INTENTIONALLY DESIGNED ENDOWMENT
ALIGNING INVESTMENT PORTFOLIOS WITH INSTITUTIONAL MISSION, VALUES, SUSTAINABILITY GOALS
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TABLE OF CONTENTS

Introduction ........................................................................................................................................... 3
Strategic Questions and Considerations ................................................................................................. 4
Background and Overview .................................................................................................................... 6
Sustainable Investing of College and University Endowments .............................................................. 15
Examples of Intentionally Designed Endowments .................................................................................. 18
Selected Reports and Resources ........................................................................................................... 33
Organizations ......................................................................................................................................... 40
Members of the Intentional Endowments Network ................................................................................. 42
Steering Committee ............................................................................................................................. 44
Acknowledgments ................................................................................................................................... 45

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INTRODUCTION

The objective of the Intentional Endowments Network is to help colleges, universities, and other mission-driven tax-exempt organizations align their endowment investment practices with their mission, values, and sustainability goals, without sacrificing financial returns. A primary mechanism for doing so is a series of regionally focused stakeholder engagement events, called Intentionally Designed Endowment Forums.

The first forum was hosted in partnership by Hampshire College and Second Nature on April 3-4, 2014, in Cambridge, Massachusetts. The Intentional Endowments Network grew out of this event, and subsequently co-hosted forums with the following partners:

- Arizona State University Foundation, January 15-16, 2015, Tempe, AZ
- Mount Holyoke College, February 21, 2015, South Hadley, MA
- Alliance for Sustainable Colorado, May 7-8, 2015, Denver, CO
- Portland State University, November 9-10, 2015, Portland, OR
- San Francisco State University, August 25-26, 2016, San Francisco, CA

This document is a primer to provide:

1. Strategic questions to consider
2. Background and an overview of integrating sustainability factors for investment returns and a healthy, just, and sustainable society
3. The status and trends in sustainable investing for college and university endowments
4. A brainstorming list of possible initiatives or activities that may emerge from these conversations
5. A sampling of reports, resources, and organizations pertaining to sustainable investing

This information is intended to spark questions and new ideas, while helping endowment stakeholders prepare to engage in productive dialogue around sustainable investing. It is not intended to be a comprehensive overview of responsible investment policies and programs in higher education or other sectors.
STRATEGIC QUESTIONS AND CONSIDERATIONS

Higher education plays a critical role in preparing for the future, teaching the individuals who will lead and manage society’s institutions. Society depends on higher education to provide knowledge, solve problems, anticipate future challenges, and model the behaviors in which society must engage to evolve in a positive direction.

Higher education has made significant progress on addressing broad scale climate and sustainability challenges in educational programs and campus operations over the last two decades. However, few have considered the impact of the approximately $550 billion in endowment funds of the nation’s higher education institutions on these objectives. Now, many higher education institutions and foundations are grappling with the question of whether and how to intentionally align institutional investments with their mission, values, and sustainability goals. For most institutions this is uncharted territory.

The following questions and considerations reflect the main themes of the “Intentionally Designed Endowment” forums to date. They are guided by participants’ responses to questions circulated in advance of the events:

**Institutional Mission, Values, and Sustainability Goals**
- What is the relationship between an institution’s mission and values and its investment activities? What should it be?
- How do institutions align their missions with their investment portfolios across asset classes? What role does stakeholder engagement play?
- What kind of impact can sustainable investment strategies have in terms of improving society?

**Leading Institutional Change**
- How might institutional leaders effectively learn from one another’s experiences?
- What beliefs and views might be motivating or impeding change in institutional investment practices?
- How might institutional leaders most effectively facilitate a constructive conversation and decision-making process on this topic among their stakeholders?
Fiduciary Duty, Costs and Benefits, and Risk Management

- What are the ways to ensure that sustainable investment policies are consistent with fiduciary duty?
- Is there any conflict between aligning investment policies with institutional mission and fiduciary duty? If so, what are its dimensions? How might the conflict be resolved to allow alignment?
- What does experience indicate about the potential costs and benefits of sustainable investing? What is the impact on financial performance?
- How should institutions factor environmental, social, and governance (ESG) criteria into decision-making and investment policies?
- How might our understanding of fiduciary responsibilities evolve based on the current state of knowledge about material risks that ESG analysis can reveal?

Investment Industry Norms

- What strategies and products are available to institutional investors who want to invest more responsibly to benefit society while also achieving competitive returns?
- Given that the universe of comingled funds with strong track records and ESG credentials is relatively small, how can this network ensure that there are many more options for institutional investors?
- How can this network effect an industry-wide shift so that ESG analysis and sustainable investing become the norm? What should we be asking of our investment consultants and asset managers in this regard, and how should we be approaching these conversations?

Leading Societal Change

- What are higher education, the philanthropic community, and the financial sector doing today to advance sustainability investing and the creation of a sustainable economy? What can they do in the future?
- How can these institutions work together to increase understanding of society’s sustainability challenges and investment strategies that recognize associated risks and opportunities?
- How might collective action make sustainability investing the norm?
BACKGROUND AND OVERVIEW

Some religious groups and other organizations have explicitly embedded their values into investment decisions for centuries. In recent decades, some colleges, universities, and private foundations have been involved in investment practices related to environmental, social, and governance issues, such as divestment from South Africa and Sudan, and actions related to tobacco, arms, and gambling investments.

More recently, campaigns have called on endowments, private foundations, municipal governments, and other institutional investors to divest from fossil fuel companies. These campaigns have sparked widespread debate, specifically on what divestment means and has accomplished, and generally about the concepts of responsible investment.

Definitions of Terms

The evolution of investment practices related to social responsibility and sustainability has led to considerable confusion regarding terminology. Various approaches under umbrella terms like “responsible,” “ethical,” “mission-related,” or “sustainable” investing have evolved over the past four decades.

Investment Approaches

**Socially Responsible Investing (SRI)** can use both positive and negative investment criteria to align investments with an individual or institution’s mission or values. However, many use this term to refer only to the strategy of negative screening (see below).

**Environmental, Social, and Governance Investing (ESG)** aims to create a more complete picture of potential investment risks and opportunities by factoring environmental, social, and governance criteria into investment decisions.
**Investment Strategies**

**Impact investing** involves investing in projects or companies (often not publicly traded) with the purpose of generating positive social or environmental change (e.g., clean technology private equity funds).

**Negative screening** is the strategy of excluding companies, industries, or countries that the investor considers irresponsible from an investment portfolio (e.g., avoiding investing in gambling, alcohol, or tobacco companies).

**Divestment** – or selling an asset – refers to selling holdings in a company or sector for ethical or political reasons in order to reduce risk, to avoid being complicit, or to make a statement (e.g., divesting from fossil fuel companies).

**Positive screening** is a strategy that involves investing in companies that meet certain ESG criteria as determined by the investor, often looking to find “best-in-class” companies within a sector (e.g., identifying the most energy-efficient or least carbon-intensive companies in a sector).

**Shareholder engagement or advocacy** is a tactic of using ownership in a company to improve its social responsibility practices by voting at shareholder meetings (or by proxy), filing shareholder resolutions, and/or establishing ongoing dialogues with companies (e.g., filing a resolution calling for a company to create a governance policy to ensure gender and ethnic balance among Board members and executives).

These terms are often interrelated. For example, an SRI investor could engage in impact investing, factor ESG criteria into decision-making, and use a combination of negative and positive screens and engagement strategies.

Many investors who are less familiar with the field equate terms like socially responsible investing, ethical investing, impact investing, environmental, social, and governance investing, responsible investing (RI), and sustainable investing (SI). Many associate SRI with “negative screens” – the practice of excluding certain investments for normative reasons, thus limiting the investment universe – while others view negative screening as but one strategy employed by some socially responsible investors. This
conflation of terms and misunderstanding of what they mean has caused some mainstream investors to write off approaches to responsible investing without fully understanding them.

Several leading groups have begun using the acronym SRI to refer to “sustainable, responsible and impact” investing, as an umbrella term for the various investment approaches and strategies.

Many practitioners in the field recognize that this abundance of terms is confusing and can often be a barrier to entry for investors. Several argue that such labels should be abandoned and as it becomes increasingly clear that sustainability issues are material investment issues, these strategies and approaches will become a natural part of ‘long-term’ or ‘future-oriented’ investing – or perhaps, simply “investing.”

We will use the terms SRI, RI, and SI interchangeably to mean aligning investment practices with institutional mission and values and/or explicitly considering ESG risks and opportunities in the investment process, regardless of the strategies used to do so.

**Brief History**

The modern concept of SRI emerged in the 1960s and 1970s. Shareholder activism stemming from the civil rights, anti-war, and environmental movements of the 1960s put pressure on companies, driving them to respond with corporate social responsibility (CSR) initiatives. The 1970s saw the emergence of the first socially screened mutual funds.

Throughout the 1980s, key issues and events accelerated the growth of SRI practices, such as:

- Apartheid in South Africa
- Bhopal (1984 gas leak at the Union Carbine pesticide plant in Bhopal, India)
- Chernobyl (1986 nuclear accident at the Chernobyl Nuclear Power Plant in Ukraine, then a part of the Soviet Union)
- Valdez (1989 Exxon Valdez oil spill in Alaska)

Through the 1990s and 2000s, as the sustainability movement grew and matured, so too did the sustainable investment field. With increasing sophistication, investors have
integrated social and environmental issues – from climate change, deforestation, and toxic waste to indigenous peoples’ rights, labor practices, and gun control – into investment criteria. There has been an increase in institutional acceptance of the relevance of ESG factors in decision-making.

In 2002, 35 institutional investors requested greenhouse gas data from the FT500 Global Index companies, launching the Carbon Disclosure Project (CDP). CDP, now backed by more than 767 institutional investors representing over $92 trillion in assets, solicits reports from thousands of companies on issues related to climate change, water, supply chains, and forest risk.

In 2003, Ceres launched the Investor Network on Climate Risk (INCR), advancing the notion that climate change is a financial risk. INCR now consists of a network of more than 100 institutional investors representing more than $12 trillion in assets. Its mission is to mobilize investor leaders to address climate and other key sustainability risks, while building low-carbon investment opportunities. In 2014, Ceres released the “Clean Trillion” report calling for an average of $1 trillion in increases in annual clean energy investments over business-as-usual projections – which is the amount needed to have an 80% chance of limiting global temperature increases to 2°C.

The Principles for Responsible Investing (PRI) were launched in April 2006 and have since garnered 1,232 signatories representing assets under management of $34 trillion (as of April 2013). Signatories commit to six principles related to factoring ESG issues into their own decision-making and throughout the investment industry.

In 2009, the Rockefeller Foundation and others interested in impact investing launched Global Impact Investing Network (GIIN), a non-profit focused on increasing the scale and effectiveness of impact investing. It has helped to mainstream the concept of impact investing and supports the development of standards and measurement frameworks to enhance the credibility of the impact investing industry.

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1 The Financial Times Global 500 is an annual listing of the world’s 500 largest companies, measured by market capitalization (share price multiplied by number of shares issued)
2 https://www.cdp.net
3 http://www.ceres.org
4 http://www.unpri.org
5 https://thegiin.org

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In 2012, a coalition\(^6\) launched a campaign calling for endowments (and other institutional investors) to “immediately freeze any new investment in fossil fuel companies, and divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years.”

This campaign focuses on the top 200 coal, oil, and gas companies, as measured by their reserves. It is based on the premise that to avoid an increase in global average temperatures of more than 2°C, humanity cannot release more than 565 gigatons of carbon dioxide before 2050, which is about 20% of the carbon potential in known fossil fuel reserves (2,795 gigatons) – in other words, rendering 80% of known reserves “unburnable.” Currently, financial analysts treat these reserves as assets in the valuations of the entities that control them. If 80% cannot be burned without catastrophic risks to society and therefore to institutions and individuals, current valuations of fossil fuel companies may be grossly inaccurate.

There are student-led fossil-fuel divestment campaigns on hundreds of campuses in the United States and abroad. The direct impact of divestment on stock prices and companies’ capitalization is unclear and likely negligible; only a portion of endowment investments are in public markets, and only a portion of those are in fossil fuel companies. In general, proponents of divestment recognize that highly profitable fossil fuel companies are unlikely to stop extracting fossil fuels as a result of these shares being sold. They contend that drawing attention to this issue will highlight the moral implications as well as the financial, social, and environmental risks of investments in fossil fuel companies. By bringing into question the social license of fossil fuel companies, this strategy aims to build support for other interventions that will limit greenhouse gas emissions, such as regulation, legislation, and voluntary commitments.

**Market Size and Growth**

The growth of the sustainable investment field has been strong. The US SIF’s *Report on U.S. Sustainable, Responsible, and Impact Investing Trends 2014* found that “total U.S-domiciled assets under management using SRI strategies expanded from $3.74 trillion

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\(^6\) 350.org; As You Sow; Better Future Project; California Student Sustainability Coalition; Energy Action Coalition; Responsible Endowments Coalition; Sierra Student Coalition; Campus Student Groups
at the start of 2012 to $6.57 trillion at the start of 2014, an increase of 76 percent.” This represents a ten-fold increase (929% percent) since 1995 when US SIF first measured the market. The report shows that the number of funds incorporating ESG criteria continues to grow at a strong rate, with 260 in 2007, 493 in 2010, and 925 in 2014.7

Bloomberg reports that the number of its customers using ESG data has grown nearly 50 percent per year since 2009.8

Financial Performance

Sustainable investing can take many forms and, like any investment strategy, some will be better at implementation than others. Therefore, it is essentially impossible to make broad generalizations about the performance of sustainable investing, in the same way it is not possible to make definitive statements on whether equity investing or fixed income investing “outperform.” It depends on many factors.

There is, however, increasing evidence that sustainable investing strategies can demonstrate strong performance, and do not require sacrificing returns.

A 2012 report from DB Climate Change Advisors found that 89 percent of research studies showed that companies with high ESG ratings exhibit market-based outperformance compared to industry peers.9 Another 2012 report on an 18-year study (1993-2011) showed that 90 companies with strong sustainability policies outperformed a similar group of 90 companies with low sustainability standards, with a 4.8 percent higher annual above-market average return.10 A 2010 report demonstrated how a portfolio of 151 SRI funds outperformed the MSCI World Index between 2002 and 2009.11

A 2014 report from KPMG finds that the trend to increasingly internalize both positive and negative “externalities” – costs and benefits of business activities that are external

7 US SIF, 2014
8 http://www.bloomberg.com/bsustainable/#customers-popup
9 DB Climate Change Advisors, 2012
10 Eccles, Ioannis, and Serafeim, 2012
11 Weber, Mansfield, and Schirrmann, 2010

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to the firm – can have significant impact on corporate earnings and value. For example, it found that in 2010 the full cost of the negative environmental externalities from the electricity sector was equivalent to 87% of the sector’s EBITDA.

In 2016, an IEN Working Group developed a briefing paper titled *The Business Case for ESG* focused on the relative financial performance of ESG investment strategies. It is intended for trustees and other senior decision makers, and provides a concise summary of the key issues. It references a wide body of research to support the overall conclusion that there is no performance penalty associated with ESG investment strategies, and done well, can enhance financial performance.¹²

*For details and links to these reports and related information, please see the “Financial Performance” section of “Selected Reports and Resources,” below.*

*The “Financial Performance” page of the IEN website’s Resources section is continually updated with new reports and research on these topics:*
http://www.intentionalendowments.org/financial_performance

**Fiduciary Duty**

Many trustees have raised questions regarding how sustainable investment strategies fit with their responsibilities as fiduciaries. Fiduciary duty compels trustees to be prudent in setting policies and guidelines and making investment decisions. As more performance data and track records of various sustainable investment strategies become available, fiduciaries are able to engage such strategies with increasing confidence.

Fiduciary duty also compels trustees to adapt to changing circumstances. As our scientific understanding of social and ecological megatrends improves, and as economic thought and accounting frameworks advance in the face of these new sustainability challenges, it is becoming increasingly clear that factoring ESG criteria into the investment analysis process can reveal material risks. The concept of “stranded carbon assets” for fossil fuel companies that has come into focus in recent years is but one example. Investments can be exposed to new types of risks related to regulation,

¹² [http://www.intentionalendowments.org/the_business_case_for_esg](http://www.intentionalendowments.org/the_business_case_for_esg)
litigation, reputation, resource scarcity, supply chain disruptions, and other market forces driven by sustainability challenges.

Further, for non-profit institutions, fiduciaries owe legal duties of obedience to the organization’s mission and to the social purpose underpinning the organization’s tax exempt status. As described in a recent Investor Alert from Reinhart Boerner Van Deuren s.c.:

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\text{The UPMIFA Drafting Committee advises in its Prefatory Note to the Act that "UPMIFA requires a charity and those who manage and invest its funds to... develop an investment strategy appropriate for the fund and the charity." The Committee also explains, "[The] decision maker must consider the charitable purposes of the institution and the purposes of the institutional fund for which decisions are being made."}^{13}
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In the fall of 2015, three significant publications reinforced the notion that sustainable investing strategies, properly pursued, are inline with fiduciary duty.

In September, PRI along with UNEPFI, UNEP Inquiry and the UN Global Compact, published a report, “Fiduciary Duty in the 21st Century.” It evaluated fiduciary duty across eight markets – US, Canada, UK, Germany, Brazil, Australia, Japan and South Africa – and concluded that fiduciary duty is not an obstacle to action for asset owners interested in incorporating ESG factors into the investment decision-making process.

Also in September, the Internal Revenue Service issued Notice 2015-62, focused on private foundations making investments for charitable purposes.\(^{14}\) The notice states:

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\text{When exercising ordinary business care and prudence in deciding whether to make an investment, foundation managers may consider all relevant facts and circumstances, including the relationship between a particular investment and the foundation’s charitable purposes. Foundation managers are not required to select only investments that offer the highest rates of return, the lowest risks, or the greatest liquidity so long as the foundation managers exercise the requisite ordinary business care and prudence under the facts and circumstances prevailing at the time of the investment in making investment decisions that support, and do not jeopardize, the furtherance of the private foundation’s charitable purposes.}
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In October, the Department of Labor (DOL) issued Interpretive Bulletin 2015-01.\(^ {15}\) The Bulletin makes clear that “fiduciaries should appropriately consider factors that

\(^{13}\) UPMIFA Drafting Committee Comment, section 3, as quoted in Johnson and Jackson, 2014.


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potentially influence risk and return" and that "environmental, social, and governance issues may have a direct relationship to the economic value of the plan’s investment."
The DOL states, "In these instances, such issues are not merely collateral considerations or tie-breakers, but rather are proper components of the fiduciary’s primary analysis of the economic merits of competing investment choices."

For details and links to these reports and related information, please see the “Fiduciary Responsibility” section of “Selected Reports and Resources,” below.

The “Fiduciary Duty” page of the IEN website’s Resources section is continually updated with new reports and research on these topics:
http://www.intentionalendowments.org/fiduciary_responsibility

13 http://www.dol.gov/ebsa/newsroom/fsetis.html
College and university endowments in the United States have approximately $550 billion under management. In 2013, 157 out of 835 of respondents (18 percent) to the NACUBO-Commonfund Study of Endowments applied some sort of ESG criteria to portfolio holdings. Of these 157 institutions, 75 vote proxies consistent with their ESG criteria, and 109 have a formal institutional policy guiding ESG investing.\footnote{http://www.nacubo.org/Documents/EndowmentFiles/2013NCSEPressReleaseFinal.pdf}

Climate criteria illuminate investment risks while suggesting investment opportunities. Climate change is only one aspect of ESG investing considerations – other sustainability issues related to food, water, human rights, labor rights, and many others can also represent material risks and opportunities. However, there has been a surge in attention paid to climate change in recent years, as the magnitude and urgency of the challenge is so great, and it threatens to exacerbate so many risks. A 2013 report, “Climate Change: Investment Risks and Opportunities for Higher Education,” published by Second Nature,\footnote{http://www.secondnature.org/sites/default/files/resources/RiskPaper-final.pdf} identified three basic risk categories that climate change presents to investors:

1. **Physical risks** (climate change impacts such as storm intensity, extreme temperatures, and sea-level rise can disrupt activities and the profitability of investments).

2. **Regulatory and legal risks** (new laws aimed at reducing greenhouse gas emissions, such as carbon pricing schemes, can impact investments).

3. **Competitive and reputational risks** (some goods and services may see changes in demand as climate changes and, as the public’s understanding of climate change improves, companies’ positioning on the issue will have implications for their brand).

The report lays out four steps for fiduciary boards to utilize in addressing climate risks and opportunities:

\footnote{http://www.intentionalendowments.org}
1. Assessing the risks climate change poses to individual investments and the portfolio as a whole, and clarifying governance structures for who is responsible for considering climate risk and developing policy statements.

2. Changing investment practices to reduce risks and take advantage of opportunities associated with climate change. Actions include engaging with companies on key issues, reducing energy consumption in real estate portfolios, and investing in strong performers in the clean technology space.

3. Engaging with and learning from other investors, by sharing best practices and participating in national and international networks (such as the INCR, PRI, CDP) that can leverage collective action for systemic change.

4. Engaging in public policy issues by supporting efforts to improve corporate disclosure of climate risks and to enact legislation to reduce economy-wide climate risk.

College and university endowments have increased their focus on sustainability investing over the past three years, in large part as a result of student campaigns calling for fossil fuel divestment (described above).

In 2015, the Responsible Endowments Coalition, the Service Employees International Union, and the Croatan Institute published a toolkit: “Action on Climate: A Practical Guide for Fiduciaries.” The guide explores various interconnected approaches to climate change that investors can take, such as: integrating climate change into investments, reducing a portfolio’s carbon intensity, investing in climate solutions, divestment, shareholder engagement, and engaging with policymakers. It provides an overview of the issues and a six-step process for governance and decision-making:

1. Be clear about your mission as an organization and an investor
2. Specify your objectives and your investment beliefs
3. Understand your climate change exposure
4. Analyze options and decide on the mix that best meets your objectives
5. Implement your plan
6. Monitor and evaluate the outcomes

18 http://croataninstitute.org/publications/publication/action-on-climate
Below is a sample of college and university Investment Policy Statements that include sustainable investing elements, as well as schools involved in some of the leading sustainable investing initiatives:

**Endowments that have joined PRI:**
- Harvard University (USA)
- Humboldt State University (USA)
- Northwestern University (USA)
- Simon Fraser University (Canada)
- University of California System (USA)
- University of Edinburgh (UK)
- University of Ottawa (Canada)
- University of St. Andrews (UK)

**Endowments that have joined CDP:**
- California State University, Northridge (USA)
- Colorado College (USA) *Climate, Water, Forests & Carbon Action*
- Harvard University (USA) *Climate*
- The New School (USA) *Climate, Water, Forests & Carbon Action*
- Unity College (USA) *Climate, Water & Forests*
- University of California System (USA) *Climate, Water, Forests & Carbon Action*
- University of Edinburgh Endowment (UK) *Climate & Water*
- University Superannuation Scheme (UK) *Climate & Water*
- University of Sydney Endowment Fund (Australia) *Climate*
- York University Pension Fund (Canada) *Climate & Water*

**Endowments that have joined INCR:**
- Brown University
- Stanford University
- Swarthmore College
- University of California System
- University of Vermont
EXAMPLES OF INTENTIONALLY DESIGNED ENDOWMENTS

BECKER COLLEGE

Worcester, MA | President Robert E. Johnson | Endowment: $5 million

Becker College is a private college, with campuses located in Worcester and Leicester, Massachusetts. In 2016, Becker College announced that all investments of its endowment would be devoted to impact investing by June 30, 2017. This announcement made Becker College the first university to pursue a 100-percent impact investment strategy.

Dr. Robert E. Johnson, president of Becker College, cited the necessity to align investments with Becker College’s mission of “educating, preparing and transforming our students into global citizens, prepared to solve human, social and environmental problems,” as well as research indicating the superior performance of SRI, as reasons for committing all of Becker’s investments to impact investing. Arthur P. DiGeronimo, trustee board chairman, said he hoped this effort would “strengthen and further demonstrate our total commitment to the highest possible standard of social and fiduciary stewardship.”

100% Impact Announcement:

HAMPShIRE COLLEGE

Amherst, MA | President Jonathan Lash | Endowment: $40 million

Hampshire College was among the first colleges to adopt SRI policies in the 1970s when it was the first to divest from South Africa to protest apartheid. In 2011, Hampshire began working to adopt ESG principles into its investment strategies by adopting a new investment policy that emphasized positive screening and active investment in companies that aligned with Hampshire’s mission. This new policy led Hampshire College to become the first college to divest from fossil fuels.


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Hampshire’s Policy on ESG Investing acknowledges that because of the long-term risks certain business practices pose, consideration of ESG principles is part of the college’s fiduciary duties. The policy states that businesses emphasizing the following characteristics are favored:

1. Provide beneficial goods and services (food, clothing, housing, etc.)
2. Pursue research and development programs that hold promise for new products of social benefit and for increased employment prospects
3. Maintain fair labor practices (non-discrimination, worker participation and education, quality of work life)
4. Maintain a safe and healthy work environment
5. Demonstrate innovation in relation to environmental protection (sustainable business practices)
6. Use their power to enhance the quality of life for the underserved segments of our society and encourage local community reinvestment
7. Have a record of sustained support for higher education

The Policy also lists the following proxy voting guidelines for investment managers:

1. Elect board members who bring independence, diversity, and concern for public interest
2. Vote for the elimination of ESG injuries
3. Vote for the disclosure of a company’s policies and practices in areas of public interest

In 2015, Hampshire College revised its investment policy to require more transparency and to specify which industries are negatively screened from its portfolio. These industries include:

1. Private prisons
2. Private security
3. Surveillance companies
4. Weapons manufacturers
5. Fossil fuels

ESG Investing Policy Statement:

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In 1972, Harvard established the Advisory Committee on Shareholder Responsibility and the Corporation Committee on Shareholder Responsibility. The ACSR considers shareholder resolutions and makes recommendations to the CCSR, which makes decisions on how Harvard would vote on those resolutions based on the ACSR’s recommendations and on the Harvard Corporation’s fiduciary duty.22

In 2012 student referendum calling for divestment passed with 72 percent of the vote. This led to Harvard’s administration to conduct a review of the possibility of divestment. Harvard ultimately decided not to divest its endowment and in October 2013 Harvard’s president, Drew Faust, released a letter outlining Harvard’s rationale for not divesting from fossil fuel companies (www.harvard.edu/president/fossil-fuels). Faust also noted, however, the need for Harvard to strengthen its approach to sustainable investment and addressing climate change.

In 2013, Harvard established the Social Alternative Fund, managed separately from Harvard’s endowment and invested with special consideration given to social responsibility issues23. The CCSR chose the Parnassus Equity Income Fund as the investment vehicle of the Social Alternative Fund24. In the same year, the Harvard Management Company (HMC) hired its first Vice President for Sustainable Investing, responsible for researching and understanding ESG issues related to the endowment. With regard to integrating ESG criteria into investment decision making, HMC’s website states “as a long-term investor, HMC is naturally focused on environmental, social, and governance (ESG) factors that may affect the performance of our investments—now and in the future. Aligned with our mission to provide strong long-term investment results to Harvard University, we consider material ESG criteria, among many factors, to inform our investment analysis and decision-making processes.”

In April 2014, Harvard’s endowment became a signatory to both the CDP and PRI, the first in the United States to do so.

The Harvard Management Company’s sustainable investment approach outlines three methods of investing more sustainably:

1. ESG integration—considering both ethical reasons and long-term financial risks

22 http://www.harvard.edu/shareholder-responsibility-committees
24 http://news.harvard.edu/gazette/story/2013/05/harvard-announces-selection-for-social-choice-fund-investments/
2. Active ownership—through engaging directly with company’s and voting on shareholder resolutions
3. Collaboration—engaging with like-minded investors and joining initiatives such as the CDP and PRI

Sustainable Investment Approach:
http://www.hmc.harvard.edu/investment-management/sustainable_investment.html

HUMBOLDT STATE UNIVERSITY
Arcata, CA | President Lisa Rossbacher | Endowment: $28 million

The Humboldt State University Advancement Foundation screens certain industries from its direct investments, including fossil fuels. It is currently working on reducing indirect investments in such industries.

In 2013, students approached the HSU Advancement Foundation at an associated students meeting to advocate for further divestment from fossil fuels. In response, the HSU Advancement Foundation took many steps to further advance its tradition of environmental sustainability. In 2014, the HSU Advancement Foundation decided to direct 10% of its portfolio into green funds and explored creating a “Green Challenge,” allowing for another 10% of the portfolio to be shifted to green funds for every $500,000 donated to the endowment.25 Additionally, the Foundation board expanded the definition of concerning sectors to negatively screen to include not just companies that directly extracted fossil fuels, such as Chevron, but also any companies that assisted in the process of producing fossil fuels, such as Haliburton, which manufactures equipment that is used in extraction, or Tesoro, which refines petroleum and other fossil fuels.26

Humboldt State University’s Investment Policy follows the Humboldt Socially and Environmentally Responsible Investment Offset Policy (SEROP), which states that the Advancement Foundation will:

1. Define concerning sectors broadly to include: energy involving the extraction, distribution, refining, and marketing of oil, natural gas, coal, and related industries; utilities utilizing carbon-based fuels; aerospace/defense, alcohol, tobacco, gaming, and casino industries

26 https://www.youtube.com/watch?v=U3s-3rPRuxo&feature=youtu.be

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2. Continue to abstain from direct investment in concerning sectors
3. Monitor and report on the value of indirect investments in concerning sectors
4. Reduce the size of indirect investments in concerning sectors in a way consistent with fiduciary requirements
5. Define Socially or Environmentally Responsible organizations, projects, or assets as ones which are environmentally friendly or improve the health and well-being of communities
6. Actively seek offsetting investment opportunities in SER organizations, projects, or assets
7. Invest directly in SER organizations, projects or assets in accordance with fiduciary requirements and HSU’s mission, vision, and values
8. Monitor and report on the value of direct investments in SER assets and active investments in SER organizations or projects
9. Monitor and report on the value of obvious indirect investments in SER organizations, projects, or assets
10. Create a socially and environmentally responsible fund and actively seek donations of funds and assets that could be used to support Humboldt’s SEROP Pledge

Investment Policy Statement:
http://www2.humboldt.edu/hsuaf/policies/docs/InvestmentPolicyEndowment032715.pdf

LOYOLA UNIVERSITY CHICAGO
Chicago, IL | President Jo Ann Rooney | Endowment: $540 million

In 2007, the Trustees of Loyola’s Office of Finance established the Shareholder Advocacy Committee. The SAC, comprising students, faculty, and staff, was formed to engage with companies in discussion concerning company practices and policies, work with similar initiatives to advance sustainability goals, advise the University on shareholder voting, and research and provide information to the university regarding ESG issues.

Following years of conversation regarding divestment, the Loyola University Chicago Senate voted in 2015 to recommend full divestment of direct ownership of fossil fuels within eighteen months and divestment from commingled funds that include fossil fuels within five years.

http://www2.humboldt.edu/hsuaf/policies/docs/InvestmentPolicyEndowment032715.pdf
http://www.loyolaphoenix.com/2015/02/university-senate-supports-divestment-from-fossil-fuels/

www.intentionalandowements.org
Ultimately, the board of trustees decided to develop a more comprehensive approach to negatively screen investments.\(^{30}\)

In 2016, Loyola University Chicago amended their Investment Policy to include Responsible and Sustainable Investing Principles. Their policy recognizes the need for them to align their investment practices with their mission and their Jesuit and Catholic traditions. Additionally, the policy states that investment decisions will be made with the consideration of “incorporating environmental, social and governance factors as core components of decision-making and risk management, impact and solutions-based investments, engagement, proxy voting, and evaluation of the economic merits of current and potential investments taking into account governance practices, environmental or social impact, and regulatory and reputational risks.”\(^{31}\)

Investment Policy Statement:
http://www.luc.edu/media/lucedu/finance/pdfs/LUC_Investment_Policy.pdf

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MIDDLEBURY COLLEGE
Middlebury, VT | President Ronald D. Liebowitz | Endowment: $1.1 billion

Since the mid-1960s, Middlebury has been committed to social responsibility. A recent focus on how the endowment affects environmental sustainability was prompted by student activism.\(^{32}\)

In 2010, the college established the Sustainable Investments Initiative, a fund dedicated solely to investment vehicles that meet the college’s sustainability guidelines.\(^{33}\)

In 2011, the Advisory Committee on Socially Responsible Investment was founded to promote the socially responsible investment of Middlebury’s endowment through making recommendations to the trustees based on: voting proxies and shareholder engagement; positive screening and impact investing; and negative screening and divestment.\(^{34}\)

In 2014, Middlebury’s president Ron Liebowitz announced that $25 million of Middlebury’s endowment would be devoted to impact investing, directed towards “investments focused on sustainability business such as clean energy, water, climate science, and green building

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\(^{30}\) http://americamagazine.org/content/all-things/picking-my-slack-loyola-and-ecological-call-francis

\(^{31}\) http://www.luc.edu/media/lucedu/finance/pdfs/LUC_Investment_Policy.pdf

\(^{32}\) Interview with Jack Byrne, Director of Sustainability Integration at Middlebury College

\(^{33}\) http://www.middlebury.edu/system/files/sustainability_3-31-15_0.pdf

\(^{34}\) http://sites.middlebury.edu/sric/files/2011/04/Final-ACSRI-Charter.pdf

www.intentionalendowments.org
He also announced that $150,000 of the endowment would be placed under the management of the Socially Responsible Investment Club, a student group devoted to socially responsible investing. As of 2016, the student-run SRI Club is working to develop ESG frameworks to be utilized in Middlebury’s endowment investment decisions, as well as pushing for more transparency in Middlebury’s investments.

As of June 2015, Middlebury has invested $145 million (14% of the endowment at the time) in renewable energy companies and managed using ESG criteria. It has committed to investing another $25 million in renewable energy companies. Additionally, another $50 million has already been or will be invested in clean energy, building projects, and other general efforts to reduce greenhouse gas emissions.

Middlebury’s Statement of Investment Objectives and Policies contains proxy voting guidelines which support resolutions that encourage:

1. Preparing sustainability reports and adoption of policies in accordance with reasonable codes of conduct and reporting models
2. Siding with transparency on environmental practices
3. Adopting policies that take into account the importance of protecting stakeholders and the natural environment
4. Eliminating workplace discrimination based on age, race, sex, sexual orientation, religion, and ethnicity
5. Supporting human rights standards, including protecting indigenous people’s rights and respecting cultural sensitivities
6. Eliminating exploitative labor practices
7. Providing safe workplaces
8. Siding with transparency on political contribution and activities

AASHE STARS Endowment Credits:
- Committee on Investor Responsibility: 2 out of 2
- Sustainable Investment: 1.83 out of 4

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36 http://sites.middlebury.edu/sric/projects/esg-and-transparency/
37 Interview with Jack Byrne, Director of Sustainability Integration at Middlebury College

www.intentionalendowments.org
In 2014, Pitzer College’s Board of Trustees unanimously approved a Fossil Fuel Divestment-Climate Action Model, becoming the first higher education institution in Southern California to commit to divesting its endowment of fossil fuel stocks. Pitzer College’s integrated Fossil Fuel Divestment-Climate Action Model proposed the following action items:

1. Divest virtually all of the college’s endowment investments in fossil fuel stocks by December 31, 2014
2. Develop an ESG policy to guide endowment investment decisions
3. Create the Pitzer Sustainability Fund within the endowment to make environmentally responsible investments
4. Target a 25 percent reduction of the College's carbon footprint from current levels by the end of 2016
5. Establish a Campus Sustainability Taskforce to bolster on-campus measures to promote sustainability

In June 2013, San Francisco State University (SF State) became the first public university and first school on the west coast to commit to divest immediately from coal and tar sands companies and start a formal process to look at fully divesting from the fossil fuel industry. SFSU issued the following statement on the university’s decision:

“The SF State University Foundation Finance and Investment Committee voted unanimously at its May 20, 2013 meeting to limit direct investments in fossil fuel companies. The SF State University Foundation Executive Committee also voted unanimously at its May 23, 2013 meeting that the foundation would not directly invest in companies with significant production or use of coal and tar sands and that it would amend its Investment Policy Statement (IPS) to reflect this change.”

In addition, per a request by SF State President Leslie Wong, the Foundation Board convened a special committee to review its endowment’s investment policy, identify all its fossil fuel investments, and make recommendations for future changes to the SFSU’s investment policy in regards to divestment. In April 2014, by unanimous vote, the Foundation Board called for the following changes within five years of July 1, 2014:
• Continued divestment from direct ownership of companies with significant exposure to production or use of coal and tar sands;
• Careful monitoring of commingled funds to assess approximately the percentage of these investments in companies with significant exposure to production or consumption of coal and tar sands;
• The creation of a socially responsible portfolio option for donors who wish to opt-in to such an investment; all other donors will continue in the main portfolio;
• The creation of a carbon footprint for the portfolio which will be published yearly in conjunction with a separate carbon footprint for the entire campus;
• The public dissemination of this information and these methodologies so that other foundations, pension funds or investors may adopt all or part of our policies if they wish.

In 2015, the SFSU Board was in the process of allocating $5 million to establish a green fund, as well as establishing a $500,000 student-managed investment fund. The goal of the student-managed fund is to expose students of different academic backgrounds to different aspects of SRI investing—for example, exposing business students to ESG principles or exposing environmental science students to finance. The SF State Foundation also conducted a carbon footprint of its portfolio, and will measure the change in its footprint over time.39

Investment Policy Statement: http://sfsufdn.sfsu.edu/content/investment-policy-pdf

THE NEW SCHOOL
New York, NY | President David E. Van Zandt | Endowment: $13 million

In 2009, the board of trustees established the Advisory Committee on Investor Responsibility. The role of the ACIR is to advise the board of trustees on ESG issues related to The New School’s endowment and to develop ESG investing principles related to human rights, labor practices, environmental protection, equity, diversity, discrimination, and corporate disclosure.40

39 Robert Nava and Tanvi Pradhan, Intentionally Designed Endowment Forum at Portland State University; http://www.intentionalendowments.org/psu_videos
40 http://www.newschool.edu/advisory-committee-investor-responsibility/the-new-school-acir-charter.pdf
In 2012, The New School adopted the Sustainability Proxy Voting Guidelines, which established standards against which the Investment Committee could evaluate its investments in regards to ESG factors.41

In 2013, the University Student Senate proposed divestment resolutions to the board of trustees, and from that point, student groups and school leadership began collaborating in public events to raise awareness of climate issues.42

In early 2015, a new plan to address climate change was announced. In addition to full divestment from fossil fuels, The New School announced that it would be reshaping its entire curriculum to better educate students in climate change and sustainability issues. According to Joel Towers, executive dean of Parsons the New School of Design, this plan aims to “get students and faculty to think differently about climate change, and look at it as an opportunity to design the future differently.” Part of this comprehensive plan also includes improving the sustainability of campus operations.43

UNIVERSITY OF CALIFORNIA
Oakland, CA | President Janet Napolitano | Endowment: $14 billion, Total Portfolio: $91 billion

The Office of the Chief Investment Officer of the Regents manages the University of California’s retirement, endowment, working capital, and cash assets under the policies, guidelines, and performance benchmarks established by the Regents. The UC System provides its investment managers with general guidelines that determine its proxy votes. The UC Regents have two socially responsible policies that impact investment decisions for any investment held in their investment pools: (1) Regent Policy 6301: Policy to Exclude Securities of Companies Manufacturing Tobacco Products from Index Funds and to Continue Existing Exclusion from Actively Managed Funds (http://regents.universityofcalifornia.edu/policies/6301.html) and (2) Regents Policy 6302: Policy on Divestment of University Holdings in Companies with Business Operations in Sudan (http://regents.universityofcalifornia.edu/policies/6302.html).

41 https://www.newschool.edu/WorkArea/DownloadAsset.aspx?id=84381
In 2007, the Walter A. Haas School of Business at UC Berkeley launched the Haas Socially Responsible Investment Fund. This fund is strictly governed by ESG principles and is managed by MBA and MFE students. Since 2008, the value of the fund has grown from $1.1 million to more than $2 million.

In September of 2014, the University of California’s president, Janet Napolitano, announced a series of measures with respect to sustainability, as it pertains to its endowment, including:

1. Allocate $1 billion over five years for direct investments in solutions to climate change;
2. Adhere to the United Nations-supported Principles for Responsible Investment (PRI), the largest university and the first public American university to do so;
3. Establish and implement a framework for sustainable investment with the goal of completion by the end of its 2014 fiscal year;
4. Integrate environmental, social and governance (ESG) factors as a core component of portfolio optimization and risk management; and
5. Evaluate all strategies for achieving ESG goals as soon as practical, including whether to use divestment.

Over the course of several months in 2015, the UC regents gradually withdrew its direct holdings in coal and oil sands, divesting roughly $200 million. According to chief investment officer, Jagdeep Bachher, the divestment was in response to “slowing global demand, an increasingly unfavorable regulatory environment, and a high threat of substitution.” Baccher also stated, “we believe that investing in solutions to climate change will have more significant impact than a blanket divestment policy.” UC has also withdrawn $30 million in investments from private prisons.

The Office of the CIO’s Sustainable Investment Framework, launched in 2015, acknowledges that sustainable investing is necessary when considering long-term risks and emphasizes UC’s commitment to fully integrating ESG principles into its investment decisions. It lists the following as core principles, which have an impact on the long-term sustainability of investments, to consider when making investment decisions:

1. Climate change
2. Food and water security

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45 http://responsiblebusiness.haas.berkeley.edu/programs/haassrifund.html

www.intentionalendowments.org
3. Inequality
4. Aging population
5. Diversity
6. Human rights
7. Circular economy
8. Ethics and governance

The UC has joined several sustainable investing initiatives, including CDP, PRI, Ceres’ INCR, the Montreal Carbon Pledge, the Aligned Intermediary, and the Breakthrough Energy Coalition.


**AASHE STARS Endowment Credits:**
- Sustainable Investment Policy: 0.25 out of 0.25
- Investment Disclosure: 0.25 out of 0.25

**Sustainable Investment Framework:** [http://www.ucop.edu/investment-office/sustainable-investment](http://www.ucop.edu/investment-office/sustainable-investment)

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**UNIVERSITY OF DAYTON**

Dayton, OH | President Daniel J. Curran | Endowment: $518.2 million

In accordance with its affiliation with the Catholic Church and adherence to Catholic values, University of Dayton’s policy is to avoid investments in weapons and defense, healthcare research involving stem cells, and addictive substances such as alcohol and tobacco.

In June of 2014, the board of trustees unanimously approved a new investment policy, which reflects the University’s commitment to environmental sustainability, human rights and its religious mission. At the time, about 5 percent of Dayton’s investment pool was in fossil fuel stocks. The university targeted about 200 of the largest fossil fuel companies, from the Carbon Tracker 200 list, from which to divest. Dayton has begun the process of divesting from domestic equity accounts. The phases of the divestment process involve first eliminating fossil fuel holdings from domestic equity accounts; eliminating fossil fuel from international holdings; investing in green and sustainable technologies; restricting future investments in fossil fuels or carbon-producing holdings.49 The school plans to have a full-scale review of their divestment

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decision and its progress, scheduled to occur 18 months from their original announcement, in December of 2015.

AASHE STARS Endowment Credits:

- Student-Managed Sustainable Investment Fund: 0.25 out of 0.25
- Sustainable Investment Policy: 0.25 out of 0.25

UNIVERSITY OF MASSACHUSETTS

Boston, MA | President Martin T. Meehan | Endowment: $768 million

University of Massachusetts is a public university system in Massachusetts. It has campuses located in Amherst, Boston, Dartmouth, and Lowell, as well as a medical school located in Worcester. The University of Massachusetts Foundation manages the entire UMass system’s endowment of $768 million.

In December 2014, the University of Massachusetts created the Socially Responsible Investing Advisory Committee. The SRIAC receives complaints or concerns raised by the UMass community regarding social injury resulting from the Foundation’s investments, evaluates them, and makes recommendations to the Foundation. By 2015, the Foundation had begun to formally incorporate ESG criteria into its investment analysis. Part of this process of incorporating ESG criteria included launching a Social Choice Fund.

In March 2015, the student group, UMass Fossil Fuel Divestment Campaign, submitted a petition to the SRIAC asking the foundation to divest from fossil fuels. In response to this petition, the SRIAC began to research the issue and ultimately recommended that the Foundation divest from fossil fuels. In December 2015, the Foundation announced that it would divest from direct investments in coal companies, a decision that was later endorsed by the UMass Board of Trustees. In May 2016, the Board of Directors of the UMass Foundation voted unanimously to divest from direct holdings in all fossil fuels.

51 https://www.umassp.edu/sites/umassp.edu/files/content/4-7-15%20FINAL%20COTW%20Minutes.pdf
52 https://www.umass.edu/newsoffice/article/umass-foundation-divest-investments-coal
53 https://www.umass.edu/newsoffice/article/umass-becomes-first-major-public

www.intentionalendowments.org
UNIVERSITY SYSTEM OF MARYLAND
New Haven, CT | Chancellor Robert L. Caret | Endowment: $975 million

In December 2014, the University System of Maryland along with the United Nations provided seed capital for the iShares MSCI ACWI Low Carbon Target ETF (NYSE:CRBN). The fund seeks to address two dimensions of carbon exposure – carbon emissions and fossil fuel reserves.

The press release for the launch of the fund states: “CRBN is designed for individuals and institutions interested in environmental sustainability without divestment and provides transparency to the carbon footprint of their investments. By overweighting companies with low carbon emissions relative to sales and those with low potential carbon emissions per dollar of market capitalization, it aims to maintain exposure to global equity, while accounting for carbon exposure. Relative to the standard ACWI index, the underlying holdings to the CRBN index produce 81% less carbon emissions and 97% less potential carbon emissions from fossil fuel reserves.”

Sam Gallo, Chief Investment Officer of the USM Foundation, said, “Being able to address socially responsible concerns while maintaining our fiduciary standards is critical to our investment approach. The iShares MSCI ACWI Low Carbon Target ETF is a low-cost, investment solution that allows us to maintain full exposure to global equities while incorporating a carbon exposure reduction strategy.”

In June 2016, the USM Foundation announced that it would stop investing directly in coal, oil, and natural gas companies and seek-out more investments in clean energy.

YALE UNIVERSITY
New Haven, CT | President Peter Salovey | Endowment: $25.6 billion

In 2012, a student campaign began seeking the divestment of Yale University’s endowment from fossil fuel companies, leading to Yale’s administration to review the option. In a letter issued by president Peter Salovey, Yale announced that it would not divest its endowment from fossil fuels, but would instead focus on engagement of companies through proxy voting and

outreach to its external investment managers (http://sustainability.yale.edu/planning-progress/president).

In September 2014, Yale’s Chief Investment Officer, David Swensen, sent a letter to Yale’s investment managers requesting that they assess the greenhouse gas footprint of prospective investments, noting that “full accounting of the internal and external costs of greenhouse gas emissions will call into question the business models of some investments.” He also asked managers to discuss with company management the financial risks of climate change. He explained, “while divestment is a blunt tool, considering the economic costs of greenhouse gas footprints is more subtle, influencing in a positive or negative fashion the risk and return profile of every investment position, existing and potential.” Swensen was quoted in a Yale Daily News article (http://goo.gl/ZzU3Yo) saying, “the bottom line is that if Yale’s managers do not act in a manner that is consistent with the University’s goals, Yale will terminate the relationship.”

The CCIR adopted a proxy voting guideline on climate change that asserts Yale will generally vote in favor of shareholder resolutions seeking:

1. Disclosure of greenhouse gas emissions,
2. Analyses of the impact of climate change on a company’s business activities,
3. Strategies designed to reduce the company’s long-term impact on the global climate,
4. Company support of sound, and effective governmental policies on climate change.

In 2016, David Swensen announced that, since writing his letter in 2014, many changes had taken place within Yale’s investment structure to take into account the social and financial risks of climate change. One result of the changing policies was that, despite a lack of an explicit fossil fuel divestment policy, Yale’s Investments Office had effectively divested from all of its holdings in fossil fuels.57


57 http://investments.yale.edu/images/documents/Endowment_Climate_Change_Update.pdf
SELECTED REPORTS AND RESOURCES

GENERAL TRENDS AND GUIDES


"Commonfund Study of Responsible Investing"  l Commonfund Institute, April 2015: https://www.commonfund.org/files/Marketing/ResponsibleInvestingStudy_FINAL3.pdf

“From SRI to ESG: The Changing World of Responsible Investing”  l Commonfund Institute, September 2013: https://www.commonfund.org/InvestorResources/Publications/White%20Papers/Whitepaper_SRI%20to%20ESG%202013%200901.pdf


www.intentionalendowments.org


“The Impact of Sustainable and Responsible Investment” | US SIF, September 2013: http://www.ussif.org/Files/Publications/USSIF_ImpactofSRI_Aug2013_FINAL.pdf


The Responsible Endowments Coalition has a suite of free resources, guides, and case studies online relating to various aspects of sustainability investing for college and university endowments: http://www.endowmentethics.org/committees_resources

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**CARBON RISK AND FOSSIL FUEL FREE PORTFOLIOS**


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www.intentionalendowments.org


“The Other Reason for Divestment” | Litterman, Robert, Ensia, 2013: http://ensia.com/voices/the-other-reason-for-divestment/

“Responding to the Call for Fossil-fuel Free Portfolios” | MSCI ESG Research, December 2013: http://www.msci.com/resources/factsheets/FA_Q_on_Fossil-Free_Investing.pdf


FIDUCIARY DUTY


FINANCIAL PERFORMANCE


- Found that 89% of research studies showed that companies with high ESG ratings exhibit market-based outperformance compared to industry peers.

"ESG & Corporate Financial Performance: Mapping the Global Landscape" | Deutsche Asset & Wealth Management, University of Hamburg, December 2015: [https://deutscheam.com/assetdownload/en/c9d8ee0c52e1427b89d773de85b993/K15090_Academic_Insights_UK_EMEA_RZ_Online_151216.pdf](https://deutscheam.com/assetdownload/en/c9d8ee0c52e1427b89d773de85b993/K15090_Academic_Insights_UK_EMEA_RZ_Online_151216.pdf)

- This study examines the entire universe of ESG-CFP academic review studies that have been published since 1970. The analysis is based on the aggregation of the findings and data of 60 review studies. To the best of our knowledge, this therefore represents the most extensive review of academic literature as it relates to ESG and CFP ever undertaken.

“The Impact of Corporate Sustainability on Organizational Processes and Performance” | Eccles, Robert G., Ioannis Ioannou, George Serafeim, Harvard Business School, July 2013: [http://www.hbs.edu/faculty/Publication%20Files/12-035_a3c1f5d8-452d-4b48-9a49-812424424cc2.pdf](http://www.hbs.edu/faculty/Publication%20Files/12-035_a3c1f5d8-452d-4b48-9a49-812424424cc2.pdf)

- 18-year study (1993-2011) showing that 90 companies with strong sustainability policies outperformed a similar group of 90 companies with low sustainability standards, with a 4.8 percent higher annual above-market average return.


- Provides a high-level overview of what ESG investing is, how ESG investing and analysis can be approached, and how ESG investing strategies perform financially.

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58 Several items in this list are adapted from “The 21st Century Investor: Ceres Blueprint for Sustainable Investing.” Ceres, 2013, p. 8

[www.intentionalendowments.org](http://www.intentionalendowments.org)

- This issue contains articles from leading academics and practitioners examining the financial performance of ESG including: “Integration in Investment Management: Myths and Realities,” and “ESG for All? The Impact of ESG Screening on Return, Risk, and Diversification”


- This report’s review of mutual funds and separately managed accounts in the US, found that sustainable investing funds on an absolute and risk-adjusted basis “usually met, and often exceeded, the performance of comparable traditional investments.”

“Can ESG Add Alpha? An Analysis of ESG Tilt and Momentum Strategies”  | MSCI, June 2015:  https://www.msci.com/documents/10199/4a05d4d3-b424-40e5-ab01-adf68e99a169

- This report examines ESG Tilt and Momentum strategies constructed using MSCI’s ESG data and found that these strategies outperformed the global benchmark over the past eight years and “performance trade-off does not always necessarily occur” when integrating ESG factors.


- Found that between 2001 and 2010, a portfolio of sustainability leaders in a group of more than 450 companies outperformed by 1.74 percent annually, and weak sustainability performers underperformed by 1.87 percent annually.

Found that a portfolio of top quintile best-in-class ESG companies outperformed the MSCI World Equal Weighted Index by 1.7 percent while the worst-in-class portfolio underperformed by 1.0 percent.

- TIAA's comparison of leading RI equity indexes against benchmarks, S&P 500 and Russell indices, over the long term found no performance handicap for the RI indices.

“To Integrate Or To Exclude: Approaches To Sustainable Investing” | UBS, July 2015: https://www.ubs.com/microsites/together/en/foresight/_jcr_content/mainpar/gridcontrol_0/col2/teaser/linklist/link.914626586.file/bGlua9wYXRopS9jb250ZW50L2RhbS91YnMvbWljcm9zaXRlcy9icmFuZGh1Yi9mb3Jlc2lnaHQvcGRmL3Vicy10b2dldGhlci1mb3Jlc2lnaHQtc3VzdGFpbmFibGUtaW52ZXN0aW5nLWludGVncmF0ZS1vcilieGNsdWRILnBkZg==/ubs-together-foresight-sustainable-investing-integrate-or-exclude.pdf
- This report includes an analysis of over 50 academic studies on sustainable investing performance, which found “On balance, academic evidence does not show any systematic performance bias against SI. In fact, we found a slightly larger number of studies with results favoring SI. We conclude that on balance, across markets and through full market cycles, evidence suggests that SI performs no better and no worse than conventional approaches.”

- Shows that a portfolio of 151 SRI funds outperformed the MSCI World Index between 2002 and 2009.
ORGANIZATIONS

Non-Profit Organizations – the following is a non-comprehensive list of organizations involved with some aspect of sustainable investing issues.

- **350.org** – international grassroots effort to raise awareness of the need to decrease carbon dioxide concentration in the atmosphere to 350 parts per million: [www.350.org](http://www.350.org)
- **As You Sow** – promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies: [www.asyousow.org](http://www.asyousow.org)
- **CDP** – formerly the Carbon Disclosure Project, represents institutional investors to request information on carbon, forests, water, and supply chains from companies in order to provide investors with reports and data: [www.cdp.net](http://www.cdp.net)
- **Ceres** – advocates for sustainability leadership that mobilizes investors, companies, and public interest groups to accelerate the adoption of sustainable business practices: [www.ceres.org](http://www.ceres.org)
- **Commonfund** – institutional investment management firm serving the non-profit and pension investment communities, including a significant outsourced management practice for endowments: [www.commonfund.org](http://www.commonfund.org)
- **Confluence Philanthropy** – a non-profit network of over 200 private, public, and community foundations, that works to enhance the ability of foundations to align the management of assets with organizational mission to promote environmental sustainability and social justice: [www.confluencephilanthropy.org](http://www.confluencephilanthropy.org)
- **Global Reporting Initiative** – provides a sustainability reporting framework to help companies measure and communicate sustainability performance information, with the mission of making sustainability reporting standard practice: [www.globalreporting.org](http://www.globalreporting.org)
- **Interfaith Center on Corporate Responsibility** – interfaith-based institutional investment center sponsoring shareholder resolution discussions and SRI; members include faith-based institutions, socially responsible asset management companies, unions, pension funds, and colleges and universities: [iccr.org](http://iccr.org)
- **International Integrated Reporting Council** – promotes integrated reporting of organizations’ financials, sustainability performance, strategy, governance, and prospects, in the context of its external environment: [www.theiirc.org](http://www.theiirc.org)
- **National Association of College and University Business Officers** – national membership association for chief financial officers and other business officers of colleges and universities: [www.nacubo.org](http://www.nacubo.org)
• **Responsible Endowments Coalition** – organizes students, alumni, university administrators, and the larger community to challenge and pressure universities to invest their endowments more responsibly: [www.endowmentethics.org](http://www.endowmentethics.org)

• **Second Nature** – works to make sustainability a strategic imperative for colleges and universities; is the supporting organization of the American College & University Presidents’ Climate Commitment: [www.secondnature.org](http://www.secondnature.org)

• **Sustainability Accounting Standards Board** – works to establish industry-based sustainability standards for the recognition and disclosure of material ESG impacts by companies traded on US exchanges: [www.sasb.org](http://www.sasb.org)

• **Sustainable Endowments Institute** – works to advance institutional responses to the climate crisis, focusing on sustainable use of endowment and operations assets; leads the Billion Dollar Green Challenge, encouraging campuses to establish “green revolving funds”: [www.GreenBillion.org](http://www.GreenBillion.org)

• **Sustainable Investments Institute** – conducts impartial research and publishes reports on organized efforts to influence corporate behavior on social and environmental issues: [www.siinstitute.org](http://www.siinstitute.org)

• **UN Principles for Responsible Investing** – international network of investors working together to put the six Principles for Responsible Investment into practice: [www.unpri.org](http://www.unpri.org)

• **US SIF** – The Forum for Sustainable and Responsible Investment – a US membership association for professionals, firms, institutions, and organizations engaged in sustainable and responsible investing: [www.ussif.org](http://www.ussif.org)

• **World Resources Institute** – WRI’s Sustainable Investing Initiative advances sustainable investment practices in the mainstream investor marketplace through tailored data, research, and peer-to-peer learning: [http://www.wri.org/our-work/project/sustainable-investing-initiative](http://www.wri.org/our-work/project/sustainable-investing-initiative)
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