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IMPACT

The Remarkable Rise of ESG

BY GEORGE KELL, FORBES JULY 11TH, 2018

Responsible investing is widely understood as the integration of environmental, social and governance (ESG) factors into investment processes and decision-making. ESG factors cover a wide spectrum of issues that traditionally are not part of financial analysis, yet may have financial relevance.

This might include how corporations respond to climate change, how good they are with water management, how effective their health and safety policies are in the protection against accidents, how they manage their supply chains, how they treat their workers and whether they have a corporate culture that builds trust and fosters innovation.

The term ESG was first coined in 2005 in a landmark study entitled "Who Cares Wins." Today, ESG investing is estimated at over $20 trillion in AUM or around a quarter of all professionally managed assets around the world, and its rapid growth builds on the Socially Responsible Investment (SRI) movement that has been around much longer. But unlike SRI, which is based on ethical and moral criteria and uses mostly negative screens, such as not investing in alcohol, tobacco or firearms, ESG investing is based on the assumption that ESG factors have financial relevance. In 2018, thousands of professionals from around the world hold the job title "ESG Analyst" and ESG investing is the subject of news articles in the financial pages of the world's leading newspapers. Many investors recognize that ESG information about corporations is vital to understand corporate purpose, strategy and management quality of companies. It is now, quite literally, big business. But what explains the remarkable rise of ESG investing and what does this mean for the future?

The story of ESG investing began in January 2004 when former UN Secretary General Kofi Annan wrote to over 50 CEOs of major financial institutions, inviting them to participate in a joint initiative under the auspices of the UN Global Compact and with the support of the International Finance Corporation (IFC) and the Swiss Government. The goal of the initiative was to find ways to integrate ESG into capital markets. A year later this initiative produced a report entitled "Who Cares Wins," with Ivo Knoepfel as the author. The report made the case that embedding environmental, social and governance factors in capital

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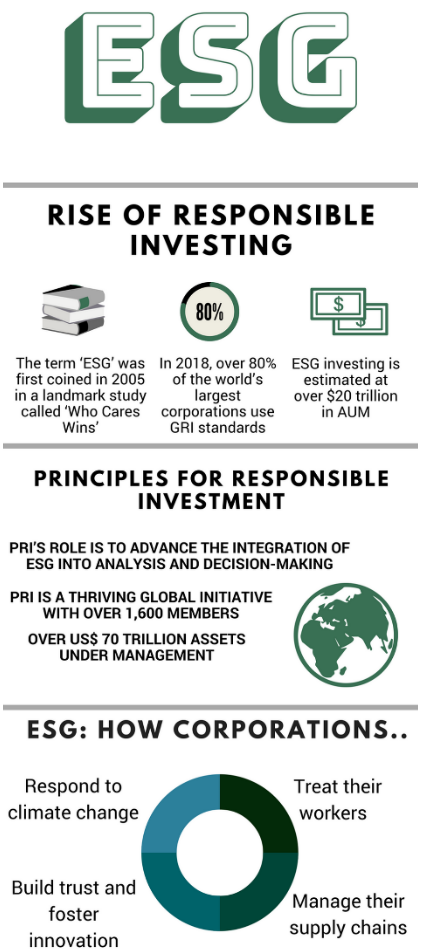
markets makes good business sense and leads to more sustainable markets and better outcomes for societies. At the same time UNEP/Fi produced the so-called "Freshfield Report" which showed that ESG issues are relevant for financial valuation. These two reports formed the backbone for the launch of the Principles for Responsible Investment (PRI) at the New York Stock Exchange in 2006 and the launch of the Sustainable Stock Exchange Initiative (SSEI) the following year.



Today, the UN-backed PRI is a thriving global initiative with over 1,600 members representing over $70 trillion assets under management. PRI's role is to advance the integration of ESG into analysis and decision-making through thought leadership and the creation of tools, guidance and engagement. The SSEI, supported by the Geneva-based UNCTAD, has grown over the years with many exchanges now mandating ESG disclosure for listed companies or providing guidance on how to report on ESG issues. However, despite its rapid growth into the mainstream, the rise of ESG investing has been neither smooth nor linear.

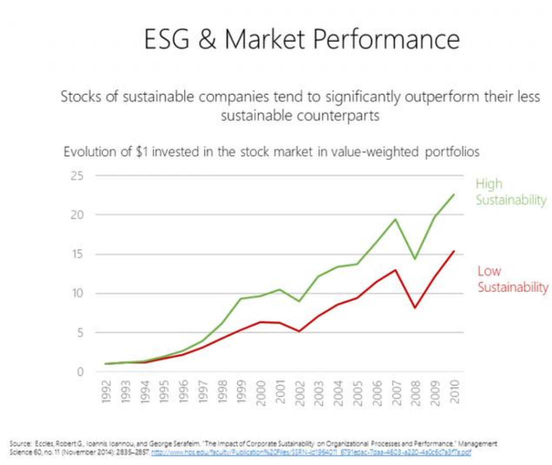
Of Work Organizations In The World

Institutional investors were initially reluctant to embrace the concept, arguing that their fiduciary duty was limited to the maximization of shareholder values irrespective of environmental or social impacts, or broader governance issues such as corruption. Incredibly, such arguments are still being made. But as evidence has grown that ESG issues have financial implications, the tide has shifted. In many important markets, including the U.S. and the EU, ESG integration is increasingly seen as part of fiduciary duty. See, for example, Al Gore's update on relevant developments.

Another major barrier has been a lack of data and the necessary tools to get a handle on the fragmented and incomplete information available. However, corporate disclosure on ESG issues has steadily improved since the launch of the Global Reporting Initiative (GRI) in 2000. Today, 80% of the world's largest corporations use GRI standards. More recently, the International Integrated Reporting Initiative (IIRC) and the US-based Sustainability Accounting Standard Board (SASB) have helped to advance industry sector-specific reporting and its relevance for investors. Overall, the market for ESG information is maturing and quality, while still imperfect, is getting better all the time. And new technology based on machine learning and big data can already unlock valuable insights and offer easy ways to apply ESG data in addition to conventional financial information.

The steady growth of ESG investing was greatly accelerated around 2013 and 2014 when the first studies were published showing that good corporate sustainability performance is associated with good financial results. Work by academics such as George Serafeim, Bob Eccles and Ioannis Ioannou shows the importance of ESG information for assessing corporate risks, strategies and operational performance.

Stocks of sustainable companies tend to significantly outperform their less sustainable counterparts
The idea that investors who integrate corporate environmental, social and governance risks can improve returns is now rapidly spreading across capital markets on all continents. In Europe, for example, a critical mass of pension funds and insurers have started to award new business exclusively to asset managers with ESG capabilities. The global investor community has developed a variety of methods for optimally integrating ESG information, such as outlined in A Practical Guide To ESG Integration for Equity Investing). Among the many



ESG factors that are viewed as having financial relevance are especially those related to climate change. The reason for this is that climate change is no longer a distant threat on the horizon, but one that is here and now, with multi-billion-dollar economic consequences. Many investor initiatives are now pushing for de-carbonization and the Task Force on Climate-related Financial Disclosures (TCFD) has given much impetus for improving risk preparedness and, by implication, de-carbonization actions.

Cynics may argue that responsible investing is just a fad. But a closer look at the forces that have driven the movement over the past 15 years suggests otherwise. Firstly, technology and the rise of transparency are here to stay. Gathering and processing data will become ever easier and cheaper. Smart algorithms will increasingly allow for better interpretation of non-traditional financial information which seems to be doubling in volume every couple of years. Secondly, environmental changes, in particular climate change, will with scientific certainty put a growing premium on good stewardship and low carbon practices as natural assets will appreciate in value over time. And thirdly, people everywhere are increasingly empowered by technology. ESG investing allows them to express their own values and to ensure that their savings and investments reflect their preferences, without compromising on returns.

The rise of ESG investing can also be understood as a proxy for how markets and societies are changing and how concepts of valuation are adapting to these changes. The big challenge for most corporations is to adapt to a new environment that favors smarter, cleaner and healthier products and services, and to leave behind the dogmas of the industrial era when pollution was free, labor was just a cost factor and scale and scope was the dominant strategy. For investors, ESG data is increasingly important to identify those companies that are well positioned for the future and to avoid those which are likely to underperform or fail. For individuals, ESG investing offers the opportunity to vote with their money. And for policy makers, it should be a welcome market-led development that ensures that the common good does not get lost in short-term profit making at any cost.

Today, ESG investing has matured to the point where it can greatly accelerate market transformation for the better. As corporations and investors experience growing influence and power, their actions and decisions increasingly shape the future. Provided that political framework conditions based on openness and global rules do not deteriorate further, market-led changes will act as a force for good on a truly massive scale.

Land O'Lakes SUSTAIN Launches New Partnership to Help Farmers Scale Sustainably

Published by Sustainable Brands November 14, 2018

The first — with **Field to Market: The Alliance for Sustainable Agriculture** — will see the availability of Field to Market's sustainability metrics within **LOLS'** new **Truterra™ Insights Engine**, starting in mid-December. **Land O'Lakes** is the first partner that will integrate fully with the latest version of **Field to Market's Fieldprint Platform**, released this month.

"We are proud to partner with **Land O'Lakes** to give farmers even greater choice in assessing the sustainability performance of their management practices and respond to growing interest across the value chain in where and how commodity crops are grown," shared Rod Snyder, president of **Field to Market**. "This collaboration integrates **Field to Market's** sustainability insights alongside the stewardship and agronomic analysis for which **Land O'Lakes WinField United** ag-retailer owners are known — helping farmers make decisions that benefit the air, soil, water and their business."

Truterra is an interactive on-farm digital platform that will help farmers advance their stewardship goals and ROI in real time, acre-by-acre — and help food companies measure sustainability progress. **Land O'Lakes** and **Field to Market** have a history of working closely together to advance on-farm sustainability. **Land O'Lakes**, a farmer-owned cooperative, is a longstanding member of the Alliance, and serves on both its Board of Directors and Standing Committees.

"The addition of **Fieldprint Platform** sustainability metrics to the **Truterra Insights Engine** is a key asset supporting the agricultural and food supply chain to utilize **Truterra** for data-driven insights," said Matt Carstens, SVP of **Land O'Lakes SUSTAIN**. "This work enhances the ability for farmers and ag retailers to bolster their stewardship reporting across many commodities, crops and commitments — and it cements the **Truterra Insights Engine** as a go-to, farm-to-fork solution for food companies who turn to the **Fieldprint Platform** to track sustainability results achieved in the field."

Available to both commodity producers and their trusted advisors across the LOLS network in mid-December, the common measurement framework offered by **Field to Market** will offer even greater depth to the **Truterra Insights Engine's** ability to assist farmers in documenting their stewardship and exploring opportunities for continuous improvement. By utilizing one of the industry's most-accepted sustainability framework, the integration of Field to Market's sustainability metrics provides commodity crop producers and the supply chain with a seamless solution for assessing sustainability performance as well as documenting and demonstrating stewardship at the field and landscape level.

With this week's announcement, the **Fieldprint® Application Programming Interface** will connect eight sustainability metrics and associated algorithms **from Field to Market's Fieldprint Platform** directly to **Truterra**, providing farmers with an enhanced tool to assess their management practices against regional, state and national benchmarks for key sustainability indicators.

LOLS has also announced a partnership with global ingredient supplier **Tate & Lyle** to advance conservation practices on Midwest farms — specifically in sourcing sustainable corn. The relationship enables **Tate & Lyle**, a significant user of US-grown corn, to enhance sustainable agriculture by helping corn farmers target and measure the impact of their environmental stewardship efforts, using the latest technology.

This collaboration also leverages the **Truterra™ Insights Engine**, which will allow **Tate & Lyle** greater visibility into its environmental footprint beyond the factory gates, enabling the company and its customers to make informed decisions about their supply chain environmental strategies.
"This collaboration bolsters **Tate & Lyle's** efforts to increase sustainability throughout the value chain, using the industry-leading **Truterra Insights Engine**," Carstens said. "Our on-farm conservation practices and technology support a two-pronged approach to sustainability — helping protect natural resources while improving farmer

livelihoods. Consumers care deeply about how their food is produced. Land O'Lakes SUSTAIN can aid in implementing specific conservation practices to achieve broader sustainability goals for food companies like **Tate & Lyle** — and help them demonstrate the results in clear terms."

"At **Tate & Lyle**, we recognize our responsibilities when it comes to environmental stewardship and, with this partnership, we are strengthening the sustainability of our agricultural supply chain," said Jim Stutelberg, President of **Primary Products**. "By utilizing the expertise and network of **Land O'Lakes SUSTAIN** and employing the **Truterra Insights Engine**, we can build on the great work farmers are already doing to care for the air, land and water, and partner and provide greater visibility to drive sustainability in our business."

Farmers are supported through the **LOLS** agricultural retailer network in the Midwest, including **Ceres Solutions**, a leading agricultural retailer in Indiana. Well-known retailers such as these are trusted advisors to farmers and are well positioned to provide insights and information to farmers to enable them to make meaningful changes to their ways of working, spreading best practice throughout the farming community.

"True sustainability starts on the farm," said Betsy Bower, agronomist at **Ceres Solutions**. "In order to deliver large-scale corporate sustainability commitments, we need to work with the farmer on every acre in a way that works for them and their business. Utilizing the **Truterra Insights Engine** through partnerships like this one make scalable impact possible. Together, we continuously adapt to improve the delicate balance between productivity, profit and preservation."

The **Truterra Insights Engine** is designed to facilitate collaboration and impact throughout the industry. The full suite of the **Truterra** offering uses technology and collaboration to advance the food and agricultural industry's ability to enable conservation at scale across a variety of crops, commodities and commitments.

World's Largest Palm Oil Traders Gives Forest Destroyers Nowhere to Hide

Published by Sustainable Brands December 11, 2018

After an intensive global campaign by Greenpeace, Wilmar International has published a detailed action plan to map and monitor its palm oil suppliers.

This week, the world's largest palm oil trader, **Wilmar International**, published a detailed action plan to map and monitor all of its suppliers. If implemented, this would put the palm oil giant — which supplies 40 percent of the world's palm oil — one step closer to finally eliminating deforestation from its supply chain, and would have major implications for the rest of the industry.

"Wilmar supplies palm oil to most of the world's major food and cosmetics brands. So, today's announcement is a potential breakthrough," said Kiki Taufik, Global Head of **Indonesian Forests Campaign** at **Greenpeace Southeast Asia**. "If Wilmar keeps its word, by the end of 2019 it will be using satellites to monitor all of its palm oil suppliers, making it almost impossible for them to get away with forest destruction. Greenpeace will be watching closely to make sure Wilmar delivers."

The move follows an intensive global campaign by **Greenpeace** that aimed to end deforestation for palm oil across the supply chain of the biggest household brands and palm oil buyers in the world. Over 1.3 million people signed a Greenpeace petition calling for an end to deforestation for palm oil.

And last month, UK grocery chain **Iceland** adapted an animated short film from **Greenpeace** on the devastating impacts of palm oil-related deforestation into its annual Christmas ad (much to the dismay of ad regulators, who banned it). **Greenpeace** says it is now pausing its campaign to give **Wilmar** space to put its new plan into action.

In December 2013, **Wilmar** became the first palm oil trader to adopt a 'no deforestation, no peat, no exploitation' policy that applied to its own plantations and those of its suppliers, and has made good on its commitment in several ways. But it appears that one of the ways Wilmar has measured its progress to date is based on the amount of its palm oil that is certified by the **RSPO** — a controversial body long criticized by industry stakeholders for needing more rigorous standards.

By the end of 2014, all major palm oil traders had followed Wilmar's lead and adopted similar forest-conservation policies — yet, deforestation continues, because traders and their customers lack the maps needed to monitor what happens on the ground.

Wilmar's new action plan is designed to address that gap: It commits **Wilmar** to map its suppliers' entire landbank by the end of 2019, including concessions from which it does not yet source, and to use high-resolution satellite monitoring to check for deforestation. Companies caught clearing rainforest are to be immediately suspended.

Wilmar's announcement puts pressure on the rest of the sector, including other major commodities traders including **Golden Agri Resources** and **Musim Mas**, that also source palm oil from forest destroyers. Household brands such as **Mondelez**, **Nestlé** and **Unilever** source from many different suppliers and have a responsibility to see equivalent commitments rolled out across the industry.

"As the world wakes up to the climate and extinction crisis, inaction is not an option. **Wilmar** has taken an important step and must now put its plan into action immediately," Taufik said. "Stopping deforestation requires industry-wide action. Other traders and brands must now follow with credible plans to map and monitor all of their suppliers. Equally important is action to end exploitation and human rights abuses in the palm oil sector."

[1]*In December 2010, members of the Consumer Goods Forum, an industry association comprising 450 of the biggest consumer-facing brands, committed to eliminate deforestation from their supply chains of agricultural commodities including cattle, palm oil, pulp and soya products by 2020.*

Five Corporate Social Responsibility Trends for Leaders to Watch in 2019

This article was written by Timothy McClimon on behalf of Forbes, January 3rd, 2019

2018 proved to be an active year in Corporate Social Responsibility with issues related to sustainability, globalization, advocacy on social issues and multiple natural disasters in the forefront. Some of these issues and trends will continue into 2019, but leaders should expect to see the following noteworthy changes:

Fewer stands, more dialogue. Faced with the prospect of a divided government in Washington, a looming presidential election in 2020 (the Iowa caucuses are just one year away), and the fact that some companies are seeking more federal oversight of their work in areas like data security, businesses will tone down their public advocacy in favor of more dialogue on the issues. Getting any new regulations, or changes in regulations, through a divided government will require bi-partisan support, so expect to see fewer companies taking stands on issues of public policy despite research that continues to show that most consumers feel that businesses should take an active role in driving social and environmental changes.

Back to school. With the workplace becoming more complex with issues such as combating sexual harassment, promising pay equity, promoting sustainability and ensuring corporate ethics taking on more importance, many corporate leaders and corporate social responsibility professionals will find themselves in training classes, peer-to-peer dialogues and formal classroom settings in order to keep abreast of changes and best practices in governance and accountability. Expect to see more formal classes in corporate social responsibility and sustainability like executive educations courses at Harvard Business School and the Wharton School of Business as well as increased offerings for emerging professionals like the Institute for Corporate Social Responsibility at Johns Hopkins University, which is co-sponsored by the Washington Regional Association of Grantmakers and the U.S. Chamber of Commerce Foundation (Full disclosure: I'm a member of the Institute's faculty).

More disaster prevention, less relief. With the growing number of natural disasters impacting many parts of the world, corporations are re-thinking their approach to disaster relief and recovery efforts. While many companies will continue to provide relief to victims of natural disasters through cash grants and product donations (American Express has been making disaster relief grants since 1872), expect to see more companies move away from a reactive approach to more of a proactive approach of helping communities be more resilient in the future. While most natural disasters cannot be prevented from occurring, the impact on people can be mitigated or even largely eliminated through better urban and rural planning, and more restrictions on building and development.

Equity joins diversity and inclusion. Companies have focused a lot of attention on diversity and inclusion efforts the past few years, but they're now faced with increasing pressure to ensure equity in the treatment of employees and customers rather than simply recognizing and celebrating their diversity. Expect to see DEI (diversity, equity and inclusion) replace D&I (diversity and inclusion) as a priority in corporate social responsibility. While issues of pay equity have dominated the headlines in 2018, there are many other aspects of marketing, philanthropy, human resources and governance that deserve special attention in the coming year.

Impact in the News

- African Leadership University secures $30 million to train Africa's future leaders
ALU offers its courses on a future income-based financing model: students repay the institution based on a percentage of their income for a fixed period of time after graduating. The $30 million will fund expansion of its leadership and technical skills training centers.

- Lyme Timber closes fifth forest conservation fund at $300 million
The fund's $300 million will be used to invest in rural, low-income communities where conservation and economic development go hand-in-hand. Investing in U.S. and Canadian forestland for over 40 years for productive but sustainable use, 95% of the 1.3 million acres invested to-date has been conserved via negotiating and selling conservation easements, which restrict development and income-generating activities in areas.

- Manitoba social impact bond will finance doulas (birth coaches) for indigenous mothers
Canadian province is targeting a $3 million raise from private investors to prepare and support at-risk indigenous mothers for birth and mothering. It would be Canada's fifth social impact bond and second focusing on mothers.

- Circularity Capital closes £60 million ($76.8 USD) fund for European circular economy ventures
Circularity Capital invests in companies like Winnow, a data firm that supports the reduction of food waste by helping chefs in the hospitality industry better manage inventory, and Grover, that reduces electronic waste by offering subscription service for consumers and large companies on laptops, phones, and cameras.

E3 = Epic Time, Talent & Treasure

Epic Capital is a mission-driven firm with a genuine heart for community, both locally and around the world. We focus specifically on social outreach initiatives. We give our time, talent and treasure to organizations that support families in need, the working poor, homeless or impoverished. This is meaningful to us because we recognize the incredible blessings in our lives and the opportunities that we have been given to do work that we love. So we have taken our personal passion for empowering others and made it 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.
- We give **our talent** through our ***Epic-EDU*** program, in addition to our partnership with CommonWealth Charlotte, administering financial workshops for organizations and churches that minister to low income families, the working poor and the previously incarcerated.

- 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 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.

Common Wealth Charlotte – Q4 2018

Common Wealth Charlotte is a local non-profit that provides financial literacy education and access to non-predatory financial services to Charlotte's low-income families. Epic Capital has been a big fan and supporter of theirs over the past several years. Mid last year we partnered with them on a volunteer basis, serving monthly at their financial workshops.

Charlotte has approximately 150,000 residents working full time and making 30 to 35 percent of the area median income (AMI). As a partner to 36 local nonprofits and workforce development agencies, CWC's goal is to assist in the achievement of financial independence through innovative financial education, asset-building strategies and access to non-predatory banking services and loans. CWC believes financial instability underpins every challenge faced by this population, including housing, transportation, education, employment security, debt management and access to healthcare. CWC's mission to establish pathways to financial stability is integral to this population's well-being, as well as to Charlotte's community-wide initiative of increasing upward mobility for its underserved residents. To learn more about the incredible work they do or to help support their efforts, please visit www.commonwealthcharlotte.org.

share CHARLOTTE

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/

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Everyone Has a Story, Let Your Legacy Tell Yours ™ **IMPACT**

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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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