



Gonzaga Endowment Sustainable Investing

September 2024



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Background



ESG/Socially Responsible Investment Considerations

- In December 2018, the Board of Trustees approved the recommendation of the Investment Committee’s ESG Task Force to implement a socially responsible investment strategy. The recommendation followed a yearlong study that included broad engagement from the GU community.
- The concept of divesting from “the 200 most carbon-intensive companies” as proposed originally by a May 2017 Gonzaga Student Body Association Resolution was seriously considered by University leadership, the ESG Task Force, the Investment Committee, and ultimately the Board of Trustees.
- The Task Force recommended – and the Board of Trustees agreed – that an intentional commitment to investing in companies that are implementing ways to reduce carbon emissions and have sustainable business practices is more impactful and financially responsible than divesting from a list of fossil fuel companies.

ESG Task Force Recommendations & Updates



ESG Task Force Recommendations & Updates

Develop specific positive impact investment objectives and allocate a portion of the endowment toward such investments.

UPDATE: *To date, the Investment Committee has committed almost **\$23 million** exceeding the \$10 million target of new endowment investments in funds or companies that reduce carbon emissions and greenhouse gases, promote social responsibility, and find solutions for climate change. This total includes a \$5 million commitment to a private impact investing fund that invests in companies driving measurable social and environmental impact, a \$5 million commitment to a private sustainable investing infrastructure fund, and approximately \$6 million to an environmental solutions global equity fund, and approximately \$7 million to a fossil fuel free global equity fund.*

Fact – As a Jesuit university, our shared mission is to care for the planet through responsible stewardship of our physical, financial and human resources. Consistent with that mission, Gonzaga has invested over \$23 million in fossil fuel free global funds.

ESG Task Force Recommendations & Updates

Measure and evaluate current and prospective fund investments, as well as the underlying companies within funds, against socially responsible investing criteria.

UPDATE: *The Investment Committee has worked in conjunction with the endowment consultant, to develop a quarterly dashboard to quantitatively and qualitatively measure and track ESG characteristics and fossil fuel reserves based on MSCI data and analytics for all of the publicly traded and commingled funds held in the endowment. The Investment Committee uses this measurement tool to evaluate both the current and prospective fund investments and to incorporate socially responsible investing criteria into the investment decision making process.*

Fact – Gonzaga’s Investment Committee factors environmentally and socially responsible criteria into decisions and will continue to seek out opportunities in this rapidly evolving space.

ESG Task Force Recommendations & Updates

Create transparency in how the Investment Committee is fulfilling its commitment to socially responsible investing.

UPDATES:

- *The University Staff partnered with an investment advisor to host a “Sustainable Investing and Gonzaga’s Endowment” Forum on campus to share insights as to how the Investment Committee is incorporating sustainable investment practices.*
- *The Investment Committee invited students and faculty to an Investment Committee meeting to visit on investment matters, the session was titled: “Sustainable Investing – An Invitation for Dialogue with the Investment Committee. Invitations were sent to the Faculty Senate, Gonzaga Student Body Association, and Staff Assembly, as well as to student leadership of Fossil Free Gonzaga. Attendees spent an hour sharing perspectives on issues related to climate change, divestment, sustainable investing practices, impact investing, and the implementation of the ESG Task Force Resolutions.*
- *The Gonzaga University Board of Trustees and Investment Committee of the Board hosted a Plenary Session featuring an ESG industry expert.*
- *Throughout the academic year, the University Finance Team provides the leadership of Fossil Free Gonzaga with updates on the direct fossil fuel exposure in the pooled endowment and maintains an open-door policy for any other questions on the endowment.*

ESG Task Force Recommendations & Updates

Communicate to investment managers the University's view on the importance of socially responsible investing.

UPDATE: *Since the passage of the recommendations, the Investment Committee has met with 20 investment managers (some of them more than once) and had an opportunity to build awareness and discuss the University's view on the importance of socially responsible investing.*

Revise the Endowment Investment Policy where needed to add clarity. Make necessary revisions to the Endowment Investment Policy to incorporate these recommendations.

UPDATE: *The Endowment Investment Policy was formally revised to incorporate the ESG Task Force Recommendations.*

Fact – *Socially responsible investing is part of the ongoing, comprehensive sustainably efforts at Gonzaga.*

IPS Socially Responsible Investing Language & Considerations



IPS Language – Socially Responsible Investment Considerations

In keeping with the Mission Statement of Gonzaga University, it is the intention of this Investment Policy to promote the basic moral values of fairness, respect for human life, defense of human rights, care for the environment, and social justice. Taken together, these matters are referred to as socially responsible investment considerations.

Socially responsible investment considerations may result in any combination of the following practices:

- a. excluding securities of firms or managers whose policies or practices are inimical to the values the University espouses, particularly for direct equity investments;
- b. investing in securities or managers that are thematic or otherwise actively pursuing one or more positive socially responsible investment strategies;

IPS Language – Socially Responsible Investment Considerations

- c. influencing the social behavior of firms invested in through the exercise of ownership rights and other means of communicating with investment managers,
- d. where possible, measuring environmental, social and governance (ESG) criteria with a preference for securities or managers that score more favorably than those managed without ESG considerations

A combination of the above practices shall be applied where practicable and without introducing significant incremental risk to net investment return. One or more of the above practices may not be pursued if doing so significantly diminishes diversification, the universe of fund managers, is not contractually permitted, and/or introduces fees that are substantially in excess of fees of similar funds managed without a sustainable investment mandate.

IPS Language – Socially Responsible Investment Considerations

On an annual basis, University staff shall formally convey to all investment managers within the Fund the University's mission statement and the importance of having the University's values reflected in our investments. Additionally, University staff shall prepare an annual report outlining the actions taken by the Committee in fulfilling sustainable investment strategies.

It is the responsibility of the Committee to determine appropriate sustainable investment strategies, based upon information and advice from external and internal sources, and to communicate these strategies to the appropriate parties.