WHITE PAPER

Invest with Purpose:
The Impact Dashboard and IMPACT by Interactive Brokers

Introduction

Interactive Brokers offers a suite of environmental, social and governance (ESG) tools to develop your own conscious investing plan.

Our Impact Dashboard is designed to help you evaluate and invest in companies whose stated business principles align with your personal values. It's a free tool available to all clients and sets a new standard for tools that support socially responsible and impact investing.

Seamlessly integrated with IMPACT by Interactive Brokers, the Impact Dashboard gives investors a powerful visual summary of how well their portfolio aligns with the values that matter most to them. Together, the IMPACT app and Impact Dashboard empower investors to easily identify, monitor, and act on Socially Responsible Investing (SRI) opportunities through intuitive tools like personalized scores, value-based filters, and the one-tap "Swap" feature, which can quickly replace current holdings with more sustainable alternatives. The combination is a streamlined, purpose-driven investing experience backed by the trusted trading technology of Interactive Brokers.

The Data

The Socially Responsible Investing (SRI) data behind the Impact Dashboard comes from top-tier, third-party providers Refinitiv and Truvalue Labs, who collect unstructured data and compute scores within common frameworks, including ESG[1] and SASB[2] among others. Offering reliability, broad global coverage and transparency, these providers calculate scores using thousands of company and non-company resources including annual reports, regulatory filings, trade blogs, industry publications and social media.

Our proprietary Impact Dashboard technology overlays the SRI data, your value preferences, and your portfolio holdings to provide you with a single, Portfolio Impact Score letter grade.

1 Source: Refinitiv ESG Data, https://www.lseg.com/en/data-analytics/financial-data/company-data/esg-data
2 Source: SASB, https://sasb.ifrs.org/

How it Works

The Impact Dashboard allows you to personalize your responsible investing experience by selecting the values you want companies to support and the practices you want companies to avoid. Once you have clarified what's important to you, the dashboard grades your portfolio and shows how positions are either helping or hurting your portfolio grade. It also identifies companies that engage in the practices you want to avoid. Armed with this knowledge, you can now choose whether to adjust your holdings to improve your portfolio grade.

We also offer tools that can help you find assets offered by companies whose values are better aligned with yours:

- The *Impact Effect* column is available to add to your Watchlists and other tools. The green "leaf" will identify potential investments that could improve your Portfolio Impact Score.
- The *Impact* tab in Fundamentals Explorer lets you see the effects of buying or selling a product short and shows you whether the product aligns with your stated ESG values.

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Define Your Principles

Start by choosing from a list of Impact Values, which you can tag as “Important” or “Very Important.” Make your selections carefully, as they are used in the Portfolio Impact Score calculation and selecting too many will weaken their impact. We believe these values represent the universal principles of business conduct.

Sustainable Product Lifecycle

Mindful Business Models

Clean Air

Pure Water

Ocean Life

Land Health

Ethical Leadership

Customer Safety

Company Transparency

LGBTQ Inclusion

Gender Equality

Racial Equality

Fair Labor & Thriving Communities

Find out more about each principle in Appendix A.

Identify Practices to Avoid

Next choose the practice you want to avoid. These are not included in the portfolio score calculation, so you can select as many as you want. Instead, we “flag” all companies that engage in the practices you choose. The small number in the yellow circle tells you how many companies in your portfolio engage in that practice.

Animal Testing

Business Ethics Controversies

Corporate Political Spending and Lobbying

Energy Intensive

Fossil Fuels

Greenhouse Emissions

Hazardous Waste

High Water Usage

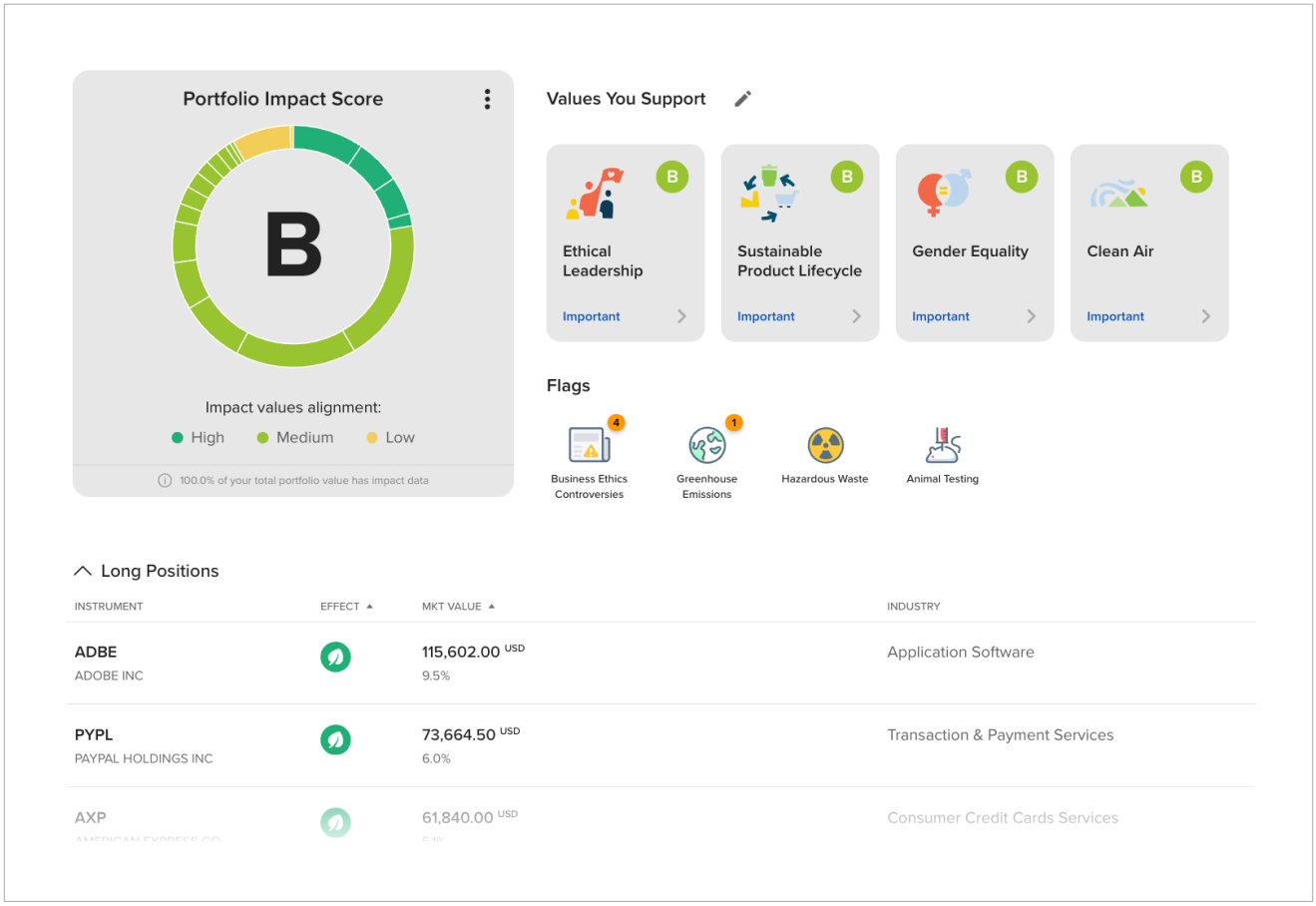
Tobacco, Alcohol and Gambling

Weapons and Gun Manufacturers

Find out more about each practice in Appendix B.

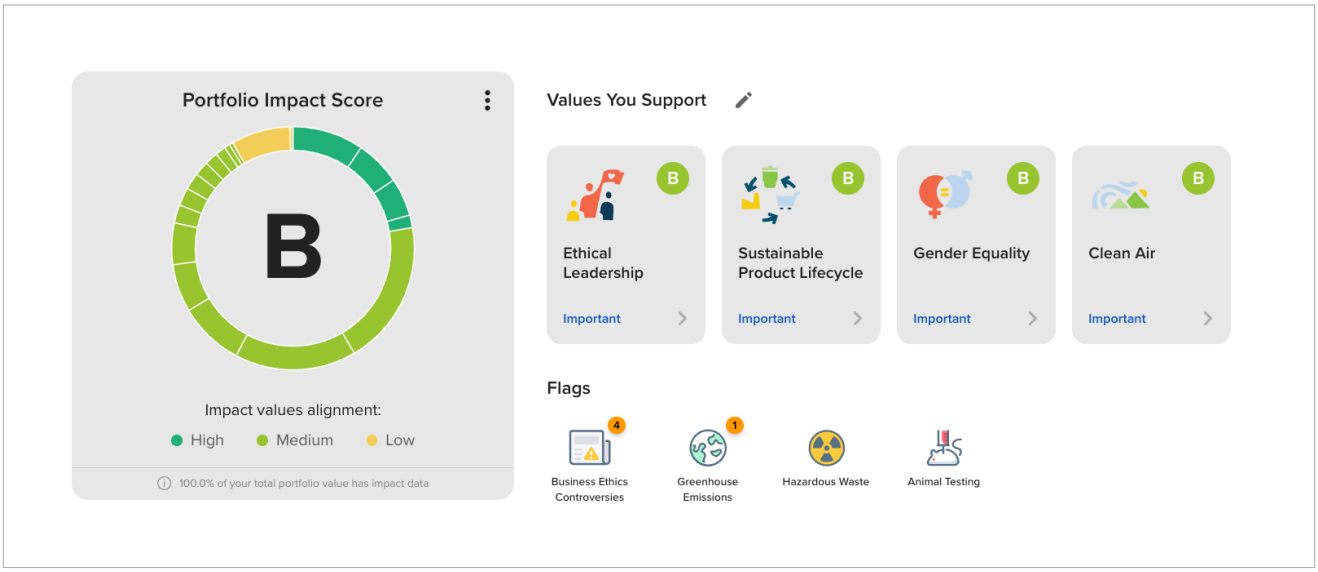
See Your Portfolio Grade

Once you have selected the values you support and the practices you oppose, the tool analyzes and grades your portfolio. The chart on the left shows your overall Portfolio Score. Hover your mouse or tap the slices around the outside to see the weight of companies in the High, Medium and Low categories. Directly under the doughnut chart, we show the percentage of your portfolio with impact data. This is a weighted calculation based on the contribution of holdings to the total portfolio. For example, if you have a $1000 portfolio with 10 positions, and only two of the 10 have impact data. However, if those two positions are worth $900, that means that 90% of your holdings have impact data.

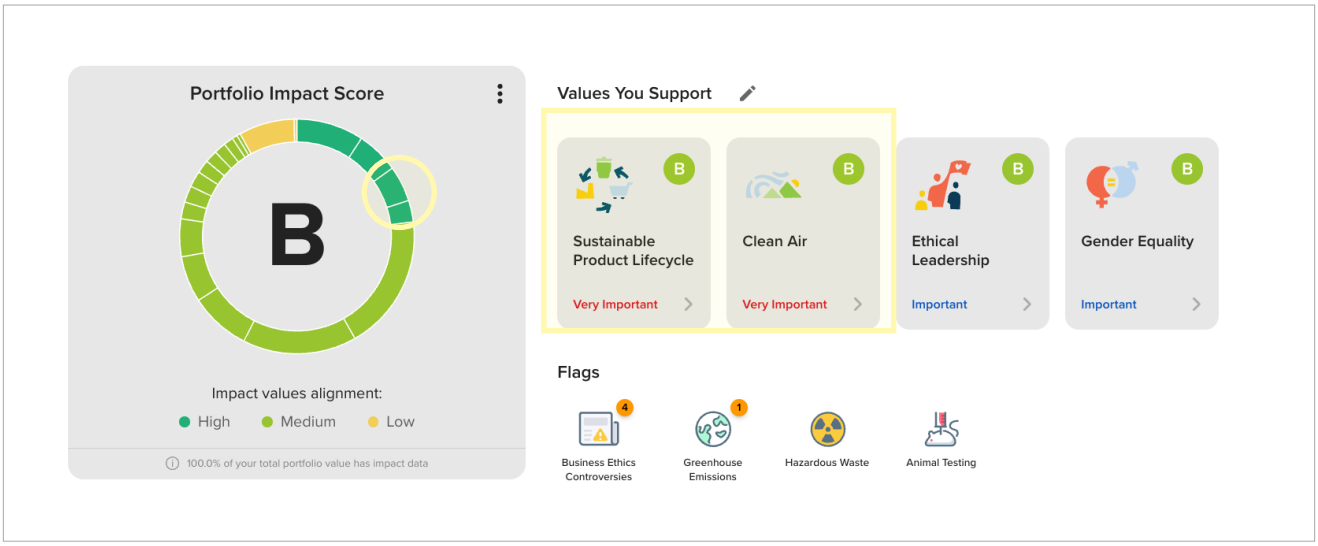


Values You Support

To the right of the doughnut chart, we show the **Values You Support** and their individual letter grade. The image below shows that Ethical Leadership, Sustainable Product Lifecycle, Gender Equality and Clean Air are all tagged as **Important** and received a grade of "B." This means that value is well-supported among companies in your portfolio.

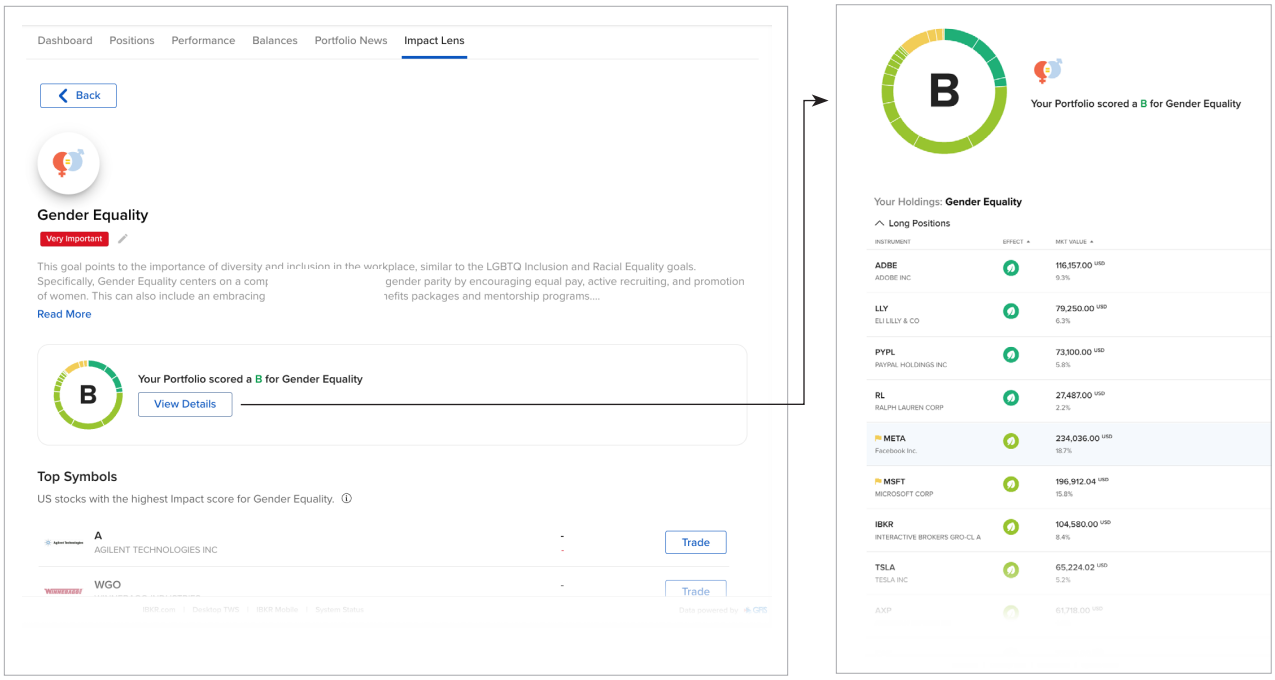


However, if any value were to be tagged as **Very Important**, it would carry a greater weight and affect the overall portfolio grade calculation, as illustrated in the following example:



If you want to review the underlying detail, click or tap a value like “Ethical Leadership” or “Gender Equality” to see more detail, such as how each company held in your portfolio scored on that value.

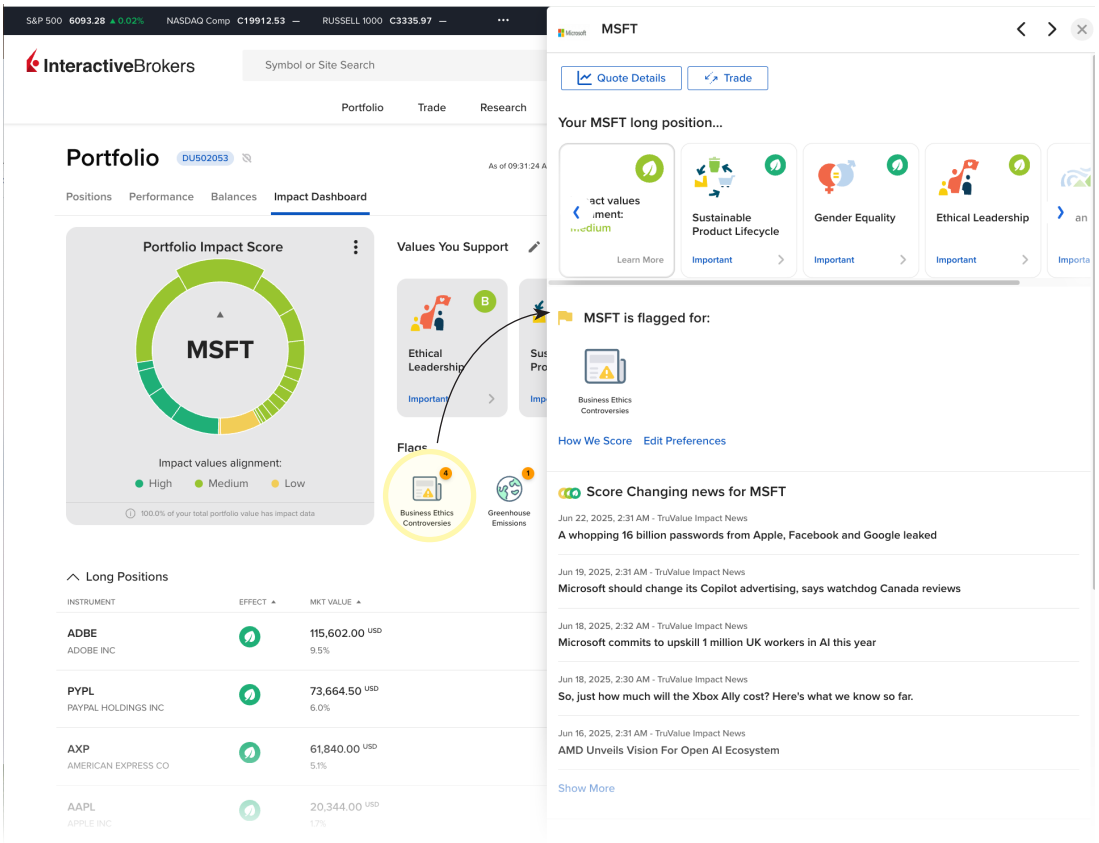
The images below show the details of the Gender Equality value:



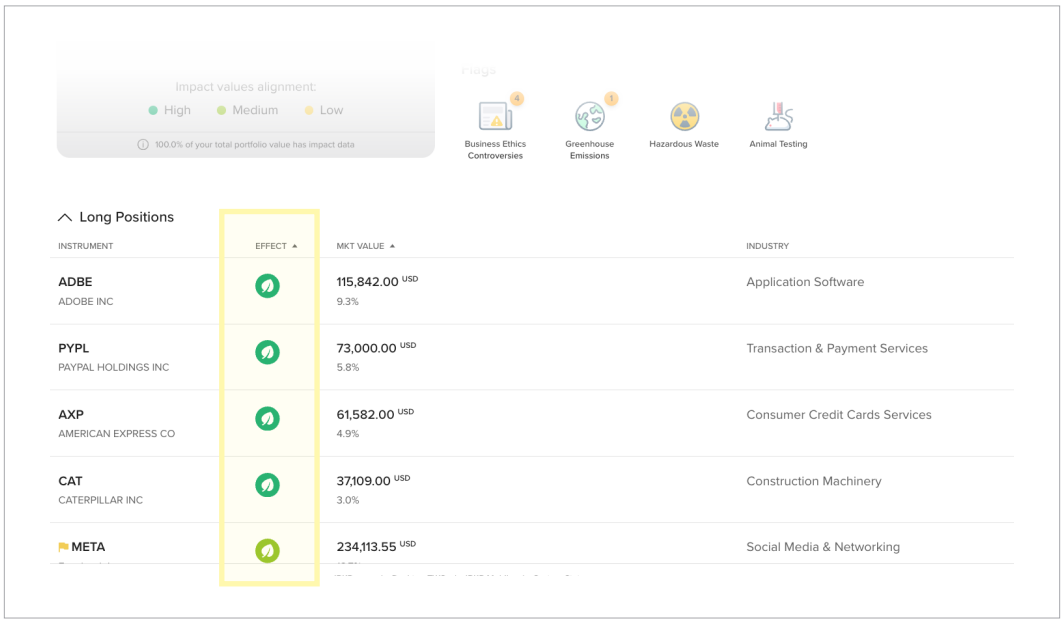
Practices to Avoid

Below the Values You Support, we list the values you have identified as **Flags** and use small numbers in the top right corner of each to show how many companies in your portfolio engage in these practices.

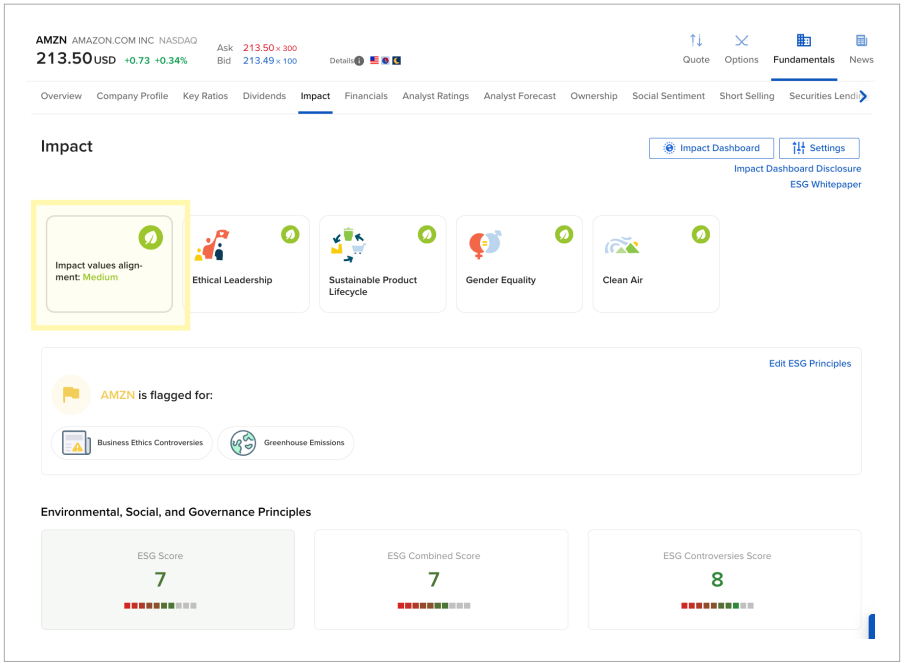
Click or tap a practice to see which of your portfolio companies have been flagged.



Below the chart, all positions in your portfolio are listed, and their effect on your portfolio's score is reported as *High*, *Medium* or *Low* on your portfolio impact score.



You can select a position to learn more about a company and determine whether it aligns with your ESG values.



Scoring Methodology

Results from the Impact Dashboard are personalized and founded on the values that are important to you. We derive the Portfolio Score and Impact Effect score based on the underlying ESG metric that aligns with a specific Impact Value, such as Ocean Life, and then scale the effect of the metric based on your preference. The process starts with defining a target benchmark. You do this when you set your preferences. A company's ESG performance is measured against this benchmark to determine if it is exceeding your expectations (High), performing far below your expectations (Low) or just meeting your expectations (Medium). We call these High, Medium and Low labels the company's Impact Effect. Each company's Impact Effect and portfolio weight are factored to into the Portfolio Score.

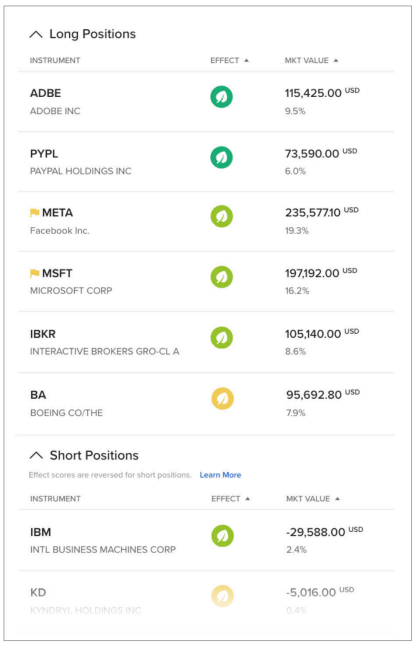
Impact Effect

At the security level, the Impact Dashboard displays the Impact Effect, which essentially indicates whether a specific company has High, Medium or Low alignment with respect to your overall impact values.

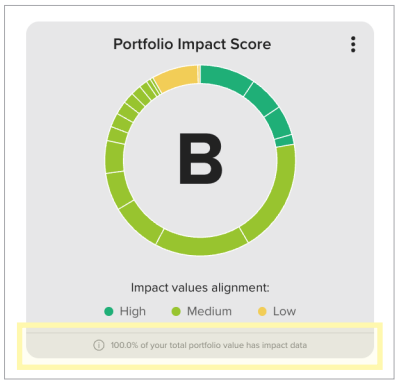
The Impact Effect is based on the level of importance you selected for each of your values and the security's score.

The SRI and ESG worlds are still evolving as companies report on these metrics for the first time, so we may not have data for a given company. In that case, the Impact Dashboard will exclude that security from the analysis.

In the image below, you can see that 100% of the positions in this portfolio have impact data. This proportion represents the proportion of total portfolio value with impact data.

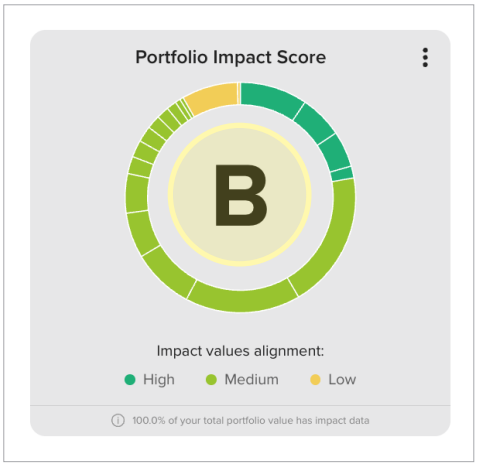


Impact Effects on a set of securities in a portfolio



Portfolio Score

The Portfolio Impact Score is the weighted average of your Impact Effect score for each position in your portfolio. If this weighted score is greater than the benchmark score derived from your preferences, the portfolio receives an “A” grade. If the weighted score is lower, the portfolio receives a score of B, C, D or F, depending on how far the score is below your preference benchmark.



Appendix A

Impact Values

Sustainable Product Lifecycle

This value considers the design, quality and safety of products and services, focusing on the entire supply chain and the materials used in manufacturing products. It examines how companies consider the demand of customers for sustainable products including recycling, product testing and environmental effects. The value also comprises the value companies and suppliers place on labor practices and human rights.

Mindful Business Models

Mindful Business Models captures the ability of companies to incorporate ESG elements into long-term planning. It includes transition to low carbon and climate friendly economies and to serve underrepresented populations. Considerations include the handling of a company's assets and their impact on the environment and society. Management's willingness to abide by the legal and regulatory requirements while respecting the views of investors, customers and society at large is also an important part of the value.

Clean Air

Management of air quality by companies is key for this value. It includes emissions from factories, plants, offices, machines, and methods of transport used to manufacture and deliver products and services. Specifically, these emissions are oxides of nitrogen, sulfur, and heavy metals in addition to greenhouse gases (GHG) such as carbon dioxide. Another component of this value is how companies manage the sustainability of their energy specially when it is derived from third party sources.

Pure Water

The Pure Water value centers around how companies manage their water use and consumption when making products, specifically on avoiding contamination and toxic waste. Being mindful of the communities where companies operate is also significant, including the members access to clean water.

Ocean Life

The way companies oversee their water use when making products is an important factor for this principle. Yet the primary consideration is the value and respect placed on the ocean and its marine life. Of note is the strength of companies' waste management and recycling initiatives. Crucial are also controls and systems that companies have in place to avoid significant disasters that can impact ocean life.

Land Health

Land Health considers the environmental concerns of harmful land waste when creating products. Specifically, how companies manage solid waste derived from agriculture and other land processes. It includes its safe treatment, storage and disposal while observing local and universal regulations. Lastly, this value also considers how companies handle the impact from the extraction of natural resources such as deforestation, biodiversity damage and habitat loss.

Ethical Leadership

Ethical Leadership is driven by how management handles its company's behavior towards customers, suppliers, peers, and society. It comprises monopolistic and anti-competitive behavior such a collusion, price fixing, fraud, corruption, and bribery. Management's ability to interact with regulators, resolve conflict between corporate and societal interests, and to act responsibly in times of crises are also important factors for this value.

Consumer Safety

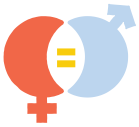
The safety of consumers involves different layers that companies must take into consideration. These include the use and protection of personal information, transparency and accurate marketing, the safe use of products and services, and broad access to universal needs such as healthcare & food. Failing to address these factors may lead to misuse of personal data, product recalls from harmful practices, deceptive labeling, and predatory selling, to name a few.

Company Transparency

Emphasizes the importance of a transparency but most importantly, the disclosure of policies and strategies aimed to always protect the consumer's wellbeing. This includes openness in the making of products such as ingredients, nutritional value, use of chemicals or antibiotics and the ability to prevent any harmful imitations. It also considers the cyber security of all personal information from data breaches and misappropriation by third parties or hackers.

LGBTQ Inclusion

This value focuses on the significance of diversity & inclusion in the workplace with a focus on the LGBTQ community. It includes a company's ability to incorporate plans that ensure the recruiting, retention and safety of LGBTQ employees and their families. This can be done through workplace policies, hiring practices, employee resource groups, executive sponsorships, benefits, and training programs.



Gender Equality

This value points to the importance of diversity and inclusion in the workplace. Specifically, Gender Equality centers on a company's ability to achieve gender parity by encouraging equal pay, active recruiting, and promotion of women. This can also include an embracing culture with tailored benefit packages and mentorship programs.

Racial Equality

Racial Equality forms part of a company's diversity & inclusion considerations, along with LGBTQ Inclusion and Gender Equality. Racial equality will occur when companies practice equal hiring and offer employment opportunities to persons of all races regardless of skin color, background, and ethnicity in an environment that is free from discrimination.

Fair Labor &
Thriving Communities

Fair Labor & Thriving Communities considers the relationship between companies and the societies in where they operate. It accounts how management interacts and gives back to local communities. This includes companies' contact with indigenous populations and how they value their rights and respect their land. The value also accounts for the health and safety of employees including universally accepted labor standards and laws.

Appendix B

Practices to Avoid

Animal Testing	Companies selling personal and household products and services that are tested on animals.
Business Ethics Controversies	Companies associated with the highest number of ethical, political, and corruption-related controversies, as reported in the media.
Corporate Political Spending and Lobbying	Companies that donate the most in support of political parties/ candidates and spend the most on lobbying, relative to size.
Energy Intensive	Companies with the highest total energy usage.
Fossil Fuels	Companies that operate in the coal industry and/or are among the largest oil producers.

Greenhouse Emissions

Companies with the highest reported direct and indirect CO2 emissions.

Hazardous Waste

Companies responsible for creating the largest volume of hazardous waste.

High Water Usage

Companies with the highest level of water withdrawals.

Tobacco, Alcohol and Gambling

Companies that derive revenue from the sale of tobacco and alcohol or from gambling activities.

Weapons and Gun Manufacturers

Companies that derive revenue from the sale of military equipment and weapons

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