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IMPACT

Rise of Responsible Investing Reflects Issues of the Day

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Compared to a decade ago, the environmental, social and governance (ESG) investment space appears crowded. Assets in ESG strategies have soared to nearly \$23 trillion globally, an increase of more than 600% over the past decade, and products with responsible criteria have

proliferated.¹ An increasing number of people want their investments to reflect their values.

In the 1970s, a handful of firms began offering responsible investment strategies, including divestment over apartheid. In the 1980s, many investors kicked the tobacco habit from their portfolios. The early 2000s saw accounting scandals at Enron turn a laser focus on corporate governance issues.

Today, clean energy, human rights and corporate transparency concerns are among the issues drawing strong investor interest. Looking ahead, we believe institutional demand will continue to drive ESG growth, with an extra push from millennials and women.

Throwing institutional weight behind ESG

Institutional investors and asset managers have hefty collective influence when it comes to sustainable investing. Nearly 1,300 asset managers, representing more than \$70 trillion in global assets, have signed the United Nations-sponsored Principles for Responsible Investment (PRI), committing to incorporating ESG criteria into their investment processes.² In fact, over the past decade, most of the growth in ESG assets has come from the private and public institutional sector.

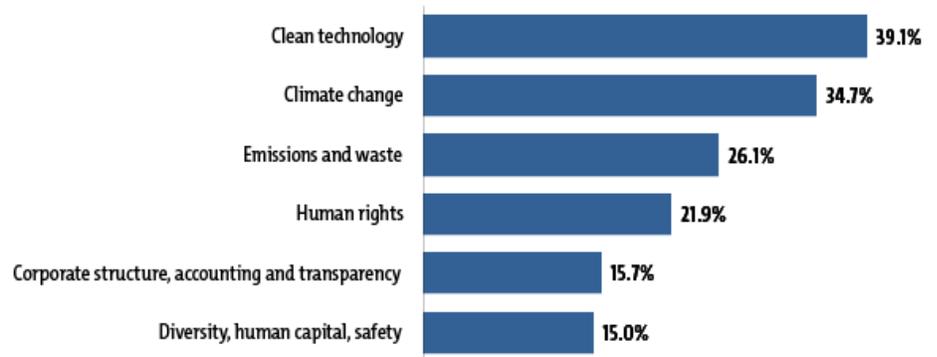
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This trend is likely to continue as more plan sponsors, foundations and public retirement systems regard responsible investing as a sound financial, risk-management strategy. In a recent survey of 582 institutional investors by State Street Global Advisors, nearly half associated integrating ESG factors into investment decisions with better long-term investment practices.³

Most common ESG criteria sought by financial advisers' clients



Source: The Rise of ESG Investing, 2017, Calvert and INResearch.

Women and millennials exert ESG clout

It bears repeating: surveys consistently show these two groups score high both in terms of their interest and actual allocations to responsible investments. Millennials and women also show a keen interest in advocacy and how asset managers vote their proxies on issues like board diversity and human rights. They wield considerable financial power. Women now control up to 60% of the wealth in the U.S.,⁴ and millennials, who stand to inherit trillions from their boomer parents, are likely to help shape the ESG market for decades to come.⁵ From this vantage point, responsible investing could still be in its infancy.

“An increasing number of people want their investments to reflect their values.”

Bottom line: More plan sponsors, foundations and endowments are recognizing responsible investing as a sound financial, risk-management strategy.

What ESG-Conscious Investors can do About Guns

This post was written by Lisa Woll on behalf of USSIF February 28th, 2018

Mass shootings in the United States are sadly becoming a seemingly regular feature of the news. The Parkland, Florida high school shooting resulting in 17 deaths is the latest. Before that horrific event, mass shootings have occurred at various locations in the country, including public and military service centers, churches and entertainment venues. The largest mass shooting in modern US history took place October 2017 in Las Vegas, Nevada, when a shooter killed 59 people and wounded almost 500 more at a country music festival. In 2012, 20 children and six adults were killed by a lone gunman who entered Sandy Hook Elementary School in Newtown, Connecticut.



A number of investment institutions, particularly state and municipal funds, curtailed their gun-related investments in the wake of the Newtown shooting. Institutional investor policies that restrict or exclude weapons-related investments applied to more than \$845 billion in assets under management as of 2016, a 1,042 percent increase from 2012.

Many investors, including individual investors, do not wish to profit or earn income from harmful products or

companies such as firearms producers, and investment restrictions help them avoid these companies. Divesting conveys an important signal to the marketplace and to these companies that a growing number of investors choose not to finance their current business model. However, individuals who invest in index funds based on certain S&P or Russell mid-cap and small cap indices may be surprised to learn that they are still invested in firearms companies.

Here are investment vehicles and approaches for both retail and institutional investors concerned about gun violence to consider.

Mutual funds and exchange-traded funds:

Chances are an investor who owns a mutual fund or ETF that tracks a small-cap equity index, owns stock in a gunmaker. Gun and ammunition maker companies are all members of the Russell 2000 and Russell 3000 indices, so investors in funds that follow either of these indices may be invested in gun stocks without realizing it. As noted in an article by the Associated Press, “many investors who never directly purchased shares of gun companies may nevertheless have them in their 401(k) accounts.”

While these weapons manufacturers are too small to make it into large-cap indices such as the S&P 500, such indices and the funds that track them may include big retailers that are important players on the guns and ammunition distribution front. Moreover, any actively managed fund that invests without regard to environmental, social and corporate-governance (ESG) issues could hold the stocks as well.

A website investors can use to check their current fund holdings for gun makers and sellers is Goodbye Gun Stocks. Investors who don’t like what they see there can contact the fund sponsors to demand gun-free options, but it may be more effective to divest and reallocate to one of the growing number of ESG focused investment options in the market.

US SIF’s member mutual funds and ETF chart has a screening/advocacy tab with a field for defense/weapons, among many other ESG criteria. The tab shows if the criterion has policies for no investment (excludes investments engaged in this activity), restricted/exclusionary investment (seeks to avoid poorer performers in this area), or no screens, among other policies. Many of the funds listed have restrictions or no investments in defense/weapons.



Approaches include:

The chart of SRI account strategies offered by US SIF members also has a screening/advocacy tab enabling viewers to check investment policies on defense/weapons companies for these investment vehicles.

Shareholder engagement:

Shareholder engagement involves the actions

sustainable investors take as asset owners to communicate their concerns to the management of portfolio companies about the companies' ESG policies and to ask management to study these issues, disclose more information about them and make improvements. Given the resources required, institutional investors rather than individual investors are generally more likely to participate in shareholder engagement.

Approaches include voting proxies, conducting letter-writing email campaigns, meeting with company executives, and filing or co-filing shareholder resolutions. These strategies can be used to support measures that are intended to reduce and/or eliminate handguns and other weapons. They can take place in coordination with other investors and non-investor organizations.

Investors affiliated with the Interfaith Center on Corporate Responsibility (ICCR) have tried from time to time, by filing shareholder resolutions, to question major retailers that sell guns in their stores about these policies. However, the Securities and Exchange Commission Staff has generally permitted retailers to exclude shareholder proposals addressing the social or environmental impacts of products sold in their stores. In the SEC's view, this question is an "ordinary business" question that is solely for management to resolve, not shareholders.

What are the Sustainable Development Goals?

This post was written by Stephanie Thomson on behalf of World Economic Forum September 16th, 2015

"I am pleased to share some good news for people and planet," UN Secretary-General Ban Ki-moon said to a packed room of press delegates. The good news? After three years of negotiations and debate, 193 countries had agreed to a set of development goals more bold and ambitious than anything that has come before them.

The 17 Sustainable Development Goals (SDGs) – part of a wider 2030 Agenda for Sustainable Development – build on the Millennium Development Goals (MDGs). These eight goals, set by the United Nations back in 2000 to eradicate poverty, hunger, illiteracy and disease, expire at the end of this year.

Figure 1: The Millennium Development Goals

Source: United Nations



The MDGs were concrete, specific and measurable, and therefore helped establish some priority areas of focus in international development. But that was also one of their biggest criticisms: by being so targeted, they had left out other, equally important, areas.

Despite the criticism, significant progress has been made over the past 15 years, especially when it comes to the goals of eradicating poverty and improving access to education. That progress, however, has been

very uneven, with improvements often concentrated in specific regions and among certain social groups. A 2015 UN assessment of the MDGs found they fell short for many people: “The assessment of progress towards the MDGs has repeatedly shown that the poorest and those disadvantaged because of gender, age, disability or ethnicity are often bypassed.”

In developing the SDGs – a multi-year process involving civil society, governments, the private sector and academia – the United Nations sought to take all these failings into account. So how, then, were these new goals reached and what do they look like?

17 goals for ‘people and planet’

In response to the accusation that the MDGs were too narrow in focus, the SDGs set out to tackle a whole range of issues, from gender inequality to climate change. The unifying thread throughout the 17 goals and their 169 targets is the commitment to ending poverty: “Eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development,” notes the agenda’s preamble.

Figure 2: The Sustainable Development Goals

Source: Jakob Trollbäck

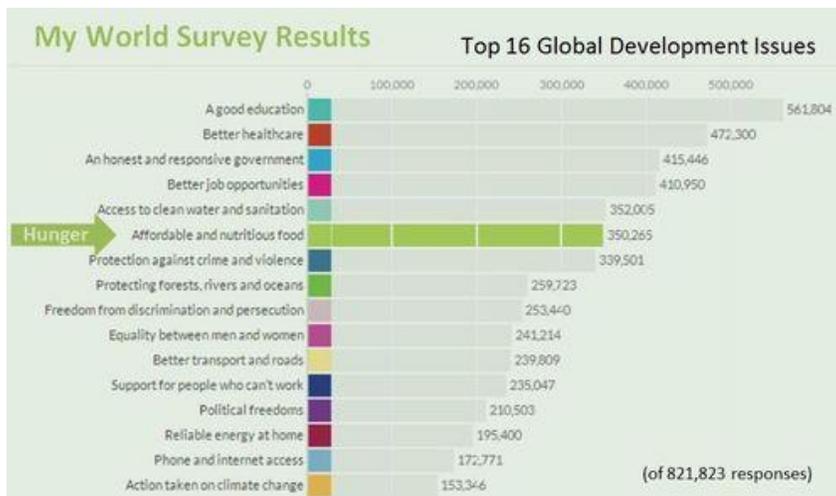


As well as being more all-encompassing than the MDGs, the consultation process was also much more inclusive – Ban Ki-moon called it the “most transparent and inclusive process in UN history”. An unprecedented effort was made to get the input of as many people as possible, particularly those who wouldn’t normally be consulted for this type of international agreement. In total, 5 million people from across 88 countries in all the world’s regions took part in the consultation, and shared their vision for the world in 2030. This is very different from the

development and implementation of the MDGs, which one expert described as “an internal UN bureaucratic creation”.

Figure 3: Extract from the My World survey results

Source: United Nations



But what really sets apart the SDGs from their predecessors is their universal nature. Recognizing that the MDGs failed certain people and countries, the 2030 agenda sets out to “reach the furthest behind first” and concludes with a pledge that “no one will be left behind”.

From words to deeds

Getting consensus on such a broad development agenda was an achievement in itself, but the real work will start in January, when it kicks in. “We have a big, bold agenda

before us. Now we must work to make it real,” said the UN secretary-general. How, exactly, does the United Nations plan to do so?

Goal 17 goes into detail about that. It allows for a range of measures, including financial support and debt relief, the transfer of technologies and scientific know-how to developing nations on favorable terms, and the establishment of an open, non-discriminatory and equitable trading system to help developing nations increase their exports.

But the most important way of achieving the SDGs was touched upon in the UN press conference: “We will need all partners to make this a success.” Multi-stakeholder partnerships, involving government, the private sector and civil society, have been described as the “glue” that will hold this process together, and will be the only way of ensuring these incredibly ambitious goals are met.

Impact in the News



-For Every \$1 the US Put into adding renewable energy last year, China put in \$3

Last year nearly half of the world’s new renewable energy investment of \$279.8 billion came from China, according to a report published April 5 by Bloomberg New Energy Finance, and the sustainable energy finance center run by the UN Environment Program and the Frankfurt School of Finance and Management. Between China, India, and Brazil, they amount for 63% of all global investment in renewable energy in 2017. More than two-thirds of China’s total investment in clean energy went into solar, adding 53GW of solar capacity, an amount capable of powering more than 38 million homes. Around 26% of China’s total electricity production came from renewables, compared to 12% figure for the world as a whole.

-Sustainable Agriculture

Continuing long-term efforts to reduce the use of harmful pesticides and specific chemicals like neonicotinoids, Trillium has partnered with The J.M. Smucker Company and Tractor Supply Company. Smucker committed to publish in the company’s corporate responsibility report its conclusion that not only does climate change present risks to agricultural production, but that such production also contributes to climate change. With this recognition,

the company will disclose the work it is doing to address the risks and impacts it faces around climate change. In November, a shareholder proposal was filed at Tractor Supply asking the company to conduct a risk assessment to determine if selling products containing the pesticide neonicotinoids (which evidence shows is harmful to pollinators) is aligned with its environmental policies and practices.

-Major UK Retailer Iceland to ban palm oil from its own brand foods by year end

The pledge to end palm oil use comes amid brewing trade tensions between the western governments mulling a palm oil ban, and Indonesia and Malaysia, where 90% of all palm oil is produced. In Indonesia alone, an estimated area of rainforest the size of 146 football fields are lost every hour as the industry races to keep up with booming global demand. As a result, the number of Bornean orangutans have more than halved between 1999 and 2015, leaving fewer than 100,000 left. Greenpeace UK said a growing number of consumer companies are working to draw a line on their involvement with deforestation by 2020, which will increase pressure through their supply chains too.

-Apple reaches 100% renewable energy goal

Within 8 years, apple went from 16% renewable energy to 100% including data centers and retail stores as CO2 emissions fell 58%. Data centers required constant, uninterrupted, redundant power and use 100% green power from three different Apple solar farms. Fort Churchill solar project in Nevada provides 20 megawatts of clean energy to Apple's Reno data center. It has convinced 23 companies in its supply chain to sign a pledge to get to 100% renewable energy for the portion of their business relating to Apple products.

-Will Bottle Deposits Help or Hinder the UK's War on Plastic?

In the past few weeks, shopper protests against single-use plastics and packaging have been breaking out across the UK, while English cities such as Manchester and Gloucester have pledged to go 'plastic free' in the coming years. The English Government (Defra) announced it would introduce a national deposit return scheme (DRS) for single-use drinks containers subject to a consultation. It's the latest in a series of policy signals targeting plastics and complements Scotland's earlier intention to roll out a DRS. Among the latest are Closed Loop Partners' Closed Loop Ocean initiative (3M, The Dow Chemical Company, Kimberly-Clark, PepsiCo and Procter & Gamble) which seeks to develop a new funding mechanism to prevent plastic from leaking into the world's oceans; NextWave — an initiative launched by Dell, Lonely Whale, GM, Trek Bicycle, Interface, Van de Sant, Humanscale, Bureau and Herman Miller to develop the first-ever commercial-scale ocean-bound plastics supply chain.

E3 = Epic Time, Talent & Treasure

Epic Capital is a mission-driven firm with a genuine passion for community, both locally and around the world, with a focus specifically on social outreach initiatives. We give our time, talent and treasure to organizations that support the working poor, homeless men women and children, or those families struggling to make ends meet. This is meaningful to us because we feel extraordinarily blessed for all of the things we have in our lives and the opportunities that we have been given to do work that we love. So we have made our passion for reaching across to lend a hand or lifting others up a part of our corporate charter. We call it *E3*.

- We give **our time** through our quarterly *Epic Outreach* program, serving where the greatest needs are through local charities serving around the Charlotte area as well as internationally around the world.
- We give **our talent** through administering financial awareness workshops for organizations and churches that minister in low income neighborhoods, in addition to our partnership with [Common Wealth Charlotte](#).
- And we give **our treasure** through our *Epic Impact Grant Program* to local community and global organizations that meet our social outreach criteria.

We believe that we are all called to serve. We also believe that the positive impact one can make by empowering the life of another can alter the direction of that individual's life forever.

We are pleased to announce that we have opened up our quarterly Epic Outreach initiatives to include volunteer participation from clients of Epic Capital. Please consider joining us during one of our upcoming volunteer efforts.

Promising Pages – Q1 2018



What a great way to start the day and start off the week, serving alongside of co-workers and clients at an amazing little non-profit in Charlotte, called [Promising Pages](#). Promising Pages inspires underserved children to achieve their dreams by instilling a love of reading. Fueled by studies showing that children who can't read proficiently by third grade are four times more likely to drop out of high school. More than 60,000 underserved kids in the Charlotte area are at risk of falling behind. Promising Pages provides innovative classroom programs and more than 100,000 free books annually, making it Charlotte's largest and most efficient distributor of upcycled books aimed at addressing this

critical – and solvable – community need. We counted, sorted, cleaned and stamped books, getting them prepped and ready. Next stop ... a child's hands. What a worthwhile endeavor. If you would like to learn more, or are interested in volunteering one day as well, please check them out online at <http://promisingpages.org> They depend on volunteers, so "book" a date!



If you would like to consider other volunteer opportunities, or to learn more about over 400 local non-profits in the Charlotte region, please visit a community partner of ours who we hold in very high regard: **Share Charlotte** <https://sharecharlotte.org/>

Rise of Responsible Investing Reflects Issues of the Day

1. Global Sustainable Investment Alliance, "2016 Global Sustainable Investment Review."
2. PRI Signatories accessible at <https://www.unpri.org/signatories>
3. Street State Global Advisors ESG Institutional Investor Survey: "Performing for the Future -- ESG's place in investment portfolios. Today and tomorrow." Accessible at <https://www.ssga.com/investment-topics/environmental-social-governance/2017/esg-institutional-investor-survey-uk.pdf>
4. Shurwest, "Financial Facts for Women's History Month." Accessible at <http://shurwest.com/2017/03/14/financial-facts-womens-history-month/>
5. U.S. News & World Report, "Will Millennials Be Ready for the Great Wealth Transfer?" July 18, 2017. Accessible at <https://money.usnews.com/investing/articles/2017-07-18/will-millennials-be-ready-for-the-great-wealth-transfer>.

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This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice.

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