

As long-term fixed income investors, ESG considerations are an integral part of our investment process and have been fully integrated into our investment process for decades. We integrate sustainable investing considerations into our overall investment process, particularly credit analysis and portfolio construction, for a more holistic assessment of potential risk and impact on valuation and portfolio performance. We firmly believe that ESG factors have a significant impact on the long-term sustainability of a company. As such, Baird Funds, Inc. is a United Nations Principles for Responsible Investment (UN PRI) signatory to publicly demonstrate its commitment to responsible investment and building a more sustainable financial system.

Signatory of:



How are ESG factors integrated into our investment process?

Sustainability is a major theme which we incorporate into our investment analysis and decision-making process for a more holistic assessment of potential risk and impact on valuation and performance. Baird Advisors takes a bottom-up approach to research and investing and considers all potential opportunities and risks of issuers including ESG factors. We seek to invest in companies that are leaders in their industries and focused on long-term sustainability.

As fixed income managers, we focus on factors which could affect valuations and long-term credit worthiness. We closely monitor a company's attentiveness (or lack thereof) to ESG factors as we believe this provides insight into the long-term sustainability of the company and their ability to repay their bond investors. Our portfolio managers and analysts evaluate the long-term track record of companies with particular attention to recent actions and assess a company's ESG performance relative to its peers.

Our environmental, social and governance criteria:

Environmental

- Climate change
- Land use
- Waste management
- Energy management
- Air quality/emissions

Social

- Human rights
- Diversity and inclusion
- Consumer protection
- Fair labor practices
- Stakeholder considerations
- Community engagement

Governance

- Management structure
- Executive compensation
- Board independence
- Employee relations
- Transparency and disclosure
- Data protection and privacy

We believe ESG factors vary across companies, industries, sectors and geographies and therefore generally do not apply exclusionary screens in our investment process. As a general practice, Baird Advisors does not invest in controversial weapons, gambling, thermal coal or tobacco. We will consider for investment other sectors and sub-sectors. Companies in these sectors are not inherently precluded from being considered but rather, individual issuers are analyzed to determine if a significant percentage of their revenues are derived from and/or their business practices involve ESG/sustainability risks that may preclude repayment of their debt. We assess the reputational risk associated with very severe controversies in areas such as environment, customers, human rights, labor rights and governance. Baird Advisors may invest in a company that has an ESG concern/challenge if we believe the company is making progress and if valuation is attractive for our investors.

Baird Advisors utilizes ISS, the global leader in corporate governance and responsible investment, Bloomberg and proprietary pre-trade and post-trade compliance testing to monitor portfolios' structure and risk profile as well as compliance to investment guidelines, and specific ESG guidelines if applicable, on a daily basis. In addition, on an ongoing basis, we engage ISS as we continue to refine our process for incorporating their tools into our portfolio management process.

Socially Responsible Investing Strategies

Baird Advisors has 30+ years of experience managing socially screened portfolios. The Baird Intermediate Bond Fund (BIMIX) follows a socially responsible investing (SRI) approach and complies with the United States Conference of Catholic Bishops (USCCB) criteria for socially responsible funds. In addition, several of our separately managed account clients have SRI considerations in their investment guidelines and we incorporate any desired exclusionary screening from the client in the management of their portfolio(s). The team manages over 50 portfolios with SRI considerations. These mandates currently represent approximately 13% of Baird Advisors' assets under management.