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## TIFF's Commitment to Sustainable Investing

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Sustainable investing takes many forms. Common among them is increased awareness of the impact that businesses have on the ecological and human systems in which they operate. This awareness is increasing significantly as the world becomes more connected, more transparent, and better understands the capital markets' potential to both contribute to and solve environmental and social issues. As a result, growth in sustainable investing has been strong. According to the Global Sustainable Investment Review, sustainable investing assets topped \$30 trillion at the end of 2018<sup>1</sup>. TIFF's unique approach to sustainable investing is centered around helping our nonprofit members better align their investments with their values, while being on the positive side of sustainability-driven disruption and secular change.

TIFF has incorporated certain environmental, social and governance (ESG) factors into our investment approach since our inception in 1991, guided by our mission of serving non-profit investors. We recently enhanced our comprehensive endowment solutions to include a sustainability-oriented offering with a greater focus on ESG. This paper summarizes TIFF's approach to sustainable investing, why it is differentiated, and why we feel it is well-suited to the endowment and foundation investment community.

### TIFF's Sustainable Investing Process

There are many other approaches to sustainable investing, and TIFF has conducted extensive research into each of them with the goal of identifying the best strategies for generating market-beating financial returns while also maximizing positive environmental and social impact. We believe the result is a meaningfully differentiated offering in the market.

Our approach to sustainable investments research is multi-disciplinary. It includes:

- Engaging with a breadth of stakeholders, including industry experts in the fields of finance, energy, agriculture, healthcare, climate change, social equity, and other areas of sustainability-driven change.
- Speaking to NGOs (non-governmental organizations), lawyers, banks, sell-side researchers, entrepreneurs, academics, asset managers and public and private companies.
- Connecting with a network of peers with experience in sustainable investing.
- Reviewing the data, tools and analyses produced by the agencies that rate companies on their ESG profiles, as well as those providing raw ESG data to corporates, asset managers and asset owners.
- Working directly with groups like SASB (the Sustainability Accounting Standards Board), which is working toward the standardization of corporate ESG data and reporting.
- Attending and participating in sustainability-related conferences.

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<sup>1</sup> Global Sustainable Investment Review 2018

- Reading scientific papers and investment research produced by a variety of firms with a variety of perspectives.
- Listening to the thoughts and goals of our nonprofit members.

The depth of our work around sustainable investments is consistent with how we have conducted investment research at TIFF since our founding. Performing independent research at this level gives us an edge in discerning which managers are truly excellent investors and true experts in sustainability, and which are not. To date, we have performed due diligence on over two hundred and fifty asset managers across asset classes and around the globe that incorporate (or claim to incorporate) ESG into their investment processes and/or invest in sustainability-driven themes. We have developed a strong sense for how it is done - and done well.

ESG analysis is a component of due diligence for all investments at TIFF. We ask existing and prospective managers about their own overall ESG philosophies and processes. We then go deeper. We ask for detail on individual businesses in the portfolios to see if the managers' general comments are backed up by specific knowledge of the impact that the businesses in which they invest are having on society, positive or negative. We ask for their views on industry trends such as the energy transition, the auto transition, board and workforce diversity, racial and gender equity, sustainable food production, clean water, emissions reductions, physical asset risk associated with climate change, rising demand for healthier consumer products, and more. We assess their familiarity with the alphabet soup of sustainable investing, including SASB, the UN SDGs<sup>2</sup>, TCFD<sup>3</sup> and the UN PRI<sup>4</sup>, to name a few. Many of our existing managers had limited knowledge of these institutions when we first started engaging with them. We sent them information and helped them get smarter. Our manager engagement process is critical and is one way that TIFF has had impact; however, this process is only the baseline.

## **TIFF's Sustainable Investment Solutions**

TIFF's formal responsible investment track record started in 2014 when we were hired to sub-advise an investment strategy aligned with Catholic values. This strategy employs an exclusionary screen, meaning it excludes certain securities from its investment universe. It also benefits from TIFF's sustainable investing process.

TIFF's sustainable investment solutions take our focus on ESG and impact further. We aim to help our members meet their risk and return goals while maximizing positive environmental and social impact. We do this by investing with asset managers around the world that are both world-class investors and experts at incorporating ESG factors and sustainable insights into their work.

Our sustainable investment solutions incorporate several sustainable investment strategies and represent our best thinking based on years of research. First, we've selected managers that we believe have the strongest ESG integration processes in the industry. This means that ESG

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<sup>2</sup> United Nations Sustainable Development Goals

<sup>3</sup> Task Force on Climate-related Financial Disclosures

<sup>4</sup> United Nations Principles for Responsible Investment

analysis is not a “check the box” exercise but is a material component of due diligence and helps lead to investments in high quality businesses and portfolios relatively insulated from environmental, social and governance risks. Certain of our managers generate increased positive impact by engaging with their portfolio companies on ESG issues, thereby driving change by helping the underlying companies identify ESG risks and opportunities. Other managers on our roster invest in sustainability themes, such as water, healthcare, and the transition to a greener economy. We have done extensive work on and are considering investment grade fixed-income exposure that includes corporate green bonds, municipal bonds backing hospitals, schools and critical infrastructure, and mortgage-backed securities backed by affordable housing loans. TIFF also incorporates an exclusionary screen, which was designed based on market research and feedback from our members. Our members’ capital is being deployed to finance businesses with strong ESG profiles and businesses developing positive solutions to environmental and social issues. In our view, this approach should beat the market while maximizing environmental and social performance.

TIFF is making positive impacts in more ways than manager selection and engagement, as our sustainable investments network continues to expand. TIFF became a UN PRI signatory in 2020, joining a global universe of investors with greater than \$90 trillion in total assets under management<sup>5</sup>. In doing so, we reflect our commitment to responsible investing and holding ourselves accountable. We are also a member of the Intentional Endowments Network (IEN), which is a group dedicated to helping institutional investors navigate the often murky waters of sustainable investing. We participate in working groups facilitated by both institutions. Our CIO Jay Willoughby sits on the board of the SASB Foundation. Where we have separately managed accounts, we will vote our proxies consistent with sustainability principles. Lastly, we are doing our best to walk the walk. TIFF has several ongoing initiatives related to workplace diversity and inclusion and to reducing our carbon footprint.

## Onward

The world is changing. Corporate stakeholders of all sorts—investors, customers, regulators, employees, the communities in which the businesses reside and operate—are more informed and aware than they have ever been. Social issues like racial equity, diversity and inclusion, treatment of workers, community engagement and health and well-being are increasingly at the forefront of our collective conscience. The COVID-19 pandemic and recent events highlighting racial injustice in the US have shone an even brighter light on issues that persist and demand our increased attention. The very concept of shareholder primacy is being challenged. Climate change is affecting ecosystems, populations and assets. Technology, business models, and regulations are evolving to meet these challenges. The businesses that emerge as winners and losers will look different than those of the past. Even if one does not care about some or any of these issues, one’s investment portfolios are still being impacted. One can be agnostic and still have economic reason to allocate to sustainable investments. TIFF is not agnostic. TIFF is an informed, mission-driven organization exclusively serving other mission-driven organizations. As our website says, “We are humans helping humans who help humanity.”

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<sup>5</sup> UN PRI

TIFF's sustainable investment solutions and processes are designed help our members meet their risk and return goals while generating positive environmental and social impact. In working to achieve this sustainability mission, we leverage nearly three decades of experience in manager selection and managing portfolios for endowed non-profits. We believe that our experience gives us an edge. Companies that understand and manage their environmental footprints (E) and social impact (S) through strong governance (G) will outperform those that don't. Those that ignore their impact and extract without sufficient consideration for the systems in which they are embedded, do so at their own risk and the risk of their shareholders. At TIFF, we aim to keep our members on the positive side of change as we focus together on multi-stakeholder value creation and maximizing returns on capital in a new era.

If you have any questions, please contact us at 610-684-8200.

## About TIFF

TIFF is a mission-driven, not-for-profit organization dedicated to delivering comprehensive investment solutions to foundations, endowments, and other charitable institutions. Since its inception in 1991, TIFF has exclusively served the non-profit community by providing experienced manager selection and access, risk-sensitive asset allocation, and integrated member service to institutions with long-term investment horizons.

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

**Past performance does not guarantee future results.**

**All investments involve risk, including possible loss of principal.**

**Not all strategies are appropriate for all investors.**

**There is no guarantee that any particular asset allocation or mix of strategies will meet your investment objectives.**

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