

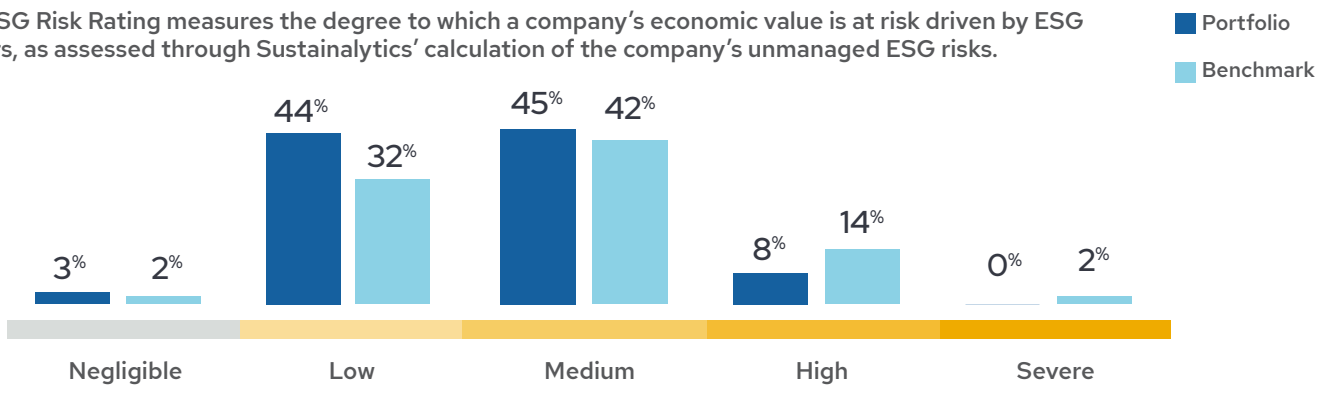
# Impact Report

## Quantitative Portfolio: Impact International ADR - ESG

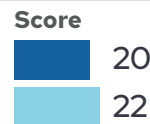
The **Quantitative Portfolio: Impact International ADR - ESG** is a passive strategy that seeks to provide risk exposures and returns similar to those of the S&P BNYM DM ex US Classic ADR Index. The portfolio has a multifaceted approach: avoiding controversial business practices, evaluating companies' environmental, social, and governance risks, and targeting companies focused on environment and social solutions. Impact investors benefit from diversified, low-cost market exposure and opportunities for tax management in a single, separately managed account.

### ESG Risk Rating

The ESG Risk Rating measures the degree to which a company's economic value is at risk driven by ESG factors, as assessed through Sustainalytics' calculation of the company's unmanaged ESG risks.



This portfolio's ESG risk is 9% lower than the benchmark. The prevalence of high risk companies in the portfolio is 50% less than the benchmark.\*



\* Approximately 8% of the S&P BNYM DM ex US Classic ADR index is not covered by Sustainalytics.

### Portfolio Exclusions

Avoid exposure to companies with severe controversies and those that generate significant revenues from the following areas:

-   
 Adult Entertainment
-   
 Alcohol
-   
 Firearms
-   
 Gambling
-   
 Military Weapons
-   
 Nuclear Power
-   
 Tobacco
-   
 Severe Controversies

Category	Adult Entertainment	Alcohol	Firearms	Gambling	Military Weapons	Nuclear Power	Tobacco	Severe Controversies
Companies in Your Portfolio	0	0	0	0	0	0	0	0
Companies in Benchmark	0	12	0	7	10	10	5	35

## Avoiding Controversies

The portfolio seeks to hold companies with strong ESG profiles and avoid those with a poor ESG track record. Therefore, companies with egregious ESG-related controversial events are flagged and deemed ineligible for portfolio inclusion. Controversial events can have broad implications, effecting shareholders, company stakeholders, or local communities.

**Avoiding controversies helps limit surprise from random events:**

					
<b>Lawsuits</b>	<b>Fraud</b>	<b>Data security</b>	<b>Strikes</b>	<b>Accidents</b>	<b>Environmental Incidents</b>

## Company Exclusions



### Bayer

**Controversy Level: Severe**

After Bayer’s acquisition of Monsanto in 2018, Bayer took over all the risks triggered by Monsanto’s business in the agricultural chemicals industry. Therefore, Bayer is involved in severe controversies related to the potential health hazards and socio-environmental impact posed by glyphosate, a non-selective herbicide used in the company’s Roundup product, on humankind and the environment. Monsanto’s products are banned in several countries due to health and environmental concerns. Although the settlement of the majority of glyphosate related liability lawsuits decreased legal risks for Bayer, risks are still considered severe, particularly because there are approximately 30,000 claims still pending. Bayer has incurred significant financial costs associated with this controversy. This raises doubts as to whether the acquisition was beneficial to Bayer’s enterprise value and highlights a potential failure to integrate ESG considerations during the acquisition process.



### ArcelorMittal SA

**Controversy Level: High**

ArcelorMittal reported employee and contractor fatalities in the past three years. There have been worker protests over unsafe conditions and outdated equipment that parallel the flow of recorded injuries and fatalities. Despite limited accounting of the costs associated with these discrete event occurrences, the impacts and work stoppages that arise from the investigations impede operational efficiency, weigh on employee motivation and correlate with reduced production. While ArcelorMittal’s occupational health and safety strategy builds on a dedicated policy, management structures and programmes, the performance on fatalities, though trending positive in the last two to three years, remains a source of concern for the company.

## Portfolio Tilts

QRG's optimization process aims to enhance exposure to companies within these broad ESG categories: climate solutions, resource protection, diversity, and community.

You support:



Companies creating products and services to help mitigate pollution and climate change.



Companies supporting a more sustainable and energy efficient economy.



Companies promoting equal opportunity for women and minorities.



Companies focused on creating safe and inclusive communities.



### Climate Solutions

Portfolio: **2x more exposure** compared to the benchmark towards companies providing renewable energy, green transportation, or energy efficiency solutions.

### Resource Protection

Portfolio: **3x more exposure** compared to the benchmark towards companies focused on sustainable agriculture or water scarcity solutions.



### Community

Portfolio: **2x more exposure** compared to the benchmark towards companies involved in education development, affordable housing, financial inclusion, or health care innovations.

### Diversity

Portfolio: **.3x more exposure** compared to the benchmark towards companies exhibiting strong diversity programs.



## Environment

You support:



Taking action to combat climate change and minimize impact on the planet.

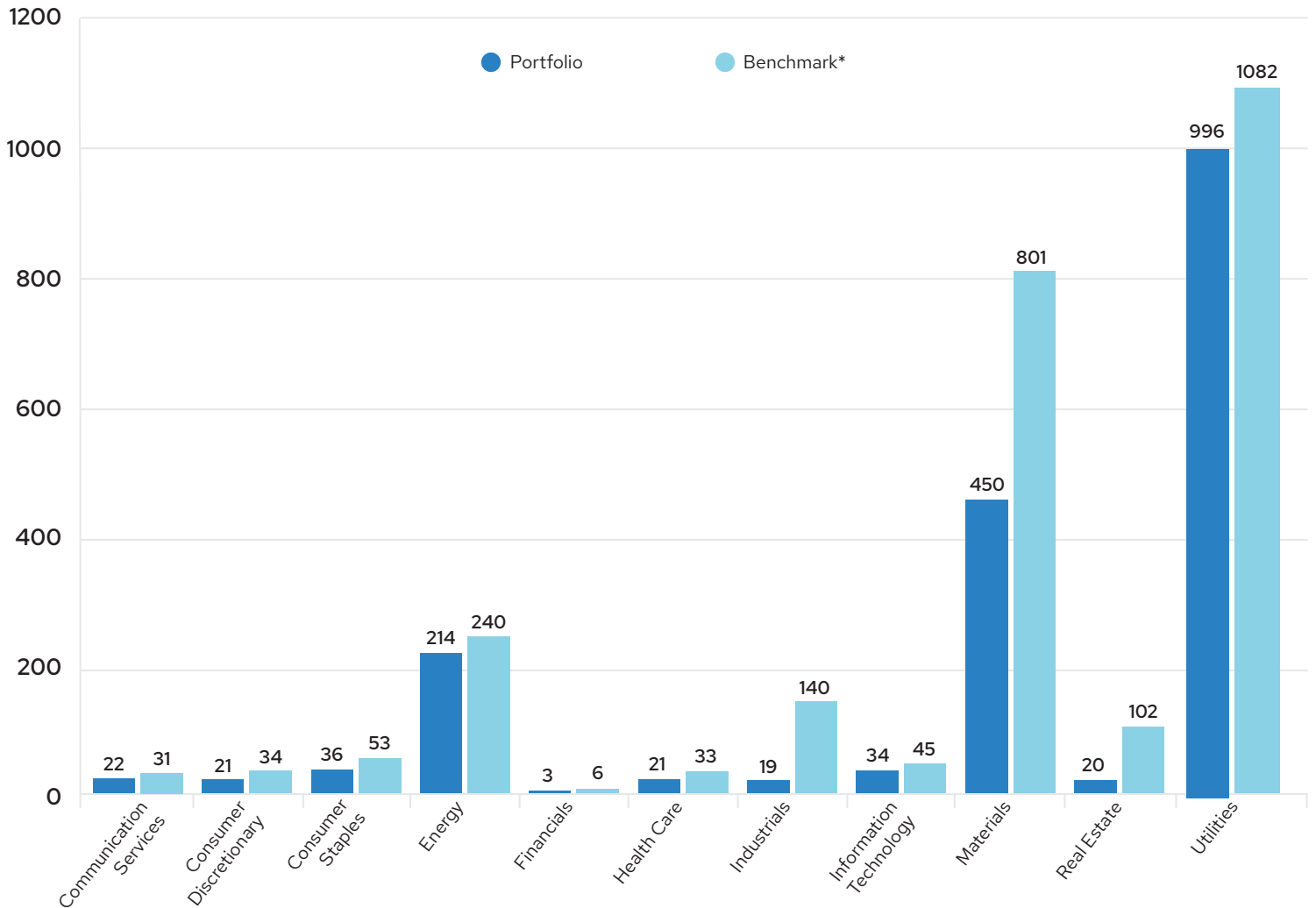


A cleaner and more secure energy future.



Innovations in pathways to de-carbonization of the economy.

### GICS Sector Carbon Intensity





Source: S&P Trucost Analytics Platform

\*Benchmark: S&P BNYM DM ex US Classic ADR

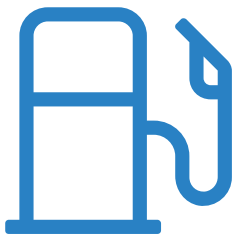
The companies held within the portfolio produce approximately

**131,000 Gigawatt hours (GWh) of renewable energy annually.**

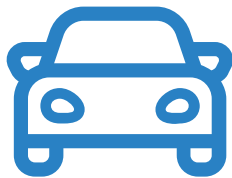



**Enough to power 11.9 M homes per year**

A \$100,000 investment results in **46% lower carbon emissions** than the holdings in the CRSP US large Cap Index. This relative reduction is equivalent to the approximate annual carbon emissions of:



**2,682**  
Gallons of gasoline



**2,190**  
Daily commutes by the average driver in the US



**26,261**  
Pounds of coal



**Carbon sequestered by 31.1 acres of US forests in one year**

A \$100,000 investment results in **83 cubic meters** lower water use than the holdings in the CRSP US large Cap Index. This relative reduction is equivalent to:



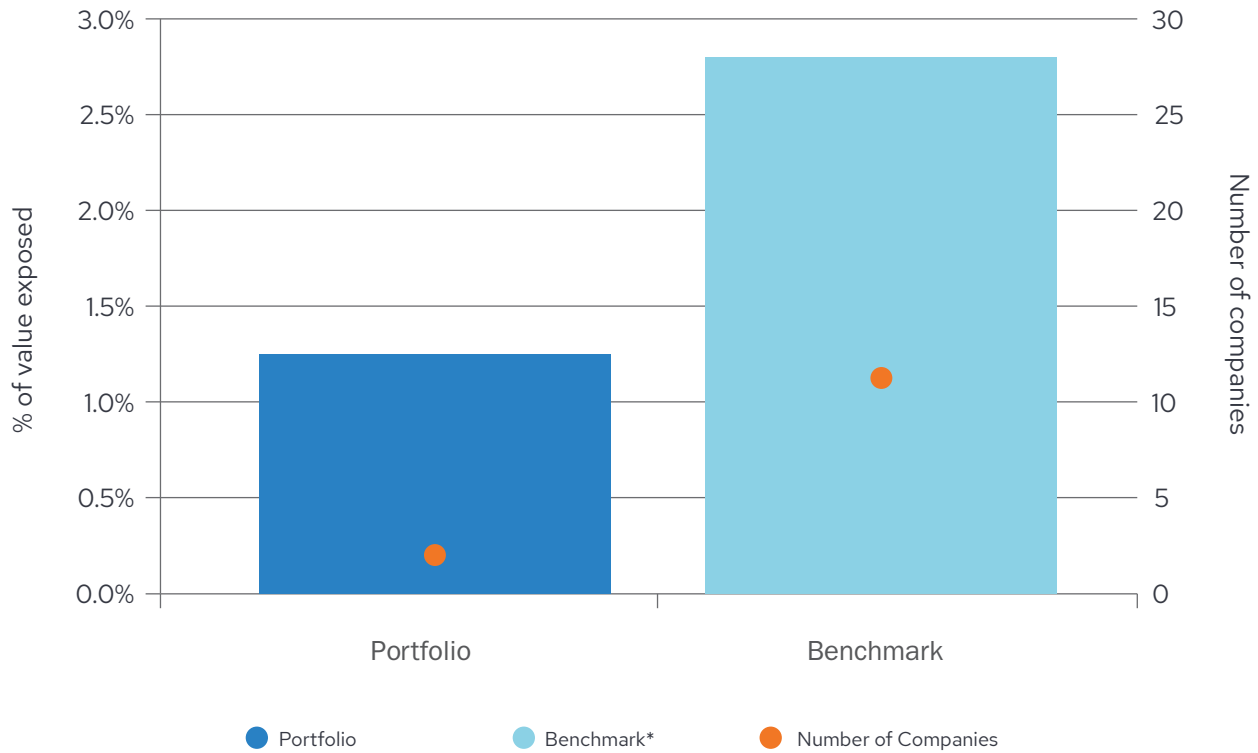
**166,096**  
Water Bottles

A \$100,000 investment results in **34% less waste** than the holdings in the CRSP US large Cap Index.



**34%**  
Less Waste

## Portfolio Coal Exposure Report



Source: S&P Trucost Company level co2e data  
 \*Benchmark: S&P BNYM DM ex US Classic ADR

## Company Highlight






### Alstom SA

Alstom SA designs, supplies, and services various electric transport equipment, systems, and services. Through its Rolling Stock business segment, the company offers multiple electric vehicles such as buses, trams, metros, suburban and regional trains, high-speed trains and locomotives. The company’s Rolling Stock business segment, which provides electric vehicles, accounted for 42.7% of total company revenue in FY2018/2019. Alstom SA also designs, supplies, and services various rail transport equipment. Through its Systems and Signaling business segments the company develops green transportation infrastructure, such as sustainable solutions for track laying (Appitrack), the electrification of and power supply to lines (APS and HESOP), and the supply of electromechanical equipment along the entire track, in stations and in depots. The segments that develop green transportation infrastructure accounted for 38% of total company revenues in FY2018/2019.

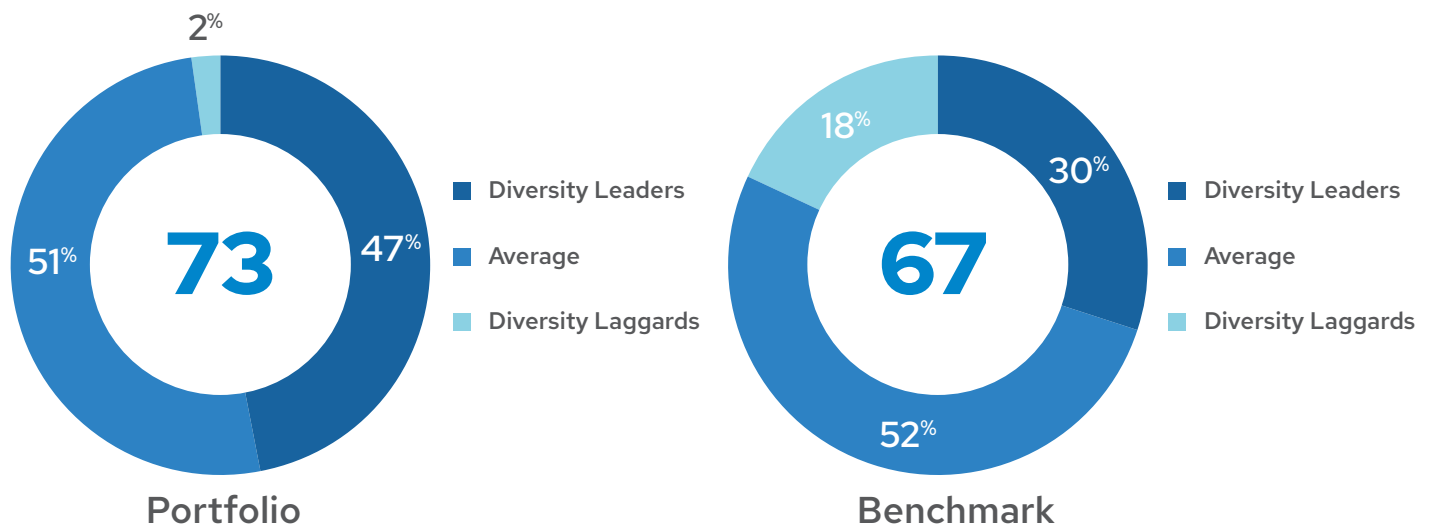
Source: Sustainalytics sustainable products company level research

## Diversity

You support:

-  Advancing women and minorities in the workforce.
-  Promoting inclusionary hiring & career development practices.
-  Encouraging cultural understanding & sensitivity in the workplace.

## Diversity Score



## Company Highlight



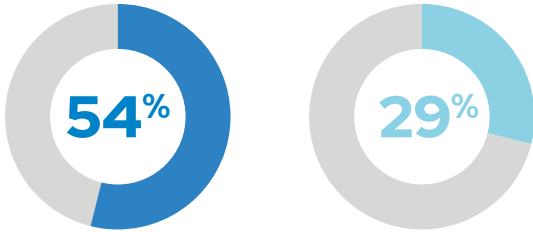
### L’Oreal

L’Oreal is a leader on diversity initiatives, fostering workplaces where all people of every ethnicity, social background, religion, gender, age or disability, feel valued. The company was ranked 8th Thomson Reuters Diversity & Inclusion Index in 2018. The index ranks more than 7,000 international companies based on a series of indicators and four core values: diversity, inclusion, people development and news controversy. The company was also recognized as the gender equality leader in Europe in the Equileap 2018 rankings and already strongly committed to gender equality in the workplace. They were also included in the Top 100 of the Bloomberg Gender–Equality Index 2018, based on the strength of corporate commitment to gender equality in the workplace. In 2019, L’Oreal had 30% women on its executive committee, up from 21% in 2010, and 54% women in leadership positions, up from 37% in 2010. As of 2019, 53% of board members are women, compared to 21% in 2010. Globally there are 1,280 employees with disabilities, and the workforce represents 169 nationalities, spread out over 73 subsidiaries. 2,452 people with disabilities work for the company’s suppliers, up 64% since 2015.

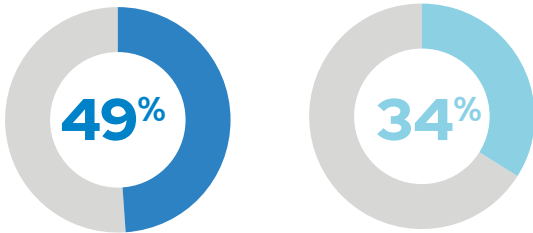
Source: <https://www.loreal.com/en/commitments-and-responsibilities/for-the-people/promoting-diversity-and-inclusion/key-figures/>

## Policies & Programs

Percentage of Companies with a Strong Diversity Program

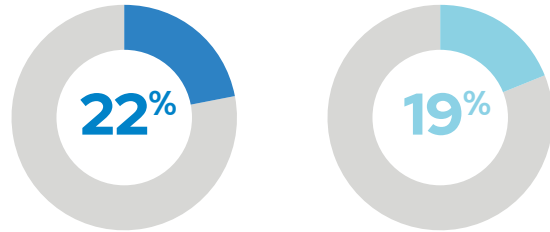


Percentage of Companies with a Strong Anti-Discrimination Policy

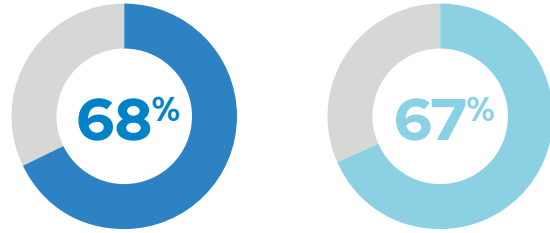


## Gender & Work Life Balance\*

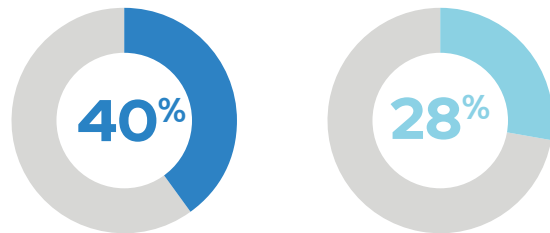
Percentage of Women in Senior Management



Companies that Offer Flexible Work Options



Companies with an Equal Pay Strategy



● Portfolio ● Benchmark

Source: Sustainalytics

\*Source: Equileap



## Community

You support:



Building strong, sustainable communities, by directing capital to where it is needed most.



Providing access to capital, credit and education in communities that would otherwise lack these resources.



Promoting economic development and mobility.



Broadening access to health care and supporting the research and development of important treatments.



### Affordable Housing

**Solutions:**

Allocates to companies that are involved in the development and/or management of housing that is affordable to low and lower-middle income people.



### Financial Inclusion

**Solutions:**

Allocates to companies that provide access to financial products and services meeting the needs of low-income and vulnerable groups at an affordable cost and in a fair and transparent manner.



### Education

**Solutions:**

Allocates to companies that provide products and services that improve access to education.



### Health

**Solutions:**

Allocates to companies that provide specialized technologies and equipment that address major and /or neglected diseases.

Source: Sustainalytics sustainable products company level research

## Company Highlight



### AstraZeneca PLC

AstraZeneca PLC engages in the production of treatments targeted at oncology, respiratory diseases, renal, metabolism and cardiovascular diseases. The company reports that 29% of its total product sales were generated by oncology treatments, 32% from cardiovascular, diabetes and renal treatments; while 23% resulted from respiratory treatments. In addition, AstraZeneca has an access to healthcare initiatives program focused on expanding patient access globally, on prevention of non-communicable diseases (NCDs) (Young Health Programme) and hypertension in Africa (Healthy Heart Africa). The company set the goal to reach 10 million hypertensive patients across Sub-Saharan Africa by 2025 through its Healthy Heart Africa programme, and to expand its Young Health Programme into three markets.

Sources: Sustainalytics company research



## Appendix – Sustainalytics Definitions

**ESG Risk Rating:** This metric uses Sustainalytics ESG Risk Rating and is calculated as a weighted average score at portfolio and benchmark level. Sustainalytics ESG Risk Rating evaluates the level of unmanaged risk for a company.

**ESG Risk Rating Range:** ESG Risk Rating Range: The range consists of five broad categories defined by Sustainalytics: Negligible, Low, Medium, High, and Severe. Sustainalytics assesses companies' industry and company-specific ESG criteria. Companies are rated on a 0-100 scale, with 0 representing the lowest risk, and 100 representing the highest risk. QRG calculates the percentage of companies in the portfolio and benchmark that falls into each ESG Risk Rating category. The ranges for each category are as follows: Negligible = 0-10; Low = 10-20; Medium = 20-30; High = 30-40; and Severe = 40-100.

**Involvement in Controversial Business Areas:** This metric reflects the number of companies flagged as involved through revenues as a proxy for the following areas: adult entertainment, alcohol, gambling, nuclear energy, tobacco, weapons, and firearms.

Sustainalytics measures percentage of revenues a company derives from these areas through:

1. **Reported revenues:** If a company reports actual revenues or percentage of revenues derived from a particular category of involvement.
2. **Estimated revenues:** If a company does not report actual revenues or a percentage of revenues derived from a particular category of involvement, Sustainalytics:
  - a. estimates a revenue range based on a review of business segment revenues, sales data, and quantity and quality of disclosed product information; and then,
  - b. takes the mid-point of the estimated revenue range as the Percentage of Revenue. For example, if the estimated revenue range is 10-20%, the Percentage of Revenue figure will be the mid-point of this range, 15%.

**The Climate Solutions & Resource Protection Tilts** metric indicates the portfolio exposure to companies that derive revenues from four environmentally focused areas:

- The **Renewable Energy theme** allocates to companies that generate of renewable energy or in the manufacture of products and services that support renewable energy generation.
- The **Sustainable Agriculture, Food and Forestry theme** allocates to companies that produce agriculture, food and forestry products and services that are considered sustainable, according to credible global or national certification schemes.
- The **Green Transportation theme** allocates to companies that provide sustainable transportation products and/or services.
- The **Energy Efficiency theme** allocates to companies that provide products and services that significantly improve energy efficiency across a broad range of applications.

The **Community Tilt** metric indicates the portfolio exposure to companies that derive revenues from four community focused areas: affordable housing, education, financial inclusion and health.

- The **Affordable Housing theme** allocates to companies that are involved in the development and/or management of housing that is affordable to low and lower-middle income people.
- The **Education theme** allocates to companies that provide products and services that improve access to education.
- The **Financial Inclusion theme** allocates to companies that create products and services that provide access to financial products and services that meet the needs of low-income and vulnerable groups at an affordable cost and in a fair and transparent manner.
- The **Health theme** allocates to companies that provide specialized technologies and equipment that address major and/or neglected diseases.

**Diversity Score:** The Diversity score for a security combines Sustainalytics' Board Diversity, Diversity Programs, and Discrimination Policies scores. The metric for the portfolio and benchmark is calculated as a weighted average.

**Diversity Leaders:** Percentage of companies in the portfolio that are assessed as leaders on diversity, according to Sustainalytics data. The Diversity Score is calculated as a simple average of three Sustainalytics metrics: Diversity Program, Discrimination Policy, and Board Diversity. These metrics are individually assessed on a 0-100 scale, with 100 being the best, and 0 being the worst. A leader is a company that scores above a 70 on the aggregated metric.

**Diversity Laggards:** Percentage of companies in the portfolio that are assessed as laggards on diversity, according to Sustainalytics data. The Diversity Score is calculated as a simple average of three Sustainalytics metrics: Diversity Program, Discrimination Policy, and Board Diversity. These metrics are individually assessed on a 0-100 scale, with 100 being the best, and 0 being the worst. A laggard is a company that scores below a 25 on the aggregated metric.

**Discrimination Policy:** This metric is calculated as the percentage of companies in the portfolio and the benchmark with a Sustainalytics score of 100 for Discrimination Policy. The International Labor Organization is the set of standards used for this measure. Find more information on the ILO Standards [here](#). The policy needs to make a clear reference to the relevant ILO convention but does not need to specify the number of the convention. The policy needs to apply to at least 50% of the company's operations and follow the Sustainalytics criteria for a formal policy.

**Diversity Programs:** This metric is calculated as the percentage of companies in the portfolio and the benchmark with a Sustainalytics score of 100 for Diversity Programs.

## Appendix – S&P Trucost Definitions

**Renewable Energy Generation:** Renewable Energy Generation (GWh) includes Total annual wind-based power generation in GWh, Total annual solar-based power generation in GWh, Total annual biomass-based power generation in GWh, Total annual geothermal-based power generation in GWh, Total annual wave & tidal-based power generation in GWh, Total annual hydroelectric-based power generation in GWh.

**Carbon Emissions:** Carbon Emissions Per USD mn Invested (tonnes CO<sub>2</sub>e/USD mn).

- Gallons of gas
  - Source: EPA GHG Emissions Calculator
- Daily Commutes
  - Source: EPA GHG Emissions Calculator for miles driven by average passenger vehicle
  - Commute time average 26.9 minutes/60 is 0.45 hours \* travelling on average 30 MPH = 13.45 miles average commute per day (source)
  - Miles driven by average passenger vehicle/13.45 miles average commute per day = # daily commutes
- Pounds of Coal
  - Source: EPA GHG Emissions Calculator
- Carbon sequestered by X Trees
  - Source: EPA GHG Emissions Calculator
- Carbon sequestered by X Acres of Forest
  - Source: EPA GHG Emissions Calculator

The **Sector Carbon Intensity** shows the weighted average of the portfolio and benchmark holding's Carbon to Revenue intensity and allocates it by GICS sector. The 'Carbon to Revenue' metric allocates company revenues on an equity ownership basis.

The **Portfolio Coal Exposure** shows the portfolio and benchmark exposure to companies exceeding the coal thresholds as defined in the upper bar. This report pulls the companies that are generating revenues from the following three coal sectors as defined by Trucost: Bituminous Coal Underground Mining, Bituminous Coal and Lignite Surface Mining, and Coal Power Generation.

## Appendix – Equileap Definitions

**Percentage of Women in Senior Management:** This metric is calculated as the average percentage of women in senior management for the companies held in the portfolio and the benchmark.

**Flexible Work Program:** This metric is calculated as the percentage of companies in the portfolio and the benchmark that offer flexible work programs, according to Equileap data. Flexible work is defined as the option for employees to control and/or vary the start and end times of the work day and/or vary the location from which employees work.

**Equal Pay Strategy:** This metric is calculated as the percentage of companies in the portfolio and the benchmark that have an equal pay strategy, according to Equileap data. Equal pay strategy is defined by Equileap as transparency and commitment to provide comparable wages for comparable work.

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Index performance is presented for illustrative purposes only and does not represent the performance of any specific investment product or portfolio. An investment cannot be made directly into an index.

The **S&P BNYM DM ex US Classic ADR Index** is capitalization-weighted and designed to track the performance of developed market ADRs trading on US exchanges. The index is rebalanced and reconstituted quarterly.

**To learn more visit: [investnet.com/ImpactQPs](https://www.envestnet.com/ImpactQPs)**

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