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Introduction

In this report, we present a summary of Aperio Group's 2017 proxy voting on behalf of our clients. We focus specifically on votes we cast counter to our standard policy of supporting management positions; in such cases, we believe that management's recommendations were not in the shareholders' best interest. For a complete description of our program, please review our Proxy Voting Policy, a version of which is appended to this report.

In 2017, Aperio voted on 15,157 proposals related to issues other than electing specific directors. Of these, 498 were voted against management's recommendation.

Proxy Voting 2017

Total Proposals NOT Electing Directors	15,157
Number of Proposals Voted Against Management	498
Sponsored by Management	165
Sponsored by Shareholder: Governance	168
Sponsored by Shareholder: Social	105
Sponsored by Shareholder: Environment	60

Examples:

- Shareholder–Governance: Independent Chair, CEO and Board Separation, Executive Compensation, and Other

- Shareholder–Social: Political Contributions, Gender Pay Gap, Diversity Reporting, and Other

- Shareholder–Environment: Sustainability Reporting, Greenhouse Gas (GHG) Emissions, and Other

Aperio's policy is established to identify times when we will vote against management's recommendation. In most instances, we believe it is appropriate to defer to management's view of issues since they have been hired to run the company. Our policy lays out cases where their position is not our view of best practice and prompts us to vote against management. In the table on the following page, we have selected several examples from our policy to demonstrate such votes against management.

Example Votes from 2017

Proposal Category	Explanation and Rationale for Aperio Policy	Number of Proposals	Votes Against Management
Supermajority	Supermajority vote provisions decrease the ability of a majority of shareholders to influence the direction of the company by requiring a larger percentage of shareholders to support a resolution (often 60% or more) for it to be adopted. We believe this further entrenches management.	43	21
Classification of Board	A classified board is one on which directors serve multiple-year terms, creating classes of directors to be elected in any given year. A vote in favor of a classified board would potentially make the board less beholden to shareholders since no director would require annual election.	41	5
Director Removal Without Cause	Creating a policy that allows for removal of a director without the specific vote of shareholders may create disincentives for directors to best represent the interests of shareholders.	8	4
Shareholder Proposal: Increase Disclosure of Executive Compensation	Executive compensation is what shareholders, as the owners of the company, pay management to run the company. Full transparency of this pay to the owners seems an appropriate piece of the puzzle.	80	10
Shareholder Proposal: Board Independence–Chairman	Board independence is the concept that the directors are not management within the company. The board's role is to provide oversight to management, particularly the CEO. We believe that if members of senior management serve on the board, they will be limited in the oversight they can provide to the CEO since that person is also their boss.	51	21
Shareholder Proposal: Report/Reduce GHG Emissions/Climate Change	While a single category of resolutions, Aperio is focused on the aspect of these resolutions that requests additional disclosure by companies. Aperio takes the stand in this policy that disclosure by a company is good governance.	50	20

Appendix

Aperio's 2017 Proxy Voting System and Policy

Aperio votes proxies for our clients through a third-party provider of services called Broadridge.[1] Broadridge has been our vendor throughout our evolution in proxy voting. Please note that Aperio votes all proxies for all our non-SRI client accounts based on the same policy. In addition, custodians frequently bundle accounts to reduce the number of proxies being processed. This means that shares custodied in a wrap account at a specific custodian will be on the same proxy for a given company. Thus, it is not possible for us to generate a report specific to a single Aperio client.

Aperio uses a system of standing instructions to determine our proxy votes. This process determines votes based on the category of the proposal. Major themes in Aperio's view of good governance include board independence, corporate disclosure, and opposition to other governance measures that entrench management and decrease legitimate oversight by the board and/or shareholders. We also believe that companies should be more, not less, transparent in their operations, particularly when investors have requested information. Therefore, our policy is to vote for shareholder proposals on environmental and social reporting at reasonable cost to the company and while taking care to omit proprietary information where we believe it is in the best interest of shareholders to do so.

Please note that not every client account will hold all of the companies where Aperio voted against management's recommendation, and some accounts might not hold any companies with votes against management.

For more information, see Aperio's current Proxy Voting Policy. Please note that we periodically review and modify the policy.

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[1] For our ESG clients, we use Institutional Shareholder Services and its *SRI Voting Guidelines*. More information is available here.