

ESG Policy

May 2024

1. Objective

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

2. Governance

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

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

The Committee’s other responsibilities include:

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

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

3. ESG in the Investment Process

As part of our bottom-up fundamental research process, the Domestic and I/G investment teams assign a Proprietary ESG-risk rating (Low / Moderate / Elevated / High) for a company. The EMV investment team develops a proprietary ESG view factoring in a company’s risks and opportunities. Such assessments can be based on objective data or subjective judgment, including industry risk exposure, quality of ESG disclosure, forward-looking assessments of management performance, as well as other factors.

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

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

Each investment team maintains a customized approach to structuring ESG assessments as well as curating and integrating ESG data into their respective investment processes. In general, we view individual data points on a case-by-case basis as part of a broader mosaic approach. There may be variation among the teams' ESG risk assessments and ESG data integration (even for similar or the same companies), as the investment teams create their own ESG assessments and approach to integrating ESG data into their investment decisions.

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

4. ESG Considerations

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

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

Climate Change

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

Human Rights

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

Diversity, Equity, and Inclusion

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

Other ESG Issues

Examples of other sustainability-related issues include the following:

Environmental

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

Social

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

Governance

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

5. Exclusions

Ariel's portfolio managers are responsible for investing each client's portfolio in accordance with the client's respective investment guidelines and in accordance with regulatory restrictions communicated to them by clients and/or the legal and compliance department. While Ariel does not employ strict exclusionary practices across all strategies, our domestic strategies avoid companies whose primary (greater than 50%) source of revenue is derived from the production or sale of tobacco products, the manufacture of firearms, or the operation of for-profit prisons. The portfolio managers of these

strategies believe these industries are more likely to face shrinking growth prospects, draining litigation cost and legal liabilities that cannot be quantified. As an additional risk guideline, the Ariel Fund, Ariel Appreciation Fund, Ariel Small Cap Value, Ariel Small Cap Value Concentrated, Ariel Small/Mid Cap Value, and Ariel Mid Cap Value strategies do not initiate new positions in High ESG Risk companies according to our proprietary research process. The I/G and EMV teams consider exclusions of certain sectors or securities, for ESG or other regulatory reasons, at client request.

6. Engagement and Active Ownership

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

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

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

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

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

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

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

7. Collaboration

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

8. Reporting

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

9. Conflicts of Interest

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

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