



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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FY2025 TRS Fiduciary Report

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Table of Contents

- 1. Introduction**
- 2. Consideration of Sustainability Factors**
- 3. Assessment of Systemic and Regulatory Risks and Opportunities**
- 4. Investment Manager Integration of Sustainability Factors**
- 5. Proxy Voting Report**
- 6. Corporate Engagement and Stewardship Activities**

1. Introduction

In accordance with 40 ILCS 5/16-189, the Teachers' Retirement System of the State of Illinois (TRS or System) provides the following FY2025 Fiduciary Report (Report) examining, among other things, how TRS considers sustainability factors, as defined in the Illinois Sustainable Investing Act, in managing and investing the TRS defined benefit portfolio investment trust (Trust).

Before turning to the content of the Report, this introduction provides a brief, general review of TRS and its investment management role concerning the Trust.

TRS was created by Illinois statute to act as trustee of the Trust and invest and reinvest the reserves of the Trust for the purpose of providing retirement annuities and other benefits for the System's teachers, annuitants and beneficiaries (collectively, participants).¹

TRS, through its Board of Trustees and staff, has discretionary authority, responsibility and control over the management and disposition of the Trust's assets and the management and administration of the System.²

As a result of this discretionary authority, responsibility and control, TRS is a fiduciary under the Illinois Pension Code, and must discharge its duties with respect to the Trust and the System solely in the interest of the System's participants for the exclusive purpose of providing benefits to participants, defraying reasonable expenses of administering the Trust and the System. In doing so, Illinois law generally requires TRS to use the care, skill, prudence and diligence under the circumstances then prevailing that a prudent expert would use and generally diversify the Trust's investments to minimize the risk of large losses.

TRS's mission is delivering expert pension service to Illinois public educators as they earn their promised retirement security. On August 15, 2022, TRS adopted a five-year strategic plan with specific strategic goals to help TRS realize its long-term vision of working together as the trusted retirement resource for generations of its members. This mission, vision and strategic plan overlay the TRS Investment Policy. The TRS Investment Policy provides a governing framework for management, investment and reinvestment of Trust assets, and generally outlines the investment philosophy, principles and practices of TRS. For more information, please refer to the TRS Investment Policy found on the TRS website ([Link to TRS Investment Policy](#)).

2. Consideration of Sustainability Factors

TRS, as fiduciary, has adopted, with assistance from its investment consultant, a long-term, diversified asset allocation model to guide its investment of Trust assets. Diversification distributes the Trust portfolio across many investments to avoid excessive exposure to any one source of risk, generally taking into account the following attributes: asset classifications (for example, stocks, bonds, real estate, private equity, and short-term investments), geography, industries, and maturity sectors. A copy of the asset allocation model is available on the TRS website ([Link to TRS Asset Allocation](#)).

In constructing its asset allocation model, TRS, with assistance from its investment consultants, considers various, evolving investment risk factors, including sustainability risk factors, to help maximize the Trust's

¹ 40 ILCS 5/16 et seq.

² 40 ILCS 5/1-101.2 and 5/16 et seq.

financial returns while also helping to minimize projected investment risks. Consideration of investment risk factors is always subject to the overarching requirement that TRS discharge its duties with respect to the Trust and the System solely in the interest of the System's participants and beneficiaries for the exclusive purpose of providing benefits and defraying reasonable System expenses.

As described in Section 3 below, sustainability factors are considered during the investment manager underwriting and selection process conducted by TRS's investment consultants and investment staff.

3. Assessment of Systemic and Regulatory Risks and Opportunities

Consistent with their fiduciary duty to monitor the TRS investment portfolio, TRS investment staff, internal investment staff oversight committees, and the Investment Committee of the Board routinely assess systemic and regulatory risks and opportunities applicable to the Trust's investment portfolio, including sustainability factors, by reviewing information provided by TRS investment consultants, third-party systems, and investment managers.

More specifically, as it pertains to sustainability factors, information is collected and assessed as follows:

External Investment Consultants

Investment consultants are hired by and report directly to the Board and work closely with TRS investment staff. As part of the investment manager selection process, the consultants provide confidential investment memorandums and manager due diligence reports for consideration, which incorporate a Responsible Investment ('RI') evaluation of the investment manager. The RI evaluation generally reviews the investment manager's:

- RI or "ESG" policies governing their investment program;
- Approach to RI/ESG integration and related risks, when applicable to their investment strategy;
- Assessment of RI factors and RI headline risk of their underlying investments;
- Implementation of RI or ESG risk factors in investment underwriting; and
- Evaluation of sustainability reporting and diversity information at the investment manager-level.

TRS external consultants may flag both positive and negative considerations as part of their due diligence review, highlighting various aspects of the RI factors, an investment strategy, or a manager's business practices. The equity markets search process is generally described at 80 Ill. Admin. 1650.3020. When issues arise concerning an existing investment, depending on the circumstances, they may be flagged within investment staff's investment or operational due diligence report.

Third-Party Systems

Through paid subscriptions to certain third-party data providers, TRS has access to reports summarizing sustainability data, risk scores, and other related risk analytics. The information provided in the reports can be used in the evaluation of sustainability risk in the Trust's total current investment portfolio.

Investment Manager Information

During the investment manager search process, a standard form is sent out to investment managers requesting information on how they integrate sustainability factors into their decision-making process. The information submitted by the manager is then considered in conjunction with the beforementioned

investment consultant report and other relevant investment analysis materials at the time of the investment decision.

4. Investment Manager Integration of Sustainability Factors

The Illinois Pension Code authorizes TRS to appoint investment managers as fiduciaries to manage and invest Trust assets on behalf of the System. TRS delegates its management and investment authority for specific subsets of the investment portfolio, based on the asset allocation model, to investment managers, through an investment management agreement (IMA) outlining the investment manager's authority, responsibilities and investment limitations. Investment managers accept fiduciary responsibility for the Trust assets delegated to them and agree to manage and invest the assets in accordance with the Illinois Pension Code, the TRS Investment Policy and the terms of the IMA. Investment managers must construct and manage their TRS investment portfolios consistent with the investment philosophy and disciplines for which TRS retained them, which are spelled out in the IMA's investment guidelines.

When investment authority is delegated to investment managers, the investment manager takes on sole responsibility and discretion for managing the Trust assets, and TRS then monitors their performance. TRS contacted its discretionary investment managers for a description of how they integrate sustainability factors into their decision-making processes. The investment managers' responses are provided in Exhibit A attached hereto.

5. Proxy Voting Report

Active voting of proxies is an important component of managing the Trust's investment portfolio. When TRS delegates its management and investment authority for specific subsets of the investment portfolio to investment managers through an IMA, the investment manager agrees to accept fiduciary responsibility and liability for voting proxies for the securities held within the assigned portfolio.

Investment managers must vote proxies in a manner enhancing shareholder value in the best interests of the System's participants and beneficiaries. When an investment manager is retained by TRS, the investment manager must provide its proxy voting guidelines for review and provide updates when any changes are made.

As the appointed investment managers have discretion over and liability for their assigned portfolios, subject to the terms of the IMA and applicable law, TRS does not otherwise direct its investment managers how to vote the Trust's proxies, such as through use of an appointed institutional proxy advisory service's voting guidelines and services (e.g., Institutional Shareholder Services (ISS) or Glass Lewis). Having clean lines of fiduciary responsibility between the investment manager and TRS helps ensure investment managers retain full discretion and liability for management of the portfolio, helping to mitigate risk to the System.

While TRS does not mandate how its proxies are voted, approximately **90%** of the Trust's equity proxies were voted in accordance with either ISS' or Glass Lewis' institutional proxy voting guidelines as of the end of the latest fiscal year (approximately 84.3% of the equity portfolio voted in accordance with ISS' guidelines, while approximately 6.1% voted in accordance with Glass Lewis' guidelines).³ Further, the

³ Figures are based on inquiries sent to TRS's equity investment managers.

respective investment managers cover the cost of the proxy voting services, not the System, resulting in fee savings for the Trust and the System's members and beneficiaries.

TRS investment staff monitor the proxy voting practices of the investment managers and may request proxy voting information at interim periods or as issues arise. Investment managers provide reporting to TRS of all proxy votes cast during the prior quarter, including the number of ballots cast, the number of issues voted upon, and the percentage of issues voted with management, against management and designated as abstentions. These reports are used to produce an annual proxy voting report to the Board at fiscal year-end, which is then published on the TRS website.

The FY 2023 TRS Proxy Voting Report is available on the TRS website. ([Link to FY23 TRS Proxy Voting Report](#)).

6. Corporate Engagement and Stewardship Activities

TRS corporate engagement and stewardship activities concerning the Trust portfolio generally are addressed at the Board level on an issue/investment-specific basis. Matters of concern are addressed via direct dialogue with and written comment from the applicable investment manager. Individual Board Trustees or staff do not have authority to engage in such activities on behalf of TRS.

TRS also executes corporate engagement and stewardship activities concerning its investment portfolio through its membership on the Illinois Investment Policy Board in accordance with the Illinois Pension Code.⁴ The TRS Chief Investment Officer serves on behalf of TRS in this capacity. Through its membership on the Illinois Investment Policy Board, TRS ensures Trust assets are not invested in securities of entities that are prohibited from investment by Illinois law. Illinois law currently prohibits investment in certain companies that boycott Israel, for-profit companies that contract to shelter migrant children, Iran-restricted companies, expatriated entities, companies that are domiciled or have their principal place of business in Russia or Belarus, and companies that are subject to Russian Harmful Foreign Activities Sanctions. The current Prohibited Investment List for TRS is available [here](#).

⁴ 40 ILCS 5/1-110.16(b)



EXHIBIT A

Investment Manager Responses

Manager Name

Response

Acadian	<p>Acadian's investment process is founded on the principle that market inefficiencies are caused by behaviorally based mispricing, information asymmetry, and market frictions. Our investment process seeks to systematically exploit these inefficiencies by leveraging data and technology to apply our fundamental and market insights:</p> <ul style="list-style-type: none">-Markets are inefficient because many investors act irrationally and with incomplete information.-Markets are adaptive, which changes the relationships between risk and reward through time.-Investors have "mental models" that neglect relevant information and changing dynamics and thus perpetuate these market inefficiencies. We believe that alpha is best generated by:<ul style="list-style-type: none">-Applying information and technology in a disciplined and systematic investment process.-Knowing the value of different information at different points in time.-Recognizing that a robust research culture is essential to achieving enduring, superior risk-adjusted client returns. <p>Acadian integrates proprietary ESG signals across its investment process for the sole purpose of enhancing the prediction of risk-adjusted returns. We evaluate sustainability considerations both as return seeking and risk mitigating factors with the goal of improving clients' investment outcomes. Unlike generic ESG ratings, which are designed to serve a multitude of purposes, Acadian ESG signals seek to isolate specific information that the market is not already correctly pricing. The underlying relationships between ESG characteristics and future returns are often complex, calling for advanced analytical approaches, including machine learning. We set a high hurdle of statistical significance to evaluate signals, and we do not compromise on efficacy. We only add signals if we find that they show strong evidence of their ability to potentially enhance the prediction of returns. This applies equally to ESG signals too.</p>
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<p>Alliance Bernstein</p>	<p>Alliance Bernstein seeks to integrate material ESG factors into our research processes for most actively managed equity and fixed income strategies. As a firm, Alliance Bernstein begins by equipping our investment teams with education, tools and processes designed to help them to better understand, research and integrate material ESG and climate issues:</p> <p>Proprietary Toolsets: We have developed several proprietary tools designed to strengthen ESG and climate research and help systematize integration and collaboration, including ESIGHT for research and engagement, Prism for credit ratings and scoring, separate ESG Scoring Frameworks for sovereign, securitized, and municipal issuers, a Materiality Map, a Modern Slavery Risk Assessment Tool, and a Climate Transition Alignment Framework.</p> <p>Third-party Data and Toolsets: Alliance Bernstein investment teams have access to a range of data services designed to help them to gain a broad understanding of the ESG and climate risk characteristics of an issuer, sector, or portfolio. These include ESG data from Bloomberg and FactSet, MSCI ESG Ratings, MSCI carbon emissions data, Sustainalytics ESG Risk Ratings, Sustainalytics Controversies Research, UN Global Compact data, ISS Research, ISS ESG Controversial Weapons Research, and Glass Lewis corporate governance and proxy research.</p> <p>Our research teams are expected to identify and assess material ESG and climate risks and opportunities during their fundamental research. ESG factors present both risks and opportunities. We believe there are two sets of important criteria - ESG materiality and financial materiality - when analyzing a company, with the intersection of these two perspectives potentially important in managing risk, return and responsibility. We seek to factor that into our research. We also look to internationally recognized standards, such as the UN Global Compact, to help guide us. Issuers deemed to be in breach of global norms are flagged for further research on their suitability before being considered for inclusion in an Alliance Bernstein Strategy or Fund.</p>
<p>AQR</p>	<p>We incorporate signals in our models only if empirical evidence, together with economic intuition, demonstrates they tend to enhance excess return or help manage risk. This is true regardless of the nature of the signal. Most of our signals are unrelated to ESG. Our research finds that some, but not all, ESG-related characteristics are, on average over the long run, predictive of future relative return. The vast majority of these are measures of good governance. In our stock selection model, we include, alongside non-ESG-related alpha signals, alpha signals pertaining to categories (1), (2), (4), and (5) of the IL Sustainable Investing Act. In our emerging country and currency selection strategies, we include risk management components related to category (3) of Illinois Sustainable Investing Act.</p>
<p>Arga</p>	<p>ARGA defines sustainability factors as those likely to have a significant impact on a company's long-term</p>



	<p>earnings, cost structure and/or business sustainability. ARGA analysts reflect ESG factors, where material and quantifiable, in company analysis inputs.</p> <p>Key ESG factors vary for each business. We do not pre-define material ESG factors but consider a broad range of metrics including:</p> <ul style="list-style-type: none"> • Environmental factors: emissions intensity, impact of climate change risks (physical and transition), resource intensity, waste management (including hazardous waste), environmental impact, biodiversity loss. • Social factors: employee retention, diversity, employee health and safety, community impact. • Governance factors: board independence, composition and diversity, employee incentives, supply chain management, policies around bribery, corruption, and ethics. <p>We note that several of the factors above are aligned to those considered as sustainability factors under the Illinois Sustainable Investing Act.</p> <p>Additionally, many of the factors considered under point (5) of the Illinois Sustainable Investing Act, such as materials sourcing and efficiency, business model resilience, product design and life cycle management are addressed, where material and quantifiable, in our fundamental research.</p>
Arrowstreet	<p>We have a Responsible Investing Committee that meets quarterly to discuss our approach to environmental, social and corporate governance (ESG) related issues in our investment process. Our research focuses on identifying, testing, and incorporating investment signals into our quantitative return and risk models. We incorporate what we believe to be the best investment insights into our clients' portfolios with the objective to deliver sustainable alpha on a risk-controlled basis.</p> <p>Consistent with this objective, all alpha and risk signals, including those associated with ESG information, are evaluated in a systematic and rigorous manner prior to inclusion in our process. We understand that ESG considerations can impact businesses' profitability and sustainability of earnings, in addition to the risks associated with their securities. Though our research to date has not suggested that stocks with desirable ESG scores will systematically outperform, some of our existing expected return signals are correlated with specific ESG measures. The most conspicuous examples are our quality signals, which tend to be somewhat correlated with the "G" (Governance) component of ESG. We do believe ESG information is informative about forward-looking active risks, and therefore we include signals derived from ESG characteristics in our risk model. We may periodically evaluate various additional signals associated with ESG characteristics as well as related third-party academic research to identify potential return or risk implications associated with ESG-based signals.</p>



<p>Barings</p>	<p>We believe that integrating the analysis of environmental, social and governance information into our investment process gives us a more holistic understanding of the complex issues, risks, opportunities, and value drivers that may impact our clients' portfolios over time. In-depth, fundamental analysis is at the heart of our investment philosophy, and ESG analysis is embedded within the investment process across all asset classes.</p> <p>Our long-term approach does not mean a static approach: we work to constantly improve our ESG integration, stewardship, and corporate responsibility practices. We are active stewards of the entities in which we invest; this goes hand-in-hand with our active investment approach. Stewardship involves using our influence, through our channels of communication, to try to safeguard and increase performance for clients. We engage on a regular basis, where appropriate, and believe the most productive outcomes stem from strong relationships and deep knowledge.</p> <p>The consideration of ESG topics is not just integrated into our investment process but permeates our business activities through our corporate responsibility program. We strive for sustainable practices from our colleagues and in our communities.</p>
<p>Causeway</p>	<p>Causeway believes a one-size-fits-all integration approach is less effective than an approach tailored to the investment objective and process of a particular investment strategy.</p> <p>Causeway's Fundamental Value Equity strategies employ a bottom-up stock selection process whereby analysts assess a mosaic of fundamental company and industry information to form a holistic view of an investment. Financially material sustainability issues, which are likely to impact investment performance, are where applicable an input in forming this view.</p> <p>To facilitate sustainability integration, Causeway's procedures are structured around training, tools, and accountability. We provide scheduled training sessions for fundamental analysts and portfolio managers to develop awareness of material sustainability issues and their investment implications, discuss research findings, and identify emerging themes and trends. The training sessions are recorded for later use, including in onboarding new analysts. We provide various tools to fundamental analysts: A materiality map that identifies material issues by sector as determined by our sector-specific research groups or "clusters"; Various data sourced from both commercial and non-commercial sources; Assessment frameworks that enable consideration and aggregation of various data into a proprietary sustainability score; and, a proprietary desktop application (our "ESG Navigator") to access the data and assessment frameworks in order to input and update components of sustainability scores.</p> <p>Accountability is maintained by including in fundamental investment professionals' annual performance</p>



	<p>evaluation an assessment of their adherence to our sustainability integration procedures. The annual performance evaluation is an input in determining discretionary compensation.</p>
<p>Driehaus</p>	<p>Investment professionals at Driehaus Capital Management LLC (DCM) incorporate the consideration of material ESG factors into its investment process through quantitative and qualitative analysis, internal monitoring, and reporting. DCM layers ESG metrics from external sources into the quantitative aspects of the research process. The type of factor and DCM's decision on its materiality to a company will vary by industry, region, and type of investment. By analyzing the ESG scores of companies, DCM seeks to identify risks that may not always be obvious through traditional fundamental analysis. Qualitative fundamental analysis is also conducted on investments, including an assessment of a particular company's ESG footprint through a review of commentary derived from external ESG rating agencies. This analysis seeks to identify material ESG risk factors and their correlation to a company's potential future earnings and profitability. More specific examples are as follows: Environmental factors may include, but are not limited to, carbon emissions, water stress, toxic emissions and waste, packing material and electronic waste. Material environmental risks may result in higher energy costs, disruptions to operations, environmental accidents, increased regulatory pressures and reputational damage. Some examples of social factors are health and safety, data security and privacy, supply chain labor standards, labor management, human capital development, community relations and consumer protection policies. Social factors can negatively affect a company's reputation and ability to attract talent, which ultimately affects profitability. Finally, governance factors, such as business ethics, accounting standards, board structure and oversight, and tax transparency play a crucial role in DCM's risk analysis for a given company. Without strong corporate governance practices, DCM may lack confidence in the leadership and integrity of a company's management team. Consistent with DCM's risk management process, the purpose of this analysis is to seek to identify and understand ESG-related risks to the extent practical. DCM may disregard ESG scores or external analysis, for instance, if DCM does not view the ESG commentary as material or disagrees with the analysis. To be clear, as a single factor in DCM's investment process, ESG considerations are not likely to be a defining factor in any investment decision.</p>
<p>Dolan McEniry</p>	<p>Dolan McEniry has a long-held policy to avoid investing in the fixed income securities of companies in the fossil fuels industry. This policy has helped the firm score consistently well on sustainability metrics. On July 31, 2024, according to Morningstar's Sustainalytics (well-regarded third-party source of company data on sustainability), Dolan McEniry's TRS portfolio fell into the "low carbon risk" category with a score of 7.1, 35% below the</p>



	<p>benchmark score of 11.0. In addition, the TRS portfolio was 86% less carbon intensive with a 0.0% fossil fuel weighting versus 13.2% for the benchmark. The firm has no plans to change its policy of avoiding the fossil fuel industry.</p> <p>Dolan McEniry also integrates sustainability metrics more broadly into its investment strategy and process. The firm uses third-party data from Sustainalytics to understand the portfolio's carbon risk and key controversies from a sustainability perspective. The firm's investment team documents material sustainability risks in an internal research note for each new investment, along with other fundamental and financial analysis. If an investment scores poorly on the relevant factors according to third-party data sources, the investment team conducts further research to determine what is driving the score. A poor sustainability score does not automatically preclude the firm from investing in the company but is an important input into the investment decision-making process. The firm believes its avoidance of fossil fuels and its overall sustainability practices will continue to lead to strong sustainability scores for the foreseeable future.</p>
Emerald	<p>Emerald Advisers, LLC does not have a formal ESG policy. but does have an ESG Statement that contains information on ESG-related factors and considerations that can be a fall-out result of our 10-Step Research process. Since Emerald's investment strategy is a bottom-up process.</p> <p>Emerald does not apply top-down screens of any kind. including any ESG-related screens. Instead. Emerald's analysts and portfolio managers build each portfolio one stock at a time. That being said, many inputs into Emerald's investment decision-making process can include factors that are generally accepted as being ESG-related. Ethical leadership, customer privacy and job creation can be important variables when Emerald research analysts are assessing a company for inclusion in an Emerald portfolio. Under the direction of Chief Investment Officer. Kenneth G. Mertz II, CFA, Emerald has consistently fought for shareholder rights through its proxy voting policy and ongoing engagement and dialogue with company executives. Similarly. Emerald's proprietary 10-Step Research process allows our analysts and portfolio managers to consider investment factors that passive managers and indices may not. Emerald has full discretion to invest in or ignore a company, industry or sector.</p>
Finisterre	<p>The Finisterre investment process incorporates ESG factors using both summary exclusions based on specific activities and a committee process for those issuers which exceed certain materiality thresholds. Summary exclusions focus on specific industries such as weapons, tobacco, etc. and we screen names which exceed thresholds in the coal, stranded fuels, and generation industries. Beyond these exclusion activities we have embedded the United Nations Global Compact (UNGC) in our process which looks at issues across the sustainability spectrum: environmental, human and social capital, and governance. While we look all these</p>



	<p>factors as part of our process, we focus on UNGC violations for corporate issuers and sharp negative moves and emissions intensity for sovereign issuers.</p> <p>To carry out our process we have incorporated MSCI data in addition to our own more qualitative assessment for issuers. For those issuers, either sovereign or corporate, that exhibit material risks according to the above criteria, we use the ESG Committee process to assess severity, risks for the credit profile, and corrective actions and this results in decisions about the acceptability for investment of issuers. Engagement is a key determinant as to the acceptability for investment of credits; those issuers where we see sustainability risk but which we deem as open to engagement make for more promising investment cases in our view. We track our engagement and committee decisions to refine our process and make it iterative</p>
Garcia Hamilton	<p>At Garcia Hamilton & Associates, L.P. (GH&A), we understand that the role of fixed income, more specifically Core Fixed Income, is to anchor the portfolio so the client can take risks elsewhere. Therefore, our goal is three-fold. First, to outperform our benchmarks net-of-fees with a higher credit profile than the index. Second, to provide our clients with best-in-class service. Third, to set an example as an industry leader in fixed income solutions for institutional clients as well as a leader in corporate diversity and inclusion.</p> <p>Since inception, we have utilized an active, top-down investment approach to provide safety, liquidity, and return on investment to our institutional, primarily public sector, clients. Our high-quality philosophy prevents the Firm from taking unnecessary or unquantifiable risk.</p> <p>GH&A's investment philosophy is aligned with the State of Illinois's bold and forward- looking action through the passing of the Illinois Sustainable Investing Act, requiring every retirement fund subject to the Illinois Pension Code to incorporate sustainability factors into their written investment policy. GH&A has been managing Illinois public sector accounts since 2005.</p>
Grandeur Peak	<p>As a firm, we believe that the best investments are in companies that have integrity and strive to make an impact on the world. The objective of our fundamental research is to identify what we consider to be Best In Class companies (BICs): those with sustainably high returns on capital, underpinned by a sustainable competitive advantage that enable companies to generate more than enough cash to fund their growth and maintain a strong balance sheet. We place significant value on companies' management teams that embrace a long-term perspective and are thoughtful stewards of financial and non-financial resources. This often includes environmental and social aspects of the business. We have always believed that effective governance and responsible corporate strategy are critical components of Best In Class companies.</p> <p>Sustainability (ESG) is an ethical issue for Grandeur Peak. Our formal sustainability framework focuses on</p>



	<p>analyzing and influencing the extent to which our companies exercise stakeholder equity. As a part of our bottom-up approach, we screen companies and give them a quality score, of which environmental, social, and governance issues all play a role. This process includes engaging companies on their biological and environmental influences, social impact, and managerial integrity. These engagements are performed with 100% of our companies and applies to 100% of our strategies.</p>
Heitman	<p>As part of Heitman's investment process, sustainability considerations, including an assessment of environmental risk factors, form part of the underlying review of facts that are evaluated in determining moving forward with a particular portfolio transaction. From an operating perspective, Heitman looks for opportunities to explore sustainable solutions to achieve operating efficiencies in a manner that is consistent with the underlying investment objectives. Similarly, Heitman seeks to work with responsible third-party vendors and operators who maintain high operating standards that are consistent with Heitman's own approach. We believe in reviewing and assessing sustainability considerations in our investment and asset management processes, and, when appropriate implementing appropriate operating solutions, with the objective of enhancing investment returns.</p>
J.P. Morgan	<p>J.P. Morgan Asset Management has deeply held convictions that in-depth investment research and rigorous analysis by experts are key to delivering long-term, risk-adjusted returns for our clients. Our approach to engagement is aligned with this vision and is an important part of our investment processes.</p> <p>Engaging investee companies in dialogue and encouraging sound environmental, social and governance (ESG) practices is an important component of how we deliver our investment stewardship strategy. Our engagement is based on our in-depth investment research on companies, alongside our assessment of macroeconomic drivers, sector-specific factors and financially material ESG themes. Combining our ESG research capability with the experience and skill of our investment teams and the expertise of our investment stewardship specialists gives us a deep understanding of the risks and opportunities facing different sectors, industries, and geographies. By integrating this expertise into a global common platform, we seek to maintain a consistently high standard of engagement, considering the myriad of nuances a responsible investor needs to embrace. Through engagement, we seek to encourage long-term sustainable outcomes in investee companies.</p>
Loop Capital	<p>Sustainability factors are fully incorporated into LCAM's proprietary credit scoring process. The starting point for integration is original research by our credit analysts and inputs from third-party providers such as MSCI.</p>



	<p>Environmental, social and governance risk assessment begins with the work of our credit analysts. Companies with ESG scores in the lowest quartile are investigated further by the credit analysts to evaluate whether the ESG risks are adequately incorporated into the team's assessment of business risk.</p> <p>Sustainability factors and risks are identified at a security level. LCAM's credit analysts evaluate and score securities across three broad categories: business risk, financial risk and sovereign risk. ESG (environmental, social and governance) analysis is included under business risk to anticipate future risks that may be overlooked by the market, such as regulatory fines or reputational risk.</p> <p>Scoring reflects a combination of qualitative and quantitative factors with outputs for each variable ranging from -2 to +2 based on predetermined criteria for each factor under consideration. The total score across factors is normalized to produce a number between -10 to +10. Base scoring for quantitative factors uses a logarithmic curve, with 0 typically aligned with the inflection point between investment grade and high yield.</p>
LPC	<p>LPC Realty Advisors I, LLC (the Firm) and its parent organization, Lincoln Property Company, integrate sustainability factors into the investment and asset management decision-making process on behalf of the Teachers' Retirement System of the State of Illinois (TRSI). The Firm's senior decision maker, who serves as President and is on its national Investment Committee, takes responsibility for sustainability initiatives and works with Lincoln Property Company's ESG team on a consistent basis. All work is guided by internationally accepted standards and organizations and is annually audited or externally checked by third parties.</p> <p>The Firm incorporates sustainability factors into its governance primarily through its participation in the SEC's Registered Investment Adviser process. All annual and update ADV filings are provided directly to TRSI.</p> <p>Additionally, the Firm provides annual tracking of leadership diversity, the inclusion of an ESG section in its annual reporting, and annual performance reviews that include sustainability considerations. The Firm also maintains updated regulatory, compliance, and ethical conduct policies and performs annual training.</p> <p>The Firm integrates sustainability factors in its decision-making through systemic risk management practices in its underwriting and due diligence process and then throughout the hold period of the asset. Prior to acquisition, each investment is assessed with several sustainability-related factors, including the following attributes/issues: building safety and materials, contaminated land, energy supply and efficiency, water supply, flooding, regulatory compliance, and transportation.</p>
LSV	<p>LSV utilizes a quantitative model that derives an expected return for all companies in the investment universe utilizing third-party data, including signals relating to certain sustainability factors.</p> <p>Specifically, signals related to environmental, social, and/or governance ("ESG") controversies, ESG scores, and climate risks are included in LSV's quantitative expected return model and/or risk control and portfolio construction process to mitigate overall portfolio level exposure to companies with</p>



	<p>potentially high ESG risk. In addition, as a supplement to our quantitative risk control process, our portfolio management, trading, and compliance departments monitor news relevant to portfolio holdings, including ESG-related developments, and may choose not to purchase or increase investment in particular issuers due to heightened ESG risk. Further, issuers implicated by certain ethical and regulatory considerations are excluded, at your request.</p> <p>LSV's proxy voting and engagement processes further integrate the consideration of certain sustainability factors, including through case-by-case ESG analysis by our proxy advisory and collaborative engagement service provider, Glass Lewis & Co., in furtherance of maintaining or enhancing shareholder value in the best economic interest of TRS.</p>
Mackay Shields	<p>As fiduciaries entrusted to act in our clients' best interest, we believe that consideration of material environmental, social, and governance ("ESG") factors can have an impact on long-term investment performance and, therefore, is a natural and important component of disciplined investment research and management of client portfolios. As active managers and lenders of capital to the issuers in which we invest, we are also mindful of our ability to influence responsible business conduct through investment decision-making.</p> <p>The Global Fixed Income Team incorporates a process which includes a comprehensive evaluation of a list of risk factors, a number of which can be classified as ESG factors. We are keenly aware of these ESG risks and their impact on the credit worthiness of borrowers and bond issuers. Our approach to ESG investing is consistent with our general philosophical approach - eliminate uncompensated risk by cutting off the tails of the return distribution. ESG considerations are particularly pertinent to left tail management, as ESG risks can be exceptionally high without commensurate compensation. In our investment process, we apply an industry-relative ESG screen through which we carefully weigh the risk and reward profile of each potential investment we consider.</p>
Northern Trust	<p>The MSCI World ex USA ND and Quant Active Multi Factor Manager Volatility .85 Beta Separately Managed Accounts (SMAs) that the Illinois Teacher's Retirement System (ILTRS) are currently invested in are not managed to an ESG mandate.</p>
Payden & Rygel	<p>Payden & Rygel ("Payden") has an ESG Investment Policy approved by the Managing Committee. It is our policy to review Environmental, Social, and Governance (ESG) factors and integrate them, where appropriate, into its ESG investment processes. We adopt a client-centric approach in its ESG investment processes.</p>



	<p>Payden’s ESG investment processes are dynamic. They are designed to be adaptive to changing market conditions, data coverage, developments in the global ESG landscape, and broader sustainability analysis and therefore may change over time. ESG factors are identified, monitored, and managed using both quantitative and qualitative processes and frameworks.</p> <p>We evaluate numerous factors, which may include ESG when evaluating potential performance. For separately managed accounts, the importance of ESG factors is considered in the context of client guidelines. For portfolios that do not include any ESG criteria in the client guidelines and/or prospectus, ESG considerations relate to their potential impact on the investment performance of an issuer on a short to medium-term time horizon and where relevant. ESG factors are incorporated into the overall investment process in the context of the portfolio and markets.</p>
PGIM	<p>ESG risks and opportunities are assessed as an integral part of our credit decision and embedded in our bottom-up investment process. We incorporate ESG risk assessments in our investment decisions by incorporating them into our credit ratings and considering them through our relative value frameworks, as we believe these risks can be financially material.</p> <p>In our view, credit-material ESG factors are not isolated from an issuer’s overall credit profile, and the line between ESG risks and other forms of risk is often blurred. So, rather than layering a separate ESG risk rating on top of our credit assessment, our approach is to embed ESG risks and opportunities into fundamental credit ratings themselves. PGIM Fixed Income analysts review information related to ESG factors, which may be provided by the issuer, obtained from third-party ESG research providers or alternative data sources (e.g., NGO analyses, governmental and inter-governmental studies, etc.). PGIM Fixed Income analysts may supplement this information through engagement with the issuer. To the extent an ESG factor is considered by the analyst to have a material or a potentially material adverse impact on the financial value of the issuer, our analysts will incorporate such risks into their fundamental credit ratings.</p> <p>We assess whether our investments offer adequate compensation for the fundamental risk profile of the company, which includes ESG risks, on an asset class, industry and/or individual issuer basis. These are integrated into credit analysis and feature in relative value discussions across mandates. The environmental and social factors considered during our research assessment, including ESG risks which may cause a material negative impact on the financial/economic value of potential investments should those risks occur, will vary depending on the asset class, the industry and/or individual issuer.</p>
Principal Real Estate	<p>Principal Real Estate thoroughly evaluate sustainability features and risks from the earliest stages of our new property and existing asset acquisition pre-investment process. As part of the underwriting process, we review</p>



	<p>geographic location, environmental concerns, regulatory conditions, and social matters. We consider sustainability factors that are unique to each site and local market resilience, from both an economic and regulatory perspective.</p> <p>To better assess and respond to geographically specific sustainability factors, we rely on local market expertise provided by property management and development partners. Similarly, our regional asset manager and engineering organizational structure allows for greater insight and focus on key local market conditions. Our standard due diligence checklist includes analysis and review of a broad spectrum of sustainability factors including but not limited to:</p> <ul style="list-style-type: none"> • Overall building sustainability performance • Energy, water, and waste usage and efficiency • History of the location for type and frequency of natural hazards • Climate risk assessment to help identify future high-risk climate hazards (flooding, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes) • Transition risk (regulatory requirements for benchmarking, energy audit/retro-commissioning, and/or building emissions performance standards)
Redwheel	<p>Redwheel views responsible investing and stewardship as critical and integral parts of our organisation's long-term strategy and welcome rising market and regulatory expectations of best practice in our industry. We believe we can use this to further demonstrate our own alignment and commitment to servicing our clients. Redwheel has an approach where its investment teams have a high degree of autonomy with regards to their investment process and, as such, the approach to incorporation of ESG considerations adopted by each investment team will differ accordingly, as will the resource dedicated to it. In line with their investment freedoms, each investment team is also responsible for developing internal procedures for ESG integration within their respective investment mandates, consistent with firm level policies. Adopting this approach has proved to be the best way to ensure that responsible investing is put into practice in a meaningful and genuine way, helping to maintain alignment between our interests and those of our clients. Our organisation-level approach is set out in the Redwheel Policy on Responsible Investment and is based on our overarching aims to ensure we fulfil our fiduciary duties and meet the requirements of our clients. This policy, as well as our Stewardship and Controversial Weapons policies, apply firmwide. These policies represent Redwheel's principal policies relating to sustainability considerations, the implementation of related investment strategies, and the roles of individual teams in overseeing the operation of investment products in practice.</p> <p>As part of the Emerging Markets Equity Strategy, ESG analysis forms an integral part of the team's due diligence process performed by all analysts. Results are summarized in a multi-factor assessment card included in each</p>



	<p>stock report and reviewed annually or more frequently, if necessary.</p>
<p>Rhumblin</p>	<p>Rhumblin recognizes that Environmental, Social and Governance (ESG) investing can be a source of both return enhancement and risk management. We will focus our ESG efforts on three implementation pillars:</p> <ul style="list-style-type: none"> • Integration – implement sustainable investing concepts into our investment decision-making / portfolio construction process as well as into risk management, within the bounds of our investment mandate. • Evaluation – utilize our resources to educate clients and internal decision makers on the importance and significance of ESG factors. This includes enhanced reporting of Environmental, Social and Governance exposures relative to the benchmark. • Engagement – participate in industry conferences / organizations to bring ESG investing to the forefront. Address sustainability risks and opportunities by direct engagement with portfolio companies where appropriate and through proxy voting. <p>We acknowledge our responsibility first and foremost is to seek to achieve performance objectives – minimizing tracking error while managing transaction costs for the benefit of client beneficiaries. Within the leeway afforded by our investment guidelines, we recognize that sustainable investment (i.e. positive ESG score) is a positive long-term characteristic of any investment portfolio, and we may consider ESG as one of many other ‘tiebreaker’ factors which may influence our trading decisions where we had been otherwise ambivalent.</p>
<p>Schroders</p>	<p>Our International Equity strategies employ a bottom-up, approach, focusing on fundamentals, to identify stocks we expect to deliver positive earnings surprise. The philosophy is based on the principle that companies that deliver earnings above the level anticipated by consensus estimates outperform the broader market. Through a process of stock research and analysis - combining a detailed assessment of fundamental risk - the team seek to identify those companies with a forward trajectory of growth ahead of that anticipated by consensus.</p> <p>The investment opportunity is underpinned by the market's failure to accurately evaluate companies over a longer-term time horizon. In addition, in the team's view, the market often fails to recognize the significance of structural themes that can shape the trajectory of forward growth. Our analysis seeks to identify companies that we expect to deliver future earnings growth above the level expected by the market. We term this "a positive growth gap". Using this approach, we build high conviction portfolios that we believe will outperform once the market recognizes the stronger earnings growth characteristics. Over time we believe that earnings fundamentals - and specifically earnings surprise - is the primary driver of share price returns (and stock valuations) across most phases of the investment cycle.</p> <p>As long-term investors, we consider it vital to appraise both financial and non-financial material factors when analyzing a company and its stock. We believe that the appraisal of such factors, including ESG,</p>



	<p>contributes to a better understanding of a company's risk characteristics and return potential.</p>
<p>SGA</p>	<p>Strategic Global Advisors, LLC ("SGA") is committed to responsible investing and promoting responsible practices while enhancing economic outcomes for our clients. Since our founding, SGA has integrated environmental, social, and governance ("ESG") information into our investment practices across all investment strategies through fundamental research and analysis and is committed to engaging with portfolio companies to facilitate positive change. It should be noted, in our normal investment process, we do not exclude companies or industries from consideration, but rather weigh the benefits of the investment versus the risks.</p> <p>ESG considerations includes ESG factors that investors, asset owners, and managers consider in the context of corporate behavior. Examples of such factors can include those related to energy efficiency, waste management, labor standards, workplace safety, executive compensation, conflicts of interest and disclosure amongst numerous others.</p> <p>Fundamental research analysts consider ESG factors in conjunction with traditional fundamental factors and take a holistic approach in analyzing companies from a fundamental perspective, weighing the benefits of the investment versus the risks. Analysts document the basis for each investment recommendation and the key risks considered, including ESG factors.</p>
<p>T Rowe Price</p>	<p>The Global Focused Growth Equity Strategy uses ESG integration as part of its investment process. This means incorporating environmental, social and governance factors to enhance investment decisions. Our philosophy is that ESG factors are a component of the investment decision, meaning that they are not the sole driver of an investment decision, nor are they considered separately from more traditional analysis.</p> <p>The process of ESG integration takes place on two levels: first, with our research analysts as they incorporate environmental, social, and governance factors into company valuations and ratings; and, second, with the portfolio manager as he balances these ESG factor exposures at the portfolio level. Both the analysts and portfolio manager are able to leverage dedicated, in-house resources to assist them in analyzing ESG criteria.</p> <p>Our ESG specialist teams provide investment research on ESG issues at the company level and on thematic topics. Additionally, they have built tools to help pro-actively and systematically analyze the environmental, social and governance factors that could impact our investments. The foundation of the analysis is a proprietary flagging tool called the Responsible Investing Indicator Model (RIIM). It covers around 15,000 companies and pulls from data sets that are not in the wheelhouse of traditional financial analysis. These data sets include:</p> <ul style="list-style-type: none"> -ESG performance data (e.g., number of accidents, carbon emissions, strength of whistle-blower programs, etc.) -ESG targets (e.g., plans to reduce carbon emissions, increase diversity, etc.)



	<p>-ESG incidents and controversies (e.g., environmental fines paid, local community controversies/protests against a company, etc.)</p> <p>The companies we buy will typically have high quality characteristics as well, with this qualitative assessment based on our analysis of their future economic relevance. Our primary emphasis is on company fundamentals, which include the consideration of environmental, social and governance factors. We find this process yields an ESG-friendly set of companies; however, we also screen the portfolio using T. Rowe Price's proprietary RIIM analysis at regular intervals and this helps us understand the ESG characteristics of the portfolio.</p> <p>ESG considerations form a part of our overall research process, helping us alongside other factors to identify investment opportunities and manage investment risk. At T. Rowe Price, this is known as ESG integration. However, we may conclude that other attributes of an investment outweigh ESG considerations when making an investment decision.</p>
Wasatch	<p>Wasatch believes the thoughtful incorporation of responsible investment practices, including environmental, social and governance (ESG) factors, can enhance the investment due diligence process, reducing risk and maximizing returns over a long-term investment horizon. The integration of ESG analysis, alongside traditional financial metrics, provides Wasatch investment professionals with a mosaic of relevant risks and opportunities that are incorporated into investment analysis.</p> <p>More broadly, Wasatch implements ESG initiatives firm-wide and across all managed equity portfolios. Wasatch has been a PRI signatory since 2018. Wasatch also supports the Task Force for Climate Financial Disclosures (TCFD) and Paris climate agreement, and participates in other related ESG industry groups and taskforces.</p> <p>Incorporating ESG factors doesn't change Wasatch's investment objective or constrain its investable universe. Rather, ESG factors are part of a mosaic of financial and non-financial factors that portfolio managers can use to assess an investment's risk and return profile.</p>
William Blair	<p>Financially material ESG factors are inextricably linked with our fundamental assessment of company management and long-term <i>value</i> creation, as well as the sustainability of competitive strengths.</p> <p>ESG-related insights are primarily informed by proprietary research, including company meetings and data aggregation from multiple internal and external resources. Our assessment of potential ESG risks and opportunities for different industries and companies is supported by a proprietary materiality framework that was developed internally by the investment teams. Building on this framework, we developed a proprietary qualitative ratings system that is aligned with our views on ESG factors that may be financially material across different industries.</p> <p>In addition to our proprietary research, third-party ESG data are systematically incorporated into our</p>



internal research platform, Summit, to provide additional context. William Blair currently utilizes MSC! as its primary third-party ESG research provider, and routinely monitors the research vendor landscape for additional research inputs. We also continually seek expanded universe coverage and data quality improvement from our existing research providers.

From a governance perspective, our key focus is on board composition, minority shareholder treatment, management incentives, and corporate culture. Environmental areas of focus include climate change, natural resources stewardship, and pollution and waste management. Social considerations include human capital management, customer well-being, supply chain management, and community relations. The materiality of these issues varies by country, industry, and company.