Emory Investment Management ("EIM"):
Investment Framework for Environmental, Social and Governance ("ESG") Issues

What is Emory Investment Management?

Emory University's mission is to create, preserve, teach, and apply knowledge in the service of humanity.[1] Emory University's endowment provides a vital source of financial support to sustain the University's educational and research mission. The Investment Committee of Emory University's Board of Trustees bears responsibility for the stewardship of the Managed Funds ("Endowment"), and has charged Emory Investment Management ("EIM") with the task of implementing an investment strategy that fulfills the dual purpose of meeting today's spending for programs while preserving real purchasing power in perpetuity in alignment with Emory University's mission.[2]

Emory University's endowment consists of over 2,000 individual funds established for a variety of purposes.[3] EIM is responsible for the asset allocation, investment management, and oversight of the portfolio of investments owned by Emory University, Emory Healthcare, and The Carter Center along with their applicable retirement plans and affiliated entities. EIM is the named fiduciary body entrusted with the management of the assets and is proud to be responsible for investing the funds to further their respective missions. In addition to supporting the mission of Emory University, EIM is acutely aware of its responsibility in managing the assets of Emory Healthcare whose daily work enhances lives beyond the local community, ranging from delivering 85 percent of care to patients at the publicly funded Grady Memorial Hospital, to research that has led to more effective medical treatments, a notable example being their work with Ebola.[4] EIM is also privileged to manage the assets of The Carter Center who in their global mission to improve health has nearly eradicated the incidence of Guinea worm disease, and to enhance peace has supported and strengthened local democracies while advancing peace in some of the most war-torn countries.[5]

What is ESG Investing?

Environmental, Social and Governance ("ESG") investing is a term that is often used synonymously with sustainable investing, socially responsible investing ("SRI"), mission-related investing, or screening. ESG encompasses all activities that relate to corporate behavior that impacts the world. Emory University and EIM objectives are generally aligned with the United Nations - Principles for Responsible Investment ("UNPRI"), and EIM believes that consideration of ESG factors is fundamental to the investment process and the culture of the organization. UNPRI and its members abide by Six Principles for Responsible Investment, which are briefly summarized as: incorporating ESG issues into the investment process and active ownership policies, seeking disclosure of ESG issues from entities invested in, promoting industry-wide acceptance of the Principles, and enhancing the effectiveness of as well as reporting their progress toward implementing the Principles. [6] EIM does not seek merely to establish an ESG policy for external

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[1] Emory University Mission Statement (http://president.emory.edu/vision.html)
[2] Emory University Managed Funds Investment Policy Statement (Approved 11/8/18)
[3] Emory University Consolidated Financial Statements (FYE 8/31/18, footnote 7)
[4] Emory Impact Report (http://president.emory.edu/impact/impact-report.pdf); Emory Healthcare Ebola Preparedness Protocols (https://www.emoryhealthcare.org/ebola-protocol/ehc-message.html)
[5] The Carter Center, Accomplishments (https://www.cartercenter.org/about/accomplishments.html)
[6] United Nations Principles for Responsible Investing (https://www.unpri.org/)

investment managers or direct investment holdings, but rather to holistically embed ESG analysis into the investment process and organizational culture.

EIM's Framework for Evaluating ESG Issues

ESG considerations play a central role in EIM's work, beginning with the culture of the organization and the management of investments. EIM's asset allocation reflects the risk and return attributes and the short and long term characteristics of each asset class and their relationships to each other. ESG factors can alter these characteristics, particularly if they involve a public good or impact a shared environment. For example, climate change alters the risk and return characteristics of conventional carbon based sources of energy, from resource discovery to electricity consumption. As a vigilant fiduciary, EIM incorporates the risks and externalities associated with the carbon based energy lifecycle when considering energy investments. This holistic approach to asset class and investment analysis allows EIM to prudently invest in areas undergoing significant change.

EIM's investment process actively incorporates ESG considerations in external manager and direct investment decisions to help achieve its goal of maximizing support for endowment stakeholders' missions. EIM shares its mission and goals with partners, and it engages dynamically on ESG related topics prior to making an investment, in order to ensure alignment of interests. EIM selects external investment managers on the basis of investment ability, judgement, and alignment of interest with Emory University objectives. Beyond asset allocation and manager selection decisions, EIM recognizes that companies that fail to demonstrate appropriate regard for human and environmental well-being do not represent attractive long-term economic opportunities.

EIM's approach to ESG issues is supported by state and federal laws governing trust fiduciaries.[7] Commonly referred to as the "prudent investor" rules, this legislation requires trustees of financial assets to consider any factors which may affect the long-term economic interests of their beneficiaries. Donors create endowments with an understanding of the EIM policies and investment objectives in order to further the economic benefit of their contribution. Consequently, in managing Emory's endowment, for the benefit of current and future generations of Emory students, faculty, and affiliated entities, EIM is obligated to focus on ESG issues that impact economic results, while remaining fiduciarily bound not to use the endowment to pursue any other agenda.

September 24, 2014 Policy on Extreme Circumstances

On September 24, 2014 The Executive Committee of Emory University indicated that in extraordinary circumstances, the trustees may determine that direct financial investment in particular companies associates Emory with actions or positions that violate the university's most deeply held values and should be avoided, regardless of potential financial return. In such instances divestment from those particular companies may be necessary to separate the Emory community from the morally abhorrent activity of the company or companies in question. Those circumstances are:

a) The existence of a moral evil that generates substantial social harm, such as genocide, apartheid, slavery, or systematic cruelty to children;
b) The identification of a specific company or companies, rather than entire industries, as engaging in or supporting morally evil activity;

[7] GA Code § 53-12-241 (2017)

c) The clear connection of the identified company or companies with the moral evil;
d) The support for divestment from the identified companies by a broad consensus of the Emory community as demonstrated by an engaged and thoughtful deliberation.

Moreover, the Emory University Trustees indicated that divestment is never to be entertained merely to assert policy preferences, censure, or political leverage.[8]

EIM continues to actively evaluate how peers and external investment managers are improving measurement of ESG variables for integration into investment decision-making, and continues to incorporate ESG evaluation more holistically into the investment process and organizational culture.

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[8] Guidelines for Emory University Trustees in Considering Proposals to Divest from Certain Investments out of Concern for Social Responsibility (Approved 9/12/14)