A brief overview of sustainable investing
US SIF and the US SIF Foundation

• US SIF: The Forum for Sustainable and Responsible Investment is the leading voice advancing sustainable, responsible and impact investing across all asset classes.

• The US SIF Foundation is a 501c3 organization that carries out educational, research and programmatic activities to support the public education mission of US SIF: The Forum for Sustainable and Responsible Investment.

• US SIF’s 300+ members collectively represent more than $3 trillion in assets under management or advisement and include asset managers (SMAs/mutual funds/ETFs); foundations and other asset owners; research, data and index providers; financial planners, advisors and investment consultants; community development institutions and non-profit organizations.
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US SIF’s strategies include:

• **Research**: Expanding awareness of sustainable, responsible and impact investing by undertaking and publicizing cutting edge research.

• **Education and Training**: Providing tools for financial professionals to enhance their sustainable investment expertise through an online and live course, online resource guides and factsheets and webinars, and now a professional designation (CSRIC) through our partnership with the College for Financial Planning.

• **Public Policy**: Advancing public policy initiatives through outreach to legislators and regulators, through engaging members and through working with other stakeholders.

• **Convenings and Networking**: Providing opportunities for US SIF members to engage with one another at local events, the US SIF national conference and through listservs and US SIF committees.

• **Media Engagement**: Increasing public awareness of and demand for sustainable and impact investing through active engagement with the media, traditional and social.
What is sustainable investing?

- Sustainable investing is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.

- Other terms: responsible investing, socially responsible investing, impact investing.
What is Sustainable, Responsible and Impact Investing (SRI)?

**Sustainable, responsible and impact investing (SRI)** considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.

Traditionally, responsible investors have focused on one or both strategies below:

- **ESG incorporation**, consideration of environmental, social and corporate governance (ESG) criteria in investment analysis and portfolio construction across asset classes.

- **Active Ownership** for those with shares in publicly traded companies, including **voting proxies** and filing **shareholder resolutions** and practicing other forms of shareowner engagement.
Common ESG Issues

**Environmental**
- Climate, energy efficiency and renewable/alternative energy, pollution and waste management, sustainable agriculture, and water and other resource scarcity.

**Social**
- Worker health and workplace safety, labor relations, workplace benefits, diversity, community relations, and human rights.

**Corporate Governance**
- Corporate political contributions, executive compensation, board diversity, board independence, and transparency and disclosure.
What are SRI Motivations?

- There are multiple motivations for sustainable, responsible and impact investing, including personal values and goals, institutional mission, and the demands of clients, constituents or plan participants.

- Sustainable investors aim for strong financial performance, and may desire to advance good environmental, social and governance (ESG) practices.

- Some investors embrace SRI strategies to manage risk. They review ESG criteria to assess the quality of management and the likely resilience of their portfolio companies in dealing with future challenges.

- Some are seeking financial outperformance over the long term; a growing body of academic research shows a strong link between ESG considerations and financial performance.
ESG Analysis of Risk

Increasingly, ESG research is being used to help investors assess and minimize the exposure to specific ESG risks at the company or portfolio level.

Examples of risk include:

- Operations in areas of significant conflict or resource constraints.

- Systematic supply chain issues such as child or forced labor, or unsafe working conditions among subcontractors.

- Poor management of human capital, such as a pattern of health and safety violations or discrimination lawsuits.

- Increased legislative or regulatory requirements.
The Biennial US SIF Trends Report

Report on US Sustainable, Responsible and Impact Investing Trends

2018
Sustainable, responsible and impact (SRI) investing in the United States continues to expand at a healthy pace. The total US-domiciled assets under management using SRI strategies grew from $8.7 trillion at the start of 2016 to $12.0 trillion at the start of 2018, an increase of 38 percent. This represents 26 percent—or 1 in 4 dollars—of the $46.6 trillion in total US assets under professional management.

Since 1995, when the US SIF Foundation first measured the size of the US sustainable and responsible investment universe at $639 billion, these assets have increased more than 18-fold, a compound annual growth rate of 13.6 percent.
FIGURE B
Sustainable and Responsible Investing Assets 2018

ESG Incorporation
- By Money Managers on Behalf of Individual/Retail Investors $3,032 Billion
- By Money Managers on Behalf of Institutional Investors $8,601 Billion
- Overlapping Strategies ($1,401 Billion)

Filing Shareholder Resolutions
- Institutional Investors $1,561 Billion
- Money Managers $202 Billion

Total: $11,995 Billion

SOURCE: US SIF Foundation.
From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance is a 2015 meta-study conducted by Oxford University and Arabesque Partners, which categorized more than 200 sources, including academic studies, industry reports, newspaper articles and books.

According to their results, "88 percent of reviewed sources find that companies with robust sustainability practices demonstrate better operational performance, which ultimately translates into cash flows."

Furthermore, "80 percent of the reviewed studies demonstrate that prudent sustainability practices have a positive influence on investment performance."
In 2017, Nuveen TIAA Investments released Responsible Investing: Delivering Competitive Performance.

After assessing the leading SRI equity indexes over the long term, the firm “found no statistical difference in returns compared to broad market benchmarks, suggesting the absence of any systematic performance penalty. Moreover, incorporating environmental, social and governance (ESG) criteria in security selection did not entail additional risk.”

It added that SRI indexes had similar risk profiles to their broad market counterparts, based on Sharpe ratios and standard deviation measures.
Active Shareowner Strategies

• Investors are reaching out to engage companies regarding policy and behavior on specific ESG issues by:
  • Conducting Letter-writing and E-mail Campaigns
  • Engaging in Dialogue with Management and/or Boards of Companies
  • Sponsoring Shareholder Resolutions
  • Voting Proxies

• Occasionally, the company management will respond to the issue raised and the resolution is then withdrawn.

• Dialogue can continue for years!
How Often Do Proposals Succeed?

• Resolutions have a significant impact on company policies and practices since they often stimulate negotiations that can result in agreements leading to withdrawals.

• Majorities in 2018:

<table>
<thead>
<tr>
<th>Company</th>
<th>Resolution</th>
<th>Majority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sturm, Ruger</td>
<td>Report on gun safety</td>
<td>68.8%</td>
</tr>
<tr>
<td>Depomed</td>
<td>Report on opioid crisis</td>
<td>62.3%</td>
</tr>
<tr>
<td>Kinder Morgan</td>
<td>Publish sustainability report</td>
<td>60.4%</td>
</tr>
<tr>
<td>Kinder Morgan</td>
<td>Report on 2° analysis/strategy</td>
<td>59.7%</td>
</tr>
<tr>
<td>Genesee &amp; Wyoming</td>
<td>Adopt GHG reduction targets</td>
<td>57.2%</td>
</tr>
<tr>
<td>Middleby</td>
<td>Publish sustainability report</td>
<td>57.2%</td>
</tr>
<tr>
<td>Ameren</td>
<td>Report on coal ash risks</td>
<td>53.2%</td>
</tr>
<tr>
<td>Anadarko Petroleum</td>
<td>Report on 2° analysis/strategy</td>
<td>53.0%</td>
</tr>
<tr>
<td>Amer. Outdoor Brands</td>
<td>Report on gun safety</td>
<td>52.2%</td>
</tr>
<tr>
<td>Range Resources</td>
<td>Report on methane</td>
<td>50.3%</td>
</tr>
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