PAE 15: Sustainable Investment

12 points available

A. Credit Rationale
This credit recognizes institutions that use their investment power to promote corporate sustainability. This could take the form of making positive investments that promote sustainability or 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 earning points for this credit. Institutions may pursue one or both. Institutions for which investments are handled by the university system and/or a separate foundation of the institution should report on the activities of those entities.

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

and/or

Option 2. Institution has policies and/or practices that meet one or more of the following criteria:
- Has a publicly available sustainable investment policy, for example, 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 screening policy, for example to prohibit investment in an industry (e.g. tobacco or weapons manufacturing) or participate in a divestment effort
• 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 12 points available for this credit by investing 100 percent of its investment pool in one or more of ways listed in Option 1 (above) or by investing 50 percent of its investment pool sustainably and meeting all of the investor engagement criteria listed in Option 2 (above). 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**
  Institutions earn the maximum of 12 points available in Option 1 by investing 100 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 50 percent of its investment pool sustainably would earn 6 points (half of the points available in Option 1).

| Enter values as indicated below to calculate points earned using Option 1 |
| Points will be calculated automatically when data are entered in the STARS online Reporting Tool |

<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>12</td>
<td>¥</td>
<td>_____</td>
<td>÷</td>
<td>_____</td>
<td>=</td>
<td></td>
</tr>
</tbody>
</table>
• **Option 2: Investor Engagement**
  1 point is awarded for each of the policies or practices listed. An institution with all of the policies and practices listed would earn the maximum of 6 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 12 available)</td>
<td>+</td>
<td>(up to 6 available)</td>
<td>=</td>
<td>(up to 12 available)</td>
</tr>
</tbody>
</table>
Scoring Example: Sustainable Investment

Model College’s investment pool totals $\mathbf{100\ million}$. The college invests $\mathbf{20\ million}$ 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>12</td>
<td>$\times$</td>
<td>20 million</td>
<td>$\div$</td>
<td>100 million</td>
<td>$=$</td>
<td>2.4</td>
</tr>
</tbody>
</table>

- **Option 2: Investor Engagement**

  1 point is awarded for each of the policies or practices listed for a total of 3 points.

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>2.4</td>
<td>$+$</td>
<td>3</td>
<td>$=$</td>
<td>5.4</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, such as renewable energy or sustainable forestry (US/Canadian dollars)
  - Businesses selected for exemplary sustainability performances (US/Canadian dollars)
Sustainability investment funds, such as a renewable energy investment fund (US/Canadian dollars)

Community development financial institutions (CDFI) (US/Canadian dollars)

Socially responsible mutual funds with positive screens (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 screening policy

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 claiming points for positive sustainability investments (Option 1):

- 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 is claiming points for having a publicly available sustainability investment policy:

- Upload policy or provide a website URL where policy is available

Required if the institution is claiming points for 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 claiming points for engaging in proxy voting:
Upload proxy voting guidelines or proxy record, provide a website URL where guidelines or record is available, or provide an indication that managers are adhering to policy

Required if the institution is claiming points for engaging with corporations in its portfolio about sustainability issues during the previous three years:

- Examples of how the institution has engaged with corporations about sustainability issues during the previous three years

Required if the institution is claiming points for having an investment screening policy:

- A brief description of the policy and how it has been implemented
- Approximate percentage of endowment that the policy applies to

Required if the institution is claiming points for engaging in policy advocacy by participating in investor networks and/or inter-organizational collaborations:

- A brief description of the 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 past three years.

Sampling and Data Standards
Report on a snapshot of the entire investment portfolio in Option 1. 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.

G. Standards and Terms

B Corporations
Certified B Corporations are a type of corporation that meets comprehensive and transparent social and environmental performance standards, meets higher legal accountability standards, and builds business constituency for public policies that support sustainable business. B Lab, a nonprofit organization, certificates B Corporations.

Community Development Financial Institution
Consistent with the Responsible Endowments Coalition, a CDFI is defined as:
A financial institution established to provide credit, financial services, and other services to underserved markets or populations.

Investing in CDFIs promotes sustainability by helping provide credit to individuals and communities who are underserved by conventional lending institutions. In addition, CDFIs provide an opportunity for institutions to invest in their local communities.

**Investment Pool**
Consistent with the [National Association of College and University Business Officers (NACUBO)](https://www.nacubos.org), “investment pool” is defined as:

The predominant asset pool or grouping of assets that is organized primarily to support the institution and reflect its investment policies.

**Positively Screened Fund**
A fund in which managers proactively select businesses based on exemplary social and/or environmental performance.

**Negative Screen**
Consistent with the [Responsible Endowments Coalition](https://www.responsibleendowments.org), negative screens are defined as follows:

Negative screens exclude certain industries or products from investment portfolios. Schools or other investors can apply a negative screen to their investment portfolio to exclude companies from their investments. Screens are often applied by individual investors to one or more of the following sectors: tobacco, liquor, weapons, pornography, nuclear technologies, resource extraction (mining and drilling) and family planning products. Dozens of schools have screened out tobacco from their portfolios, and a handful of other schools—mostly religiously affiliated—have applied stricter screens.

**Shareholder Resolution**
Consistent with the [Responsible Endowments Coalition](https://www.responsibleendowments.org), shareholder resolutions are defined as:

Formal statements that are sent annually to every single shareholder of a publicly traded company on a “proxy ballot.” Shareholder resolutions are also known as shareholder proposals or proxy resolutions. These resolutions usually work like a nonbinding referendum on a specific issue within a firm. [...] Any shareholder who owns more than $2,000 of a company’s stock for one year prior to the vote can write and file a resolution and every shareholder has the right (and duty) to vote on the resolutions of all companies in which they own stock. The resolution process is governed by the Securities and Exchange Commission (SEC), a federal agency
responsible for overseeing the market and corporate governance systems that protect shareholders from each other, from managers and from themselves.