



ENVIRONMENTAL
SOCIAL
GOVERNANCE

DEI Strategy

Exclusions & Scoring



To address diversity, equity, and inclusion issues within companies, including gender and minority representation and diversity in recruitment and training policies.

Aperio’s Diversity, Equity, and Inclusion (DEI) Strategy evaluates an initial universe of publicly traded companies on a broad range of diversity, equity, and inclusion issues.

<p>EXCLUSIONS</p> <p><i>Remove companies that do not align with values</i></p>	<p>Theme</p> <p>Diversity in Leadership</p> <p>Employment and Opportunities for Promotion</p>	<p>Exclusion Element</p> <ul style="list-style-type: none"> • No Women on Company Board • No Racial or Ethnic Minorities on US Boards
<p>SCORING</p> <p><i>Invest more in companies with higher Aperio Social Scores</i></p>	<p>Theme</p> <p>Positions in Leadership</p> <p>Employment and Opportunities for Promotion</p> <p>Protection of Rights</p>	<p>Scoring Element</p> <ul style="list-style-type: none"> • Women in Senior Management, and Racial or Ethnic Minorities on US Board • Workplace Diversity Policies • Diversity in Recruitment and Training • Diversity Controversies
<p>ACTIVE OWNERSHIP</p> <p><i>Influence companies you own to change behaviors through proxy voting and/or shareholder resolutions</i></p>	<p>Sample Issues</p> <ul style="list-style-type: none"> • Board Diversity • Gender Pay Gap • Disclosure of Diversity Data • LGBTQ Policies 	<p>Shareholder Advocacy</p> <p>Clients can also increase their impact by partnering with advocacy groups, such as As You Sow, and sponsoring resolutions that address significant DEI issues.</p>



Hypothetical Aperio DEI Portfolio vs. Benchmark

Portfolio Characteristics	S&P 500	Russell 3000	MSCI ACWI
Forecast Tracking Error (%)	0.52	0.52	0.68
Forecast Beta	1.00	1.00	1.00
Number of Stocks	307	449	500
Social Score Tilt (%)	+15	+15	+15
Average % of Women on Board*	1.1x	1.1x	1.1x
Average % of Racial or Ethnic Minorities on US Board*	1.1x	1.2x	1.1x

*The average percentage in a hypothetical Aperio DEI portfolio ÷ the average percentage in the respective benchmark.

The information in this table is shown as of 09/30/2020. The hypothetical portfolios are not based on an actual Aperio portfolio and are being shown for illustrative purposes only. It should not be assumed that clients who actually invest in an Aperio DEI portfolio will have the same results reflected above. The hypothetical portfolio consists of securities that were selected by Aperio's optimizer based on the benchmark indicated in the column headings. This table is presented solely as an example and should not be considered investment advice. Aperio has the benefit of hindsight when putting together the hypothetical portfolios, and there is no guarantee that the firm will make the same selections when putting together a similar portfolio for a client. This selection did not take into account any client's overall investment objectives or restrictions that may be imposed.

Sample Excluded Companies in the Aperio DEI Strategy

Company	Sector	Reason
MONSTER BEV CORP	Consumer Staples	No Racial or Ethnic Minorities on US Board
LULULEMON ATHLETICA INC	Consumer Discretionary	No Racial or Ethnic Minorities on US Board
SINCLAIR BROADCAST GROUP	Communication Services	No Women on Company Board
J & J SNACK FOODS CORP	Consumer Staples	No Women on Company Board

Data is as of 09/30/2020.

Top Overweights and Underweights in a Hypothetical Aperio DEI Portfolio

	Company	Sector	Active Weight
5 Largest Overweights	ACCENTURE PLC	Information Technology	0.70%
	AMERICAN WATER WORKS COMP	Utilities	0.70%
	CUMMINS INC	Industrials	0.51%
	COCA-COLA CO	Consumer Staples	0.45%
	MASTERCARD INCORPORATED	Information Technology	0.42%
5 Largest Underweights	INTERNATIONAL BUSINESS MA	Information Technology	-0.26%
	EXXON MOBIL CORPORATION	Energy	-0.27%
	FIDELITY NATIONAL INFO SE	Information Technology	-0.27%
	THERMO FISHER SCIENTIFIC	Health Care	-0.43%
	BERKSHIRE HATHAWAY INC	Financials	-1.02%

Data is as of 09/30/2020. Sample all-cash-funded portfolio benchmarked to the S&P 500 index.

The optimization process will overweight stocks with high Social Scores; however, not all stocks in the portfolio will have high Social Scores (otherwise, the portfolio would be too concentrated).

Note: Only companies that are eligible for purchase under the Aperio DEI Strategy were considered in the largest overweights and underweights example above.

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The S&P 500® Index is an equity benchmark for US stock performance. It is a capitalization-weighted index covering 500 large US companies chosen by Standard & Poor's for market size, liquidity, and industry group representation.

The Russell 3000® Index is an equity benchmark for US stock performance. It is a capitalization-weighted index covering the largest 3,000 publicly traded US stocks. The index represents approximately 98% of the total market capitalization of the US stock market.

The MSCI ACWI Index is an equity benchmark for global stock performance. It is a capitalization-weighted index covering large and midsize companies. The index includes approximately 3,000 stocks from 23 developed-market countries and 26 emerging-market countries.

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