

Executive Insights: **Socially Responsible Investing**

What categories of socially responsible investments do you look for?

The Church Pension Fund's (CPF) portfolio includes economically targeted investments, environmentally responsible investments, and investments with women- and minority-owned firms. We continue to seek out managers with expertise in all three categories, but the area of environmental responsibility has become a greater focus for us over the past several years.

What criteria do you use to evaluate such investment opportunities?

First and most important, as a fiduciary, we look at the risk-adjusted return of any investment we make to ensure that it meets our normal standards. Then we look at the impact that our investment can have and try to put the money where it can have the greatest impact. That impact can be of two kinds: the benefit per dollar invested, and the impact we can have through leading by example, through which a relatively small investment can have a greater impact. If, for example, we invest with an environmentally responsible technology that larger institutional investors may not be aware of, our investment can help demonstrate to other investors that we believe this technology can be used in a way that is both effective and financially viable and also provides a good return. This "proof of concept" attracts more capital from other investors, increasing the positive environmental impact of the technology. In that way, smaller investments can make bigger things happen.

How is the Investment Department staffed to do this work?

CPF's socially responsible investing (SRI) program is longstanding, and senior members of the Investment Department take an active role in identifying and evaluating investment possibilities as well as meeting with managers within their respective asset classes. In addition, we recently hired two investment analysts to assist with this work, looking at investments through a socially responsible lens. They seek out possible investments, coordinate and manage the process of research and discovery, bring the relevant people to the table, and, when an investment is made, track the impact of these investments. We have met with three times the number of socially responsible external investment managers each month than we did prior to these analysts joining CPF.



Alan Snoddy
Managing Director,
Investments

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Can you provide an example of a socially responsible investment CPF has made in the past few years that has paid off both financially and socially?

We invested in the Wastewater Opportunity Fund, which is focused on developing and expanding the use of anaerobic digesters, an ecological process that is widely used in Europe but not well known in the United States. Anaerobic digesters convert agricultural waste such as manure, food waste from restaurants and groceries, organic industrial waste, and post-consumer waste such as yard clippings into electricity and bio-fuel, fertilizer, livestock bedding, and clean water. Wastewater uses this process to transform organic waste, some of which would have ended up in landfills, into renewable, sustainable energy, thereby reducing the use of fossil fuels. Wastewater is expected to generate enough renewable electricity annually to power over 30,000 homes and reduce 2 million tons of greenhouse gases, the equivalent of removing over 400,000 cars from the road each year. In addition, the construction and operation of the facilities will create some 2 million hours of employment and around 130 permanent jobs. From an investment perspective, we expect Wastewater will provide a very attractive risk-adjusted return to the CPF portfolio.

How does CPF use shareholder activism to influence corporate behavior?

We are committed to using our power as a shareholder to influence corporate behavior in a manner that addresses the social, ethical, and environmental concerns of the Episcopal Church, without violating our fiduciary, regulatory, and other legal responsibilities. To this end, we vote proxies consistent with these values, and, with the Executive Council of the Episcopal Church's Committee on Corporate Social Responsibility, we encourage corporate management to reduce greenhouse gas emissions, increase board diversity, prevent human trafficking, and promote other socially responsible objectives. We have been engaging specifically with fossil fuel companies in our portfolio for many years, including efforts to ensure that these companies continue to work to protect our water, land, and air. We generally work with other denominations or other concerned investors to increase our leverage and make it clear to the companies that we are not alone in having these concerns. In many cases, we have encouraged companies to develop policies to protect the environment or to increase disclosure about their sustainability efforts and greenhouse gas emissions, which forces these companies to focus more on these issues. In other cases, we have submitted shareholder proposals and advocated that shareholders approve our proposals. Even in cases when our shareholder proposals have not received the approval of a majority of shareholders, we believe our efforts have increased the visibility of these concerns.

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Alan Snoddy is a Managing Director in the Church Pension Group's Investments Department. He is responsible for overseeing the global real estate portfolio and assists in identifying socially responsible investment opportunities. He received a BA from The College of William & Mary and an MBA from Fordham University from which he graduated with a 4.0 GPA. He is also a CFA® Charterholder.

To learn more about CPG's SRI-related initiatives, please visit cpg.org/sri. Members of the press who have an interest in speaking with Mr. Snoddy can contact Curt Ritter, Head of Corporate Communications, at critter@cpg.org.