

Seattle Foundation

# Customized ESG Investing

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# Cause Summary

Causes

Divest from the Prison Industrial Complex, Invest in Racial Justice, Divest from All Fossil Fuels

Benchmark

MSCI World (100%)

Inclusions

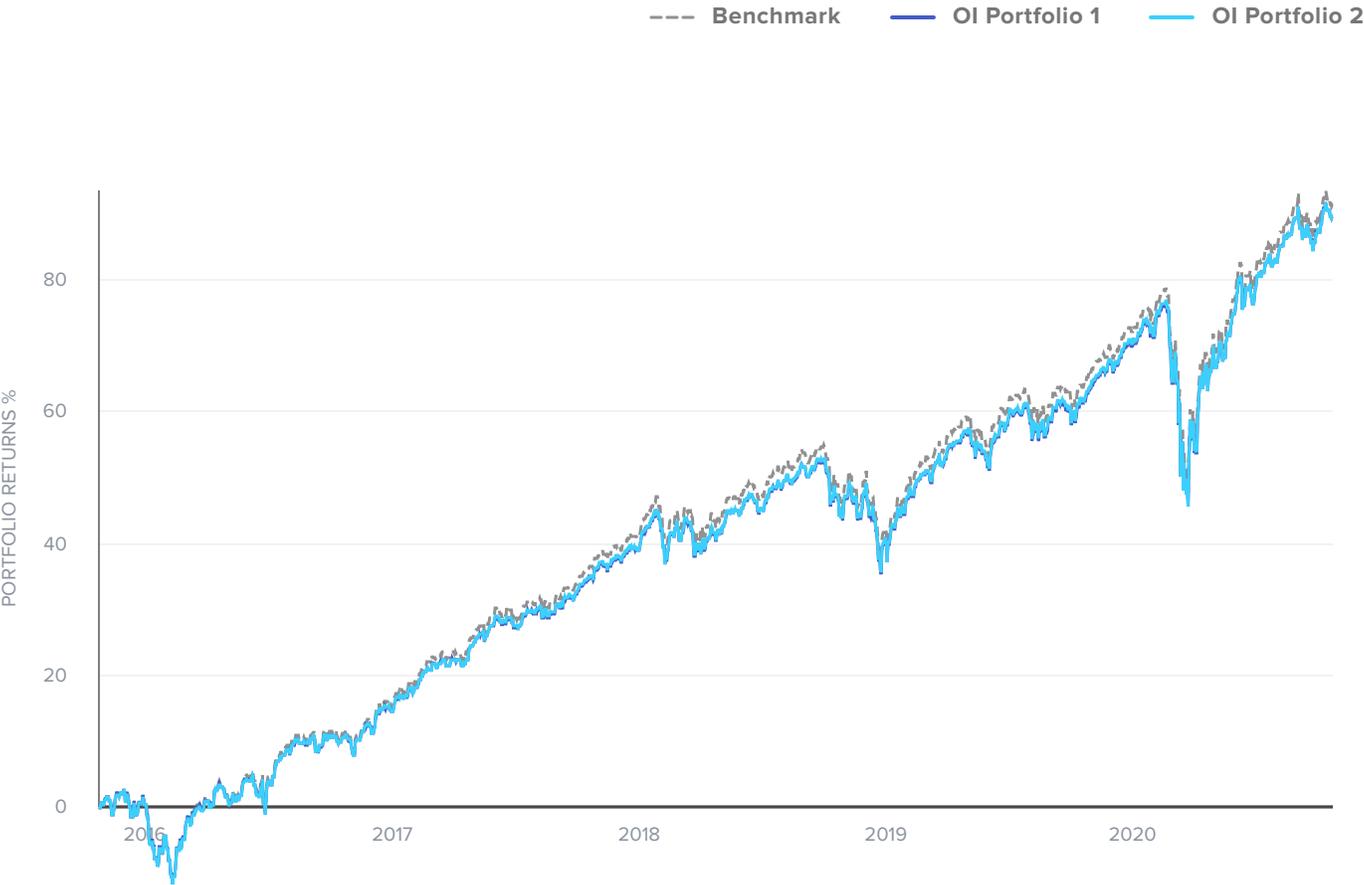
Specific inclusions not requested

Exclusions

Specific exclusions not requested

# Portfolio Comparison

## Benchmark vs. Model Portfolio for Model ID 3750



All returns are presented gross of fees.

	<b>ESG Score</b>	<b>Tracking Error (bps)</b>	<b>1 Year Return</b>	<b>3 Year Return</b>
Benchmark	0.3	0	26.3%	64.8%
OI Portfolio 1	0.5	51	27.3%	65.1%
OI Portfolio 2	0.7	49	26.7%	64.7%

# Your Investment

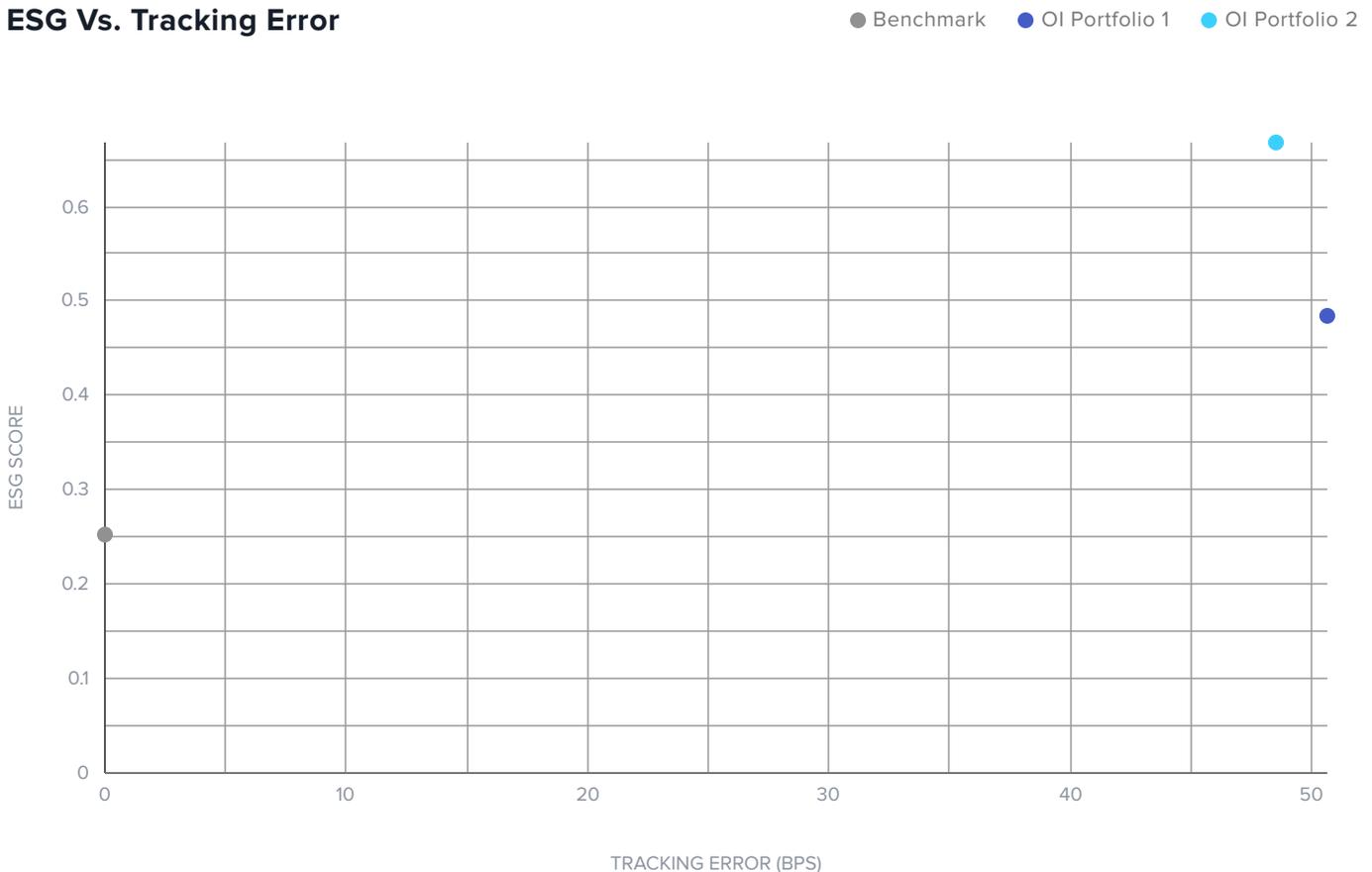
## ESG Score vs. Tracking Error

This chart shows the improvement in the ESG score of the portfolio and the associated trade-off as measured by the tracking error relative to the benchmark. In general, the higher the ESG score, the higher the tracking error.

Tracking error is a measure of risk. It is the standard deviation of the difference in returns between the proposed portfolio and the benchmark. A portfolio with a 1% expected tracking error is expected to perform between 1% above and 1% below the benchmark performance in two out of three years.

ESG Score measures the values-based customization in the portfolio. First, all negatively rated companies are removed from the portfolio. Then, OpenInvest's portfolio generation algorithms attempt to allocate more portfolio weight to positively rated companies. ESG Score is the weighted allocation to positively scored companies -- the sum of portfolio weight of a company multiplied by the number of causes for which it scores positively. For example, consider a portfolio of securities A, B, C, with weights 25%, 35%, 40%, and causes X and Y. A scores neutral on both X and Y, B scores positive on X only, and C scores positive on both. The ESG Score would then be  $(0.25 * 0) + (0.35 * 1) + (0.4 * 2) = 1.15$ .

## ESG Vs. Tracking Error



# Percentage of Your Portfolio in

The table below shows the percentage of the benchmark and OpenInvest portfolios held in positively and negatively rated equities for the various causes. By and large, the OpenInvest portfolios hold more positively rated companies than the benchmark and zero negatively rated companies.

	EVALUATION	BENCHMARK	P1	P2
Prison-Industrial Complex	- Positive	9.7%	10.0%	12.4%
	- Neutral	85.5%	90.0%	87.6%
	- Negative	4.8%	0.0%	0.0%
Racial Justice	- Positive	32.1%	38.4%	54.4%
	- Neutral	61.7%	61.6%	45.6%
	- Negative	6.2%	0.0%	0.0%
Divest Fossil Fuels	- Positive	0.0%	0.0%	0.0%
	- Neutral	94.4%	100.0%	100.0%
	- Negative	5.6%	0.0%	0.0%

# Impact

The Impact section shows, for each cause, the proportion of of positive and negative scored holdings for the portfolio and tangible impact metrics. Some of these impact metrics, such as Trees Planted or Cigarettes Produced, capture the difference between the portfolio and the benchmark, converted into intuitive, every-day equivalents. Other impact metrics, such as those for Racial Justice, explain some of the reasons why companies are rated positively or negatively. See references for each cause for more details on how companies are scored and how impact metrics are calculated.

## Invest In Racial Justice



	 <b>Companies Committed to Racial Justice</b>	 <b>Companies Perpetuating Racial Injustice</b>	 <b>Companies Making A Public Diversity Commitment<sup>1</sup></b>	 <b>Companies With Recent Diversity Controversies<sup>2</sup></b>
Benchmark	32.1 %	6.2 %	36.6 %	8
OI Portfolio 1	38.4 %	0.0 %	42.0 %	3
OI Portfolio 2	54.4 %	0.0 %	57.3 %	3

\* Equivalent scores are calculated per your portfolio size, per year.

<sup>1</sup>Portfolio weight towards companies that have made a public commitment to diversity either by setting quantitative targets or by disclosing diversity data to the Equal Employment Opportunity Commission.

<sup>2</sup>Companies that have had multiple recent diversity or inclusion controversies as tracked by Refinitiv data.

## Example Company

**Intuit Inc**  
**OVERWEIGHTED**  
**(INTU)**

Intuit Inc is a provider of business and financial management solutions for small businesses, consumers, and accounting professionals. The Company conducts a pay equity analysis twice a year through an independent consultant, which identified zero job codes with statistically significant differences between employees of different gender or ethnicity.

**Home Depot Inc**  
**EXCLUDED**  
**(HD)**

Home Depot is one of the largest home improvement retailers in the United States. The Company has faced several employee discrimination lawsuits in recent years.

# Divest From The Prison Industrial Complex



	 <b>Companies Hiring the Formerly Incarcerated</b>	 <b>Prison Profiteers</b>
Benchmark	9.7 %	4.8 %
OI Portfolio 1	10.0 %	0.0 %
OI Portfolio 2	12.4 %	0.0 %

## Example Company

**Alphabet Inc**  
**OVERWEIGHTED**  
**(GOOGL)**

Alphabet, Google's parent company, is a large technology company. Alphabet signed the Obama White House's 2016 Fair Chance Business Pledge, committing to provide candidates a fair chance at employment, regardless of their criminal record.

**Bank of America Corp**  
**EXCLUDED**  
**(BAC)**

Bank of America is the second-largest bank in the US. The Company is one of six large banks financing private prison operators CoreCivic and GEO Group, including through a revolving line of credit, term loans, and bonds.

## Divest From All Fossil Fuels

	 <b>Fossil Fuel Companies</b>
Benchmark	5.6 %
OI Portfolio 1	0.0 %
OI Portfolio 2	0.0 %

### Example Company

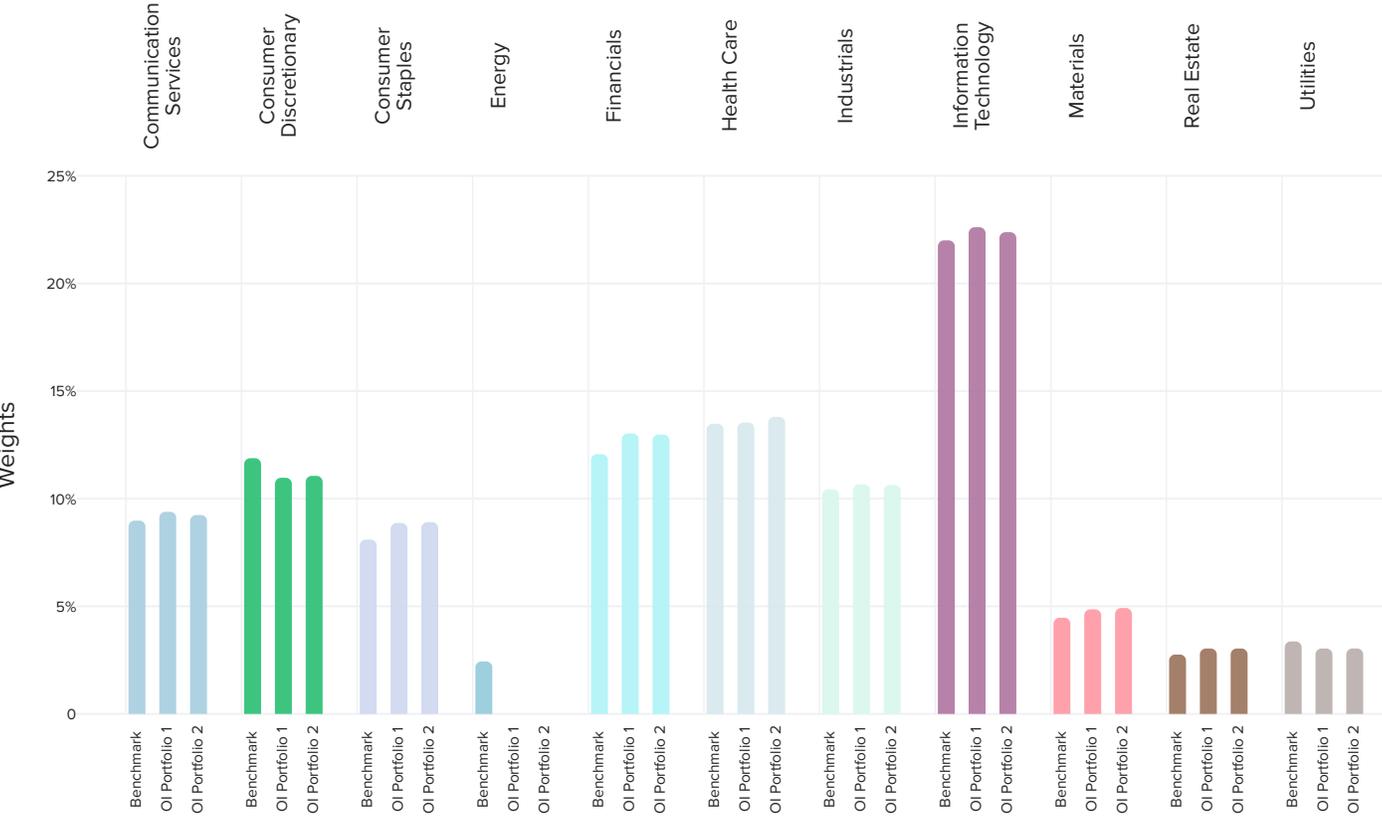
**Veolia  
Environnement SA**  
OVERWEIGHTED  
(VIE)

Veolia provides water management, waste management, and energy services. Its subsidiary, Veolia Energy, is the largest operator and developer of efficient heating, cooling, and cogeneration systems in North America.

**Sempra Energy**  
EXCLUDED  
(SRE)

Sempra Energy provides electric and natural gas infrastructure. Its operating companies include Southern California Gas Company, San Diego Gas & Electric, Oncor Electric Delivery Company Sempra LNG, and IEnova. The Company serves more than 40 million customers.

# Sector Breakdown



# About OpenInvest

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OpenInvest is a technology company and registered investment adviser that makes it easy for advisers to align client assets with client values, driving engagement and retention. Our technology platform supports full client customization, in-depth impact reporting, transparency, dynamic divest-invest activity, easy shareholder engagement, and more.

OpenInvest is based in San Francisco and was founded in 2015 by a combination of former Bridgewater Associates

senior technologists and civil society leaders. With backing from Y Combinator, Silicon Valley leaders such as Andreessen-Horowitz, and impact investing experts, we are committed to mainstreaming values-informed investing. OpenInvest is one of the first venture-backed Public Benefit Corporations (PBC) and is now recognized as a global leader in ESG (environmental, social, and governance) portfolio construction and implementation.

**OpenInvest is building the wealth management platform of the future.**



# OpenInvest ESG Scoring Methodology

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OpenInvest® uses a variety of ESG data sources ranging from market data aggregators such as Refinitiv, Asset4, and QADirect, to highly specific academic or industry research such as UMass Political Economy Research Institute, or the Global Canopy Initiative's Forest 500 ratings. This approach allows for highly specific and targeted scoring based on the most relevant, accurate, and timely research for a given cause.

Indicators from these data sources are then assembled into an overall positive, neutral, or negative score for a cause. For example, the indicators for Women Leadership include percentage of women on the company's board and executive team, and percentage of female managers. OpenInvest scores companies with significantly below average metrics as negative, around average as neutral, and significantly above average as positive. The specific methodology for scoring indicators varies from cause to cause.

Impact metrics for a cause are calculated by scoring the companies in the benchmark, and comparing that to the scores of the companies held in an OpenInvest portfolio. For example, if a benchmark contains 10% positively scored companies for the Greenhouse gases cause, and the OpenInvest portfolio contains 20% positively scored companies, the impact is +10%. When possible, this is translated into intuitive, tangible terms, such as tons of greenhouse gas emissions, or their equivalent in miles driven or trees planted.

See cause descriptions for more details on the sources and methodology used for each particular cause.

# Appendix A: Cause Descriptions

## Divest from the Prison Industrial Complex

The prison industrial complex (PIC) is the network of companies and investors that benefit from incarcerated Americans, as well as the legislators and governmental systems that enable them. While many people are familiar with private prisons, the PIC includes other significant players: companies who sell goods and services at inflated prices to incarcerated people and companies who pay low or no wages for prison labor. These operators, prison labor companies, and goods providers spend millions on lobbying to maintain this system. Additionally, banks and financial institutions extend credit to these parties.

### Methodology

If this cause is selected, OpenInvest divests from companies that profit from imprisonment and prison labor (as identified by the American Friends Service Committee and Worth Rises), the banks who have the most money invested in private prisons (as identified by In the Public Interest), and the companies which contribute the most to pro-incarceration lobbying (as identified on the ALEC leadership page). Additionally, OpenInvest invests in companies that committed to hiring the formerly incarcerated by the Obama administration's Fair Chance Business Pledge.

### Sources

American Friends Service Committee Investigate - <https://investigate.afsc.org/>

White House Fair Chance Business Pledge - <https://obamawhitehouse.archives.gov/issues/criminal-justice/fair-chance-pledge>

ALEC Private Enterprise Advisory Council - <https://www.alec.org/group/private-enterprise-advisory-council-2/>

In The Public Interest - <http://www.inthepublicinterest.org/>

## Invest in Racial Justice

Just 5% of all Fortune 500 companies have non-white CEOs. In addition, approximately 15 of the top 100 corporate air polluters emit more than two-thirds of their total air pollution in regions populated by racial or ethnic minorities.

OpenInvest's Racial Justice cause allows any investor to tailor their investments to only include companies who are transparent about their progress on diversity targets and divest from those that disproportionately pollute in communities of color.

### Methodology

If this cause is selected, OpenInvest divests from companies with diversity-related controversies, as well as companies in the top 100 air and greenhouse gas polluters that emit disproportionate amounts of their air pollution in communities of color, as identified by the UMass Political Economy Research Institute. OpenInvest also invests in companies that have set quantitative targets for diversity in their employee base as well as companies that are transparent about their progress.

### Sources

Refinitiv - <https://www.refinitiv.com>

Reveal - <https://apps.revealnews.org/silicon-valley-diversity-list/>

Information is Beautiful -

<https://informationisbeautiful.net/visualizations/diversity-in-tech/>

University of Massachusetts Amherst Political Economy Research Institute - <https://www.peri.umass.edu/research-areas/environmental-and-energy-economics>

## Divest from All Fossil Fuels

When fossil fuels combust, they create carbon emissions. The extraction processes for coal and petroleum can also cause damage to the environment. Fossil fuel combustion and extraction worsen the climate crisis and weaken crucial natural ecosystems which can increase the likelihood of climate disasters. While fossil fuels continue to make up most of the world's energy sources, renewable resources like wind and solar energy are becoming cheaper and more available.

### Methodology

If this cause is selected, OpenInvest divests from companies involved in the extraction and production of coal, oil, and gas, as well as the utility companies that use these fuels to generate energy for commercial and retail customers. Water and energy utilities relying primarily on renewable energies remain in the portfolio.

### Sources

Refinitiv - <http://www.refinitiv.com>

MSCI Global Industry Classification Standard - <https://www.msci.com/gics>

# Data Sources

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## Thank You

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### Disclaimers and Limitations of Liability

The custom portfolio is structured to passively track the diversification and performance characteristics of the client's benchmark. The "Benchmark Performance" reflects the performance of a synthetic portfolio traded into the benchmark constituents at weights available on the day of trade-in. The benchmark is calculated without reducing the return by management fees and assumes no cash drag. Investing directly into benchmark constituents may incur additional transaction, execution, and/or custodial fees, which are not modeled in the Benchmark Performance. Since trades were not actually executed according to the methodology described above, results may have under- or over-compensated for the impact, if any, of certain market factors and may not reflect the impact that certain economic or market factors may have had on the model-building process.

Returns are presented "net of fees," excluding the most recent reporting period. Performance for the most recent reporting period will be reduced by the management fee listed in your investment management agreement with OpenInvest, calculated on the net asset value of your account as of the last day of the reporting period.

Past performance is not indicative of future results. Investing in securities involves significant risks, including the risk of loss of the entire investment. Our portfolio management process attempts to track selected benchmark performance, but OpenInvest cannot actively monitor or manage benchmark risk. OpenInvest does not deviate from tracking benchmark performance during adverse market conditions, i.e. declines in benchmark performance generally will result in declines in portfolio performance.

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