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BEST MANAGEMENT PRACTICES

For Creating Environmental Social and Governance Strategies

Why? ESG's are a framework that help stakeholders understand how an organization manages risks and opportunities around sustainability issues.

- **Environmental:** Conservation, climate change and carbon emissions.
- **Social:** People and Relationships; including customer satisfaction, data protection and privacy.
- **Governance:** Standards for running a company.



WHY:

- Cutting CO2 emissions is an urgent priority to help reduce the threat of climate issues. Creating goals or commitments can help to ensure a reduction of dependency on fossil fuels.
- Organizations are responsible for instituting ethical policies that support prosperity, shape economic growth sustainability and earn stakeholders trust. Transparency around business conduct, data privacy and a commitment to human rights is critical.
- Strong Governance through leadership commitment.
- It has been demonstrated that companies performing on ESG practices have higher financial growth, lower volatility, higher employee productivity, reduced regulatory and legal interventions, top-line growth and cost reductions.

HOW/EXAMPLE: PAGES 2-6

For reference, TIA is providing an example/sample ESG statement template on pages 2-6. There are various alternative templates for organizations to choose from when creating ESG's and this example is not meant to be a fit for all.

ESG Disclosure Statement

Date prepared/approved: _____

The purpose of this ESG Disclosure Statement is to explain how environmental, social, and governance (ESG) issues are considered within the investment product's objectives, investment process, and/or stewardship activities.

Compliance Statement

This ESG Disclosure Statement for the period _____ to _____ complies with the disclosure requirements of the Global ESG Disclosure Standards for Investment Products. Additionally, _____ has complied with the requirements of the Global ESG Disclosure Standards for Investment Products related to the preparation and presentation of this ESG Disclosure Statement. The Global ESG Disclosure Standards for Investment Products are developed and maintained by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Summary

Name of investment product:

Summary description of the ESG approaches used in the investment product:

Does the investment product's investment process, stewardship activities, and/or objectives systematically address one or more specific ESG issues?

☐ Yes ☐ No

Summary description of specific ESG issues systematically addressed by the investment product's investment process, stewardship activities, and/or objectives:

Does the investment product comply with any third-party ESG-related labels and/or certifications?

☐ Yes ☐ No

Third-party ESG-related labels and certifications with which the investment product complies:

Sources and Types of ESG Information

Is ESG information used in the investment product's investment process or stewardship activities?

☐ Yes ☐ No

Elements of the investment process or stewardship activities that use ESG information and how the ESG information is used:

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Description of the type of ESG information used and description of the sources from which that ESG information is obtained:

Risks and limitations of the ESG information used and how those risks and limitations are managed:

Systematic Consideration of Financially Material ESG Information in Investment Decisions

Is financially material ESG information systematically considered in investment decisions?

☐ Yes ☐ No

How financially material ESG information is typically identified:

How financially material ESG information is typically incorporated into investment decisions, differentiated by type of investment when necessary:

Exceptions in which financially material ESG information is not considered in investment decisions, if any:

ESG Investment Universe

Does the investment product use an ESG index as an investment universe?

☐ Yes ☐ No

Name of the ESG index or the significant ESG characteristics of the ESG index:

How an investor can obtain information about the ESG index construction methodology:

ESG Screening Criteria

Does the investment product have ESG criteria that systematically exclude certain investments or have ESG criteria that need to be met in order for an investment to be considered for inclusion in the portfolio?

☐ Yes ☐ No

ESG screening criteria:

Where the ESG screening criteria are applied in the investment process:

Exceptions to the application of the ESG screening criteria, if any:

Portfolio-Level ESG Characteristics

Does the investment product have targets for portfolio-level ESG characteristics?

☐ Yes ☐ No

Targets for portfolio-level ESG characteristics:

How progress toward, or attainment of, targets for portfolio-level ESG characteristics is reported to investors:

Does the investment product use an ESG index as a point of comparison for portfolio-level ESG characteristics?

☐ Yes ☐ No

The portfolio-level ESG characteristics that are compared with the ESG index:

Name of the ESG index or the significant ESG characteristics of the ESG index:

How an investor can obtain information about the definitions of and calculation methodologies for the ESG characteristics of the ESG index:

Portfolio-Level Allocation Targets

Does the investment product have portfolio-level allocation targets for investments that have specific ESG characteristics?

☐ Yes ☐ No

Portfolio-level allocation targets for investments that have specific ESG characteristics:

How progress toward, or attainment of, portfolio-level allocation targets for investments that have specific ESG characteristics is reported to investors:

Stewardship Activities

How an investor can obtain a complete and current copy of all of the policies that govern the investment product's stewardship activities:

How stewardship activities for the investment product are reported to investors:

Are ESG issues typically considered when undertaking stewardship activities?

☐ Yes ☐ No

The types of stewardship activities typically undertaken for the investment product, differentiated by type of investment where necessary:

The ESG issues typically considered when undertaking those stewardship activities:

How those stewardship activities and ESG issues are relevant to the investment product's objectives and investment process:

The processes and systems that support the stewardship activities undertaken for the investment product:

Environmental and Social Impact Objectives

Are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return?

☐ Yes ☐ No

Impact objectives, in measurable or observable terms:

The stakeholders who will benefit from the attainment of the impact objectives:

The time horizon over which the impact objectives are expected to be attained:

How the impact objectives are related to other objectives that the investment product has and how the pursuit of the impact objectives could result in trade-offs with those other objectives:

How the attainment of the impact objectives will contribute to third-party sustainable development goals (for example, the United Nations Sustainable Development Goals), if there is a stated intention to do so:

The proportion of the portfolio committed to generating social and environmental impact:

How the impact objectives are expected to be attained:

The risks that could significantly hinder the attainment of the impact objectives, should they occur:

How progress toward, or attainment of, the impact objectives is measured, monitored, and evaluated:

How progress toward the attainment of the impact objectives is reported to investors:

The process for assessing, addressing, monitoring, and managing potential negative social and environmental impacts that may occur in the course of attaining the impact objectives:

Exceptions, Changes, and Error Correction

Have any changes been made during the period that are relevant to the disclosures contained in this ESG Disclosure Statement? (e.g., changes to the investment product or how investors can obtain certain information)

☐ Yes ☐ No

Changes made during the period that are relevant to the disclosures in this ESG Disclosure Statement and the effective date of those changes:

Have any disclosures this ESG Disclosure Statement been added or updated within the past year to correct a significant error in an earlier version of the ESG Disclosure Statement?

☐ Yes ☐ No

Description of changes made within the past year to correct for a significant error in an earlier version of the ESG Disclosure Statement:

Does this ESG Disclosure Statement exclude any of the required disclosures that are applicable to the investment product?

☐ Yes ☐ No

Description of disclosure requirements that are excluded and the reason for the exclusion: