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## SUSTAINABILITY STRATEGIES

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# A Climate-Focused Approach to Sustainability Investing

With Dimensional's sustainability solutions, investors can incorporate values into their investment portfolios. Our sustainability strategies combine a climate-focused approach with time-tested portfolio design and management.

For more than a decade, Dimensional has offered broadly diversified, systematic investment strategies that incorporate a climate-focused methodology while pursuing higher expected returns.

Our sustainability solutions apply investment principles consistent with those that guide all our strategies. For these sustainability solutions, we systematically integrate financial considerations with sustainability-driven environmental and social considerations. Our design aims to reduce carbon footprint exposure across markets and within industries while pursuing higher expected returns in a cost-effective and diversified way.

## ► Higher Expected Returns

Our sustainability solutions apply sound investment principles, including broad diversification, low turnover, and cost-efficiency. Each strategy is systematically designed and managed to pursue higher expected returns in its target asset class.

## ► Lower Carbon Footprint

We aim to reduce each sustainability strategy's overall carbon footprint compared to those of broad market indices or similar strategies that do not have a climate or emissions focus. Our sustainability approach's objective is to meaningfully reduce exposure to high emitters while emphasising companies that outperform sector peers based on carbon-focused sustainability criteria.

## ► Transparent Reporting

On a quarterly basis, we report carbon footprint exposure metrics by sustainability strategy to enable investor monitoring of emissions-related characteristics.

## GLOBAL SOLUTIONS

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Dimensional offers sustainability strategies covering the asset classes on the right, enabling investors to customise their global allocations while consistently applying sustainability criteria across a total portfolio.

## ASSET CLASSES

### Equity

Global Equities (Developed Markets)

Global SMID Value Equities (Developed Markets Small/Mid Cap Value)

Emerging Market Equities

World Equities (Developed and Emerging Markets)

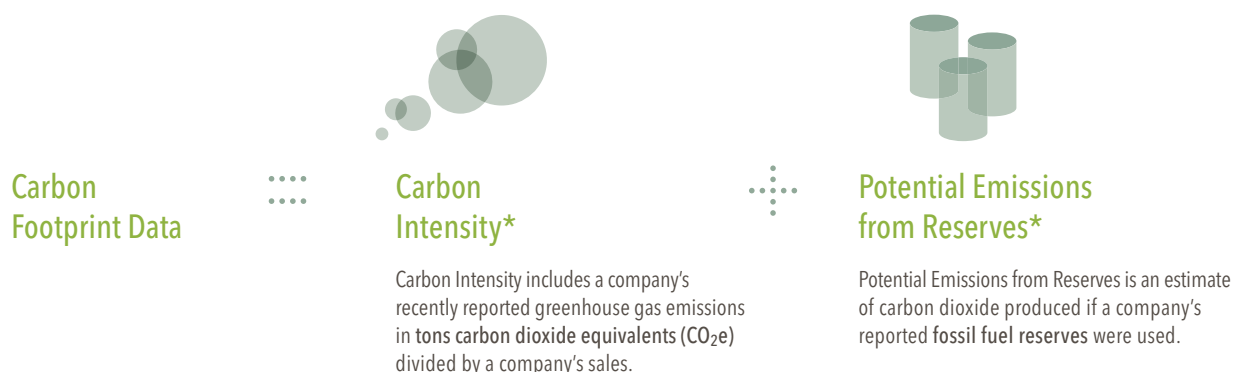
### Fixed Income

Global Fixed Income

Global Short Fixed Income

## Understanding Carbon Footprint

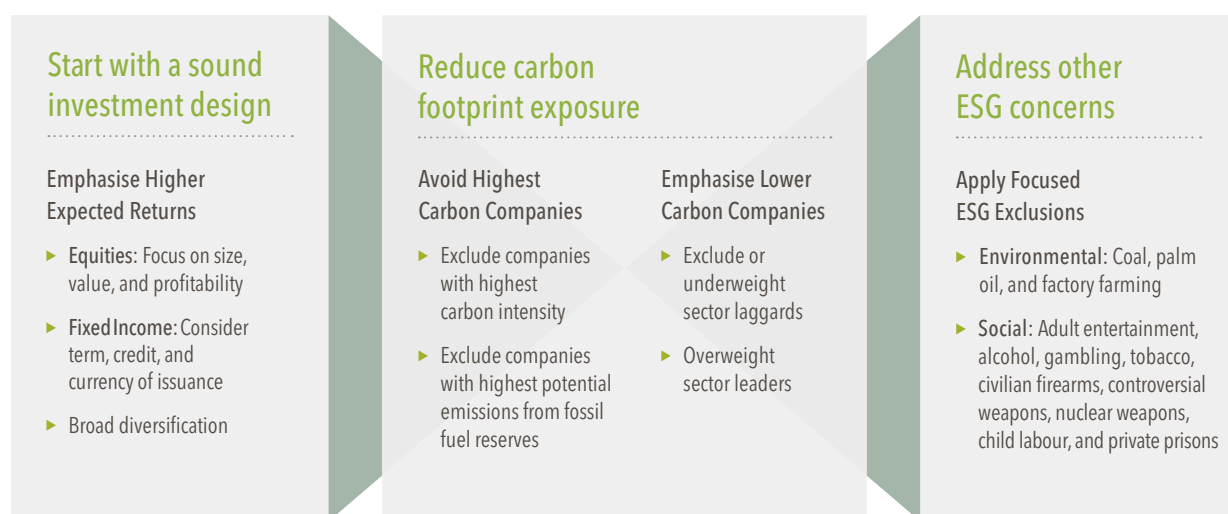
Climate science identifies greenhouse gas emissions as the primary driver of climate change. Through a systematic process, our sustainability solutions seek to reduce emissions exposure using carbon footprint metrics. We evaluate emissions based on two carbon footprint components—a company’s current emissions and potential emissions from fossil fuel reserves.



### CARBON FOOTPRINT EXPOSURE as at 31 December 2022

Strategy and Benchmark	Weighted Average Carbon Intensity (tons CO <sub>2</sub> e/USD million sales)	Weighted Average Potential Emissions from Reserves (megatons CO <sub>2</sub> )
Global Equities <i>World All Cap Core Sustainability Equity</i> <sup>§</sup>	39	0
MSCI World Index <sup>†</sup>	143	203
Reduction in exposure compared to benchmark	73%	100%

## Integrating Sustainability Considerations within Core Sustainability Strategies



\* Carbon Intensity data sources: MSCI, ISS. Potential Emissions from Reserves data source: MSCI. © MSCI 2023, all rights reserved.

§ Representative account of the strategy.

† MSCI data © MSCI 2023, all rights reserved.

## Applying the Principles of Dimensional Investing

Decades of academic research inform Dimensional’s investment philosophy and approach. Like all of our strategies, the sustainability strategies reflect core principles that define Dimensional’s way of investing. These include:

### Harnessing the Power of Market Prices

The market is an effective pricing machine. Millions of participants buy and sell securities in the world markets each day, and their collective knowledge helps set prices. Rather than trying to outguess market prices, Dimensional embraces market pricing and implements strategies to capture what the capital markets offer.



### Targeting Higher Expected Returns

Expected returns depend on current market prices and expected future cash flows. Dimensional uses information in current prices and other data to pursue higher expected returns.

#### EQUITIES

- COMPANY SIZE  
Market Capitalisation
- RELATIVE PRICE<sup>3</sup>  
Price/Book Equity
- PROFITABILITY<sup>4</sup>  
Operating Profits/  
Book Equity

#### FIXED INCOME

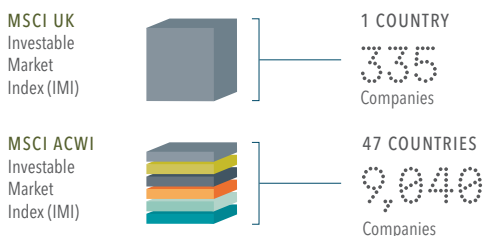
- TERM  
Sensitivity to Interest Rates
- CREDIT  
Credit Quality of Issuer
- CURRENCY  
Currency of Issuance

### Diversifying Broadly

Diversification involves spreading investments across many securities and asset groups to help manage overall risk in a strategy. By diversifying broadly, Dimensional can structure a strategy to pursue a more consistent outcome by expanding the investment universe and reducing risks not associated with higher expected returns.

#### SINGLE AND GLOBAL MARKET EXAMPLE<sup>2</sup>

As at 31 December 2022



### Focusing on Efficient Execution

Costs can detract from investment returns. Some costs, like expense ratios, are easily observed, while others, like trading costs, are more difficult to assess. Dimensional carefully manages these and other costs to help minimise their impact on investor returns.

#### COST MANAGEMENT



Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Diversification does not eliminate the risk of market loss. There is no guarantee investment strategies will be successful. This information is for illustrative purposes only. See back page for additional exhibit information and important disclosures.

## DIMENSIONAL AT A GLANCE<sup>5</sup>

41

YEARS SINCE  
FOUNDING

\$584B

FIRMWIDE ASSETS  
UNDER MANAGEMENT

1,500+

EMPLOYEES IN 14  
GLOBAL OFFICES

One

INVESTMENT  
PHILOSOPHY

**Dimensional<sup>6</sup> is a global investment manager dedicated to implementing the great ideas in finance.**

We have a long history of applying academic research to practical investing. Today, we offer a full suite of equity and fixed income strategies designed to target higher expected returns.

Dimensional's investment approach is grounded in economic theory and backed by decades of research. By integrating our investment process with a flexible trading strategy, we work to manage the tradeoffs that arise when implementing portfolios. We consistently apply this process in all of our global and regional equity and fixed income strategies, with an aim to add value beyond what traditional managers and benchmarks can achieve.

We regard the assets we manage as more than just shares in a portfolio. The money represents the savings, sacrifice, and dreams that investors have entrusted to us. We take this responsibility seriously.

Dimensional is headquartered in Austin, Texas, and has trading offices across North America, Europe, and Asia, which enables us to cover global markets and manage strategies continuously.

1. In USD. Source: Dimensional, using data from Bloomberg LP. Includes primary and secondary exchange trading volume globally for equities. ETFs and funds are excluded. Daily averages were computed by calculating the trading volume of each stock daily as the closing price multiplied by shares traded that day. All such trading volume is summed up and divided by 252 as an approximate number of annual trading days.

2. Number of holdings and countries for the MSCI United Kingdom Investable Market Index (IMI) and MSCI ACWI (All Country World Index) IMI as at 31 December 2022. MSCI data © MSCI 2023, all rights reserved. International investing involves special risks, such as currency fluctuation and political instability. Investing in emerging markets may accentuate these risks.

3. Relative price is measured by the price-to-book ratio; value stocks are those with lower price-to-book ratios.

4. Profitability is a measure of current profitability, based on information from individual companies' income statements.

5. Firmwide assets under management in USD (billions), number of employees, and offices as at 31 December 2022.

6. "Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Japan Ltd., and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.

**Profitability** is measured as operating income before depreciation and amortisation minus interest expense scaled by book. **Weighted Average Carbon Intensity** is found by calculating the recently reported or estimated Scope 1 (direct) + Scope 2 (indirect) greenhouse gas emissions in carbon dioxide equivalents (CO<sub>2</sub>e) normalised by sales in USD (metric tons CO<sub>2</sub>e per USD million sales) for each strategy or index company and calculating the weighted average by strategy or index weight. Greenhouse gases included are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>). **Weighted Average Potential Emissions from Reserves** is found using a theoretical estimate calculated by MSCI of carbon dioxide produced if a company's reported reserves of oil, gas, and coal were converted to energy, given estimated carbon and energy densities of the respective reserves, for each strategy or index company, and calculating the weighted average by strategy or index weight. **Sector laggard** represents the companies with highest carbon intensity within each sector. **Sector leader** represents the companies with lowest carbon intensity within each sector. More information about Dimensional's sustainability solutions, including quarterly sustainability reports for each strategy, can be found on our website [dimensional.com](https://dimensional.com).

#### DATA PROVIDER DISCLOSURE

Certain information incorporated herein has been provided by Institutional Shareholder Services Inc. ("ISS") and by MSCI ESG Research Inc. ("ESG"). Although Dimensional Fund Advisors' information providers, including without limitation, ESG and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy, and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential, or any other damages (including lost profits) even if notified of the possibility of such damages.

#### ADDITIONAL INFORMATION

Carbon Intensity and Potential Emissions from Reserves data is provided by third-party data providers, and methodology is subject to change with data developments or other findings or events. Third-party emissions data is available for over 99% of public companies. For companies where carbon intensity data is not available, Dimensional applies a sector average value.

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#### RISKS

**Investments involve risks. The investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be**

**worth more or less than their original value. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful.**

Investments in stocks and bonds are subject to risk of economic, political, and issuer-specific events that cause the value of these securities to fluctuate and the value of your investment can go up as well as down. International investing involves special risks such as those associated with currency fluctuation, country/regional specific issues, political instability, and less liquid and/or regulated securities markets. Investing in emerging markets may accentuate these risks and foreign investors are often limited in their ability to invest in and withdraw assets from these markets.

Small capitalization securities are often less liquid, more vulnerable to business and economic developments, and subject to greater volatility than larger capitalization securities. Sector-specific investments tend to be more volatile and are subject to the risks associated with their specific sector/industry.

Fixed income securities are subject to interest rate risk—the possibility that bond prices generally will fall because of rising interest rates. Fixed income investments are also subject to credit risk—the possibility that the security's issuer will fail to pay interest or principal or that the perception of the issuer's ability to make such payments will cause the value of the security to decline. In addition, fixed income investing involves various other risks, including liquidity and prepayment risk. Inflation protected securities may react differently from other debt securities to changes in interest rates.

**Environmental and social screens may limit investment opportunities for the strategy.**

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