Corporate social responsibility (CSR) programs have come a long way since MetLife sent visiting nurses into the New York City homes of extremely ill industrial policy holders more than 100 years ago. And socially responsible investing has moved light years ahead since the Pioneer Fund was created in 1928 for investors intent on keeping their money out of alcohol, tobacco and gambling companies.

Today, countless number of companies and investors around the world are following practices and policies meant to help protect the planet and its resources while helping customers and employees live safer lives and pull in stronger financial returns.

No longer set aside solely in company foundations or philanthropic pursuits, CSR efforts are visible in programs meant to ratchet up the commitment of financially savvy customers, reduce paper, water and electricity usage at corporate headquarters, encourage employees to volunteer and prod corporate executives into decisions that help build a sustainable world.

“Company executives now realize there is a risk dimension to environmental, social and governance factors (ESG) and you have to manage them. There are opportunities if you can spot ESG trends,” says Georg Kell,
BETTER FOR THEM. BETTER FOR THE BOTTOM LINE.

Major food companies are working to improve animal welfare in their supply chains. Companies like Starbucks and Sodexo are eliminating the cruel practice of cutting cows’ tails off (tail docking). Scores of companies are getting chickens and pigs out of cages. Purchasing practices are being aligned with consumers’ values.

This makes sense, given how animal mistreatment can impact companies. Costco, for example, is making national headlines because one of its egg suppliers was found locking living birds in cages with the mummified corpses of their dead cage-mates.

This is bad for animals and for the bottom line.

“In the case of animal welfare, failure to keep pace with changing consumer expectations and market opportunities could put companies and their investors at a competitive disadvantage.”

The Humane Society of the United States is proud to partner with hundreds of companies, helping them address the inextricable link between how they interact with the world around them and better balance sheets. Together, we can help create a more humane economy and a more humane society.
who helped create and ran the United Nations Global Compact as its executive director for 15 years until his retirement on Sept. 1. By signing onto the Global Compact, more than 8,000 companies have agreed to align their strategies and operations with 10 principles on human rights, labor, environment and anti-corruption.

At the same time, trillions of dollars are now being managed with socially responsible investing practices as scores of initiatives and new data give the investment community fresh techniques to monitor corporate performance.

“Socially responsible investing has been mainstreamed,” says Jonas Kron, senior vice president and director of shareholder advocacy at Trillium Asset Management. “Now it’s a question of how deeply do you incorporate environmental, social and governance factors into your decisions. Do you have a light touch or do you dig deeply? And what do you do with the information you have?”

Based in Boston, Trillium Asset Management has $2.2 billion under its watch and has been incorporating ESG factors into its investment process for more than three decades. About five years ago, the firm started several fossil fuel-free portfolios as public concern surged over the environmental fallout of fossil fuels, says Kron, who is based in Portland, Ore.

And now, in addition to regulatory changes, the development of the sustainability reporting industry and growing public anxiety about pollution and declining natural resources, the CSR movement is benefiting from the accumulation of data.

“There is growing empirical evidence that companies that focus on their core material issues will have higher returns...their stock prices will go up,” says Kell. “But asset managers are lagging behind. Many of them are still engaged in a short-term race and being rewarded for short-term gain.”

Andrew Plepler, the global corporate social responsibility director at Bank of America in Charlotte, N.C., says he believes CSR programs reached a pivotal point about five years ago. Rather than confined to a company’s environmental committee or its human resources department, social responsibility practices began to permeate all business lines and extend into a company’s interaction with its stakeholders.

As part of its stakeholder engagement, Bank of America has brought its executives together with leaders of civil rights, community development and environmental groups, so the financial institution’s managers can truly understand the concerns and anxieties of these groups. And these stakeholders, in turn, can learn about the views and actions of the bank.

“There is back and forth at these meetings and it has opened the eyes of people here in the organization,” says Plepler, adding that key executives and bank managers now see the value of these sessions. “The stakeholders go home with a better understanding of the company’s approach.”

Bank of America’s CSR program extends to working closely with the investment community through its investor relations department. “CSR is a reputational risk and an operational risk. A good CSR approach is about managing that risk,” says Plepler. “Shareholders want to know if a company is being governed responsibly.”

Relationship with Employees

A solid CSR program also pays attention to a company’s interaction with its employees. MetLife, for example, views the employee component of its expansive CSR program as a way to motivate and connect with its vast workforce as well as to attract new talent. The company has about 65,000 employees in nearly 50 countries.

“Young people care about the environment and the world,” says Dennis White, president and chief executive officer of the MetLife Foundation in New York City. “From
an employee perspective, employees feel very good about it (our CSR program). They’re enthusiastic and involved in our volunteer programs.”

Its CSR program also aims to build a diverse workforce for the long term. A global diversity and inclusion council, chaired by MetLife’s CEO, develops and carries out a diversity and inclusion strategy around the globe.

To help employees learn how they can play a part in easing community challenges, Bank of America’s social responsibility activities are part of the discussion at internal town hall meetings where employees can interact with key executives.

“Employees want to feel good about where they are working,” adds Plepler, who joined the bank a decade ago after working with the US government and founding a nonprofit that works with economically disadvantaged high school students. “Millennials want answers on sustainability and ESG concerns.’

Helping People

MetLife hasn’t abandoned the commitment to help people that it demonstrated with the creation of the Metropolitan Life Visiting Nurse Service in Manhattan in 1909. The service was later expanded to the five boroughs as insurance agents used their contact with the insured clients to urge policyholders to report any illness right away.

The agents left cards with information that identified the closest visiting nurse. The New York City program became a model for urban health reform and MetLife expanded it to 13 other cities.

Today, MetLife has grown beyond life insurance to offer an array of insurance and retirement planning products, legal services as well as asset management. It has $454.5 billion in managed assets and serves about 100 million customers around the globe, according to its 2013 corporate responsibility report.

White says MetLife’s business always has been shaped, back to its founding in 1868, by a core belief that quality financial services can be a powerful tool to help people live safer, more satisfying lives. In 2013, the company took that core belief a step further when the MetLife Foundation committed $200 million over a five-year period to help low-income people around the world become more financially literate. Its financial inclusion program, which aims to help 2 million low-income people, is working through a wide range of partners, from multinational policy centers to local grassroots service providers, White says.

“It’s a commitment to drive change and improve lives,” says White. “We want to create value not just for our customers, but also for our employees, in the actions we take; and for the communities we serve in the ways we give back.”

The financial inclusion program provides financial education and counseling to help people carry out basic financial tasks, such as setting up a checking account or gaining access to a small loan to expand a family business. A crucial part of the counseling helps people learn how to use these new tools on a daily basis.

Treatment of Animals

Protecting the planet’s resources – its water, forests, deserts and wildlife and animals – is another crucial component of CSR programs. Many food service companies have responded to public concern about animal welfare by strengthening their practices and policies to ensure animals are treated humanely.

For many years, the Humane Society of the United States has helped major companies craft policies around the treatment of animals in their supply chains. Consumers want to know how a company treats animals and the Humane Society has worked with dozens of major companies, from Walmart to The Wendy’s Company, to provide insight and assistance when it comes to aligning their practices with consumers’ values, says Matthew Prescott, the society’s senior food policy director.

“Just as production has been globalized, so too has consumer awareness,” says

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Connie L. Lindsey
Northern Trust

“IT is important that we maintain our high standard of ethical behavior and strong governance practices to preclude any negative impact on our performance. However, the focus (of analysts and portfolio managers) remains more on our financial performance than ESG factors.”

Georg Kell
The United Nations
Global Compact

“Company executives now realize there is a risk dimension to environmental, social and governance factors (ESG) and you have to manage them. There are opportunities if you can spot ESG trends.”

September 2015 • Institutional Investor Sponsored Report • 5
Prescott, who is based in Austin, Texas. “Consumers in America, for example, can easily have a window into overseas production today and can see how a company behaves abroad. That can have implications for its domestic balance sheet.”

Prescott says companies in the developed world can have a huge impact on developing countries through their CSR programs. “Whether it is seeking out better working conditions or establishing animal husbandry guidelines in developing nations, companies can play a role in creating ethical business practices abroad,” he adds.

Shareholders’ increased recognition that corporate responsibility is a material issue and consumers care about the treatment of animals has helped improve corporate performance in this area, Prescott says. He points to a recent report of the International Finance Corporation that states: “In the case of animal welfare, failure to keep pace with changing consumer expectations and market opportunities can place companies at a competitive disadvantage.” The Food Marketing Institute in Arlington, Va., which represents the US grocery industry, reports that “shoppers want retailers to prioritize animal welfare,” even over environmental issues.

“So when companies take steps to address issues like animal welfare, that are important to consumers, they can reap both branding and public relations benefits, which certainly helps their bottom line,” adds Prescott.

Compass Group USA, one of the world’s largest food service companies, recognizes the significance that sustainability and CSR have for its clients and guests. “Clients specifically ask about sustainability and CSR and we believe our policies have directly contributed to our growth and client retention,” says Cheryl Queen, vice president of communication and corporate affairs at Compass Group USA.

“Our strategies on various issues, including farm animal welfare, human rights advocacy for farm workers, and sustainable seafood, among other areas, resonate with our employees and build pride in the company and in our culture,” says Queen, adding that employee pride is reflected in the company’s attraction and retention rates.

Based in Charlotte, N.C., Compass Group North America is part of Compass Group PLC, headquartered in London with more than 500,000 employees around the world. Compass Group USA serves 8 million meals a day in venues from schools and corporate cafes to oil rigs and sports arenas.

Guidelines and Initiatives

The CSR movement has been supported over the years by the creation of initiatives and guidelines that can help corporations take long, hard looks at the business choices they make around environment, social and governance issues, and then help them measure the impact of these choices.

The United Nations played a major role in pushing socially responsible investing strategies around the globe with the creation of the Principles for Responsible Investing nearly a decade ago. Launched in May 2006 at the New York Stock Exchange by former United Nations Secretary-General Kofi Annan, the set of six voluntary guidelines gives institutional investors and asset managers a framework to follow and helps them avoid investing in companies with poor records on issues such as human rights, pollution or corporate governance. Today, the principles have nearly 1,400 signatories from around the world, including some huge government pension funds, which together manage assets of $59 trillion.

The United Nations is also prodding world leaders to engage with business with the launch of a groundbreaking set of Sustainable Development Goals (SDGs) this year. These goals will give businesses a fresh framework for aligning their strategic priorities with the sustainability of the planet and its people. The agenda will be laid down during the three-day United Nations Sustainable Development Goals summit this September.
MetLife Invests in a Sustainable Future

At MetLife, we are working hard to ensure a safer, healthier planet for future generations. We do this in several ways: by investing in renewable, clean energy and reducing our carbon footprint.

**Investing in a Greener World**
- $3.0 billion invested in wind and solar renewable power generation since 2003
- Equity stakes in 46 LEED certified properties
- Owner of the largest solar photovoltaic plant (solar farm) in the eastern United States
- MetLife Real Estate Investors’ Energy and Sustainability Challenge sets parameters to improve building efficiency and sustainability for the properties in our investment portfolio

**Reducing Our Footprint**
- Reduced energy consumption in our U.S. company-owned offices by 25% from 2005 to 2014
- 100 percent of our company-owned facilities in the U.S. are Energy Star certified and more than 50 percent are now LEED certified
- Reduced indirect greenhouse gas emissions for our U.S. owned company-offices by 100 percent through energy efficiency projects and Renewable Energy Certificate purchases
- Installed 42 electric-car charging stations at MetLife facilities—available free for employees
- Working with our suppliers to measure and reduce our value chain impact

Today’s environmental challenges require that we act in partnership with our employees, customers and business partners. By working together, we can bring about meaningful change that leads to a better world for generations to come.
Development Summit that begins September 25. These goals build on and extend the global body’s Millennium Development Goals, time-bound targets that were set in 2005 to help reduce poverty and improve basic living standards for the world’s poorest people by 2015. The SDGs include a range of economic and environmental objectives and are a significant opportunity to drive sustainable business.

Today, numerous guidelines and standards exist, such as the Sustainability Accounting Standards Board (SASB) in San Francisco and the Global Reporting Initiative (GRI) in Amsterdam, that help companies compare and measure their actions and practices in sustainability.

Ceres, a non-profit organization based in Boston formally known as the Coalition for Environmentally Responsible Economies, has been at the forefront of the movement to prod investors, companies and public interest groups to accelerate and expand the adoption of sustainable business practices. It has shown investors how sustainability issues can affect a corporation’s pocketbook.

With the Tellus Institute and support of the United Nations Environment Programme, Ceres helped create the GRI in 1997. The GRI is an independent non-profit standards organization that provides guidelines for sustainability reporting, also known as ESG reporting, and sometimes referred to as triple bottom line (TBL) reporting or CSR reporting. The GRI now has its own Secretariat in Amsterdam and about 7,500 organizations use GRI guidelines for their sustainability reports.

A 2014 Ceres’ report, “Gaining Ground: Corporate Progress on the Ceres Roadmap for Sustainability,” evaluated how well 613 of the largest, publicly traded US companies are integrating sustainability into their business systems and decision-making. (It was based on publicly disclosed information as of Oct. 15, 2013.) The report found that 52 percent of the surveyed companies were engaging investors on sustainability issues, up from 40 percent in a 2012 report (based on information disclosed as of Dec. 31, 2011). At the same time, 48 percent, or 295 companies, disclosed relevant sustainability risks and opportunities to investors through their financial filings and discussed how these issues are material to business.

Amy D. Augustine, senior program director of Ceres’ corporate program, says there has been more success at engaging chief financial officers as well as board members in CSR issues. “The C-suite is playing a more active role and CSR issues are being increasingly integrated into a company’s business strategies,” says Augustine. The Ceres report shows that 32 percent of the surveyed companies’ boards of directors formally oversee sustainability performance now, up from 28 percent in 2012. A key finding indicates that more companies are weaving sustainability performance into executive compensation packages.

Another key finding reveals that more companies are setting clear sustainability standards for suppliers. Fifty-eight percent, or 353 of the 613 companies, had supplier codes of conduct that address human rights in supply chains by 2014, up from 43 percent in 2012. Yet only a third, or 205, of the companies, have some activities in place to engage suppliers on sustainability performance issues, up from 27 percent in 2012.

“There’s a lot of work to be done. But this is an opportunity for companies, as well as asset managers, to integrate sustainability principles into their bottom lines.”

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Bruno Bertocci
UBS

“There’s a lot of work to be done. But this is an opportunity for companies, as well as asset managers, to integrate sustainability principles into their bottom lines.”

Dennis White
MetLife Foundation

“‘Young people care about the environment and the world. From an employee perspective, employees feel very good about it (our CSR program). They’re enthusiastic and involved in our volunteer programs.”

The Evidence

One recent significant shift helping to accelerate the CSR movement is the hard evidence that shows how ESG issues – whether the reputational fallout from an accounting scandal or a
You believe your investments should reflect both your performance objectives and your values. You deserve an ESG partner who feels the same way. At Northern Trust, we share your commitment to performance-driven investing and social responsibility. It’s why we made Pensions & Investments’ list of the world’s leading asset managers – as well as Corporate Social Responsibility magazine’s list of the 100 Best Corporate Citizens. We offer you the tools, research, and shared vision you need for performance-driven responsible investing. Invest for both performance and principles. Learn more about our holistic approach to environmental, social and governance investing: call Mamadou-Abou Sarr at 866-803-5857 or visit northerntrust.com/sharedvision

You value long-term performance.
And your principles.
So do we.
A garment factory fire that kills a hundred of workers – can impact a company’s operating performance, its stock performance and the cost of capital, whether issuing bonds and equity or taking on loans.

With the passage of time and the advance of technology, data has accumulated that shows how “doing good” can actually be profitable and companies are being rewarded with stronger equity prices, improved financial results and greater pools of employee talent.

Jorge Soto, sustainable development director at Braskem, a Brazilian petrochemical company based in São Paulo, says the company is seeing more interest about sustainability from investors. For example, it was one of five companies that recently met with a group of Brazilian and foreign investors aiming to develop more sustainable portfolios.

“But this is a new practice. This is just the second year,” says Soto, adding that a group of entities – BOVESPA (the Brazilian stock exchange), the Brazilian Business Council for Sustainable Development, the GRI, the Carbon Disclosure Project and the Principles for Responsible Investment – are pushing companies and investors to strengthen their sustainability efforts in Brazil. “We are supporting this movement,” Soto adds.

Soto says companies and asset managers should be focusing more on sustainable investing. “Companies should try to get economic value from their intangible assets. Asset managers should define their methodology to value companies beyond the EBITDA.”

Northern Trust, a global bank and asset manager based in Chicago, developed expertise in responsible investing 25 years ago by responding to the concerns of church-related groups. Its responsible investing assets, managed according to ESG factors, have triple, in just the past four years, to $60 billion, says Connie L. Lindsey, head of corporate social responsibility and global diversity and inclusion at Northern Trust.

Lindsey, who also is executive vice president, says the bank has had more conversations about corporate governance with its shareholders in recent years, although it has not yet seen a shift in focus or sentiment on CSR among analysts or portfolio managers. “It is important that we maintain our high standard of ethical behavior and strong governance practices to preclude any negative impact on our performance. However, the focus (of analysts and portfolio managers) remains more on our financial performance than ESG factors,” Lindsey adds.

Bruno Bertocci, head of the sustainable investing team at UBS Global Asset Management in Chicago, says the development of data and monitoring of organizations over the past decade has allowed many large and mid-size companies to gauge how ESG factors are impacting their bottom line.

“There’s a lot of work to be done. But this is an opportunity for companies, as well as asset managers, to integrate sustainability principles into their bottom lines,” he says.
Modern Sustainable Investing is an Evolution Of Traditional Fundamental Investing

Interview with Bruno Bertocci, Head of UBS Sustainable Investors

Sustainable investing has moved toward the mainstream as investors and asset owners have realized that material sustainability factors enhance decision-making.

What does sustainable investing mean?
Sustainable investing is an evolution of the traditional investment process that incorporates material, non-financial company data into our analysis of potential investments. These factors include screening potential investments for a sustainable corporate strategy, environmental impact, social guidelines and governance. This data can help predict a company’s competitive standing and future business success. It can also reveal hidden risks that may have a negative effect on shareholder value.

How are perceptions toward sustainable investing changing among corporate executives and institutional investors?
Sustainable investing has moved away from a subjective analysis and a focus on negative screening—removing controversial industries from a portfolio such as tobacco or alcohol—toward a positive screening exercise that uses sustainability factors to pinpoint companies that we expect will outperform. Coupled with valuation discipline, this positive screening approach can help identify investment opportunities that can outperform.

Why should the investment community care about sustainable investing?
The investment community should care about sustainable investing because it is a modern investment approach that can help active investors achieve their primary goal: to outperform the market. Companies that reduce their use of materials and waste, operate safer factories, attract and keep the talented employees and have strong supply chain oversight, can improve their competitive position and profitability. They can also improve their growth and ability to innovate. They can build strong brand positions and a portfolio of attractive products and services. They can create shareholder value while making the world a better place.

No Longer a Niche Form of Investing
Growth of Sustainable & Responsible Investment (Invested assets, USD billions)

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What is the process that UBS follows to make its sustainable investment decisions?
We integrate a proprietary database of material sustainability factors with our fundamental analysis that seeks to identify a security’s intrinsic value. It is critically important to consider how a company ranks on the key performance indicators, while considering valuation at the same time. Adding sustainability factors to fundamental financial analysis helps us truly identify an attractive business that we believe can create value for our clients’ portfolios. This approach also helps us steer away from investments that may appear cheap but that have hidden flaws or risks.

What does UBS offer investors who are ready to pursue sustainable investment practices?
UBS has a long history of sustainable investing and we have been in the forefront of the evolution of modern positive screening. Our approach is built on a strong and long-standing fundamental platform that leverages the work of our industry analysts worldwide, a proprietary portfolio construction and risk management tool and our valuation model. To this, we have added a proprietary database of sustainability factors that align with the rapidly developing effort to define material, industry-specific performance indicators. The accounting community is defining these indicators, and we believe they will form the basis for the disclosure of material sustainability data within corporate reports over the next decade.

Our ultimate goal is to build portfolios of companies for our clients that outperform, helping them meet their financial goals. At the same time, we believe that the companies in which we invest have strong sustainable practices that improve their competitiveness while creating external shared value. We see that this modern approach to investing is increasingly being adopted because it can add value and it makes sense.

Contact Information
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Institutional Investor Sponsored Statement • September 2015