PA 14: Sustainable Investment

4 points available

A. Credit Rationale
This credit recognizes institutions that use their investment power to promote sustainability. There are a variety of approaches an institution can take toward sustainable investment, including making positive investments that promote sustainability and engaging with companies in which they already hold investments. Positive investing supports socially and environmentally responsible practices and the development of sustainable products and services. Active investor engagement can help align an institution’s investments with its values, protect the institution from the financial consequences of fines, lawsuits, customer boycotts and damages to a company’s reputation that may result from unsustainable corporate behavior, and improve the sustainability performance of the businesses it invests in. Both types of activities contribute toward a more just and sustainable financial system.

B. Criteria
There are two possible approaches to this credit; institutions may pursue one or both. Institutions for which investments are handled by the university system, a separate foundation of the institution and/or a management company contracted by the institution should report on the combined activities of those entities.

Option 1: Positive Sustainability Investment
Institution invests in one or more of the following:
- Sustainable industries (e.g. renewable energy or sustainable forestry)
- Businesses selected for exemplary sustainability performance (e.g. using criteria specified in a sustainable investment policy)
- Sustainability investment funds (e.g. a renewable energy or impact investment fund)
- Community development financial institutions (CDFI) or the equivalent
- Socially responsible mutual funds with positive screens (or the equivalent). Investment in a socially responsible fund with only negative screens (i.e. one that excludes egregious offenders or certain industries, such as tobacco or weapons manufacturing) does not count for Option 1.
- Green revolving loan funds that are funded from the endowment
Option 2:  Investor Engagement
Institution has policies and/or practices that meet one or more of the following criteria:

- Has a publicly available sustainable investment policy (e.g. to consider the social and/or environmental impacts of investment decisions in addition to financial considerations)
- Uses its sustainable investment policy to select and guide investment managers
- Has engaged in proxy voting to promote sustainability, either by its CIR or other committee or through the use of guidelines, during the previous three years
- Has filed or co-filed one or more shareholder resolutions that address sustainability or submitted one or more letters about social or environmental responsibility to a company in which it holds investments, during the previous three years
- Has a publicly available investment policy with negative screens, for example to prohibit investment in an industry (e.g. tobacco or weapons manufacturing) or participate in a divestment effort (e.g. targeting fossil fuel production or human rights violations)
- Engages in policy advocacy by participating in investor networks (e.g. Principles for Responsible Investment, Investor Network on Climate Risk, Interfaith Center on Corporate Responsibility) and/or engages in inter-organizational collaborations to share best practices

C. Applicability
This credit applies to institutions with endowments of US $1 million or larger. Institutions with endowments less than US $1 million may choose to omit this credit.
D. Scoring

An institution earns the maximum of 4 points available for this credit by investing 30 percent of its investment pool sustainably and meeting all of the investor engagement criteria listed in Option 2 (above) or by investing 60 percent of its investment pool in one or more of ways listed in Option 1. Incremental points are available for Option 1 and partial points are available for Option 2. Each option is scored as follows:

Option 1. Positive Sustainability Investment
An institution earns the maximum of 4 points available in Option 1 by investing 60 percent of its investment pool in one or more of the ways listed above. Incremental points are awarded based on the percentage of the institution’s investment pool that is invested sustainably. For example, an institution that invested 30 percent of its investment pool sustainably would earn 2 points (half of the points available in Option 1). Points earned under Option 1 of this credit are calculated according to the following table:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Multiply</th>
<th>Value of Positive Sustainability Investments</th>
<th>Divide</th>
<th>Total Value of the Investment Pool</th>
<th>Equals</th>
<th>Total Points Earned for Option 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 ⅔</td>
<td>x</td>
<td>_____</td>
<td>÷</td>
<td>_____</td>
<td>=</td>
<td>(up to 4 available)</td>
</tr>
</tbody>
</table>

Option 2. Investor Engagement
½ point is awarded for each of the policies or practices listed. An institution with all of the policies and practices listed earns the maximum of 2 points available for Part 2.

Total points earned for this credit are calculated according to the following table:

<table>
<thead>
<tr>
<th>Points Earned in Option 1: Positive Sustainability Investments</th>
<th>Add</th>
<th>Points Earned in Option 2: Investor Engagement</th>
<th>Equals</th>
<th>Total Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>(up to 4 available)</td>
<td>+</td>
<td>(up to 2 available)</td>
<td>=</td>
<td>(up to 4 available)</td>
</tr>
</tbody>
</table>
Scoring Example: Sustainable Investment

Model College’s investment pool totals $100 million. The college invests $20 million in sustainable industries and community development financial institutions. The college also engages as an investor in 3 ways, by: (1) having a sustainable investment policy; (2) using its policy to select and engage its investment managers; and (3) participating in the Investor Network on Climate Risk.

**Option 1. Positive Sustainability Investment**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Multiply</th>
<th>Value of Positive Sustainability Investments</th>
<th>Divide</th>
<th>Total Value of the Investment Pool</th>
<th>Equals</th>
<th>Total Points Earned for Option 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 ⅔</td>
<td>×</td>
<td>20 million</td>
<td>÷</td>
<td>100 million</td>
<td>=</td>
<td>1.33</td>
</tr>
</tbody>
</table>

**Option 2. Investor Engagement**

⅓ point is awarded for each of the policies or practices listed for a total of 1 point.

Total points earned for this credit are calculated according to the following table:

<table>
<thead>
<tr>
<th>Points Earned in Option 1: Positive Sustainability Investments</th>
<th>Add</th>
<th>Points Earned in Option 2: Investor Engagement</th>
<th>Equals</th>
<th>Total Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.33</td>
<td>+</td>
<td>1</td>
<td>=</td>
<td>2.33</td>
</tr>
</tbody>
</table>
E. Reporting Fields

Required

- Total value of the investment pool (US/Canadian dollars)
- Value of holdings in each of the following categories:
  - Sustainable industries (US/Canadian dollars)
  - Businesses selected for exemplary sustainability performance (US/Canadian dollars)
  - Sustainability investment funds (US/Canadian dollars)
  - Community development financial institutions (CDFI) or the equivalent (US/Canadian dollars)
  - Socially responsible mutual funds with positive screens or the equivalent (US/Canadian dollars)
  - Green revolving funds funded from the endowment (US/Canadian dollars)
- An indication of whether the institution has a publicly available sustainable investment policy
- An indication of whether the institution uses its sustainable investment policy to select and guide investment managers
- An indication of whether the institution has engaged in proxy voting, either by its CIR or other committee or through the use of guidelines, to promote sustainability during the previous three years
- An indication of whether the institution has filed or co-filed one or more shareholder resolutions that address sustainability or submitted one or more letters about social or environmental responsibility to a company in which it holds investments during the previous three years
- An indication of whether the institution has a publicly available investment policy with negative screens
- An indication of whether the institution engages in policy advocacy by participating in investor networks and/or engages in inter-organizational collaborations to share best practices
- An affirmation that the submitted information is accurate to the best of a responsible party’s knowledge and contact information for the responsible party. The responsible party should be a staff member, faculty member, or administrator who can respond to questions regarding the data once submitted and available to the public.
Conditional
Required if the institution is reporting positive sustainability investments:
□ A brief description of the companies, funds, and/or institutions referenced above. Specific disclosure of holdings (e.g. fund or company names) is not required; general information about the industries or fund types represented by the holdings is sufficient.

Required if the institution has a publicly available sustainability investment policy:
□ A copy of the policy (text or PDF upload)

Required if the institution is reporting using its sustainable investment policy to select and guide investment managers:
□ A brief description of how the policy is applied, including recent examples

Required if the institution is reporting proxy voting:
□ A copy of the proxy voting guidelines or proxy record or a brief description of how managers are adhering to policy (text or PDF upload)

Required if the institution has engaged with corporations in its portfolio about sustainability issues during the previous three years:
□ Examples of how the institution has engaged with corporations in its portfolio about sustainability issues during the previous three years

Required if the institution has an investment policy with negative screens:
□ A brief description of the negative screens and how they have been implemented
□ Approximate percentage of endowment that the negative screens apply to (0-100)

Required if the institution engages in policy advocacy by participating in investor networks and/or inter-organizational collaborations:
□ A brief description of the investor networks and/or collaborations

Optional
□ The website URL where information about the institution's sustainable investment efforts is available
□ Notes about the submission

F. Measurement

Timeframe
Report on current policies and actions taken within the three years prior to the anticipated date of submission.
Sampling and Data Standards

Option 1
Report on a snapshot of the entire investment portfolio. Reporting on a sample of the endowment or a special fund of the endowment is not allowed for this credit. Institutions should strive to report on a representative snapshot. Institutions for which investments are handled by the university system, a separate foundation of the institution and/or a management company contracted by the institution should report on the combined activities of those entities to the extent possible and document any anomalies under “Notes about the submission”.

Option 2
Institutions for which investments are handled by the university system, a separate foundation of the institution and/or a management company contracted by the institution should report on the combined activities of those entities.