

Environmental, Social and Governance Investing by College and University Endowments in the United States:

Social Responsibility, Sustainability, and
Stakeholder Relations



July 2012

The analyses, opinions and perspectives herein are the sole responsibility of the authors. The copyright for this report is held by IRRC Institute. The material in this report may be reproduced and distributed without advance permission, but only if attributed. If reproduced substantially or entirely, it should include all copyright and trademark notices.

Acknowledgments

This study was prepared by a team of researchers from Tellus Institute led by principal investigator and lead author Joshua Humphreys. Tellus researchers Christi Electris, Catie Ferrara and Ann Solomon co-authored the study with Humphreys, and additional research assistance was provided by Bryant Mason and Jaime Silverstein. An external Expert Advisory Panel, including Dan Apfel, Peter Conti-Brown, Mark Orlowski, and Luther Ragin, provided valuable guidance that greatly enhanced this project. The IRRC Institute initiated and funded this study, and the authors gratefully acknowledge the Institute's generous support as well as the advice provided by the Institute's Executive Director Jon Lukomnik throughout the project.

Additionally, the authors would like to acknowledge the insights provided by the many endowment officers, campus administrators, students, stakeholders and experts who responded to our queries. Particular thanks go to Martin Bourqui of Responsible Endowments Coalition, Al Cantor of the New Hampshire Community Loan Fund and Alan Cantor Consulting, Evan Covington-Chavez of Self-Help, Justin Conway and Patrick Davis of Calvert Foundation, Emily Flynn of Sustainable Endowments Institute, John Griswold and William Jarvis of Commonfund Institute, Lisa Heinz of the Mennonite Education Agency, DeWitt Jones of Boston Community Capital, David Kienzler of the Conflict Risk Network, Anuradha Mittal of Oakland Institute, Oliver Platts-Mills of Investure LLC, Kevin Stephenson and other consultants at Cambridge Associates LLC, Michael Swack of the Carsey Institute at the University of New Hampshire, Michael Whelchel of Watershed Capital Group, Heidi Welsh of Sustainable Investments Institute (SI₂), and Megan Fay Zahniser at the Association for the Advancement of Sustainability in Higher Education (AASHE). Any errors or omissions remain the responsibility of the authors.

Expert Advisory Panel

Dan Apfel

Executive Director, Responsible Endowments Coalition

Peter Conti-Brown

Academic Fellow, Rock Center for Corporate Governance, Stanford University

Mark Orlowski

Executive Director, Sustainable Endowments Institute

Luther M. Ragin, Jr.

Chief Executive Officer, Global Impact Investing Network, and Adjunct Lecturer in Public Policy, Harvard Kennedy School

Tellus Institute Research Team

Joshua Humphreys, *Fellow and Principal Investigator*

Christi Electris, *Associate*

Catie Ferrara, *Analyst*

Ann Solomon, *Analyst*

Bryant Mason, *Summer Analyst*

Jaime Silverstein, *Summer Analyst*

Corresponding Author

Joshua Humphreys

Tellus Institute

11 Arlington Street

Boston, Massachusetts 02116

(617) 266-5400

e-mail: jhumphreys@tellus.org



Tellus Institute is a Boston-based interdisciplinary, non-profit think tank pursuing a “Great Transition” to a future of enriched lives, human solidarity, and environmental sustainability. Since its founding in 1976, the Institute has worked at every geographic level, bringing analytic rigor and a systemic, global perspective to a wide range of critical problems, from energy and environmental resource use to climate change, corporate responsibility and sustainable development. Among the Institute’s current research and action initiatives are major projects on global citizenship, sustainable consumption, green job creation, finance and fairness, food systems and social equity, ownership design and impact investing. For more information, visit www.tellus.org.



The Investor Responsibility Research Center Institute is a not-for-profit organization established in 2006 to provide thought leadership at the intersection of corporate responsibility and the informational needs of investors. The IRRC Institute ensures its research is available at no charge to investors, corporate officials, academics, policymakers, the media, and all interested stakeholders.

For more information, please contact:

Jon Lukomnik, Executive Director
IRRC Institute
One Exchange Plaza, 55 Broadway, 11th Floor
New York, NY 10006
(212) 344-2424
info@irrcinstitute.org
www.irrcinstitute.org

Table of Contents

Acknowledgments	i
Executive Summary	v
Introduction.....	1
A Note on Terminology.....	2
The Incorporation of ESG Criteria into Endowment Management	6
From Divestment to Labor and Human Rights Risk Management.....	11
Faith-Based Investing.....	14
Environmental Investing.....	15
Community Investing and Microfinance.....	20
Shareholder Advocacy and Active-Ownership Activities	28
Proxy Voting	29
Resolution Filing.....	31
Dialogue	33
Governance and Transparency of ESG Investing.....	35
Committees on Investor Responsibility.....	36
Student-Run Funds.....	37
Endowment Transparency	40
Conclusion	46
Bibliography.....	50

Table of Figures

Figure 1. Relative Scale and Notional Overlap of Underlying Datasets	6
Figure 2. Schools Reporting SRI/ESG Criteria to NACUBO/Commonfund	8
Figure 3. ESG Criteria Incorporated by Endowments FY2009, US SIF Foundation	10
Figure 4. ESG Criteria Incorporated by Endowments 2010 (<i>asset-weighted, in billions</i>).....	13
Figure 5. Number of Institutions Incorporating ESG Criteria 2010, NCSE	15
Figure 6. Existing Data on Environmental Investing by College Endowments.....	18
Figure 7. Existing Data Available on Community Investing by Endowments	21
Figure 8. College and University Community Investments (<i>in thousands</i>).....	23
Figure 9. Existing Data on Shareholder Advocacy by College Endowments.....	29
Figure 10. Self-Reported Proxy Voting by College Endowments.....	30
Figure 11. Shareholder Engagement Grades, College Sustainability Report Card, 2011	35
Figure 12. Identified Student-Run Funds Incorporating ESG Criteria	38
Figure 13: Self-reported Percentage of Institutions Providing Information to Different Audiences	40
Figure 14: Self-reported Percentage of Institutions Providing Investment Holdings to Different Audiences	41
Figure 15. Self-Reported Accessibility of Investment Holdings.....	42
Figure 16. Endowment Transparency Grades, College Sustainability Report Card, 2011.....	45

Executive Summary

With more than \$400 billion in combined assets under management, US college and university endowments constitute an important segment of institutional investors involved in sustainable and responsible investing – defined here as the explicit incorporation of environmental, social and corporate-governance (ESG) issues into investment decision-making and active-ownership activities. This study provides one of the most comprehensive analyses to date of the state of ESG investing by educational endowments.

In it, we aggregate multiple survey datasets that address three broad areas of ESG investing activity: 1) the incorporation of ESG criteria into endowment management; 2) shareholder advocacy and active-ownership initiatives; and 3) the governance and transparency of ESG investment decision-making.

In addition to analyzing existing survey data, the study advances a novel interpretation about the distinctiveness of endowments' involvement in ESG investing. What differentiates educational endowments from the adoption of sustainable and responsible investing strategies by other institutional investors, such as foundations, hospitals, public pensions, corporations, unions or faith-based investors, is the particular constellation of stakeholder relations within which the vast majority of ESG investment practices have been adopted by colleges and universities.

Students, alumni, donors, faculty, staff and administrators, trustees, community groups and broader civil society organizations all have competing stakes in endowment management and repeatedly exert claims on the environmental, social and governance implications of college investments. Indeed, stakeholders often drive changes to investment policies and practices around ESG issues, whether through campaigns for divestment or proactive sustainable and responsible investment or student involvement in shareholder advocacy initiatives.

In response to these dynamics in the 1960s and 1970s, endowments were among the pioneering institutional investors to adopt new policies and institutions to address social and environmental considerations in investment. Yet three decades later, endowments no longer appear to be leaders in the greatly evolved institutional ESG investment space, with very limited exceptions.

Among our chief findings that lead to this conclusion are the following trends:

- The primary forms of ESG investing activity by endowments tend to remain confined to single-issue negative screening of public-equity portfolios, related to issues such as tobacco, sin stocks, and targeted divestment from the Sudan.
- Considerable focus is put on proxy-voting recommendations even though the widely adopted “Endowment Model of Investing” has led many colleges to shift their investments away from directly held, publicly traded securities into indirect investments in commingled vehicles and more opaque, illiquid investments in alternative asset classes, where very little consideration has been made by endowments of ESG issues, despite growing opportunities to do so across asset classes. Advisory “committees on investor responsibility” developed to focus on ESG proxy voting have consequently seen their relevance diminished.
- The endowment community, on the whole, exhibits a very weak understanding of ESG investing strategies, trends, opportunities, and language. In the areas of around sustainable investing and community development finance, in particular, we found wide spread confusion about the meaning of these investments. There is not yet a standardized conceptualization among endowments of sustainable and responsible investment activities that are widely practiced by others actors in the capital markets.
- Endowments are widely absent from leading investor networks where ESG investment issues are routinely discussed – which explains, in part, the wide spread lack of understanding of common ESG investing practices.
- Misperceptions about ESG investing open immense learning opportunities for the endowment community, though a much greater openness to discussions of sustainable and responsible investing will be needed. Endowments desiring to understand the current state of ESG research and application will need to join these conversations and begin convening their own dedicated, multi-stakeholder networks.
- Small-scale experimentation is occurring at the margins in areas such as microfinance investment, student-run SRI funds, green revolving loan funds, and shareholder advocacy.
- Increasing numbers of surveys and reporting mechanisms have emerged over the last decade to obtain information about sustainable and responsible endowment management, but there remains widespread lack of independent verification of self-reported data.
- Despite the proliferation of surveys, transparency of ESG investments remains particularly poor.
- More case studies are needed of specific experiences with the incorporation of ESG issues into investment decision-making and active-ownership initiatives.

Introduction

With more than \$400 billion in combined assets under management, US college and university endowments constitute an important segment of institutional investors involved in sustainable and responsible investing – defined here as the explicit incorporation of environmental, social and corporate-governance (ESG) issues into investment decision-making and active-ownership activities. Colleges have historically played a key role in the development of new institutions that have addressed issues of ethical investment and corporate social responsibility. As early as the 1970s, some of the most well-endowed American universities, such as Harvard, Stanford and Yale, created the first multi-constituent committees on investment responsibility to advise their institutions on how best to handle social issues related to investment. Leading colleges also joined major foundations and pension-fund managers such as the Ford and Rockefeller Foundations, the Carnegie Corporation and TIAA-CREF in the founding in 1972 of the nonprofit Investor Responsibility Research Center (IRRC), which was charged with providing institutional investors objective analysis of the many social, environmental and other corporate responsibility issues raised by shareholder activists.¹ Since that time, colleges have recurrently played noteworthy roles in major divestment campaigns, such as those related to companies doing business in Apartheid-era South Africa, tobacco manufacturers, and businesses that continued to operate in the Sudan during the genocide in Darfur.

Despite this long history of endowment involvement in various forms of socially responsible investment, there have been few efforts to analyze endowment investing around ESG themes in any focused way. Although the last decade has witnessed an increasing number of efforts to survey endowments about their ESG investing policies and practices, our understanding of SRI among endowments remains strikingly fragmented. This paper therefore seeks to develop a more robust conceptualization of endowments and ESG investing.

¹ It should be noted that IRRC was a predecessor organization of the IRRC Institute, the sponsor of the current study. The IRRC's first chairman was Steven B. Farber, a special assistant to Harvard's President at the time, Derek Bok, who also played an important leadership role in IRRC's founding in 1972. IRRC was sold in 2005 to what is now MSCI. The IRRC Institute, funded with the proceeds from that sale, is an independent, not-for-profit organization dedicated to providing thought leadership around issues of corporate responsibility and the informational needs of investors. It is not related to MSCI, nor does it provide proxy advisory services.

Among institutional investors, endowments have very distinctive features that help to explain colleges' particular involvement in SRI.² Stakeholder relations loom especially large over the ESG investment activities of college endowments. Indeed, the primary driver behind SRI on college campuses – unlike many other institutional investors – has repeatedly been the demands of a sometimes bewildering array of voices, including students, faculty, alumni, donors, campus staff, labor unions, surrounding communities, and nonprofit and civil society organizations concerned about the underlying environmental, social and governance issues that endowment investments commonly affect. This study aims to provide a deeper analysis of SRI trends among endowments within this wider context of stakeholder relations, including a review and assessment of the state of existing data related to SRI as reported by the schools themselves. However, given the poor transparency and the lack of independent verification of self-reported data, quantitative measurements of endowment involvement in SRI are inadequate for analyzing how, why and to what extent endowments embrace ESG investing. The analysis therefore seeks to go beyond the content of existing data, whether in the form of aggregate measurements of endowment involvement in ESG or the individual grading and rating systems based on self-reported data that have emerged over the last several years. Existing data raise as many questions as they answer, so one of the main objectives of this study is to clarify more precisely what those questions are.

Colleges and universities played pioneering roles in responsible investing during the early and mid-1970s, but today endowments

A Note on Terminology

Throughout this paper, we use terms such as “ESG investing,” “sustainable and responsible investing,” and the acronym SRI interchangeably. It should be noted from the outset that a wide array of concepts – some complementary, others competing – are used to refer to the incorporation of environmental, social, and governance criteria or impact into investment. “Socially responsible investing,” or SRI, has been a widely used term in the investment industry over the last three decades. However, we observe that leading SRI practitioners, including many members of US SIF – The Forum for Sustainable and Responsible Investment, now use the SRI acronym to mean “Sustainable and Responsible Investment.” “Mission-related investing” is another relevant term used primarily by philanthropic foundations and other mission-driven organizations over the last decade to signify the incorporation of those ESG issues that are explicitly related to an organization’s mission. Over the last five years, the term “impact investment” has arisen to describe the proactive pursuit of positive social and environmental impact in addition to a financial return. Regardless of the term employed, we observe a fundamental difference between investments that make explicit reference to environmental, social or governance matters, in whatever form, and the predominant mode of endowment management that makes no explicit effort to take ESG considerations into account. This study focuses on the former, as it relates to college endowment management, and gives ample attention to the many differences of degree in ESG investing embraced by endowments.

² In using the term of art “endowment,” we refer specifically to the endowment assets of higher-educational institutions in this study. We acknowledge that many other nonprofit institutions not included in this study, such as philanthropic foundations, charities, museums, faith-based institutions, and other civil society organizations, not to mention secondary schools, are also supported by endowments, but our focus here is exclusively on college and university endowments.

are no longer innovators when it comes to ESG investing. As endowment allocations have increasingly shifted into alternative asset classes, governance structures for ESG investing that many schools created in the past – which have typically focused narrowly on proxy voting on ESG issues in directly held public equities – have seen their relative roles diminish in importance.³ Meanwhile, as other asset-owning and asset-managing institutions, such as public and labor pension funds, faith-based groups, philanthropic foundations, leading money managers and investment consultants have made increasingly broad commitments to incorporating sustainable and responsible investing policies and practices into their investment decision-making and active-ownership activities, college endowments – as a whole – have made fewer strides in deeply incorporating ESG factors into investment management, beyond limited, single-issue exclusions, than their other institutional investing peers. Indeed, over the last four decades, sustainable and responsible investing has grown within the US capital markets to become a \$3 trillion space, involving a diverse array of investment activities that extend well beyond single-issue divestment and active proxy voting: from the incorporation of growing numbers of ESG factors into investment analysis and portfolio construction to pro-active investing in pursuit of positive social and environmental impact, and to much more active shareholder advocacy and engagement around ESG concerns.⁴

Despite measurable increases in various kinds of SRI activities, quantifiable across multiple indicators, the endowment community exhibits a relatively weak understanding of the various forms of sustainable and responsible investing. To some extent this weakness is hardly surprising, since endowments are largely absent from wider networks in the field where the most advanced discussions of ESG investing are occurring. Not a single college endowment, for example, has become a signatory to the United Nations-backed Principles for Responsible Investment, an initiative that more than 900 global investors with more than \$30 trillion in combined assets have signed, committing themselves to the incorporation of ESG factors into investment decision-making and active-ownership activities.⁵ And while philanthropic

³ The Responsible Endowment Project at Yale University has provided a concise analysis of these changes over the last four decades and constructive proposals for modernizing Yale's Advisory Committee accordingly. Currently the ACIR, the Yale Investments Office, and the Responsible Endowment Project are in dialogue about the ACIR's reform. See the two reports, *The Responsible Endowment Project, Responsible Returns: A Modern Approach to Ethical Investing for the Yale Endowment*, July 2009; and id., *Realizing Responsibility: A Modern Responsible Investment Framework for the Yale Advisory Committee on Investor Responsibility*, December 2010, both available at <http://www.responsibleendowment.com/proposals.html>. On the broader shift in allocation by endowments into alternative asset classes, see Joshua Humphreys, et al., "Educational Endowments and the Financial Crisis: Social Costs and Systemic Risks in the Shadow Banking System," Tellus Institute, 2010, available at <http://www.tellus.org/publications/files/endowmentcrisis.pdf>.

⁴ The most recent attempt to estimate the size of the ESG investing market in the US can be found in US SIF Foundation's *2010 Report on SRI Trends in the United States* [hereinafter SRI Trends Report], available at <http://ussif.org/resources/research/> (accessed October 14, 2011). It should be noted that the paper's lead author has been actively involved in the research and surveying that underlie the SRI Trends Report since 2005, and Tellus Institute has recurrently undertaken research sponsored by US SIF Foundation since 2009.

⁵ On the Principles for Responsible Investment (PRI), see the 2011 *Annual Report of the PRI Initiative*, UNEP Finance Initiative and UN Global Compact, at http://www.unpri.org/publications/annual_report2011.pdf. The student-run Flyer Fund, housed at the University of

foundations have increasingly come together into organized networks and affinity groups, such as the More for Mission Investing campaign, to share best practices in so-called “mission-related” investing around ESG issues, college endowments have done little to foster discussions of best practices in the ESG investing arena.⁶ Similarly, although institutional interest in so-called “impact investments” – investments proactively seeking positive social and environmental impact in addition to financial returns – has rapidly expanded over the last several years, not a single college endowment has joined the Global Impact Investing Network, the leading forum for dialogue about these kinds of investments.⁷ In comparative terms, even as some universities have created new committees on investor responsibility or made minor commitments to sustainable investing, endowments on the whole look more like laggards than leaders in the institutional ESG investing space.

Assessing endowments’ involvement in ESG investing immediately raises the question of transparency. Although public and private surveying of endowments on their ESG or SRI activities has proliferated considerably over the last half decade, generating considerable data about endowments, schools themselves make very limited, if any, information about their ESG policies and practices to stakeholders or the public in transparent, easily accessible ways. Rather than exacerbate survey fatigue among endowments and generate yet another set of survey data, this study analyzes existing data within present limits of disclosure, making transparency itself a key element of our analysis. In addition to aggregating existing data, we also conducted primary research and independent verification of self-reported data among a select subset of schools.

We have reviewed recent aggregate data on endowments and SRI published by Commonfund Institute, the National Association of College and University Business Officers (NACUBO), and US SIF Foundation, each of which has regularly surveyed endowments on their involvement in SRI and ESG investing.⁸ We have also developed unique datasets using publicly available school-specific responses to survey

Dayton’s Center for Portfolio Management, is a signatory to the PRI, but the Fund’s adoption of the principles does not appear to implicate the investments of the university’s wider endowment.

⁶ On More for Mission, whose Campaign Resource Center is housed at the Initiative for Responsible Investment at Harvard Kennedy School’s Hauser Center for Nonprofit Organizations, see <http://www.moreformission.org/>. More for Mission has recently joined with the PRI Makers Network to create a new network known as Mission Investors Exchange (<http://www.missioninvestors.org>).

⁷ On the Global Impact Investing Network (GIIN), see <http://www.thegiin.org/>.

⁸ The NACUBO-Commonfund Study of Endowments (NCSE) is the most comprehensive survey on endowment management, with the largest sample size of any of the datasets we analyzed, representing \$346 billion in endowment assets among 850 schools in 2010 and \$408 billion among 823 schools in 2011. A subset of survey questions and of respondents addresses SRI and ESG issues, but school-specific information is not available. Only aggregate, not school-specific, asset data on endowments are made available by US SIF Foundation, but a list of endowments included in the US SIF Foundation’s 2010 SRI Trends Report can be found in an appendix to that report.

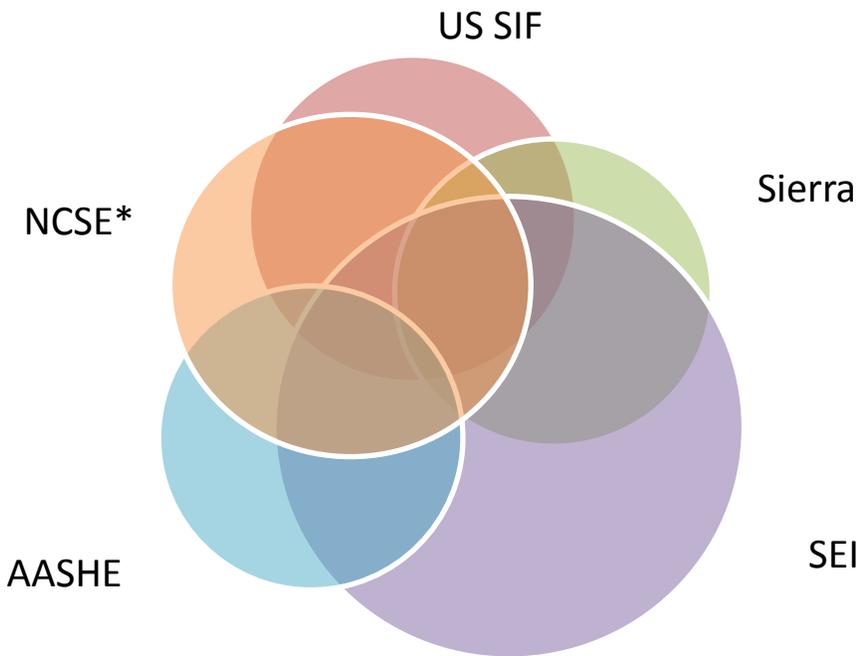
questions on sustainable investing in research published by the Sustainable Endowments Institute (SEI) for its annual *College Sustainability Report Card*, by the Association for the Advancement of Sustainability in Higher Education (AASHE) for its Sustainability Tracking, Assessment & Rating System (STARS), and by *Sierra* magazine for the Sierra Club’s annual “America’s Coolest Schools” rankings.⁹ We have adjusted these third-party data sources to isolate US-based endowments and to harmonize the names of endowments based primarily upon the standards used by NACUBO. The adjusted datasets include a total of 464 endowments, representing total assets of more than \$321 billion as of the fiscal year ending June 30, 2010: 277 endowments from the SEI *College Sustainability Report Card*, a subset that skews toward the 300 largest endowments, 118 institutions from AASHE STARS, which includes dozens of smaller endowments, and 118 institutions from *Sierra*.¹⁰ Each survey presents its own sets of survey questions related to endowments and ESG investments, each asked in different ways for different purposes, yet none focuses exclusively on SRI and endowments. We combined these third-party data with our own independently collected data based on research on more than 140 schools and interviews with college officials, investment consultants and endowment experts and stakeholders to construct a multifaceted dataset on the 464 endowments. The Venn diagram in Figure 1 provides a notional sense of the relative size of the overlapping datasets that underlie this study.

These fragmentary data are by no means comprehensive; each underlying dataset presents certain problems for analysis, highlighted throughout this study. Nevertheless, the merged dataset provides a multiplicity of data across three broad domains of ESG investing: (1) the incorporation of ESG issues into endowment management and investment decision-making and analysis, ranging from divestment activities and exclusionary social restrictions to more proactive forms of environmental investing and community development finance; (2) active ownership activities related to ESG issues, whether through proxy voting, shareholder resolution filing, or dialogue and engagement with companies directly or indirectly through investor networks; and (3) governance, disclosure and transparency of ESG investments and decision-making, including the role of special, multi-stakeholder committees on investor responsibility. Our analysis of the data proceeds along precisely these three axes.

⁹ For more on the *College Sustainability Report Card* developed by Sustainable Endowments Institute, a special project of Rockefeller Philanthropy Advisors, visit <http://greenreportcard.org/>. For more on AASHE STARS, visit <https://stars.aashe.org/>. We note that team members at Tellus Institute have actively collaborated on research with Sustainable Endowments Institute, and that the Executive Director of Sustainable Endowments Institute, Mark Orłowski, has served as an expert advisory panelist for this study.

¹⁰ We were unable to identify endowment asset values readily for 38 of the 464 schools in our dataset. These were primarily community colleges and smaller state schools and regional private colleges, where endowments are typically small.

Figure 1. Relative Scale and Notional Overlap of Underlying Datasets



NOTE: * The circle representing the NACUBO/Commonfund Study of Endowments includes only the subsample of endowments reporting ESG or social responsibility criteria.

The Incorporation of ESG Criteria into Endowment Management

The incorporation of ESG factors into investment can take a variety of forms, from restrictive policies to more positive screening or proactive investment postures, and more recently to the “integration” of ESG criteria into broadened financial analysis. Some schools have exclusionary restrictions against investing in certain kinds of companies or sectors, such as those related to tobacco manufacturers. Numerous religious schools apply faith-based exclusions, or “sin-stock screening,” to companies involved in alcohol, gambling, pornography or other industries that run counter to their faith traditions. Some investors also have created restrictive divestment policies in response to concerns

brought by stakeholders. Many schools divested selectively from Chinese companies doing business in the Sudan in order to register concerns about the genocide in Darfur. In response to labor concerns at the portfolio companies owned by the widely used private-equity firm HEI Hotels and Resorts, several prominent endowments including Brown University, the University of Pennsylvania, and Yale University, have recently agreed not to reinvest in HEI funds, though they do not appear to have redeemed their existing investments or sold their existing holdings in the private-equity secondary markets. Whether restrictive policies apply to the whole portfolio, only to directly held securities, or to certain asset classes or investment vehicles can differ widely from school to school.

Although many endowment officers still associate SRI exclusively with “negative screening” of public equities, ESG criteria incorporation can also be a more proactive exercise applied across asset classes. Rather than merely restrict investments because of ESG concerns, sustainable and responsible investors often also actively filter portfolios for positive ESG attributes. Investing in clean technology funds or “eco-efficient” companies (whether in public or private equity), supporting certified sustainable timberland in real assets, and making responsible community investments – generally in fixed income and cash allocations – are common examples of more proactive forms of ESG incorporation we observe among endowments. Increasing numbers of investors in general are using the language of “impact investing” to describe proactive investments that generate social and environmental benefits in addition to financial returns, but we have been unable to identify any college endowment actively and materially involved in the impact-investing space.

ESG criteria can also be used in a variety of other analytical ways: to benchmark portfolios, to manage numerous forms of risk, or to identify “best-in-class” investments in any particular sector. Although few endowments appear to be integrating ESG factors in order to deepen their financial analysis in these ways, it is important to note that ESG criteria incorporation by investment managers today involves far more than simply avoiding or excluding certain kinds of investments based on ESG concerns.¹¹

¹¹ US SIF Foundation’s 2010 SRI Trends Report provides a concise overview of leading trends in ESG incorporation. For recent discussions of competing approaches to ESG incorporation, SRI, and impact investing, see Tessa Hebb, ed., *The Next Generation of Responsible Investing* (New York: Springer, 2012); Meg Voorhes and Joshua Humphreys, “Recent Trends in Sustainable and Responsible Investing in the United States,” *Journal of Investing* (2011): 90-94; Céline Louche and Steve Lydenberg, *Dilemmas in Responsible Investment* (Sheffield, UK: Greenleaf Publishing, 2011); Antony Bugg-Levine and Jed Emerson, *Impact Investing: Transforming How We Make Money While Making a Difference* (San Francisco: Jossey-Bass, 2011); Mark O’Donohoe, Antony Bugg-Levine, and Margot Brandenburg, “Impact Investments: An Emerging Asset Class,” J. P. Morgan, Global Research, November 2010, available at http://www.jpmorgan.com/cm/BlobServer/impact_investments_nov2010.pdf (accessed March 15, 2012); Jessica Freireich and Katherine Fulton, “Investing for Social and Environmental Impact,” Monitor Institute, January 2009, available at

Measuring the precise involvement of college endowments in ESG incorporation is difficult, especially over time. In the 2011 NACUBO-Commonfund Study of Endowments (NCSE), 148 of the 823 participating endowments (18 percent) reported applying some form of ESG criteria to portfolio holdings, a decline from the 19 percent (N=161) that reported “having some form of social investing policy” in 2010 and the 178 (21 percent) that reported in 2009. Before 2009 NACUBO and Commonfund Institute each ran its own survey of endowments, with notably smaller sample sizes, making further comparisons over time challenging. In the most recent NCSE, the SRI-related questions were also substantially revised to focus on “E/S/G” criteria. In previous editions, as seen in Figure 5 below, much more narrowly specified social issues were tracked, making it difficult to assess any significant changes from year to year.

Figure 2. Schools Reporting SRI/ESG Criteria to NACUBO/Commonfund

Report Year	Total Survey Participants	SRI/ESG Criteria	% of Respondents
2011	823	148	18%
2010	850	161	19%
2009	842	178	21%

SOURCE: NCSE 2009, 2010, 2011

Thirty-one institutions in the 2011 NCSE reported applying “negative screens” to an average of 58.3 percent of the portfolio, while eight reported using “sustainability investing” and just two reported “impact investing.” According to the 2010 NCSE, 45 percent of these endowments involved in SRI reported that they “screen all of their portfolios,” while 44 percent screen only some unspecified portion of their portfolio, highlighting the challenge of measuring the asset-weighted effects of ESG factor incorporation.¹² From 2009 to 2010, NCSE identified a decline in the number of endowments that reported having a social investing policy as well as a decline in the percentage of schools reporting that they screen their entire portfolio – from 55 percent to 45 percent. The study’s authors attributed this decline to the difficulty of screening a diversified portfolio with significant allocations “to less-transparent alternative strategies.”¹³ The NCSE data also provide no asset-weighting of the application of ESG criteria in disaggregated form.

http://www.monitorinstitute.com/impactinvesting/documents/InvestingforSocialandEnvlmpact_FullReport_004.pdf (accessed March 3, 2012); Valerie LaVoie and David Wood, *Handbook on Climate-Related Investing across Asset Classes* (Institute for Responsible Investment, Boston College, 2009); Cary Krosinsky and Nick Robins, eds., *Sustainable Investing: The Art of Long-Term Performance* (London: Earthscan, 2008); and David Wood and Belinda Hoff, *Handbook on Responsible Investment across Asset Classes* (Institute for Responsible Investment, Boston College, 2007).

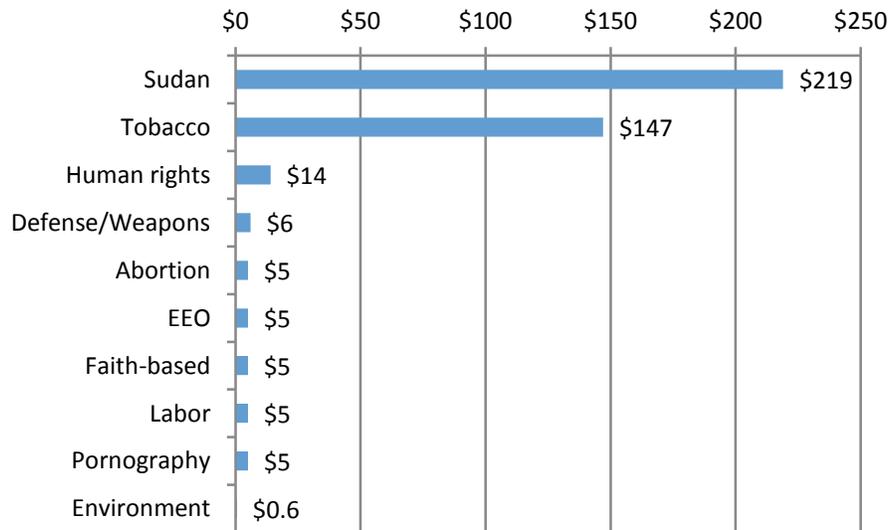
¹² The remaining 11 percent reported being unsure whether the policies applied across the whole portfolio or only to a portion thereof.

¹³ 2010 NCSE, p. 24.

Using a different, though partially overlapping, sample of endowments, US SIF Foundation has estimated that \$242 billion in endowment assets are subject to at least one ESG criterion, as of 2010, but the number of endowments included in this asset-weighted figure is not published, making the degree of discrepancy between NCSE's subsample and the aggregate estimates published by US SIF difficult to assess. US SIF Foundation's asset-weighted data have tracked considerable growth in ESG incorporation by college endowments, with a more than seven-fold increase over the estimated \$32.8 billion in endowment assets estimated to be subject to ESG policies in 2005.¹⁴ Most of those assets were subject to tobacco restrictions (\$147 billion) or Sudan divestment policies (\$219 billion). By US SIF Foundation's estimates, this would make college endowments the second largest pool of institutional capital subject to some form of sustainable or responsible investment policy, following only public pooled funds such as state and local pension plans. Sudan divestment has largely accounted for the increase in apparent aggregate involvement by endowments in this SRI space, as numerous schools adopted divestiture policies to express concern over the human-rights crisis in the Darfur region, in much the same way that many colleges ultimately adopted divestment policies related to South Africa in the late 1980s to register their concern about the Apartheid regime. The recent de-escalation of the Darfur crisis will likely render these divestment policies irrelevant, so it is unlikely that as many assets will be subject to ESG criteria in the future using this method of accounting. Nevertheless, the Sudan case highlights the large potential asset effects that endowments can have in the capital markets when a galvanizing campaign occurs. As Figure 3 highlights, US SIF Foundation documented various other ESG criteria incorporated by endowments, including labor and human rights, defense and weapons, environmental criteria, and faith-based factors, but the assets affected by these other criteria amounted to substantially less than those affected by tobacco restrictions or Sudan-related policies.

¹⁴ See 2010 SRI Trends Report, p. 36. Cf. *id.*, 2005 SRI Trends Report (2006), pp. 12-15. The 2005 estimate is based on our analysis of data presented in the report's Figure 3.3 and the accompanying discussion in *ibid.*, p. 12.

**Figure 3. ESG Criteria Incorporated by Endowments FY2009, US SIF Foundation
(asset-weighted, in billions)**



SOURCE: US SIF Foundation, *2010 Report on SRI Trends in the United States*, p. 36.

In the course of this research, we confirmed that Sudan-related investment policies remain the most widespread ESG issue incorporated by endowments in both numerical and asset-weighted terms. Some 64 endowments incorporate Sudan-related investment criteria, affecting \$150 billion of assets. Although the vast majority of portfolio holdings are hypothetically subject to these policies, real divestment from Sudan was in many cases highly targeted, often to only a small number of directly held Chinese companies. Many schools with divestment policies that purportedly affected their whole portfolios continued to invest in the companies slated for divestment through externally managed commingled funds and passively managed index funds – even though Sudan-free and “Sudan-compliant” index funds and screening tools were readily available.

Harvard University provides a notable case in point. The university was one of the first endowments to announce in April 2005 its plans to divest from companies such as PetroChina and Sinopec involved in the Sudan, in response to a student divestment campaign that mobilized dozens of campus organizations and hundreds of students.¹⁵ Yet two years later, reporters from the campus paper, *The Harvard Crimson*,

¹⁵ A useful account of the divestment campaign at Harvard can be found in Sam Graham-Felsen, “Harvard Divests,” *The Nation*, May 16, 2005, available at <http://www.thenation.com/article/harvard-divests> (accessed February 16, 2012). Its subsequent widening to campuses across the country is discussed in Philip Rucker, “Student-Driven Sudan Divestment Campaign Grows,” *New York Times*, April 26, 2006, available at <http://www.nytimes.com/2006/04/26/nyregion/26divest.html> (accessed February 16, 2012).

identified approximately \$16 million worth of investments in those same blacklisted companies through passively managed index funds and Exchange-Traded Funds used by Harvard Management Company for exposure to Chinese markets.¹⁶ When confronted with the apparent violation of the divestment policy, the university's spokesman John Longbrake initially declined to comment on any of the endowment's individual investments but then later claimed that the university's divestment policy simply did not apply to such indirect investments.¹⁷ Policy and principle can easily diverge from investment practice.

From Divestment to Labor and Human Rights Risk Management

Whether at Harvard or on other campuses where Sudan-related policies took hold, the dynamic of divestment was deeply indebted to stakeholders. Students on campuses around the country were joined by humanitarian civil society organizations such as the Sudan Divestment Task Force, a project of the Genocide Intervention Network (GI-Net), which helped to coordinate research and advocacy around Darfur.¹⁸ With the support of a diverse coalition of institutional investors, GI-Net ultimately created a Conflict Risk Network to support research and engagement of companies operating in areas where genocide and mass atrocities are occurring. Amherst College and Wheaton College in Massachusetts were the only US colleges to join the Network's founding group of members, which counted leading asset managers, foundations and public funds among its ranks. Colby College, Roosevelt University, Rutgers, and the University of Colorado Foundation have since joined the Network as well. Although Darfur was its first area of interest, Conflict Risk Network has expanded its mission to encompass business and human rights more broadly, with a special emphasis on conflict zones, including South Sudan, Syria and Libya, where CRN members have engaged with oil companies.¹⁹ We discuss shareholder engagement as an ESG strategy used by endowments in greater detail below.

One of the most recent campaigns to galvanize students focuses on labor relations at hotels owned by HEI Hotels and Resorts, a private-equity firm with more than \$1 billion in committed capital, much of it

¹⁶ Daniel J. Hemel, "Harvard Still Holds Sudan Stake," *The Harvard Crimson*, January 7, 2007, available at <http://www.thecrimson.com/article/2007/1/7/harvard-still-holds-sudan-stake-p/> (accessed February 16, 2012); and Nathan C. Strauss, "Students Pressure Harvard to Divest," *The Harvard Crimson*, March 12, 2007, available at <http://www.thecrimson.com/article/2007/3/12/students-pressure-harvard-to-divest-more/> (accessed February 16, 2012).

¹⁷ Nathan C. Strauss, "Holdings Still Tied to Sudan," *The Harvard Crimson*, February 13, 2007, available at <http://www.thecrimson.com/article/2007/2/13/holdings-still-tied-to-sudan-span/> (accessed February 16, 2012).

¹⁸ In November 2010, Genocide Intervention Network merged with Save Darfur Coalition; the combined entity is now known as United to End Genocide.

¹⁹ For more on Conflict Risk Network, see the useful brochure Genocide Intervention Network, "Conflict Risk Network," 2010, available at http://crn.genocideintervention.net/files/CRN%20Brochure_2010_0.pdf (accessed November 13, 2011). According to CRN staff, additional colleges participate in the network but do not make their membership known to the public.

provided, according to HEI's own website, by "the country's most prestigious university endowments."²⁰ Allegations of labor-rights violations at the hotels owned and operated by HEI have led student-labor activists to call for their schools to pull out of the various HEI Hospitality Funds. Many of the students have been working closely with the nationwide network known as United Students Against Sweatshops as well as unions and labor-related groups such as Jobs with Justice and UNITE-HERE. Because these are private-equity funds, endowment assets are largely "locked up" in the funds for a period of years, so divestment is not as easy to effect as with publicly listed equities. ("Lock-ups" are multi-year commitments that restrict investors from withdrawing their money without incurring financial penalties.) The secondary markets for private-equity interests are relatively small, and generally sales in them command a substantial discount to an investor's initial purchase price. Early last year, however, Brown University became the first endowment to agree not to reinvest additional capital into HEI funds.²¹ This has been followed by announcements by several other prominent HEI investors, including the University of Pennsylvania, Yale, and Princeton, though the chief investment officers at the latter two schools went to great lengths to convey that their refusal to make future investments was financial rather than "social" or "ethical."²² Numerous "Occupy Campus" movements have provided added support to the campaign for HEI divestment and shaped the stakeholder dynamic that has led schools such as Harvard and Dartmouth to initiate a formal review of each school's investments in the firm as well.

Clearly, the dynamic of divestment differs greatly from the routine incorporation of labor and human rights issues into the investment decision-making process. As Figure 4 highlights, we have found far fewer endowment assets affected by labor-related or human rights criteria. We identified less than \$16 billion in endowment assets subject to general human-rights policies (not including a narrow geographic mandate such as the Sudan or Burma restrictions), and less than \$7 billion in endowment assets appear to be constrained by labor-related investment policies. While a limited number of endowments in the Conflict Risk Network have joined other investors in taking a broader view of business and human rights

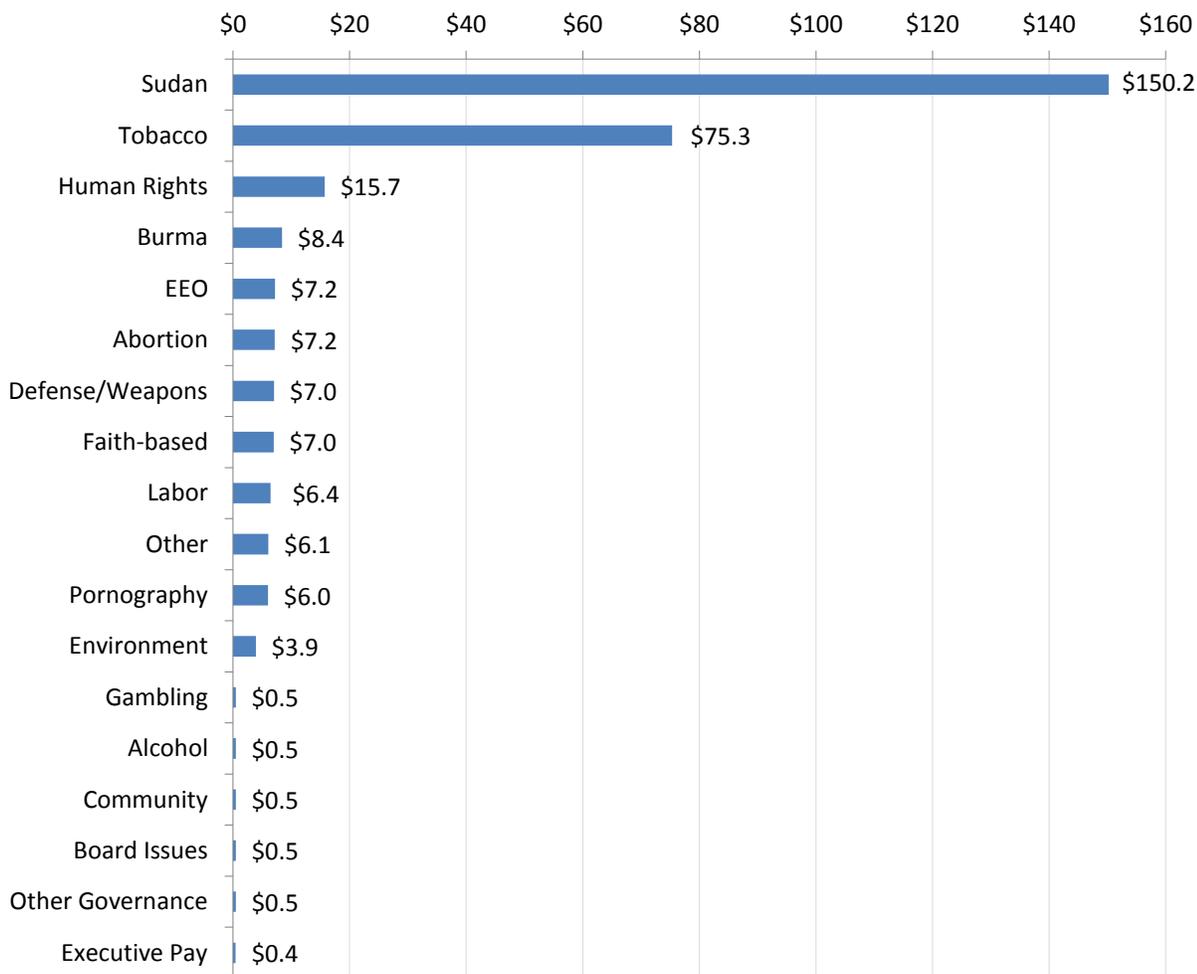
²⁰ HEI Hotels & Resorts, Managed Funds: HEI Funds, available at http://www.heihotels.com/managed_funds/HEI_funds.html (accessed February 15, 2012).

²¹ For the recommendation as made by Brown's Advisory Committee on Corporate Responsibility in Investment Practice (ACCRIP), see http://brown.edu/Administration/Finance_and_Admin/ACCRIP/divestments.html (accessed February 21, 2012).

²² For UPenn's announcement, see Statement to the Penn Community from the Executive Vice President Regarding HEI Hotels & Resorts, March 25, 2011, available at <http://www.upenn.edu/pennnews/news/statement-penn-community-hei-hotels-resorts> (accessed February 21, 2012). On Yale and Princeton, see Gavan Gideon, "Yale Will Halt Future Investments in HEI," *Yale Daily News*, November 29, 2011, available at <http://www.yaledailynews.com/news/2011/nov/29/yale-will-halt-future-investments-in-hei/> (accessed November 30, 2011) and Catherine Lei, "University to Stop HEI Investments," *The Daily Princetonian*, March 1, 2012, available at <http://www.dailyprincetonian.com/2012/03/01/30159/> (accessed March 2, 2012).

issues within conflict zones, few appear to be incorporating labor and human rights issues into portfolio risk management, as many other leading pension funds and SRI asset managers are increasingly doing.²³

Figure 4. ESG Criteria Incorporated by Endowments 2010 (asset-weighted, in billions)



SOURCE: Tellus Institute

²³ For an introduction to labor and human rights (LHR) investment risk management, see Aaron Bernstein, “Incorporating Labor and Human Rights Risk into Investment Decisions,” Occasional Paper no. 2, Pensions and Capital Stewardship Project, Harvard Law School, September 2008; id., “Quantifying Labor and Human Rights Portfolio Risk,” Occasional Paper no. 4, Pensions and Capital Stewardship Project, Harvard Law School, June 2009; and Elizabeth Umlas, “Investing in the Workforce: Social Investors and International Labour Standards,” Employment Working Paper No. 29, International Labour Office, 2009.

Faith-Based Investing

Beyond single-issue exclusions such as divestment campaigns related to tobacco and the Sudan, some of the most common ways that endowments incorporate ESG criteria stem from the faith-based traditions of their schools: in short, sin-stock screening. In effect, endowments that incorporate faith-based ESG criteria aim to eschew investments in companies involved in businesses that compromise strongly held religious tenets, whether related to abortion for some Catholic schools, or defense contractors and weapons manufacturers for certain Quaker or Mennonite schools instilled with pacifist values. How these faith-based issues are incorporated into investment policy and decision-making ranges widely.

One of the largest endowments to incorporate ESG criteria along these lines is the \$7 billion endowment of the University of Notre Dame, where the chief investment officer Scott Malpass has managed to generate enviable long-term returns while also observing the US Conference of Catholic Bishops' guidelines for socially responsible investing. The guidelines provide a no-buy list of some 250 companies whose products, policies or charitable corporate giving support abortion, embryonic stem-cell research, contraceptives, or pornography, or companies involved in arms manufacturing, discrimination or "sweatshop" labor practices.²⁴ Notre Dame also joined other schools that divested from energy companies doing business in the Sudan due to human rights concerns over the genocide in Darfur. Given that under Malpass's leadership the university has radically diversified its endowment into alternative asset classes, the case of Notre Dame highlights that the incorporation of a broad array of ESG criteria is not necessarily at odds with the so-called "Endowment Model of Investing." However, it remains unclear to what extent Catholic SRI guidelines are also applied to alternative asset classes, such as private equity, especially since the school is one of the high-profile endowments invested in HEI. In 2010, student activists went on a hunger strike to protest "the way in which HEI treats its workers [which] is in direct conflict with Catholic Social Teaching on workers' rights, including the right to dignity, respect, fair wages and to organize."²⁵

With \$83.1 million in endowment assets, Goshen College in Goshen, Indiana, provides an example of a smaller religious endowment drawn from a different faith tradition: the Anabaptist Christian tradition of

²⁴ Tae Andrews, "Malpass & Co. Take High Road to Bottom Line," *Notre Dame Magazine*, winter 2007-08, available at <http://magazine.nd.edu/news/1363-malpass-co-take-high-road-to-bottom-line/> (accessed November 15, 2011). On the US Conference of Catholic Bishops' Socially Responsible Investment Guidelines, last promulgated on November 12, 2003, see <http://www.usccb.org/about/financial-reporting/socially-responsible-investment-guidelines.cfm> (accessed March 7, 2012).

²⁵ Cited in Liz O'Donnell, "Students Protest HEI, Go on Hunger Strike," *The Observer*, April 19, 2010, available at <http://www.ndsmcobserver.com/news/students-protest-hei-go-on-hunger-strike-1.1372660#.T7xosUXmU6w> (accessed March 7, 2012).

the Mennonite Church. The school’s use of ESG criteria is informed by its “historically peaceful” Mennonite values. In addition to eschewing investments in defense and weapons-related companies, the endowment screens out other “sin stocks” such as tobacco, alcohol and gambling and also incorporates criteria related to labor and human rights, diversity and equal opportunity, environmental issues, animal welfare, and governance issues such as executive compensation. As we discuss further below, it also has community investments in microfinance institutions.

Figure 5. Number of Institutions Incorporating ESG Criteria 2010, NCSE



SOURCE: 2010 NCSE

Environmental Investing

Endowments increasingly appear to be incorporating environmental investing criteria, and students and stakeholders have become increasingly vocal in demands for more sustainable investment by colleges and universities, most notably in a recently launched coal divestment campaign. Yet the lack of transparency and of standardized definitions for environmentally sustainable investing makes it difficult to measure precisely the level of environmental investing by colleges and universities.

Among the endowments with some form of SRI policy reported to the NCSE, 32 percent reported that sustainability influences investment decision making in 2010, down from 37 percent in 2009. In the 2011 NCSE, only eight schools reported using sustainability investing, while only five percent of the full sample, or 41 schools, incorporated environmental criteria, without further specification. According to SEI's *College Sustainability Report Card*, 120 colleges and universities reported having investment policies that consider environmental issues or use investment managers that have such policies. The SEI data do not specify what portion of the endowment is affected by sustainability policies.

AASHE STARS tracked schools' sustainable investments in three categories: value of holdings in "sustainable industries such as renewable energy and sustainable forestry," in "sustainability investment funds, such as renewable energy funds," and in "businesses selected for exemplary sustainability performance." Thirty-three schools, 28 percent of the adjusted sample of 118 STARS participating schools, reported holdings in at least one of these types of environmental investments with several schools reporting holdings in more than one type. The most common type of environmental investing in both numeric and asset-weighted terms was investment in sustainable industries. Twenty-two schools reported holdings in sustainable industries with a collective total of \$2.5 billion invested. Sixteen schools reported holdings in "sustainability investment funds" with \$179 million collectively invested. And just four schools reported collective holdings of \$19.12 million in businesses selected for exceptional sustainability performance.

The proportion of endowment invested by each school in any of the three types of sustainable investing defined by AASHE ranges from one percent to 25 percent. The largest capital investment by any school, representing just over half of the total sustainable investments reported to STARS, is Yale University's \$1.4 billion holdings in sustainable timber, renewable energy, and clean technology. Yale highlighted its sustainable timber and cleantech investments in its 2009 endowment report. At that time, Yale touted \$100 million in venture capital investments in early-stage cleantech companies and three million acres of timberlands certified by either Forest Stewardship Council or the industry-backed standards of the Sustainable Forestry Initiative.²⁶ Though sustainable investing was not discussed in Yale's 2010 Endowment Report, based on the university's AASHE response and recent press, its investments in sustainability continue to grow. In March 2011, Yale announced an endowment investment in the Record

²⁶ See "The Yale Endowment: 2009." Available from the Yale University Investments Office at <http://www.yale.edu/investments/>

Hill 22-turbine wind power project near Roxbury, Maine.²⁷ The case of Yale highlights how alternative asset classes such as private equity and venture capital and real assets such as timber can be particularly well suited for investments in environmental sustainability.

SEI's *College Sustainability Report Card* data suggest a much higher level of environmental investing by schools. One-hundred-fifty-two colleges and universities, over half of the adjusted sample of SEI schools, indicate a current investment in "renewable energy funds or [a] similar investment vehicle." SEI reports 39 additional schools to be exploring such an investment. One-hundred-twenty schools apparently have an investment policy that includes environmental factors or use an investment manager with such a policy. The disparate findings from the AASHE and SEI surveys can be explained, in part, by a lack of clarity around what constitutes a sustainable investment. Repeatedly during our interviews, consultants and investment officers expressed a sense of confusion as to what "counts" as a sustainable investment.

Although AASHE provided schools with a more specific categorization for reporting sustainable investments, schools' written responses illustrate that there remains wide variation in interpretation of AASHE's three types. Whereas some schools such as Yale highlighted sustainable timber and other direct investments as among their "holdings in sustainable industries," others such as the University of Nevada, Las Vegas, simply reviewed their portfolio holdings against components in the Dow Jones Sustainability Index. Several schools noted that they do not track their sustainable investing per AASHE's categories and therefore responded as they saw fit. Ultimately, this variation in how schools have interpreted sustainable investment and the general lack of endowment investment transparency make it challenging to account for such wide dispersion in the data or to provide a more robust measurement of endowment investing in environmental sustainability.

One of the few public announcements of environmentally sustainable investments among endowments was made in 2010 by Middlebury and Dickinson Colleges, who have joined with Rockefeller Brothers Fund in a Sustainable Investments Initiative being implemented by Investure LLC, a boutique investment management firm founded by the former Chief Investment Officer of the University of Virginia that provides outsourced CIO services to endowments and foundations. Although RBF has been the main driver behind the initiative by committing the bulk of the capital to it, Dickinson has invested \$3 million, slightly more than one percent of its \$270 million endowment, and Middlebury has committed \$4 million

²⁷ See Yale News, "Endowment Invests in Maine Wind Power Project," March 3, 2011, available at <http://news.yale.edu/2011/03/03/endowment-invests-maine-wind-power-project> (accessed December 14, 2011).

with an initial reported goal of raising an additional \$4 million, amounting to nearly one percent of its \$850 million endowment. Although specific investments have not been disclosed, initial commitments have reportedly been made to sustainability-focused funds in global public equities and in more targeted cleantech private equity.²⁸ Given the increasing trend toward outsourcing of the CIO function by endowments, the pooling of multiple endowments into this Sustainable Investments Initiative managed by Investure LLC is noteworthy not only for its sustainability attributes but also for its structure of intermediation.²⁹

Figure 6. Existing Data on Environmental Investing by College Endowments

Source	Criteria	#	Assets (Millions)
NACUBO/Commonfund		161	N/A
	Sustainability informing SRI policy	50	N/A
	Environmental Protection	24	N/A
US SIF Foundation - Environmental investment criteria:		8	N/A
	Cleantech/Climate	7	N/A
	Toxics	4	N/A
	Other Environmental	7	N/A
AASHE - Reported Holdings in			
	Sustainable Industries, such as renewable energy or sustainable forestry	22	\$2,543
	Businesses selected for exemplary sustainability performance	4	\$19
	Sustainability investment funds, such as renewable energy investment fund	16	\$179
Sustainable Endowments Institute			
	Renewable Energy Funds- CURRENTLY investing	152	N/A
	Renewable Energy Funds- EXPLORING investing	86	N/A
	Renewable Energy Funds - Currently or considering investing	191	N/A
	Revolving Green Loan Fund		
Sierra Club's Coolest Schools Ranking		118	N/A
	Has an investment-responsibility committee that considers and acts on environmental issues	25	N/A
	Has, or is it planning to implement, a formal policy that restricts or prohibits investments in fossil fuels	7	N/A
	Some portion of endowment is invested in companies or funds that further renewable energy and clean technology	28	N/A

²⁸ See "Sustainable Investments Initiative: Rockefeller Brothers Fund, Middlebury and Dickinson Focus on Socially Responsible Investments," Dickinson College, June 22, 2010, available at <http://www.dickinson.edu/news-and-events/news/2009-10/Dickinson-Joins-Sustainable-Investments-Initiative/> (accessed April 12, 2012).

²⁹ On the trend toward outsourced CIOs, see Britt Erica Tunick, "The Outsourcing Option," *Institutional Investor*, July 1, 2011, available at <http://www.institutionalinvestor.com/Popups/PrintArticle.aspx?ArticleID=2855573> (accessed March 15, 2012).

A very limited number of schools are using their endowments to invest in return-generating environmental projects on their own campuses through revolving loan funds. The green revolving fund – a revolving loan fund model particularly aimed at sustainability and energy efficiency projects – is growing in popularity as colleges and universities recognize their potential to reap the benefits of substantial cost-saving opportunities by investing in energy efficiency. Green revolving funds can have slight variations across institutions, but their common feature is a commitment to calculate and reinvest the savings generated from the on-campus efficiency projects that they fund, such as lighting, energy and water retrofits. The model allows schools to set aside money that will be invested in particular projects and repaid over time so that the fund is maintained for future initiatives.

Over 50 campuses in North America are currently operating green revolving funds, according to a 2011 study by SEI, and at least two of them are using the funds as endowment investments.³⁰ The Caltech Energy Conservation Investment Program (CECIP), for example, is a fund of \$8 million committed from the California Institute of Technology's \$1.5 billion endowment. The fund's first investment, \$14,000 in a LED lighting retrofitting of two parking structures, generated \$9,000 in cost savings in its first year, paying back the initial investment in a year and a half. Overall, the investment has achieved an average payback period of three years and an average return on investment of 33 percent per year.³¹ Weber State University in Utah also seeded its green revolving fund as an endowment investment of \$5 million, representing eight percent of its \$62 million endowment in May 2010. Its first project, insulating hot water pipes, required an investment of \$114,000, but was calculated to achieve over \$62,000 in annual savings, which were returned to the fund.³² Cases like Caltech and Weber State, however, are exceptions to the rule: most revolving green funds are funded out of operating accounts, rather than from endowment assets.

Sustainable Endowments Institute's "Greening the Bottom Line" report and the case studies of green revolving loan funds that SEI has begun to produce for its Billion Dollar Green Challenge provide a model for the kinds of in-depth analyses that need to be undertaken across the full range of endowments'

³⁰ Dano Weisbord, Julian Dautremont-Smith, and Mark Orlowski, "Greening the Bottom Line: The Trend toward Green Revolving Funds on Campus," Sustainable Endowments Institute, February 2011, available at <http://greenbillion.org/wp-content/uploads/2011/10/GreeningTheBottomLine.pdf>.

³¹ Rebecca Caine, "California Institute of Technology," Green Revolving Funds in Action: Case Study Series, Sustainable Endowments Institute, 2011, available at <http://greenbillion.org/wp-content/uploads/2011/10/Caltech.pdf> (accessed December 1, 2011).

³² Christina Billingsly, "Weber State University," Green Revolving Funds in Action: Case Study Series, Sustainable Endowments Institute, 2011, available at <http://greenbillion.org/wp-content/uploads/2011/10/WeberState.pdf> (accessed December 1, 2011).

sustainable and responsible investments.³³ Currently we lack transparent data and case studies on most all of the other kinds of ESG investments that endowments may be pursuing. Understanding the financial characteristics and environmental and social benefits of these investments would greatly advance our knowledge of these activities, which are otherwise so difficult to quantify, as we have repeatedly seen.

Community Investing and Microfinance

The other primary area where more proactive investments are being made by endowments is in international microfinance and domestic community development finance.³⁴ However, as with green revolving loan funds, many schools have made community investments from operating accounts rather than from endowment funds, and as in other ESG areas, we observed a lack of common understanding among endowments of what “community investing” entails. For many SRI practitioners, community investing directs capital from investors and lenders to individuals, institutions or enterprises in communities underserved by traditional financial services. Community investment provides access to capital, credit, and other responsible lending and financial products and services that low- and moderate-income communities would otherwise lack. There are a wide variety of community investment institutions and opportunities that span asset classes, from cash and fixed income to alternative investments in community development venture capital or responsible property funds, as well as international microfinance institutions.

Some of the most well-known community investment institutions are Community Development Financial Institutions (CDFIs), certified by the US Department of Treasury because of their specialization in market niches that are underserved by traditional financial institutions. CDFIs include both regulated depository institutions such as community development banks and credit unions and non-regulated institutions such as community development loan and venture capital funds. The financing and equity provided by CDFIs support a range of community development activities such as construction of affordable housing, creation of living-wage jobs, and provision of social services like healthcare and education.

³³ Weisbord, Dautremont-Smith, and Orlowski, “Greening the Bottom Line.”

³⁴ Useful introductions to community investing can be found in US SIF Foundation’s 2010 SRI Trends Report. For useful resources on community investing specific to colleges and universities, see Michael Swack, “Maximizing Returns to Colleges and Communities: A Handbook on Community Investment,” Responsible Endowments Coalition, 2009, available at <http://www.endowmentethics.org/component/jdownloads/finish/3/4/0>; and Responsible Endowments Coalition, “Move Our Money: A Community Investment Toolkit for Students,” 2011, available at <http://www.endowmentethics.org/component/jdownloads/finish/3/3/0>.

Figure 7. Existing Data Available on Community Investing by Endowments

Source	Criteria	#	Assets (Millions)
NACUBO/Commonfund			
	Community Reinvestment Act (CRA Compliance)	2	NA
US SIF Foundation			
	Community-related investing	NA	NA
AASHE			
	Value of holdings in Community Development Financial Institutions (CDFIs)	9	\$144
SEI			
	Current investing in Community Development Financial Institutions or Community Development Loan Funds	48	\$56
	Exploring investing in Community Development Financial Institutions or Community Development Loan Funds	44	\$69
	Currently investing or exploring investing in in Community Development Financial Institutions or Community Development Loan Funds	79	\$95

At the same time, responsible community investing opportunities abound beyond CDFIs.

Internationally, investments in responsible microfinance institutions (MFIs) can direct capital to support small-scale entrepreneurship abroad. Public-equity managers can filter portfolios based on corporate community relations and impact, and alternative asset managers can pursue sustainable community development through a variety of different vehicles.

Upon first glance at existing data, dozens of colleges and universities appear to be making community investments from their endowment. In the endowment portion of SEI’s *College Sustainability Report Card*, 48 of 277 schools are reported as currently investing in “community development financial institutions or community development loan funds,” and an additional 31 schools are listed as considering commitments to community investment in the future. At the same time, only nine endowments from the adjusted sample of 118 AASHE STARS-rated schools reported a current investment in a CDFI. As with environmental investing, this discrepancy between SEI’s and AASHE’s data on the scope of community investing seems to result from a lack of common understanding among colleges about what constitutes a community investment.

Many colleges and universities that have reported making community investments appear to be referencing “university-community partnerships” established to support development in their local communities. These “town and gown” partnerships take myriad forms. Many partnerships are primarily

philanthropic or volunteer efforts rather than investments that generate a financial return. Some schools, such as Clark University in Worcester, Massachusetts, the University of Pennsylvania, the Ohio State University, Trinity College in Hartford, Conn., and the University of Cincinnati, have made significant endowment investments into real estate projects to catalyze development in the communities surrounding their campuses. While these are investments that clearly expect financial returns, without a clearer sense of who the primary beneficiary of these investments is, it is difficult to assess whether these community partnerships meet the basic expectation that community investing serve the underserved.³⁵

Follow-up research with schools reporting community investments to AASHE or SEI has revealed other definitional issues. The University of Louisville in Kentucky, for example, reported \$10.7 million in CDFI investments to AASHE. Yet the investments reported were investments not in community development financial institutions, but rather in conventional private equity funds, such as the Kentucky Seed Capital Fund and Capital South Partners, that have local or regional geographic foci but lack a clear market specialization to serve underserved low- and moderate-income communities – and this in a state with more than a dozen CDFIs, including some of the pioneering community development venture capital groups such as Kentucky Highlands Investment Corp. When we asked whether these funds were in fact CDFIs, as reported to AASHE, representatives from the investment office clarified that they were not. However, the University had made a \$200,000 deposit from the foundation’s short-term investment pool in Metro Bank, a local community development bank located in central Louisville, which was not reported to AASHE. Louisville was hardly alone; the University of Oregon and Lehigh were among schools to report similar regional investments as community investments. While local or regional investment may stimulate economic development in targeted geographies, geographically targeted private equity in and of itself does not constitute community investing as is commonly understood unless its emphasis is on investing capital responsibly in financially underserved communities. In this case, far less community investment through certified CDFIs is actually occurring than one might otherwise be led to believe from self-reported, publicly available information.

³⁵ A thoughtful discussion of these partnerships, including examples of and opportunities for endowment investments, can be found in Steve Dubb, with Ted Howard, “Linking Colleges to Communities: Engaging the University for Community Development,” The Democracy Collaborative, University of Maryland, August 2007, available at <http://www.community-wealth.org/pdfs/news/recent-articles/07-07/report-linking.pdf> (accessed April 17, 2012).

Figure 8. College and University Community Investments (in thousands)

Institution	Fund or Initiative Name/ <i>Community Investment Institutions</i>	Endow-ment	Non-Endow-ment	Unknown
Duke University	<i>Latino Community Credit Union Self Help</i>		\$ 2,000 \$ 8,000	
Goshen College	<i>MicroVest</i>	\$ 102		
Harvard University	<i>20/20/2000 Initiative : Boston Community Capital, Cambridge Affordable Housing Trust, Local Initiatives Support Corporation</i>			\$ 20,000
Macalester College	<i>Community Banking: University Bank</i>		\$ 540	
Mount Holyoke College	<i>Responsible Investment Fund : Cooperative Fund of New England</i>			\$ 10
Seattle University	<i>Global Partnerships Community Capital Development</i>	\$ 500	\$ 100	
Tufts University	<i>The Omidyar-Tufts Microfinance Fund Undisclosed local community bank</i>	\$115,200	\$ 50	
University of Louisville	<i>Metro Bank</i>		\$ 200	

SOURCE: Tellus Institute

Given the more constrained definition, an analysis of the 464 colleges and universities in our dataset finds that only three could be confirmed to have made community investments from endowment, not through CDFIs, but rather exclusively through international microfinance institutions. Those three confirmed institutions are Goshen College, Seattle University, and Tufts University.

Goshen College has invested just over \$100,000 of its endowment with MicroVest, a private, for-profit investment firm that makes debt and equity investments in microfinance institutions. MicroVest was founded by CARE, Mennonite Economic Development Associates, and Seed Capital Development Fund in 2003, so Goshen’s Mennonite background gives it a faith-based connection to this particular microfinance investment vehicle. MicroVest has grown to manage more than \$133 million in assets

across 50 MFIs in 30 countries.³⁶ Though MicroVest is the college's only current community investment, Goshen is currently considering expanding its investments in microfinance.

Seattle University made its first investment in a microfinance fund in 2007, committing \$500,000 from its endowment to Global Partnerships, a Seattle-based non-profit that invests in microfinance institutions and cooperatives that serve impoverished people in Latin America and the Caribbean and provides technical assistance as well. The university viewed the investment as a safe, fixed-income component to its portfolio. Stu Rolfe, an investment committee member who had personally invested in Global Partnerships' first fund, told the local business press that he "felt [microfinance] was increasingly viable as an option for institutions to invest in," and Seattle University's vice president for finance, Ron Smith, later said that the university's investment in Global Partnerships "has been one of [the] best investments in the economic downturn," because of stable, long-term returns.³⁷ Recently, the university renewed its \$500,000 commitment to Global Partnerships' Social Investment Fund 2010, a five-year debt fund that provides moderate fixed-income returns alongside social impact. It is Global Partnerships' fourth and largest fund with a total of \$25 million committed, over \$21 million of which has been deployed to 22 cooperatives and microfinance institutions in nine Latin American and Caribbean countries as of December 31, 2011.

Tufts University has made the largest community investment from endowment funds, through the Omidyar-Tufts Microfinance Fund (OTMF). Although focused on microfinance like other schools, the fund's scale, design and donor involvement differentiate it greatly from other school's community investments. Tufts alumnus Pierre Omidyar, creator of eBay and co-founder of the Omidyar Network, and his wife Pam established the Fund by donating \$100 million in eBay stock to Tufts in 2005, and it is by their stipulation as donors that the fund incorporates explicit social investing guidelines. The Fund is part of Tufts' endowment, but is structured as a trust separate from the university's other investments, with its own separate board of trustees, which includes the university president, Tufts Board of Trustees Chairman James A. Stern, trustee Seth Merrin, Pierre Omidyar himself, and Michael Mohr, a financial adviser to Omidyar and his philanthropic organization, the Omidyar Network. The OTMF aims to use microfinance to fight poverty in developing countries by empowering the poor with access to microcredit

³⁶ See MicroVest, "2011 Annual Report," available at <http://www.microvestfund.com/docs/2012-03-09-31.pdf> (accessed December 14, 2011).

³⁷ Rolfe is quoted in *Puget Sound Business Journal*, March 23, 2007, available at <http://www.globalpartnerships.org/sections/aboutus/documents/3-23-07PSBJ-GPMFF2006.pdf> (accessed March 12, 2012); and Smith's remarks are taken from Chris Clem, "Community Investment Proves to Be Beneficial," Responsible Endowments Coalition, November 8, 2010, available at <http://www.endowmentethics.org/component/wordpress/archives/429> (accessed March 12, 2012).

and financial services. It also seeks to demonstrate the commercial viability of microfinance for other institutional investors in order to accelerate the sector's growth and enable the creation of \$1 billion in small loans to the poor within a 10-year timeframe. Fifty percent of the Fund's earnings support Tufts programs and the other half is reinvested into the Fund.³⁸

The Omidyar-Tufts Microfinance Fund has invested in microfinance institutions across various asset classes: in both high-grade and high-yield fixed income, private equity, venture capital, and hedge funds. At the end of the 2010 fiscal year, the fund had reported investing \$92 million of its \$115.2 million in 10 microfinance institutions, which have reportedly enabled microloans in 35 countries in Africa, central Asia, eastern and central Europe, and Latin America.³⁹ However, the university does not transparently disclose the fund's investments, despite its educational mission to serve as a demonstration project for microfinance. Nevertheless, we were able to identify several of the microfinance institutions to which it has committed capital. One of its earliest investments was in non-voting preferential shares of ProCredit Holding AG, a public-private partnership based in Germany and consisting of 22 financial institutions in eastern and southeastern Europe, sub-Saharan Africa, and Latin America. ProCredit counts among its shareholders TIAA-CREF, the Dutch DOEN Foundation, Swiss social investment firms, and a variety of public investors, including German, Dutch and Belgian development banks and the International Finance Corporation (IFC), the private sector arm of the World Bank. At the end of 2010, OTMF's stake in ProCredit Holding was valued at €3.8 million in 757,743 voting shares and €9.4 million in 1,878,084 non-voting preferential shares (the equivalent of approximately \$17.5 million, a full 15 percent of the fund's value).⁴⁰ In 2006, OTMF invested in shares of the German-based commercial microbanking group Access Microfinance Holding AG (AccessHolding), which has equity investments in six microlending banks in Azerbaijan, Liberia, Madagascar, Nigeria, Tajikistan and Tanzania. At the beginning of 2011, OTMF held €545,000 worth of voting shares of AccessHolding, alongside international financial institutions and various European development banks.⁴¹ It is noteworthy that this detailed holding information on the fund's investments in ProCredit and AccessHolding, although published by the German banking groups, is not readily disclosed by Tufts.

³⁸ Tufts University, "Omidyar-Tufts Microfinance Fund," available at <http://www.tufts.edu/microfinancefund/> (accessed December 14, 2011).

³⁹ The Omidyar-Tufts Microfinance Fund, 2010 IRS Form 990, available via www.guidestar.org.

⁴⁰ ProCredit Holding, *2010 Annual Report*, April 2008, available at http://www.procredit-holding.com/upload/pdf/AnnualReports/Annual_Report_2010/pch_AR10_27-04.pdf (accessed November 12, 2011).

⁴¹ AccessHolding, Shareholders, available at <http://www.accessholding.com/index.php?cat=about&scat=4> (accessed November 12, 2011).

The Omidyar-Tufts Microfinance Fund was also among several private investors to make commitments to senior notes of the European Fund for Southeast Europe (EFSE), a Luxemburg-based MFI with more than €675 million in assets that lends to micro- and small enterprises across eastern and southeastern Europe.⁴² According to the Legatum Group, the OTMF was also a co-investor, alongside the Omidyar Network, in a \$70 million Indian venture capital fund, Elevar Equity II, LP, that provides equity capital to high-growth companies catering to the poor in underserved markets primarily in India, but also in Mexico, the Philippines and Peru.⁴³ In 2009, it also took a controlling \$3 million stake in a Mexican financial firm, called Velifin (Vehículos Líquidos Financieros S.A.P.I. de C.V., SOFOM, E.N.R.), providing wholesale, structured credit to micro- and small business lenders in Mexico. Finally, during our consultations, multiple sources independently reported that the OTMF had committed \$10 million to an offshore microfinance hedge fund managed by Minlam Asset Management. It is unclear what the fair market value of these private-equity and hedge-fund investments is, and we were unable to confirm the fund's remaining microfinance investments through readily available public information.

In addition to its international microfinance investing through the OTMF, Tufts has recently initiated domestic community investment in response to student demands that the university invest in a community development financial institution. Modeled on the Responsible Endowments Coalition's community investment campaign, two campus student groups, the Advisory Committee on Shareholder Responsibility and Students at Tufts for Investment Responsibility (STIR), approached the administration with a proposal to invest a portion of the endowment's cash allocation locally in a certified community development financial institution. The proposal was supported by a Tufts alumni organization, and more than 100 students signed a petition in favor of the proposal as well. Ultimately, the university's trustees agreed to make a \$500,000 deposit in a local community bank; however, the funds came not from the endowment, but from the university's short-term operating reserves. The university has also not disclosed the community bank that received the deposit, raising questions whether the chosen local bank is a certified CDFI as stakeholders had requested.⁴⁴

Although Tufts appears to be embracing community investing in various ways, both domestically and abroad, its poor disclosure practices make it difficult to assess the full extent of the investments being

⁴² See EFSE Investment Portfolio & Funding, Quarterly Fact Sheet, Q2/11, August 2011, available at http://www.mixmarket.org/sites/default/files/investment_portfolio_q2_2011_0.pdf (accessed November 15, 2011).

⁴³ Legatum Ventures, Case Study: Elevar Equity II, LP, May 2009, available at <http://www.legatum.com/casedisplay.aspx?id=523> (accessed November 15, 2011).

⁴⁴ Corinne Segal, "University Invests \$500,000 in Community Bank," *The Tufts Daily*, October 3, 2011, available at <http://www.tuftsdaily.com/university-invests-500-000-in-community-bank-1.2644062#.T3UnODHmWfQ> (accessed October 4, 2011).

made. Indeed, transparency of investment has been a recurrent issue for students, alumni and donors at Tufts, particularly following revelations that the university was forced to write down \$20 million due to its exposure to a feeder fund that had invested in Bernard Madoff's Ponzi scheme.⁴⁵ Last spring controversies over endowment transparency came to a head when a group of activists "wikileaked" a confidential list of directly held investments that the university had long refused to disclose to Tufts students.⁴⁶ Tufts' involvement in responsible investment therefore needs to be seen through the lens of recurring stakeholder dynamics and demands, whether of donor restriction by a prominent alumnus in the case of international microfinance or of student and alumni pressure in the case of more local community investment.

The few schools that we could confirm as having made community investments in certified CDFIs have done so similarly to Tufts, not from endowment funds but rather out of operating accounts. Duke University, Macalester College, Seattle University, and the University of Louisville are among schools that have made community investments in CDFIs from operating cash pools, and Fordham University has recently agreed to invest \$500,000 from its operating account into two local CDFIs following a successful student-led responsible investing campaign. Figure 8 presents the community investing institutions these schools have used and, where available, the size of their investments in them. Other schools such as Harvard, Mt. Holyoke, and Williams have made community investments in CDFIs in the past decade, but officials at the schools did not respond to repeated efforts on our part to obtain information about whether these investments have continued as endowment investments. As in the case of Tufts, rarely did any of these community investing initiatives emerge from college board rooms or administrative offices. Instead, it was repeatedly students, alumni and stakeholders on campus and in surrounding communities who undertook research initiatives and launched campaigns to push campus decision-makers to commit allocations to responsible community investing institutions.⁴⁷

⁴⁵ In 2005 Tufts had invested in Ascot Partners, J. Ezra Merkin's hedge fund that fed its assets fully to Bernard L. Madoff Investment Securities, LLC, a fact of which the Board of Trustees' Investment Committee was aware at the time, according to a university spokeswoman. See "Tufts Loses \$20 Million in Madoff Scandal," *Boston Globe*, December 19, 2008; and Rob Silverblatt, "After \$20 Million Loss in Madoff Scandal, Tufts Maintains It Met Investing Standards," *The Tufts Daily*, December 21, 2008. Because the University invested indirectly through a feeder fund, it has recently been denied its claims in the Madoff liquidation proceedings. See *The Trustees of Tufts College v. SIPC and Irving H. Picard*, 11 Civ. 6997 (DLC), US District Court, Southern District of New York, Opinion and Order, January 4, 2011 [sic: 2012], available at <http://docs.justia.com/cases/federal/district-courts/new-york/nysdce/1:2011cv06997/385674/11/0.pdf?ts=1325861040> (accessed March 15, 2012).

⁴⁶ The launch of JumboLeaks as "a Little Wikileaks for Tufts" in April 2011 by an anonymous group of students and alumni garnered widespread controversy on campus and some attention in the national press. See <http://jumboleaks.org> (accessed April 20, 2011).

⁴⁷ Harvard's domestic CDFI investments, the largest among the schools in our study with \$20 million committed in 1999 to three Boston-area CDFIs over 20 years to support affordable housing development, were widely seen at the time as an effort to mend community relations after the university's secretive acquisition of large tracts of real estate in the Boston neighborhood of Allston. "Harvard's

Based on reporting to groups such as SEI and AASHE, dozens of schools say they are making community investments. However, deeper analysis suggests those funds are not necessarily endowment assets, nor are they being invested through recognized community investing institutions that provide access to capital and financial services to low- and moderate-income groups. Much greater education about definitions and opportunities in community investment is clearly needed. In order to have accountability, schools will have to provide deeper and more consistent disclosure of their investments, based on commonly understood definitions of community investing, and outside auditing of self-reported claims may be needed.

Shareholder Advocacy and Active-Ownership Activities

The incorporation of ESG considerations into active-ownership activities is another key locus of SRI activity. Shareholder activities such as proxy voting, shareholder resolution filing, engaging in dialogue directly with companies or indirectly through investor networks are also commonly referred to as shareholder, or shareowner, advocacy, activism, or engagement. These activities allow institutional investors to exercise their voices as asset owners or their concerns as investors. We have already discussed investor engagement through the Conflict Risk Network with companies doing business in regimes such as the Sudan, Libya or Syria, where human-rights issues are at the forefront of stakeholder concern. Although shareholder advocacy is often thought of exclusively in relationship to proxy voting and shareholder resolution filing at publicly traded companies, the notion of active ownership readily extends to other asset classes as well. Private equity and certain real assets such as land used for farming, ranching or forestry lend themselves readily to an active stewardship posture by investors concerned with ESG issues, and limited partners such as endowments can sometimes influence

20/20/2000 Affordable Housing Initiative Helped Build, Renovate 4,350 Units in Boston and Cambridge," *Harvard Gazette*, November 1, 2010, available at <http://news.harvard.edu/gazette/story/2010/11/harvard%E2%80%99s-20202000-affordable-housing-initiative-helped-build-renovate-4350-units-in-boston-and-cambridge> (accessed November, 24, 2011). On Seattle University's \$100,000 debt investment in Community Capital Development, see Maura Rendes, "A Different Kind of Community Investment at Seattle University Engages Students," Responsible Endowments Coalition, available at <http://www.endowmentethics.org/news-media/archives/129> (accessed March 12, 2012). The case of Macalester is discussed in Swack, "Maximizing Returns to Colleges and Communities," 41-42. Also see Macalester's webpage dedicated to its partnership with University Bank: <http://www.macalester.edu/cec/civicengagement/UniversityBank.html>. For Holyoke, see Noelle Danian, et al., "Community Investment in an Institutional Portfolio," Mt. Holyoke College, 2004, available via the Responsible Endowments Coalition at <http://www.endowmentethics.org/downloads/mtholyoke.pdf>; and Rose Levine and Moki Macias, "Community Investing at Mount Holyoke College," Responsible Endowments Coalition, spring 2008, available at <http://www.endowmentethics.org/mt-holyoke-college> (accessed November 24, 2011).

fund managers by sitting on advisory councils that private equity funds establish from time to time. As for hedge funds, some have gained considerable notoriety for their shareholder activism, although traditionally hedge-fund activism has focused more narrowly on short-term shareholder value propositions than long-term ESG issues.

As we highlighted at the outset, many high-profile endowments have invested considerable time and energy to the governance of decisions of proxy voting, and our data make that clear. Beyond proxy voting, though, few colleges and universities have engaged in other active ownership activities around ESG issues.

Figure 9. Existing Data on Shareholder Advocacy by College Endowments

Source	Criteria	#
NACUBO/Commonfund		
	Vote proxies consistent with SRI or E/S/G	72
US SIF Foundation		
	Resolution Filing (SRI Issues)	11
	Proxy Voting on SRI Issues	14
	Dialogue	13
AASHE		
	Shareholder Resolution data	6
	Letter-writing (Dialogue) data	9
SEI	How is ESG proxy voting handled?	
	Lack ability to vote proxies, all holdings in mutual funds	82
	Investment managers asked to handle proxy voting	109
	General guidelines provided to investment managers	40
	Specific guidelines provided to investment managers	16
	School administrator determines proxy votes	18
	Committee of administrators and/or trustees deliberates/decides	13
	Committee including student reps deliberates/advises/decides	44
	School community feedback incorporated into proxy voting	6

Proxy Voting

Proxy voting is the process of voting an institution’s shares on issues raised at corporate annual general meetings. Shareholder resolutions relating to companies’ environmental, social and corporate governance policies and practices frequently appear on proxy ballots, so investors have the opportunity to communicate with companies they own by casting their votes. Although much of the SRI focus of endowments can be devoted to proxy voting on college campuses, the diversification of many endowments away from directly held public equities into alternative asset classes, where investors do not

exercise shareholder rights in the same way as with listed securities, has diminished the relative importance of proxy voting as a strategy of sustainable and responsible endowment management. The widespread use of commingled equity funds by endowments, in lieu of direct holdings in publicly traded corporations, has also constrained the ability of schools to use proxy voting as a tool for addressing ESG issues through their investments.

According to the 2010 NCSE, 45 percent of the 161 schools with some sort of social investment policy reported voting “proxies consistent with SRI screening criteria.” This proportion was up slightly from the previous year’s report, when 42 percent of 178 institutions with social investment criteria stated that they voted proxies for SRI. Because of the decrease between 2009 and 2010 of total institutions reporting having an SRI policy, the actual number of institutions voting proxies in favor of SRI actually decreased from about 75 in 2009 to about 72 in 2010. The percentage of schools reporting that “they vote proxies consistent with their E/S/G policies” held steady in 2011.

Of the various datasets under review, SEI’s *College Sustainability Report Card* provided the most detailed breakdowns of how proxy voting is handled with regard to ESG resolutions, as Figure 10 highlights. Most schools (N=109) reported that they simply delegate proxy voting to investment managers. A large plurality of schools in the SEI sample are reported to lack the ability to vote proxies due to their use of commingled funds or to delegate the task to managers. Of the 82 SEI-surveyed institutions that reported that they could not cast proxy votes because they do not directly own shares, 15 also explained that they do vote proxies for the fraction of a percent of their equities not held in commingled funds.

Figure 10. Self-Reported Proxy Voting by College Endowments

How is ESG proxy voting handled?	#	Associated Endowment Values (Millions)
Lack ability to vote proxies, all holdings in mutual funds	82	\$39,523
Investment managers asked to handle proxy voting	109	\$112,940
General guidelines provided to investment managers	40	\$47,086
Specific guidelines provided to investment managers	16	\$24,778
School administrator determines proxy votes	18	\$35,886
Committee of administrators and/or trustees deliberates/decides	13	\$50,426
Committee including student reps deliberates/advises/decides	44	\$129,997
School community feedback incorporated into proxy voting	6	\$17,111

SOURCE: Sustainable Endowments Institute

Fifty schools in the SEI sample controlling nearly \$150 billion in combined assets, including many large endowments, provide opportunities for students and stakeholders to shape proxy-voting decisions around ESG issues, either through committees or town-hall meetings. The role of advisory committees on investor responsibility and similar structures is discussed in the third section devoted to governance and transparency below. Forty schools with nearly \$50 billion in combined assets provide general proxy-voting guidelines on ESG issues to their managers, while 16 with \$25 billion in reported providing specific guidelines to their investment managers. At 18 SEI-surveyed schools, with \$36 billion in combined assets, a school administrator determines proxy votes. Another 13 schools with \$50 billion in combined assets relies on a committee of administrators or trustees to handle proxy voting, without any student or broader involvement from the campus community.

Resolution Filing

For endowments that want to take a more active role, filing shareholder resolutions on ESG issues of concern, or co-filing with other investors, is a strategy that deepens involvement. We identified 11 institutions reportedly willing to engage in ESG shareholder resolution filing, and eight of those institutions were confirmed as having filed or co-filed over the period of 2005-2010.⁴⁸ They include Bard College, Creighton University, Loyola University Chicago, Regis University, Rockhurst University, University of San Francisco, University of Scranton, and University of Vermont. Many of these schools are Catholic universities, engaging on shareholder issues as an extension of their values and often in cooperation with other faith-based investors that participate in the Interfaith Center on Corporate Responsibility (ICCR), the leading network for religious investors.

In reporting to AASHE STARS, six institutions out of 118 stated that they filed or co-filed on the subject of sustainability in the past three years, but we have been unable to confirm four of them as filers: Colorado State University, Dickinson College, University of Oregon in Eugene, and the University of Colorado Foundation in Boulder. These discrepancies appear to be related to misunderstanding by respondents of what it means to file a resolution. One school, Goshen College, reported that it participated in the shareholder resolution filing process not directly, but through its investment manager: Everence, a faith-based money manager that is, like Goshen itself, affiliated with the Mennonite Church USA and active in shareholder advocacy.

⁴⁸ See Appendix 6 in 2010 SRI Trends Report, based on data compiled by US SIF Foundation from RiskMetrics Group, the Interfaith Center on Corporate Responsibility (ICCR) and Sustainable Investments Institute (si2).

Many of these schools have embraced shareholder resolution filing because of the concrete social and environmental outcomes and impacts that can follow from them. For example, in 2009, Bard College in Annandale-on-Hudson, NY, filed a shareholder resolution with McDonald's Corporation requesting the fast food chain to review and to reduce pesticide usage on its potato crops. With the co-filing support of the Investor Environmental Health Network, the AFL-CIO Office of Investment, and Newground Social Investment, the resolution was successful in getting McDonald's to make the changes, resulting in the withdrawal of the shareowner resolution.⁴⁹ This instance became an example of the power of institutional investors to influence the ESG practices of a major global corporation, and in Bard's case, the process was initiated and driven by students themselves who were concerned about environmental issues and food security. Although it has not filed shareholder resolutions for nearly a decade, Swarthmore College successfully filed several shareholder resolutions in 2002 and 2003 at companies such as Lockheed Martin, Masco and Dover on corporate equal opportunity policies related to sexual orientation. Again students played a major role in encouraging the college to use its ownership stakes to promote change. Although the resolution at Lockheed received only around five percent of shareholder support, the company ultimately agreed to change its corporate policies, highlighting the catalytic role that an endowment can play in the proxy process.

Loyola University in Chicago has become an increasingly active shareholder in the resolution filing process over the last decade. The school has sought to incorporate responsible investing policies aligned with its Jesuit mission into endowment management since the 1970s, but in 2006 the Board of Trustees established a new Shareholder Advocacy Committee that has pursued a wide array of shareholder advocacy initiatives that align with the school's "educational and social mission" to promote "social justice and the dignity of the individual." The initiative was pushed by students and other campus stakeholders who were concerned that certain investments did not reflect the university's social mission and that more needed to be done to engage with corporations in which the endowment invested. In 2010, for example, the university co-filed a shareholder resolution with JP Morgan Chase expressing concern about its financing of mountaintop removal coal mining by companies such as Massey Energy, where the committee also publicly announced that it was withholding its support for board members involved in the oversight committee responsible for the failures that lead to the Upper Big Branch mine disaster that killed 29 miners in West Virginia earlier in the year. Working in concert with a wide array of environmental, labor, faith-based, and responsible endowment groups, the university's efforts helped

⁴⁹ Investor Environmental Health Network, "Historic Shareholder Agreement Reached with McDonald's on Pesticide Use Reduction," press release, March 31, 2009, available at <http://www.iehn.org/news.press.mcdonalds.php> (accessed November 23, 2011).

to create the climate of concern that ultimately resulted in a review of its financing practices, the development of new guidelines, and the announcement that JPMorgan would no longer be providing finance to Massey.

Dialogue

The case of Loyola highlights how endowments can also engage in dialogue with the companies in which they invest by writing letters of concern or communicating with them publicly or privately about ESG issues, even without going so far as to file a shareholder resolution. Seattle University sent a similar letter to Massey Energy following the Upper Big Branch mining tragedy. Despite these noteworthy cases, dialogue does not appear to be a widespread activity among endowments, although most dialogues occur in private so verification can be difficult. Nine AASHE-surveyed schools reported having “sent one or more letters about social or environmental responsibility to a company in which it holds investment during the previous three years.” They include Bard, Colorado State University, Dickinson, Goshen, the Universities of Colorado, Dayton, Denver, and New Hampshire, as well as Vassar College. We were not able to obtain independent confirmation, but we did observe participation in shareholder dialogue by at least four other schools: Columbia, Stanford, Swarthmore and Yale.

Even across such a small set of schools, dialogue has taken a variety of forms. Practices range from simple letter-writing to direct and extended conversations with companies and fund managers. In 2008, for example, the Columbia University Committee on Investor Responsibility wrote a letter to Chevron regarding the university’s concern over the company’s connections with the military-led government of Burma. Dickinson College has taken a different approach by organizing teleconferences with representatives of Schlumberger, in which the college held investments, in order to determine the extent and impact of the company’s practices in the Sudan.⁵⁰

In addition to engaging in direct dialogue, institutional investors can also join a number of investor networks that provide platforms for active-ownership activities around ESG issues. An evaluation of the member and signatory lists of seven prominent investor networks, however, revealed minimal participation across the board by colleges and universities. Among the 464 total institutions in this

⁵⁰ Responsible Endowments Coalition, “On the Issues: Oppressive Governments,” available at <http://www.endowmentethics.org/on-the-issues> (accessed November 23, 2011); and AASHE STARS, “Dickinson College, PAE-17: Shareholder Advocacy,” June 13, 2011, available at <https://stars.aashe.org/institutions/dickinson-college-pa/report/2011-06-13/3/20/119/> (accessed November 23, 2011).

dataset, none were signatories to the Carbon Disclosure Project (CDP).⁵¹ Only one institution, the University of Connecticut Foundation, was a member of the Council of Institutional Investors (CII).⁵² Only the University of Dayton Davis Center for Portfolio Management's Flyer Investments is a signatory to the UN Principles for Responsible Investment (UN PRI), and only the University of California Berkeley Haas SRI Fund was a member of the US SIF, the Forum for Sustainable and Responsible Investment. Both of these funds are student-run, and their participation in these networks does not extend to the wider endowment.⁵³ Despite the several hundreds of colleges that have made commitments to reducing their greenhouse gas emissions in their campus facilities as part of the American College and University Presidents' Climate Commitment, only two colleges – Brown University and the University of Vermont – have joined the Investor Network on Climate Risk, a project of Ceres that has brought together more than a hundred leading institutional investors and asset managers with some \$10 trillion in combined assets.⁵⁴ The Interfaith Center on Corporate Responsibility (ICCR) includes limited numbers of religious college and university endowments including Loyola University Chicago, Saint Joseph's College, and Siena College.⁵⁵ Also, as noted previously, a half dozen US schools are publicly listed as members of Genocide Intervention Network's Conflict Risk Network, focused on engaging with companies over human rights in conflict zones. Finally, as of this writing, no endowments participate in the Global Impact Investing Network (GIIN), the leading forum for enhancing the burgeoning field of social and environmental impact investing.

A burgeoning area of shareholder advocacy and active ownership is in the policy arena, but we found no evidence of endowments engaging in public policy in order to promote shareholder rights or ensure that ESG issues are being taken seriously in the context of financial reform and regulation. Although several of the investor networks discussed above are increasingly active in policy debates, none of the surveys we reviewed presented questions about active ownership initiatives within the policy arena.

⁵¹ Carbon Disclosure Project, "CDP signatory investors 2011," available at <https://www.cdproject.net/en-US/Programmes/Pages/Sig-Investor-List.aspx> (accessed November 30, 2011).

⁵² Council of Institutional Investors, "List of General Members," available at <http://www.cii.org/listOfGMs> (accessed November 30, 2011).

⁵³ UN Principles for Responsible Investment, "Signatories to the Principles for Responsible Investment," available at <http://www.unpri.org/signatories/> (accessed November 30, 2011); US SIF, "Organization Directory," available at <https://netforum.avectra.com/eWeb/DynamicPage.aspx?Site=ussif.org&WebCode=OrgSearch> (accessed November 30, 2011).

⁵⁴ On the Presidents' Climate Commitment, which 674 schools have endorsed, see <http://www.presidentsclimatecommitment.org/>. On INCR, a project of the nonprofit Ceres, see <http://www.ceres.org/incr/>.

⁵⁵ Interfaith Center on Corporate Responsibility, "List of Members," available at <http://www.iccr.org/about/listofmembers.php> (accessed November 30, 2011).

Figure 11. Shareholder Engagement Grades, College Sustainability Report Card, 2011

Grade	Shareholder Engagement	Overall Grade
A	35	8
A-	-	41
B+	-	56
B	3	62
B-	-	43
C+	-	25
C	38	21
C-	-	11
D+	-	7
D	40	2
D-	-	1
F	87	0
(Not Graded)	74	0
TOTAL GRADED	203	277

Note: The College Sustainability Report Card awards +/- grades only for overall grades.
SOURCE: Sustainable Endowments Institute

Overall, endowments scored low on shareholder engagement in SEI's *College Sustainability Report Card*. As Figure 11 highlights, the majority of schools that were graded on shareholder engagement received failing D or F grades, by a wide margin, far more than the number that received overall failing grades. Thirty-eight schools received C grades, three received B grades, while 35 got A marks, far fewer than those who received comparable overall grades.⁵⁶

Governance and Transparency of ESG Investing

Behind the practices of ESG investing by college and university endowments themselves lies an architecture of decision-making: governing boards of trustees, investment officers, investment and finance committees, committees on investor responsibility that involve wider campus constituencies, and various intermediaries, such as fund managers and investment consulting firms. At

⁵⁶ The 74 schools that were not graded on shareholder engagement were either too small or invested fully in commingled funds, rendering it difficult for SEI to grade their activities, though as the case of Goshen College highlights, schools can certainly engage actively as shareholder by selecting investment managers that actively vote their proxies, file resolutions on ESG issues, dialogue with companies, participate in networks and develop a robust policy presence.

some 50 schools students are involved in ESG investment decision-making in limited ways, often through student-run funds and committees on investor responsibility. Transparency is a basic requisite to hold decision-makers accountable, but as suggested throughout this study, current transparency is limited. In this final section, we give particular emphasis to three main leading trends and indicators in governance and transparency: the roles of multi-stakeholder committees on investor responsibility, the development of student-run SRI funds, and the availability of ESG investment information.

Committees on Investor Responsibility

Committees on Investor Responsibility can play a range of roles in engaging campuses on ESG issues in their investments. These committees often include and are sometimes spearheaded by concerned students, though they also often include faculty, staff, alumni, trustees, and other kinds of stakeholders. Often their primary role is to provide recommendations on proxy voting on ESG issues to investment committees or boards of trustees, and some also provide recommendations for investment or divestment or on matters of investment policy. We have already described the role played by several committees at schools in shareholder engagement activities going beyond proxy voting.

In the SEI survey, 50 institutions responded that they had “a committee that offers recommendations or makes decisions on proxy voting.” Of those, our analysis found that only 35 appear to be committees with an investor responsibility focus that include input from outside the investment office. AASHE also surveyed its respondents on this topic, asking “Does the institution have a committee on investor responsibility or similar body?” Thirty-four institutions responded affirmatively. However, of these we were able to confirm only 22 based on the committee charter or mission statements provided to AASHE. The majority of the institutions that claimed to have committees on investor responsibility provided details on their university investment committees that listed their primary duties as determining and managing investments, with occasional reference to a policy document on ESG considerations. AASHE defines a committee on investor responsibility as a “body that makes recommendations to the Board of Trustees on socially and environmentally responsible investment opportunities across asset classes, including proxy voting. The body has multi-stakeholder representation, which means its membership includes faculty, staff, and students and may include alumni, trustees, and/or other parties.”⁵⁷ However, in eleven cases, AASHE accepted and awarded credit to institutions that reported investor responsibility

⁵⁷ AASHE STARS, “Version 1.0 Technical Manual,” available at http://www.aashe.org/files/documents/STARS/stars_1.0_technical_manual_admin_update_2.pdf (accessed November 30, 2011).

committees that do not appear to meet these criteria because they lack multi-stakeholder and student involvement. Ball State University, Delta College, Goshen College, Haywood Community College, New Mexico State University, Oregon State University, Pacific Lutheran University, University of California San Diego, University of Colorado, University of Florida, and the University of South Florida are among the schools that reported investment committees that do not appear to meet AASHE's definition of a Committee on Investor Responsibility.

Student-Run Funds

One noteworthy development in the architecture of investment decision-making around ESG issues is the emergence of increasing numbers of endowed funds that are managed by students. Alumni, faculty and student appetite for ESG investing has led some groups to create smaller SRI funds within the endowment, as demonstration experiential-learning projects in which students have direct say in the governance of smaller pools of capital. Seventeen schools reported having a "student-managed SRI fund" in their AASHE STARS responses, though some schools appear to have included student-run funds that do not incorporate ESG factors or student-run philanthropic funds that make charitable gifts. Our research identified 25 student-run funds that incorporate ESG criteria at the 464 schools analyzed for this report. Many have been established by entrepreneurial students, but not all appear to be part of a college or university's endowment. Several of them have been explicitly designed to serve as models, with participants hoping to show their school and other investors how the incorporation of ESG criteria into asset management can yield responsible, risk-adjusted returns and create positive impact. Managing these funds also provides students with first-hand experience in responsible investment practice. Many are still in start-up mode at present, raising capital and formulating investment strategies, but 18 groups appear to be actively managing an investment portfolio.

Student-run funds at Bard College, Colorado State University College of Business, Franklin and Marshall College in Lancaster, Pennsylvania, the Haas School of Business at the University of California Berkeley, the University of Dayton in Ohio, the University of Virginia Darden School of Business, and Yale are investing in public equities, either by actively managing a portfolio according to internal SRI guidelines or through an ESG-screened mutual fund. The Haas Socially Responsible Investment Fund has been one of the largest and most prominent student-run SRI funds. The fund was launched in 2007 with donations from Haas alumni, who wanted students to have hands-on SRI investment management experience. The Haas SRI Fund is a long-only public equity fund that evaluates potential investments using not only

financial performance, but also the following ESG criteria: citizenship concept, strategic intent, leadership, structure, issues management, stakeholder relations and transparency.⁵⁸ At the end of fiscal year 2011, it had \$1.3 million in assets invested in a concentrated portfolio of directly held stocks.

Figure 12. Identified Student-Run Funds Incorporating ESG Criteria

Institution	Student-Run Fund Name (<i>Investment Focus</i>)	AUM (millions)	Actively Investing
Bard College	Social Choice Fund (<i>Mutual fund investing</i>)	*	Y
Bentley College	Bentley Microfinance Group (<i>Domestic Microfinance</i>)	\$ 0.125	Y
Colorado State University	Summit Student Investment Fund (<i>Active public equity investing</i>)	\$ 0.190	Y
Columbia University	Microlumbia Fund (<i>International Microfinance</i>)	\$ 0.010	Y
Franklin and Marshall College	Student Managed Investment Portfolio (SMIP) (<i>Active public equity investing</i>)	\$ 0.137	Y
Ithaca College	Core Trading Consultants (<i>Active public equity investing</i>)	\$ 0.024	Y
Northwestern University	LEND: Lending for Evanston & Northwestern Development (<i>Domestic Microfinance</i>)	*	Y
Ohio State University	Student Social Venture Fund (<i>Social Enterprise</i>)	*	
Rice University	Owl Microfinance (<i>Microfinance</i>)	*	
Saint Cloud State University	SCSU Micro Loan Program (<i>Domestic Microfinance</i>)	*	Y
Seattle University	SU Microfund (<i>Domestic Microfinance</i>)	*	
St. John's University	Global Microloan Program (<i>International Microfinance</i>)	*	Y
University of Alaska at Fairbanks	Project Ummid (<i>International Microfinance</i>)	*	Y
University of California Berkeley	Haas SRI Fund (<i>Active public equity investing</i>)	\$ 1.300	Y
University of Dayton	Davis Center Flyer Investments (<i>Active public equity investing</i>)	\$ 13.000	Y
University of Michigan	Social Venture Fund (<i>Social Enterprise</i>)	*	
University of Nevada, Las Vegas	Rebel Investment Group (<i>Active public equity investing</i>)	*	Y
University of Notre Dame	Applied Investment Management <i>Active public equity investing</i>	\$ 5.000	Y
University of Pennsylvania	Wharton Social Venture Fund (<i>Social Enterprise</i>)	*	
University of Utah, Brigham Young University, and Westminster College	University Impact Fund (<i>Social Enterprise</i>)	*	
University of Virginia	Sustainable Investment Group (<i>Active public equity investing</i>)	*	Y
University of Virginia	The Rotunda Fund (<i>Active public equity investing</i>)	\$ 0.750	Y
Villanova	Arnone-Lerer Social Responsibility Fund (<i>Active public equity investing</i>)	\$ 0.100	Y
Washington and Lee University	General Development Initiative (<i>International Microfinance</i>)	*	
Yale University	The Yale Dwight Hall SRI Fund (<i>Mutual fund investing</i>)	\$ 0.080	Y

Note: * Unable to confirm assets under management.

SOURCE: Tellus Institute, AASHE.

⁵⁸ Haas Socially Responsible Investment Fund, "Annual Report," University of California Berkeley, Haas School of Business, May 2011, available at <http://responsiblebusiness.haas.berkeley.edu/documents/2011%20HSRIF%20Annual%20Report.pdf>.

The Rotunda Fund at the University of Virginia Darden School of Business is a student-run sustainable investment fund, one of five funds in the school's student capital management program. The fund was launched three years ago in response to widespread student interest in sustainable investing, and it currently manages \$750,000. Roughly 80 percent of the fund is invested in publicly traded companies selected for superior ESG and financial performance with the remaining 20 percent invested in "pure play" companies, such as renewable energy firms.

Flyer Investments at the University of Dayton Davis Center for Portfolio Management is the largest identified student-run fund incorporating ESG criteria. The \$13 million fund is a signatory of the United Nations Principles for Responsible Investment (PRI), and its student managers are required to become familiar with the PRI through an associated investment course curriculum. Flyer Investments' ESG approach focuses primarily on governance issues, including transparency and political contributions. The University of Dayton also has a long-standing affiliation with the United Nations Global Compact, with which they host the annual Redefining Investment Strategy Education conference.

Many of the more recently established student funds are investing in social enterprises and microfinance institutions rather than public equities. The increasing popularity of microfinance among students is reflected not only in the growing number of student-run microfinance funds, but also the networks that have arisen to support them. The Campus Microfinance Alliance was founded in 2009, with support from the Aspen Institute as well as The Charles Stewart Mott and Schoenfeld Foundations, to provide a collaborative network, technical assistance, and grants to the emerging field of student-run funds focused on domestic microfinance. The Alliance currently has 12 member funds that are either student-led or originally founded by students.⁵⁹ MFI Connect is an international network of student microfinance funds and interest groups. The organization aims to support microfinance clubs globally and organize campaigns to encourage MFI investment.

The Microlumbia Fund at Columbia University is an example of a young student-run fund focused on MFIs. Microlumbia focuses on direct investment in and consulting services for international MFIs. Currently, the Microlumbia portfolio consists of one \$10,000 debt investment in Ruhiira Millennium

⁵⁹ See Campus Microfinance Alliance's website at <http://www.campusmfi.org/>.

Savings and Credit Cooperative, a microlender in Uganda. In the 2010-2011 school year, Microlumbia’s managers also provided consulting services to four MFIs in Africa and Asia.⁶⁰

The student-run funds currently raising capital are similarly focused on alternative investments rather than public equity. The University of Michigan Social Venture Fund (SvF), housed at the University’s Ross School of Business in Ann Arbor, has raised over \$100,000. The SvF will invest in early-stage social enterprises in the US with a particular interest in businesses in health, education, environment, and urban revitalization serving the Detroit metropolitan area. The fund aims to earn a portfolio-wide financial return on par with the 10-Year Treasury Rate in addition to the social and environmental returns on its investments. The SvF’s student managers are currently providing capacity-building services to three companies and expect the Fund to make its initial investments in spring 2012.

Endowment Transparency

As we observed with the case of Sudan divestment at Harvard, transparency provides basic accountability mechanisms to the stakeholders whose concerns are ultimately reflected in ESG policies implemented at endowments. Opacity makes it difficult for analysts, peers, and stakeholders to develop an adequate understanding of investment activities.

As part of its evaluation and grading of transparency, SEI examined the degree of investment transparency at 277 institutions through its survey and follow-up research. In its survey, SEI requested that schools indicate which stakeholder groups have access to various levels of investment information, such as asset allocation, lists of external managers, lists of mutual funds, and investment holdings in specific asset classes, such as public equity, fixed income, real estate, hedge funds, private equity, venture capital, natural resources, and cash.

Figure 13: Self-reported Percentage of Institutions Providing Information to Different Audiences

Investment Information Available	Trustees	Senior administrators and select individuals	Entire school community	General public per open records law	General public
Asset allocation	96%	95%	74%	39%	59%
List of external managers	92%	88%	39%	25%	27%
List of mutual funds	90%	85%	36%	23%	22%

SOURCE: Sustainable Endowments Institute

⁶⁰ Microlumbia Fund, “2010-2011 Annual Report,” Columbia University, available at <http://microlumbia.org/wp-content/uploads/2011/09/Microlumbia-2010-2011-AR-final-1page.pdf> (accessed December 14, 2011).

On average trustees, senior administrators and select individuals have broad access to endowment holdings information. Eighty-three to ninety percent of institutions reported making a wide range of holdings information available to these groups. While three quarters of institutions make asset-allocation information available to their entire school communities, on average only 36 percent grant the entire school community access to any information about investment holdings. Less than a quarter of institutions make endowment holdings information available to the general public, with slightly more, primarily public colleges, making it open via open-records requests rather than directly.

Figure 14: Self-reported Percentage of Institutions Providing Investment Holdings to Different Audiences

Investment Holdings Available	Trustees	Senior administrators and select individuals	Entire school community	General public per open records law	General public
Equity	84%	79%	34%	21%	18%
Fixed income	84%	79%	31%	22%	18%
Real estate	84%	79%	30%	21%	17%
Hedge fund	83%	79%	29%	20%	17%
Private equity	84%	79%	30%	21%	17%
Venture capital	83%	78%	28%	19%	16%
Natural resource	84%	79%	29%	19%	17%
Cash	90%	84%	36%	23%	22%

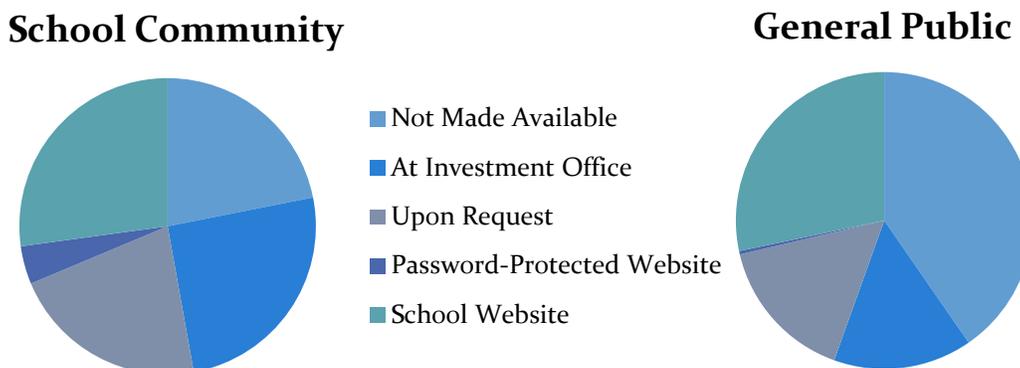
SOURCE: Sustainable Endowments Institute

SEI also sought to uncover “where information about endowment holdings is made available to the school community and the general public” for schools that indicated that it was accessible. *The College Sustainability Report Card* separated this inquiry into two questions, asking separately whether the school community and the general public could access investment holdings information in the investment office, by request, through a password-protected website, on a public website, or not at all. Figure 15 summarizes the number of schools that SEI found to use each method of sharing information about holdings.

Based on SEI’s data, 17 schools indicated that they make all information about their endowment holdings available on publicly-accessible, non-password protected websites. In fact, upon verification, we found that only eight of the 17 schools made financial holdings readily accessible. Seven schools made only asset allocation accessible, though generally those were buried within annual financial reports. Two schools, Fairfield University in Connecticut and Virginia Commonwealth University in Richmond, made no information readily available to the public. In short, more than half of the schools indicating to SEI

that comprehensive endowment holdings information is publicly available actually provide very limited, if any, transparency about the composition of endowment holdings.

Figure 15. Self-Reported Accessibility of Investment Holdings



Note: Information was available for only 265 of the 277 institutions included in SEI’s study.
SOURCE: Sustainable Endowments Institute

AASHE also gathered transparency data in its STARS evaluation tool by including the question, “Does the institution make a snapshot of its investment holdings, including the amount invested in each fund and/or company and proxy voting records, available to the public?” Out of 118 participating institutions, 34 indicated that they did make such snapshots public. However, when given the opportunity to describe their investment disclosure practices, many schools clarified that that while information on investment policy and asset allocation could be found online, further information would have to be requested, and specific holdings were often available only to trustees and administrators. Haverford College, for example, reported the following:

We make available a five-year summary of endowment holdings in our annual Factbook, which is available to the public online at Haverford’s website. This includes asset allocation information and holdings amounts for each asset class. We also provide detailed information on our portfolio holdings to a number of external organizations, such as NACUBO, Cambridge Associates and other data-sharing groups. Holdings and proxy-voting records of the CISR portfolio are publicly available at <http://www.haverford.edu/business/financial.php>. All endowment holdings are made available, and detailed reports of holdings and asset allocation are produced for the Board

of Managers and Senior administrators. The information is available to all other members of the College community upon request.⁶¹

In other words, the college does not in fact provide a snapshot of endowment holdings, including the amount invested in each fund and/or company, to the public. Instead, it limits that information to members of the college community.

Unlike the *College Sustainability Report Card* survey, the STARS survey gave respondents the opportunity to provide a URL web link “where information about investment disclosure [would be] available.” Of the 34 schools that claimed to provide snapshots of investment holdings, only 23 provided URLs leading to those snapshots or information on how to access them. Of those 23 schools, we found that only six actually provided their endowments’ allocations to specific fund managers by name. Green Mountain College in Poultney, Vt., provides a “best-practice” example of disclosure in this respect. The school presented the specific investments of its \$3 million endowment directly on its endowment’s web page rather than buried within a report or presentation.⁶²

Twelve schools provided links to financial statements or other reports, most of which included asset allocation. Four schools explained on the STARS survey that such snapshots were not available online, but only in hardcopy or by request. The link provided by Bard College led to a page explaining that a snapshot was not online because “a partial list of the College endowment’s holdings [was] available in the campus library.” The University of Nevada Las Vegas Foundation, which reported to AASHE that “snapshots of investment holdings are available upon request,”⁶³ provided a link that takes the reader to a text of state legislation requiring the Foundation’s meetings to be open to the public, but it provides no investment information or even a description of how to obtain holdings information. The Evergreen State College in Olympia, Wash., explained to AASHE that its endowment was held within the University of Washington’s combined endowment fund, the details of which were available upon request,⁶⁴ but the link it provided directed the user to the University of Washington’s response to the Sustainable Endowments Institute’s *College Sustainability Report Card*, which confirmed this information but offered

⁶¹ AASHE STARS, “Haverford College, Investment Disclosure,” July 28, 2011, available at stars.aashe.org/institutions/haverford-college-pa/report/2011-07-28/3/20/136/ (accessed January 25, 2012).

⁶² Green Mountain College, “Our Endowment,” available at http://www.greenmtn.edu/administration/business_office/our-endowment.aspx (accessed March 13, 2012).

⁶³ AASHE STARS, “University of Nevada Las Vegas, Investment Disclosure,” June 17, 2011, available at stars.aashe.org/institutions/university-of-nevada-las-vegas-nv/report/2011-06-17/3/20/136/ (accessed January 25, 2012).

⁶⁴ AASHE STARS, “The Evergreen State College, Investment Disclosure,” July 25, 2011, available at <https://stars.aashe.org/institutions/evergreen-state-college-wa/report/2011-07-25/3/20/136/> (accessed January 25, 2012).

no further resources for requesting endowment details.⁶⁵ Similarly, the Oswego College Foundation, part of the State University of New York System, stated that they respond to endowment inquiries, but directed readers to the NCSE, which provides no school-specific data about Oswego or any other institution.⁶⁶ One school, also within the State University of New York system, provided irrelevant information regarding endowment disclosure on its STARS survey. The Fredonia College Foundation, on behalf of SUNY Fredonia, described and provided a link to the New York State Comptroller's annual Comprehensive Annual Financial Report and directed AASHE viewers to its data regarding the New York State Common Retirement Fund, which makes no reference to SUNY Fredonia's endowment investments.⁶⁷ At far too many schools, the trend appears to be toward obfuscation rather than transparency.

All 23 of these institutions, along with the 11 others that claimed to disclose investment snapshots but did not provide URLs with any further information, were awarded full credit for this category by AASHE, despite the wide variation in the quality of the data provided. The varied responses imply that there is not a uniform understanding of what constitutes a "snapshot of investment holdings," nor a commitment to transparency. The STARS Technical Manual does not clarify the term, and AASHE's acceptance of any positive response to this question implies that schools do not have to adhere to any standards.⁶⁸

Finally, transparency can be gauged not only in the way that schools report their disclosure practices to third parties and in surveys, but also in their responsiveness to basic information requests from the public. Over the course of follow-up research during late 2011 and early 2012, we reached out to investment and financial offices at more than 60 institutions via email and telephone. In messages and direct conversations, we requested straightforward information to confirm institution-specific information often drawn from school's AASHE or SEI surveys related to student-run investment funds, assets subject to ESG policies, community investing and microfinance activity, and other forms of ESG

⁶⁵ Sustainable Endowments Institute, "University of Washington, Endowment Survey," *The College Sustainability Report Card 2011*, available at <http://www.greenreportcard.org/report-card-2011/schools/university-of-washington/surveys/endowment-survey> (accessed January 25, 2012).

⁶⁶ AASHE STARS, "State University of New York at Oswego, Investment Disclosure," August 1, 2011, available at <https://stars.aashe.org/institutions/state-university-of-new-york-at-oswego-ny/report/2011-08-01/3/20/136/> (accessed January 25, 2012).

⁶⁷ AASHE STARS, "State University of New York at Fredonia, Investment Disclosure," January 31, 2011, available at <https://stars.aashe.org/institutions/state-university-of-new-york-at-fredonia-ny/report/2011-01-31/3/20/136/> (accessed January 25, 2012).

⁶⁸ AASHE STARS, "STARS Version 1.1 Technical Manual Administrative Update One," available at http://www.aashe.org/files/documents/STARS/stars_1.1_administrative_update_one_technical_manual.pdf (accessed January 25, 2012).

criteria incorporation into endowment portfolio management. Twenty institutions – just under one-third of this subset – provided helpful responses in which they shared the requested information or clarified why the request did not apply to their investment pool or policies. Ten institutions provided minimal, inadequate responses, sharing only restatements of information that could already be found in the surveys we referenced or disregarding the substance of our queries after simply acknowledging our requests. Twenty-six institutions never responded to multiple attempts to reach them via e-mail or telephone. Five institutions simply declined to engage in conversations about endowment investments. Saint Joseph’s University in Philadelphia and Saint Mary’s College of California in Moraga, for example, cited policies against responding to “surveys” even though we were not conducting a survey, but rather simply seeking clarification on their self-reported survey responses to other third parties. DePauw University in Greencastle, Ind., and St. John’s University in Collegeville, Minn., stated that they would not share any information about their endowments. A representative of the business office at College of the Ozarks in Point Lookout, Missouri, was simply “not interested.” Given the broad unresponsiveness we encountered from schools, it should come as little surprise that of the many areas evaluated on the *College Sustainability Report Card*, endowment transparency is among the lowest grades on average.

Figure 16. Endowment Transparency Grades, College Sustainability Report Card, 2011

Grade	Endowment Transparency	Overall Grade
A	40	8
A-	-	41
B+	-	56
B	55	62
B-	-	43
C+	-	25
C	85	21
C-	-	11
D+	-	7
D	67	2
D-	-	1
F	29	0
(Not Graded)	1	0
TOTAL GRADED	276	277

Note: The College Sustainability Report Card awards +/- grades only for overall grades.
 SOURCE: Sustainable Endowments Institute

As Figure 16 highlights, far more schools receive grades averaging C or lower for endowment transparency than they do for their overall grades, which evaluate schools not only on endowment matters but also on areas such as food and recycling, green building, student involvement, and administration. In other words, schools consistently make better grades when it comes to sustainable campus operations and participation than they do on endowment-related issues in general and endowment transparency in particular.

Conclusion

Endowment investing around ESG issues today is rather less than meets the eye. On one hand, there appears to be a proliferation of initiatives to encourage more sustainable and responsible forms of endowment management. Yet on the other hand, as we have repeatedly seen, some colleges are regularly self-reporting unverifiable data about their ESG investment policies and practices, which upon investigation prove to be overstated. Whether deliberate or due simply to a lack of understanding of ESG investment activities, the poor reporting that we have found across surveys creates basic obstacles to understanding and analyzing in a robust manner the diversity of approaches to ESG investing that is occurring among college endowments.

In an effort to change this dynamic, concerned students and alumni at campuses around the country have begun to share resources about their efforts in unprecedented ways through organizations such as the Responsible Endowments Coalition. Over the last half decade, nonprofit groups such as Sustainable Endowments Institute have emerged to conduct research and rate various investment practices by college endowments, creating new monitoring and accountability mechanisms that numerous other ratings groups, such as AASHE and the Sierra Club, have taken into new directions. Although we have repeatedly highlighted data discrepancies and inconsistencies in survey language and the wording of questions that may be exacerbating misinterpretation by respondents, groups such as SEI, AASHE, *Sierra* magazine and *The Princeton Review* have acknowledged the problems of “survey fatigue” and announced in May 2011 that they would be collaborating toward the goal of establishing common survey language.⁶⁹

⁶⁹ Sustainable Endowments Institute, “Green Report Card Joins Survey Collaboration Effort,” press release, May 10, 2011, available at <http://greenreportcard.org/media> (accessed November 28, 2011). Subsequently, SEI has announced that it will no longer be conducting

Although the groups do not plan to consolidate and combine their individual surveys at this time, this collaboration represents an important step toward developing more standardized language with clearer definitions that will allow schools to report their activities with accuracy and precision and provide stakeholders with the basic information needed to hold schools accountable for the sustainability of their endowment practices.

Ultimately, the lack of transparency and of common understanding of leading ESG investment practices is the responsibility of endowment managers, who remain aloof from leading investor networks where opportunities and best practices in sustainable and responsible investment are routinely discussed. We have documented the widespread absence of college endowments from groups such as the UN Principles for Responsible Investment, the Investor Network on Climate Risk, the Investor Environmental Health Network, the Council of Institutional Investors, US SIF, and the Global Impact Investing Network. Unlike faith-based investors involved in the Interfaith Center on Corporate Responsibility or philanthropic foundations involved in the Mission Investors Exchange, endowments have yet to take the initiative to create their own networks for sharing resources and best practices around ESG investing.

It therefore comes as little surprise that misunderstandings about ESG investing are so commonplace among schools. The lack of understanding found among endowment managers and finance officers has led many schools repeatedly to report involvement in ESG activities in ways that prove to be illusory upon independent verification. Moreover, schools may have policies around certain ESG issues, but then limit their application to narrow slivers of their portfolios, primarily to directly held, publicly traded equities, despite ample evidence from the field that ESG criteria incorporation is a discipline that can be applied across asset classes. Other institutional investors investing in the ESG space certainly continue to place considerable emphasis on public equities, but emerging practice finds ESG investing opportunities across the full spectrum of institutional portfolios, even alternative asset classes so deeply prized in the Endowment Model of Investing. We have also found that schools repeatedly report making “community investments” that do not reflect community-investing imperatives of meeting the needs of financially underserved communities. Many schools also report having governance structures devoted to ESG issues in proxy voting but fail to distinguish between traditional investment committees and Committees on Investment Responsibility which provide for student and stakeholder feedback into the process.

its *College Sustainability Report Card* in order to focus its efforts on its Green Billion Dollar Challenge, focused on financing energy efficiency initiatives on campuses, often through green revolving loan funds. For more information, visit <http://greenbillion.org/>.

The limited, verifiable ESG investing activity that is observable among endowments can generally be traced back to faith-based traditions of religious schools, on one hand, and the specific demands of stakeholders, on the other, particularly those of students and alumni-donors, though staff, faculty, and community and nonprofit groups have also contributed to the dynamic of stakeholder relations that we have found to be such a distinctive feature of the college and university endowment landscape. Whereas many institutional investors appear to be moving toward the incorporation and integration of ESG factors into their investment decision-making and active-ownership activities, endowments appear to be more immobilized, viewing ESG investing in a mode of stakeholder crisis management, rather than as a prudent approach to risk management or as an opportunity to generate positive social or environmental impact. In this sense, the category of “foundations and endowments” so widely used within the investment consulting and asset management communities needs to be de-coupled. Foundations, after all, have played vital roles in catalyzing the emerging impact investment space, convening groups such as the Mission Investors Exchange, and encouraging the development of a mission-related investing practice at Cambridge Associates, one of the leading investment consultants for foundations and endowments. Even in the case of Investure LLC’s recently announced Sustainability Investments Initiative, one of the most explicit efforts to incorporate sustainability into endowment management, the prime mover of the initiative was ultimately not the firm’s college clients, but instead the Rockefeller Brothers Fund, which has committed the most capital and a much larger percentage of its portfolio to the program. Instead of seizing opportunities to generate social and environmental benefits through endowment investments, and sharing best practices in the leading communities of practice around sustainable, responsible and impact investing, endowment managers are largely missing in action.

The human-rights crisis in Darfur did admittedly lead a broad range of endowments to adopt Sudan-related investing policies, affecting the investment of more than \$100 billion in endowed wealth, at least in principle. Out of this campaign, in which students and other stakeholders again played pivotal roles, a Conflict Risk Network did emerge, as one of the few platforms for investor engagement in which colleges play any noticeable role. However, with the crisis in Darfur no longer in the headlines, other issues inevitably arise, and most schools continue to lack any comprehensive approach to managing ESG issues or the stakeholder relations that drive them. Recently, for example, labor, environmental and human rights concerns, in particular, have come to the fore on campuses around the country, whether related to labor relations in private equity, Oakland Institute’s recent findings of “land-grab” investments by prominent endowments in sub-Saharan Africa, or calls for colleges to divest from coal companies by a

widening coalition of student groups and nonprofit organizations.⁷⁰ The “Occupy Campus” movement has similarly made endowment transparency and investment responsibility key elements of its activities.

In response to these student and stakeholder demands for colleges to invest with a greater consideration for ESG issues, many colleges remain marred by a siege mentality. Yet the fundamental questions of responsible investment of college endowments will not recede. Such was the wisdom of university leaders in the aftermath of the crisis of the 1960s: to create new multi-constituent forms of discussion and decision-making around social issues of investment. Learning opportunities abound for endowments, and as we have seen, small numbers of colleges are grappling with the challenges of ESG investing more concertedly than others – by committing capital to responsible microfinance, leveraging their endowments to create economic opportunities in underserved communities, engaging in dialogue with companies and managers about environmental and social issues, exercising the rights and responsibilities of active shareownership, funding green revolving loan funds from endowment in order to support sustainability, and being more transparent with their stakeholders, both on campus and off. While the broader trends in responsible endowment management appear to be lagging the wider world of institutional ESG investment, particularly vis-à-vis colleges’ foundation counterparts, experiments are clearly occurring at the margin that merit closer attention and deeper analysis, both as case studies and at more aggregate levels. However, in order to advance more research on sustainable and responsible endowment investment, colleges and universities will need to be more forthcoming and transparent about their activities in the space, particularly with the many groups that have a stake in them.

⁷⁰ See “Deciphering Emergent’s Investments in Africa,” Land Deal Brief, Oakland Institute, June 2011, available at http://www.oaklandinstitute.org/sites/oaklandinstitute.org/files/OI_EAM_Brief_1.pdf (accessed July 12, 2012); and on the coal divestment campaign led by students at Colby, Cornell, Earlham, Swarthmore, and the Universities of Illinois and North Carolina, and supported by a wide coalition of nonprofits, including As You Sow, the Energy Action Coalition, Responsible Endowments Coalition, Sierra Student Coalition, and the Sustainable Endowments Institute, visit <http://www.wearepowershift.org/campaigns/divestcoal/>.

Bibliography

- Association for the Advancement of Sustainability in Higher Education (AASHE). "STARS Version 1.0 Technical Manual." AASHE, November 2010. Available at http://www.aashe.org/files/documents/STARS/stars_1.0_technical_manual_admin_update_2.pdf. Accessed November 30, 2011.
- _____. "STARS Version 1.1 Technical Manual Administrative Update One." AASHE, September 2011. Available at http://www.aashe.org/files/documents/STARS/stars_1.1_administrative_update_one_technical_manual.pdf. Accessed January 25, 2012.
- Amnesty International USA and Responsible Endowments Coalition. "Integrating Environmental, Social and Governance Issues into Institutional Investment: A Handbook for Colleges and Universities." Amnesty International USA and Responsible Endowments Coalition, 2007. Available at <http://www.endowmentethics.org/component/jdownloads/finish/3/5/0>. Accessed November 15, 2011.
- Andrews, Tae. "Malpass & Co. Take High Road to Bottom Line." *Notre Dame Magazine*, winter 2007-2008. Available at <http://magazine.nd.edu/news/1363-malpass-co-take-high-road-to-bottom-line/>. Accessed November 15, 2011.
- Armoza, Natalie. "Socially Responsible Investing: It's Time for Schools to Get on Board." *Independent School*, fall 2001. Available at <http://www.nais.org/publications/ismagazinearticle.cfm?Itemnumber=155716&sn.ItemNumber=145956>. Accessed October 31, 2011.
- Bernstein, Aaron. "Incorporating Labor and Human Rights Risk into Investment Decisions." Occasional Paper no. 2, Pensions and Capital Stewardship Project, Harvard Law School, September 2008.
- _____. "Quantifying Labor and Human Rights Portfolio Risk." Occasional Paper no. 4, Pensions and Capital Stewardship Project, Harvard Law School, June 2009.
- Bier, Jerilyn Klein. "College Students Drive SRI Efforts." *FA Green*, December 2010. Available at <http://www.famag.com/component/content/article/14-features/6464.html?Itemid=130>. Accessed November 15, 2011.
- Billingsly, Christina. "Weber State University." Green Revolving Funds in Action: Case Study Series. Sustainable Endowments Institute, 2011. Available at <http://greenbillion.org/wp-content/uploads/2011/10/WeberState.pdf>. Accessed December 1, 2011.
- Brown University Advisory Committee on Corporate Responsibility in Investment Practice (ACCRIP). "Major Actions and Divestments." Office of Finance and Administration, n.d. Available at http://brown.edu/Administration/Finance_and_Admin/ACCRIP/divestments.html. Accessed February 21, 2012.

- Bugg-Levine, Antony, and Jed Emerson. *Impact Investing: Transforming How We Make Money While Making a Difference*. San Francisco: Jossey-Bass, 2011.
- Caine, Rebecca. "California Institute of Technology." Green Revolving Funds in Action: Case Study Series. Sustainable Endowments Institute, 2011. Available at <http://greenbillion.org/wp-content/uploads/2011/10/Caltech.pdf>. Accessed December 1, 2011.
- Clem, Chris. "Community Investment Proves to Be Beneficial." Responsible Endowments Coalition, November 8, 2010. Available at <http://www.endowmentethics.org/component/wordpress/archives/429>. Accessed March 12, 2012.
- Danian, Noelle, Vanessa Di Cecco, Rose Levine, Mo Ki Macias, Alexandra Martin, Elizabeth Oshel, Clare Robbins, and Elizabeth Warth. "Community Investment in an Institutional Portfolio." Mount Holyoke College, 2004. Available at <http://www.endowmentethics.org/downloads/mtholyoke.pdf>. Accessed March 17, 2012.
- Dickinson College. "Proxy Voting Records." Office of Financial Operations, n.d. Available at <http://www.dickinson.edu/about/offices/financial-operations/content/investments/Proxy-Voting-Records/>. Accessed November 23, 2011.
- _____. "Sustainable Investments Initiative: Rockefeller Brothers Fund, Middlebury and Dickinson Focus on Socially Responsible Investments." June 22, 2010. Available at <http://www.dickinson.edu/news-and-events/news/2009-10/Dickinson-Joins-Sustainable-Investments-Initiative/>. Accessed April 12, 2012.
- Freireich, Jessica, and Katherine Fulton. "Investing for Social and Environmental Impact." Monitor Institute, January 2009. Available at http://www.monitorinstitute.com/impactinvesting/documents/InvestingforSocialandEnvImpact_FullReport_004.pdf. Accessed March 3, 2012.
- Gideon, Gavan. "Yale Will Halt Future Investments in HEI." *Yale Daily News*, November 29, 2011. Available at <http://www.yaledailynews.com/news/2011/nov/29/yale-will-halt-future-investments-in-hei/>. Accessed November 30, 2011.
- Graham-Felsen, Sam. "Harvard Divests." *The Nation*, May 16, 2005. Available at <http://www.thenation.com/article/harvard-divests>. Accessed February 16, 2012.
- Green Mountain College. "Our Endowment." Business and Financial Services Office, n.d. Available at http://www.greenmtn.edu/administration/business_office/our-endowment.aspx. Accessed March 13, 2012.
- Haas Socially Responsible Investment Fund. "Annual Report." University of California Berkeley, Haas School of Business, May 2011. Available at <http://responsiblebusiness.haas.berkeley.edu/documents/2011%20HSRIF%20Annual%20Report.pdf>.
- "Harvard's 20/20/2000 Affordable Housing Initiative Helped Build, Renovate 4,350 Units in Boston and Cambridge." *Harvard Gazette*, November 1, 2010. Available at <http://news.harvard.edu/gazette/story/2010/11/harvard%E2%80%99s-20202000-affordable-housing-initiative-helped-build-renovate-4350-units-in-boston-and-cambridge>. Accessed November, 24, 2011.

- Harvard University Committee on Governance. *Harvard and Money: A Memorandum on Issues and Choices*. Harvard University, November 1970. Available at <http://www.eric.ed.gov/PDFS/ED045055.pdf>.
- Hebb, Tessa, ed. *The Next Generation of Responsible Investing*. New York: Springer, 2012.
- HEI Hotels & Resorts. "Managed Funds: HEI Funds." HEI Hotels & Resorts, n.d. Available at http://www.heihotels.com/managed_funds/HEI_funds.html. Accessed February 15, 2012.
- Hemel, Daniel J. "Harvard Still Holds Sudan Stake." *The Harvard Crimson*, January 7, 2007. Available at <http://www.thecrimson.com/article/2007/1/7/harvard-still-holds-sudan-stake-p/>. Accessed February 16, 2012.
- Hignite, Karla. "Mission-Based Investing." *Business Officer*, September 2008. Available at http://www.nacubo.org/Business_Officer_Magazine/Magazine_Archives/September_2008/Mission-Based_Investing.html. Accessed March 15, 2011.
- Humphreys, Joshua. "Educational Endowments and the Financial Crisis: Social Costs and Systemic Risks in the Shadow Banking System (A Study of Six New England Schools)." Tellus Institute, 2010. Available at <http://www.tellus.org/publications/files/endowmentcrisis.pdf>. Accessed October 31, 2011.
- Investor Environmental Health Network (IEHN). "Historic Shareholder Agreement Reached with McDonald's on Pesticide Use Reduction." IEHN press release, March 31, 2009. Available at <http://www.iehn.org/news.press.mcdonalds.php>. Accessed November 23, 2011.
- Kalwat, Janet. "Community Investing: Opportunities across Asset Classes." White Paper, Evaluation Associates, October 2009. Available at http://www.community-wealth.org/_pdfs/articles-publications/pris/paper-kalwat.pdf.
- Krosinsky, Cary, and Nick Robins, eds. *Sustainable Investing: The Art of Long-Term Performance*. London: Earthscan, 2008.
- Lei, Catherine. "University to Stop HEI Investments." *The Daily Princetonian*, March 1, 2012. Available at <http://www.dailyprincetonian.com/2012/03/01/30159/>. Accessed March 2, 2012.
- LaVoie, Valerie, and David Wood. *Handbook on Climate-Related Investing across Asset Classes*. Institute for Responsible Investment, Boston College, 2009.
- Louche, Céline and Steve Lydenberg. *Dilemmas in Responsible Investment*. Sheffield, UK: Greenleaf Publishing, 2011.
- Macias, Moki, and Rose Levine. "Community Investing at Mount Holyoke College." Responsible Endowments Coalition, Spring 2008. Available at <http://www.endowmentethics.org/mt-holyoke-college>. Accessed November 24, 2011.

- Macalester College. "Macalester College - Community Bank Partnership." Civic Engagement Center, n.d. Available at <http://www.macalester.edu/cec/institutionalcivicengagement/communitybanking/>. Accessed March 12, 2012.
- MicroLumbia Fund. "2010-2011 Annual Report." Columbia University, 2011. Available at <http://microlumbia.org/wp-content/uploads/2011/09/Microlumbia-2010-2011-AR-final-1page.pdf>. Accessed December 14, 2011.
- MicroVest. "2011 Annual Report." Available at <http://www.microvestfund.com/docs/2012-03-09-31.pdf>. Accessed December 14, 2011.
- National Association of College and University Business Officers (NACUBO). "NACUBO-Commonfund Study of Endowments." NACUBO, 2011. Available at http://www.nacubo.org/Research/NACUBO-Commonfund_Study_of_Endowments.html. Accessed January 25, 2012.
- O'Donnell, Liz. "Students Protest HEI, Go on Hunger Strike." *The Observer*, April 19, 2010. Available at <http://www.ndsmcobserver.com/news/students-protest-hei-go-on-hunger-strike-1.1372660-.T7xosUXmU6w>. Accessed March 7, 2012.
- O'Donohoe, Nick, *et al.* "Impact Investments: An Emerging Asset Class." Global Research, J. P. Morgan, November 29, 2010. Available at http://www.jpmorgan.com/cm/BlobServer/impact_investments_nov2010.pdf. Accessed March 15, 2012.
- ProCredit Holding. *2010 Annual Report*. April 2008. Available at http://www.procredit-holding.com/upload/pdf/AnnualReports/Annual_Report_2010/pch_AR10_27-04.pdf. Accessed November 12, 2011.
- Rendes, Maura. "A Different Kind of Community Investment at Seattle University Engages Students." Responsible Endowments Coalition, 2010. Available at <http://www.endowmentethics.org/news-media/archives/129>. Accessed March 12, 2012.
- Responsible Endowment Project, The. *Realizing Responsibility: A Modern Responsible Investment Framework for the Yale Advisory Committee on Investor Responsibility*. December 2010. Available at http://www.responsibleendowment.com/uploads/2/5/5/4/2554428/realizing_responsibility.pdf.
- _____. *Responsible Returns: A Modern Approach to Ethical Investing for the Yale Endowment*. July 2009. Available at http://www.responsibleendowment.com/uploads/2/5/5/4/2554428/responsible_returns_22_july_09.pdf.
- Responsible Endowments Coalition. "On the Issues: Oppressive Governments." n.d. Available at <http://www.endowmentethics.org/on-the-issues>. Accessed November 23, 2011.
- _____. "Move Our Money: A Community Investment Toolkit for Students." 2011. Available at <http://www.endowmentethics.org/component/jdownloads/finish/3/3/0>.
- Rucker, Philip. "Student-Driven Sudan Divestment Campaign Grows." *New York Times*, April 26, 2006. Available at <http://www.nytimes.com/2006/04/26/nyregion/26divest.html>. Accessed February 16, 2012.

- Simon, John, Charles Powers, and John Gunnemann. *The Ethical Investor: Universities and Corporate Responsibility*. New Haven, Conn.: Yale University Press, 1972. Available at <http://acir.yale.edu/pdf/EthicalInvestor.pdf>.
- Strauss, Nathan C. "Holdings Still Tied to Sudan." *The Harvard Crimson*, February 13, 2007. Available at <http://www.thecrimson.com/article/2007/2/13/holdings-still-tied-to-sudan-span/>. Accessed February 16, 2012.
- Sustainable Endowments Institute. "Green Report Card Joins Survey Collaboration Effort." Press release, May 10, 2011. Available at <http://greenreportcard.org/media>. Accessed November 28, 2011.
- _____. "Reducing Survey Fatigue: A Collaboration with AASHE, SEI, The Princeton Review, and Sierra Magazine." Press release, February 1, 2012. Available at <http://greenreportcard.org/media>. Accessed November 28, 2011.
- Swack, Michael. "Maximizing Returns to Colleges and Communities: A Handbook on Community Investment." Responsible Endowments Coalition, 2009. Available at <http://www.endowmentethics.org/component/jdownloads/finish/3/4/o>.
- TIAA-CREF. "Socially Responsible Investing: Community Investing." TIAA-CREF, n.d. Available at <http://www.tiaa-cref.org/public/about/how-we-invest/sri/community-investing/index.html>. Accessed December 14, 2011.
- Tufts University. "Omidyar-Tufts Microfinance Fund." Tufts University, n.d. Available at <http://www.tufts.edu/microfinancefund/>. Accessed December 14, 2011.
- Tunick, Britt Erica Tunick. "The Outsourcing Option." *Institutional Investor*, July 1, 2011. Available at <http://www.institutionalinvestor.com/Popups/PrintArticle.aspx?ArticleID=2855573>. Accessed March 15, 2012.
- Umlas, Elizabeth. "Investing in the Workforce: Social Investors and International Labour Standards." Employment Working Paper No. 29, International Labour Office, 2009.
- UNEP Finance Initiative and UN Global Compact. "Annual Report of the PRI Initiative." UNEP Finance Initiative and UN Global Compact, 2011. Available at http://www.unpri.org/publications/annual_report2011.pdf.
- University of Pennsylvania. "Statement to the Penn Community from the Executive Vice President Regarding HEI Hotels & Resorts." University of Pennsylvania, March 25, 2011. Available at <http://www.upenn.edu/pennnews/news/statement-penn-community-hei-hotels-resorts>. Accessed February 21, 2012.
- US Conference of Catholic Bishops. "Socially Responsible Investment Guidelines." US Conference of Catholic Bishops, November 12, 2003. Available at <http://www.usccb.org/about/financial-reporting/socially-responsible-investment-guidelines.cfm>. Accessed March 7, 2012.
- US SIF Foundation. *2005 Report on Socially Responsible Investing Trends in the United States*. Washington, DC. 2006.

- _____. *2010 Report on Socially Responsible Investing Trends in the United States*. Washington, DC. 2010. Available at <https://ussif.org/resources/pubs/trends/>.
- _____. "Community Investing Toolkit for the Faith Community." 2009.
- Voorhes, Meg, and Joshua Humphreys. "Recent Trends in Sustainable and Responsible Investing in the United States." *Journal of Investing* (2011): 90-94.
- Weisbord, Dano, Julian Dautremont-Smith, and Mark Orłowski. "Greening the Bottom Line: The Trend toward Green Revolving Funds on Campus." Sustainable Endowments Institute, 2011. Available at <http://greenbillion.org/wp-content/uploads/2011/10/GreeningTheBottomLine.pdf>.
- Wood, David, and Belinda Hoff. *Handbook on Responsible Investment across Asset Classes*. Institute for Responsible Investment, Boston College, 2007.
- Yale News. "Endowment Invests in Maine Wind Power Project." *Yale News*, March 3, 2011. Available at <http://news.yale.edu/2011/03/03/endowment-invests-maine-wind-power-project>. Accessed December 14, 2011.
- Yale University. *The Yale Endowment 2009*. Investments Office, n.d. [2009]. Available at <http://www.yale.edu/investments/>. Accessed December 14, 2011.