Perspectives on ESG Investing

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WEBINAR - 24 January, 2019 (Noon–1 pm)

CHARLOTTESVILLE, VA | WASHINGTON, DC | SAN FRANCISCO, CA | SHANGHAI, CHINA

Perspectives on ESG Investing – Webinar Outline:

I. INTRO: WHAT IS ESG?

II. RESEARCH: ESG AND INSTITUTIONAL INVESTORS AROUND THE GLOBE?

III. CASE STUDY: JUST CAPITAL
The “Wild West” of Finance

blended finance • community investing • water investment funds
development finance • ethical investing • ESG
gender-diversity investing • green finance • impact investing
mission-related investing • purpose-drive capital
renewable energy investing • responsible investing
socially responsible investing • sustainable investing
triple bottom line • values-based investing

Sustainable Finance

RETURN
SOCIAL
- Donation of investment
- No return; investment only
- Concessionary risk-adj. returns
FINANCIAL
- Financial benchmark return

INVESTOR
Foundations /NGOs
- High-Net-Worth Impact investors
- Conventional investors

Grants
- Venture philanthropy
- Subsidized loans

VEHICLE
- Social impact PE or VC funds
- Impact bonds
- SRI mutual funds
- Double bottom line PE or VC funds

Philanthropy Impact ?
Global Sustainable, Responsible, Impact Investing

<table>
<thead>
<tr>
<th>Region</th>
<th>2014</th>
<th>2016</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>58.8%</td>
<td>52.6%</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>17.9%</td>
<td>21.6%</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>31.3%</td>
<td>37.8%</td>
<td></td>
</tr>
<tr>
<td>Australia/New Zealand</td>
<td>16.6%</td>
<td>50.6%</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>0.8%</td>
<td>0.8%</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>3.4%</td>
<td>30.2%</td>
<td></td>
</tr>
<tr>
<td>Global</td>
<td>30.2%</td>
<td>26.3%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Asia figure includes Japan in 2014, but excludes Japan in 2016. Eurosif used a narrower definition of SRI in 2016 than in 2014. See Appendix I: Methodology and Data, for details.


US Sustainable Responsible Impact Investing

- $12 trillion US-domiciled assets under management in 2018
- 26% of the $46.6 trillion total US assets under professional management
- 38% increase from 2016

Source: SIF Foundation - Report on US Sustainable, Responsible and Impact Investing Trends 2018
ESG Activity in the US

Sustainable and Responsible Investing Assets 2018

ESG Incorporation

- By Money Managers on Behalf of Individual/Retail Investors $3,032 Billion
- By Money Managers on Behalf of Institutional Investors $8,601 Billion
- Overlapping Strategies ($1,401 Billion)

Filing Shareholder Resolutions

- Institutional Investors $1,561 Billion
- Money Managers $202 Billion

Total: $11,995 Billion

Allocation of ESG Incorporation across Types of US Investors

Money Manager Assets, by Type, Incorporating ESG Criteria 2018

- Total Net Assets (in Billions)
  - Registered Investment Companies $2,608
  - Alternative Funds $889
  - Other Commingled Funds $753
  - Community Investment Institutions $165
  - Uncategorized Money Manager Assets $7,499

Institutional Investor ESG Assets, by Investor Type, 2018

- Public 54%
- Insurance Companies 37%
- Education 6%
- Labor 1%
- Foundations 1%
- Other 1%

Source: SIF Foundation - Report on US Sustainable, Responsible and Impact Investing Trends 2018
Allocation of ESG Incorporation across Types of Investment Vehicles

Money Manager Assets, by Type, Incorporating ESG Criteria 2018

Total Assets (in Billions)
- Mutual Funds $2,580
- Variable Annuities $17
- ETFs $7
- Closed-End Funds $3
- Alternatives $688
- Other Commingled Funds $753
- Community Investment Institutions $165
- Uncategorized Money Manager Assets $7,499

Source: SIF Foundation - Report on US Sustainable, Responsible and Impact Investing Trends 2018

Allocation of ESG Incorporation across Types of Investment Vehicles

ESG Incorporation by Registered Investment Companies 2010-2018

Left Axis: [Mutual Funds, Variable Annuities, Closed-End Funds, Exchange-Traded Funds]
Right Axis: Number of Funds

Total Assets (in Billions)
- 2010 $0
- 2012 $600
- 2014 $1,200
- 2016 $2,400
- 2018 $4,800

Number of Funds
- 2010 0
- 2012 200
- 2014 400
- 2016 600
- 2018 800

ESG Incorporation by Other Commingled Funds 2010-2018

Left Axis: [Other Commingled Funds]
Right Axis: Number of Funds

Total Assets (in Billions)
- 2010 $0
- 2012 $100
- 2014 $200
- 2016 $300
- 2018 $400

Number of Funds
- 2010 0
- 2012 100
- 2014 200
- 2016 300
- 2018 400

Source: SIF Foundation - Report on US Sustainable, Responsible and Impact Investing Trends 2018
Millennials (23-38 years old)

How interested are you in sustainable investing, which is the practice of making investments in companies or funds which aim to achieve market-rate financial returns while pursuing positive social and/or environmental impact?

<table>
<thead>
<tr>
<th>General Population</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015: 71% 52% 19%</td>
<td>2015: 84% 56% 28%</td>
</tr>
<tr>
<td>2017: 75% 52% 23%</td>
<td>2017: 86% 48% 38%</td>
</tr>
</tbody>
</table>


ESG - Mutual Funds

Cumulative: 235 mutual funds AUM = $100 bln

~50% of ESG funds are really practicing what they “preach”.

Source: Morningstar Direct, Data as of 12/31/2017.
ESG - Ratings

- MSCI (ESG)
- THOMSON REUTERS (ASSET 4)
- FTSE
- SUSTAINALYTICS
- DOW JONES (DJSI)
- BLOOMBERG (ESG)
- CORPORATE KNIGHTS
- ISS
- REPRISK
- ...

Source: Wall Street Journal

~30% correlation  ~90% correlation

ESG - Data

<table>
<thead>
<tr>
<th>Provider</th>
<th>Overview</th>
<th>Scale</th>
<th>Methodology</th>
<th>Usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI ESG</td>
<td>Rates 6,000 companies and 350,000 securities</td>
<td>AAA to CCC</td>
<td>37 ESG indicators</td>
<td>iShares ETFs, institutional investors</td>
</tr>
<tr>
<td>Thomson Reuters</td>
<td>Data on 6,000 companies</td>
<td>A+ to D and percentile ranks</td>
<td>400 ESG metrics</td>
<td>Thomson Reuters Eikon platform</td>
</tr>
<tr>
<td>Sustainalytics</td>
<td>Reviews 6,500 companies</td>
<td>100-point scale</td>
<td>70 ESG indicators</td>
<td>Morningstar, institutional investors</td>
</tr>
<tr>
<td>DJSI</td>
<td>Global index</td>
<td>100-point scale</td>
<td>Industry questionnaires with 80-120 questions</td>
<td>Top 10 companies in DJSI</td>
</tr>
<tr>
<td>Bloomberg</td>
<td>ESG data for 9,000 companies</td>
<td>100-point scale</td>
<td>120 ESG indicators</td>
<td>12,200 ESG customers</td>
</tr>
<tr>
<td>Corporate Knights</td>
<td>Annual index of Global 100</td>
<td>100-point scale</td>
<td>14 key performance indicators</td>
<td>press release by 40% of “Global 100” firms</td>
</tr>
<tr>
<td>ISS</td>
<td>ESG and SRI research</td>
<td>10-point Overall Quality scale and 5-point Climates score</td>
<td>Various SRI topics</td>
<td>leading proxy advisor</td>
</tr>
<tr>
<td>RepRisk</td>
<td>ESG reports for 84,000 companies</td>
<td>AAA to D</td>
<td>28 ESG indicators</td>
<td>partner with UN-PRI</td>
</tr>
</tbody>
</table>

Source: Darden case study “JUST Capital” based on Bloomberg, Corporate Knights, DowJones, ISS, MSCI, RepRisk, Sustainalytics and Thomson Reuters
ESG ETFs - Top Holdings

**ETF #1: DSI**
iShares MSCI KLD 400 Social ETF

<table>
<thead>
<tr>
<th>Top 10 Holdings</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alphabet Inc. Cl A</td>
<td>7.14%</td>
</tr>
<tr>
<td>Facebook, Inc. Cl A</td>
<td>5.94%</td>
</tr>
<tr>
<td>Verizon Communications Inc</td>
<td>2.53%</td>
</tr>
<tr>
<td>Ford &amp; Galaxy Co.</td>
<td>2.03%</td>
</tr>
<tr>
<td>Intel Corporation</td>
<td>2.02%</td>
</tr>
<tr>
<td>Cisco Systems, Inc.</td>
<td>2.00%</td>
</tr>
<tr>
<td>Nike, Inc.</td>
<td>1.84%</td>
</tr>
<tr>
<td>Coca-Cola Company</td>
<td>1.75%</td>
</tr>
<tr>
<td>PG&amp;E Corp.</td>
<td>1.59%</td>
</tr>
</tbody>
</table>

Total Top 10 Weighting: 29.02%

**ETF #2: JUST**
Goldman Sachs JUST U.S. Large Cap Equity ETF

<table>
<thead>
<tr>
<th>Top 10 Holdings</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon.com, Inc.</td>
<td>4.23%</td>
</tr>
<tr>
<td>Apple Inc.</td>
<td>4.03%</td>
</tr>
<tr>
<td>Alphabet Inc. Cl A</td>
<td>3.83%</td>
</tr>
<tr>
<td>JP Morgan Chase &amp; Co</td>
<td>3.02%</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>2.18%</td>
</tr>
<tr>
<td>Exxon Mobil Corporation</td>
<td>1.75%</td>
</tr>
<tr>
<td>Bank of America Corp</td>
<td>1.55%</td>
</tr>
<tr>
<td>Facebook, Inc. Cl A</td>
<td>1.51%</td>
</tr>
<tr>
<td>Visa Inc. Cl A</td>
<td>1.51%</td>
</tr>
</tbody>
</table>

Total Top 10 Weighting: 25.68%

**Benchmark: Russell 1000**

<table>
<thead>
<tr>
<th>Top 10 Holdings</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microsoft Corporation</td>
<td>3.47%</td>
</tr>
<tr>
<td>Amazon.com, Inc.</td>
<td>2.85%</td>
</tr>
<tr>
<td>Alphabet Inc. Cl A</td>
<td>2.63%</td>
</tr>
<tr>
<td>Bank of America Corp</td>
<td>1.68%</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>1.52%</td>
</tr>
<tr>
<td>JPMorgan Chase &amp; Co</td>
<td>1.48%</td>
</tr>
<tr>
<td>Exxon Mobil Corporation</td>
<td>1.34%</td>
</tr>
<tr>
<td>Facebook, Inc. Cl A</td>
<td>1.30%</td>
</tr>
<tr>
<td>UnitedHealth Group Incorporated</td>
<td>1.08%</td>
</tr>
</tbody>
</table>

Total Top 10 Weighting: 20.51%

Source: FactSet (1/23/2019)

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ESG ETFs - Performance

**Benchmark #1:** Russell 1,000
**Benchmark #2:** S&P 500

**ETF #1:** JUST (Goldman Sachs JUST U.S. Large Cap Equity ETF)

**ETF #2:** DSI (iShares MSCI KLD 400 Social ETF)

Source: Yahoo Finance! (1/23/2019)
ESG Funds - Risk

Alpha of SRI funds vs. matched conventional funds, 2000-2012

Source: Table 4 (B) in Nofsinger and Varma (2014)

ESG Disclosure

Mandated by SEC
- Requires companies to report “material” information annually and updated quarterly.
- If a reasonable investor knew about it, would it make a difference? If so, it's material.
- Disclosures is vague boilerplate language

Voluntary???
- 75% of the topics in SASB standards are already acknowledged in mandatory filings.
- Provides framework to determine materiality and metrics to disclose
Exchanges Requiring ESG Data Disclosure

- BOLSA MEXICANA DE VALORES
- BORSA ISTANBUL
- BURSA MALAYSIA
- DEUTSCHE BÖRSE AG
- THE JOHANNESBURG STOCK EXCHANGE
- THE LONDON STOCK EXCHANGE
- THE SÃO PAULO STOCK EXCHANGE
- THE SHANGHAI STOCK EXCHANGE
- THE SINGAPORE EXCHANGE
- STOCK EXCHANGE OF HONG KONG
- STOCK EXCHANGE OF THAILAND
- TORONTO STOCK EXCHANGE

Take-a-ways

1. It’s inclusive of many different assets, investment vehicles and investors
2. Percentage of US assets has grown but still lags regions except Asia
3. It’s a movement with momentum but is it sustainable?
4. After-fee performance over time is still a question
5. The link between outcomes and metrics is not always clear especially in public equities.
I. INTRO: WHAT IS ESG?

II. RESEARCH: ESG AND INSTITUTIONAL INVESTORS AROUND THE GLOBE?

III. CASE STUDY: JUST CAPITAL

EUROPEAN UNION – SUSTAINABLE FINANCE

Technical Expert Group on Sustainable Finance (TEG)

The Commission set up a Technical expert group on sustainable finance (TEG) to assist it in developing, in line with the Commission’s legislative proposals of May 2018:

- an EU classification system – the so-called taxonomy – to determine whether an economic activity is environmentally sustainable;
- an EU Green Bond Standard;
- benchmarks for low-carbon investment strategies; and
- guidance to improve corporate disclosure of climate-related information.

WHY GLOBAL RESEARCH?

INSTITUTIONAL INVESTORS = THE FORCE BEHIND GLOBALIZATION

Source: OECD Institutional Investors Database, SWF Institute, IMF, Preqin, BlackRock, McKinsey Global Institute
WHY LOOK AT INSTITUTIONAL INVESTORS? DIFFERENCES IN OWNERSHIP STRUCTURE

Average Share Ownership (100 largest listed companies, end-of-2017)

Source: Table 4 - OECD Equity Markets Review ASIA 2018 (based on data from FactSet Ownership)

SPECIAL ROLE OF FOREIGN INSTITUTIONAL INVESTORS (OUTSIDE THE U.S.)?

Average Share Ownership (100 largest listed companies, end-of-2017)

Source: Table 4 - OECD Equity Markets Review ASIA 2018 (based on data from FactSet Ownership)
MEASURING THE MULTI-POLAR WORLD: INSTITUTIONAL EQUITY OWNERSHIP (FACTSET)
GLOBAL RESEARCH ON “G”?

[* MY WORK WITH CO-AUTHORS*]

Globalization of a firm’s shareholder base can be a positive force on Governance (G)!

Rise of Foreign Institutional Ownership (Foreign IO) on average leads to:

- **Performance**: Increased shareholder pressure to perform (JFE, 2008)
- **M&As**: Increased likelihood of cross-border takeovers (RFS, 2010)
- **Governance**: Adoption of more shareholder-centric (US-style) practices (JFE, 2011)
- **CEO Pay**: Convergence to international/US executive compensation practices (RFS, 2013)
- **LT Investing**: Can sustain long-term investing (JFE, 2017)

THE WORLD IS MORE MULTI-POLAR! ... WILL EUROPE MATTER FOR E & S (INSTEAD OF U.S. FOR G)?

McKinsey Global Institute

Mapping global capital markets 2011

1999:

2011:
GLOBAL RESEARCH ON “E” & “S”?

[* OTHER RESEARCHERS & WORK IN PROGRESS *]
Can changes in firms’ shareholder base have impact on Environmental (E) & Social (S) performance!

-> P1: Dyck, Lins, Roth & Wagner “Do Institutional Investors Drive Corporate Social Responsibility? International Evidence” (JFE, FORTH.)

-> P2: Krüger, Sautner & Starks “The Importance of Climate Risk for Institutional Investors” (RFS, COND. ACCEPT)

-> P3: Dimson, Karakaş & Li “Coordinated Engagements”(2018, PRI AWARD)

-> work in progress

• P1: Dyck, Lins, Roth & Wagner “Do Institutional Investors Drive Corporate Social Responsibility? International Evidence” (JFE, forth.)

3,277 non-US publicly-listed firms, 41 countries, 2004-2013

E&S scores: Thompson Reuters equally-weighted vs. ASSET 4 scores (also Sustainalytics, Bloomberg)
3,277 non-US publicly-listed firms, 41 countries, 2004-2013

E&S scores: Thompson Reuters equally-weighted vs. ASSET 4 scores (also Sustainalytics, Bloomberg)

Institutional ownership (FactSet Ownership/Lionshares)

• P1: Dyck, Lins, Roth & Wagner “Do Institutional Investors Drive Corporate Social Responsibility? International Evidence” (JFE, forth.)

putting it all together ... issue: could it spurious relation between these upward trends? ... clears the academic bar of CAUSALITY! (changes on changes, IV, quasi-natural experiments)

Panel A: Constant Panel of 805 Firms 2004-2013

- Origin of foreign investors matters! -> basically, Europeans!

- UN-PRI signatory institutions

- US Investors: no impact on E performance -> fiduciary duty?
P2: Krüger, Sautner & Starks: “The Importance of Climate Risk for Institutional Investors” (RFS, conditionally accepted.)

Survey of a 439 institutional investors (global, 1/3 executive-level, 48 with >$100bn AUM)

Elicit these investors’ views and actions related to climate risks

<table>
<thead>
<tr>
<th>Position (N=428)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund/Portfolio manager</td>
<td>21%</td>
</tr>
<tr>
<td>Executive/Managing director</td>
<td>18%</td>
</tr>
<tr>
<td>Investment analyst/strategist</td>
<td>16%</td>
</tr>
<tr>
<td>CIO</td>
<td>11%</td>
</tr>
<tr>
<td>CEO</td>
<td>10%</td>
</tr>
<tr>
<td>CFO/COO/Chairman/Other executive</td>
<td>10%</td>
</tr>
<tr>
<td>ESG/RI specialist</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Institutional investor type (N=439)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset manager</td>
<td>23%</td>
</tr>
<tr>
<td>Bank</td>
<td>22%</td>
</tr>
<tr>
<td>Pension fund</td>
<td>17%</td>
</tr>
<tr>
<td>Insurance company</td>
<td>15%</td>
</tr>
<tr>
<td>Mutual fund</td>
<td>8%</td>
</tr>
<tr>
<td>Other Institution</td>
<td>15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets under management (N=430)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1bn</td>
<td>19%</td>
</tr>
<tr>
<td>Between $1bn and $20bn</td>
<td>32%</td>
</tr>
<tr>
<td>Between $20bn and $50bn</td>
<td>23%</td>
</tr>
<tr>
<td>Between $50bn and $100bn</td>
<td>16%</td>
</tr>
<tr>
<td>More than $100bn</td>
<td>11%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investor horizon (N=432)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short (less than 6 months)</td>
<td>5%</td>
</tr>
<tr>
<td>Medium (6 months to 2 years)</td>
<td>38%</td>
</tr>
<tr>
<td>Long (2 years to 5 years)</td>
<td>38%</td>
</tr>
<tr>
<td>Very long (more than 5 years)</td>
<td>18%</td>
</tr>
</tbody>
</table>

- 36% Continental Europe + 17% UK
- 32% US
- 25% Rest of World

Q1: Role of climate risks in investment decisions?

Figure 1: Institutional Investor Climate-Change Expectations

Figure 1A provides respondents’ expectations for the global temperature rise by the end of this century. We report results for the full sample and by region. Regions include North America (United States and Canada), Continental Europe, United Kingdom and Ireland, and Rest of World. We anchored expectations by referring in our question to the two degrees Celsius target of the 2016 Paris Climate Accord. Respondents were asked to state their own climate expectations, and to provide us with a confidence level for their assessment. Figure 1B provides responses on the confidence level, again reported for the full sample and by region.

40% expect a rise that exceeds the Paris target! ... interesting: both European and North American!
Q2: Climate-risk management?

- Industry has taken first steps towards managing climate risks but: two most basic approaches taken by <40%
- Divestment least frequently used approach

![Climate-risk management diagram]

Q3: Shareholder engagement related to climate risks?

- Some engagement

![Shareholder engagement diagram]

- Benefits: pooling of resources, risk sharing
- Costs: “concert party”

Main Findings:
- Success? Local lead & foreign supporting, influential (large AUM, holdings)
- Impact? Higher returns, lower vol, ...

P3: Dimson, Karakaş & Li: “Coordinated Engagements” (Working paper, PRI Award)

work in progress with Rajna Gibson, Philipp Krüger and Tom Steffen (University of Geneva)
More European signatories reporting
- European relatively more “asset owners” (pension funds, insurance, etc.) while North American: more “investment managers” ... pattern even more true if consider AUM.

- again, research focus on listed equities (“streetlight effect”)!
ESG/RI strategies in the lifetime of an investment:

Pre-Investment  
- Negative screening  
- Positive screening

Post-Investment  
- Engagement

Divestment

2. Strategy and governance
ESG incorporation strategy

**Integration**
- Qualitative
- Quantitative
- Engagement

**Thematic**

**Negative screening**
- Ethical investing
- Low-carbon strategies
- Country exclusions
- ...

**Positive screening**
- Green bonds
- Social bonds
- Impact Investing
- ...

**Thematic**

**Negative screening**
- Ethical investing
- Low-carbon strategies
- Country exclusions
- ...

**Positive screening**
- Green bonds
- Social bonds
- Impact Investing
- ...

Respondents: ~ 80% of AUM

- European/North American differences are true for: i) both for asset owners and investment managers; ii) across signatory years and iii) across $ AUM bins.
- European also deploy more number of strategies
ANY OTHER (NON-INSTITUTIONAL) PLAYERS?

Source: Table 4 - OECD Equity Markets Review ASIA 2018
(based on data from FactSet Ownership)
This study:
- International data on state control and ownership (BvD ORBIS - manual corrections!) & Environmental Engagement ASSET4 (also MSCI, Sustainalytics)
- Sample period: 2004-2014
- 45 countries

Main Findings:
- SOEs tend to have higher engagement in environmental issues (particularly after shocks: Copenhagen, Fukushima, temperatures and government changes to left)
  - We do not find such a pattern for other blockholding types
  - The role of SOEs on environmental engagement is more pronounced in
    - Countries lacking long-term capital & energy stability
    - Firms in polluting sectors & with local operations
- Policy implications: there is a role of "Leviathan Inc." in dealing with externalities in the economy!
CONCLUSIONS

• Policy-making should be evidence-based! Support academic research.

“It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts.”
The Adventures of Sherlock Holmes
“A Scandal in Bohemia”

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III. CASE STUDY: JUST CAPITAL
JUST Capital

The truth is we can’t just work for pleasure if we are going to solve major social and environmental (self) health challenges. We believe in capitalism, and we think that business can and should be a force for good.

— Maria Whelchel, CEO, JUST Capital

In December 2017, the cover of Forbes magazine announced a list of “America’s Top Corporate Citizens” (Exhibit 1). This list of companies, referred to as “The JUST 100,” was created by JUST Capital, a non-profit organization founded with the mission of building a more just marketplace. The JUST 100 was a list of public companies said to reflect the corporate attributes that Americans considered most just.

JUST Capital was founded in 2007 on a premise: if Americans know what companies best reflect their values, they will buy from, invest in, work for, and otherwise support the companies that best align with those values. JUST Capital worked to set the framework for just behavior and corporate action and business leaders that align with JUST Capital’s vision.

In 2010, JUST Capital launched a series called the America’s Most JUST Companies. This series represented a cross-section of the American people, capturing voices across generations, industries, income disparities, geographies, and more. In so doing, it created a composite view of what Americans valued companies that behaved in fair and equal treatment for all workers, created good jobs, understood the value of strong communities, and committed to a healthy planet. The JUST 100, first released by Forbes in 2010, was the list of top 100 companies that most aligned with these values.

https://justcapital.com/
The Creation of JUST Capital

Our Mission
At JUST Capital, our mission is to build a more just marketplace that better reflects the true priorities of the American people. We believe that business, and capitalism, can and must be a positive force for change. We believe that if they have the right information, people will buy from, invest in, work for, and otherwise support companies that align with their values. And we believe that business leaders are searching to win back the trust of the public in ways that go beyond money. By shifting the immense resources and ingenuity of the $15 trillion private sector onto a more balanced – and more just – course, we can help build a better future for everyone.

Our Origins
JUST Capital was co-founded in 2013 by a group of concerned people from the world of business, finance, and civil society – including Paul Tudor Jones II, Deepak Chopra, Rinaldo Brutoco, Arianna Huffington, Paul Scialla, and others. By establishing the organization as a not-for-profit 501(c)(3) registered charity, the founders ensured that JUST Capital would be exclusively geared towards achieving its mission.

Source: https://justcapital.com/about/

The JUST 100: “America’s Most JUST Companies”

How Polling Drives the Rankings
Each year, we ask Americans what matters most to them when it comes to business behavior. The results drive how we track, analyze, and rank companies. Learn more about polling.

POLL AMERICANS EVALUATE COMPANIES PUBLISH RANKINGS
The JUST 100: “America’s Most JUST Companies”

2017 Survey Results: The Drivers of “Justness”


The JUST 100: “America’s Most JUST Companies”

Driver: Workers

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight (%)</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per hour wage</td>
<td>12%</td>
<td>GlaxoSmithKline</td>
</tr>
<tr>
<td>Per furlow wage for self</td>
<td>12%</td>
<td>GlaxoSmithKline</td>
</tr>
<tr>
<td>Safe workplace</td>
<td>13%</td>
<td>T. Rowe Price</td>
</tr>
<tr>
<td>No-per discrimination</td>
<td>13%</td>
<td>Company filings</td>
</tr>
<tr>
<td>Health insurance benefits</td>
<td>13%</td>
<td>GlaxoSmithKline</td>
</tr>
<tr>
<td>No last-hiring termination</td>
<td>13%</td>
<td>T. Rowe Price</td>
</tr>
<tr>
<td>Donor matching funds vs. CEO</td>
<td>6%</td>
<td>Bloomberg</td>
</tr>
<tr>
<td>FTE positions</td>
<td>5%</td>
<td>GlaxoSmithKline</td>
</tr>
<tr>
<td>Worker grievance/union funds</td>
<td>4%</td>
<td>Good Jobs First</td>
</tr>
<tr>
<td>Retirement planning benefits</td>
<td>4%</td>
<td>Bank of America</td>
</tr>
<tr>
<td>Work-life balance</td>
<td>4%</td>
<td>T. Rowe Price</td>
</tr>
<tr>
<td>Open communication with employees</td>
<td>4%</td>
<td>Sustainability</td>
</tr>
<tr>
<td>Encourages more development</td>
<td>4%</td>
<td>T. Rowe Price</td>
</tr>
</tbody>
</table>
Example of Driver: Workers

Just Capital wants Companies to care about Workers

Desired Outcomes

• Good benefits (3 metrics, 4 data)
• Living wage (1 metric, 1 data)
• Safe workplace (4 metrics, 7 data)
• No pay discrimination (1 metric, 1 data)
• Fair wage for industry and level (3 metrics)
• Equal opportunity policies (3 metrics, 5 data)
• Promote work-life balance (2 metrics, 3 data)
• Provide career training and development opportunities (2 metrics, 3 data)
• Responsive and transparent workplace (1 metric, 2 data)

Data

• Government data
• Company filings
• Public documents
• Crowdsourcing
• Private data providers


Example of Component:

Outcome Metric Data

Work-Life Balance Flexible working Hours

Flexible Working Hours (Y/N) (Assessment of Statements)

Provides Day Care Services (Y/N) (Assessment of Statements)

Crowd sourced work-life balance

Work-Life Balance Rating (0-5) (Crowdsourced Data)

The Investment Case for the
JUST 100


Live-testing (Nov 2016+):

The Investment Case for the
JUST 100

Bloomberg: JU1CD <INDEX> Thomson Reuters: (RIC: TJFTJULCDU)

Index Description: The JUST U.S. Large Cap Diversified Index (JULCD) is designed to track the performance of U.S. large-capitalization companies that most closely align with the American public’s definition of just business behavior. It is based on the annual rankings of just business behavior produced by JUST Capital. The JULCD index includes the top 50% of Russell 1000 companies ranked by JUST Capital by industry and is constructed to match the Russell 1000’s industry weights. The index generally tracks the Russell 1000’s broad market exposure - making it suitable for a core US equity allocation - while including only the companies that rank well on the issues that matter most to the American public.

Why Invest in the JUST US Large Cap Diversified Index (JULCD)? The index reflects the values of the American public without sacrificing investment return. For example, compared with Russell 1000 companies excluded from the index, 2017-18 JULCD constituents on average:

- Include twice as many companies that pay nearly every worker a living wage
- Create U.S. jobs at a 20% greater rate
- Employ twice as many workers in the U.S.
- Produce 45% lower greenhouse gas emissions per dollar of revenue
- Paid 71% less in fines for consumer sales terms violations
- Give 2.3x more to charity
- Paid 94% less in Equal Employment Opportunity Commission Fines
- Have a 7% higher Return on Equity (ROE)
The Next Phase = ETF?

The ETF Market - A Breakdown of Total Global AUM

- Total Global ETF AUM: $4.1 trillion
- Total Global Managed AUM: $69 trillion
- Total Passive AUM: $12 trillion
- Total Active AUM: $4 trillion
- Total ETF AUM: $4.1 trillion

ETF Sponsor
JUST Capital
Market Maker
Securities Exchange
Investors
The Next Phase = ETF?

The 10 Largest Socially Responsible ETFs (by AUM) as of January 19, 2018

<table>
<thead>
<tr>
<th>Sponsor</th>
<th>Symbol</th>
<th>ETF Name</th>
<th>Total Assets ($ million)</th>
<th>SRI ETF Market Share (%)</th>
<th>Expense Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock</td>
<td>iShares</td>
<td>iShares MSCI KLD 400 Social ETF</td>
<td>$1,058</td>
<td>27.2%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Blackrock</td>
<td>SUKE</td>
<td>iShares MSCI USA ESG Select ETF</td>
<td>$679</td>
<td>17.4%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Blackrock</td>
<td>ORIN</td>
<td>iShares MSCI ACWI Low Carbon Target ETF</td>
<td>$521</td>
<td>13.4%</td>
<td>0.29%</td>
</tr>
<tr>
<td>State Street</td>
<td>SHE</td>
<td>S&amp;P 500 Gender Diversity Index ETF</td>
<td>$379</td>
<td>9.7%</td>
<td>0.29%</td>
</tr>
<tr>
<td>State Street</td>
<td>SPX</td>
<td>S&amp;P 500 Fossil Fuel Reserves Free ETF</td>
<td>$247</td>
<td>6.5%</td>
<td>0.29%</td>
</tr>
<tr>
<td>Blackrock</td>
<td>ESGU</td>
<td>iShares MSCI EM ESG Optimized ETF</td>
<td>$202</td>
<td>5.2%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Blackrock</td>
<td>FSGD</td>
<td>iShares MSCI EAFE ESG Optimized ETF</td>
<td>$142</td>
<td>3.6%</td>
<td>0.29%</td>
</tr>
<tr>
<td>Global X</td>
<td>CATH</td>
<td>Global X $M&amp;P 500 Catholic Values ETF</td>
<td>$141</td>
<td>3.6%</td>
<td>0.29%</td>
</tr>
<tr>
<td>FlexShares</td>
<td>FSGG</td>
<td>FlexShares STOXX Global ESG Impact Index Fund</td>
<td>$55</td>
<td>14%</td>
<td>0.42%</td>
</tr>
<tr>
<td>State Street</td>
<td>FFAX</td>
<td>S&amp;P 500 Fossil Fuel Reserves Free ETF</td>
<td>$53</td>
<td>14%</td>
<td>0.29%</td>
</tr>
</tbody>
</table>

JUST Capital - Epilogue

June 13, 2018:
Goldman Sachs
JUST U.S. Large Cap Equity ETF (NYSE: JUST)

$251M in AUM (most successful ESG ETF, top 10 equity ETF launch)
Poll: What is the AUM of the JUST ETF as of today (1/24/2019)?

A. < $100 million
B. $100 million - $250 million
C. $250 million - $500 million
D. $500 million - $1 billion
E. > $1 billion

JUST Capital - Epilogue

Jan 24, 2019:


JUST Capital - Epilogue

Jan 24, 2019:

**Summary Data**

<table>
<thead>
<tr>
<th>Summary Data</th>
<th>Goldman Sachs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inception Date</td>
<td>06/07/18</td>
</tr>
<tr>
<td>Assets Under Management</td>
<td>$189.01 M</td>
</tr>
<tr>
<td>Average Daily $ Volume</td>
<td>$699.47 K</td>
</tr>
<tr>
<td>TTM Distribution Yield</td>
<td>--</td>
</tr>
<tr>
<td>Next Ex-Dividend Date</td>
<td>12/24/18</td>
</tr>
</tbody>
</table>

**Index Data**

- Index Tracked: JUST U.S. Large Cap Diversified Index
- Index Weighting Methodology: Market Cap
- Index Selection Methodology: Principles-based

**Expense Ratio**

- 0.20%

**Segment Benchmark**

- MSCI USA Large Cap Index

**Top Competing ETFs**

- SHE, CATH, ACSI, MAGA, BIBL

Source: Yahoo Finance (1/23/2019)
JUST Capital - Epilogue

Jan 24, 2019:

Ownership Statistics

Top 15 Institutions / Top 5 Insiders/Stakeholders

<table>
<thead>
<tr>
<th>Rank</th>
<th>Type</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gotham Sachs &amp; Co., LLC (Private Banking)</td>
<td>22.2%</td>
</tr>
<tr>
<td>2</td>
<td>Citigroup Global Markets, Inc. (Investment Management)</td>
<td>8.8%</td>
</tr>
<tr>
<td>3</td>
<td>Lazard Investment Management, Inc.</td>
<td>1.5%</td>
</tr>
<tr>
<td>4</td>
<td>Sunwealth Financial Group LLP</td>
<td>1.4%</td>
</tr>
<tr>
<td>5</td>
<td>LPL Financial LLC</td>
<td>0.7%</td>
</tr>
<tr>
<td>6</td>
<td>Morgan Stanley Smith Barney LLC (Private Banking)</td>
<td>0.6%</td>
</tr>
<tr>
<td>7</td>
<td>Geller Advisors LLC</td>
<td>0.4%</td>
</tr>
<tr>
<td>8</td>
<td>Frontier Wealth Management LLC</td>
<td>0.4%</td>
</tr>
<tr>
<td>9</td>
<td>US Bancorp Asset Management, Inc.</td>
<td>0.4%</td>
</tr>
<tr>
<td>10</td>
<td>Citadel Advisors LLC</td>
<td>0.4%</td>
</tr>
<tr>
<td>11</td>
<td>Raymond James &amp; Associates, Inc. (Inst Mgmt)</td>
<td>0.2%</td>
</tr>
<tr>
<td>12</td>
<td>Jane Street Capital LLC</td>
<td>0.2%</td>
</tr>
<tr>
<td>13</td>
<td>Mercer Capital Advisors, Inc.</td>
<td>0.17%</td>
</tr>
<tr>
<td>14</td>
<td>Athena Capital Advisors LLC</td>
<td>0.13%</td>
</tr>
<tr>
<td>15</td>
<td>Commonwealth Equity Services, Inc.</td>
<td>0.11%</td>
</tr>
</tbody>
</table>

Jan 24, 2019:

Fund Flow (24 Jan '18 - 24 Jan '19)
In the classroom ...

GBUS 8407: IMPACT INVESTING

This course will cover the rapidly-expanding world of impact investing, focusing on the fundamentals underlying investment strategies for funds (and, to a lesser extent, companies) seeking to both create profit and generate social or environmental impact. Through a combination of in-class and project learning, students will explore what qualifies as an “impact investment,” gain exposure to the fundamentals of the impact investment process, and evaluate various financial structures that unify rather than balance impact and investing. The class will cover a wide set of investment vehicles: public equity, private debt, and private equity/venture capital, public-private partnerships, microfinance institutions.

Academic course objectives:

- Examine the growing spectrum of impact investing, across every investment and asset class, from venture capital to public equities to fixed income and REITs (below market to alpha generating).
- Examine the changes taking place as the field evolves from niche to mainstream.
- Evaluate if capital markets and investment instruments deliver both impact and generate market returns.
- Understand how institutional investors respond and/or catalyze these strategies.
- Create own impact investing instruments or financial structures in final projects.

Student Case Competitions ...

http://sustainableinvestingchallenge.org/about/

Darden Team Places Second Out of 100+ Competitors at Kellogg-Morgan Stanley Sustainable Investing Challenge

By Laura Hennessy Martens - 6 June 2018
At IBiS ...

https://www.darden.virginia.edu/ibis/
https://blogs.darden.virginia.edu/ibis/

Professor Mary Margaret Frank Leads Discussions at 2017 Pay for Success and Social Impact Finance Conference

By Tori Schucheng YangHow can Pay for Success models be used to improve project outcomes? And how can these public-private financing models help foster innovation and positively impact communities? These were some of the questions discussed by state government officials, service providers, philanthropists, impact investors and business leaders...

By Laura Hannensy Martens - 24 February 2017

At the Mayo Center ...

https://www.darden.virginia.edu/faculty-research/seminars-conferences/academic-practitioner-symposium/

ACADEMIC AND PRACTITIONER SYMPOSIUM ON MUTUAL FUNDS AND ETFS

SYMPOSIUM DATE AND LOCATION
21-22 February 2019
UVA Darden
Saunders Family Grounds
Arlington, VA

KEYNOTE SPEAKER: CFA INSTITUTE SPONSORED LUNCHEON
BILLY MCMANUS,
CHAIRMAN AND CEO,
VANGUARD

PAPERS TO BE DISCUSSED
- Coordinated Engagements, by Elroy Dimson, Ozgurhan Karakaş and Xi Li
- Do Investors Value Sustainability? A Natural Experiment Examining Rankings and Fund Flows, by Samuel M. Hartmark and Ahijalal B. Sussman
- Picking Friends Before Picking (Proxy) Fights: How Mutual Fund Voring Shapes Proxy Contests, by Alon Brav, Wei Hong and Tao Li
- The Life Cycle of Dual-Class Firms, by Martijn Cremers, Ben Lauterbach and Azote Pajuste
At the Mayo Center ...

http://www.darden.virginia.edu/mayo-center/content/videos/

Thank you!