



## ESG Integration: A More Holistic View

As an active manager whose heritage is built on rigorous, fundamental analysis, environmental, social, and governance (ESG) considerations have long informed William Blair Investment Management's investment decisions.

ESG factors are inextricably linked with our fundamental assessment of the quality of corporate management and potential for sustainable value creation.

We believe there is a link between off-balance-sheet risk factors and a company's financial performance. And we believe integrating financially material ESG factors alongside traditional financial metrics in our fundamental research provides a holistic assessment of corporate risk and opportunities that aligns with our pursuit of superior risk-adjusted returns.

### Our Approach

Because ESG analysis is integrated into our investment process, it is not new to us. But we continue to evolve, striving to be more intentional with our ESG integration. Highlights include:

- We embed ESG analysis in our existing teams: We do not have a separate ESG research team.
- We go beyond third-party ratings.
- Our investment professionals address potential ESG risks and opportunities by systematically integrating financially material ESG factors in their fundamental company research.
- This assessment is guided by a proprietary industry materiality framework.
- Building on this materiality framework, we apply a qualitative ESG ratings system, ranking companies from 1 (leader) to 5 (laggard).
- We leverage company engagement and proxy voting in pursuit of maximizing the long-term value of securities we hold in our portfolios.
- We have broadened ESG integration across our investment teams, including U.S. equity, global equity, and emerging markets debt.

### Our ESG Focus



Climate change, natural resource stewardship, pollution and waste management



Human capital management, customer well-being, supply chain management, community relations



Board composition, minority shareholder treatment, management incentives, corporate culture

## Our Commitments

### William Blair Investment Management 2021 PRI Scores

PRI Reporting Module	William Blair	Median
Investment & Stewardship Policy	★★★★★	★★★★★
Direct—Listed Equity—Active Fundamental – Incorporation	★★★★★	★★★★★
Direct—Listed Equity—Active Fundamental—Voting	★★★★★	★★★★★
Direct—Fixed Income—SSA (Sovereign, Supranational, and Agency)	★★★★★	★★★★★
Direct—Fixed Income— Corporate	★★★★★	★★★★★
Direct—Fixed Income— Securitized	★★★★★	★★★★★

Scores range from 1 star to 5 stars. Per 2021 PRI Assessment Report. [See our PRI Transparency Report](#), and review the [PRI assessment methodology](#).

- United Nations-Supported Principles for Responsible Investment (PRI) signatory since 2011
- Member of the IFRS Sustainability Alliance, Emerging Markets Investors Alliance, International Corporate Governance Network, Climate Action 100+, and the U.S. Investor Stewardship Group
- Signatory of the UK Stewardship Code, Japan Stewardship Code, and Korea Stewardship Code

## Our Results

- 95% of our global equity and U.S. growth and core equity strategies have a lower carbon footprint than their respective benchmarks as of June 30, 2022, based on MSCI's Carbon Portfolio Analytics tool.<sup>1</sup>
- 67% of our global equity and U.S. growth and core equity strategies had higher MSCI ESG quality scores than their respective benchmarks as of June 30, 2022.<sup>2</sup>
- On a firmwide level, we also focus on being good citizens:
  - Supporting the communities where we work and live has always been at the core of William Blair's culture. We invested \$3.6 million in our communities in 2021 to nearly 2,000 charities. Our employees invested \$4.6 million to the same organizations and nearly doubled our impact through the firm's employee match programs.
  - We are committed to creating a culture based on diversity and inclusion where our colleagues feel confident to be themselves and know that their voices and perspectives will be heard and valued.
  - Environmental sustainability is a priority. Ninety percent of our total square footage is LEED or BREAM-certified, including our global headquarters, which was built and designed to LEED gold standards.

<sup>1</sup> Carbon footprint based on a portfolio's carbon emissions per million dollars invested.

<sup>2</sup> MSCI ESG quality scores are calculated using the weighted average of the scores of portfolio holdings. Scores are based on MSCI ESG ratings and also consider rating trend of holdings and portfolio exposure to holdings in the laggard category. MSCI ESG ratings measure a company's exposure to industry-material ESG risks and its ability to manage those risks relative to peers.

Portfolio holdings are based on each strategy's representative account.

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## 1990 to Present

### Our Heritage

- Investment philosophies and processes naturally aligned with sustainable investing principles
- Search for quality focused on governance

### Our Commitments

- UN-PRI signatory in 2011
- Formal incorporation of ESG considerations in the research process
- External data sources and integration in our research platform Summit

### Our Evolution

- Formalized ESG oversight (director of sustainable investing)
- Developed proprietary materiality framework
- Launched proprietary ESG scores
- Expanded ongoing investment team training sessions with industry experts—example topics include climate risk, governance, and executive compensation

## ESG Case Studies



### Snack Food Manufacturer

We have engaged with management of a structurally growing snack nuts and seeds company in China to better understand their views of what ESG factors are material to their business.

The company is switching its manufacturing plants from coal to natural gas, consistent with China's broader effort to reduce its reliance on coal. Management also talks consistently about protecting its labor force by making investments in production to ensure worker compliance and safety.

Given the materiality of food safety, we requested that the company take measures to formalize supply chain oversight with policies and enforcement. We have been encouraged by management's receptivity to our feedback. These discussions are ongoing.



### Sustainable Decking

Our research analysts identified a global composite decking manufacturer as a leader in its industry based on environmental best practices. The company uses recycled materials, both wood and plastics, to create its composite decking.

That means forests do not need to be depleted so consumers can have decks. The company also estimates that in 2021 it diverted more than 1 billion pounds combined of polyethylene film from landfills and reclaimed wood for use in the production of its composite decking.

In doing so, it is a key enabler of a circular economy. Moreover, the use of recycled inputs is a key driver of Trex's cost advantage, allowing the company to offer lower-price composite decking and accelerate share gains from wood.

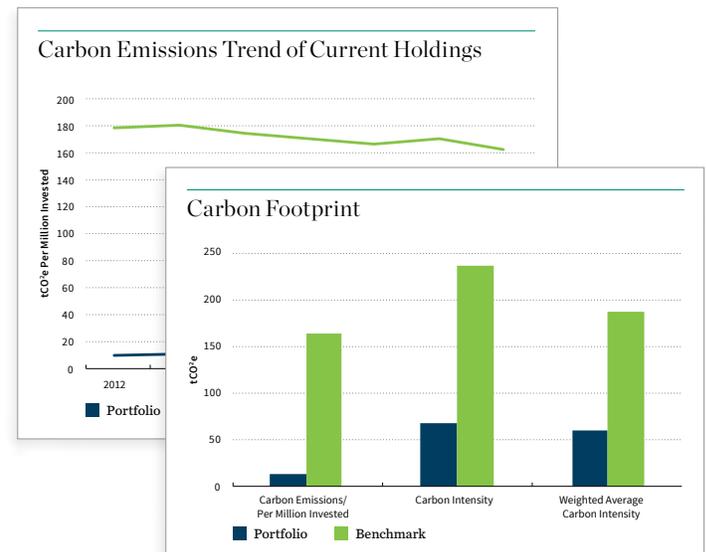
## Sample ESG Data We Collect and Report

We capture and monitor ESG ratings and company engagement activity in Summit, our research platform.

- Proprietary ESG research and ratings: company and portfolio level
- Third-party ESG ratings and data
- Company engagement activity

Here are additional ESG measures we report.

- Carbon footprint vs. portfolio benchmark
  - Carbon Emissions/Per Million Invested
  - Carbon Intensity
  - Weighted Average Carbon Intensity
- Third-party ESG ratings, portfolio vs. benchmark
- Engagement highlights
- Proxy voting activity



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Not intended to represent any particular William Blair portfolio or strategy.

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