

Aperio Glossary of ESG Definitions: RPB Version

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Issue Areas

Aperio Issue Area	Issue Area Component	Description
Environment	Environmental Management	The Environmental Management Component analyzes companies for their oversight of environmental strategy and performance. Companies that employ independently certified environmental management systems, conduct regular environmental audits, and assign board committee or executive-level responsibility for environmental protection are favored in this component’s scoring process.
	Toxic Emissions Management	The Toxic Emissions Management Component analyzes companies for management and reduction of toxic emissions in their operations. Companies that monitor and disclose their emissions (and emissions intensity) of nitrogen oxides (NO _x), sulfur oxides (SO _x), and volatile organic compounds (VOCs), and that set targets and disclose their progress toward reducing these emissions, are favored in this component’s scoring process.
	GHG Management	The GHG Management Component analyzes companies for management and reduction of carbon emissions in their operations, products, and supply chains. Companies that monitor and disclose their carbon emissions, set aggressive targets, disclose their progress toward reducing these emissions, have lower carbon emission footprints and improving emission trends relative to peers, and encourage use of renewable energy are favored in this component’s scoring process. Assessments are based on key indicators relevant to specific subindustries. When not disclosed by companies, carbon emissions data are estimated.
	Environmental Controversies	<p>The Environmental Controversies Component addresses four categories within MSCI controversies data. MSCI’s controversies data is compiled by capturing “events” using natural language processes on a variety of Internet sources, including media, nongovernmental organizations (NGOs), etc. MSCI then assesses each event to determine its severity (minor, moderate, severe, very severe) based on the scope of the impact inside and outside the company. Aperio calculates the score for this component based on the number and severity of events.</p> <p>Land Use and Biodiversity events include: a history of involvement in natural resource–related legal cases, involvement in environmental impact–related legal cases, widespread or egregious impacts due to the firm’s use of natural resources, impacts due to direct or indirect use of the firm’s products or services, resistance to improved practices, and criticism by NGOs and/or other third-party observers.</p>

		<p>Operational Waste (Nonhazardous) events include: a history of involvement in environmental impact–related legal cases, widespread or egregious impacts of the firm’s nonhazardous waste streams, resistance to improved practices, and criticism by NGOs and/or other third-party observers.</p> <p>Toxic Spills and Releases events include: a history of involvement in land or air emissions–related legal cases, widespread or egregious impacts due to hazardous emissions, resistance to improved practices, and criticism by NGOs and/or other third-party observers.</p> <p>Water Stress events include: a history of involvement in water use–related legal cases, widespread or egregious impacts due to emissions, resistance to improved practices, and criticism by NGOs and/or other third-party observers.</p>
Diversity	Diversity Policy and Management	The Diversity Policy and Management Component analyzes companies for their utilization of a diverse workforce. Companies that promote diversity in recruitment and training, with a senior executive or higher level of oversight, are favored in this component’s scoring process. This component references both gender and racial diversity concepts.
	Diversity Performance	The Diversity Performance Component analyzes companies on gender and racial diversity. This includes looking for participation of women in leadership positions and throughout the employee workforce. Companies with higher percentages of women in the workforce; in senior management and executive positions; and in leadership roles such as CEO, CFO, and board chair are favored in this component’s scoring process. Data regarding racial diversity is sparser and limited to an assessment of the board of directors. Companies with a higher representation of racial and ethnic minorities on their boards are favored in this component’s scoring process.
	Diversity Controversies	<p>The Diversity Controversies Component addresses workforce diversity issues found within MSCI controversies data. MSCI’s controversies data is compiled by capturing “events” using natural language processes on a variety of Internet sources, including media, nongovernmental organizations, etc. MSCI then assesses each event to determine its severity (minor, moderate, severe, very severe) based on the scope of the impact inside and outside the company. Aperio calculates the score for this component based on the number and severity of events.</p> <p>Events include: a history of involvement in discrimination-related legal cases; widespread or egregious instances of discrimination on the basis of sex, race, or ethnicity; resistance to improved practices; and criticism by NGOs and/or other third-party observers.</p>

Human Rights	Human Rights Policy	The Human Rights Policy Component analyzes companies for adoption of effective human rights policies. Companies that have effective processes to monitor these policies and are signatories to the United Nations Global Compact are favored in this component’s scoring process.
	Human Rights Controversies	<p>The Human Rights Controversies Component addresses four categories within MSCI Controversies data. MSCI’s controversies data is compiled by capturing “events” using natural language processes on a variety of Internet sources, including media, nongovernmental organizations, etc. MSCI then assesses each event to determine its severity (minor, moderate, severe, very severe) based on the scope of the impact inside and outside the company. Aperio calculates the score for this component based on the number and severity of events.</p> <p>Human Rights events include: a history of involvement in human rights–related legal cases; widespread or egregious complicity in killings, physical abuse, or violation of other rights; resistance to improved practices; and criticism by NGOs and/or other third-party observers.</p> <p>Civil Liberties events include: cooperating with repressive governments seeking Internet user data or requiring censorship, resistance to improved practices, and criticism by NGOs and/or other third-party observers.</p> <p>Impact on Local Communities events include: a history of involvement in land use– and/or development-related legal cases, widespread or egregious community impacts due to company operations, and criticism by NGOs and/or other third-party observers.</p> <p>Child Labor events include: a history of involvement in child labor–related legal cases, widespread or egregious instances of child labor, resistance to improved practices, and criticism by NGOs and/or other third-party observers.</p>
	Human Rights Supply Chain Controversies	<p>The Human Rights Supply Chain Controversies Component addresses a firm’s supply chain. MSCI’s controversies data is compiled by capturing “events” using natural language processes on a variety of Internet sources, including media, nongovernmental organizations, etc. MSCI then assesses each event to determine its severity (minor, moderate, severe, very severe) based on the scope of the impact inside and outside the company. Aperio calculates the score for this component based on the number and severity of events.</p> <p>Events include: a history of involvement in supply chain–related legal cases, widespread or egregious instances of abuses of supply</p>

		chain employee labor rights, supply chain employee safety, resistance to improved practices, and criticism by NGOs and/or other third-party observers.
Workplace	Workforce Relations	The Workplace–Workforce Relations Component analyzes companies on provision of employee benefits, job training, employee satisfaction, and employment security. Companies that provide a broad scope of noncompensation employee benefits, make job training and professional development available to all employees, conduct employee satisfaction surveys and monitor results, and disclose employee turnover and have avoided layoffs are favored in this component’s scoring process.
	Organized Labor	The Workplace–Organized Labor Component analyzes companies that provide favorable treatment of organized labor and unionized employees. Companies that address labor rights in their core operations, have a higher percentage of employees represented by collective bargaining agreements, and have a lower number of employees affected by labor strikes are favored in this component’s scoring system.
	Labor Rights Controversies	<p>The Workplace–Labor Rights Controversies Component includes three categories within MSCI controversies data. MSCI’s controversies data is compiled by capturing “events” using natural language processes on a variety of Internet sources, including media, nongovernmental organizations, etc. MSCI then assesses each event to determine its severity (minor, moderate, severe, very severe) based on the scope of the impact inside and outside the company. Aperio calculates the score for this component based on the number and severity of events.</p> <p>Collective Bargaining and Union events include: the firm’s response to union organizing efforts and its bargaining practices with existing unionized workers, resistance to improved practices, and criticism by NGOs and/or other third-party observers.</p> <p>Employee Health and Safety events include: a history of involvement in workplace safety–related legal cases, widespread or egregious fines for unsafe workplace practices, resistance to improved practices, and criticism by NGOs and/or other third-party observers.</p> <p>Labor Management Relations events include: a history of involvement in employee-related legal cases; widespread or egregious instances of wrongful termination, reductions in benefits, or mistreatment of either employees or contractors; resistance to improved practices; and criticism by NGOs and/or other third-party observers.</p>
Other Issues	Reproductive Rights	The Reproductive Rights Component analyzes companies on the revenue they generate from the production of abortifacients and

		contraceptives. Companies with higher levels of revenue score higher.
	Stem Cell Research (Pro)	The Stem Cell Research (Pro) Component analyzes companies for involvement in adult and embryonic stem cell and fetal tissue research and use. Companies involved in these areas score higher. In addition, companies providing enabling technologies are favored in this component's scoring.
	LGBTQ (Pro)	The LGBTQ (Pro) Component uses the Human Rights Campaign (HRC) Corporate Equality Index (CEI) ratings. Aperio's scores are higher for companies that score well on the CEI, having been deemed to be positive from an LGBTQ community perspective. HRC evaluates a limited number of companies, focusing on large-cap US companies. Aperio assigns a neutral score for any company that HRC has not evaluated.

Exclusions

Exclusion	Description
Civilian Firearms: Production	This option seeks to exclude companies that manufacture firearms and small arms ammunitions for civilian markets. Small arms ammunition includes powder-propelled, cartridge-based ammunition up to 20mm that can be fired from civilian weapons such as revolvers and self-loading pistols, rifles and carbines, assault rifles, submachine guns, and light/general purpose machine guns. The research does not cover companies that cater to the military, government, and law enforcement markets. NOTE: The provision of firearms training services and the operation of gun ranges are NOT included in civilian firearms production screening. (Based on MSCI ESG data.)
Coal & Consumable Fuels	This option seeks to exclude companies categorized within the subindustry of Coal & Consumable Fuels and is a subset of the Oil, Gas & Consumable Fuels industry. Companies are categorized in only one subindustry. This subindustry is made up of coal producers as well as producers of other consumable fuels such as uranium and ethanol. NOTE: This option does NOT identify coal-powered electric utilities. (Based on industry classification system.)
Landmines & Cluster Munitions	This option seeks to exclude companies that manufacture landmines whole systems or components and cluster munitions whole weapons systems, components, or delivery platforms. Companies with an ownership interest in Anti-Personnel Landmines Whole Weapons Systems Manufacturer, Intended Use Components, Dual-use Components, and/or Delivery Platforms, and/or Anti-vehicle Landmines Whole Weapons Systems Manufacturing are excluded. (Based on MSCI ESG Data).
Predatory Lending	This option seeks to exclude companies operating in the following businesses: cash advance, check cashing, pawnbrokers, title loans, payday loans, tax-return anticipation loans, or rent-to-own establishments. (Based on MSCI ESG data.)
Private Prisons	This option seeks to exclude companies involved in the management of private prison facilities. This exclusion also covers companies involved in the

	operation of immigration detention facilities. (Based on American Friends Service Committee data.)
Sudan	This option seeks to exclude companies involved in specific business sectors in Sudan, such as oil, natural gas, mineral extraction, and power production. This screen also seeks to exclude issuers linked to sanctioned business activities in Sudan, including domicile in Sudan, ties to the Sudanese government, provision of military equipment, Office of Foreign Assets Control (OFAC) of the US Department of the Treasury violation or terror sponsorship, and/or complicity in the Darfur genocide. Social development companies and companies that have an authorized exemption from the US government for provision of food, medicine, and humanitarian services are not included in this screen. (Based on MSCI ESG data.)
Tobacco	This option seeks to exclude companies categorized within the Tobacco industry. Companies are categorized in only one industry. This industry includes: manufacturers of cigarettes and other tobacco products. (Based on industry classification system).

Tilts

Tilt	Description
Clean Technology Solutions Tilt	This option tilts toward companies with a higher percentage of revenue from alternative energy, energy efficiency, green building, pollution prevention, and/or sustainable water. Company percentages are aggregated as a weighted average score for the portfolio.
Israel Exposure (Place-Based) Tilt	This option tilts portfolios toward companies with business ties to the State of Israel. Companies are scored based on their level of involvement in Israel (Israel-domiciled companies, non-Israeli companies with deep business ties and foreign direct investment, and non-Israeli companies with less-significant business relationships).
Low Carbon Footprint Tilt	This option tilts portfolios away from companies with higher carbon footprints as measured by carbon emissions and carbon intensity. Carbon emissions are defined as company-specific direct (Scope 1) and indirect (Scope 2) greenhouse gas (GHG) emissions. The carbon intensity of a company is measured as the total GHG emissions per million dollars of sales. This strategy seeks to achieve an overall 80% reduction in the carbon footprint.

Notes:

1. Voluntary Disclosure: Much of the information available is voluntarily disclosed by companies, often in corporate sustainability reports or in sustainability sections of their websites. Because of the need to score missing data, information can be more difficult to incorporate into evaluations and ratings than with mandatory disclosures (those required by regulatory or quasiregulatory agencies). First, since the disclosure is voluntary, many companies release information only about self-selected issue areas. Second, even when information is disclosed, the definitions and structures of what is disclosed may vary from company to company. *NOTE:*

For data elements relying on voluntary disclosure, lack of disclosure results in a low score. Aperio’s methodology weights disclosure and the associated transparency as important criteria in its ESG evaluation, and companies that don’t disclose data are scored more poorly than the worst-performing-but-disclosing company in that issue area.

2. **Missing Research:** Assessments are based on data available from our ESG vendors, which have prioritized certain research efforts based on their determination of topic relevance to specific subindustries. When research has not been conducted on a company but information indicates relevance of the topic, the scoring of the company is held neutral.

Disclosure

Aperio Group, LLC (Aperio) is an investment adviser registered with the US Securities and Exchange Commission. Such registration does not imply endorsement, or a certain level of skill or training, and no inference to the contrary should be made. Aperio, its strategies, and further disclosures are described in more detail in Part 2 of Aperio’s current Form ADV, which is available upon request. The strategies and/or investments referenced may not be suitable for all investors because the appropriateness of a particular investment or strategy will depend on an investor’s individual circumstances and objectives. Every investment in securities presents the risk of financial loss as well as gain.

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-markets countries and 26 emerging-markets countries.

The MSCI ACWI ex US Index is an equity benchmark for international stock performance. It is a capitalization-weighted index covering large and mid-sized companies. The index includes approximately 2,100 stocks from 22 developed-markets countries, excluding the US, and 24 emerging-markets countries.