

Building Mission-Aligned Investment Portfolios for Grantmaking Organizations

October 1, 2021



About the Speakers



John Church, CFA

Managing Director,
Endowment & Foundation Impact Portfolio Management
Glenmede

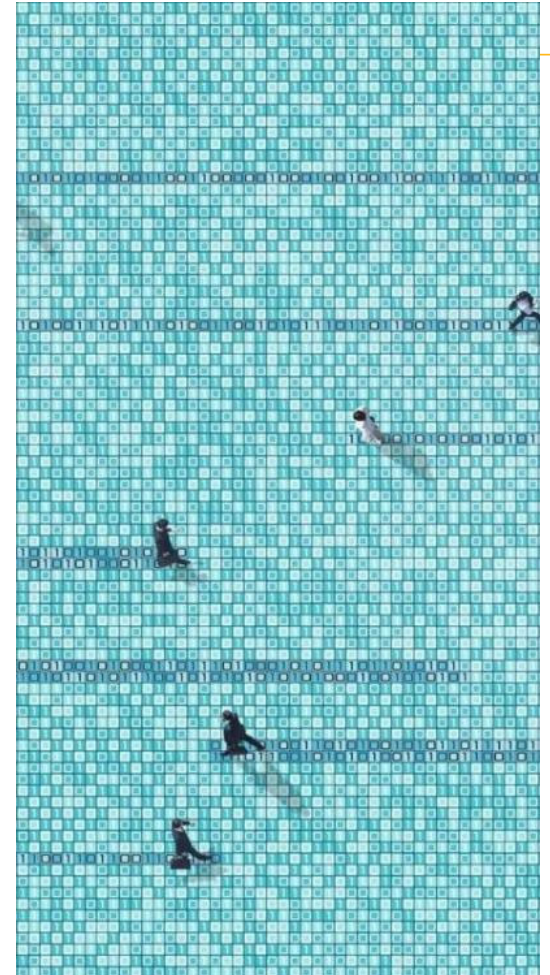
john.church@glenmede.com
glenmede.com/john-w-church-cfa



Carla Panzitta

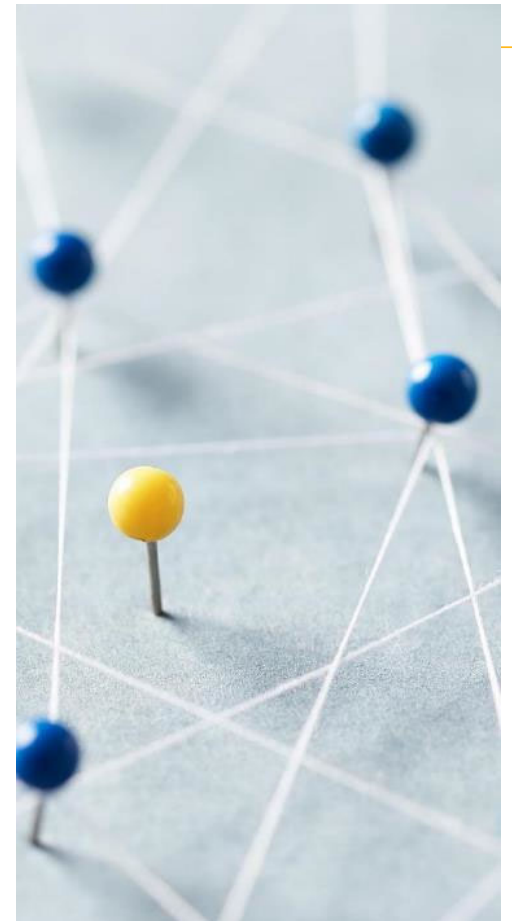
Vice President,
Business Development Director

Carla.panzitta@glenmede.com
glenmede.com/people/carla-e-panzitta



Agenda

- What is mission-aligned investing?
- Investor and industry trends
- How non-profits can align portfolios with mission
- Case study: One foundation's journey
- Questions and discussion





Polling Question #1

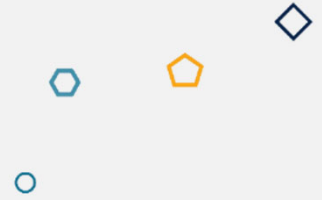
Based on what you know so far, how would you describe mission-aligned investing?

(Respond via the chat box)

What is Mission-Aligned Investing?



What is Mission-Aligned Investing?



Sustainable & Impact Investing

Sustainable Investing:

Using environmental, social, and governance information **to make better investment decisions**

Impact Investing:

Investing in order **to create an environmental or social impact**

Moving from risk mitigation to growth opportunities to measurable impact

Defining ESG



Environmental

- Climate change and carbon emissions
- Air and water pollution
- Biodiversity
- Energy efficiency
- Water scarcity



Social

- Data protection and privacy
- Gender and racial diversity
- Employee engagement
- Community relations
- Human rights



Governance

- Board composition
- Bribery and corruption
- Lobbying
- Independence of board chair and CEO
- Political contributions

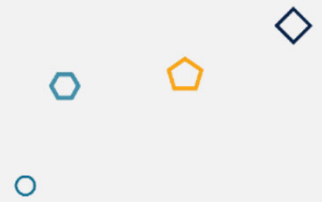


Polling Question #2

Is mission-aligned investing a focus in your non-profit's current work?

- a) Yes
- b) Not yet, but we're considering
- c) No
- d) Not sure

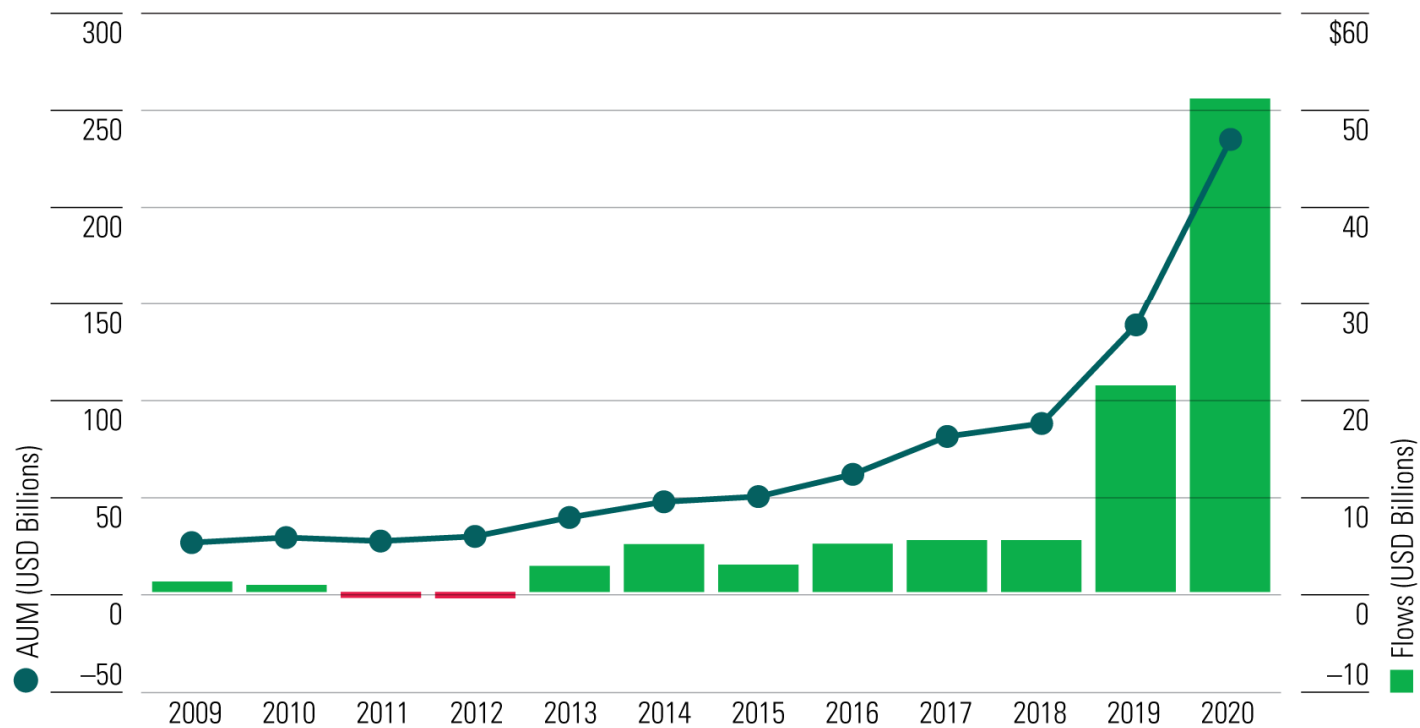
Investor and Industry Trends



Mutual Fund Trends



Sustainable Funds Annual Flows and Assets








Source: Morningstar. Data as of 12/31/2020. Includes sustainable funds as defined in Sustainable Funds U.S. Landscape Report, Feb. 2020. Includes funds that have been liquidated; does not include funds of funds.

Money Manager Trends



Top Specific ESG Criteria for Money Managers 2020

Climate Change/ Carbon	Anti-Corruption	Board Issues	Sustainable Natural Resources/ Agriculture	Executive Pay
				
\$4.18 Trillion	\$2.44 Trillion	\$2.39 Trillion	\$2.38 Trillion	\$2.22 Trillion

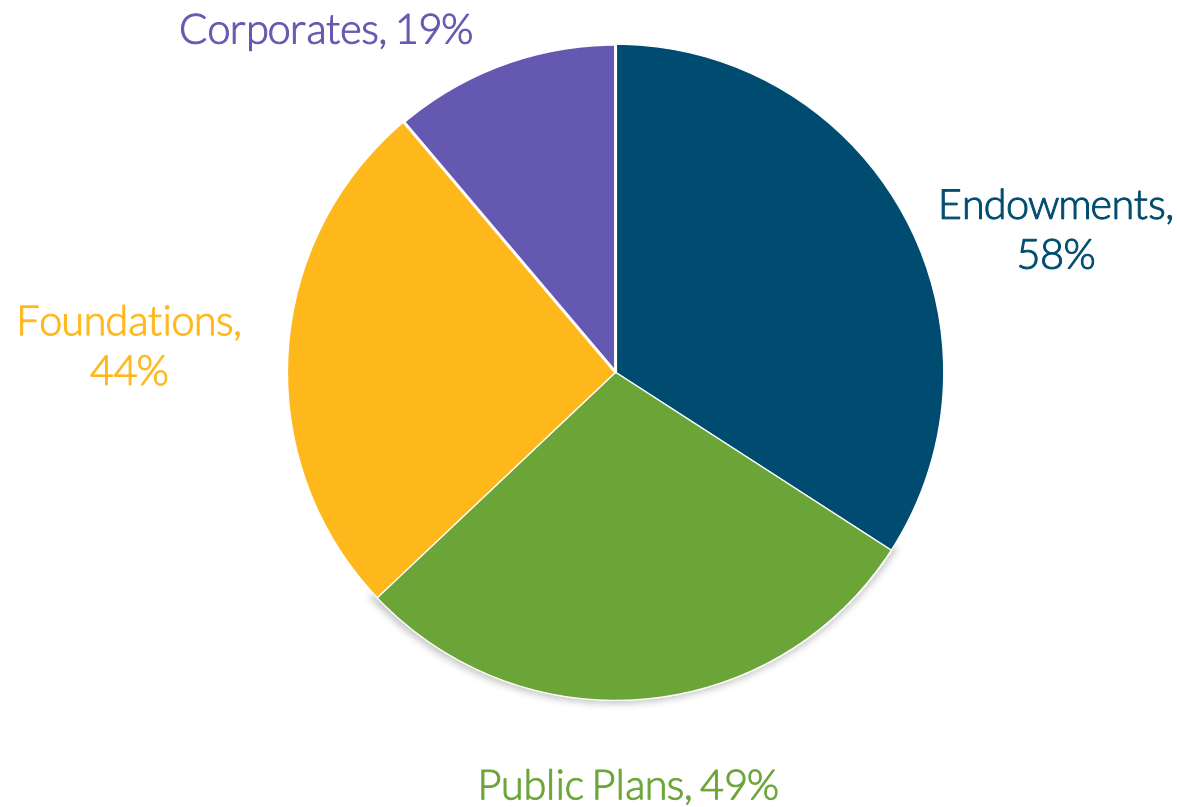
Percent Increase in Assets Affected since 2018

39%	10%	66%	81%	122%
-----	-----	-----	-----	------

Institutional Investors Are Considering ESG Factors



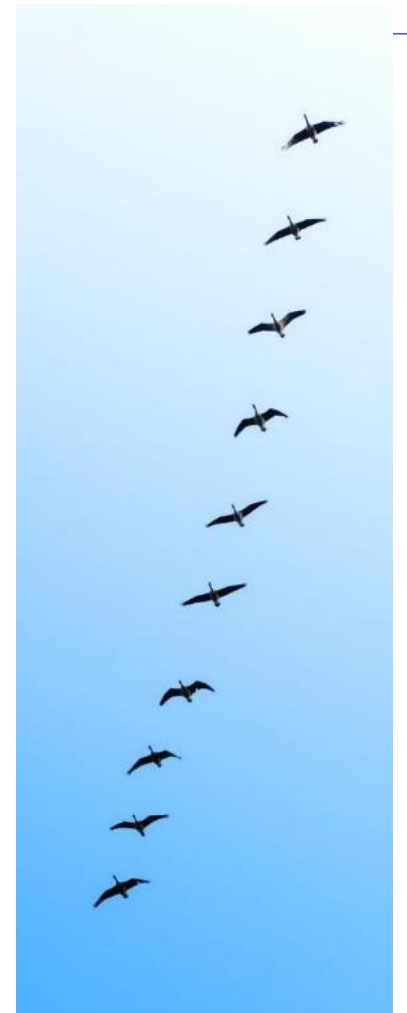
% of Institutions Incorporating ESG Factors



Individual Investor (Donor) Trends¹

- In 2020, \$4.6 trillion in ESG assets were managed for individual retail or high-net-worth clients, **up 53% since 2018** ²
- In a 2019 study, **49% of individual investors** surveyed were interested in sustainable investing, up from 23% in 2017 ³
 - Among **millennials, 70% were interested**, up from 38% in 2017 ³
 - Key areas of interest: plastic reduction, climate change, community development, circular economy, and UN SDGs ³
- In a 2019 survey of participants in **retirement contribution plans**, **61% of respondents** said including sustainable investment options would make them more likely to contribute to their plan ⁴

Data sources: ¹Global Sustainable Investment Review 2020, ²2020 US SIF Foundation Trends Report, ³2019 Morgan Stanley study, ⁴2019 survey by Natixis Global Asset Management.





Polling Question #3

Based on what you know today, what one issue might hold back your non-profit from mission-aligned investing?

- a) Negative impact on financial returns
- b) Costs
- c) Gap in knowledge base / understanding
- d) Lack of consensus among decision makers
- e) Greenwashing / it doesn't do anything
- f) Other (your response)

Challenges and Evolving Market Needs



Key Challenges

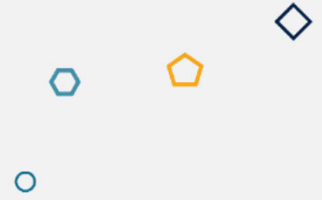
- Lack of consistent terminology & perceived greenwashing
- Continued skepticism on returns and ESG link
- Incomplete and inconsistent measurement data



Market Need

- Need for more consistent identification & evaluation of ESG approaches
- Need for clear education and further research
- Need for end-to-end provider across public and private markets

How Non-Profits Can Align Portfolios with Mission



Four Approaches to Align with Mission



Integrated

Explicitly consider **material ESG factors** in the traditional investment decision making process



Mandated

Use ESG screens to **avoid companies** with poor ESG criteria **and/or tilt toward companies** with strong ESG characteristics



Thematic

Dual goal: achieve measurable environmental or social **impact**, alongside **market-rate returns**



Concessionary High Impact

Primary goal to achieve measurable environmental or social **impact**, while **willing to sacrifice returns** to do so

Missions Vary Across Non-Profits...



Environment



Education



Gender Equity



Racial Equity



Financial Inclusion



Faith-based



Local Community
Development



Health

...Leading to Customized Investment Policies



GOVERNANCE AND FINANCIAL CONSIDERATIONS

- Mission and objectives
- Time horizon
- Annual spending needs
- Fiduciary responsibilities

MISSION ALIGNED INVESTING CONSIDERATIONS

- Exclusionary investment screens
- Positive investment screens
- Percent of portfolio allocation
- Timeframe to implement allocations, and to revisit
- Shareholder engagement
- Measurement and tracking

What Should Investors Expect to Receive?



Competitive
Financial
Returns



ESG & Impact
Measurement
and Reporting

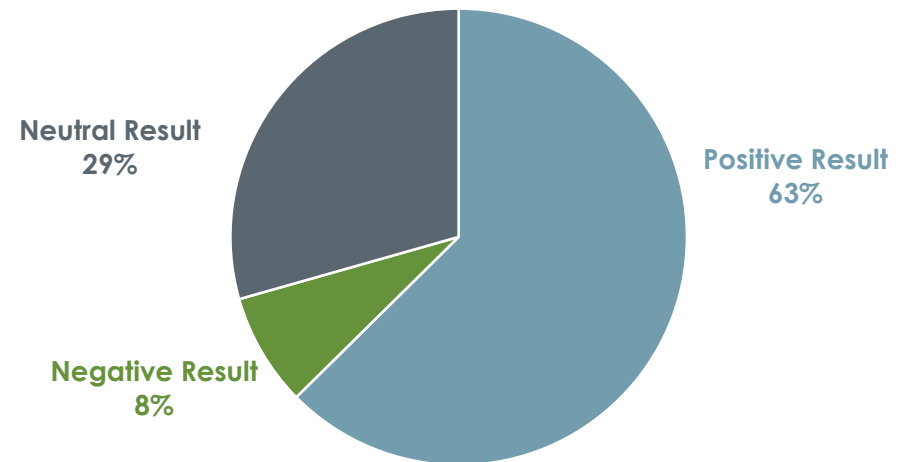


Shareholder
Engagement
Opportunities

The Link Between Mission-Aligned Portfolios and Competitive Financial Returns



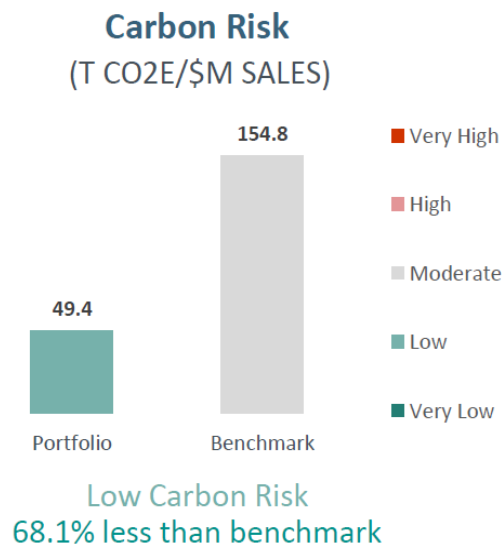
Over the vast majority of studies, incorporating ESG risks into the investment process results in neutral or positive risk-adjusted returns.



Measuring Impact and Progress



Carbon Footprint Portfolio Versus Benchmark



Gender Equity 2019 Portfolio vs. 2021 Portfolio

Issue	2019 Portfolio (%)	2021 Portfolio (%)
% of portfolio strategies incorporating gender equity	0.0%	50.0%
Companies with no female directors (%)	5.1%	0.0%
Companies with >30% female directors (%)	46.1%	60.0%
Pay equity controversies (%)	8.9%	3.2%
Governance leaders (%)	30.4%	42.6%
Lack of independent board (%)	11.2%	3.1%
Adult entertainment (%)	0.2%	0.0%
Alcohol (%)	2.6%	0.0%
Tobacco (%)	0.6%	0.0%

Shareholder Resolutions: A Referendum on Corporate Behavior



85

Companies changed
their processes

59

New diverse
directors elected

24

Commitments to
diversify candidate pool

The Demand

Required 151 companies to disclose race and gender and processes for board evaluations

The Outcome

80% of companies responded and committed to engaging on gender and racial diversity

The Significance

Reinforced the idea that investors are using shareholder engagement as a call for change

United Nations Sustainable Development Goals (SDGs)



The 17 Sustainable Development Goals were adopted by world leaders in September 2015 at a historic UN Summit and serve as a baseline by which to drive impact outcomes.



Private Investments: Higher Impact, Tangible Opportunities



Capitalizing on
growth trends,
while driving
environmental
and/or social
change



Sustainability and
Energy Access



Health and
Wellness



Education



Food and
Agriculture



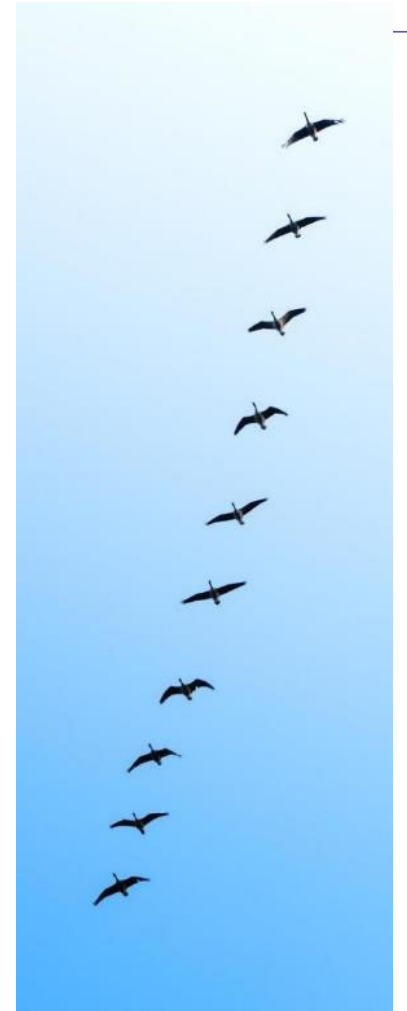
Financial
Technology
and Inclusion



Community
Development
and Housing

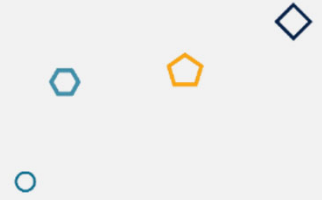
Considerations for Donors

- Donors may be intrigued by the ability to:
 - Receive a personal return / benefit
 - Recycle charitable dollars to achieve further financial return as well as a social, economic and/or environmental return
- As mission-aligned investing gains awareness, it can create a poignant fundraising tool
 - Conversely, not addressing responsible investing may lead to reduced contributions over time



Case Study

One Foundation's Journey to Align Portfolio with Mission



Foundation Mission:

- Foster programs and initiatives that lead to creative expression, social justice, and a sustainable world

Mission-Aligned Investing Strategy:

- Primary focus on climate and sustainability
- Pursue competitive, non-concessionary investment returns

Addressing the Climate Capital Gap

\$600 Billion

Capital allocated in 2019 to climate change related solutions via private markets & government funding

*>\$1 Trillion
capital gap*

\$2 Trillion

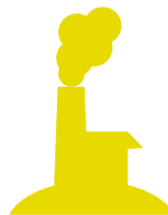
Annual capital needed through 2050 for a 1.5-2.0 degree Celsius rise in temperature

Three Investment Approaches to adapt and mitigate around Climate Change

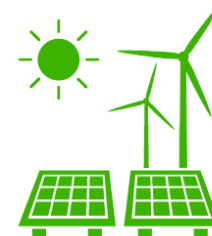
Excluding high carbon emitters



Engaging with high carbon emitters to drive change

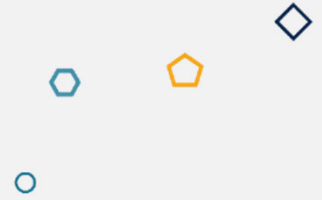


Positioning towards low-carbon leaders



Moving from “do no harm” to “resiliency” to “solution leaders”

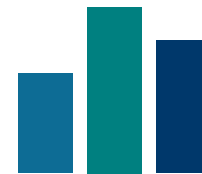
Setting the Stage: One Foundation's Journey *Building a Climate-Aware Strategy*



Clear Goals
and Strategy



Shareholder
Engagement
Opportunities



Competitive
Risk-Adjusted
Financial Returns

Impact & Investment Policy: Outlining the Foundation's Goals



FINANCIAL AND GOVERNANCE CONSIDERATIONS

- Mission and objectives
- Time horizon
- Distribution needs
- Fiduciary responsibilities

ENVIRONMENTAL / MISSION-ALIGNED INVESTING CONSIDERATIONS

- Divestment screens
- Positive / ESG investment screens
- Thematic tilts / screens
- Target commitment level
- Timeframe to implement
- Metrics to track

Portfolio Construction



Integrated

Explicitly consider material ESG factors in the traditional investment decision making process



Mandated

Use ESG screens to avoid companies with poor ESG criteria and/or tilt toward companies with strong ESG characteristics



Thematic

Dual goal: achieve measurable environmental or social impact, alongside market-rate returns



Concessionary High Impact

Primary goal to achieve measurable environmental or social impact, while willing to sacrifice returns to do so

Shareholder Engagement Opportunities



Company	Shareholder Resolution Initiative	Resolution Detail
Company A	Consumer Packaging	Sustainable Packaging Policies for Plastics
Company B	Climate Change Risks	Plastic Pellet Handling Standards
Company C	Climate Change Risks	Climate disclosures or other measures to reduce GHG emissions
Company D	Climate Change Risks	Report on Petrochemical Risks
Company E	Consumer Packaging	Report on actions to reduce PFAS (Per- and polyfluoroalkyl substances) in Food Contact Materials
Company F	Consumer Packaging	Phase Out Single Use Beverage Cups
Company G	Pesticides	Disclosure of Pesticide Use in Agricultural Supply Chains
Company H	Pesticides	Make Flexible Plastic Packaging Recyclable

Does Divestment Affect Returns?

Fossil Fuel Company and Total Market Return and Risk Analysis MSCI All Country World Index, 1973-2015

1973-2015 (Monthly Returns)

Industry Definition	# Constituents	Industry	(Sub)sector	Average Monthly Return	Median Monthly Return	Standard Deviation
All Stocks Ex-Fossil Fuel Industries	6,578			0.88%	1.14%	4.57%
All Stocks / All Industries	6,905			0.89%	1.20%	4.54%
Average / Median Annualized Return Over 43 Years (1973-2015)						
All Stocks Ex-Fossil Fuel Industries		Basic Resources	Coal (subsector)	0.82%	1.00%	5.85%
All Stocks / All Industries		Basic Materials	All (sub)sectors except for coal	11.09%	14.57%	
				11.22%	15.39%	
Health Care	402	Health Care	Unchanged	1.03%	1.09%	4.05%
Consumer Services	900	Consumer Services	Unchanged	0.84%	1.03%	4.68%
Telecommunications	153	Telecom	Unchanged	0.91%	0.83%	5.02%
Utilities	332	Utilities	All (sub)sectors	0.89%	0.92%	4.29%
		Oil & Gas	Alternative Energy			
Financials	1,731	Financials	Unchanged	0.94%	1.22%	5.58%
Technology	389	Technology	Unchanged	0.98%	1.04%	6.54%

Data Source: University of Groningen, "The Financial Impact of Divestment from Fossil Fuels", Auke Plantinga and Bert Scholtens, April 2016

Research analyzes all stocks in the MSCI All Country World Index from 1973-2015.

"Fossil Fuels" includes Oil & Gas Producers and Oil Equipment & Services from the Oil & Gas industry, and Coal Mining from the Basic Materials industry.

"All Stocks Excluding Fossil Fuel Industries" is a theoretical index and is not replicable in an investment portfolio.

Past performance is not indicative of future results. Glenmede cannot verify the accuracy or completeness of underlying data.

**Over long periods of time, market sectors
have produced very similar investment returns**

How Should We Measure Progress?

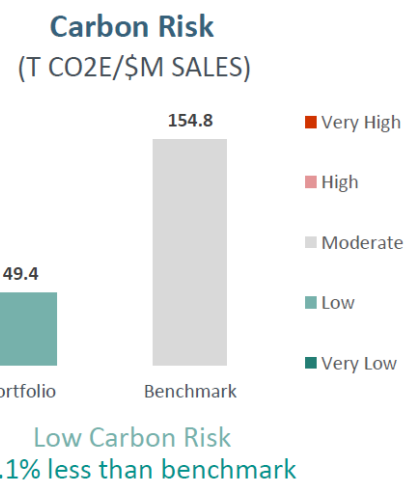
Analyze exposure to environmental risks & impacts

Establish **impact goals** (e.g. lower carbon risk over time, to a specified level)

Regularly monitor progress, at least annually, to track progress toward goals

CLIMATE CHANGE

	Portfolio	Benchmark	Active
Alternative Energy (%)	0.7%	0.2%	0.5%
Energy Efficiency (%)	6.3%	2.1%	4.2%
Green Building (%)	1.0%	0.2%	0.8%



ENVIRONMENTAL RISK

	Portfolio	Benchmark	Active
Carbon Risk (T CO2E/\$M SALES)	49	155	-68.1%
Fossil Fuel Reserves (%)	0.0%	4.2%	-4.2%
High Impact Fossil Fuel Reserves (%)	0.0%	4.1%	-4.1%
Exposure to High Water Risk (%)	4.7%	9.1%	-4.4%

Mission-Alignment is a Journey, Not a Race



One Foundation's Journey

Years 1 – 2:

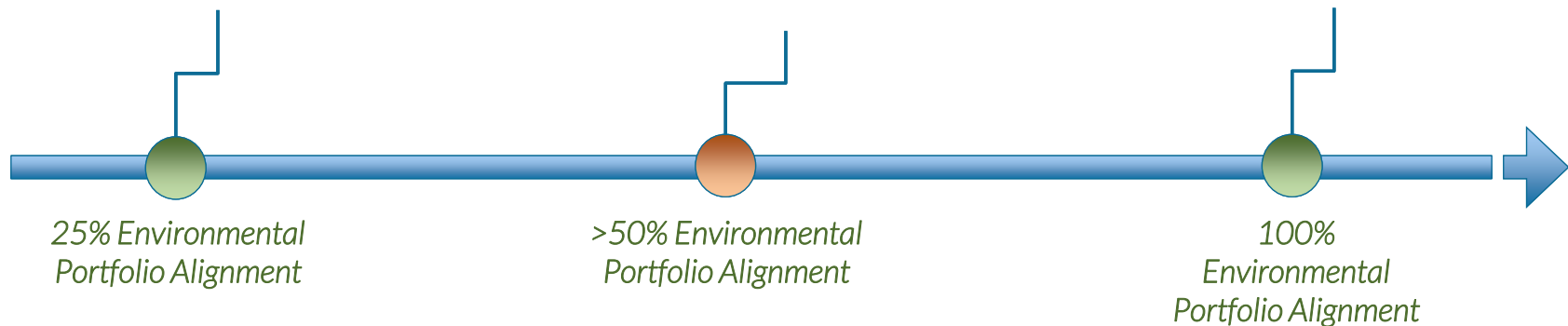
- Customize an Impact & Investment Policy Statement (IIPS)
- Invest in best-in-class environmental leaders

Years 3 – 4:

- Develop reporting and shareholder engagement tools
- Help publicize efforts and connect Non-Profit with peers

Year 5 and beyond:

- Trailing 5 year performance review
- Continue refining existing investments



Example: Steps to Starting Your Mission-Aligned Investing Journey



BUILD AWARENESS

- Educate the Board and Committees: Grantees, peer organizations, advisors
- Is this a priority for your organization and its key decision makers?

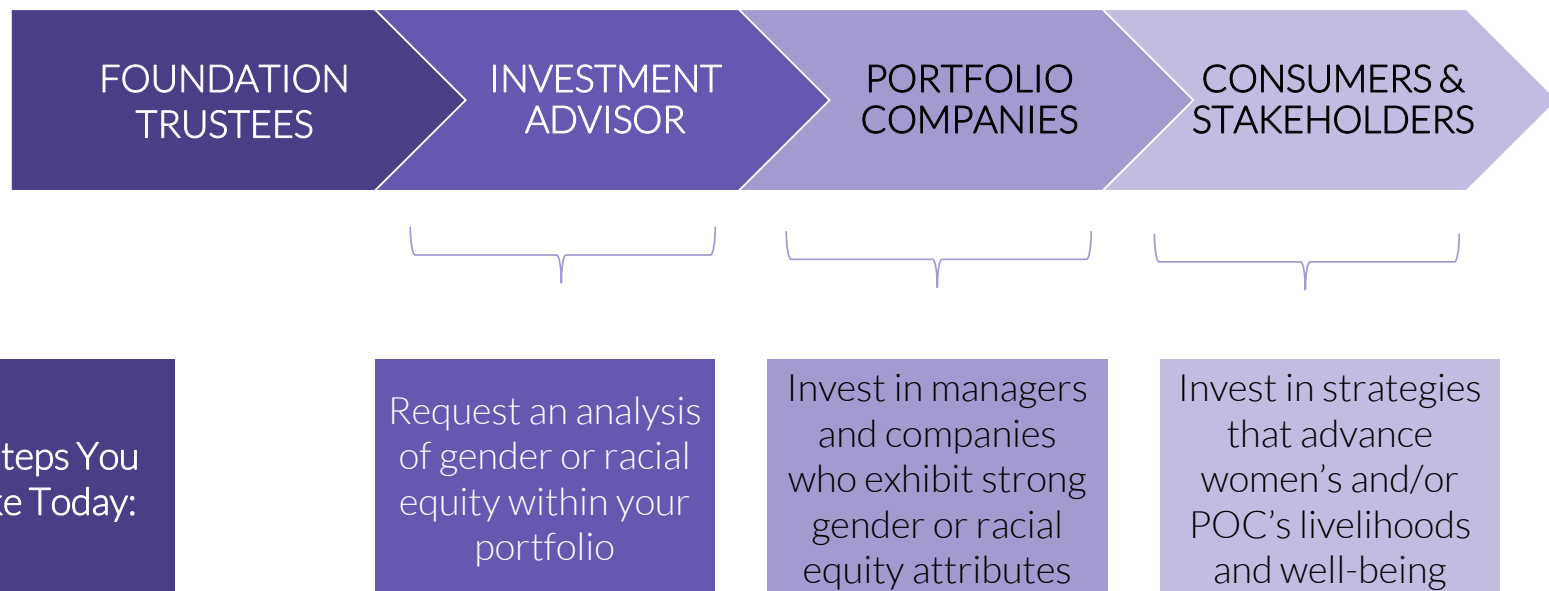
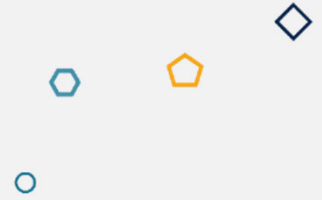
EVALUATE APPROACHES

- Divestment or tilt toward responsibility? Innovative technologies? What are impacts on potential financial returns?
- Ask your advisor(s) for guidance

SET GOALS

- Identify 3 to 5 year targets for expanding environmental reach
- Adjust your Impact & Investment Policy Statement, and set measurement goals
- Challenge your advisor(s) to offer solutions

Example: Advancing Gender and Racial Equity in an Investment Portfolio



For More Information



View the full reports at:
www.glenmede.com

Sign up for our newsletter at
www.theimpactivate.com



Our Approach

Glenmede was founded in 1954 to serve in perpetuity as trustee and investment manager for the endowments now known as the Free Charterable Trusts. In 2014 the company formally launched its Sustainable & Impact Investing group, building upon its decades' work developing tailored and measurable social and environmental portfolios. In 2017, Glenmede became a signatory to the UN's Principles for Responsible Investment. We manage \$5.1B across our Sustainable & Impact Investing platform.

We provide guided access to an open architecture platform and diverse strategies across public and private markets, all with the ability to customize portfolios for a range of client objectives. Glenmede partners with individuals, nonprofits and institutions, managing \$40B in assets for over 1,800 clients.

GLENMEDE'S LEGACY



About the Speakers



John Church, CFA

Managing Director,
Endowment & Foundation Impact Portfolio Management
Glenmede

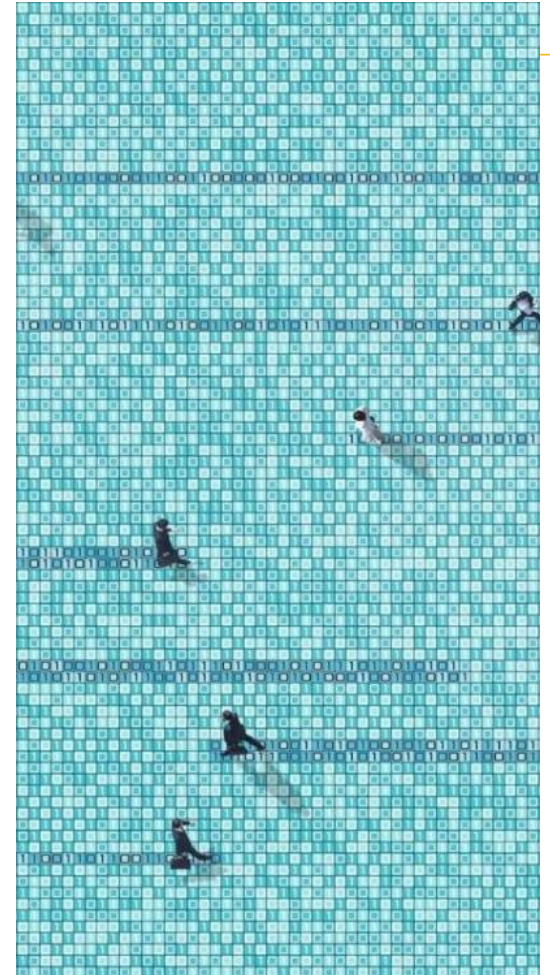
john.church@glenmede.com
glenmede.com/john-w-church-cfa



Carla Panzitta

Vice President,
Business Development Director

Carla.panzitta@glenmede.com
glenmede.com/people/carla-e-panzitta



John Church, CFA

Managing Director, Endowment and Foundation Impact Portfolio Management



John Church, CFA, is Glenmede's Director of Endowment and Foundation Impact Portfolio Management. In this role, he provides investment advice and portfolio management for endowment, foundation and not-for-profit clients, particularly those with impact-aligned mandates. He is responsible for portfolio construction, sourcing impact-aligned investment strategies and implementing new technologies and best practices to help E&F clients achieve their mission.



Prior to this role, Mr. Church served as a Portfolio Manager and provided investment advice for E&F and not-for-profit clients. Prior to that, he worked in Glenmede's Manager Research Group, performing due diligence on equity, fixed income, hedge fund and other strategies. He is a voting member of Glenmede's E&F Investment Committee. He sits on the E&F Operating Committee, and the Manager Research and Private Investment Committees.

Mr. Church received a Bachelor of Science degree, cum laude, in business from Skidmore College.

Mr. Church is a Chartered Financial Analyst® charterholder and an active member of the CFA Society of Philadelphia. He is a Trustee for the Scattergood Foundation, Trustee and Treasurer for St. Mark's Church in Philadelphia, an Investment Committee member for YMCA of Greater Brandywine, a member of the Haverford School Leadership Council, and Treasurer for the Orpheus Club of Philadelphia, the oldest men's singing group of its kind in the country. Mr. Church is a nationally recognized speaker at industry conferences and events.

(T) 215-419-6985

John.Church@Glenmede.com

Disclosures



This writing is intended to be an unconstrained review of matters of possible interest to Glenmede Trust Company clients and friends and is not intended as personalized investment advice. This document is not intended as a solicitation for the purchase or sale of any product or as an inducement to enter into a relationship with Glenmede. Alternative investments, such as private equity, are only available to investors who meet specific criteria and can bear certain specific risks, including those relating to illiquidity. Advice is provided in light of a client's applicable circumstances and may differ substantially from this presentation. Glenmede's affiliate, Glenmede Investment Management LP, may conduct certain research and offer products discussed herein. Opinions or projections herein are based on information available at the time of publication and may change thereafter. Information gathered from other sources is assumed to be reliable, but accuracy is not guaranteed. Outcomes (including performance) may differ materially from expectations herein due to various risks and uncertainties. Any reference to risk management or risk control does not imply that risk can be eliminated. All investments have risk. Clients are encouraged to discuss the applicability of any matter discussed herein with their Glenmede representative. Nothing herein is intended as legal advice or federal tax advice, and any references to taxes which may be contained in this communication are not intended to and cannot be used for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promotion, marketing or recommending to another party any transaction or matter addressed herein. You should consult your attorney regarding legal matters, as the law varies depending on facts and circumstances.

Building Mission-Aligned Investment Portfolios for Grantmaking Organizations

October 1, 2021



GLENMEDE
ENDOWMENT & FOUNDATION
MANAGEMENT