

# ARK Sustainable Investing & ESG Policy

## 1) Environmental, Social and Corporate Governance Through the Lens of Innovation

ARK Investment Management LLC ("ARK") is a global investment manager focused solely on disruptive innovation. ARK defines disruptive innovation as the introduction of a technologically enabled product or service that should transform economic activity by creating simplicity and accessibility while driving down costs. ARK believes innovation is key to long-term growth of company revenues and profits and invests in equity securities of companies that we believe are relevant to the investment theme of disruptive innovation.

In seeking to deliver positive investment outcomes for our clients by providing exposure to disruptive innovation, ARK is committed to maintaining an investment approach that incorporates environmental, social, and corporate governance ("ESG") in a comprehensive manner. We recognize there are differing governance models adopted in various countries and that local laws and practices may vary. ARK also understands that best practices and guidelines related to ESG may evolve in the future. With these considerations in mind, ARK believes that its existing investment philosophy and process inherently considers ESG principles that align with the United Nations Sustainable Development Goals ("UN SDGs").

ARK's research and investment process is designed to align our clients' investment exposure with those technologies and companies that are likely to have a positive impact on society, cutting across all sectors and geographies, and developing platforms upon which the next generation of productivity advances can be built. We therefore aim to focus on public companies that we believe are the leaders, enablers, and beneficiaries of disruptive innovation. ARK's research has currently identified fourteen technologies underlying five major innovation platforms that we believe will transform and solve some of the world's most persistent problems. ARK believes that the fourteen technologies underlying the five innovation platforms closely align with the principles of the UN's SDGs.

We believe the five major innovation platforms identified—Public Blockchain, Artificial Intelligence, Energy Storage, Robotics, and Multiomic Sequencing—should enable positive long-term investment opportunities and transform the way the world works, ultimately making it a better place. From these innovation platforms, ARK develops actively managed thematic strategies that invest in companies that, we believe, are addressing ESG principles intrinsically.

**Our cornerstone Disruptive Innovation Strategy invests in companies that are:**

- *in the **Multimomics** theme, restructuring health care, agriculture, and pharmaceuticals, curing diseases and enhancing the quality of life;*
- *in the **Next Generation Internet** theme, changing the way the world manages information, analyzes data, purchases goods, and communicates across the globe, increasing business productivity and consumer access;*
- *in the **Robotics & Autonomous Technology** theme, enhancing productivity and wage gains, while reducing consumer costs and carbon emissions with advancements in automation, energy storage, 3D printing, modern infrastructure, and space exploration; and*
- *in the **Fintech** theme, revolutionizing the financial industry and increasing consumer and business access to banking and other financial services, especially in lesser developed markets.*

**An Inclusive Approach to ESG Integration**

We believe that ESG principles tied to the UN's SDGs are at the heart of ARK's research and investment philosophy. All members of ARK's research and investment team are involved in the effort of integrating ESG issues into the investment process. ARK's forward-looking research approach aims to shed light on companies that, we believe, will contribute positively to our future by creating simplicity and accessibility while driving down costs over a full market cycle. We seek to identify companies with robust governance structures and product sets that we believe will provide a positive social and environmentally sustainable impact.

**Process - Top Down Research**

ARK does not exclude companies or sectors from our innovation investment universe. From a top-down research perspective, among other factors, ARK aims to analyze how environmental and social considerations enunciated in the seventeen UN SDGs (see Appendix A) are being addressed by the fourteen technologies underlying the five innovation platforms (see Appendix B). As part of this process, ARK's analysts identify how the fourteen technologies relate to the universe of companies for which they are responsible. Throughout the research process, analysts assign a percentage exposure that each company has to any of the fourteen technologies. The weighting informs ARK of the relationship each company has to the UN SDGs, enabling the investment team to consider ESG factors in investment decisions. During this process, ARK's Directors of Research and analysts engage with ARK's Chief Futurist and Chief Investment Officer/Portfolio Manager on a continuous basis. Investment models are updated at minimum of once a year.

***Process - Bottom Up Research***

ARK also considers relevant ESG principles in its six-metric scoring system (see Appendix C). The first scoring metric, “People, Management, and Culture” addresses Governance, while the fourth and sixth scoring metrics, “Product & Service Leadership” and “Thesis Risk”, include Environmental and Social factors. These scores applied to each of the companies in ARK’s universe integrate ESG principles and guide investment decisions.

**Engagement**

In addition, we undertake frequent dialogue with companies, corporate leadership, industry spokespersons, economists, and academicians. We seek on-going discussions on both opportunities and risks, and regularly publish our research in an effort to educate the public on investing in disruptive innovation.

**Proxy Voting**

ARK considers proxy voting a key component of investing in innovation. Our process is designed to ensure that proxy voting is conducted in an appropriate manner, consistent with our obligations to, and in the best interests of, our clients. Our policy is based on the view that, in our role as an investment manager and fiduciary, we must vote proxies based on what we believe will maximize long-term shareholder value.

**2) Internal Corporate Responsibility Policy**

ARK believes that innovation is key to growth and will make the world a better place. We seek to invest in companies aligned with this belief, but also to operate our own company in a way that enhances society and the environment, leading to a more sustainable future.

To succeed in this mission, ARK implements responsible corporate governance, fosters a diverse and inclusive workforce, and gives back to organizations that we believe are promoting good health and well-being, quality education, and gender equality.

**Appendix A**

**United Nations Sustainable Development Goals**

<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

**Appendix B**

**Investment Opportunity - Innovation Platforms & Underlying Technologies**

BIG IDEAS 2023: TECHNOLOGICAL CONVERGENCE

6



# Five Converging Innovation Platforms Define This Technological Era

## Public Blockchains

Upon large-scale adoption, all money and contracts will migrate onto Public Blockchains that enable and verify digital scarcity and proof of ownership. The financial ecosystem is likely to reconfigure to accommodate the rise of Cryptocurrencies and Smart Contracts. These technologies increase transparency, reduce the influence of capital and regulatory controls, and collapse contract execution costs. In such a world, Digital Wallets will become increasingly necessary as more assets become money-like, and corporations and consumers adapt to the new financial infrastructure. Corporate structures themselves may be called into question.

## Artificial Intelligence

Computational systems and software that evolve with data can solve intractable problems, automate knowledge work, and accelerate technology's integration into every economic sector. The adoption of Neural Networks should prove more momentous than the introduction of the internet and create 10s of trillion dollars of value. At scale these systems will require unprecedented computational resources, and AI-specific compute hardware should dominate the Next Gen Cloud datacenters that train and operate AI models. The potential for end-users is clear: a constellation of AI-driven Intelligent Devices that pervade people's lives, changing the way that they spend, work, and play. The adoption of artificial intelligence should transform every sector, impact every business, and catalyze every innovation platform.

## Multimic Sequencing

The cost to gather, sequence, and understand digital biological data is falling precipitously. Multimic Technologies provide research scientists, therapeutic organizations and health platforms with unprecedented access to DNA, RNA, protein, and digital health data. Cancer care should transform with pan-cancer blood tests. Multimic data should feed into novel Precision Therapies using emerging gene editing techniques that target and cure rare diseases and chronic conditions. Multimics should unlock entirely new Programmable Biology capabilities, including the design and synthesis of novel biological constructs with applications across industries, particularly agriculture and food production.

## Energy Storage

Declining costs of Advanced Battery Technology should cause an explosion in form factors, enabling Autonomous Mobility systems that collapse the cost of getting people and things from place to place. Electric drivetrain cost declines should unlock micro-mobility and aerial systems, including flying taxis, enabling business models that transform the landscape of cities. Autonomy should reduce the cost of taxi, delivery, and surveillance by an order of magnitude, enabling frictionless transport that will increase the velocity of e-commerce and make individual car ownership the exception rather than the rule. These innovations combined with large-scale stationary batteries should cause a transformation in energy, substituting electricity for liquid fuel and pushing generation infrastructure towards the edge of the network.

## Robotics

Catalyzed by artificial intelligence, Adaptive Robots can operate alongside humans and navigate legacy infrastructure, changing the way products are made and sold. 3D Printing should contribute to the digitization of manufacturing, increasing not only the performance and precision of end-use parts but also the resilience of supply chains. Meanwhile, the world's fastest robots, Reusable Rockets, should continue to reduce the cost of launching satellite constellations and enable uninterrupted connectivity. A nascent innovation platform, robotics could collapse the cost of distance with hypersonic travel, the cost of manufacturing complexity with 3D printers, and the cost of production with AI-guided robots.

Node size: Log prospective 2030 Market Value

Sources: ARK Investment Management LLC, 2023. Forecasts are inherently limited and cannot be relied upon. For informational purposes only and should not be considered investment advice or a recommendation to buy, sell, or hold any particular security or cryptocurrency. Past performance is not indicative of future results.

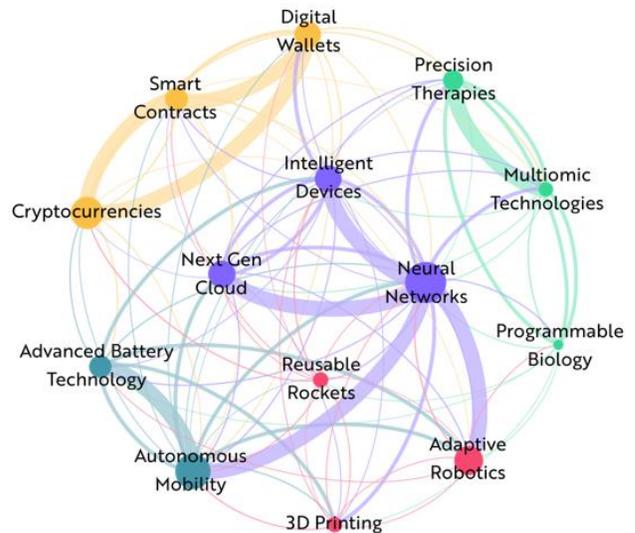
## Convergence

The converging innovation platforms involve 14 investable technologies undergoing steep cost declines, impacting multiple sectors, and serving as launching pads for more innovation.

ARK's Convergence Scoring Framework And Network Graph:

- Technology scores are a function of their potential to generate super-exponential growth as they catalyze other technologies.
- The thickest lines correspond to expectations for an order of magnitude increase in another technology's potential.
- Edges are directional. Neural networks should catalyze autonomous mobility (thick purple line), for example, and the data generated by autonomous mobility systems should improve neural network capability (thin teal line).
- Node size corresponds to estimate of 2030 enterprise value attributable to the technology on a log scale.
- The innovation platform taxonomy emerges organically from this network graph.

Node size: Log prospective 2030 Market Capitalization  
Edge size: Estimated catalyzing impact  
Edge color coded to the catalyzing technology



Sources: ARK Investment Management LLC, 2023. Information provided on this slide is based on ARK's research and views and subject to change. Forecasts are inherently limited and cannot be relied upon. For informational purposes only and should not be considered investment advice or a recommendation to buy, sell, or hold any particular security or cryptocurrency. Past performance is not indicative of future results.

**Appendix C****Investment Process: Bottom-Up Research**

ARK's bottom-up analysis begins with a distilled group of potential investments from our top down process, not a benchmark. ARK scores potential investments based on the following six key metrics, inputting the values into a proprietary scoring system to quantify the companies in the context of the opportunity:

1. Company, People and Culture\*
2. Execution of Objectives
3. Moat or Barriers to Entry
4. Product and Service Leadership\*
5. Valuation: 5-Year Return (requires a 15% compound annual return hurdle rate)
6. Thesis Risk\*

\*: Scores with an ESG component.

The fifth metric (i.e., a 5-year return) requires building out a five-year revenue model for each company in the portfolio. These models incorporate the company's unit volume growth, cost declines, market adoption and penetration, share count growth, and future multiples, arriving ultimately at a per share price five years from the current date that should be roughly double the current price.

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