



William Blair

**ESG Integration
Philosophy**

Investment Philosophy

William Blair has long recognized the importance of a quality-focused approach to the fundamental analysis of companies. We believe that strong corporate performance is the foundation of superior long-term investment returns. The essence of corporate success lies in building intrinsic strengths in the management of human capital, financial resources, and stakeholder relationships, and delivering quality, innovation, service, and value to customers. Companies that lead in these critical areas have tended to produce better returns on capital over time with greater consistency and less risk.

At William Blair, we consider environmental, social, and corporate governance (ESG) to be one of many considerations that inform our investment decisions—inextricably linked with our fundamental assessment of the quality of corporate management and financial statements.

ESG Integration

For all of William Blair’s fundamental equity strategies, ESG factors are inextricably linked with our fundamental assessment of company management and financial statement quality as well as the sustainability of competitive strengths. Our research analysts provide a qualitative summary of what they view as each company’s relevant risk exposures, and separately address any key ESG issues they may uncover in their fundamental analysis. These issues are documented within our company recommendation reports and discussed by the analysts and portfolio managers during our regular team meetings.

In addition, third-party ESG company ratings are systematically incorporated into our research reports. These ratings are discussed as part of the original buy recommendation, depending on data availability and our assessment of materiality with respect to the investment thesis. William Blair currently utilizes ESG ratings from MSCI ESG Research/GMI Ratings and Goldman Sachs, and routinely monitors the research vendor landscape for additional ESG research inputs. We also continually seek expanded universe coverage and data quality improvement from our existing research providers.

From a governance perspective, our key focus is on shareholder value creation, transparency, oversight, and accounting policies. Environmental areas of focus include resource management, product innovation, renewable energy/water use, and reporting. Social considerations include human rights at the company and in the supply chain, labor/management relations, product/workplace safety, and community relations. The relevance of these issues varies by country, industry, and company.

Fundamental Analysis Focus

While ESG ratings are helpful inputs in our process, investment decisions are made through a holistic assessment of each company's growth opportunities and risks (including ESG considerations) based on our team's collective insights. Given the broad range of companies in William Blair's investment universe and limited third-party ESG rating coverage of small-cap and emerging-markets companies, our proprietary, fundamental research is a crucial element of our decision-making process and ongoing integration effort.

Our recommendation report framework for ESG analysis is summarized on the following page.

William Blair Recommendation Report: ESG Analysis Section Outline

Governance/Environmental/Social Overview

GMI Global/Home/Sector ESG Ratings (0–100)

MSCI IVA Rating (AAA–CCC)

Goldman Sachs ESG Rating (0–100)

Governance Considerations

GMI Global/Home/Sector
Governance Ratings (0–100)

The William Blair analyst comments on governance profile, focusing on potential risks if applicable. Focus areas include shareholder value creation, transparency, oversight, and accounting policies. Does the company practice good governance? How are executives compensated, and is this aligned with shareholder interests and executive performance? Are there concerns about alignment of interests between management and outside shareholders (particularly when the company is closely held)? Is the board focused on shareholder interests and is it accountable? Is there an independent audit function and, if so, has it found significant issues? Does it report on these issues for shareholders? How conservative/aggressive are accounting practices?

Environmental Considerations

GMI Global/Home/Sector
Environment Ratings (0–100)

The William Blair analyst comments on relevant environmental issues/risks, if applicable. Focus areas include resource management, product innovation, renewable energy/water use, and reporting. Are these factors relevant? What are the company's environmental reporting/disclosure practices? Does it use resources effectively and minimize the impact of operations? Have there been any past environmental issues?

Social Considerations

GMI Global/Home/Sector Social
Ratings (0–100)

The William Blair analyst comments on relevant environmental issues/risks, if applicable. Focus areas include human rights at the company and in the supply chain, labor/management relations, product/workplace safety, and community relations. What is the relationship between labor and management? Are there any other areas of concern, including the company's history and policy supporting human rights, workplace safety, product safety, community relations, resource use, or specific political risks?

Systematic Integration in William Blair Online Research Platform (Summit)

In addition to the recommendation report, ESG analysis is integrated, via automated data feeds of ESG ratings and component scores from our research providers, into Summit, which is William Blair's proprietary online research platform.

The company home page in Summit includes an ESG overview section alongside our investment hypothesis and pertinent security/company data. This ESG overview includes the summary ratings from our third-party research providers.

Summit also contains a separate "ESG analysis" section for every company in our universe (based on available third-party data), including those that are both owned and not owned in portfolios. The ESG analysis section allows the research analysts to disaggregate and explore the individual E, S, and G components and see how individual factors are contributing to the company's overall ESG rating, highlighting any "red flags," or key risks. ESG issues highlighted in this section vary by company, but may include the following:

Governance—Board Rating and Red Flags

Independent board majority, executives on board, combined CEO/chair, independent chair, independent lead director, audit committee independence, compensation committee independence, overboarded directors, gender diversity, etc.

Governance—Pay Rating and Red Flags

Performance targets, director equity policy, executive pay disclosure, clawbacks, CEO/director equity policies, etc.

Governance—Ownership/Control Rating and Red Flags

Majority voting, confidential voting, classified board, cumulative voting, shareholder action by written consent, business combination provision, etc.

Governance—Accounting Rating and Red Flags

Revenue/expense recognition, asset-liability valuation, restatements or special charges, etc.

Environmental Rating and Red Flags

High environmental-impact company, environmental disclosure, carbon-emission reporting, water-use reporting, waste-production reporting, alternative energy use, etc.

Social Rating and Red Flags

Companies with high social impact, sweat shops, child labor, community relations, consumer privacy concerns, political activity disclosure, pay linked to sustainability, sustainability board oversight, sustainability reporting, UN Cap Global Compact, workplace safety/reporting, etc.

Analysts can review supporting research on any identified issues by clicking on an embedded hyperlink to the MSCI/GMI Ratings website within the company home page on Summit.

Although William Blair is not an activist investor, corporate governance and the treatment of minority investors are of significant importance to us. Our investment process takes into consideration issues that may affect shareholders prior to our investing in a particular company. If we are not satisfied that the entity has placed shareholder interests foremost in its thinking regarding its capital allocation and business practice decisions, then we will not invest.

The investment team discusses relevant governance issues with portfolio companies and candidates as part of the due-diligence process. As previously described, these issues are identified through a combination of our proprietary analysis and third-party ESG research. For example, William Blair's research analysts and portfolio managers may address with management the ESG ratings assigned by MSCI/GMI Ratings, including any specific red flags, such as excessive executive compensation or entrenched boards. Analysts document what they believe to be material issues affecting their investment thesis in recommendation reports, and therefore seek appropriate disclosures as a matter of course. If we believe disclosures are inadequate, we address our concerns with management and communicate our expectations for improvement.

Proxy Voting

Proxy Voting Overview

As a registered investment adviser, William Blair has a fiduciary duty to act solely in the best interests of its clients without regard to the interests of William Blair. William Blair recognizes that this duty requires it to vote client securities' proxies in a timely manner and make voting decisions that are in the best interests of its clients. William Blair's proxy voting policies assist the firm in considering factors that could affect the value of a security subject to a proxy vote so that the firm votes proxies in the manner that it believes will be consistent with efforts to maximize shareholder value. Moreover, in furtherance of William Blair's goal to vote proxies in the best interest of clients, the procedures are designed to identify and address material conflicts that may arise between William Blair's interests and those of its clients before voting proxies on behalf of such clients.

Proxy Voting—General Policy

William Blair shall vote the proxies of its clients solely in the interest of their participants and beneficiaries and for the exclusive purpose of providing benefits to them. William Blair shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. William Blair is not responsible for voting proxies it does not receive. However, William Blair will make reasonable efforts to obtain missing proxies.

William Blair shall adopt the voting guidelines of an independent proxy administrator. All proxies are reviewed by the proxy administrator, subject to the requirement that all votes shall be cast solely in the best interest of the clients in their capacity as shareholders of a company. The proxy administrator votes the proxies according to the voting guidelines, which are designed to address matters typically arising in proxy votes. In the case when nominee voting is not allowed, it may be impractical for William Blair to participate in those particular votes.

William Blair does not intend the voting guidelines to be exhaustive; hundreds of issues appear on proxy ballots and it is neither practical nor productive to fashion a guideline for each. Rather, the voting guidelines are intended to cover the most significant and frequent proxy issues that arise. For issues not covered or to be voted on a case-by-case basis by the voting guidelines, the proxy administrator will consult the proxy policy committee. The proxy policy committee will review the issues and will vote each proxy based on information from the company, our internal analysts, and third party research sources, in the best interests of the

clients in their capacity as shareholders of a company. The proxy policy committee consists of certain representatives from the investment management department, including management, portfolio managers, analysts, and operations personnel, as well as a representative from the compliance department. The proxy policy committee reviews the proxy voting policy and procedures annually and shall revise its guidelines as events warrant.

Proxy Recordkeeping and Disclosure

Pursuant to this policy, William Blair will retain: 1) the proxy voting policy statement and procedures; 2) all proxy statements received regarding client securities; 3) records of all votes cast on behalf of clients; 4) records of client requests for proxy voting information; and 5) any documents prepared by William Blair that are material to making a decision how to vote, or that memorialize the basis for the decision.

Upon a client's request to the proxy administrator, William Blair will make available to its clients a report on proxy votes cast on their behalf. These proxy-voting reports will demonstrate William Blair's compliance with its responsibilities and will facilitate clients' monitoring of how their securities were voted.

The proxy voting policy statement and procedures will be provided with each advisory contract and will also be described and provided with the Form ADV, Part 2A.

Clients invested in the William Blair mutual funds can access the policy and voting activity on the William Blair Funds website, which allows users to search activity by fund, company, or company shareholder meeting dates. Pursuant to U.S. regulatory requirements, fund voting activity is also filed with the Securities and Exchange Commission (SEC) via the Form N-PX, which is publicly available on the SEC's EDGAR database.

Disclosures

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