ESG Strategies, a method to justice

Alfredo Gonzalez
Sustainability Affairs Director
Associated Students of Portland State University
Overview

• Three Little Birds
• Methods to accomplish goal
• ESG Strategies
• Case Studies
• IDE Forum
Survey

1. Where are you from?
2. Why are you here?
3. What is divestment?
4. What roles are students playing on shifting to a sustainable economy?
Alfredo Gonzalez

- Cusco, Peru.
- Future
- Sustainability Affairs Director
  - Food insecurity, sexual assault, arming of police force, water contamination...
- 2013 – Founding member of Divestment of Fossil Fuels Campaign (Divest PSU)
- Collaboration with PSU Foundation
  - Non-profit that manages $55mil endowment
Video

Commitment To Sustainability.
Bird #1

- Divestment – stocks, bonds, or investment funds
- Carbon Underground 200 (ie. Exxon, Shell, et al)
  - Hold 97% of reported reserves worldwide
  - 4 times more carbon reserves than what can be safely burned to stay below 2°C threshold.
  - 2°C = GAME OVER
- Hundreds of campaigns worldwide
- **Important piece of the puzzle**
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<th>Coal Companies</th>
<th>Coal Gt CO2</th>
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*Fossil Free Index*
Impact?
Environmental Impact

• Change behavior of fossil fuel production.

• Invest in ‘alternatives’ ‘cleaner energy’
Economic Impact

$50 Billion*

Divested from the Carbon Underground 200.

* Fossil Free
Social Impact

- Grassroots movement to educate, and stand by our values.
Bird #2
Video
Prison Industrial Complex

- 784% increase 1990-2010 on private prisons
  - Federal prisoners held in private prisons
- 90% of which are immigrant detention centers
- Two main companies.
  - GEO Group
    - $500k political contributions to PACs, $700k lobbying
    - $1.69 B revenue in 2014
    - Corrections Corporation of America (CCA)
- Funding for GEO and CCA comes primarily from the Million Shares Club.
  - Wells Fargo, Vanguard group et al.
Million Shares Club

- Adage Capital Partners Group LLC
- American Century Companies Inc.
- Ameriprise Financial Inc.
- Bank Of New York Mellon Corp.
- Blackrock Fund Advisors
- Cramer Rosenthal McGlynn LLC
- Diamond Hill Capital Management
- Eagle Asset Management Inc.
- Epoch Investment Partners, Inc.
- FMR LLC
- Geode Capital Management, LLC
- Hamlin Capital Management, LLC
- Hotchkis & Wiley Capital Management LLC
- ING Investment Management, LLC & Co.
- Invesco LTD.
- Jennison Associates, LLC
- Lazard Asset Management LLC
- London Co. Of Virginia
- Managed Account Advisors LLC
- Neuberger Berman Group LLC
- New South Capital Management INC
- Northern Trust Corp
- Nuveen Asset Management LLC
- Principal Financial Group Inc
- Prudential Financial Inc
- River Road Asset Management, LLC
- State Street Corp
- Vanguard Group INC
- Wells Fargo & Company
Bird #3

- Community > Values > Mission > Identify risks >

Injustice
Methods

Portland

Car

Bus

Bike

Walk

Eugene
Methods

Institution

'No buy list'
Resolution
SRI, Impact Investing
Divestment

Private Prison Free
Fossil Free Investments
Divestment

Investment
Divest – Invest

$$

??

GEO

The GEO Group, Inc.®
Alternatives

Where do you re-invest?

- **Socially Responsible Investments (SRIs)** - portfolio construction to avoid certain companies, negative screening, according to institution guidelines.
  - South African Apartheid

- **Impact Investing** - investing in companies which have goals of effecting mission-related social or environmental change.
  - Net impact, NGOs, et al.

- **Divestment of fossil fuels** - specifically targeting the Carbon Underground 200.
Environmental Social Governance (ESG)
Environmental Social Governance

Investing which involves integrating ESG factors into fundamental investment analysis to the extent that they are material to investment performance.
What is this check list?

Characterizing risk

E
S
G
Environmental Concerns

- Climate change – Company effect on greenhouse emissions
- Hazardous waste – Company generates waste that is human health risk
- Nuclear energy - debatable
- Sustainability – Company’s long term view
Social Concerns

- Diversity - company’s recruitment policies
- Human rights – company child labor, living wage
- Consumer protection - predatory lending
- Animal welfare – testing products on animals
Corporate Governance Concerns

- Management structure - power struggle between CEO and the Board of Directors.
- Employee relations - establishment of corporate behaviors and values.
- Executive compensation - highest paid executives are coming under close scrutiny from stock holders.
One Stone?

The Carbon Underground 200TM 2015

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*Fossil Free Index

Million Shares Club

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- American Century Companies Inc.
- Ameriprise Financial Inc.
- Bank Of New York Mellon Corp.
- Blackrock Fund Advisors
- Cramer Rosenthal McGlynn LLC
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- FMR LLC
- Geode Capital Management, LLC
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- Northern Trust Corp
- Nuveen Asset Management LLC
- Principal Financial Group Inc
- Prudential Financial Inc
- River Road Asset Management, LLC
- State Street Corp
- Vanguard Group INC
- Wells Fargo & Company

** Enlace International
Where does everyone else stand?

Commonfund Institute survey (Dec 2014 - Jan 2015)

- 200 educational institutions
- 123 Private, 77 public institutions ~ $88B endowment
- **96% of them had Investment Policy Statements (IPS)**
- 21% SRI, 8% ESG, 3% Impact Investing, 2% Fossil Fuel Divestment
- **69% IPS neither permits or refers to any of the 4.**
- Faith-based institutions more generally prefer SRIs.
- Public institutions more likely to use ESGs.
Case Studies

University of California System

Portland State University
UC announces new approaches to combat climate change

UC Office of the President
Wednesday, September 10, 2014

The University of California today (Sept. 10) announced a series of measures to make UC a national leader in sustainability, efforts that range from proposals to actively use its $91 billion portfolio to invest in climate solutions to a major agreement to boost solar energy use.

Among the findings of the president’s Task Force on Sustainable Investing, scheduled for discussion at the UC Board of Regents’ Committee on Investments meeting Sept. 12, are recommendations to:

- Allocate $1 billion over five years for direct investments in solutions to climate change.
- Adhere to the United Nations-supported Principles for Responsible Investment (PRI), the largest university and the first public American university to do so.
- Establish and implement a framework for sustainable investment with the goal of completion by the end of the current fiscal year.
- Integrate environmental, social and governance (ESG) factors as a core component of portfolio optimization and risk management. Evaluate all strategies for achieving ESG goals as soon as practical, including whether to use divestment.
UC sells about $200 million in direct holdings in coal, oil sands companies

UC sells shares in private prison companies after Black Student Unions release resolution
University of California System

- Student divestment campaigns on all campuses
- $91B portfolio
- 2014 – Adoption of ESG strategies
- 2015 – Sold off $200 million Fossil Fuel holdings
- 2015 – Sold off $25 million Private Prison Holdings
Portland State University (PSU)

- Divest PSU
  - 81% PSU for divestment of fossil fuels
- PSU Foundation
  - $55 mil endowment
  - JP Morgan is the endowment manager
  - Adopted ESG strategies in June 2015
  - 2016?
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- Lack of action
  - 192 institutions with IPS ~133 inactive endowments with IPS, why?
Intentionally Designed Endowment Forum
Portland State University | Portland, OR
November 9 – 10, 2015

American University
Arizona State University Foundation
Cal Poly Pomona California State University
Bakersfield California State University
Channel Islands California State University
Chico California State University
Dominguez Hills California State University
Los Angeles California State University
Los Angeles Foundation California State University
California State University Foundation
Office of the Chancellor California State University
Hampshire College

Lane Community College
Lewis & Clark College
Oregon State University Foundation
Pomona College
Portland State University Foundation
San Francisco State Foundation
University of Oregon Foundation
University of Oregon Law School
University of Puget Sound
WIllamette University
Western Oregon University Foundation
WHERE IS YOUR INSTITUTION?

- Just getting started
- Constructive deliberation
- Developing ESG investment policy
- Investment policy with track record

- Barely on the radar
- Conflict, more heat than light
- Agreement to take action
- Investment policy recently enacted

**Red Circle**: Zone of current status and possible areas for improvement.
Fiduciary Duty

• Legal duty to act solely in another party's interests.
• Foundations act on the interest of the school
• Make profit to invest in the school system
• Follow the goals set by the foundation/school
• Stakeholder engagement
Stakeholder Engagement

Students movement

Resolutions
Letters of Support

Faculty involvement

Lobbying

Administration
Donors

Foundation

Petitions
Resolutions
Informational Panels
Non-violent Actions
Lack of Action

Foundations $$$$$

Campaign Pressure

Consultation

Training

Students

ESG Specialists
Takeaways

• Methods - Each institution has their own way of doing things.

• Active - Today’s needs, require students to not only raise grassroots awareness, but also be ready to tackle the task at hand.

• Efficient tools = Equitable tools

• ‘Humans have two arms, we can hug a tree with one arm, and use the other to hug a human’
  • Van Jones
Thank you