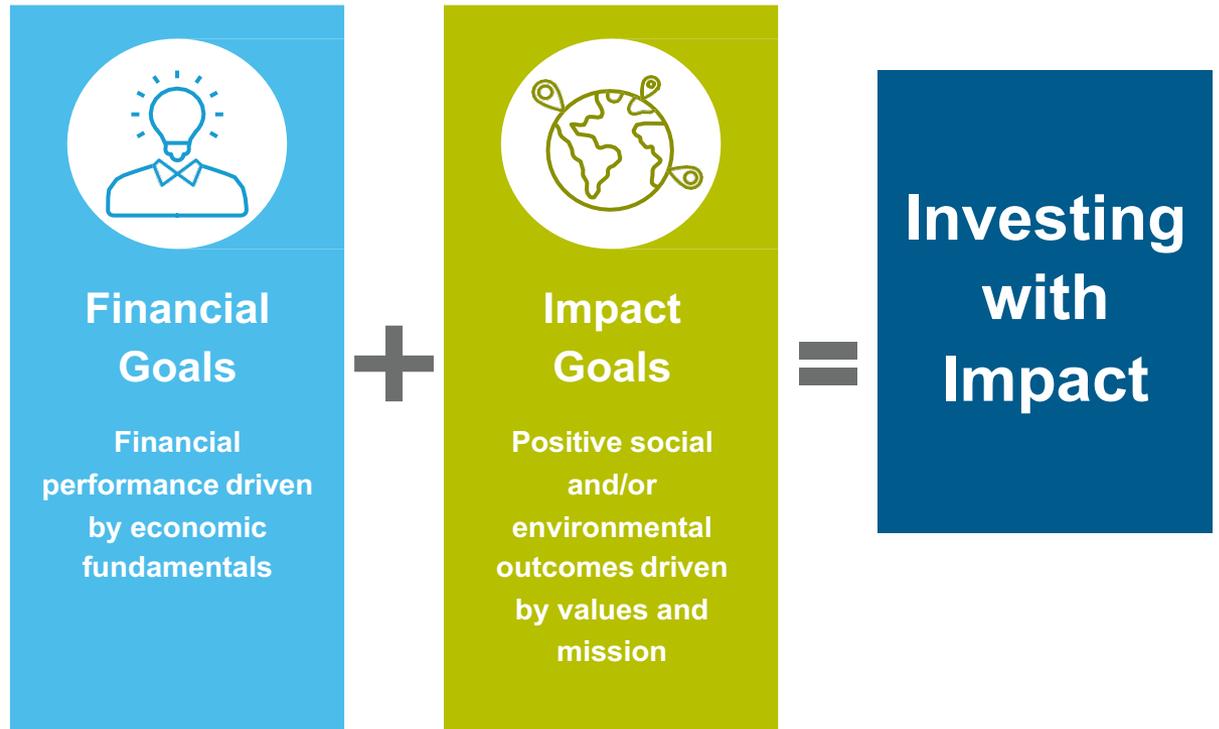


# What Is Investing With Impact?

**Investments**  
made with the intention to generate a **measurable, positive social and/or environmental** impact alongside a financial return.



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# Using Environmental, Social & Governance Data

Environmental, Social, and Governance (ESG) data to guide investments allows us to identify sectors, industries, or business activities to invest in in order to make an impact. Some ESG criteria include:



## ENVIRONMENTAL

### CLIMATE DISCLOSURE

Disclosing climate footprint, including greenhouse gas emissions

### CLIMATE SOLUTIONS

Generating revenue from renewable and cleaner energy sources and energy-efficient infrastructure

### NATURAL RESOURCE USE

Reducing waste, pollution, and stress on water and natural resources

### NATURAL RESOURCE SOLUTIONS

Generating revenue from waste and pollution management, sustainable agriculture, sustainable consumer products, and conservation efforts



## SOCIAL GOVERNANCE

### HUMAN RIGHTS

Protecting human rights through policies and compliance with international norms

### EMPLOYEE TREATMENT

Promoting employee welfare through health and safety, diversity and inclusion, good benefits, employee relations, and workplace policies

### CUSTOMER & SUPPLIER TREATMENT

Promoting product safety, responsible marketing, customer relations, fair competition, and supply chain management

### EMPOWERMENT SOLUTIONS

Generating revenue from affordable housing, access to clean water, healthcare, nutrition, education, and/or finance



### ETHICAL PRACTICES

Strong ethics and anti-corruption record

### FINANCIAL TRANSPARENCY

Corporate transparency on taxes, accounting, and executive pay

### OWNERSHIP & OVERSIGHT

Board independence and lack of controlling shareholder concerns

### DIVERSITY IN LEADERSHIP

Diversity in board and executive leadership

# Investing with Impact: From Niche to Mainstream

- **1898:** Quakers Friends Fiduciary Corporation founded and adopts a no weapons, alcohol, or tobacco investment policy
  - **1971:** First ethical investment vehicle launched: the Pax World Balanced Fund
  - **1993:** \$625 billion in investments screened to exclude South Africa in response to apartheid
  - **1999:** Dow Jones Sustainability Index created (DJSI)
  - **2000s:** Norway Government Pension and CalPERS (US's largest pension) pledge 100% integration of sustainability within 15 years
  - **2000:** Carbon Disclosure Project (CDP) launched to develop a global environmental disclosure system
- **2006:** UN-supported Principles for Responsible Investment (PRI) is launched for asset owners and managers as a voluntary set of investment principles for incorporating ESG into investment practices
  - **2007:** Rockefeller Foundation launches 'Impact Investing' initiative and the term emerges globally
  - **2014:** Signatories of the PRI reaches \$45 trillion AUM
  - **2015:** Department of Labor ruling facilitated the ability for employers to add sustainable and impact investment fund options to their plan choices; 17 United Nations Sustainable Development Goals launched as a global framework for sustainable development
- **2019:** Business Roundtable's 181 CEOs sign "Statement on the Purpose of a Corporation" in a move toward a commitment to all stakeholders
  - **2020:** An estimated US\$17.1 trillion, or 1 in 3 dollars invested in the US, uses socially responsible investing strategies, representing 42% growth from 2018
  - **2020:** Blackrock commits to displaying carbon footprint for all BlackRock mutual funds and commits to divest from companies generating 25%+ of revenues from thermal coal production in active investments by year end

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# Why is the church interested in ESG?

As followers of Jesus, the Episcopal Church in Minnesota is called to utilize all the resources at our disposal to further God's work of shalom, of justice here on earth. We must, responsibly and with vision and integrity, steward the financial assets of the church, holding both our fiduciary responsibility and our responsibility to act and invest justly on behalf of the faith communities in ECMN.

The way we invest can be a powerful tool in helping to bring about change. It can:

- Move the needle on efforts that align with the mission of the church.
- Encourage better corporate behavior.

# United Nations 17 Sustainable Development Goals

The Sustainable Development Goals are a call for action by all countries—poor, rich and middle-income—to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection.

**The bolded goals are those that ECMN has chosen to focus on. Investing in these 5 areas lead to impact in the other 12.**

- |            |                                         |            |                                               |
|------------|-----------------------------------------|------------|-----------------------------------------------|
| 1.         | No Poverty                              | 11.        | Sustainable Cities and Communities            |
| 2.         | Zero Hunger                             | <b>12.</b> | <b>Responsible Consumption and Production</b> |
| 3.         | Good Health and Well-Being              | <b>13.</b> | <b>Climate Action</b>                         |
| 4.         | Quality Education                       | 14.        | Life Below Water                              |
| <b>5.</b>  | <b>Gender Equality</b>                  | 15.        | Life on Land                                  |
| 6.         | Clean Water and Sanitation              | 16.        | Peace, Justice, and Strong Institutions       |
| <b>7.</b>  | <b>Affordable and Clean Energy</b>      | 17.        | Partnerships                                  |
| 8.         | Decent Work and Economic Growth         |            |                                               |
| 9.         | Industry, Innovation and Infrastructure |            |                                               |
| <b>10.</b> | <b>Reduced Inequalities</b>             |            |                                               |

# ECMN is focused on creating impact in:

## CLIMATE CHANGE

Support the transition to a lower carbon economy by considering exposures to climate solutions, environmental leaders, and fossil fuel reserves in portfolios

## GENDER EQUITY

Promote better gender diversity and equality through increased exposure to companies committed to employing and advancing women in high-level leadership roles

## RACIAL EQUITY

Advance racial equity and combat systemic racism through increased exposure to companies committed to supporting social and racial equity.

# Environmental Impact Objectives

## Environmental Issues

The ECMN PIF will engage in the practice of considering Environmental Impact Objectives as a metric of corporate performance and positive environmental impact. Investment Managers shall make best efforts to advance solutions to combat climate change and transition to a less carbon intensive economy, including:

## Impact Solutions

**Cleaner Energy Sources:** Companies deriving revenues from products, services, or projects supporting the development or delivery of renewable energy and alternative fuels, or from the ownership or operation of nuclear plants; or utility and energy companies that are proactively investing in low carbon technologies and increasing the carbon efficiency of their facilities.

**Energy Efficiency:** Companies deriving revenues from products, services or projects that address increasing global demand for energy while minimizing environmental impact, or from sustainable real estate, including building technology, materials, design and construction.

**Natural Resource Solutions:** Companies deriving revenues from products and services that a) address water scarcity and quality issues b) help maintain functioning marine and terrestrial ecosystems c) help reduce overall raw material use and utilize environmentally preferable materials and/or d) companies proactively reducing the environmental impact of their packaging and addressing electronic waste concerns.

**Sustainable Consumer Products:** Companies deriving revenues from products and services that help reduce overall raw material use and utilize environmentally preferable materials by increasing material efficiency, longevity, and reusability of products and/or companies proactively reducing the environmental impact of their packaging and addressing electronic waste concerns, including use of recycled content and product recovery and recycling programs.

**Sustainable Agriculture:** Companies deriving revenues from products and services that enable sustainable farming, maintain ecosystems, strengthen the capacity for adaptation to climate change, and progressively improve land and soil quality.

# Environmental Impact Objectives

## Sustainable Corporate Practices

**Climate Disclosure:** Companies that have reported their Scope 1 and Scope 2 carbon emissions figure, representing carbon emissions from sources owned or controlled by the company, as well as those from generation of electricity purchased by the company.

**Climate Footprint:** Companies with strong efforts to mitigate their carbon emissions by managing their energy consumption, the energy efficiency of their operations, and their use of cleaner energy sources such as solar, wind, geothermal, co-generation, or natural gas in place of oil or coal.

Investment Managers shall make best efforts to encourage the transition to a less carbon intensive economy by reducing and avoiding exposure to fossil fuel energy sources including:

Companies listed in the Carbon Underground 200™ list, which includes the top global 200 publicly owned coal, oil, and gas reserve owners by carbon emissions embedded in their reserves, as determined by Fossil Free Indexes.

Companies that underperform relative to their peers on categories related to environmental disclosure practices, policies, and management including climate change, environmental management, and/or environmental performance.

# Social Impact Objectives

## Social Issues

The ECMN PIF will engage in the practice of considering Social Impact Objectives as a metric of corporate performance and positive social impact. Investment Managers shall make best efforts to advance solutions that contribute to healthy lives and well-being for all, promoting gender equality in corporate leadership and empowering women and girls, including:

## Sustainable Corporate Practices

**Human Rights Record:** Companies in compliance with the United Nations Guiding Principles for Business and Human Rights and with codes of conducting forbidding suppliers to use underage or forced labor

**Living Wage:** Companies with a public commitment to ensure payment of a living wage to all employees, even in those countries that do not legally require a minimum wage or where minimum wage is not a living wage.

**Social Supply Chain Management:** Companies with a public commitment to reduce social risks in its supply chain such as forbidding business-related activities that condone, support, or otherwise participate in human trafficking.

**Responsible Marketing Record:** Companies with no or few controversies related to its marketing and advertising practices, including widespread instances of false, discriminatory, or improper marketing/advertising, marketing targeted at disadvantaged groups, resistance to improved practices, or criticism by third-party observers.

**Gender Diversity in Leadership:** Companies with a meaningful percentage of female Directors or Executives (Executives are as defined by the company or represent those individuals that form the company Executive Committee/Board or Management Committee/Board or equivalent).

**Gender Diversity in Workforce:** Companies with at least 40% female employees.

**Closing the Gender Pay Gap:** Companies with a public strategy to close any gender pay gap (“comparable wages for comparable work”) or published verifiable figures showing an overall gender pay gap of less than or equal to 3 percent.

**Parental Leave:** Companies that publicly offer a minimum of 14 weeks of paid primary caregiver leave and a minimum of 2 weeks of paid secondary caregiver leave in the country of incorporation.

**Sexual Harassment:** Companies that publicly seek to prohibit all forms of violence in the workplace including verbal, physical, and sexual harassment.

# Racial Impact Objectives

Opportunities are emerging to advance racial equity and combat systemic racism through investment decisions. Investors play an important role by taking measurable action to promote racial justice through their investments. Racial equity investing describes the effort to direct investment capital towards historically underrepresented groups, including Black, Hispanic, Asian-Indian, Asian-Pacific, and Native American populations. Racial Equity investing aims to promote equity on issues ranging from economic opportunity to education, housing, quality employment, access to health care and more. Racial equity recognizes that the intersectionality of many areas of inequality as applied to an individual can include overlapping systems of marginalization.

**Restriction Screen:** Investment strategies that minimize or avoid exposure to companies, sectors, or geographies with lagging records of supporting racial equity and social justice

**Solutions:** Investment strategies that intentionally focus on companies or funds seeking to advance racial equity as a way to alleviate social disparities, including, but not limited to: access to capital, affordable housing & community services, criminal justice reform, economic inclusion, education, healthcare, products & services for communities of color, and neighborhood revitalization

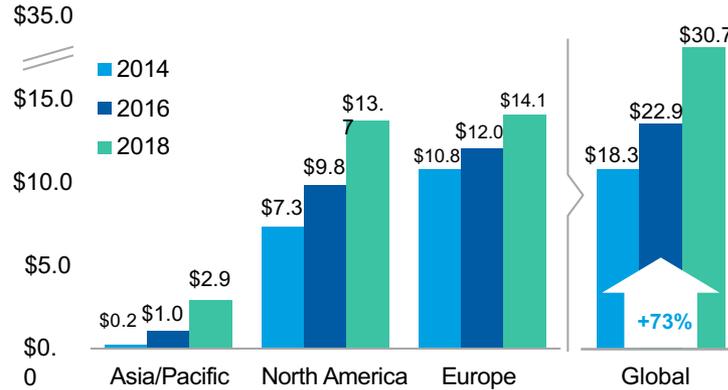
**Ownership:** Investment strategies at asset management firms owned by, or with significant representation of, racial or ethnic minorities. Note this is not necessarily an approach to investing, but rather based on evaluating the ownership structure in an effort to accelerate the flow of capital to diverse owned and led asset managers.

# We're Not Alone

Globally, one in three dollars is invested with a focus on sustainability, up 73% since 2014

- Individual Investors:**  
 85% of U.S. active individual investors describe themselves as interested in sustainable investing<sup>(2)</sup>
- Next Generation Investors:** 95% of millennial active individual investors describe themselves as interested in sustainable investing<sup>(2)</sup>

Sustainable Assets by Region (US\$ Trillions)<sup>(1)</sup>



Asset Owners Are Driven by a Range of Motivations<sup>(3)</sup>

Risk Management	75%
Mission Alignment	64%
Return Potential	78%
Evolving Policies and Regulations	76%
Constituent and Stakeholder Demand	81%

Note: Percentages reflect motivations identified as “extremely” or “somewhat” important



95% of asset owners are either already integrating ESG criteria or actively considering integrating ESG criteria into their investment process.<sup>(3)</sup>



Among asset owners integrating ESG criteria, 73% have begun doing so within the last 4 years – with 45% doing so in the last 2 years. <sup>(3)</sup>

1. GSIA 2018 Trends Report.

2. Morgan Stanley Institute for Sustainable Investing, “Sustainable Signals: Individual Investor Interest Driven by Impact Conviction, and Choice,” 2019.

3. Morgan Stanley Institute for Sustainable Investing and Morgan Stanley Investment Management, “Sustainable Signals: Asset Owners See Sustainability as Core to the Future of Investing,” 2020.

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# Proof in the Performance

Indices that incorporate environmental, social, and governance (ESG) factors have generally performed in line with, or better than, conventional indices. For example, a \$1 invested in line with the holdings reflected in the sustainable index in 1990 grew to \$2,469 versus \$2,162 for a traditional index through December 31, 2020.

## Annualized Return

May 1, 1990 – December 31, 2020



The MSCI KLD 400 Index of companies that meet **best-in-class environmental, social, and governance (ESG) criteria**.

## May 1, 1990 – December 31, 2020 (Single Computation)

Cumulative Return (%)

\$3,000

\$2,500

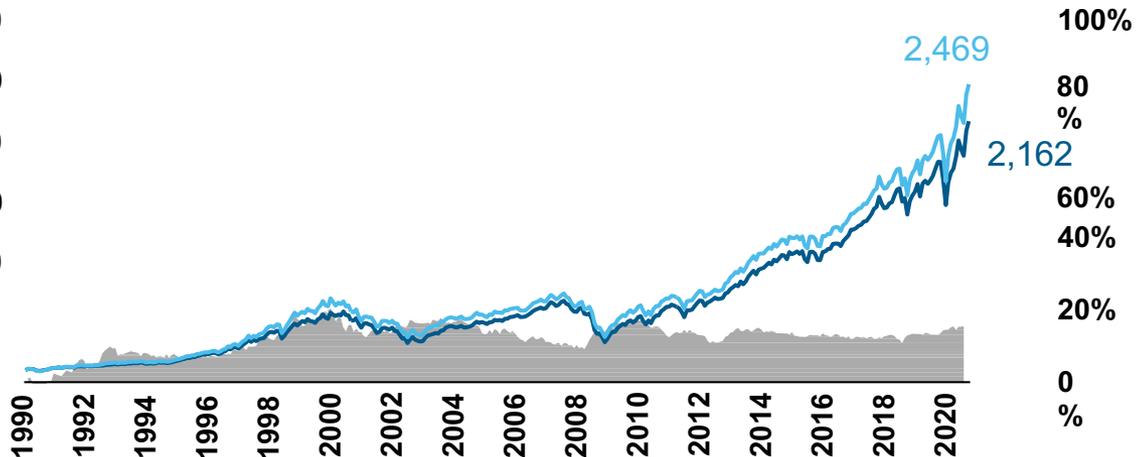
\$2,000

\$1,500

\$1,000

\$500

\$0



— MSCI KLD 400 Index (Left Axis)

— S&P 500 Index (Left Axis)

■ Cumulative Excess Returns (Right Axis)

Source: Bloomberg, MSCI, Morgan Stanley Wealth Management.

Past performance is no guarantee of future results. The index returns are illustrative and shown for comparative purposes only. They do not represent the performance of any specific investments. An investor cannot invest directly in an index.

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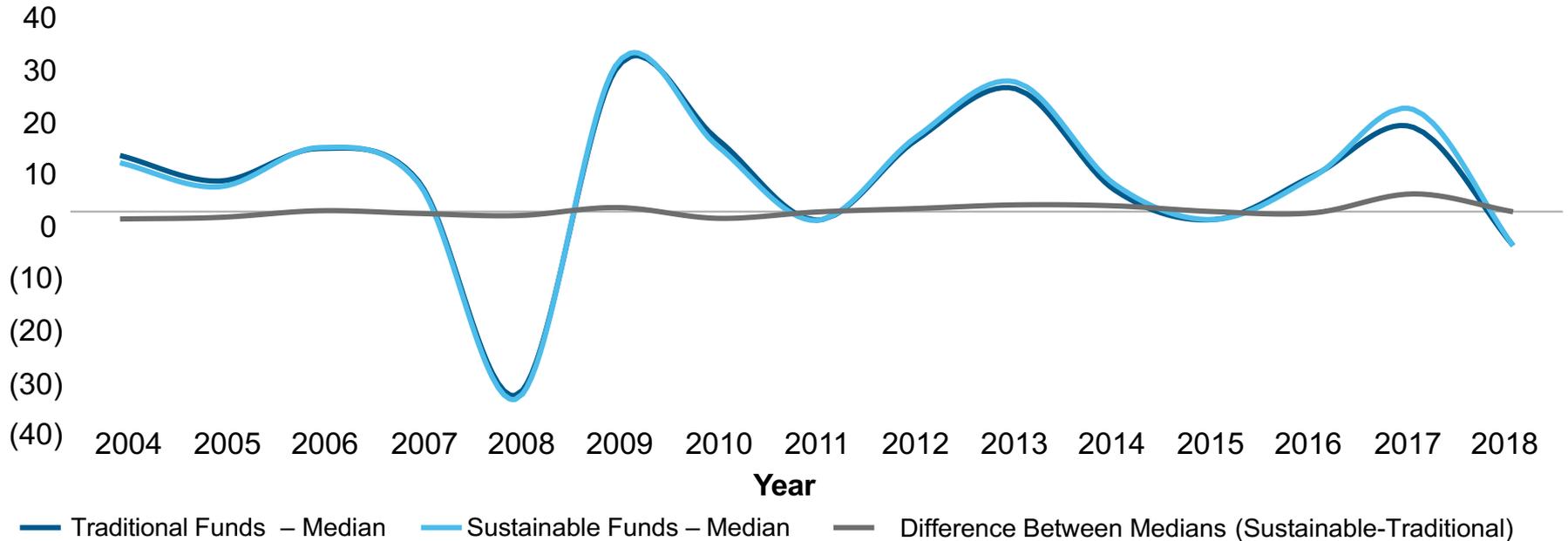
# Return of ESG Funds

Funds that incorporate environmental, social, and governance (ESG) factors perform similarly to traditional funds.

## Median Total Returns of Sustainable & Traditional Funds

2004-2018

Annual Return %



Source: Morgan Stanley Analysis of Morningstar Data, 2019. Morgan Stanley Institute for Sustainable Investing, Sustainable Reality: Analysing Risk and Returns of Sustainable Funds, 2019. The above compares the performance of sustainable funds to traditional funds from 2004 to 2018 using Morningstar data on exchange-traded and open-ended mutual funds active in any given year of this period. A total of 10,723 funds were analyzed. Their performance is compared to total returns, a measure of performance net-of-fees, and downside deviation, a measure of risk. For any methodological inquiries, please contact [sustainability@morganstanley.com](mailto:sustainability@morganstanley.com). Results for different time periods and different asset classes may be different and not statistically significant.

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# What does this mean for the ECMN PIF?

ECMN works with Morgan Stanley and Graystone Financial, who have spent decades advising groups like ours around investing in a way that considers ESG as well as financial returns.

ECMN Trustees provide regular oversight for the management of the PIF.

# What Does Graystone Bring?

ECMN partners with a subsidiary of Morgan Stanley called Graystone Consulting. They believe that capital creates change. They turn information into insights and partner with their clients to align clients' impact objectives with their financial objectives. They have a long history of offering sustainable and mission-aligned investment strategies to clients and continue to lead the industry through the firm's Investing with Impact Platform.

- A founding member of the Sustainability Accounting Standards Board (SASB), Signatory to the Principals for Responsible Investment (PRI) and as advise over \$25bn of client assets following either an SRI or ESG Strategy.
- Impact Platform provides organizations like EMCN with access to a comprehensive set of investment opportunities that generate market-rate financial returns alongside positive environmental and social impact. The Platform offers a diverse and robust suite of solutions that are aligned with Investing with Impact Framework and span across a continuum from restriction screening, environmental, social, and governance (ESG) integration, thematic exposure and impact investing.
- Impact Platform has over 135+ equity, fixed income, and alternative investments that aim to advance solutions across broad-based areas of sustainability as well as more specific themes including climate change, diversity, equity and inclusion, community economic development and more.
- Work with managers that cover equity, fixed income and alternative investment products across multiple geographies:
  - Domestic: 40+ managers in US equity, 10+ managers covering US fixed income
  - International: 15+ managers in non-US equity including global, international, and emerging markets
- Graystone has vetted and partnered with leading ESG data providers to deliver a customized impact reporting tool. Morgan Stanley Impact Quotient ® is designed to help EMCN understand the environmental and social impact of our investments.

# Who can I call?

Jennifer Gamberg, Missioner for Finance

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