

Sage Advisory

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2023

Sustainability  
Report

**SAGE**  
INVEST WITH WISDOM



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# FROM THE TOP

On behalf of Sage Advisory, I am pleased to introduce and share with you our 2023 Sustainability Report. Building upon the accomplishments and progress outlined in our previous annual reports, this year's report highlights our unwavering commitment to sustainability and responsible business practices that support our efforts to create a positive impact across our operations and beyond. As a leading investment management firm, Sage Advisory recognizes the vital role that environmental, social, and governance (ESG) considerations play in our development and in securing long-term value for our clients and various stakeholders. As in our previous Sustainability Reports, this year's report provides a broad overview of our performance, initiatives, human capital, and social engagement activities.

Over the last year we have witnessed a significant transformation and decline in investor attitudes regarding the perceived value of business commitments to comprehensive ESG practices. Amid this backdrop, we recognize the critical importance of actively engaging with and responding to these evolving expectations. To that end, this report reflects Sage's ongoing allegiance to corporate social responsibility through the integration of sustainable practices throughout the firm's business operations to reduce our ecological footprint. We also recognize that sustainability extends beyond environmental considerations. This report illustrates how we remain devoted to fostering an inclusive and diverse workplace to support our growth through the preservation of policies that promote a healthy work-life balance. We continue to implement business standards that put the well-being of our clients and the communities we serve at the top of our business priorities. This report also illustrates a variety of our ongoing initiatives to promote employee well-being, cultivate a positive corporate culture, and engage in impactful philanthropic activities. Importantly, we continue to believe that upholding the highest standards of corporate governance and ethics is instrumental in building trust with our clients and stakeholders. As such, we prioritize transparency, accountability, and ethical decision-making throughout our entire organization. This report offers insights into our governance framework, compliance practices, and endeavors to become thought leaders within the responsible investing community. The strength of these efforts was best reflected in our most recent business and investment management assessment by the Principles for Responsible Investment (PRI), which accorded Sage top-decile Signatory peer reviews, and in the firm's 2023 finalist nominations for its ESG research from the respected Money Management Institute and CIO Magazine.

We acknowledge that effecting meaningful change requires collaboration, and Sage continues to forge strategic partnerships and engage with industry peers, NGOs, academic institutions, and community organizations to help drive awareness and collective action toward sustainability. Moreover, Sage has continued its sponsorship of sustainable finance educational programs at the Stern School of Business of New York University and at Marquette University. The firm also became a founding advisory board member for Marquette's new Sustainability Lab. We highlight these and other collaborations that have contributed to our achievements in this report and discuss our future partnership aspirations. Through these activities we have worked to build upon our past accomplishments and augment the firm's internal efforts to strengthen our sustainable investment management practices.

As you delve into our 2023 Sustainability Report, we invite you to reflect on our progress and continued alignment this past year with the goals we set forth in our previous annual reports. We are aware that sustainability is not a static concept, but a dynamic and continuous journey. We will remain dedicated to adapting our investment strategies, setting ambitious goals, and collaborating with all our business stakeholders to drive positive change and attractive returns, and meet the rising expectations of our evolving world. We greatly value your feedback, insights, and questions. Your engagement is essential in holding us accountable and supporting our collective efforts to drive positive outcomes. With your support we can continue to build a sustainable future that encompasses both environmental excellence and social responsibility. Thank you for your interest in Sage Advisory and for supporting us on this impactful journey toward a more sustainable and prosperous future.



Robert G. Smith, Sage Advisory President

We continue to implement business standards that put the well-being of our clients and the communities we serve at the top of our business priorities.



Robert Smith, President & Co-CIO

# ABOUT SAGE

Based in Austin, Texas, Sage is structured as a limited liability company that is 100% controlled and operated by Sage employees. The company was founded in 1996 with a simple mission: to better meet the unique investment management needs of institutions and individuals through industry-leading analytical services, innovative investment solutions, and an unwavering focus on risk management. Sage’s investment strategies include taxable and tax-exempt fixed income, liability-driven investing, enhanced cash management, global tactical ETF asset allocation, and responsible investing.

1996

Year  
Founded

55

Employees

\$24.3B

Assets

Our focus? Our clients.

01

We believe in purpose-driven investment solutions.

02

We believe in simplicity, liquidity, and transparency.

03

We believe in taking a risk-conscious approach.

04

We believe in keeping our clients well informed.



# MATERIALITY MAP

Sage’s annual Sustainability Report considers the perspective of all our stakeholders – clients, consultants, and financial advisors, as well as our employees and shareholders. For this report, the work of the Sustainability Accounting Standards Board (SASB)\* guides our process and inclusion of the most financially material environmental, social, and governance factors relevant to Sage as an asset manager. Among these factors, “human capital” – our people – are the most important asset Sage has. Therefore, as an organization much of our focus is on fostering an environment that promotes diversity of thought, preserves a healthy workplace, and upholds the highest standards of fiduciary duty and client service.

## Business Ethics

- Unwavering commitment to strong corporate governance and carrying out our fiduciary duty
- Reviewing regularly our compliance processes and employee training
- Focusing on long-term company sustainability

## Human Capital Management

- Making progress on our diversity, equity and inclusion (DEI) initiatives and strengthening our Sage ENGAGE Committee
- Ongoing focus on improving the employee experience and engagement
- Fostering employee sustainability efforts

## Risk Management

- Continuing focus on data security and processes, and training
- Ongoing independent third-party audits
- Maintaining the relationship between the research, investment committee, and portfolio management teams to identify investment risks and opportunities

## Reporting & Transparency

- Maintaining clear product labeling and transparency
- Ongoing timely communication of changes to products and/or services
- All client reporting includes Sage ESG Leaf Scores® regardless of ESG dedication

## Corporate Engagement

- Updating annual stewardship activities and reporting
- Regularly engaging with all stakeholders; i.e., clients, issuers, ETF providers, employees
- Publishing an annual survey of ETF providers

## ESG Integration

- Ongoing evaluation of ESG risks and opportunities for investment portfolios
- Expanding our ESG research and engagement efforts
- Maintaining relationships with key sustainability organizations and staying current with their reporting policies



# OUR PEOPLE

35% 

of Sage employees identify as female. 6% of executive management and 30% of non-executive management identify as female.

27% 

of Sage employees identify as an ethnic minority. 13% of executive management and 25% of non-executive management identify as a minority.

5% 

of Sage employees are US veterans. We earned the 2023 Texas “We Hire Vets” award.

22% 

of Sage employees speak more than one language.

9% 

of Sage employees are first-generation immigrants. 11% are second-generation immigrants.

67% 

of Sage employees are parents.

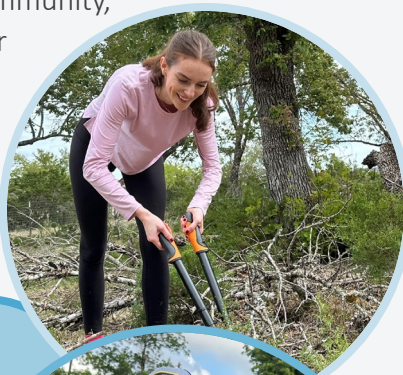
Sage is proud to have a long-tenured employee culture; 24 of 55 employees have been with Sage for 10-plus years. Sage prioritizes cultivating a work culture that is inclusive, where our employees feel that their work is valued and their voices heard. We believe that the more inclusive and supportive our culture is, the more engaged our employees will be.



*\*Data was collected via surveys administered by the Sage ENGAGE Director.*

# EMPLOYEE ENGAGEMENT

Our people are important to us. Sage seeks to offer each employee an accommodative work/life balance and a number of competitive benefits. Somewhat unique in today's environment, Sage is proud to sponsor medical, dental, and vision insurance for employees and their families. To build community, Sage provides paid time off for volunteer activities and regularly hosts company gatherings that often include employees' families.



## We're proud to offer



Company-paid medical, dental & vision insurance



Competitive 401k matching



Sponsored professional development



12-week paid parental leave policy



Paid time off to volunteer



On-site recycling program



Gift match up to \$1,000 per employee annually to a 501(c)(3)



Competitive paid time off



Disability insurance policy



Flexible work-from-home schedule



On-site health & wellness  
- Gym facility  
- Massage therapy



Company-organized team building & social events

# DIVERSITY, EQUITY & INCLUSION

## What diversity means to us

Diversity, Equity, and Inclusion (DEI) is an important part of our culture at Sage. We value diversity of thought and seek to include representation from various underrepresented groups. Sage is committed to creating and maintaining an equitable and inclusive work environment, where all employees' views are welcomed, and everyone can grow and develop as a professional and individual. Sage formed its DEI Committee in 2021 to support current initiatives and create new ones that reinforce our commitment to DEI. The Sage DEI committee is led by Sage employees with the support of senior management, and we have a formal DEI policy included in our company handbook.



Learn more about our employees



# SAGE ENGAGE

4 

Listen & Learn sessions held by the Sage Professional Development Committee

35% 

of employees participated in the Mentorship Program

33% 

of Sage employees participated in the Sage Book Club

10 

team building events

4 

quarterly town-hall meetings

268 

firm-sponsored volunteer hours

I am pleased to announce that Sage continues to strengthen its dedication to learning and growth, supporting both professional and personal development for all employees. In the second year of our Sage ENGAGE program, we focused on improving upon and establishing new initiatives that helped us grow professionally, reinvest in our community, and connect with our peers.

**Professional Development.** We started the year off by hosting our *Perspectives on the Future* conference in Austin with 116 attendees and 10 thought leaders covering topics ranging from today's geopolitical landscape to the future of retirement. We launched a successful mentorship program. We also gained valuable insights from industry leaders as part of our Listen and Learn sessions.

**Community Service.** We increased our volunteering efforts and donated our time to The Trail Conservancy for Earth Day, Boggy Creek Farm, We Are Blood, Farm Share, Susan B Komen Breast Cancer Walk, RED Arena, and the Central Texas Food Bank, and participated in a toy drive benefiting Dell Children's Hospital. I am happy to report that we were able to give back 268 community service hours to our community.

**Team Building.** Together, we celebrated Lunar New Year, our 4th annual Crawfish Boil, and the start of the school year with a family bowling event. We kicked off the college football season with the Color's Day BBQ and participated in a team building pickleball tournament. We celebrated the holidays with a Thanksgiving canned food drive and our annual holiday party at Electric Shuffle. In our efforts to promote peer engagement, we launched a book club and created an internal quarterly newsletter.

I would like to extend a huge thank you to the Sage ENGAGE committee chairs Lily Tu (Professional Development), Lily Atilano (Community Service), and Jessica Hernandez (Team Building), as well as the committee members for all of their planning and hard work this year. I truly believe that the culture at Sage is one-of-a-kind. We already have new initiatives planned for next year, and I'm excited to see what we accomplish in 2024!

*Kari Edgar*

Kari Edgar, Sage ENGAGE Director



Kari Edgar, Sage ENGAGE Director

[→ Sage DEI policy](#)

# COMMUNITY REINVESTMENT

Sage encourages employees to give back to our communities, and in 2023 we adopted food insecurity as our just cause. The pandemic highlighted the severity of worldwide hunger, a crisis that is No. 2 on the United Nations-supported Sustainable Development Goals (SDGs). Sage looks forward to finding solutions to this unfortunate widespread problem, as we believe increasing global risks will further hone the need for them. The following summarizes employee commitment to community service.

69% 

of Sage employees volunteer outside of work

9 

employee-led volunteer opportunities

862 

employee hours volunteered in 2023

\$101K 

employee charitable donations made in 2023

45 

non-profit organizations employees engage with

\$1k 

matched per employee annually to a 501(c)(3)



\*Data was collected via an anonymous survey administered by the Sage ENGAGE Director.

# GOVERNANCE

At Sage, we believe strong governance is essential to the operation of a healthy and sustainable company. Governance considerations are core to our business and built into the policies and principles that guide our firm. Business ethics and risk management are financially material governance factors directly related to the industry in which we operate and are key focus areas at Sage. We strive to maintain robust risk management and business ethics practices to operate a strong and sustainable company over the long-term.

## *Disaster Recovery Policy*

Sage's emergency response plans are designed to ensure the safety of employees and company assets, and the continuity of client service data and systems.

## *Cyber Security Policy*

The policy describes the technology and information assets that we must protect and illustrates that we've identified many of the threats to those assets.

## *Business Ethics & Compliance*

Sage is committed to an active compliance program designed to ensure that we as a firm and as individuals adhere to federal and state laws.

## *Whistleblower Policy*

All Sage employees are protected by the Sage Whistleblower Policy. Sage believes that protecting whistleblowers is part of having a strong ethical approach to corporate culture.

→ [Learn more about our governance policies](#)



# STEWARDSHIP

In our role as financial stewards, Sage actively participates in meaningful dialogues with issuers and stakeholders, delving into discussions on strategy, risk, financial performance, and ESG policies and practices. We firmly believe that active ownership and engagement play pivotal roles in engendering positive transformations in the companies in which we invest. At Sage, we employ a multifaceted approach to implement financial stewardship, leveraging tools such as original research, educational presentations, informational podcasts, and videos, along with active engagement with issuers and other stakeholders.

## Annual Stewardship Report

Through an annual survey, we review leading ETF Providers' investment processes, security research efforts, and overall performance. Our goal is to identify trends or changes occurring within the industry and share best practices with the broader ETF Provider peer group. Our Annual ETF Stewardship Survey helps drive understanding of how ETF Sponsors develop and execute their core fiduciary policies and stewardship practices.

# 19

We received responses from 19 major ETF providers.

# 85%

Our peer group represents roughly 85% of US ETF AUM.

# 84%

84% of our peer group participated in last year's survey.

# 81%

81% of repeat participants received passing grades.

[→ View our Stewardship Report](#)

## Engagement at a glance

Webcasts with ESG-focused partners and peers on trends in ESG



Collaboration with key organizations that shape ESG reporting practices & policies



One-on-one meetings with the companies in which we invest



Surveys of the organizations that choose investments on our behalf



Thought leadership pieces on themes that are important to ESG investors



Public educational presentations



[→ View our ESG Compendium](#)



# COLLABORATION

Sage is committed to participating in and shaping industry-wide initiatives that accelerate the adoption of sustainability policies and practices.

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## Principles for Responsible Investment (PRI)

As a signatory of the PRI, Sage is publicly committed to the six Principles for Responsible Investment and participates in PRI's annual assessment. [View our 2023 results here.](#)

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## International Endowment Network (IEN)

As a member of IEN, Sage is supported in navigating the complex and dynamic trends related to investing for long-term financial, environmental, and social success.

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## Task Force on Climate-Related Financial Disclosures (TCFD)

As a TCFD supporter, Sage believes the TCFD recommendations provide a useful framework to increase transparency on climate-related risks and opportunities within financial markets.

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## Climate Action 100+

As a signatory of Climate Action 100+, Sage is responsible for engaging companies on improving climate change governance, cutting emissions, and strengthening climate-related financial disclosures.

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## IFRS Foundation

As a member of the IFRS Sustainability Alliance, Sage shares the belief that today's capital markets need standardized sustainability disclosure and effective ESG integration into investment practices.

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## CFA Institute

As a signatory of the CFA DEI Code, Sage is committed to their principles to embrace and realize diversity, equity, and inclusion.

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## Sustainability Lab (S-Lab)

Sage's president is an advisory board member of the Marquette University Sustainability Lab – a project that aims to research and disseminate knowledge, foster and develop managers around effective sustainability and stewardship practices increasingly demanded across industries globally.

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## The Green Bond Principles

As a member of The Green Bond Principles, Sage is aligned with the Principles, which facilitate and support environmentally and socially sustainable activities.



# REPORTING & TRANSPARENCY

## Stewardship Policy

Sage's Stewardship Policy outlines our approach to stewardship, including our engagement policy and commitment to industry initiatives. The policy illustrates current practices that affirm Sage's commitment to act in the best interest of its clients while finding the best Responsible Investments for them.

[→ View our Stewardship Policy](#)

## Client Reporting

Sage consistently provides clients with insight regarding portfolio trades, internal personnel changes, and monthly portfolio statements. The research team delivers commentary following each ETF portfolio trade, and our marketing team communicates all internal changes with clients via press releases and email blasts. Our Sage ESG Leaf Score<sup>®</sup> is included on all client statements, as we believe that the evaluation of ESG factors is an added layer of fundamental research and an important risk mitigation tool that our clients deserve.

## Responsible Investment Policy

Sage's Responsible Investment Policy outlines our Responsible Investment and Governance policies, including the responsibilities of both the ESG Investment Committee and ESG Research & Risk Analysis Team, and the sources of ESG information and research utilized by Sage.

[→ View our Responsible Investment Policy](#)

## Sage ESG Leaf Score<sup>®</sup>

Sage applies a custom framework, called the Sage ESG Leaf Score<sup>®</sup>, that assesses each company in terms of its preparedness and performance across a range of ESG indicators. The Sage ESG Leaf Score<sup>®</sup> framework is used to ensure that Sage portfolios include the best-performing issuers with respect to financially material ESG factors.

[→ Learn more about the Sage ESG Leaf Score<sup>®</sup>](#)



# ENVIRONMENTAL OVERVIEW

## Climate Risk Assessment

Sage developed a climate reporting process for our clients that evaluates climate risk in issuers and enables clients to see how Sage's portfolios are aligned with climate goals. Our Climate Assessment seeks to identify companies that are prepared to effectively manage climate change risk and integrate sustainable climate initiatives to grow their enterprise value. Our assessment uses the ISS Climate Impact Report and includes both quantitative and qualitative analysis of industry-specific climate risks and a company's individual climate-related performance. Climate analysis is incorporated into our Sage ESG Leaf Score® evaluation and helps to shape our outlook of industry and company risk. Throughout our climate reports, we have chosen to highlight various climate-specific metrics that illustrate the climate risks within a portfolio. We provide an analysis on the following risks; carbon risk rating, portfolio-level carbon emissions, emissions attribution, climate scenario analysis, and physical impacts of climate risks.

## Engagement

As a fixed income investor, engagement is the primary way to enact active ownership practices, and therefore corporate engagements should include discussions on all pertinent risks. As we look forward to 2024, we plan to actively engage with companies on various climate-related issues, including water risks, biodiversity risks, climate adaptation, and the clean energy transition.

Trees saved annually through recycling program\*

**534** 

Metric tons avoided with hybrid work policy\*\*

**56.1** 

\*Shred-it, as of 12/21/23

\*\*Calculated using the EPA calculator assuming 50 weeks of work and 25 mpg driving estimate



# SAGE

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Sage Advisory Services, Ltd. Co. is a registered investment adviser that provides investment management services for a variety of institutions and high net worth individuals. For additional information on Sage and its investment management services, please view our website at [www.sageadvisory.com](http://www.sageadvisory.com), or refer to our Form ADV, which is available upon request by calling 512.327.5530.