

AUGUST 2023

Wilshire ESG Policy

About Wilshire

Wilshire is a leading global investment technology and advisory company, dedicated to improving outcomes for investors worldwide. Specializing in innovative investment solutions, consulting services and multi-asset analytics, Wilshire serves more than 500 institutional and intermediary clients worldwide, delivering a high quality, coordinated platform of client-centric investment solutions that leverage the entire firm's resources to benefit of our clients.

Since its founding, Wilshire has focused on managing risks and opportunities to help our clients achieve their desired investment outcomes. We believe that every relationship and portfolio is unique, as is incorporating the appropriate environmental, social and governance (ESG) strategy into client investment practices.

Defining ESG

"ESG" stands for environmental, social and governance; however, what it means and how it is applied can differ widely from client to client and from firm to firm. A critical part of our work with clients is to understand what "ESG" means to them, and how we can work with them, as applicable, to align ESG investing with the organization's unique goals and objectives.

Wilshire defines ESG risks and opportunities as: broader financial and economic factors that can impact long-term value, including issues such as resource efficiency, human capital management and board composition. Additional examples of environmental, social and governance issues are below:

Environmental	Social	Governance
Energy and fuel efficiency	Labor practices	Board composition and diversity
Water scarcity and sanitation	Data and cyber security	Ownership, control and investor rights
Waste management	Human rights and community relations	Executive compensation
Greenhouse gas (GHG) emissions	Employee health and safety	Corporate behavior, accounting and audit practices
Extreme weather events	Product quality and safety	Management of regulation

How investors approach ESG can vary significantly. A spectrum of approaches is below:

	Exclusion or SRI	Integration	Impact Investing
Approach	Divest on basis of values	Emissions data helps inform traditional financial analysis	Investment universe defined by sustainability theme
Objective	Align portfolio to values or mission	Manage long-term risks and/or maximize long-term investment returns	Exploit opportunities associated with decarbonization themes, such as energy efficiency and sustainable water
Example Steps	Health care plan invests in ex tobacco index fund	Evaluate how active managers integrate climate risks and environmental stewardship	Allocate to affordable housing bond fund or renewable energy infrastructure fund

Within these broad buckets, there can be different ways to apply the approach with emphasis placed on different KPIs. For instance, within Impact Investing some strategies may consider the financial impact as much as the societal impact whereas others consider the financial impact secondary to the societal impact. Additionally, even if the same approach is taken, there are different levels of sophistication across different products. For example, integration can span from applying a rudimentary screen to applying a robust process incorporating multiple third-party resources as well as proprietary internal capabilities. As with any investment decision, it is critical for investors to properly due diligence the product.

Core ESG Beliefs

1. **Sustainability is long-term focused.** Managing material ESG risk and opportunities is critical for long-term investors, and there are risks associated with failing to do so.
 - a. When pricing securities, investors and the market may misidentify and underappreciate longer-term financial risks from ESG issues.
 - b. Poor management and a rapid repricing of ESG risks could lead to value destruction and exposure to drawdown risk, volatility and impaired assets.
 - c. ESG risks may be partially managed through a combination of (i) defense and (ii) offense. For example, (i) in passive equity portfolios, investors may, for modest cost, systematically tilt exposure away from potentially at-risk securities. (ii) through active mandates in sustainable growth themes, an investor may capitalize on the widening opportunity set associated with the United Nations Sustainable Development Goals, including: renewables; energy efficiency; water, waste and pollution management; and food and sustainable agriculture.
2. **Materiality matters.** Not every ESG risk is applicable to every investment. Focusing on what is financially material helps investors minimize risk and maximize opportunities when assessing the overall attractiveness of an investment.
3. **Adopting an appropriate approach is key.** There is no single way to apply ESG. The investment approach(es) taken by an investor should be aligned with the organization's goals and objectives. What is appropriate for a mission-based client may differ for a client with fiduciary responsibility.
4. **Active ownership is a tool.** Engaging with companies on specific issues offers investors the opportunity to 1) actively seek ways to increase the value of the asset, and 2) create positive impact over time.
5. **Diversity is an opportunity.** Diversity often leads to better business outcomes. As such, greater transparency on diversity is foundational to informed decision-making by both internal and external stakeholders.

Wilshire Commitments

ESG is a firm priority for Wilshire. Wilshire is committed to determining which dimensions commonly associated with ESG investing are important to each client. Wilshire recognizes that client preferences and priorities vary. To the best of its ability, Wilshire will incorporate ESG into the investment process, in alignment with client preferences, while continuing to meet its fiduciary obligations to the client. Wilshire will seek to keep abreast of developments in products, managers, and measures associated with ESG investing. Moreover, we commit to keeping our clients informed about these developments, particularly as they relate to each client's specific goals and objectives.

Internal Commitments

Wilshire has several internal efforts dedicated to ESG-related items. A few of those efforts are highlighted within this section.

First, Wilshire is committed to dedicating resources to ESG to support our internal efforts as well as to support our clients on their respective ESG journeys. As ESG continues to evolve, Wilshire is committed to evolve and meet the needs of our clients by providing guidance, research, thought leadership and ESG-focused products. To support this commitment, Wilshire established an ESG & Diversity Committee and has launched several ESG-specific products/solutions.

ESG & Diversity Committee

In 2019, Wilshire established the ESG & Diversity Committee. The committee is comprised of senior investment professionals from across the organization. The primary goal of the committee is to meet the needs of our clients. To do this, the committee seeks to stay apprised of the current ESG issues, client concerns, the regulatory environment and industry practices. The committee is also focused on developing solutions that help our clients meet their goals and objectives.

ESG Dedicated Solutions and Workplace Commitment

Wilshire has several ESG-specific products/solutions available to investors and continues to expand the options available to meet clients' needs. In 2021, Wilshire launched ESG model portfolios and the Wilshire Climate Transition Fund, an equity climate solution fund with the objective of making this a multi-asset class turnkey climate solution. Wilshire also offers ESG-focused indices such as the Climate Change Series Index. Additional product development is ongoing with new products continuing to launch in the years ahead.

Next, Wilshire is committed to creating and maintaining a workplace that values diversity, equity, inclusion and belonging, where everyone feels respected and valued. Together, we strive to create an inclusive environment that is as diverse as our global community. To support this commitment, Wilshire offers full transparency on the firm's diversity profile and publishes results in our annual report on Diversity Equity & Inclusion (DEI) and Diverse-Owned Manager Initiative. Further, Wilshire sponsors an employee resource group, a formal mentoring program and ongoing firmwide DEI education. To further our own public accountability, in 2023, Wilshire adopted the voluntary CFA Institute Diversity, Equity and Inclusion Code for Investment Professionals in the United States and Canada ("DEI Code"). The DEI Code provides investment industry organizations with an action-oriented and principles-based framework through which to drive measurable and meaningful change concerning diversity, equity and inclusion within organizations.

In addition, as a gatekeeper, Wilshire is uniquely positioned to facilitate asset manager diversity among our clients and consultants. We have been active in the diverse-owned manager space since 1988 when we first developed our database of emerging managers. However, in 2018, Wilshire announced a reconstituted Diverse-Owned Manager Initiative which formalized tracking and reporting data on diverse-owned firms. Broadly, the initiative has two main objectives. The first is awareness. We want our clients and consultants to be aware of talented firms run by diverse people. The second objective is outreach. We continue to expand our reach and ensure that diverse-owned firms have equal access to Wilshire, via meetings and events. Through the Diverse-owned Manager Initiative, we have increased the inclusion rate of diverse-owned firms in searches, broadened ownership of high-quality strategies managed by diverse-owned firms, and ushered a growing number of diverse-owned firms and strategies through the manager research process. By expanding the investment manager opportunity set, we seek to deliver superior returns within our products and for our clients. Diversity maximizes the talent pool and may increase the likelihood of capitalizing on investment opportunities in an increasingly global and diverse world. As such, Wilshire remains committed to doing our part to be inclusive of diverse-owned managers.

ESG Integration

Wilshire incorporates ESG considerations within its assessment of managers across traditional and alternative investments. Manager Research embeds ESG into the due diligence and evaluation of managers. Within traditional manager research, strategies are categorized as either ESG Leaders, Integrators, or Neutral based on an assessment of their responses to the ESG questions within Wilshire's proprietary due diligence questionnaire and meetings with Wilshire's Traditional Manager Research team. Within alternative manager research, an ESG rating is determined as part of the final evaluation of an investment through specific ESG investment guidelines and criteria. Furthermore, both teams seek to adopt industry best practices and stay apprised of developments in ESG investing. A key avenue for staying current on the evolution of ESG investing is through involvement in external organizations and initiatives such as those described in the following section.

External Commitments

Wilshire is a signatory to several Principles and Initiatives, a few of which are highlighted below:

United Nations Principles for Responsible Investment

Wilshire became a service provider signatory to the Principles for Responsible Investment (“PRI” or “Principles”) in 2016. There are six Principles that guide signatories. Those are included below along with examples of how Wilshire demonstrates alignment with them.

1. **Incorporate ESG issues into investment analysis and decision-making processes**
 - Be well informed of the materiality of ESG risks
 - Integrate ESG data into investment advice and discretionary portfolio construction
2. **Help design ESG policies and portfolios and advise on stewardship practices**
 - Differentiate ourselves by designing customized ESG solutions across the broad spectrum of approaches, including the Wilshire Climate Transition Fund
3. **Seek appropriate disclosure on ESG issues by the entities in which we invest**
 - Incorporate ESG questions into the manager due diligence process, by asking about the three P's for managing ESG risks and opportunities: Policy, People and Process
 - Analyze managers' ESG information and include our assessment in our final research reports
4. **Promote acceptance and implementation of the Principles within the investment industry**
 - Participate in a range of collaborative initiatives and industry forums, including as supporters of the Toigo foundation and members of the U.S. investment consultant sustainability working group (ICSWG-US), Women in Institutional Investments Network (WIIN), and the National Association of Securities Professionals (NASP)
5. **Work together to enhance our effectiveness in implementing the Principles**
 - Invest in ESG resources and capabilities including the firm-wide ESG & Diversity Committee (ESG DC)
 - Broadly deploy firm resources in a coordinated way to maximize our ability to speak with authority on ESG issues
6. **Report on our activities and progress towards implementing the Principles**
 - Report on our ESG-related research and initiatives to our clients and complete our PRI assessment annually

ESG Data Convergence Initiative

Wilshire became a signatory to the ESG Data Convergence Initiative in 2022. The initiative seeks to drive convergence around meaningful ESG metrics for the private equity industry by generating useful, performance-based, and comparable ESG data. There are seven guiding principles for determining the metrics:

1. **Globally accepted:** Selected from the most accepted and widely regarded frameworks; including GRI/WEF, SASB and TCFD (and EU SFDR as formalized)
2. **Meaningful:** From a financial or societal impact perspective; may be specific to a given industry
3. **Comparable:** Allowing performance comparisons between portfolio companies and GPs; adequate overlap exists across sectors
4. **Dynamic:** Evolving metrics as tracking improves and understanding and materiality evolves
5. **Straightforward:** Simple to track accurately, with limited total number of metrics to not overburden companies and ensure data quality and integrity
6. **Actionable:** Tied to specific actions under GPs and portfolio companies' control
7. **Objective:** Metrics should minimize subjectivity or need for interpretation

While the list is evolving, the current ESG categories and metrics include:

- **GHG emissions:**
 - Required: Scope 1, Scope 2
 - Optional: Scope 3
- **Renewable energy:**
 - Required: % renewable energy usage
- **Diversity:**
 - Required: % women on board
 - Optional: % women in C-suite, % underrepresented groups on board, % LGBTQ on board
- **Work-related accidents**
 - Required: Injuries, fatalities, days lost due to injury
- **Net new hires**
 - Required: Net new hires (organic and total), turnover
- **Employee engagement**
 - Required: Employee survey (yes/no)
 - Optional: Employee survey response

Institutional Investing Diversity Cooperative

Wilshire joined the Institutional Investing Diversity Cooperative (IIDC) in 2022. The IIDC is a collection of some of the largest and most prominent institutional investment consultants in the industry with a mission to promote greater diversity in the institutional asset management industry by advocating for access to data that captures multiple dimensions of diversity. The IIDC believes having more underrepresented minorities in ownership, leadership and portfolio management roles improves the conversation, opens opportunities for all, and benefits the community at large; most importantly, the IIDC believes diverse investment teams – and viewpoints – enhance investment decision-making.

Investment Consultants Sustainability Working Group – United States

Wilshire is a founding member of the Investment Consultants Sustainability Working Group – United States (ICSWG-US). The ICSWG-US was established in 2021. The group is a collaboration among investment consulting firms to engage with its collective stakeholders and empower asset owners and their ultimate beneficiaries to advance sustainable investment practices across the investment industry, and to advocate for decision-useful, transparent, measurable and comparable ESG metrics to assist industry participants in meeting their independent fiduciary decisions and responsibilities.

Exclusion Policy

Wilshire does not have an overarching exclusion policy. Wilshire works with clients to implement, develop, and/or revise exclusion policies as desired by each client.

Drafted by Wilshire ESG and Diversity Committee, August 2023

Contact email address: ESGDC@wilshire.com

Important Information

Wilshire is a global financial services firm providing diverse services to various types of investors and intermediaries. Wilshire's products, services, investment approach and advice may differ between clients and all of Wilshire's products and services may not be available to all clients. For more information regarding Wilshire's services, please see Wilshire's ADV Part 2 available at www.wilshire.com/ADV. There is no guarantee that these suggestions will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

This material is intended for informational purposes only and should not be construed as legal, accounting, tax, investment, or other professional advice; nor is it a recommendation or solicitation to purchase or sell any security or to adopt any specific investment strategy.

This material represents the current opinion of Wilshire and is subject to change without notice. Wilshire assumes no duty to update any such opinions. This material is intended for US investors only.

Wilshire Advisors LLC (Wilshire) is an investment advisor registered with the SEC. Wilshire® is a registered service mark.

Copyright © 2023 Wilshire. All rights reserved.

MM-405821 E0824