

LAIDLAW FOUNDATION

with the support of



Request for Proposal for Impact Investment Manager Services

April 2017

Overview

The Laidlaw Foundation (LF) is requesting proposals from an investment manager to assist in the management of its impact investment portfolio. The manager will be responsible for working with LF staff and Purpose Capital to implement and monitor the impact investment approach approved by the Board.

Background

The Laidlaw Foundation has a mission to invest in innovative ideas, convene interested parties, share our learning and advocate for change, all in support of young people being healthy, creative and fully engaged citizens.

Created in 1949 by Robert A. Laidlaw, President of the R. Laidlaw Lumber Company, the Foundation has changed over time. Through the five years of the Foundation's previous strategic plan, Laidlaw focused its efforts on supporting youth-led community change through direct grants and supports to youth groups and through the investments in youth social infrastructure.

Guided by the 2013–2018 Strategic Plan, the Foundation is maintaining its focus on young people, building on past successes. Further within this plan the Foundation is looking closely at how its capital may be deployed in a manner that advances its mission as part of an overall investment portfolio.

In 2015, LF's Board committed up to 5% of the total portfolio, approximately \$3.5 million CAD, to be directed toward Impact Investing, defined as investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return. In early 2016, following discussions with Foundation staff on impact investing, Purpose Capital was hired by the Foundation to act as a trusted advisor in the Impact Investment Strategy development process. LF worked with Purpose Capital to design an impact investment approach that clarified the objectives for impact investing, described a set of principles and areas of thematic/sector focus, and as well as financial and impact parameters for the portfolio. The LF Board approved this approach in February 2017, with the key components as follows.

Objectives

LF's objectives for its impact investing strategy are as follows:

1. Move to better align the Foundation's financial assets with its mission by investing in solutions that support young people
2. Increase the financial impact of the organization through collaboration beyond current granting activities
3. Lead by example within the foundation/philanthropic community in showing that impact investing is actionable through the deployment of capital
4. Enable sector learning and encourage participation and partnership through transparency in investments and impacts

Thematic Focus Areas

The thematic focus for Laidlaw's impact investments will build on its grant making program areas, which currently support young people and the organizations that serve them.

1. **Young People themselves**
 - a) Youth-led Social Enterprise
2. **The systems that support young people**
 - b) Education
 - c) Employment
 - d) Youth-serving civic space
3. **The world that youth inhabits**
 - e) Environment
 - f) Agriculture
 - g) Social Impact Real Estate

Other Considerations

Alongside its impact investing portfolio, the Foundation has a portfolio of Socially Responsible Investments (SRI). The Foundation's SRI portfolio seeks to influence the behaviour of mature businesses to take impactful actions through its engagement with SHARE. In this context, the Impact Investment Portfolio will give special attention to investments where its capital can play the role of supporting enterprises to:

- a) Pioneer – by seeding new or early-stage impactful business models and innovations that support young people and/or are led by youth
- b) Scale – by growing proven, impactful business models or sectors that support young people

Further to the Foundation's mission, the Impact Investment Portfolio will take into consideration opportunities to support investments that are characterized by:

- a) Limited opportunities to access other capital, implying that capital provided plays an essential role in making the impact possible.
- b) Benefits that primarily contribute to people, places, and systems that are disadvantaged or marginalized

Expectations

1. The manager is expected to demonstrate that impact investments can deliver on their expected financial objectives as well as their social impact. This will apply to the overall impact investment portfolio, as well as individual investments.
2. The manager will employ a **multi-asset class strategy** to achieve the blended financial and social returns sought, including across equities, fixed income, cash, etc.
3. The manager will target an **average annual return of 3.5-4.5% on the impact portfolio, net of fees**, which will integrate LF's specific risk, return and impact parameters.
4. The manager will work closely with LF staff and Purpose Capital to build an **impact measurement framework** to regularly report on social impact for individual investments, and across the portfolio.
5. The initial duration of the contract is proposed for 3 years. This will include a termination clause after the first year, with 30 days notice.

Scope of Work

LF seeks an investment manager to support its impact investment team – including LF staff, the Impact Investment Committee, and its impact investment consultant, Purpose Capital – to implement the impact investment strategy approved by the Board. In this initial phase, the manager will be expected to play the following roles, with support from LF staff and Purpose Capital.

1) Clarify the Parameters for the Impact Portfolio

- a. Work with LF staff and Purpose Capital to translate the impact investment strategy into a Impact Investment Policy Statement and a set of parameters to guide opportunity screening, portfolio management, and reporting
- b. Work with LF staff and Purpose Capital to develop measurable objectives and benchmarks for the impact portfolio, including initial asset allocations across an appropriate range of domestic and international asset classes
- c. Work with LF staff and Purpose Capital to develop appropriate risk management strategies

2) Implementation of the Impact Portfolio

- d. With assistance from Purpose Capital, identify and review investment opportunities that will be considered for due diligence, based on initial screen with the impact portfolio parameters
- e. Undertake due diligence on shortlisted impact investment opportunities, and formally report results of due diligence and recommendations to LF staff and the Impact Investment Committee
- f. Negotiate and complete transactions according to approved recommendations

3) Portfolio Management and Reporting

- a. Report regularly to the LF staff and Impact Investment Committee on the financial performance of the impact portfolio, including any recommendations for specific investments or the overall portfolio (as it relates to meeting the objectives, parameters or benchmarks)
- b. Work with LF staff and Purpose Capital to develop an approach to monitor social performance of the impact portfolio, including any customized or standardized indicators
- c. Review and recommend changes to the Impact Investment Strategy as appropriate

Qualifications

Qualified managers will possess the following knowledge and experience:

- Strong awareness and understanding of impact investment approaches and strategies, including within the Canadian context as well as the specific sectors/thematic areas noted above
- Designing and implementing impact investing strategies for a public, private or community foundation or intermediary (family office, loan fund, etc.)
- Designing and structuring transactions with investees or intermediaries
- Managing an impact investment portfolio, including across multiple asset classes
- Monitoring and reporting impact investments for impact and financial performance

Submissions

The selection process will be conducted in two stages. LF has circulated this RFP to help LF to gain an understanding of the potential manager's capabilities in investment management and client service, as well as basic information on the firm's size and structure. Initial RFP responses will be used to compare firms, and inform detailed discussions with at least two candidates. Finalists will meet with LF staff and Purpose Capital in May 2017, with a recommendation provided to the Board in June 2017.

If your firm wishes to be considered as a candidate to undertake the Scope of Work, please respond to the following questions. We request that you please answer the questions with specific information and descriptions rather than "boilerplate" responses. Descriptions should include only those capabilities and resources that are relevant to LF impact portfolio. This consideration is particularly applicable to candidates from smaller investment units working within large institutions.

While no specific format is required, all applicants should provide the following information:

- Direct Contact Name for this RFP with Title, Address, Phone and Email.
- Experience and backgrounds of the key investment professionals who would be working on this engagement, including professional biography, and length of tenure in the investment industry.
- Describe your firm's overall investment philosophy as well as your specific approach to impact investment, and how it relates to LF's objectives and expectations (noted above)
- Experience in areas related to impact investing – including responsible investment, sustainable investment, thematic/sectoral focus (in the areas noted above), shareholder advocacy, etc.
- Depth of impact investing experience, including previous work supporting strategy development and implementation for foundations, individuals and/or intermediaries
- Proposed approach for undertaking scope of work above, and how you/your firm would work with LF staff and Purpose Capital to source, screen, and monitor investments
- Describe your relevant capabilities, systems and infrastructure (e.g. platforms, procedures, databases, etc.) and how they would relate to implementation and reporting for this portfolio
- Timeline and fee schedule/budget for scope of work, including any additional costs to be considered
- Statement of qualifications, including resume/profile, supporting letters and/or references

The deadline for submitting proposals is **Friday, May 19th**. Proposals can be submitted as a single PDF document via email to Kelly Gauthier.

Please contact Kelly Gauthier at Purpose Capital with questions on scope of work at Kelly@purposecap.com.