William Blair

Investment Management

# UK Stewardship Code 2023 Report

# Who We Are

William Blair's mission is to empower colleagues, deliver client success, and engage in our communities. As fiduciaries to asset owners, we commit to being responsible stewards of their capital in line with being a signatory to the United Nations (UN)-supported Principles for Responsible Investment (PRI).

WBC Holdings, L.P. ("William Blair" or the "Firm") is a private partnership that is 100% owned by its active employees.

William Blair Investment Management, LLC ("William Blair Investment Management" or "WBIM" or "we" or "our") is organized as a separate legal entity and is a regulated investment firm. It is a subsidiary of William Blair and houses the institutional investment management business of William Blair.

We are an active manager whose heritage is built on rigorous, fundamental analysis. We are selective and proactive with every capital allocation decision we make pertaining to investments that we believe will deliver long-term and sustainable value creation.

We are on a continuing journey to explore and define the ways that environmental, social, and governance (ESG) factors and corporate social responsibility inform the ways we create value for our clients, colleagues, and communities. Further, by incorporating sustainability and corporate governance factors into our fundamental analysis, William Blair Investment Management is working to create a more complete picture of the risks and opportunities facing issuers today.

Consistent with our active investment approach and our commitment to uphold the principles of the PRI and the UK Stewardship Code, we have systematically integrated ESG factors in our investment process. Our integration of ESG factors encompasses active engagement with companies and issuers, which enhances our understanding of risks and opportunities and informs our voting decisions.

Our journey to deeper, authentic integration continues to evolve, and is essential to our goal of continually improving as investors. We invite you to learn about the progress we have made on this journey.

Overseen by the Financial Reporting Council (FRC), the independent regulator that supervises financial reporting, accounting and auditing, and corporate governance in the United Kingdom, the UK Stewardship Code sets out the definition and principles for effective stewardship by institutional investors. William Blair Investment Management fully supports the UK Stewardship Code, and seeks to apply the same principles globally, taking into account local practice and law.

# **Principle 1:** Purpose, Strategy, and Culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment, and society.

**Purpose**

Our founder, William McCormick Blair, created a firm that was steadfastly and singularly focused on its client success, stating that "when our clients succeed, the firm's success will follow." As fiduciaries to our clients, we have a duty to put their interests first and we embrace our role as stewards of our clients' assets. We are passionate about the profession of investment management. We are an independent, 100% active-employee-owned firm with no distractions from our sole priority: creating strong, risk-adjusted returns for our clients.

**Investment Beliefs and Strategy**

At William Blair Investment Management, we are ardent about investment management. Our investment teams are focused solely on active management for institutional clients and employ disciplined, analytical research processes across a wide range of strategies, including U.S. equity, global equity, and emerging markets debt strategies.

Our highly collaborative teams draw on intensive research and insightful judgment that comes only from experience, and our investment processes are designed to be disciplined, rigorous, and most importantly, repeatable. Moreover, we evolve to meet our clients' needs while remaining true to our core investment strengths and maintaining our uncompromising integrity. This consistent approach builds alignment and client relationships that endure over the long term.

Our approach to active management consists of autonomous teams with shared values operating in an environment in which investment professionals can thrive. A strong foundation gives each team the freedom and resources to engage in high conviction investing in the pursuit of alpha. Each of our investment teams defines "active" differently within their strategies.

Moreover, at WBIM, active management is much more than an investment approach. While stability has been at the core of our existence since our founding, our active ownership culture promotes a dynamic environment in which our business and investment processes continuously evolve with a constant focus to align with clients' interests and help them achieve successful investment outcomes.

Operating with integrity and adhering to ethical values are essential elements of William Blair's business model. These standards are infused in all the Firm's business units and serve as the foundation of the firm's emphasis on long-term relationships and stewardship commitment. Whether dealing with clients, vendors, counterparties, or intermediaries, the firm is committed to operating with the utmost integrity in every relationship and transaction.

To keep a pulse on our clients' needs and ensure we understand their goals, there are several channels of communication we offer and maintain. First, we take a proactive, hands-on approach to client service and uphold open channels of communication with our clients. This includes regularly meeting with clients to incorporate feedback on our client service capabilities. Many of our clients receive regular ESG-focused reporting that is often customized to meet their needs and provide transparency on an individual portfolio level. We view our client relationships as partnerships that foster idea sharing and collaboration. We routinely engage with clients and incorporate their feedback to inform our communication of activities.

### Culture

Serving our clients starts with the capabilities and collaboration of our team, making our employees our most important asset. We believe great talent can come from anywhere, and diversity of skills, capabilities, perspectives, and experiences drives innovation and success. Further, when we create an environment in which employees perform their best, our delivery for clients will be the best it can be.

Our mission is to create a workplace where inclusion is at the heart of business and culture. We focus on building an inclusive, high-performing culture by seeking and retaining talented individuals who embrace and nurture diversity, helping all to thrive. Diversification has value beyond investment portfolios. We believe that diversity of skills, experience, capabilities, and perspectives is essential for the innovative thinking that our clients demand from us.

In addition, we are building a workplace environment that gives our people the tools, resources, and opportunities to unlock their potential and fulfill their personal missions. These efforts are not just good for employee morale, they are fundamental to our company's growth and continued success.

To facilitate a community of diverse perspectives and backgrounds, we have implemented a targeted talent strategy designed to: 1) increase the frequency, transparency, and relevance of conversations between employees and managers; 2) support goal setting, recognition, performance conversations, and feedback sharing within our teams; 3) support ongoing learning and development opportunities; and 4) foster a culture in which all employees feel included in a community that embraces differences and values, and respects each individual.

EXHIBIT 1

### Our Mission, Vision, and Values

**Our strategic focus aligns us across businesses, geographies, and new opportunities. To create it, we sought broad participation to make sure that it would be meaningful to our employees, clients, and communities. The results outline our common purpose and our collective future.**

#### Mission

Empower colleagues.
Deliver client success.
Engage in our communities.

#### Vision

Be the premier global boutique.

#### Values

**Integrity**
Honor our commitments while always upholding the highest ethical standards.

**Client Focus**
Driven to provide exceptional service and outcomes.

**Engagement**
Find joy in what we do, seek balanced lives, and celebrate the successes of our clients, teams, and each other.

**Inclusivity**
Actively embrace diversity of thought, opinion, and background.

**Excellence**
Set the highest bar for quality in all our pursuits.

**Agility**
Anticipate new opportunities, embrace change, and adapt.

**Entrepreneurship**
Promote organizational, team, and individual initiative.

**Partnership**
Be leaders, investing together in the enduring success of our colleagues, clients, and communities.

Source: William Blair, as of December 31, 2023.

## Investing in Our Communities

As a firm, we are committed to the places in which we live and work, engaging with local communities all over the world.

Each year, the Firm's employees contribute to hundreds of charitable organizations through their time, investments, and leadership. We seek to empower their philanthropic visions by providing up to $11,750 (USD) per employee in annual matching gifts. Hundreds of our employees serve in leadership roles on non-profit boards. In addition to matching programs, each employee receives one paid day off for volunteer work and a grant of $50 per hour of personal volunteer service.

The Firm and its foundation invested nearly $3.5 million in local communities in 2023 to 1,100 organizations across 14 countries, and employees donated approximately $4.3 million to the same organizations, for a total impact of $7.7 million. More than half of all employees and more than three quarters of partners participated in William Blair's matching gifts programs in 2023.

The Firm also invests catalytic human and financial capital in charities worldwide through its employee-inspired Global Community Partners Program. The program was expanded to all global offices for 2022-2023, which resulted in 23 new community partners globally. Since its inception in 2011, William Blair and its employees have donated nearly $6 million to more than 50 global community partners.

## Environmental Sustainability

Environmental sustainability is a priority for William Blair. The Firm continues to measure its operational carbon footprint to evaluate its impact on the environment using Persefoni's carbon accounting platform, aligned to the Greenhouse Gas Protocol. This data will be utilized to focus on the Firm's sustainability efforts.

Nearly 90% of the Firm's leasehold footprint is located in Leadership in Energy and Environmental Design (LEED)- or Building Research Establishment Environmental Assessment Methodology (BREEAM)-certified, while more than 70% of the Firm's office spaces have their own independent LEED or BREEAM certification. This includes the Firm's global headquarters, which was built and designed to LEED gold standards. Whenever possible, William Blair chooses green materials and solutions for its buildings, such as Lutron lighting systems that automatically dim when daylight is plentiful. All of William Blair's leasehold offices recycle and 40% compost. In addition, the Firm e-cycles or donates outdated technology items to PCs for People, a non-profit that provides refurbished computers to eligible, low-income customers at affordable prices.

We relocated our London office in June 2023. William Blair considered the environmental impacts of building a new office, and made choices designed to mitigate those factors, including using timber joinery and flooring made from Forest Stewardship Council (FSC) renewable sources, sourcing carbon-neutral carpet, purchasing recycled glass countertops, and installing coffee machines that do not use water boilers. We also moved old office furniture and reused it in the new space where possible. The remaining furniture was donated to Business2Schools. In addition, biophilia walls and urban farms will be installed.

# Principle 2: Governance, Resources, and Incentives

## Signatories' governance, resources, and incentives support stewardship.

### Governance

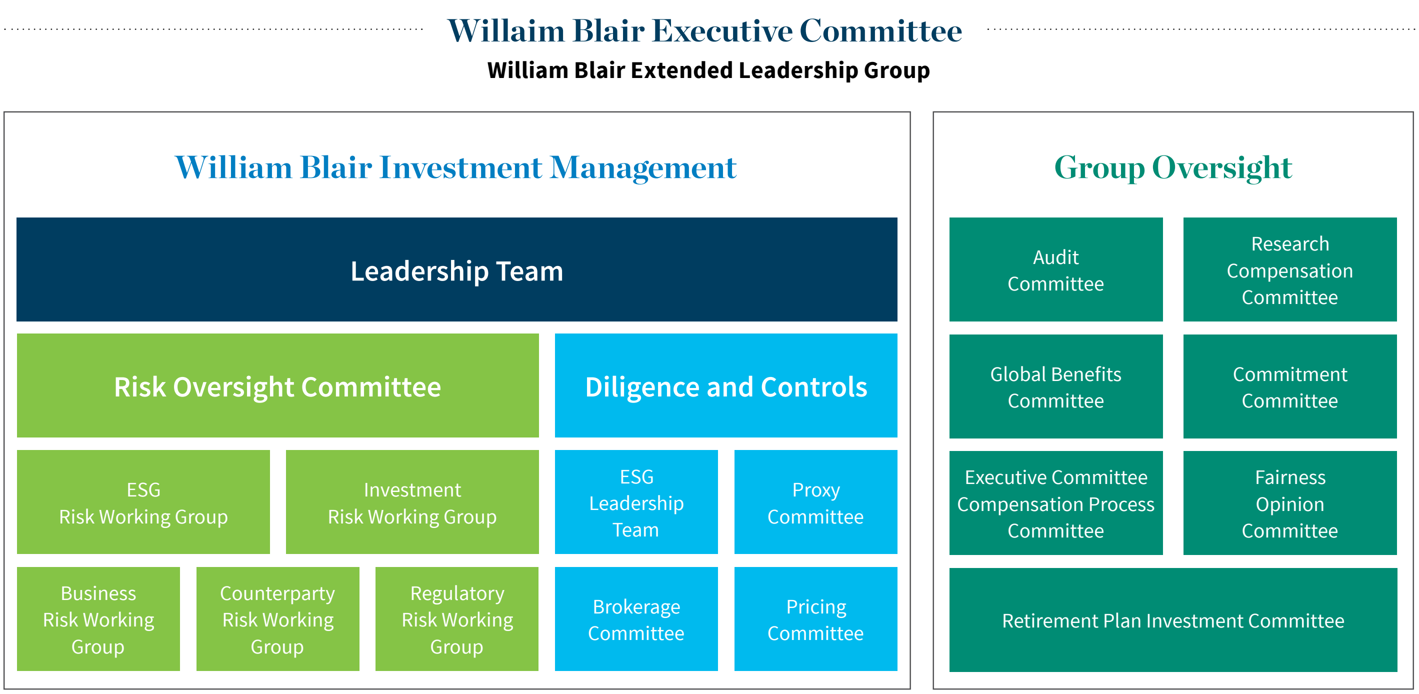
William Blair's governance structure is designed to align with our private partnership's entrepreneurial structure, which empowers our business groups, while simultaneously ensuring our structure is reflective of our Firm's mission, vision, and values, as shown in exhibit 2. Operating with integrity and adhering to ethical values are essential elements of William Blair's business model. These standards are infused in all the Firm's business units and serve as the foundation of the Firm's emphasis on long-term relationships and stewardship commitment. Whether dealing with clients, vendors, counterparties, or intermediaries, the Firm is committed to operating with the utmost integrity in every relationship and transaction.

William Blair's organizational structure results in managerial oversight of daily operations. Members of the Firm's 11-person executive committee and other members of senior management are positioned to carry out objective decision making and oversee business activities. In addition to managing business units, members of the executive committee also participate in executing the firm's core competencies.

William Blair assesses its governance through feedback and surveys from partners. In addition, in 2022, the firm retained an external consultant to benchmark governance practices against industry peers. Recent enhancements have been the expansion of the scope of the Extended Leadership Group, the creation and evolution of the Executive Committee Compensation Process Committee, and the deployment of an electronic voting tool to facilitate annual partnership voting.

EXHIBIT 2

Governance Structure Overview




Source: William Blair, as of December 31, 2023.

# Principle 2: Governance, Resources, and Incentives (continued)

The Firm's risk-control environment is also strengthened by a private ownership structure that comprises employee-partners. We believe that this creates a clear alignment of interest with our clients and strengthens the firm's control environment.

### Executive Committee

Brent W. Gledhill, partner, serves as president and CEO of William Blair and leads the Firm's executive committee. The executive committee is comprised of William Blair's senior leadership, and the Firm's strategic business decisions are made by the executive committee. Stephanie Braming, CFA, partner, global head of William Blair Investment Management, serves as a member of the executive committee.

Activities of WBIM are supervised by Ms. Braming, together with members of a dedicated leadership team, with ultimate oversight by William Blair's executive committee. The following summarizes key governance groups responsible for stewardship and sustainability assurances in William Blair Investment Management.

### Extended Leadership Group

William Blair's Extended Leadership Group (ELG) is a group of 43 leaders representing different departments and geographies. The group, meeting monthly, works together to provide insight on our business and its objectives, share perspective and ideas from different markets, create alignment on important operational and tactical topics, and share appropriate information to the broader firm.

### WBIM Executive Leadership Team

WBIM's executive leadership team consists of 8 senior group leaders across business areas and includes heads of U.S. equity, global equity, emerging markets debt, North America distribution, international distribution, human capital, strategy, finance, product management, operations, and business and technology solutions. WBIM's leadership team determines its strategic focus, oversees budget and expense management, and ensures appropriate communication with liaisons from information technology, legal and compliance, finance, and human resources, to maintain best practices.

### WBIM ESG Leadership Team

Blake Pontius, CFA, director of sustainable investing at William Blair Investment Management, coordinates the firm's integration of ESG factors in its investment processes. Blake leads WBIM's ESG leadership team, which is responsible for developing WBIM's ESG investment standards, including stewardship policies and practices, and coordinating the flow of information to key decision makers on the investment teams. This includes oversight from William Blair's global head of investment management, Stephanie Braming. Our ESG leadership team meets formally to prioritize and review progress on key ESG initiatives for WBIM.

### Risk Oversight Committee

WBIM's risk oversight committee follows an enterprise risk committee structure and serves as the formal governance mechanism through which the identification, management, and mitigation of WBIM's risk exposure is undertaken. The enterprise risk committee structure also reinforces the "tone at the top" through the active participation and engagement of senior leadership. The risk oversight committee is WBIM's senior-most risk oversight governing body and is supported by specialized risk working groups that analyze risks in their area of specialization and provide feedback and recommendations to the risk management team and the risk oversight committee.

### WBIM Risk Working Group

In 2021, William Blair Investment Management formed an ESG risk working group. It is a standing working group (sub-committee) of WBIM's risk oversight committee, and oversees processes used to identify, evaluate, and manage ESG risks. The ESG risk working group reports to WBIM's risk oversight committee for all ESG risk-related issues. In addition, it provides support to the ESG leadership team by providing the team with risk- related information and recommendations.

The ESG risk working group consists of 12 members appointed by the global head of William Blair Investment Management. It is composed of ESG, investment, legal, compliance, risk, and sales and client service professionals. It meets at least quarterly and is responsible for monitoring internal ESG risk key performance indicators (KPIs).

EXHIBIT 3

## Strategic Oversight

- Director of sustainable investing and the ESG leadership team lead integration and thought leadership efforts, and develop broader standards for the firm
- Members represent the investment teams and serve as fully-embedded subject matter experts on ESG issues

**Stephanie Braming, CFA**
Partner, Global Head of Investment Management
(Chicago)

**Blake Pontius, CFA**[1,2]
Director of Sustainable Investing
(Chicago)

**Yang Wang**
ESG Data Specialist
(Chicago)

### ESG Leadership Team

**David Fording, CFA**
Partner, Portfolio Manager
U.S. Growth and Core Equity Team
(Chicago)

**Romina Graiver**
Partner, Portfolio Specialist
Global Equity Team
(London)

**Yvette Babb**
Portfolio Manager
Emerging Markets Debt Team
(The Hague)

**Shivani Patel**
Research Analyst
U.S. Growth and Core Equity Team
(Chicago)

**Rita Spitz, CFA**
Partner, Research Analyst
Global Equity Team
(Chicago)

**Luis Olguin, CFA**
Portfolio Manager
Emerging Markets Debt Team
(London)

**Tara Patock, CFA**
Partner, Portfolio Specialist
U.S. Growth and Core Equity Team
(Chicago)

**Greg Czarnecki**
Portfolio Specialist
U.S. Value Equity Team
(Baltimore)

**Alexandra Symeonidi, CFA**
Credit Analyst
Emerging Markets Debt Team
(London)

**Gustav Kulle**
Senior Product Manager
(London)

1 Head of the ESG Leadership Team
2 Member of the Proxy Committee
Source: William Blair, as of December 31, 2023.

### Proxy Committee

WBIM's proxy committee consists of individuals from the legal, operations, ESG, and investment teams, including portfolio managers and analysts. The proxy committee reviews the proxy voting policy and procedures annually and revises its guidelines as events warrant. The proxy committee is also responsible for identifying and addressing conflicts of interest relating to voting recommendations.

Portfolio managers and analysts covering specific companies are responsible for monitoring significant corporate developments, including proxy proposals submitted to shareholders and notifying the proxy committee of circumstances where the interests of WBIM's clients may warrant a vote contrary to the Voting Guidelines. In such instances, the portfolio manager or analyst will submit a written rationale to the proxy committee. In each case, the proxy 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.

### Prioritizing Diversity, Equity, and Inclusion

In addition to the value of inclusion being fundamental to our culture as discussed earlier in Principle 1, we believe that we are best able to serve our clients, colleagues, and the communities in which serve when we actively embrace diversity of thought, opinion, and background. This diversity is essential for growth and innovation.

To realize our vision of an inclusive workplace and culture that attracts and retains the world's best talent, we established formal leadership to guide our priorities, strategy, and outcomes across the business. Amber Kennelly, our chief human resources officer (CHRO), is responsible for implementing our inclusion, diversity and related human resource strategies, programs, and priorities. Amber works with executive leadership to ensure that these are closely aligned with our overall business strategies, as well as the Firm's mission, vision, and values.

In addition, we engage the Firm's Alliance Board, a group comprised of co-chairs from each of our employee alliances, who serve as ambassadors to enhance employee engagement and professional development and provide insights to help us create a more inclusive culture. We work with our employee-led Alliances to empower colleagues to celebrate and advance inclusion and enhance multi-cultural understanding within our workplace and throughout our communities. William Blair's Alliances include Women's Alliance, Veterans' Alliance, One Alliance, and Pride Alliance.

William Blair works with a variety of professional organizations—such as Talent Tap, The Robert Toigo Foundation, Management Leadership for Tomorrow (MLT), Reaching Out MBA (ROMBA), Out in Finance, 100 Women in Finance, the Daniel Murphy Scholarship Program, and Greenwood Project—so together we can increase the breadth of talent available in the financial sectors industry.

In 2022, we launched the Asset Management Diversity Accelerator (AMDA) program in collaboration with Legal & General Investment Management (Americas) and Allstate Investments for entry-level job seekers interested in asset management. Participants spend eight months as junior associates at each of the three Chicago-area asset management firms.

By attracting recent university graduates who may not otherwise explore careers in asset management—including women and those from disadvantaged and/or underrepresented backgrounds—the AMDA program seeks to create a new pipeline of junior talent, increase diversity of background and thought within investment teams, and better our communities. High-performing participants will have the opportunity to interview for full-time positions with participating firms after program completion.

The AMDA program was created to give individuals who do not have a finance, accounting, economics, or related degree a pathway into the asset management industry. Training and development opportunities are geared specifically to those graduating with a bachelor's degree outside these majors.

In addition, William Blair has earned a perfect score of 100 on the U.S. Corporate Equality Index (CEI) for three consecutive years. This is a national benchmark survey that measures corporate policies and practices related to LGBTQ+ workplace equality conducted by the Human Rights Campaign Foundation. The Human Rights Campaign Foundation, which is an arm of America's largest civil rights organization working to achieve equality for LGBTQ+ people. CEI ratings are based on nondiscrimination policies across business entities, equitable benefits for LGBTQ+ workers and their families, support of an inclusive culture, and corporate social responsibility.

Further information on our activities to create a more diverse, equitable, and inclusive organization can be found in the *Diversity, Equity, and Inclusion* section of our website.

### Promoting Stewardship Through Education and Training

We believe that continuous learning is important to enhancing our understanding of material ESG issues and applying that to our investment analysis and stewardship activity. The ESG leadership team is responsible for directing education and training initiatives for investment professionals, including portfolio managers and analysts.

Our ongoing training and education initiative includes firm-supported self-study programs such as the PRI Academy's Applied Responsible Investment course, the SASB FSA credential, and the CFA Institute Certificate in ESG Investing. These programs were selected by the ESG leadership team because they emphasize practical applications of ESG integration and stewardship to help inform our approach. We have also developed a dedicated ESG learning module on William Blair Investment Management's online learning portal, MyPath. This includes a broad range of ESG-focused educational content from the PRI, the IFRS Sustainability Alliance, and the CFA Institute, in addition to a curated list of sustainability-oriented podcasts and conference videos.

Education and training also consist of virtual and in-person meetings with internal sustainability experts and external experts from a variety of sources, including industry networks, consultants, and academia, as well as sustainability- focused conference attendance.

### Resources

**Stewardship Resources**

ESG integration and stewardship is performed by our dedicated investment professionals as opposed to separate sustainability teams. As described in Principle 6, our investment teams are comprised of dedicated portfolio managers and analysts. While portfolio managers and analysts have more than 26 and 17 years of average industry experience, respectively, WBIM actively promotes ongoing learning opportunities for its professionals, including ESG and sustainability-related training and certificate programs as described above.

Our global equity and U.S equity investment teams are responsible for integrating financially material ESG factors alongside traditional financial metrics in their fundamental analysis. We believe that the consideration of financially material ESG-related risks and opportunities contributes to robust company analysis; as a result, our fundamental research analysts incorporate these issues in their research process. We believe this structure encourages a more holistic analysis of the company, assists us in engaging management if necessary, and ensures accountability.

Our investment teams are supported in their research efforts by two dedicated sustainability research analysts–our U.S. equity sustainability analyst and global equity sustainability analyst. These individuals work directly with our fundamental research analysts across all market caps and sectors in supporting our ESG integration and engagement efforts. Our fundamental research analysts maintain primary responsibility for ESG analyses of their companies and assigning ESG ratings.

Shivani Patel is a sustainability analyst on William Blair Investment Management's U.S. growth and core equity team. In coordination with our other analysts, Shivani focuses on sustainability research and ESG engagement efforts across sectors and market capitalizations. Additionally, she supports our U.S. Equity Sustainability strategy. Shivani is also a member of the ESG leadership team for WBIM. Before joining William Blair, Shivani was an associate director of responsible investing at RBC Global Asset Management, where she worked on developing the U.S. ESG strategy and served as an ESG subject matter expert. Before that, she was an associate in RBC's leadership development program. Shivani started her career focused on corporate strategy in the European media industry. She received a B.S. in psychology from McGill University and an M.B.A., concentrated in finance, from the University of Toronto's Rotman School of Management.

Rita Spitz, CFA, partner, is a global equity research analyst focusing on ESG integration. She is a member of the ESG leadership team for William Blair Investment Management. Previously, Rita was a research analyst covering U.S. and global consumer stocks across the range of market capitalizations. She served as director of research from 2001 to 2008. Rita joined William Blair in 1986 as a sell-side research analyst covering advertising and marketing firms, a role she held for 13 years. She is a member of the CFA Society Chicago, the CFA Institute, and The Economic Club of Chicago. She has also served on the advisory groups of the Financial Accounting Standards Board. Rita is a trustee of The Joffrey Ballet. She received a B.B.A. in finance and Spanish from the University of Wisconsin–Madison and an M.B.A. from the University of Chicago's Booth School of Business.

An additional resource supporting our investment teams is our ESG data specialist, Yang Wang. Based in the firm's London office, he focuses on elevating WBIM's ESG data capacities and integration practices in coordination with analysts and portfolio managers. Yang also supports both equity and fixed-income ESG data initiatives by using both traditional and alternative data sets. In addition, he applies the latest analytical techniques to translate ESG data into actionable investment insights. Before joining William Blair, Yang worked as a data scientist and analyst in different financial institutions, including Lloyds Banking Group, Jupiter Asset Management, Janus Henderson Investors, and BNP Paribas, leading their ESG and data initiatives from data source due diligence and alpha signal detection to investment strategy integration. Yang holds a CFA certificate in ESG investing. He received an M.Phil. in technology policy (analytics) from the University of Cambridge and an M.Sc. in environment and development projects (ESG) from the University of Manchester.

Blake Pontius, CFA, is director of sustainable investing at William Blair Investment Management. In this role, he coordinates WBIM's integration of environmental, social, and governance (ESG) factors in its investment processes. Blake also leads WBIM's ESG leadership team. Previously, he was a global portfolio specialist and institutional client relationship manager. Before joining William Blair in 2005, Blake worked at UBS Asset Management and Mercer. He is a board member of Easterseals DuPage & Fox Valley; a member of the CFA Institute; and a member and board member of CFA Society Chicago. In addition, Blake holds the IFRS Fundamentals of Sustainability Accounting (FSA) credential and the CFA Certificate in ESG Investing. He received a B.A. in economics, with honors, from Michigan State University and an M.B.A. in finance, with distinction, from DePaul University.

WBIM also has portfolio specialists who sit on the firm's ESG leadership team. They play an important role in discussing our ESG integration approach with clients and making sure that we are incorporating client feedback into our strategy setting.

Romina Graiver, partner, is a portfolio specialist for William Blair Investment Management's global equity strategies in our London office. In this role, she participates in the team's decision-making meetings, conducts portfolio analysis, and is responsible for communicating portfolio structure and outlook to clients, consultants, and prospects. She is a member of the ESG leadership team for WBIM. Previously at William Blair, she was a senior client relationship manager. Before joining William Blair in 2012, Romina was deputy head of the international equity investment team at BNP Paribas Investment Partners, where she was responsible for product development and investor communication. Before taking on that role, she was a product specialist for model-driven equity investments and a marketing manager. She holds the CFA UK Certificate in ESG Investing. Romina received a B.Sc. in international business and an M.Sc. in economics from the University of Pantheon-Sorbonne in Paris, France.

# Principle 2: Governance, Resources, and Incentives (continued)

Tara Patock, CFA, partner, is a portfolio specialist for William Blair Investment Management's U.S. growth and core equity strategies. She is also a member of the ESG leadership team for WBIM. Before joining the firm in 2013, she was a consultant with Pavilion Advisory Group. Before joining Pavilion, she was a registered sales associate with Oppenheimer & Co. Tara is a member of the CFA Institute and the CFA Society Chicago. In addition, she holds the IFRS Fundamentals of Sustainability Accounting (FSA) credential. Tara received a B.B.A., summa cum laude, in economics and finance from Loyola University Chicago and an M.B.A., with honors, from the University of Chicago's Booth School of Business.

**ESG Data and Research Service Providers**

ESG insights are primarily informed by WBIM's proprietary research, including issuer meetings and data aggregation from multiple internal and external resources. As described under Principle 1, our assessment of potential ESG risks and opportunities for different industries and companies is supported by a proprietary materiality framework that was developed internally by the investment teams, with input from the IFRS ISSB (formerly SASB) and sustainable investment research providers. Building on this framework, we developed a proprietary qualitative ratings system that is fully aligned with our views on the ESG factors that affect company performance by industry. Third-party research inputs supplement our own proprietary research and are used to complement, but are not intended to replace, our own research.

WBIM uses a variety of research providers and other third-party resources to aid in our ESG risk analysis and research, including MSCI Research, Institutional Shareholder Services, and Impact Cubed, as well as other sell-side research and sustainability-focused investment research

EXHIBIT 4

## External ESG Resources / Service Providers

| ESG Resources | Service Providers |
|---|---|
| **Ratings/Screening Metrics** | Resources for business involvement, ESG ratings based on practices and disclosures, metrics (e.g., carbon metrics). Providers include MSCI Research, Bloomberg, and Impact Cubed. |
| **Sell-Side Research** | Research from large and small brokers and investment banks. Providers include Morgan Stanley, Goldman Sachs, UBS, JP Morgan, Bank of America Merrill Lynch, Kepler Cheuvreux, Credit Suisse, Citi, and Jeffries. |
| **Proxy Research and Voting** | Proxy research and sustainability voting guidelines. Provider is Institutional Shareholder Services, Inc. (ISS). |
| **Industry/Topic Research** | Specialized research from third-party research providers. Providers include Yale Environmental Performance Indicator and Notre Dame Global Adaptation Initiative and nongovernmental organizations (NGOs) such as Social Progress Imperative. |
| **Intergovernmental Organizations** | Sovereign and international economic and market research. Providers include the International Monetary Fund and the World Bank. |
| **Industry Associations** | Support for integration of financially-material ESG factors. Industry memberships and affiliations include the PRI, the IFRS Foundation, the EMIA, the International Corporate Governance Network, the Investor Stewardship Group, and the CFA Institute. |

Source: William Blair, as of December 31, 2023.

providers, as shown in exhibit 4. We routinely monitor the research vendor landscape for additional ESG research inputs, and we also continually seek expanded universe coverage and data quality improvement from our existing research providers, as described under Principle 8. We also rely on industry associations with prominent sustainability efforts, such as the PRI, the IFRS Foundation, the Emerging Market Investors Alliance (EMIA), the International Corporate Governance Network, the Investor Stewardship Group, and the CFA Institute.

WBIM, in its capacity as a registered investment adviser, has a fiduciary duty to clients. As a fiduciary, we have an obligation to conduct reasonable initial and on-going due diligence about outsourced service providers. An investment adviser remains legally obligated to comply with all regulatory requirements applicable to its business and services regardless of whether those functions are performed internally or outsourced. Hence, the firm will undertake reasonable diligence, which will vary depending upon the circumstances and risks presented, designed to ascertain whether third parties primarily engaged to provide services to our clients operate in a manner consistent with the firm's expectations considering its duty to its clients.

Prior to outsourcing any function, we perform due diligence on the proposed service provider. Senior operations staff is responsible for ongoing monitoring of service providers applicable to their job functions. Oversight of key service providers also is conducted on at least an annual basis in connection with the annual compliance review. The firm performs periodic due diligence on service providers. Reviews may include due diligence questionnaires, inspection of independent audits (e.g., SOC reports), and virtual or on-site visits.

### Incentives

The compensation of William Blair's professionals is based on the firm's mission: empower colleagues, deliver client success, and engage in our communities. Compensation for both employees and partners is based on performance and market value, determined by role, the individual's contribution to revenue, profitability, long-term investment performance, intellectual capital, risk management, and brand reputation. In addition, partners of William Blair share in the Firm's profits. Compensation decisions are also in some cases subject to country-specific remuneration policies.

Each year, we internally review our compensation framework and go through a comprehensive external benchmarking exercise using independent compensation consulting experts and independent published survey information to ensure that our pay levels, including mix of pay between fixed salary and variable compensation, are competitive in our local market and our competition for talent.

ESG integration and stewardship activities are not explicit criteria in our compensation framework for individuals without dedicated ESG roles. As we continue to evolve our approach to ESG integration and stewardship, we intend to review our compensation framework to ensure that it continues to align with the firm's mission.

### Looking Forward

As WBIM continues its stewardship journey, we will continue to evaluate our governance practices, resources, and incentives.

# Principle 3: Conflicts of Interest

## Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

In the course of its business, William Blair Investment Management recognizes that conflicts can arise and may find occasions where there exists: 1) conflicts of interest between WBIM and clients; 2) conflicts of interest between clients or groups of clients; or 3) conflicts of interest between WBIM employees and the interests of WBIM or the interests of clients.

WBIM maintains a *conflicts of interest policy* that identifies actual and potential conflicts and describes the steps we take to mitigate and manage these conflicts.

The Firm is committed to maintaining the highest professional standards and principles in providing services to its clients. The interests of clients must always come first, and William Blair's policies and procedures, which address and manage conflicts of interest as they may arise, are intended to ensure that those interests are well served.

### Identifying and Managing Conflicts of Interest

William Blair seeks to ensure that it can appropriately and effectively identify and manage potential and actual conflicts. It may manage conflicts through avoidance, establishing information barriers or acting with an appropriate level of independence, and/or by providing appropriate disclosure of the conflict to affected clients.

In determining whether there is, or may be, a conflict of interest to which the conflicts of interest policy applies, WBIM considers whether there is a material risk of damage to the client, taking into account whether WBIM or a WBIM employee:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provider to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favor the interest of another client or group of clients over the interests of the client;
- carries on the same business as the client;
- and/or receives or will receive from a person other than the client, an inducement in relation to a service provided to the client in the form of monies, goods or services, other than the standard commission or fee for that service.

Senior management is responsible for overseeing the identification, documentation, escalation, and management of all conflicts of interest as they arise in their relevant areas of responsibility. Members of senior management are required to:

- promote an appropriate culture which emphasizes the importance of fair treatment of clients and the fair handling of conflicts of interest;
- be engaged in the implementation of policies, procedures, and arrangements for the identification, documentation, escalation, management, and ongoing monitoring of conflicts of interest;
- be engaged in the clear communication of policies, procedures, and expectations and the sharing of best practice throughout William Blair;
- raise awareness and promote adherence of employees in completing regular training;
- and use management information to maintain effective controls and remain sufficiently up to date and informed.

### Examples of Conflicts of Interest

Exhibit 5 shows some examples of conflicts of interest identified by the compliance department and senior management that can arise in WBIM's business, as well as a summary of mitigating controls.

# Principle 3: Conflicts of Interest (continued)

EXHIBIT 5

## Conflict of Interest Examples

| Conflict | Mitigating Controls |
|---|---|
| **Side-by-side investment of multiple portfolios** | We manage accounts according to strategy-based model portfolios and account-specific guidelines and maintain trade order allocation and trade aggregation policies and procedures. Compliance with guidelines is monitored systematically and overseen by the compliance department. |
| **Recommending securities, including funds, in which we have a financial interest** | We employ technological trading and compliance tools to monitor activities to ensure investments are consistent with client guidelines, and we disclose conflicts that can occur when recommending or selecting securities for clients' portfolios in writing to clients. |
| **Permitting employees to buy or sell securities that we have recommended to clients for their own personal accounts** | We require preclearance and reporting of personal securities transactions, which are reviewed by the compliance department, and we restrict employees from transacting in the same securities recommended to clients until all trades are completed for clients. |
| **Selecting broker-dealers not based solely on lowest cost** | We maintain a list of approved brokers that we review at least annually, and our brokerage committee, which consists of senior professionals across the firm, periodically reviews commission rates, trade execution and settlement services as well as related disclosures to clients. |
| **Allocating limited investment opportunities among portfolios of multiple investment strategies** | We maintain an established methodology to allocate investment opportunities on a fair and equitable basis. In some cases of limited opportunities, we will give allocation preference based on strategy. For example, an emerging markets equity strategy might be given an allocation ahead of a strategy that invests in securities across all market capitalizations and markets. Allocation exceptions must be approved by the head trader and the chief compliance officer. |
| **Permitting outside business activities by employees** | We require any employee who wishes to engage in an outside business activity to receive supervisory approval before submitting a written request to the compliance department, which evaluates the activity for any potential or actual conflicts of interest to determine whether it will be permitted by the firm. |
| **Voting proxies for companies that conduct business with one of our affiliates conduct business with one of our affiliates** | We have established a proxy committee to govern proxy voting activities, and in the event that any conflicts of interest arise in the firm's voting of proxies, we will vote according to our predetermined procedures and guidelines. William Blair Investment Management personnel also periodically sample vote records to affirm that voting is consistent with our policy and guidelines. |
| **Permitting gifts and entertainment** | We prohibit employees from receiving gifts above a de minimis value and permit entertainment provided that it has a specific business purpose and is neither lavish nor too frequent. We require that gifts and entertainment be disclosed in our code of ethics monitoring tool, and activities are reviewed by senior management and monitored by the compliance department. |

Source: William Blair, as of December 31, 2023.

# Principle 3: Conflicts of Interest (continued)

EXHIBIT 6

## Case Study: Conflicts of Interest—Proxy Voting

| | |
|---|---|
| **Scenario** | William Blair Investment Management's third-party proxy research provider recommended a vote AGAINST management for XYZ Company regarding the election of directors. A William Blair Investment Management research analyst submitted a proposal to change the vote to FOR based on her research on XYZ Company. |
| **Analysis** | Prior to calling a meeting of the proxy committee, the proxy analyst contacted the compliance department, which performed a conflicts checks analysis to determine if: 1) an affiliate of William Blair Investment Management has received investment banking compensation from XYZ Company in the preceding 12 months or anticipates receiving investment banking compensation in the next three months; 2) a partner or employee of William Blair Investment Management or an affiliate currently serves on XYZ Company's board of directors; 3) William Blair Investment Management, its partners, employees, and affiliates, in aggregate, own 1% or more of XYZ Company's outstanding shares; or 4) XYZ Company is a client of William Blair Investment Management. |
| **Outcome** | The compliance department determined that XYZ Company was a current investment banking client of an affiliate, William Blair & Company, which was advising XYZ Company on a confidential transaction. The compliance department notified the proxy analyst of the existence of an undisclosed conflict. William Blair Investment Management did not change its vote and voted in accordance with its predetermined proxy voting guidelines. |

Source: William Blair, as of December 31, 2023.

# Principle 3: Conflicts of Interest (continued)

### Description of Mitigating Controls

WBIM has implemented robust controls designed to mitigate and manage conflicts that cannot be avoided. These controls include, but are not limited to, the following:

- **Code of business conduct**—We maintain a *code of business conduct* that outlines the rules to which we hold ourselves accountable. We must remain steadfastly focused on our clients' goals and outcomes while adhering to the letter and spirit of the laws governing our industry. Our employees are required to adhere to this code in every business relationship and the monitoring of this is included in our daily controls.

- **Code of ethics**—As a fiduciary and an investment adviser, we maintain a code of ethics that reminds our employees of general principles including: 1) their duty at all times to place the interests of clients first; 2) the requirement to conduct personal securities transactions in such a manner as to seek to avoid actual or potential conflicts of interest; 3) their responsibility not to take inappropriate advantage of their position; and 4) their duty to hold all information concerning the identity of security holdings and financial circumstances of clients as confidential.

- **Policies and procedures**—We maintain written compliance policies and procedures specific to the various conflicts that can arise and the processes designed to mitigate them.

- **Employee training**—We train employees upon hire, and at least annually thereafter, regarding their duty to put client interests first and to ensure that they recognize conflicts of interest and understand their reporting responsibilities.

- **Conflict reporting**—We require employees to report all potential and actual conflicts to the compliance department.

- **Employee certifications**—We require employees to certify on a quarterly basis that they have complied with firm policies and have reported all activities that can give rise to conflicts (for example, personal account dealing, gifts and entertainment, outside business activities, private investments, personal relationships at private or public companies, and political contributions).

- **Disclosure to clients**—We provide clients at the time of account opening, and annually thereafter, with our written disclosure document that describes actual and potential conflicts and how William Blair Investment Management seeks to mitigate them.

- **Information barriers**—We maintain technical and physical barriers between groups to prevent sharing of confidential, nonpublic information across William Blair entities and departments.

- **Segregation of duties**—We segregate relevant employee duties to ensure that we have an appropriate checks and balances system.

- **Oversight groups**—We have established governance committees consisting of senior management and other senior professionals across business areas, including our legal and compliance and risk management teams.

Ultimately, we will choose not to participate or accept a business opportunity in the event we determine that we cannot properly mitigate a given conflict.

# **Principle 4:** Promoting Well-Functioning Markets

## Signatories identify and respond to market-wide and systemic risks to promote a well- functioning financial system.

Market-wide and systemic risk identification and management are incorporated into our investment processes across our investment teams. On our global equity team, William Blair Investment Management's economist, Olga Bitel, partner, assesses macroeconomic variables such as inflation, interest rates, and overall economic conditions to help portfolio managers and research analysts identify and respond to market risks impacting our portfolios. In addition, our research analysts conduct thematic research that highlights multisector risks and opportunities resulting from artificial intelligence (AI), decarbonization, digitalization, and other macro trends.

On our emerging markets debt team, portfolio managers conduct a top-down analysis of global and regional market conditions and emerging markets fixed income sub-asset classes on a monthly basis using our top-down analytical framework. The framework consists of two pillars: global macro conditions and the fundamental backdrop, technical conditions, and valuations for emerging markets debt. The output of the process is a top-down score that reflects our views of the asset class and informs the allocation of the risk budget throughout the portfolios. The top-down component of the investment process helps portfolio managers to identify overall market conditions and risks and is focused on global fundamental, technical, and valuation drivers of global risk appetite.

### Risk Management is Integral to Our Investment Processes

WBIM views risk management as integrated in the investment process. Investment risk controls start with the first line of defense, which are the reporting and risk processes implemented by the portfolio management team. The portfolio managers are responsible for the strategy level risk management.

The second line of defense further supports investment risk controls, and includes the investment risk manager, who specifically focuses on investment risks. The investment risk manager will collaborate with the director of risk management, the investment risk working group, and the investment teams on identifying, aggregating, and monitoring investment-related risks across WBIM. The investment risk manager is responsible for providing tools and models to assist investment teams in identifying, assessing, and managing their risks. The investment risk manager is also responsible for performing the independent assessment and oversight of investment risk across all investment teams, and for the oversight of liquidity risk management.

In the third line of defense, the internal audit team independently tests internal controls that are performed by the business, support, and control functions.

The risk committee structure is also designed to support investment risk controls. Specifically, the investment risk working group assesses major investment risk exposures being taken on behalf of our clients and the controls in place to monitor and manage such exposures. The risk oversight committee is the senior most risk committee and oversees processes used to identify, evaluate, and manage all categories of risk.

The risk dashboard serves as the foundation for the risk reporting component of the WBIM risk framework. The web-based risk dashboard is designed to show information that is actionable and measurable. The risk dashboard presents key risk indicators (KRIs) across a wide range of business, investment, operational, and regulatory categories. Actual KRIs are compared with thresholds, and breaks are clearly highlighted. Risk measures that exceed thresholds are highlighted as red or yellow depending on the severity. One risk detail page is typically provided for each KRI, allowing the reader to drill down into each risk to analyze trends and status. The risk oversight committee and risk working groups are responsible for defining information displayed in the risk dashboard. These groups are also responsible for defining the dashboard thresholds. The risk dashboard is produced by the WBIM director of risk management with KRI data from multiple teams. The risk dashboard is provided to members of the risk oversight committee and risk working groups.

## Market-Wide or Systemic Risks We Addressed in 2023

### AI

The astounding launch of the generative AI application ChatGPT toward the end of 2022 has brought unprecedented public attention to all things AI. While we have analyzed numerous AI and machine learning applications across several applications and industries for the last several years, it is clear we are just now approaching the steep part of the "S curve."

Our work in 2023 centered on organizing an AI taxonomy, so as investors, we can begin to assess the areas with the most impact on companies and even industries. The simplified beginning of the exercise was to focus on analyzing which companies or business models currently rely on people to perform tasks that AI can now, or will soon do, cheaper, faster, or more accurately.

We also wanted to highlight which functionalities we believe are done better with AI compared to a human. In initial phases, we found that vision, translation, and predictive analytics are areas we believe have potential for significant impact. For example, vision could mean physical, chemical, or molecular, where AI could surpass the abilities of the human eye. Translation, for instance, could include translating the English language to code or merely language translation. Within predictive analytics, AI's ability to identify peak sales, supply chain management, peak pricing, or patterns are also areas of potential advancement. As expected, many companies we research and own are far along in a number of these practices.

Importantly, these are preliminary findings. The era of AI is just beginning, and the full realization of the technology's benefits, limitations, and risks are still widely unknown in this emergent phase. As growth investors, we are keenly focused on innovation and disruption cycles. While there is currently an abundance of hype built into a few key companies and stocks, we believe this will likely play out as a collection of transformational technologies that will have broad impact on determining corporate winners and losers.

Our engagement with Microsoft addressing the company's AI governance is summarized in our response to Principle 9.

### China

Amid geopolitical tensions and rising economic and political complexities in China, WBIM's global equity team created the China Working Group in 2021 to stay abreast of developments and implications for investment decisions. The working group is a unique cross-section of the team, including employees with direct Chinese experience and Chinese nationals.

In 2023, the United States and Western allies' approach to isolating China was a continued focus for the group. Looking at the industries we invest in through a geopolitical lens, we were able to better understand the tools Western governments may deploy to slow China's growth as a global power.

The working group also continued to assess the risk of war between China and Taiwan, which we view as a low-probability but high-impact event. While we continue to believe the risks are low in the near term, we've worked to identify and track key risk indicators. Through ongoing game theory exercises, the group considered the winners and losers of a potential invasion from a regional sector perspective, which provided a rough roadmap for repositioning as that risk increases. Beyond the China Working Group, our global equity strategists worked to reassess risks to global growth related to China, which experienced an earlier-than-expected reopening from COVID lockdowns during the first quarter of 2023. While the reopening brought renewed optimism and the beginning phases of recovery, our assessment was that the pace of growth could be slow in the near term, given the time needed to repair consumer confidence, which dropped to a 20-year low in late December 2022.

Our strategy team also assessed the effectiveness of government stimulus measures and the outlook for broader policy measures that could promote stronger growth. These included fiscal and monetary policy initiatives to stimulate the economy, including stabilizing the property market (which fell 30% to 40% in 2022).

The team also assessed government measures to support consumption and youth employment, as unemployment rates increased substantially in 2022 to 20% versus 5% to 6% for the general population due to COVID lockdowns and internet industry regulations. We were also encouraged by indications of a boost in supportive policy measures in the private sectors and the platform economy, in addition to the Chinese government's continued push for technology advancement and energy transition.

**Japan**

Japan was a focal point for many investors in 2023, as relative performance was a standout among developed markets. Compared to Europe and the United States, Japan experienced significant breadth of strong corporate earnings growth, spanning across sectors. While economic and corporate profit growth have lagged major developed markets over the past several years, there have been recent signs of improvement, and we directed our research to determine if the underlying drivers are sustainable.

Our global equity team's assessment was that the most powerful force for change in Japan would be a shift from deflation to modest inflation. We believe that may be underway, driven primarily by the end of the corporate deleveraging cycle that had been occurring for almost two decades. Anecdotally, Japanese society in general also began to show signs of accepting price increases, reversing the cultural pressure that had been prevalent.

During the deleveraging period, corporates were less able to invest for innovation and growth, making Japan Inc. less competitive. More recently, as debt levels have declined, cash balances have risen, leading to inefficient capital allocation. These influences have led to lower sales, profitability, and returns compared with global competitors; it has also resulted in lower equity valuations. Importantly, the government, society, and corporates have aligned around the unsustainability of these developments, and many initiatives are underway to increase growth and improve corporate performance.

For example, the Tokyo Stock Exchange has been leading reforms by incentivizing all companies trading below their book value to devise a plan to improve capital efficiency. In addition, the new Nippon Individual Savings Account (NISA) will provide retail investors a tax-exempt investment program. These and other developments lead us believe that the improvement in Japanese corporate performance can persist.

In an effort to delve deeper into these issues and assess the impact on our investments, the global equity team traveled to Japan multiple times in 2023 to meet with several dozen corporate management teams, policymakers, and local investors to further our insights on Japan's economic potential. The team concluded that a shift in deflation and corporate reforms were gaining traction. As a result, the team accelerated its analysis of its Japanese investment universe, given the potential for meaningful structural growth tailwinds that could support improved corporate growth and equity performance going forward.

The ongoing corporate governance reform initiatives also provided an opportunity for the team to engage several Japanese companies in 2023 on how they are working to improve practices related to capital allocation, board independence, diversity, shareholder returns, and disclosures, among other material issues. We will continue to engage on these topics to inform our portfolio positioning in 2024.

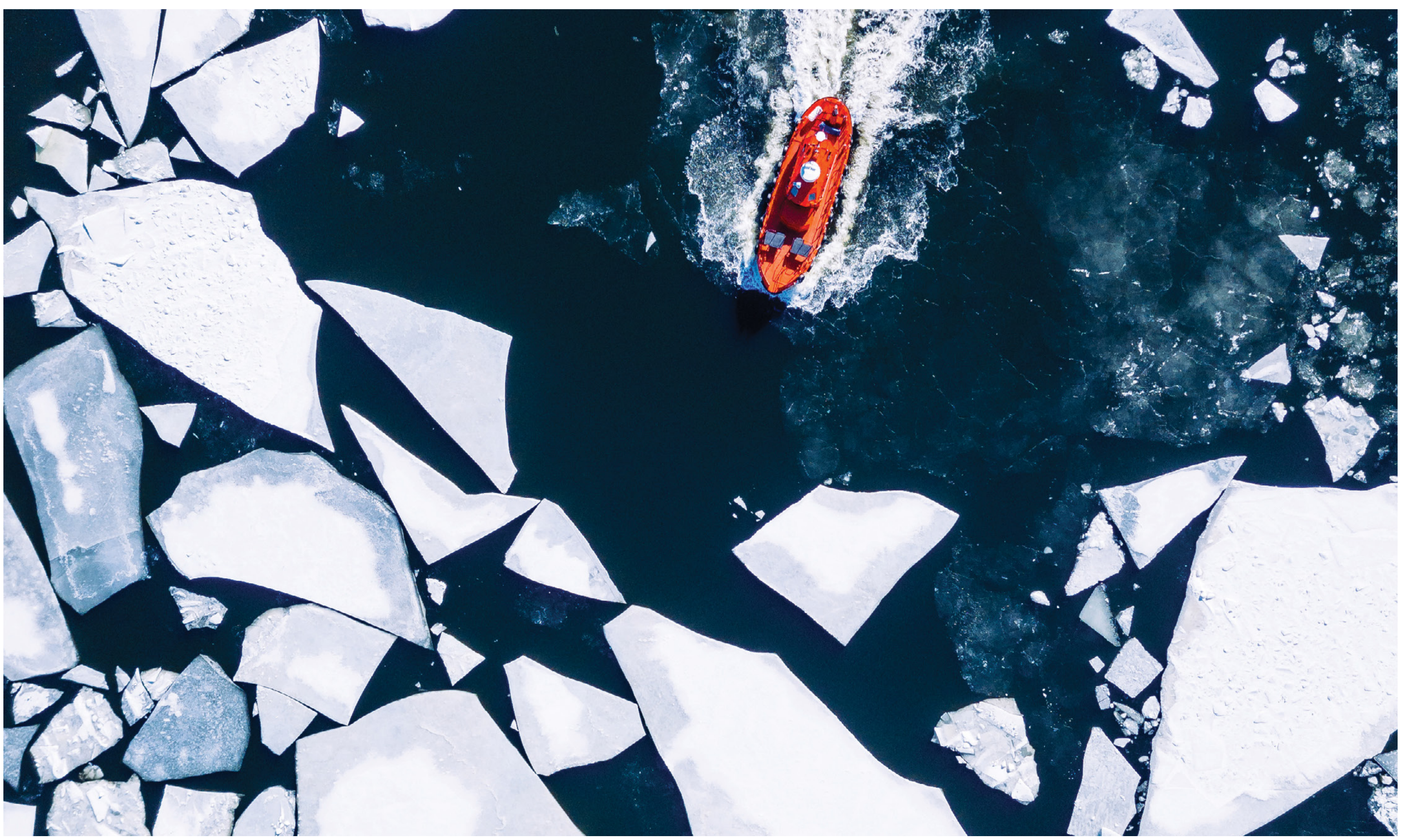
### Embedding Climate Change Risks and Opportunities in Stewardship Activities

WBIM has embedded climate-related risk and opportunity considerations in our ESG integration process, which has informed our engagement dialogue with companies and issuers. Consistent with Task Force on Climate-Related Financial Disclosure (TCFD) recommendations, we have sought to assess the two primary forms of climate risks that may impact our investments: transition risks and physical risks.

Climate transition risks, which include market risks, reputational risks, legal risks, and technological risks, are increasingly impacting the ecosystem in which companies operate. Businesses that successfully adapt to these risks may potentially benefit from strengthened competitive positioning versus peers and lower costs of capital, giving us increased confidence in future growth, cash flows, and returns.

Physical risks from climate change may be acute (e.g., changes in the intensity or frequency of drought or heatwaves) or chronic (e.g., increase in average temperature or rising sea levels). Different issuers will have varying levels of exposure to physical risk depending on the nature of their businesses, real asset holdings, and locations of key assets.

For WBIM's equity strategies, in addition to our industry materiality framework which embeds climate considerations, we have created a high-level sustainability categorization methodology to more explicitly identify companies with products or services that promote energy efficiency, decarbonization, or sustainable consumption and production, in addition to positive social outcomes. We have found that these environmental "enabler" designations that are applied by the research analysts have helped us better assess opportunities, including future revenue or profit growth potential that may be underappreciated by the market.



For WBIM's emerging markets debt strategies, the investment team has embedded ESG factors in its valuation tools and has relied on a multitude of inputs, including scores from its proprietary sovereign risk model, when choosing to invest in a country. In considering environmental factors, we have sought to capture vulnerability to physical and economic impacts of climate change and other natural disasters, energy transition risk, and energy security, as well as natural resource management.

The emerging markets debt team's engagement with Pemex as part of the Climate Action 100+ initiative is described in our reporting in Principle 10.

### Climate Considerations in Our Voting

As a complement to engagement, we have identified proxy voting as another tool for managing financially material climate-related risks. WBIM has adopted voting guidelines that generally support the following types of shareholder proposals:

- proposals seeking information about the impact of financial, physical, or regulatory risks related to climate change on a company's operations and investments,
- or on how the company identifies, measures and manage such risks;
- proposals calling for the reduction of greenhouse gas (GHG) emissions;
- proposals seeking reports on responses to regulatory and public pressures surrounding climate change, and for the disclosure of research that aided in setting company policies around climate change;
- and proposals requesting a report/disclosure of goals on GHG emissions from company operations and/or products.

# Principle 5: Review and Assurance

## Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

Our internal leadership and senior management teams are actively involved in providing assurance over the effectiveness of our stewardship activities and outcomes.

As previously noted, the William Blair Investment Management ESG leadership team is responsible for reviewing ESG investment standards and coordinating the flow of information to key decision makers on the investment teams. The WBIM ESG leadership team comprises investment professionals, including portfolio managers, analysts, and portfolio specialists, from different investment teams across the firm, including global equity, U.S. equity, and emerging markets debt. Executive level oversight of the WBIM ESG leadership team is provided by the global head of investment management.

Specific to voting, the proxy committee reviews the proxy voting policy and procedures annually and revises its guidelines as events warrant. The committee consists of representatives from the Firm's investment and operations teams, as well as representatives from the compliance department. Members of the Firm's operations team perform sampling reviews of proxy voting records to affirm that proxies were voted consistent with voting guidelines.

Public disclosures of our stewardship policies and activities require review and approval by the director of sustainable investing and the compliance department. This includes the annual UN PRI reporting and assessment process, which has been our primary means for measuring and communicating annual progress in our stewardship practices.

Over the past three years, our review process led to several ongoing initiatives to improve our stewardship-related processes and ESG integration more broadly. These include:

- identifying and integrating new ESG data sources to provide additional input for engagement activity;
- building new ESG data dashboards for the equity and fixed-income teams to improve workflow related to ESG analysis and stewardship;
- partnering with Carbon4 to develop a TCFD-aligned reporting framework;
- partnering with the PRI to offer the Applied RI course to portfolio managers and analysts, reinforcing the role of active ownership in our investment process;
- hiring additional dedicated staff to support stewardship activities;
- partnering with the EMIA to collaborate with other investors on stewardship opportunities in the emerging markets debt universe;
- and conducting a research project with the University of Chicago to understand the relationship between ESG data and emerging markets sovereign debt spreads.

WBIM introduced its ESG Risk Awareness report in 2021 and continued to make enhancements in 2022 and 2023. This report is available to all members of the ESG risk working group and is sent to the director of risk management daily. The report is designed to assess strategies positioned as integrating ESG characteristics or labeled as sustainable. The report measures actual values versus thresholds and clearly highlights values that are outside of thresholds. The metrics and thresholds were developed by the director of risk management under the guidance of the ESG risk working group.

ESG concepts have also been embedded in our risk identification processes. Risk identification is a forward-looking risk assessment process, where risks are generated bottom-up by those most familiar. Contributors to the risk inventory include individuals from a wide range of operational, technical, and business teams. Contributors enter risks into a centralized online risk repository.

ESG is one of several risk categories in the risk inventory. Each risk is assigned to one, and only one, risk owner. The risk owner has ultimate ownership for addressing the risk. As the assigned resource for addressing the risk, the

risk owner is responsible for determining the strategy for mitigating the risk. The risk owner is also responsible for leading the execution of the steps necessary for mitigating the risk. Identified risks are aggregated, analyzed, and monitored by the director of risk management. An online reporting tool has been developed to present the risk inventory to the risk working groups and risk oversight committee. Over the years, the risk identification processes have been used to successfully mitigate and close numerous risks. Members of the ESG risk working group are currently tracking several ESG- related risks in the risk inventory.

### Internal and External Assurances

From an overall assurance perspective, William Blair's internal audit team independently tests internal controls that are performed by the business, support, and control functions. The controls selected for testing each year are based on the internal audit plan. The internal audit team also provides recommendations to the business units on how to address any internal control findings. The internal audit team reports to William Blair's audit committee for audit-related matters. During 2023, the internal audit team conducted a review of WBIM's ESG-related policies and practices. No material audit findings related to WBIM were identified during 2023.

WBIM's chief compliance officer, with the assistance of the compliance department, conducts an annual review and testing of the compliance program at least annually to assess the adequacy of the policies and procedures and the effectiveness of their implementation by the firm. As part of its review, the team conducts an inventory of obligations under securities laws and general fiduciary duty principals, which includes potential conflicts of interest. No material deficiencies were identified as a result of the 2022 compliance program review.

WBIM solicits external assurances regarding its activities and practices from external independent sources. During 2022, WBIM engaged an external auditor, Grant Thornton LLP, to conduct a SSAE 18 SOC 1 review of the Firm's operational control environment. This report is provided to our institutional segregated account clients upon request. The auditor identified no exceptions to WBIM's operational controls for the 12-month period ended October 31, 2022.

WBIM also engaged an external auditor, ACA Performance Services LLC, to perform an independent verification of its policies and procedures designed to comply with the Global Investment Performance Standards (GIPS®) and to verify its composite performance reports. Our composite performance and disclosures are routinely provided to prospective and current clients. The auditor's report issued in 2021 (for the annual period ended 2020) identified no exceptions.

WBIM personnel responsible for the administration of proxy voting shall periodically review a sample of votes recommended by the proxy administrator for consistency with the Voting Guidelines and report any inconsistencies to the proxy committee. The sample should include proxy votes that relate to proposals that may require more issuer-specific analysis (e.g., mergers and acquisitions, dissolutions, conversions, or consolidations) to assist in evaluating whether WBIM's voting determinations are consistent with its voting policies and procedures and in its clients' best interest.

The rationale for how we conduct assurances is that our approach is consistent with best practices and was put in place to verify that our stewardship efforts are being carried out in a manner that is in line with our standards.

# Principle 6: Client and Beneficiary Needs

## Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

William Blair Investment Management is committed to building enduring relationships with our clients and providing expertise and solutions to meet their evolving needs. We work closely with private and public pension funds, insurance companies, endowments, foundations, and sovereign wealth funds, as well as financial advisors.

As of December 31, 2023, WBIM manages £58.9 billion in assets on a global basis. We manage a wide range of strategies across vehicles, including segregated accounts, collective investment trusts, mutual funds, and Luxembourg-domiciled UCITS funds, and invest across developed, emerging, and frontier markets. Consistent with the goals and time horizons of our institutional client base, our investment time horizon is long-term oriented and focused on sustainable value creation.

We believe that delivering results for our clients requires taking a long-term view. As investors, we cannot control the macro environment or market returns. We must execute our investment philosophy and adjust portfolios based upon fundamentals, with an eye to the environment. During market volatility and geopolitical uncertainty, our approach is to proactively engage with clients. Not only are we communicating what we're seeing and how their portfolios are positioned, but we're gaining an understanding about the opportunities and risks that they are facing to be strong partners for them.

As a private partnership, we have a long-term time horizon that naturally aligns with our institutional client base. Investment time horizons vary across our strategies and are consistent with investment objectives agreed with our clients. Broadly speaking, we invest with a long-term view (five years and beyond).

# Principle 6: Client and Beneficiary Needs (continued)

EXHIBIT 7

## William Blair AUM by Client Domicile

**The below exhibit shows a breakdown of where WBIM clients are domiciled and their total assets. For example, 91% of WBIM's AUM is from clients who live in North America and have a combined £53.3 billion in assets.**

£58.9B total client assets

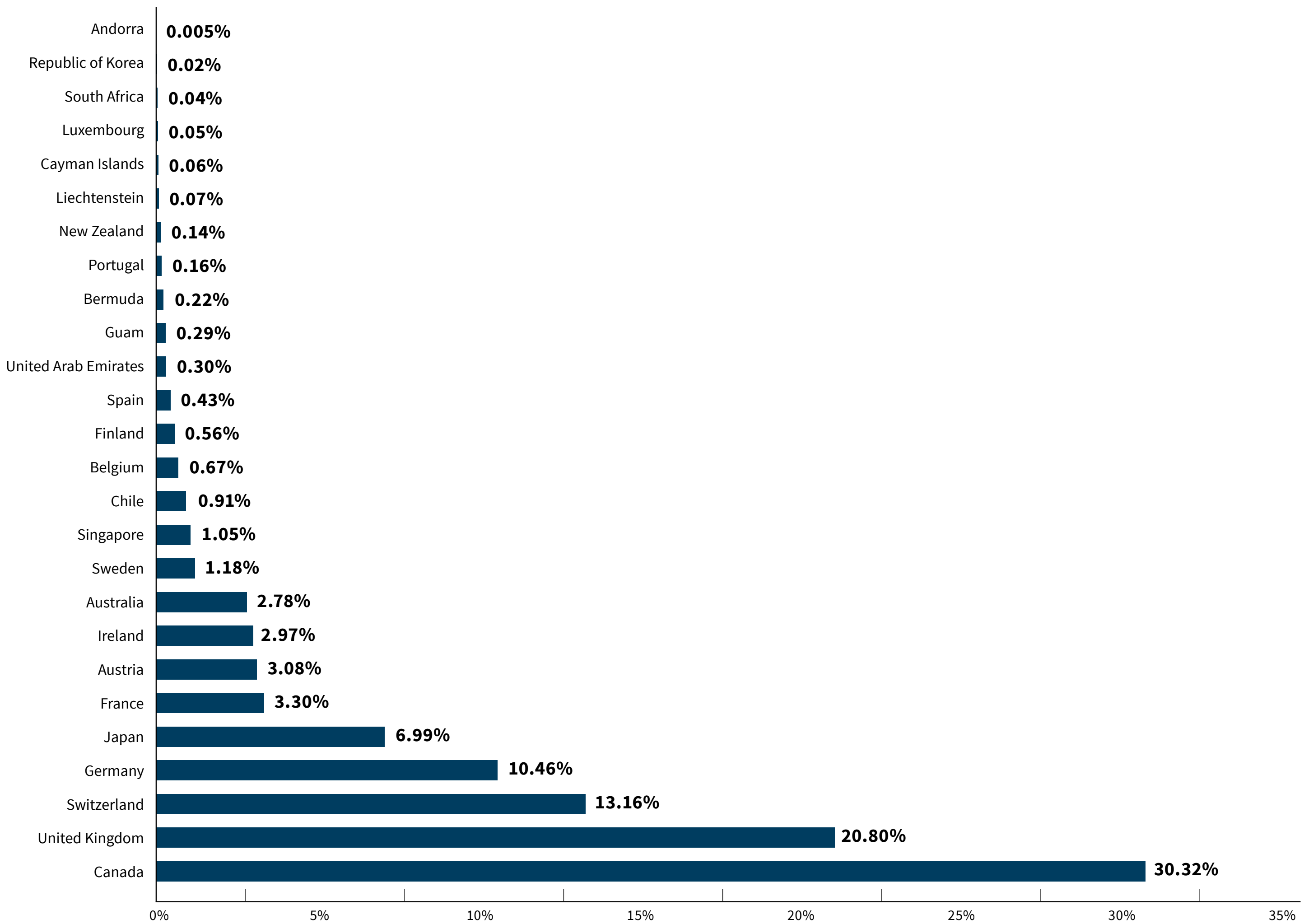
| United States \| 87% | Europe \| 8% | Canada \| 4% | Aisa \| 1% | Australia \| <1% |
|---|---|---|---|---|
| £51B | £4.6B | £2.3B | £622M | £226M |

Source: William Blair, as of December 31, 2023. Assets shown in British pounds. Numbers may not sum due to rounding.

EXHIBIT 8

## Percentage of Global ex-U.S. Client Assets by Domicile

**The below exhibit shows a percentage breakdown of AUM outside of the United States, by country, based on where clients are domiciled.**



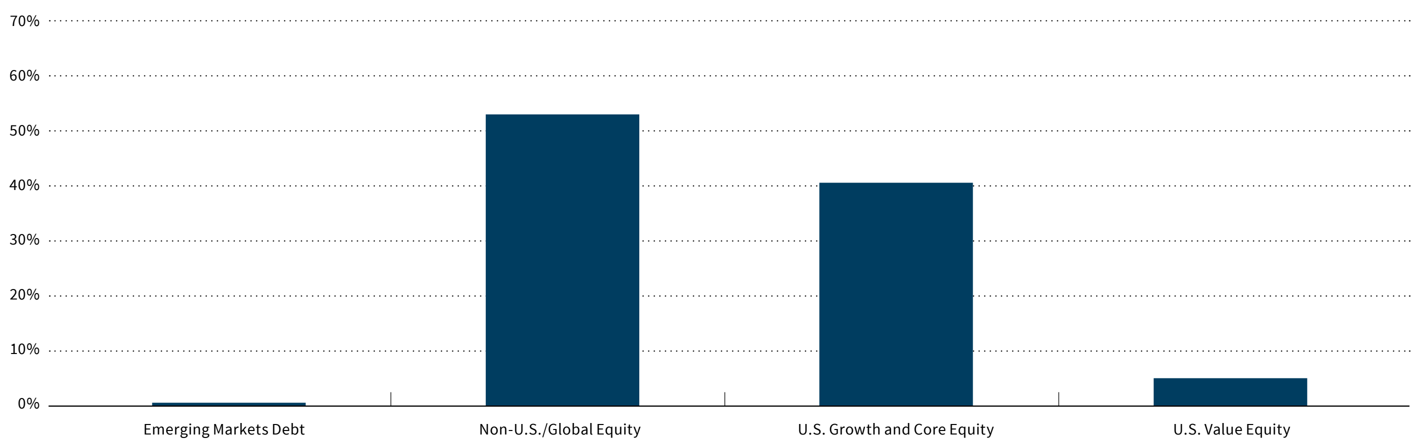

Source: William Blair, as of December 31, 2023.

# Principle 6: Client and Beneficiary Needs (continued)

EXHIBIT 9

## AUM by Investment Team

**The below exhibit details WBIM's AUM distribution by investment team.**




Source: William Blair, as of December 31, 2023.

EXHIBIT 10

## WBIM Geographical Distribution of Investments

| Country | Percentage AUM |
|---|---|
| United States | 32.41% |
| India | 9.41% |
| Japan | 7.43% |
| France | 7.33% |
| United Kingdom | 7.15% |
| Taiwan | 5.79% |
| Sweden | 2.83% |
| Denmark | 2.45% |
| South Korea | 2.32% |
| Canada | 2.19% |
| Netherlands | 2.09% |
| Hong Kong | 2.02% |
| China | 1.97% |
| Mexico | 1.76% |
| Germany | 1.71% |
| Switzerland | 1.69% |
| Indonesia | 1.66% |
| Brazil | 1.61% |
| Saudi Arabia | 1.28% |
| Other[1] | 4.87% |
| **Grand Total** | **100.00%** |

1 Countries with AUM <1%.
Source: William Blair, as of December 31, 2023. Aggregate country exposure across WBIM strategies.

### Assessing Long-Term Value for Clients

WBIM is committed to client success, and who we are as a firm informs how we invest on behalf of our clients. We believe in long-term relationships and invest significant time and energy into providing personal, high-quality service for our clients and understanding their goals and objectives. We think this alignment is critical to our success as stewards of our clients' assets and as long-term investors.

Our philosophy has always been to serve our clients' interests first and foremost. With that foundation, our firm has a history of maintaining long-term client relationships.

We believe that our client service effectiveness is demonstrated by the number of long-tenured relationships and clients that invest in multiple strategies, as depicted in exhibit 11. Nearly 50% of our clients have been with our firm for over 10 years, with our longest-tenured client having been with us for 40 years.

Our clients engage with WBIM to help achieve their investment goals. As an active investment manager, we seek to produce superior investment returns while managing risk appropriately and believe that our performance record reflects the value we add for clients.

EXHIBIT 11

Long-Tenured Institutional Client Relationships

**CLIENTS OVER 5 YEARS**
Percentage of Total AUM
71%

**CLIENTS OVER 10 YEARS**
Percentage of Total AUM
48%

**AVERAGE CLIENT TENURE**
9 years

**LONGEST TENURED CLIENT**
40 years

**CLIENTS WITH MULTIPLE MANDATES**
Percentage of Total AUM
37%

Source: William Blair, as of December 31, 2023.

### Communication with Clients

We view ourselves as strategic partners in helping our clients attain their goals. We believe effective communication is a key component of the firm's client-service focus, and we prioritize regular communication and meetings with clients. When we do not have the opportunity to engage directly with clients, we use other means to ensure that our clients are kept informed on current market conditions and the progress of their investments. Regular thought leadership in the form of white papers, webinars, videos, and blog posts allow our investment teams to share their unique perspective, ensuring that investors have a clear understanding of current market trends and resulting portfolio positioning. Our onboarding process with clients is extensive and thorough–we review and ensure compliance with all client guidelines and extensive due diligence is completed.

In addition to regular contact with key investment professionals, we have worked with many of our clients to provide educational sessions to boards and other constituents. Also, our investment professionals regularly provide insights across assets classes, investment styles, and regions, in the form of white papers, videos, webcasts, and podcasts. This includes our Active Never Rests™ website, which provides clients and investors with insights on our enhanced approach to active management across our strategies. Please visit the website via this *link*.

We also have The Active Share podcast, which explores less obvious investing insights through conversations with thought leaders, company executives, and our own analysts and portfolio managers. It is moderated by Hugo Scott-Gall, partner, portfolio manager for the Global Leaders and Emerging Markets Leaders strategies, and co-director of research for the global equity team. Please visit the podcast via this *link*.

### Understanding Client Requirements and Preferences

In addition to these important thought leadership initiatives, we routinely engage with our clients as partners, soliciting feedback on our services, ESG integration, and stewardship approach, including areas for improvement. We believe that this client engagement is key to successfully evolving our processes and building enduring partnerships.

Understanding our clients' investment objectives, including sustainability-related goals, is essential. We undertake significant due diligence on these at the inception of our relationships to make sure that we are addressing each client's unique requirements. Our relationship management team engages with clients on a recurring basis through a structured meeting program, which allows us to adapt our investment or servicing approaches to meet evolving objectives.

For example, we have partnered with multiple clients over the past few years to develop sustainability focused strategies, which have become an exciting new growth opportunity for WBIM, building on our internal ESG analysis and ratings. Many clients have also communicated their need for ESG-focused reporting including carbon footprint characteristics, engagement, and voting detail. Based on client feedback, we have developed quarterly reports communicating our key ESG initiatives, portfolio characteristics, and stewardship activity.

Our quarterly reporting package was launched during the first quarter of 2021. The report includes items such as ESG-related portfolio characteristics and updates on engagement and proxy voting activities. We can provide additional customized reporting as requested by clients. Examples of our quarterly ESG reporting content for our global equity team strategies, including portfolio engagement activity, climate risk data, and internal ESG ratings profiles, are provided in exhibits 12, 13, and 14.

EXHIBIT 12

## Sample Client Reporting: Engagement Summary—Global Equity Team

**During the fourth quarter of 2023, the global equity team engaged with the following companies on ESG-related issues.**

| Company | Sector | Country | Strategies | Comment |
|---|---|---|---|---|
| **Toronto Dominion Bank/TD** | Financials | Canada | IG, ADR | We met with TD's ESG team primarily to get an update on their progress on key sustainability initiatives. We believe TD continues to stand out as a leader on climate, and the team highlighted progress toward their net zero by 2050 objective. We also inquired about TD's efforts to measure social impact including how they view their role in promoting financial inclusion. They indicated that they would like to incorporate some social impact measures into future strategy and reporting. However, they are at early stages and need to work to define under-served populations and relevant metrics to measure inclusion.<br><br>With respect to corporate governance issues, TD would not comment on the U.S. DOJ money laundering probe, which it disclosed in August 2023. They tried to assure us that they are making additional investments to bolster AML policies and risk management programs. Management has stated that they expect monetary and/or non-monetary penalties to be imposed. We also asked about the ongoing Canadian government investigation into selling practices at a number of Canadian banks, including TD. The IR representative wouldn't comment specifically on the investigation but stated that they generally strive to align incentives with the behaviors they want to see, which has included tweaking compensation models.<br><br>As a result, we downgraded their governance score to reflect incrementally higher risk associated with these controversies. We continue to monitor developments and will reassess as we learn more. |
| **Keyence** | IT | Japan | IG, IL, ILC, GL, GLS, GLC | In conjunction with a research trip to Japan in September, we met with Keyence's management for a due diligence meeting. We advocated for improving Keyence's disclosure and management access. Keyence indicated it did not plan to improve disclosures as not to give away pertinent information to the competition. However, they noted that the sustainability is now available in English. In addition, the discussion of human capital management of the direct sales force supported our view that this remains an important competitive advantage for Keyence. While it is disappointing that Keyence does not plan to improve access or disclosure, it did not change our overall opinion on Keyence's Outperform rating. |
| **Tokyo Electron** | IT | Japan | IG, IL, ADR, ILC | The predominant ESG focus pertained to social aspects, particularly their alignment with Applied Materials (AMAT), recognized as a leading global benchmark for ESG goals. Tokyo Electron's governance and domestic social reforms have surpassed the prevailing standards for social reform in Japan, especially given the substantial influence of human talent in Tokyo Electron's business model. Notably, Tokyo Electron demonstrates a willingness to prioritize talent retention over short-term profits. Overall, Tokyo Electron's Outperform rating remains, with this discussion reinforcing our working hypothesis for broader ownership. |

# Principle 6: Client and Beneficiary Needs (continued)

EXHIBIT 12

## Sample Client Reporting: Engagement Summary—Global Equity Team (continued)

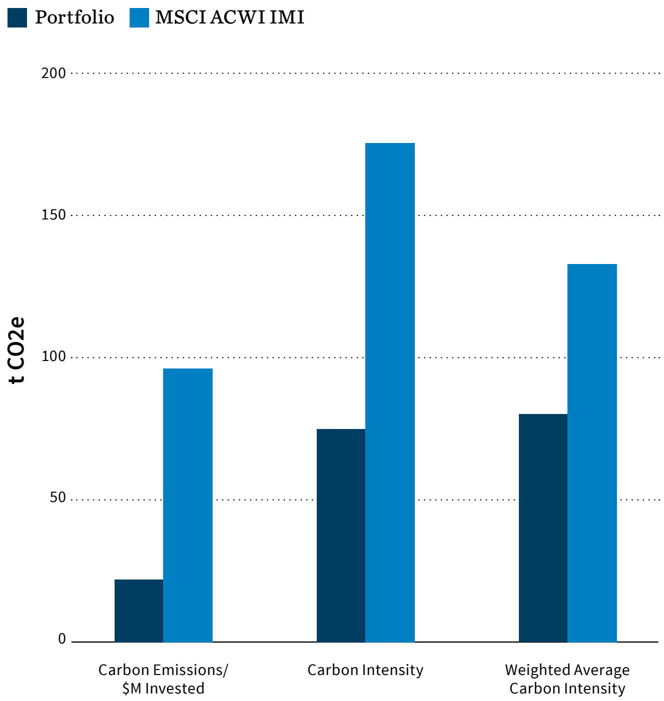
**During the fourth quarter of 2023, the global equity team engaged with the following companies on ESG-related issues.**

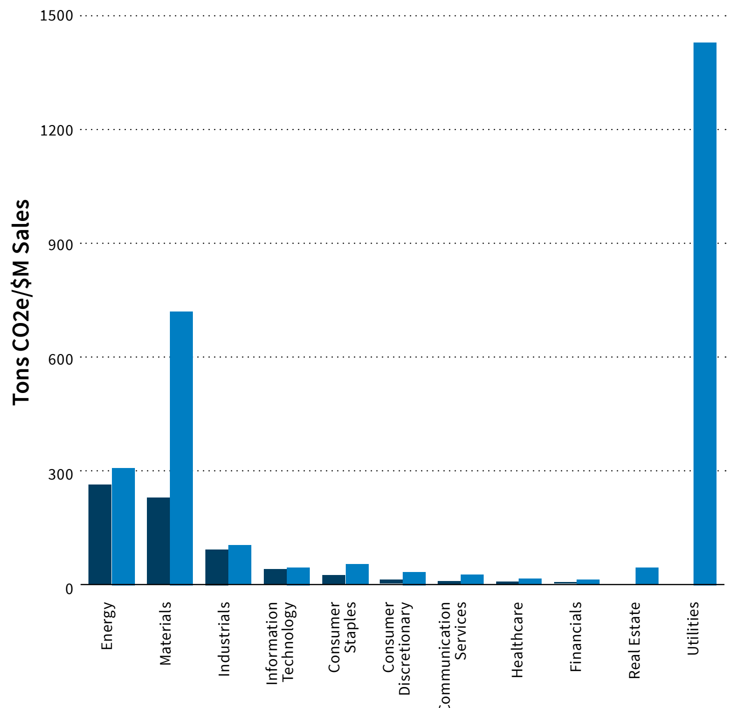
| Company | Sector | Country | Strategies | Comment |
|---|---|---|---|---|
| **FujiFilm Holdings** | IT | Japan | Unowned | As part of a broader due diligence meeting, the ESG Engagement's focus was on human capital, specifically on employee retention. To improve retention, management is actively monitoring supply and demand trends among younger individuals and has been consistently raising wages over the past two years, even preceding the current inflationary period. Following this meeting, we can conclude that management remains relatively traditional by modern Japanese standards, but is taking some action to improve employee retention in a market with labor shortages. The conclusion from the meeting was to maintain a Neutral rating on the company. |
| **Canon** | IT | Japan | Unowned | Our engagement included both social and governance ESG topics. Canon has maintained a strong talent pipeline through increased wages in response to inflation, and has engaged in multiple talent retention initiatives. Relating to governance, Canon's board consists only of male executives despite recent Japanese governance reforms, suggesting that there should be at least one female director for companies listed on the Prime section of the Japanese Stock Exchange. Canon has demonstrated commendable initiatives in preserving top-tier talent and fostering an environment for positive talent retention. However, there is a lack of published disclosure on supply chain transparency, promoting diversity in management, and progressing on Japanese governance reforms. The conclusion from the meeting was not to add Canon to the Eligibility List, with the ESG information among many fundamental considerations. |
| **Shift Inc.** | IT | Japan | ISCG | Our team held a meeting with Shift Inc.'s management at their Japan office. The central focus of the engagement with Shift Inc. was on the human capital aspect of social issues, which holds significant materiality for the business model and growth outlook. Shift Inc. expressed its intention to optimize human capital by implementing measures to enhance retention, consistently raising wages, and diversifying the workforce through the accelerated hiring of foreign engineers as they expand their staff. Engagement conclusion was that Shift Inc.'s ability to build human capital will help it capture long-term growth opportunities. |

Source: William Blair, as of December 31, 2023. Individual securities listed in this report are for informational purposes only to illustrate examples of engagement activities. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities listed. The above securities do not represent all of the securities purchased, sold, or recommended for all William Blair clients. It should not be assumed that any investment in the securities referenced was or will be profitable.

EXHIBIT 13

## Sample Client Reporting: Carbon Exposure Analysis—Representative Portfolio




| Top 10 Companies | Sector | Country | Portfolio Weight (%) | Active Weight[1] (%) | Carbon Intensity | Contribution to Wtd Avg Carbon Intensity (%) |
|---|---|---|---|---|---|---|
| 1. Ryanair Holdings PLC | Industrials | Ireland | 1.24 | 1.24 | 1,722 | 26.73 |
| 2. Linde PLC | Materials | U.K. | 1.43 | 1.16 | 1,130 | 20.23 |
| 3. Canadian Pacific Kansas City Ltd. | Industrials | Canada | 1.64 | 1.54 | 526 | 10.81 |
| 4. Reliance Industries Ltd. | Energy | India | 1.24 | 1.11 | 489 | 7.59 |
| 5. Chevron Corp. | Energy | U.S. | 1.75 | 1.40 | 242 | 5.32 |
| 6. Old Dominion Freight Line, Inc. | Industrials | U.S. | 1.52 | 1.46 | 215 | 4.10 |
| 7. Taiwan Semiconductor Manufacturing Co. Ltd. | IT | Taiwan | 2.36 | 1.73 | 175 | 5.19 |
| 8. Vulcan Materials Co. | Materials | U.S. | 1.07 | 1.03 | 168 | 2.25 |
| 9. TotalEnergies SE | Energy | France | 0.52 | 0.32 | 146 | 0.96 |
| 10. Crown Holdings, Inc. | Materials | U.S. | 1.45 | 1.43 | 109 | 1.99 |
| **Total** | | | **14.20** | | | **85.17** |

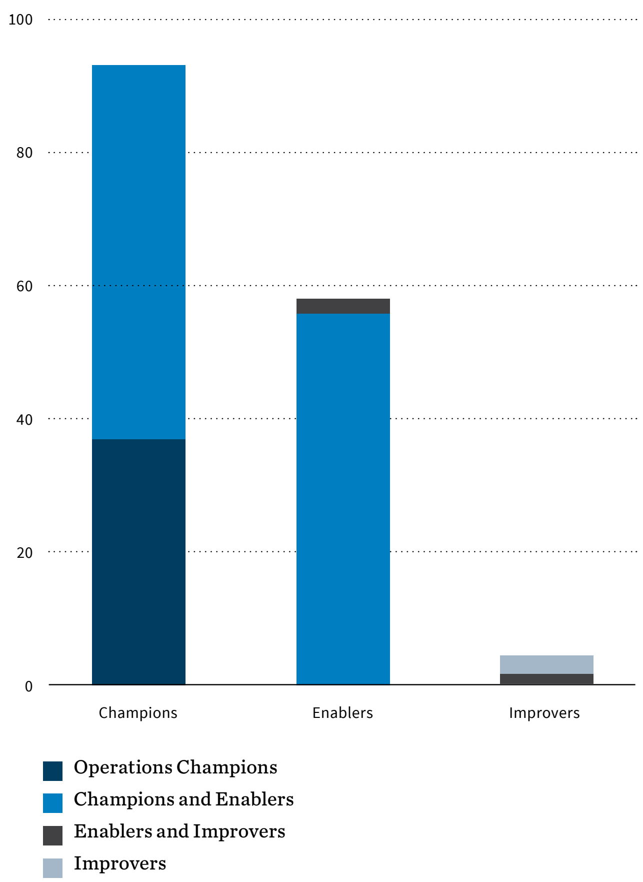
1 Security weight in portfolio relative to security weight inMSCI ACWI IMI index.
Source: William Blair, as of December 31, 2023. The data shown above is based on the strategy's representative portfolio and calculated by William Blair. Individual securities listed in this report are for informational purposes only. Holdings are subject to change at any time. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities listed. Certain information © 2024 MSCI ESG Research LLC. Reproduced by permission; no further distribution. Portfolio carbon intensity measures the carbon efficiency of a portfolio and is defined as the total carbon emissions of the portfolio per $ million of portfolio sales; while weighted average carbon intensity is a measure of a portfolio's exposure to carbon related potential market and regulatory risks and is computed as the sum product ofthe portfolio companies' carbon intensities and weights.

# Principle 6: Client and Beneficiary Needs (continued)

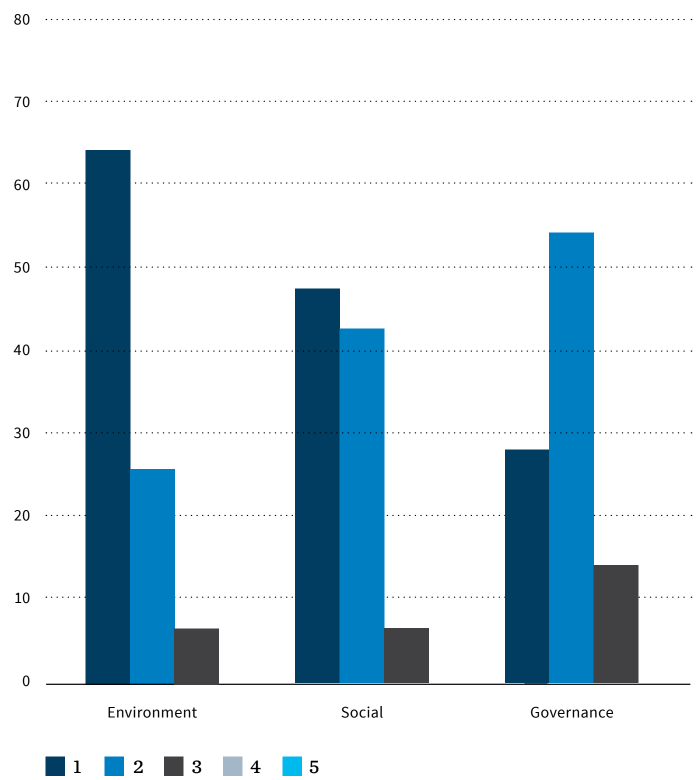
EXHIBIT 14

## Sample Quarterly Sustainability Strategy Reporting

**Portfolio Weight by Sustainability Category**




**Portfolio Weight by ESG Ratings**




Source: William Blair, as of December 31, 2023. William Blair Environmental, Social, and Governance ratings are qualitative ratings based on analysts' assessments of each company, guided by the Firm's materiality framework. Ratings range from 1 (best) to 5 (worst). Sustainability Champions are companies deemed to have high ESG standards relative to peers. Enablers are companies whose products or services help improve ESG standards. Improvers are companies demonstrating ESG enhancements and/or a commitment to engage. Companies may align with multiple categories. The data shown above is based on the strategy's representative portfolio.

# Principle 7: Stewardship, Investment, and ESG Integration

Signatories systematically integrate stewardship and investment, including material environmental, social, and governance issues and climate change, to fulfil their responsibilities.

### ESG Factors

As an active manager whose heritage is built on rigorous, fundamental analysis, we have long realized that ESG factors have a meaningful impact on an issuer's ability to create sustainable value. By incorporating sustainability and governance factors into our fundamental analysis, we are working to create a more complete picture of the risks and opportunities facing issuers today as well as in the future.

Across our fundamental equity strategies, our investment philosophy is based on identifying quality companies that can produce excess returns on invested capital over time and use those returns to control their destiny—a concept we refer to as sustainable value creation. We believe that a company's ability to do this is inextricably and increasingly linked to ESG factors, whether it is developing environmentally sustainable products, working to improve safety for workers across the supply chain, or enhancing governance practices and transparency.

ESG integration is also increasingly relevant to our fixed-income strategies. As fixed-income investors, ESG factors provide a valuable lens through which to evaluate the quality of company management and corporate culture, in addition to cash flows, the balance sheet, and overall business strength. Most importantly, we believe that companies can use sustainable practices to reduce their operating risk, thus enhancing the risk-adjusted returns of their bonds.

As investors in sovereign debt, ESG integration informs our assessment of economic fundamentals, long-term growth, and fiscal debt trajectories. Governance has traditionally been the most important ESG-related component of our sovereign bond analysis, including the credibility and accountability of policy makers, which are key determinants of a sovereign's ability and willingness to repay its debt. We also believe that it is important to evaluate an issuer's progress toward improving their sustainability practices.

### ESG Integration Framework

We have spent a significant amount of time exploring industry-specific ESG factors that allow us to make more informed decisions based on our investment philosophy and client objectives. In 2018, we undertook an extensive industry-level ESG materiality review, leveraging our equity analysts' insights with input from the provisional Sustainability Accounting Standards Board (SASB) materiality standards.

In each category, our analysts determined what specific issues are likely to be material for companies in each Global Industry Classification Standard (GICS) industry. Analysts are prompted with these topics and questions when issuing ESG ratings and recommendation reports.

For equity strategies, WBIM's equity teams integrate ESG risks and opportunities into their company analysis. This is guided in part by WBIM's materiality framework, which highlights industry-relevant ESG attributes that inform our initial investment thesis and ongoing due diligence.

Materiality of ESG factors varies across companies, industries, sectors, capitalizations, and regions. The equity teams use nine different categories of issues within the materiality framework to guide their identification and analysis of material ESG factors at the industry level. The relevance of factors identified at the industry level varies at the company level. The framework was designed by the research analysts to be a reference tool for industry-relevant topics and engagement questions. It is embedded in WBIM's proprietary online research and communication platform to facilitate consistent integration in the investment process. Not every topic included in the framework will be relevant for each company. We may consider factors that are not explicitly referenced in the framework.

# Principle 7: Stewardship, Investment, and ESG Integration (continued)

Our equity strategies' materiality framework helps to inform the assignment of qualitative E, S, and G scores by the research analysts, reflecting their assessment of companies' practices relative to industry peers on a 1 to 5 scale (1 is best). Research analysts assign E, S, and G scores on a qualitative basis, based on companies' disclosures and practices.

In addition to conducting primary research that includes interactions with management, analysts may also use research from third parties such as global investment banks and ESG rating providers as a complement to their analysis. When assigning scores for companies under their coverage, analysts primarily focus on how material ESG risks and opportunities are managed and evidence of integration in business strategy, focusing on behavior in addition to disclosures.

For debt strategies, WBIM typically utilizes a proprietary scorecard to assess ESG-related risks for issuers. WBIM's assessment of ESG factors for emerging markets debt sovereign issuers is guided by a proprietary scoring model that incorporates data obtained from third-party vendors and by publicly available sources. For corporate issuers, WBIM identifies material sustainability issues within each ESG pillar. Research analysts score subfactors on a qualitative basis, based on a company's disclosures and interactions with management. They may also use research from third parties such as global investment banks, ESG rating providers, and credit rating agencies as a complement for their analysis.

Each subfactor is scored on a range from 0 to 100 and different weights are attributed to environmental, social, and governance factors according to an issuer's industry, as per JP Morgan Corporate Emerging Markets Bond Index (CEMBI) sector classification. Subfactor scores are rolled up into an ESG pillar score. While scoring, we seek to take into consideration not only whether issuers have addressed ESG issues through policies, but also whether they have identified points of improvement, established concrete targets to improve them, and exhibited an ability to deliver on these targets over time.

WBIM's debt team complements the current state analysis by incorporating a forward-looking view on each issuer's progress concerning ESG factors by attributing an outlook—positive, negative, or neutral—to its overall ESG score. This may be driven, for example, by upcoming changes in management or the phaseout of certain operations that are harmful to the environment.

We also seek to assess issuers' approach to actual ESG incidents—including fines, accidents, and investigations, among others—by attributing an incident management outlook to the score, when applicable. While internal policies may suggest good ESG practices, the response to incidents allows for a more concrete assessment of issuers' internal controls and/or appropriateness of their responses.

# Principle 7: Stewardship, Investment, and ESG Integration (continued)

We seek to continuously enhance our framework over time as issuers' disclosure and regulatory standards evolve.

Our materiality framework, which is summarized by key topics in exhibit 15, has proved to be a valuable tool for informing our analysts' and portfolio managers' conversations and decision-making about issuers and industries. We continuously work to enhance this framework and how it is integrated into our process. For example, in 2022 and 2023, our equity teams conducted a comprehensive refresh of the materiality framework to reflect evolving risks and opportunities across different industries.

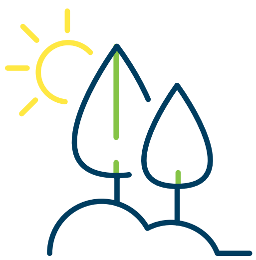
ESG integration and active ownership are key elements of our active investment approach, and we have systematically embedded ESG analysis in investment teams to provide enhanced perspectives on opportunities and risks. While we have taken a bottom-up approach to integration and stewardship consistent with our fundamental research focus, our executive leadership team has put in place a formal oversight structure to drive strategic ESG objectives and alignment of practices across the firm.

# Principle 7: Stewardship, Investment, and ESG Integration (continued)

EXHIBIT 15

## William Blair Investment Management Materiality Framework Topic Structure

### Environmental Categories



**Climate Change**
Carbon/greenhouse gas emissions, exposure to potential climate regulation (e.g., stranded assets), exposure to physical climate changes (e.g., weather, natural disasters), exposure to market opportunities, innovation, or subsidies in renewable energy.

**Natural Resources Stewardship**
Responsible depletion of natural resources including water, commodities and land, impact on biodiversity, exposure to market opportunities, innovation, or government subsidies in the areas of energy efficiency, sustainable water, green building.

**Pollution and Waste**
Toxic emissions and waste, packaging, electronic waste, exposure to market opportunities, innovation, or government subsidies in pollution/waste prevention and control.

### Social Categories

**Human Capital**
Employee recruitment and development/retention (e.g. pay, benefits, diversity, equity and inclusion), workplace health and safety, exposure to operational risks from labor unrest.

**Customer Well-Being**
Product quality and safety, responsible marketing, data privacy and security; exposure to market opportunities/reputation benefits through access to finance, healthcare, nutrition, or communications.

**Supply Chain Management**
Managing opportunities and risks beyond direct operations.

**Community Relations**
Consideration of other stakeholders, community engagement and development.

### Governance Categories

**Corporate Governance**
Board experience and structure (independence, entrenchment, diversity), ownership and control (minority shareholder rights), executive compensation.

**Corporate Culture**
The extent to which corporate values influence value creation, management track record, compliance with the spirit of laws/regulations, bribery, and corruption risk exposure.

Source: William Blair, as of December 31, 2023.

# Principle 7: Stewardship, Investment, and ESG Integration (continued)

### Prioritizing ESG Factors

As described under Principle 6, William Blair Investment Management seeks to ensure that we understand and prioritize clients' ESG preferences to better serve their investment needs. Investment teams prioritize financially material ESG factors based on their relevance to our broader investment thesis for individual companies or fixed income issuers. As previously noted, the influence and materiality of ESG factors varies significantly across industries and regions.

We also take a different approach to stewardship and investment in different geographies. Market nuances are taken into consideration when we engage with companies and vote proxies. For example, some markets have regulation on ESG factors that is unique to specific countries. Using the various tools and inputs previously referenced, we prioritize stewardship activities based on a combination of considerations including our ownership stake in individual companies, position size in portfolios, relevance of the specific issue to our investment thesis, and the severity of any controversies (if applicable). This is true for prioritization prior to our initial investment and during our holding period as we perform ongoing due diligence, including decisions about whether to add, trim or exit positions.

ESG insights and stewardship activity are primarily informed by proprietary research, including issuer meetings and data aggregation from multiple internal and external resources. As introduced under Principle 1, our assessment of potential ESG risks and opportunities for different issuers, industries, and companies is supported by a materiality framework that was developed internally by the investment teams, with input from the SASB and sustainable investment research providers. Building on this framework, we developed a proprietary qualitative ratings system that is fully aligned with our views on the ESG factors that affect company performance by industry.

In addition to our proprietary ESG research, third-party ESG company ratings are systematically incorporated into Summit, WBIM's proprietary internal online research and communication platform, to provide additional context. As described under Principle 2, WBIM uses multiple vendors, including MSCI, Institutional Shareholder Services (ISS), and Bloomberg, for externally-sourced ESG research, and routinely monitors the data vendor landscape for additional complementary inputs. We seek to monitor the usefulness and effectiveness of all third-party data and service providers, as further summarized under Principle 8. We have engaged extensively with our service providers, including MSCI and ISS, to ensure that they meet our standards for quality. This includes frequent meetings between service providers and our client service and technical teams to ensure that they are supporting and adapting services to meet our needs.

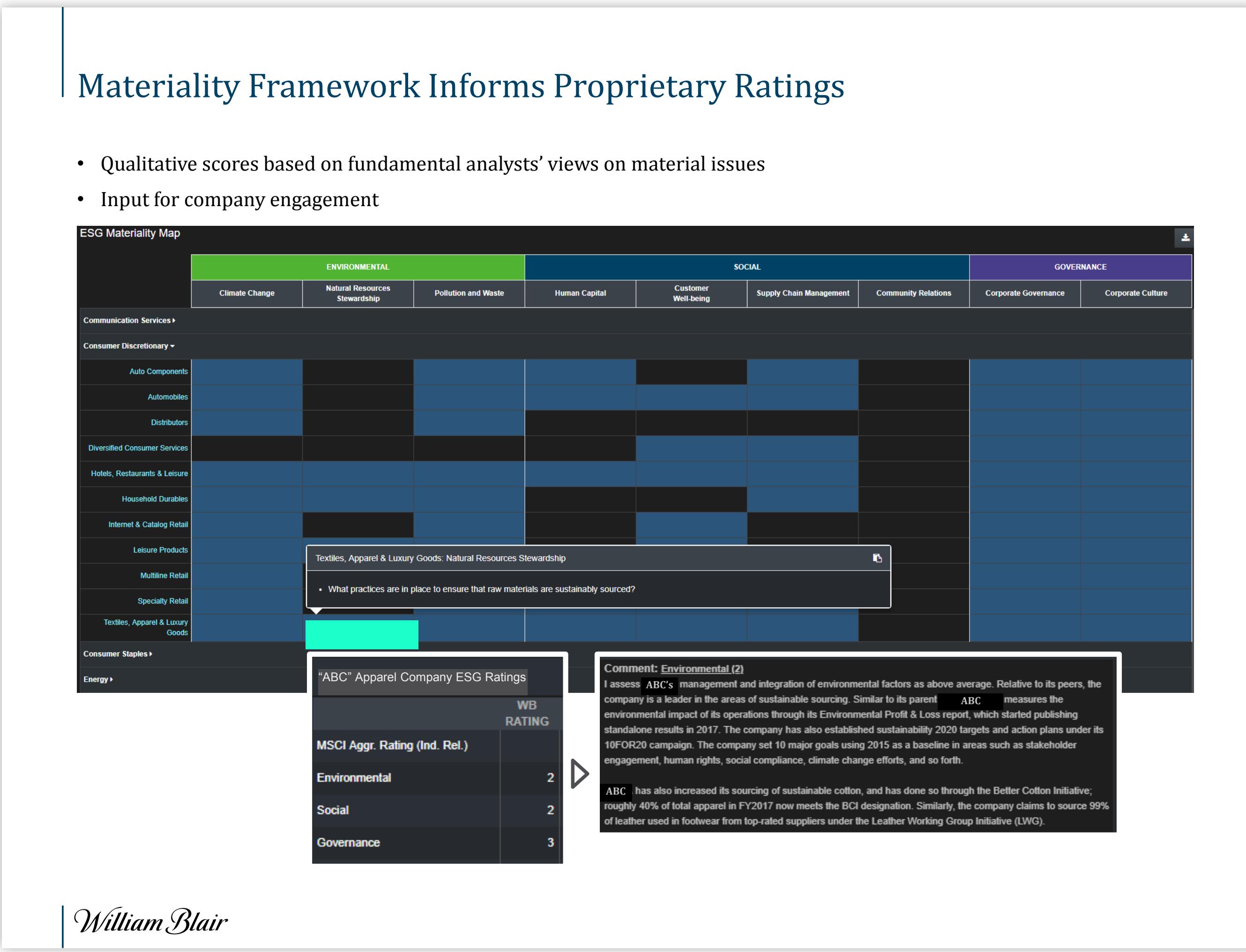
Example content from our Summit research platform is shown below for illustrative purposes. Exhibit 16 includes an excerpt from the industry materiality map developed by our equity teams. As our research analysts conduct due diligence on their assigned companies, Summit provides automated prompts highlighting material ESG topics that may be relevant to the analysis, based on GICS industry classifications.

In addition to analyst ratings commentary, Summit incorporates other useful information such as the firm's ESG ratings for industry peers, MSCI ESG ratings, and a company event log capturing historical company engagement activity undertaken by WBIM, as shown in exhibit 17.

EXHIBIT 16

## Summit Example, Apparel Company

The exhibit below shows an example for an apparel company assigned to the GICS industry classification "textiles, apparel, and luxury goods." Raw material sourcing practices are highlighted as a likely material issue to address in our analysis. The information obtained from our subsequent research on sourcing practices informs our environmental rating for the company.




Source: Summit and William Blair, as of December 31, 2023. For illustrative purposes only and not intended as investment advice or a recommendation to purchase or sell any security.

# Principle 7: Stewardship, Investment, and ESG Integration (continued)

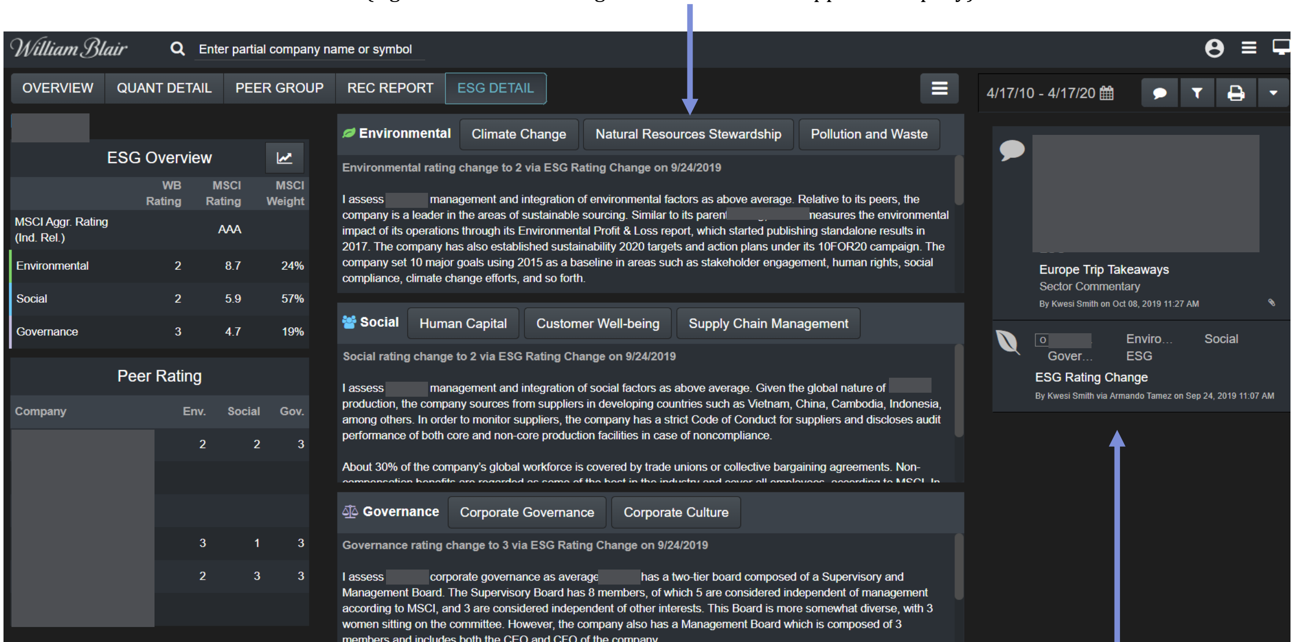
EXHIBIT 17

## Analyst Commentary in Summit

Analyst commentary supporting the proprietary rating is documented in Summit on the company's ESG dashboard page.

### Summit Company ESG Dashboard Example

William Blair analyst rating commentary on industry-specific topics
(e.g. sustainable sourcing of raw materials for apparel company)




Event log tracks our ESG-related company interactions, ratings changes and other team insights on company/peer sustainability topics.

William Blair

Source: Summit and William Blair, as of December 31, 2023. For illustrative purposes only and not intended as investment advice or a recommendation to purchase or sell any security.

# Principle 7: Stewardship, Investment, and ESG Integration (continued)

As previously noted in exhibit 15, governance-related factors that we emphasize include board composition, minority shareholder treatment, management incentives, capital structure, and corporate culture. Environmental areas of focus include climate change, natural resources stewardship, and pollution and waste management. Social considerations include human capital management, customer well-being, supply chain management, and community relations. The materiality of these environmental and social issues varies by country, industry, and company.

When assigning ESG ratings in recommendation reports, analysts are systematically prompted in Summit with potentially material topics from our materiality framework, based on the company's GICS industry code. WBIM's ESG ratings are qualitative and based on a 1-to-5 scale where 1 is best, 5 is worst, and 3 is average relative to industry peers. Governance ratings are more prescriptive, such that the following three minimum criteria need to be met to be eligible to receive a 1 rating: 1) separate CEO and chair; 2) majority independent board; and 3) equal voting rights.

ESG integration and stewardship approaches vary across our investment teams, reflecting unique investment process and asset class attributes. Across our fundamental equity strategies, our investment philosophy is based on identifying quality companies that we believe can produce excess returns on invested capital over time and use those returns to control their destiny—a concept we refer to as sustainable value creation. We believe that a company's ability to do this is inextricably linked to ESG factors.

For our emerging markets debt strategies, our sovereign risk model (SRM) is an integral part of our investment process. The SRM rests on two pillars that inform our view of fair value for sovereign credit spreads. One pillar is financial, and the other is ESG. The financial pillar informs the macroeconomic score for a country. In the ESG pillar, the governance framework focuses primarily on political processes, institutions, and other governance factors; we also look at some environmental and social aspects of individual credits. Our bottom-up sovereign credit work looks at the individual country ESG policies and frameworks. In instances where ESG scores fall below punitive levels, this may lead to the exclusion of sovereign issuers.

# Principle 8: Monitoring Service Providers

## Signatories monitor and hold to account managers and/or service providers.

William Blair Investment Management is committed to selecting service providers and monitoring their performance in a manner that is designed to provide high-quality service to our clients consistent with our fiduciary duties and commitment to clients. Our written procedures contain steps for addressing the evaluation, selection, and monitoring of key service providers and the ongoing oversight of these procedures.

Service provider decisions are based on several factors including data coverage and quality, technology integration/ease of access considerations, differentiation versus existing data sets, and cost. Oversight of key service providers is conducted on at least an annual basis. The firm performs periodic due diligence on service providers. Reviews may include due diligence questionnaires, inspection of independent audits (e.g., ISAE 3402 and SOC 1 and SOC 2 reports), and on-site visits.

### Proxy Voting Service Provider Oversight

WBIM has adopted and implemented proxy voting policy statement and procedures (the “policy”). The policy is designed to:

- ensure that the adviser votes client securities in the best interest of clients (specifically including how material conflicts that may arise between the adviser and its clients are addressed);
- disclose to its clients how they may obtain information from the adviser about how the adviser voted with respect to the client’s securities;
- describe its policies and procedures to its clients and furnish a full copy of those policies and procedures to clients upon request;
- and describe what proxy voting records must be maintained.

WBIM has engaged a third-party proxy advisory firm, ISS, as its proxy voting agent. Our proxy committee, which includes representatives from management, portfolio managers, analysts, operation professionals, and the compliance department, is responsible for the oversight of proxy voting matters including the voting agent. The proxy analyst, who is a member of the Investment Management trade support team, monitors day-to-day proxy activity.

The proxy committee works closely with ISS, monitors the firm’s work, and routinely performs due diligence. In addition, WBIM personnel conduct regular conference calls with ISS to manage ongoing production and service needs. As part of its annual review, the proxy committee meets with representatives from ISS, who present their voting guideline methodologies, including any changes to methodologies. In addition, the trade support team manager and the proxy analyst meet with representatives of ISS at least semiannually to discuss recent developments with ISS and to communicate such developments to the proxy committee. Based on its 2022 assessment, William Blair Investment Management determined that ISS has demonstrated satisfactory performance in its delivery of agreed upon services.

In 2023, we voted at 99.17% of the meetings where our clients had given us their authority to vote their shares. Our voting positions are monitored via the ISS electronic voting platform. Using the same platform, we also track the progress of the vote submissions through to the relevant custodian bank or other intermediary responsible for the final submission of the vote to the issuing company. Additional information can be found under Executing Voting Responsibilities, below.

The WBIM compliance department, under the direction of the chief compliance officer, also conducts annual due diligence of ISS, assessing, among other things, ISS’s compliance program, research and voting processes, and potential conflicts in conjunction with the annual compliance review and prepares a written report. From time to time, the proxy committee will also consider other potential proxy voting service providers.

### Key Proxy Voting Policy Updates for 2023

**Director Elections–Accountability (Unequal Voting Rights)**

- Policy Update–New language reflects the expiration of the one-year grace period for companies that had been grandfathered under the previous policy on unequal voting rights.

**Other Board-Related Proposals (Director and Officer Indemnification, Liability Protection, and Exculpation)**

- Policy Update—Added new language to include review of exculpation of directors and officers.

**Compensation—Executive Pay Evaluation (Advisory Votes on Executive Compensation–Problematic Pay Practices)**

- Codifies Sustainability Advisory Services' current approach to evaluating severance payments received by an executive when the termination is not clearly disclosed as involuntary, as described in ISS's Compensation Policies frequently asked questions (FAQ) document.

**Compensation—Equity-Based and Other Incentive Plans (Three-Year Value-Adjusted Return Rate)**

- As of February 1, 2023, the Value-Adjusted Burn Rate (VABR) methodology will be strictly used for stock-plan evaluation.

**Social and Environmental Issues—Political Activities (Political Expenditures and Lobbying Congruency)**

- New Policy—Provide more transparency to the market about how assessments of shareholder proposals regarding political expenditures and lobbying congruency are made. Codifies previous practices used in the 2022 proxy season.

The proxy committee also convenes on an as-needed basis to discuss potential proxy conflicts or vote recommendations contrary to guidelines that may be raised by a portfolio manager or analyst. In the event of issues not covered by the policy guidelines or in cases in which a member of a portfolio management team determines that the guidelines result in a vote that is not in the best interest of shareholders, the portfolio management team consults the proxy committee. The proxy committee reviews the issue and determines whether the vote is in the best interest of clients based on information presented by the portfolio management team. The determination of the committee is reflected in documentation that is retained by the compliance department.

William Blair will vote against ISS recommendations, based on recommendations of the portfolio management team, in instances where the proxy committee has also reviewed and approved changing our vote. Analysts provide detailed rationale to the proxy committee and then need a majority vote from the committee for the vote change to be processed. In each such case of a vote change, no conflict of interests are present, and WBIM votes proxies according to the portfolio management team's recommendation in a manner consistent with the policy. Sustainability-oriented voting examples that occurred in 2023 are provided in the discussion of Principle 12.

### Data Provider Oversight

WBIM recognizes that ESG data has inherent limitations. While we understand that data sources are not consistently reliable enough to provide precise information on which to make decisions effectively, we see value in using third-party data sources to supplement our own proprietary ESG research analysis. It is important to understand ESG data limitations and to question ESG data that appears to contradict conclusions drawn from our internal analysis. While we do not make decisions solely on data, we also seek to challenge data that we believe are materially inaccurate.

For example, in 2023, we engaged with data provider MSCI to address certain company data discrepancies identified through our fundamental analysis. These included inaccurate information related to a historical company controversy and discrepancies between greenhouse gas emissions data reported by MSCI and investee companies. We were able to address these data issues satisfactorily with MSCI.

# Principle 9: Engagement

## Signatories engage with issuers to maintain or enhance the value of assets.

William Blair Investment Management's investment teams actively engage with issuers, including representatives from senior management, investor relations, sustainability teams, and board members. How we engage varies depending on the circumstances and issues being discussed, and may include in-person and virtual meetings, calls, or emails.

WBIM defines engagements as interactions with company/issuer representatives that are either awareness- or advocacy-oriented. Awareness-oriented engagements generally encompass fact-finding and ongoing due diligence on financially-material corporate governance, social, or environmental factors that are relevant to WBIM's assessment of investment risks and opportunities. Advocacy-oriented engagements are generally focused on improving specific practices or disclosures related to issues that WBIM's investment teams believe are financially material. These engagements may occasionally be driven by corporate governance, environmental, or social controversies when we believe those controversies may adversely impact financial performance or investor confidence.

ESG integration at WBIM encompasses responsible ownership practices, and we take seriously our responsibility to monitor the effectiveness of company management and to exert influence on governance practices through the exercise of proxy voting rights. Our commitment to responsible ownership is demonstrated by our support of global investor networks and frameworks, including the PRI, the U.S. Investor Stewardship Group, the Framework for U.S. Stewardship and Governance, the International Corporate Governance Network, the Japan Stewardship Code, the Korea Stewardship Code, and the Emerging Markets Investors Alliance (EMIA).

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

William Blair Investment Management has a long history of investing across the market-capitalization spectrum, with significant expertise in researching and engaging with senior management and board members of small- and midcap companies at earlier stages of the corporate lifecycle. As we gain more experience engaging with companies about ESG issues across our investment universe, we have a greater appreciation for the impact we can have on less mature companies that have yet to formalize their sustainability priorities and goals. Corporate governance practices are typically still evolving at these earlier stage companies, with significant variation in local governance codes and listing requirements. This necessitates a pragmatic approach to our analysis and engagement methods.

As a fiduciary, we seek transparency and disclosure of financially-material, decision-useful information from issuers as a matter of course. To that end, we engage to better understand key value drivers, risks, and opportunities; to monitor progress in achieving strategic, operational, and financial objectives; and to encourage issuers to be transparent and proactive in the management of material risks.

Our research analysts routinely meet with the management of companies as part of our investment process and raise ESG-related concerns, including company-specific or more systemic risks, such as climate change, which can be material to financial performance. Engagement dialogue is informed by our industry-focused ESG materiality framework and may include environmental factors (such as pollution and waste control), social issues (such as data privacy and human capital management), or governance topics (such as improving shareholder rights and board structure).

While research analysts are primarily responsible for engaging with companies, portfolio managers and members of the WBIM's ESG leadership team may also participate.

The types of engagement methods used are a function of asset class, geography, and corporate lifecycle differences across our investments. We do not vary our approach based on client type, although clients invested in our sustainability-focused strategies generally have more explicit ESG integration objectives and higher expectations for ESG-focused engagement activity and reporting.

In 2023, WBIM engaged with 96 companies in 13 different countries across equity strategies. WBIM also had 17 engagements in six different countries across debt strategies, including sovereign and corporate issuers.

### Engagement Highlights from 2023

Provided below are additional examples of our engagement activity undertaken in 2023:

**Company/Issuer:** National Vision Holdings
**Country:** United States
**Sector:** Consumer Discretionary
**Industry:** Specialty Retail
**ESG Topics Discussed:** Human Capital Management

**Background:**

- National Vision Holdings is the largest value optical retailer in the United States, operating under America's Best and Eyeglass World brands.
- We met with representatives from the company to discuss attraction, retention, and engagement of optometrists, which are material to the company's ability to deliver growth.

**Engagement Summary:**

- In our discussion, we learned that optometrist retention is improving from COVID lows, and recent hiring has been highly successful, with 15% of annual optometrist graduates joining the company.
- The company also discussed initiatives to continue to improve attraction and retention of optometrists, including improved flexibility and scheduling, greater support networks, and bolstered new graduate recruiting.

**Outcomes–ESG and Investment Conclusions:**

- We encouraged the company to consider disclosing recruitment and retention metrics on these topics and will continue to monitor progress.

**Company/Issuer:** Inspire Medical Systems
**Country:** United States
**Sector:** Healthcare
**Industry:** Healthcare Equipment and Supplies
**ESG Topics Discussed:** Corporate Governance

**Background:**

- Inspire Medical Systems is a medical device company focused on the treatment of moderate to severe obstructive sleep apnea (OSA).
- We met with management to discuss several governance topics including board structure, director elections, and standards for changing its charter/bylaws.

**Engagement Summary:**

- Management's position on these topics date back to its 2018 initial public offering (IPO) and reflect policies aligned with long investment and innovation cycles.
- Management believes the cost (e.g., institutional knowledge loss) of interrupting its board structure annually could negatively impact the company's long-term strategy and growth plans.

**Outcomes–ESG and Investment Conclusions:**

- We encouraged the company to reconsider its policies in this area to better reflect best practices for a maturing small-mid-cap company rather than continue to be more aligned with start-ups and newly public companies.

- We advocated for establishing a plan to sunset some of these policies as a positive first step toward a more shareholder-friendly structure akin to larger mid-cap peers and leaders.
- Management appreciated our comments and will take them into consideration as their governance policies continue to evolve. We will monitor progress in this area over time.

**Company/Issuer:** Microsoft
**Country:** United States
**Sector:** Information Technology
**Industry:** Software
**ESG Topics Discussed:** AI Governance

**Background:**
- Microsoft develops and markets software and hardware solutions to consumers and businesses worldwide.
- We met with Microsoft's ESG engagement director to discuss AI regulation and ethics and corporate culture.

**Engagement Summary:**
- Microsoft's exposure to emerging AI regulations and ethical risks is heightened by the fact that the company is one of the first to go to market with the high-profile GPT large language model.
- It understands that there are unknowable risks with AI, and that companies will need to adopt robust governance tools and processes to counter challenges.
- Understanding the company's approach to AI risk mitigation helps us understand how thoroughly it has evaluated this opportunity and its risk.
- Microsoft plans to deploy AI across its product suite, but Azure will be the cornerstone of the company's effort.
- The company is relying on different stakeholders to help build companywide AI standards. Implementation and interpretation of these standards is then disseminated on a team level, where individual experts and product-specific AI ethics teams govern development. This approach respects that there are unintended impacts to AI, but leaves the company well equipped to respond at different levels of the organization.
- Customers are also equipped with documentation and guidelines that help with implementing and managing AI products. Microsoft's thorough approach and philosophy starts with its chief technology officer Kevin Scott, who is the architect behind the OpenAI partnership and who is thoughtful about assessing unintended benefits and consequences.

**Outcomes–ESG and Investment Conclusions:**
- Our engagement provided assurance that Microsoft is taking a thorough approach to AI that assesses potential benefits as well as unintended consequences.
- The company's establishment of an Office of Responsible AI in 2019 demonstrates a strong commitment to AI governance relative to large-cap peers, supporting our broader investment thesis.

**Company/Issuer:** Compass Group
**Country:** United Kingdom
**Sector:** Consumer Discretionary
**Industry:** Hotels, Restaurants, and Leisure
**ESG Topics Discussed:** Waste Management

**Background:**
- Compass Group is one of the largest food services companies globally. We engaged with Compass Group on their waste management practices and how they have evolved post-COVID, given the volatility of attendance at special events and in the workplace.

**Engagement Summary:**
- The company has implemented a "Waste Not 2.0" digital platform, which is a tablet-based food tracking platform. Chefs can use the platform to find ways to reduce waste in their kitchens.
- This platform is now used in 8,000 kitchens across the group in the most material sites and has led to a 30% reduction in food waste since implementation.
- Compass has also added additional analytics and tools to help manage food production on slower days. An example of this is having digital apps at corporate cafeterias that facilitate pre-ordering meals ahead of time, which helps to gauge demand levels for food.

**Outcomes–ESG and Investment Conclusions:**
- We will continue to monitor Compass Group's waste reduction efforts, including the company's progress toward its goal to reduce 50% of food waste in its operations by 2030.

# Principle 9: Engagement (continued)

**Company/Issuer:** VusionGroup (formerly known as SES-Imagotag)
**Country:** France
**Sector:** Information Technology
**Industry:** Electronic Equipment, Instruments, and Components
**ESG Topics Discussed:** Corporate Governance

**Background:**

- VusionGroup is a French company that manufactures electronic shelf labels (ESL) used in retail stores to digitize customer experience and store management.
- We engaged with the company following the publication of a short report that made several allegations primarily related to corporate governance matters including accounting irregularities.

**Engagement Summary:**

- Management provided a convincing and detailed rebuttal to the short report allegations.
- Most importantly, third-party auditors confirmed that there were no irregularities related to reported revenues that had been alleged.
- The company did acknowledge typos in its English language disclosures, and management committed to devote additional resources to address the quality of those disclosures going forward.

**Outcomes–ESG and Investment Conclusions:**

- Following multiple engagement meetings with VusionGroup, including a meeting with the CEO and an in-person store visit, we maintain confidence in the company and our investment thesis.
- This assessment was based on management's detailed response to the short report, the productive nature of our discussions, and our overall fundamental research mosaic, including our assessment that there have been no material concerns from VusionGroup's key operational stakeholders including suppliers, customers, and partners.
- We plan to monitor the company's progress on its commitment to produce more robust and detailed capital market disclosures.

# Principle 10: Collaboration

## Signatories, where necessary, participate in collaborative engagement to influence issuers.

William Blair Investment Management's preference is to engage privately in order to pursue a constructive dialogue with companies over time. We may also participate in collaborative engagement opportunities with other shareholders through industry networks depending on our investment objectives.

Our emerging markets debt team collaborated with EMIA to address financial transparency in South Africa and Cameroon. WBIM was proud to join EMIA in 2021 to help improve our effectiveness in our emerging markets debt engagements. The EMIA is a not-for-profit organization that enables institutional emerging markets investors to support good governance and improve investment performance in the governments and companies in which they invest. The alliance seeks to raise awareness and advocate for these issues through collaboration among investors, companies or governments, and public policy experts. Our emerging markets debt team also collaborated with other Pemex investors through the Climate Action 100+ initiative, focused on addressing the company's financially material ESG risks and responses to past controversies.

Using the various inputs previously referenced, we prioritize stewardship activities based on a combination of considerations, including our ownership stake in individual companies, position size in portfolios, relevance of the specific issue(s) to our investment thesis, and the severity of any controversies (if applicable). Companies and debt issuers with scope for improvement on material ESG issues are identified through a combination of proprietary and third-party research, including screening tools to systematically identify companies exposed to controversial industries or products, or which have potentially violated global norms.

### Collaborative Engagement Highlights from 2023

**Company/Issuer:** South Africa–EMIA Collaborative Engagement
**ESG Topics Discussed:** Financial Transparency

**Background:**
- The objective of the engagement is to urge South Africa's National Treasury to improve its budget transparency.

**Engagement Summary:**
- In 2023, the engagement with the National Treasury focused on the transparency of the procurement process. In this engagement we focused on the open contracting data standards with an aim to improve the overall transparency of the public procurement process.

**Outcomes–ESG and Investment Conclusions:**
- Our engagement is ongoing, and achievements will be measured in terms of progress on engagements with Ministry officials, Ministry implementation of proposals, or adoption of improved transparency around the budget.
- In 2023, we noted positive steps in the procurement portal with further legislative changes currently being discussed in the national assembly.

**Company/Issuer:** Cameroon–EMIA Collaborative Engagement
**ESG Topics Discussed:** Financial Transparency and Public Finance Governance

**Background:**
- The objective of the engagement is to work with Cameroon's Ministry of Finance to improve the overall transparency of its budget (process and execution) and debt statistics.

**Engagement Summary:**

- In 2023, we engaged with officials from the Ministry of Finance via email and phone calls to address issues related to the oversight and public participation in the budget process, issues related to budget and debt transparency, and public finance management. We also focused on the oversight of the state-owned enterprises.

**Outcomes–ESG and Investment Conclusions:**

- Our engagement is ongoing, and achievements will be measured in terms of progress on engagements with Ministry officials, Ministry implementation of proposals, or adoption of improved transparency around the budget.

**Company/Issuer:** Petróleos Mexicano (Pemex)–Climate Action 100+ Collaborative Engagement
**Country:** Mexico
**Sector:** Energy
**ESG Topics Discussed:** Health and Safety (and Associated Governance Framework), Global Norms and the Prospect of Rejoining the United Nations Global Compact (UNGC), Carbon Emissions, and Disclosure Frameworks

**Background:**

- Pemex is the Mexican state-owned petroleum company managed and operated by the Mexican government. We regularly engage with Pemex on financially material ESG issues, including health and safety standards.
- Our engagement with Pemex is focused on addressing financial risks related to the company's oil and gas operations. The company faced allegations of failing to address the participation of its own employees in fuel thefts, which posed risks to the surrounding communities.

**Engagement Summary:**

- We remain engaged with Pemex on improving its internal controls as well its pipeline maintenance and management safety operations. More broadly, we also remain engaged on Pemex's environmental policies and its plans to reduce greenhouse gas emissions. We participated in multiple one-on-one calls in 2023, as well as group calls facilitated by Pemex's investor relations team.
- We continued our dialogue with the company in 2023 through the Climate Action 100+ working group, where we discussed (methane) emission reduction targets, health and safety practices, the company's 2022 to 2026 business plan, sustainability planning, disclosure frameworks, and establishing a quarterly meeting schedule.

**Outcomes–ESG and Investment Conclusions:**

- Pemex's five-year strategic plan acknowledged that the company's poor environmental, social and governance track record risks hurting its financing ability. Encouragingly, the company recently communicated the initial version of its Sustainability Plan, which includes strategies for emission reduction, environmental impact mitigation and operational safety enhancements.
- We are planning to continue engaging with Pemex in 2024 and encouraging the company to make further progress on developing a transparent ESG strategy and incorporating appropriate goals linked to their strategy, which we believe are relevant to future financial performance. In addition, we will seek further information on the implementation of the company's newly released Sustainability Plan.

# Principle 11: Escalation

## Signatories, where necessary, escalate stewardship activities to influence issuers.

Depending on the circumstances, William Blair Investment Management's escalation strategies may include writing letters to senior executives, pursuing meetings with independent directors to address specific areas of concern, or voting against management at annual general meetings or extraordinary general meetings. If over time our concerns are not sufficiently addressed through engagement and voting, we may decide to exit our positions. Occurrences that give rise to a need to escalate tend to be less frequent given the nature of our quality-focused investment approach, which seeks to avoid companies or issuers involved in significant ESG controversies or with track records of mismanagement or controversial practices where there is no indication of improvement or intention to improve.

### Additional Engagement Highlights from 2023

**Company/Issuer:** Teleperformance
**Country:** France
**Sector:** Industrials
**Industry:** Professional Services
**ESG Topics Discussed:** Human Capital Management and Corporate Governance

**Background:**

- Teleperformance was experiencing heightened shareholder scrutiny of its operations in Colombia and its content moderation business more broadly.
- These issues, combined with additional investment considerations, led us to conduct an in-depth thesis review on the company that was informed by multiple engagement meetings.

**Engagement Summary:**

- In 2022, we conducted a significant investment thesis review on Teleperformance that assessed:
  - The potential impact of AI on the company's business model and growth potential;
  - Concerns about the company's future strategy to manage moderation of highly egregious content;
  - And the impact of slowing macroeconomic factors on near-term opportunities.
- After extensive analysis of these factors and initial discussions with company representatives, we escalated our engagement by scheduling a meeting with several members of the executive management team to discuss content moderation.
- From our engagement, we confirmed that the company would exit the highly-egregious part of the content moderation business upon expiration of current contracts at that time. Management believed that this was the right decision, acknowledging that the risks related to this were significant.

**Outcomes – ESG and Investment Conclusions:**

- After what we considered to be an exceptional response to the Colombian content moderation controversy in the fourth quarter of 2022, the subsequent actions of the management team made us question its credibility.
- In the wake of the Colombia content moderation controversy, management made the decision to exit the highly-egregious content moderation business in response to investor concerns over employee mental wellbeing, compensation for sensitive work, and the public unease with this type of work.
- Just six months later, management reversed course and stated it would no longer exit this business, citing reduced investor concerns. Our impression was there was no way to exit the highly-egregious part of content moderation without exiting all egregious content moderation, and thus felt that management walked back the communicated strategy.
- Due to our concerns about continued business risks associated with the content moderation business and management's credibility, we downgraded the stock and exited our position.

# Principle 11: Escalation (continued)

**Company/Issuer:** Hexagon
**Country:** Sweden
**Sector:** Industrials
**Industry:** Electronic Equipment, Instruments, and Components
**ESG Topics Discussed:** Governance and Disclosure

**Background:**

- We engaged with Hexagon following the publication of a short report to address allegations relating to suspect accounting and poor governance practices.
- In addition to concerns related to the accusations in the short report, we wanted to communicate our disappointment in management's initial responsiveness to the report.

**Engagement Summary:**

- We had two engagement meetings with Hexagon following the short report, one with the chief operating officer and another with the chairman of the board and former CEO, where we discussed the allegations and corporate governance practices in detail.
- As it relates to the short report, we believed the allegations were weak and lacked credible evidence. Many of the concerns highlighted in the report, such as Hexagon's R&D capitalization and governance practices, were well known and understood by investors.
- The rebuttal, when it came, did a good job of going through the allegations one by one, alleviating doubt around most of the issues and making initial commitments for governance improvement.
- Where we believed Hexagon missed the mark was on the timeliness of the response and the substance of the commitments for improvement. The lack of response alongside the company's earnings release hurt the credibility of the relatively new management team, which is still under the microscope after taking over from the long-time CEO.

**Outcomes – ESG and Investment Conclusions:**

- Our conviction in Hexagon's management team and future growth potential was weakened following our engagement meetings.
- We believe Hexagon's corporate governance practices, including board independence, are sub-par relative to both large-cap Swedish companies as well as global capital goods peers.
- As a result, we removed our "leaders" designation, lowered our governance rating, and reduced our position in the company.

# Principle 12: Exercising Rights and Responsibilities

## Signatories actively exercise their rights and responsibilities.

### Executing Voting Responsibilities

William Blair Investment Management's policy is to vote proxies of its clients solely in the interest of their participants and beneficiaries and for the exclusive purpose of providing benefits to them. The firm's written procedures contain steps for complying with this policy and specifically address resolution of conflicts of interest, disclosure to clients, and provision of requested copies of the proxy voting policy statement and procedures.

Segregated account clients can choose to have WBIM vote its proxies, or they can retain their proxy voting responsibility. In cases where WBIM has proxy voting authority, we vote proxies solely in the best interest of our clients' participants and beneficiaries and for the exclusive purpose of providing benefits to them and shall not place WBIM's own interests ahead of the interests of our clients. Under the prevailing circumstances, we act with the care, skill, prudence, and diligence 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. Proxy voting authority for pooled funds sponsored by William Blair Investment Management has been delegated to WBIM by each pooled fund's governing body (e.g., board of directors or general partner).

WBIM aims to vote at all shareholder meetings where our clients have given us the authority to vote their shares and where it is feasible to do so. However, when we deem appropriate, we could refrain from voting at meetings in cases, as listed below, where:

- Power of attorney documentation is required.
- Voting will have a material impact on our ability to trade the security.
- Voting is not permissible due to sanctions affecting a company or individual.
- Issuer-specific special documentation is required, or various market or issuer certifications are required.
- Unless a client directs otherwise, WBIM will not vote proxies in so called "share blocking" markets (markets where proxy voters have their securities blocked from trading during the period of the annual meeting).

WBIM is not responsible for voting proxies we do not receive in a timely manner. We do not engage in securities lending for clients' accounts; however, for clients participating in a securities lending program via their custodian, we will not be eligible to vote proxies for the portion of shares on loan. In some instances, we agree to implement a client's own proxy voting policy. In instances where we have implemented a client-provided proxy voting policy, we will vote in accordance with the client's policy at all times even if the client's policy is inconsistent with William Blair Investment Management's vote.

Generally, WBIM relies upon an administrator to facilitate our proxy voting activities. Our proxy administrator reviews all proxies received, 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 firm's voting guidelines, which are designed to address matters typically arising in proxy votes. WBIM has engaged ISS (see Principle 8) to assist in the administration and voting of proxies. The voting guidelines are available on *ISS's website*. WBIM typically follows the sustainability proxy voting guidelines. Clients can also instruct WBIM to follow other proxy voting guidelines for proxies associated with the securities held in their own portfolio.

In the event that any conflicts of interest arise in the firm's voting of proxies, WBIM's proxy committee votes all proxies for that company according to our predetermined procedures. If our voting guidelines indicate a vote "for" or "against" a specific issue, we continue to vote according to the voting guidelines. If our voting guidelines have no recommendation or indicate a vote on a "case-by-case" basis, we vote consistent with the voting recommendation provided by ISS (see Principle 8, Oversight of Service

Providers). ISS provides proxy voting, maintenance, reporting, analysis, and recordkeeping services for WBIM for clients where we have proxy voting authority. If a client expressly directs in writing how a solicitation should be voted, WBIM will cast the vote with respect to such solicitation in the manner directed by the client.

For more information on WBIM's proxy policy, please click *here*.

### Summary of Proxy Voting

We believe that exercising our voting rights is integral to our active ownership responsibilities. As fiduciaries to our clients and stewards of their assets we recognize we have a duty to vote client securities' proxies in a timely manner and make voting decisions that are in the best interest of our clients. Clients can request to receive a report of their proxy voting activity upon request or pooled fund investors can view our proxy voting records *here*. Exhibits 18-20 show WBIM's voting in all votable meetings in 2023.

In international markets where share blocking applies, WBIM typically will not, but reserve the right to, vote proxies due to liquidity constraints. Share blocking is the "freezing" of shares for trading purposes at the custodian/sub-custodian bank level in order to vote proxies. Share blocking typically takes place between 1 and 20 days before an upcoming shareholder meeting, depending on the market. While shares are frozen, they may not be traded. Therefore, the potential exists for a pending trade to fail if trade settlement falls on a date during the blocking period. WBIM shall not subordinate the interests of participants and beneficiaries to unrelated objectives.

EXHIBIT 18

## Voting in All 2023 Votable Meetings

**Meeting Overview**

| Category | Number | Percentage |
|---|---|---|
| Number of Votable Meetings | 1,208 | — |
| Number of Meetings Voted | 1,198 | 99.17% |
| Number of Meetings With At Least One Vote Against, Withhold, or Abstain | 586 | 48.51% |

**Ballot Overview**

| Category | Number | Percentage |
|---|---|---|
| Number of Votable Ballots | 24,653 | — |
| Number of Ballots Voted | 23,992 | 97.32% |

Source: William Blair, as of December 31, 2023. Data is from January 1, 2023, to December 31, 2023.

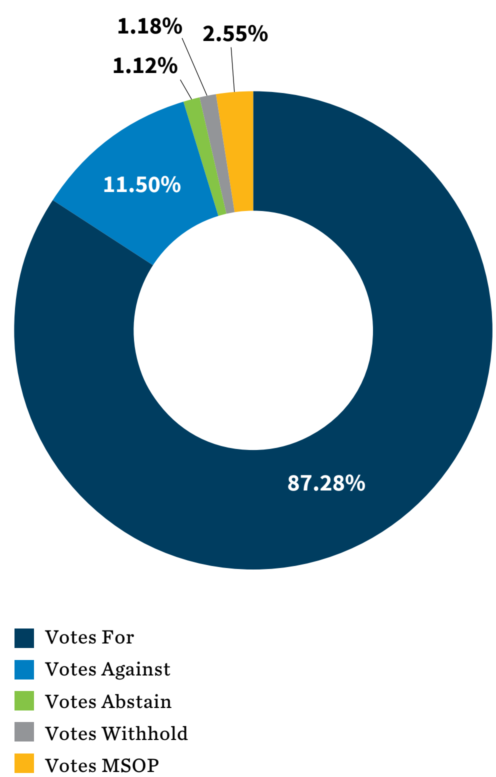
EXHIBIT 19

## Proposal Overview

### Proposal Overview

| Category | Number | Percentage |
|---|---|---|
| Number of Votable Items | 13,475 | — |
| Number of Items Voted | 13,275 | 98.52% |
| Number of Votes for | 11,586 | 87.28% |
| Number of Votes Against | 1,527 | 11.50% |
| Number of Votes Abstain | 149 | 1.12% |
| Number of Votes Withhold | 156 | 1.18% |
| Number of Votes on MSOP | 338 | 2.55% |
| Number of Votes With Policy | 13,261 | 99.89% |
| Number of Votes Against Policy | 98 | 0.74% |
| Number of Votes With Management | 12,010 | 90.47% |
| Number of Votes  Against Management | 1,740 | 13.11% |
| Number of Votes on Shareholder Proposals | 392 | 2.95% |

### Vote Cast Statistics




Source: William Blair, as of December 31, 2023. Management Say On Pay (MSOP) frequency proposal votes allow shareholders to determine whether, going forward, the "say-on-pay" vote to approve compensation should occur every one, two, or three years. For all calculations in this report, only ballots in status Confirmed or Sent are considered voted. All other ballot statuses are considered unvoted. Do Not Vote instructions are not considered voted and re-registration events are not included. Notwithstanding the above, each unique vote cast per unique proposal is considered across all calculations. In cases of different votes submitted for an individual agenda item, votes cast are discretely counted by vote cast (For, Against, etc.) per proposal. This may result in voting totals exceeding the number of votable items. Withhold vote instructions, predominantly seen in the U.S. market for companies using a plurality vote standard, denote a contrary vote opinion on director elections. For further information, please review ISS's policy guidelines.

EXHIBIT 20

### Meetings Voted by Market

| Market | Voted Meetings |
|---|---|
| Australia | 4 |
| Belgium | 6 |
| Bermuda | 9 |
| Brazil | 25 |
| Canada | 22 |
| Cayman Islands | 28 |
| Chile | 1 |
| China | 143 |
| Denmark | 7 |
| Finland | 4 |
| France | 20 |
| Germany | 11 |
| Greece | 6 |
| Guernsey | 1 |
| Hong Kong | 3 |
| India | 139 |
| Indonesia | 13 |
| Ireland | 17 |
| Israel | 14 |
| Italy | 10 |
| Japan | 28 |
| Jersey | 4 |

| Market | Voted Meetings |
|---|---|
| Kazakhstan | 4 |
| Luxembourg | 6 |
| Mexico | 19 |
| Netherlands | 18 |
| New Zealand | 2 |
| Norway | 0 |
| Philippines | 3 |
| Poland | 1 |
| Romania | 2 |
| Saudi Arabia | 15 |
| Singapore | 13 |
| South Africa | 6 |
| South Korea | 13 |
| Spain | 3 |
| Sweden | 23 |
| Switzerland | 25 |
| Taiwan | 18 |
| Thailand | 11 |
| United States | 477 |
| United Arab Emirates | 5 |
| United Kingdom | 40 |

Source: William Blair, as of December 31, 2023.

**Sustainability Considerations**

As environmental and social issues are becoming more prominent areas of focus for our clients and shareholders more broadly, we believe that it is important to periodically review our proxy voting policy for alignment with our clients' objectives, along with our assessment of corporate risk and opportunities. In October 2018, WBIM worked in tandem with ISS to adopt proxy voting guidelines that are focused on financial returns and are consistent with the objectives of sustainability-minded investors. Sustainability-minded investors are concerned with economic returns and with ESG principles that could materially affect future financial outcomes.

Corporate governance and the treatment of minority investors are significant to us. Our investment process takes into consideration issues that may affect stakeholders prior to our investing in a particular company. If we are not satisfied that the entity has placed relevant stakeholders' interests foremost in its thinking regarding its capital allocation and business practice decisions, then we will not invest.

Client-directed proxy preferences are reviewed by WBIM to determine if voting requirements are addressed appropriately via the default sustainability voting policy. If required, WBIM and ISS will also review the client guidelines to assess if another available ISS proxy policy will accommodate a client's voting mandate. Working with ISS, William Blair Investment Management also has the ability to create a custom proxy policy if required.

## Examples of Sustainability Voting

In addition to viewing our proxy policy, provided below are sustainability-oriented voting examples that occurred in 2023:

**Westlake Corporation – 5/11/2023**
Proposal 7: Strengthen 2030 GHG Reduction Targets and Adopt Long-term Targets Aligned with Net Zero

In accordance with our sustainability voting policy, we voted in favor of the shareholder resolution at Westlake Corporation to strengthen its 2030 greenhouse gas reduction targets and establish long-term targets to align business activities with net zero emissions by 2050 in line with the Paris Agreement.

While the company argues that as a provider of inputs it has less control and is less impacted by risks related to climate change, its customers' exposure to climate and energy regulations could still impact demand for its products. Furthermore, the proposal offers management flexibility in how it sets targets. Given these considerations, we believe shareholders would benefit from the company strengthening its efforts and increasing its disclosures.

**Microsoft Corporation – 12/7/2023**
Proposal 13: Report on Risks Related to AI Generated Misinformation and Disinformation

In accordance with our sustainability voting policy, we voted in favor of the shareholder resolution at Microsoft Corporation to publish a report assessing the risks to the company's operations and finances presented by AI.

The requested report would be beneficial to shareholders, as increased disclosure and greater transparency on the risks of disinformation and misinformation would help shareholders in understanding and assessing how the company is managing such risks.

## Fixed-Income Responsibilities

### Approach to Seeking Amendments to Terms and Conditions in Indentures or Contracts

TThe actual contractual terms of bonds are set at the stage of initial issuance and/or when they are restructured. Issuers invite bond holders to vote via a consent solicitation. This allows us to express our support for the proposed changes in the underlying terms and conditions of a bond. This is often an opportunity to engage with the issuer on key issues.

The emerging markets debt team participates in the issuance of securities on the primary market and on occasion in the restructuring process for new securities, whereby we provide input on the proposed terms and conditions. Where we have issues with the proposed wording and/or terms and conditions, we would provide feedback through the lead arrangers (investment banks). This includes, but is not limited to, the governing performance criteria on an array of policy issues. More broadly, in restructuring processes there is a common interest between creditors and the issuer for the restructuring process to be supported by a credible policy framework. These events offer a unique opportunity for fixed-income investors to engage with policy makers, international finance institutions, and other stakeholders on the policies that are likely to support the credibility of the restructuring process.

### Approach to Seeking Access to Information Provided in Trust Deeds

We would ask the bank that underwrote the deal for these details. These details become more relevant the higher the credit risk.

### Approach to Impairment Rights

With respect to possible haircuts in a restructuring process, this is negotiated via financial advisors. The issuer and creditors have an interest in ensuring strong governance.

### Approach to Reviewing Prospectus and Transaction Documents

The prospectus and transaction documents are reviewed during the primary issuance process as the investment team is considering its participation in a new deal. The prospectus is also reviewed for purchases of securities in the secondary market. We use the information memorandum to assess the governing law, the potential inclusion of collective action clauses, use of proceeds, fundamental economic conditions, and risk factors.

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