

## **Concinnity Conscious Founders Index Methodology**

### **1. Introduction**

The Concinnity Conscious Founders Index (the "Index") is designed to provide exposure to U.S.-listed companies that Concinnity Advisors LP, (the "Index Provider") believes appear to achieve financial performance in a sustainable and responsible manner, as well as having the company founder in the CEO position. Concinnity believes the presence of company founders increases the likelihood a multi-stakeholder mindset will be preserved and corporate culture will be safeguarded.

Companies are determined to be sustainable and responsible if they are members of the Concinnity Multi-Stakeholder Operating Companies Index (CONCPR/CONCTR). This is an index of approximately 300-350 stocks updated annually (see Concinnity Multi-Stakeholder Operating Companies Index Description for details). Its strategy asserts that "well-managed" companies are those that adopt a multi-stakeholder operating system ("MsOS") as the nucleus for their long-term value creation process. Concinnity Advisors LP believes that these companies understand that successful performance in today's marketplace largely depends on the quality of their relationships with the following stakeholders:

- Customers
- Employees
- Suppliers
- Stock and Debt Holders
- Communities in which the Company Operates

Companies are then screened to determine if the company founder is still in the CEO position.

The universe of companies eligible for inclusion in the Index is comprised of US-listed firms with a market capitalization greater than \$2 billion. The Index is concentrated, with only 20 to 40 stocks typically in the index. Companies from all sectors of the economy are eligible for inclusion. The names in the Index are equal weighted. The Index is reconstituted annually and rebalanced back to equal-weight quarterly.

### **2. Constructing the Concinnity Conscious Founders Index**

The construction of the Concinnity Conscious Founders Index starts with a universe of stocks that Concinnity believes are sustainable and responsible. This requirement is met by using companies that are members of the Concinnity Multi-Stakeholder Operating Companies Index (CONCPR/CONCTR). This is an index of approximately 300-350 stocks updated annually (see Concinnity Multi-Stakeholder Operating Companies Methodology for details). Its strategy asserts that "well-managed" companies are those that adopt a multi-stakeholder operating system ("MsOS") as the nucleus for their long-term value creation process. Concinnity Advisors LP believes that these companies understand that successful performance in today's marketplace largely depends on the quality of their relationships with the following stakeholders:

- Customers
- Employees
- Suppliers
- Stock and Debt Holders
- Communities in which the Company Operates

The companies in the Concinnity Multi-stakeholder Operating Companies Index are then screened to determine if one of the founders is in the CEO position. Concinnity believes the presence of company founders increases the likelihood a multi-stakeholder mindset will be preserved and corporate culture will be safeguarded.

Companies that are on the Concinnity Multi-stakeholder Operating Companies Index and also have a founder CEO are eligible for the Concinnity Conscious Founders Index. The Index is equal-weighted and in the last three years, consists of between 20 and 40 companies. The index is comprised of only US-listed firms with a market capitalization greater than \$2 billion and an average daily trading value over the last 30 days of \$4 million. All sectors of the economy are eligible for inclusion.

## 2.1 Rebalance Frequency

The Index will be reconstituted annually using the process described in section 2 above. The Index reconstitution selection day is five trading days prior to the last trading day of October. The Index reconstitution adjustment day is the last trading day of October, effective at the close. Announcement of the reconstituted Index constituents will be made five trading days before the Index reconstitution adjustment day.

The Index will be rebalanced quarterly. Rebalance is defined as any necessary deletion of constituents, then equal weighting of the remaining constituents. Constituents can be deleted from the Index at the quarterly rebalance for:

- 1) Falling below a \$1.5 billion market cap
- 2) Having a minimum average daily trading value for the last 30 days of less than \$3 million
- 3) Extraordinary events relating to a company's treatment of one (or more) of the five stakeholders defined in the Introduction section, as determined by Concinnity Advisors, LP.

The Index rebalance selection day will be five trading days prior to the last trading day of each of the following months, January, April, and July. The Index rebalance adjustment day is the last trading day of January, April, and July, effective at the close. Announcement of the rebalance index constituents will be made five trading days before the index rebalance adjustment day.

The index equal weights are determined on the Selection Day and allowed to float by performance until the close of the Adjustment Day.

### **3. Decision-Making Bodies**

Concinnity Advisors, LP is responsible for decisions regarding the composition of the Concinnity Conscious Founders Index as well as any amendments to the methodology for the creation of the Concinnity Conscious Founders Index. The composition of the Conscious Founders Index is set on the selection dates. Concinnity Advisors, LP may at any time make changes to the composition of the Index or to the guidelines while maintaining the Index's stated objectives.