

Dickinson

ESG/Sustainability Discussion February 2014

**Materials Prepared by Investure, LLC for the
Dickinson College Investment Committee**

ESG/Sustainability

Goals and Intentions

Investure assembled an internal team to develop a roadmap for its approach to ESG (which includes sustainability) in the future.

Goals of the Internal Team:

- To introduce a framework to Investure's Client Consortium for understanding and discussing how sustainability, environmental, social, and governance (collectively, "ESG") considerations, and similar concepts may, in general, be integrated into an investment process.
- To explain how Investure currently integrates ESG considerations into its investment process and portfolio.
- To propose and communicate several potential prospective augmentations to Investure's current approach to ESG.

The intention of the Internal Team is an output that results in a shared clarity between Investure and its Client Consortium that will:

- i. Improve the understanding and sentiment regarding a client's investment relationship with ESG matters;
- ii. Improve the Investure Team's time and resource allocation in the future; and
- iii. Reduce the number of "one-off" reactionary inquiries that occur related to ESG issues.

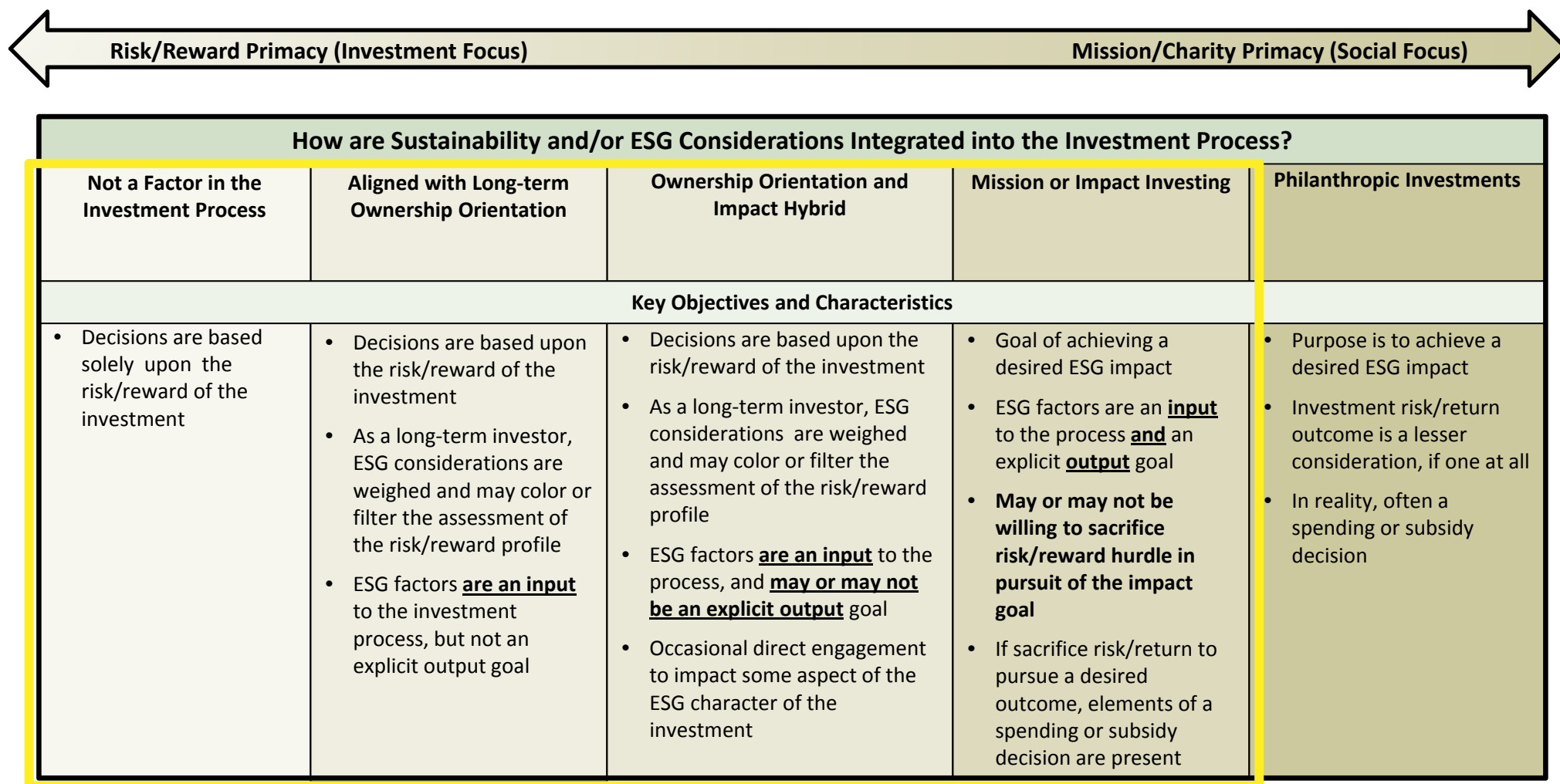
ESG/Sustainability

A Generalized ESG Framework

- Terms such as Sustainability, ESG, and Impact Investing carry different connotations and imply different goals and modes of integration into the investment process for different investment industry participants. This lack of clarity around terminology and meaning often leads to a muddled conversation.
- In general, these concepts refer to the integration of certain ethical issues and ESG considerations into investment analysis and decision-making.
 - These factors may include inter-generational fairness, water scarcity, various externalities (e.g., carbon), poverty, product responsibility, safety, and a host of additional evolving considerations.
 - These factors can be weighed as inputs into the investment and decision-making process and/or as desired end results or outputs of the investment strategy pursued.
 - The weighing of these factors in analysis and decision-making is often relative and multi-faceted, and different desirable ESG factors or goals may often be in competition or conflict.

ESG/Sustainability

A Generalized ESG Spectrum Framework



Investure and its investment partners are currently active across the majority of the ESG spectrum
(represented by the gold box)

ESG/Sustainability

Investure's Perspective and Approach - Inputs

- There is no exhaustive list of ESG issues; they are complex and constantly evolving.
- Given this perspective, Investure does not prescribe a rigid list of ESG rules or filters into its investment process. Instead, Investure defines a process whereby it seeks to identify and understand the ESG-related issues that may be pertinent to an investment, and to weigh those ESG considerations as one of a multitude of important factor inputs that will influence Investure's overall investment analysis and judgment.
- This approach is consistent and aligned with Investure's communicated investment philosophy. Investure is a long-term, ownership-oriented, fundamental investor. As such, Investure seeks to identify, understand, and weigh any and all factors that may impact the long-term risk and reward characteristics of an investment, including, but not limited to, liquidity risks, behavioral incentives, fees and terms, and ESG- and ethics-related considerations.

ESG/Sustainability

Investure's Perspective and Approach - Outputs

- Investure also actively sources and underwrites investment opportunities that may seek to achieve positive ESG-oriented outputs, outcomes, and impacts.
- Consistent with Investure's communicated investment philosophy, it searches expansively and considers all viable investment opportunity sets. Investure does not, however, invest in any given opportunity set unless it identifies specific investments that meet dispassionate risk/reward thresholds. Investure does not fill investment buckets.

This philosophy is consistently applied across any and all areas of potential investment, including, but not limited to, emerging markets, real estate, private equity, hedge funds, and impact investments.

- Accepting a lower expected return than is merited by the risks at hand in the hopes of achieving some non-investment outcome is an election to subsidize or to direct the spending of client resources. Investure has not been empowered by explicit governance policies or otherwise to make spending and/or subsidy choices on behalf of its clients. As such, Investure does not modify expected risk/reward underwriting hurdles in order to pursue the diverse menu of meritorious, non-investment impact goals that exist.

ESG/Sustainability

Investure's Perspective and Approach - Considerations

Investment opportunities deemed to be “Sustainable” or “ESG-appropriate” often exhibit the fundamental characteristics of a poor investment. Therefore, discretion is (and has been) critical:

- Investment profiles are often capital intensive with a limited ability to stage incremental capital commitments in parallel with diminishing execution and/or market risks. Risk is often front-ended and assumed at scale.
- Material execution and adoption risks are often underappreciated. Competitive moats and entry barriers are often meager. A reliance on industry growth expectations often covers for poor competitive defensibility.
- Significant government involvement exists through policy, legislation, tax support and other potentially-binary economic incentives, and these considerations are often critical to the underpinnings of the core investment case.
- Tax credits and other economic incentives that drive underwritten return profiles often do not translate effectively to tax-exempt investors (Investure's primary client base), leading to relative cost-of-capital disadvantages.
- Lower cost-of-capital participants (e.g., government, debt, infrastructure funds/sovereign wealth funds, pure mission-driven investors) often drive down return hurdles to unattractive levels given the risks being assumed.
- Sustainability, ESG, and other terms have been rapidly co-opted by the investment industry as marketing tools, leading to a breadth of mediocre “investment products.”

ESG/Sustainability

Investure's ESG Efforts- Current and Going Forward

Current ESG-focused efforts at Investure include:

- A Proxy Voting Policy was crafted and championed by members of the Client Consortium and is communicated to Investure's third-party investment partners at the time an investment is initiated.
- Investure Global Equity Fund, LP - Sustainability Series was created and is available to all interested clients.
- Some Investure third-party investment partners already formally integrate ESG considerations into their investment processes and/or portfolio company development plans.
- The Investure Team actively sources and evaluates ESG-oriented investments. The bi-weekly Investment Team meeting includes a standing agenda for discussing the current Sustainability investment pipeline.

Proposed augmentations to Investure's ESG-focused efforts include:

- Investure will seek to identify, understand, and weigh the potential ESG considerations related to each prospective investment. This analysis will be considered as a standard facet of Investure's due diligence process.
- Investure will create a pipeline report of ESG investments sourced and evaluated during each calendar year. The ESG Pipeline Report will be communicated to the Client Consortium semiannually.
- Investure will seek to more actively communicate where and how ESG-related activities and investments are occurring within the portfolio so the Client Consortium and its related communities may achieve broader awareness.
- Investure will host one investment intern from one client each summer. The internship will focus on investments broadly and will also seek to further contribute to the integration of ESG considerations into Investure's investment process.

Important Notes and Disclosures

- These materials were prepared for the use of Dickinson College's Investment Committee for discussion purposes only.
- It should not be assumed that any of the investments or strategies discussed herein were or will prove to be profitable, or that the investment recommendations or decisions Investure, LLC ("Investure") makes in the future will be profitable. These materials do not constitute an offer to sell or a solicitation to buy interests in any of the Investure Funds referred to herein. The information contained in this report is for informational purposes only, is not complete, and does not contain certain material information about the Investure Funds, including important disclosures and risk factors associated with an investment in such Funds.
- These materials contain "forward-looking statements," which include, but are not limited to, statements identified by words such as "could," "will," "may," "expect," "continue," "believe," or words of similar meaning. Actual results may differ materially from the results anticipated in these forward-looking statements.
- Investure is a registered investment adviser. More information about Investure, including its services and fee schedules, is described in its Form ADV, Part 2A, which is available to clients upon request.