

Charles Schwab Trust Bank

**Report on The Charles Schwab Trust Bank's description on the
suitability of the design and operating effectiveness of its controls**

For the period from January 1, 2023 through December 31, 2023



TRUST BANK

Dear Plan Sponsor or Trustee Client:

We at Charles Schwab believe in presenting our services with clarity and transparency as part of our purpose to champion every client's goals with passion and integrity.

As part of this commitment, we have engaged Deloitte & Touche LLP ("Deloitte") to conduct an annual examination of the key controls of Charles Schwab Trust Bank (formerly known as the Business Trust Division of the Charles Schwab Bank). Our goal for this examination is to help us ensure that the controls in place with Charles Schwab Trust Bank are operating effectively so that we can continue to provide you with the highest quality service possible.

Enclosed are the findings from Deloitte's 2023 examination. We encourage you to read the accompanying report and discuss any questions or issues with your retirement plan recordkeeper or your Schwab Client Service Manager. We hope you will find this report informative and a reflection of our commitment to you.

Thank you for allowing us the opportunity to serve you and your participants.

A handwritten signature in black ink that reads "Deborah Pritchard".

Deborah Pritchard
Managing Director
Charles Schwab Trust Bank

CHARLES SCHWAB TRUST BANK

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Section 1: Independent Service Auditor's Report



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INDEPENDENT SERVICE AUDITOR'S REPORT

The Charles Schwab Trust Bank
Westlake, Texas

Scope

We have examined the description of the Trust and Custody system of Management of Charles Schwab Trust Bank (the "Service Organization" or "CSTB") for processing user entities' transactions throughout the period January 1, 2023 to December 31, 2023, included in Section 3, "Management of CSTB's Description of Its Trust and Custody System" (the "Description") and the suitability of the design and the operating effectiveness of controls included in the Description to achieve the related control objectives stated in the Description, based on the criteria identified in management of CSTB's assertion. The controls and control objectives included in the Description are those that management of CSTB believes are likely to be relevant to user entities' internal control over financial reporting, and the Description does not include those aspects of the Trust and Custody system that are not likely to be relevant to user entities' internal control over financial reporting.

The information in Section 5, "Other Information Provided by Management of CSTB" is presented by management of CSTB to provide additional information and is not a part of management of CSTB's Description of its Trust and Custody system made available to user entities during the period January 1, 2023 to December 31, 2023. Information in Section 5 has not been subjected to the procedures applied in the examination of the Description of the Trust and Custody system and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the Description of the Trust and Custody system and, accordingly, we express no opinion on it.

CSTB uses Information Technology Service of Charles Schwab & Co, Inc. for information technology systems management and support, network, and data center support, and SEI Global Services, Inc. (SEI) for hosting of Trust 3000 system and for data processing and trust accounting services ("subservice organizations"). The Description in Section 3 includes only the controls and related control objectives of CSTB and excludes the control objectives and related controls of the subservice organizations. The Description also indicates that certain control objectives specified by CSTB can be achieved only if complementary subservice organization controls assumed in the design of CSTB's controls are suitably designed and operating effectively, along with the related controls at CSTB. Our examination did not extend to controls of the subservice organizations or their functions, and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

The Description indicates that certain control objectives specified in the Description can be achieved only if complementary user entity controls contemplated in the design of CSTB's controls are suitably designed and operating effectively, along with related controls at CSTB. Our examination did not extend to such complementary user entity controls, and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

Service Organization's Responsibilities

In Section 2, "Management of CSTB's Assertion," management of CSTB has provided an assertion about the fairness of the presentation of the Description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description. Management of CSTB is responsible for preparing the Description and its assertion, including the completeness, accuracy, and method of presentation of the Description and the assertion, providing the services covered by the Description, specifying the control objectives and stating them in the Description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the Description.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the Description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description, based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, the Description is fairly presented, and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the Description throughout the period January 1, 2023 to December 31, 2023. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a Description of a service organization's system and the suitability of the design and operating effectiveness of controls involves:

- Performing procedures to obtain evidence about the fairness of the presentation of the Description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description, based on the criteria in management's assertion.
- Assessing the risks that the Description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the Description.
- Testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the Description were achieved.
- Evaluating the overall presentation of the Description, suitability of the control objectives stated therein, and suitability of the criteria specified by the service organization in its assertion.

Service Auditor's Independence and Quality Control

We are required to be independent and to meet our other ethical responsibilities in accordance with the Code of Professional Conduct established by the AICPA. We have complied with those requirements. We applied the Statements on Quality Control Standards established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

Inherent Limitations

The Description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and therefore may not include every

aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the Description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become ineffective.

Description of Tests of Controls

The specific controls tested, and the nature, timing, and results of those tests are listed in Section 4, "Management of CSTB's Description of Its Control Objectives and Related Controls, and Independent Service Auditor's Description of Tests of Controls and Results."

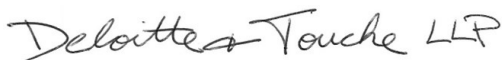
Opinion

In our opinion, in all material respects, based on the criteria described in management of CSTB's assertion:

- a. The Description fairly presents the Trust and Custody system that was designed and implemented throughout the period January 1, 2023 to December 31, 2023.
- b. The controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period January 1, 2023 to December 31, 2023, and subservice organization and user entities applied the complementary controls assumed in the design of CSTB's controls throughout the period January 1, 2023 to December 31, 2023.
- c. The controls operated effectively to provide reasonable assurance that the control objectives stated in the Description were achieved, throughout the period January 1, 2023 to December 31, 2023, and if complementary subservice organizations and user entity controls assumed in the design of CSTB's controls operated effectively throughout the period January 1, 2023 to December 31, 2023.

Restricted Use

This report, including the description of tests of controls and results in Section 4, is intended solely for the information and use of management of CSTB, user entities of CSTB's Trust and Custody system during some or all of the period January 1, 2023 to December 31, 2023, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when assessing the risks of material misstatement of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.



February 23, 2024

Section 2: Management of CSTB's Assertion

Management of Charles Schwab Trust Bank's Assertion

For the period from January 1, 2023 to December 31, 2023

We have prepared the description of the Trust and Custody Services system of Management of Charles Schwab Trust Bank (the "Service Organization" or "CSTB") for processing user entities' transactions throughout the period January 1, 2023 to December 31, 2023, included in Section 3, "Management of CSTB's Description of Its Trust and Custody Services System" (the "Description"), for user entities of the system during some or all of the period January 1, 2023 to December 31, 2023, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by the subservice organization and user entities of the system themselves, when assessing the risks of material misstatements of user entities' financial statements.

CSTB uses Information Technology Service of Charles Schwab & Co, Inc for information technology systems management and support, network, and data center support, and SEI Global Services, Inc. (SEI) for hosting of Trust 3000 system and for data processing and trust accounting services ("subservice organizations"). The Description in Section 3 includes only the controls and related control objectives of CSTB and excludes the control objectives and related controls of the subservice organizations. The Description also indicates that certain control objectives specified by CSTB can be achieved only if complementary subservice organization controls assumed in the design of CSTB's controls are suitably designed and operating effectively, along with the related controls at CSTB. The Description does not extend to controls of the subservice organizations.

The Description indicates that certain control objectives specified in the Description can be achieved only if complementary user entity controls assumed in the design of CSTB's controls are suitably designed and operating effectively, along with related controls at CSTB. The Description does not extend to controls of the user entities.

We confirm, to the best of our knowledge and belief, that:

1. The Description fairly presents the Trust and Custody Services system made available to user entities of the system during some or all of the period January 1, 2023 to December 31, 2023, for trust and custody services as it relates to controls that are likely to be relevant to user entities' internal control over financial reporting. The criteria we used in making this assertion were that the Description:

- a. Presents how the system made available to user entities of the system was designed and implemented to process relevant user entity transactions, including, if applicable:
 - i. The types of services provided including, as appropriate, the classes of transactions processed.
 - ii. The procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities of the system.
 - iii. The information used in the performance of the procedures, including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.
 - iv. How the system captures and addresses significant events and conditions other than transactions.
 - v. The process used to prepare reports and other information provided for user entities.

- vi. Services performed by a subservice organization, if any, including whether the carve-out method or the inclusive method has been used in relation to them.
 - vii. The specified control objectives and controls designed to achieve those objectives including, as applicable, complementary user entity controls assumed in the design of the service organization's controls.
 - viii. Other aspects of our control environment, risk assessment process, information and communications (including the related business processes), control activities, and monitoring activities that are relevant to the services provided.
- b. Includes relevant details of changes to the service organization's system during the period covered by the Description.
 - c. Does not omit or distort information relevant to the service organization's system, while acknowledging that the Description is prepared to meet the common needs of a broad range of user entities of the system and their user auditors and may not, therefore, include every aspect of the Trust and Custody Services system that each individual user entity of the system and its user auditor may consider important in its own particular environment.
2. The controls related to the control objectives stated in the Description were suitably designed and operated effectively throughout the period January 1, 2023 to December 31, 2023 to achieve those control objectives if the subservice organization and user entities applied the complementary controls assumed in the design of CSTB's controls throughout the period January 1, 2023 to December 31, 2023. The criteria we used in making this assertion were that:
- a. The risks that threaten the achievement of the control objectives stated in the Description have been identified by management of CSTB.
 - b. The controls identified in the Description would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the Description from being achieved.
 - c. The controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.

Section 3: Management of CSTB's Description of Its Trust and Custody System

Applicability of the Report

The Charles Schwab Trust Bank (“CSTB”) is a fiduciary-oriented trust bank focused primarily on the retirement plan market. CSTB is a service provider of trustee and custodial services to sponsors of defined contribution, defined benefit, and other qualified retirement plans and nonqualified benefit plans (each, a “plan”); individual retirement account holders; and other clients (collectively, “Clients”). CSTB works together with various recordkeepers (each, a “Recordkeeper”, such term including both unaffiliated Recordkeepers and Schwab Retirement Plan Services, Inc., an affiliate of CSTB) to provide nondiscretionary, directed trustee, and/or custodial services to clients throughout the United States. In addition, CSTB provides Individual Retirement Accounts and Collective Trust Funds to plan sponsors and advisors of corporate retirement accounts.

This report provides information on CSTB’s controls relevant to its operational, client service, and technology support of specific products within the CSTB’s Client accounts. This report does not address the controls of any other division of CSTB or its registered broker-dealer affiliate, Charles Schwab & Co., Inc. (the “Broker-Dealer”).

The information in this document should be taken into consideration by Clients and their independent auditors when making assessments of CSTB’s controls and their applicability to Clients’ accounts. Certain other control objectives associated with the applicable Client and/or Recordkeeper processing systems may be defined by the Client, CSTB and/or Recordkeeper and should be reviewed solely by such Client, CSTB and/or Recordkeeper.

Scope and Objective of the Report

This description of the system of CSTB has been prepared to provide clients and their independent auditors with information about the control features of certain administration and operation functions provided for CSTB and their clients.

This report has been prepared taking into consideration the guidance contained in the American Institute of Certified Public Accountants’ Statement on Standards for Attestation Engagements No. 18, *Reporting on Controls at a Service Organization* of the American Institute of Certified Public Accountants.

As this description is intended to focus on features that may be material to the internal controls associated solely with CSTB’s retirement employee benefit plan and similar Client accounts, it does not encompass all aspects of the services provided or procedures followed by CSTB in servicing clients.

Relevant Aspects of Internal Control

Internal control is a process—overseen by an entity’s board of directors (the “Board”), management, and other personnel—and consists of five interrelated components:

1. **Control Environment:** The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
2. **Risk Assessment:** The entity’s identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.
3. **Monitoring:** The entire process must be monitored, and modifications made as necessary. In this way, the systems react dynamically, changing as conditions warrant.

4. **Information and Communication:** Surrounding these activities are information and communication systems. These enable the entity's employees to capture and exchange information needed to conduct and control its operations.
5. **Control Activities:** Control policies and procedures must be established and executed to help ensure that the actions identified by management are necessary to address risks to achievement of the entity's control objectives.

1. Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for other components of internal control, providing discipline and structure.

The control environment has a pervasive influence on the way business activities are structured, objectives are established, and risks are assessed. It also influences controls and monitoring procedures. An entity's history and managerial culture influences the control environment. Effectively controlled entities strive to have competent people, instill an enterprise-wide attitude of integrity and control consciousness, and set a positive "tone at the top." These entities establish controls, which foster shared values and teamwork in pursuit of the Service Organization's objectives.

This is accomplished by establishing controls surrounding the processing of information and by developing policies, which promote adherence to the requirements of the control environment. The elements of the control environment include:

- A. Organizational structure
- B. Assignment of authority and responsibility
- C. Management's philosophy and operating style
- D. Participation of those charged with governance
- E. Human resources' policies and procedures
- F. Communication of integrity and ethical values

A. Organizational Structure

CSTB, a fiduciary-oriented trust bank, is a wholly owned subsidiary of The Charles Schwab Corporation ("Schwab"), a nationwide financial services provider and holding company. CSTB was authorized to conduct business by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board and the State of Nevada. July 3, 2018. CSTB's Managing Director reports to the President of the Charles Schwab Corporation. CSTB activities are also integrated with Schwab's Advisor Services enterprise.

Management Structure and Practices—CSTB's business, operations, and risk management environment are managed by CSTB's management and the corporate risk management support services of Schwab to provide support for various risk management activities. CSTB's management is composed of the following officers:

- Managing Director CSTB, Client Services, Conversions & Operations
- Managing Director – Risk, Specialty Products, Operations Control and System Optimization
- Managing Director – Strategy, Sales & Relationship Management and/or
- Other account administrative and operational personnel approved by the Board or the Managing Director, as applicable

In addition to supporting the functions of the management committees, CSTB management oversees various business, operations, regulatory, and risk management activities. CSTB's business structure includes the Client Services Department, responsible for client service relationship and reporting functions; the Operations Department, responsible for cash management and securities operations functions; and the Trust Administration Department, responsible for various account administration tasks, monitoring compliance with regulatory and corporate policies, and providing business support of risk management, audit, and other control functions.

B. Assignment of Authority and Responsibility

The control environment is greatly influenced by the extent to which individuals recognize their accountability. This holds true from the staff level to the Chief Executive Officer, who has responsibility for activities within an entity, including internal controls. The extent of accountability includes assignment of authority and responsibility for operating activities, and establishment of reporting relationships and authorization protocols. Policies describing the business practices, knowledge and experience of key personnel, and resources are communicated to personnel for carrying out duties.

C. Management's Philosophy and Operating Style

The purpose and values of Schwab focus on putting the Clients' needs first. Seeing the business "through Clients' eyes" helps earn the Clients' trust as CSTB strives daily to fulfill their purpose and act according to their values, which are:

- Serve clients in an ethical, empathetic, and proactive way
- Innovate constantly to improve the Client experience
- Respect fellow employees and reinforce the power of teamwork
- Be good stewards of the resources entrusted to us—client assets, our brand, and stockholder value

Management fosters employee engagement by encouraging employees to bring forth ideas and solutions. CSTB's executives interact frequently with managers and staff across all departments frequently. Recurring staff meetings are held to share CSTB's and Schwab's performance and information across the organization. Annual employee surveys monitor employee engagement and the survey results are used to ensure CSTB's overall corporate philosophy and corporate purpose are reinforced.

D. Participation of Those Charged with Governance

Board of Directors and Committee Structure

CSTB's business, operations, and risk management environment are overseen by its Board. To assist in these responsibilities, the Board has established the CSTB Fiduciary Committee and the Audit and Compliance Committee. The Board has also empowered certain CSTB's management to establish other committees as the needs arise. CSTB's management has established the CSTB Management Committee and the Trust Administrative Committee (TAC), the Collective Trust Fund Administrative Committee, and the Collective Trust Fund Investment Committee.

Interaction with Schwab's Parent Company and Affiliates

CSTB may contract or make other arrangements with Schwab, the Broker-Dealer, and their affiliates and subsidiaries for the provision of services to CSTB and its accounts, except where such arrangements are prohibited by law or regulation. In addition, and in response to its corporate, regulatory, and legal environment, Schwab has established specific policies related to CSTB's interaction with its parent company and affiliates.

CSTB Bank Fiduciary Committee

The Fiduciary Committee is responsible for overseeing the trust and custody administrative and operational matters of CSTB and certain other businesses of the company. The committee is composed of at least three directors, one of whom serves as the Committee Chair. Each member of the committee serves at the pleasure of the Board and until a successor is appointed.

There are no fewer than four regular meetings of the Fiduciary Committee each year and the chair may call additional meetings. Minutes of meetings are taken and circulated to all members of the committee, designated members of Schwab's management, and the Board.

Responsibilities of the Fiduciary Committee include, but are not limited to, the following:

- Reviewing and approving proposed policies related to the trust and custody activities. CSTB's Managing Directors, under the direction of the Board, establishes and maintains CSTB's policies and procedures and the associated records and reports required by statute, regulation, or policy to demonstrate compliance with policies and procedures.
- Receiving reports of all key business indicators, new accounts, account reviews, and issue resolution.
- Reviewing and giving final approval of acceptance of new business. Acceptance of routine accounts, as defined by the Bank or Fiduciary Committee policy, may be delegated to the CSTB's Managing Directors or his/her delegates.

E. Human Resources' Policies and Procedures

CSTB uses Schwab's Corporate Human Resources and Employee Benefits Department of Schwab to provide support for personnel recruitment, employee benefits, and employee-related activities. The hiring practices of CSTB are designed to ensure that new employees are qualified for their job responsibilities. The Talent Acquisition Department and the hiring director and/or manager of the department requiring the position are involved in the sourcing and selection process. Hiring policies include minimum education and experience requirements, completion of reference, background and credit investigation checks, and execution of confidentiality agreements.

Once hired, employees participate in an onboarding program that includes compliance and regulatory training, as well as access to organization-specific training and resources. Training of personnel is accomplished through supervised on-the-job training, professional seminars conducted by outside educators, professional designation course work, and internal courses developed by Schwab and CSTB. Employees are encouraged to pursue professional designations through the American Society of Pension Professionals & Actuaries, if appropriate.

Certain positions require completion of specific training. The employee's manager is responsible for ensuring that all personnel have completed appropriate training and for encouraging training and development to continue to qualify personnel for their functional responsibilities.

F. Communication of Integrity and Ethical Values

Schwab has a documented Code of Business Conduct and Ethics (the "Code"), which applies to all employees of Schwab and its subsidiaries and affiliates, including CSTB. The Code outlines key areas of ethical conduct for employees, including, but not limited to, an employee's obligations with respect to conflicts of interest and confidentiality of client information. The Code prohibits employees from disclosing confidential information about Schwab or its Clients to anyone, unless specifically authorized to do so according to Schwab policy or with Client consent. Employees are not permitted to engage in outside business or other

activities that conflict or otherwise interfere with their duties and responsibilities. Schwab employees are required, to annually complete Code of Conduct training.

2. Risk Assessment

Risk Management Program

CSTB uses Schwab's Risk Management Program to evaluate areas of possible administrative and operational risk. The program includes the production of Risk and Control Self-Assessment Reports and Plan of Supervision documents for certain functional areas. These documents identify areas of possible risk, associated control points, and management review and reporting processes to ensure the identification and mitigation of functional risk. The Risk and Control Self-Assessment Report and Plan of Supervision documentation is reviewed by senior management to ensure that all areas of concern are included in the risk management process. Risk management reporting has also been established to highlight areas where exceptions occur and the status of clearance of each exception.

CSTB and Schwab management presents and discusses the risk management program with the Board on an ongoing basis for its input and oversight.

Bank Management Committee

The CSTB Management Committee is a committee whose purpose is to oversee certain daily business and operations activities of CSTB and for informing the Board of material committee actions. The primary functions of the Bank Management Committee with respect to CSTB include:

- Reviewing technology and operational risk of CSTB
- Reviewing new technologies, vendors, platforms, and operations systems and their risk assessments before implementation/engagement.
- Reviewing new products and services for approval

3. Monitoring

Internal Audit Program

The primary role of the Internal Audit Department (IAD) is to help the Board and executive management protect the assets, reputation, and sustainability of the organization. The IAD of Schwab and its subsidiaries provides independent and objective assessments to determine whether all significant risks and risk functions are identified, appropriately reported to the Board and executive management, and adequately controlled as well as to challenge executive management to improve the effectiveness of governance, risk management, and internal controls.

The IAD does not operate or manage any business function but acts as a third line of defense to identify, measure, monitor, and report the risks of Schwab and its subsidiaries including CSTB. Assessments made by the IAD represent an independent and objective viewpoint on the effectiveness of controls. It is management and the Board's ultimate responsibility to conclude whether the control is adequate to meet its strategic, operational, compliance, and financial reporting objectives and requirements. The IAD provides management and the Board critical information about its independent assessment regarding the design, effectiveness, and sustainability of controls. Management and the Board are the final decision makers regarding appropriate action to address issues identified by the IAD.

As part of the annual internal audit planning process, a risk assessment is conducted to assist in the development of the Internal Audit Plan. The Annual Risk Assessment identifies the inherent risks due to the nature of the business, related processes, and an assessment of management control risk including the preliminary evaluation of design and effectiveness of internal controls to determine the overall residual risk rating at the major process level. Based on the results of the risk assessment, the draft annual audit plan is prepared. The results of the risk assessment and the finalized annual audit plan are shared with executive management followed by a presentation at the Audit Committee meeting for approval. The risk assessment is updated quarterly to incorporate changes in significant risk factors, market conditions, laws, regulations, industry trends, and updates to management control risks based on results of recently completed audits.

Subservice Organizations

CSTB monitors the subservice organizations through various methods, including obtaining the service auditor reports of the subservice organizations, service level agreements, and informal meetings. The service auditor reports are reviewed to ascertain adequate controls are in place and operating effectively. CSTB monitors the subservice organizations through these reports, as well as other activities required by Schwab's Vendor Management program. CSTB obtains the SOC 1 reports for each subservice organization and reviews these reports as part of their oversight of the subservice organizations.

CSTB utilizes subservice organizations to perform certain services. The accompanying descriptions below includes only policies, procedures, and monitoring activities of CSTB and does not include policies, procedures and activities of various service organizations. The subservice organizations include:

- Charles Schwab & Co. Inc., Information Technology Organization ("Schwab IT") – provides information technology systems management and support, network, and data center support.
- SEI Global Services, Inc. (SEI) – hosts the Trust 3000 system and performs data processing and trust accounting services.

Administrative and Operations Policies

CSTB develops its administrative and operational policies based on (i) fiduciary and other regulations promulgated by state and federal banking regulators with respect to directed trust and custody activities, as primarily defined by the State of Nevada, the Federal Reserve Board, and the Federal Deposit Insurance Corporation; (ii) Internal Revenue Code regulations, including those applicable to employee benefit plans; (iii) the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"); and (iv) other federal and state regulations applicable to activities in its trust department.

To support compliance with these standards and with CSTB's service and product model, CSTB's policies define standards for all account activities within CSTB and between affiliates. The laws and regulations to which CSTB account activities and associated products and organization are subject are also referenced in the policies.

Adherence to applicable policies and procedures is monitored through management review. Initial account review and other ongoing account oversight tasks have been designed to evaluate account administration and support operations for compliance with the account and other applicable governing documents, corporate policies and procedures, and applicable regulatory requirements. Results of the assessments are communicated to CSTB's management and the Fiduciary Committee. In addition, account activities are subject to a continuous internal audit program.

CSTB management submits their policies applicable to CSTB's Client account administration and support operations to the TAC for its review and the Fiduciary Committee for its review and approval on an annual basis.

4. Information and Communication

Management is involved with day-to-day operations and can provide personnel with an understanding of their individual roles and responsibilities pertaining to internal controls. This includes the extent to which personnel understand how their activities relate to the work of others and the means of escalating incidents to a higher level within CSTB. CSTB's management believe that open communication channels help ensure escalated incidents reported are acted upon.

CSTB communicates significant events and individual roles and responsibilities over services and controls in a timely manner to employees. Methods of communication include orientation and training programs for newly hired employees, continuing education and training programs, periodic meetings summarizing significant events and changes during the period, use of electronic mail to communicate time-sensitive messages and information, and internal websites.

5. Control Activities

The control activities that assist in carrying out management's directives are described in Section 3 and Section 4 of this report. The control objectives and related control activities are included in Section 4 and may not be stated in Section 3 to avoid repetition. However, they are, nevertheless, an integral part of the description of controls for CSTB.

Processing Description and Controls

Overview

CSTB, either directly or indirectly through its affiliates and/or agents, provides operations, administration, and client service support for Client accounts. Depending on product offering, business strategy and policies, acceptability of the form of agreements, adequacy of facilities to support assets held and duties specifically defined under its Client agreements, CSTB acts in the capacity of trustee, custodian, sub-custodian or agent. CSTB, acting as a directed trustee, custodian, sub-custodian or agent, will exercise no investment management decision-making authority with respect to any of its Client accounts. CSTB, as the sponsor and trustee of a series of Collective Trust Funds ("CTFs"), acts as an investment fiduciary with respect to the CTF in accordance with the investment objectives and guidelines defined in the applicable Declaration of Trust for each of the CTFs.¹

CSTB provides support for two business channels: *Retirement Business Services* and *Retirement Plan Services*.

- Retirement Business Services offer directed trustee services, custody of account assets, and trading and cashiering services through CSTB and works with various external, independent recordkeepers who provide retirement plan recordkeeping, compliance, and/or consulting services to clients.
- Retirement Plan Services provides a bundled offering of trustee services, custody of account assets, and trading and cashiering services with CSTB and recordkeeping and plan compliance and consulting services performed by CSTB's affiliate, Schwab Retirement Plan Services, Inc.

¹ The systems, policies, and procedures related to CTFs are not included within the scope of this report. Descriptions of the systems, policies, procedures, and control objectives related to CTFs have been intentionally excluded from this report, and any information provided is for information purposes only.

For the purposes of describing CSTB's processing and control environment, the term "Recordkeeper" refers to both unaffiliated Recordkeepers and to Schwab Retirement Plan Services, Inc.

For each account, the Client or Recordkeeper provides instructions to CSTB for the following:

- To post cash receipts into the trust accounting systems
- To accept and invest cash through security purchases and sales
- To distribute account assets to the plan participants
- To perform other necessary cash and security-related processing functions (including income processing)
- To report accounting activity to the Client and Recordkeeper

In addition, CSTB, when acting as a directed trustee appointed to such capacity by a plan sponsor or plan fiduciary, provides oversight with respect to Client accounts solely in accordance with the terms of the applicable trust agreement.

Cash and securities operations processing and client relationship activities are conducted in accordance with established policy and procedural guidelines that have been adopted by CSTB's management. CSTB management uses management information and reporting systems and other statistical reporting tools to support monitoring of key control and performance measurements.

Trust Administrative Committee

The CSTB TAC is a management committee whose purpose is to oversee CSTB's trust administration, client service, and operational activities and for informing the CSTB Fiduciary Committee, and CSTB Bank Management Committee, where applicable, of material committee actions.

CSTB Fiduciary Committee

The primary functions of the CSTB Fiduciary Committee include (i) reviewing and approving standard policies and procedures related to the administration of CSTB accounts and account assets, (ii) reviewing and overseeing the resolution of significant Client account-related and fiduciary-related issues or exceptions that have been escalated to management for appropriate action plans or ongoing monitoring, and (iii) reviewing and acceptance of accounts presented by CSTB employees who are responsible for the review of new account documentation prior to acceptance and conversion of new accounts.

CSTB Client Services, Specialty Products and Trust Administration

CSTB is responsible for servicing certain trust and custody accounts, including providing account administrative oversight to Clients and Recordkeepers.

CSTB Client Services' and Conversions' responsibilities include the following:

- New account acceptance, documentation, and conversion
 - Receipt of Client account opening documents, including the applicable trust or custody account agreement and required corporate resolutions or other evidence of a Client's authority to appoint CSTB as trustee or custodian

- Coordination of Client account acceptance processes, including review and acceptance of account documentation and agreements and acceptance of accounts by the TAC and Fiduciary Committee
- Direct setup of new accounts on CSTB's trust accounting systems
- Oversight of acceptance and setup of new assets on CSTB's trust accounting systems
- Oversight of account transfers from other financial services providers to CSTB
- Directing the processing of Client and Recordkeeper directives
- Client reporting
- Closing account documentation and processing
 - Review and acceptance of closing account documentation and required corporate resolutions or appropriate evidence a Client's determination to close an account or remove CSTB as trustee or custodian
 - Review and acceptance of transfer instructions from successor trustee or custodian
 - Oversight of account transfer activity to the successor trustee or custodian
 - Direct the close out of the accounts on CSTB's trust accounting systems
 - Daily client servicing and trust administration
 - Account administrative oversight
 - Oversight of compliance with account documentation, ERISA, and other applicable laws and regulations
 - Ongoing review of account documentation and activity
 - Automatic Rollover IRA account set up
 - Sending Automatic Rollover IRA Welcome Kits upon completed account set up

New Account Acceptance and Conversion

CSTB accepts new participation into the Collective Trust Funds in accordance with the Participation Agreement requirements, and such acceptance is subsequently reviewed and approved by both the plan Fiduciary, and CSTB, as the trustee from the Managing Director, or appropriate delegate from the Specialty Products team. For Automatic Rollover IRA accounts, CSTB receives an electronic file or a directive from the Client or Recordkeeper when a participant account is forced out of a retirement plan. Forced out balances are subsequently transferred to CSTB. Actions that are exceptions to the standard process are monitored through resolution.

The TAC reviews new accounts prior to acceptance and maintains records of such acceptance for delivery to the Fiduciary Committee. Assets are reviewed and approved by CSTB management. CSTB Conversions works with Clients, Recordkeepers, advisors and prior trustees and custodians to coordinate all activities associated with new account documentation, account setup on CSTB's trust accounting systems, and asset

transfers to CSTB. Accounts are set up on CSTB's trust accounting systems to record all activity with respect to assets held directly by CSTB and to "shadow account" and report for assets held in self-directed brokerage accounts at Charles Schwab & Co., Inc. (CS&Co., Inc.) or unaffiliated broker-dealers.

CSTB Conversions reviews all required account-related documents to confirm their receipt and that they correctly appoint and reflect CSTB as trustee, custodian, or sub-custodian as applicable. Standard agreements for employee benefits directed trust and custody relationships are reviewed for adequacy by management and by internal legal counsel and, where necessary, external legal counsel. Nonstandard agreements may also be accepted for certain accounts. CSTB uses procedures developed by CSTB's management with input from the legal and compliance departments, to evaluate the acceptability and adequacy of language in any custom agreements and other documents.

CSTB Conversions also coordinates with the prior trustee or custodian(s) and CSTB Operations to review and accept the account assets to be transferred to CSTB and, with respect to assets to be held in self-directed brokerage accounts, to the CS&Co., Inc. and to transfer the accepted assets from the prior custodian(s). The acceptance of assets is based on the ability of CSTB to hold the assets in accordance with its policies and applicable federal and state laws and regulations, including ERISA; to register the assets in the name of CSTB; to custody and safeguard the assets; and to execute purchase and/or sale transactions of the asset (or to work with the security issuer to perform these functions on behalf of CSTB in an acceptable manner).

Account Modifications

CSTB Conversion and the CSTB Assets & Account (A&A) Team ascertain through inspection of the accounts that new accounts are set up completely and accurately in CSTB's trust accounting and trade order handling systems ("SEI Trust 3000" and "STAR") in accordance with the account opening documents, including the Client agreements, directed by the Client.

CSTB Conversions employees ascertain through inspection of the accounts modified by CSTB Operations, that accounts modified are updated completely and accurately in CSTB's trust accounting and trade order handling systems (SEI Trust 3000 and STAR) in accordance with Client instructions.

Daily Client Servicing and Trust Administration

The CSTB Client Services and Trust Administration Departments provide daily client service and account administrative support for Clients, Recordkeepers and Advisors.

CSTB Client Services maintains service support call centers in Phoenix, Arizona; and Austin, Texas, for Recordkeepers, Clients, and/or other Client-authorized parties, including plan auditors in which assigned client service representatives perform the following:

- Field questions
- Follow-up on requests for information
- Perform research
- Coordinate modifications to account documents
- Provide input on account-related activities
- Monitor outstanding fee invoices and account overdrafts
- Review and submit directives for processing

CSTB Trust Administration performs account administrative tasks, including the monitoring of certain nonstandard account-related activities and documentation. In addition, CSTB Trust Administration completes account reviews for all new, incoming accounts for which CSTB acts as directed trustee within 90 days after acceptance and funding. The incoming account review process includes reviews of account documentation and identification and tracking of account-related issues of concern for discussion with Clients or Recordkeepers. CSTB Trust Administration also reviews all material additions or changes to Client account documents received thereafter related to accounts for which CSTB acts as directed trustee. The results of all such reviews are then presented to CSTB management on a periodic basis, including to the TAC.

Client Reporting

CSTB, directly or through its designated agents, prepares and delivers CSTB account statements of plan holdings and transaction activity to each Client generally on a monthly or quarterly basis and on an annual fiscal year basis. Statements are made available to Clients online and, if requested, may be delivered in hard copy form.

The statements include, but are not limited to, a listing of asset holdings in the account and a statement of transactions and other account activities. The statements are ordinarily prepared on a cash accounting, settlement-date basis; the statement format, frequency, and delivery requirements for each account are maintained on the applicable reporting systems.

Each step of the statement production process and the content of the statements, including asset pricing and transaction data, are monitored for completeness and timeliness. The account statements are uploaded to applicable Schwab websites for controlled access by authorized Clients, Recordkeepers, or other authorized parties and, as desired by specific Clients, are delivered to a central print production facility for printing, collating, and mailing to Clients in hard copy form.

On an annual basis, CSTB, directly or through its designated agents, prepares the certified annual CSTB trust or custody account statements for the period ending with each plan's fiscal year end. The certified annual statement includes the listing of assets held in the account, a statement of transactions and other account activities, and other management reports, including, where required, reports to support preparation by a Client or its agent of the Department of Labor (DOL) mandated Form 5500 tax return for the applicable plan. In some cases, by agreement with the Client and where allowed by applicable law and/or the underlying trust or custody agreement, CSTB may prepare the annual account statement based on a period other than the fiscal year for the applicable plan.

Closing Account Processing

Upon receipt of a notice of account termination from a Client or Recordkeeper, CSTB Client Services coordinates the collection and/or preparation of required closing account documents, the transfer of assets from CSTB to the successor trustee or custodian appointed by the Client, and the closing of the account on the CSTB trust accounting, trade-order handling, and other systems.

CSTB uses a checklist, developed by management with input by CSTB's legal and compliance departments, to evaluate and implement all activities associated with the closing of the account and transfer of account assets from CSTB.

CSTB Client Services coordinates with the successor trustee or custodian and CSTB Operations to transfer account assets to the successor trustee or custodian. Where required, CSTB Client Services instructs CSTB Operations (i) to liquidate the assets and transfer cash to the successor trustee or custodian or (ii) to transfer physical certificates and other documents to allow safe transfer and reregistration of securities to the successor titleholder.

Upon completion of asset transfers, CSTB Client Services directs CSTB Operations to close the account on CSTB's trust accounting systems.

Charles Schwab Trust Bank Operations

CSTB Operations is responsible for the handling of cash management and securities operations functions on behalf of CSTB Clients and applicable accounts.

CSTB Operations' responsibilities include the following:

- Review and acceptance of new account assets
- Asset custody and control
- Cash receipt/contribution processing
- Cash disbursements processing/tax withholding/remittance and reporting
- Trade order processing
- Trade confirmation/affirmation and securities settlement
- Asset pricing
- Coordination of alternative investment acceptance and valuation directives received from Clients and Recordkeeper
- Income processing
- Corporate actions processing
- Asset trade and position and cash reconciliation with applicable banks, issuers, transfer agents, depositories, sub-custodians, etc.

Asset Custody and Control

CSTB maintains custody of account assets through various custodians and depositories, including, but not limited to, State Street Bank and Trust Company (accounts and collective investment trusts). These relationships are reviewed on an ongoing basis to confirm that the quality and extent of services are adequate for CSTB's needs.

Account assets are held primarily in book entry form. If necessary, physical certificates are held in custody in fireproof storage facilities with CSTB or with the Depository Trust Company ("DTC"). CSTB's facilities used for storage of physical securities are accessible only by designated CSTB employees. Records of physical securities placed into or removed from storage are maintained on designated logbooks. Any security removed from storage is returned no later than at the end of each business day unless certificate is being sent to transfer agent or issuer for reissue. Periodic reconciliations/counts are performed by CSTB Operations.

CSTB Asset Operations is responsible for receipt and delivery of physical securities (other than purchase/sale transactions), the processing of maintenance entries, securities reregistration, and the transfer of securities between accounts, as instructed by the Client or Recordkeeper. Physical securities are received via certified or registered mail. Securities being processed are always maintained under appropriate control. Securities that are delivered to external custodians are sent by an insured party. Confirmation of receipt is determined through a review of the custodian account records accessed online, on statements received from the

custodian, or via direct written confirmation from the custodian. CSTB and the Broker-Dealer, as CSTB's primary sub-custodian for most mutual funds and self-directed brokerage accounts, including Schwab's Personal Choice Retirement Accounts®, are each responsible for monitoring that all securities that they have delivered to a transfer agent are registered accurately. Follow-up is required if the security is not returned within 30 days, and mail loss affidavits are prepared if a security is lost in transit to or from the transfer agent.

Asset lists from applicable CSTB systems, reported on a security, account, or location code basis, are used by CSTB to reconcile the security positions recorded on CSTB's systems with the positions held at each custodian/depository and to research and resolve any discrepancies.

The reconciliations of security positions between custodians or depositories and CSTB's systems are performed on a scheduled basis defined for each custodian or depository.

Transfer of Assets Processing

CSTB Asset Operations is responsible for coordinating incoming and outgoing transfer of assets associated with new account conversions, account terminations, account distributions, and self-directed brokerage account activities in accordance with Client or Recordkeeper instructions and applicable industry requirements. CSTB Asset Operations coordinates the handling of both manual and electronic transfer of assets working with Clients and applicable trustees, custodians, depositories, insurers, mutual funds, and other transfer agents (collectively, "custodians").

Assets are received or transferred in both book entry and physical form. CSTB Asset Operations works closely with applicable custodians to confirm the accurate transfer of assets to be held in the underlying customer account and reregistration of title into or out of CSTB's name, regardless of whether the assets are to be held by CSTB or a sub-custodian or depository appointed by CSTB, including the Broker-Dealer, DTC, etc. Upon verification of the transfer into or out of applicable CSTB registered omnibus or house account(s), the Broker-Dealer, or other sub-custodian or depository for any specific securities, CSTB Asset Operations updates the applicable account records in CSTB's trust accounting system.

Cash Receipt/Contribution Processing

CSTB Cash Operations is responsible for reviewing and processing incoming cash receipts, including plan contributions, into Client accounts in accordance with Client or Recordkeeper instructions. Cash receipts are received in the form of checks, Automated Clearing House (ACH), and wire transfers. Physical checks are restrictively endorsed by the designated CSTB Cash Operations and deposited to a demand deposit account at CSTB.

CSTB Cash Operations coordinates the processing of cash receipts and contributions, receives cash allocation instructions from the Clients and/or Recordkeepers, and posts the cash transactions into CSTB's systems. CSTB Cash Operations maintains all related relevant records for audit purposes.

Cash Disbursements Processing/Tax Withholding and Reporting

CSTB Cash Operations is responsible for reviewing and processing disbursements from the Client accounts in accordance with Client or Recordkeeper instructions. Client disbursements include plan benefit distributions, lump-sum distributions, transfer of accounts in the form of cash, and other miscellaneous payments. Cash disbursement directives are received in the form of written instructions or in electronic data format for more efficient processing through CSTB's systems.

CSTB Client Services receives the disbursement instructions and performs an authorized party review prior to approving the directives and directing cash operations to execute the directives. Production of checks is

performed by Administrative Systems Incorporated (ASI), pursuant to the terms of a servicing agreement between ASI and CSTB.

CSTB serves as tax withholding agent for account disbursements that require federal and/or state tax withholding. As each disbursement is processed, CSTB Cash Operations transfers the taxes withheld from each account into applicable omnibus tax liability accounts established for CSTB for each federal and state tax agency. CSTB Cash Operations remits the aggregated amount of taxes withheld in the tax liability accounts and associated to each federal and state tax agency on a regularly scheduled basis, as required by applicable federal and state laws. Reconciliations are performed on a required basis to each federal or state tax agency to confirm that the total amounts withheld from CSTB's client accounts during the reporting period equal the aggregate amounts remitted to the applicable tax agencies. CSTB Cash Operations prepares and mails individual Internal Revenue Service (IRS) Information Returns (i.e., 1099 Forms) as required to payees, including plan participants and beneficiaries, and as defined for various types of income and other payments. CSTB Cash Operations also files the corresponding payee tax information annually, via either magnetic tape or paper filing, with the applicable tax agencies.

All checks are produced using controlled electronic data systems that format and generate checks with appropriate bank account information and authorized signatures.

CSTB Cash Operations processes outgoing wire requests received from Clients and Recordkeepers. Upon receipt of written instructions, CSTB Cash Operations instructs the applicable bank, via CSTB's proprietary cash management services platform, to wire out the specific amount of funds. Each outgoing wire instruction record is reviewed and approved by a second authorized CSTB Cash Operations employee before release of the wire instruction to CSTB's bank. CSTB also uses ACH capabilities with its banks through the Federal Reserve System, allowing CSTB to transfer funds more efficiently.

Trade Order Processing

CSTB Assets Operations is responsible for reviewing and processing trade orders in Client accounts in accordance with Client, Recordkeeper, or authorized investment manager instructions. Trade directives are processed for both "daytime" order processing and "late-day" order processing (i.e., via the Same Day Exchange (SDE) Program).

Trade orders are generally submitted electronically by the Recordkeepers through various entry points into Schwab systems such as SFTP (Secure File Transfer Protocol) and or website (SRC.com, SAC.com). A small number of trade orders are submitted to CSTB Client Services by the Recordkeeper via email. Client trade files are routed into and automatically reviewed and approved (or rejected) by the Schwab Transaction Approval and Reconciliation System (STAR), CSTB's trade order handling system, based on previously developed system validations. Rejected trade orders are escalated to Clients or Recordkeepers for review and handling.

CSTB Client Services reviews all manually delivered trade orders to validate that the trade orders were submitted and approved by parties previously authorized in writing by the Client.

Approved trade orders for collective trust funds scheduled for daytime order processing through STAR are received, processed, and delivered to collective trust funds, either directly or indirectly via the National Securities Clearance Corporation (NSCC), collected prior to published securities market close hours ("Market Close").

Approved trade orders scheduled for late-day order processing through STAR (via the SDE Program) are received by Recordkeepers prior to Market Close. The approved trade orders are delivered to CSTB after Market Close for subsequent delivery to collective trust funds. These are either delivered directly or via the

NSCC, prior to deadlines applicable to each transfer agent, issuer, or NSCC. The SDE Program allows eligible Clients to reallocate current investments between program-eligible securities held in Client accounts at the current day's closing asset value on both the sell- and purchase-side transactions. CSTB delivers the trade orders on behalf of Clients to the NSCC in the evening hours after Market Close in accordance with the terms of services agreements with collective trust funds.

For both daytime and SDE Program trading, the STAR system automatically reviews each trade order file and individual record loaded into the system; validates file-specific requirements and basic account/security identification data and cash availability for purchase trade orders and asset share/unit availability for sale trade orders. Trade orders that pass all system edit checks, including cash or share/unit availability, are automatically approved by the STAR system for delivery to applicable transfer agents or the Broker-Dealer. Trade order records that are rejected from system edit checks are identified by the STAR system as exceptions, and CSTB Asset Operations reviews and resolves the exceptions.

Upon approval in the STAR system, mutual fund and collective trust fund trades are aggregated by the STAR system for delivery via various trade order mechanisms to the applicable mutual fund transfer agents or collective trust funds or to the Broker-Dealer, acting as sub-custodian with respect to certain assets, for further delivery by the Broker-Dealer to the fund transfer agents or issuers. These trade order processes at both CSTB and the Broker-Dealer include electronic order delivery through the NSCC FundServ system and via other electronic links to various other transfer agents.

Approved trade orders for other publicly traded securities are aggregated by the STAR system and trade order reports are generated. CSTB Asset Operations places the security trades included on the trade order reports through various Broker-Dealer trading desks for execution on the applicable market exchange and settlement through the DTC and other custodians and depositories.

Approved trade orders for non-publicly traded or "closely held" securities, including guaranteed insurance contracts, proprietary mutual funds, collective trust funds not traded through the NSCC, private limited partnerships, closely held stocks, etc., that have been reviewed and accepted by CSTB for holding at either CSTB or the Broker-Dealer (i) are aggregated, where possible, on the STAR system, and individual trade tickets are generated or (ii) delivered directly to CSTB Asset Operations for manual trade order document preparation. In either case, delivery of trade orders to issuers and transfer agents is directly coordinated by CSTB Asset Operations based on each issuer's individual order delivery requirements, including via telephone call, facsimile, and postal service.

Trade Confirmation/Affirmation and Securities Settlement

Mutual funds and securities not eligible for settlement through Depository Trust and Clearing Corporation (DTCC) are generally settled (i) through CSTB's sub-custodial accounts at the Broker-Dealer in nominee accounts for the benefit of CSTB, acting as directed trustee or custodian for its Client accounts, or (ii) physically to CSTB or the Broker-Dealer. Securities not registered in street name are not available for resale until they have been reregistered in CSTB's or the Broker-Dealer's nominee name.

CSTB Asset Operations reconciles and settles trades to Client accounts through the Broker-Dealer, other custodians and depositories, or directly with transfer agents or securities issuers on the applicable settlement date (i.e., generally the day following trade date (T+1) for mutual funds and collective trust funds and two days following trade date (T+2), the contract settlement date, for most other marketable securities, including equities and fixed-income securities). For other securities, payments or proceeds are credited or debited to Client accounts upon actual settlement. CSTB Asset Operations receives or delivers securities versus payment or proceeds via book entry or physical exchange on actual settlement date. IDS provide automated securities settlement on the contract settlement date.

CSTB Asset Operations does not affirm or accept settlement of trades, except those properly authorized by the party with responsibility over investment management of the account and for which funds for payment are available or reasonably expected to be available on settlement date.

On settlement date, all trades are electronically posted to Client accounts on CSTB's systems. The positions, cash, and trade data recorded on both CSTB's systems and the systems of the applicable sub-custodians and depositories are used in the reconciliation processes described below.

Asset Pricing

CSTB Asset Operations is responsible for pricing of positions and trades that are maintained on CSTB's trust accounting systems and that are included in data files delivered daily to each Recordkeeper.

Asset Position Pricing on CSTB's Systems

The pricing of all securities on CSTB's trust accounting systems is required in order to report asset values on Client account statements. Securities are priced electronically on CSTB's systems using data provided by various pricing vendors used either directly by CSTB or by the Broker-Dealer or, as directed by the Client, based on individual security valuations prepared by and received from independent third-party valuation firms.

Mutual fund, collective trust fund, and money market fund securities are generally priced daily, and other publicly traded (primarily equity) securities are priced on other frequencies. Guaranteed contracts and other insurance products and securities issued by other banks are generally manually priced on a monthly basis or updated based on individual issuer account statements provided by the issuer or the Client to CSTB on a periodic basis. When pricing vendors, issuers, or Clients are unable to provide daily or month-end prices, as applicable, by reporting deadlines, CSTB Asset Operations may manually obtain and update asset pricing based on the use of unpriced asset reports obtained from CSTB's trust accounting systems.

Non-publicly traded securities, where prices are not easily or readily available from standard pricing sources, are generally priced on an annual basis based on receipt of valuation reports produced by independent third-party valuation firms. CSTB requests direction from each Client as to whether the Client will obtain and provide the valuation report to CSTB or will direct CSTB to obtain a valuation report from the independent third-party valuation firm. Upon receipt of the valuation report, CSTB Asset Operations updates the asset pricing on CSTB's trust accounting systems, generally after the valuation date, and provides the valuation report to the Client. At the Client's direction, insurance policies, which are non-publicly traded, may be reported at a value of \$1.

Delivery of Asset Position Pricing Data to Clients and their Agents

Each evening, CSTB generates electronic data files that contain account asset position and pricing records maintained on CSTB's systems for delivery to Recordkeepers and other authorized recipients, including investment managers and outside trustees. CSTB transmits the data files electronically to the Recordkeepers and other recipients as requested by the Client. The Recordkeepers and other recipients use the position and transaction records to support updates to their internal recordkeeping and investment management systems and to provide data for their reconciliation processes.

Income Processing

CSTB Asset Operations is responsible for overseeing the processing of dividends and interest income that are due and payable to Client accounts on payable date, investigating underpayments and overpayments, and processing due bills and claims for income. Interest income is recorded to accounts on a cash accounting basis when the income is credited to CSTB by custodians and depositories. Dividend income is recorded to accounts on the ex-dividend date.

For securities held at depositories, information on expected payments is received from the depositories to CSTB's trust accounting system. For physical securities, a printout of the income map is generated by the system and compared to information provided by the paying agent. The amount of income collected is subsequently reconciled to the income maps in the system to identify and resolve differences. The income maps are adjusted, as necessary, and then released for posting into the applicable accounts on CSTB's trust accounting system.

Income paid on non-publicly traded securities, including guaranteed contracts, is recorded based upon the amounts reflected in the statements or other communications received periodically from the security issuer or the Client.

Processing of Client Directives

CSTB receives account-related directives from the Client and/or Recordkeeper and reviews and executes the directives in accordance with the terms of the applicable trust or custody agreements and the requirements of the banking and securities industry. CSTB Client Services is responsible for ensuring that all account transaction directives appear to be submitted by Client authorized parties and delivered to CSTB Operations or other parties for execution and posting to CSTB's trust accounting system.

Delivery of Asset Accrual Data to Clients and Recordkeepers

CSTB transmits data files electronically to Recordkeepers and other recipients through various means such as Secure File Transfer Protocol (SFTP), Schwab Data Delivery (SDD), and email to Clients.

Corporate Actions Processing

CSTB Asset Operations uses CSTB's trust accounting systems to generate reports of both mandatory corporate actions (including stock splits, reorganizations, mergers, etc.) and voluntary corporate actions. The corporate actions are reported based on notifications provided to CSTB's systems by a series of industry pricing and servicing vendors.

CSTB Asset Operations and Client Services coordinate and support the process of notifying clients and Recordkeepers of corporate actions generally associated with employer securities or individual equity securities held in Client accounts. CSTB Asset Operations processes corporate actions based either on the response received from Clients or Recordkeepers or on the published default action assigned by the security issuer. After notification to Clients, CSTB does not monitor or notify Clients of expired corporate actions, tender offers, conversion rights, etc. CSTB Asset Operations posts corporate action activity on CSTB's trust accounting system and files all corporate actions-related documentation in its daily workpapers.

Asset Trade and Position and Cash Reconciliation Processing

CSTB Operations Control reconciles fund positions and overall cash position. CSTB Operations Control prepares reconciliation reports, highlights and escalates exceptions for resolution, and researches and documents each exception item. CSTB management reviews and approves the reconciliation materials.

Trade and Position Reconciliation

Reconciliations of mutual funds, collective trust funds, Automatic Rollover IRA, and money market funds are performed on the STAR system by reconciling data from CSTB's trust accounting systems with corresponding data from the Broker-Dealer's systems (or with trade data provided by other participating brokers' and banking systems or the NSCC) on a daily basis on the day after trade date (T+1). The STAR system has a complex electronic trade-matching protocol that allows CSTB Operations Control to concentrate its efforts on identifying and clearing exceptions. The reconciliations of trades and positions for nonmutual fund securities

in custody at DTCC, the Broker-Dealer, or other broker-dealers are generally performed daily. The reconciliations of trades and positions for guaranteed contracts and other non-publicly traded securities in custody at various insurance companies, transfer agents, and fund companies are performed on no less than a monthly or quarterly basis.

Reconciliations of equities and other publicly traded nonmutual fund securities are performed by reconciling data from CSTB's trust accounting system with data from the systems of the various custodians, including the DTCC. CSTB's systems provide electronic reconciliation functionality via data links between the systems of CSTB and each custodian. Position reconciliations generally occur daily and trade reconciliations are performed each day on T+1.

Reconciliations of non-publicly traded securities (including guaranteed investment contracts) are generally performed by reconciling data from CSTB's trust accounting systems with corresponding data from account statements provided by security issuers.

Suspense Account Reconciliation

Operations Control creates a monthly report for escalation to management of all outstanding items in a suspense account based on dollars and days aged. CSTB Operations performs daily reviews of suspense accounts. Exception items ("breaks") are reviewed and cleared by Operations teams as needed.

Cash Reconciliation

CSTB Operations Control prepares daily cash reconciliation reports, comparing the total of all cash-related activity posted to CSTB's systems to the total cash balances held by CSTB daily. To support the reconciliation process, CSTB Operations Control maintains various supporting documents and reports.

Cash-related transactions associated with trade and income processing are reviewed and balanced each day as part of the trade execution and settlement process.

CSTB Operations Control works with CSTB Asset Operations and CSTB Cash Operations to resolve any out-of-balance items as soon as possible. CSTB management performs the final supervisory review daily.

Description of Charles Schwab Trust Bank Accounting System

The following is a listing of CSTB's key trust accounting system and their relationships to Recordkeepers, brokers, and depositories/custodians:

SEI Trust 3000

SEI Global Services, Inc. (SEI) provides data processing and trust accounting system services to CSTB. CSTB maintains an ongoing vendor due diligence process for overseeing SEI's performance against agreed-upon service levels and reviews SEI's service auditor's report on an annual basis to identify any issues with respect to the SEI's published internal control objectives for the following SEI Trust 3000 system applications:

SEI Trust 3000 Trust Accounting System: Trust accounting system that provides numerous application processing services is hosted and supported by SEI in a service bureau capacity. The system is the official Books and Records of CSTB.

ASI Check Issuance and Customer Tax Reporting Systems

ASI provides data processing and disbursement and tax reporting system services to CSTB, that allow CSTB to process lump-sum distributions and related tax reports (e.g., IRS Form 1099-R) and to report taxable distributions to government tax agencies. These systems are hosted and supported by ASI in a service bureau environment electronically, interface with CSTB's trust accounting systems.

STAR System

CSTB maintains STAR system that processes electronically delivered trade orders, cash receipts and wires, and other operational transactions received from Clients or Recordkeepers. Each Recordkeeper electronically transmits trade orders from its recordkeeping system(s) to the system for trade execution and settlement each day. The system is also used by CSTB to (i) return trade confirmation and position information back to the Recordkeeper, (ii) electronically deliver approved trade orders to the Broker-Dealer and the NSCC, and (iii) manually deliver approved trade orders to the security exchanges and other securities issuers and transfer agents. STAR also supports the electronic receipt and posting of cash receipts and trades to the SEI Trust 3000 system and automates portions of CSTB's reconciliation and cash settlement activities. BETE is a component of the STAR system that is used by CSTB as a recordkeeping repository.

System Security and General Segregation of Duties

System privileges have been granted only to authorized personnel and or employees of CSTB and its affiliates in accordance with Schwab-defined policies and as approved and periodically reviewed by CSTB's management. Access to CSTB's client data on Schwab's systems and wide area network is protected on users' terminals via password controls (both at the personal computer and the individual systems' application levels, as applicable). Key standards within the Schwab IT password policy for user accounts are:

- Passwords must be a minimum of eight characters in length.
- The password must contain at least three out of four of the following categories:
 - Uppercase characters
 - Lowercase characters
 - Number
 - Non-alphanumeric characters
- Passwords must be changed every 90 days to a new and unique password.
- Depending on the system, incorrect password attempts will result in the user account being suspended from access.
- Users must not be able to construct passwords that are identical passwords they have previously employed in the last six times they have changed their password. Selections for new passwords are checked against the history and rejected if there is a match.

In accordance with the Identity and Access Management policy set at the firm, the business actively manages and oversees various aspects of system security and segregation of duties.

For systems access, business owners are required to create templates restricting access as required. On a periodic basis templates are reviewed for accuracy and update along with annual attestations. System entitlement definitions are communicated to a central SOD (segregation of duties) team who leverage a tool to identify conflicts based on pre-defined rules. All conflicts are either remediated or justified by the business as an acceptable risk.

Systems Strategy

CSTB has outsourced certain portions of its IT needs, including engaging third parties to host and support the majority of CSTB's systems. In addition to proprietary development efforts, external software development firms having proven expertise in the development of financial applications may be engaged to provide development support.

Schwab maintains a wide area network for computer-based systems applications, including word processing and spreadsheet software, disbursements processing applications, and the STAR system. Schwab's IT teams are responsible for installing network connections and maintaining network equipment. The network is supported by an uninterrupted power source and backed up nightly, with data discs shipped to off-site storage on a daily basis. Authorized personnel perform network monitoring and maintenance.

Systems Oversight

Schwab's Systems Technology teams maintain a staff of professionals to oversee CSTB's systems, including participating in the management of critical systems vendors. Because many of the operational and support tasks for production systems fall to CSTB's vendors, day-to-day management of these relationships is extremely important. Schwab's Systems Technology teams also work with CSTB's management to define requirements for new development efforts and for updates to existing systems. Once requirements have been defined, the design, development, and quality assurance testing of new applications and updates are the responsibility of the systems team with the participation, support, and oversight by CSTB management and employees.

Systems Development Process

Requests for system enhancements managed by either Schwab IT or CSTB management are submitted through the IT team for development, either internally or by external systems vendors. All requests are channeled through the following process:

- Project request
- Technical assessment
- Business assessment
- Application programming
- Testing
- Management review
- Implementation

System enhancements are not released into production until the appropriate testing, sign-off, and documentation steps related to the development effort are complete. These application change management processes and controls are within the scope of this report. Controls related to production migration access is included in the IT services' SOC 1 Report. Changes made to the related infrastructure including the system software and databases are included in the Charles Schwab & Co., Inc. Information Technology Organization ("Schwab IT") SOC 1 Report². Schwab IT provides IT services to CSTB as a subservice organization and these are not covered in the scope of this report.

² This service is not within the scope of this report. Descriptions of the systems, policies, procedures, and control objectives related to this service have been intentionally excluded from this report and any information provided is for information purposes only.

Complementary Subservice Organization Controls (CSOC)

Charles Schwab Trust Bank's (CSTB) Service Organization's controls related to trust and custody services provided to Client accounts cover only a portion of overall internal controls for each user entity of Schwab's Information Technology Organization (IT). It is not feasible for the control objectives related to trust and custody services to be achieved solely by CSTB. Therefore, each user entity's internal control over financial reporting must be evaluated in conjunction with Schwab's IT organization's controls and the related tests and results described in section 4 of this report, taking into account the related complementary subservice organization controls expected to be implemented at the subservice organization as described below.

Table 1 - Subservice Organizations

Schwab IT Complementary Subservice Organization Controls	Related Control Objective
Schwab's Information Technology (IT) organization is responsible for administering and maintaining logical security over the infrastructure upon which the CSTB applications are hosted.	10
Schwab's Information Technology (IT) organization is responsible for maintaining infrastructure in accordance with Schwab's change management standards.	11
Schwab's Information Technology (IT) organization is responsible for maintaining physical security over its data center in which the servers used to host the CSTB applications.	Related control objectives excluded from the scope of CSTB SOC 1 report. They are fully addressed by controls at carved-out subservice organizations ³
Schwab's Information Technology (IT) organization is responsible for backup and recovery procedures.	
SEI Complementary Subservice Organization Controls	Related Control Objective
SEI is responsible for administering and maintaining logical security over the infrastructure upon which the CSTB applications are hosted.	10
SEI is responsible for maintaining infrastructure in accordance with Schwab's change management standards.	11
SEI is responsible for maintaining physical security over its data center in which the servers used to host the CSTB applications.	Related control objectives excluded from the scope of CSTB SOC 1 report. They are fully addressed by controls at carved-out subservice organizations ³
SEI is responsible for backup and recovery procedures.	

³ These objectives are not within the scope of this report. Descriptions of the systems, policies, procedures, and control objectives related to this service have been intentionally excluded from this report, our examination did not extend to the controls of the aforementioned subservice organization. These services are covered in the Schwab IT and SEI services' SOC 1 Reports.

Table 2 – Other Service Providers

Table 2 below contains service providers for which CSTB's controls alone are sufficient to meet the needs of user entities' internal control over financial reporting (that is, achievement of the control objectives in Section 4 are not dependent on the service provider's controls). Therefore, these service providers are classified as "vendors" and the scope of the report does not include controls and related control objectives of the following:

Vendor Name	Type of Services Provided
Administrative Systems, Inc. (ASI)	Check printing, Tax form production and mailing services
Depository Trust & Clearing Corporation (DTCC), Deposit Trust Company (DTC), and National Securities Clearance Corporation (NSCC)	Depository, custodian, clearing and transfer agent services
Charles Schwab Investment Management, Inc. (CSIM)	Investment Advisor
Schwab Retirement Plan Services, Inc. (SRPS)	Recordkeeper

Complementary User Entity Controls

Processing of transactions for CSTB's Client accounts and CSTB's associated internal control environment represent a portion of the overall internal control environment associated with each account. It is not feasible for the control objectives relating to the processing of transactions to be solely achieved by CSTB. The operations and systems controls provided by each Client and Recordkeeper should be evaluated in conjunction with CSTB's controls and testing summarized in the following section of this report.

This section highlights internal control responsibilities that CSTB assumes will be present and operating effectively and which were included within the design of the controls described in this report. In order for Clients to rely on the reported controls, each Client and Recordkeeper should evaluate its internal controls to determine if the following controls are functioning effectively.

Furthermore, the following list of controls is intended to address only those controls anticipated in the interface and communication between each Client, Recordkeeper, and CSTB; they do not purport to be, and are not, a complete listing of the controls that provide a basis for the assertions underlying the plan's financial statements for each Client.

Complementary user entity controls	Relevant company control objective
Information provided to CSTB by the Client or Recordkeeper is complete and accurate.	1, 2, 4, 7, 9
Controls over physical and logical access to CSTB's systems via terminals at Client or Recordkeeper locations are established, monitored, and maintained by the Client or Recordkeeper	10
Timely written notification of changes to account documents, preselected account investments, investment managers, or other material account-related information is communicated to CSTB.	1, 2, 4, 7, 9

Complementary user entity controls	Relevant company control objective
Timely written notification of changes to individuals authorized to instruct CSTB on behalf of the Client or Recordkeeper is communicated to CSTB.	1, 2, 4, 7, 9
Timely review of reports provided by CSTB of CSTB account assets and related transactions is performed by the Client or Recordkeeper, and written notice is provided to CSTB of discrepancies as compared to the Client's or Recordkeeper's own records.	2, 4, 7, 9
Timely notification to CSTB of changes in related parties for purposes of identifying party in interest and prohibited transactions.	1, 2
Instructions and information provided to CSTB from the Client or Recordkeeper are in accordance with the provisions of the account agreement or other applicable governing agreements or documents between CSTB and the Client.	2, 4, 7, 9
<p>Each Client or its Recordkeeper, as an authorized agent of the Client, is responsible for establishing procedures for delivering the following processing directives to CSTB in a complete, authorized, and timely manner and in accordance with the applicable Client account documents (including applicable trust or custody agreements and/or services agreement(s) signed by CSTB and the Client and/or Recordkeeper, as applicable):</p> <ul style="list-style-type: none"> Instructions to modify account data Directives to post contributions to accounts Directives to distribute lump-sum and benefit distributions, and other account disbursements Directives to initiate investment transactions, including the purchase and/or sale of securities Directives to close out accounts and to transfer account assets to successor trustees or custodians 	1, 2, 4, 7, 9

Control Objectives and Related Controls Provided by Schwab

Control objectives and related controls provided by Schwab are included in Section 4 of this report, "Management of CSTB's Description of Its Control Objectives and Related Controls, and Independent Service Auditor's Description of Tests of Controls and Results." Although the control objectives and related controls are included in Section 4 and may not be included in Section 3, they are, nevertheless, an integral part of the description of controls of Schwab.

Section 4: Management of CSTB's
Description of Its Control
Objectives and Related
Controls, and Independent
Service Auditor's Description of
Tests of Controls and Results

Description of testing procedures performed

Deloitte & Touche LLP performed a variety of tests relating to the controls listed in this section throughout the period from January 1, 2023 through December 31, 2023. Our tests of controls were performed on controls as they existed during the period of January 1, 2023 through December 31, 2023 and were applied to those controls specified by CSTB.

In determining the nature, timing, and extent of tests, we considered (a) the nature and frequency of the controls being tested, (b) the types of available evidential matter, (c) the assessed level of control risk, (d) the expected effectiveness of the test, and (e) our understanding of the control environment. In addition to the tests listed below, we ascertained through multiple inquiries with management and the control owner that each control activity listed below operated as described throughout the period. Tests performed are described below:

Test	Description
Corroborative inquiry	Conducted detailed interviews with relevant personnel to obtain evidence that the control was in operation during the report period and is accompanied by other procedures noted below that are necessary to corroborate the information derived from the inquiry.
Observation	Observed the performance of the control during the report period to evidence application of the specific control activity.
Examination of documentation/inspection	If the performance of the control is documented, inspected documents and reports indicating performance of the control.
Reperformance of monitoring activities or manual controls	Obtained documents used in the monitoring activity or manual control activity, independently reperfomed the procedures, and compared any discrepancies identified with those identified by the responsible control owner.
Reperformance of programmed processing	Input test data, manually calculated expected results, and compared actual results of processing to expectations.

Reliability of information produced by the Service Organization

We performed procedures to evaluate whether the information provided by the service organization, which includes (a) information in response to ad hoc requests from the service auditor (e.g., population lists), and (b) information used in the execution of a control (e.g., exception reports or transaction reconciliations), was sufficiently reliable for our purposes by obtaining evidence about the accuracy and completeness of such information and evaluating whether the information was sufficiently precise and detailed for our purposes.

Our procedures to evaluate whether this information was sufficiently reliable included procedures to address (a) the accuracy and completeness of source data, and (b) the creation and modification of applicable report logic and parameters. While these procedures were not specifically called out in the test procedures listed in this section, they were completed as a component of our testing to support the evaluation of whether or not the information is sufficiently precise and detailed for purposes of fully testing the controls identified by the Service Organization.

Reporting on results of testing

The concept of materiality is not applied when reporting the results of control tests because Deloitte & Touche LLP does not have the ability to determine whether an exception will be relevant to a particular user entity. Consequently, Deloitte & Touche LLP reports all exceptions.

#1. Controls provide reasonable assurance that new and modified accounts are authorized and set up completely, accurately, and timely in accordance with the terms and conditions of account opening documents, including the governing trust or custody agreements or client instructions.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>1A— The Trust Administrative Committee (TAC) accepts new accounts in accordance with the requirements of the TAC, using the Account Opening Wizard on SRC.Schwab.com and the Bank’s published policies, and such acceptance is subsequently ratified by the Fiduciary Committee of the Bank’s Board of Directors (“the Board”). Actions that are exceptions to the standard process are reviewed at a TAC monthly meeting to confirm they follow TAC Charter and Trust Policies Manual.</p> <p>For Auto IRA accounts, CSTB receives an electronic file, or a directive from the Plan Admin when a participant account is pushed out of an existing plan, and funds are moved to CSTB. Actions that are exceptions to the standard process are monitored through resolution.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Conversion & Implementation and Manager - Operational Control regarding procedures and controls in place for the acceptance of new accounts.</p> <p>Inspection – For a sample of new accounts, obtained and inspected the corresponding meeting minutes and account approval reports to ascertain that the selected accounts were approved by the TAC and subsequently ratified by the Fiduciary Committee of the Bank’s Board to confirm they follow TAC Charter and Trust Policies Manual. For IRA accounts, obtained and inspected the corresponding account opening directive and welcome documentation sent to the participant as proof of the new account opening.</p>	<p>No exceptions noted.</p>

#1. Controls provide reasonable assurance that new and modified accounts are authorized and set up completely, accurately, and timely in accordance with the terms and conditions of account opening documents, including the governing trust or custody agreements or client instructions.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
1B— CSTB Conversion and Asset & Account (A&A) Team ascertain through inspection of the accounts set up, that new accounts are set up completely and accurately in CSTB's trust accounting and trade order handling systems ('SEI Trust 3000' and 'STAR') in accordance with the account opening documents, including the Client agreements, prepared by the Client.	<p>Inquiry – Made inquiries of the Sr. Manager - Conversion & Implementation, regarding procedures and controls in place to completely and accurately setup accounts on CSTB's trust accounting (SEI Trust 3000) and trade order handling (STAR) systems per client agreements.</p> <p>Observation – Observed Asset & Account Team employees review a sample new account for the complete and accurate setup in CSTB's trust accounting and trade order handling systems in accordance with the account opening documents.</p> <p>Inspection – For a sample of new plan accounts, obtained and inspected the corresponding 'Charles Schwab Trust Bank Custody Trust Account Opening Checklist', and ascertained that the Conversions Team reviewed the account for complete and accurate setup as indicated by sign-off on the form by a conversion analyst.</p> <p>For a sample of new IRA accounts, obtained and inspected the corresponding directives used to monitor the account setup process, and ascertained that the Conversions Team reviewed the account for complete and accurate setup per client agreements.</p>	No exceptions noted.

#1. Controls provide reasonable assurance that new and modified accounts are authorized and set up completely, accurately, and timely in accordance with the terms and conditions of account opening documents, including the governing trust or custody agreements or client instructions.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>1C— CSTB Trust Administration employees review the account opening documents within 90 days after the account has been newly funded for trust accounts to ascertain that required documents have been received from incoming clients completely and accurately. Exceptions noted are entered into and tracked by CSTB's exception tracking system to resolution.</p> <p>For the automatically setup IRA accounts, a welcome kit is sent out to the client once the account setup review is complete. Exceptions noted are monitored through resolution.</p>	<p>Inquiry – Made inquiries of the Director - Business Unit Risk and Manager - Business Unit Risk, regarding the procedures and controls in place for the complete, accurate, and timely review of newly funded accounts. In addition, inquired regarding process of monitoring and escalation of exceptions identified.</p> <p>Inspection – For a sample of newly funded CSTB accounts, ascertained through inspection of the 'Newly Funded Account Review Checklist' and the IRA system record that the account was reviewed within 90 days after the account was funded, or within the following month for IRAs. Any exceptions noted were followed up and tracked to resolution.</p>	<p>No exceptions noted.</p>
<p>1D— CSTB Conversions team employees ascertain through inspection of the accounts modified by the CSTB Asset Operations team, that accounts modified are updated completely and accurately in CSTB's trust accounting and trade order handling systems (SEI Trust 3000 and STAR) in accordance with client instructions.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Conversion & Implementation, regarding procedures and controls in place to ascertain that account modifications are made completely, accurately, and timely, and per the client authorization within the client instruction documents.</p> <p>Inspection – For a sample of modified accounts, obtained the corresponding email approval sent from the Conversion Team to the Asset Operations team, and ascertained that the conversions team reviewed the account modification for complete, timely and accurate modification per client's instructions.</p> <p>Inspection – For a sample of modified accounts, inspected the account details within SEI and ascertained that the account had been accurately modified per client instructions.</p>	<p>No exceptions noted.</p>

#2. Controls provide reasonable assurance that investment purchase and sale instructions received from clients are authorized and processed accurately, completely, and timely.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
2A— For Recordkeepers requesting to trade on behalf of client accounts, the CSTB Advisor Transition Services Team employees review the client account file to confirm that there is an information services agreement between the recordkeeper and the bank.	<p>Inquiry – Through corroborative inquiries with Sr. Manager - Conversion & Implementation, ascertained that procedures and controls are established for verification of recordkeeper Information Service Agreements.</p> <p>Inspection – For each selected sample, obtained the confirmation and attached implementation timeline sent by the Advisor Transition Services Team to the TPA (recordkeeper) and confirmed an Information Services Agreement was on file between CSTB and the recordkeeper. Additionally, obtained the corresponding Information Service Agreement (ISA) to ascertain that CSTB is authorized to receive trade instructions from the new recordkeeper on behalf of the client and that the ISA had been signed-off by appropriate personnel.</p>	No exceptions noted.
2B— CSTB Advisor Transition Services employees ascertain the Recordkeeper's trading capabilities and setup completion. This is performed ascertaining that the electronic trade file setup has been completed and tested for accurate trade order delivery, or confirmation the recordkeeper will trade manually on Schwab Retirement Center (SRC).	<p>Inquiry – Through corroborative inquiries with Sr. Manager - Conversion & Implementation, ascertained that procedures and controls are established for the setup of recordkeepers to submit electronic trade instructions.</p> <p>Inspection – For each sample selected, obtained evidence that the ISA was on file for the new recordkeeper and that the electronic trade file setup was completed as it was tested for accurate trade order delivery. For any exceptions, confirmed that the issue was followed up on and resolved prior to the execution of trade orders submitted by the new recordkeeper.</p>	No exceptions noted.

#2. Controls provide reasonable assurance that investment purchase and sale instructions received from clients are authorized and processed accurately, completely, and timely.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>2C— CSTB Client Services employees assigned to each account review the signature on the manual trade order received from the retirement plan client or its Recordkeeper, to ascertain that it is from an authorized party. This is performed prior to forwarding the authorized trade orders/directive to the trade support team for processing in CSTB's trade order handling system (STAR), Trade Support reviews manual trades entered as evidenced by their sign-off on the Trade Audit Report.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Trading Operations regarding the procedures and controls in place for the review of manual trades.</p> <p>Inspection – For a sample of manual trades, obtained and inspected the corresponding Trade Audit Report and ascertained that the Trade Support Team had compared the signature on the manual trade order received from the retirement plan client or its Recordkeeper, to the authorized signatory on file, as evidenced by their sign-off on the Trade Audit Report.</p> <p>Inspection – For a sample of manual trades, inspected the corresponding manual trade directive and the corresponding retirement plan client or its Recordkeeper's authorization signature list, and ascertained that each directive was from an authorized source.</p>	<p>No exceptions noted.</p>
<p>2D— On a daily basis, trade orders are processed in CSTB's trade order handling system (STAR) timely, in accordance with published trade delivery deadlines configured within the system, including those for CSTB's Same Day Exchange (SDE) Program and/or market exchange deadlines.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Business Systems Analysis and Sr. Manager - Product Owner regarding procedures and controls in place for the execution of trades.</p> <p>Observation – Observed the Sr. Manager - Product Owner, submit a sample of trades in the trade order handling system (STAR) test environment before and after the system cutoff time per the specifications. Ascertained that trade orders were processed in STAR according to the SDE program specifications and/or market exchange deadlines. In addition, observed with the Software Contractor the software versions of the test and production environments, and ascertained that the test environment software is the same as production.</p>	<p>No exceptions noted.</p>

#2. Controls provide reasonable assurance that investment purchase and sale instructions received from clients are authorized and processed accurately, completely, and timely.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
2E— Manual trade orders are input into CSTB's trade order handling system (STAR) by one authorized CSTB Asset Operations employee, and the entries are reviewed for accuracy and completeness by a second authorized employee. Exceptions are monitored through resolution.	<p>Inquiry – Made inquiries of the Sr. Manager – Trading Operations regarding procedures and controls in place for the complete and accurate processing, review of trades, and the follow-up and resolution of exceptions identified during review.</p> <p>Inspection – For a sample of manual transactions, obtained and inspected the corresponding manual trade directive and ascertained that trades were reviewed for accuracy and completeness by a CSTB representative independent from the representative who entered the trade. Ascertained that no variances existed in the samples selected for examination.</p>	No exceptions noted.
2F— On a daily basis, trade orders that are rejected by CSTB's trade order handling (STAR) system are reviewed and processed through resolution by designated CSTB Operations employees.	<p>Inquiry – Made inquiries of Sr. Manager - Trading Operations regarding procedures and controls in place for automated posting of electronically received trades and the process of clearing trade exceptions.</p> <p>Observation – For a sample of test transactions within the production environment, observed that test trades with errors were rejected and reflected within the Trade Audit Report.</p> <p>Inspection – For a sample of days and trade exceptions, obtained and inspected the Trade Audit Reports and ascertained each report had been reviewed and signed-off by CSTB management. Additionally, selected a sample of rejected trades from each report and obtained supporting documentation validating each rejected trade was reviewed and resolved/cleared by a Trade Support Team employee as evidenced by their sign-off.</p>	No exceptions noted.

#3. Controls provide reasonable assurance that securities' positions and cash balances are reconciled completely, accurately, and timely.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>3A— Ops Control - Recon team employees reconcile client securities' positions at depositories, sub-custodian, issuers, or transfer agents on a periodic, regularly scheduled basis to CSTB's trust accounting system (SEI Trust 3000), based on the type of security, frequency of trading, and method of trading and reconciliation. Management (or their Subject Matter Expert "SME" delegates) monitors for timely resolution of out-of-balance items.</p>	<p>Inquiry – Made inquiries of the Manager - Operations and Manager - Trading Operations, regarding procedures and controls in place for the complete, accurate, and timely reconciliation of client security positions to CSTB's trust accounting system.</p> <p>Inspection – For a sample of security types and days, months, and quarters (depending on the frequency of trading and reconciliation), obtained and inspected associated reconciliation documentation and ascertained reconciliation was performed and out-of-balance items were reviewed and resolved timely by Management as evidenced by sign-off.</p>	<p>No exceptions noted.</p>
<p>3B— The Ops Control - Recon team employees reconcile client cash balances held on deposit at Charles Schwab Trust Bank and other financial institutions to CSTB's trust accounting (SEI Trust 3000) completely and accurately and on a daily basis. Management monitors for timely resolution of out-of-balance items.</p>	<p>Inquiry – Made inquiries of the Manager - Operations, regarding procedures and controls in place for complete, accurate, and timely reconciliation of client cash balances to CSTB's trust accounting system and the monitoring of out-of-balance items through resolution.</p> <p>Inspection – For a sample of days, obtained and inspected associated cash reconciliation reports and ascertained that daily cash reconciliations were performed. Ascertained that variances were reviewed and resolved timely as evidenced by the sign-off from CSTB management.</p>	<p>No exceptions noted.</p>

#4. Controls provide reasonable assurance that corporate actions are authorized, recorded, and processed completely, accurately, and timely and that investment income is processed completely, accurately, and timely.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>4A— CSTB's trust accounting system (SEI Trust 3000) performs income payment calculations as investment income rates are published, and the CSTB Asset Operations employees review differences between the rate provider and CSTB's trust accounting system to resolution. CSTB Asset Operations Management monitors for timely resolution of out-of-balance items.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Trading Operations, regarding procedures and controls in place for complete, accurate, and timely processing of investment income payments to client accounts and resolving payment discrepancies between SEI Trust 3000 and the rate provider.</p> <p>Observation – Observed an Asset Operations team employee perform rate reconciliations, date, and sign-off on reports to indicate review.</p> <p>Inspection – For a sample of months, obtained and inspected the reconciliations and ascertained that investment income payment differences above the threshold between SEI Trust 3000 and the rate providers were researched and cleared, and that out-of-balance items are monitored by management for timely resolution.</p>	<p>No exceptions noted.</p>
<p>4B— CSTB Asset Operations employees review corporate actions (mandatory and voluntary) generated from the DTC system via TSO to ascertain that they are executed completely, accurately, and timely according to mandated instructions (mandatory actions) or client instructions (voluntary actions) and sign-off as evidence of their review.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Trading Operations regarding procedures and controls in place for the identification and recording of corporate actions.</p> <p>Inspection – For a sample of mandatory and voluntary actions, ascertained complete, accurate, and timely execution of action by inspecting updates within SEI Trust 3000.</p> <p>Inspection – For a sample of days, obtained and inspected the 'Daily Equity Reconciliation Checklist' and ascertained that review of complete, accurate, and timely execution of corporate actions was performed by CSTB operations as indicated by sign-off on the checklist.</p>	<p>No exceptions noted.</p>

#5. Controls provide reasonable assurance that access to the trust vault is authorized and that assets added or removed from the vault are completely and accurately recorded in the vault records.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
5A— Access to the vault requires two authorized individuals, limited to the CSTB Operations group commensurate with the employees' job responsibilities. Quarterly review of the access personnel is performed by management.	<p>Inquiry – Made inquiries of the Sr. Manager - Operations and Sr. Specialist - Operations regarding procedures and controls in place for restricting access to the vault.</p> <p>Observation – Observed that access to the vault was restricted and required two keys to be opened. Ascertained that two authorized individuals are required to be present to open the vault. In addition, observed that an access log is maintained and entered into for assets entry or retrieval.</p> <p>Inspection – For a sample of vault access logs, ascertained that the visits were by CSTB Operations only, or were accompanied by authorized personnel. For a sampled quarter, obtained evidence of vault user access review and ascertained that it was reviewed by the Risk Analysis Team as evidenced by the sign-offs from management. Further noted that discrepancies, if any, were investigated and monitored through resolution.</p>	No exceptions noted.
5B— On a quarterly basis, CSTB Operations Control employees complete vault inventories to validate that the addition to or removal of physical securities and other records from the vault are complete and accurate and approved by vault personnel.	<p>Inquiry – Made inquiries of the Sr. Manager - Operations and Sr. Specialist - Operations regarding procedures and controls in place for performing inventory reviews for the completeness and accuracy of assets stored in the vault.</p> <p>Inspection – For a sampled quarter, inspected a vault inventory review that included a comparison of the master inventory file to the access log and ascertained that the review was approved by the Director - Operations or Sr. Manager - Operations as indicated by their sign-off.</p>	No exceptions noted.

#6. Controls provide reasonable assurance that cash receipts are recorded to client accounts completely, accurately, and timely.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>6A— On a daily basis, cash receipts that are manually received are input into the Cash Receipts template by one Operations team employee. Entries are reviewed and approved for accuracy, completeness, and timeliness and then uploaded into CSTB's processing system (STAR) by a second employee.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Operations regarding procedures and controls in place for the timely, complete, and accurate processing and subsequent review of manual cash receipts in STAR.</p> <p>Observation – For a sample of cash receipts, observed Operations associate enter a cash receipt into the template and load the template into STAR.</p> <p>Inspection – For a sample of cash receipts, obtained and inspected the corresponding Payment Detail Report used to monitor and track cash receipts, and ascertained the corresponding STAR screenshots to ensure matching dollar amounts. Reviewed Payment Detail Reports and confirmed each was approved by another Operations team member for accuracy, completeness, and timeliness.</p> <p>Inspection – For a sample of cash receipts, compared cash amounts and date of entry in STAR to check deposit amounts and check receipt date to ascertain that STAR had been updated completely, accurately, and timely.</p>	<p>No exceptions noted.</p>

#6. Controls provide reasonable assurance that cash receipts are recorded to client accounts completely, accurately, and timely.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>6B— Daily reports of electronically received cash receipts that reject for incomplete or inaccurate posting to client accounts are reviewed and approved for processing by a CSTB Cash Operations team lead or delegate and variances between SEI Trust 3000 (UPI Report) and STAR are monitored through resolution. UPI items over \$2 million are reviewed by CSTB Cash Operations Team Lead or delegate.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Operations regarding procedures and controls in place for the daily review of rejected cash receipts, and resolution of processing exceptions.</p> <p>Observation – For a sample of rejected cash receipts, observed that the inaccurate or incomplete cash receipts are rejected as expected and that such items are captured within the unprocessed items (UPI) report for review and resolution.</p> <p>Inspection – For a sample of days, obtained and inspected associated UPI reconciliation reports and ascertained that reports have been reviewed and signed-off by Operations team lead or delegate. In addition, for a sample of unreconciled electronically received cash receipts, ascertained that the receipts had been monitored to resolution. If a UPI item was over \$2 million, ascertained it was reviewed by an Operations Team Lead or delegate.</p> <p>Inspection – For a sample of days and wires, ascertained that timely resolution of discrepancies was performed by comparing the date of entries and wire amounts from the UPI report to the STAR system.</p>	<p>No exceptions noted.</p>

#7. Controls provide reasonable assurance that cash disbursements are authorized and recorded completely, accurately, and timely to client accounts and tax withholdings are recorded accurately, completely, and timely.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>7A— CSTB Client Services employees assigned to each account ascertain through comparing authorized signature on the authorized party list, that the signature on each manual disbursement or distribution instruction received from a Recordkeeper or client is that of an authorized Recordkeeper or client party. CSTB Client Service employee reviews directive against the authorized party signer list and forwards electronic copy of directive via e-mail to Distribution Team Mailbox for processing.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Institutional regarding procedures and controls in place for review and approval of manual disbursement directives.</p> <p>Inspection – For a sample of disbursements, inspected the associated client directive for evidence of approval by a client service representative and authorization by the Client or Recordkeeper. Further, ascertained that the Client Services employees had reviewed the disbursement for authorization against the authorized party signer list as indicated by their sign off. Electronic copies were the provided to the Distribution Team Mailbox for processing.</p>	<p>No exceptions noted.</p>
<p>7B— On a daily basis, disbursement and distribution instructions that are manually received are input into CSTB's disbursement system (InnoPay) by one CSTB Cash Operations employee and the entries are reviewed for accuracy, timeliness, and completeness by a second employee. Exceptions are monitored through resolution.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Operations and Team Lead - Operations and the regarding procedures and controls in place for the complete, accurate, and timely processing and secondary review of manual disbursement instructions. Inquired of the procedures for monitoring exceptions noted through resolution.</p> <p>Inspection – For a sample of manual disbursements, inspected disbursement documentation for evidence of processing by one Operations employee and secondary review for completeness, timeliness, and accuracy by another. Further noted that exceptions, if any, were monitored through resolution.</p> <p>Inspection – For a sample of manual disbursements, ascertained through comparison of disbursements in the Innopay system to directives, that the disbursements were entered completely and accurately within the Innopay disbursement system.</p>	<p>No exceptions noted.</p>

#7. Controls provide reasonable assurance that cash disbursements are authorized and recorded completely, accurately, and timely to client accounts and tax withholdings are recorded accurately, completely, and timely.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>7C— On a daily basis, CSTB Cash Operations team employees compare the totals of printed checks, wires, and ACH disbursements processed to that day's final check registers and disbursement system totals to ascertain complete, accurate, and timely processing. Exceptions are monitored through resolution.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Operations and Team Lead - Operations, regarding procedures and controls in place for reconciliation and approval of total outgoing amounts to that day's final check registers and disbursement system totals to ascertain complete, accurate, and timely processing. Inquired of procedures to monitor exceptions through resolution.</p> <p>Inspection – For a sample of days, inspected the associated end-of-day balancing checklist utilized for reconciliation, for evidence of review and approval by Operations team employees. Further noted that exceptions, if any, were monitored through resolution.</p> <p>Reperformance – For a sample of days, compared the gross outgoing amounts to that day's final check registers and disbursement system totals.</p>	<p>No exceptions noted.</p>

#7. Controls provide reasonable assurance that cash disbursements are authorized and recorded completely, accurately, and timely to client accounts and tax withholdings are recorded accurately, completely, and timely.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
7D— CSTB Cash Operations team employees compare the totals of the taxes withheld with the amount remitted on a daily and annual basis within SEI Trust 3000 and Innopay to facilitate the accurate, complete, and timely delivery of taxes for reporting to the IRS. This process is reviewed quarterly based on the monthly reconciliations by CSTB Cash Operations Tax Team.	<p>Inquiry – Made inquiries of the Manager - Operations regarding procedures and controls in place for the reconciliation of total taxes withheld with the amount remitted on a daily and annual basis.</p> <p>Observation – For a sample of days, observed an Operations Team employee process the daily tax reconciliation sheets.</p> <p>Inspection – For a sample of days, obtained and inspected daily tax reconciliation sheets. Ascertained that reconciliation had been performed with variances itemized and followed up as evidenced by sign-offs by the Operations team employees and notes on the reconciliation reports. In addition, for a sample of quarters, obtained and inspected the quarterly tax remittance documentation and ascertained that it had been reviewed and approved by the Manager - Operations, and remitted timely.</p>	No exceptions noted.

#8. Controls provide reasonable assurance that investment prices are posted timely, completely, and accurately using data obtained from outside pricing sources.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>8A— On a daily basis, CSTB Asset Operations employees (i) review price variance reports to ascertain that prior-day price changes for assets in CSTB's trade order handling system (STAR) are within a predefined threshold and (ii) correct the incorrect asset prices that fall outside the predefined threshold.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Trading Operations regarding procedures and controls in place for the review of prices and for the monitoring of variances that fall outside of the predefined threshold.</p> <p>Observation – For a sample of one day, observed prices for assets that were outside the predefined threshold in SEI Trust 3000 and ascertained that the transactions were reflected within the Daily Pricing Variance Report. Compared the price of the sampled assets to an external source to ascertain that the asset price was accurate.</p> <p>Inspection – For a sample of days, obtained and inspected the Daily Pricing Variance Report and ascertained that CSTB Asset Operations employees had reviewed the price variances outside the predefined threshold as evidenced by their sign-off, and monitored the variances through resolution.</p>	<p>No exceptions noted.</p>
<p>8B— On a monthly basis, CSTB Asset Operations employees review unpriced securities reports and enter missing securities prices on CSTB's accounting systems (SEI Trust 3000). CSTB Operation managers review the unpriced report monthly for completeness and accuracy of the prices obtained.</p>	<p>Inquiry – Made inquiries of the Manager - Trading Operations regarding procedures and controls in place for identifying and obtaining prices for unpriced securities.</p> <p>Observation – Observed the generation of the Unpriced Securities Report, and for a sample of unpriced securities in SEI Trust 3000, inspected the report to ascertain that the unpriced securities were included within the report.</p> <p>Inspection – For a sample of months, obtained and inspected the associated Unpriced Securities Report and ascertained review was performed and variances were monitored to resolution, as evidenced by sign-off by a Trust Bank Operations Manager.</p>	<p>No exceptions noted.</p>

#9. Controls provide reasonable assurance that account statements are complete and communicated to clients in a timely manner.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>9A— Conversion Team employees ascertain that client account statement information is set up on CSTB's trust accounting system (SEI Trust 3000) according to client instructions, by inspecting the system settings and comparing the information to the Client instructions.</p>	<p>Inquiry – Made inquiries of the Sr. Manager - Conversions & Implementations, regarding procedures and controls in place to set up account statements completely and accurately per the authorized client instructions.</p> <p>Inspection – Performed an inspection of the system settings to ascertain that client account statements are configured completely and accurately. For a sample of new accounts, inspected "New Account Setup Form" and ascertained "Plan Year End" date selected by the client is stated on the form.</p>	<p>No exceptions noted.</p>
<p>9B— Schwab Technology delivers a data file of the posted transaction activity for each client account to their Recordkeeper and/or advisor for review and monitors that the delivery process is complete on a daily basis. If the critical process on the automated data production schedule fails to complete within a predefined window, alerts are generated, and Production Support Staff is notified. Exceptions are monitored through resolution.</p>	<p>Inquiry – Made inquiries with Sr. Manager - Business Systems Analysis regarding procedures and controls in place for the automated process of providing daily transaction activity.</p> <p>Observation – Observed the configurations of the batch jobs that run to send data files of the posted transaction activity to client accounts and ascertained that the batch jobs are configured to run daily. In addition, for a sample of clients and days, observed the Daily Return File was available on the http://www.schwabinstitutional.com/ website.</p> <p>Inspection – For a sample of clients and days, inspected daily transaction activity job logs and ascertained that the transaction file had been generated. Further noted that exceptions, if any, were monitored through resolution.</p>	<p>No exceptions noted.</p>

#9. Controls provide reasonable assurance that account statements are complete and communicated to clients in a timely manner.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
<p>9C— Schwab Technology delivers a data file of the statements for each client account to CSTB's statement hosting vendor (FSSI) and monitors that the delivery process is complete. If the critical process on the automated data production schedule fails to complete within a predefined window, alerts are generated, and Production Support Staff is notified. Exceptions are monitored through resolution.</p>	<p>Inquiry – Made inquiries of Sr Manager - Business Systems Analysis regarding procedures and controls in place for the automated process of providing clients with transaction activity per the Client instructions. Inquired of procedures to monitor jobs to resolution.</p> <p>Observation – For a sample client account, observed the configuration of client within CSTB and ascertained each was configured to have a statement file generated per the client instructions and that the file was made available via the Schwab Institutional website.</p> <p>Inspection – For a sample of client accounts and statement periods, inspected the system job logs and ascertained that the jobs had been completed successfully to post the statements on Schwab Institutional website. Further noted that exceptions, if any, were monitored through resolution.</p>	<p>No exceptions noted.</p>

#10. Controls provide reasonable assurance that logical access to STAR and SEI Trust 3000 systems is restricted to authorized individuals.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
10A— Upon hire or transfer, the user's manager approves the nature and extent of user-access privileges, including privileged-level access, for new and modified user access to STAR and SEI Trust 3000 systems prior to access being provisioned.	<p>Inquiry – Made inquiries of the Manager - Operations, regarding procedures and controls in place for granting and deleting/disabling access to STAR and SEI Trust 3000.</p> <p>Inspection – For a sample of new users, including administrative accounts created for STAR and SEI Trust 3000, obtained and inspected the access forms associated with each new account and ascertained that each account was approved by the users' manager/supervisor prior to access being granted and that access was commensurate with the user's job responsibility per the organization chart.</p>	No exceptions noted.
10B— Upon termination of employee or contactor, the user's manager requests access be deleted (includes SEI and STAR where applicable), with deactivation performed by Access Management for all in-scope systems per the Information Security Policy.	<p>Inquiry – Made inquiries of the Manager - Operations regarding procedures and controls in place for deleting/disabling access to STAR and SEI Trust 3000 users.</p> <p>Inspection – Ascertained through inspection of user access listings that no terminated employees or contractors have active STAR and SEI Trust 3000 user accounts. For a sample of terminated users, obtained and inspected corresponding help desk tickets and ascertained that access was removed in a timely manner.</p>	No exceptions noted.

#10. Controls provide reasonable assurance that logical access to STAR and SEI Trust 3000 systems is restricted to authorized individuals.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
10C— Password parameters, including minimum length and age, complexity, history, and account lockout for in-scope systems, have been configured per the Information Security Policy.	<p>Inquiry – Made inquiries of Fixed Bid Resource - Schwab RT Database Engineering regarding procedures and controls in place for defined security parameters.</p> <p>Inspection – Inspected Schwab’s Information Security Policy for defined security password requirements.</p> <p>Inspection – Inspected the SSO configuration for STAR and the password parameters for Windows Active Directory and ascertained that the password settings meet the parameters outlined in the security policy, including length, age, complexity, history, and account lockout.</p>	No exceptions noted.
10D— End-user accounts to STAR and SEI Trust 3000 are authenticated through the use of unique user IDs.	<p>Inquiry – Made inquiries of the Manager - Operations regarding procedures and controls in place for unique user logins.</p> <p>Inspection – Obtained and inspected the user lists for the STAR and SEI Trust 3000 and ascertained that user IDs are unique and that system/generic accounts were used for system processing functions.</p>	No exceptions noted.
10E— On an annual basis, the user managers review user access to STAR and SEI Trust 3000 to determine if all accounts are commensurate with employees’ job responsibilities. Inappropriate users are disabled and the reviews are documented.	<p>Inquiry – Made inquiries of the Manager - Operations regarding procedures and controls in place for the user access reviews and the monitoring of exceptions through resolution.</p> <p>Inspection – Obtained and inspected the user access review for SEI Trust 3000 and STAR for a sample period and ascertained that a review had been performed timely. For a sample of users identified for removal, ascertained that access was removed by comparing the users identified for removal to the active user reports for STAR and SEI Trust 3000.</p>	No exceptions noted.

#10. Controls provide reasonable assurance that logical access to STAR and SEI Trust 3000 systems is restricted to authorized individuals.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
10F— Management maintains a template-based assignment of system access privileges that results in appropriate segregation of user access and duties for processing in CSTB's trust accounting (SEI Trust 3000) and trade order handling (STAR, including BETE privileges) systems. Templates extracted from the systems are reviewed annually by relevant template business owners as evidenced through sign-offs.	<p>Inquiry – Made inquiries of the Sr. Manager - Business Risk Unit regarding procedures and controls in place regarding template-based assignment of system access privileges that result in segregation of user access and duties.</p> <p>Inspection – Obtained and inspected documentation supporting annual STAR and SEI Trust 3000 template review and ascertained that such templates have been reviewed and approved by relevant template business owners. Through inspection of the template review and inquiry with management, ascertained that duties related to potential conflict areas have been segregated.</p>	No exceptions noted.

#11. Controls provide reasonable assurance that changes to application systems are approved, tested, and documented prior to implementation into production.

Controls Specified by CSTB	Testing Performed by D&T	D&T Test Results
11A— For the SEI Trust 3000 system and STAR (including BETE), systems development and maintenance procedures are followed by the CSTB technology group for changes to the application, including documentation of requirements, design specifications, testing, and approvals prior to implementation.	<p>Inquiry – Made inquiries of the Sr. Manager - Software Development and Specialist - Software Development regarding procedures and controls in place for developing and maintaining the SEI Trust 3000 and STAR (including BETE) applications.</p> <p>Inspection – For a sample of system changes, ascertained a change ticket, design specifications, business requirements, segregation of duties, and testing sign-off were available and that the change approval and testing took place prior to the change being implemented.</p>	No exceptions noted.

Section 5: Other Information Provided by Management of CSTB

The information included in Section 5 is presented by CSTB to provide additional information to user entities and is not a part of the company's description of the system. The information in Section 5 has not been subjected to the procedures applied in the examination of the aforementioned description of CSTB's system and, accordingly, Deloitte & Touche LLP expresses no opinion on the information contained here within Section 5.

Management Response to Testing Exceptions

No exceptions were noted for the period January 1, 2023 to December 31, 2023.

Business Continuity Plan

CSTB, in conjunction with Charles Schwab Corporation and its subsidiaries and affiliates, has established a Business Continuity Plan (BCP). Included in the BCP are emergency action and recovery procedures. The emergency action procedures cover the period immediately following an emergency and focus on ensuring employee safety and assessing the nature of the emergency so that the appropriate course of action can be determined. The recovery procedures cover the period following the decision to relocate up until recovery is completed and focus on recovering the business at the predesignated relocation site, redirecting communications, and establishing contact with internal and external clients. The recovery procedures also cover systems and networking contingency plans to ensure continued access to Schwab systems.

COVID Response & Preparedness

Through a combination of planning and preparedness, CSTB was able to activate their pandemic incident response plan in January 2020 and fully implement social distancing measures in early March 2020 ahead of government mandated closures. This resulted in over 99% of associates securely working from home, leveraging proven technologies.

During this period of rapid change, CSTB's business planning processes (as noted within the business continuity and disaster recovery section above) and related governance structures have allowed the organization to continue to deliver service to its funds, shareholders and clients without interruption to operations.

CSTB's Enterprise Resiliency and business leadership continue to meet regularly to monitor the spread of the disease and assess any potential impacts, both internally and to its service providers, of COVID-19. CSTB plans to keep pandemic mitigation procedures in place until the risk has dropped sufficiently. The description within this report, including the design of controls, was not impacted or altered as a result of CSTB's COVID-19 response.

Compliance Oversight

CSTB performs compliance services, and CSTB management has also assigned certain compliance and risk management monitoring functions to the Director of Trust Administration. The goal of CSTB's administrative, client services, and operations activities, and of CSTB's compliance and risk management policies, is for CSTB to comply with (i) federal and state banking and other laws and regulations to which CSTB is subject to, including ERISA, the Internal Revenue Code, the Gramm-Leach-Bliley Act, CSTB Secrecy Act (including the USA Patriot Act), etc.; and (ii) CSTB's policies and associated CSTB procedures. Designated CSTB management and compliance partners review CSTB's marketing and communication materials, and monitor CSTB's compliance with corporate policy and any banking or securities regulations (and associated policies) that apply to CSTB directly or indirectly through Schwab and its subsidiaries, including the Broker-Dealer. The Director of Trust Administration, working with

CSTB's legal and compliance departments, also monitors compliance with required federal banking and other applicable laws and regulations.

ERISA and its implementing regulations are the major requirements directly applicable to employee benefit plans, covering most private sector retirement plans. Under ERISA, a fiduciary is required to discharge its duties solely in the interest of a plan's participants and beneficiaries, and for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering a plan. Generally, ERISA fiduciaries are required to discharge their duties (1) in accordance with documents or instruments governing a plan; (2) with the care, skill, prudence, and diligence of a prudent person familiar with such matters acting in like capacity; and (3) by diversifying assets of a plan to minimize the risk of large losses. In addition, plan fiduciaries are forbidden from engaging in certain "prohibited transactions, as defined by ERISA.

With respect to applicable Client accounts, CSTB complies with the major provisions of ERISA, which establishes the responsibilities applicable to CSTB as a fiduciary, as follows:

- Section 402 requires employee benefit trusts to be established and maintained in accordance with a written plan. CSTB carries out third-party directives according to the applicable account documents and various services agreements between CSTB and the Client and/or the Recordkeeper, where applicable.
- Section 406 prohibits CSTB or any of its affiliates from making a loan to an employee benefit plan for which CSTB or any affiliate provides services or acts as a trustee, custodian, or agent. The making of a loan to an employee benefit plan for which CSTB or an affiliate acts in these roles is prohibited in Schwab's policies and procedures.
- Section 411 requires the fiduciary to ensure that the background of personnel employed in fiduciary services is suitable to the nature of account activities.

The DOL has also provided guidance regarding the duties of "directed trustees" of retirement plans in Field Assistance Bulletin (FAB) 2004-03, particularly with respect to the holding and acquisition of employer stock held in a plan. FAB 2004-03 concludes that the trustee of a plan is a fiduciary to a plan, but the duties of a directed trustee are significantly narrower than those of a discretionary trustee (including a trustee with investment authority).

With respect to applicable Client accounts for which CSTB acts as directed trustee, its policies are written to comply with the following terms of FAB 2004-03:

- A directed trustee is subject to the "proper" directions of a named fiduciary.
- A directed trustee must not, consistent with its fiduciary obligations, follow a direction if the directed trustee "knows or should know" that a direction from a named fiduciary (i) is not made in accordance with the terms of the plan or (ii) is contrary to ERISA.
- Plan fiduciary direction is consistent with the terms of the plan if (i) the documents under which the plan is established or operated do not prohibit the direction and (ii) if the documents are ambiguous, clarification is obtained from the fiduciary responsible for interpreting the plan, which interpretation may be relied upon by the directed trustee.
- A directed trustee (i) can satisfy its obligations to avoid prohibited transactions by obtaining written representations that the plan maintains and follows procedures to identify prohibited transactions, and if prohibited, the applicable individual or class exemption and (ii) may rely on these representations, unless it knows that these are false.

- A directed trustee does not have an independent obligation to determine the prudence of every transaction or to duplicate the work of the plan fiduciaries; the obligation to question market transactions involving publicly traded stock on prudence grounds is limited and is based on whether the information possessed by the directed trustee is nonpublic or public.

The Director of Trust Administration and CSTB's compliance and legal departments submit reports on compliance, legal, and regulatory activity to the Fiduciary Committee of CSTB's Board and Schwab's risk management departments on an as-needed or as-requested basis for their input and oversight.

Affiliates

Investments with Affiliates

If employees with account responsibilities receive instruction to effect or accept such investments where there is any doubt that the transaction does not meet the requirements of ERISA, or other applicable law, the situation is referred to his/her manager, senior trust administration, and/or compliance, and/or the Schwab Office of Corporate Counsel, and the directions are not to be followed until any questions are resolved.

Transactions with Affiliates

CSTB's policy is to not charge a separate fee to a Client account for services rendered by an affiliate on behalf of the account. In such case, with the exception of any brokerage commissions and other associated transaction fees for individual equity transactions processed through the Broker-Dealer, charges for services by affiliates may be properly incurred and included in CSTB's fee structure provided that they are charged by the affiliate to CSTB and not to the Client account. This policy does not preclude an affiliate from having a direct contract with a Client that does not involve CSTB's services.

Transactions with Charles Schwab & Co., Inc.

CSTB has retained the Broker-Dealer, its registered broker/dealer affiliate, to provide certain corporate and account operations and other administrative support services to CSTB in connection with CSTB and its employees and CSTB's Client accounts. The services provided by the Broker-Dealer to CSTB include, but are not limited to, the following:

- Various corporate administration services, including legal, audit, compliance, and risk management oversight
- Employee benefits and human resources services, including payroll processing and benefits administration
- Referral of CSTB trust and custody services to clients
- Corporate finance, product development, product management, and project management services
- IT services, including network and systems support, for CSTB's trust accounting system(s)
- Operational services, including contribution posting, distribution processing, and trade delivery processing, on behalf of clients, using CSTB's trust accounting system(s)
- Assisting Schwab internal and independent auditors, as appropriate

Transactions with Schwab Retirement Plan Services, Inc.

CSTB has retained Schwab Retirement Plan Services, Inc., its recordkeeping affiliate, to provide certain account operations and other administrative support services to CSTB in connection with plan accounts established on behalf of joint clients of CSTB and the recordkeeping affiliate. The services provided by Schwab Retirement Plan Services, Inc. include, but are not limited to, the following:

- Direct service support to clients on behalf of CSTB
- Account conversions from prior trustees and custodians to CSTB
- Preparation and delivery of annual certified trust account statements to certain clients
- Assisting Schwab internal and independent auditors as appropriate

Transactions with Charles Schwab Investment Management Inc. (“CSIM”)

CSTB has retained CSIM, its investment company affiliate, to provide certain fund administration and vendor support services to CSTB in connection with the CTFs. The services provided by CSIM include, but are not limited to, the following:

- Assisting CSTB in carrying out its obligations to the CTFs under their Declaration of Trust and Participation Agreement documents
- Assisting in the preparation and maintenance of the books and records of the CTFs
- Accounting, credit, legal, finance, compliance, research, or communications services, which may be required or requested by CSTB from time to time
- Assist with the vendor management of CTF custodians, fund accountants, and investment subadvisors
- Preparation of daily available cash balance projections with respect to the CTFs
- Provision of financial, yield, unitized value, and other CTF-related information to other entities as instructed by CSTB
- Trade execution and settlement support for trading of financial futures, cash equivalents, exchange-traded funds, and other securities
- Coordination of custodian’s preparation of annual financial statements for the CTFs and support of CSTB’s independent audit of the financial statements
- Provision of financial information and reports to regulatory agencies, as required

Bonding and Insurance Coverage

Schwab maintains insurance coverage against major risks on behalf of itself and its wholly owned subsidiaries and affiliates, including CSTB. Policies include a blanket errors and omissions bond; financial institution blanket bond, including employee fidelity bond; and directors’ and officers’ liability coverage. Insurance companies, which Schwab management believes to be financially sound, provide coverage at levels that Schwab considers reasonable given the size and scope of the operations of Schwab and its subsidiaries and affiliates.

All employees are bonded against theft or dishonesty in an amount determined by Schwab management, but not less than what is required by applicable law or regulation. In addition, as a condition of engagement by a Schwab affiliate, applicable service providers must maintain appropriate and adequate

insurance to protect account property held in their custody. Refusal of a bonding company to issue a bond for an employee is cause for dismissal. Schwab management may waive the bonding requirement for service providers who do not normally handle or have access to account investments.

Schwab maintains appropriate insurance against fire, theft, accident, and other loss in an amount adequate to protect Bank premises and employees and to adequately protect accounts from loss by reason of account investments being held on Bank premises or through the action or inaction of Bank employees.

The Schwab Insurance Department reports on insurance coverage to the Board on an annual basis for its input and oversight.

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