College & University Endowments and the Principles for Responsible Investment

Aligning Investment Practices with Mission & Values

Speakers:
Sonal Mahida, US Network Manager, Principles for Responsible Investment
John Pierce, Assistant Treasurer, Simon Fraser University
Dave Gorman, Director of Social Responsibility and Sustainability, University of Edinburgh

Moderator:
Georges Dyer, Coordinator, Intentional Endowment Network

Webinar
September 16, 2014
Agenda:

• Introduction (Georges)
• Overview of sustainable investing field & PRI (Sonal)
• Simon Fraser University (John)
• University of Edinburgh (Dave)
• Question & Answer
INTENTIONAL ENDOWMENTS NETWORK

Direct Support for Higher Education and Facilitated Cross-Sector Collaboration

Higher Education Endowments
- Presidents
- CFOs
- Endowment Managers
- Trustees
- Students
- Alumni
- Donors
- Faculty
- Staff

Resource Exchange

Thought Leadership

Conferences & Gatherings

Education & Training

Peer Networking

Investment Firms

Other Institutional Investors

Non-Profit & Advocacy

Associations & Networks
Even among institutions that self-identified as interested in these issues – participants of our April 2014 conference – most indicated that they are in the early stages of wrestling with these issues:

- Barely on the radar: 3 institutions
- Just getting started: 10 institutions
- Conflict, more heat than light: 3 institutions
- Constructive deliberation: 4 institutions
- Agreement to take action: 3 institutions
- Developing ESG policy: 3 institutions
- ESG policy recently enacted: 3 institutions
- ESG policy with track record: 3 institutions
ACUPCC Climate Leadership Summit Session
Boston, MA, October 3, 2014

2nd Intentionally Designed Endowment Forum
Arizona State University, January 15-16, 2015

Student-focused IDE Forum
Mount Holyoke College, February 21, 2015

www.IntentionalEndowments.org
Principles for Responsible Investment

Sonal Mahida, Head of North America
LOOKING AT THE WHOLE PICTURE

- Supply chain risks
- Reputational and brand impact
- Operational or product delays and lost productivity
- Potential for impaired assets
- Human Capital: Recruiting necessary talent
- Winning bids/License to operate
- Regulatory and legislative risks
- Operating costs
Reputational and Financial Impact

**BDlive**
"Call for Lonmin’s mining licence to be suspended."

**The New York Times**
"US poised to announce $13 billion JPMorgan settlement."

**Bloomberg**
"Retail News Bangladesh Labor Protests on Wages Shut 100 Garment Factories."

**FT Financial Times**
"China accuses GlaxoSmithKline of bribing officials over prices... Sales face growing pressure."

**Reuters**
"BP shares drop as oil spill worsens"

**The Wall Street Journal**
"UBS to pay $1.5 billion to settle Libor charges."
**THIS IS ABOUT BEING A BETTER INVESTOR**

**PERFORMANCE**

“The high-sustainability companies dramatically outperformed the low-sustainability ones in terms of both stock market and accounting measures”

*Harvard Business School*

**RETURNS**

not sacrifice

“There are positive, strongly statistically significant positive abnormal returns associated with going long good corporate governance firms and shorting those with poor governance.”

*Yale School of Management*

**DIVERSE APPROACHES**

not just negative screening

“We believe that ESG analysis should be built into the investment processes of every serious investor and into the corporate strategy of every company that cares about shareholder value.”

*Deutsche Bank*

**RISK MANAGEMENT**

not breach of fiduciary duty

“As we note above, the links between ESG factors and financial performance are increasingly being recognised. On that basis, integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions.”

*Freshfields Bruckhaus Deringer*
SPECTRUM OF STRATEGIES: DECISION POINTS
ASSET OWNER INVESTMENT PROCESS

BUY-SIDE ANALYSIS

ESG data

INVESTMENT DECISION

ESG data considered

STOCK PURCHASE

SHAREHOLDERS ACTIVITIES

ESG capability criteria

Sell-side analysis

ESG strategies

IM SELECTION

ESG data considered
SPECTRUM OF STRATEGIES

Pre investment strategies:
- Exclusion, negative screening
- Positive or best in class screening
- Thematic investing: Investing in funds that support ESG related themes
- ESG integration
- Hybrid approaches

Post investment strategies:
- Divestment
- Active ownership- proxy voting and engagement
GATHERING MOMENTUM

Assets under management (US$ trillion)

Nº Signatories

Principles for Responsible Investment
Launched in April 2006 at the NYSE, the Principles for Responsible Investment has:

**2**
UN PARTNERS:
UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT

**1260**
SIGNATORIES:
ASSET OWNERS,
INVESTMENT
MANAGERS
AND SERVICE
PROVIDERS

**45**
US$ TRILLION:
ASSETS UNDER
MANAGEMENT

**6**
PRINCIPLES:
RECOGNISING THE
MATERIALITY OF
ENVIRONMENTAL,
SOCIAL AND
CORPORATE
GOVERNANCE ISSUES
THE SIX PRINCIPLES

1. We will incorporate ESG issues into investment analysis and decision-making processes.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4. We will promote acceptance and implementation of the Principles within the investment industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

6. We will each report on our activities and progress towards implementing the Principles.
HOW THE PRI INITIATIVE SUPPORTS SIGNATORIES

- Investor Engagements
- Implementation Support
- Academic Network
- Reporting and Assessment
- Events
- Policy and Research
- Regional Networks

1 Principles for Responsible Investment
IMPLEMENTATION SUPPORT

Helping signatories put the six principles into practice
PRI TOOLS FOR MANAGER SELECTION, APPOINTMENT AND MONITORING

PRI provide guidance and practical case studies to assist asset owners

- We share “how to” guidance documents:
  - Aligning Expectations
  - How to Write a Responsible Investment Policy

- We highlight case studies of resource-constrained managers:
  - Bâtirente, StatewideSuper, Church of Sweden

- We provide investor education webinars:
  - ESG topics: Climate change & oil sector, fixed income, Bangladesh
  - Asset classes and RI topics: fixed income, property, green bonds

Available at:
http://d2m27378y09r06.cloudfront.net/viewer/?file=wp-content/uploads/Aligning_Expectations_2013.pdf
Example questions for RFPs, questionnaires and discussions

ESG Resources
■ How are portfolio managers incentivized to incorporate ESG factors?
■ How do you share best practice across teams and all investment staff?

Voting & Engagement
■ How do you ensure that your clients’ voting policies are followed?
■ How do you define, plan and measure engagement?

ESG Incorporation
■ How do you assess a company’s ability to identify and manager ESG-related risks and opportunities?
■ How are ESG factors incorporated into investment analysis?

Source: http://d2m27378y09r06.cloudfront.net/viewer/?file=wp-content/uploads/Aligning_Expectations_2013.pdf
CASE STUDIES

*Aligning Expectations* includes over 20 case studies from Australia, Europe and North America

- **Unipension RFP stated:**
  - Investment managers must be a PRI signatory
  - Unipension would retain voting rights
  - Segregated mandate required for exclusions

- **CALSTRS investment policy:**
  - Identified 21 risk factors to be considered when making an investment decision
  - Included fiscal transparency, human rights, governance
  - All investment managers must consider these

US NETWORK: Approach

Goal: Support Implementation & Market Growth

- Education around tools, guidance and current research
- Developing specific tools and guidance for the US market
- Collaboration
- Outreach and education for the wider market
- Representing the US perspective internally and providing insights to the other teams
PRI Events

**GP Implementation Guidance Launch**
New York, NY

**Research, Innovation and Stewardship Event**
New York, NY

**PRI Council Panel**
New York, NY

**PRI in Person**
Montréal, Canada

**Fixed Income Integration Guidance Launch**
Montréal, Canada
MOVING FROM AWARENESS TO IMPACT
John Pierce
Assistant Treasurer

Responsible Investment Policy:
www.sfu.ca/policies/gazette/board/B10-16.html

Sustainability Strategic Plan:
www.sfu.ca/sustainability/planning/strategic-plan.html
Dave Gorman
Director of Social Responsibility and Sustainability

Responsible Investment Consultation:
www.ed.ac.uk/about/sustainability/what-we-do/community/responsible-investment-consultation
Dialogue, Question & Answer
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