

News Release



Contact:

Christine Hudacko
Charles Schwab
415-961-3790

SCHWAB ASSET MANAGEMENT™ PILOTS NEW PROXY POLLING SOLUTION TO GAIN INSIGHT INTO SHAREHOLDER PREFERENCES

Schwab Asset Management is the first large asset manager to use innovative new tool from Broadridge

October 13, 2022 (Westlake, TEXAS) – Schwab Asset Management, the asset management arm of The Charles Schwab Corporation, today announced that it is the first large asset manager to pilot a new proxy polling solution from global fintech firm, Broadridge Financial Solutions, Inc. (NYSE:BR). The new solution allows Schwab Asset Management to poll fund shareholders to understand their overarching preferences regarding key proxy issues.

“Voting shares of securities held by our funds is a duty Schwab Asset Management takes very seriously. We want to better understand shareholders’ views on important proxy issues, and we know more shareholders want to share their views with us and express their unique preferences through their investments,” said Omar Aguilar, Chief Executive Officer and Chief Investment Officer at Schwab Asset Management. “We are proud to be a leader in piloting this new tool for shareholder engagement.”

Broadridge’s new solution aims to provide an efficient and scalable way to gather general preferences across a large base of shareholders. The pilot will engage the shareholders of one Schwab Fund and two Schwab ETFs – the Schwab 1000 Index Fund (SNXFX), the Schwab 1000 Index ETF (SCHK), and the Schwab Ariel ESG ETF (SAEF). Via the new service, investors will complete a survey that will provide insights into investors’ priorities on a range of core proxy issues concerning maximizing long-term shareholder value, company policies, corporate governance practices, and environmental and social issues. Shareholders will not be surveyed on specific proxy ballots.

“Schwab’s use of the new polling technology, developed by Broadridge, is another step forward in the democratization of investing,” said Bob Schifellite, Broadridge’s Investor Communication Solutions President. “Broadridge continues to invest in technology platforms designed to enhance shareholder engagement and allow public companies and asset managers the opportunity to better reflect the views of investors.”

Shareholders of the funds can expect to receive the poll via email or postcard beginning tomorrow through the next few weeks, with outreach to new shareholders of the funds occurring monthly. The insights from the poll will be leveraged as a new source of intelligence to help inform Schwab Asset Management’s proxy voting approach and policies.

The Schwab Asset Management Investment Stewardship team, comprised of experienced corporate governance professionals, is dedicated to voting proxies on behalf of all shareholders’ best long-term interests. Its proxy voting policies focus on maximizing long-term shareholder value.

For more information on Schwab Asset Management's investment stewardship program, read the latest stewardship report [here](#).

About Schwab Asset Management

One of the industry's largest and most experienced asset managers, Schwab Asset Management, offers a focused lineup of competitively priced ETFs, mutual funds and separately managed account strategies designed to serve the central needs of most investors. By operating through clients' eyes, and putting them at the center of our decisions, we aim to deliver exceptional experiences to investors and the financial professionals who serve them. As of June 30, 2022, Schwab Asset Management managed approximately \$575.9 billion on a discretionary basis and \$34.4 billion on a non-discretionary basis. More information is available at www.schwabassetmanagement.com.

About Charles Schwab

At Charles Schwab we believe in the power of investing to help individuals create a better tomorrow. We have a history of challenging the status quo in our industry, innovating in ways that benefit investors and the advisors and employers who serve them, and championing our clients' goals with passion and integrity.

More information is available at www.aboutschwab.com. Follow us on [Twitter](#), [Facebook](#), [YouTube](#) and [LinkedIn](#).

Disclosures:

The Schwab Ariel ESG ETF is different from traditional ETFs.

Traditional ETFs tell the public what assets they hold each day. This fund will not. This may **create additional risks** for your investment. For example:

- You may have to pay more money to trade the fund's shares. This fund will provide less information to traders, who tend to charge more for trades when they have less information.
- The price you pay to buy fund shares on an exchange may not match the value of the fund's portfolio. The same is true when you sell shares. These price differences may be greater for this fund compared to other ETFs because it provides less information to traders.
- These additional risks may be even greater in bad or uncertain market conditions.
- The ETF will publish on its website each day a "Proxy Portfolio" designed to help trading in shares of the ETF. While the Proxy Portfolio includes some of the ETF's holdings, it is not the ETF's actual portfolio.

The differences between this fund and other ETFs may also have advantages. By keeping certain information about the fund secret, this fund may face less risk that other traders can predict or copy its investment strategy. This may improve the fund's performance. If other traders are able to copy or predict the fund's investment strategy, however, this may hurt the fund's performance. For additional information regarding the unique attributes and risks of the fund, see *Proxy Portfolio Risk*, *Premium/Discount Risk*, *Trading Halt Risk*, *Authorized Participant Concentration Risk*, *Tracking Error Risk* and *Shares of the Fund May Trade at Prices Other Than NAV in the Principal Risks and Proxy Portfolio and Proxy Overlap* sections of the prospectus and/or the Statement of Additional Information.

Investors should consider carefully information contained in the prospectus, or if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can obtain a

prospectus, or if available, a summary prospectus by visiting [schwabassetmanagement.com/prospectus](https://www.schwabassetmanagement.com/prospectus). Please read it carefully before investing.

Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares of ETF are bought and sold at market price, which may be higher or lower than the net asset value (NAV).

The Schwab Ariel ESG ETF is an active semi-transparent (also known as a non-transparent ETF) and has additional risks associated with it. These risks are discussed in the next four paragraphs.

Active Semi-Transparent (also known as Non-Transparent) ETF Risk: Active semi-transparent ETFs operate differently from other exchange-traded funds (ETFs). Unlike other ETFs, an active semi-transparent ETF does not publicly disclose its entire portfolio composition each business day, which may affect the price at which shares of the ETF trade in the secondary market. Active semi-transparent ETFs have limited public trading history. There can be no assurance that an active trading market will develop, be maintained or operate as intended. There is a risk that the market price of an active semi-transparent ETF may vary significantly from the ETF's net asset value and that its shares may trade at a wider bid/ask spread and, therefore, cost investors more to trade than shares of other ETFs. These risks are heightened during periods of market disruption or volatility.

Proxy Portfolio Risk: Unlike traditional ETFs, this fund does not disclose its portfolio holdings (Actual Portfolio) daily. The fund instead posts a Proxy Portfolio on its website each day. The Proxy Portfolio is designed to reflect the economic exposures and risk characteristics of the fund's actual holdings on each trading day, but it is not the same as the fund's Actual Portfolio. Although the Proxy Portfolio is intended to provide investors with enough information to allow for an effective arbitrage mechanism that will keep the market price of the Fund at or close to the underlying NAV per Share of the Fund, there is a risk (which may increase during periods of market disruption or volatility) that market prices will vary significantly from the underlying NAV of the fund. ETF trading on the basis of a published Proxy Portfolio may trade at a wider bid/ask spread than ETFs that publish their portfolios on a daily basis, especially during periods of market disruption or volatility, and therefore may cost investors more to trade. Also, while the Fund seeks to benefit from keeping its portfolio information secret, market participants may attempt to use the Proxy Portfolio to identify a Fund's trading strategy, which if successful, could result in such market participants engaging in certain predatory trading practices that may have the potential to harm the Fund and its shareholders.

Proxy Portfolio Construction – The Proxy Portfolio is designed to recreate the daily performance of the Actual Portfolio. This is achieved by performing a "Factor Model" analysis of the Actual Portfolio. The Factor Model is comprised of three sets of factors or analytical metrics: market-based factors, fundamental factors, and industry/sector factors. The fund uses a "Model Universe" to generate its Proxy Portfolio. The Model Universe is comprised of securities that the fund can purchase and will be a financial index or stated portfolio of securities from which fund investments will be selected. The results of the Factor Model analysis are then applied to the Model Universe. The Proxy Portfolio is then generated as a result of this Model Universe analysis with the Proxy Portfolio being a small sub-set of the Model Universe. The Factor Model is applied to both the Actual Portfolio and the Model Universe to construct the fund's Proxy Portfolio that performs in a manner substantially identical to the performance of its Actual Portfolio.

The Proxy Portfolio will only include investments the fund is permitted to hold. The fund's SAI contains more information on the Proxy Portfolio and its construction. Proxy Portfolio and Proxy Overlap Information regarding the contents of the Proxy Portfolio, and the percentage weight overlap between the holdings of the Proxy Portfolio and a Fund's Actual Portfolio holdings that formed the basis for its

calculation of NAV at the end of the prior Business Day (the Portfolio Overlap), is available by visiting the fund's website www.schwabassetmanagement.com

Schwab Asset Management™ is the dba name for Charles Schwab Investment Management, Inc., the investment advisor for Schwab Funds and Schwab ETFs. Schwab Funds are distributed by Charles Schwab & Co., Inc. (Schwab), Member SIPC. Schwab ETFs are distributed by SEI Investments Distribution Co. (SIDCO). Schwab Asset Management and Schwab are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation and are not affiliated with SIDCO.

(1022-2KT5)