Sustainable Responsible Impact Investing
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Welcome to ASU Foundation’s update on Sustainable Responsible Impact (SRI) investing.

The unprecedented events of the past 2020 and 2021 brought to light the fragility of our environment and social fabric. Through the pandemic, extreme weather occurrences and protests following the murder of George Floyd, we were forced to face the consequences and impact of our actions. We can no longer kick the can on shifting our course.

Dr. Martin Luther King Jr.’s words from a half-century ago about the Vietnam War ring true to our circumstances today:

“We are now faced with the fact that tomorrow is today. We are confronted with the fierce urgency of now. In this unfolding conundrum of life and history, there is such a thing as being too late. This is no time for apathy or complacency. This is a time for vigorous and positive action.”

As the prototype of the New American University, Arizona State University is committed to the overall health of the communities we serve. As the steward of ASU’s endowment, the ASU Foundation recognizes the imperative of aligning the investment portfolio in a manner consistent with the university’s long-held values while upholding our fiduciary responsibilities.

There is increasing evidence that integration of non-financial considerations, such as environmental, social and governance metrics, can improve returns and/or reduce risk. Climate risk is investment risk, and we see opportunities to take advantage of global mega-trends such as climate change, resource scarcity, demographic shifts, advances in healthcare, evolving transport, educational innovation and financial inclusion.

These responsible investing techniques now include a slew of strategies and are known by a multitude of varying terms and acronyms: ESG (environmental, social and governance), SRI (socially responsible), SDG (sustainable development goals), CSR (corporate sustainable responsibility), as well as terms like exclusionary screens and thematic and impact approaches. We think about all these strategies under the umbrella of Sustainable Responsible Impact (SRI) investing.

Early in my tenure, we convened a group of stakeholders — faculty, staff, students and trustees — to get to the core of what mission-aligned investing means at Arizona State University. Out of these discussions, an illuminating concept emerged: ASU is a transformational catalyst. We are in a unique position to highlight the intersection of sustainability and finance, to drive change in corporate America, to support innovative firms solving the biggest challenges and to influence how capital is invested.

First and foremost, we are investors. We act as fiduciaries for ASU’s endowment funds, meaning we have a legal obligation to act with prudence in the design of the portfolio to meet the beneficiary’s objectives. We do not have to accept lower or concessionary returns for mission alignment.

This report is part of that mandate. Transparency is vital. We don’t have all the answers; inconsistencies and lapses in data make measurement as much an art as a science. Often, there is still a lack of consensus on what we’re measuring, let alone how to measure it. This report is an early step — declaring our intentions and starting to measure our impact.

I hope it drives discussion and further collaboration.

A message from Jeff Mindlin

Jeff Mindlin
Chief Investment Officer
ASU Foundation
Executive summary

The ASUF Investment Committee is committed to aligning its activities with the mission of the university as demonstrated by the guiding beliefs on sustainable, responsible and impact investing codified in our Investment Policy Statement and articulated on page 6.

In this report, the Foundation’s Investment Committee describes our approach to investing sustainably and responsibly, thereby optimizing our value to the university.

Sustainable, responsible and impact (SRI) investing can include a spectrum of issues. We focus our SRI practices on the themes of climate and justice, equity, diversity and inclusion (JEDI).

This report illustrates how we use an investment, measurement and engagement framework in support of our ambitions and measure tangible progress.

Finally, we show how we are cultivating future sustainability leaders to carry on our work using student clubs and an experiential learning course that equips ASU students to invest funds using sustainable and responsible investing principles.

Our efforts to pursue sustainable and responsible investment strategies will continue to evolve. Our efforts to date provide a solid framework for moving forward. This report will show how we are pursuing our goal to serve as a transformational catalyst to our peers and impact the way we, and they, invest capital.

Our members

Investment Committee members
Keith Wirtz (Chair)
Jim Ameduri
Ginny DeSanto
Steve Evans
Anne Mariucci
Morgan Olsen
Harry Papp

Advisory members
Thomas Bates
W. P. Carey School of Business
Department of Finance
Dan Dillon
ASU Enterprise Partners
Tim Gertz
ASU Alumni Association
Joya Clarke
ASU Alumni Association
Laura Lindsey
W. P. Carey School of Business
Department of Finance
Mike Olsen
Sun Devil Club
Stephen Tomaiko
ASU Alumni Association
Joanne Wamsley
ASU Business and Finance
Office of Chief Financial Officer

Investment team members
Jeffrey Mindlin, CFA
Chief Investment Officer
Samuel Michalove, CFA, CAIA
Director of Investment
Strategy and Portfolio Management
Nico McCrossan Ruiz de Somocurcio
ESG Analyst
Dominick Mozilo
Investment Intern

Special thanks to Ryan Taylor, former analyst at ASU Enterprise Partners, for his contributions to our journey to sustainable and responsible investing.
Our journey to sustainable investing

We think of bringing alignment of our investment practices with the mission of the university as a journey and not a destination. From the establishment of the first School of Sustainability in 2006, ASU has been at the forefront of finding solutions to the planet’s most pressing problems.

At the ASU Foundation, we’ve steadily been working alongside ASU to elevate sustainable, responsible, and impact investing approaches into the endowment strategy. We view our role as a transformational catalyst to incorporate best practices, highlight our successes and failures, and drive change in the financial industry and amongst our peers.

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**Nov. 2021**
- Release of first SRI report

**Apr. 2021**
- SIFI student engagement club launches

**Feb. 2021**
- Net Zero commitment

**Jul. 2019**
- ASU achieves Scope 1 and Scope 2 carbon neutrality

**Aug. 2018**
- Launched sustainable investment student-managed fund

**Mar. 2018**
- Public disclosure of endowment investment managers

**2017**
- ASU Ranked #7 in Sierra Cool Schools
- BlackRock, a PRI signatory, hired as endowment OCIO

**May 2016**
- Investment Committee receives fossil fuel exposure report

**Jan. 2016**
- Launch of ESG sub-committee

**Sept. 2015**
- Added sustainable investment donor option

**2009**
- ASU carbon neutrality action plan

**2006**
- ASU’s School of Sustainability founded

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ASU Foundation | Sustainable Responsible Impact Investing
Policy and beliefs

Our approach to SRI investing begins with our beliefs, which are embedded directly in the ASU Foundation’s Investment Policy Statement to maximize their impact and drive alignment of investment decisions now and into the future.

1. **We believe sustainable, responsible impact investing** (“sustainable investing”) means aligning capital in a manner consistent with the mission of the university while still accomplishing our financial objectives in support of the university.

   - **ASU’s charter** targets inclusion and diversity, research of public value, and taking fundamental responsibility for the economic, social, cultural, and overall health of the communities it serves.

   - **ASU’s design aspirations** are eight principles integrated throughout the university, notably including Leverage Our Place, Transform Society, Value Entrepreneurship, Be Socially Embedded and Engage Globally.

   - **ASU’s sustainability operational goals** are eight measurable objectives including zero waste, climate positive (achieving net positive carbon footprint) and collaborative action.

2. **We believe we have a responsibility** to consider the sustainable and responsible investing impacts of our investment decisions. In alignment with ASU’s mission to be “measured not by whom it excludes, but by whom it includes and how they succeed,” we adopt the goal “not to have the least impact possible, but rather the greatest net positive impact possible.”

   Our strategy is not predicated on where we don’t invest, but rather where we choose to allocate capital in order to advance a sustainable, equitable future.

3. **Because the market has not fully priced material** non-financial considerations such as environmental, social and governance (ESG) issues, we believe this provides an opportunity to drive differentiated returns as ESG and general investing become synonymous and reduce risk now by using ESG as a lens.

4. **We believe companies whose business models aligns** with global mega-trends such as climate change, resource scarcity, demographic shifts, advances in healthcare, evolving transport, educational innovation and financial inclusion stand to benefit from long-term economic tailwinds.

   Similarly, these mega-trends will act as headwinds to companies that fail to adapt their business models. Our perpetual time horizon and consideration of SRI factors allows us to optimally take advantage of these types of long-term investments.
Net Zero commitment

In April 2021, the ASU Foundation publicly announced a Net Zero commitment to reach carbon neutrality in its endowment portfolio by 2035.

ASU has set aggressive sustainability goals and is committed to reaching them by advancing sustainability technology and research, converging the university’s mission with its operations in a living laboratory environment that extends to the broader world, learning from the practice of implementation and raising awareness of the urgency in addressing climate change and resource depletion. In FY 2019, the university reached carbon neutrality for Scope 1 and Scope 2 emissions — a full six years ahead of its goal as stated in the President’s Climate Commitment. ASU further seeks to achieve carbon neutrality for Scope 3 emissions by 2035.

Consistent with these goals, we are committed to transitioning to the investment portfolio to at least Net Zero greenhouse gas emissions by 2035 or earlier. We believe this Net Zero framework offers a balanced approach in considering both the users of fossil fuels as well as the producers in alignment with the university’s leadership. Recognizing the importance of a robust carbon accounting methodology and thoughtful implementation, intermediate targets and updates will be released over the intervening years.

In implementing this commitment, the ASU Foundation will continue to invest proactively in ways that seek the highest risk-adjusted financial returns alongside the social, cultural and overall health of the communities we serve.

This challenging task requires going beyond a simple divestment of “bad actors” and incorporating a more holistic approach to accelerate the transition to a low-carbon economy. This transition already is underway globally, creating headwinds for traditional fossil fuel companies and tailwinds for renewable energy companies. The endowment’s fossil fuel exposure has fallen from 6.1 percent to 2.9 percent in the past four years, we have made no new direct private fossil fuel commitments since 2015 and the portfolio currently holds no thermal coal companies directly.

We are committed to increasing our corporate engagement to further drive reductions in demand for fossil fuels by leveraging our voice as shareholders through advocacy of efforts to combat climate change. The ASU Foundation will simultaneously expand the endowment’s investments in sectors and companies that provide solutions to the world’s grand challenges and, accordingly, positive financial returns.
Our holistic approach | Current priorities

There is a broad spectrum of issues encompassed in a sustainable and responsible investing mandate.

We have currently prioritized two key themes to best align with ASU’s efforts — climate and justice, equity, diversity and inclusion (JEDI).

### Climate

Since the founding of the nation’s first school of sustainability in 2006, ASU has been a leader among U.S. colleges and universities in research, academia and operational practices geared to solving the Earth’s most pressing challenges. This leadership continued with its achievement of carbon neutrality and attaining a No. 1 Cool Schools Ranking by *Sierra magazine*. ASU is one of only six universities in the world to achieve a platinum rating from the Association for the Advancement of Sustainability in Higher Education’s STARS rating system. To align with ASU’s leadership in sustainability innovation, we’ve elevated the importance of our investment portfolio to make a meaningful contribution to a habitable planet.

### Justice, equity, diversity and inclusion

Diversity and inclusion are key tenets of ASU’s charter, and the ASU Foundation firmly believes in the strength of these values in its investments. This means placing our capital in the hands of a diverse set of investment managers and advocating for increased evidence of diversity at every level of the companies we are invested in.

Our proxy voting guidelines clearly articulate our view that diversity in company leadership is not only the right thing to do, but also the smart thing to do. We advocate for the disclosure of EEO-1 data and the inclusion of diverse candidates in the hiring process. Our belief is supported by data, such as a McKinsey study that found that companies are 35 percent more likely to exceed median industry financial returns if they are ranked in the top quartile for racial/ethnic diversity, and 15 percent more likely if ranked in the top quartile for gender diversity.

As a result, we’re focused on how to bring our inclusive ethos to our investment portfolio.

### Themes

**Levers**
- **Investment**
- **Engagement**
- **Measurement**

**Layers**
- **Climate Change**
- **JEDI**

<table>
<thead>
<tr>
<th>Investment</th>
<th>Engagement</th>
<th>Measurement</th>
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**ASU Foundation**

**BlackRock**

**Fund managers**

**Portfolio holdings**
As with most sophisticated institutional investors, there are many integrated layers to our portfolio construction. It is important that we apply our sustainable, responsible impact framework to each layer to optimize our expected outcomes.

1. ASU Foundation — In seeking to advance ASU as A New American University, we are in a unique position to serve as a transformational catalyst in the intersection of sustainability and finance. As such, it is critical that we hold ourselves to the same, if not higher, standards in our sustainable and responsible investing practices.

2. BlackRock and key partners — ASU Foundation uses global investment management company BlackRock, Inc., as its outsourced chief investment officer. We ask that those who drive programmatic decisions for the ASU Investment Office, such as BlackRock, to advance principles of sustainability both in their investment approach to our endowment as well as their internal business practices.

3. Our fund managers — Similar to many endowments, we use a roster of external money managers to manage assets on our behalf and invest almost exclusively through co-mingled funds. We align with fund managers who not only incorporate sustainable and responsible investing metrics in their investment process, but who also reflect these values in their own business practices.

4. The portfolio holdings that the fund managers select and invest in on our behalf — We seek to ensure that, collectively, these securities reflect the values and mission of the ASU Foundation and ASU and that each company contributes to our overall goals and objectives.

ASUF aligns with organizations committed to sustainable investing, including:

Intentional Endowments Network, which supports endowed institutions in their efforts to address inequality and the climate crisis.

University Climate Change Coalition, a coalition of North American research universities committed to climate action and cross-sector collaboration.

Confluence Philanthropy Belonging Pledge, an investor pledge to discuss racial equity in the boardroom and identify next steps, barriers and resources “to advance the practice of investing with a racial equity lens.”

Our OCIO and 100% of our managers are signatories at the end of the entry titled “Principles for Responsible Investment”

Principles for Responsible Investment, an international network of investors working to advance sustainability principles into investment practices.

A priority for the coming year is to join additional industry groups to accelerate our sustainable investing efforts.
Impact levers

With such a complicated portfolio with so many layers of construction, we are focused on three levers with which we can exercise our thematic priorities around climate and justice, equity, diversity and inclusion.

The ASU Foundation oversees two separate endowment pools. Sustainable investment practices have increasingly been integrated into the traditional endowment since 2017. In 2019, we created a separate Sustainable, Responsible, Impact endowment pool with an explicit mission-aligned investment mandate. We’ve used this pool to accelerate adoption of mission-aligned techniques and vet innovative sustainable investment strategies to ultimately elevate to the traditional pool. As a starting point in this report, given data challenges, most of our measurement metrics relate to the SRI Pool.

1. **Investment** — We know that our capital has impact, and we actively seek investment opportunities in attractive, durable solutions. Our strategy is one of effecting positive impact and does not seek to exclude companies based solely on their current business practices. Within each of our themes, we have sought to make tangible, explicit investments that put capital to work in support of our specific ambitions.

2. **Measurement** — While there is consensus on how to measure the risk and return of a portfolio, there is no easy answer on how to quantify non-financial dimensions like sustainability and impact. Compounding this challenge is the reality of a multi-asset class portfolio with stocks, bonds, hedge funds, real assets and private equity.

   However, as the adage goes, “What is measured is managed.” Thus, we think it is critically important to work with our partners at each level of the portfolio to start to measure these dimensions of our endowment. Again, we are especially focused on the measurement around our key priorities of climate and JEDI. Further, we believe there is power in starting to ask questions of our managers and portfolio companies in these areas as well as in the transparency of reporting our progress.

3. **Engagement** — We and our managers use shareholder rights to advocate for best practices and transparency to improve the long-term value of a company. Shareholder engagement, also called active ownership or investment stewardship, can be done with a focus on proxy voting as well as meetings with companies, also called direct engagement.

   In areas where companies are deficient, we seek to positively engage with the company in a way that encourages improvement. We evaluate the ways in which fund managers vote proxies on our behalf. In advancement of our current priorities, we’ve been elevating climate and JEDI with our company and manager engagements.

### Top quartile relative to peers

While we’ll explore many metrics in this report related to each of our themes, we think it’s important to also quantify the overall sustainability of our portfolio and investments. At this time, we utilize MSCI’s ESG scores at the company and fund level. MSCI is leading provider of critical decision support tools and services for the global investment community and their ESG scores are amongst the most widely used in the industry. Their ESG Fund Ratings aim to measure the resilience of funds to long-term risks and opportunities arising from environmental, social, and governance (ESG) issues. As can be seen in this table, we’ve constructed our portfolio with an array of funds that tend to be at the highest level of ESG scores relative to their peers.

<table>
<thead>
<tr>
<th>Holding</th>
<th>Asset Class/Vehicle</th>
<th>Peer percentile rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Global equity mutual fund</td>
<td>50</td>
</tr>
<tr>
<td>2</td>
<td>US equity ETF</td>
<td>74</td>
</tr>
<tr>
<td>3</td>
<td>International equity ETF</td>
<td>95</td>
</tr>
<tr>
<td>4</td>
<td>Emerging markets equity mutual fund</td>
<td>90</td>
</tr>
<tr>
<td>5</td>
<td>Emerging markets equity ETF</td>
<td>98</td>
</tr>
<tr>
<td>6</td>
<td>Aggregate bond ETF</td>
<td>74</td>
</tr>
<tr>
<td>7</td>
<td>Aggregate bond mutual fund</td>
<td>84</td>
</tr>
<tr>
<td>8</td>
<td>Corporate bond ETF</td>
<td>96</td>
</tr>
<tr>
<td>9</td>
<td>High yield fixed income mutual fund</td>
<td>26</td>
</tr>
<tr>
<td>10</td>
<td>Emerging market debt mutual fund</td>
<td>77</td>
</tr>
<tr>
<td>B</td>
<td>Benchmark 70% Stock / 30% Bond</td>
<td>37.5</td>
</tr>
</tbody>
</table>
There has been a global shift in attitude toward climate change over the last decade across both the public and private sector.

For example, the Paris Climate Agreement, which has been signed by 190 countries, states that to keep global warming below 2°C, the world must transition to a Net Zero economy by 2050.

Every inhabited region across the globe has been affected by climate change, with human influence contributing to changes in weather and climate extremes. The levels of greenhouse gases in the atmosphere are reaching levels not known in the anthropocentric era, and due to their potent effects on hydrological cycles, disruption of marine ecosystems and global habitat loss, an irreversible tipping point could be approaching.

We recognize climate risk increasingly is investment risk. Expected increases in the number and frequency of extreme weather events are expected to increase the risk of physical damage that impedes the ability of a firm or its assets to operate. Additionally, the transition to a low-carbon economy is expected to disrupt the stability of the financial sector due to the large-scale structural changes to the composition of the economy.

The ongoing energy transition underway in response to global climate concerns presents an investment opportunity. Because of the investment in fossil fuel-heavy industries, financial institutions have a direct correlation with climate change. Large-scale investments are needed to significantly reduce emissions. It is estimated that a transition to a low-carbon world will require $10 Trillion in future investments.

“Our recognize that climate risk increasingly is investment risk and the ongoing energy transition underway in response to global climate concerns presents an investment opportunity.”

Our primary goal is to drive the largest possible reductions in net greenhouse gas emissions, contributing to the university’s goal of Net Zero Scope 3 emissions by 2035. Due to its sizable capital, the endowment has an opportunity to influence its investment managers, portfolio companies and other universities to encourage the development of business and sustainable investment practices consistent with this goal.
Climate, cont.

Climate Infrastructure Fund

Investments made in a renewable-power fund seek to capitalize on the transition from fossil fuel to renewable sources of electricity. The global fund’s primary focus on solar and wind is complemented with investments in supporting infrastructure like storage, distribution and electrified transport. While the fund seeks to maximize risk-adjusted returns, impact and sustainable and responsible investing factors are integrated into the investment process. It is estimated that every dollar invested will have about $2 of impact in areas like clean water, affordable and clean energy, and sustainable cities.

Rivian

Through a direct co-investment strategy, the endowment made an early-stage, venture capital investment in EV-startup Rivian. In addition to plans to launch a consumer electric truck and sport utility vehicle, Rivian is slated to provide 100,000 delivery vans to Amazon as part of its plans to reduce its carbon footprint. Rivian itself has pledged carbon neutrality by 2028, in part by using easily recycled and reused battery packs and environmentally friendly, animal-free interiors.

Our Managers

- **100%** of the SRI pool managers have internal policies to minimize the firm’s carbon footprint and energy usage.
- **85%** of the SRI pool managers have integrated SRI into their annual employment reviews.
Measurement

Carbon intensity is a method that measures emissions relative to the output of the companies in a fund or portfolio. In other words, it considers a company’s polluting efficiency or inefficiency relative to the level of its business output. Carbon intensity based on sales is comparable across industries and companies.

By investing the SRI pool in ESG-integrated funds, we decreased the portfolio’s annual carbon exposure by more than 2,802 tons of carbon dioxide equivalent compared to our respective benchmarks. This corresponds to:

- 6.95 million miles driven by an average passenger car annually.
- 478 homes’ energy use for one year.
- 315,259 gallons of gasoline consumed annually.

On our journey to a Net Zero portfolio, we will see fossil fuel-based revenue representing less and less of our holdings’ revenues over time while the share of green revenue rises. Green revenue is derived from products or services related to alternative energy, energy efficiency, green building, pollution prevention, or sustainable water/agriculture. These will be important metrics to track over time, but we are encouraged that this snapshot shows favorable standing relative to the benchmark as a starting point.

| Measurement | Climate, cont. |

### Carbon Intensity (Tons Capital) - Latest (metric tonnes / $ million total capital)

<table>
<thead>
<tr>
<th>Fund</th>
<th>Benchmark</th>
<th>Active</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>107</td>
<td>-17</td>
</tr>
</tbody>
</table>

| Emissions Intensity (Sales) - Latest (metric tonnes / $ million total sales) |
|-------------------------------|-------------------|------------------|
| Source: BlackRock Inc. |

### Green Revenue

- **Portfolio**: 5.75%
- **Benchmark**: 5.1%

### Fossil Fuel Based Revenue

- **Portfolio**: 2.68%
- **Benchmark**: 3.00%
Engagement

Climate, cont.

ASU undergraduate and graduate students organized an engagement with Chevron to discuss business practices related to climate change and resource usage in terms of a Net Zero 2050 economy. The students actively pursued increased transparency related to disclosures around emissions, business practices and land use. In addition, students sought clarity on investment risks of proposed climate regulation, ongoing lawsuits and Chevron’s social license to operate.

BlackRock

BlackRock, our largest investment manager across equity assets, has greatly increased its role as an active steward of our capital. It has supported more than 80 percent of environmental shareholder proposals since July 1, 2020.

BlackRock has also expanded its list of “focus companies” as engagement priorities from 440 to 1,000, thereby committing to engage the companies that generate 90 percent of the Scope 1 and 2 emissions in their portfolios.

Persefoni

Local start-up Persefoni, which happens to be led by an ASU alumnus, has developed a proprietary climate accounting platform to help financial institutions calculate their financed carbon emissions footprint. The firm helped us look at which individual stocks within our portfolio of comingled funds was contributing most to our Scope 1, 2 and 3 emissions. This exercise resulted in a short list of firms to engage with in the future where improvements would have the largest impact.
Justice, equity, diversity and inclusion (JEDI)

We believe that failing to address societal inequities — in the workplace, in governance structures, in healthcare, in education — increasingly is investment risk.

Ongoing efforts to promote diversity and inclusion, health innovation, equitable governance and educational innovation also present investment opportunities.

ASU is reshaping higher education around inclusion, e.g., offering lower tuition rates than other top-tier schools and enrolling first-year in-state cohorts that **demographically represent their community** while maintaining high graduation rates.

In keeping with this mission, we aim to measure businesses and managers in our portfolio to determine whether they demographically represent the communities they serve, and to set a baseline and detailed targets for next year. In line with our design aspiration to transform society, we seek out opportunities to advance equity and meet social needs.
The ASU Foundation has committed to BlackRock’s Impact Opportunities Fund, which invests in minority-owned companies and undercapitalized communities in the U.S.

The fund invests across themes that directly accelerate positive economic outcomes such as housing, financial inclusion, education, healthcare and digital connectivity. The strategy is geared to deliver differentiated returns and measurable impact.

BlackRock believes in the power of investing to extend opportunity. Investing provides the capital to launch ideas, the backing to scale, the credit to those lacking access, the infrastructure investments to boost a community, and the expertise and relationships to take projects driving change to the next level.

Research shows that minority-owned businesses are three times as likely to be denied a loan and 54 percent of minority-owned businesses identify access to credit as their top problem versus 19 percent for non-minority owned businesses.

The Impact Opportunities Fund, led by a diverse team, is a force for change, targeting a $1 billion capital raise to help build a better, fairer society. Early investments demonstrate the potential impact. The first, an auto retailer and finance company, brings financial inclusion through accessible lending to the Latino community. Another investment has supported a Black-owned and Black-led real estate developer. The firm has been under-capitalized, despite a strong track record, as they look to develop high-quality, affordable housing in minority communities while hiring a network of minority-owned service providers. These initial investments are illustrative of the potential flywheel effect, where momentum grows from small wins and ultimately takes on a life of its own with exponential impact realized.
Investment

A portion of our public fixed income exposure is allocated the TIAA-CREF Core Impact Bond Fund. TIAA ranked in the top 10 of DiversityInc’s list of most diverse firms and is one of only two Fortune 500 companies with a Black female CEO.

Within the broader portfolio, the managers use an environmental, social, governance lens in evaluating the credit risk of the corporate bonds, which can add value to performance and reduce risk. Further, the fund holds a strategic allocation to bonds with direct and measurable impact within affordable housing, economic development and renewable energy. Specifically, the fund has had the following impact within the JEDI theme.

### Measuring impact in public fixed income

The TIAA-CREF Core Impact Bond Fund is an actively managed, fixed income portfolio that directs capital to finance direct and measureable environmental and social outcomes.

#### Impact theme

**Affordable Housing**

*2020 impact metric*
- Number of affordable mortgages guaranteed or provided: 2.8 million
- Housing build or supported, including units designated for low- to moderate-income residents: 94,181 units

*Invested as of Dec. 31, 2020: $1,078.1M*

#### Impact theme

**Community and economic development**

*2020 impact metric*
- Full-time jobs created: 2.6 million FTE
- Community facilities built: 98,776 sq. ft.
- People who benefited from access to basic products and services: 135 million
- People reached through community programs: 89.2 million

*Invested as of Dec. 31, 2020: $785.2M*
Measurement

Our investment managers

71% of our managers have explicit internal racial or gender diversity promotion initiatives.

85% of our managers have at least one woman on their board of directors, and 71 percent have at least one person of color as a board member.

The data below represents gender and ethnic diversity formation related to the public equity and fixed income managers for the Sustainable and Responsible Investment Pool, covering 99.7 percent of total assets under management.

While recognizing the investment industry has a long way to go, we are encouraged to see that data from across our managers supports the claims of diversity initiatives within the firms, as evidenced by greater diversity amongst the analyst talent pool. We would expect that over time the senior manager and portfolio manager groups would start to reflect the diverse talent pools under development.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Ethnicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>All Staff</td>
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<tr>
<td>Senior Management</td>
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<tr>
<td>Portfolio Managers</td>
<td></td>
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<tr>
<td>Analysts</td>
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</table>
Engagement

BlackRock has championed efforts to increase diversity among portfolio companies. In the Americas region, insufficient board gender diversity was the top reason for voting against a director. BlackRock voted against 1,554 directors at 975 companies — or 61 percent of the votes cast against directors in the region — for board gender diversity-related reasons.

The growing focus on and awareness of diversity is starting to have a noticeable impact on corporate boards. After years of engagement by shareholders to raise awareness and ask for action, as of June 2021, all companies in the Standard & Poor’s 500 have at least one female director, with an average of nearly 30 percent of board seats held by women.

As reported by the Black Enterprise Registry of Corporate Directors, much progress has been made with respect to board representation by people of color of the largest corporations. However, much work remains to be done. For example, there are still 100 of the S&P 500 companies without a single Black director. We’ve begun working on an engagement strategy in coordination with one of ASU’s student groups to try to drive change at these companies. You may read more about this initiative below.

Statistics
Source: Black Enterprise Registry

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<thead>
<tr>
<th>2019 companies with Black directors</th>
<th>2021 companies with Black directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>307</td>
<td>399</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2019 companies without Black directors</th>
<th>2021 companies without Black directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>187</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>-46%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2019 Black board members</th>
<th>2021 Black board members</th>
</tr>
</thead>
<tbody>
<tr>
<td>322</td>
<td>425</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>32%</td>
</tr>
</tbody>
</table>

Source: Black Enterprise Registry
Empowering the next generation of impact leaders

ASU President Michael Crow likes to point out that while higher education makes up less than 2 percent of the carbon footprint, it comprises 100 percent of the learning imprint.

At the ASU Foundation, we recognize the importance of collaborating with ASU students on our sustainable investing journey. These future leaders are ultimately going to be the ones to solve our climate crisis. The university takes an interdisciplinary approach, embedding sustainability in everything it does, so it’s a natural extension of the emphasis on experiential learning to work with students on the intersection of sustainability and finance.
Development of proxy voting guidelines

The ASU Foundation’s proxy voting guidelines were developed with the input of 20 undergraduate and graduate students from the W. P. Carey School of Business, the Thunderbird School of Global Management, the School of Sustainability and The College of Liberal Arts and Sciences.

They also represented student organizations Net Impact, Conscious Capitalism and Undergraduate Student Government. With limited internal resources, these students were able to extend the scale of the Investment Office by helping synthesize vast amounts of academic research and corporate case studies on best practices through the lens of ASU’s charter and mission. This culminated in the adoption of our 36-page Proxy Voting Guidelines.

Like many investors, we invest most of our public equity in commingled funds. While this limits our ability to vote proxies, it does not lessen our interest or stake in the companies we hold.

We urge our fund managers to reference our guidelines as they cast proxy votes on our behalf. Managers and companies can expect the documents to serve as our agenda, the foundation of targeted engagements that we coordinate with them, and the standard by which we assess their investment stewardship.

We count ourselves among forward-thinking investors, businesses and universities who recognize that sustainability leadership drives long-term financial returns. We fundamentally believe these guidelines will help shape not only a better world, but also a stronger investment portfolio.
This past spring, students from several different schools within ASU came together to form the Sustainable and Impact Finance Initiative (SIFI), a student organization focused on preparing the next generation of shareholder activists and SRI investors through hands-on opportunities with the support of the ASU endowment.

The students identified shareholder engagement as an opportunity to leverage their diverse backgrounds along with the resources of the ASU endowment to advocate for sustainability practices, both at the university and among the companies the endowment is a shareholder of.

As critical stakeholders of the university’s endowment, SIFI provides ASU students with a channel to influence the activities and impact of the ASU endowment by giving students a seat at the table.

The group worked closely with the ASU Foundation Investment team and met with leaders in BlackRock Investor Stewardship and Chevron Sustainability to assess their approach to climate change; justice, equity, diversity and inclusion issues; and human rights. In the process, students developed valuable research and communications skills and laid the foundation for future engagement.

The group’s success as a student organization was recently validated when ASU won first place in the SIILK Corporate Engagement Competition hosted by the Intentional Endowments Network. The competition challenged teams to produce a report establishing a publicly traded company to invest in and propose a shareholder engagement strategy.

» read full story
Sustainable investing course

In collaboration with the ASU Foundation, the W. P. Carey School of Business recently launched a sustainability-geared, student-managed fund, which currently invests more than $1 million of endowment funds.

Students learn about the spectrum of sustainable investing strategies while gaining real-world experience with the investment decision-making process, trading of securities and portfolio construction.

Sustainability is rapidly becoming central to corporate operations and financial markets. ASU's emphasis on experiential learning allows students to gain fluency and background to provide distinction from peers as investment firms and the corporate sector respond to consumer and investor demands for these types of environment, social and governance approaches.

Empowering the next generation of impact leaders, cont.