

SOCIALLY RESPONSIBLE INVESTING

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How can we make the world a better place?

DESCRIBE YOUR IDEAL WORLD

Companies

1. Living wage
2. No barriers to advancement for women and minorities
3. _____
4. _____

Cities

1. More public transportation
2. _____
3. _____
4. _____

Natural Resources

1. Stricter emissions standards
2. _____
3. _____
4. _____

SMART CITIES



<https://futurism.com/heres-a-look-at-the-smart-cities-of-the-future/>

What's the difference?

Socially
Responsible
Investing (SRI)

Sustainable
Investing

Impact Investing

Environmental
Social
Governance
(ESG)

“At its essence, sustainability means ensuring prosperity and environmental protection without compromising the ability of future generations to meet their needs. A sustainable world is one where people can escape poverty and enjoy decent work without harming the earth’s essential ecosystems and resources; where people can stay healthy and get the food and water they need; where everyone can access clean energy that doesn’t contribute to climate change; where women and girls are afforded equal rights and equal opportunities.”

Former UN Secretary-General Ban Ki-Moon

EXAMPLES: SHAREHOLDER ADVOCACY

ADVOCACY AREA	NUMBER OF RESOLUTIONS FILED	SIGNIFICANT OUTCOMES
CLIMATE CHANGE AND ENERGY	8	Dillard's agreed to report to the Carbon Disclosure Project to describe management of climate risks and impacts, while Amgen agreed to assess its next steps on renewable energy and disclose its current and future renewable energy initiatives. Six proposals went to a vote at annual meetings, including several filed with electric utility companies, which are under pressure as concern about climate change and corresponding regulation threaten to disrupt business as usual.
WATER RISKS AND IMPACTS IN AGRICULTURE	3	Dean Foods and Fresh Del Monte committed to report on water risk and water risk management in their operations and supply chains. The global food sector, which uses 70 percent of the world's freshwater resources, faces increased financial and operational risk from shrinking water supplies.
BOARD OVERSIGHT OF SUSTAINABILITY AND BOARD DIVERSITY	2	Bed Bath and Beyond will amend its governance documents to reflect the Board of Director's oversight of environment and social risks. Our proposal at Discovery Communications on board diversity earned 18 percent support; we filed a board diversity proposal for the second year in a row. On October 21 the company announced that it will be adding Susan Swain to the Board of Directors..
HUMAN RIGHTS AND INDIGENOUS PEOPLES' RIGHTS	3	Calvert continued to affirm its commitment to protect Indigenous rights by filing resolutions regarding offensive and inaccurate portrayals of Native Americans at Netflix and degrading sports teams names at FedEx Corp. Calvert also co-filed a proposal at Kroger on human rights in the company's supply chain, addressing the area of high risk for food retailing companies. The proposal earn 25% support at its annual meeting.
MARKETING TO CHILDREN	2	Calvert co-filed proposals at Alphabet (Google) and Time Warner about company policy responses to public health concerns, particularly how on-line marketing to children affects children's nutrition, obesity and health. Both proposals were withdrawn for further dialogue.
SUSTAINABILITY REPORTING	8	HealthSouth and Liberty Media committed to increase their sustainability disclosure on their websites, and OGE Energy committed to prepare a report, which in each case, specifically addresses workplace issues, safety performance, and efforts to improve operational performance and reduce resource waste. In addition, another company pledged to establish an interdepartmental sustainability panel to oversee disclosure of its sustainability information.
MINIMUM WAGE REFORM	2	Calvert co-filed two proposals. Panera Bread will assess employee benefits and compensation and then report out to shareholders.

<https://www.calvert.com/tools-of-change.php>

ESG: MEASURING GOOD

ESG investing seeks to evaluate companies in the following areas: environmental, social, and governance.

ESG methods give a company a score, which can be used along with other data points when deciding to buy a company or a fund.

ESG scores may be used to evaluate individual positions, or an entire portfolio.

Some investors believe that if companies with higher ESG scores have better stock performance over long investment time horizons, more companies will adopt measures to improve their scores.

Some academic research suggests that companies that do good for women, the environment and obey the law, then to treat shareholders better.

HOW DOES ESG DIFFER FROM SRI?

ESG investing is an evolution of the SRI concept, but with a different approach. Though some use ESG and SRI interchangeably, a distinction can be drawn based on how these concepts are incorporated into the portfolio management process and what investors are attempting to achieve.

The SRI process typically involves excluding certain investments from the portfolio — and that decision may be made without consideration to the portfolio return — making it an “allow/disallow” decision.

In addition, an SRI investor’s primary goal is to disassociate from an activity; changing corporate behavior is usually a secondary consideration at best. In contrast to the “allow/disallow” behavior, ESG methods give a company a score, which can be used along with other data points when deciding to buy a company. ESG investors may be more committed to enacting change through their investments.

ESG getting easier to measure

An increasing number of companies have been disclosing sustainability information, growing from less than 30 in the early 1990s to more than 7,000 in 2014.

*<https://www.unpri.org/about>

As of 2016, the United Nations Principles for Responsible Investment (UNPRI) had 1,500 signatories with \$60 trillion in assets under management who had committed to six principles ‘recognizing the materiality of environmental, social, and governance (ESG) issues.’*

PRINCIPLE 1

WE WILL INCORPORATE ESG ISSUES INTO INVESTMENT ANALYSIS AND DECISION-MAKING PROCESSES.

PRINCIPLE 3

WE WILL SEEK APPROPRIATE DISCLOSURE ON ESG ISSUES BY THE ENTITIES IN WHICH WE INVEST.

PRINCIPLE 5

WE WILL WORK TOGETHER TO ENHANCE OUR EFFECTIVENESS IN IMPLEMENTING THE PRINCIPLES.

PRINCIPLE 2

WE WILL BE ACTIVE OWNERS AND INCORPORATE ESG ISSUES INTO OUR OWNERSHIP POLICIES AND PRACTICES.

PRINCIPLE 4

WE WILL PROMOTE ACCEPTANCE AND IMPLEMENTATION OF THE PRINCIPLES WITHIN THE INVESTMENT INDUSTRY.

PRINCIPLE 6

WE WILL EACH REPORT ON OUR ACTIVITIES AND PROGRESS TOWARDS IMPLEMENTING THE PRINCIPLES.

Demand for ESG is growing

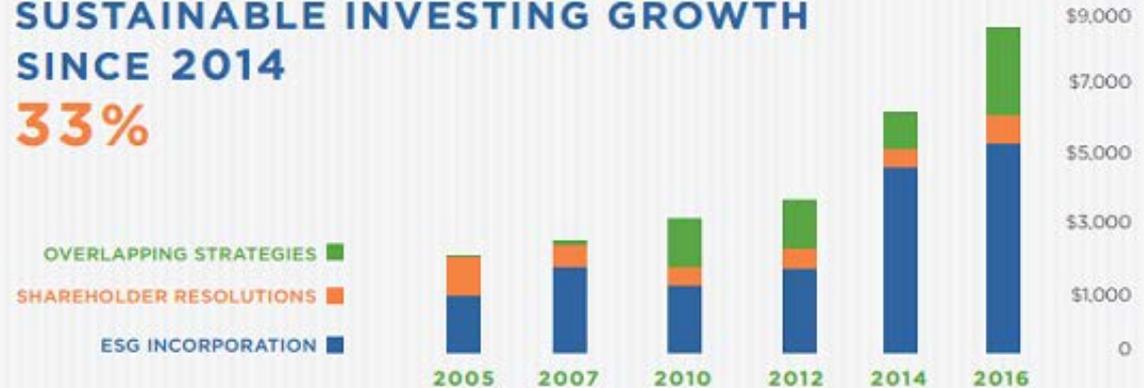
SIZE OF SUSTAINABLE, RESPONSIBLE AND IMPACT (SRI) INVESTING 2016



SUSTAINABLE INVESTING GROWTH IN THE UNITED STATES (BILLIONS) 2005-2016

SUSTAINABLE INVESTING GROWTH SINCE 2014

33%



LEADING ENVIRONMENTAL AND SOCIAL ISSUES BY NUMBER OF SHAREHOLDER PROPOSALS 2014-2016

[http://www.ussif.org/files/SIF_Trends_16_Executive_Summary\(1\).pdf](http://www.ussif.org/files/SIF_Trends_16_Executive_Summary(1).pdf)

Innovation occurs on the fringes

Will
sustainable
firms perform
better
financially in
the long run?

Organic food used to be niche now it's mainstream.

Fuel economy used to be a new thing for autos.

It is not profits versus the planet. It makes sense for business to adapt to changing societal norms and environmental factors.

Sustainable strategies could be a source of competitive advantage.

- Energy efficiency
- Reduce waste and recycle

Environmental factors are not disconnected from business fundamentals, but it takes years to build this. Not easy to see benefits of investments immediately.

With socially responsible and ESG investing styles a long-term investment time horizon is key.

THANK YOU



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