

IEN WEBINAR

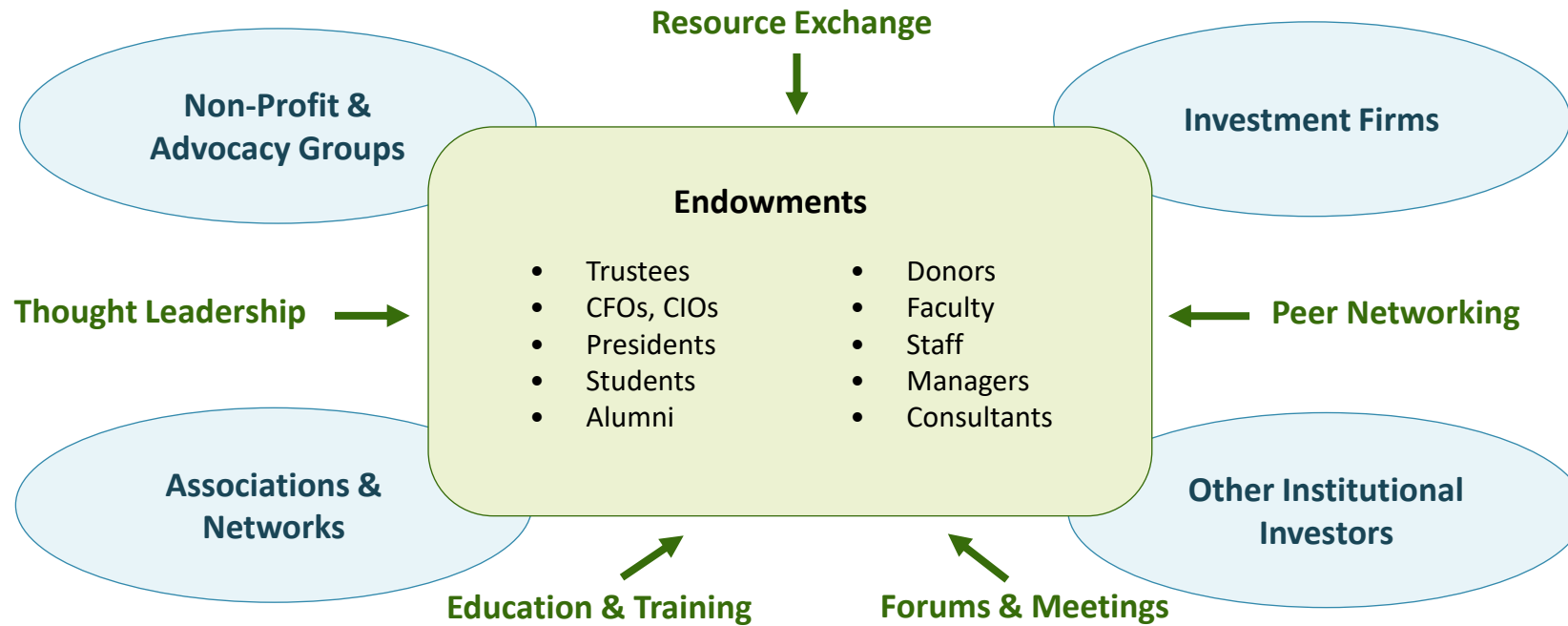
Sustainable Investing in Higher Education Retirement

May 5, 2020

The webinar will begin shortly

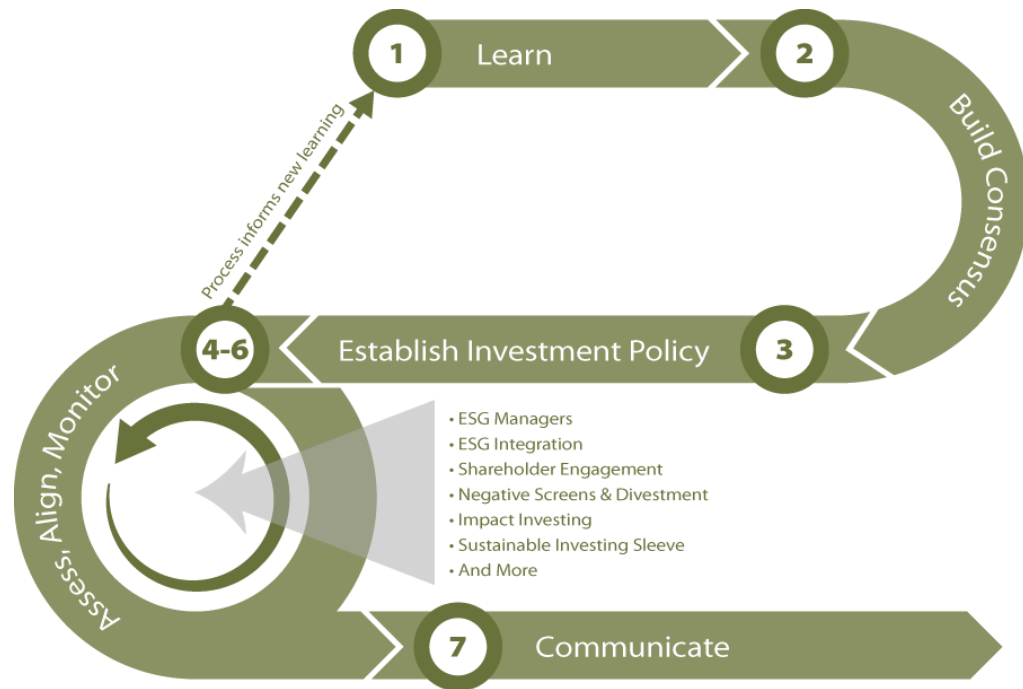
THE INTENTIONAL ENDOWMENTS NETWORK

Peer-learning network for higher education, philanthropic & non-profit endowments aligning investment portfolios with institutional mission, values, & sustainability goals



WAYS TO ENGAGE

INTENTIONAL ENDOWMENT ROADMAP



www.intentionalendowments.org/roadmap

Educational resources to use with decision makers, faculty, students, etc.

www.intentionalendowments.org/resource_library

Virtual gatherings, webinars

www.intentionalendowments.org/events

2021 Higher Education Climate Leadership Summit

higheredclimatesummit.org

Retirements Webinar Series

Join Us Continue the Conversation...

Introduction and Overview

(Today)

Fiduciary Duty:

Understanding of regulatory & legal issues

June 2020

Employee Engagement

September 2020

ESG Investment Opportunities

November 2020

Project Outcomes and Next Phase

January 2021

AGENDA

Intentional
Endowments
Network

*An initiative of
CraneSustainability.org*

Introduction:

Chris Walker

Advisor, Sustainable Retirements
Intentional Endowments Network

Institutional Experience:

Mike Florio

Trustee
Northland College

Panel:

Jim Roach

Senior Vice President, Retirement Strategies
Natixis Investment Managers

Sarah Bratton Hughes

Investment Director, US Equities & Sustainability
Schroders

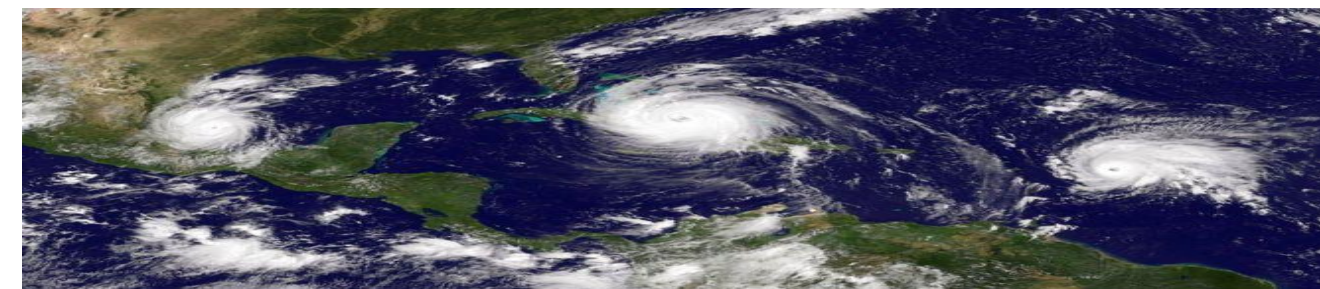
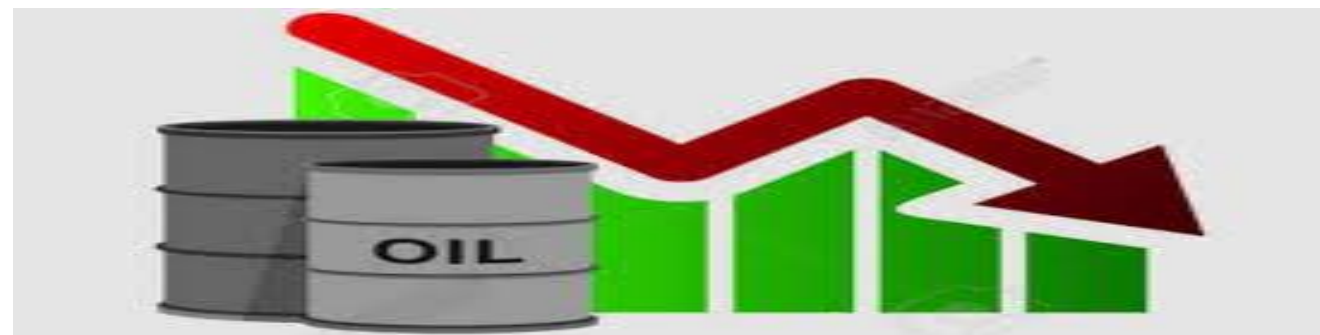
Will Relle

Responsible Investment Consultant
Mercer

Retirement Investments: Potential for Impact

Global institutional pension fund assets reached: **\$40.17 trillion***

Asset under management in 403b plans exceed: **\$1 trillion****



Why should IEN members participate in this initiative:

- IEN Members are making ESG commitments for their endowments and have made operational/business priorities with the Sustainable Development Goals, and climate change
- A “Blind spot” exists between an organization’s values and the retirement investments it deploys on behalf of its own employees
 - “Mission and values oriented”
 - The overwhelming majority of Institutions have not yet aligned their retirement plans with their sustainability commitments
 - University employees increasingly interested in values investment
 - Likely to increase post COVID 19 pandemic
- **We believe there is:**
 - Sizable sustainability gap for IEN members
 - Market opportunity for the asset management and investment advisory community
 - Potential emerging investment culture/values inflexion point.
- **Potential for Impact**
 - The 4,000 colleges + universities in North America represent in a sizable pool of retirement assets

Integrating Sustainable Investment Options into Higher Ed Retirement Plans

Project Purpose

- Educate and inform advocates and plan sponsors of potential ESG opportunities for their retirement plans
- Help the workforce to invest for a better world they want to live in after retirement, while securing financially and ESG sustainable fund options
- Closing an inconsistency in sustainability strategies

Project Objectives

- Identify the key barriers for institutions to implement ESG consideration in their retirement assets investment
- Develop case studies and a template that institutions can follow to consider Sustainable Investment Options
- Assist institutions with overcoming obstacles to implementation
- Mobilize and measure retirement assets allocated to ESG-aligned funds

Model: WBCSD’s “Aligning Retirement Assets” (ARA) Launched in June 2018

Help companies better align retirement assets, including defined benefit and defined contribution plans, with their overall sustainability goals by integrating Environmental, Social and Governance (ESG) considerations



Core Collaboration Partners

Associate Collaboration Partner

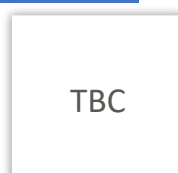
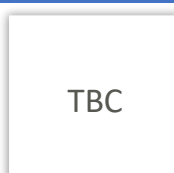
20 WBCSD Member Companies

IEN: Integrating ESG into Retirement Plans

Help IEN members to better align retirement assets, including defined benefit and defined contribution plans, with their overall sustainability goals by integrating Environmental, Social and Governance (ESG) considerations

Responsible Retirement Plans
=
Healthy Pension System
+
Positive ESG Impact

Core Collaboration Partners



IEN Members on Steering Committee (Experts Panel)



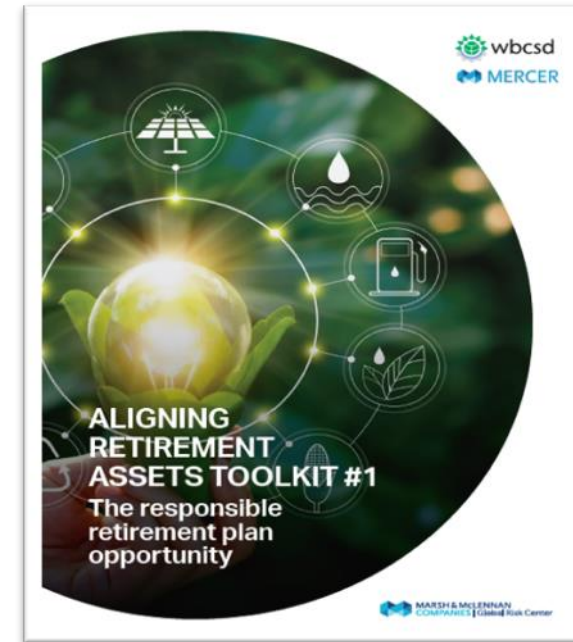
Collaboration Partner



Seeking Institutions to participate in the initiative

Outputs for 2020-2021

- **Toolkit – Why**
- **Toolkit – How** - A more “tactical” approach to responsible retirement plans – featuring case studies and resources for practitioners start to have conversations with the right people internally.
- **Planned Series of Webinars**
 - Introduction to Initiative
 - Fiduciary Duty - Understanding of Regulatory and legal issues
 - Employee Engagement
 - ESG investment opportunities
 - Project Outcomes and next steps
- **Events**
 - Presentations at IEN supported events and external conferences
- **Articles/Thought leadership**
 - Potential to explore issues related to implementation, using Default options, attracting employee participation, education of employees etc.



Panel: Panel Discussion with IEN partners/asset managers

Institutional Experience

- Mike Florio, Trustee, Northland College

Panel:

- Jim Roach, Senior Vice President, Retirement Strategies, Natixis Investment Managers
- Sarah Bratton Hughes, Investment Director, US Equities & Sustainability at Schroders
- Will Relle, Responsible Investment Consultant at Mercer



ESG in a Changing World

Understanding trends and demands

Jim Roach

The Future of Work

Why ESG Matters

Today's Responsible Investing

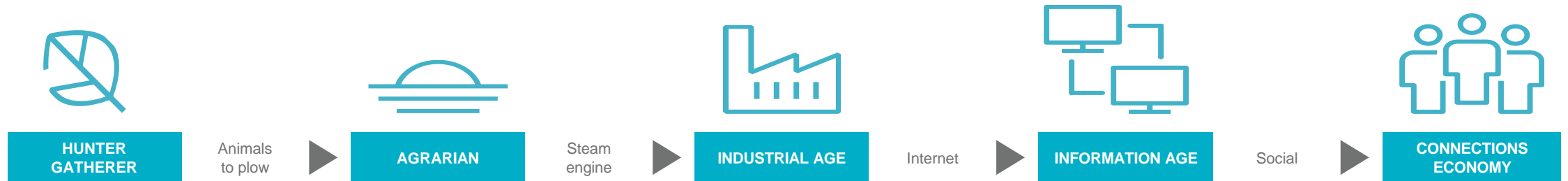
Key takeaways

The Future of Work



Economy in Transition

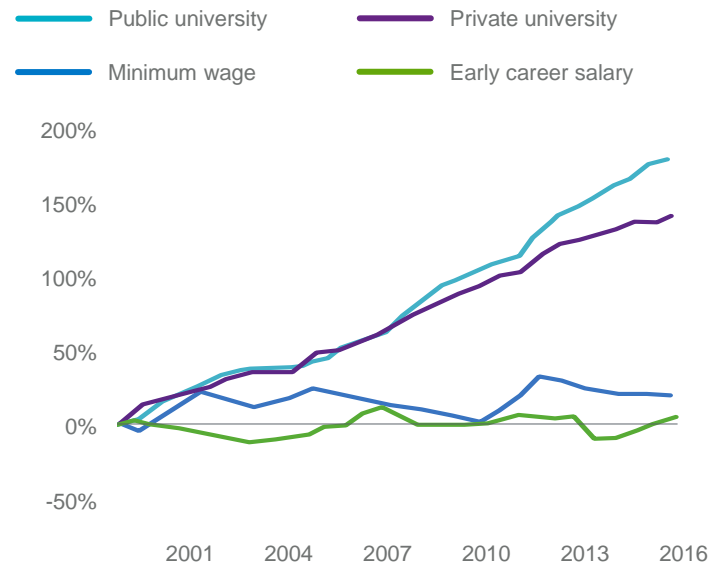
The Evolution of the Connection Economy



Infographic Source: Coats, Keith. Competitive Advantage: What Matters Most Today and how We Got Here. February 2013. <http://www.tomorrowtodayglobal.com/2013/02/21/competitive-advantage-what-matters-most-and-how-we-got-here/>

Beyond Wages

Tuitions Rise, Salaries Don't
(change since 1987, adjusted for inflation)



Source: Berman, Jillian and Jay Zehngebot. Paying for Your College, 30 Years Ago vs. Today. November 2017.
Data source: National Center for Education Statistics; National Association of Colleges and Employers; US Department of Labor.



A 2018 survey of US adults showed that by a margin of four to one, current and potential employees would prefer wages that were 30% lower with a robust benefits package to wages that were 30% higher with no benefits.

Source: American Institute of CPAs and Harris Poll, November 2018, online survey of 2,026 US adults.

Why ESG matters

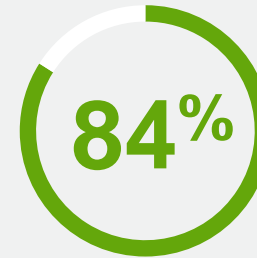


Why ESG – investor demand

Over the past several years there has been **growing interest in investments** that align with investors' values:



of investors would like their investments to reflect their personal values¹



believe it is important to be invested in companies that are ethically run¹



believe it is important to make a positive social impact through their investments²



would like to see more socially responsible investments in their retirement plan³

1 Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research: February-March 2017. Survey included 8,300 investors from 26 countries, of whom 750 were in the US. 2 Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, September 2018. Survey included 9,100 investors from 25 countries, of whom 750 were in the US. 3 Natixis Investment Managers Defined Contribution Plan Participants Survey conducted by CoreData Research, January and February 2019. Survey included 1,000 US workers, 700 being plan participants and 300 being non-participants.

Millennials matter



of the workforce will be Millennials by the year 2025



of Millennials would likely increase their retirement plan contributions if they knew their investments were doing social good*



*Source: Natixis Investment Managers Defined Contribution Plan Participants Survey conducted by CoreData Research, January and February 2019. Survey included 1,000 US workers, 700 being plan participants and 300 being non-participants.

Understanding ESG and financial materiality

Assessing risks and identifying opportunities: financial and environmental and social materiality

Sector		Risks	Opportunities
	Energy	<ul style="list-style-type: none"> • Environmental impacts of energy production • Human rights of local communities • Labor rights, health and safety of employees 	<ul style="list-style-type: none"> • Renewable energy • Low carbon energy • Access to energy
	Health	<ul style="list-style-type: none"> • Responsible marketing and selling • Product safety • Ethical R&D practices 	<ul style="list-style-type: none"> • Access to medicine • Unmet medical needs • Research with value-add (e.g., personalized medicine, rare disease research)
	Finance	<ul style="list-style-type: none"> • Responsible marketing and selling • Corporate governance • Mitigating sustainability impacts of financial products 	<ul style="list-style-type: none"> • Sustainable financial products • Access to financial services • Financing of sustainable activities
	Consumer	<ul style="list-style-type: none"> • Product safety and quality • Sustainable production and agriculture • Labor rights in the supply chain • Environmental impacts • Responsible marketing 	<ul style="list-style-type: none"> • Health and nutrition • Inclusive business models • Sustainably certified products • Access to sustainable mobility
	Tech	<ul style="list-style-type: none"> • Data privacy and security • Content responsibility • Environmental impact of devices • Labor rights in the supply chain 	<ul style="list-style-type: none"> • Tech as a solution (e.g., biotech in medical and agriculture, support to renewables) • Access to internet • Data security

Today's responsible
investing



Key Takeaways

- Attracting and retaining talent in an era of economic, technological, and societal transformation is one of the greatest challenges facing employers today.
- Investors, particularly Millennials, are demanding sustainable investing solutions
- Educational institutions hold the third largest share of ESG assets
- Plans with growing millennial populations may benefit from the addition of responsible investing options in their plans



IEN Webcast

Sarah Bratton Hughes – Head of Sustainability, North America
May 2020

The broad spectrum of sustainability and ESG

Not all sustainability is the same

Financial benefits

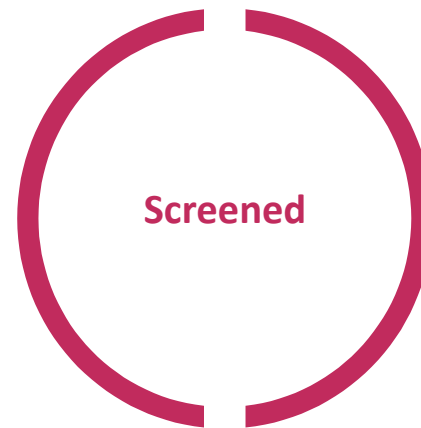
Social benefits



- ESG research
- Voting
- Engagement



- Best in class
- Controversy avoidance



- Excluding companies involved with certain activities or industries



- Specific social benefit
- Potential for financial return



- Address societal challenge(s)
- No financial return for investors

Source: Schroders, February 2020. The views contained herein are those of the Schroders Sustainability Investment team and are subject to change

How ESG matters

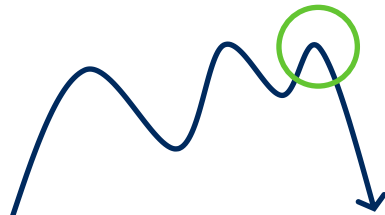
Three cases ESG can potentially enhance investment performance

1 Pick up sustainable growth



High quality companies tend to have less ESG issues and Management can execute business strategy to achieve sustainable growth

2 Avoid high risk companies



Corporate scandal and fraud can destruct corporate value severely and therefore we cannot ignore ESG issues of invested companies

3 Turnaround by engagement



Engagement can lead to resolution or improvement of ESG issues and that leads to turnaround of companies business as well as stock price

For illustration purpose only.
Source: Schroders. The views and opinions are those of the Schroders Sustainability Investment team and are subject to change

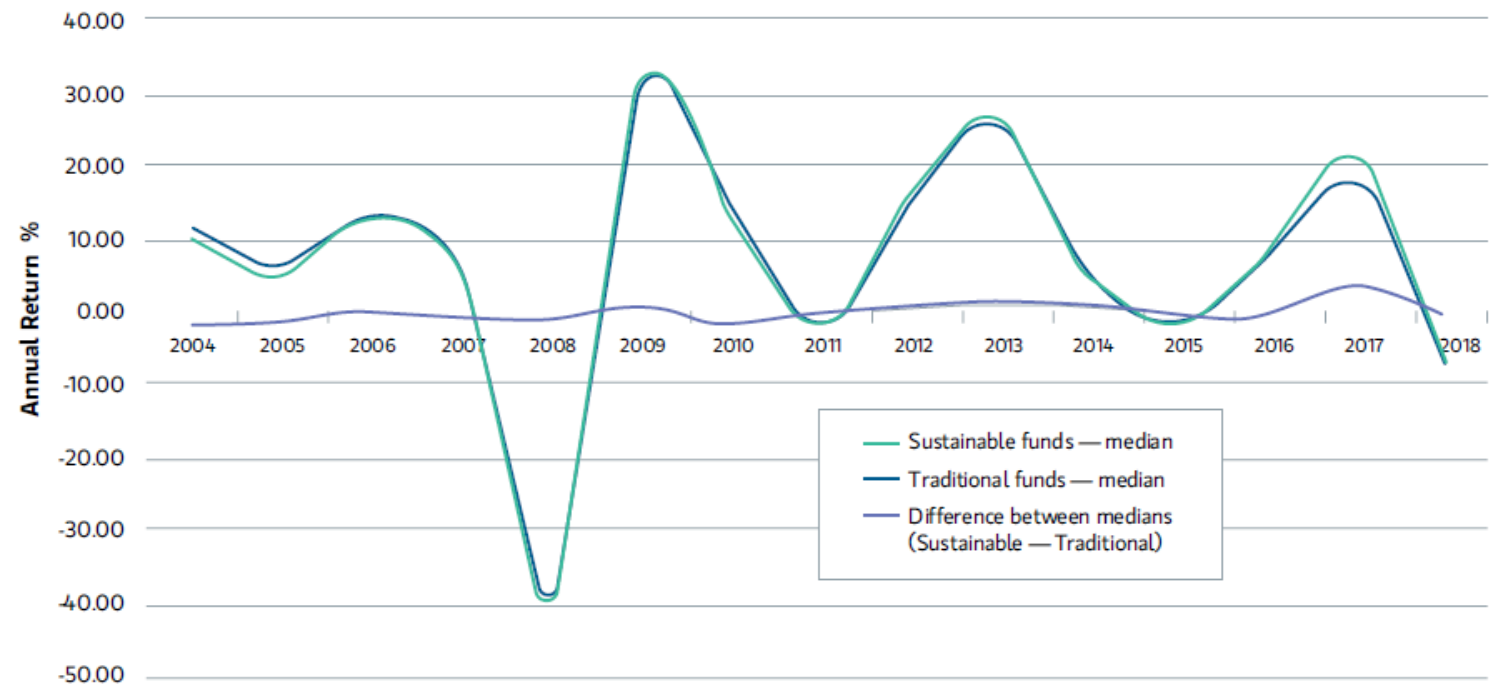
Key findings

- ✓ No consistent and statistically significant difference in total returns
- ✓ Sustainable funds experienced a 20% smaller downside deviation than traditional funds

The results

Performance of 11,000 mutual funds 2004 - 2018

Median total returns of sustainable and traditional funds

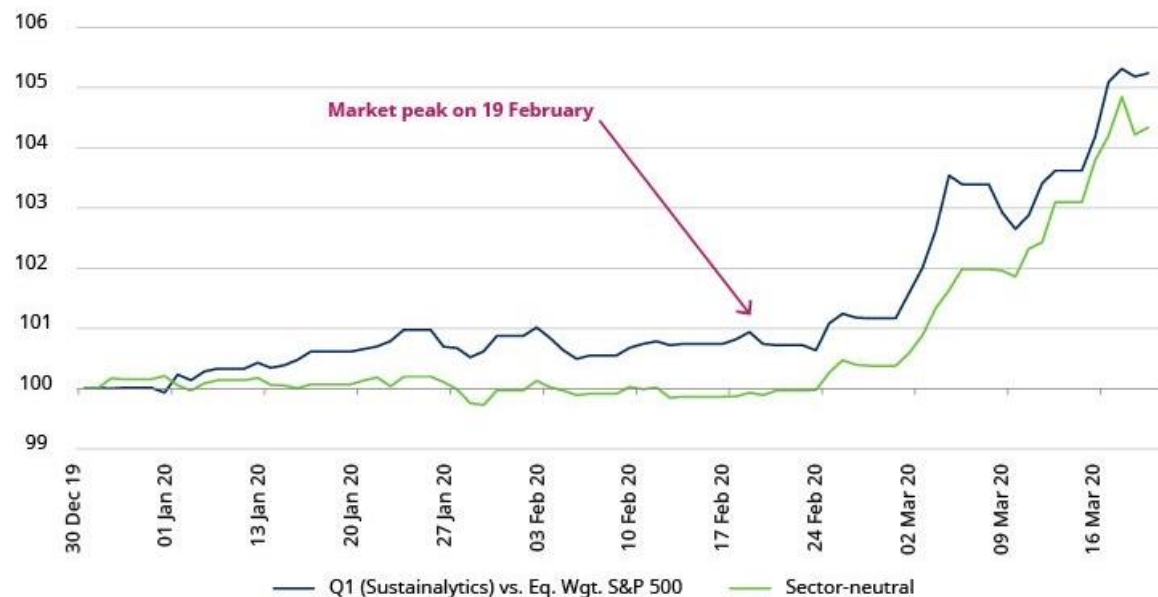


Source: Morgan Stanley Institute for Sustainable Investing “Sustainable Reality: Analyzing Risk and Returns of Sustainable Funds”, 2019. Performance shown reflects past performance, which is no guarantee of future results.

Testing the hypothesis in a market downturn

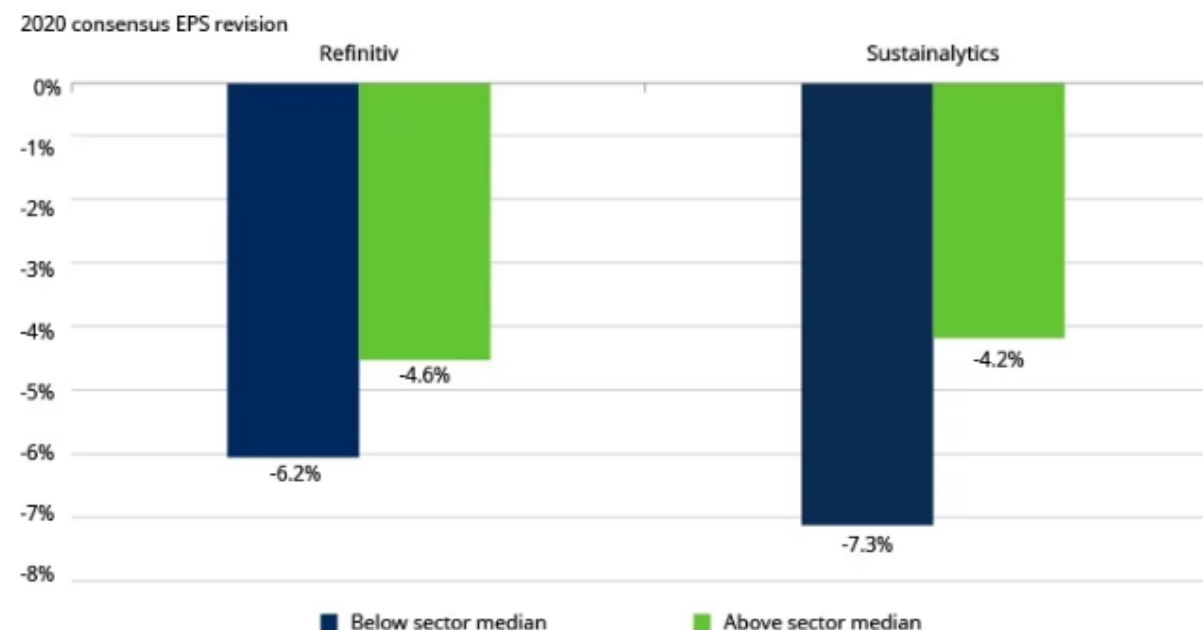
Emerging evidence of resilience

Top 20% of ESG-ranked stocks have outperformed broader US market



Source: Sustainalytics, FactSet, BofA US Equity and Quant Strategy, 25 March 2020. 424388

Companies with lower ESG scores have seen larger EPS cuts



Source: Refinitiv, Sustainalytics, IBES, BofA US Equity & Quant Strategy. Chart shows consensus EPS revisions for the current year 2020, made between 19 Feb 2020 and 20 Mar 2020. 424388

Performance shown reflects past performance, which is no guarantee of future results.

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Contact

Schroder Investment Management North America Inc.
7 Bryant Park, New York, NY 10018-3706
212.641.3800

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SUSTAINABLE RETIREMENT PLANS

INTENTIONAL ENDOWMENTS NETWORK WEBINAR

MAY 5TH, 2020

Will Relle
Responsible Investment Consultant

Boston



INCORPORATING RESPONSIBLE INVESTMENT INVESTOR SNAPSHOT

Foundations

- More than 50% of foundations already engage in some form of impact investing, and more than 80% of foundations were at least somewhat interested in impact investing¹⁾

University Endowments

- Endowments lag foundations but dozens of universities now have RI endowment funds, student led RI funds or address ESG in IPS²⁾

Family Office/Wealth Management

- Many family offices/WM boutiques specializing in RI; several large WM firms investing heavily in RI capabilities³⁾

Defined Benefit (Public)

- Large public plans are building on a legacy of corporate governance initiatives and looking to incorporate ESG into portfolios

Insurers

- 37% of US ESG AUM is controlled by insurers⁴⁾

Defined Contribution (403b)

- Approximately 32% of plans currently offering a RI option⁵⁾

Defined Contribution (All)

- 8-15% of plans currently offering a RI option⁵⁾; some regulatory uncertainty in ERISA plans

Defined Benefit (Corporate)

- Focused on other issues

1) <https://missioninvestors.org/sites/default/files/resources/Impact-Investing-and-PFs-Survey-Results-11-04-19.pdf> n-122 see also: <http://www.confluencephilanthropy.org/>

2) http://www.intentionalendowments.org/case_studies_best_practices; IPS = Investment Policy Statement

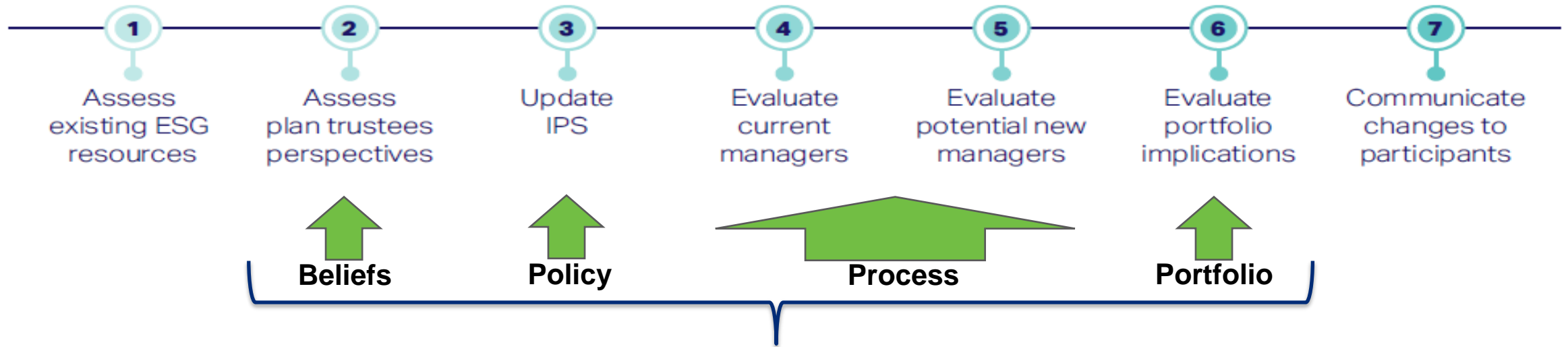
3) For example: <https://www.morganstanley.com/press-releases/morgan-stanley-wealth-management-launches-two-sustainable-invest>

4) US SIF Trends Report 2018 [Exec Sum](#)

5) Source: 2020 PlanSponsor DC Survey All n-3,472 / 403(b) n-366

NEXT STEPS

A FIDUCIARY'S FRAMEWORK



- Existing resources: retirement plan consultants and/or investment managers may offer ESG expertise that is not yet utilized by plan fiduciaries
- The Responsible Investment Pathway provides a clear, directive framework for institutions to thoughtfully integrate RI considerations into their investment structure.
- Communications with plan participants can be essential for education regarding new ESG-oriented investment options, however it must be done carefully

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MAKE TOMORROW, TODAY

Retirements Webinar Series

Join Us Continue the Conversation...

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(Today)

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Understanding of regulatory & legal issues

June 2020

Employee Engagement

September 2020

ESG Investment Opportunities

November 2020

Project Outcomes and Next Phase

January 2021

To discuss how to get more involved in this project, contact us:

georges@intentionalendowments.org

chris@intentionalendowments.org

Thank you!

For more information, visit

www.intentionalendowments.org

Intentional
Endowments
Network

*An initiative of
CraneSustainability.org*