Institutional Portfolio Net Impact Score:

Ranking Report
2020

ABOUT GENUS CAPITAL

Genus Capital Management Inc., founded in 1989, is an independent investment management firm with $1.75B assets under management (as at Dec 31, 2020). We provide customizable investment solutions that meet our clients' changing needs and is considered one of Canada's fossil free investment leaders. Our clients include leading environmental organizations, foundations, institutions and individuals across Canada.

Some years ago, as the effects of climate change became more apparent around the world, some of our clients, such as the David Suzuki Foundation, began to see the impending environmental impact of their investments. As a result, Genus started building sustainable portfolios over 20 years ago. In 2013, we enhanced our socially responsible strategies and created Genus Fossil Free® to better align clients' investments with their values and help address some of the world's pressing socioeconomic and environmental challenges.

Today, Genus Capital is at the forefront of Canada's Divest-Invest movement, with a complete suite of Fossil Free® funds tailored to meet the needs of investors looking to divest from the world's worst polluters and invest in a sustainable, clean energy future.

ALL PORTFOLIOS MAKE AN IMPACT.

Every investor makes an impact with their portfolio. The question is whether that impact is positive or negative. Institutional investors are no exception.

Many institutions such as foundations, educational institutions and religious groups strive to make positive societal impacts by offering grants, engaging in community activities or supporting causes. Today, they can also leverage their endowments or investment portfolios to enhance their positive impact.

Introducing Net Impact Score®

A common problem for many impact investors is that they focus solely on the positive outcomes of their investments. The whole story of that investment is not being told, and consequently the investor's intentions may not be reflected in their investment's results.

Instead of focusing only on positive impact investing or—conversely—screening solely for negative impact, the Net Impact Score® provides a holistic view that helps the investor account for the destructive nature and the beneficial nature of their investments in one metric.

By applying Net Impact Score® to a portfolio, an impact investor who invests in renewable energy in one part of their portfolio in order to reduce carbon emissions, can rest assured that they won't negate that benefit by simultaneously investing in a coal utility company in another part of their portfolio.

MEASURING IMPACT

How Net Impact Score® Is Determined

To measure an investment's impact, it is assigned a "score" based on the extent to which it supports the United Nations Sustainable Development Goals (SDGs).

In 2020, more organizations are beginning to measure their impact based on their contributions to the United Nations Sustainable Development Goals (SDGs).

The 17 SDGs were adopted by all UN member states in 2015 as part of the 2030 Agenda for Sustainable Development. The goals range from eliminating poverty to protecting biodiversity to achieving gender equity, quality education for all, and clean and affordable energy.

How Net Impact Score® Is Determined

A company's contribution to its impact is based on the portion of its revenue that comes from products or services that contribute to any of these goals.

For example, Vestas Wind Systems derives 100% of its revenue from designing and building wind turbines which is linked to SDG 7: affordable and clean energy (source: MSCI ESG Research). Therefore, its score would be 100%. Another company might have a business line that creates educational materials. If that business line were to make up half of that company's revenue, the company's score would be 50%.

For a portfolio, we look at the weighted average impact revenue to determine the overall positive impact.

Measuring Negative Impact

Measuring positive impact is a good initial step, but it's clear that each investment must be assessed holistically. This means measuring the investment's negative impact as well.

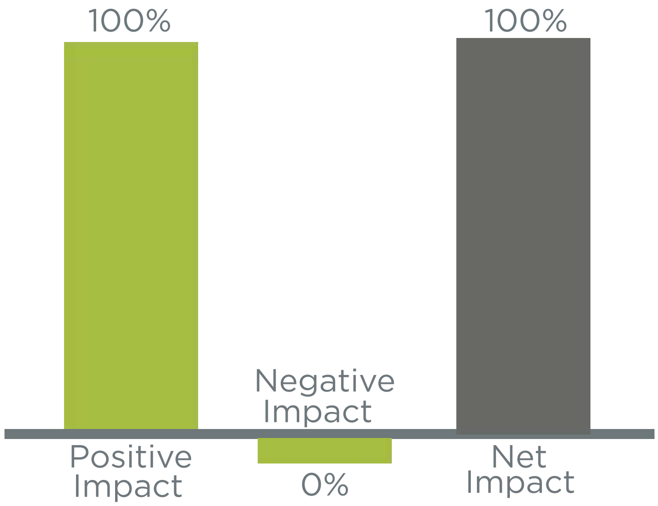
Making a significant positive impact is beneficial and important, and investors don't want to hold other investments that would counteract their positive impact. For example, if we invest in renewable energy in one part of your portfolio to reduce carbon emissions, we don't want to negate that benefit by simultaneously investing in a company that contributes to carbon emissions. Such a hypothetical portfolio could result in a neutral or perhaps even negative overall impact. In Canada, for example, investors often set up "impact" sub-portfolios but invest the rest of their capital in a fund that tracks the S&P TSX Composite Index (which has a large negative impact). To avoid such a scenario, we look at portfolios as a whole.

To measure negative impact, we add up the revenue that a firm derives from negative-impact sources. As an example, a coal utility or tobacco company could have up to 100% negative-impact revenue while other companies may derive just a portion of their revenue from negative-impact sources. Another company still—a consumer staples manufacturer—might sell some nutritious food, but also some junk food.

The Whole Picture: Measuring Net Impact Score®

Once positive and negative scores are calculated, the total Net Impact Score® is derived. The net impact is the positive impact minus the negative impact.

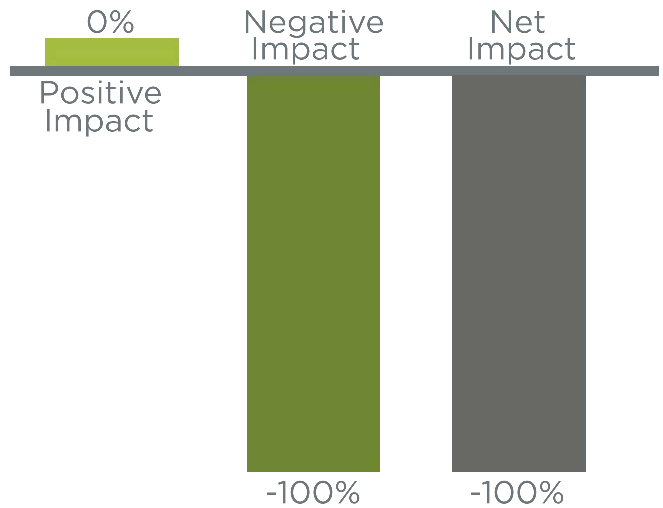
Impact Score
Vestas Wind



A Highly Positive Net Impact

Vestas Wind Systems derives 100% of its revenue from designing and building wind turbines (linked to SDG 7: affordable and clean energy), resulting in a score of 100%.

Impact Score
Husky Energy

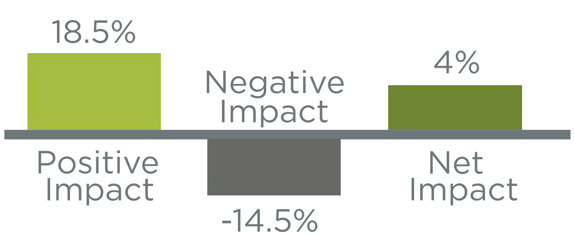


A Highly Negative Net Impact

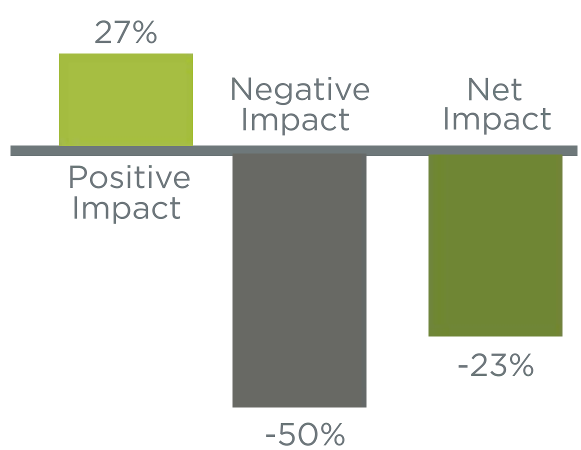
Husky Energy derives 100% of its revenue from fossil fuel production, resulting in a score of -100%.

Most companies fall somewhere in between the net impact extremes illustrated above.

Impact Score
Excel Energy



Impact Score
Nestle



Source: MSCI ESG Research and Impact Cubed; December31, 2019

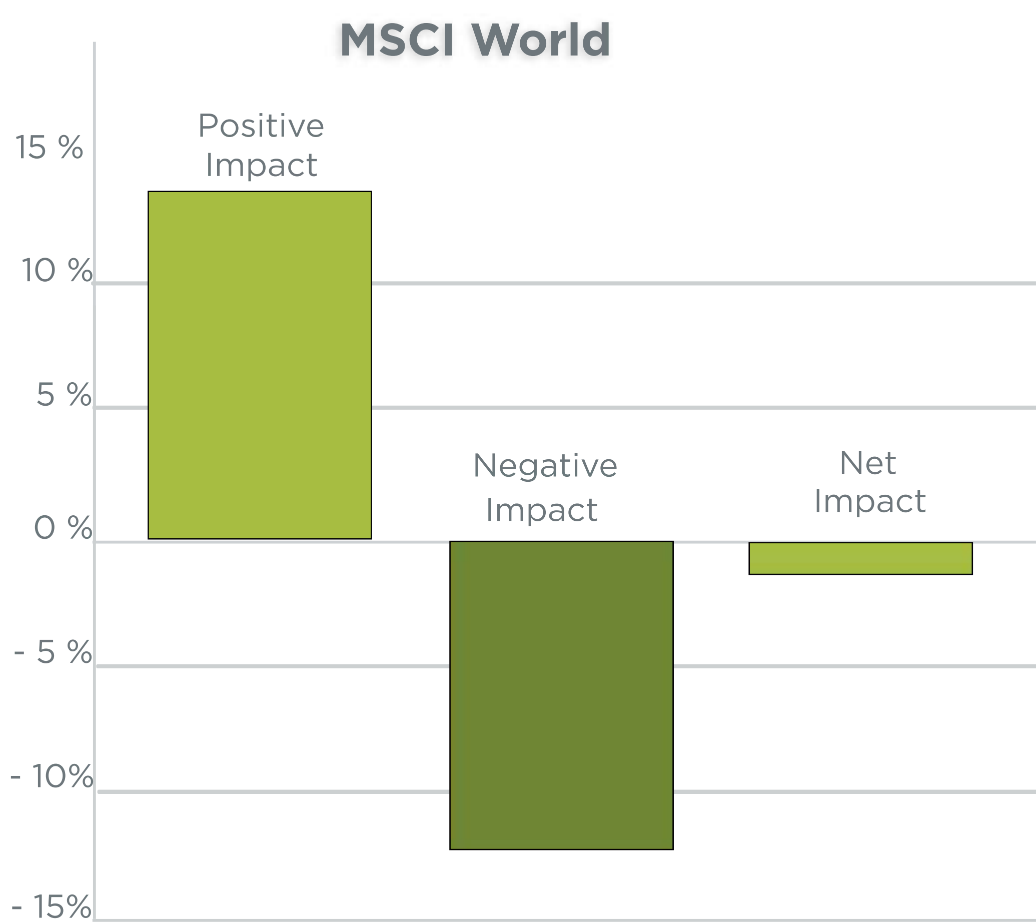
Applying Net Impact Score® to Institutional Portfolios

An institutional portfolio's Net Impact Score® is calculated by finding the weighted average score for all of its holdings.

Net impact for portfolios can vary widely. Some impact funds can have a Net Impact Score® higher than +50%. However, a portfolio that is overweight in consumer staples, energy or utilities can have a very negative score.

Global Net Impact

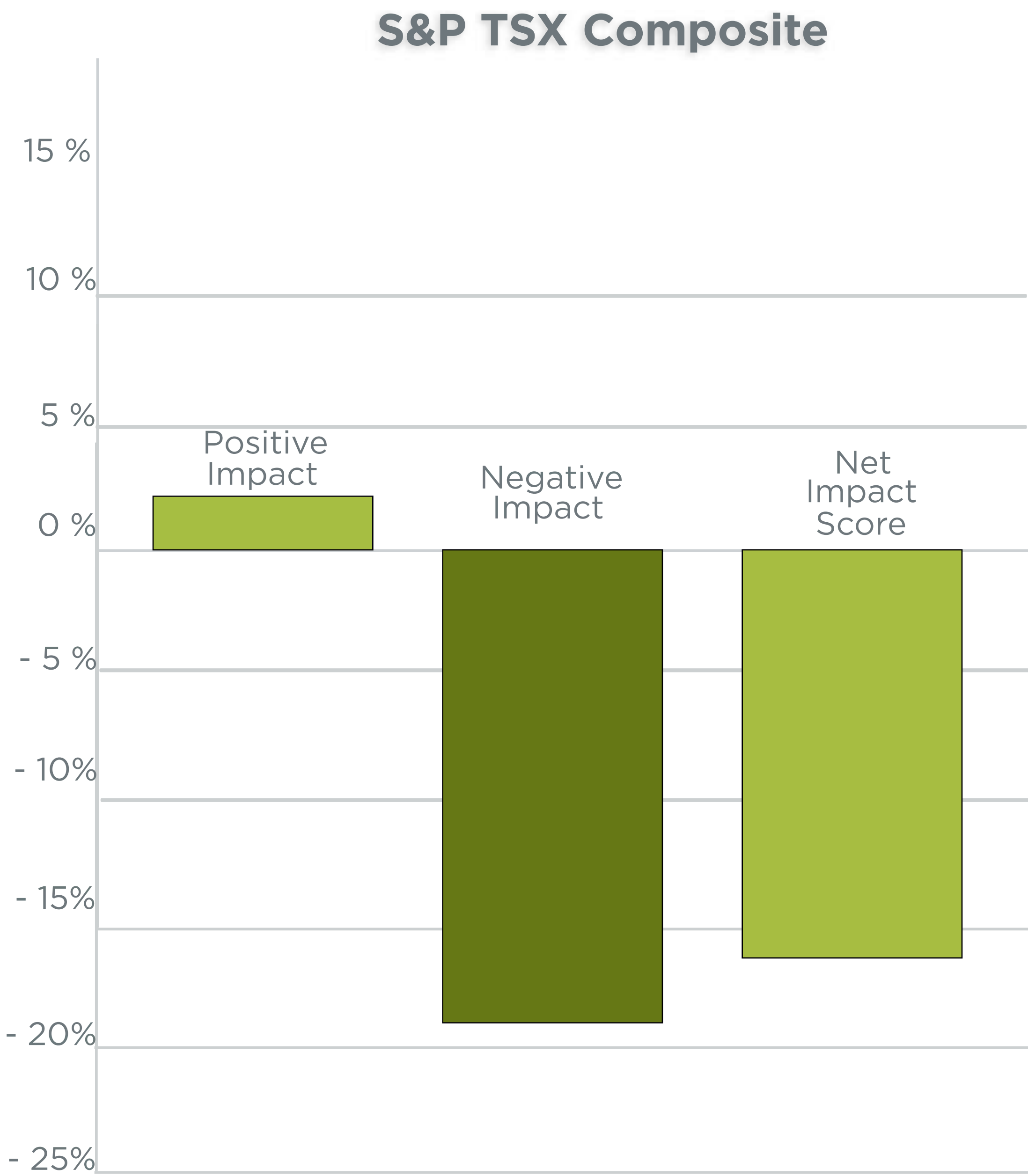
Globally, the developed markets have a slightly negative net impact (if looking at the MSCI World Index). As the MSCI World chart below shows, the positive impact of 11% is outweighed by a negative impact of 11.5%.



Source: MSCI ESG Research and Impact Cubed; December31, 2019

Canada's Net Impact

In Canada, the S&P TSX Composite isn't as neutral. Due to a heavy (albeit shrinking) reliance on the energy sector, the TSX has a Net Impact Score of –16.6%.



Source: MSCI ESG Research and Impact Cubed; December 31,2019

Institutional Portfolio Net Impact Ranking

We created the Institutional Portfolio Net Impact Score Ranking to showcase institutions that are making the greatest positive impacts with their portfolios. By showcasing these leaders, we hope that other institutions and private investors will be inspired to learn more about impact investing and take action toward achieving more positive net impact results from their own investments.

The 2020 Institutional Portfolio Net Impact Score Ranking analyzed the impact of the holdings of a cross-section of institutions across Canada.
Congratulations to these institutions for going above and beyond to far exceed the market!

Rank	Foundation or Organization	Net Impact Ranking
1	Inspirit Foundation	35.1%
2	Anonymous Religious Organization	19.0%
3	Anonymous Foundation	18.8%
4	Anonymous Foundation	13.3%
5	MakeWay Foundation	11.7%
6	Clayquot Biosphere Trust	10.1%
7	Trottier Foundation	7.3%
8	Habitat Conservation Trust Foundation	4.0%
9	Anonymous Educational Institution	-0.8%
10	Anonymous Foundation	-2.6%
11	Anonymous Foundation	-7.0%
12	Anonymous Foundation	-8.0%
	MSCI World Index	-0.5%
	S&P TSX Composite Index	-16.6%

Source: Data from participants, calculations by Genus Capital, impact data from MSCI ESG Research and Impact Cubed; 31 Dec 2019

Inspirit Foundation had the highest Net Impact Score® at +35%. It is inspiring to note that Inspirit isn't just stopping at 35%: it plans to go all-in on impact investing. So far, the foundation has moved its global equities, fixed income and alternatives to impact investments, and is in the process of building an impact Canadian equities portfolio as well.

Although the 2020 Institutional Portfolio Net Impact® Ranking in its first year represents a small sample of Canadian institutions, their average far exceeds the TSX and MSCI World Net Impact Scores in terms of positivity.

Hundreds of institutions were invited to participate in this year's ranking, but the majority declined. It is probable that the higher-impact institutions are more willing to be transparent about their holdings than are their lower-impact counterparts, so the results are likely skewed upward. Our vision is that more institutions will be inspired to take part in the Net Impact Score Ranking in the coming years.

It is important to note that this analysis focuses exclusively on public equities. Some institutions hold very impactful investments in other asset classes that are not assessed within this ranking. Others are building large private equity, venture capital or private debt portfolios with an impact-first mindset. We hope to capture these types of impact in future reports.

Keys to Improving Your Portfolio's Net Impact

Screen for Negative Impact

Within the rankings, most of the institutions' gains relative to the indexes came from cutting out negative impact rather than from exceeding positive impact. Several of the institutions on our list had 0% negative impact whereas the MSCI World Index has a negative impact of 11.5%.

These portfolios didn't hold companies involved in controversial industries, such as energy, utilities, weapons, tobacco, junk food, adult entertainment, factory farming and many others.

Invest Globally

Shifting from a Canadian portfolio to a more global portfolio made a difference for high-ranking institutions. Compared with the global markets, the Canadian market is much more focused on energy, so Canadian portfolios that track the S&P TSX Composite tend to have a more negative impact. However, global portfolios have more positive impact investment opportunities in areas such as health care, technology and renewables. Europe, in particular, has many high impact companies.

Some of the institutions did have more positive impact than that of the indexes. Most of these relative gains came from the positive environmental impacts associated with investments in technology and industrial companies with a focus on energy efficiency.

Aim Higher Than Neutral

Looking to the future, the most significant opportunity for improvement for many institutions is to move away from relatively neutral investments. Many highly ranking portfolios have most of their capital in stocks that offer a minor positive impact, such as telecom providers and financial firms. These portfolios are likely socially responsible, with an emphasis on cutting out negative impact through negative screening.

Shifting to positive impact investing is an excellent first step, and far better than just holding the index. However, to reach the next level, investors need to shift larger portions of their portfolios to companies with greater positive impacts. Eventually, if these institutions would like to achieve net impacts in the 30% to 60% range, they could alter their investable universes to consider only more impactful companies.

CONCLUSION

Many institutions are making an impact on the world well beyond the grants they give and the activities they perform or support. These foundations are striving to meet their financial goals while making a marked difference through impact investing.

We welcome you to learn more about Impact Investing and how to make a net positive impact with your own portfolio at genuscap.com.

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