

negative
positive

Positive Screens: Going Beyond the Negative

Seventh Generation Interfaith
August 21, 2020

Welcome!

- ▶ Participants will be in listen only mode until the Q&A section.
- ▶ We will make recording and slides available and post on our website

Reflection: Good Goods

Successful businesses identify and seek to address genuine human needs at a superior level of excellence using a great deal of innovation, creativity and initiative. They produce what has been produced before but often—as in the arenas of medicine, communication, credit, food production, energy, and welfare provision—they invent entirely new ways of meeting human needs. And they incrementally improve their products and services, which, where they are genuinely good, improve the quality of people’s lives.

“Vocation of the Business Leader”
Dicastery for Promoting Integral Human Development
Vatican

Our Companions

- ▶ John Mueller, Dana Investment Advisors
- ▶ Ariane de Vienne, Institutional Shareholder Services (ISS)



DANA | Investment
Advisors
THE WISE CHOICE

ISS ESG 

Our Itinerary

- ▶ Evolution of ESG Investment Strategies
- ▶ COVID-19 and Racial Justice Impacts
- ▶ Use of Positive Selection Criteria
- ▶ Questions & Answers
- ▶ Resources

Our Itinerary

- ▶ **Evolution of ESG Investment Strategies**
- ▶ COVID-19 and Racial Justice Impacts
- ▶ Use of Positive Selection Criteria
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- ▶ Resources

Going beyond the negative

*How to incorporate positive selection criteria into
investment portfolios*

Disclosure

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ESG Investing Timeline: Only the beginning

- 1928 – Pioneer Fund excludes companies whose primary business is alcohol or tobacco
- 1971 – Founding of ICCR
- 1977 – Rev. Leon Sullivan develops the ‘Sullivan Principles’ to promote corporate social responsibility and apply economic pressure in South Africa in response to apartheid
- 1989 – Exxon Valdez oil spill leads to Coalition of Environmentally Responsible Economies (CERES)
- 1992 – United Nations Framework Convention on Climate Change
- 2006 – United Nations’ Principles for Responsible Investment is launched
- 2011 – Sustainability Accounting Standards Board (SASB)

Implementing ESG into Investment Strategies

- Negative/Exclusionary Screening – excluding certain industries or companies involved in activities deemed unacceptable or controversial
- Impact Investing – investments made with intention to generate a measurable, beneficial social or environmental impact
- Sustainability Themed Investing – investments in select assets specifically related to sustainability in single or multi-themed strategies
- Positive/Best in Class Screening – investments in industries, companies or projects selected for positive ESG performance relative to *peers*
- ESG Integration – investments that systematically and explicitly include ESG factors into financial analysis

Use of Positive Selection Criteria

A company's intangible assets, including talent and culture, are now estimated to make up 52% of a company's market value and for some companies it can be as high as 90%.*

RAYMOND JAMES

US RESEARCH | PUBLISHED BY
RAYMOND JAMES & ASSOCIATES

HARDLINE RETAIL

Hardline Retail: Using Employee Satisfaction Rankings As a Leading Indicator of Financial Performance

Do retailers/brands with upbeat employees deliver above-average financial performance? Based on our analysis of reviews on Glassdoor the answer is yes – but there are a few exceptions. This is our first report examining various measures of employee satisfaction for our research universe of hardline retailers and lifestyle brands and we plan to periodically update the findings going forward.

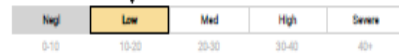
SUSTAINALYTICS ESG RISK RATING REPORT

Date Apr 13, 2020

DXC Technology Co

Data Processing | United States | NYS:DXC

15.3 Low Risk



SUSTAINALYTICS ESG RISK RATING REPORT

Date Jun 8, 2020

Accenture PLC

IT Consulting | Ireland | NYS:ACN

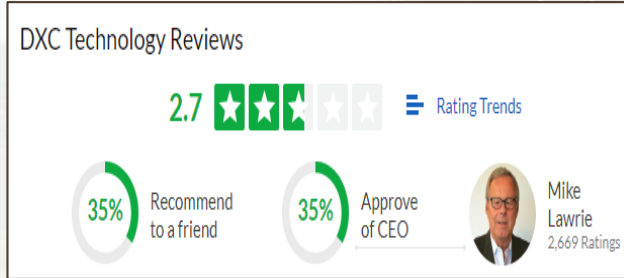
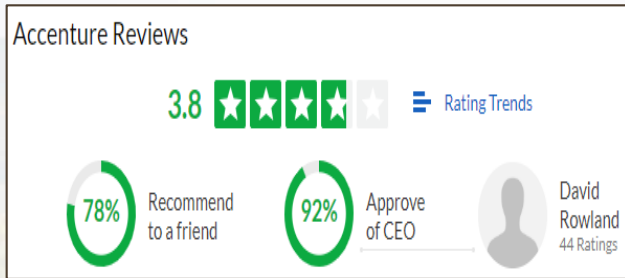
11.2 Low Risk



Use of Positive Selection Criteria

Digging deeper to understand potential risks

Glassdoor Employee Ratings



Spring Pond Partners Social & Workplace Indicators

Show entries

Search:

Ticker	Index	Company	Sector	Subsector	Innovation Potential	Intangible Investment	RD Costs	SGA Costs	Overall Culture Quality	Confidence	Workplace	Leadership	Diversity And Inclusion	Momentum	Sensitivity	Overall Signal	Momentum Signal	Sensitivity Signal	Women In Leadership
20	DXC	R1000	DXC TECHNOLOGY	Information Technology	IT Consulting & Other Services	0.021	0.182		0.199	0.014	0.091	0.182	0.233	0.01	0.869	0.032	Innovation Laggard		0.012
516	ACN	R1000	ACCENTURE PLC CLASS A	Information Technology	IT Consulting & Other Services	0.565	0.311		0.372	0.863	0.851	0.742	0.76	0.884	0.412	0.566			0.439

Showing 1 to 2 of 2 entries (filtered from 1,307 total entries)

Previous Next

How to implement positive selection criteria

- Selection of investment manager or strategy
- Understanding of research and resources used by partners
- Portfolio analytics from consultant or investment manager
- Focused investment stewardship

Our Itinerary

- ▶ Evolution of ESG Investment Strategies
- ▶ **COVID-19 and Racial Justice Impacts**
- ▶ Use of Positive Selection Criteria
- ▶ Questions & Answers
- ▶ Resources



GOING BEYOND THE NEGATIVE

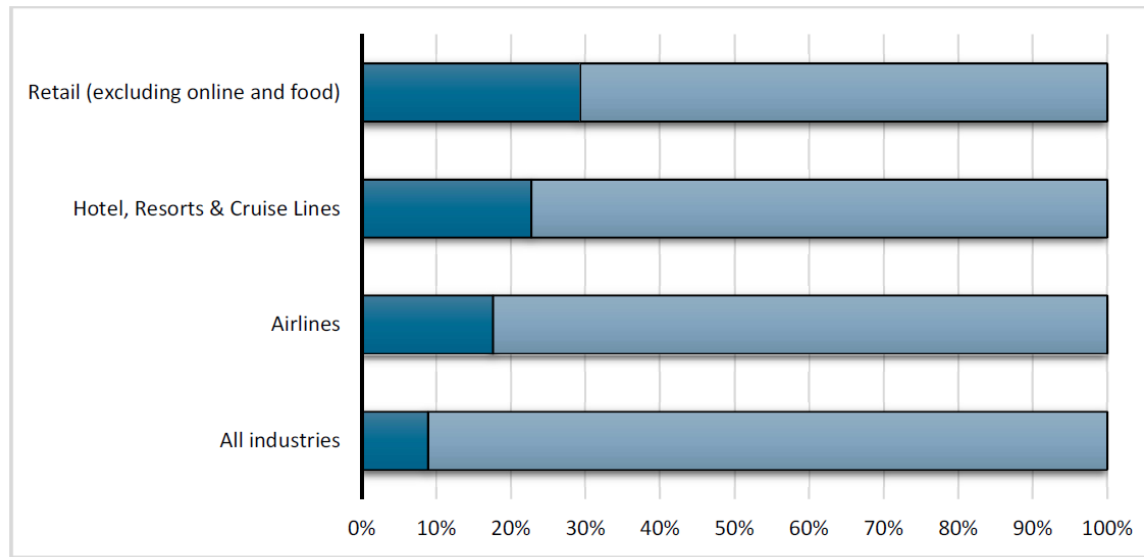
August 21st, 2020

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USE OF POSITIVE SELECTION CRITERIA

Workforce Restructuring during the Pandemic

Fig. 2: Hardest Hit Industries Have Poor Union Rights Record



Share of industry market value of companies facing substantial union rights controversies, in relation to the share of industry market value not facing any substantial controversies, per sector (GICS Industry taxonomy). *Source:* ISS ESG Norm-Based Research, covering 16,000 public companies; 1 March 2020

To make a difference while protecting financial returns

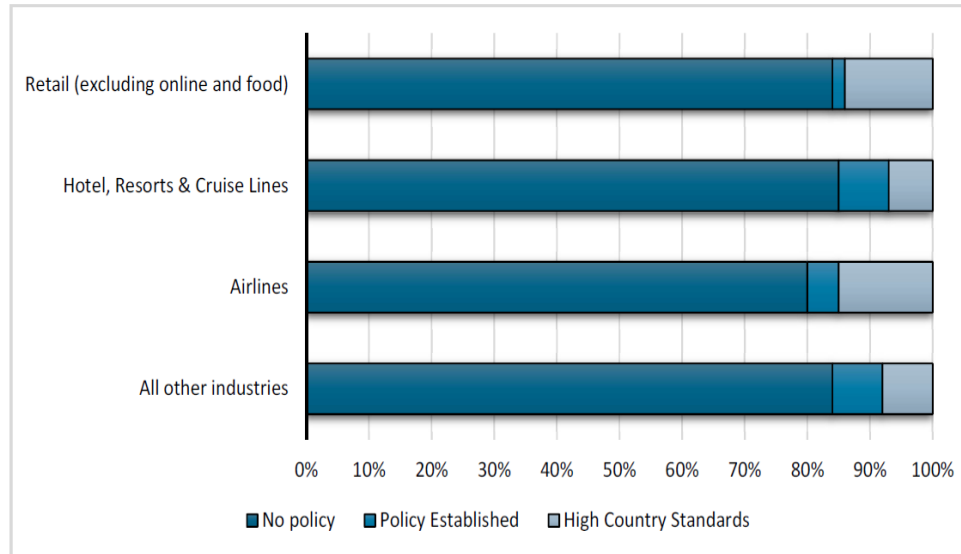
- Confirm where the likely issues are, and
- Know who has higher quality in addressing the issue



USE OF POSITIVE SELECTION CRITERIA

Workforce Restructuring during the Pandemic

Fig. 1: Few Companies Have Policies on Employment Security and Responsible Workforce Restructuring



High Country Standards for Responsible Workforce Restructuring

To determine which jurisdictions have adequate worker protection laws warranting a 'high country standards' assessment for workforce restructuring, ISS ESG draws on the ILO's [Employment protection legislation database](#) and its [Database on national labour, social security and related human rights legislation](#). Countries considered by ISS ESG's to enforce 'high country standards' related to responsible workforce restructuring fulfil the following criteria:

- The state offers support systems for affected employees (e.g., unemployment benefits, outplacement services)
- Companies in these countries must notify public administration about all instances of collective dismissals
- Companies are requested to notify and consult trade unions or other workers' representatives prior to implementation of major layoffs
- Companies are required to establish social plans, in which employer and employees set out measures to reduce the number of job cuts and mitigate their effects on employees



USE OF POSITIVE SELECTION CRITERIA

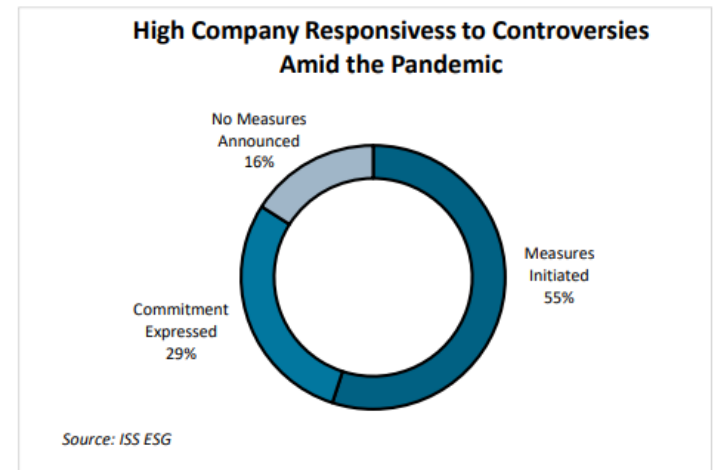
Workers' Rights and COVID-19 – Corporate Labor Policies

The pandemic represents a stress test for companies' stated labor practices

ISS ESG sees an **uptick in corporate commitments**

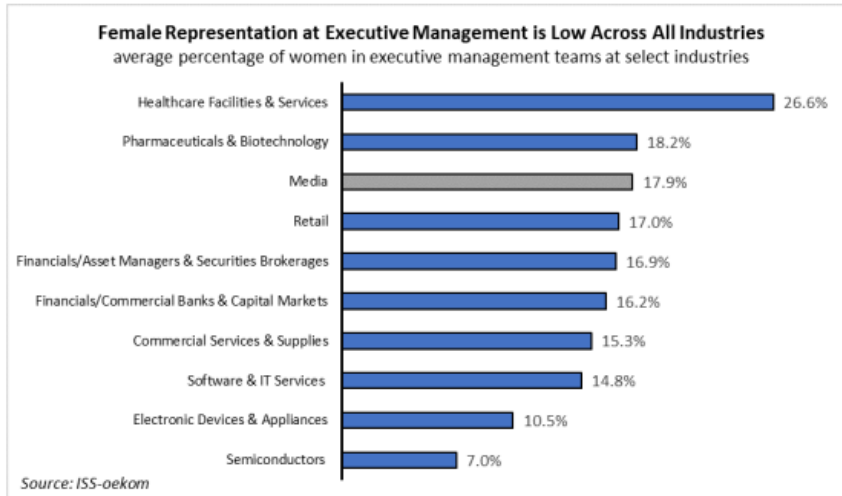
Important to support

- Safe & healthy working conditions
- Just and favorable working conditions
- Freedom of association and union rights



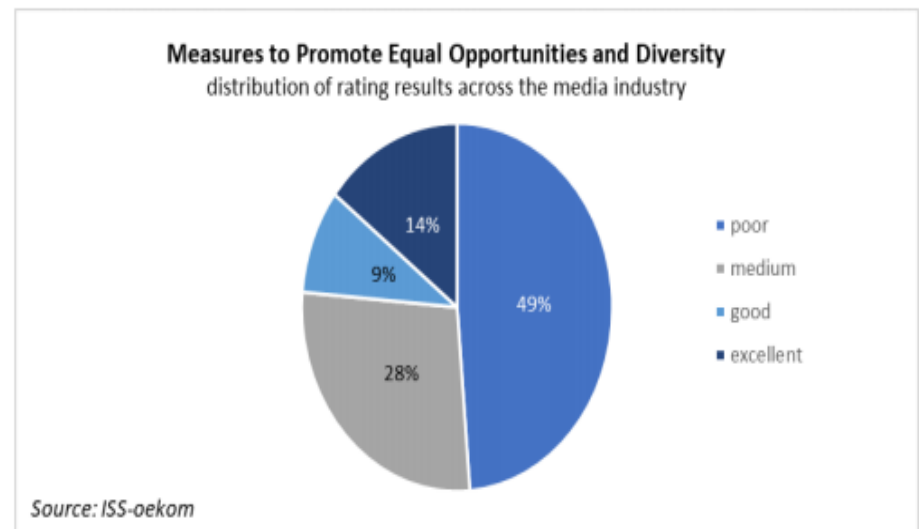
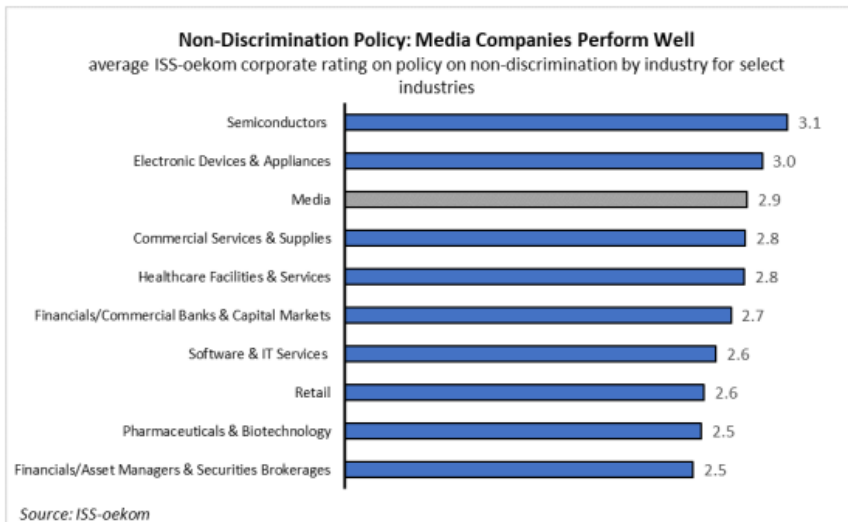
USE OF POSITIVE SELECTION CRITERIA

Diversity and the Media Industry



Don't stop at the first layer of (relative) positive signals:

- While media companies score (relatively) well on non-discrimination policies (chart lower left)
- Effective policies need to be combined with measures to promote equal opportunity and diversity



USE OF POSITIVE SELECTION CRITERIA

Racial/ Ethnic Diversity

No fancy charts, just some comments on this important topic:

- To drive change as an investor you need knowledge
 - On the **ethnic diversity on the board level**, and ideally
 - About the **companies' practices** with regard to supporting ethnic diversity at the company employee and supplier level
 - Where applicable, whether the **companies' customer practices** are supportive of ethnic diversity

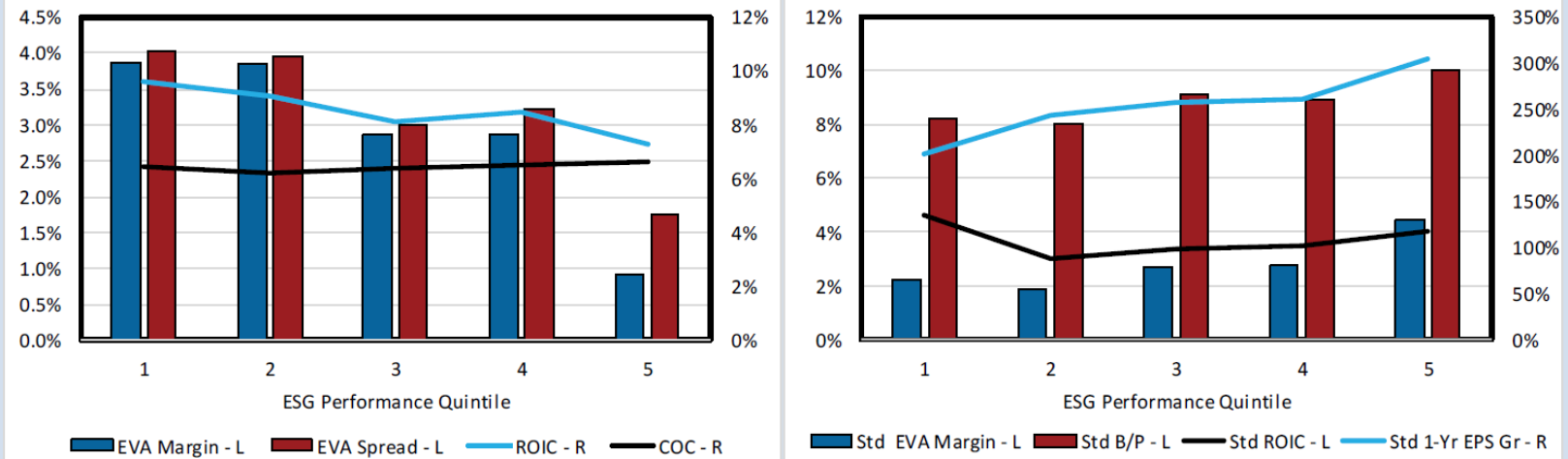


USE OF POSITIVE SELECTION CRITERIA

Financial Performance

High/favorable ISS ESG Corporate Rating performance is generally **positively related to Valuation and Profitability** and **negatively correlated with Volatility**

Figures 2 and 3: High ESG Performance Related to Higher Profitability and Lower Volatility



Source: ISS ESG Corporate Rating data, ISS EVA (Investor Express), and FactSet.

Notes: Data is for 12/31/2013 – 6/28/2019. Statistics are trimmed averages (20% outliers excluded). Standard deviation is for rolling five years.

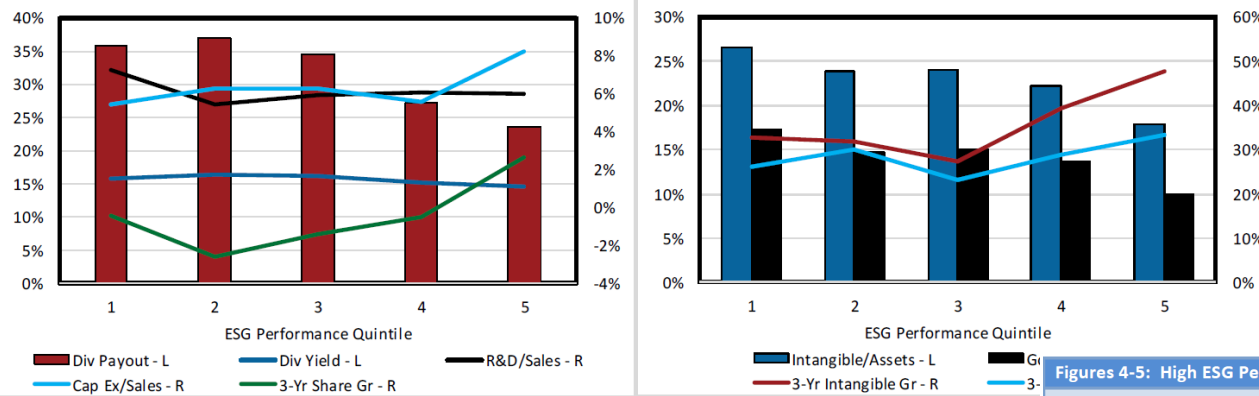


USE OF POSITIVE SELECTION CRITERIA

Financial Performance

- High/favorable ISS ESG Corporate Rating firms are **good Allocators of Capital**
- High/favorable ISS ESG Corporate Rating Performance/high-EVA margin stocks **tend to outperform**

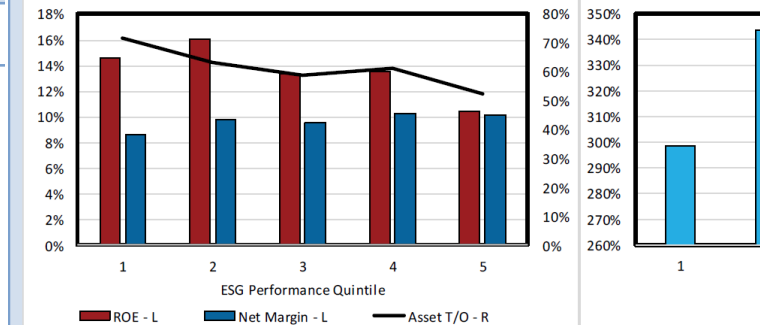
Figures 6-7: High-ESG Performance Companies Use Cash Flow Wisely



Source: ISS ESG Corporate Rating data, ISS EVA (Investor Express), and FactSet.

Notes: Data is for 12/31/2013 – 6/28/2019. Statistics are trimmed averages (20% outliers excluded).

Figures 4-5: High ESG Performance Related to Higher ROE and Asset Turns



Source: ISS ESG Corporate Rating data, ISS EVA (Investor Express), and FactSet.

Notes: Data is for 12/31/2013 – 6/28/2019. Statistics are trimmed averages (20% outliers excluded).



USE OF POSITIVE SELECTION CRITERIA Implementation

OVERVIEW

FUND MANAGEMENT COMPANY: _____

MANAGER(S): _____

S&P 500 TR: _____

ISS ESG Fund Rating

The overall fund rating provides a relative overview of the fund's ESG Performance Score, which evaluates issuer performance across key ESG peers demonstrate lower sustainability performance.

ISS ESG Fund Rating: ★★★★☆

ESG Performance Score: 45

Fund Percentile: 63rd

Fund Rank (of 2,423): 906

ISS ESG: **Not Prime**

Fund "Prime" Status is awarded to fund disqualifying criteria.

Norm-Based Research - Pass

SDG Assessment - Pass

0%

7.6%

The Fund seeks long-term growth of principal and income. A secondary

ISIN: US2562191062

LIPPER ESG THEME: _____

GEOGRAPHIC FOCUS: United States of Amer

ISS ESG Rating Details

The overall fund rating is based on a weighted ESG performance Score, which evaluates issuer performance across key ESG criteria. "Prime" status is awarded to issuers who meet specific minimum requirements and achieve the best ESG scores among their peers.

Overall Weighted ESG Performance Score - Fund vs. Peers

Prime Status - Percent by Weight

Fund

45/100

Peer Set

43/100

Overall ESG Rating Grades

ESG grades are based on a twelve-point scale from D- to A+ and identify

Weighted Rating Grade and Range by ESG Pillar

Pillar	Fund	Peer Set
Environment	B	A
Social	B	B
Governance	C	A

Norm-Based Research

ISS ESG Norm-Based Research identifies and evaluates allegations that issuers fail to abide by global norms as set out in relevant international initiatives and guidelines. Issuers may face multiple controversies that are assigned individual scores and flags: 10 (red) impact on society or the environment, remedial measures taken by the company, and whether overall score reflects its worst individual case score.

Fund Holdings - Worst Case Score

8

Red and Amber Flagged Issuers

Flag	Count of Holdings	Count of Cases
10 (Red) Verified Failure	0	0
9 (Amber) Imminent Failure	0	0
8 (Amber) Alleged Failure	7	16
7 (Amber) Verified Failure, Undergoing Remediation	6	16
6 (Amber) Fragmentary Information	3	3
Total	16	35

Count of Red and Amber Cases by UN Global Compact Pillar

Top 5 Fund Holdings with Poor Norm-B

Issuer Name	Fund Weight	Over
Alphabet Inc.	3.83%	AM
Capital One Financial Corporation	2.99%	AM
The Goldman Sachs Group, Inc.	2.45%	AM
Novartis AG	1.78%	AM
Cognizant Technology Solutions Corporation	1.36%	AM
Total for Top 5	12.40%	

SDG Impact Rating

The SDG Impact Rating evaluates impact on the Sustainable Development Goals (SDGs) through analysis of three pillars: products and services, operational management, and involvement in and responsiveness to controversies. Scores range from -10 (significant negative impact) to +10 (significant positive impact).

Overall Average SDG Impact Rating and Segment Percent by Weight

Fund

0.8

Peer Set

-0.1

Positive SDG Impact - Pct. by Weight

SDG Impact Rating Median and Range by Goal

SDG	-10	-7.5	-5.0	-2.5	0	2.5	5.0	7.5	10	Median Score
No Poverty										0
Zero Hunger										1.6
Good Health and Well-being										1.6
Quality Education										0
Gender Equality										-0
Clean Water and Sanitation										0
Affordable and Clean Energy										0
Decent Work and Economic Growth										-0.7
Industry, Innovation and Infrastructure										2.4
Reduced Inequalities										2.5
Sustainable Cities and Communities										0
Responsible Consumption and Production										0.3
Climate Action										0.2
Life Below Water										0
Life on Land										0
Peace, Justice and Strong Institutions										2.2
Partnerships for the Goals										2.5

SDG Solutions Assessment - Selected Social and Environmental Objectives per 1M USD Invested - Top 6 by Attributable Revenue

Sustainability Objectives	Fund - Attributable Revenues			Peer Set - Attributable Revenues		
	Significant Contribution	Limited Contribution	Limited Obstruction	Significant Contribution	Limited Contribution	Limited Obstruction
Mitigating Climate Change	662	155,657	109,602	27,550	3,257	49,970
Contributing to Sustainable Ene...	662	154,606	109,602	27,550	3,257	42,357
Providing Basic Services	0	0	0	0	0	0
Ensuring Health	0	4,453	10,340	1,015	148	41,364
Conserving Water	0	354	20,463	1,937	900	344
Combating Hunger and Malnutr...	0	0	211	10,129	4,462	7,905





Thank you

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Questions



Our Itinerary

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Resources

SGI seeks to provide resources to its Members and the Responsible Investing Community that will support their shareholder engagement, investment processes, or commitment to socially responsible investment.

- [Sustainable & Responsible Mutual Fund Chart](#) from US SIF (The Forum for Sustainable and Responsible Investment). The Mutual Fund Performance Chart displays all sustainable and responsible mutual funds offered by US SIF's institutional member firms. This public tool is meant for individual investors to compare

Search

Social

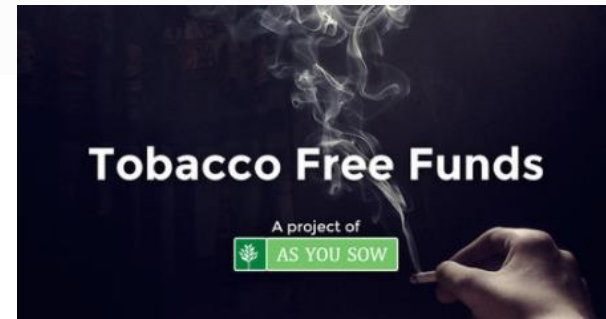


The Human Thread

The Human Thread Campaign is a program of Seventh Generation Interfaith that seeks to foster awareness that promotes solidarity between consumers of clothing and those who produce them to create a more just economy and sustainable communities.

INVEST YOUR VALUES

In order to align investments with values, you must first know what companies you own. This is nearly impossible if you own mutual funds. These free online tools can show you exactly what companies are embedded in your funds and which funds are aligned with your values.



Thank You

SeventhGenerationInterfaith.org

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