



Environmental, Social & Governance

ANNUAL REPORT 2020

Slow and steady wins the race.

ARIEL
INVESTMENTS

Ariel Investments, LLC is a global value-based asset management firm founded in 1983. The firm is headquartered in Chicago, with offices in New York City, San Francisco and Sydney. As of January 31, 2021, Ariel's firm-wide assets under management totaled approximately \$15 billion. The firm serves individual and institutional investors through five no-load mutual funds and 11 separate account strategies.

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Welcome to the inaugural, annual Ariel Investments Environmental, Social & Governance (ESG) Report. In these pages, we outline our disciplined approach to ESG integration, portfolio engagement and thought leadership. We also demonstrate how we hold our firm to the same high standards that we expect from our portfolio companies.

2020 tested us as a society. The Australian and U.S. wildfires emboldened us to focus on preserving our planet and shined a light on investor risks and opportunities related to climate change. The Black Lives Matter movement reignited a centuries-old dialogue around racial inequality and highlighted the need for urgent action. The COVID-19 pandemic reminded us of the fragility of balance sheets, the vulnerability of our communities and the heightened importance of business resiliency. Now more than ever, high-quality, 21st century management teams must think holistically about designing their operating environments around critical E, S and G issues.

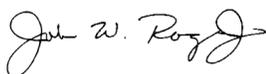
While approaches to ESG, and even the terminology, have evolved in recent years, ESG has influenced how Ariel invests and engages since our founding 38 years ago. With the support of three ESG professionals on our Domestic Research team, we practice a consistent and focused approach to ESG with the objective of enhancing long-term returns for our clients. Our tailored approach recognizes ESG issues as material to business outcomes and views management teams as collaborative partners in strengthening ESG performance. Rather than rely on third-party ratings, we leverage the expertise of our industry analysts and ESG specialists to generate independent, decision-useful ESG insights. Highlights of our efforts include:

- **ESG Integration:** For each holding in our traditional value portfolios, we assign a proprietary ESG risk rating and factor it into the discount rates used by our financial analysts to model long-term enterprise value. In 2020, we expanded our proprietary ESG data platform, which now includes over 160 data points sourced from public, third-party and proprietary research.
- **Active Ownership:** We have a long history of engaging management teams to drive shareholder value on material ESG risks and opportunities. We have tracked over 50 historical examples where we successfully encouraged portfolio companies to add diverse directors to their boards. In 2020, we recorded more than 130 ESG-focused engagements and we expanded our ESG proxy voting policy to vote against the nominating and governance chair of boards of directors lacking female and minority representation.
- **Driving the Conversation:** We actively engage with the ESG community to encourage greater adoption of ESG best practices among investors, corporations, and public policymakers and regulators. In 2020, we took advantage of several opportunities to voice our distinct perspective in the public policy and regulatory sphere, including public testimony before the U.S. House Committee on Financial Services and the SEC Asset Management Advisory Committee.

While Ariel's "slow and steady" mantra reminds us that we are focused on the long term, there is also an urgency to our patience. We are excited to share the progress we have made in this report, but we continue to be mindful of how far we have yet to go.

Thank you for trusting us, engaging with us and challenging us. It gives us great pride to work alongside our partners to invest in the world we want to see.

Sincerely,



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



Melody Hobson
President and Co-CEO
Ariel Investments, LLC

2020 Snapshot

Key ESG Activities and Milestones



50+

Historical examples of portfolio companies adding diverse directors following Ariel engagement



80

In-depth company-level ESG reports produced



135

Engagements with portfolio companies on financially material ESG issues



22

Portfolio company CEOs committed to signing the CEO Action for Diversity & Inclusion pledge following engagement from Ariel's ESG team



150+

Black and Latinx directors (virtually) attended our 19th annual Black Corporate Directors Conference



58

Students graduated from the Ariel Community Academy

At Ariel,
diversity is
our competitive
advantage.

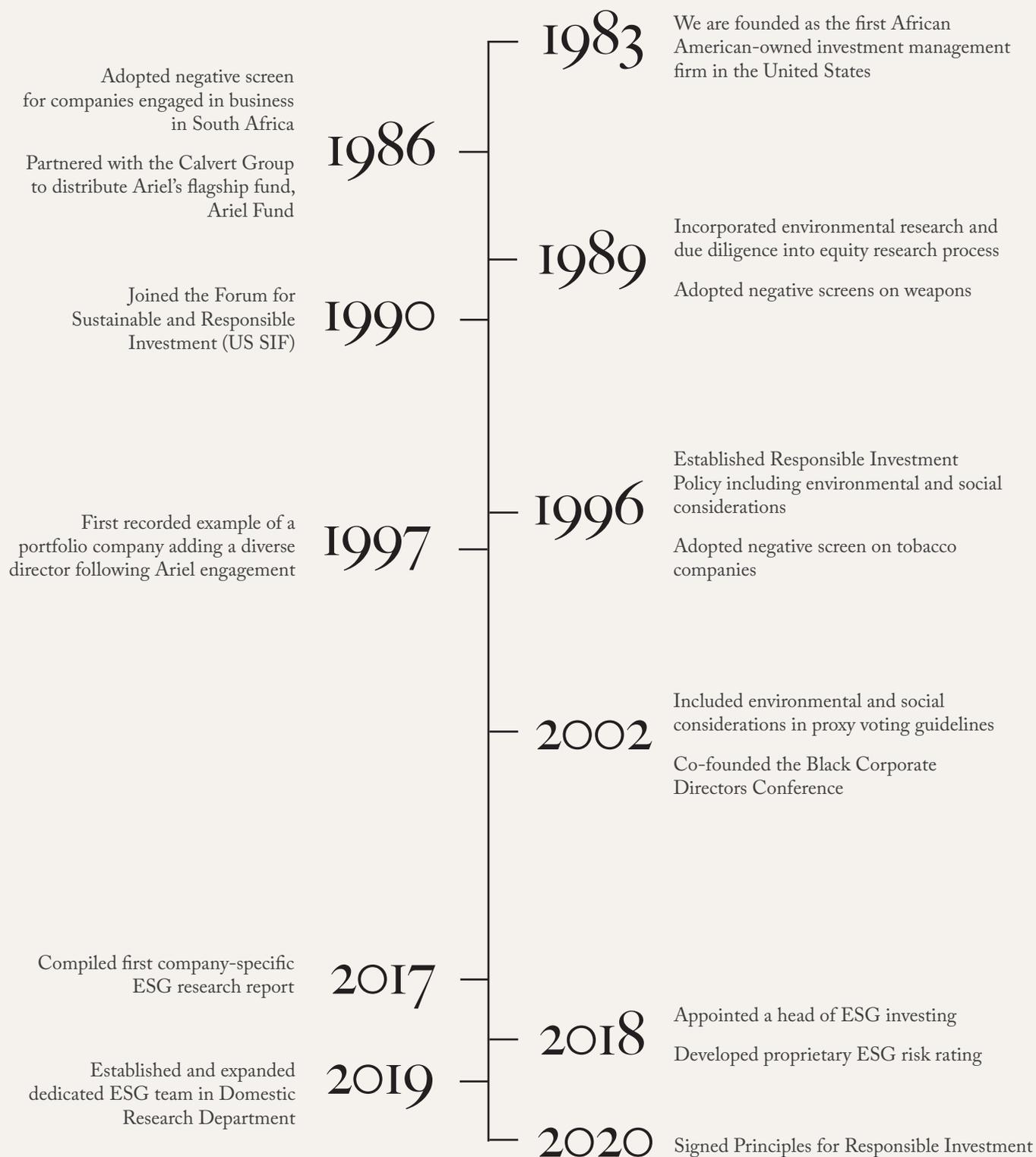
49%

Female
leadership

39%

Racially diverse
leadership

A History of ESG at Ariel



Ariel has a dedicated three-person ESG team embedded in our Domestic Research Department. The ESG team integrates and assesses environmental, social, and governance factors within our investment analysis and leads proactive engagement strategies targeting financially material ESG issues. The team comprises:



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



LEAH YABLONKA
ESG Research Analyst



CONNER CHAPMAN
ESG Research Associate

Financial analysts on the Domestic Research team systematically embed ESG considerations into their fundamental analysis and ongoing dialogue with management teams. In 2019, we included ESG criteria in the annual performance reviews of Domestic Research analysts, further solidifying the interdisciplinary nature of ESG integration at Ariel.

Our ESG team leads quarterly training sessions for the Domestic Research Department to enhance the team's capacity to address material ESG issues across the portfolio. These trainings have covered topics including climate risk, biodiversity, COVID-19 workforce wellbeing, and geopolitical risk.

ESG Integration

Our ESG analysis is grounded in financial materiality. In considering environmental, social, and governance risks, we assess financial impact to a company's value over our long-term investment horizon.

A bottom-up approach to analyzing materiality is key to producing decision-useful ESG insights for Ariel’s investment process. We understand that the same ESG issue can have different implications within and across industries. Using climate risk as an example, we explore the way our proprietary analysis provides a nuanced view of ESG risk in each portfolio company:

Climate Risk Within Industries – The insurance industry is widely considered to be exposed to physical climate risk. Ariel’s primary financial analysts collaborate with the ESG team to differentiate companies with and without significant exposure to physical climate risk based on the type of insurance products offered. For example, our analysis showed that a provider of home insurance in states with high amounts of wildfire activity has experienced, and is likely to continue experiencing significant catastrophic loss due to wildfire-related claims. On the other hand, we do not consider physical climate risk to be a material risk for an insurance company whose majority of revenues is derived from providing supplemental insurance.

Climate Risk Across Industries – As we look across our portfolio, we see varied risks relating to climate change that must be assessed on a case-by-case basis. Despite the prevalence of physical risk in insurance and other industries, depending on a company’s business model, transition risk may be an ESG issue of greater materiality. At first glance an industrial manufacturer in our portfolio did not appear subject to either physical or climate risk. Upon further analysis and discussion with the primary financial analyst, we understood that a material proportion of their revenues are derived from sales of heavy machinery to the oil and gas industry. As we expect these end markets to decline with the transition to a low-carbon economy, we engaged the company to understand how it plans to grow revenue in industries expected to withstand the climate transition.

Investment Process — ESG Inputs





Materiality Analysis

Ariel's ESG analysis is grounded in financial materiality. In considering environmental, social, and governance risks, we assess financial impact to a company's value over our long-term investment horizon. Consistent with our bottom-up equity research process, we do not employ a one-size-fits-all or industry-based approach to materiality analysis. Security-level materiality standards are foundational to our analysis.

Proprietary ESG Risk Ratings

We employ a proprietary framework to assess the quality of disclosure, degree of industry- or business model-specific risk exposure, and forward-looking proactive management for each financially material environmental, social, or governance topic. This qualitative and quantitative analysis supports the proprietary ESG Risk Rating assigned to each holding by the primary financial analyst in concert with the ESG team.

The ratings focus on potential future financial impacts of ESG-related risk factors over our long-term investment horizon and are one of several factors embedded into the discount rates used by analysts to model long-term enterprise value. This analysis also informs company-specific engagement strategies executed in partnership with the primary analyst.



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.



TIM FIDLER
*Executive Vice President,
Director of Research*

How does ESG research enhance Ariel's traditional value approach?

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. We put our ESG risk assessments on equal footing with balance sheet risk metrics to determine an appropriate discount rate to analyze a company's stream of cash flow.

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. We seek companies with management teams whom we view as actual partners and stewards of our clients' capital for long-term investment horizons. We look for the same things in our management teams and potential investments that we demand of our own employees and firm.

How do strong ESG practices bolster a company's long-term performance and create value for shareholders?

While our ESG work focuses on potential investment risks, there are demand and growth components as well. We often talk about wanting to own '21st century companies' that have grown with the changes and

gains we have achieved as a society. If you want to be a '21st century company,' your company's leadership team cannot look and act like they are from the 1960s. Customer preferences, behaviors, and demographics have evolved and companies need to track with that change to preserve their economic moats and generate sustainable, profitable growth.

Having sound ESG practices not only serves to protect and maintain a franchise, but it contributes to a competitive advantage and offers superior growth opportunities. Strong management teams recognize this dynamic, and they recruit, react, and innovate differently than they have in the past. It shows up in differentiated offerings, improved brand relevancy, and consumer loyalty.

How does Ariel bring an independent perspective to ESG analysis?

Third-party ESG data offerings can be spotty and unreliable for small- and mid-cap companies, and even inaccurate at times. Additionally, these third-party ratings can be materially inconsistent across providers and focus on aspects that may misrepresent the company. We believe that in order to consider an ESG approach truly active, you must do the work and exercise your own judgement. Using ESG as a risk factor and tilting a portfolio toward good actors and away from bad ones may satisfy some, but it misses the real *raison d'être* of the whole effort – namely, affecting change and driving impact that benefits shareholder value.

ESG Research Reports

For each holding in the portfolio, as well as select holdings from our watch list, we produce ESG reports containing decision-useful qualitative data and quantitative analysis. These ESG reports are produced annually and embedded in the full company reports distributed by primary analysts. Analysis may also be updated periodically as additional material information and data becomes available. ESG reports include information pertaining to, but not limited to:

1. Proprietary ESG Risk Rating
2. Assessments of disclosure, exposure, and management of financially material ESG issues
3. Key “E,” “S,” and “G” data points
4. Recent controversies
5. Historical engagement highlights and future engagement targets
6. 3rd party ESG ratings

ESG Data

Our ESG analysis is supported by Ariel’s proprietary ESG data platform, providing insights from 160+ data points sourced from public, third-party, and proprietary research.

The ESG team generally reviews a broad array of resources in its research process including but not limited to, company filings such as 10-Ks and proxy statements, company disclosures (i.e., sustainability reports and corporate webpages), third-party

research and/or ratings from Bloomberg, CDP, ISS, SASB, Sustainalytics, MSCI, news media reports, sell-side ESG research, and non-governmental organization (NGO) reports.

Portfolio Monitoring

Ariel’s Proprietary ESG Risk Ratings are reviewed on a quarterly basis by the Investment Committee. The ESG team also manages a portfolio-level dashboard to monitor ESG issues across the portfolios. The dashboard informs overall risk management, future research analysis, and continued learning and engagement opportunities.

Proxy Voting

We believe companies that cultivate strong diversity and inclusion practices are more likely to attract the best talent and broaden their markets in profitable new ways. A 2018 [McKinsey report](#) found that diverse teams are more likely to outperform, and as long-term investors it is our fiduciary duty to advocate for such practices. In 2020, we expanded our ESG proxy voting policy to vote against the nominating and governance chair (or equivalent) of boards of directors lacking female and minority representation.

Governance

The Ariel Investments Company Board of Directors has oversight over the firm’s ESG policy. The domestic and international investment teams present to the Board on ESG policies and practices on an annual basis. At that time, the two teams review and suggest any changes to the ESG policy for the Board’s annual approval.

Long-held Screens

Ariel’s traditional value and deep value strategies do not invest in companies whose primary source of revenue is derived from the production or sale of tobacco products or the manufacture of firearms. The portfolio managers of these strategies believe these industries may be more likely to face shrinking growth prospects, litigation costs, and legal liability that cannot be quantified.

ESG Engagement Overview

In collaboration with analysts and portfolio managers, our dedicated ESG team leads proactive engagement strategies targeting financially material ESG issues to create long-term shared value.



We have a long history of engaging management teams to examine opportunities to drive shareholder value on material ESG risks and opportunities.

Our approach to ESG engagement is grounded in principles of inclusion and improvement via direct engagement and two-way dialogue. We view management teams as business partners and seek to work together to identify solutions for positive change. The strong relationships we build, often over many years, provide valuable opportunities to interact with senior management, as well as key business unit leaders responsible for developing policies and practices on specific issues.

Typical engagement efforts include conversations with management teams, board members, and key business unit or organizational leaders on specific issues, letters on thematic ESG topics, company-tailored recommendations for diverse board members, and other forms of dialogue. As long-term shareholders, we know meaningful change does not happen overnight. We practice a patient, forward-looking approach to ESG engagement with the objective of improving financial outcomes over our long-term investment horizon.

Engagement Highlights

Since Ariel's founding in 1983, proactive ESG engagement has been ingrained in our DNA. In 2020, we engaged on wide a range of material ESG issues, including employee health and safety, diversity, climate risk, and executive compensation. However, one issue in particular, Diversity and Inclusion, emerged as mission critical for CEOs to address. The 2020 murders of George Floyd and Breonna Taylor and the resulting nationwide reckoning with systemic racism brought these issues to the forefront of national dialogue, including conversations taking place among C-suite leaders and in board rooms. Ariel served, and continues to serve, as a resource to numerous companies seeking to make meaningful impact on issues of racial justice. As longtime champions of racial economic equality, we are a consistent advocate for diversity on corporate boards and corporate management teams, and throughout corporate spend activities.

Additionally, the COVID-19 pandemic highlighted the importance of human capital management. The unprecedented nature of the pandemic and its adverse impacts across stakeholder groups prompted us to monitor the strategies employed by portfolio companies to ensure the safety and wellbeing of their employees. Some companies in our portfolio, considered essential businesses, continued to operate and adapted by introducing new sick leave policies and implementing cleaning procedures to keep employees safe. In the midst of an economic crisis, we noted other portfolio companies adopting best practices, such as expanding benefits programs, paying for testing, cash bonuses and advances, and in some instances providing wages to furloughed workers for extended periods of time. The COVID-19 pandemic serves as a significant stress test for companies, providing us with insight into the resiliency of various management teams and business models.

ESG engagement is particularly important in small- and mid-cap companies with fewer dedicated resources supporting ESG disclosure. As a result, we find that third-party ESG rating providers can misrepresent the ESG performance of our portfolio companies when they rely on assumptions or algorithms that do not reflect company metrics. We emphasize ESG disclosure frameworks that enable better long-term business strategies, such as the Taskforce on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB).

In 2020, we engaged 23 portfolio companies on improving ESG disclosure and transparency and encouraged them to consider additional disclosure efforts while balancing critical business needs.

Diversity and Inclusion

At Ariel, we believe companies that undertake proactive diversity practices are more likely to attract the best talent, draw customers to brands and businesses, and broaden their markets in profitable, new ways. In other words, diversity is a competitive advantage. Our diversity and inclusion engagements often involve speaking with management teams to share best practices we identify through research, discussion with other companies, and participation in industry forums. We strongly encourage portfolio companies to have diverse representation of backgrounds at the board level and demonstrate a commitment to transparency by disaggregating reported employee demographic and purchasing data. We also advocate for the development of diverse talent from within companies.

In 2020, we directly engaged sixteen Chief Diversity Officers in our portfolio to both share our priorities as investors and learn from their on-the-ground experience.

These conversations helped benchmark how our portfolio companies approach diversity and inclusion. We also took this time to learn from their experiences and document best practices to share across our portfolio. Among the best practices we observed were:

- Employing a data-driven approach measuring and reporting disaggregated employee data by demographic and seniority and using this data to support targeted efforts for increasing diversity over specific time periods.
 - Reversing the reporting relationship by asking business line leaders to report their performance on diversity and inclusion to the Chief Diversity Officer in quarterly executive meetings.
 - Formalizing rules for diverse slates by requiring more than one diverse candidate for consideration in the hiring process.
-

Talking to Key Decision Makers

Our strong relationships with management teams provide the Ariel Research team with valuable access to portfolio company management teams at critical times. In the 2020 economic downturn, quickly returned phone calls were critical to managing the turbulence in the marketplace. We also find ourselves with a seat at the table with key decision makers. This often includes a company's CEO, CFO, lead director, or periodically a full board of directors. In our ESG engagements, we speak directly with the leaders responsible for decisions on key topics (e.g., Chief Sustainability Officers, Chief Human Resources Officers, Chief Diversity Officers). Our reputation for approaching management teams as long-term business partners creates unique opportunities to engage companies on their strategies to improve long-term outcomes.

CEO Action

Fostering commitment to diversity and inclusion is an important part of our engagement process. In 2020, a thematic engagement across our portfolio was the CEO Action Pledge for diversity and inclusion, to which then CEO and current Co-CEO John W. Rogers, Jr. has been a signatory since 2017. CEO Action is the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. Over 1,600 CEOs are CEO Action signatories. Signatories commit to taking several tangible steps toward making their workplaces more inclusive, including supporting open dialogue on difficult diversity topics, implicit and unconscious bias training, and public communication of forward-looking diversity and inclusion plans.

In 2020, we observed nearly one third of Ariel portfolio companies were already CEO Action signatories. We then identified and engaged the remaining 47 portfolio companies on the Pledge. Our efforts included written engagement, dialogue with management teams, and direct introductions between portfolio company leaders and members of the CEO Action team.

Following our targeted engagement, 20 additional companies committed to signing the CEO Action for Diversity & Inclusion pledge.

We believe the CEO Action network and resources will help portfolio company signatories accelerate and expand existing commitments to diversity and inclusion, and send a strong signal to employees, customers, and other stakeholders about the importance of workplace culture and diversity in their organizations.

Board Diversity

[Evidence](#) shows that companies with more diverse leadership teams perform better financially.

We have tracked over 50 historical examples where we successfully encouraged portfolio companies to add diverse directors to their boards.

Our earliest recorded example of successfully encouraging the addition of a diverse director to a portfolio company board dates back to 1997. Companies often seek our insight and expansive network as they search for executives and board directors. These engagements are highly impactful, both inside and outside our portfolio.

In 2020, we sent 26 company-tailored slates of outstanding director candidates from diverse backgrounds including 68 highly qualified individuals.

Of the 26 letters, nine were sent to portfolio companies and 15 were sent to other private and public companies. In 2020, eight portfolio companies added minority directors following our ongoing engagement. Our focus on board diversity does not stop at the election of directors. Through our Black Corporate Directors Conference, we continue the conversation and support directors in their efforts to advance diversity and inclusion.

Industry Collaboration & Engagement

Ariel plays an active role in the broader ESG community to encourage greater adoption of ESG best practices among investors and corporations.

We participate in numerous investor initiatives and partnerships:



CDP (FORMERLY CARBON DISCLOSURE PROJECT)

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



CERES

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



MIDWEST INVESTOR DIVERSITY INITIATIVE (MIDI)

Ariel is a member of 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.



RFK HUMAN RIGHTS

Ariel Investments is actively involved on the Board of Directors of RFK Human Rights and the RFK Compass Investor Program. RFK Compass supports investors and assets managers to more deeply consider human rights issues in the investment process while seeking superior risk-adjusted returns.



SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

Ariel is a member of the SASB Alliance. 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)

Ariel is a supporter of the TCFD. The TCFD-developed standards are 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.

CORPORATE DIVERSITY COALITIONS:

Black Corporate Directors Conference (BCDC)

CEO Action for Diversity and Inclusion (CEO Action)

Diverse Corporate Diversity Coalition (DCDC)

2020 Highlights

CEO Action

Ariel Co-CEO John W. Rogers, Jr. joined the Governing Committee of CEO Action for Racial Equity, a fellowship opportunity for CEO Action signatories to advance racial equity through public policy. This organization's goal is to identify, develop and promote scalable and sustainable public policies and corporate engagement strategies addressing systemic racism and social injustice, and improve societal well-being. John serves on the Economic Empowerment Subcommittee where he helps shape a business diversity strategy. In addition, we leveraged the broader CEO Action platform to share best practices across the signatory network and published multiple resources: [Corporate Strategies to Tackle Economic Inequality](#), [Supporting Communities of Color Through Local Spending](#), [Advancing Corporate Diversity Through Measurement and Accountability](#). Finally, John recorded a [CEO Action podcast](#) addressing steps companies should take to build a diverse senior leadership pipeline.

RFK Human Rights

Ariel Co-CEO John W. Rogers, Jr. works closely with RFK Human Rights developing and promoting awareness of investor strategies to address economic inequality. Rogers and RFK President Kerry Kennedy published a [MarketWatch op-ed](#) shining a light on the growing racial wealth gap and the urgent need for investors to take action. The [RFK Compass Investor Action Plan](#) outlines four steps investors may consider to address inequality. John also participated in RFK virtual panels driving further awareness around this critical issue.

Thirty Percent Coalition

In 2020, Ariel partnered with the Thirty Percent Coalition advocating for gender diversity on public company boards and promoting strategies to increase board diversity. Ariel co-signed a letter to over 250 public companies with fewer than two female directors urging them to improve gender diversity on their boards. In addition, Ariel Co-CEO Melody Hobson was a featured speaker at the Thirty Percent Coalition Annual Summit discussing the importance of board diversity and how to achieve it.

Black Corporate Directors Conference

In 2002, Ariel co-founded the Black Corporate Directors Conference with Russell Reynolds to develop best practices, foster corporate diversity and inclusion, and encourage directors to promote the civil rights agenda within their respective boardrooms.



Black Corporate Directors Conference

In 2002, Ariel co-founded the Black Corporate Directors Conference with Russell Reynolds to develop best practices, foster corporate diversity and 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 and inclusion within the corporate sector.

In June 2020, Ariel co-hosted the 19th annual Black Corporate Directors Conference and first virtual convening of the BCDC community. Over 300 people attended including more than 150 Black and Latinx directors. For the first time, we encouraged directors to invite an individual from the C-suite of one of their public company boards who might benefit from the conversation. Over 65 Fortune 500 CEOs attended.

We also invited Ariel portfolio company CEOs and minority directors to participate and encouraged them to keep diversity and inclusion at the top of the agenda because we, as investors, believe it is critical to their company's long-term success.

From the Ariel portfolio, 30 directors, 14 CEOs, and 6 C-suite executives joined the BCDC discussion and call to action.

Our remarkable keynote speakers joined the virtual conference to discuss addressing racial inequalities in Black America. Speakers included Atlanta Mayor Keisha Lance Bottoms, Merck CEO Kenneth Frazier, Yale School of Management Dean Kerwin Charles, and Walmart President and CEO Doug McMillon. Finally, we engaged in open conversation with each other to chart a path forward in our individual spheres of influence.

Since the formation of the Black Corporate Directors Conference nineteen years ago, we remain steadfast in our call to action focusing on measurement of the Three Ps: People, Purchasing and Philanthropy.

WE BELIEVE A SUSTAINED FOCUS ON THIS PLAYBOOK WILL HELP MEANINGFULLY DIVERSIFY CORPORATE AMERICA.

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 401k 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 your vendors and professional services 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 lifting 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 non-profit boards on which they serve.

Advancing the Discussion

At Ariel, we have long embraced our friend John McCarter's advice: "Don't just admire the problem — figure out solutions."

At Ariel, we have long embraced our friend John McCarter’s advice: **“Don’t just admire the problem — figure out solutions.”** In addition to encouraging positive change across Ariel portfolios, we seek to improve the social and regulatory context in which our companies operate. In 2020, we were active participants in public policy and advocacy efforts:

January 7 — John W. Rogers, Jr. [testified](#) before the New Jersey Joint Committee on Economic Justice and Equal Opportunity on “tackling economic inequality through business opportunity.” John discussed the growing wealth gap in the U.S. and recommended a series of inclusive business practices for banks and financial services companies.

July 23 — John W. Rogers, Jr. [testified](#) before the U.S. House Financial Services Committee calling for policy actions supporting a stronger and more equitable recovery from COVID-19. John also shared the investor perspective for how diverse leadership teams enhance long-term business performance and recommended increased adoption of unconscious bias training.

September 5 — In partnership with the Diverse Corporate Directors Coalition (DCDC), John W. Rogers, Jr. signed a letter to California Governor Newsom encouraging him to sign [Assembly Bill 979](#), a bill designed to increase minority representation on the boards of publicly held corporations headquartered in California.

December 1 — John W. Rogers, Jr. spoke to the SEC Asset Management Advisory Committee regarding necessary improvements to diversity and inclusion in the asset management industry.

December 29 — Mellody Hobson and John W. Rogers, Jr. filed a comment [letter](#) with the SEC in support of Nasdaq’s board diversity proposal. John and Mellody point out that “diversity has increasingly become a material issue that many investors consider as fiduciaries” and argue that it is in the “best interest of shareholders to require diversity disclosures.”

In 2019, Co-CEO John W. Rogers Jr. publicly supported the passage of Illinois legislation requiring transparency in the racial and gender makeup of corporate boards of companies headquartered in Illinois. As a result, more than 75 companies disclosed board diversity data in 2020. In addition, Groupon, Mondelez, Walgreens, and others, added minority directors to their boards following the enactment of the legislation.



Academic and Thought Leadership

Our partnership with 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 Q1 2020, John Oxtoby and Leah Yablonka taught a seminar for graduate students at the Harris School focused on ESG fundamentals and the connection between ESG investing and public policy. John and Leah's seminar was subsequently offered as a course for graduate students in Winter 2021.

The ESG community is inherently collaborative, including learning and sharing best practices. At Ariel, we seek to contribute our distinct perspective on key ESG topics. In 2020, we partnered with the [Brunswick Review](#) to discuss steps corporations can take to tackle economic disparities. John W. Rogers, Jr. also co-authored an article in [strategy + business](#)

with Wharton Professor Stephanie Creary on how board directors can advance racial justice. John and Professor Creary recommend three strategies.¹

- First, they recommend recruiting board directors with a track record of supporting and improving racial justice.
- Second, they recommend including the company's racial justice agenda in board meetings and actively soliciting input from directors of different racial backgrounds.
- And third, they recommend holding corporate leaders accountable for setting goals and making progress toward racial justice.

¹Note: this article was held for a January 5, 2021 publishing date.

Living our Values

At Ariel, we often say, diversity is our competitive advantage.

Our Team and Governance

**At Ariel, we often say, diversity is our competitive advantage.
Nowhere is this better represented than amongst our firm staff and leadership:**

	GENDER		RACE				
	Female	Male	Asian	Black/ African American	Hispanic/ Latinx	White	Two or more races
Leadership (VP and Above)	49%	51%	14%	23%	2%	61%	0%
All Other Employees	62%	38%	10%	36%	10%	42%	2%

Ariel Investments - data as of 12/31/2020

Ariel's Diversity and Inclusion Committee sponsors our firm-wide diversity and inclusion mandate underscoring a commitment to diversity in our employee ranks, purchasing relationships, and philanthropic contributions. The committee facilitates a review of the firm's business diversity and hiring practices. Ariel founder, Co-CEO and CIO, John W. Rogers, Jr. meets with department heads to review spend by category and employee diversity data by department, as well as to discuss best practices for improvement. The Committee also meets with department heads on an annual basis to review our Purchasing spend broken down by diversity allocations. Each department head is responsible for ensuring diverse firms are represented on Requests for Proposals and Statement of Work.

As a minority-owned company, we take special care to attract talented minority professionals to the firm when positions become available. Reinforcing our commitment to building an inclusive workplace, Ariel held anti-harassment training for all of teammates at every level in 2020. We also revised our human capital policies to include unlimited vacation time and expanded maternity and paternity leave benefits.

Ariel is proud of its world-class Company and Mutual Fund Boards whose members provide us with strategic guidance and hold us to the highest ethical standards. We have the same expectations for high-quality governance practices across our portfolio companies. Ariel's diverse Boards of Directors are representative of the clients we serve, the people we employee, and the communities we operate in. In October 2019, the Ariel Mutual Fund Board of Directors was recognized by Illinois State Treasurer Mike Frerichs for "exemplary, top-tier mutual fund board diversity numbers, exceeding peer respondents."

**Ariel Company Board of Directors:
33% female, 50% African American**

**Ariel Mutual Fund Board of Trustees:
22% female, 66% African American**

Ariel also has an Operating Committee with governance oversight for the firm. The committee is involved in strategic planning and policy implementation and includes leaders from across the firm's departments in addition to a representative from the Board of Directors.



Green Team

In 2020, Ariel launched its Green Team to centralize sustainability initiatives across the firm. While the direct impact of Ariel's operations is modest, we take care to reduce our environmental footprint whenever feasible. The Green Team implemented two new policies in 2020 relating to responsible disposal of e-waste and minimum sustainability standards for paper procurement in our Chicago headquarters and New York office.





Community Engagement

Ariel seeks to enrich the communities where we live and work by connecting our diverse expertise, resources, and time to generate positive social impact. Diversity and inclusion, civic engagement, and financial literacy have been at the core of the firm's principles and values for over 38 years. Our work advances communities while helping us attract and retain values-based talent. The skills, expertise and passion of our employees bring tremendous value to community organizations serving people in need. We are committed to community-based initiatives that support employees in civic participation through company-sponsored and personal volunteer initiatives. Ariel encourages our employees' participation on civic boards for community-based organizations, such as LaRabida Children's Foundation, Big Shoulders Fund, Voices for Illinois Children, Gilda's Club of Chicago, and the Lupus Foundation of America, Inc.—just to name a few.

Financial and in-kind donations are also essential resources for our communities and critical to

sustaining nonprofit organizations in meeting their missions. Through corporate charitable funds and local business support, we contribute to local and national organizations that are making a meaningful impact. On average, we donate approximately \$1.7 million of Ariel revenue each year.

In Chicago, Ariel supports After School Matters, The American Red Cross of Greater Chicago, The Anti-Defamation League, and Big Brothers Big Sisters of Metropolitan Chicago, among others. Nationally, we have supported the Robert Toigo Foundation, which promotes diversity in the financial industry, and we are a founding sponsor of the Black Corporate Directors Conference. We have also created unique educational opportunities for youth in Chicago through the Ariel Education Initiative and the Ariel Community Academy. Co-CEO and founder, John W. Rogers, Jr., also endowed the John W. Rogers, Jr. Internship Program in Finance, which supports minority students at the University of Chicago who are pursuing careers in Finance.



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. The Ariel Community Academy (ACA) offers classes from Pre-kindergarten through eighth grade. Ninety-eight percent of the student body is African-American and over 98 percent of the students receive subsidized lunches. ACA is a unique corporate-family-school partnership where financial literacy is not just taught, but practiced.

In June 2020, 58 students graduated from ACA. 40 graduates received cash distributions for their share of proceeds from the [Ariel Investment Program \(AIP\)](#) and 18 graduates opened 529 college savings plans with matched contributions from Ariel.

Ariel Investment Program

In addition to the required Chicago Public Schools curriculum, ACA has also incorporated a financial education curriculum with a specialized emphasis on investing concepts. A key feature is the Ariel Investment Program (AIP), which grants each first-grade class a \$20,000 investment portfolio that follows the students until their graduation. In the early years, the \$20,000 is professionally managed by Ariel Investments. As students advance through the school's specialized financial education courses, they become actively involved in making investment decisions. Upon graduation in eighth grade, 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.

John W. Rogers, Jr. Internship Program in Finance

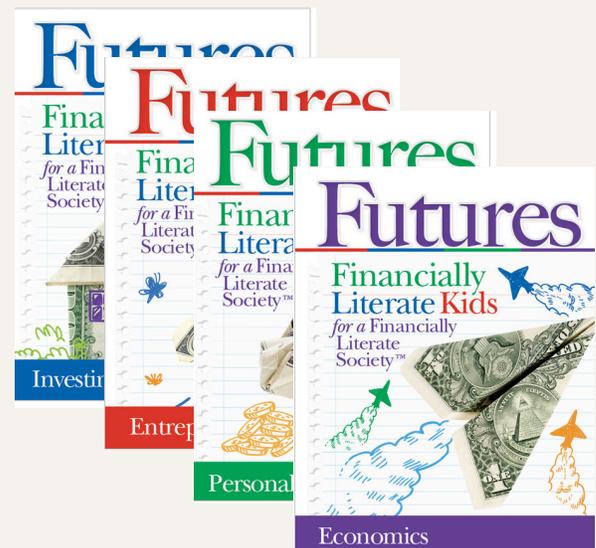
In 2017, the [John W. Rogers, Jr. Internship Program in Finance](#) (JWR) was created at the University of Chicago to connect exceptional students from underrepresented backgrounds with internship opportunities in the investment offices of [non-profit foundations and endowments](#) across the country. The goal of the program is to provide students from underrepresented backgrounds with knowledge, understanding, and experience in this important area of finance. 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. Past workshop topics include asset management, stock valuation, and interview preparation. The program has placed 64 underrepresented 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.

Ariel Investments Internship Program

Our ESG integration efforts in 2020 included onboarding this year's class of interns to take charge of important ESG projects. In keeping with our firm belief that diversity and inclusion efforts ought to be intentional, our group of interns was diverse – in terms of both their backgrounds and their skillsets. Notably, over the course of the summer the interns developed a strategy to help a hospitality company in our portfolio attract a more diverse customer base. After conducting research, holding meetings, and developing a presentation, the interns presented their findings to the company's CFO and CHRO. Our internship program is an important part of our advocacy for diversity and inclusion in finance because it allows us to give students, often from underrepresented backgrounds, the opportunity to gain valuable industry experience and to develop their professional networks by providing frequent opportunities to meet influential business leaders.

FUTURES: Financially Literate Kids for a Financially Literate Society

In 2019, Ariel released FUTURES: Financially Literate Kids for a Financially Literate Society, a free educational resource available for download at www.arieleducationinitiative.org. The FUTURES program guides students from a basic to an advanced understanding of personal finance, economics, entrepreneurship and investing concepts.



Notes

Investors should consider carefully the investment objectives, risks, and charges and expenses before investing. For a current prospectus or summary prospectus which contains this and other information about the funds offered by Ariel Investment Trust, call us at 800-292-7435 or visit our website, arielinvestments.com. Please read the prospectus or summary prospectus carefully before investing. Distributed by Ariel Distributors LLC, a whollyowned subsidiary of Ariel Investments LLC. Ariel Distributors, LLC is a member of the Securities Investor Protection Corporation.

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