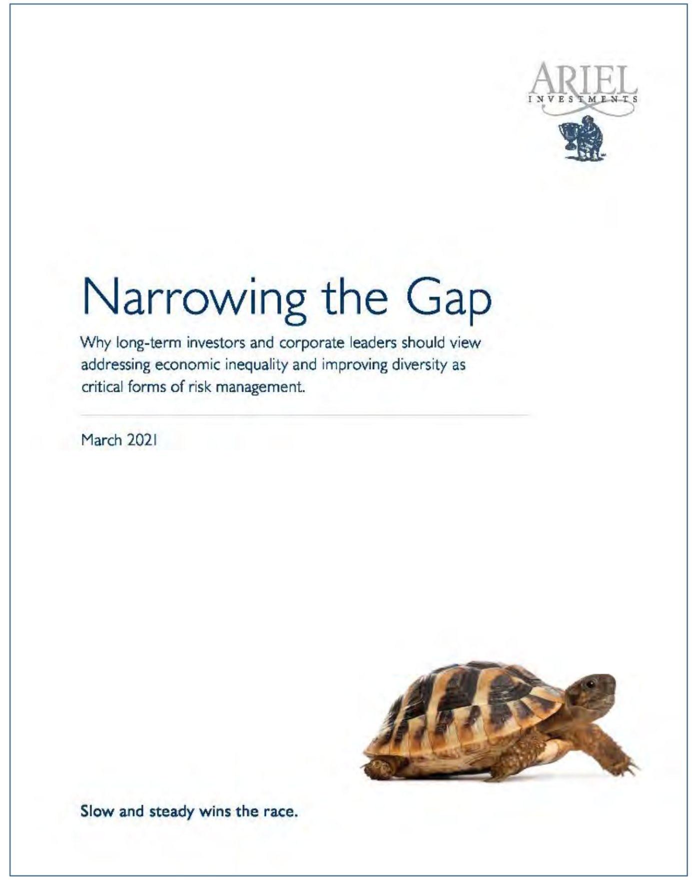
We support TCFD-developed standards, a set of voluntary, consistent disclosure recommendations for companies seeking to disclose information on climate-related financial risks to investors, lenders and insurance underwriters about their climate-related financial risks.

### THIRTY PERCENT COALITION

Ariel is a member of the Thirty Percent Coalition. The Thirty Percent Coalition is a national investor coalition advocating for increased diversity on boards of public and private companies.

# Our Perspectives on Key ESG Topics

- John W. Rogers, Jr. co-authored an article in the PwC publication, *strategy + business*, with Wharton Professor Stephanie Creary on how directors can advance racial justice. John and Professor Creary recommend the following strategies:
    - Recruit board directors with a track record of supporting and improving racial justice.
    - Include the company's racial justice agenda in board meetings and actively solicit input from directors of different racial backgrounds.
    - Hold corporate leaders accountable for setting goals and making progress toward racial justice.
- John W. Rogers, Jr. and Stephanie Creary also co-authored an essay for a book published by the Federal Reserve Bank of St. Louis and the Aspen Institute Financial Security Program, "The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth—for Everyone." The book highlights the Ariel Community Academy and NYC Kids Rise programs as national models for enhancing financial capability and exposing diverse kids and families to the stock market.
- John Oxtoby served as a Reviewing Partner for a jointly published white paper titled: "Amplifying the "S" in ESG," in partnership with the United Nations Principles for Responsible Investment (PRI), Refinitiv, RFK Human Rights and the Thomson Reuters Foundation. The paper explores how better integration of social indicators can help investors identify more resilient and successful investment opportunities.
- John Oxtoby co-authored a white paper titled: "Narrowing the Gap: Why long-term investors and corporate leaders should view addressing economic inequality and improving diversity as critical forms of risk management."




- Marlo J. Gaal, Chief Talent Officer and Chief Diversity Officer, authored an article, "Managing the Unexpected: A More Proactive Approach to Talent Management," in *Talent Management Magazine* on best practices for HR practitioners.

## Our 2021 Public Policy Engagement

In addition to encouraging positive change across Ariel portfolios, we seek to improve the social and regulatory context in which our companies operate. In 2021, we were active participants in public policy and advocacy efforts:

### March 2021

Ariel Investments submitted a Statement for the Record for the March 18th U.S. House of Representatives Subcommittee on Diversity & Inclusion hearing entitled, "By the Numbers: How Diversity Data Can Measure Commitment to Diversity, Equity & Inclusion."

John W. Rogers, Jr. and Mellody Hobson signed a letter urging companies to oppose new laws passed by the Georgia Legislature restricting the rights of Black voters. The letter was signed by 72 Black business leaders, and the effort was led by Kenneth Chenault, former CEO of American Express, and Kenneth Frazier, CEO of Merck.

### June 2021

Ariel Investments joined Ceres and other investors in co-signing a statement of essential principles for SEC climate change disclosure rulemaking in response to the SEC's request for public input in climate change disclosure.

John W. Rogers, Jr. testified before the ERISA Advisory Council on the retirement savings gap and its implications for wealth inequality. John recommended potential solutions including auto-enrollment into 401(k) plans, incentivizing employers to enroll their employees in state IRA programs, boosting employee participation through targeted outreach and incentives and increasing diversity among Certified Financial Planners.

### December 2021

John W. Rogers, Jr. was appointed chair of the Small Business Administration (SBA) Council on Underserved Communities (CUC). The CUC will make policy recommendations on tackling economic inequality and strengthening the diverse-owned business community.

Ariel joined other asset managers in signing an amicus brief to contest a legal challenge to Nasdaq's Board Diversity Rule requiring the disclosure of board diversity metrics by most listed companies. Signing the brief was a continuation of our support for the rule, which was approved by the SEC in August 2021 after we publicly filed a comment letter with the SEC.

**100**

Meetings held with Congressional and Administration officials

In 2021, Ariel Investments held over 100 meetings with Congressional and Administration officials. Our advocacy and support for transparency in purchasing data contributed to the White House and SBA releasing "for the first time, disaggregated data of federal contracting spend by race/ethnicity of business owner."

# Our Partnership with the University of Chicago

Our partnership with the University of Chicago Harris School of Public Policy connects our ESG investing activities with the latest academic thinking and reinforces our culture of continuous learning.

In 2021, our Director of ESG Investing John Oxtoby joined the part-time faculty at the Harris School as a Lecturer to develop and teach a class, "Introduction to ESG and Impact Investing." John also co-authored a white paper in the Chicago Booth Review, "Racial Inequality is a Busines Risk," on the importance of corporate leaders and investors addressing economic inequality as a form of risk management.

In November 2021, Ariel partnered with the University of Chicago Office of Business Diversity on a webinar for portfolio companies and other public policy stakeholders on best practices in business diversity. Fifty-one representatives from 36 portfolio companies attended the virtual convening featuring John W. Rogers, Jr. in conversation with U.S. Deputy Secretary of Commerce Don Graves, University of Chicago Assistant Vice President for Business Diversity Nadia Quarles, HP Inc. Chief Legal Officer Harvey Anderson, and Wharton Professor Stephanie Creary.

Panelists discussed the increasing adoption of "business diversity" across corporate America and the importance of going beyond traditional supplier diversity to adopt inclusive business practices in high-margin sectors of the economy, such as professional services, financial services, technology and media — areas that typically fall outside traditional procurement.


V.

# Living Our Values

## Black Corporate Directors Conference

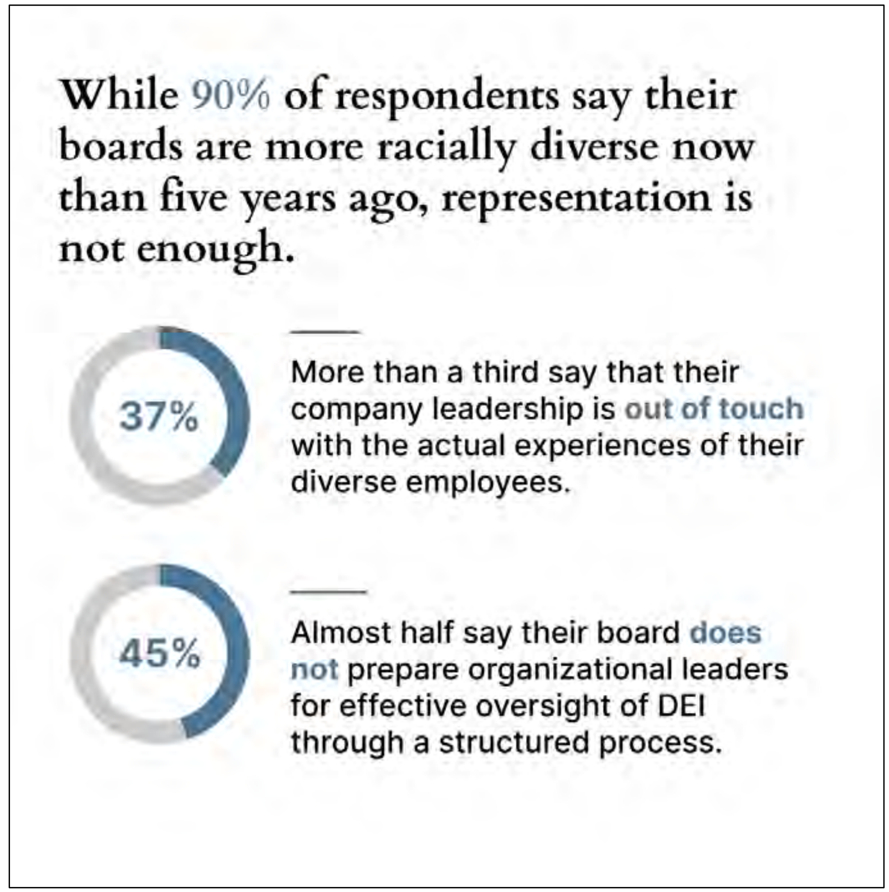
In 2002, Ariel co-founded the Black Corporate Directors Conference with Russell Reynolds to develop best practices, foster corporate Diversity, Equity & Inclusion and encourage directors to promote the civil rights agenda within their respective boardrooms. Following the activism of our attendees, we see more comprehensive dialogues surrounding the need for Diversity, Equity & Inclusion within the corporate sector.

The 19th annual Black Corporate Directors Conference was held virtually on September 2, 2021 and attended by more than 150 Black, Latino and Latina directors. Our keynote speakers included:

- **Cesar Conde**, Chairman, NBCUniversal News Group
- **Adena Friedman**, President & Chief Executive Officer, Nasdaq, Inc.
- **Dambisa Moyo, PhD**, Co-Principal of Veraca Investments, Economist and Author
- **David Solomon**, Chairman & Chief Executive Officer, The Goldman Sachs Group, Inc.


## Inaugural Black Corporate Directors Study

In September 2021, Ariel commissioned a survey of the 151 Black, Latino and Latina Fortune 500 corporate directors who virtually attended the 2021 Black Corporate Directors Conference. The results showed the world's largest companies still have room to grow on effectively operationalizing Diversity, Equity & Inclusion goals and driving measurable results. The full results are available on our website.



# The "Three Ps": People, Purchasing & Philanthropy

Since the formation of the Black Corporate Directors Conference two decades ago, we remain steadfast in our calls to action focusing on the measurement of people, purchasing and philanthropy.

## People

**Companies can best meet their customers' needs when they are committed to diversity across all levels of their organization.**

***People Actions:***

Measure workforce diversity data at all levels and set targets.

Break out diversity metrics by race and ethnicity.

Adopt and go beyond the "Rooney Rule," requiring more than one diverse candidate be interviewed for open senior positions and/or board seats.

Measure employee participation in 401(k) plans and address racial disparities.

## Purchasing

**When companies are willing to form contractual relationships with minorities across a variety of industries, the corporation's image is bolstered, as is the image of the minority leaders and businesses they work with.**

***Purchasing Actions:***

Measure all spending by specific category including professional services and replace the term "supplier diversity" with "business diversity."

Track the diversity of executives employed by vendors and professional service firms and require companies to make quantifiable progress.

Recognize minority-owned businesses need "access to customers" in addition to "access to capital."

## Philanthropy

**Philanthropic contributions to organizations focused on empowering minority communities ultimately serve to uplift the corporation's employee and customer bases.**

***Philanthropy Actions:***

Measure corporate philanthropy to ensure that civil rights organizations and other organizations serving communities of color benefit, in addition to arts and cultural institutions.

Ensure that corporations are building long-standing, multi-year philanthropic relationships with organizations.

Encourage executives to employ the "Three Ps" on the civic and nonprofit boards on which they serve.

## Black History Month Podcast Series

In celebration of Black History Month, Ariel produced a conversation series on a broad spectrum of issues surrounding Diversity, Equity & Inclusion in corporate America, with a focus on the "Three Ps."

## Black Investor Survey

For more than 20 years, the Ariel-Schwab Black Investor Survey has compared attitudes and behaviors on saving and investing among Black and white Americans. The 2021 and 2022 surveys showed investor participation is at historic lows for both Black and white Americans.

In 2022, just 58% of Black Americans and 63% of white Americans own stocks, compared to survey peaks: 74% of Black Americans in 2002 and 86% of white Americans in 2015.

This disparity, compounded over time, means that middle-class Black Americans will have less money saved for retirement and less wealth to pass onto the next generation than their white peers.

The 2021 and 2022 survey results are published on our website.

"The confluence of low stock market participation, appetite for risky investment options, and alarming lack of knowledge about fundamental investing principles is a red flag about the critical need for greater investor education."

— **Mellody Hobson**
Co-CEO & President


Episode 1

Philanthropy: The truth about manager diversity at foundations and endowments


Episode 2

The Scale Challenge: Why Black-owned businesses need both capital and customers to fuel Fortune 500 business diversity


Episode 3

Adding Rigor to the Rhetoric: Why measurement and accountability are needed to achieve diversity at all levels of an organization, from the rank-and-file to the C-Suite

## Our "Three Ps"

We have long embraced the principle of living our values when it comes to ESG. As the first African American-owned investment management firm in the United States, we take special care to attract talented minority professionals to the firm when positions become available.

Our Ariel Mutual Fund Board of Trustees has been recognized by Illinois State Treasurer Mike Frerichs for its "exemplary, top-tier mutual fund Board diversity numbers, exceeding peer respondents."

Ariel's Diversity, Equity & Inclusion Committee sponsors our firm-wide Diversity, Equity & Inclusion mandate underscoring a commitment to diversity in our employee ranks, purchasing relationships and philanthropic contributions.

## Our People

### Company Board of Directors

**50%** Female / **50%** African American

### Mutual Fund Board of Trustees

**25%** Female / **63%** African American

### Striving to Lead by Example

| | Gender | | Race | | | | |
|---|---|---|---|---|---|---|---|
| | Female | Male | Asian | Black/African American | Hispanic | White | Two or More Races |
| Leadership (VP and Above) | 46% | 54% | 10% | 22% | 6% | 62% | 0% |
| All Other Employees | 57% | 43% | 13% | 38% | 12% | 17% | 1% |

*Ariel Investments & Ariel Alternatives – data as of 12/31/2021*

## Our Purchasing

Our Diversity, Equity & Inclusion Committee engages with department heads to review our Purchasing by diversity allocations. Each department leader is responsible for ensuring diverse firms are represented on Requests for Proposals and Statements of Work. We also encourage our vendors to have diverse teams and to adopt best practices in disclosure.

In 2021, our Chief Compliance Officer successfully engaged one of our key vendors to begin reporting data on Minority/Women/Disabled business ownership and services performed by Minority/Women/Disabled personnel. Additionally, our new private equity initiative within Ariel Alternatives aims to invest in and scale minority-owned businesses, positioning them as leading suppliers to Fortune 500 companies and supporting business diversity.

## Our Philanthropy

Ariel's commitment to the community is core to our principles and values. As active corporate citizens, we strive to affect positive social impact. Our approach to enriching the communities where we live and work is multi-faceted, driven by a comprehensive partnership portfolio, employee commitment to nonprofit service and longstanding support for civil rights organizations. We know financial and in-kind donations are essential resources for our communities and critical to sustaining nonprofit organizations in meeting their missions. We contribute to local and national organizations making a meaningful impact through corporate charitable funds and local business support.

Through nonprofit board service, our Ariel teammates bring tremendous skill, expertise and passion to community organizations that include: After School Matters, The Civic Federation, Lincoln Park Zoo, LaRabida Children's Foundation, Big Shoulders Fund, Family Focus, Facing History & Ourselves, The Chicago Public Education Fund, Yellowstone National Park, Communities in Schools LA, the Alliance for College Ready Public Schools, 100 Women in Finance and Robert F. Kennedy for Human Rights. At Ariel, support for civil rights organizations is an integral part of our culture and firm. To this end, we have longstanding support relationships with Rainbow PUSH/Citizenship Education Fund, National Action Network, and the National Urban League.

## Our Green Team

Ariel's Green Team spearheads sustainability initiatives across the firm. While the direct impact of our operations is modest, the team works to reduce the environmental footprint whenever feasible. In 2021, the firm underwent a third-party sustainability assessment to identify opportunities to decrease our environmental footprint. The Green Team obtained baseline metrics on estimated GHG emissions, energy use and water use. Ariel experienced a 75% decreased in overall emissions from January 2020 through year-end 2021 because of COVID-19 impacts on occupancy. As a result of this assessment, the firm made a 2022 commitment to phase out single-use plastics in all offices and implement a composting program.

The Green Team will also develop a comprehensive long-term sustainability strategy. The Green Team aims to educate colleagues about the daily human activities that contribute to climate change and advocate for environmentally sustainable, easily adoptable alternative daily habits. On a monthly basis, they share "Green Turtle Facts" and "Green Turtle Tips" with Ariel teammates.

## Financial Service Pipeline Initiative

Ariel is a founding member of the Financial Services Pipeline Initiative (FSP) which has two goals:

- Increase the representation of Latinas, Latinos and African Americans within the financial services industry
- Improve the Chicago area's overall cultural competency in financial services

John W. Rogers, Jr. serves as a co-chair of the CEO Leadership Counsel initiatives.

# The Ariel Community Academy

In 1996, Ariel was awarded a corporate sponsorship of a Chicago public school through former Mayor Richard M. Daley's New School Initiative Program. This began the creation of Ariel Community Academy (ACA). ACA offers classes from pre-kindergarten through eighth grade. 98% of the student body is African American and more than 98% of the students receive subsidized lunches. The school is a unique public-private partnership where financial literacy is not just taught but practiced.

## The Ariel Investment Program

In addition to the required Chicago Public Schools curriculum, ACA incorporates a financial education curriculum with an emphasis on investing concepts. A notable feature is the Ariel Investment Program (AIP), which grants each first-grade class a $20,000 investment portfolio that follows each student until their eighth-grade graduation.

In the early years, the $20,000 is invested in the Ariel Fund. As students advance through the school's specialized financial education courses, they become actively involved in making investment decisions. Upon graduation, all profits are divided in half. Specifically, one half is given to the school as a class gift from the students, while the other half is distributed among the graduates as cash or matched contributions toward a 529 College Savings Plan, based on individual student preference. The goal of AIP is to increase economic and investment literacy within the African American community and to bring the topic of investing to every dinner table in Black America. The program has been invaluable in teaching kids the importance of investing and financial independence at an early age.

**In June 2021:**

**48**

Students graduated from ACA

**25**

Graduates received cash distributions for their share of proceeds from the Ariel Investment Program (AIP)

**~50%**

Of the Class of 2021 elected to open a 529 College Savings account and receive a $500 match from Ariel Investments

## FUTURES: Financially Literate Kids for a Financially Literate Society

In 2019, Ariel released *FUTURES: Financially Literate Kids for a Financially Literate Society*, a free educational resource available for download at www.arieleducationinitiative.org.

The FUTURES program guides students from a basic to an advanced understanding of personal finance, economics, entrepreneurship and investing concepts.


## The John W. Rogers, Jr. Internship Program

In 2017, the John W. Rogers, Jr. Internship Program in Finance ( JWR) was created at the University of Chicago to connect exceptional students from underrepresented backgrounds with internship opportunities in the investment offices of non-profit foundations and endowments across the country.

The JWR program funds the internships and provides an extensive series of workshops to help students build the knowledge, connections and technical skills they need to launch a successful career in finance. Common workshop topics include asset management, stock valuation and interview preparation.

The program has placed 89 students in summer internships with foundations and endowment investment offices. Ariel Co-CEO John W. Rogers, Jr. meets with the JWR cohort at least two times per year. ESG Research Associate Conner Chapman is an alum of the JWR program at the University of Chicago.

## The Ariel Investments Internship Program

In keeping with our firm belief that Diversity, Equity & Inclusion efforts ought to be intentional, our own interns are diverse – in terms of both their backgrounds and their skillsets. Every summer our interns play an active role in our portfolio company engagement process analyzing companies' disclosures, synthesizing their research, and developing questions. They join our engagement meetings and help facilitate discussions. The interns help refresh our database and prepare presentations for the research team on key ESG issues of their choice.

VI.

# Appendix

Ariel's ESG research is conducted by designated ESG specialists and investment analysts. We have five designated ESG specialists supporting our efforts to integrate environmental, social and governance factors within our investment analysis. We also have 18 professionals across our investment teams who have responsibility for ESG integration and/or engagement activities. We conduct regular ESG trainings across our Domestic and Global research teams.

## Domestic Research

### JOHN T. OXTOBY

*Senior Vice President, Director of ESG Investing*

John Oxtoby is Director of Environmental, Social and Governance (ESG) Investing on Ariel's Domestic Equity team. John joined the firm in 2014 and works with portfolio managers and analysts to evaluate the ESG risks and opportunities in current and prospective investments. Under his direction, Ariel's ESG team leads proactive engagement strategies with portfolio companies to improve performance on material ESG issues. He also teaches ESG and impact investing at the University of Chicago Harris School of Public Policy.

Prior to joining Ariel, John served in the Obama-Biden White House as Associate Director of the President's Jobs Council, a CEO-led advisory council focused on growing the clean energy economy and expanding workforce training. He also worked as a special assistant in the White House Office of Public Engagement and as an aide to the Chairman of the Council of Economic Advisers.

John holds the Fundamentals of Sustainability Accounting (FSA) credential administered by SASB and the Sustainability and Climate Risk certification administered by the Global Association of Risk Professionals (GARP). He graduated with a BA in economics from Harvard College and earned an MBA from Harvard Business School.

### MEAGAN TENETY

*Senior ESG Analyst*

Meagan Tenety is Senior Environmental, Social and Governance (ESG) Analyst on Ariel's Domestic Equity research team. In this role, Meagan works on all aspects of the team's ESG process including portfolio company engagement, data analysis, research, and other strategic projects. Prior to joining Ariel, Meagan was the co-founder of Nasdaq's ESG Advisory practice. During her tenure at Nasdaq, she engaged with corporate issuers on key ESG issues and advised companies on reporting, structure, strategy and implementation. In this role, she served as a thought leader on a range of ESG issues, including a published paper titled, "Lost in Translation: How to Navigate Top Investor ESG Priorities." Earlier in her career, Meagan worked in international development with a focus on mitigating labor and climate risk in global supply chains. Outside of Ariel, she serves on the Board of the Olancho Aid Foundation in Juticalpa, Honduras. Meagan earned her MBA from the University of Notre Dame.

### CONNER CHAPMAN

*ESG Research Associate*

Conner Chapman works on all aspects of the Domestic research team's ESG process including engagement tracking, correspondence for diverse board recommendations, data management, ESG research and other strategic projects. Prior to joining Ariel in 2019, he served as intern with The University of Virginia Law Foundation, the CFA Society Chicago and the University of Chicago Office of Investments. Conner earned a BA in Economics from the University of Chicago.

# Global Research

## RUPAL J. BHANSALI

*Chief Investment Officer and Portfolio Manager, Global Equities*
*Co-Portfolio Manager, Ariel Global Concentrated*

Rupal Bhansali is Chief Investment Officer and Portfolio Manager of Ariel's Global Equity strategies. In this capacity, she oversees our Global research effort and manages multi-billion-dollar portfolios. She also co-manages our Global Concentrated Strategy. Rupal joined Ariel in 2011 after 10 years with MacKay Shields where she was Senior Managing Director, Portfolio Manager and Head of International Equities. Previously, she spent 5 years at Oppenheimer Capital, where she was responsible for International and Global equity portfolios and was promoted to co-head of International equities. Additionally, Rupal has held various roles at other financial services firms since she began her career in 1989, including Soros Fund Management.

In January 2019, Rupal became the newest member of the prestigious Barron's Investment Roundtable, which showcases "10 of Wall Street's smartest investors." She authored the book, *Non-Consensus Investing: Being Right When Everyone Else Is Wrong.* In 2020, Rupal obtained the FSA credential, awarded by the Sustainable Accounting Standards Board for professionals who understand the link between sustainability and financial performance. Rupal serves on the Advisory Board of Directors of the Ira M. Millstein Center for Global Markets and Corporate Ownership at Columbia Law School, and the Board of Directors of the 100 Women in Finance Global Association. Fluent in several Indian languages including Hindi, Rupal earned a Bachelor of Commerce in accounting and finance, as well as a Master of Commerce in international finance and banking from the University of Mumbai. She later earned an MBA in finance from the University of Rochester, where she was a Rotary Foundation Scholar.

## MICKY JAGIRDAR

*Senior Vice President*
*Head of Investments, Global Equities*
*Co-Portfolio Manager, Ariel Global Concentrated*

Micky Jagirdar serves as Co-Portfolio Manager of our Global Concentrated Strategy, and covers the autos, health care, media and technology sectors as a research analyst.

He is also the Head of Investments of the Global Equities team. In this capacity, he arranges retreats and teach-ins which hone the team's critical and counterintuitive thinking capabilities, helping them serve as better "Devil's Advocates" on our investment theses.

Micky joined Ariel in 2011 after spending over 8 years as an equity research analyst at various investment firms, including Smith Jacobs and September Group Partners, where he focused on global absolute return strategies.

Micky is a sought-after speaker at investment conferences and a frequent guest on Bloomberg and CNBC. He is also widely quoted in trade publications such as Barron's and Forbes. In 2020, Micky obtained the FSA credential, awarded by the Sustainable Accounting Standards Board (SASB) for professionals who understand the link between sustainability and financial performance.

Fluent in several Indian languages including Hindi, Micky earned a Bachelor of Commerce in accounting and finance from the University of Mumbai and an MBA in finance and investments from the Zicklin School of Business at Baruch College.


Martijn


Arne


Mellody

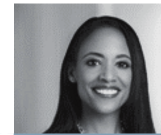

Valerie


Fazal


John


Anthony


Judy


Heather


Paula

## Martijn Cremers, PhD

Dean of the Mendoza College of Business
University of Notre Dame

Martijn serves as the Martin J. Gillen Dean of the Mendoza College of Business at the University of Notre Dame. He has been on the faculty at Notre Dame since 2012 and was appointed the Bernard J. Hank Professor of Finance in 2018. Previously, he was a faculty member of the Yale School of Management for a decade.

## Arne Duncan

Managing Partner
Emerson Collective

Arne served as United States Secretary of Education and chief executive officer of Chicago Public Schools. As managing partner at Emerson Collective, an organization dedicated to removing barriers so people can live to their full potential, Duncan aims to provide outreach, therapeutic, educational, and employment opportunities for young men most likely to be engaged in gun violence.

## Valerie Jarrett

Chief Executive Officer
Barack Obama Foundation

Valerie is the CEO of the Barack Obama Foundation and a Senior Distinguished Fellow at the University of Chicago Law School. From 2009 to 2017, Ms. Jarrett served as Senior Advisor to the President of the United States, where she oversaw the Office of Public Engagement and Intergovernmental Affairs and chaired the White House Council on Women and Girls. She also sits on the Boards of Lyft, Ralph Lauren, Walgreens Boots Alliance, Sweetgreen, the Innocence Project, the Economic Club of Chicago, and the John F. Kennedy Center for Performing Arts.

## Fazal Merchant

Former Co-CEO
Tanium Inc.

Fazal currently serves on the Board of Warner Bros. Discovery. Previously, he was Co-CEO of Tanium Inc., a leading high-growth global cyber-security and IT management firm, Chief Financial Officer of DreamWorks Animation SKG and an executive officer at DIRECTV. Earlier in his career, Fazal spent several years in investment banking and also worked at Ford Motor Company.

## Anthony D. Romero

Executive Director
American Civil Liberties Union

Anthony is the Executive Director of the American Civil Liberties Union (ACLU), the nation's premier defender of civil rights. He currently serves on the Board of Physicians for Human Rights, the Advisory Council of the Global Forum for Freedom and Justice, the Racial Justice Task Force of the Robin Hood Foundation and is a member of the New York State Bar.

## Judy Smith

Founder & President
Smith & Company

Judy is a strategic counselor who has advised U.S. Presidents, global leaders and Fortune 500 companies on a wide array of complex challenges and issues. In 1993, she founded Smith & Company, a strategic advisory firm with offices in Washington D.C., Los Angeles, New York and London. A former federal prosecutor, she worked in the U.S. Attorney's Office for the District of Columbia and the Office of the Independent Counsel, and she served at the White House as Deputy Press Secretary to President George H.W. Bush.

## Heather Tookes, PhD

Professor of Finance
Yale School of Management

Heather is a faculty member at Yale School of Management where she has held a number of academic posts at Yale, including Associate Professor of Finance and Assistant Professor of Finance. Prior to Yale, she was a Visiting Assistant Professor of Finance at Cornell University's Johnson Graduate School of Management. She is a member of the FINRA Economic Advisory Committee, the Academic Female Advisory Committee (AFFECT) of the American Finance Association and the Committee on Racial Diversity (CORD) of the American Finance Association.

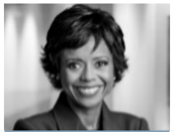
## Paula Wolff, PhD

Director
Illinois Justice Project

Paula serves as policy advisor to the Illinois Justice Project, a civic organization implementing policy initiatives and programs to improve the justice system. Formerly, she served as president of Governors State University and director of policy for Governor James R. Thompson. She has taught public policy at Governors State University and Irving B. Harris School of Public Policy at the University of Chicago.

*John W. Rogers, Jr. and Mellody Hobson serve as non-independent Directors of the Board.


William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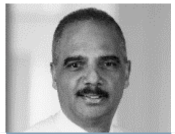
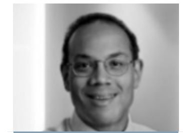

Eric


Christopher


Kim


Stephen


John


James

### William C. Dietrich

Lead Independent Trustee &
Retired Executive Director
Shalem Institute for Spiritual Formation

Bill is a former Certified Public Accountant and corporate Chief Financial Officer. He is currently an adjunct faculty member for the Shalem Institute for Spiritual Formation, Inc., an ecumenical institute offering programs in spiritual leadership and growth for both clergy and lay people. He is also co-director of Companioning the Dying, Inc, a non-profit organization offering programs and support for hospice and other end-of-life caregivers in the Mid-Atlantic region.

### Eric H. Holder, Jr.

Senior Counsel
Covington & Burling LLP

Eric Holder is an internationally recognized leader across a broad range of regulatory enforcement, criminal justice, and national security issues. He served as U.S. Attorney General from February 2009 to April 2015, the third longest serving AG in U.S. history and the first African American to hold the office. Currently, he serves as Senior Counsel at Covington & Burling LLP, where he advises clients on complex investigations and litigation matters.

### Christopher G. Kennedy

Chairman
Joseph P. Kennedy Enterprises, Inc.

Chris is chairman of the Board of Trustees for Joseph P. Kennedy Enterprises, Inc. He is also founder and chairman of Top Box Foods. Chris serves on the Board of Interface, Inc., where he chairs the Nominating and Governance Committee. Additionally, Chris is treasurer of the Joseph P. Kennedy Jr. Foundation and is trustee for the Marine Biological Laboratory.

### Kim Y. Lew, CFA®

President & CEO
Columbia Investment Management Co

Kim is President and CEO of Columbia Investment Management Company, which manages the endowment of Columbia University in New York. She joined Columbia from the Carnegie Corporation of New York, one of the oldest private grant-making foundations, where she served as its CIO. Prior to Carnegie, Kim worked at the Ford Foundation for 13 years in key research and investment roles in both public and private equity markets.

### Stephen C. Mills

Former President
New York Knicks

Steve is currently on the Board of Directors of Madison Square Garden Sports Corp. and was the former President of the New York Knicks. Previously, he also served as president and chief operating officer of MSG Sports of Madison Square Garden, L.P. In this capacity, he oversaw the business operations of three professional sports teams — the Knicks, Rangers, and Liberty, as well as all other sports-related activities of the Garden.

### James M. Williams

Vice President & Chief Investment Officer
J. Paul Getty Trust

Jim serves as vice president and CIO of the J. Paul Getty Trust, he is responsible for the endowment which underwrites the Trust's art museum, acquisitions, grants, and art conservation activities. Previously, he served as president of Harbor Capital Advisors and the Harbor Mutual Funds. He also spent nearly thirty years with Ford Motor Company, most recently managing the company's pension plan.

*John W. Rogers, Jr. and Mellody Hobson serve as interested trustees of the Mutual Fund Board.

# Sustainable Accounting Standards Board (SASB) Index

| Topic | Accounting Metric | Category | Unit of Measure | Code | Explanation |
|---|---|---|---|---|---|
| Transparent Information & Fair Advice for Customers | (1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings | Quantitative | Number, Percentage (%) | FN-AC-270a.1 | Ariel Investments does not disclose this metric. |
| | Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customer | Quantitative | Reporting Currency | FN-AC-270a.2 | Ariel Investments does not disclose this metric. |
| | Description of approach to informing customers about products and services | Discussion & Analysis | n/a | FN-AC-270a.3 | Client Relationship Summary |
| Employee Diversity, Equity & Inclusion | Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees | Quantitative | Percentage (%) | FN-AC-330a.1 | Page 34 |
| Incorporation of ESG Factors in Investment Management & Advisory | Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening | Quantitative | Reporting Currency | FN-AC-410a.1 | (1) 100% |
| | Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies | Discussion & Analysis | n/a | FN-AC-410a.2 | Page 7, 13, 16 |
| | Description of proxy voting and investee engagement policies and procedures | Discussion & Analysis | n/a | FN-AC-410a.3 | ESG Policy |
| Business Ethics | Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations | Quantitative | Reporting Currency | FN-AC-510a.1 | Ariel Investments does not disclose this metric. |
| | Description of whistleblower policies and procedures | Discussion & Analysis | n/a | FN-AC-510a.2 | Ariel Investments does not disclose this information |

| Activity Metric | Category | Unit Of Measure | Code | Explanation |
|---|---|---|---|---|
| (1) Total registered and (2) total unregistered assets under management (AUM) | Quantitative | Reporting Currency | FN-AC-000.A | *As of 12/31/2021*<br>(1)$9,185,672,695.25*<br>(2) 8,240,982,129.78<br><br>*Note: Registered AUM includes investment companies and pension and profit sharing plans. |
| Total assets under custody and supervision | Quantitative | Reporting Currency | FN-AC-000.B | As of 12/31/2021 our total assets for which we provide continuous and regular supervisory or management services equaled $17,426,654,825. Of those assets, we are deemed to have custody of $582,663,844 assets for one private fund client. |

# Disclosures

**Risks.** Past performance does not guarantee future results. Investing in equity stocks is risky and subject to the volatility of the markets. The intrinsic value of the stocks in which the Ariel Investments portfolios invest may never be recognized by the broader market. The portfolios are often concentrated in fewer sectors than their benchmarks, and their performance may suffer if these sectors underperform the overall stock market. Investing in small and mid-cap stocks is more risky and more volatile than investing in large-cap stocks. Investments in foreign securities may underperform and may be more volatile because of the risks involving foreign economies and markets, foreign political systems, foreign regulatory standards, foreign currencies and taxes. Investments in emerging markets present additional risks, such as difficulties in selling on a timely basis and at an acceptable price. A concentrated or focused portfolio may be subject to greater volatility than a more diversified portfolio. An economic moat is a perceived competitive advantage that acts as a barrier to entry for other companies in the same industry, and this perceived advantage cannot protect investors from the volatility associated with stocks, incorrect assumptions or estimations, declining fundamentals or external forces.

**ESG.** We have a dedicated Environmental, Social and Governance (ESG) Team embedded within our Research Team for our Domestic Strategies, including Ariel Fund's and Ariel Appreciation Fund's Strategies. For all Strategies, including our proprietary Funds, we have integrated a proprietary ESG-risk rating in our analysis of companies, and it is one factor, but not a primary factor, our Investment Teams use in evaluating companies.

**Holdings.** In this report, we discuss our opinions on specific stocks and environmental, social and governance aspect of our research process generally and specific to certain stocks. These opinions were current as of the date of the report but are subject to change. The information provided in this report does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell any particular security. This material should not be considered an offer for any of the securities referenced. The information contained in the report is not guaranteed as to its accuracy or completeness. Any holdings mentioned do not constitute all holdings in a portfolio. Portfolio holdings are subject to change. The performance of any single portfolio holding is no indication of the performance of other portfolio holdings. See the specific holdings of each of our strategies and Funds on our website, www.arielinvestments.com.

**Investing in the Funds**. *Investors should consider carefully the investment objectives, risks, and charges and expenses before investing. For a current prospectus which contains this and other information about the funds offered by Ariel Investment Trust, call us at 800-292-7435 or click here. Please read the prospectus carefully before investing. Distributed by Ariel Distributors, LLC, a wholly-owned subsidiary of Ariel Investments, LLC. Ariel Distributors, LLC is a member of the Securities Investor Protection Corporation.*

**Schwab Ariel ESG ETF**. Ariel serves as sub-adviser to the Schwab Ariel ESG ETF but does not distribute the ETF. This communication is not intended to promote or offer the ETF and should not be considered a recommendation for any security, including the ETF.


ARIEL INVESTMENTS
Invest in the world
you want to see.

ILLINOIS STATE BOARD OF INVESTMENT

# ISBI Annual Fiduciary Report

In accordance with 40 ILCS 5/22A-113.5, ISBI is required to post an Annual Fiduciary Report containing how each of its Investment Managers integrates the sustainability factors outlined in the Illinois Sustainable Investing Act.

Name of Asset Management Firm: BlackRock Institutional Trust Company, National Association

Firm Address: 400 Howard St San Francisco, CA 94105

Please describe how the firm integrates sustainability factors into the decision-making process.

*BlackRock's role is to offer choice to help meet our clients' objectives, transparency into how those choices could impact portfolios, and our research-based perspective on how structural trends could impact asset prices and investments over time. We continue to innovate for and with clients. Our firmwide ESG integration statement details BlackRock's approach to integrating environmental, social and governance data or information into our firmwide processes, and outlines the foundation, ownership, and oversight mechanisms which underpin our approach. To read more, please visit:*

*https://www.blackrock.com/corporate/literature/publication/blk-esg-investment-statement-web.pdf*

ILLINOIS STATE BOARD OF INVESTMENT

# ISBI Annual Fiduciary Report

In accordance with 40 ILCS 5/22A-113.5, ISBI is required to post an Annual Fiduciary Report containing how each of its Investment Managers integrates the sustainability factors outlined in the Illinois Sustainable Investing Act.

Name of Asset Management Firm: Garcia Hamilton & Associates, L.P.

Firm Address: 1401 McKinney Street, Houston TX, 77010, Suite 1600

Please describe how the firm integrates sustainability factors into the decision-making process.

At Garcia Hamilton & Associates, L.P. (GH&A), we understand that the role of fixed income, more specifically Core Fixed Income, is to anchor the portfolio so the client can take risks elsewhere. Therefore, our goal is three-fold. First, to outperform our benchmarks net-of-fees with a higher credit profile than the index. Second, to provide our clients with best-in-class service. Third, to set an example as an industry leader in fixed income solutions for institutional clients.

Since inception, we have utilized an active, top-down investment approach to provide safety, liquidity, and return on investment to our institutional, primarily public sector, clients. Our high-quality philosophy prevents the Firm from taking unnecessary or unquantifiable risk.

**ILLINOIS SUSTAINABLE INVESTING ACT**

GH&A's investment philosophy is aligned with the State of Illinois's bold and forward-looking action through the passing of HB2460: Illinois Sustainable Investing Act, requiring every retirement fund subject to the Illinois Pension Code to incorporate sustainability factors into their written investment policy. GH&A has been managing Illinois public sector accounts since 2005 with ESG/SI considerations and currently manages $5.0 billion in AUM for 21 Illinois public sector accounts (as of June 30, 2023).

GH&A has reviewed HB2460, and the Firm is able to satisfy the requirements of the bill.

Per HB2460, GH&A includes "material, relevant, and decision-useful sustainability factors" in evaluating investment decisions.

"Sustainability factors" may include:

(1) Corporate governance and leadership factors, such as the independence of boards and auditors, the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights, and ethical conduct.

(2) Environmental factors that may have an adverse or positive financial impact on investment performance, such as greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, and ecological impacts.

(3) Social capital factors that impact relationships with key outside parties, such as customers, local communities, the public, and the government, which may impact investment performance. Social capital factors include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, and community relations.

(4) Human capital factors that recognize that the workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and responsible bidder policies, employee health and safety, employee engagement, diversity and inclusion, and incentives and compensation.

(5) Business model and innovation factors that reflect an ability to plan and forecast opportunities and risks, and whether a company can create long-term shareholder value, including factors such as supply chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management, and physical impacts of climate change."

**INVESTMENT PHILOSOPHY**

Since the Firm's founding, GH&A has incorporated material Environmental Social Governance (ESG) considerations into our research process and the management of portfolios in order to avoid unquantifiable risk. This investment approach is simple, and its simplicity gives it its power. The Firm does not manage targeted or thematic RI strategies and follows a consistent investment philosophy that focuses on the preservation of principal while maintaining high current income.

Pecuniary ESG considerations, materiality, and risk are integrated in the assessment of all the Firm's products across its high-quality universe within the top-down macro framework. Thus, the Firm is able to maintain outperformance net of fees as a primary investment goal and avoid unnecessary volatility while mitigating traditional fixed income risk and unwanted risk across a spectrum of material ESG issues in the portfolio.

GH&A is a *Principles for Responsible Investment* (PRI) signatory and *Task Force on Climate-related Financial Disclosures* (TCFD) supporter. In addition to supporting the PRI and TCFD, the Firm is aligned with the principles set out by the Sustainability Accounting Standards Board (SASB), which identify the subset of ESG-related issues most relevant to financial performance across industries. The Firm is also a signatory to the CFA Institute's Diversity, Equity, and Inclusion Code.

**RESEARCH & INVESTMENT PROCESS**

In selecting investment grade securities within the corporate sector, the Firm first focuses on the largest U.S. issuers and companies rated A- or better by at least two of the three rating agencies. Historically, the Firm has utilized positive and negative industry screens to identify issuers whose products carry high unquantifiable risk related to material environmental, social, or governance considerations. This has not changed over time and includes risks associated with foreign companies, Yankee bonds, alcohol, tobacco, gambling, and defense contractors. Issuers identified as having a higher risk profile during this stage of the process are subject to further evaluation. The investment team then utilizes traditional financial and quantitative metrics analysis in conjunction with qualitative assessments to integrate ESG risks and opportunities into buy/sell/hold decisions. After this analysis, the investable corporate universe shrinks to approximately 75 issuers.

The investment team's analysis is based partly on the sustainability of an issue's operations and their consideration of a broad range of material "ESG" principles including, but not limited to, pollution, resource utilization, institutional environmental practices, human capital and development, diversity and inclusion measures, board composition, and the responsiveness and commitment of the organization to fair and transparent operations. ESG investment considerations are not solely determinative in any investment decision. The investment team addresses these factors during the final phase of vetting investment ideas and potential holdings. Using a proprietary ESG scale, the team incorporates a relative ranking of corporate issuers into the corporate selection process. All things equal, this process initiates a positive screening methodology to discriminate among securities with comparable conventional relative values. Should the investment team deem securities to be comparable from an investment perspective, the team generally expects to select the securities with the highest rankings consistent with the ESG scale methodology.

The Firm utilizes third-party research from industry experts to evaluate individual issuers within its universe and peer groups including the S&P Global Ratings ESG Profile Score, the ISS QualityScore, and the CDP Climate Score. To create the GH&A proprietary ESG scale, the Firm's Strategist first assigns weights to these third-party metrics according to internal priorities and then calculates a weighted average (0-1) for each issuer and industry. The three principal sub-metric factors are then combined to create the GH&A proprietary ESG scale. The S&P Global Ratings ESG Profile Score is given a higher weighting within the Firm's proprietary ESG scale due to the broader range of ESG factors assessed. Those issuers with missing or inadequate ESG disclosures may be eliminated from consideration. The Firm then stratifies the issuer universe scores into five categories within the ESG scale: Exemplary, Satisfactory, Neutral, Lagging, and Unsatisfactory.

It is also important to know where these issuers stand in relation to their industry peer group. The same methodology used to evaluate individual issuers within the investable universe is applied to a broad group of issuers in each of the Bloomberg Industrial Classification System (BICS) industrial categories to create the relevant peer group scale for each issuer. The Firm's Strategist then stratifies the issuer peer groups into the same 5 categories within the ESG scale based on the capitalization weighted scores of the peer group constituents: Exemplary, Satisfactory, Neutral, Lagging, and Unsatisfactory.

The Firm's Strategist monitors all 75 issuers on an ongoing basis, analyzing a combination of issuer and peer group sub-metrics. This analysis includes reviewing the current level of sector spreads and ratio of sector spreads to Treasuries versus historical levels, individual corporate bond spreads, issuer CDS spreads, and stock price performance to determine the relative value of potential investments. Thus, the GH&A research process consists of the Firm's risk control reports such as duration buckets, duration contribution, and option adjusted spread analysis as well as a range of macroeconomic analysis specific to the current economic cycle. The Firm also utilizes reports and data from the proprietary reports and investment tools maintained by the Firm's Strategist.

## SELL DISCIPLINE

GH&A would not direct clients to sell an individual or group of securities in order to achieve a goal that is not primarily investment related.

We typically sell a security for one of several reasons. First, we may sell a security to make a duration or yield curve adjustment in the portfolio. Second, we may sell a security to make an overall sector allocation change. Third, we place securities on our own internal watch list when negative news develops or when their credit rating deteriorates. Thus, we often sell securities when the headline risk outweighs the incremental yield to the portfolio. Lastly, we may sell a security when prepayment or negative convexity concerns develop. When an ESG metric is deemed to have a material impact that could jeopardize the safety, liquidity, or financial performance of an issuer or security, the investment will be evaluated and may trigger further credit review.

## TRAINING & OVERSIGHT

The Firm's entire investment team is engaged in and committed to ensuring the proper implementation of the Firm's philosophy and process, including the integration of ESG in the investment process. The team sits on an open trading floor, which cultivates a continuous dialogue regarding research and information related to our universe of securities. Additionally, the investment team formally meets once a week to discuss the portfolio and receive updated information on ESG as it pertains to the product. During this meeting, the team discusses topics such as macroeconomic conditions, market trends, market outlook, headline news, portfolio performance, individual securities, and potential developments pertaining to our risk analysis, and many other critical topics. An additional key component of this weekly meeting is the review and discussion of target portfolio characteristics.

The Firm's Strategist oversees the investment philosophy across the Firm, creating investment tools (1) to assist in anticipating major turns in economic activity and (2) that are inputs into the construction of the portfolio for which the Firm sets target portfolio ranges for duration, yield curve, sector allocation, and sector duration contribution. Additionally, the Firm's Strategist documents sustainability risk and opportunities in the Firm's proprietary ESG table, which is updated weekly. The investment team utilizes the ESG table to determine and define ESG risks and opportunities across a broad spectrum of sustainability metrics.

**REPORTING**

GH&A is a signatory to the United Nation's *Principles for Responsible Investment* (PRI) and supports the *Task Force on Climate-related Financial Disclosure* (TCFD) framework. As a PRI signatory and TCFD supporter, the Firm regularly evaluates ESG reporting trends and related legislation and provides its clients, prospective clients, and consultants with reporting that is consistent and compliant with industry standards.

GH&A become a signatory to the UNPRI June 2019. The Firm filed its most recent Transparency Report in May 2021 for the 2020 reporting year. The Firm scored higher than the median scores across all modules. A copy of GH&A's full 2021 PRI Transparency Report and/or 2021 PRI Assessment is available upon request.

Since 2020, PRI signatories have been required to report to the PRI on several indicators regarding their management of risks and opportunities related to climate change. These indicators are modelled on the disclosure framework of the *Financial Stability Board's Task Force on Climate-related Disclosures* (TCFD).

TCFD disclosures, in addition to the Firm's traditional financial and quantitative metrics analysis and qualitative assessments, allow the investment team to identify ESG risks and opportunities to inform buy/sell/hold decisions. These disclosures increase transparency around climate-related risks, which are incorporated considerations in the assessment of all the Firm's products across its high-quality universe.

**ENGAGEMENT & STEWARDSHIP**

The Firm does not engage directly with portfolio companies on ESG matters, as it only manages fixed income assets and does not hold any direct ownership or material control of any of the investments in the portfolio. However, as a PRI signatory, GH&A participates in engagement on ESG issues such as corporate governance and diversity and inclusion (D&I) that impact invested companies. Additionally, Firm professionals participate in collaborative engagements as well as stewardship activities with policy makers that continue to progress corporate transparency and D&I within the financial investment industry. You can learn more about how Firm employees engage with organizations within the industry and the communities in which we live in ***GH&A Corporate Social Responsibility***.

Accounts managed by GH&A are comprised solely of fixed income and cash equivalent holdings and these holdings are very rarely associated with proxies. As a matter of policy, GH&A will only vote client proxies in the following instances:

- Instances when the client has specifically assigned voting authority to GH&A for securities held in the account, and
- When GH&A receives proxy material pertaining to the account. In these instances, proxies would be evaluated and voted on a case-by-case basis.

# ISBI Annual Fiduciary Report

In accordance with 40 ILCS 5/22A-113.5, ISBI is required to post an Annual Fiduciary Report containing how each of its Investment Managers integrates the sustainability factors outlined in the Illinois Sustainable Investing Act.

**Name of Asset Management Firm:** Hamilton Lane

**Firm Address:** 110 Washington Street, Suite 1300, Conshohocken, PA 19428

**Please describe how the firm integrates sustainability factors into the decision-making process.**

Responsible investing and risk management have been core to our practices since our inception in 1991. We firmly believe that managing ESG risks is good business and also "The Right Thing to Do", which is our first corporate value. Hamilton Lane has been and continues to be a strong proponent of Environmental, Social and Governance practices across our investment portfolios. The ESG framework has been engrained in our decision making process since our early days. Every investment starts with good governance, so of the "E" "S" and "G" factors, we always start with the "G". Factors related to a general partner's or investment's governance structure are critical to establishing a corporate foundation for responsible investing. If we cannot get comfortable around "G" risks, an investment is declined early in our investment process. As we go deeper into our underwriting process, our investment team dives deeper into "E" and "S" risks. Within "E" we are focused on reducing overall environmental impact, including lowering carbon footprint. Within "S" we are focused on effective management of human capital, customers, suppliers and communities. Looking at investments through an "E" "S" and "G" lens is a critical part of risk management and mitigation. We fundamentally believe that if ESG factors are not properly managed, investments can be exposed to the potential for material value erosion.

While we have always considered ESG risks as part of our corporate and investment decisions, we segmented them into a separate risk category shortly after the Principles for Responsible Investment (PRI) were established in 2005. Hamilton Lane became a signatory to PRI in 2008. Since 2008, we have demonstrated our commitment to managing ESG risks and responsible investing by contributing to thought leadership within PRI, sitting on the committee that developed the PRI guide for general partners in 2013, the committee that developed the PRI LP DDQ in 2015, which we adopted as our first generation ESG DDQ, and a former member of our team having served a term on PRI's Private Equity Advisory Committee (2017-2019). In 2022, Hamilton Lane worked with the PRI and other managers on the development of an ESG questionnaire specific to Venture Capital managers.

In 2012, we established a Responsible Investment Committee (RIC), which today is led by Paul Yett, Director of ESG & Sustainability and Brian Gildea, Head of Evergreen Portfolios, along with eight Managing Directors. The seniority of the RIC represents the importance of responsible investing and effective ESG risk management at Hamilton Lane. The RIC has a few roles:

- to act as Hamilton Lane's bridge between market developments as it relates to ESG and responsible investing (such as PRI and Task Force on Climate Related Disclosures (TCFD)) and the investment teams' process of ESG risk management within Hamilton Lane;
- to develop our corporate ESG Policy Statement;
- to approve investments for Hamilton Lane's Impact Fund; and

- to hold our investment teams accountable to our corporate policy.

The RIC meets regularly to ensure continued thought development and assessment of our corporate and investment responsibilities. In addition to the regular meetings, the RIC is involved in investment committee meetings, which occur weekly, and has the ability to request separate meetings on individual investment opportunities when ESG or responsible investment complexities arise.

In 2020, Hamilton Lane started to issue a detailed ESG and Diversity annual questionnaire to all general partners that we have invested discretionary capital with. The results of the survey are stored in our CRM platform for easy access and analysis. By increasing the frequency of ESG data tracking at the manager level we are able to see which GPs are meeting their goals year-over-year and identify potential areas for improvement.

Hamilton Lane implemented RepRisk data coverage for our fund products and discretionary portfolio in 2022. RepRisk uses machine learning to scan over 100,000 public sources and stakeholders daily in 23 languages for ESG related risk incidents tied to companies in our portfolios. These are reviewed by their analysts and data is provided to us monthly. Our investment and ESG teams review these incidents for materiality and escalate to our Responsible Investment Committee and general partners as necessary. This type of outside-in reporting has our client's best interests in mind, seeking to increase insight, lower ESG risk and tackle greenwashing.

**ESG in the Selection of Managers and Funds**

Given our philosophy around the importance of ESG risk-management, we have built a fully integrated approach, incorporating ESG into each underwriting process. We strongly believe that ESG should not sit in isolation from the core decision-making group, and thus, all members of our investment team are trained to analyze ESG-specific risks and identify ESG risk-mitigants. ESG risks vary and are often unique to the strategy, sector or specific deal. Proactive due diligence and monitoring is important to understanding the manager's approach in assessing and tracking ESG risks. Each of our clients are looking to Hamilton Lane to invest our client's capital responsibly and many also ask us to invest along with their own value systems, including clients geared towards carbon neutral portfolios or those with complex ESG policies.

We established an ESG-specific DDQ in 2010, but it has since evolved to be substantially more robust as the market has developed. In addition, we ask general partners to provide information on whether they are a signatory to PRI during our initial screening process. We rolled out our most-recent ESG & Diversity DDQ in October 2020 to reflect further focus on TCFD and to establish diversity tracking within our portfolios, among other amendments. Hamilton Lane's investment team discusses ESG and diversity considerations at our onsite meetings with managers during underwriting to help build out our thinking beyond the DDQ.

In 2015, Hamilton Lane built our proprietary general partner ESG Rating System ("ESG Rating System"), which has been built on significantly and is regularly updated as ESG has developed in the private markets..

Over time, Hamilton Lane has evolved our ESG approach, and continues to do so. In 2020, we launched a comprehensive ESG & diversity questionnaire that is issued for every final investment due diligence, updated our ESG tracking procedure within our CRM tool, DealCloud, and enhanced the way we consider ESG risk and risk-mitigation within our final investment reports. Our updated questionnaire covers topics such as how ESG is integrated into the organization through policies and procedures; how ESG is considered in investment decisions; what form of monitoring and reporting is done on ESG at the portfolio company level; how the general partner considers climate concerns; and diversity within the organization and decision-making group. The investment team also analyzes ESG risk factors associated with the general partner's prior investments and expected future portfolio, considering potential environmental and social factors associated with a given sector and the level of governance risk associated with the general partner's regional focus. By understanding a general partner's approach to managing the environmental, social and governance risks related to its business practices, portfolio management and portfolio company exposures, leveraging our comprehensive ESG and diversity questionnaires and assessing the ESG and diversity practices with general partners during due diligence sessions, Hamilton Lane is able to identify industry best practices and evaluate a general partner's ESG capabilities. Each manager is scored on a scale of "None" to "Best" ESG risk mitigation, with "None" indicating no active efforts towards risk-mitigation and "Best" indicating highly effective risk-mitigation practices. This score is then rolled up with related scores associated with both the level of risk the general partner has taken previously, and the level of risk expected for the portfolio to derive an overall ESG rating for the investment opportunity.

In 2022, we have continued to embed ESG throughout our diligence processes, including the integration of ESG, earlier, through the inclusion of SFDR Ratings and ESG factors in screening and meeting memorandum. Further, we have rolled out a proprietary ESG Organizational Rating Framework ("ESG ORF") as an extension of the ESG Rating System, comprised of 23 variably weighted ESG-related questions. General partners are ranked on a scale of one to five to produce an aggregated organizational ESG score. The ESG ORF intends to capture the intentionality and integration of ESG into a manager's processes, such as how the general partner approaches training and ESG engagement internally and within portfolio companies, the measurement and response of environmental, social and governance issues, climate-related initiatives, diversity, conflicts, exclusions, and control. Every final report produced by the Fund Investment Team utilizes the ESG ORF which seeks to standardize our approach to ESG risk assessments.

The Fund Investment Team has long recognized the importance of ESG assessment in primary diligences, and in 2022 has also increased the weighting of a general partners ESG score in our General Partner Rating System ("GPRS), which provides an aggregate score of between one and five to each general partner, that encompasses broader criteria related to team, strategy and track record, in addition to ESG.

Investment teams continuously seek to adopt further risk-mitigation and assessment tools and are working with a large incident tracking platform [RepRisk], to track ESG-related incidents in the underlying portfolios of general partners. We expect this to open further dialogue with managers in how they approach incident monitoring and their ability to rectify and prevent further ESG incidents within their portfolios.

Whilst we ask the same questions to each general partner through our RFI, the way that we think about appropriate ESG risk mitigation is flexible to the strategy and associated risks of that manager's approach to ESG risk mitigation. To demonstrate how we think about ESG within our diligence, we have highlighted an example of a manager whereby Hamilton Lane made a commitment to the manager's private equity fund on behalf of Illinois State Board of Investments. See below example:

The Vistria Group, LP ("General Partner") is currently raising Vistria Fund V, LP. ("Fund V") and ISBI made a $35 million commitment to Fund V. During Hamilton Lane's due diligence of Fund V, we noted the following strengths of the General Partner, specifically as it relates to ESG:

- The General Partner is a signatory to UNPRI and has aligned with additional organizations to develop best practices pertaining to ESG, including Global Impact Investing Network, Impact Management Project, Value Reporting Foundation, and the United Nations' Sustainable Development Goals.
- The General Partner maintains a detailed ESG and Impact policy and is actively working towards formalizing its climate policy.
- The General Partner includes an Impact Scorecard in its investment diligence process to review ESG-related risks and opportunities, which enables the General Partner to partner with management teams in monitoring and tracking ESG-related risks and opportunities, as well as formalizing key Impact KPIs reporting processes.
- The General Partner is dedicated to improving diversity throughout the organization and within its portfolio companies by establishing DEI policies to increase diversity throughout management teams and the broader portfolio company.

Ultimately, keeping all else equal between managers, we seek to fund opportunities and general partners who are mitigating ESG risks to a higher degree than others. Ultimately, our ESG Rating is based on the mitigation of all "E," "S" and "G" risks and is an objective measure. However, our assessment of risk mitigation is based on how well the general partner's ESG approach matches the relative portfolio risk.

Hamilton Lane's Direct and Secondary investment teams also utilize this scoring system for their assessment of a manager/sponsor's approach to ESG risk and opportunity. In addition, these groups will assess the ESG risk profile of the associated sector and geography, and the considerations specific to the target company or companies.

Hamilton Lane's conversations with general partners about ESG are not isolated to the initial investment decision and are covered in update meetings, at annual meetings and in ad-hoc discussions with the general partner, as relevant. We believe that it is our duty as an asset manager and advisor within the Private Markets industry to ensure that we are putting a lens on effective ESG risk-mitigation in our discussions with managers, as well as providing them with the insight into best practices, to raise the standard across the industry.

When it comes to our ESG practices, we are far from done and will continue to challenge ourselves to improve further. We are currently implementing an update to how our ESG analysis and responsible investment considerations are incorporated into our final investment memorandums, including an update on the ESG Rating System. We are also evaluating technology solutions that offer even more granularity for pre- and post-investment ESG risk assessment. Further, as part of our ESG enhancements, we are working on advancing our monitoring capabilities to align with TCFD. Whilst the roll-out of these new versions of our ESG analysis and assessment will further refine how we think about ESG, they will remain flexible and we would expect further evolution over the long term.

**Environmental Factors**

When assessing investment opportunities, we look at whether the underlying managers have spent time assessing the environmental impact of their portfolio companies/investments and, particularly in the case of energy-related investments, whether they have considered the impact of changes to regulations.

In early 2022, Hamilton Lane issued our Climate Policy Statement as an expansion of our broader focus on ESG. Our policy statement breaks down the various risks (acute/chronic physical risk, transition risk, systemic risk) posed by climate change and/or a transition to a low-carbon economy, and touches on the broad opportunities that may exist for investment. The statement outlines out commitment to the Initiative Climat International (iCI), and our pledge to reach net-zero emissions by 2050 or sooner across our discretionary assets under management

The iCI was founded in 2015 as a way for private equity players to collaborate on ways to assess climate risk and contribute to the goals of the Paris Agreement by reducing emissions and leading the low carbon transition. We are excited to have joined this group of though leaders and be part of the iCI's North American Chapter which launched in early 2022.

We are committed to working with our fellow iCI members on climate risk and opportunity training for our investment teams, carbon footprinting best practices for our portfolios, and progress towards our net-zero pledge. Climate change is a pervasive and systemic risk that will only be solved by broad cooperation, and we see this as an important step for our industry.

Given the risks they pose to our planet and collective well-being, we do not invest in thermal coal, oil sands, or non-sustainable forestry through our discretionary capital. Additionally, special considerations and enhanced scrutiny around climate risk will be given to investments targeted in the energy and utilities sectors. Hamilton Lane will seek to avoid oil and natural gas-related assets (upstream, midstream, or downstream) unless the GP/Deal Sponsor has indicated a full understanding of the climate related risks involved, and has adopted a comprehensive ESG policy which includes the ability to measure and report on climate-related risks and mitigation efforts being undertaken in the portfolio. We expect to expand this to other carbon intensive sectors in the future.

We have committed to carbon neutrality for our operations beginning in 2019. We have measured the carbon footprint associated with the energy usage at our global offices (Scope 2), our business travel and the commuting of our global employees (Scope 3). We have partnered with Climate Impact Partners to offset the unavoidable emissions of our operations by supporting projects with third-party verified carbon credits as well as societal benefit. This process will be conducted and improved each year going forward.

ILLINOIS STATE BOARD OF INVESTMENT

# ISBI Annual Fiduciary Report

In accordance with 40 ILCS 5/22A-113.5, ISBI is required to post an Annual Fiduciary Report containing how each of its Investment Managers integrates the sustainability factors outlined in the Illinois Sustainable Investing Act.

Name of Asset Management Firm: HighVista Strategies LLC

Firm Address: 200 Clarendon St 50th Floor Boston, MA 02116

Please describe how the firm integrates sustainability factors into the decision-making process.

Please refer to the attached document for HighVista's response.

**<u>HighVista Strategies LLC</u>**

At HighVista Strategies LLC ("HighVista" or the "Firm"), our sole investment focus is on achieving attractive and sustainable long-term portfolio returns for our clients. In a world of increasingly crowded capital markets, we concentrate on finding investments within inefficient public and private markets where we believe we can capture outsized excess returns and seek to partner with specialists whom we believe to possess a combination of true investment talent, an identifiable edge, and a long-term investment horizon.

HighVista's Investment Team employs a bottom-up framework that evaluates the prospective risk/return of each opportunity. The investment process is flexible by design and does not restrict any specific asset class, sector, or geography unless specifically mandated by the governing documents of a fund or client mandate. When making all investment decisions, we seek to act in our clients' best interest by executing on a clients' objectives. This focus on our fiduciary duty requires the Investment Team to consider a variety of factors when evaluating a potential investment opportunity, including factors that fall under various definitions of sustainable investing or ESG. These can include, but are not limited to, environmental, social, diversity and sustainability considerations, governmental and regulatory policies, as well as corporate governance and alignment of interests between investment managers and limited partners, any of which could impact the potential risk/return profile of an investment. The Investment Team will evaluate these risks and/or opportunities if potentially impactful to the risk/return profile of an investment, in conjunction with all other relevant risks and/or opportunities as part of its overall analysis. If the Investment Team determines such risks and/or opportunities are material to the risk or potential return associated with a specific investment, then consistent with its fiduciary duty to its clients, these concerns would be addressed in the Investment Team's investment memorandum which is presented to the Firm's Investment Committee for final approval.

**<u>ISBI Strategic Partnership</u>**

ISBI utilizes HighVista to identify, access, and diligence active investment managers in public equities and private credit. HighVista manages two portfolios in accordance with the governing documents for the strategic partnership and seeks to execute on the strategic partnership by acting in the best interest of ISBI. As such, the Investment Team will consider a wide range of factors when evaluating potential investment opportunities that may include, but are not limited to, the following factors, among many other important considerations for risk and potential return drivers: 1) corporate governance and leadership factors, 2) environmental factors, 3) social capital factors, 4) human capital factors, and 5) business model and innovation factors. Consistent with HighVista's approach to ESG/sustainability, the Investment Team will seek to evaluate the aforementioned risks and/or opportunities in addition to all other relevant risks and/or opportunities to determine the impact on the risk/return profile of an investment. If the impact is material, the relevant considerations will be incorporated into the diligence that is presented to the Firm's Investment Committee for feedback and ultimate approval for ISBI's portfolios.

As an investor in externally managed commingled investment vehicles on behalf of ISBI, HighVista does not have control over the positions within a portfolio. The Investment Team takes a pragmatic approach by way of advance consideration of a fund's investment strategy and constructive engagement with our investment partners. On a periodic basis, we reach out to underlying fund managers and partners to complete various diligence questionnaires. The responses are reviewed by the Investment Team to understand how the underlying partners consider different risks as part of their overall investment processes.

**<u>Public Equity</u>**

Within ISBI's Public Equity portfolio, the Investment Team has constructed a portfolio of investment partners that generally seek exposure to companies with growth prospects driven by strong innovation, solid corporate governance, and an awareness of environmental factors, where relevant. Some examples of investments with an explicit emphasis on sustainability factors are included here.

**Corporate Governance:**

One partner in the ISBI portfolio employs an activist strategy focused on improving corporate governance. This partner will identify companies where current boards and/or management teams are not optimizing value and will publicly push for change(s) including but not limited to board improvement, separation of CEO/Chairman roles, improved alignment in executive compensation, and ESG factors.

**Environmental Factors:**
Other investments partners focus on environmental factors. One partner seeks opportunities created by the evolution of clean energy (e.g., solar energy and electric battery technology) and offers its investors the ability to opt-out of certain investments that may be viewed as less environmentally friendly (e.g. coal). Another partner grades every company in its universe on sustainability, employs an ESG team, and is itself a Certified B-Corporation[1] and carbon neutral firm.

**Investments that did not get approval for ISBI's portfolio:** As discussed above, as a fiduciary HighVista seeks to act in ISBI's best interest and has passed on investments given certain risk factors that could fall under ISBI's definition of sustainability. For example, the Investment Team did not invest in a manager with significant exposure to an emerging market country known for poor corporate governance.

**<u>Private Credit</u>**
Within ISBI's Private Credit portfolio, the Investment Team incorporates sustainability factors into their investment due diligence and considers their impact as it pertains to execution, value, liquidity, and ultimately the return potential and/or probability of success of an investment. By way of examples, several of the managers in the portfolio emphasize Corporate Governance, Environmental Factors, and Social Capital.

**Corporate Governance:**
Within venture lending, some managers focus on lending to companies with strong equity sponsorship which may put investors at odds with one another in the capital structure, while other managers exhibit a commitment to strong governance, independence, and transparency. HighVista's Investment Team has passed on investments they viewed to be too passive in regard to corporate governance, and instead has partnered with a manager that treats corporate governance as a key investment guideline that can enhance value and limit downside.

**Environmental Factors:**
The Investment Team has focused on areas where energy transition creates an opportunity for those who can properly structure and plan new renewable energy projects. In Europe, where there is significant government support for renewable energy, firms can advance renewable energy projects and can achieve profitability often enhanced by government subsidies. The Investment Team has invested with a manager that has focused on lending to programs and projects related to energy transition. Meanwhile, the Investment Team has passed on a number of managers that have been active in various stages of energy production and development as the financials risks relating to environmental impact were too opaque and therefore could be deemed material.

**Social Capital:**
When investing in real estate and specifically in lodging, the Investment Team believes it is important to assess how investments may impact the end customers and the local communities. In the underwriting process, the Investment Team will seek to understand a manager's commitment to access and affordability, community reinvestment, and community relations which singularly or collectively can impact the likelihood of success of the manager's strategy, especially a redevelopment strategy. HighVista has partnered with a manager in ISBI's portfolio that works closely with the local communities in which it operates, including reinvestment in those communities, which we and the manager believe enables a successful investment strategy.

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[1] B Corps™ are for-profit companies that use the power of business to build a more inclusive and sustainable economy. It requires a company to balance its pursuit of profit with a deeper social purpose, as validated by a rigorous, independent assessment of the company's impact on its workers, customers, community, and the environment every three years.

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# ISBI Annual Fiduciary Report

In accordance with 40 ILCS 5/22A-113.5, ISBI is required to post an Annual Fiduciary Report containing how each of its Investment Managers integrates the sustainability factors outlined in the Illinois Sustainable Investing Act.

Name of Asset Management Firm: The Rock Creek Group, LP

Firm Address: 1133 Connecticut Ave N.W. Washington, DC 20036

**Please describe how the firm integrates sustainability factors into the decision-making process.**

RockCreek has had a long-term strategic partnership with ISBI since 2006. As of December 31, 2022, we manage over $4bn for ISBI across public equities, public credit, core and non-core real estate, and private debt. All sub portfolios have outperformed their respective benchmarks since inception. RockCreek has committed close to $550 million to diverse-owned firms and close to $400 million to Illinois-based investments on behalf of ISBI across public and private markets portfolios.

RockCreek is a leading global investment firm that applies data-driven technology and innovation to investing. Launched in 2003, the team includes two ex-CIOs who were responsible for managing $110 billion in assets at the World Bank across multiple asset classes.

RockCreek's roots give us a deep understanding of investing in a sustainable manner. When applicable in the ISBI portfolios, we consider sustainability factors as well as risks including environmental factors, social capital factors, human capital factors, diversity and business model and innovation factors in investment opportunities.

For the ISBI portfolios, RockCreek starts with sourcing, and researching investment opportunities drawing on our in-house research database—one of the largest universes of diverse, sustainable, and impact investments and diligence. Our platform is broad, including established managers, newer managers, and diverse managers in public and private markets. It is used by the RockCreek team to build and monitor the ISBI portfolios and is filtered by various factors, such as the composition of managers by strategy, size, performance, geography, and minority group, to ensure that diverse managers are included in the universe of opportunities across asset classes.

As of December 2022, our database of investment opportunities has approximately 3,400 diverse investment managers and over 3,600 sustainable and impactful investment strategies and companies across sectors and themes including climate, clean energy, education, healthcare, affordable housing, sustainable agriculture and food systems, digital infrastructure, financial access, diversity, equity and inclusion.

As part of the due diligence process, we request potential GPs, companies and managers complete a comprehensive due diligence questionnaire, including diversity, equity, and inclusion (DEI) and sustainability questions on their firm, team, investment philosophy and process, risk management framework, and methodology and policies. Additionally, we also review the firm's diversity policy, ownership, team statistics, and compensation structure for inclusion and equity as another example of diligence in this area.

Our investment and research process includes what may be referred to as sustainability related factors and risks, and also includes identifying strong corporate governance factors and alignment of interests with minority shareholders. Our due diligence evaluates information that we obtain through direct dialogue with managers. We also use independent research and analysis of organizations like the World Bank and World Resources Institute when evaluating investments.

As part of our due diligence questionnaire, we request managers to provide information on their firm as well as on the fund and includes the following areas: sustainability initiatives; policies and philosophy, risk management, reporting and accountability, engagement with investments, memberships in organizations promoting or research sustainability in investments.

A few sample question and topics that fall into these categories include:

- How positive outcomes are generated, and potential negative outcomes limited.
- Whether the fund directly engages portfolio companies or issuers on sustainability issues s as well as the firm’s engagement strategy and objectives.
- Decision-making processes sustainability including risk analysis.
- The way the environment (waste, water, resources) or carbon footprint are considered in the firm’s investment process.
- Assessment of exposure to climate risk.
- Responsible contracting practices.

Furthermore, RockCreek has undertaken steps to be a leader in encouraging the utilization of diverse minority-owned and women-owned firms, vendors and broker-dealers, including sponsoring events designed to foster communications between diverse brokers and managers. RockCreek also encourages ISBI’s real estate managers to adopt the industry’s best practices for responsible contracting.

RockCreek’s investments reflect the applicable investment guidelines for the ISBI portfolios as well as the ISBI Investment Policy Statement, as applicable.

RockCreek is a supporter of many of the impact and sustainable investment initiatives in the industry to keep most up to date on the ongoing research and developments in this area and with the goal of advancing transparency and data collection around sustainability factors and risks. These include the Principles of Responsible Investment (PRI), the Council of Institutional Investors, the Institutional Limited Partners Association Diversity in Action (including being members of the steering committee), and the Net Zero Asset Manager Initiative, to name a few.

The names of the diverse investments that RockCreek has invested in on behalf of ISBI are contained in the periodic reporting previously provided to ISBI. In addition, detailed information regarding Illinois-based investments made for the ISBI portfolio has been previously provided. Across all ISBI portfolios managed by RockCreek—equities, credit, private debt, core real estate and non-core real estate, RockCreek continues to focus on increasing exposure to MWDBE managers.

Below is a case study of an investment within the ISBI portfolios that demonstrate RockCreek’s due diligence process regarding diversity, sustainability and impact.

**Case Study: Grain Management, LLC**

Grain Communications Group, Inc. was founded by David J. Grain in 2007 to pursue transactions in the communications industry, and was subsequently renamed Grain Management, LLC in 2011. The Firm is headquartered in Washington, DC and currently maintains offices in New York, NY, Sarasota, FL, and more recently opened an office in London. Since its inception, the Firm has raised and managed five institutional funds, totaling approximately $4.1 billion of capital commitments. In addition, the Firm has managed two proprietary investment vehicles, as well as two co-investment vehicles focused on spectrum licenses.

***MWVD Ownership.*** Grain Management was founded as a MWVD manager, with 100% diverse ownership. Additionally, 7 of the 8 (87.5%) Investment Committee members are classified as MWVD. From a carry standpoint, in the prior GCOF funds, the carry allocated to MWBE individuals has exceeded 75% historically.

***Illinois Presence.*** Although Grain Management does not currently maintain an office in Illinois, several of Grain's portfolio companies have a presence in the State. This includes Grain Spectrum Holdings III, which owns a portfolio of six wireless spectrum licenses in the 3.45 GHz band, one of which is a license for the Chicago market. Similarly, Great Plains Communications provides fiber in Illinois, while Spectrotel and LightRiver, telecommunications services companies, both conduct business and have clients in the State. Through Grain's two prior flagship funds (GCOF II and III), the Firm has invested over $700 million into businesses or assets with exposure to the state, representing 34% of the total capital invested out of the funds. As of March 31, 2023, these investments have generated a 29% gross IRR.

***Impact & Sustainability.*** The Firm maintains an ESG policy, which is incorporated into the investment process. The Firm produces an annual ESG Report, and a primary theme and mission across the Grain portfolio is addressing the digital divide through increasing connectivity in historically unserved and underserved communities. Additionally, across Grain's portfolio, women represent 10% of board directors, while racially or ethnically diverse individuals represent 31%.

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# ISBI Annual Fiduciary Report

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Name of Asset Management Firm: Franklin Park Associate, LLC

Firm Address: 251 St. Asaphs Road, Three Bala Plaza, Suite 500 West, Bala Cynwyd, PA 19004

Please describe how the firm integrates sustainability factors into the decision-making process.

On behalf of certain client mandates, our manager operational due diligence process includes an assessment of ESG policies and practices. In particular, we evaluate how managers incorporate environmental, social and governance factors in their investment process. In terms of environmental factors, we evaluate how energy use, waste, pollution and government regulation may impact the strategy and how the manager underwrites or seeks to exploit such factors. In terms of social factors, we evaluate how customer, supplier and employee relationships impact the strategy and how the manager underwrites or seeks to exploit such factors. In terms of governance factors, we evaluate how the manager influences board governance, transparency, management incentives and conflicts of interests.

Recent example:

> *MiddleGround Mobility is a mid-market buyout fund raised in 2021. On behalf of ISBI, Franklin Park made a $15 million commitment to the Fund. The Fund targets companies positioned to benefit from the key automotive trends of electrification, lightweighting, connected vehicles and autonomous vehicles. The fund manager has integrated ESG procedures into its internal and investment management procedures. The manager began by (1) conducting extensive benchmarking of best practice ESG initiatives with other private equity firms, (ii) becoming a signatory of UN Principles for Responsible Investing ("UNPRI"), (iii) adding ESG Committees to all portfolio company boards, and (iv) receiving metrics from portfolio companies to benchmark key performance indicators.*

# ISBI Annual Fiduciary Report

In accordance with 40 ILCS 5/22A-113.5, ISBI is required to post an Annual Fiduciary Report containing how each of its Investment Managers integrates the sustainability factors outlined in the Illinois Sustainable Investing Act.

Name of Asset Management Firm: Oak Hill Advisors, L.P. ("OHA" or the "Firm")

Firm Address: 1 Vanderbilt Ave 16th Floor, New York, NY 10017

Please describe how the firm integrates sustainability factors into the decision-making process.

OHA is committed to responsible business practices across its organization as well as responsible investing through the companies it financially supports. We believe that the consideration of financially material environmental, social and governance ("ESG") factors is important in seeking long-term value creation on behalf of our investors.

Consistent with OHA's investment philosophy, investment professionals across seniority levels play an active role in the credit consideration process, including the assessment of ESG factors. The assessment of ESG factors begins at the research analyst level and continues with discussions with the senior research team and portfolio managers.

OHA focuses on the financially material ESG factors that underpin a company's creditworthiness, utilizing consistent resources to inform determination and analysis of these factors.*

OHA recently enhanced its ESG assessment process. The investment team utilizes an OHA designed methodology, which meaningfully contributed to the ESG Integrated Disclosure Project (ESG IDP), an initiative backed by leading trade associations and NGOs to promote transparency and accountability in private credit markets. This methodology utilizes the SASB standards, the technical basis for the International Sustainability Standards Board (ISSB) industry specific disclosure standards.**

SASB Standards identify ESG factors reasonably likely to have a significant effect on the financial conditions, operating performance or market valuation of companies and industries. OHA's methodology applies a credit lens to the SASB Standards and the investment team utilizes this framework when underwriting financially material ESG factors for each company in which it invests. This allows the team to focus on factors that are most likely to be core to a company's operations and may affect a company's ability to repay its lenders. The primary determinants of our factor selection are where ESG factors manifest within the income statement and risk profile and their relevance to credit quality, and the potential magnitude of impact. The secondary determinants of credit relevance within the SASB Standards involve a relative comparison between material factors and associated financial implications as well as climate risk implications informed by the Task Force on Climate-Related Financial Disclosures (TCFD). The intersection between financial and impact materiality, where investments promote environmental and social characteristics, will serve as a valuable informant to OHA's post-investment engagement strategy.

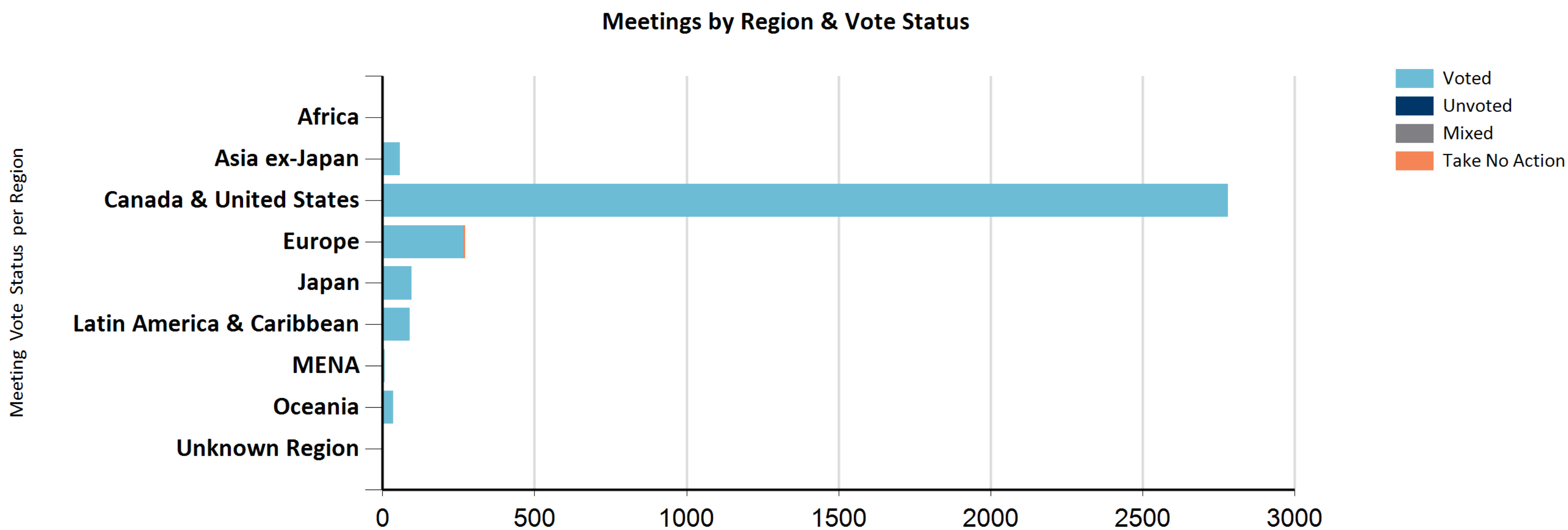
There is a formal process by which the team documents its underwriting. Analysts determine on a company-by-company basis at time of diligence what are the appropriate underlying ESG factors, as guided by the process above, for each company.** Analysts consider evidence of proactive practices to mitigate risks or capture opportunity in line with each material factor. They may also consider relative exposure to that factor as compared to industry peers. Analysts may also consider broader reputational risks and incidents for each company when assigning overall scores. In addition, given the relative lack of access to quantitative KPIs in the markets in which OHA invests, we rely on a mix of both quantitative and qualitative data and weigh each, as well as their interconnection, on a company-by-company basis. These factors are used as inputs when assessing overall company E, S and G scores. Ratings are based on a 5-point scale to help the research analysts quantify the materiality of ESG factors for each company.

For additional information on OHA's approach to ESG and sustainability, please refer to the Firm's 2022 Annual report: [https://www.oakhilladvisors.com/wp-content/ uploads/ 2023 /06/ OHA_ESG__Sustainability_Annual_Report_2022.pdf](https://www.oakhilladvisors.com/wp-content/uploads/2023/06/OHA_ESG__Sustainability_Annual_Report_2022.pdf). In particular, and with regard to OHA's management of ISBI's mandate, please refer to page 10 of the document, which describes Bluesource Sustainable Forests Co (BSFC).

**Certain issuers are excluded from this process.*
***OHA applied a credit lens to the SASB standards and created this framework for the investment team to begin utilizing in September 2022. Certain investments are excluded from this process.*

# Meeting Statistics Report

From 7/1/2022 to 6/30/2023



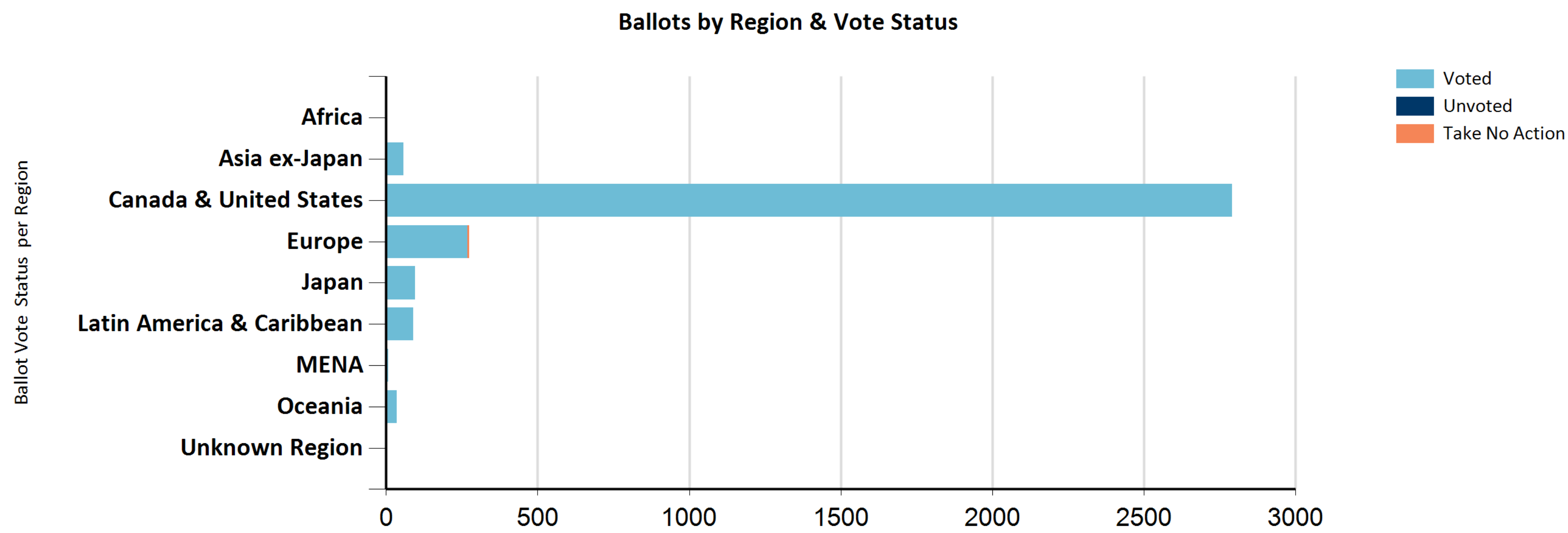

| Region | Country Of Origin | Voted | Unvoted | Mixed | Take No Action | Total |
|---|---|---|---|---|---|---|
| **Total for all Regions** | | **3335** | **0** | **0** | **6** | **3341** |
| ***Africa*** | | **1** | **0** | **0** | **0** | **1** |
| | Liberia | 1 | 0 | 0 | 0 | 1 |
| ***Asia ex-Japan*** | | **57** | **0** | **0** | **0** | **57** |
| | China | 2 | 0 | 0 | 0 | 2 |
| | Hong Kong | 5 | 0 | 0 | 0 | 5 |
| | Korea, Republic of | 41 | 0 | 0 | 0 | 41 |
| | Singapore | 8 | 0 | 0 | 0 | 8 |
| | Taiwan | 1 | 0 | 0 | 0 | 1 |
| ***Canada & United States*** | | **2781** | **0** | **0** | **0** | **2781** |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Canada | 49 | 0 | 0 | 0 | 49 |
| | United States | 2732 | 0 | 0 | 0 | 2732 |
| ***Europe*** | | **267** | **0** | **0** | **6** | **273** |
| | Austria | 5 | 0 | 0 | 0 | 5 |
| | Belgium | 12 | 0 | 0 | 0 | 12 |
| | Denmark | 9 | 0 | 0 | 0 | 9 |
| | Finland | 5 | 0 | 0 | 0 | 5 |
| | France | 28 | 0 | 0 | 0 | 28 |
| | Germany | 23 | 0 | 0 | 0 | 23 |
| | Ireland | 19 | 0 | 0 | 0 | 19 |
| | Italy | 18 | 0 | 0 | 0 | 18 |
| | Jersey | 8 | 0 | 0 | 0 | 8 |
| | Luxembourg | 8 | 0 | 0 | 0 | 8 |
| | Netherlands | 18 | 0 | 0 | 0 | 18 |
| | Norway | 0 | 0 | 0 | 5 | 5 |
| | Portugal | 4 | 0 | 0 | 0 | 4 |
| | Spain | 11 | 0 | 0 | 0 | 11 |
| | Sweden | 15 | 0 | 0 | 0 | 15 |
| | Switzerland | 18 | 0 | 0 | 1 | 19 |
| | United Kingdom | 66 | 0 | 0 | 0 | 66 |
| ***Japan*** | | **96** | **0** | **0** | **0** | **96** |
| | Japan | 96 | 0 | 0 | 0 | 96 |
| ***Latin America & Caribbean*** | | **89** | **0** | **0** | **0** | **89** |
| | Bahamas | 1 | 0 | 0 | 0 | 1 |
| | Bermuda | 46 | 0 | 0 | 0 | 46 |
| | Brazil | 9 | 0 | 0 | 0 | 9 |
| | Cayman Islands | 24 | 0 | 0 | 0 | 24 |
| | Chile | 1 | 0 | 0 | 0 | 1 |
| | Panama | 2 | 0 | 0 | 0 | 2 |
| | Puerto Rico | 4 | 0 | 0 | 0 | 4 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Virgin Islands (British) | 2 | 0 | 0 | 0 | 2 |
| ***MENA*** | | **8** | **0** | **0** | **0** | **8** |
| | Israel | 8 | 0 | 0 | 0 | 8 |
| ***Oceania*** | | **35** | **0** | **0** | **0** | **35** |
| | Australia | 22 | 0 | 0 | 0 | 22 |
| | Marshall Islands | 12 | 0 | 0 | 0 | 12 |
| | New Zealand | 1 | 0 | 0 | 0 | 1 |
| ***Unknown Region*** | | **1** | **0** | **0** | **0** | **1** |
| | Unknown Country | 1 | 0 | 0 | 0 | 1 |

# Ballot Statistics Report

From 7/1/2022 to 6/30/2023




| Region | Country Of Origin | Voted | Unvoted | Take No Action | Total |
|---|---|---|---|---|---|
| **Total for all Regions** | | **3346** | **0** | **6** | **3352** |
| ***Africa*** | | **1** | **0** | **0** | **1** |
| | Liberia | 1 | 0 | 0 | 1 |
| ***Asia ex-Japan*** | | **57** | **0** | **0** | **57** |
| | China | 2 | 0 | 0 | 2 |
| | Hong Kong | 5 | 0 | 0 | 5 |
| | Korea, Republic of | 41 | 0 | 0 | 41 |
| | Singapore | 8 | 0 | 0 | 8 |
| | Taiwan | 1 | 0 | 0 | 1 |
| ***Canada & United States*** | | **2790** | **0** | **0** | **2790** |
| | Canada | 49 | 0 | 0 | 49 |

| | | | | | |
|---|---|---|---|---|---|
| | United States | 2741 | 0 | 0 | 2741 |
| ***Europe*** | | **269** | **0** | **6** | **275** |
| | Austria | 5 | 0 | 0 | 5 |
| | Belgium | 12 | 0 | 0 | 12 |
| | Denmark | 9 | 0 | 0 | 9 |
| | Finland | 5 | 0 | 0 | 5 |
| | France | 28 | 0 | 0 | 28 |
| | Germany | 23 | 0 | 0 | 23 |
| | Ireland | 21 | 0 | 0 | 21 |
| | Italy | 18 | 0 | 0 | 18 |
| | Jersey | 8 | 0 | 0 | 8 |
| | Luxembourg | 8 | 0 | 0 | 8 |
| | Netherlands | 18 | 0 | 0 | 18 |
| | Norway | 0 | 0 | 5 | 5 |
| | Portugal | 4 | 0 | 0 | 4 |
| | Spain | 11 | 0 | 0 | 11 |
| | Sweden | 15 | 0 | 0 | 15 |
| | Switzerland | 18 | 0 | 1 | 19 |
| | United Kingdom | 66 | 0 | 0 | 66 |
| ***Japan*** | | **96** | **0** | **0** | **96** |
| | Japan | 96 | 0 | 0 | 96 |
| ***Latin America & Caribbean*** | | **89** | **0** | **0** | **89** |
| | Bahamas | 1 | 0 | 0 | 1 |
| | Bermuda | 46 | 0 | 0 | 46 |
| | Brazil | 9 | 0 | 0 | 9 |
| | Cayman Islands | 24 | 0 | 0 | 24 |
| | Chile | 1 | 0 | 0 | 1 |
| | Panama | 2 | 0 | 0 | 2 |
| | Puerto Rico | 4 | 0 | 0 | 4 |
| | Virgin Islands (British) | 2 | 0 | 0 | 2 |

| | | | | | |
|---|---|---|---|---|---|
| ***MENA*** | | **8** | **0** | **0** | **8** |
| | Israel | 8 | 0 | 0 | 8 |
| ***Oceania*** | | **35** | **0** | **0** | **35** |
| | Australia | 22 | 0 | 0 | 22 |
| | Marshall Islands | 12 | 0 | 0 | 12 |
| | New Zealand | 1 | 0 | 0 | 1 |
| ***Unknown Region*** | | **1** | **0** | **0** | **1** |
| | Unknown Country | 1 | 0 | 0 | 1 |

Exhibit 12

GLASS LEWIS

# Engagement Policy

Updated October, 2021

www.glasslewis.com

# About Glass Lewis

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make sustainable decisions based in research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over $40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

Investors around the world depend on Glass Lewis' **Viewpoint** product to manage their proxy voting, policy implementation, recordkeeping, and reporting. Our industry leading **Proxy Paper** product provides comprehensive environmental, social, and governance research and voting recommendations weeks ahead of voting deadlines. Public companies can also use our innovative **Report Feedback Statement** to deliver their opinion on our proxy research directly to the voting decision makers at every investor client in time for voting decisions to be made or changed.

The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

## Join the Conversation

Glass Lewis is committed to ongoing engagement with all market participants.

info@glasslewis.com | www.glasslewis.com

# Glass Lewis Overview

Glass Lewis is the leading provider of independent proxy advice with a global client base of more than 1,300 clients, including the majority of the world's largest pension plans, mutual funds and asset managers, who collectively manage more than $40 trillion in assets. Glass Lewis empowers institutional investors to make sound voting decisions at more than 30,000 meetings each year by analyzing and assessing corporate governance and material environmental and social risks at public companies domiciled in approximately 100 global markets. We provide comprehensive research for all listed companies held in our clients' portfolios. In 2020, this universe included approximately 16,000 global public companies.

Founded and still headquartered in San Francisco, Glass Lewis develops and delivers its services from offices in the United States; Europe (United Kingdom, Ireland, Germany); and Asia-Pacific (Australia, Japan).

# Engagement Philosophy

We believe that discussions with public companies, shareholder proponents and other stakeholders, at the appropriate time, can foster mutual understanding and help promote better disclosure.

Typically, engagement meetings with subject companies are held between Glass Lewis analysts and representatives of the subject company and focus on Glass Lewis' research policies and methodologies and participants' respective views on governance practices. In addition, Glass Lewis analysts may meet with certain companies in order to discuss specific material best practices, concerns or ESG disclosure topics pursuant to the Active Ownership Services Engagement Solution. Moreover, when held, meetings with shareholder proponents, dissident shareholders, participants in a "vote no" campaign or M&A transaction, allow each party to not only explain their positions on a particular matter but also provide additional context to Glass Lewis' analysts by allowing them to hear all sides of the story. Glass Lewis' research team does not provide advisory services to companies or other stakeholders.

Moreover, even though Glass Lewis' research team is open to participating in constructive engagement with companies and other stakeholders, its research and recommendations are solely based on publicly available information. To that end, Glass Lewis research analysts strongly advocate for public disclosure of information that could be deemed material to their analysis and will not consider any non-public information. This approach ensures that shareholders have access to all relevant information and are thus fully empowered to make informed voting decisions, while minimizing potential conflicts of interest.

# Engaging with Glass Lewis

## Meeting Logistics

Glass Lewis values meetings with companies and other relevant stakeholders, whether in person or via teleconference, to learn about company governance practices while also fostering dialogue and understanding of our policies, research approach and services. We do not offer any preview of our recommendations nor do we provide comprehensive assessments of all ESG concerns we might raise in our research. We refrain from reviewing or commenting on draft versions of proposed proxy materials.

When meeting with companies, we generally accept meetings with individuals who are responsible for oversight or disclosure of ESG issues. Typically, this means that we meet with company secretaries, investor relations professionals or non-executive directors, rather than executives. We may decline meetings with individuals where we do not believe meeting with the suggested participants would be productive or appropriate in light of the subject matter to be discussed.

Glass Lewis proxy research and recommendations are based solely on publicly available information that is available to all shareholders. We refer to companies' own regulatory filings, information found on company or shareholder proponent websites, or credible news sources for our research. Accordingly, we do not accept off-the-record clarifications or assurances in formulating our analysis or recommendations. Glass Lewis analysts will not accept or acknowledge any material non-public information.

## Timing of Meetings

Glass Lewis does not typically engage with companies or shareholder proponents regarding issues up for vote during the solicitation period, which begins on the date the notice of meeting is released and ends on the date of the meeting. Meetings may be held during this time period if the discussion takes place in a public forum, is recorded for public access, or relates to a "Special Situation" as defined below and is disclosed in our Proxy Paper, and as outlined in Glass Lewis' Policies and Procedures for Managing and Disclosing Conflicts of Interest.

Furthermore, Glass Lewis is not available for general engagement meetings related to ESG policies or issues during each markets' proxy season, when timely research for clients is the top priority. For example, for East Asian, European and North American companies, Glass Lewis does not conduct general ESG engagements between March and July, whereas in Australia, the research team will not hold general ESG meetings from September through November.

Glass Lewis avoids off-the-record discussions with companies during the solicitation period to ensure the independence of advice and to avoid receiving information, including material non-public information, not otherwise available to shareholders. In our experience, companies generally try to use solicitation-period discussions to lobby for support of a recommendation or to seek to learn what changes Glass Lewis requires in order to win support for items up for vote.

However, Glass Lewis may hold an engagement meeting with relevant stakeholders **during the solicitation period and/or proxy season** in relation to an M&A Transaction, Contest or Other Special Situation (see below).

Glass Lewis may also engage in formal dialogue with stakeholders **during the proxy season but outside the solicitation period** under the following circumstances:

- Where a shareholder has submitted a proposal to an upcoming annual or special meeting, or publicly committed to a Withhold or "Vote No" campaign (see "Shareholder Proponents" section below). Only in extraordinary circumstances, Glass Lewis may hold engagements with shareholder proponents or parties engaged in a "Vote No" campaign *during the solicitation* period if we believe that additional

information from these parties will serve our analysis of the situation at hand. In this situation, we will generally offer any opposing party an opportunity to present its views;
- In limited cases, at the sole discretion of a Glass Lewis analyst, where an extraordinary and/or high-profile issue requires additional context.

Glass Lewis analysts may contact a company or shareholder proponent for clarification on a factual matter in its public disclosure during the proxy season and/or the solicitation period, without requiring a formal engagement meeting.

## Availability for Meetings

Outside the solicitation period and each market's proxy season, Glass Lewis actively contacts companies to request a meeting ("outbound campaigns") and provides the ability for public companies, shareholder proponents and other interested parties to request a meeting ("inbound requests").

Public companies, shareholder proponents and other interested parties may request a meeting with Glass Lewis via our public website (https://www.glasslewis.com/request-meeting/).

Glass Lewis prioritizes meetings with companies with which we have not recently engaged, where we have identified material environmental, social and/or governance concerns, or where we are seeking to facilitate additional understanding of a particular company or industry practice. Requests that do not meet these criteria will be facilitated on a first-come-first-served basis according to availability.

**Due to the high level of interest in engaging with Glass Lewis, we are unable to facilitate all meeting requests.** In order to assist us in prioritizing inbound requests, we encourage interested parties to clearly outline the topics that they would like to discuss, their intended meeting participants, and their availability for a meeting. Glass Lewis will prioritize inbound requests in which the inquirer has included precise details on the topics that it wishes to discuss with Glass Lewis.

## Shareholder Proponents

Shareholders that have submitted a proposal to an upcoming annual or special meeting are encouraged to inform Glass Lewis of this submission and request an engagement meeting through our public website.

Glass Lewis analysts are able to participate in such engagements after shareholder proponents have submitted their proposals to companies and before the company in question files its proxy statement. Because of the narrow time frame in which Glass Lewis is able to engage on these proposals, Glass Lewis will generally allow these engagements to occur during proxy season, **as long as the meeting falls outside the solicitation period.** In all other respects, Glass Lewis applies the same standards and policies to shareholder proponents as it does to companies.

## Transparency of Meetings

Glass Lewis is committed to transparency around its engagement activities. Key details of each engagement meeting are prominently disclosed at the front of the relevant Proxy Paper, which, in the case of a general engagement meeting, will typically be our report for the subsequent shareholder meeting. These details include the name of the party(ies) that were represented at the meeting, the date of the meeting, and a general description of the topics discussed.

# Engagement During the Solicitation Period or Proxy Season

As outlined above, Glass Lewis does not typically hold engagement meetings with public companies, shareholder proponents or other interested parties during the solicitation period or proxy season. However, we may do so under the following circumstances.

## M&A Transactions, Contests and Other Special Situations

For certain types of non-routine transactions or situations which often develop on short notice, Glass Lewis analysts may choose to engage during the solicitation period. This is applicable to special meetings or proposals dealing with non-routine topics such as M&A, restructuring or financing transactions, board proxy contests, contested merger proposals as well as Withhold or "Vote No" campaigns.

For these types of meetings, Glass Lewis may engage with a public company or shareholder(s), if such dialogue will lead to a better understanding of a party's position as outlined in publicly available documents regarding the proposals, thus enhancing our Proxy Paper for our clients. However, Glass Lewis bases its analysis and recommendations solely on publicly available information. Glass Lewis analysts will not accept or acknowledge material non-public information.

In the case of a contested election or transaction, the public company's or shareholder proponent's definitive filing or notice of meetings is often just the start of multiple filings by companies and dissident shareholders. We review all publicly released materials in conducting our ultimate analysis and accompanying recommendation.

When Glass Lewis agrees to engage with a public company or shareholder about an active or contested situation, the team also offers opposing parties a similar opportunity to engage to present its views. While the engagement timeline for special and contested meeting requests varies, Glass Lewis will not consider engagements with a public company or shareholder to discuss a specific campaign or contested proposal prior to a public filing. Glass Lewis' M&A team may, however, engage with companies and shareholders outside of a solicitation period to discuss the company's general policy and procedures related to M&A transactions and contested situations.

For M&A transactions, contests or special situations where we believe engagement will bolster our research by ensuring that Glass Lewis' analysts are thoroughly familiar with all relevant public information, we will schedule an engagement at a date typically between two and four weeks prior to a shareholder meeting. There may be multiple engagements conducted with multiple parties for a contested meeting. In those cases, we attempt to conduct all necessary engagements within the same time window. Nonetheless, the fluid nature of these types of situations may necessitate follow up engagement meetings with the relevant parties prior to the Proxy Paper publication.

# Glass Lewis' House Policy Guidelines

Glass Lewis' house policy guidelines are publicly available on our website. While Glass Lewis applies global general principles, including promoting director accountability, fostering close alignment of remuneration and performance, and protecting shareholder rights across all of these policies, Glass Lewis tailors its approach to each country's relevant regulations, practices, corporate governance codes and stewardship codes. Guidelines are revised and updated at least annually in response to local regulatory and best practice developments, which are closely monitored and assessed throughout the year.

Glass Lewis policies are formulated via a bottom-up approach that involves extensive discussions with a wide range of market participants, including investors, public companies, corporate issuer organizations, academics and subject matter experts, among others. Ongoing dialogue with the various industry players and active participation in panels, working groups and industry conferences allow Glass Lewis to keep abreast of and respond to industry developments. In addition, Glass Lewis accepts feedback about its policies throughout the year via a dedicated mechanism on its public website at https://www.glasslewis.com/guidelines/

While Glass Lewis' analysts are prepared to answer questions about our general approach to ESG issues, as outlined in our policy guidelines, they will not provide a comprehensive assessment of concerns that might be raised about a particular company's ESG practices in our research. As Glass Lewis' research is independent and based solely on publicly available information, we formulate our analysis and recommendations solely upon review of public documents. Outside of our Proxy Papers, Glass Lewis analysts will not make any representation or promise regarding Glass Lewis' assessment of compliance with our house policy guidelines.

# Active Ownership Services Engagement Solution

Glass Lewis' Active Ownership Services Engagement Solution allows institutional investors who are seeking to expand their active ownership stewardship activities to leverage our extensive global engagement activities. Glass Lewis analysts are enabled to engage on behalf of clients who subscribe to the Engagement Solution and may, on their behalf, proactively identify certain material ESG issues for a focused discussion as part of an engagement meeting. Glass Lewis also reports on these discussions to Engagement Solution clients to facilitate their own reporting requirements and share insights on engagement outcomes.

Glass Lewis does not engage on behalf of any clients who are not subscribers to this service. Finally, Glass Lewis' analysts will not provide any information about any specific clients' holdings or potential votes, and will not discuss clients' voting policies or positions, unless specifically authorized to do so.

# Other Forms of Engagement

Glass Lewis provides public companies, shareholder proponents and other interested parties with a variety of other ways to communicate with us outside of a formal engagement meeting. Such forms of communication are also permitted to take place during the solicitation period and/or proxy season.

## Issuer Data Report ("IDR")

Launched in 2015, the IDR program enables companies to review the key data points used by Glass Lewis in its analysis prior to publication of the final Proxy Paper for institutional investor clients. While the IDR does not contain Glass Lewis' analysis or voting recommendations, the data points included are critical inputs for Glass Lewis' analysis. Companies registered for the IDR can confirm their company data is accurately reflected per disclosure made publicly available to shareholders.

Companies must register to participate in this program. Companies are eligible to participate where their primary listing is in one of the markets in our IDR coverage list, and provided they meet the disclosure deadline of 30 days in advance of their annual meeting. Where companies do not publicly disclose their meeting materials by the disclosure deadline, Glass Lewis' research team reserves the right to defer the company's participation to the following years' program. A company's participation in the IDR will be noted on the front page of our Proxy Paper.

Companies that meet the disclosure deadline will receive an email at least three to four weeks prior to their shareholder meeting with their IDR and instructions for providing feedback. From that point, public companies have 48-hours to review the data and provide suggested updates, pointing to any public documentation which supports noted corrections. The 48-hour deadline is strictly administered to ensure Glass Lewis' research team sufficiently meets their publishing deadline. Where no feedback has been received within the 48-hour period, our research team reserves the right to proceed accordingly with its publishing deadlines. Returned feedback is reviewed by Glass Lewis' research analysts who in turn make relevant updates and then provide high-level feedback regarding amendments made.

Companies which have not previously participated can complete a one-time registration form via the Glass Lewis website (https://www.glasslewis.com/issuer-data-report/). Registrations will auto-renew annually unless a company representative notifies our engagement team of the company's wish to withdraw from the IDR program.

## Report Feedback Statement ("RFS")

The RFS allows public companies, shareholder proponents, dissident shareholders and parties to an M&A transaction to directly express their differences, agreements and unfiltered opinions on Glass Lewis' research and recommendations.

All sides alike are eligible to participate and will provide their RFS directly to Glass Lewis' research and engagement team, which will in turn attach each RFS to the relevant research report (i.e. "Proxy Paper"). Each RFS is included with Glass Lewis' research and automatically redistributed to Glass Lewis clients through its research and voting platforms.

Investors are notified immediately when an RFS is available and can access the RFS directly from the front page of each Proxy Paper to quickly inform their voting decisions.

Once a Proxy Paper includes an RFS, that will be the only version of the research Proxy Paper available from Glass Lewis, with prior versions removed from distribution. Any clients that have already downloaded an earlier version of the research Proxy Paper will receive an email with the updated research Proxy Paper that includes the RFS.

For more information concerning submitting an RFS, please visit our website (https://www.glasslewis.com/report-feedback-statement/).

## Notification of Public Disclosures

Glass Lewis encourages public companies to submit documents and filings, including additional public disclosures that have been made during the solicitation period. Documents and filings may be submitted via our public website (https://www.glasslewis.com/submit-documents/).

Where additional public disclosure is provided subsequent to the publication of our Proxy Paper (typically three to four weeks prior to the meeting date), Glass Lewis will assess whether the new information is of material use for clients and, if there is a reasonable amount of time prior to the deadline for submitting votes, Glass Lewis will consider republishing its research Proxy Paper with the new information. We will always highlight whether or not any of our recommendations have changed as a result of the additional disclosure.

## Reporting Errors to Glass Lewis

Companies, shareholder proponents and other interested parties are encouraged to contact Glass Lewis if they identify any errors in our research. When we are notified of a purported error or omission in a Proxy Paper that report is immediately reviewed. If there is a reasonable likelihood the Proxy Paper will require revision, we remove it from its published status so no additional clients can access it. If a Proxy Paper is updated to reflect new disclosure or the correction of an error, we notify all clients that have accessed the Proxy Paper or have ballots in the system for the meeting tied to that report, whether or not the update or revision affected Glass Lewis and/or clients' custom recommendations.

Errors should be reported to Glass Lewis through its public website (https://www.glasslewis.com/report-error/) When reporting an error, we request the following information:

- Details on the issue, including meeting date, proposal number and title, page number in the Proxy Paper and the full sentence in which the discrepancy appears.
- Information as to precisely where within a company's public disclosure we can find and verify the correct information to revise our Proxy Paper given Glass Lewis bases its analysis strictly on publicly available information.

When we are alerted to an error in our research, it is our goal to resolve the matter in as short of a time period as possible. Although we generally do not hold engagement meetings with companies or shareholder proponents during the solicitation period, these parties are encouraged to alert Glass Lewis if they have identified any inaccurate information. In such cases, we will review the issue at hand and correct any errors.

Once corrected, Glass Lewis will republish the Proxy Paper with a description of any post-publication changes made and will alert clients via email to the changes.

## Proxy Talk

Based on client demand, Glass Lewis will from time-to-time host "Proxy Talk" conference calls to facilitate an in-depth discussion of a specific meeting, proposal or issue. Glass Lewis clients can listen to the calls and submit questions to the speakers, with representatives from the research team serving as moderators. This is an effective way for companies to reach clients directly, empowering clients and fostering improved disclosure and further color on specific issues.

If a public company or shareholder proponent is interested in participating in a Glass Lewis Proxy Talk, please contact us at info@glasslewis.com.

# Further Information

If you wish to contact us about our Engagement Policy or any other matters, please email info@glasslewis.com

# Connect with Glass Lewis

Corporate Website | [www.glasslewis.com](www.glasslewis.com)

Email | [info@glasslewis.com](mailto:info@glasslewis.com)

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