



Contents

1. Introduction	1
Principles for responsible investing	5
Sustainable development goals	6
The scope of this book	7
Chapter 2: ESG, SRI, and impact investing	8
Chapter 3: Theories of the firm	8
Chapter 4: Fiduciary duty in investment management	9
Chapter 5: Overview of financial institutions	9
Chapter 6: Financial markets: equities	10
Chapter 7: Financial markets: bonds	10
Chapter 8: Shareholder engagement	10
Chapter 9: Defining and measuring ESG performance	10
Chapter 10: ESG in managing institutional investor funds	11
Chapter 11: ESG in managing college and university endowments	11
Chapter 12: ESG in managing sovereign wealth and government sponsored funds	11
Chapter 13: ESG in managing family foundations and family offices	11
Chapter 14: Faith-based investing	11
Chapter 15: ESG investing-organizations having direct impact	12
Chapter 16: What's next for ESG investing	12
2. ESG, SRI, and impact investing	13
Environmental, social, and governance investing	13
Socially responsible investment	14
Divestment: South Africa	14
Divestment: sin stocks	15
Impact investing	18
The Rise Fund	19
Mission investing	22
United Nations principles for responsible investing	23
United Nations sustainable development goals	25
Financial returns versus social and environmental returns	25
Global sustainable investment	26

3.	Theory of the firm	29
	The social responsibility of business is to increase its profits	29
	Maximize shareholder welfare, not market value	32
	Maximizing welfare	34
	Shareholder rights	36
	Summary	39
	Appendix	39
4.	Fiduciary duty in investment management	45
	Addressing the Agency Problem	46
	Fiduciary duty	48
	Fiduciary obligations	48
	"Prudent Man" rule	49
	Uniform Prudent Investor Act	51
	Uniform Prudent Management of Institutional Funds Act	53
	Freshfields Report	54
	Fiduciary II	56
	United Nations Principles for Responsible Investing	57
	Organization for Economic Cooperation and Development	58
	Summary	58
5.	Overview of financial institutions	59
	Information asymmetries, moral hazard, and adverse selection	60
	Commercial banks	63
	Credit unions	64
	Investment banks	66
	Trading and research	68
	Asset securitization	70
	Mergers and acquisitions	71
	Prime brokerage	71
	Central banks	71
	Conventional monetary tools	73
	Unconventional monetary policy	74
	Other central banks	75
	Shadow banking: other financial intermediaries	76
	Insurance companies	78
	Categories of insurance	78
	Prudential Financial Inc	83
	MetLife Inc	84
	Zurich Insurance Group	86
	Pension funds	86
	Largest pension funds	89
	CalPERS	90
	Florida State Board of Administration	92
	Asset managers	92



94	Hedge funds
94	Private equity
97	Financial markets: equities
98	Risk, return, and diversification
100	Capital asset pricing model
101	Efficient market hypothesis
101	Random walk
101	Types of orders
103	Equity trading venues
105	Regulation
106	Investing in equities
107	Collective investment vehicles: mutual funds and exchange-traded funds
108	Equity indexes
109	ESG indexes
110	MSCI
111	FTSE Russell
113	Morningstar
115	Robo-advisors
117	Financial markets: bonds
118	Future value and present value
120	Internal rate of return
121	Credit instruments
122	Fisher's law
122	Term structure and yield curve
124	Types of debt instruments: money market instruments
127	Types of debt instruments: US Treasury securities
129	Types of debt instruments: agency securities
129	Types of debt instruments: corporate bonds
132	Types of debt instruments: municipal securities
133	Types of debt instruments: sovereign debt
133	Fixed income trading
136	Fixed income indexes and funds
136	ESG bond funds
139	ESG bond fund managers
141	Green bonds
145	Shareholder engagement
146	Using engagement to create value for both investors and companies
147	Shareholder activism
149	Shareholder voting by proxy
150	Key corporate governance and shareholder voting trends
152	Recent shareholder proposals

155	Examples of shareholder engagement policies
156	Blackrock
157	CalPERS
158	T. Rowe Price
159	The New York City Comptroller's Office
159	Vanguard
161	Institutional investors acting together
163	The Investor Stewardship Group
164	The 30% Club
165	Sustainability Accounting Standards Board
167	Defining and measuring ESG performance
167	ESG factors in portfolio construction
168	Standards for companies to report their ESG impacts
169	Global Reporting Initiative
173	Sustainability Accounting Standards Board
174	United Nations Global Compact
175	The United Nations Guiding Principles
175	Quality issues in ESG reporting
176	Corporate ESG reporting: findings
177	Services providing an assessment of corporate ESG
177	Sustainalytics
177	MSCI
178	RepRisk ESG Business Intelligence
178	Ceres
179	JUST Capital
180	How do mutual funds and ETFs rate ESG performance of portfolio companies?
180	Does ESG investing require lower returns?
180	Conceptual critiques of ESG investing
181	Empirical studies
185	ESG in managing institutional investor funds
188	BlackRock
188	Sustainable investment choices
193	Fidelity
194	PIMCO
198	Goldman Sachs
200	J.P. Morgan
201	Bellmont
203	JUST Capital
205	ESG in managing college and university endowments
209	Hampshire College
212	Yale University

University of California	214
Brown University	215
Harvard	217
Columbia University	220
ESG investing in other schools	221
Organizations providing analysis, support, consulting, and investing services for endowment management	222
Commonfund	222
The Intentional Endowments Network	222
National Association of College and University Business Officers	223
The Forum for Sustainable and Responsible Investment	224
 12. ESG in managing sovereign wealth and government sponsored funds	 227
Transparency issues and concerns	229
Linaburg–Maduell Transparency Index	232
ESG investing by SWFs	232
ESG investing policy in selected sovereign wealth funds	235
Norway's Government Pension Fund-Global	235
The French Pension Reserve Fund	238
Temasek Holdings Private Limited	239
China Investment Corporation	240
New Zealand Superannuation Fund	241
Future Fund, Australia's Sovereign Wealth Fund	242
Middle East Sovereign Wealth Funds	243
Mubadala Investment Company (Abu Dhabi)	243
Public Investment Fund of Saudi Arabia	244
Other sovereign wealth fund activities	245
 13. ESG in managing family foundations and family offices	 247
The family office	248
Chan Zuckerberg Initiative	250
The Giving Pledge	253
Bill & Melinda Gates Foundation	253
Lilly Endowment Inc.	257
Day One Fund	257
Open Society Foundations	258
The Robert Wood Johnson Foundation	260
The Rockefeller Foundation	261
Bloomberg Family Foundation (Bloomberg Philanthropies)	262
The Ford Foundation	265
Carnegie Corporation of New York	267

269	Providing Services to the Foundation Community
269	Council on Foundations
270	The Foundation Center
273	14. Faith-based investing
273	Common features
274	Christian values investing
275	Guidestone
275	New Covenant Funds
276	The Interfaith Center on Corporate Responsibility
277	Christian Super
281	Timothy Plan Funds
282	Eventide Funds
284	guidelines
287	USCCB investment policies
289	Catholic values mutual funds
289	Ave Maria Mutual Funds
291	LRCM Aquinas Catholic Equity Fund
291	Catholic values ETF
291	Islamic values investing
293	Green sukuk bonds
294	Islamic values indexes, mutual funds, and ETFs
296	MSCI Islamic index series
296	FTSE Shariah indexes
297	Amana Mutual Funds
298	The Iman Fund
299	Shariah compliant ETFs
299	Jewish values investing
300	Jewish values indexes, mutual funds, and ETFs
303	15. ESG investing-organizations having direct impact
305	Women's Sports Foundation
308	USA for UNHCR
309	Michael J. Fox Foundation for Parkinson's Research
310	Elton John AIDS Foundation
310	Water.org
312	Ocean Conservancy
313	Project AWARE
313	Sea Shepherd Conservation Society
315	UNICEF and UNESCO
315	UNICEF
317	UNESCO
319	Red Cross and Red Crescent Societies
322	The Salvation Army

Meals on Wheels	327
Habitat for Humanity	327
16. What's next for ESG investing?	329
Empirical studies of environmental, social, and governance investment performance	331
The future of environmental, social, and governance investing	332
Environmental, social, and governance investment concerns to be addressed	333
References	337
Index	341