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

\(^1\)As of December 31, 2021, Ariel’s assets under management include $0.87 billion from Ariel Alternatives, a private equity subsidiary of Ariel Investments.
1. Introduction
The Road to Progress

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

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

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

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

Highlights of our efforts include:

- **ESG Integration:** As part of our bottom-up fundamental research process, our investment teams assign a proprietary ESG-risk rating to individual companies. In 2021, we formally expanded ESG integration to all our assets under management.

- **Active Ownership:** We have a deep history of engaging management teams to drive shareholder value over time. In 2021, we recorded 319 engagements and interactions with our portfolio companies on specific ESG issues. Since our inception, over 55 Domestic portfolio companies have added diverse directors as a result of our questions and encouragement.

- **Driving the Conversation:** We are in active dialogue with the broader ESG community to encourage greater adoption of best practices among investors, corporations, policymakers and regulators.

- **Living Our Values:** We hold our firm to the same high standards expected of our portfolio companies. As part of our community efforts, we continue to work to create unique opportunities to expose young people to financial concepts and careers in the investment industry through the Ariel Community Academy and the John W. Rogers, Jr. Scholars program at the University of Chicago.

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

We appreciate your consideration and support.

Sincerely,

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

Mellody Hobson
President and Co-CEO Ariel Investments, LLC
<table>
<thead>
<tr>
<th>Key ESG Activities in 2021</th>
<th>319</th>
<th>71</th>
<th>374</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagements and interactions with portfolio companies on financially material ESG issues</td>
<td>Interactions with portfolio companies on GHG emissions and targets</td>
<td>ESG research reports and write-ups</td>
<td></td>
</tr>
<tr>
<td>56 Portfolio company signatories to the CEO Action for Diversity &amp; Inclusion pledge since 2017</td>
<td>55+ Portfolio companies added diverse directors following engagement with Ariel since inception</td>
<td>151 Fortune 500 board members virtually attended the 19th Black Corporate Directors Conference</td>
<td></td>
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<tr>
<td>48 Graduates of the Ariel Community Academy, which offers an innovative savings and investment curriculum to Black elementary school students</td>
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Our Road to Progress

1983
- Founded as the first African American-owned investment management firm in the United States
- Adopted negative screen on South Africa to end Apartheid
- Partnered with the Calvert Group to distribute our flagship Ariel Fund

1986
- Incorporated environmental research and due diligence into equity research process
- Adopted negative screens on weapons

1989
- Joined the Forum for Sustainable and Responsible Investment (US SIF)

1990
- Established Responsible Investment Policy including environmental and social considerations
- Adopted negative screen on tobacco companies for Domestic Strategies
- Founded the Ariel Community Academy

1996
- Recorded first portfolio company appointing a diverse director following Ariel’s engagement

1997
- Signed the United Nations Principles for Responsible Investment (PRI)

2002
- Incorporated environmental and social considerations in proxy voting guidelines

2011
- Launched International & Global Strategies

2016
- Launched the John W. Rogers, Jr. Scholars internship program at the University of Chicago
- Appointed Director of ESG investing
- Developed proprietary ESG risk rating

2018
- Expanded designated team of ESG professionals across our Domestic and Global research teams

2019
- Signed the United Nations Principles for Responsible Investment (PRI)

2020
- Expanded ESG integration across all portfolios

2021
- Launched Ariel Alternatives
- Schwab Ariel ESG ETF began trading
Tracking Our Progress

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

In addition to extending and deepening ESG integration coverage across existing portfolios, we expanded our capabilities through innovative new strategies. Last year, we partnered with Charles Schwab to launch the Schwab Ariel ESG ETF1 (NYSE: SAEF). This new vehicle represents Schwab’s first ESG fund, first active exchange-traded fund (ETF) as well as the first ETF sub-advised by Ariel.

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

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

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

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

How can companies improve their ESG performance?

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

— Mellody Hobson
Co-CEO & President
II. ESG Integration
Our Philosophy

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Level of ESG Risk Rating</th>
<th>Description</th>
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<tbody>
<tr>
<td>High</td>
<td>Viewed as materially unfavorable to the median company</td>
</tr>
<tr>
<td>Elevated</td>
<td>Viewed as unfavorable to the median company</td>
</tr>
<tr>
<td>Moderate</td>
<td>Base level of risk and thus no further adjustment to the discount rate</td>
</tr>
<tr>
<td>Low</td>
<td>Viewed as favorable to the median company</td>
</tr>
</tbody>
</table>

**Why ESG Matters**

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

— John W. Rogers, Jr.
Chairman, Co-CEO & Chief Investment Officer
Our Approach to Data

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

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

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

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

ESG Analysis Enhances Our Domestic Research Effort

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

— Tim Fidler
Executive Vice President, Director of Research, Portfolio Manager

Materiality

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

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

Sample Industry Materiality Perspective
Spotlight on Climate Risk

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

Insurance Industry

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

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

Across Other Industries

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

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

Fund-Level ESG Characteristics

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

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

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

Carbon Risk Assessment vs. Benchmark

![Carbon Risk Assessment vs. Benchmark](image-url)

Notes on Methodology:

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

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

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

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

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

Promoting a Culture of Ethics & Compliance

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

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

Active Ownership
Our Engagement Strategy

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

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

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

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

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

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

Engaging with Small- and Mid-Cap Companies

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

— John Oxtoby
Senior Vice President, Director of ESG Investing
Engaging in Our Domestic Investment Portfolio

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

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

Management Teams Seek Input Too

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

— Kenneth Kuhrt
Executive Vice President, Portfolio Manager
Spotlight on Vail Resorts, Inc.

Social – Diversity, Equity & Inclusion

Background

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

Approach

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

Results

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

Spotlight on ADT Inc.

Environmental – GHG Emissions

Background

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

Approach

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

Results

In December 2021, ADT committed to formally join CEVA in support of its fleet electrification goals and a broader strategy to reduce GHG emissions. In addition, ADT committed to launching a pilot program with Ford F-150 Lightning Electric Trucks beginning in 2022. We will continue to look for opportunities to partner with the ADT management team on critical ESG issues.
We believe our reputation as long-term global investors provides us with a strategic advantage and opportunity to engage on all topics relevant and material to our investment decision process—including ESG. Various legal and regulatory challenges in foreign jurisdictions may lead the Global team to take a different approach to board and leadership diversity than the Domestic team.

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

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

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

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

Engaging in Our Global Investment Portfolio

194

Total Engagements & Interactions
Spotlight on Ahold Delhaize

Social – Customer Welfare & Diversity, Equity & Inclusion

Background

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

Approach

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

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

Results

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

Spotlight on Michelin

Environmental – Climate Transition

Background

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

Approach

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

Results

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

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

- Our Domestic team does not rely on ISS’s proxy voting recommendations to make proxy voting decisions. However, they may defer to ISS’s proxy voting recommendations with respect to certain proxies subject to a conflict of interest.

- Our Global team generally votes in accordance with ISS’s recommendations. However, they periodically obtain outside research for specific proxies to determine whether to vote in-line with ISS.

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

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

Notes on Methodology:

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

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Total Shareholder Proposals*

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<th>Shareholder Proposal Voting</th>
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<tr>
<td>Abstain</td>
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<tr>
<td>Do Not Vote</td>
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*This figure represents the total number of shareholder proposals for portfolio companies across Ariel’s Domestic and Global strategies during the 2021 proxy season. Proxy voting data is derived from ISS voting records and ESG categories are reported according to ISS guidelines.
Spotlight on Johnson & Johnson

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

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

Vote
FOR

Spotlight on The Goldman Sachs Group, Inc.

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

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

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

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

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

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

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

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

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

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

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

We supported the Illinois State Treasurer’s Russell 3000 Board Diversity Disclosure Initiative. Launched in October 2020, the initiative includes 26 investor organizations representing over $3 trillion in assets under management and advisement. In 2021, we co-signed letters asking all companies within the Russell 3000 Index to disclose the makeup of their boards — inclusive of gender, race and ethnicity.
CEO ACTION FOR DIVERSITY & INCLUSION
We are a member of CEO Action for Diversity & Inclusion - a collective action pledge aimed to rally the business community to advance Diversity, Equity & Inclusion within the workplace.

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

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

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

NYU STERN CENTER FOR BUSINESS AND HUMAN RIGHTS
John W. Rogers, Jr. serves on the Advisory Council of the Center for Business and Human Rights. Our broader team is actively involved on the Advisory Council of the Center for Business and Human Rights. The Center conducts research on current challenges at the intersection of business and human rights.
Our 2021 Strategic Partnerships

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

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

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)
We support TCFD-developed standards, a set of voluntary, consistent disclosure recommendations for companies seeking to disclose information on climate-related financial risks to investors, lenders and insurance underwriters about their climate-related financial risks.

THIRTY PERCENT COALITION
Ariel is a member of the Thirty Percent Coalition. The Thirty Percent Coalition is a national investor coalition advocating for increased diversity on boards of public and private companies.
Our Perspectives on Key ESG Topics

- John W. Rogers, Jr. co-authored an article in the PwC publication, strategy + business, with Wharton Professor Stephanie Creary on how directors can advance racial justice. John and Professor Creary recommend the following strategies:
  - Recruit board directors with a track record of supporting and improving racial justice.
  - Include the company’s racial justice agenda in board meetings and actively solicit input from directors of different racial backgrounds.
  - Hold corporate leaders accountable for setting goals and making progress toward racial justice.


- John Oxtoby served as a Reviewing Partner for a jointly published white paper titled: “Amplifying the “S” in ESG,” in partnership with the United Nations Principles for Responsible Investment (PRI), Refinitiv, RFK Human Rights and the Thomson Reuters Foundation. The paper explores how better integration of social indicators can help investors identify more resilient and successful investment opportunities.

- John Oxtoby co-authored a white paper titled: “Narrowing the Gap: Why long-term investors and corporate leaders should view addressing economic inequality and improving diversity as critical forms of risk management.”

Our 2021 Public Policy Engagement

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

March 2021

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

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

June 2021

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

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

December 2021

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

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

Meetings held with Congressional and Administration officials

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

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

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

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

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

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

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

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

Inaugural Black Corporate Directors Study

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

While 90% of respondents say their boards are more racially diverse now than five years ago, representation is not enough.

- More than a third say that their company leadership is out of touch with the actual experiences of their diverse employees. 37%
- Almost half say their board does not prepare organizational leaders for effective oversight of DEI through a structured process. 45%
The “Three Ps”: People, Purchasing & Philanthropy

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

### People

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

**People Actions:**
- Measure workforce diversity data at all levels and set targets.
- Break out diversity metrics by race and ethnicity.
- Adopt and go beyond the “Rooney Rule,” requiring more than one diverse candidate be interviewed for open senior positions and/or board seats.
- Measure employee participation in 401(k) plans and address racial disparities.

### Purchasing

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

**Purchasing Actions:**
- Measure all spending by specific category including professional services and replace the term “supplier diversity” with “business diversity.”
- Track the diversity of executives employed by vendors and professional service firms and require companies to make quantifiable progress.
- Recognize minority-owned businesses need “access to customers” in addition to “access to capital.”

### Philanthropy

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

**Philanthropy Actions:**
- Measure corporate philanthropy to ensure that civil rights organizations and other organizations serving communities of color benefit, in addition to arts and cultural institutions.
- Ensure that corporations are building long-standing, multi-year philanthropic relationships with organizations.
- Encourage executives to employ the “Three Ps” on the civic and nonprofit boards on which they serve.
Black History Month Podcast Series

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

Black Investor Survey

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

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

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

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

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

— Mellody Hobson  
Co-CEO & President

Episode 1

Philanthropy: The truth about manager diversity at foundations and endowments

Episode 2

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

Episode 3

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

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

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

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

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

Striving to Lead by Example

<table>
<thead>
<tr>
<th>Company Board of Directors</th>
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<tbody>
<tr>
<td>Female</td>
<td>50%</td>
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<td>African American</td>
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<tr>
<th>Mutual Fund Board of Trustees</th>
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<tbody>
<tr>
<td>Female</td>
<td>25%</td>
</tr>
<tr>
<td>African American</td>
<td>63%</td>
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</table>
Our Purchasing

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

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

Our Philanthropy

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

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

Our Green Team

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

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

Financial Service Pipeline Initiative

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

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

John W. Rogers, Jr. serves as a co-chair of the CEO Leadership Counsel initiatives.
## The Ariel Community Academy

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

## The Ariel Investment Program

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

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

### In June 2021:

<table>
<thead>
<tr>
<th><strong>48</strong></th>
<th>Students graduated from ACA</th>
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<tbody>
<tr>
<td><strong>25</strong></td>
<td>Graduates received cash distributions for their share of proceeds from the Ariel Investment Program (AIP)</td>
</tr>
<tr>
<td>~<strong>50%</strong></td>
<td>Of the Class of 2021 elected to open a 529 College Savings account and receive a $500 match from Ariel Investments</td>
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</table>
FUTURES: Financially Literate Kids for a Financially Literate Society


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

The John W. Rogers, Jr. Internship Program

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

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

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

The Ariel Investments Internship Program

In keeping with our firm belief that Diversity, Equity & Inclusion efforts ought to be intentional, our own interns are diverse – in terms of both their backgrounds and their skillsets. Every summer our interns play an active role in our portfolio company engagement process analyzing companies’ disclosures, synthesizing their research, and developing questions. They join our engagement meetings and help facilitate discussions. The interns help refresh our database and prepare presentations for the research team on key ESG issues of their choice.
VI. Appendix
Ariel's ESG research is conducted by designated ESG specialists and investment analysts. We have five designated ESG specialists supporting our efforts to integrate environmental, social and governance factors within our investment analysis. We also have 18 professionals across our investment teams who have responsibility for ESG integration and/or engagement activities. We conduct regular ESG trainings across our Domestic and Global research teams.

Domestic Research

JOHN T. OXTOBY
Senior Vice President, Director of ESG Investing

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

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

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

MEAGAN TENETY
Senior ESG Analyst

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

CONNER CHAPMAN
ESG Research Associate

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

**Rupal J. Bhansali**
Chief Investment Officer and Portfolio Manager, Global Equities
Co-Portfolio Manager, Ariel Global Concentrated

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

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

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

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

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

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

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

Fluent in several Indian languages including Hindi, Micky earned a Bachelor of Commerce in accounting and finance from the University of Mumbai and an MBA in finance and investments from the Zicklin School of Business at Baruch College.
<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Role</th>
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<tbody>
<tr>
<td>Martijn Cremers, PhD</td>
<td>Dean of the Mendoza College of Business University of Notre Dame</td>
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<tr>
<td>Arne Duncan</td>
<td>Managing Partner Emerson Collective</td>
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<tr>
<td>Valerie Jarrett</td>
<td>Chief Executive Officer Barack Obama Foundation</td>
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<tr>
<td>Fazal Merchant</td>
<td>Former Co-CEO Tanium Inc.</td>
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<tr>
<td>Anthony D. Romero</td>
<td>Executive Director American Civil Liberties Union</td>
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<tr>
<td>Judy Smith</td>
<td>Founder &amp; President Smith &amp; Company</td>
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<tr>
<td>Heather Tookes, PhD</td>
<td>Professor of Finance Yale School of Management</td>
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<tr>
<td>Paula Wolff, PhD</td>
<td>Director Illinois Justice Project</td>
</tr>
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</table>

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

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

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

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

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

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

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

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

*John W. Rogers, Jr. and Mellody Hobson serve as non-independent Directors of the Board.*
<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Company/Position</th>
<th>Bio</th>
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<tbody>
<tr>
<td>William C. Dietrich</td>
<td>Lead Independent Trustee &amp; Retired Executive Director, Shalem Institute for Spiritual Formation</td>
<td>Bill is a former Certified Public Accountant and corporate Chief Financial Officer. He is currently an adjunct faculty member for the Shalem Institute for Spiritual Formation, Inc., an ecumenical institute offering programs in spiritual leadership and growth for both clergy and lay people. He is also co-director of Companionsing the Dying, Inc, a non-profit organization offering programs and support for hospice and other end-of-life caregivers in the Mid-Atlantic region.</td>
</tr>
<tr>
<td>Eric H. Holder, Jr.</td>
<td>Senior Counsel, Covington &amp; Burling LLP</td>
<td>Eric Holder is an internationally recognized leader across a broad range of regulatory enforcement, criminal justice, and national security issues. He served as U.S. Attorney General from February 2009 to April 2015, the third longest serving AG in U.S. history and the first African American to hold the office. Currently, he serves as Senior Counsel at Covington &amp; Burling LLP, where he advises clients on complex investigations and litigation matters.</td>
</tr>
<tr>
<td>Christopher G. Kennedy</td>
<td>Chairman, Joseph P. Kennedy Enterprises, Inc.</td>
<td>Chris is chairman of the Board of Trustees for Joseph P. Kennedy Enterprises, Inc. He is also founder and chairman of Top Box Foods. Chris serves on the Board of Interface, Inc., where he chairs the Nominating and Governance Committee. Additionally, Chris is treasurer of the Joseph P. Kennedy Jr. Foundation and is trustee for the Marine Biological Laboratory.</td>
</tr>
<tr>
<td>Kim Y. Lew, CFA*</td>
<td>President &amp; CEO, Columbia Investment Management Co</td>
<td>Kim is President and CEO of Columbia Investment Management Company, which manages the endowment of Columbia University in New York. She joined Columbia from the Carnegie Corporation of New York, one of the oldest private grant-making foundations, where she served as its CIO. Prior to Carnegie, Kim worked at the Ford Foundation for 13 years in key research and investment roles in both public and private equity markets.</td>
</tr>
<tr>
<td>Stephen C. Mills</td>
<td>Former President, New York Knicks</td>
<td>Steve is currently on the Board of Directors of Madison Square Garden Sports Corp. and was the former President of the New York Knicks. Previously, he also served as president and chief operating officer of MSG Sports of Madison Square Garden, L.P. In this capacity, he oversaw the business operations of three professional sports teams — the Knicks, Rangers, and Liberty, as well as all other sports-related activities of the Garden.</td>
</tr>
<tr>
<td>James M. Williams</td>
<td>Vice President &amp; Chief Investment Officer, J. Paul Getty Trust</td>
<td>Jim serves as vice president and CIO of the J. Paul Getty Trust, he is responsible for the endowment which underwrites the Trust’s art museum, acquisitions, grants, and art conservation activities. Previously, he served as president of Harbor Capital Advisors and the Harbor Mutual Funds. He also spent nearly thirty years with Ford Motor Company, most recently managing the company’s pension plan.</td>
</tr>
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*John W. Rogers, Jr. and Mellody Hobson serve as interested trustees of the Mutual Fund Board.
### Sustainable Accounting Standards Board (SASB) Index

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<td>Quantitative</td>
<td>Number, Percentage (%)</td>
<td>FN-AC-270a.1</td>
<td>Ariel Investments does not disclose this metric.</td>
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<td>Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customer</td>
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<td>Reporting Currency</td>
<td>FN-AC-270a.2</td>
<td>Ariel Investments does not disclose this metric.</td>
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<td></td>
<td>Description of approach to informing customers about products and services</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
<td>FN-AC-270a.3</td>
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<td>Employee Diversity, Equity &amp; Inclusion</td>
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<td>Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening</td>
<td>Quantitative</td>
<td>Reporting Currency</td>
<td>FN-AC-410a.1</td>
<td>(1) 100%</td>
</tr>
<tr>
<td></td>
<td>Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
<td>FN-AC-410a.2</td>
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<td>Description of proxy voting and investee engagement policies and procedures</td>
<td>Discussion &amp; Analysis</td>
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<td>Business Ethics</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations</td>
<td>Quantitative</td>
<td>Reporting Currency</td>
<td>FN-AC-510a.1</td>
<td>Ariel Investments does not disclose this metric.</td>
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<tr>
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<td>Description of whistleblower policies and procedures</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
<td>FN-AC-510a.2</td>
<td>Ariel Investments does not disclose this information</td>
</tr>
</tbody>
</table>
### Activity Metric

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

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

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

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