

# SUSTAINABILITY REPORT 2022



RADIANT ESG



# RadiantESG Sustainability Report 2022

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## A Message From Our Co-Founders



The need for significant change is inescapable.

A once in a generation shift. A continuous evolution of demographics, shareholder expectations, consumer preferences and regulatory pressures will amplify this necessity. This is why we regard Environmental, Social, and Governance (ESG) influences as the most profound challenge facing corporate behavior and capitalism in our lifetime. The crucial perspective is to see these changes as both our most important challenge and our single biggest opportunity.

It's the reason why the need for reappraisal and tangible action has never been more obvious. RadiantESG embraces this need - we champion this need - because tomorrow's investment winners and losers will not be defined by the objectives of the past, but rather, the expectations of the future.

The 21st century has shown us increasing evidence that people favor companies who run their businesses responsibly. Historically, fundamental analysts evaluating companies could focus primarily on financial data as it related to the attractiveness potential of a company's product offerings. In the mid 2000's the most valuable publicly listed company in the world was Exxon Mobil. Very few questions were being asked about anything other than the oil company's profitability and market share as one of the major global players supplying energy to the world. While fossil fuels are an obvious example of how public attitudes have evolved, it's far from the only one. More and more, consumers care about worker protections for the people who pick coffee beans, sew sneakers, build cell phones, etc.—and make the effort to research the degree to which companies exploit natural resources or create unnecessary waste in the manufacturing of their products. Furthermore, investors in public companies have increasingly made it known that they, for example, want to see executive compensation aligned with metrics that truly benefit them as shareholders.

At Radiant, we want to build portfolios of companies that other investors want to own—portfolios that incorporate the reality that consumers care more now (than they did) about how executives get paid, how they treat their workers and how they are creating products that will be relevant in a world rapidly moving toward pressure to cut carbon emissions and facilitate a just transition. We believe stock prices will ultimately reflect those decisions—positively or negatively. Change is coming about at an unprecedented pace—some of it may be transitory, but the reality is that much of it is here to stay. Our investment objective is to identify who the winners and losers will be because of this change. Having more data that observes how those changes will drive the attractiveness of a company's value proposition in the long run—who will be the beneficiaries and which ones will struggle—will continue to be a source of our competitive advantage, and a driver of the long-term value we deliver for our clients.

**OUR MISSION** is to deliver superior returns for our clients by investing in companies that have the clear, current capability or future credentials to adapt their businesses to being on the right side of change.

**OUR VISION** is to create the asset management firm of the future, at the same time, carving a path for women and underrepresented groups in this industry for generations to come.

Heidi Ridley, CFA  
CEO

Kathryn McDonald  
Head of Investments & Sustainability



RadiantESG Global Investors is a women-led, diverse-owned investment firm focused on outperforming the market by investing in companies that will be on the right side of change.

We bring extensive experience and the DNA of one of the industry's acknowledged thought leaders enhanced by a fresh, entrepreneurial perspective attuned to today's institutional marketplace.

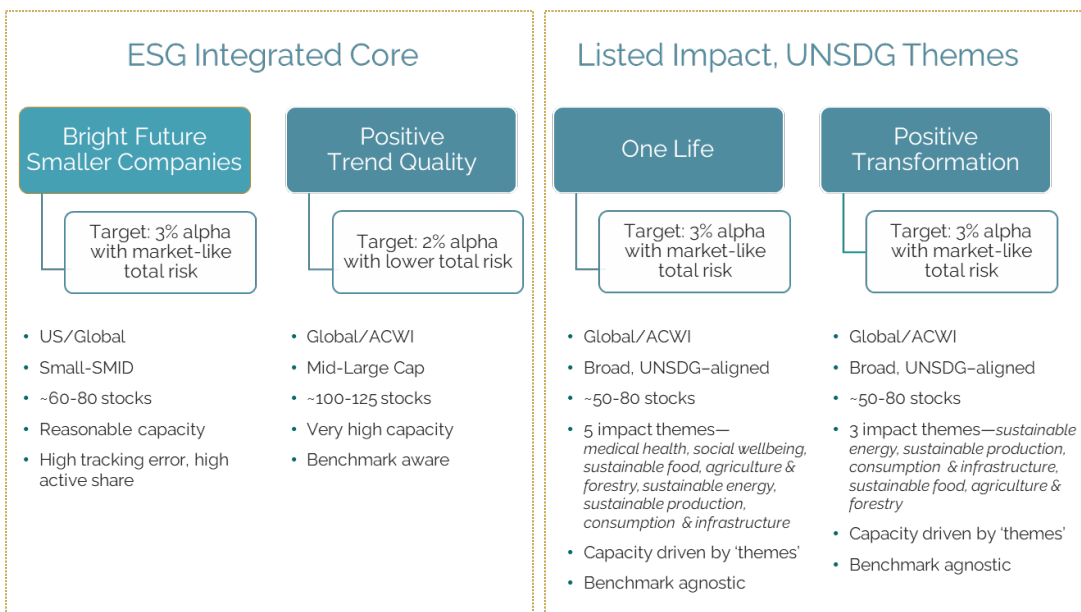
Our investment edge lies at the intersection of state-of-the-art ESG and Impact analysis, contextual fundamental modeling, and innovative use of technology.

WE BELIEVE HARNESSING DIVERSE BACKGROUNDS LEADS TO MORE CONSIDERED DECISIONS, ENHANCED GOVERNANCE, AND BETTER RESULTS.

OUR FOCUS ON SUSTAINABILITY AND REAL-ECONOMY OUTCOMES AIMS TO DELIVER POSITIVE LONG-TERM OUTCOMES FOR OUR CLIENTS.

WE SEEK TO SET THE STANDARD FOR NEXT GENERATION INVESTING.

## RADIANTESG'S INVESTMENT STRATEGIES





# The RadiantESG Team

RadiantESG's team was formed in July 2021 with the vision of creating the asset management firm of the future. We are steadfast in our belief that the practice of investing needs to evolve in order to capture the opportunities that are revealing themselves now, and the risks that come with the challenges companies face as the result of a changing environment, society, and technology.

Each of our team members is senior, highly skilled and very experienced – collectively, we have over 150 years in the asset management business and an average of 18 years working together. As importantly, each brings unique backgrounds, perspectives and capabilities to the table, allowing Radiant to leverage what we truly believe to be a 'diversity alpha'.

All of RadiantESG's team members are equity owners in the firm.

**Harry Prabandham**  
Partner,  
Chief Investment Officer

**Jennie Klein**  
Partner,  
Chief Operating  
Officer

**Mauricio Bustos, CFA**  
Partner,  
Head of Data and  
Technology



**Kevin Lin, CFA**  
Partner,  
Senior Portfolio  
Manager

**Kathryn McDonald**  
Co-Founder,  
Head of Investments  
& Sustainability

**Heidi Ridley, CFA**  
Co-Founder,  
CEO



## Our ESG Philosophy

RadiantESG's investment philosophy is based on the simple premise that there is investment opportunity to be found at the intersection of quality fundamentals and environmental, social, and governance (ESG) and impact characteristics. We believe that companies that are attractive along both dimensions will have a distinct advantage over their peers and will meet with outsized investment returns.

The future is sure to look very different from the past due to changes in technology, our physical environment, societal norms, regulation, and consumer preferences. Our expectation is that the winners of the future will be companies that build or maintain relevancy in the face of these changes (or even *because of* these changes).

Evaluating the threats and opportunities represented by this evolution means looking outside of the normal information angles. We intend to be known and respected for a more comprehensive and robust approach to evaluating ESG investment potential which means moving beyond a simple exclusions-based philosophy and away from a perspective anchored on 'ESG Ratings' to a more meaningful assessment of how a company's actions, products, and path of travel give rise to real-economy effects. Put differently, we strive to bring an 'impact mindset' to public equity investing – a necessity if we are to anticipate the changes arising from the move to a *stakeholder* orientation.

Our ESG philosophy flows directly from our investment philosophy, our desire to invest in companies that will be on the right side of change, and our belief that preferencing nuance over shortcuts will be rewarded. RadiantESG's guiding principles can be summarized as:

- We seek an **information advantage** from going the extra mile, digging deeper, and balancing 'art with science'—leveraging the power at the intersection of deep subject knowledge, a willingness to surpass customary datasets, and the use of cutting-edge technology.
- Our approach is **forward looking**. We are just as interested in the ESG leaders of tomorrow as those of today. Our ESG Edge comes from our adaptive ESG approach which assesses the risks and opportunities facing companies through three important 'views': ESG Leaders, ESG Evolvers, and Impact Leaders.
- Our approach is guided by our asset class. As public equity investors, for example, we cannot legitimately talk about 'starving companies of capital', but we do have the advantage of proxy voting to elicit change, and the massive opportunity associated with deploying principles of impact investing in a way that is **actionable in listed equities**.
- Ultimately, our focus must remain squarely on the **real economy**. It is easy to be lulled into a sense of complacency by focusing on portfolio statistics or fancy marketing reports. RadiantESG is pursuing something more profound – we are in search of companies that are taking real action to improve their use of resources and/or produce goods and services that are aligned to the United Nations Sustainable Development Goals ("UNSDGs"). This focus extends to our commitment to transparent reporting – we communicate in language that is common and accessible.

We are confident that we can outperform equity markets by constructing a portfolio that respects the profound influences environmental, social and governance considerations have on the companies in which we invest and marrying those influences with traditional drivers of risk and return, through a process informed by, and built upon, decades of experience.



# Our ESG Policy and Governance

RadiantESG's belief is that a post-COVID future, with limited barriers in terms of access to information, will look *very* different from the past. Our investment thesis is that the winners in the long-term will be companies with sound fundamentals and positive ESG and impact attributes. Our ESG policy is therefore instrumental in what we will invest in, what we won't, and the governance surrounding our use of data, models, and methodology. All aspects of our sustainability program are overseen by Kathryn McDonald, our Head of Investments and Sustainability. Radiant's Investment Team takes responsibility for implementation of all ESG and impact ideas, with oversight by Radiant's Investment Forum as well as our Compliance function.

The ESG and impact information we use in our investment process is proprietary – from our in-house developed ESG Mosaic™ (data platform) to our Positive Change Model™ which delivers three essential 'views' of companies' ESG and impact bona fides.

**Portfolio Candidates:** Companies are candidates for a RadiantESG portfolio if our assessment determines them to be attractive along at least one Positive Change Model 'view', and meeting threshold requirements along the other two. Most of the companies in which we invest are attractive along more than one dimension. Once in the portfolio, a company must maintain its status; falling below threshold levels for ESG or impact may make it a candidate for sale given our investment thesis.

**Avoiding Tail Risk (prohibited investments):** While ours is not an exclusions-driven investment approach, there are specific types of companies and certain business lines we seek to avoid because we believe that, over time, their risk adjusted return profile will be substantially inferior to that of the broad equity market. Put differently, we believe that there is a good investment case associated with avoiding companies in the following categories:

	Business Line	Revenue Threshold	Detail
<b>Business Line Exclusions</b>	Controversial weapons	0%	· Production of nuclear arms > 0%
	Conventional weapons	varies	· Revenue in civilian firearms production and distribution > 5% · Revenue in military equipment Production, Services > 20%
	Thermal Coal	5%	· Revenue in coal mining production and services > 5%
	Fossil fuel (ex- thermal coal)	varies	· Revenue in tarsands production and services > 0% · Revenue in fracking (producers and service) > 0%
	Tobacco, Alcohol, Gambling, Pornography, Prisons, Factory Farming	varies	· Revenue in tobacco production and services > 0% · Pure play with revenue in gambling services and production > 20% · Revenue in pornography production > 1% · For-profit prisons: revenue in for-profit prisons > 0% · Palm oil: revenue in palm oil involvement (processor or user) > 0% · Animal welfare: revenue in live export and factory farming > 0%
<b>Norges Bank Exclusions</b>	Norges Bank restricted companies are excluded		
<b>Norms-based Exclusions (Severe Controversy)</b>	Companies in severe violation of human rights, labor rights, ethical norms, and /or companies representing extreme environmental or legal risk		

*Note that these restrictions are common across all RadiantESG strategies. Additional restrictions may apply according to strategy type and region.*



## Commitment to Diversity, Equity and Inclusion

A foundational principle of our firm is that diversity is a competitive advantage. RadiantESG's employee base is currently 100% diverse – all employees are either female and/or members of another underrepresented group. Seventy five percent of Radiant's Board is represented by women, and our Advisory Council is 100% diverse.

We are fully committed to a diverse and inclusive mindset. Demonstrating the key benefits of diversity and inclusion is one of the core founding tenets of the firm. We see diversity and a culture of inclusion as being the remedy to 'group think', making Radiant's diversity profile a source of significant advantage within the exceptionally competitive field of asset management.

Radiant's commitment to investing in companies with strong diversity profiles is driven by first-hand experience: we know that diversity is an asset. We have developed a specific diversity-focused investment strategy called "Women's Empowerment." Furthermore, our engagement initiatives are focused on S data concepts, specifically as relates to DEI, supply chain transparency (including Modern Slavery) and worker rights and protections.

In our recruitment process, we seek those who will intellectually complement the team, challenge existing frameworks and are committed to promoting an inclusive culture where diversity of perspectives are not only welcome but sought out.

Our hiring practices aim to ensure we provide candidates with a level playing field. We view interviewing as a two-way street. It is just as important for us to assess potential candidates as it is for them to have the opportunity to fully vet the firm, our values and working environment. Our experience has been that this approach leads to longer tenure with the firm. Our processes are driven by collaboration, intentionally seeking varied input. As a result, we strive to have candidates meet with every member of the firm with the goal of gaining a broad understanding of team dynamics. Importantly, we assess potential candidates not only for their technical capabilities, background, experience and skill set, but also 'how' they work, what motivates them and the differentiated viewpoints they may bring to the table.



When it comes to employee development, team members are encouraged to take on new challenges that will further broaden their skills. Additionally, we believe in the power of mentoring and have developed a strong mentorship program for future and/or more junior employees. Finally, RadiantESG seeks to set the standard for diversity and inclusion. As such, the D&I programs, practices and commitments of each of our service providers are evaluated, both in the selection process as well as on an ongoing basis.

RadiantESG and our co-founders belong to a number of diversity-focused groups including IDiF, Thirty Percent Coalition, and City Hive. Our co-founders are strong advocates for diversity and inclusion within the asset management industry, seeking to improve the diversity profile within financial services through mentorship, speaking engagements and thought leadership.



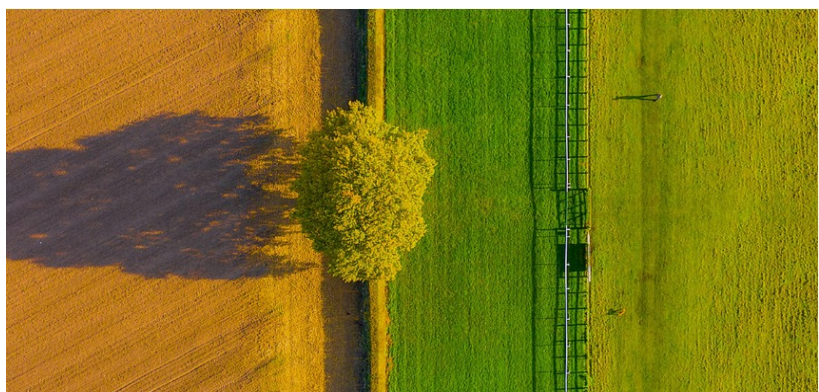


## Commitment to Tackling Climate Change

Part of RadiantESG's core investment philosophy is the belief that there is both a strong alpha as well as Beta rationale for investing with a climate focus. When it comes to alpha, we believe that companies that use their resources wisely and are the architects of their own destiny with respect to emissions, waste, and water reduction will have a distinct economic advantage relative to peers that wait for regulation, taxation, or changing consumer preferences to force action. It is also our belief that companies positively aligned to the UNSDGs will experience a tailwind in the form of being in step with major changes in our environment and in society. From a Beta perspective, more efficient use of resources across all firms (and a resulting drop in GHG emissions) will produce a healthier aggregate economy that will benefit all investors.

We consider 'climate' in several ways in our process: the first is in our ESG analysis of individual firms. We look to minimize risk and generate alpha by investing in companies with lower carbon footprints than peers (and in absolute terms), lower water usage, lower air pollution, and better waste management practices. We also seek companies that are on a positive trajectory along these dimensions, meaning we're looking for companies actively making improvements to their environmental profiles. When it comes to climate solutions, we preference companies demonstrating positive impact along relevant SDGs, looking specifically for companies that are bringing climate solutions to market. Our portfolios contain companies that are today's leaders with respect to their 'E' profiles, tomorrow's leaders - as evidenced by their positive evolutionary slope - and impact leaders that have products/services aligned to the climate-related SDGs.

With respect to our own firm, there is a patently strong commitment to sustainability. Our computing infrastructure is entirely cloud based - this is demonstrably more environmentally friendly (thanks to lower GHG emissions per hour of computing time) than the on-site server systems employed by most asset managers. Additionally, RadiantESG has adopted several environmental practices that are substantive in nature. Because we have chosen to outsource major support functions, we believe that we are in a good position to request that suppliers disclose their own sustainability practices (and goals/targets, when appropriate) and we actively encourage our suppliers to take steps to improve their sustainability profiles.



We aim to exclusively use electronic devices for presentation materials, providing information through our website or in soft copy, with the goal of not printing any marketing or portfolio review books. Employees are committed to traveling to visit clients and prospective investors only when absolutely necessary - this is something that is discussed up front and works to directly lower the GHG intensity of the firm. We believe that the silver lining of the COVID pandemic was the lesson that meetings can be accomplished very effectively through video conferencing.



# The RadiantESG Mosaic and Positive Change Model

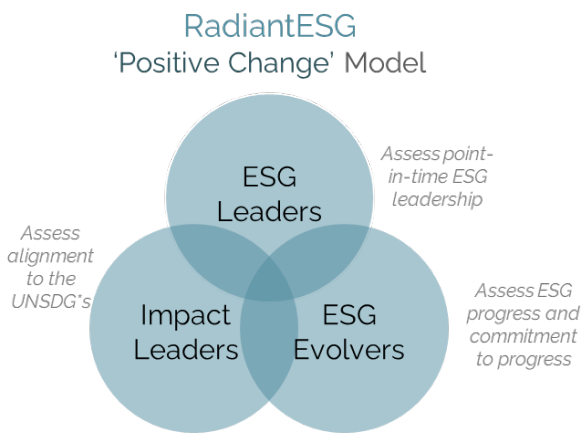
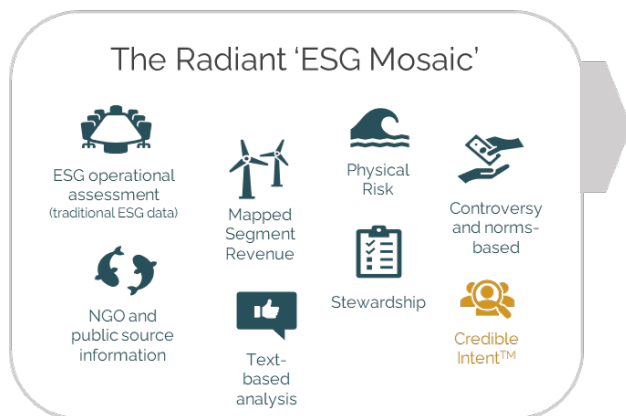
**Call it what you may – “Next Gen ESG”, “ESG+”, or “ESG 3.0” - our method is unique, forward-thinking, and most importantly, results-driven.**

At RadiantESG, we have developed our own proprietary ESG and impact database and model for company-level evaluation. Our approach is a reaction to what we believe to be an incomplete view of ESG on the part of our industry, and an over-reliance on published 'Ratings' from major data houses.

We have taken full advantage of our nimble architecture to build a cloud-based platform that quickly and easily integrates multiple data sets and allows for the robust deployment of sophisticated ESG and impact analysis that incorporates not only traditional data sources, but new and differentiated types of information. Consistent with our ESG philosophy, our focus is squarely on real economy effects and transparency.

*The ESG Mosaic™ is a **data platform** that feeds our ESG insights. Here, we collect multi-source, multi-concept, and multi-dimensional information at the company level.*

*We use only raw data from a variety of sources (structured and unstructured) to develop a robust understanding of a company's ESG and impact profile.*



*Our Positive Change Model™ is designed to produce **three important 'views'** on companies: where they stand today, where they are headed tomorrow, and their alignment to the UNSDGs.*

*Seeking exposure to each of these 'views' allows us to build portfolios with more robust dimensionality and natural diversification of ESG information.*

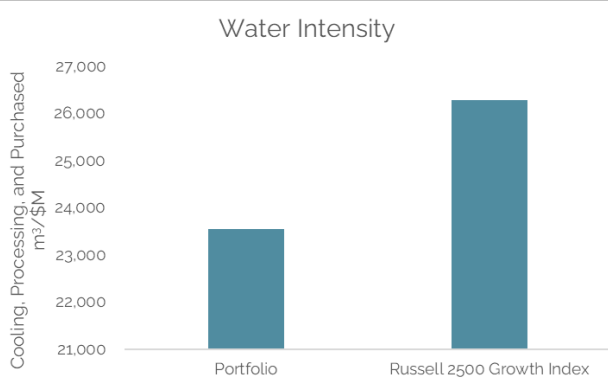
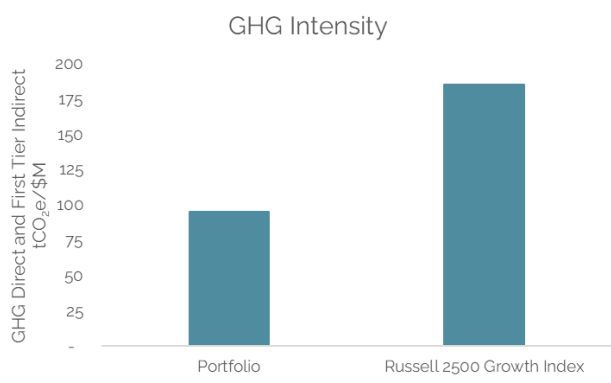
***The Positive Change Model is used in stock selection for all RadiantESG portfolios, helping point us toward firms that we believe will be the winners of the future.***



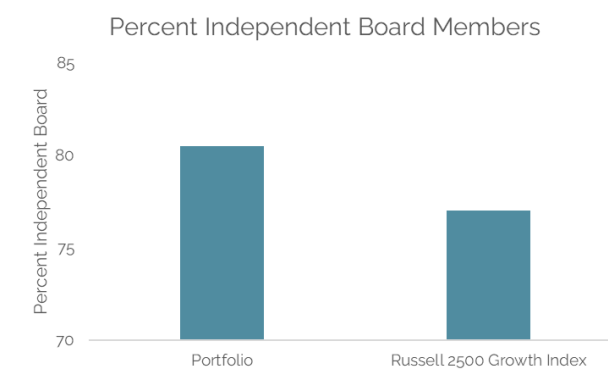
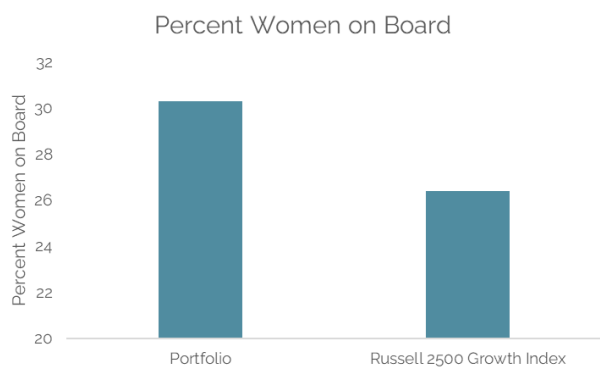
# Transparency in ESG Outcomes

RadiantESG portfolios have demonstrated a more attractive ESG profile when measured against a market Index. No individual Key Performance Indicator (KPI) is targeted, rather the aggregate improvement in ESG profile is a direct result of the use of our Positive Change Model in stock selection.

Using our US Smaller Companies strategy as an example, we see that the companies held in the portfolio on 31 December 2022 had significantly lower GHG and water intensities than those in the benchmark (Russell 2500™ Growth Index):



And simultaneously, the portfolio looked more compelling than the Index along many social and governance KPIs, including Women on the Board and Percent Independent Directors:



It is worth noting that our portfolios' outperformance on these, and many other ESG KPI dimensions, has been consistent over time.

By emphasizing reporting that does not depend on an opaque rating, but instead uses 'raw' data in its natural units, we believe that we are better serving our clients' desire for greater transparency and interpretability.

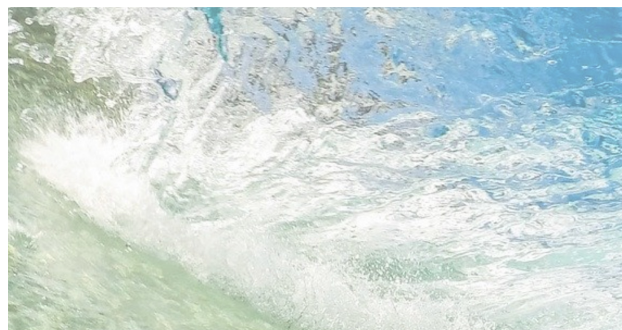
See Appendix for Important Disclosures



# We Invest with Impact

At RadiantESG, it is our intention to positively impact our economy, our environment, and our society in four key ways:

- **We invest in companies generating positive impact** It is our stated goal to approach listed equities with an impact mindset, concerning ourselves with real-economy outcomes produced by the firms in which we invest. We recognize the challenges associated with taking the concept of 'impact' and applying it outside of private equity or more niche asset classes, but we believe that leveraging the heft and breadth of public markets is what it will take to give rise to the type of meaningful change that will benefit the whole economy. Within our investment process, we preference companies with goods and services positively aligned to the UNSDGs and avoid those that are significantly oppositional because we view the UNSDGs as 'signposts' for future pressures on supply and demand – we believe that this positioning for the future will benefit the risk/reward profile of our portfolios over time.
- **We practice active stewardship, directly and via consortia** As public equity investors, our direct levers of impact are engagement and voting. With respect to the latter, our voting policy is designed so as to add our voice to the growing chorus of investors encouraging best practices with respect to ESG and impact. Our process of systematic engagement is focused on encouraging data disclosure from our investee companies – as ESG data knowledge is a particular source of strength for our firm, we believe this is where our engagement practice can have the greatest positive effect. Further, we are signatories to multi-investor campaigns such as those organized by US SIF and FAIRR.
- **We advocate publicly for practices that we believe will improve our economy, our investee companies, society, and the environment** The founders of RadiantESG are committed to public speaking and thought leadership on ESG, diversity and inclusion, and impact topics. We believe that it is our responsibility to use our voice and networks to advocate for positive change. Examples of speaking engagements and published thought papers can be found at <https://radiantesg.com/insights/>
- **We hold ourselves to the highest standards**  
As a pending B-Corp company, we have committed to business practices that are sustainable, equitable, and further our integration into our local community. A foundational principle of our firm is that diversity is a competitive advantage. We seek to prove that successful asset management need not be at the expense of integrity, ethical behavior, or the environment. We extend our sustainability criteria to our service providers, asking for disclosure of key metrics and commitments to improvement over time as needed.





# Impact in Listed Equities

## Defining 'Impact' in Listed Equities

In public equities, direct impact is accomplished via voting and engagement. Indirect impact takes the form of investing in companies that themselves are creating positive impact through their products and services.

We believe that companies that are positively aligned to the UNSDGs will, *all else equal*, experience a tail wind when it comes to financial results and investment performance. Gauging 'alignment' is primarily accomplished through the mapping of company segment revenue to the SDGs to quantify what portion of a company's business is likely to give rise to positive impact outcomes.



We use the United Nation's Sustainable Development Goals (UNSDGs) as guideposts for impact and look to them as an indication of future supply and demand pressure. We see 'impact' as a way to improve both the alpha as well as Beta of our investments.

## Constructing 'Themes' to Make Impact Actionable

As has been noted by many, several of the goals that appear within the suite of UNSDGs are but thinly represented in public equities. Additionally, considering the Goals in isolation doesn't fully account for their inherent intersectionality. To address these two shortcomings, we have defined our own Impact Themes – considered in all RadiantESG strategies – that map to the USNDGs as follows:

- Medical Health**  
 Human and animal health innovations, treatments and disease prevention
- Social Wellbeing**  
 Companies aligned to positive outcomes for society's changing needs for education, safety, cyber protection, and access to basic services inc. financial and digital
- Sustainable Food, Agriculture, and Forestry**  
 Farming modernization (inc. alternatives to traditional fertilizer and antibiotics), timber, food technology (inc. food safety), healthy food options and alternative protein sources
- Sustainable Energy**  
 Green energy providers, technology enablers of the 'greening' of the energy system, energy saving products and services (inc. consulting)
- Sustainable Infrastructure, Production and Consumption**  
 Building materials, packaging, utilities, capital goods, transport, and real estate companies driving the move to a more resource-efficient future



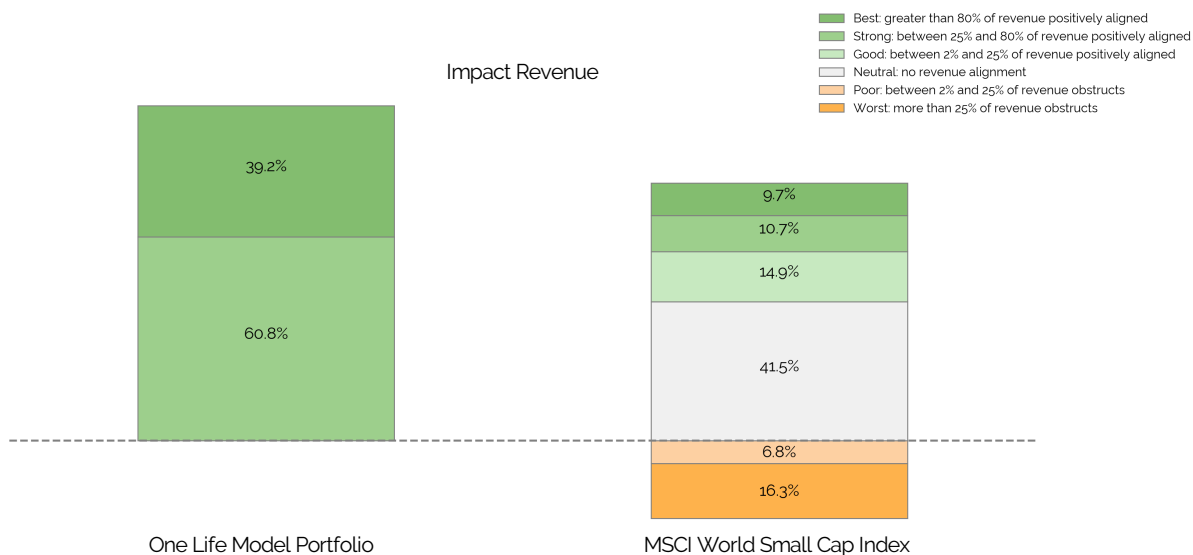


# Evidencing Impact in our Portfolios

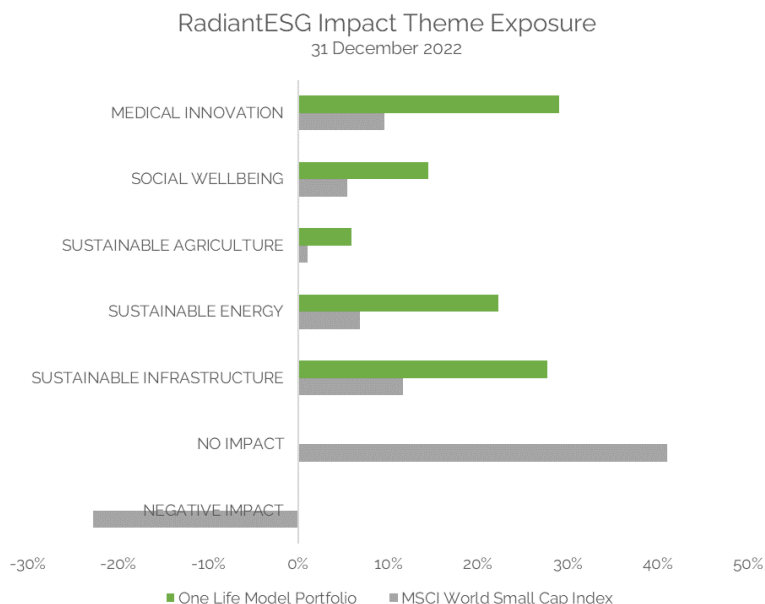
'Impact' at RadiantESG takes two forms: stewardship (voting and engagement) and investing in companies with products and services that are positively aligned to the UNSDGs.

All of our portfolios exhibit a bias toward firms with a greater portion of their revenue generated by positive-impact activities. Nowhere is this more evident than in our One Life listed impact strategy (model portfolio).

Here, we see that a full 39% of the One Life portfolio's market cap on 31 December 2022 was invested in companies that had >80% of their revenues from UNSGD-aligned products, with no exposure to companies that are deemed obstructive to the impact Goals.



And when it comes to Radiant's own Impact Themes, the One Life portfolio boasts significantly greater exposure than does its benchmark. Again, without any allocation of capital to 'no impact' or 'negative impact' companies.





# Proxy Voting Philosophy

As good stewards of our clients' capital, we regard it as our responsibility to vote our shares and engage with companies directly. Proxy voting is a key dimension in RadiantESG's efforts to carefully consider Environmental, Social, and Governance (ESG) factors in all aspects of our investment process. Our ethos is to approach public equities investing with an 'impact mindset' which requires voting proxies in a careful and considered way - putting the best interests of our clients first - for all accounts for which RadiantESG has the power to vote. Specifically, we define 'best interest' as meaning best long-run economic interest, taking into consideration nuances of a company's given industry, its regulatory environment, its relationship to its stakeholders, and its ESG profile. We believe this approach is consistent with our fiduciary duty to our clients.

We have selected **Institutional Shareholder Services (ISS)** as our outsourced service provider for proxy research and execution. ISS provides proxy- and regulation-related research, voting recommendations, voting agent services (i.e. proxy voting), and recordkeeping. Additionally, they provide functionality that allows for easy production of proxy reporting metrics. Typically, we will follow ISS' recommendations for voting given its alignment with ISS' Sustainability Proxy Voting Guidelines, but the door is left open to voting against the ISS recommendation as merited on a case-by-case basis. We will elect to vote differently than ISS' if a particular recommendation is viewed as not being in its clients' best interest.

RadiantESG's policies are consistent with the belief that companies with stronger ESG profiles will benefit economically relative to their peers. Further, we believe that, by encouraging all companies to adopt ESG best practices, the aggregate economy will benefit. In this way, ESG-focused proxy voting is viewed as both an 'alpha' and a 'beta' pursuit.

Our voting policy encourages companies to control their own narrative (disclosure) and their own evolutionary path (action) when it comes to ESG matters, as opposed to being backed into a corner by regulation, taxation, or the simple physical limits of the planet.

We are specifically interested in the following issues, and commit to supporting both **improved disclosure** and stepped-up **action** on the part of investee companies:



## Environmental Focus

Climate, water and waste, biodiversity, transformation of the 'built economy', and single-use plastics/microplastics.



## Social Focus

Increased disclosure of race and ethnicity (as permitted by law), representation of women and historically under-represented groups in management, supply chain transparency, worker safety, reduction of workplace violence and discrimination, animal testing and adoption of the 'three Rs' (replace, reduce, refine).



## Governance Focus

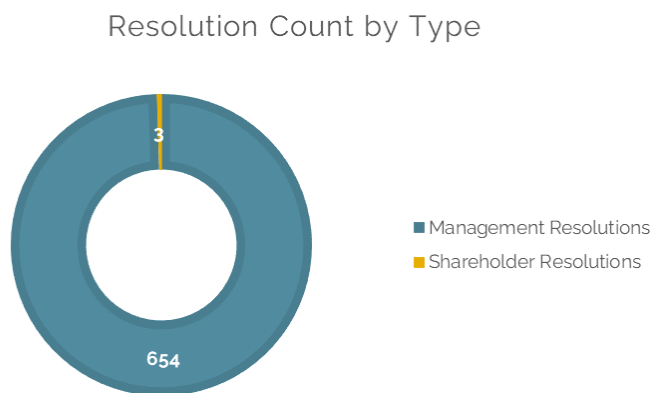
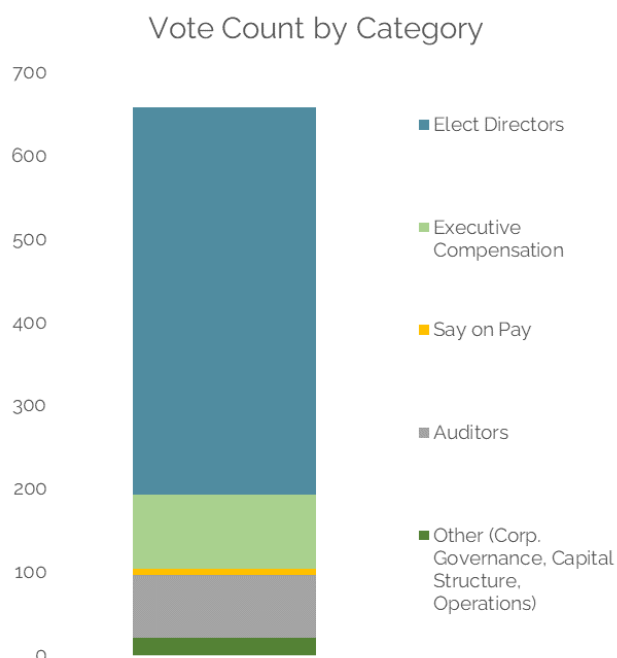
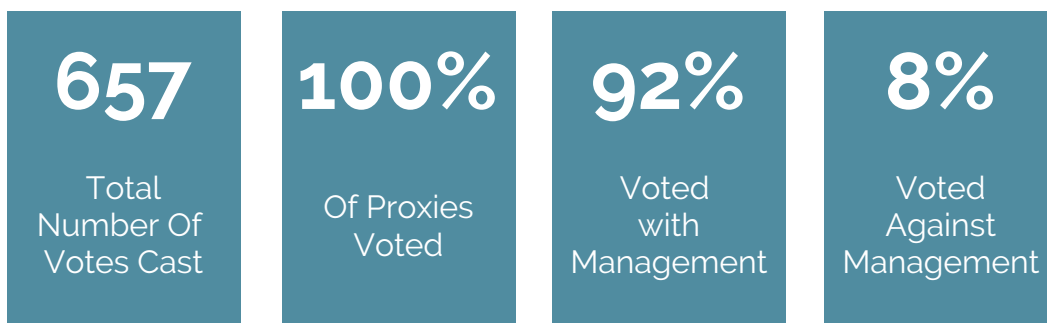
Board independence and diversity, shareholder protections, supporting shareholder voice in executive compensation and severance packages, as well increased disclosure of political donations, charitable activity, and lobbying efforts.



# Proxy Voting | 2022

The two live portfolios that RadiantESG managed in 2022 were in US smid and small cap equities. The consolidated results of our voting record appear below.

RadiantESG has selected **Institutional Shareholder Services (ISS)** as its outsourced service provider for proxy research and execution. ISS provides proxy- and regulation-related research, voting recommendations, voting agent services (i.e. proxy voting), and recordkeeping. Typically, we will follow ISS' recommendations for voting given its alignment with ISS' Sustainability Proxy Voting Guidelines, but the door is left open to voting against the ISS recommendation as merited on a case-by-case basis.



In 2022, the vast majority of votes were management resolutions focused on director elections, executive compensation and Say on Pay, and auditor fees/approval.

Note that there were no explicitly environmental or social resolutions for our investee companies in 2022.





# Engagement Philosophy

Unlike many 'quant' firms, it is our belief that we have a responsibility to engage with companies directly, and we approach stewardship in several ways. In our engagement efforts, we focus specifically on the subject with which we are most experienced: data disclosure. When it comes to company engagement, RadiantESG has developed a **systematic engagement** process that was initiated during 2022.



Our systematic engagement methodology involves proactively contacting companies held in the portfolio to make them aware of 1) missing ESG information for their firm and 2) areas in which the investment team supports the company's path of travel and/or areas in which improvement appears to be needed, consistent with our concept of materiality for the company. We have made a strategic decision to emphasize social ('S') concepts as we regard them as generally underrepresented in stewardship programs worldwide.

We offer the company an opportunity and a mechanism to respond in order to provide information or corrections. Importantly, we prioritize requests of companies that are specific and actionable. Any information we learn as the result of these engagement practices becomes part of our proprietary ESG Mosaic™ data platform (and is tracked within that platform), further enhancing the team's understanding of the threats and opportunities facing the company.

In building portfolios, we seek exposure to ESG Leaders, ESG Evolvers and Impact Leaders. It may be the case that a company appears to be a strong ESG Evolver but exhibits lackluster point-in-time ESG Leader characteristics. We may hold these companies in our portfolios (subject to threshold requirements being met). These companies will be targets of the systematic engagement approach described above.

The investment team is eager to support management's efforts to evolve a currently lagging company, and we believe that our feedback will serve as evidence of support to those in company management who may be leading a transformation internally.

Finally, Radiant does not hold exposure to companies representing the most severe controversies (e.g. the worst ethical norms violators) which are removed as part of our tail risk filters, therefore we do not seek to engage them directly. We will, however, attempt to influence those companies as part of broader advocacy groups like US SIF or FAIRR that routinely solicit sign-on to letters to company management. By lending our voice to campaigns like these, we seek to improve the aggregate economy and the productivity of investable assets generally.



# Engagement | 2022

RadiantESG began a **systematic engagement program** in 2022, undertaking our first campaign in Q4.

Consistent with our stated approach to engagement, we chose:

1. a topic related to data and disclosure
2. an 'S' concept (as we regard them as under-emphasized in our industry, especially in US small caps)
3. a request of companies that was easily researched and inexpensively acted on, should the company choose

## Campaign #1: Increasing Diversity Data Disclosure

In RadiantESG's systematic engagement campaign of Q4 2022, we asked investee companies to divulge their EEO-1 company profiles. All US companies of 50 employees or more are required to collect diversity data (gender and race, as distributed by position seniority) but are not required to make this information public. We believe that there would be great benefit to our own understanding of a company's diversity profile were we to have access to this information. Further, we believe that all investors would benefit from this type of standardized information on race and gender within companies, especially US small cap companies for which diversity information is routinely difficult to find.



We view diversity within the ranks of a company as material for all industries as we believe diversity (when paired with inclusion) is the remedy to 'group think'. The specific objective of EEO-1 data release is tangentially tied to SDG 5 (gender equality), but our investment interest is squarely associated with company-specific diversity modeling.

Of the 113 companies contacted by RadiantESG in 2022, approx. 20% replied meaningfully, with several saying that they would consider adopting the disclosures recommended or that the disclosures were in the works.

We track progress of the companies we contacted during this campaign in the tool we have developed for systematic outreach.

Going forward, we will endeavor to accomplish two to three of these systematic campaigns per year, focused on data and disclosure, prioritizing 'S' concepts.

Separate and distinct from RadiantESG's systematic engagement campaign, we also signed on to **four collective engagement initiatives** focused on antibiotic resistance, biodiversity and waste, and SEC disclosures organized by FAIRR, US SIF, and UNPRI.



# Partnerships and Affiliations | 2022

Signatory of:



*The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of ESG factors, and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.*



*US SIF: The Forum for Sustainable and Responsible Investment is the leading voice advancing sustainable investing across all asset classes.*



*The Thirty Percent Coalition is a pioneering advocate for increased gender, racial and ethnic diversity on corporate boards and in senior leadership.*



*FAIRR (Farm Animal Investment Risk and Return) acts as a global collaborative network of investors helping to drive change in the animal agriculture sector.*



*CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.*



*Berkeley HAAS School of Business Center For Equity Gender and Leadership (EGAL) EGAL is driving a leadership movement to reimagine business for an equitable and inclusive society; educating Equity Fluent Leaders to ignite and accelerate change.*



*City Hive (UK) is a think tank and advocacy group working in partnership with companies and grassroots to build an inclusive Investment Management Industry and an equitable and sustainable society.*



*The Center of Innovation for Diversity, Equity, and Inclusion in Finance (IDiF) is a nonprofit organization driving equitable access to capital to accelerate economic justice, power, and influence.*



*Pledge 1% is a movement aimed at changing the world by inspiring early-stage corporate philanthropy.*



*Certified B Corporations, or "B Corps," are businesses certified by B Lab as meeting certain standards of social and environmental performance, accountability, and transparency.*



# APPENDIX



# Radiant Insights

We are passionate advocates for environmental, social and governance issues based on our commitment to superior investment outcomes and our belief that capital markets have the power to drive positive change.

We are plain spoken advocates for real change. We give voice to the power of action. We are committed to creating a brighter future for investing.

We are regularly asked for our thoughts on the intersection between ESG principles and investment practice, and the importance of developing a sustainable culture.

To share perspective is to fuel debate and promote awareness, as these examples will hopefully do. You can access RadiantESG thought papers and playbacks of speaking engagements at [www.radiantesg.com/insights/](http://www.radiantesg.com/insights/) and quarterly newsletters and media coverage at [www.radiantesg.com/news/](http://www.radiantesg.com/news/)



The Evolution of ESG in the US - 2022 in review



Approaching Public Equities with an Impact Mindset




ESG and Impact are Different - and We Need Both!



Biodiversity: The Next Big Focus for Investors



Using Alternative Data to Improve ESG Insights




Should Corporate Diversity be Mandated?



Race and Ethnicity Data: We Must Push for Company Disclosure



Inclusive Culture, the Foundation for D&I Success



An Opportunity for an Asset Management Rebrand and Culture Overhaul



# Modern Slavery Statement

## **Our Motivation**

RadiantESG is an UNPRI signatory and deeply aligned with the goals and provisions of the UN Global Compact. We are troubled by the loss of liberty and life among vulnerable populations due to forced labor, sexual exploitation, child labor, and all other forms of modern slavery. As an asset management firm, our concern extends to our business and our investee companies. We note the surge in Suspicious Activity Reports (SAR) to the US Treasury's Financial Crimes Enforcement Network (FinCEN) related to human trafficking – these crimes are closely tied to money laundering, which has the potential to touch our business. When it comes to companies in our portfolios, we are well aware of the human-exploitation crime risks associated with supply chain opacity, especially in certain industries like extractives, textiles, and agribusiness. We believe we have both a moral and fiduciary obligation to shed light on incidences of modern slavery and to adopt policies and procedures that will minimize our firm's risk.

## **RadiantESG's Organizational Structure and Business**

RadiantESG is a Delaware limited liability company. The majority of our company's equity is owned by its founders and partners; HSBC Asset Management is a minority investor. RadiantESG provides asset management and consulting services to clients in the United States, managing public equity portfolios and providing ancillary advisory services. We are a small team of six professionals based in California, USA. We founded our business in 2021 with the intention of creating a 'next generation' asset management firm – incorporating new data and technology in our work, and paving a path for women and under-represented groups in financial services for years to come.

## **Risk Assessment**

While we believe that the asset management business represents reduced risk for modern slavery, we acknowledge that the complexity and opacity of global supply chains means all individuals in all industries should be vigilant.

Given the very limited direct employee base at Radiant, our Risk Assessment has focused on suppliers and vendors outside of our direct control. Our firm outsources legal, compliance, trading and back office, human resources, and accounting/bookkeeping functions. We understand that it is possible, albeit improbable given the nature of work and location, that modern slavery may exist at one or more of our suppliers.

## **Due Diligence**

Starting in 2023, we have augmented our vendor oversight to incorporate questions about modern slavery, human trafficking, sexual exploitation, and child labor in our annual review of existing suppliers. New suppliers will be subject to the same evaluation. In all cases, we will require that our vendors notify us in an ongoing fashion, should they be made aware of any developments in their own businesses that could increase these risks.

## **Ongoing Training for the RadiantESG Staff**

The risks of modern slavery have been considered in RadiantESG's investment process since its inception. Beginning in 2023, we will provide training to all staff on identifying modern slavery risks within Radiant's own business and that of its service providers.

Heidi Ridley, CFA  
CEO, RadiantESG Global Investors



# Important Disclosures

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## Transparency in ESG Outcomes

Selected ESG KPIs are shown as at 31 May 2023 for RadiantESG's Smid Cap Core Growth representative account versus its benchmark, the Russell 2500 Growth Index. Sources: RadiantESG, FTSE Russell, MSCI, Bloomberg, ISS, S&P Global. ESG KPI definitions are as follows:

**GHG Intensity:** GHG Direct and First Tier Indirect. Greenhouse gas (GHG) emissions over which the company has direct control divided by the company's revenue expressed in USD M.

**Water Intensity:** Cooling, Process, and Purchased. Sum of water directly and indirectly abstracted by the company, abstracted by upstream suppliers and the volume of water purchased from utility companies divided by the company's revenue expressed in USD M.

**Percent Women on Board:** Number of women on the company's Board of Directors divided by total number of Directors.

**Percent Independent Directors:** Percent of independent Board directors divided by total number of Directors.

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## Impact in Listed Equities

Source for the United Nations Sustainable Development Goals 'color wheel' and individual Goal icons: United Nations, 2023.

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## Evidencing Impact in Our Portfolios

Exhibit shows portfolio and benchmark exposure to companies with varying degrees of UNSDG-alignment and exposure to RadiantESG Impact Themes as measured by mapped revenue percent. Note that as of 31 December 2022, the One Life strategy was a global smid/small cap model portfolio that had not yet been funded. Sources: RadiantESG, MSCI.

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## Proxy Voting | 2022

Source: RadiantESG, Institutional Shareholder Services (ISS)

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## Engagement | 2022

Source for Commission seal and reference to EEO-1 filing requirements: US Equal Employment Opportunity Commission, 2023.

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## Partnership and Affiliations | 2022

Partner and Affiliate logos appear with permission.

Appendix

## Modern Slavery Statement

See [Suspicious-Activity-Reports-2023.pdf \(thomsonreuters.com\)](#) for an excellent summary of SAR filings to FinCEN, 2023. Human trafficking is one of FinCEN's eight national priorities related to anti-money laundering and countering the financing of terrorism, as mandated by the Anti-Money Laundering Act of 2020



## General Disclosures

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ESG Data – RadiantESG advocates the principle that ESG (Environmental, Social and Governance) investment themes and values will ultimately produce outperformance vs. similar, diversified indexed products, however, there is no guarantee or evidence that ESG factors alone will produce relative outperformance. Additionally, please be advised, because ESG criteria excludes some investments, the strategies may not be able to take advantage of the same opportunities or market trends as investments that do not use such criteria. ESG definitions and determination factors for investment are based on internal value rankings and may differ from competitor definitions of ESG. Potential investors should carefully read all supporting marketing material and offering documents to fully understand and comprehend RadiantESG's definition and determinants of Environmental, Social and Environmental value metrics.





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