Divestment & Sustainable Investment Forum

Aligning your Investment Portfolio with Institutional Mission, Values, and Sustainability Goals

May 7-8, 2015 | Denver, Colorado

Panel Presentation: Chris Davis, Ceres
Sustainable Investing

- Meeting the needs of current beneficiaries without compromising the needs of future beneficiaries; longer term perspective
- Evolution from negative screening to positive screening, best in class, ESG integration
- Integrating E, S & G risks and opportunities in investment process, alongside financial metrics
- Asset stewardship/active ownership/corporate engagement
- Consistent with Fiduciary Duty (and arguably required)
- No tradeoff between ESG focus and returns
ESG Mega Trends: Global Risks and Opportunities

- **Climate Change** – Extreme weather events, regulatory responses
  - Hurricane Katrina, Superstorm Sandy: $60 billion in losses
  - CA drought, 2012 US Midwest & TX drought: food security risks
  - Carbon asset risk / stranded assets
- **Population Growth** – 9 billion people will need food, water, energy and resources by 2050; growth of middle class
- **Human Rights + Worker Safety** – Human impacts of global supply chains (Bangladesh garment factory disasters, Foxconn)
- **Resource Depletion** – 2/3 of the world’s population will live in water stressed regions by 2025, deforestation, overfishing, loss of arable land
- **Economic Globalization** – competition for resources / commodities
- **Connectivity + Communications** – social media, transparency, ESG awareness, everything is public
Climate Change Causes Multiple Risks for Companies and Investors

- Physical Risk
- Regulatory Risk
- Liability / Litigation Risk
- Reputation / Competitive Risk
- Supply Chain Risk
- Stranded Asset Risk / Carbon Bubble
- Water / Resource Scarcity Risks
- Systemic Economic Risk
• Unprecedented ESG Risks & Opportunities
• Business Case for Sustainable Investing
• Fiduciary Duty & Sustainable Investing
• 10 Key Steps to Integrate ESG Risks & Opportunities
• www.ceres.org/resources/reports
10 Steps to Sustainable Investing

**INVESTMENT GOVERNANCE**
- Step 1: Investment Beliefs
- Step 2: Trustee Oversight

**INVESTMENT PRACTICES**
- Step 3: Materiality
- Step 4: Asset Allocation
- Step 5: Investment Strategy
- Step 6: Manager Selection
- Step 7: Asset Classes
- Step 8: Monitor Manager Performance

**ASSET STEWARDSHIP**
- Step 9: Proxy Voting & Active Ownership
- Step 10: Market & Policy Initiatives