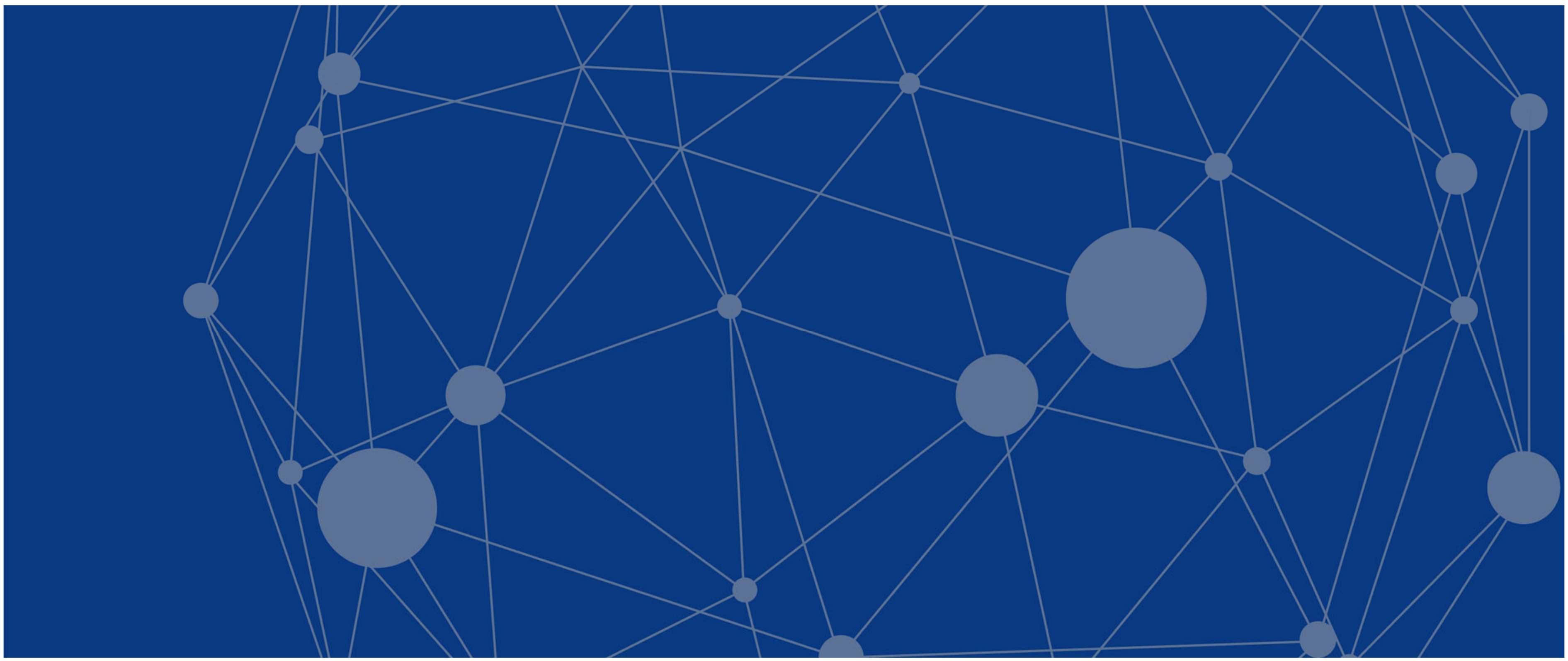
SUSTAINABLE AND IMPACT INVESTING

INSIGHTS AND PERSPECTIVES



CAMBRIDGE ASSOCIATES

2022

Introduction

The Sustainable and Impact Investing (SII) specialists at Cambridge Associates have worked closely with our clients for over 15 years to develop investment programs that integrate a broad range of strategies that include: environmental, social, and governance (ESG) considerations; impact investments; mission-related investments; positive and negative screening; program-related investments; and active ownership.

Through this work, we have both contributed to the development of sustainable and impact investing and gained deep insights into the evolution of the field. We continue to enhance our understanding of the motivations and challenges facing sustainable and impact investors, as well as associated trends in the broader investment industry.

In early 2016, we conducted our first client survey that explored current institutional thinking and practice in the mission-related and impact investing space, and we subsequently conducted surveys in 2018 and 2020. Responses provided direct insights into how investors are thinking about sustainable and impact investing. We conducted another survey in 2022 to identify changes in the field over the past two years and to understand possible future trends.

The results presented in this report are organized around three main topics:

- Investment Structure
- Implementation Strategies
- Governance and Measurement

In concert with our topical research and engagement with field-building organizations, the views and actions of practitioners as expressed in these survey results paint a more holistic picture of the SII landscape.

Highlights

OVERVIEW

- Of the 144 CA clients that responded to the 2022 survey, 93 reported engaging in sustainable and impact investing (65%)—up 4 percentage points (ppts) relative to 2020 and a significant increase of 29 ppts relative to our 2018 survey results.
- Foundation and college & university respondents have the highest rates of integration of sustainable and impact investing at 73% and 69%, respectively. Families and high-net-worth individuals were surveyed for the first time this year, and just over half (52%) are engaging in sustainable and impact investing.
- Institutions that do not engage in sustainable and impact investing mainly cited that their mission is solely addressed via programmatic/philanthropic activities or perceived negative impact on financial performance. However, over 40% of these institutions anticipate engaging in sustainable and impact investing within two years.

INVESTMENT STRUCTURE

- The ways in which responding institutions incorporate sustainable and impact investing most often include: developing an Investment Policy Statement (IPS) that integrates SII priorities, principles, and decision criteria; engaging with advisors to implement; and informing their investment managers that SII/ESG is important.
- More than half (55%) of the institutions implementing SII strategies have more than 5% of their long-term investment pool allocated to sustainable and impact investing. Over the past five years, 88% of the respondents reported they increased their allocation to sustainable and impact investing. And importantly, approximately 90% of respondents reported plans to increase their allocation to sustainable and impact investing over the next five years.

IMPLEMENTATION STRATEGIES

- Institutions continue to employ a range of strategies to achieve SII objectives, including ESG integration, impact investing, negative screening, and program-related investments. Impact investing rose significantly over the last two years, while ESG integration and shareholder engagement also slightly increased. There was a shift away from negative screening as a commonly selected strategy.
- Climate change and resource efficiency is the most common thematic focus area, followed by diverse manager investing and social and environmental equity.
- Close to two-thirds of institutions engaging in sustainable and impact investing consider social and/or environmental equity in investment decision making. An additional 17% of respondents anticipate considering these factors in the future.

OVERVIEW

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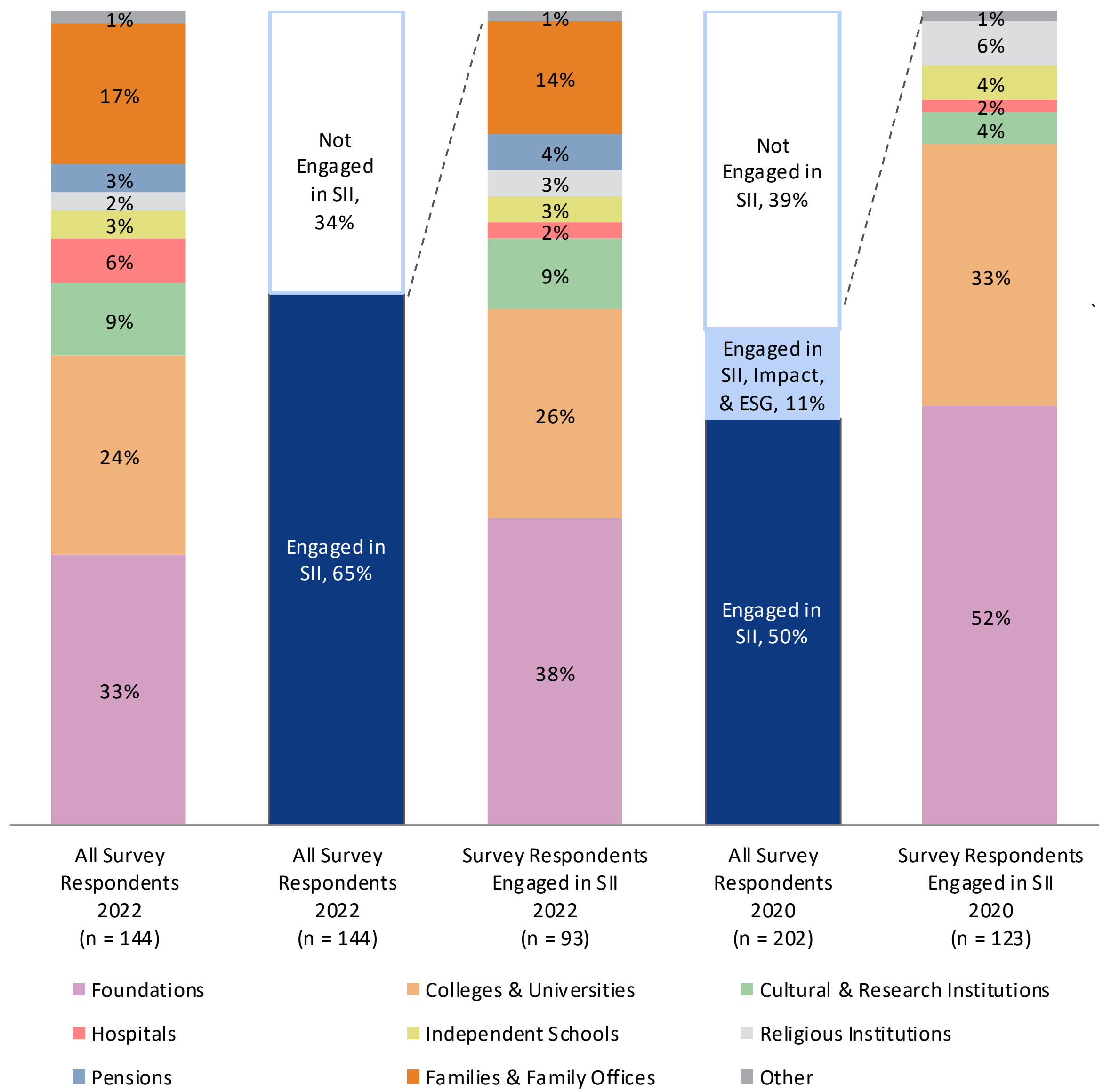
Sustainable and impact investing has experienced a 29-ppt increase (or 80% growth) over the past four years, as measured by changes in survey responses

- The 144 respondents to our 2022 SII survey represent a diverse group of institutions; however, the majority of responses came from foundations and colleges and universities. This is similar to 2020, 2018, and 2016.
  - Families and high-net-worth individuals were surveyed for the first time in 2022.
- Of the 144 respondents:
  - 86% are familiar with sustainable and impact investing, in line with 2020 respondents.
  - Nearly 65% of institutions are actively engaged in sustainable and impact investing, an increase from 2020 (61%) and almost double the response from 2018 (36%).

OVERVIEW OF SURVEY

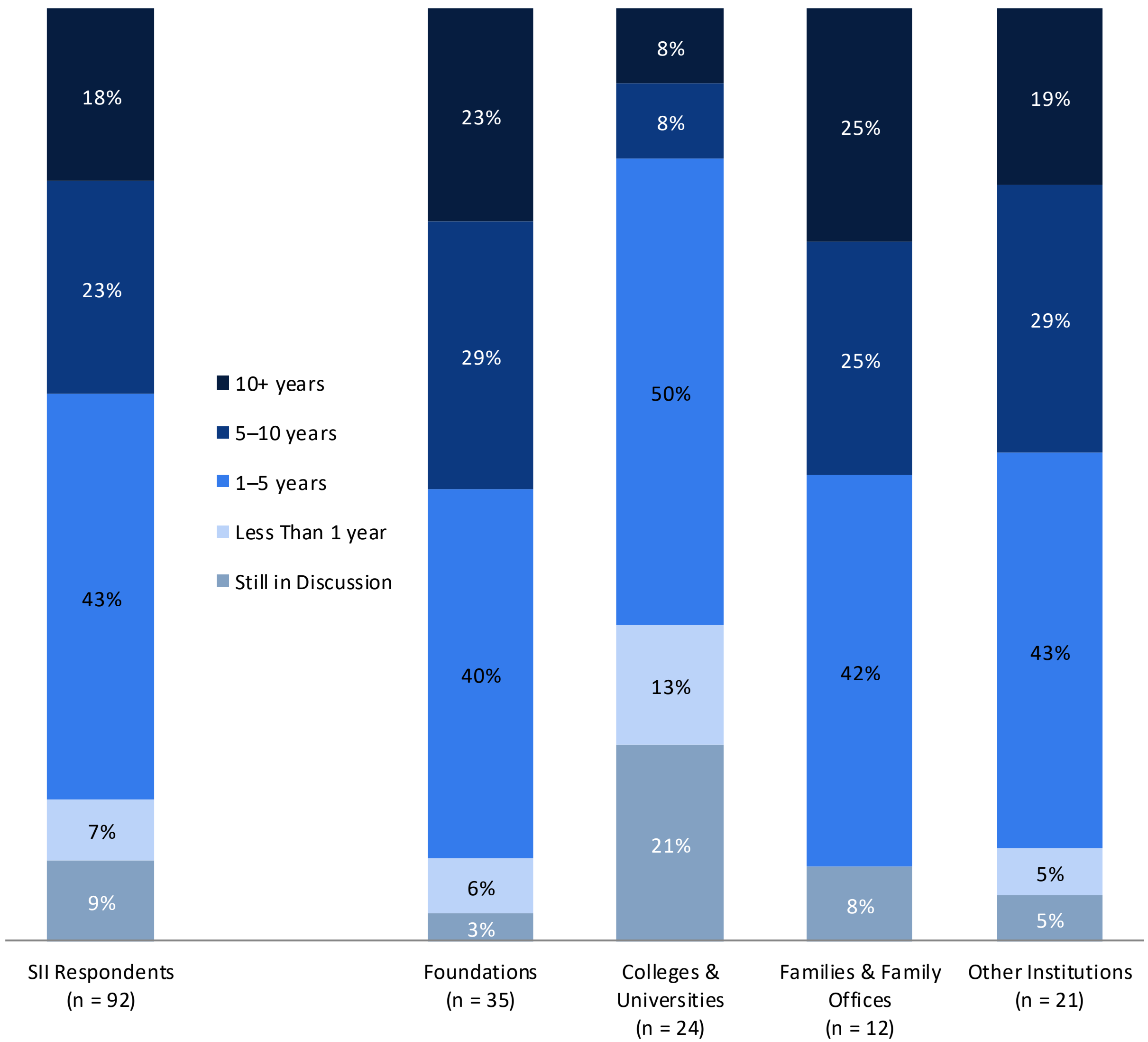


Sources: Cambridge Associates Sustainable and Impact Investing Survey 2022 and 2020.

For many respondents, sustainable and impact investing is not new, but the growth in the space is clear from the shift toward those active in the space for less than five years

- Consistent with prior years and the growing engagement in SII, most institutions making sustainable and impact investments are newer entrants to the field, joining within the last five years.
- Of the 17 institutions integrating sustainable and impact investing for greater than 10 years, a quarter has more than 50% of the portfolio SII-aligned, and over half of the group has at least 25% of the portfolio SII-aligned.
- Colleges and universities are newer entrants, with more than 83% of these institutions reporting five years or less of SII activity. However, certain schools have been implementing SII strategies for more than a decade.

GROWTH OF NEW ENTRANTS IN SUSTAINABLE AND IMPACT INVESTING

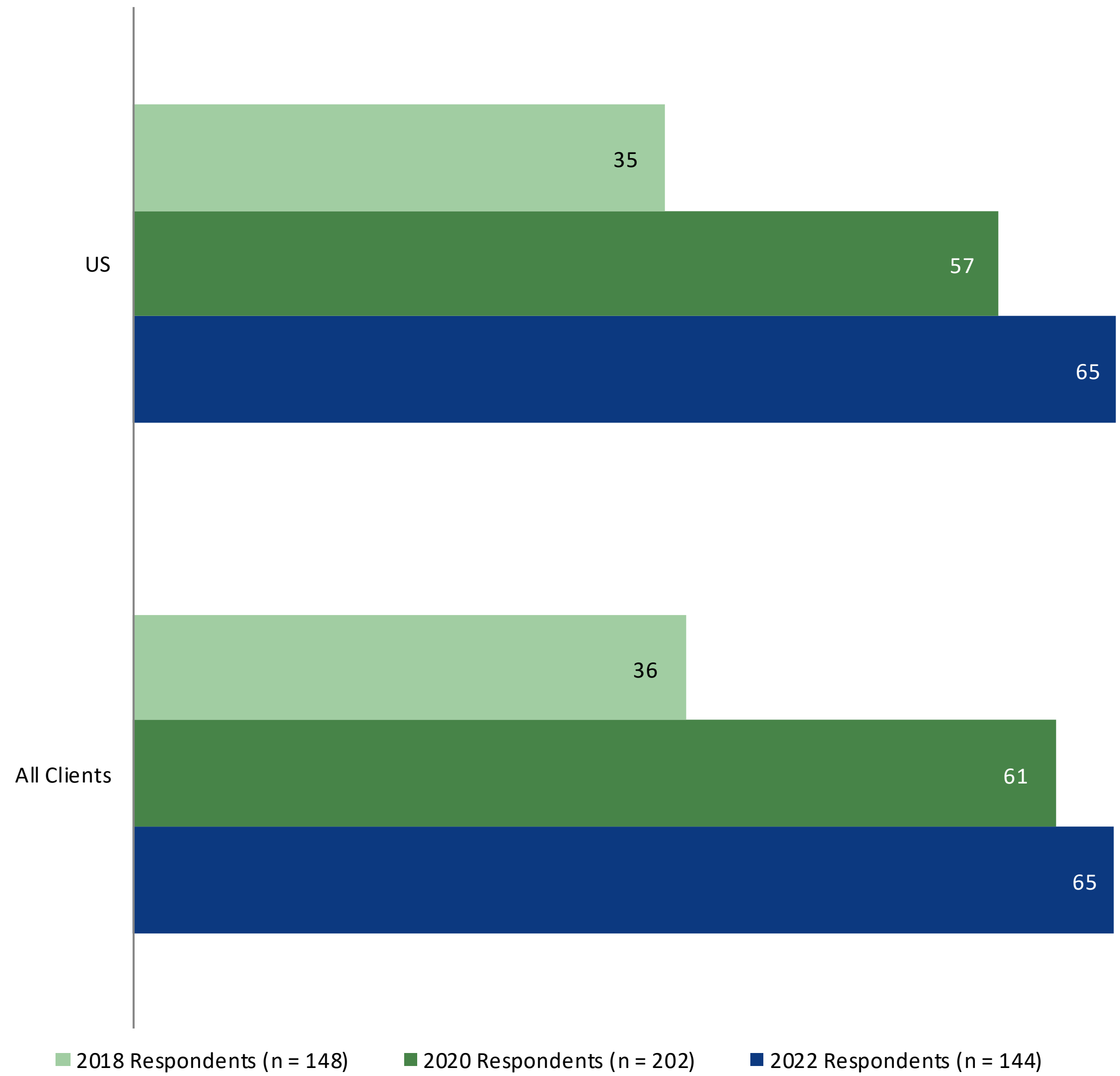


Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.

Global adoption of sustainable and impact investing continues to grow, particularly among US-based respondents, nearly doubling from 35% to 65% in four years

- The trends of sustainable and impact investing across markets may reflect a growing recognition that these factors are material to investment decisions.
- Approximately one-third of non-US respondents engaged in sustainable and impact investing have more than 50% of long-term portfolios allocated to sustainable and impact investments, while slightly more than half of US respondents have less than 10% allocated.
- Respondents from Europe/UK engagement in sustainable and impact investing have doubled in the last four years.
- More than half of all respondents from other regions reported engaging in sustainable and impact investing.

RESPONDENTS ENGAGED IN SUSTAINABLE AND IMPACT INVESTING BY REGION
Percent (%)

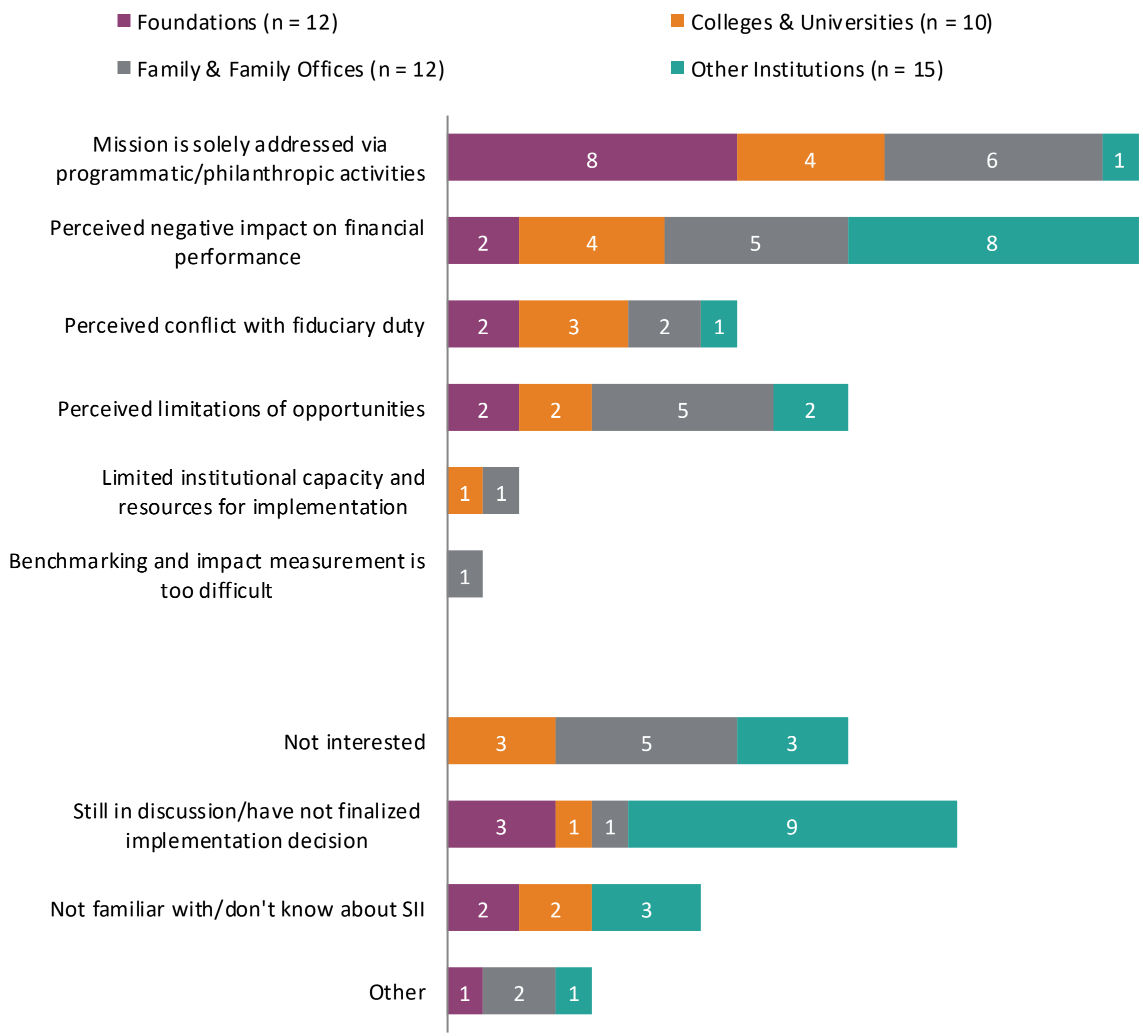


Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.

Investors choosing not to engage in sustainable and impact investing cited a variety of reasons, primary among them are the mission being addressed via other avenues and perceived negative impact on financial performance

- Of the 144 survey respondents, 34% are not currently engaged in sustainable and impact investing, compared to 39% in 2020.
- Of those respondents not engaging in sustainable and impact investing, close to half (43%) anticipate seeking exposure in the future, while only 27% do not anticipate doing so, consistent with results from 2020. The remainder are undecided.
  - Almost all (95%) respondents seeking to make sustainable and impact investments in the future expect to begin doing so in the next one to two years.

REASONS INSTITUTIONS ARE NOT ENGAGED IN SUSTAINABLE AND IMPACT INVESTING



Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.
Notes: Respondents had the option to select multiple answers. Foundations includes other non-profit institutions. “Other institutions” includes cultural & research institutions, hospitals, independent schools, religious institutions, and pensions.

INVESTMENT STRUCTURE

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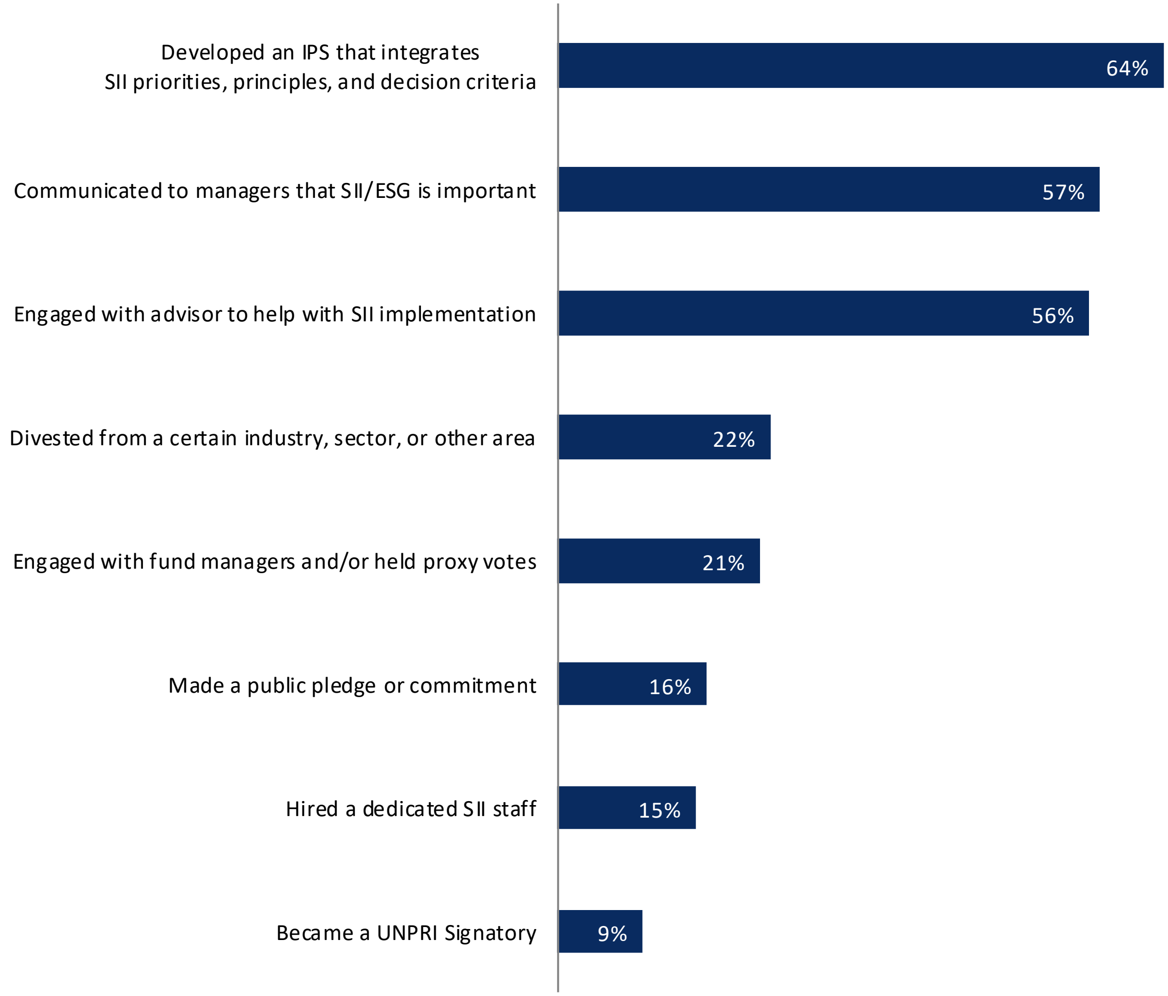
The most common way of incorporating sustainable and impact investing into investment decision making is to include it in the Investment Policy Statement (IPS)

- The emphasis on developing an IPS that integrates sustainable and impact investing is consistent with our framework for establishing purpose, priorities, and principles to set policy guidelines.[1]
- More than half of those incorporating sustainable and impact investing communicated the importance of SII/ESG to managers.
- Of respondents, 22% are using divestment as a tool to meet SII objectives. The most common targets of divestment are fossil fuels, weapons, and tobacco. Details on divestment are on page 16.

HOW INSTITUTIONS ARE INCORPORATING SUSTAINABLE AND IMPACT INVESTMENTS
n = 89



Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.
Note: Respondents had the option to select multiple answers.

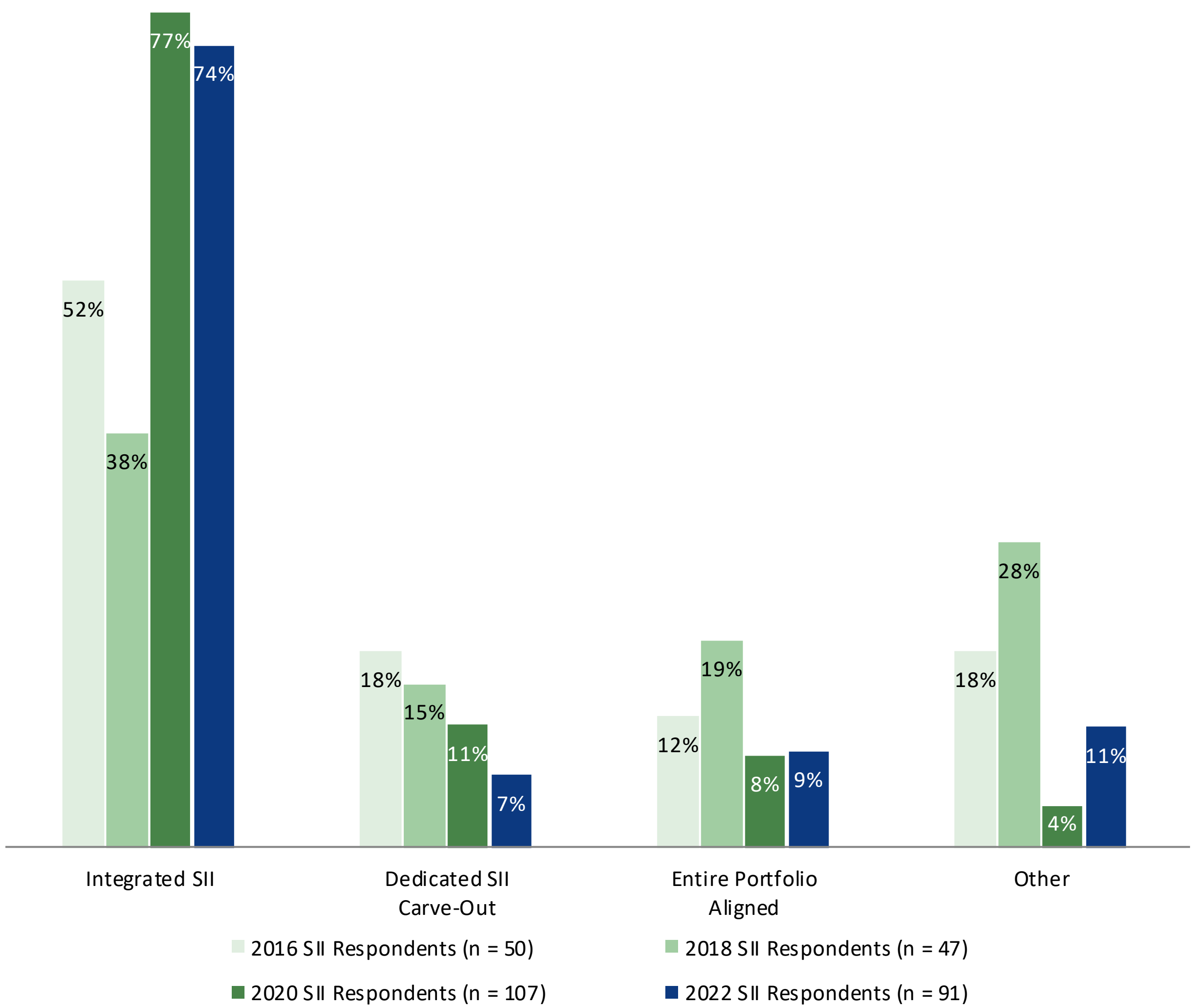
[1] For more information on the framework, see "Considerations for ESG Policy Development," Cambridge Associates LLC, September 2017.

[2] To learn about the shifting mission-aligned investment landscape, please see Tracy Abedon Filosa, "Endowment Governance: Aligning Foundation Investments and Mission," Cambridge Associates LLC, November 2022.

An integrated approach to incorporating sustainable and impact investments into a portfolio remains the most common program structure among respondents

- Most respondents have integrated their sustainable and impact investments alongside traditional investment managers in the broader portfolio.
- A smaller subset of institutions seek to align their entire portfolio with SII objectives.
  - Religious institutions, which made up a larger portion of 2018 respondents, frequently are entirely mission-aligned and commonly implement through negative screening.
- Another subset of institutions, which consists primarily of foundations, has carved out a portion of the long-term investment portfolio to devote to sustainable and impact investing. Over the last six years, there has been a steady shift toward integrating in the total portfolio rather than through a carve-out.

PROGRAM STRUCTURE USED BY INSTITUTIONS MAKING SUSTAINABLE AND IMPACT INVESTMENTS

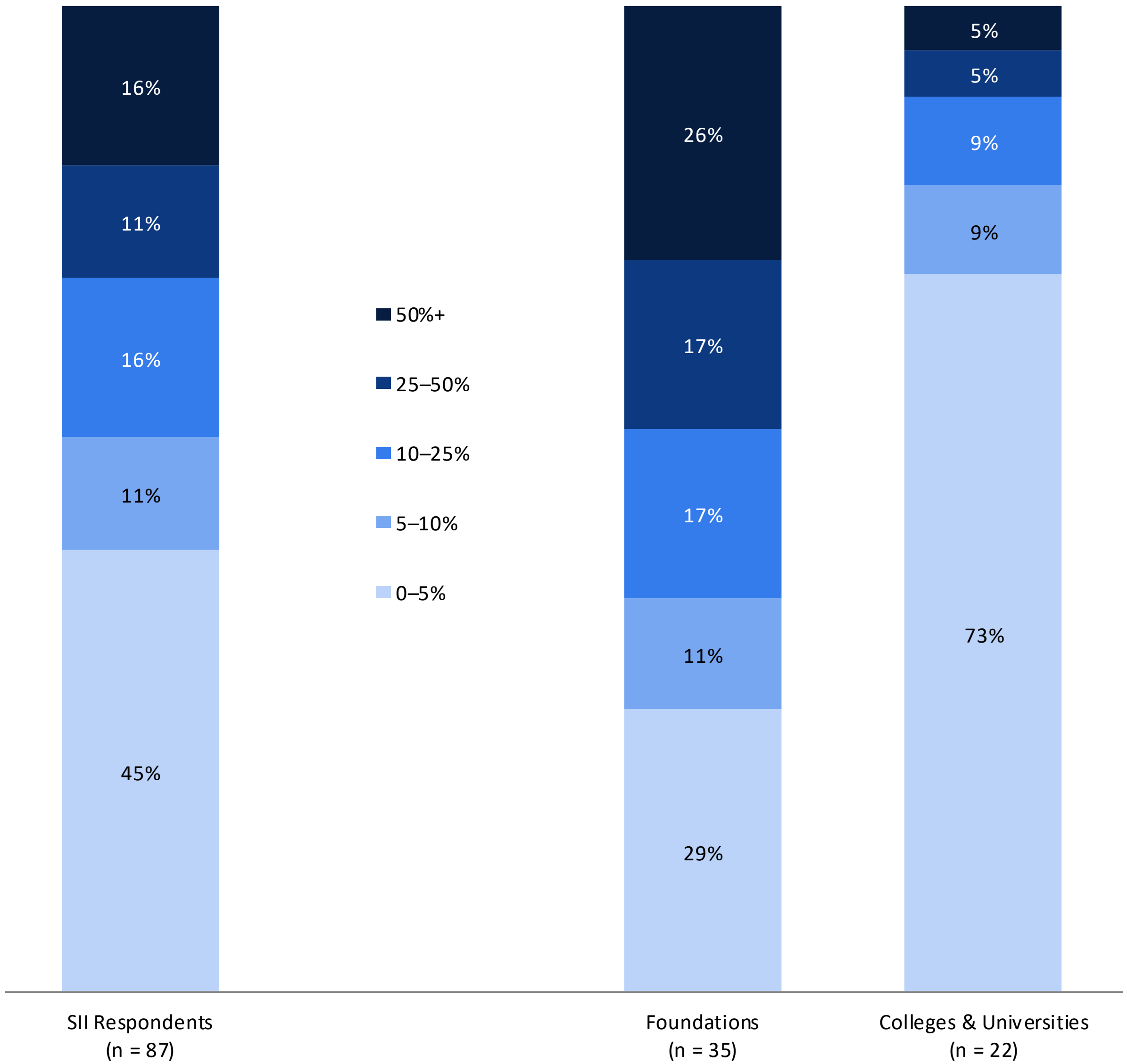


Sources: Cambridge Associates Sustainable and Impact Investing Survey 2016, 2018, 2020, and 2022.
Notes: "Other" responses include: a combination of options, investments outside the portfolio, and structures still in discussion. The definition of structure varies by institution. "Integrated SII" includes institutions that pursue SII opportunistically on a case-by-case basis and those that integrate SII throughout portfolio alongside traditional (non-SII) managers within existing asset allocation structure.

Approximately 55% of respondents engaged in sustainable and impact investing allocate more than 5% of their portfolio to sustainable and impact investments, with more than a quarter allocating over 25%

- More than half of the respondents have greater than 5% of portfolios allocated to sustainable and impact investing, while 74% indicated that it is integrated throughout the portfolio. Coupled with the large number of new entrants to the space, this may indicate that sustainable and impact investing will continue to grow as a percentage of portfolios as respondents get further along in their SII integration work.
  - 84% of college & university respondents have less than five years integrating sustainable and impact investing, consistent with the lower portfolio allocations.
- Nearly two-thirds of foundation respondents reported having more than 10% of the portfolio allocated to sustainable and impact investing, a figure that has increased with each survey.

PERCENTAGE OF LONG-TERM INVESTMENT PORTFOLIO THAT IS ALLOCATED TO SII



Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.

IMPLEMENTATION STRATEGIES

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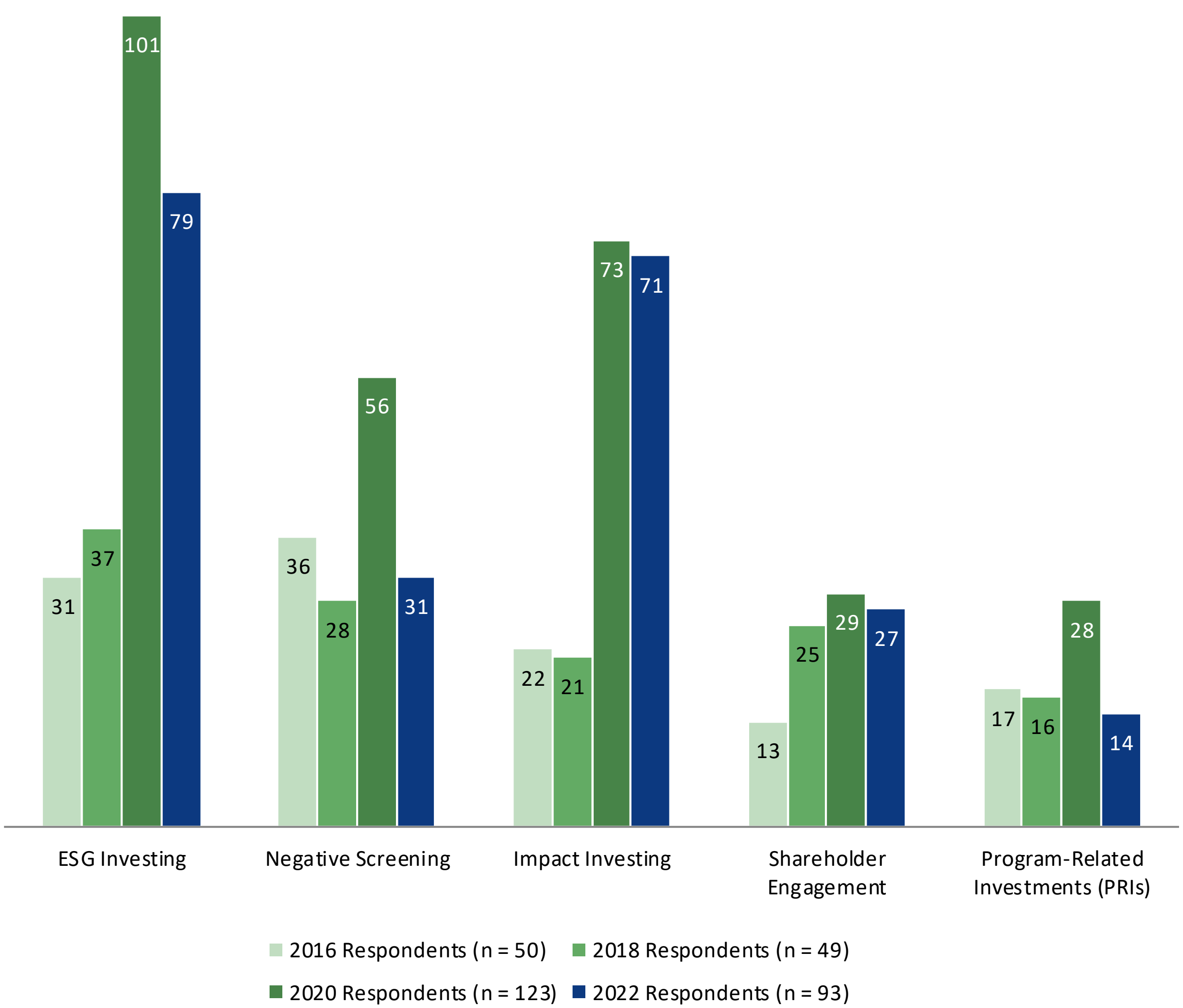
SII-engaged institutions invest across a spectrum of strategies; the largest increase is in impact investing

- Consistent with 2020 and 2018, ESG integration was the most commonly employed strategy, and impact investing has increased significantly.
  - 85% of respondents reported employing ESG integration, up from 82% in 2020. Similarly, 76% of respondents cited employing impact investing, a significant increase from 59% in 2020.
- One-third of SII-engaged institutions reported employing negative screening. Use of negative screening strategies has steadily declined as a percent of respondents each year. Coupled with the increase in ESG integration and impact investing, this may reflect a shift in investors' focus to a more holistic incorporation of SII factors.

TYPES OF SII STRATEGIES EMPLOYED
Number of Respondents

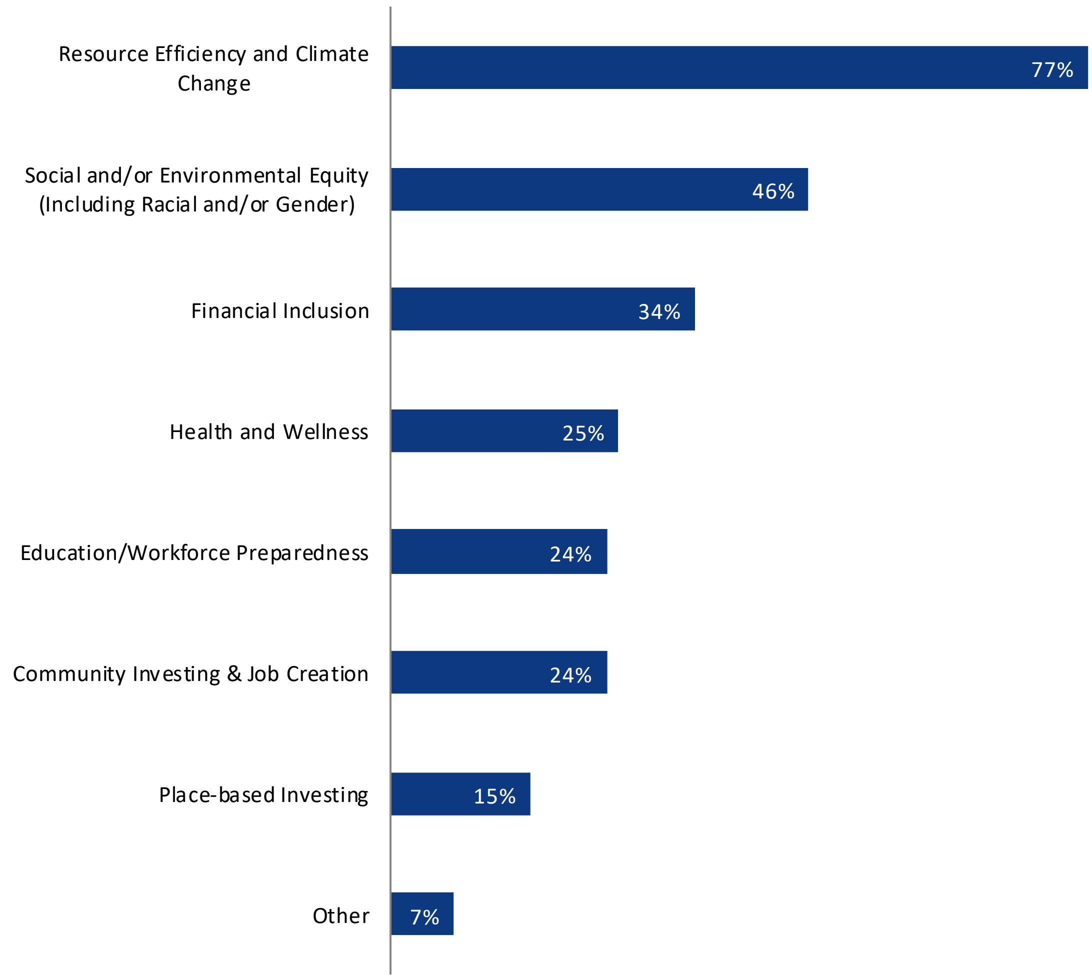


Sources: Cambridge Associates Sustainable and Impact Investing Survey 2022, 2020, 2018, and 2016.
Notes: Respondents had the option to select multiple answers. For more information on these strategies, please see the glossary.

Resource efficiency and climate change, followed by social and/or environmental equity, are the top priorities for sustainable and impact investors in 2022

- 76% of SII respondents make impact investments, an increase of 16 ppts from 2020. Most of these are foundations, consistent with our previous surveys.
- Since 2018, there has been increasing focus on resource efficiency and climate change, with only 38% of respondents investing in the theme in 2018 compared to 77% today. Social equity investing themes are consistently incorporated by slightly more than half of respondents.
- One-third of respondents are making impact investments in at least three of the listed themes.

IMPACT INVESTMENTS: THEMES WITH THE MOST INVESTED CAPITAL
n = 71



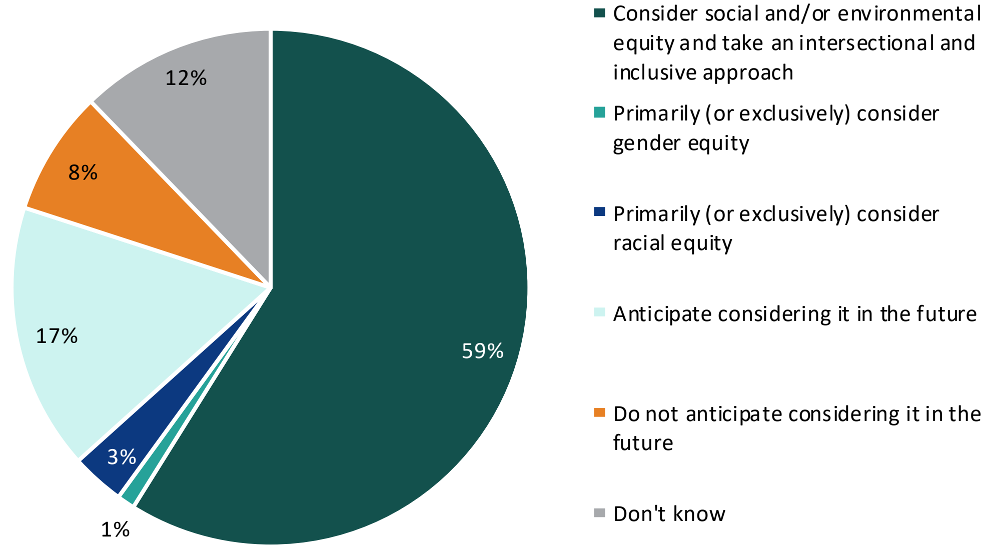
Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.
Notes: Respondents had the option to select multiple answers. "Other themes" includes affordable housing and racial justice.

A majority of respondents (59%) engaged in sustainable and impact investing consider social and/or environmental equity in investment decisions

- Over 80% of the respondents who consider social and/or environmental equity are motivated by alignment with mission or values.
- Most respondents are interested in a range of themes, including increasing access to capital for female and racially diverse entrepreneurs, workplace equity, and products and services that benefit women and racially diverse populations.
    - The most popular theme is investing in women- and diverse-owned and led fund managers.
- Almost half of the respondents who consider social and/or environmental equity have been implementing these strategies for less than five years.

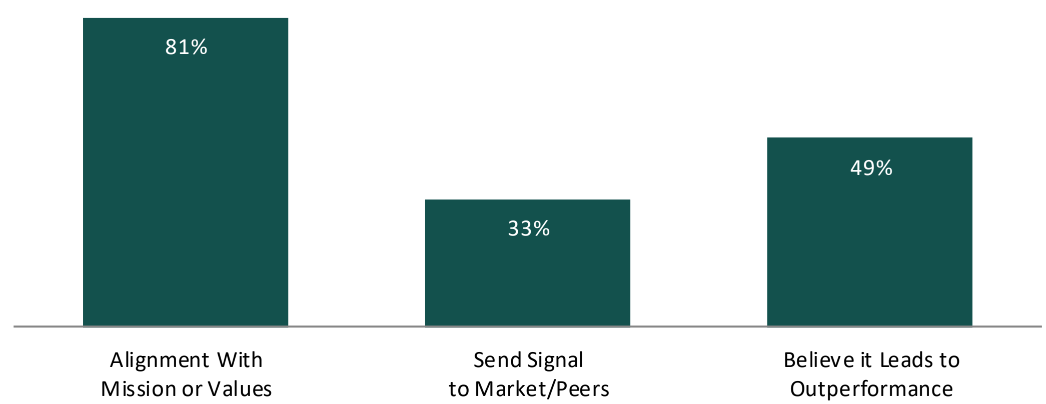
CONSIDERATION OF SOCIAL AND ENVIRONMENTAL EQUITY IN INVESTMENT DECISIONS

n = 90



MOTIVATIONS FOR CONSIDERING SOCIAL AND ENVIRONMENTAL EQUITY IN INVESTMENT DECISIONS

n = 57



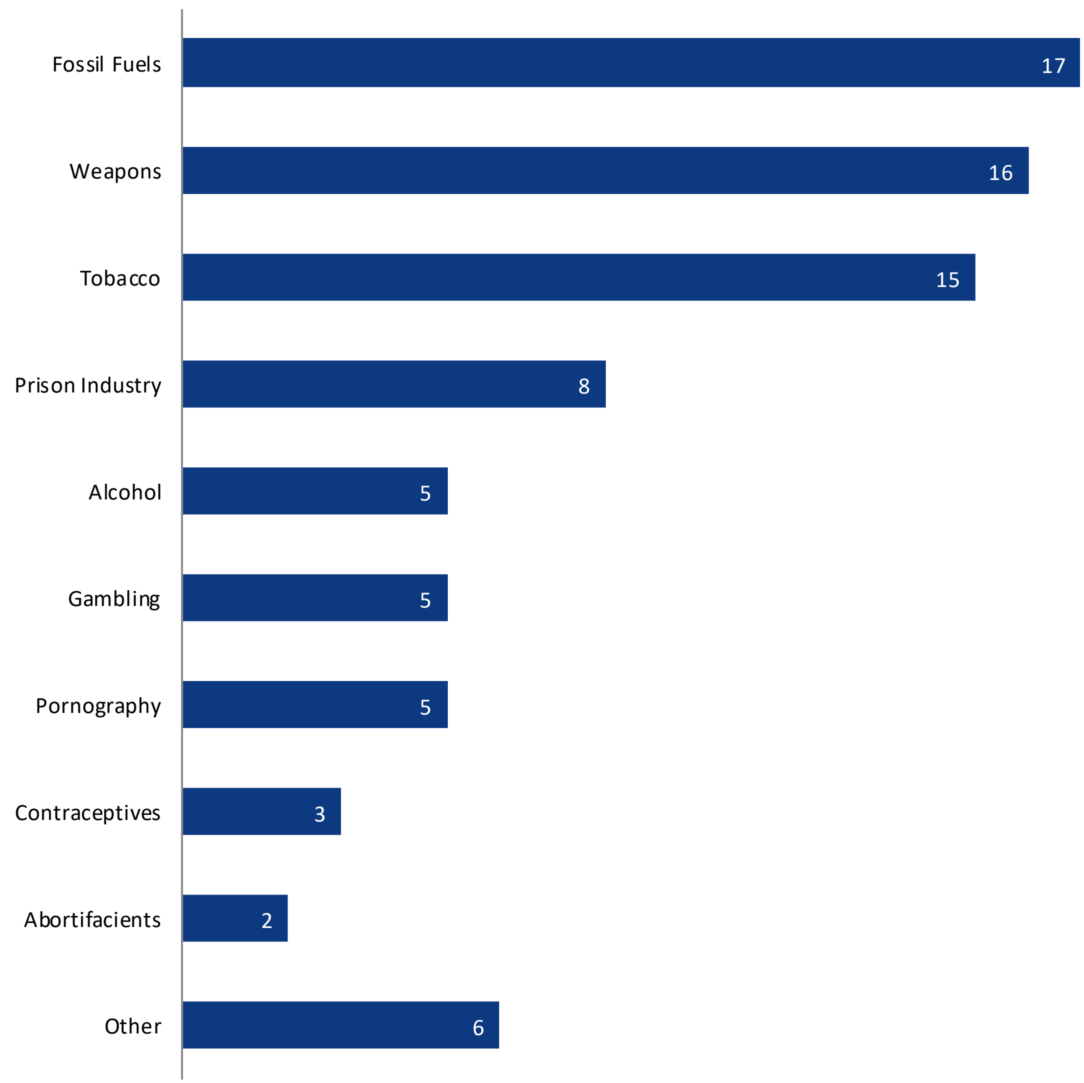
Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.
Note: Respondents had the option to select multiple answers.

One-third of respondents engaged in sustainable and impact investing reported applying negative screens to some or all of their portfolios. The specific exclusions vary by institution type

- Fossil fuels, weapons, and tobacco were the most commonly employed negative screens.
- Of respondents employing negative screens in 2022, more than half screen fossil fuels and weapons, and nearly half screen tobacco.
- Use of fossil fuels screens grew by 10 ppts over the last two years and are employed primarily by foundations, colleges and universities, as well as cultural and research institutions. This may reflect growing concerns about climate and stranded asset risks in portfolios.
- Tobacco and traditionally religious screens, such as abortifacients and contraceptives, fell in the 2022 survey, likely due to lower survey participation by healthcare and religious institutions compared to prior years.

NEGATIVE SCREENS TAKEN INTO ACCOUNT DURING THE INVESTMENT PROCESS

Number of Respondents • n = 31



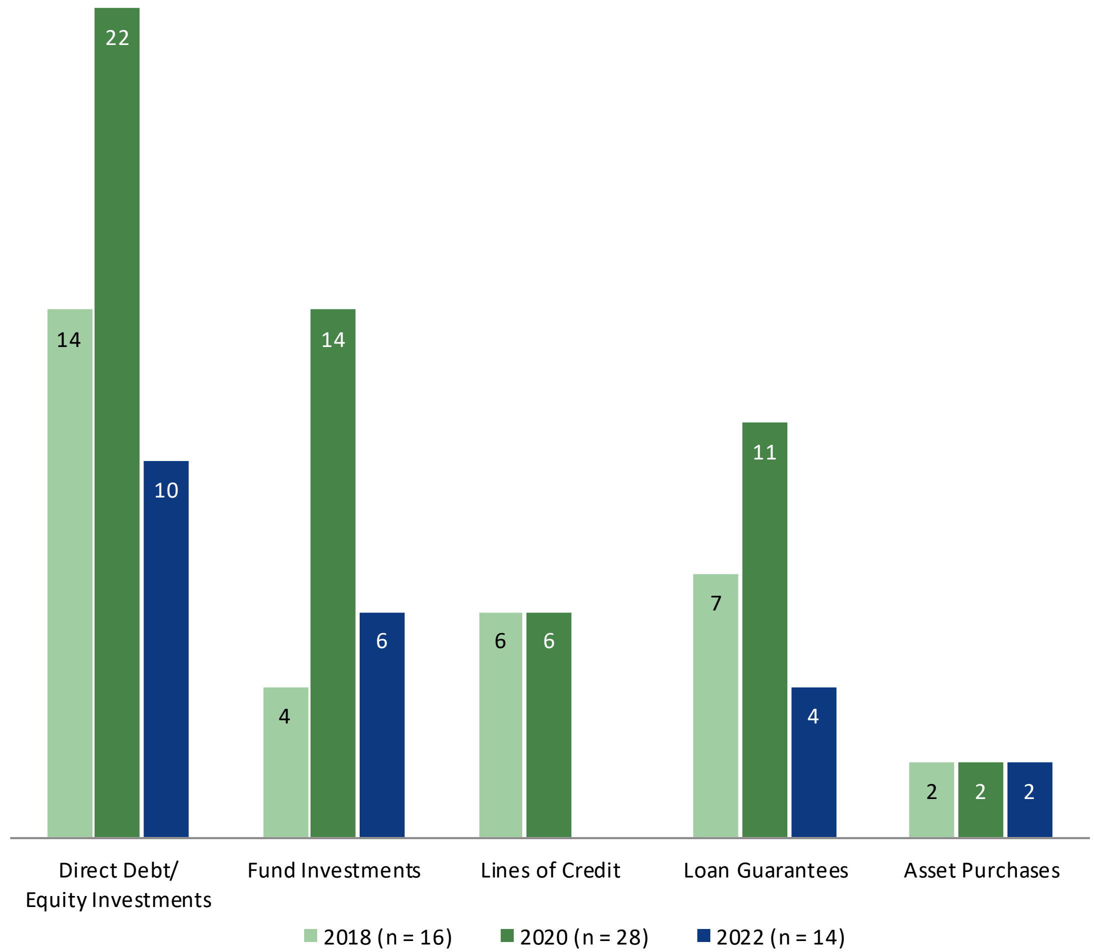
Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.

Notes: Respondents had the option to select multiple answers. For more information on negative screening, please see the glossary.

Program-related investments (PRIs) are another implementation strategy that can take a variety of forms

- PRIs were not a common form of implementation across all SII-engaged institutions.
  - Approximately 15% of SII-engaged respondents reported making PRIs.
- For those institutions that make PRIs, many reported using more than one form of implementation.
- Nearly 80% reported that they measure the financial performance of PRIs separately from the long-term investment pool.
- Almost all institutions reported that their program staff and/or finance or investment staff are responsible for the institution's PRI strategy, which was consistent with the findings in 2020.

STRUCTURES USED TO MAKE PROGRAM-RELATED INVESTMENTS
Number of Respondents



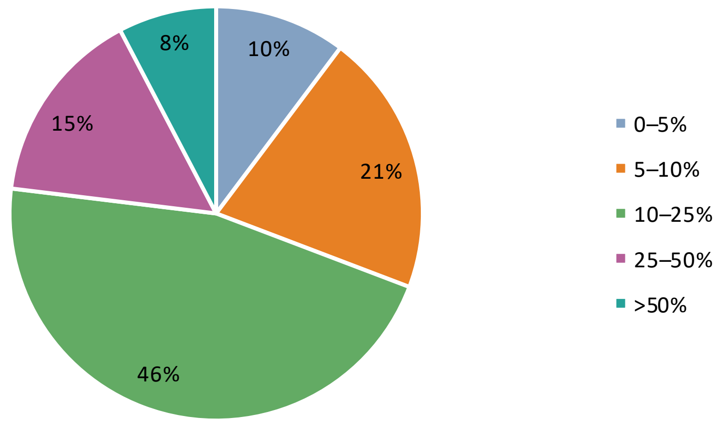
Sources: Cambridge Associates Sustainable and Impact Investing Survey 2022, 2020, and 2018.
Notes: Respondents had the option to select multiple answers. For more information on program-related investing, please see the glossary.

Diverse Manager Strategies are implemented by almost half (46%) of respondents integrating sustainable and impact investing

- Only survey respondents that answered "yes" to integrating sustainable and impact investing were asked about diverse manager strategies.
- Over 90% of respondents with diverse manger strategies define diversity as either race/ethnicity or gender identity of GPs. All the responding institutions include race/ethnicity in the strategy definition, but none focus exclusively on gender identity of GPs.
- Approximately 95% of respondents indicated that they have increased the percentage of their long-term investment assets allocated to diverse managers. The vast majority (92%) of respondents anticipate increasing their allocation to diverse managers in the next five years.

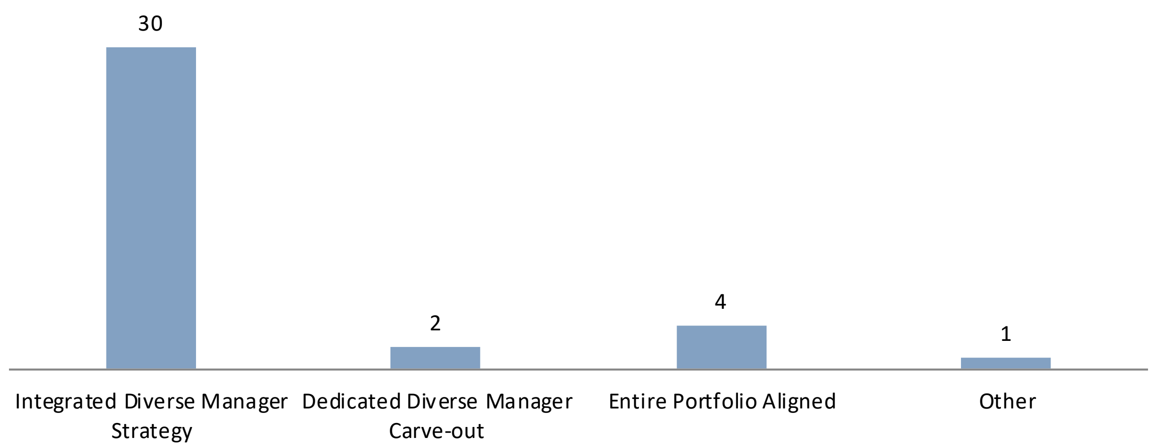
PERCENTAGE OF PORTFOLIO ALLOCATED TO DIVERSE MANAGER STRATEGY

n = 39



PROGRAM STRUCTURE USED BY INSTITUTIONS MAKING SUSTAINABLE AND IMPACT INVESTMENTS

Number of Respondents • n = 37



Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.

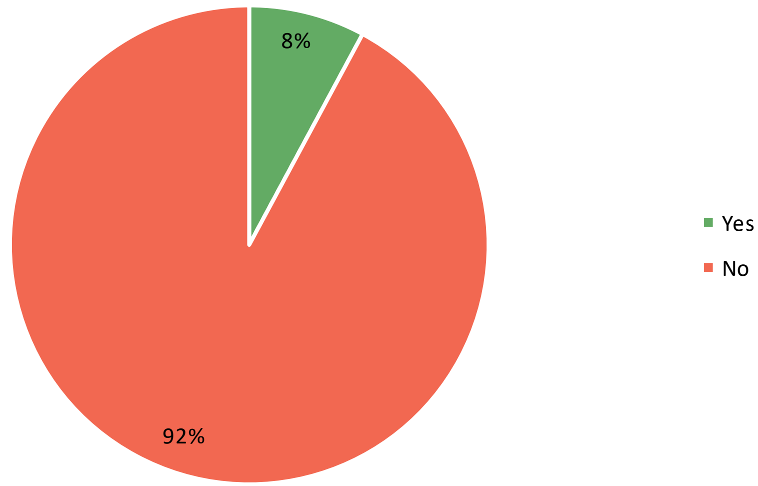
Notes: The definition of structure varies by institution. "Integrated SII" includes institutions that pursue SII opportunistically on a case-by-case basis and those that integrate SII throughout the portfolio alongside traditional (non-SII) managers within existing asset allocation structure.

Commitments to net zero emissions are growing, but only 8% of respondents had done so at the time of the survey

- Only 8% of respondents cited that they have already created a decarbonization or net zero target for their portfolio.
  - Colleges and universities made up the majority of those that have set decarbonization plans or net zero targets for their portfolios.
- An additional 15% anticipate making a net zero commitment in the future.
- While those with net zero commitments are currently a small subset of respondents, the increasing focus on resource efficiency and climate change in impact investments, the integration of ESG, and the screening of fossil fuels indicate that respondents are increasingly interested in the impacts of climate change on investment portfolios.

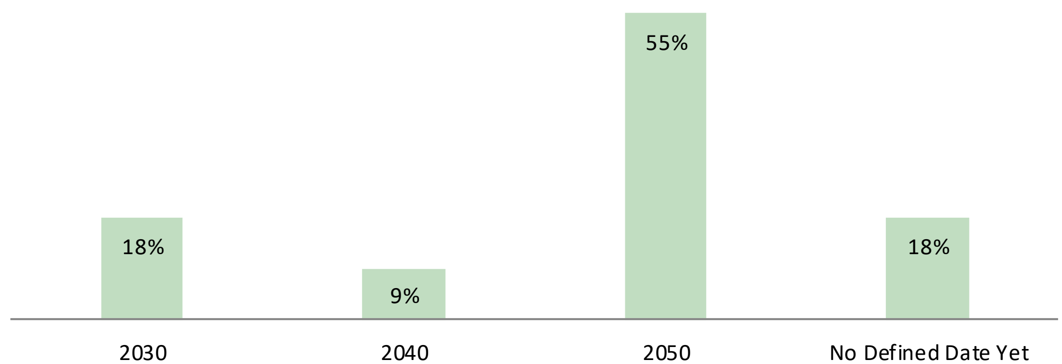
DECARBONIZATION OR NET ZERO TARGET FOR PORTFOLIO

n = 140



PRIMARY TARGET DATE TO ACHIEVE NET ZERO PORTFOLIO LEVEL

n = 11



Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.

Notes: In September 2021, Cambridge Associates became a founding signatory of the Net Zero Investment Consultants Initiative, committing to a nine-step initiative that supports the goal of global net zero greenhouse gas emissions by 2050 or sooner. For more information on net-zero investing, please see Chris Varco and Simon Hallett, "Investing for a Net-Zero World: A Guide for Investors," Cambridge Associates LLC, July 2021.

GOVERNANCE AND MEASUREMENT

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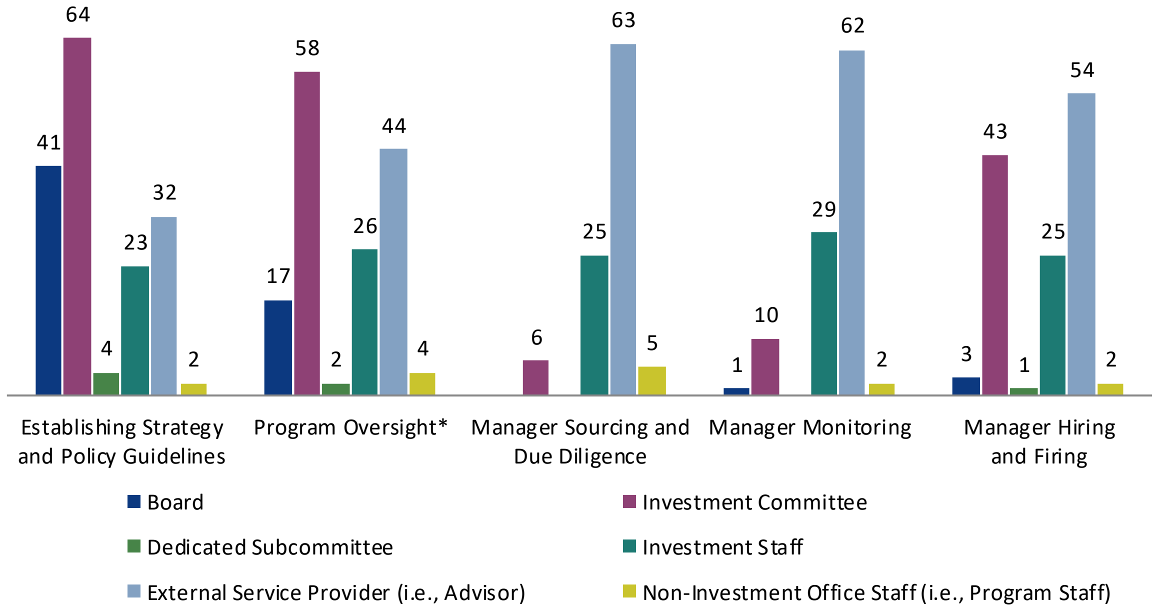
There is no one-size-fits-all approach for development and oversight of SII programs

- Most SII-engaged institutions involve the board to help establish strategy and develop policy guidelines and provide program oversight. The investment committee, staff, and external service provider tend to be active across all SII activities.
- Approximately 85% of institutions have no dedicated SII staff.
- More than half of institutions discuss sustainable and impact investing at board or investment committee meetings at least annually, which is consistent with 2020 metrics.
- Foundations and colleges and universities were most likely to address SII strategy regularly, accounting for over 70% of respondents that discussed it quarterly.

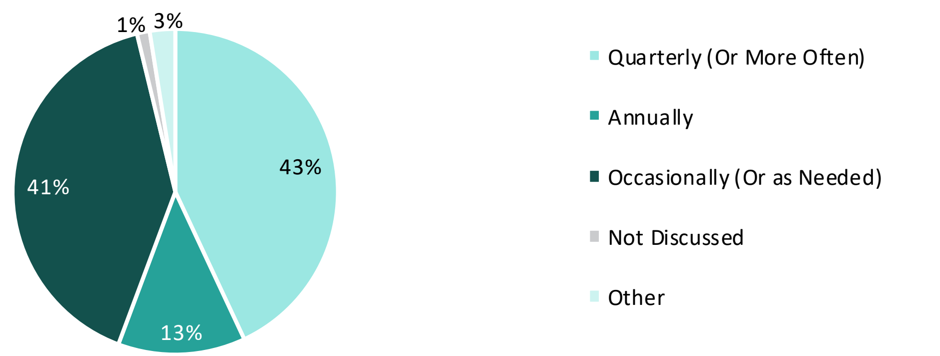
RESPONSIBILITY FOR DEVELOPING AND EXECUTING SII POLICIES

Number of Respondents • n = 79



FREQUENCY OF SII STRATEGY DISCUSSIONS AT BOARD OR INVESTMENT COMMITTEE

n = 79



* Program Oversight includes policy interpretation and program evaluation.

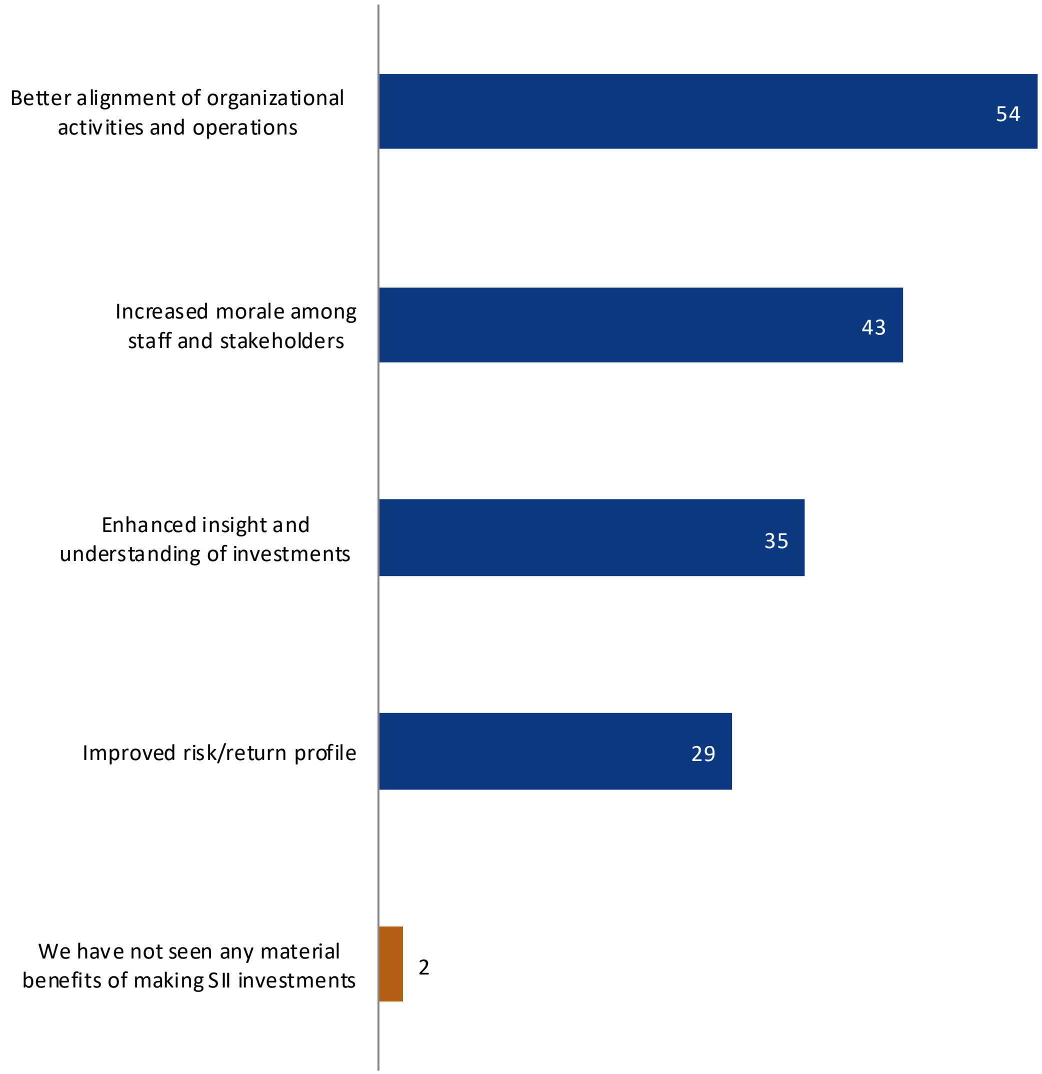
Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.

Note: Respondents had the option to select multiple answers for who has responsibility to develop and execute the SII program.

The most commonly cited benefit of implementing sustainable and impact investing strategies is better alignment of institutional activities and operations

- Most foundations reported SII strategies benefited the institution through better alignment with the core mission and institutional activities, while most colleges and universities cited improved risk/return profile as the greatest benefit.
- Many institutions reported that implementing SII strategies increased morale among staff and stakeholders and/or enhanced insight and understanding of investments.
- Almost all respondents cited at least one benefit of making SII investments.

BENEFITS IN IMPLEMENTING SII STRATEGIES
Number of Respondents • n = 77

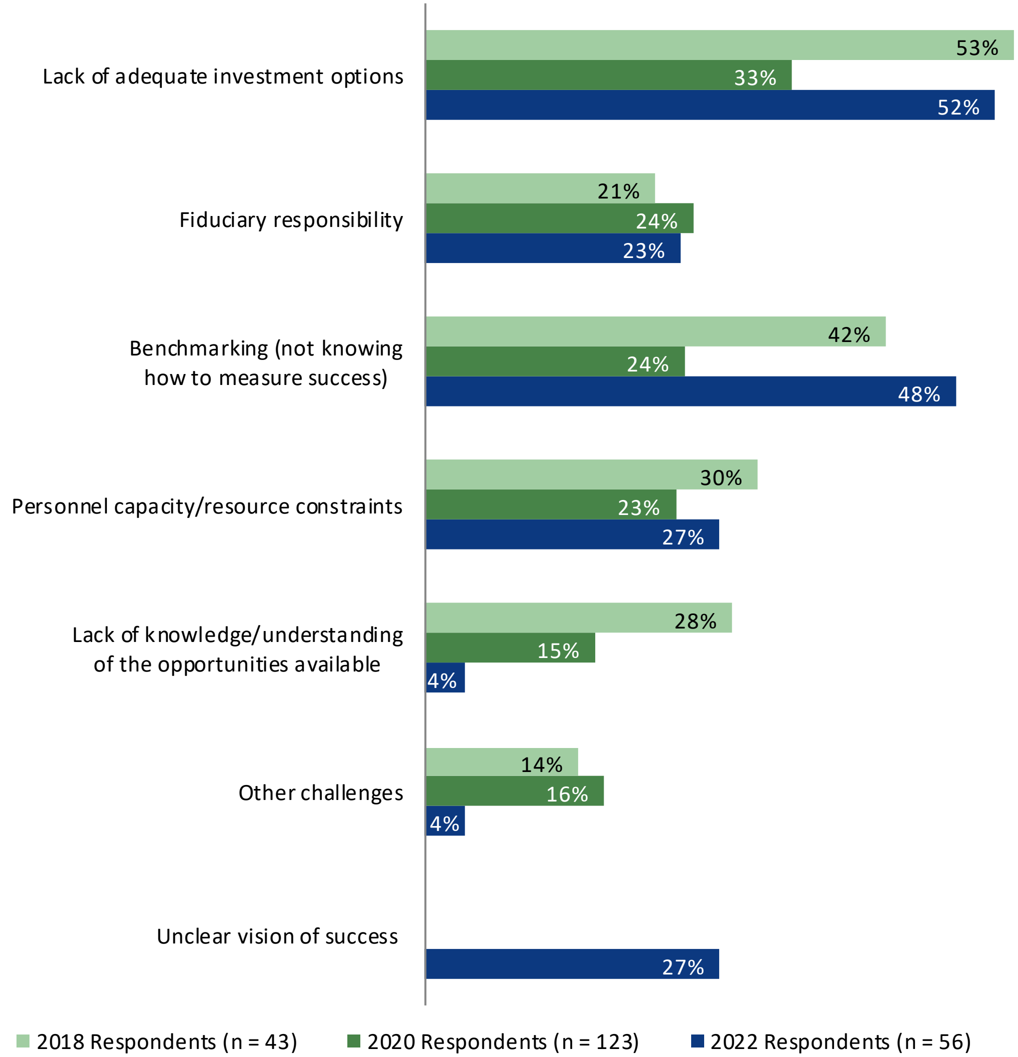


Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.
Note: Respondents had the option to select multiple answers.

Respondents cited a lack of adequate investment options and benchmarking to be the most significant challenges

- Half of respondents citing the limited investment universe as a challenge, followed closely by challenges with measurement.
  - For college and university respondents, conveying fiduciary responsibility while implementing SII strategies is the most common challenge. They are also the least likely to list lack of adequate investment options as challenge.
- Benchmarking has grown as a concern since 2018 and 2020, which may reflect the uniqueness of SII strategies.
  - Other responses include perceived negative performance from limited opportunity set and difficulty collecting consistent data.

CHALLENGES IN IMPLEMENTING SII STRATEGIES



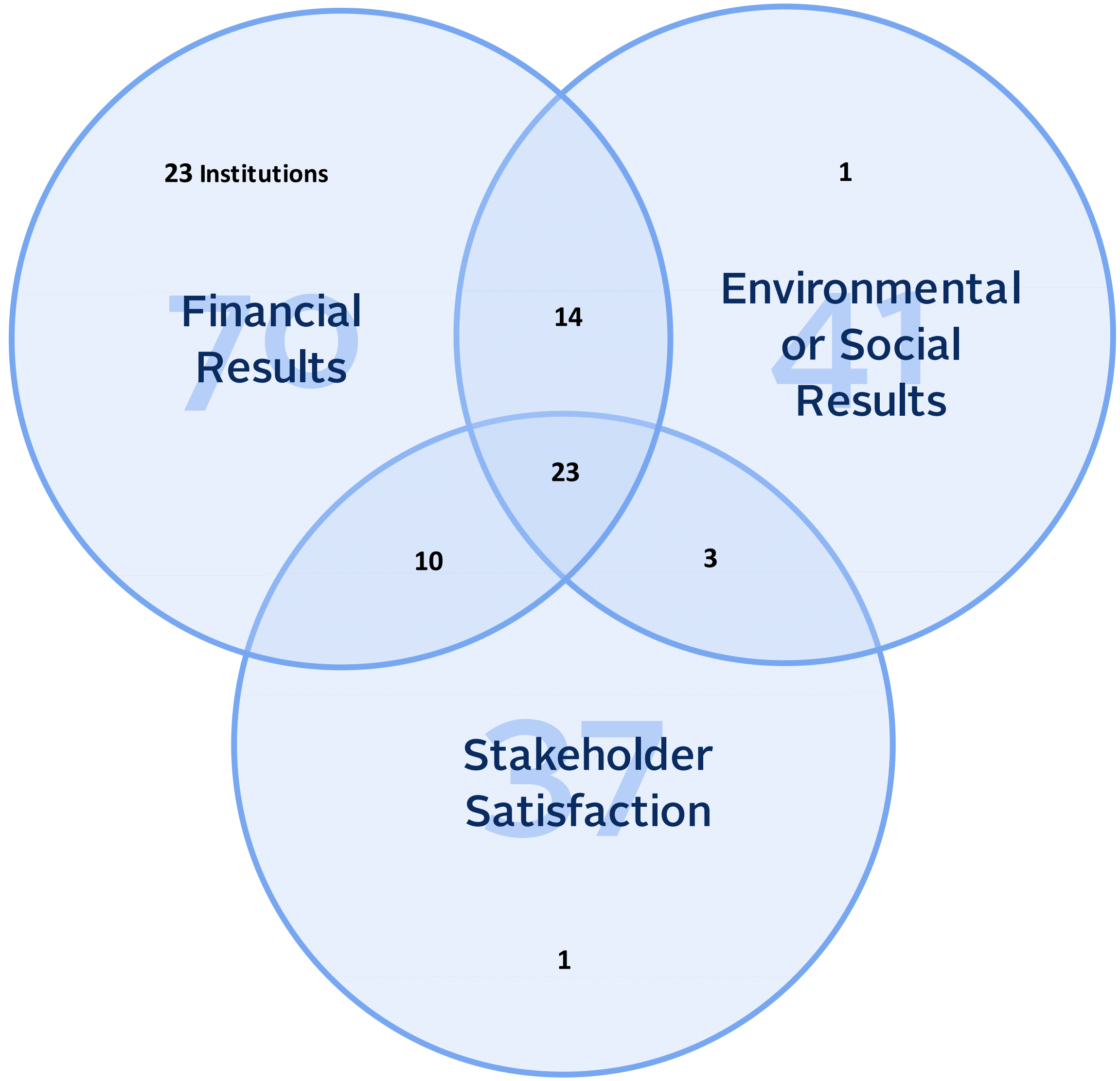
Source: Cambridge Associates Sustainable and Impact Investing Survey 2022, 2020, and 2018.
Notes: Respondents had the option to select multiple answers. "Unclear vision of success" was a new answer choice in 2022. "Other challenges" includes perceived negative performance from limited opportunity set and difficultly collecting consistent data.

When evaluating outcomes, investors consider financial performance as the most important measure of an SII program's success

- More than 90% of respondents use financial results to measure the success of SII programs. This finding indicates very few investors engaging in sustainable and impact investing are willing to sacrifice returns for alignment with mission and values.
  - This is consistent with our 2020, 2018, and 2016 survey results and with our experience working with clients.
- More than half of the respondents using financial performance as a measure of success are also considering social and environmental results.

METRICS USED TO EVALUATE THE SUCCESS OF SII PROGRAMS

Number of Respondents • n = 75



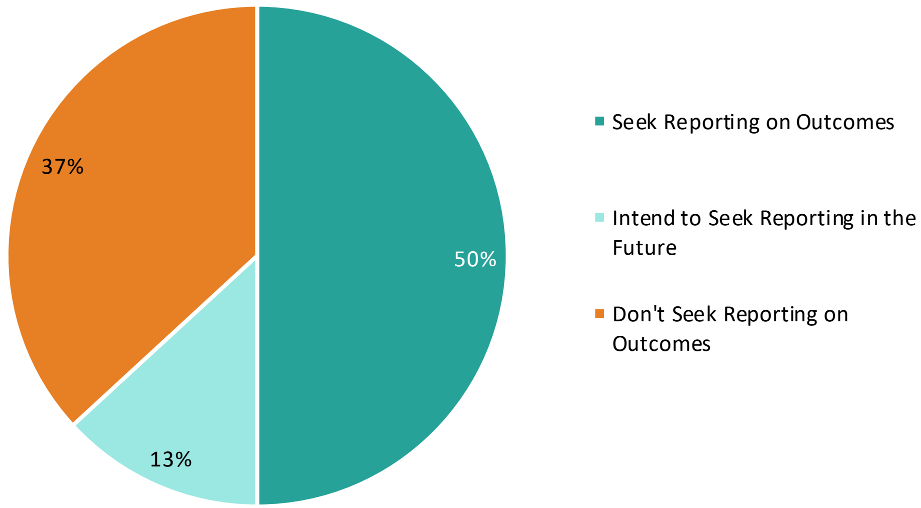
Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.
Note: Respondents had the option to select multiple answers.

Many SII respondents actively seek reporting on social and/or environmental outcomes to help assess investment impact

- More than 60% of institutions believe it is important that investment managers report on their social and/or environmental outcomes.
- The majority of institutions rely on manager-reported data and advisors. Of those collecting data internally, almost all are foundations.
- There has been increasing interest around impact reporting in recent years. Half of the respondents already actively seek reporting on social and/or environmental impact data, while an additional 13% anticipate doing so in the future.

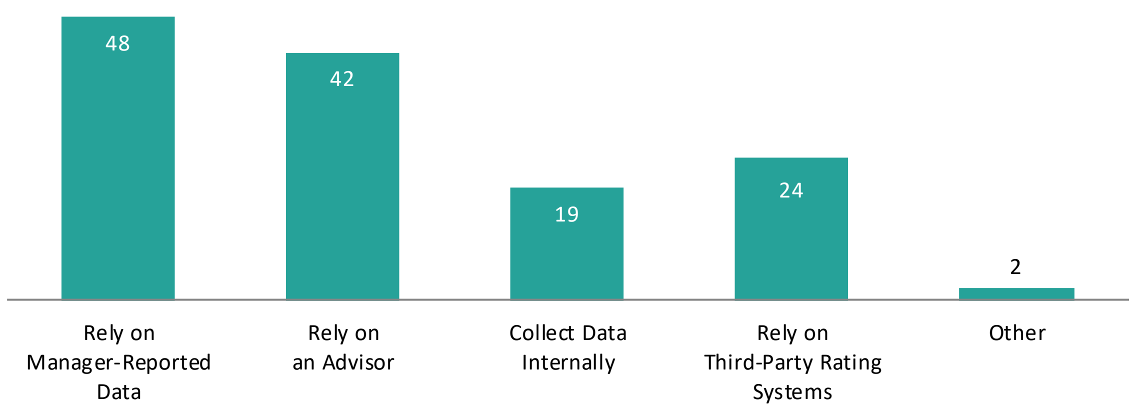
INSTITUTIONS THAT ACTIVELY SEEK REPORTING ON THE SOCIAL AND/OR ENVIRONMENTAL OUTCOMES OF SUSTAINABLE AND IMPACT INVESTMENTS

n = 76



METHODS INSTITUTIONS USE TO COLLECT SOCIAL AND/OR ENVIRONMENTAL DATA

Number of Respondents • n = 74



Source: Cambridge Associates Sustainable and Impact Investing Survey 2022.

Note: For the bottom chart, respondents had the option to select multiple answers.

APPENDIX

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Notes on the Data

- In July 2022, Cambridge Associates invited clients to participate in a study of SII practices; 144 clients participated. Of those respondents, 124 reported that they are familiar with sustainable and impact investing, 13 reported that they are not familiar, and seven reported that they are unsure. Furthermore, 93 reported engaging in sustainable and impact investing, 49 reported that they are not engaged, and 2 reported that they are unsure.
- The 144 clients that responded "yes" or "no" to engagement in sustainable and impact investing are composed of foundations (48), colleges and universities (35), families and family offices (25), cultural and research institutions (13), hospitals (8), independent schools (5), pensions (5), religious institutions (3), and other institutions (2).
- The 93 clients that reported engaging in sustainable and impact investing and ESG (referred to as "SII respondents" in this report) are composed of:
    - 35 foundations;
    - 24 colleges and universities;
    - 13 families and family offices;
    - 8 cultural and research institutions;
    - 4 pensions;
    - 3 religious institutions;
    - 3 independent schools;
    - 2 hospitals; and
    - 1 other.
- Not all participants answered all questions in the survey. Therefore, some data may represent responses from a smaller pool of institutions than the total universe. The notation of *n* represents the number of institutions included in each analysis.
- Percentages may not sum to 100% due to rounding.
- The median assets under management for survey respondents is $352 million, with the largest having $310 billion.
- Respondents are located globally, with the majority (87%) in the United States; other domiciles of respondents include Australia, China, Denmark, Luxembourg, New Zealand, Saudi Arabia, Switzerland, and the United Kingdom.

Glossary of Terms

Sustainable and Impact Investing Overview

SUSTAINABLE AND IMPACT INVESTING (SII): Sustainability and Impact Investing takes into consideration all material factors for risk management and economic value creation and intentionally seeks investment in market-driven solutions to real world challenges. This includes the practice of using investments to directly achieve, or be aligned with, an institution's values or mission and a recognition that climate change and social inequality are systemic, structural factors that create risks and opportunities material to long-term portfolio management. Cambridge Associates uses the term SII to encompass a spectrum of strategies and approaches, including, but not limited to, proactive integration of environmental, social, and/or governance (ESG) factors; diversity, equity, and inclusion (DEI); impact investing; mission-related investing; and negative screening.

Additional Terms

ACTIVE OWNERSHIP: Using the position as a shareholder to influence corporate culture and to shape corporate policies and decisions. Specific active ownership strategies include: proxy voting, filing shareholder resolutions, and engagement with corporate management.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs): Private financial institutions that are dedicated to delivering responsible, affordable lending to low-income, low-wealth, and other disadvantaged people and communities.

CLIMATE AWARE INVESTING: The practice of seeking to understand, and incorporate into portfolio decision making, the risks and opportunities arising from both a low-carbon transition and the physical effects of climate change.

COMMUNITY INVESTING: The practice of directing capital to communities that are underserved by traditional financial services institutions. Community investing involves providing access to credit, equity, capital, and basic banking products that these communities otherwise lack.

DIVERSITY, EQUITY, AND INCLUSION (DEI) :

Diversity refers to the variety of similarities and differences among people, often called diversity dimensions, including, but not limited to: gender, sex, gender identity and expression, ethnicity, race, native or indigenous identity/origin, age, generation, disability, sexual orientation, culture, religion, belief system, marital status, parental status, pregnancy, socioeconomic status/caste, appearance, language and accent, mental health, education, geography, nationality, work style, work experience, job role and function, thinking style, and personality type. Representation of various diversity dimensions within organizations may vary by geography, time, or organization.

Equity is about fairness and justice. It is about taking deliberate actions to remove systemic, group, and individual barriers and obstacles that hinder opportunities and disrupt well-being. Equity is achieved through the identification and elimination of policies, practices, attitudes, and cultural messages that create and reinforce unfair outcomes.

Inclusion is a dynamic state of feeling, belonging, and operating in which diversity is leveraged and valued to create a fair, healthy, and high-performing organization or community. An inclusive culture and environment ensure equitable access to resources and opportunities for all. It also enables individuals and groups to feel safe, respected, heard, engaged, motivated, and valued for who they are.

ENVIRONMENTAL/SOCIAL/GOVERNANCE (ESG): The incorporation of ESG criteria into investment analysis, decision making, and portfolio construction (i.e., carbon emissions, labor rights, and board composition). Consideration of ESG factors may be used as a tool for both risk mitigation and the identification of investment opportunities.

FINANCIAL INCLUSION: The delivery of financial services at affordable costs to unbanked and under-banked populations. This includes microfinance strategies.

GENDER EQUITY: The process of being treated fairly and having equal and equitable access to opportunities and resources, regardless of one's gender identity. To ensure fairness, strategies often must be able to acknowledge historical and social disadvantages that prevent women and non-binary individuals from being on a level playing field.

Glossary of Terms (continued)

IMPACT INVESTING: The practice of investing capital with the objective of achieving positive social and/or environmental impact alongside a financial return. Impact investing opportunities are available in many asset classes but are typically made with the intent to create specific, measurable social or environmental outcomes.

IMPACT MEASUREMENT/MANAGEMENT: Gathering, analyzing, monitoring, and managing social and/or environmental metrics for underlying investments, and reporting and acting on outcomes.

INTERSECTIONALITY/INTERSECTIONAL APPROACH: Intersectionality describes the interconnected and overlapping systems of discrimination across social categorizations (e.g., race, class, and/or gender). The term intersectionality was coined by Kimberlé Williams Crenshaw in 1989. **AN INTERSECTIONAL APPROACH** to investing, similarly, acknowledges that certain risks and opportunities are interconnected and cannot be separated. Investors that pursue an intersectional approach within their portfolios may enhance the long-term climate, social, and financial resilience of their portfolios, benefiting stakeholders.

LOAN GUARANTEES: The practice of an investor pledging collateral assets to provide a guarantee to a financial intermediary who in turn makes a loan to a third-party organization.

MISSION RELATED INVESTING (MRI): The practice of using investments to directly achieve, or be aligned with, an institution's mission or programmatic goals.

NEGATIVE SCREENING: The practice of excluding a security or securities from a portfolio based on certain ESG criteria (i.e., tobacco, firearms, and coal). Negative screening is typically employed to avoid objectionable exposures in order to better align a portfolio with the investor's mission or values.

NET ZERO INVESTING: The holistic practice of using portfolio management and engagement tools to push the global economy towards net zero greenhouse-gas emissions by 2050 or sooner, in line with goals of the 2015 Paris Climate Agreement. Note that Net Zero Investing is not only about reducing emissions associated with any specific investment portfolio, but rather focuses on driving real world change by 1) encouraging market participants (e.g., investment managers and underlying companies/issuers) to adopt transition strategies consistent with the Paris agreement, and 2) investing in market-based climate solutions that can help accelerate the low-carbon transition.

PLACE-BASED INVESTING: Targeting a specific place (neighborhood, community, city, state, etc.) through an array of potential investments across asset classes.

PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI, OR UNPRI): A United Nations–supported international network of investors working together to understand the investment implications of ESG issues and to support signatories in integrating these issues into investment and ownership decisions, guided by the following six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the principles.
6. We will each report on our activities and progress towards implementing the principles.

PROGRAM-RELATED INVESTING: Investments made by foundations to support charitable activities that involve the potential return of capital within an established time frame. PRIs are counted as part of the annual distribution (at least 5% of its endowment) a US private foundation is required to make to maintain non-profit status as mandated by the Internal Revenue Service.

Glossary of Terms (continued)

PROXY VOTING: An avenue by which investors have the potential to influence a company's operations, corporate governance, social responsibility practices, etc., by voting its proxy statement in a manner that is consistent with the investor's mission objectives.

RACIAL EQUITY: The process of eliminating racial disparities and improving outcomes for everyone. It is the intentional and continual practice of changing policies, practices, systems, and structures by prioritizing measurable change in the lives of people of color. To ensure fairness, strategies often must be able to acknowledge historical and social disadvantages that prevent people of color from being on a level playing field.

SHAREHOLDER ENGAGEMENT: A form of active ownership in which investors exercise their rights and access as shareholders by engaging with corporate management and/or proposing or co-filing shareholder resolutions around issues that matter to them. For example, investors might encourage corporations to disclose carbon emissions and material climate/environmental risks, set net zero transition pathways, reduce executive compensation, or increase diversity at the board level. For most asset allocators and asset owners, engagement generally entails active dialogue with external investment managers to encourage more advanced integration and action on various environmental, social, and governance issues.

SOCIAL AND ENVIRONMENTAL EQUITY: Social Equity seeks to ensure fair treatment and equitable access to opportunity for all people, regardless of background, across society including areas of civil rights, education, financial systems, healthy/safe communities, housing and more. Background encompasses, but is not limited to race, ethnicity, gender, sexual orientation, and/or socioeconomic status. The expanded term, Social and Environmental Equity, goes further to recognize the intersectionality and interconnectedness of environmental sustainability and social issues, intentionally weaving in climate change and environmental equity as core tenets in the discussion of social equity.

WORKPLACE EQUITY: Ensuring fair treatment and equality of opportunity in the workplace, regardless of background. Background encompasses, but is not limited to race, ethnicity, gender identity, sexual orientation, and/or socioeconomic status. Examples of workplace equity initiatives include equal pay, equal advancement opportunities, and equal benefits.

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