An ESG Framework

Artisan Partners U.S. Value Team

ARTISAN PARTNERS

Investment Stewardship

As investors we think like business owners and expect the managers of our portfolio companies to do the same. We want management to make decisions for the long-term benefit of shareholders in an ethical and responsible manner. As a result, we are attracted to companies that we believe are good stewards of the assets they are entrusted to manage.

As interest in environmental, social and governance (ESG) factors has gained momentum, companies are clarifying their corporate values for stakeholders—customers, suppliers, employees and investors—and prioritizing their decisions about the roles they wish to play within society. They are also accelerating the pace of their interactions with these stakeholder groups. These behaviors are aligned with our belief that a company—public or private—is best served by creating long-term value for all its constituents.

Integral to Our Process

As fiduciaries, we believe assessing ESG factors is integral to gaining considerable knowledge about the underlying business. For over two decades, we have used a demanding, repeatable investment process focused on finding high quality, cash-producing businesses in solid financial condition that are selling at undemanding valuations. We have historically examined many of the same factors in analyzing businesses now being used to evaluate ESG risks. In our view, a fundamental, bottom-up approach to the investing process, like ours, is enhanced by explicitly understanding ESG-related factors. In our search for high-quality companies, ESG considerations are inherent in our business quality analysis. We identify as many risks to a business as we can and aim to carefully think through as many future scenarios as we can envision, testing our assumptions along the way. We spend time—sometimes years—researching and learning before making an investment. How could assets become impaired? Are there contingent or off-balance sheet liabilities lurking? What could disrupt this business's normalized earnings power? Is management credible and do they have the right incentives? These are just a few of the questions we ask when vetting an opportunity. Answers to these questions are essential within our risk-aware framework, helping us to make better investment decisions.

PORTFOLIO MANAGERS

clockwise, from top left:

Thomas A. Reynolds IV, Daniel L. Kane, CFA, Craig J. Inman, CFA

Investment Risks: Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in strategies denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. These risks, among others, are further described on the disclosure page, which should be read in conjunction with this material.

Optimizing Risk/Reward

We believe investing is an exercise in probabilities and risk management. Our goal as active managers is to buy future cash flows as safely and cheaply as we can. Our philosophical approach to investing requires that portfolio holdings satisfy our three margin of safety criteria—attractive valuation, sound financial condition and attractive business economics. Our investment portfolios differ greatly from their benchmark indexes in that we consider a wide variety of characteristics that are required for a security to enter the portfolio. In considering these factors, our goal is to reduce inherent portfolio risk and decrease the probability of permanent capital impairment. In our view, we improve our odds of success by investing in companies that not only have the potential for improvement in their fundamentals but also can advance their efforts as stewards of stakeholder capital. We believe aligning our portfolio with strong fundamental criteria, coupled with an analysis of ESG-related issues, creates a more robust risk/reward profile, as we endeavor to tilt the odds in our favor.

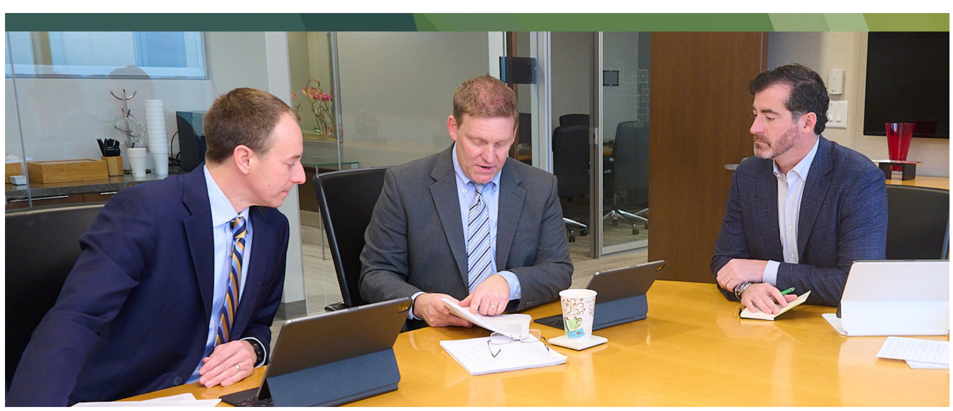
Our primary job as analysts is to determine whether the company's approach is achievable, believable, and appropriate in relation to the impact it will have on the future of the underlying business.

An Opportunistic, Non-Exclusionary Approach

Our experience as value investors has taught us that controversy can create bargains. Consistent with our actions as opportunistic investors, we are willing to wade into situations that might not appear ESG friendly or may be unpopular with mainstream investors. Our process is not exclusionary—we do not employ a screening mechanism that excludes entire sectors or industries because we believe ESG screening criteria can be subjective. We are willing to consider companies that have plans to address material ESG-related issues or those without. Our primary job as analysts is to determine whether the company's approach is achievable, believable, and appropriate in relation to the impact it will have on the future of the underlying business.

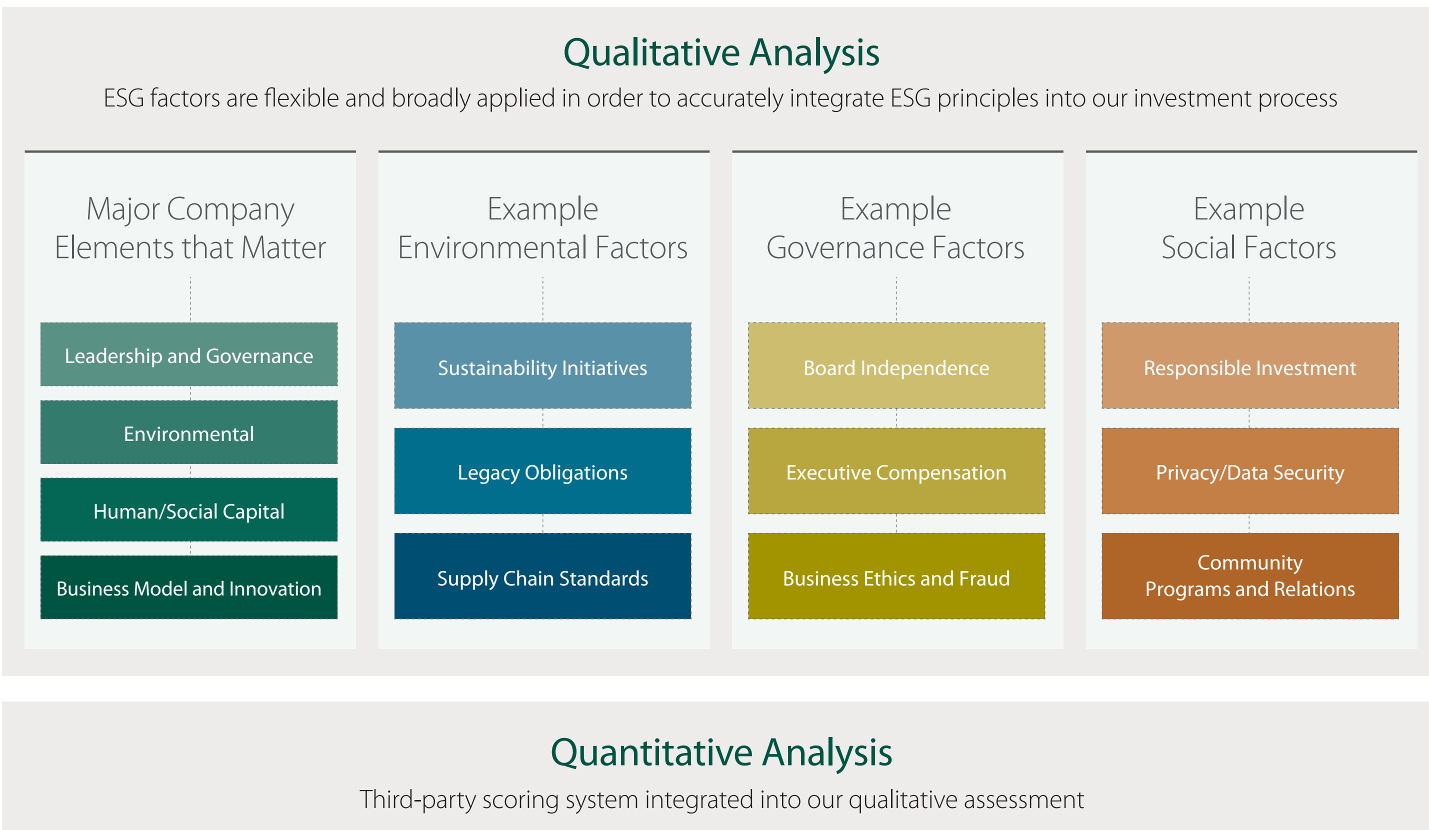
ESG Risk Factors

- **Flexible**—ESG factors are used to make a holistic assessment of the investment opportunity and are flexible by design. Key ESG issues for our consideration in this analysis will vary widely, dependent upon many relevant variables such as: the sector and industry in which a company operates, a company's life cycle, geography, products/services and whether a company is capital and/or resource intensive.
- **Focused**—Each company's ESG assessment is by no means rigid, exhaustive, or meant to capture all ESG risks of the business, rather the focus is on the ones we think are most impactful to the future cash flows and share price.



ESG Methodology

- **Qualitative analysis, supplemented by quantitative data**—Companies are complex institutions and necessitate a comprehensive method to assess their ESG progress, failures, targets and policies. A single letter grade or numerical score does not do the process justice; it is a shortcut for the sake of brevity and neatness. Therefore, when assessing ESG-related issues, we use a qualitative approach, supplemented by quantitative data, to identify, investigate and analyze the intricacies of ESG factors. Our objective in combining qualitative analysis with quantitative data is to produce perspectives that are nuanced, differentiated, informed, and detailed.
- **Proprietary research paired with external third-party analysis**—We incorporate third-party research and quantitative data from Sustainalytics with our own qualitative assessment of a company's ESG attributes. We feel a combined approach is complementary and makes the outcome of the assessment better than the individual parts.



Source: Artisan Partners.

ESG Implementation

- **Management Engagement**—Through our initial analysis, we seek to identify potential improvements or shortcomings, including where we would like to see management apply additional effort and/or capital. This analysis helps us to not only better understand the issues but also judge management's approach and commitment to handling ESG factors. We may engage on these issues specifically or as part of our ongoing conversations about the business.

ESG Implementation *continued*

- Portfolio Construction Ramifications—We can express our views on companies' ESG policies and risks by adjusting our estimates of fair value, managing the position size, selling the underlying holding or avoiding investment altogether.
- Proxy Voting—We can provide transparency on proxy voting by summarizing how we voted broadly, citing areas where we wholly disagreed with management. View Artisan Partners Proxy Voting Policy.

A Focus on Fundamentals

As part of our fundamental analysis, we examine how ESG factors may impact different components of the income statement and balance sheet, as well as a business's normalized cash flows and return on capital capabilities that drive our valuation analysis. Changes in our assessments of business value due to ESG factors are no different than accounting for other risk factors, such as competition, pricing, input costs or geography.

At the top line, ESG factors can affect a company's revenue growth trajectory, the ability to capture market share and whether it may face secular headwinds or tailwinds. Costs and margins may be affected by headcount, compliance costs, regulation, and potential required restructuring. Similarly, cash flows and returns on capital may be affected by additional capital expenditures required to operate the business due to regulatory changes or satisfy various remedial measures. On the balance sheet, we assess how ESG factors may affect asset values positively or negatively, the cost of debt, off-balance sheet liabilities and resilience across the economic cycle.

Our job as analysts is to determine whether these influences are temporary or permanent. We want to avoid situations where ESG issues may affect the company's ability to operate the ongoing business and/or distract management from the day-to-day operations.

Certain ESG factors are more difficult to quantify directly. Social factors such as employee access to health care and community involvement may contribute to increased employee retention and building customer goodwill. While assessing these issues often entails greater ambiguity, their potential impacts are no less real. We believe it is important to examine any issues that can bear on long-term business performance.

Holdings Examples

1. A portfolio company was a target of regulators and lawmakers for potential anticompetitive practices, which resulted in fines and lawsuits. We accounted for this in future growth rates and the potential for a negative feedback loop to impact the company's long-term revenue trajectory. Over our holding period, we adjusted our estimates based on the company's progress and ability to course correct.
2. Multiple portfolio companies issued green bonds that have preferential borrowing rates for sustainable investments and reflect the reduced credit risk of their stronger ESG profiles.
3. We decided not to invest in a company because of our concerns about ongoing litigation, potential remediation costs, likely reduction in cash flows and negative public sentiment related to an ongoing investigation regarding the company's role in the production of man-made chemicals.
4. Due to the social and health impacts of their products and growth of less-harmful nicotine products, a tobacco company's long-term market position and competitive advantages became less certain. As a result, we modified our assessment of its terminal value.

Areas of Investigation

Examples of Questions We Ask

ENVIRONMENTAL

Legacy Obligations	▪ Does the company have exposure or risk to incurring future liabilities, contamination, emissions of toxic substances and carcinogens, Superfund cleanup, restoration, or other asset retirement obligations?
Water	▪ What is the potential risk of water stress—the risk to a company's operations from water shortage, stakeholder opposition to its water usage, rising water costs, freshwater withdrawal and recycling?
Supply Chain Standards	▪ Does the company assess and manage risks of production disruptions? ▪ What is the risk to brand value related to environmental impacts and/or labor conditions?

SOCIAL

Controversial Material Sourcing	▪ How do we assess the potential of regulatory risk, reputational damage or supply chain disruptions due to sourcing of raw materials from areas associated with human rights and labor abuses?
Access to Health Care	▪ Does the company provide health care for employees and contract workers? ▪ Do the company's products or services improve overall customer access to health care?
Community Programs and Relations	▪ Is there corporate funding of charitable programs, such as identified endowments or foundations, and is there employee matching? ▪ Do employees participate in company-supported, non-profit volunteer work? ▪ Is the company a corporate sponsor for specific causes?

GOVERNANCE

Board Independence	▪ Is the Board comprised of a majority of independent directors, a separate non-employee Chairman, etc.? ▪ What is the length of directors' terms; are they annual terms, staggered? ▪ What are the interlocking relationships, if any? ▪ Are there specific policies spelled out by the Board regarding audit, compensation, succession and do these pose financial risks to shareholders? ▪ Golden parachutes and poison pills?
Legal and Regulatory Management	▪ What evidence exists of a comprehensive risk management strategy at the corporate or business operations level? ▪ How has the company handled critical incidents in the past?
Accounting	▪ How is corporate transparency and the reliability of reported financials? ▪ What is the frequency of business segment realignment, restatements, special charges, recurring charges, conservative or aggressive accounting policies, and changes in auditors.

Below we provide an illustrative, but not exhaustive example of one of our portfolio companies to demonstrate how we have integrated ESG measures into our process. This analysis was done in August 2024.

Case Study

Merck (MRK)

ESG Sustainalytics Ratings (as of Aug 2024)

Risk Rating	Low	20.0
Controversies	Moderate	2
Corporate Governance	Negligible	1.9

Company Description

Merck is a provider of health care solutions including prescription medicines, vaccines, biologic therapies, animal health and consumer care products.

Summary

Pharmaceutical companies like MRK are typically prone to a number of risks, including patent and intellectual property challenges, R&D intensity, litigation that results from unintended patient side effects, ethical concerns that stem from running clinical trials and a high dependency on local markets, which can introduce pricing and reimbursement challenges. However, we find MRK to be strong in most of these areas, which allows the company to operate effectively while appropriately addressing ongoing ESG issues. The company has a very high level of transparency into these areas, with substantial policy disclosure on its website for areas like: Access & Affordability, Innovation, Public Health & Environmental Sustainability, and Transparency & Responsible Behavior. This transparency sets MRK apart from peers (other large corporations of a similar size).

Environmental

MRK is exposed to risks associated with emissions, effluents and waste through water discharge from the production of pharmaceutical compounds. This can be amplified by manufacturing plants located in lesser regulated markets, like many emerging markets. Additionally, packaging and disposal of potentially carcinogenic drugs is an issue worthy of monitoring.

- Adopted "Design for Environment" guidelines to focus on product and packaging designs that are green and sustainable. Integrating new packaging designs that do not compromise safety functions, such as child resistance and tampering evidence.
- Has relatively small amount of legacy environmental cleanup obligations despite operating for over 100 years at some facilities. Undiscounted environmental liabilities are estimated to be $42 million for the years 2022 through 2026, which is insignificant relative to the size of the company and its operations.
- Strong water use reduction initiatives, resulting in a 16% reduction in water use since 2015, a factor potentially impacting internal operations and external supply chain.
- Opportunities to improve on future reduction in landfill waste by increasing recyclable materials.
- Strong supply chain standards as communicated in its Business Partner Code of Conduct and Supplier Performance Expectations standards. Importantly, supplier selection and management follow a robust process that incorporate environmental sustainability, economic inclusion and diversity principles.

Social

As a provider of life-saving pharmaceuticals, especially in oncology, MRK has delivered an immense benefit to society. However, it is appropriate to also analyze the social contract that MRK has made with its workers, partners and customers.

- 99.5% US and 123% International funded pension plans and 401k plans in over 40 countries. OPEB 90% funded which is rare for most global companies. In fact, none of the company's direct competitors have funded their OPEB plans to the extent that MRK has; none come close.
- MRK has a substantial charitable product donation program that provides life-saving drugs on a global basis for patients and public health programs that may not otherwise afford treatment.
- Provides an exhaustive list of services/benefits to employees (childcare, health care, parental leave, transportation, flex work, etc.)
- Provided over $100mn in Impact Investing, designed to improve access to health care. Company foundation started in 1957 has been funded with over $1bn in contributions since inception with focus on health, communities, non-profits, etc.

Case Study—Merck (MRK) *continued*

- Many significant incidents regarding the quality and safety of Merck's products have been reported over the past few years. Despite the settlement of legal cases, particularly for its high-profile Vioxx product, which cost the company more than $5bn and allegedly impacted around 160,000 patients, Merck faces product liability, intellectual property and commercial litigation claims on an ongoing basis and has reserved $210mn for future legal defense costs, which is small relative to the company's $60bn revenues.
- The gender-pay gap is closing; 50% of women in the workforce. We believe the company has done a tremendous job with regard to the number of women and ethnic groups on the Board; 6 of 12 Board members are women. The percentage of the employee base is also well-represented by multi-cultural women.
- Life-saving cancer drugs provide an immeasurable benefit to society. Keytruda, the company's flagship cancer drug, has effectively become the standard of care in many cancer areas.

Governance

MRK has a strong governance structure, with independent Board oversight and separate risk management framework. There is also a robust network of policies related to discrimination, whistleblowers, environmental, and bribery & corruption.

- The Board is chaired by Robert M. Davis, CEO and long-time employee. Additionally, leadership is supplemented by Thomas Glocer, Lead Independent Director.
- Board composition: 50% women; 92% independent (CEO Davis).
- Strong diversity and experience among Board members and senior management. Range of tenure on board (avg. 8yrs) is good for institutional knowledge but doesn't promote stagnant composition. Age range of members is at or below 72. Mandatory retirement at age 75. MRK is one of the few pharma companies with mandatory retirement ages for Board members. Additionally, the company does not re-nominate directors for further service beyond age 72.
- Compensation policies for Directors and management prohibit short sales, gross-ups, re-pricing of underwater stock options. There are also stringent stock ownership requirements of Board members (5x within 5 years) and Execs (CEO 6x and NEO 3x).
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- 90% of CEO comp based on performance and 83% for other NEOs.
- Limited lobbying and political contributions relative to the size of the business.

Artisan Partners Responsible Investing

Information on Artisan Partners' firm-wide Environmental, Social and Governance practices and policies can be found here: Artisan Partners Sustainability/ESG.

For more information: Visit www.artisanpartners.com

Investment Risks: Dividend payments are not guaranteed and the amount declared, if any, could vary over time. International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging markets. Securities of small- and medium-sized companies tend to have a shorter history of operations, be more volatile and less liquid and may have underperformed securities of large companies during some periods. Value securities may underperform other asset types during a given period. These risks, among others, are further described in Artisan Partners Form ADV, which is available upon request. This is a marketing communication.

This summary represents the views of the investment team as of 30 June 2024 and is subject to change without notice. Security examples are for informational purposes only and are not representative of the entire portfolio. There is no guarantee that investment within the securities mentioned will result in profit. While the information contained herein is believed to be reliable, there is no guarantee as to the accuracy or completeness of any statement in the discussion. This material is for informational purposes only and should not be considered as investment advice or a recommendation of any investment service, product or individual security. ESG assessments represent one of many pieces of research available and the degree to which it impacts holdings may vary based on manager discretion.

For the purpose of determining the portfolios' holdings, securities of the same issuer are aggregated to determine the weight in the Strategies. The holdings mentioned above comprised the following percentages of a representative account within the Composites' total net assets as of 31 Dec 2024: Artisan Value Equity Strategy—Merck & Co Inc 2.1%. Artisan Value Income Strategy—Merck & Co Inc 1.9%. Portfolio holdings are subject to change and the Fund disclaims any obligation to advise investors of such changes.

Unless otherwise indicated, the Artisan Strategy characteristics relate to that of an investment composite or a representative account managed within a composite. It is intended to provide a general illustration of the investment strategy and considerations used by Artisan Partners in managing that strategy. Individual accounts may differ, at times significantly, from the reference data shown due to varying account restrictions, fees and expenses, and since-inception time periods, among others. Where applicable, this information is supplemental to, and not to be construed with, a current or prospective client's investment account information.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle. **Margin of Safety**, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss—all investments contain risk and may lose value.

Sustainalytics: Sustainalytics is a leading ESG research and analytics firm. It produces ESG scores on a scale of 0 to 100, with a higher score indicating better environmental, social, and governance performance. The scores are normalized by industry to allow for comparability between companies operating in the same sector. In addition to the overall ESG score, Sustainalytics provides scores for each of the three dimensions (environmental, social, and governance) on the same 0–100 scale. This granularity enables investors to gain a more in-depth understanding of a company's performance in each of the three ESG categories. The Sustainalytics ESG Risk Ratings measure the degree to which a company's economic value is at risk driven by ESG factors or, more technically speaking, the magnitude of a company's unmanaged ESG risks. A company's ESG Risk Rating is comprised of a quantitative score and a risk category. The quantitative score represents units of unmanaged ESG risk with lower scores representing less unmanaged risk. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) and, for 95% of cases, a maximum score below 50. Based on their quantitative scores, companies are grouped into one of five risk categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered. This means that a bank, for example, can be directly compared with an oil company or any other type of company. A company's ESG Risk Ratings score is assigned to one of five ESG risk categories: 1) Negligible Risk (Overall Score of 0-9.99 points): Enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors; 2) Low Risk (10-19.99 points): Enterprise value is considered to have a low risk of material financial impacts driven by ESG factors; 3) Medium Risk (20-29.99 points): Enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors; 4) High Risk (30-39.99 points): Enterprise value is considered to have a high risk of material financial impacts driven by ESG factors; 5) Severe Risk (40 and higher points): Enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors. Controversies are a measure of company performance. Controversy research, which is updated continuously, is performed by a dedicated team of analysts, whose work is then reviewed by an ESG Ratings analysts prior to publication. Sustainalytics assesses companies for their level of involvement in controversies that have an impact on the environment or society and the associated business risks companies face from such involvement. Each controversy is categorized from Category 1 (low ESG impact) to Category 5 (severe ESG impact). For Category 4 and 5 controversies, efforts are made to engage directly with the issuer prior to our final assessment. An internal committee of senior research analysts and managers reviews and approves the final ratings determinations.

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