PA 4: Sustainable Investment Program

Rationale

This credit recognizes institutions that have established **sustainable investment** programs and participate as engaged investors in support of a just and low carbon future. In doing so, colleges and universities fulfill their fiduciary duty of incorporating all value drivers, including environmental, social, and governance (ESG) factors, in their investment decisions. There are a number of fundamental steps an institution can take to hold itself, its investment managers, and the companies in which it has invested accountable for their sustainability-related impacts. A robust sustainable investment program and engagement strategy can help align an institution's investments with its values, protect the institution from the financial and reputational consequences of risk-prone corporate behavior, manage its climate-related financial risk, and improve the underlying environmental, social, and governance performance of the businesses it invests in.

Applicability

Applicable to institutions with **investment pools** of $1 million US Dollars (USD) or more.

Points available

A maximum of 4 points are available for this credit.

Indicators

4.1 Sustainable investment policy or committee

An institution earns 2 points when it has formally incorporated **environmental, social, and governance (ESG)** factors and/or climate risk as material issues to be considered when making investment decisions, as evidenced by a published policy or directive and/or a **committee on investor responsibility (CIR)**.

Measurement

Report on current **sustainable investment policies** and directives and/or currently active committees.

Documentation

Report the following information in the online Reporting Tool.

- Has the institution formally incorporated environmental, social, and governance (ESG) factors and/or climate risk as material issues to be considered when making investment decisions? (required). For example, by adopting a sustainable investment policy or directive that outlines the institution's overall approach to sustainable investment, by integrating ESG factors and/or climate risk into its existing investment policy statement, or through a CIR tasked with advising decision makers on sustainable investment and/or assessing climate risk in the investment strategy.

If Yes, the following field is also required:

- Narrative and/or website URL providing an overview of how the institution has incorporated ESG factors and/or climate risk as material issues to be considered when making investment decisions. Include, for example, the relevant policy language or the online resource where it may be found.

4.2 Negative screening and divestment

An institution earns 1 point when it employs negative **screening** and/or targeted **divestment** in support of sustainability, as evidenced by a published policy or directive or a public commitment.

Measurement

Report on current policies and directives and/or public commitments made by the institution.

Documentation

Report the following information in the online Reporting Tool.

- Does the institution employ negative screening and/or targeted divestment in support of sustainability? (required). For example, intentionally not investing new capital in specific sectors or excluding or selling off shares in companies because they are engaged in activities such as fossil fuel production, human rights violations, or weapons manufacture.

  If Yes, the following field is also required:

  - Narrative and/or website URL providing evidence of the institution's use of negative screening and/or targeted divestment in support of sustainability. For example, a public commitment to fossil fuel divestment or language in a sustainable investment policy or directive that explicitly mentions the institution's commitment to fossil fuel divestment.

4.3 Investor engagement

An institution earns 1 point when it A) has engaged in proxy voting in support of sustainability during the previous three years, B) has filed one or more shareholder resolutions or signed on to one or more investor statements in support of sustainability during the previous three years, and C) is an active participant in one or more sustainability or ESG-focused investor networks. Partial points are available and earned as outlined in Table I.

Table I. Points earned for indicator 4.3

Criterion	Points available	Points earned

A. Institution has engaged in proxy voting in support of sustainability during the previous three years, either directly or through an investment manager.	0.33	
B. Institution has filed a shareholder resolution or signed on to an investor statement in support of sustainability during the previous three years, either directly or through an investment manager.	0.33	
C. Institution is an active participant in one or more sustainability or ESG-focused investor networks.	0.33	
Total points earned →		

Measurement

Report on activities from within the previous three years.

Documentation

Report the following information in the online Reporting Tool.

- Has the institution engaged in proxy voting in support of sustainability during the previous three years, either directly or through an investment manager? (required)

  If Yes, the following field is also required:

  - Narrative and/or website URL providing an overview of the institution's proxy voting in support of sustainability

- Has the institution filed a shareholder resolution or signed on to an investor statement in support of sustainability during the previous three years, either directly or through an investment manager? (required)

  If Yes, the following field is also required:

  - Narrative and/or website URL providing an overview of the shareholder resolutions or investor statements in support of sustainability

- Is the institution an active participant in one or more sustainability or ESG-focused investor networks? (required). For example, the Global Investor Coalition on Climate Change (GIC), Intentional Endowments Network (IEN), Interfaith Center on Corporate Responsibility, Ceres Investor Network on Climate Risk and Sustainability, or Principles for Responsible Investment (PRI). Active participation may be indicated by current membership, service on an advisory or governance committee, support for network initiatives, and/or sharing case studies.

  If Yes, the following field is also required:

  - Narrative and/or website URL providing an overview of the institution's participation in sustainability or ESG-focused investor networks

Glossary

Committee on investor responsibility (CIR) – A multi-stakeholder body that is explicitly tasked with ensuring that the sustainability and/or environmental, social and governance (ESG) aspects of an institution's investments are aligned with its mission and goals, both financial and otherwise. A CIR makes recommendations to fund decision makers on socially and environmentally responsible investment opportunities across asset classes. A multi-stakeholder body includes representatives of diverse constituencies, e.g., students, academic employees, non-academic employees, and so on.

Divestment – The intentional reduction of investment in specific companies, industries, sectors, products, services, or countries due to ethical concerns and/or concerns about future risks. Higher education divestment efforts are often focused on fossil fuels, weapons, private prison management, palm oil/deforestation, and industrial agriculture. [Adapted from the work of the Intentional Endowments Network.]

Environmental, social, and governance (ESG) – An approach to investing that uses specific factors, standards, and/or criteria to screen investments for social and environmental responsibility and/or sustainability performance. These factors may address:

- Environmental issues such as sustainable land use, carbon emissions, resource extraction, product circularity, and biodiversity.
- Social issues such as human and labor rights in the supply chain, community impacts and engagement, and diversity, equity, and inclusion.
- Governance issues such as tax fairness, responsible political engagement, anti-corruption, whistleblowing, executive pay, and shareholder rights.

ESG funds are portfolios of equities and/or bonds for which these factors have been integrated into the investment process. This means that the equities and bonds contained in the fund have passed stringent tests over how sustainable the company or government is regarding its ESG criteria. [Adapted from the definitions used by the Principles for Responsible Investment (PRI) and Robeco.]

Investment pool – The predominant asset pool or grouping of assets that is organized primarily to support the institution and reflect its investment policies. In general, this should include long-term reserves and unrestricted investment and endowment funds, including assets managed on the institution's behalf by other entities. [Adapted from the definitions used by the National Association of College and University Business Officers (NACUBO) and the Anchor Learning Network.]

Screening – Using a set of filters to determine which companies, sectors, or activities are eligible or ineligible to be included in a specific investment portfolio. These criteria might be based on an investor's preferences, values, and/or ethics. For example, a screen might be used to exclude the highest greenhouse gas emitters from a portfolio (negative screening) or to target only the lowest emitters (positive screening). It can be based on the policy of an asset manager or asset owner. [Adapted from the definition used by Principles for Responsible Investment (PRI).]

Sustainable investment policy – A policy to consider the sustainability and/or environmental, social, and governance (ESG) impacts of investment decisions in addition to financial considerations and/or because they are material to financial considerations.