LNW 2023 Annual Impact Report

In 2023, the impact investing industry experienced a year of growing pains. After years of growth and momentum that some in the industry may have taken for granted, the anti-environmental, social and governance (ESG) trend came to a head, with at least 40 anti-ESG laws added to the books in 18 states[1] and more companies distancing themselves, at least publicly, from impact initiatives that, as recently as 2020, they were happy to trumpet. U.S. sustainable funds also saw their first outflows in a decade.[2]

The silver lining to a year marked by challenges is that we believe this to be a natural course correction that was expected as impact investing matures and as investors, fund managers and regulators refine what impact means and how to quantify it. The increased scrutiny – by regulators and investors alike – in response to greenwashing has led to greater rigor in non-financial disclosures and sustainability-related communications, and more companies than ever are aligning their reporting with one of several commonly accepted frameworks such as those created by the Task Force on Climate-Related Financial Disclosures, the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative. The ISSB standards, in particular, could be a significant step forward, as multiple countries have aligned their disclosure regulations with the standard. In addition, companies operating in Europe will soon (as early as 2024 for roughly 50,000 companies) need to be in compliance with the European Sustainability Reporting Standards (ESRS) enacted in July 2023.[3] We believe that the short-term effects of this closer scrutiny and more stringent standards, in the form of fund outflows and limited growth in impact assets under management across the industry, are worth it for the long-term health of the impact investing space.

Many companies and fund managers have also gotten quieter in public regarding their ESG efforts, particularly around issues of diversity, equity and inclusion (DEI), greenhouse gas (GHG) emissions and fossil fuel phase outs. In many cases, this amounts to "greenhushing," or companies deliberately downplaying or avoiding publicizing their sustainability practices to avoid scrutiny or feared negative response. Importantly however, companies largely have not backed away from programs like internal DEI initiatives or emissions reduction targets but have, in some cases, stopped talking about them or relabeled them to avoid backlash from the loudest negative voices. In fact, in a recent study by Littler Mendelson P.C., more than half of U.S. executives say their organizations have expanded their DEI strategies[4] and, in an internal survey conducted by Fidelity, nine of 10 analysts said that commitment to meeting climate goals hasn't dipped.[5]

How companies and investors have responded to this outside pressure around ESG underscores the point that the issues being addressed are, and have always been, fundamentally financially material. Recent research shows that companies with diverse teams across race, ethnicity and gender perform better. Companies in the top quartile of ethnic diversity are 39% more likely to outperform their counterparts in the bottom quartile, and the same holds true for the top quartile in gender diversity.[6] And JPMorgan Chase CEO Jamie Dimon left little doubt of the importance of creating shared stakeholder value in his most recent letter to shareholders: "We believe — and we are unashamed about this — that it is our obligation to help lift up the communities and countries in which we do business. We believe that doing so enhances business and the general economic well-being of those communities and countries and also enhances long-term shareholder value."[7]

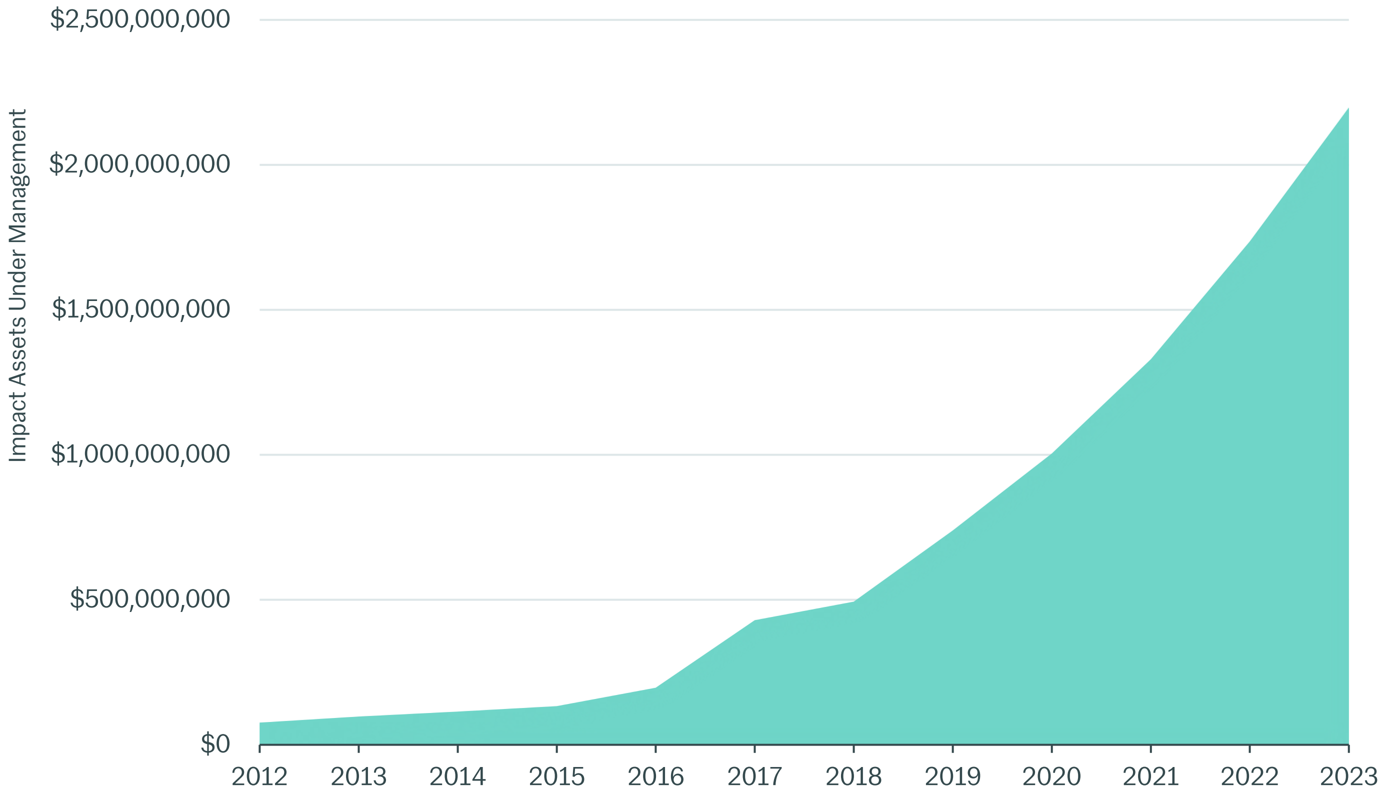
In contrast, the anti-ESG laws enacted represent just a small fraction of those proposed, and those that have been rejected have faced intense opposition from many, including government pension managers and business groups, due to the bottom line cost to taxpayers. More than half of the anti-ESG bills introduced in 2023 failed, often at the urging of state officials. In Wyoming, the state's Chief Investment Office warned that three anti-ESG bills, all of which ultimately failed, would cost the state upward of $500 million and in Texas, one of the most extreme bills quietly died after leadership at the Employee Retirement System of Texas, which manages retirement plans for public employees including teachers, told lawmakers that the bill would cost them as much as $6 billion over the next decade.[8]

In addition, despite criticism of emissions reduction targets and the green transition away from fossil fuels, investor and corporate interest has grown. A record $1.8 trillion was invested in the global energy transition in 2023, including $634 billion in electric vehicles and $623 billion in renewable energy. As of late 2023, more than 23,000 companies, representing more than half of global market capitalization, report emissions to the Carbon Disclosure Project and more than half of the largest 2,000 companies globally have set net-zero targets.[9] More than 8,000 companies, representing over one-third of global market capitalization, have specifically committed to science-based targets such as those verified by the Science-Based Targets Initiative (SBTi), aimed at ensuring climate commitments are meaningful and scientifically sound.[10]

While we may be facing an inflection point for the industry, we hope and believe that it will be one that sets a solid foundation for the future and believe as strongly as ever in the importance and financial materiality of impact investing.

Through this seventh edition of our Annual Impact Report, we are pleased to offer highlights of our own work, now as LNW, to continue to grow impact investing, support our clients, employees, and fund managers and contribute to the broader community in 2023. While we are proud of the work we have done in a year of change, both internally and in the world at large, we know that there is always more work to be done, and the urgency is greater than ever. We look forward to continuing to make progress together in the year ahead and beyond as we continue to embody our values as LNW.

Impact Assets Under Management



Data as of 12/31/23. Data prior to 2022 only includes assets from Wetherby Asset Management. Data from 2022 and beyond represents all of LNW.

Our Clients

The State of the Impact Investing Space

While results across impact investing were mixed in 2023, we believe that the fundamental financial materiality of ESG considerations, both in terms of risk mitigation and identifying compelling investment opportunities, is unchanged.[11] In the short term, performance across regions and sectors varied, contributing to the overall mixed results. U.S. sustainable equity funds lagged their traditional peers on the year, with 57% of funds landing in the bottom half of their respective Morningstar categories.[12] Global sustainable funds, however, outperformed their traditional peers, with median returns for sustainable funds of +12.6%, 4% better than that of traditional funds.[13] Despite this year's uneven performance and last year's overall market struggles, sustainable funds continue to outperform their traditional peers over the long term; for the trailing five-year period, 33% of sustainable equity funds ranked in the top quartile and 61% ranked in the top half.[14]

Sustainable funds as a whole also saw outflows on the year in 2023 for the first time in a decade, with investors moving $13 billion from sustainable funds.[15] At first glance, this may seem alarming, but we do not believe that this reflects a fundamental flaw in the investment thesis for impact. A significant portion of these outflows is potentially due to problems with poor ESG products that are likely under increased scrutiny with tighter disclosure regulations coming into effect and may be charging investors higher fees for a lesser degree of impact rigor than investors feel is justified. As just one example, $2.1 billion of the $13 billion in total outflows came from one fund, iShares ESG Aware MSCI USA ETF, which employs only basic ESG screening, giving investors minimal benefit over traditional counterparts. As we have seen over the past few years, investors want meaningful impact incorporation from funds, not just a simple screen and a label.

Overall, investor sentiment continues to support the value of impact investing when investors are offered thoughtfully designed and rigorously managed investment vehicles that can take advantage of the opportunities presented by incorporating impact considerations. A recent survey by Morgan Stanley found that 77% of individual investors were interested in sustainable investing, and 57% said that their interest has increased over the past two years.[16] A survey of more than 1,000 investors across North America, Europe, and Asia conducted by Deloitte and the Fletcher School at Tufts University showed that 83% incorporate sustainability information into fundamental analyses.[17] Our experience with our own clients supports this same trend; our assets invested in impact strategies increased 21% from $1.8 billion in 2022 to $2.2 billion in 2023.

Our Impact Investment Practice

We believe every investment has impact, whether positive or negative, intentional or inadvertent. Our work in impact investing seeks to understand this impact, maximize and monetize the value created by positive externalities and minimize the negative and extractive externalities. We aim to contribute to an economic system that creates value for all stakeholders.

Our impact investing offering is built around the belief that impact considerations, such as climate change and gender and racial equity, are increasingly material to asset pricing and present risks and opportunities that might otherwise not be accounted for. Investment choices that support a client's values and provide compelling risk-return profiles are often well-aligned, and we strongly believe that financial, social, and environmental imperatives make integrating impact a compelling and critical part of the investment process. Our goal, for any interested clients, is to incorporate impact objectives as one consideration amongst many to construct a portfolio designed to optimize for their financial, non-financial and impact goals.

New Regulations in 2023 Target Climate Risk

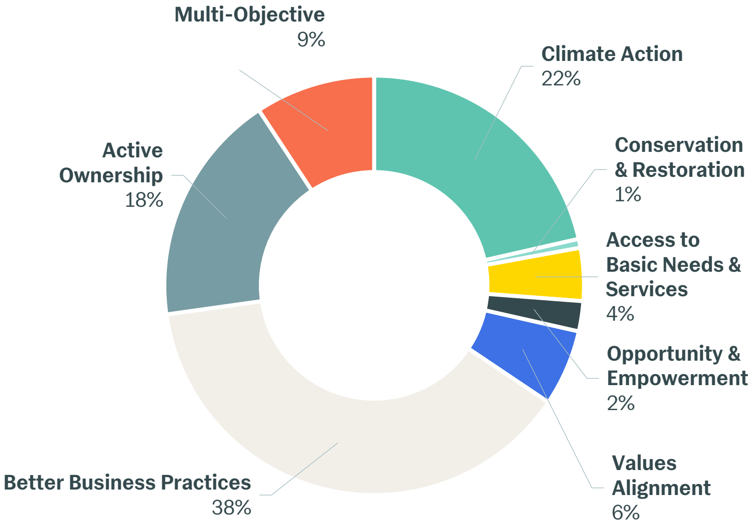
Multiple governments enacted new regulations in 2023 designed to help mitigate the risks of climate change and better understand climate-related risks.

- California passed two new laws requiring significantly deeper disclosures on GHG emissions and climate-related risk. **The Climate Corporate Data Accountability Act (Senate Bill 253)** requires public and private businesses with revenues greater than $1 billion that operate in California to report their Scope 1 and 2 emissions beginning in 2026 and their Scope 3 emissions beginning in 2027. Notably, the law requires these disclosures to be independently verified.[18] Scope 1 emissions are direct emissions controlled by a company from their business operations (e.g., from product manufacturing). Scope 2 and 3 emissions are emissions that result from a company's operations but are not directly controlled by the business. Scope 2 includes categories such as emissions produced by electricity generation required to power a company's facilities, while Scope 3 are the most downstream emissions. Notably for the financial services industry, Scope 3 emissions include what are called "financed emissions," or emissions that are the result of financing and investment activities (e.g., a bank's Scope 3 emissions would include emissions from fossil fuel companies that they lend to or invest in).
- **The Climate-Related Financial Risk Act (SB 261)** requires U.S. companies that do business in California with annual revenue of at least $500 million to report on climate-related financial risks following the Task Force on Climate-Related Financial Disclosures (TFCD) framework, as well as any measures they have taken to reduce those risks. Similar to SB 253, the law requires any emissions reduction or mitigation-related claims to be independently verified. These reports must be released biennially beginning in 2026 and made publicly available.[19]
- The U.S. Securities and Exchange Commission (SEC) has **important new climate-related disclosure requirements** pending that could have a significant impact on investors' understanding of the true potential cost of climate change. The new rules require disclosures related to the impacts of climate-related physical risks, such as those from climate-related disasters, as well as transition risks, such as stranded assets and the cost of transitioning operations to stay in compliance with new climate-related regulations. They also require reporting on how company leadership assesses and manages climate-related risks. For the largest organizations covered by the rules, there is also a requirement to disclose Scope 1 and Scope 2 GHG emissions.[20] While these rules have been in the works since 2021, the final version was approved in March 2024. In April, the rules were temporarily stayed in response to pending legal challenges.
- The European Union also implemented the **Carbon Border Adjustment Mechanism (CBAM)**. The CBAM is designed to address so-called "carbon leakage" that occurs either when companies move carbon-intensive production to countries with less stringent climate policies or when products produced in the EU are replaced by imports from countries with more lax emissions policies.[21] The EU is employing a phased approach to implementation, beginning with a limited reporting-only period (no fines levied) in Q4 2023 through complete enforcement in 2026. Other jurisdictions are considering following suit, including with the U.S. Senate's proposed **Clean Competition Act**, similarly aimed at addressing the undercutting of U.S. manufacturers by those in areas with less stringent climate regulations.[22] While carbon border adjustments are a potentially powerful tool for reducing emissions, there is reasonable criticism that they could amount to green protectionism and could have negative impacts on the economic progress of developing countries that are already disproportionately facing the most immediate effects of climate change in the form of extreme weather and corresponding climate-related disasters.

We work to identify opportunities in which an impact strategy drives a fundamental investment thesis and meets client needs, confident that this approach can enable us to reduce risk and enhance returns. At the end of 2023, 37% of LNW households included impact strategies in their portfolios, representing $2.2 billion in impact assets. This number, in part, reflects that many impact investment vehicles are attractive financially because of the material benefits of the impact strategies they pursue, and we believe they are suitable for a broad range of clients, independent of whether a client has a proactive impact focus. We believe that our work in impact investing allows us to identify risks and opportunities that might be otherwise missed by more traditional analyses.

Since 2017, our due diligence processes and investment policies have incorporated a formal assessment of the ESG characteristics of all strategies we consider. In 2020, we began to formally incorporate diversity, equity and inclusion (DEI) considerations into our core investment policies and procedures. We believe that applying a gender and racial equity lens to our investment processes can help mitigate systemic economic risks and contribute to better financial outcomes and is a critical component of evaluating any potential investment.

Impact Assets by Objective
as of 12/31/2023



Given the importance of ESG considerations in our investment decision-making process, we engage in our own extensive due diligence to ensure that our clients' capital supports their intended financial and impact goals. We do not make investment decisions based on the label of a strategy. Some strategies market themselves as impact, although many of their claims bear little resemblance to their actual practices. Similarly, many strategies may intentionally incorporate impact considerations into their investment processes without marketing themselves as impact. Our in-depth due diligence and long history and experience in impact investing help us better discern the authenticity, credibility, quality and effectiveness of a manager's approach to generating impact.

Our Investment Managers

We believe that the alignment of interests between the firm and our managers is a fundamental requirement for delivering sustainable long-term returns. To this end, we choose to work with managers whose objectives and values align with our own and those of our clients. We look for impact alignment throughout the value chain – not only within the underlying investments themselves but also with our managers; we look at their business practices and operations and how investment decisions are made and by whom, understanding that these factors can have a material effect on investment performance.

Since 2018, we have been surveying our investment managers annually about their ESG policies and practices, how they are fostering greater diversity, equity and inclusion within their firms and the investment industry and how they assess climate- and nature-related investment opportunities and risks.

	Impact						Traditional					
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023
Have Formal ESG Policy	79%	81%	78%	92%	85%	82%	42%	58%	74%	75%	83%	85%
Integrate ESG In Due Diligence	95%	95%	91%	96%	97%	92%	67%	76%	90%	88%	91%	89%
Provide ESG / Impact Reporting	89%	95%	87%	88%	85%	82%	33%	33%	29%	41%	41%	48%
Follow TCFD Recommendations	16%	19%	43%	50%	44%	50%	0%	3%	23%	19%	35%	35%
Female Investment Team Members	37%	31%	41%	38%	35%	37%	13%	17%	17%	20%	22%	19%
Investment Team Members From Underrepresented Groups	37%	38%	33%	36%	36%	35%	21%	24%	30%	31%	34%	29%

We also began implementing a formal manager engagement program in 2022, which we expanded to our full slate of managers in 2023. The program employs a framework to assess, engage with and measure the progress of our investment managers over time. The framework is designed to enable us to better understand our managers' current ESG, DEI and climate policies, practices and accountability while identifying longer-term opportunities for improvement. Through the program, we proactively support our managers in pursuing continuous improvement by providing targeted recommendations and resources for achieving clear milestones for ESG integration, DEI progress and climate action. In 2023, we achieved a 97% response rate to the 96 surveys we sent. Based on the survey data as of 12/31/22, 34% of our managers did not require engagement. In addition, we successfully engaged with 24% of our managers to help support improvement in some of the areas measured by our survey.

We are pleased to have already seen progress in the information reported by our managers. We saw year-over-year improvement in internal scores based on our analysis of our survey across all three individual areas that we measure - ESG, climate and DEI - and in aggregate scores, representing broad-based improvement. Excitingly, we have seen notable improvement not only by our impact managers, who primarily start from a stronger foundation in many of the areas we measure, but also a significant improvement by our traditional managers. As an example, we saw a 97% increase in DEI scores across the entire cohort of managers who responded and a 76% increase in climate scores, thanks in large part to a 196% improvement in DEI and a 289% improvement in climate by our traditional managers. Some managers have also explicitly noted the development of certain policies in response to our engagement, which contributed to the improvement in their scores. Note – our internal scores and baseline assessment are not determinative and do not drive decision-making. The assessment also does not affect our managers' or their strategies' role within our client portfolios. Rather, the assessment and internal scores provide us with a mechanism for gauging our managers' directional and longitudinal progress over time. We are excited to partner with our managers and offer support as we all work to deepen our collective impact over time.

Investment Stewardship

We believe that active ownership and investment stewardship – voting proxies and shareholder engagement – are central to impact investing and present an important avenue for our clients to help achieve their impact goals. As prevailing public opinion and actions by some legislators diverge, investors – individuals and fund managers alike – find themselves uniquely positioned to ensure that a vocal minority cannot dominate a conversation with such important financial implications.

As we face a marked rise in anti-ESG legislation and anti-ESG resolutions, the importance of active engagement as shareholders, both in terms of voting proxies where available and filing or supporting resolutions, continues to be of critical importance to investors' ability to meet the impact goals embedded in their portfolios. Anti-ESG resolutions may proliferate but, importantly, investors broadly do not seem interested. None of the anti-ESG resolutions filed in 2023 received as much as 5% approval, and none received endorsement from company management.[23] The vocal minority who are primarily responsible for these resolutions are vastly outnumbered by those who see the importance, both financially and in terms of our planet and communities, of incorporating ESG into decision-making and investors have the ability to make sure that is clear to companies.

Mindful of the importance of investment stewardship, we review our managers' proxy voting records and shareholder engagement practices in our due diligence and portfolio management processes as an important indicator of their commitment to ESG integration. In addition to the active stewardship of our managers, we enable our clients to participate directly in shareholder initiatives. Through our work with various shareholder advocacy organizations, our clients can amplify their investor voices by supporting shareholder resolutions addressing environmental sustainability, corporate governance and social justice issues. During the 2023 proxy season, 33 clients signed on to support 97 resolutions with 97 companies in partnership with As You Sow, Proxy Impact, OpenMIC and the Reproductive Health Investors Alliance. These resolutions addressed issues as diverse as alignment between corporate lobbying expenditures and the company's stated values and commitments, GHG emission and carbon offset reporting accuracy and the potential human rights impacts of data privacy.

For details on the resolutions our clients supported last year, please see our [2023 Shareholder Resolution Impact Report].

Our Community

Our success, as a firm and as individuals, is linked to that of the communities in which we live and work. As we continue to face existential crises, from climate change to injustice across lines of race, gender, sexual orientation, disability and beyond, we have an obligation and an opportunity to use our resources to help create a just and equitable world and communities in which we can all thrive. As we expand our geographic reach, we remain committed to supporting our communities – in San Francisco, Seattle, Los Angeles, New York, Philadelphia and beyond – and taking advantage of our wider reach and growing resources to help drive positive change in the areas in which we can have influence.

Our Annual Commitments	2023 Results
1.0% of pre-tax net income donated to nonprofits	**2.6%** of pre-tax net income donated to nonprofits
$1,000 match of employee donations made to nonprofits	**60 nonprofits** supported by our employee matches

Our Annual Commitments	2023 Results
100% estimated carbon emissions generated from our operations including business travel, employee commutes, office energy use and waste generation	**562** tons of carbon offset
Green Business Recertification completed for SF office	**Green Business Innovator** status awarded

Our Annual Commitments	2023 Results
8 hours volunteer time off per employee	**119 hours** of volunteering reported by our employees
5 firm-sponsored service events	**5 events** **resulting in ~140 hours** of volunteer time donated

Our Annual Commitments	2023 Results
100% office purchases in accordance with our environmentally preferable purchasing policy	**100% environmentally preferable purchases** including recycled or post-consumer paper products, non- or low-toxic cleaning products and plant-based food options

Community Service

We believe that engaging directly with nonprofits in our community is an important part of being a positive force in the places in which we live and work. Each year, our firm-sponsored service events give our team a chance to connect with our communities and each other. In San Francisco, we spent an afternoon at **Alemany Farm**, a community-run urban farm focused on environmental education and improving food security, getting our hands dirty helping to tend to the crops that would make their way to the group's Free Farm Stand. We also worked with the **Golden Gate National Parks Conservancy** to help preserve and restore the Fort Scott area of the historic Presidio. Our Seattle team joined our colleagues at the various Laird Norton Company enterprises and **EarthCorps**, helping to clean and tend to plants to keep their environment thriving. Our small but mighty Los Angeles and New York teams helped clean up the environmentally critical **Ballona Wetlands** and packed meals for those too ill to shop and cook for themselves with **God's Love We Deliver**. And, in San Francisco, we were thrilled to bring **Rise Against Hunger** back into our office, packing over 40,000 nutritious, nonperishable meals for communities in urgent need of nutrition. Mindful of the importance of material support for these nonprofits, we also made a financial donation to each organization with whom we volunteered.

In addition to our firm-sponsored volunteering, each of our employees receives eight hours of paid time off each year to volunteer on their own in support of the causes that are most meaningful to them. Thanks in part to the availability of these hours, our team reported that they volunteered 119 hours in 2023.

Helping Care for the Historic Presidio

Members of our team helped care for the landscaping around Fort Scott at San Francisco's historic Presidio

Charitable Giving

Lending material support to charitable organizations working in our communities is a critical way we can use our resources to be a force for good. Nonprofits continue to face challenges meeting the growing need for the services they provide, and we are committed to donating both to national organizations and to local or regional organizations in the communities around our offices. Through our combined annual year-end giving, we donated to the National Women's Law Center, Plymouth Housing Seattle, Larkin Street Youth Services in San Francisco, Downtown Women's Center in Los Angeles, Project HOME in Philadelphia and The Bowery Mission in New York City. These organizations work to advance gender equity and provide stable housing and supportive services to unhoused people, particularly youth and women.

Through our corporate giving and our matching of employee donations, we gave to 91 different nonprofit organizations in 2023, supporting critical charitable initiatives important to our firm and our team and helping our employees' generous donations do even more good.

We were also pleased to once again sponsor a wide range of events in support of various nonprofits.

- **The Silicon Valley Community Foundation's Conference on Charitable Giving** and the **Northern California Planned Giving Council Annual Conference** brought legal and financial professionals and philanthropy experts together to learn and share expertise in support of our clients and community.
- At the **King County Library System Foundation Literary Lions Gala**, readers, writers, library lovers, civic leaders, and other community members came together to raise essential funds to support life-changing library programs.
- **The Boys & Girls Clubs of San Francisco 2023 Annual Golf Tournament** supported their work providing a safe place for children and mentorship and educational programs.
- **Bollywood Night 2023** helped raise money for **The Aum Foundation**, a nonprofit that provides mentorship, life skills and workforce development classes, and emotional support to high school girls.
- **The Posse Foundation Power of 10** event recognized dynamic students and celebrated diversity in higher education and the workforce.
- **The ARCS Foundation**, dedicated to advancing science in the U.S. by supporting college scientists, held a **45th Anniversary Luncheon** that raised money to honor 2023's ARCS Fellowship recipients.
- The **Seattle Aquarium's Splash! Gala** supported their work to advance animal welfare, marine and ecosystem science and marine conservation.

Industry Leadership

Our position in the industry gives us a unique opportunity to use our voice to support a more sustainable and equitable world. We work with a range of networks and organizations that support best practices and standards in the impact investing industry and advocate across topics such as sustainability, human rights and diversity, equity and inclusion. We believe that by sharing ideas and offering insight to our industry, we can help collectively live up to our vision for a world where business and our economy support us all.

LNW is proud to partner with leading networks and communities in the impact investing field to catalyze the use of investment capital in generating meaningful social and environmental impact.

Open MIC works with investors and companies to shape the digital future. They promote values of openness, equity, privacy, and diversity for a healthy media economy.

The San Francisco Green Business Program recognizes businesses, nonprofit organizations and municipal offices that meet high environmental standards.

As You Sow is a nonprofit organization that supports shareholder engagement and advocacy initiatives for a safe, just and sustainable future.

The TCFD encourages companies to provide climate-related financial risk disclosures to investors, lenders, insurers and other stakeholders.

The Thirty Percent Coalition is a national organization influencing corporations to increase diversity and the number of women on their boards.

US SIF is a large network of asset owners advancing sustainable, responsible and impact investing across all asset classes.

Investor Alliance for Human Rights is a collective action platform connecting institutional investors with tools to promote corporate respect for human rights.

Invest for Better is a nonprofit campaign on a mission to help women demystify impact investing, take control of their capital and mobilize their money for good.

Proxy Impact is a proxy voting and shareholder engagement service for foundations, NGOs and other mission-based or socially responsible investors.

Reproductive Health Investors Alliance is a women-led social investment company advocating for sustainable change in women’s reproductive health.

Internship Program

We were excited to welcome the third cohort of our formal paid summer internship program in 2023 and to expand our program to our Seattle office. With this program, we focus on identifying a pool of diverse talent from which we can select high-potential students to provide professional development experience and the opportunity to explore a career in wealth management. We once again partnered with The Posse Foundation, a nonprofit dedicated to developing leaders that represent our increasingly multicultural society and supporting them to achieve educational and professional success, to help identify candidates.

Our goal was to introduce our interns to the financial services industry, provide them with experience across various disciplines and welcome them into our culture, allowing them to develop enriching and supportive relationships with our team. Over their ten-week internships, they worked on projects across the firm, including investment research, marketing and communications, operations and client service. They had the opportunity to work with our team to create content on meaningful issues within our industry, research newsworthy topics for our investment team, and help us prepare to share our new identity as LNW with the world. To get to know our 2023 interns, we profiled them and their work with us on our website.

An Afternoon Out with Our San Francisco Interns

We took some time to enjoy the company of our interns (Tiambie Kone and Neziah Osayi pictured) outside the office.

In an increasingly diverse and distributed world, finding the kind of talent that both supports our business and also represents the world around us requires intentionally attracting and retaining a diverse team. We are grateful to Posse for their partnership and to our interns for bringing their talent and energy during their time with us, and we are excited to welcome our 2024 cohort to our offices soon.

Our Employees

We are lucky to have a talented, passionate and diverse team. As challenging as working across five offices and many other areas has been, we are also excited for the greater diversity, new insights, and new opportunities to learn and grow that our larger, more distributed team has brought with it. We know that building and maintaining the diversity that we prize and are committed to requires cultivating an inclusive environment and a culture that fosters growth, collaboration and acceptance, where we celebrate our employees' diverse voices and perspectives, and where employees feel empowered to bring their full, authentic selves to work each day. It is a privilege to have our colleagues from across our offices and the country show up each day and bring the full breadth of their experience to their work and their professional relationships.

Ongoing Commitment to a Culture of Inclusivity

Our commitment to DEI is a core foundation for our firm, helping to guide our decisions about how best to take care of our team, give them space to grow meaningfully and authentically, and put ourselves in the best position to attract and retain the diverse talent that is so critical to our success and who we are.

Achieving this vision requires ongoing and intentional efforts. We know that all too often, particularly in an industry like ours, even well-meaning firms may become places where individuals may not be recognized for their full talent and abilities. We believe that we are responsible for continually improving our efforts and proving to others within our industry that creating a culture of inclusivity is not only possible but deeply valuable.

2023 DEI Events

- We took time to screen and discuss ***Mission: Joy***, a film that shares the wisdom of His Holiness the Dalai Lama and Archbishop Desmond Tutu on activating more joy for ourselves, our colleagues, our communities and our loved ones in challenging times.
- To celebrate **Black History Month**, we took a virtual tour of important places in the Civil Rights movement and Black history in the U.S.
- We held a **DEI Deep Dive** to help us understand and respond to **Microaggressions** in the workplace.
- Another of our **DEI Deep Dives** discussed **Racial Bias in the U.S. Income Tax Code**.
- We recognized **Hispanic Heritage Month** with a virtual tour that showcased the music, art and history of Hispanic and Latine people and their impact from the 1500s to today.
- We discussed **Ageism and Ableism** and how we can identify and work against them as another part of our **DEI Deep Dives**. We followed up on this session with a Mind the Gap Deep Dive – a discussion on working in a multi-generational workplace.
- We recognized **Native American Heritage Month** with a **virtual tour** tracing how narratives about Indigenous and Native American communities served as justifications for politics, policies, and catastrophic actions.
- We continued our **Better Allies Book Club**, dedicated to deepening our collective understanding of how to be a meaningful ally. Our 2023 selections were *We Are Not Like Them* by Christine Pride and Jo Piazza, *Burn the Page* by Danica Roem, *The Education of a Wetback* by Marcos Antonio Hernandez and *The Night Watchman* by Louise Erdrich.

2023 CSV Deep Dives

- We looked at **Labor Rights and the Right to Dignified Work** to understand issues of safe and fair working conditions in the U.S. and abroad.
- Mindful of the potential environmental implications of our personal and business travel, we discussed **Climate Change and Sustainable Travel Practices** and shared ways to be a responsible traveler.
- We got into the details about our strategy for how we do business and work with all stakeholders and how that differs from some other companies when we learned about the difference between CSV and Corporate Social Responsibility (CSR) in our session on **Creating Shared Value: CSV vs. CSR Case Studies**.
- Our session on **Trust-Based Philanthropy** highlighted how we can address the inherent power imbalances between donors and nonprofits and how to build relationships built on trust and recognition of nonprofits' unique knowledge about the communities they serve.

DEI initiatives require commitment from the entire organization, but particularly from leadership. We incorporate DEI goals into each member of our team's annual goals, including all senior leadership, and are committed to challenging each other to grow in our DEI journeys and learn from each other and our different lived experiences. Our diversity is a strength that drives us forward and enables us to build deeper long-term, caring and trusted relationships with our clients, colleagues and community.

At the end of 2023, our combined team comprised 60% women, with women well-represented across all areas of our firm and at every level of leadership, including 50% of our executive team. Our employees also represent a range of identities across other measures of diversity, including age, educational attainment, marital status and race, with 35% identifying as an underrepresented race within the financial services industry. We also conduct an annual anonymous employee survey to gather information to better understand our team's diversity and gain insights into how we can better support all of our employees.

Internal Education

Our employees are thoughtful, committed individuals who want to understand the impact of how they engage with the world. As part of our Creating Shared Value (CSV) initiative, aimed at engaging with all stakeholders to create value through the way we do business, we hold periodic learning sessions for our team on issues of sustainability, social justice and ways they can engage with these issues at home and in their personal choices.

Our Environment

Being responsible stewards of our environment and minimizing our impact on climate change is a critical part of our commitment to all stakeholders. As climate change becomes an ever-growing existential threat, we are mindful that taking action is critical for all of us but is also a significant racial and economic equity and justice issue. Black, Brown and lower-income communities in the U.S. disproportionately bear the brunt of the negative environmental impacts of business, such as pollution and other toxic by-products, and many communities in emerging and frontier markets are simultaneously far less responsible for climate change and far more harmed by its immediate impacts. These communities, both domestically and abroad, are less well equipped to deal with the harmful effects of climate change due to unequal access to healthcare, healthy food, affordable housing and other social determinants of health.

We use a combination of creative partnership programs with environmental organizations and thoughtful choices in our day-to-day operations to reduce our environmental impact and take steps to create a healthier and more equitable world.

Carbon Offset Program

The goal of our carbon offsets program is to minimize the impact of our operations on the environment and contribute to reducing greenhouse gas emissions. While imperfect, carbon offsets help us mitigate the climate impact of our operations while we work to further reduce GHG emissions or avoid them altogether.

The program is a collaborative Laird Norton Enterprise (LNE) initiative implemented through our enterprise-wide Creating Shared Value (CSV) working group. As we do not own or control any facilities or vehicles that would create Scope 1 emissions, we focus on addressing our Scope 2 and Scope 3 emissions. We purchase Renewable Energy Certificates (RECs) to offset the emissions of the electricity, steam and heat for our leased office space in Seattle, San Francisco, New York, Los Angeles and Philadelphia. For 2022, we purchased 438 megawatt hours of Green-e® Energy Certified RECs from Schneider Electric.

For our Scope 3 emissions, we purchase Verified/Voluntary Emission Reduction (VERs) to offset emissions that result from employee commutes and business travel. We work with Patch to help us identify projects and high-integrity carbon credits as part of this effort. In 2023, we supported three projects as part of this program:

- We removed 39.34 tons of CO_2e by helping to fund **improved forest management in Maine's 100-Mile Wilderness**, an area considered the wildest section of the Appalachian Trail that provides, among other important ecological factors, a critical migration path through the Northeast.
- We offset 505.8 tons of CO_2e by supporting **India SolarArise** to bring solar power generation to India through an Indian-founded and owned company.
- We offset 16.86 tons of CO_2e through **CarbonCure's Concrete Mineralization Project**, which employs a new concrete technology to use the commonplace building material to capture carbon from the atmosphere.

Environmentally Preferable Purchasing and Green Office Programs

The environmental impacts of our day-to-day choices in our office spaces are one of the most controllable aspects of our environmental footprint and an important way we can incorporate our focus on the environment into all aspects of our business.

We implement an Environmentally Preferable Purchasing policy as part of our broader Corporate Citizenship Policy. This policy covers all of our office purchases and prioritizes purchasing recycled and unbleached paper products, environmentally-friendly cleaning products and low energy use electronics, as well as including plant-based and organic catering options at firm events.

Our Green Office program is focused on reducing resource use, including energy and water conservation and reducing unnecessary use of paper and other items, reducing waste, and encouraging sustainable transportation options for daily commutes and firm events. In recognition of these practices, we were pleased to have our San Francisco office once again recognized as a San Francisco Green Business Innovator, the highest recognition by the City and County of San Francisco for sustainable businesses.

Assessing Climate Risk and Supporting the Green Transition

Climate change presents both growing risks and opportunities that are our obligation, as fiduciaries and as members of a global community, to consider. As consumers and investors call for more environmentally sustainable investment options, our work becomes identifying the most compelling choices in terms of both risk and opportunity and working diligently to ensure that we gather the most comprehensive information possible when making choices about the ways in which we invest.

We are a supporting organization of the Task Force on Climate-Related Financial Disclosures (TCFD). As such, we solicit information on our managers' adherence to TCFD recommendations as part of our annual manager survey. These recommendations provide guidelines for "consistent climate-related financial risk disclosures for use by companies in providing information to lenders, insurers, investors and other stakeholders."[24] In addition, we discuss Net Zero commitments, biodiversity and nature-related risks with our managers as part of our manager engagement program and encourage greater involvement in climate risk mitigation.

While there is an understandable focus on the risks presented by climate change, we also continue to see hopeful progress in both transitioning to existing technologies like solar and the emergence of nascent technologies like hydrogen. We offer our clients investment opportunities in a broad range of vehicles that participate in these markets and support this transition, including utility-scale renewable energy and growth-stage companies developing innovative technologies in sustainable buildings, industrial automation and agriculture.

Looking Forward

As we embark on our journey as LNW, we have an exciting opportunity as well as a deep responsibility to embody our values, engage authentically and meaningfully with all stakeholders – clients, employees, our community, our environment and all those in our network alike – and exemplify our commitment to positive impact and continuous improvement. We looked back at what we had learned from decades of experience and took the best of what worked, let go of what didn't and took advantage of the opportunity to create new approaches. We reaffirmed our commitments to DEI and to creating shared value for all stakeholders, put new rigor into the way in which we understand and engage with the managers with whom we invest, and took a deeper look at ways to mitigate our environmental footprint.

At the core of many choices we've made in our history, and especially in these past few years of transition prior to becoming LNW, is an acknowledgment of how our success is inextricably connected to the success of all our stakeholders. Our firm grows and thrives because our clients succeed. We are able to offer our clients the care and expertise they need because we support our employees to be able to do their best work. We are able to rely on the communities in which we work and the vendors and managers with whom we do business because we uplift and support their work. None of this can happen in isolation, and we have taken and will continue to take great care to understand the impacts of our business on all of these stakeholders, in the hopes that we can all thrive together.

We have all endured years of uncertainty and volatility, which has challenged us both professionally and personally. The future we look towards with both optimism and determination is possible for us all, if we continue to understand that we can only reach that future collectively.

We are grateful, as ever, to the trust our clients, employees, community and broader network show in our firm, and are mindful that, while we can acknowledge the work we have already done, we must also continue to do more and better, for ourselves and for each other.

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[17] Deloitte. "How can the enterprise earn investor trust through sustainability disclosures?" March 12, 2024.
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DISCLOSURES

LNW refers to Laird Norton Wetherby Trust Company, LLC, a State of Washington chartered trust company; LNW Trust Company of South Dakota, LLC, a state of South Dakota charted trust company; and two investment advisers registered with the Securities and Exchange Commission, LNW Wealth Management, LLC and Laird Norton Wetherby Wealth Management, LLC.

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This presentation is provided as a general introduction to LNW's approach to impact investing and is not intended as investment advice or a recommendation of any specific portfolio or investment strategy.

Impact investing is associated with the broad consideration of actual and potential non-financial risks of Environmental, Social, and Governance (ESG) factors, and how those factors may affect the financial performance of a company and its securities. For example, environmental changes and extreme events associated with climate change could increasingly affect companies' financial performance. Similarly, poor labor relations or discriminatory practices could lead to financial liability, employee turnover and understaffing, and damage to companies' reputation. ESG investing generally seeks to avoid these risks, and increasingly also aims to achieve certain positive impacts through investing in key areas believed by the investment manager to be positively affected by corporate investment and, in some cases, related shareholder advocacy. Avoiding risk and achieving positive impact are different objectives. Since the field of ESG/impact investing continues to develop, it remains to be seen how effective investment managers will be, especially in the area of impact. ESG ratings of companies are often based on subjective measures, and may include corporate self-reporting, different and inconsistent third-party rating systems, as well as data points that are associated with positive or negative outcomes but where causation has not been established. It is also possible that companies that do have positive impact in the areas identified, or that successfully avoid some or most of the ESG risks noted, will not have favorable financial returns. Accordingly, their stock prices could underperform their peers despite alignment with ESG objectives.

LNW will generally use third-party managers, including mutual fund or exchange traded fund managers, in constructing portfolios focused on impact consideration. While LNW will review these managers' own policies and practices with respect to ESG/impact investing, LNW is highly dependent on their self-reports. As noted above, these managers are, in turn, likely relying on corporate self-reporting, as well as evolving industry standards. No investment approach or strategy can guarantee a positive return or that losses will be avoided.

CERTIFICATIONS

Please note that LNW affiliate Laird Norton Wetherby Wealth Management, LLC's status as a Certified San Francisco Green Business is indicative of our commitment to enhanced social, environmental and governance standards and is not intended to represent an indication of LNW's investment capabilities or performance. For additional details regarding San Francisco Green Business please visit www.sfenvironment.org/green-businesses.

ESG MANAGER SURVEY

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LNW's investment team sent a comprehensive survey questionnaire to our approved Traditional and Impact Qualified investment managers, across asset classes, that manage the most broadly used strategies across our client base. In 2018, LNW sent surveys to 52 LNW managers and received 52 responses (100% response rate). In 2019, 2020 and 2021, LNW sent surveys to 57 LNW managers and received 57 responses (100% response rate). In 2022, the investment team sent surveys to 96 managers across our combined investment platform and received 92 responses (96% response rate). In 2023, LNW sent surveys to 96 managers and received 93 responses (97% response rate). In some cases, a fund management firm submitted multiple responses to reflect the policies, due diligence, engagement, diversity, climate risk and reporting of the multiple strategies the firm managed. Not all questions were applicable to all managers or strategies – for example, proxy voting and shareholder engagement questions are only relevant to public equities strategies and General Partner questions are only relevant to private strategies. The biggest data gaps were in questions related to race/ethnicity and other previously excluded, underrepresented groups – many managers do not collect the data and employees are not legally required to self-identify their race, ethnicity, or other identities. Where there are gaps, LNW excluded the data from the relevant calculation.