

# 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 ("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 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.

The five major innovation platforms identified—Genome Sequencing, Blockchain Technology, Artificial Intelligence, Robotics, and Energy Storage—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 **Genomics** 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 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 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 (see Appendix B) underlying the five innovation platforms. 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 portfolio managers to consider ESG factors in investment decisions. During this process, analysts engage with ARK's Director of Research and Chief Investment Officer/Portfolio Manager on a continuous basis. Investment models are updated at minimum.

**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 metric, “Product & Service Leadership” and “Thesis Risk”, include Environmental and Social factors. These scores applied to each of the companies in our universe integrate ESG principles and guide our 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**

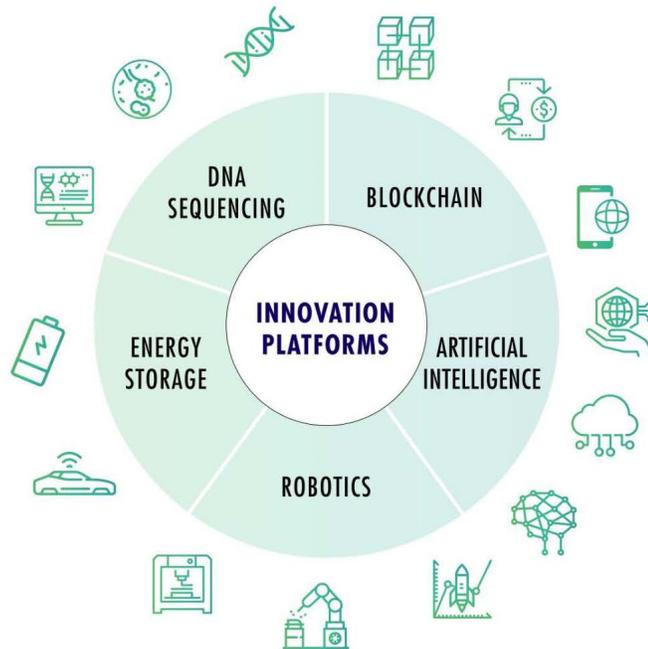
**Investment Opportunity - Innovation Platforms & Underlying Technologies**

INVESTMENT OPPORTUNITY



ARK aims to identify large-scale investment opportunities by focusing on public companies that are the leaders, enablers, and beneficiaries of disruptive innovation.

**We identify five major innovation platforms that are transforming technology today and enabling long-term investment opportunities around disruptive innovation.**



**TECHNOLOGIES**

- Blockchain
- Frictionless Value Transfer
- Mobile Connected Devices
- Internet of Things
- Cloud Computing
- Neural Networks
- Reusable Rockets
- Adaptive Robotics
- 3D Printing
- Autonomous Mobility
- Battery Systems
- Gene Editing
- Immunotherapy
- Sequencing Technology

There is no guarantee the investment opportunities ARK seeks to identify will translate to sustained long-term growth. As of November 2019.

## 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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