

# DANA SOCIAL ESG EQUITY STRATEGY

## HERITAGE

A strong family culture

## QUALITY

Excellence in meeting client expectations

## EXPERTISE

Focus on what we do best

## CONSISTENCY

Adherence to a uniform process

## THE WISE CHOICE

Since our founding in 1980, Dana has remained independent and Employee-owned. Our investment firm is built on trust, integrity, and professional experience.

Dana strives to provide personalized client service and excellence in everything it does. We are uncompromising in our efforts to deliver superior results to clients.

Dana has assembled an investment team with diverse skill sets and specialized knowledge. We are adept at navigating challenging market environments and developing customized solutions.

Dana implements a uniform investment process to minimize volatility and improve consistency of returns. We seek repeatable and predictable results to most effectively grow cumulative wealth.



**DANA** | Investment  
Advisors

[www.DanaInvestment.com](http://www.DanaInvestment.com)

Dana Investment Advisors was built on the belief that adhering to a defined investment process allows our professionals to focus on the fundamentals of consistent outperformance through security selection.



- Founded in 1980
- Employee-owned
- Equity, taxable and tax-exempt fixed income, and ESG asset manager
- \$7.487 billion of assets under advisement as of March 31, 2021
- Headquartered in Brookfield, Wisconsin

We've never wavered  
from our goal of  
providing above-  
market returns while  
reducing volatility for  
our clients.

Universe: The union of the Russell 3000 Index and S&P 1500 Index  
(approximately 3000 stocks)

### STRUCTURAL RISK CONTROLS

*Sector neutral, equal weighted, fully invested to minimize volatility and focus on stock selection as primary value add*

	ESG		FINANCIAL	
Quantitative Models	Derive proprietary relative ESG rank from discretionary E, S, and G scores	I N T E G R A T I O N	Derive proprietary sector relative rank based on valuation, growth, and quality	Quantitative Models
	Utilize thousands of underlying data points from multiple ESG vendors		Utilize earnings, cash flow and growth metrics, and balance sheet variables	
	Compute relative rank to target top 30% of companies (900-1000 stocks)		Focus on higher-ranking securities by sector (100-150 stocks)	
Fundamental Analysis	Reconcile contradictory ESG scores		DuPont analysis	Fundamental Analysis
	Evaluate sector specific ESG drivers		Earnings estimates and revisions	
	Assess materiality on future earnings		Uses of cash flow	
	Review potential systematic litigation, regulatory, and environmental risks		Persistence of competitive advantages	
			Organic versus inorganic growth	

**50 – 55 STOCKS WITH STRONG ESG AND FINANCIAL CHARACTERISTICS BY SECTOR**

### ADVOCACY

*Proxy voting, letters and resolutions, corporate engagement*

## Dana's holistic process is **Comprehensive, Balanced, Thoughtful**

**Comprehensive:** Dana's proprietary quantitative Environmental, Social, and Governance (ESG) model utilizes thousands of underlying data points from multiple vendors to rank approximately 3,000 U.S. stocks.

**Balanced:** An ESG rank is calculated for each stock by equally weighting the factors using a geometric mean that helps to identify companies with favorable performance across all E, S, and G considerations.

**Thoughtful:** Dana integrates ESG criteria into Dana's stock selection process, resulting in positive, best-in-class representation. Advocacy efforts are aligned and consistent with process.

Environmental	Social	Governance	Exclusions	Advocacy
<ul style="list-style-type: none"> <li>• Climate Change Impacts and Metrics</li> <li>• Fines and Regulatory Actions</li> <li>• Environmental Disclosures and Policies</li> <li>• Board Accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Workforce Diversity</li> <li>• Human Rights Policies</li> <li>• Product and Workplace Safety</li> <li>• Labor Rights and Policies</li> <li>• Animal Testing</li> </ul>	<ul style="list-style-type: none"> <li>• Board Composition</li> <li>• CEO Compensation</li> <li>• Audit and Accounting</li> <li>• Board Independence</li> <li>• Corporate Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Adult Entertainment</li> <li>• Alcohol</li> <li>• Tobacco</li> <li>• Gambling</li> <li>• Weapons</li> </ul>	<ul style="list-style-type: none"> <li>• Proxy Guidelines</li> <li>• Sign-on Letters and Resolutions</li> <li>• Corporate Engagement</li> <li>• Partnerships with Mission-aligned Nonprofits</li> </ul>

Dana Investment Advisors ESG factors map to the United Nations Sustainable Development Goals

# SUSTAINABLE DEVELOPMENT GOALS



# Investment Philosophy

We strive to generate excess **risk-adjusted returns** through a **consistent and disciplined** investment process.

**Structural Risk Controls**

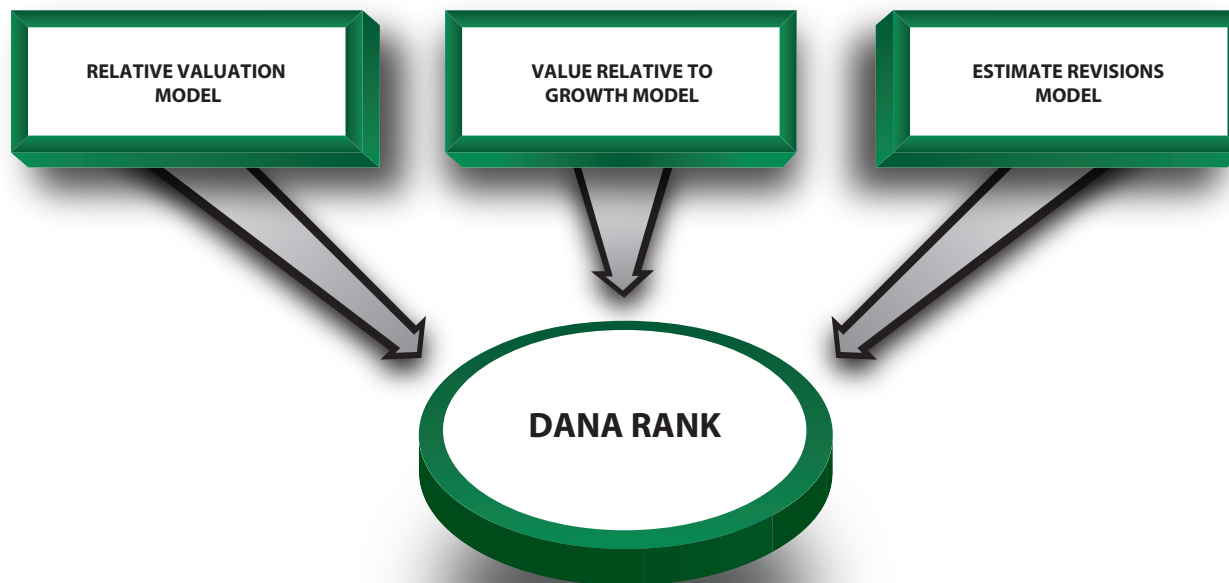
**Idea Generation**

**Fundamental Analysis**

**Sell Discipline**







The idea generation phase leverages our proprietary models to generate segmented data that efficiently focuses our research on improving or deteriorating trends within sectors, industries or individual companies. We feel this dynamic component is a key advantage and provides a platform that focuses our stock selection.



Fundamental analysis is the basis for all of Dana's investment decisions

### Business Model

- Quality of Management
- Quality of Environmental, Social, and Governance Factors
- Competitive advantages

### Profitability

- ROE / ROA
- Margins
- Impact of leverage
- Earnings history

### Cash Flow

- Operating
- Free
- Capital requirements
- Uses of cash

### Earnings Decomposition

- Estimates and execution
- Surprise history components and revision trends
- Earnings quality



## Fundamental analysis drives the Dana sell discipline

### Fundamental Characteristics

- Company execution
- More attractive risk reward opportunity
- Industry dynamics

### Relative Strength

- Sector Performance
- Industry Performance

### Model Ranking

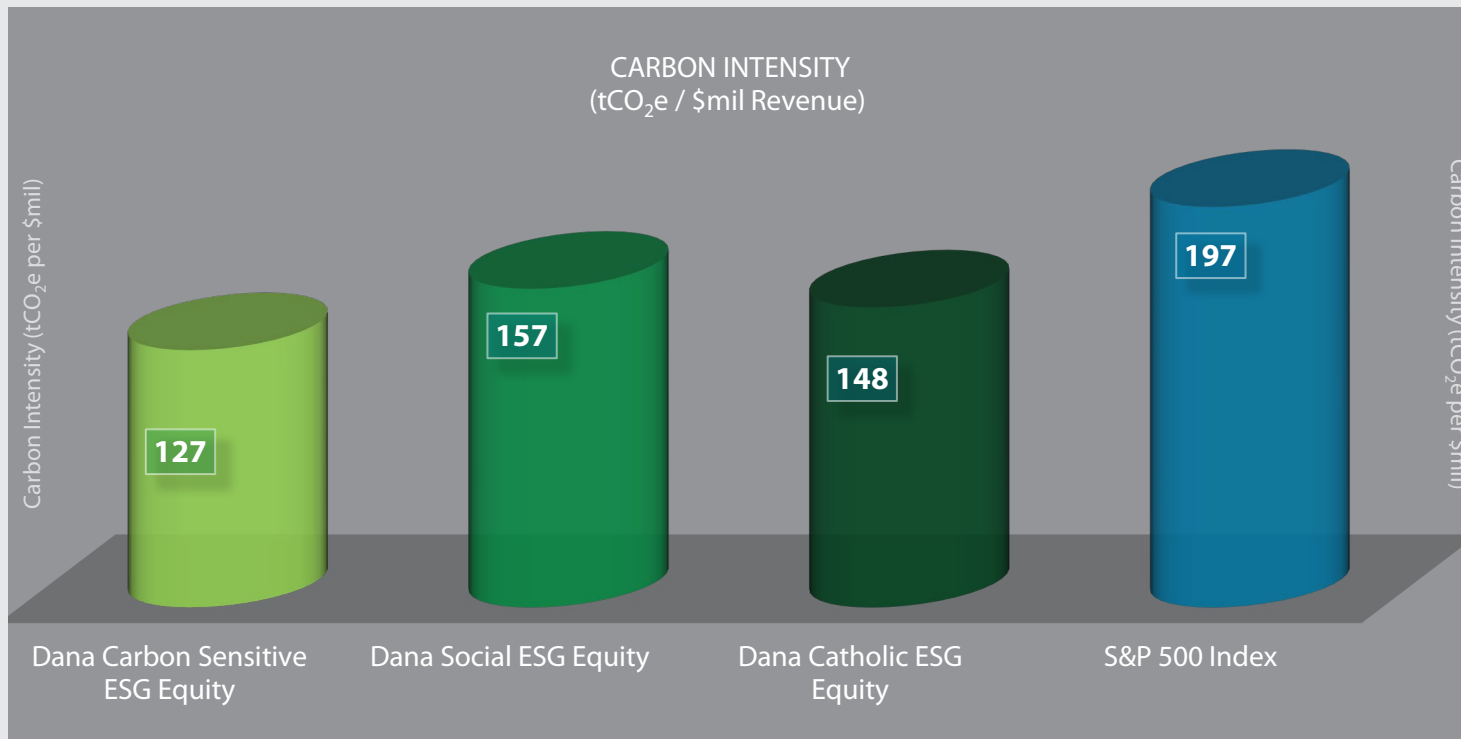
- Relative valuation model
- Value-to-growth model
- Estimate revisions model

### Rebalance

- Position weight
- Sector weight

## Carbon Intensity Analysis

Data as of March 31, 2021



Carbon footprint analysis quantifies greenhouse gas emissions (GHG) embedded within the referenced Strategy and Index ("portfolio") presenting these as tonnes (metric ton) of carbon dioxide equivalents (tCO<sub>2</sub>e). Comparing the total GHG emissions of each portfolio company holding relative to annual revenue, gives a measure of carbon intensity that enables comparison between companies, irrespective of size or geography. Each holding's contribution to the carbon footprint of the portfolio is calculated on an equity ownership basis. The carbon footprint of the given portfolio is the sum of these contributions, normalized by revenue owned.

Trucost  
ESG Analysis  
S&P Global

Trucost helps companies, governments, and the investment community to better understand the possible environmental impact of their investment activities.

Utilizing environmental carbon intensity analysis, Trucost aims to quantify the positive environmental impact of choosing to invest in an environmentally aware way.

### CORPORATE GOVERNANCE

- For an independent chairman of the board
- Against directors serving on more than four boards, more than three for active CEOs
- Against CEO directors serving on the compensation committee
- Against all director nominees if no women are on the board or slate
- Against all director nominees if minority of directors would be independent
- Against ratification of auditors if non-audit fees exceed 25% of total fees paid
- Against ratification of auditors who have served more than ten years

### EXECUTIVE COMPENSATION

- For proposals to link pay to performance
- For executive retention of significant stock
- For disclosure of disparity between executive compensation and employees' median wage
- Against say-on-pay proposals when executive pay does not match company performance
- Against excessive pay packages (less than \$10 million is typically a yes vote; more than \$20 million is, in most cases, a no vote; discretion in the middle)
- Against re-pricing or replacement of stock options (with rare exceptions)
- Against stock option plans that do not apply to all vested/tenured employees
- Against stock option plans that could result in excessive dilution to existing shareholders

### SHAREHOLDER RIGHTS

- For proposals to allow shareholders to act by written consent
- For proposals to allow qualified shareholders to nominate director candidates (proxy access)
- For proposals to adopt a simple majority vote standard (for vs. against, abstentions not counted)

### ENVIRONMENTAL

- For reports on climate change risks, water use risks, GHG emissions reduction targets, renewable energy targets, environmental impact of fracking and other practices, avoidance of conflict minerals, sustainability, supply chain risks, political spending, lobbying that can be produced at a reasonable cost
- For proposals to adopt quantitative renewable energy goals
- For policies that limit global warming to 2°C
- For proposals to adopt recycling strategy

### SOCIAL

- For proposals to implement human rights standards and codes of conduct
- For proposals to improve access to health care
- For proposals to implement humane treatment of animals
- For proposals to end predatory lending practices
- For proposals to increase diversity in the workforce
- For reports on gender pay



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