Advisory Committee on Corporate Responsibility in Investment Policy (ACCRIP)

Meeting Minutes for Meeting of December 13, 2018

Members Present

Andrew McIntosh (academic finance)

Chi-Ming Hai (chair)

David Muller (alum)

Fulvio Domini (faculty)

Julie Pham (ugrad)

Kayla Rosen (alum)

Members Absent

Jamie Kase (alum)

Taylan Susam (grad)

Joshua Jiang (ugrad)

Lisa Di Carlo (faculty)

Guests

Vikas Rajasekaran (RA)

Peter Levine (Investment Office)

Anne Sharpe (Investment Office)

Agenda:

1. Introduction
2. Speech on Environmental Social and Governance (ESG) Investing and Principles for Responsible Investment (PRI)
3. President's Request

Meeting Notes:

- **i. ESG and PRI Overview:**
    - a. ESG investing is often used synonymously with sustainable investment and mission-based investing
        - i. Started in the 60's as socially responsible investment and involved excluding certain companies and industries from investment.
            1. Initially targeted towards the South African apartheid movement and tobacco companies
        - ii. ESG investing involves social impact analysis and financial modeling, not just financial analysis
        - iii. Definition: to consider environmental, social, governance factors and financial factors in investment decision making.
    - b. Environmental:
        - i. Investing with a systematic reference to climate change, pollution/waste management etc.
    - c. Social:
        - i. How do companies deal with employees, human capital, product liability and labor issues?
    - d. Governance:
        - i. Focus on: diversity on board, company management, gender ratio, executive compensation, and corporate behavior/ethics.
    - e. Many models released an ESG scale and ESG screens:
        - i. For example, some funds look at country specific ESG analysis while investing in government bonds.
        - ii. The concept is the same while evaluating the ESG qualities of companies.
    - f. Impact investing is more extreme than ESG visiting because the idea is to take the ESG principles and make decisions to explicitly express ethical views.
    - g. UN PRI:

        i. Kofi Annan started a group composed of investors and officials to release the principles
        ii. Today there are 70 trillion dollars committed to the PRI:
            1. Voluntarily signing on for 6 principles.
            2. There are no hard rules, only aspirational goals, which is considered to be one of the drawbacks of the principles.
    h. Financial Impacts of ESG Mutual Funds:
        i. 4/10 ESG funds out performed SP500.
        ii. This shows that it is definitely possible to use aspirational goals to outperform the broader market.
    i. Estimated over the next 20 years, millennials will put trillions into ESG focused funds:
        i. JPM recently rolled out the JESG indices to benchmark against ESG principles.
        ii. ESG has becoming a selling point/attractive feature for investment funds to attract AUM.
    j. Brown Investment Office currently asks managers if ESG policy in place:
        i. However, Investment Office is unsure how many managers they have that follow an ESG policy because of a lack of cataloging.
        ii. Planning on giving an update about this during the March meeting.
    k. The Investment Fund has two social engagement funds:
        i. One is much more open with only a minimum of several thousand dollars, while another requires a 250,000 minimum donation.
        ii. There needs to be more of a push for the senior class donation towards the main fund.
        iii. Since development is focused on getting the annual fund funded first, there hasn't been too much effort placed on the sustainable funds.

ii. **President's Request:**
    a. Broaden role of committee to apply to all aspects of Brown's business activity:
        i. Right now, there is no place to turn to for the President.
        ii. ACCRIP could provide recommendations on investing, business spending, and business ethics.
        iii. ACCRIP would need to make additions to the bylaws and would require a much more engaged and active committee because these issues can have a fast turnaround.

1. ACCRIP could offer case by case guidance as well as overall guidelines to follow:
    a. President has said she is willing to come back to the committee and clarify what she means.
    b. President needs more student input because the students are the ones with most involvement on these issues.
    c. ACCRIP could speak with the individual that heads vendors and purchasers to get more information on the current status on how Brown currently purchases supplies:
        i. As an example, food supplies could be an issue ACCRIP looks into to answer questions like fair trade, organic vs inorganic, etc.
        ii. ACCRIP could also look into inviting a representative from the Office of Sustainability (Andrew)
        iii. It is important to know if purchasing already looks at ESG principles when selecting vendors or if ACCRIP will have to come up with new guidelines:
            1. ACCRIP could also look at other colleges' rules for guidance.