IEN WEBINAR
Sustainable Investing in Higher Education Retirement
May 5, 2020

The webinar will begin shortly

www.intentionalendowments.org
Peer-learning network for higher education, philanthropic & non-profit endowments aligning investment portfolios with institutional mission, values, & sustainability goals
WAYS TO ENGAGE

Educational resources to use with decision makers, faculty, students, etc.  
[www.intentionalendowments.org/resource_library](http://www.intentionalendowments.org/resource_library)

Virtual gatherings, webinars  
[www.intentionalendowments.org/events](http://www.intentionalendowments.org/events)

2021 Higher Education Climate Leadership Summit  
[higheredclimatesummit.org](http://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

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<td>Advisor, Sustainable Retirements</td>
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<td>Investment Director, US Equities &amp; Sustainability</td>
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<td>Responsible Investment Consultant</td>
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Retirement Investments: Potential for Impact

Global institutional pension fund assets reached: $40.17 trillion*

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

Moody’s (2019)
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.
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
The Evolution of the Connection Economy

Beyond Wages

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

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.


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Why ESG matters
Why ESG – investor demand

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

- 75% of investors would like their investments to reflect their personal values\(^1\)
- 69% believe it is important to make a positive social impact through their investments\(^2\)
- 84% believe it is important to be invested in companies that are ethically run\(^1\)
- 60% would like to see more socially responsible investments in their retirement plan\(^3\)

\(^1\) 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

75% of the workforce will be Millennials by the year 2025

66% 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

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<th>Sector</th>
<th>Risks</th>
<th>Opportunities</th>
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| **Energy** | • Environmental impacts of energy production  
• Human rights of local communities  
• Labor rights, health and safety of employees | • Renewable energy  
• Low carbon energy  
• Access to energy |
| **Health** | • Responsible marketing and selling  
• Product safety  
• Ethical R&D practices | • Access to medicine  
• Unmet medical needs  
• Research with value-add (e.g., personalized medicine, rare disease research) |
| **Finance** | • Responsible marketing and selling  
• Corporate governance  
• Mitigating sustainability impacts of financial products | • Sustainable financial products  
• Access to financial services  
• Financing of sustainable activities |
| **Consumer** | • Product safety and quality  
• Sustainable production and agriculture  
• Labor rights in the supply chain  
• Environmental impacts  
• Responsible marketing | • Health and nutrition  
• Inclusive business models  
• Sustainably certified products  
• Access to sustainable mobility |
| **Tech** | • Data privacy and security  
• Content responsibility  
• Environmental impact of devices  
• Labor rights in the supply chain | • 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
The broad spectrum of sustainability and ESG

Not all sustainability is the same

Financial benefits
- ESG research
- Voting
- Engagement

Sustainable
- Best in class
- Controversy avoidance

Screened
- Excluding companies involved with certain activities or industries

Impact
- Specific social benefit
- Potential for financial return

Philanthropy
- 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

Testing the hypothesis in a market downturn

Emerging evidence of resilience

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

Companies with lower ESG scores have seen larger EPS cuts


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

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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

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| 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 investing.  
  [1](#)                                                                 |
| University Endowments           | • Endowments lag foundations but dozens of universities now have RI endowment funds, student led RI funds or address ESG in IPS.  
  [2](#)                                                                 |
| Family Office/Wealth Management | • Many family offices/WM boutiques specializing in RI; several large WM firms investing heavily in RI capabilities.  
  [3](#)                                                                 |
| 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 insurers.  
  [4](#)                                                                 |
| Defined Contribution (403b)     | • Approximately 32% of plans currently offering a RI option.  
  [5](#)                                                                 |
| Defined Contribution (All)      | • 8-15% of plans currently offering a RI option: some regulatory uncertainty in ERISA plans.  
  [5](#)                                                                 |
| Defined Benefit (Corporate)     | • Focused on other issues.                                                                                                             |

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2) [http://www.intentionalendowments.org/case_studies_best_practices](http://www.intentionalendowments.org/case_studies_best_practices); IPS = Investment Policy Statement
4) US SIF Trends Report 2018 Exec Sum
5) Source: 2020 PlanSponsor DC Survey All n=3,472 / 403(b) n=366
• 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.

Source: WBCSD ARA Toolkit #2: Mercer Responsible Investment Pathway
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Thank you!

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