

ESG Frequently Asked Questions

- **What is ESG Investing?**
 - An investment strategy that believes that companies with conscientious focuses on environmental, social, and governance factors will outperform their competitors overtime, considering equal financial strength.
- **Is ESG investing new or controversial?**
 - Not at all!!
 - Nearly one in eight dollars under professional management in the US (about \$3.07 trillion dollars) is invested in a fund that considers social responsibility and societal concerns
(<http://www.morganstanley.com/globalcitizen/pdf/investing-with-impact.pdf>)
 - Nearly every financial firm has an ESG investment division:
 - Goldman Sachs (GS Sustain)
(<http://www.goldmansachs.com/gsam/ch/advisors/en/products/focus-funds/gs-sustain/index.html>)
 - Morgan Stanley (Investing with Impact Platform)
(<http://www.morganstanley.com/globalcitizen/investing-impact.html>)
 - State Street Global Advisors ESG Investing
(https://www.ssga.com/library/capb/620516_ESG_InvestingCCRI1381819010.pdf)
 - The socially responsible investment movement has been around for decades and continues to grow. More and more institutions are doing it and, consequently, better and better data about ESG factors are now available.
- **Does ESG investing mean making less money for the school?**
 - Absolutely not.
 - Numerous academic and professional studies have shown that ESG investing does not harm returns--if anything, it is expected to be *more* profitable in the long-run.
 - We have been doing ESG investing since March 2011 with the SII (Sustainable Investments Initiative). The fund continues to do well and beat its benchmarks. Furthermore, no one has suggested that our ESG investing has lost the school any money.
 - Refer to the dropbox for more reading about this!
- **Would the school cut financial aid if it suffered lower returns?**
 - Financial aid is one of the last things that the school would cut if it were to lose money.
 - Additionally, ESG investing may reduce the risk of a large loss in our endowment. ESG investments are often less risky and volatile and have lower covariance with the market than traditional investments.
- **Isn't impossible to change the way we invest because Investure is a fund of funds?**
 - Not at all. There are plenty of ESG managers with long and proven track records out there. Investure already works some of them, and there are plenty more.
 - We already do ESG investing! And it's going well! We have the Sustainable Investments Initiative, which is handled separately from the rest of our

endowment and allows Middlebury, Rockefeller Brothers Foundation and Dickinson to focus more on their ESG investing.

- **How does ESG investing work?**

- There are several main strategies that incorporate ESG analysis into traditional financial analysis
 - Positive Investment: invest in companies that are doing good (i.e. investing in renewable energy, making products that use water more efficiently, etc.)
 - Negative Screening: prohibits investment in certain industries/issues that are inconsistent with one's values (i.e. tobacco, firearms, conflict minerals, child labor, fossil fuels, human rights abuses, etc).
 - Best-in-Class Investing: this is a framework in which we evaluate companies in relation to their competitors. For example, say we have to invest in a large energy company, we might as well invest in the one that has the best safety record, invests the most in renewables, has the most women on the board, etc.
 - Shareholder Advocacy: If you own a stock, you own the company. This affords the shareholder certain rights, namely, the ability to make decisions about how a company is governed. Shareholders vote on resolutions that change company bylaws governing things such as transparency, hiring policies for women and LGBT, etc..

- What are E, S and G?

- Environmental
 - greenhouse gas emissions
 - supply chain efficiency
 - extraction practices/ safety record
 - waste management
 - recycling
 - efficiency
 - etc
- Social
 - diversity
 - human rights
 - consumer protection
 - advancement opportunities
 - treatment of employees
 - etc
- Governance
 - management structure
 - executive compensation
 - transparency
 - etc

- **Where can I find more information?**

- go/sriblog
- come to our meetings on Wednesday at 6 pm in HLD 103
- get coffee with me sometime to discuss