Sustainable Investment Initiative

Outlining a Framework for Sustainable Investment at Pacific University

Isabella Barcellona- Environmental Studies concentrating on Policy and Government
Kayleigh DeBruyne - Environmental Biology and Anthropology
Gabriella Brill - Environmental Biology
Wyatt Swayngim - Business Administration, Finance and Accounting
Hannah Claussenius-Kalman - Psychology major (neuroscience emphasis), Spanish minor
Steven Armes- Business Admin. Finance & Marketing
Marc Bellantoni - Business Admin. Accounting and Finance, Politics and Government Minor
Xuan Dang - Business Admin. Accounting and Finance, Economics Minor

Andy Soria
David Knaus
Goal

Manage $10,000 startup fund in a way that earns maximum ROI while investing in funds or companies that are innovative, socially responsible, and promote environmental sustainability.
Decision Process Overview

- Four Sectors for Investment:
  - Green Technology
  - Infrastructure
  - Natural Resources
  - Social Enterprise

- Extracted sustainability and financial metrics from each sector

- Narrowed down to five metrics in each category

- Prospects filtered through sustainability metrics first
Sustainability Metrics Overview

- DOW Jones Sustainability Index
- Global Reporting Initiative
- Life Cycle Assessment
- Sustainability Dashboard
- IRIS Metrics
Sustainability Metrics

DOW Jones Sustainability Index

- Calculated with RobecoSAM’s Corporate Sustainability Assessment (CSA) methodology
- Includes 300-400 companies representing the top 10% of leading companies committed to sustainable practices worldwide
- Self-reported data
Sustainability Metrics

Global Reporting Initiative (GRI)

- Non-profit foundation focused on empowering sustainable decision making
- Most widely used standards for sustainability reporting
- Focus on multi-stakeholder approach for reporting framework
- Public access to all reports
Sustainability Metrics

Life Cycle Assessment (LCA)

- Cradle-to-grave analysis of production systems, processes and services to assess potential environmental impacts
- Review of LCA reports in academic journals
- Allows us to work outside of main stock market index and go for the cutting edge companies
Sustainability Metrics

Sustainability Dashboard

● Organization tracks and manages sustainability related data

● Metrics that can be tracked:
  ● Waste
  ● Transportation
  ● Products
  ● Energy
  ● Water
  ● HUman Resources

● Voluntary participation by companies
Sustainability Metrics

IRIS Metrics

● Filter by industry specific standards

● Five categories of performance
  ● Financial
  ● Sector
  ● Product
  ● Operational
  ● Social and Environmental Objective

● Allows us to compare companies within an industry on the same standard
Financial Metrics Overview

- Sharpe Ratio
- P/E Ratio
- Capital Asset Pricing Model (CAPM)
- Five Force Model
- Monte Carlo Analysis
- Asset Allocation
Financial Metrics

Sharpe Ratio: Evaluates return per unit of risk for a given asset.

\[ SR = \frac{r_i - r_f}{\sigma_i} \]

P/E Ratio: indicates investor sentiment and potential for growth.

\[ \text{P/E Ratio} = \frac{\text{Current Share Price}}{\text{Earnings Per Share (EPS)}} \]
Financial Metrics

CAPM: determines risk premium in contrast to market return

\[ E(r_i) = r_f + \beta_i (r_m - r_f) \]

\[ \beta_i = \frac{\text{Cov}(r_i, r_m)}{\text{Var}(r_m)} \]

Five Force Model: analytical tool used to assess threats to business survival

Monte Carlo Analysis: Statistical model used to predict asset price movement
Strategy

- Risk Hedging
- Asset Allocation
- Risk Free Investment
- Asset Type Diversification
Questions

- Is there anyone else from the Board’s Finance Committee we should work with?
- Who else within the University community should be involved in the project?
- Who would you prefer to be in charge of financial transactions?
- How would you like us to document and publicize our efforts for the Pacific community?
- What role can this group play in the vetting of the RFPs?
- Did you include in the RFP section not only “Are you being sustainable?” but “What are you doing?” or “How are you incorporating sustainability into your business practices?”
Thank You