

Executive Summary

Team ESG (Endowment Sustainability Goals) has been working with the Arizona State University Foundation endowment on their net-zero endowment with the goal of reaching net-zero emissions by the year 2035. Team ESG was tasked with creating a scorecard for asset managers as well as a roadmap to continue moving towards their goals and helping others retrace their processes to fulfill similar goals in higher education endowments. The scorecard that was created will help ASUF to gauge the values and practices of asset managers who may be entrusted with funds to ensure that they are in line with the goals of ASUF. These goals will continue to be prominent for years to come, allowing the scorecard to guide the next steps and potential projects on this topic to come.

The deliverables that Team ESG has completed--the scorecard and roadmap--have been created to help the ASU Endowment meet their ESG goals. The main deliverable, the scorecard, has been built to be a living document that is flexible and can change to meet the needs of the organization and the market. The secondary deliverable, the roadmap, was created to aid ASUF in treating the scorecard as a living document and ensuring it is up to date. To create the scorecard there was a two-semester-long process that involved multiple milestones and work that needed to be done. The bulk of the early work relied on researching ESG scores and scorecards, to understand how they work and common metrics. The next step that was undertaken was to utilize the research to build out the scorecard questions and structure. Through multiple iterations, discussions with the client, and further research the scorecard questions were created. The final and most difficult step was understanding how to best score the questions. This step was done through research on scoring methods, understanding the client's priorities, and understanding the current industry. All of these steps involved multiple iterations and research. While these three steps are the most important in understanding how the scorecard was created, they are not the only steps taken.

The roadmap helped to develop the recommendations for the ESG scorecard. In 2023 ASUF should pilot the ESG scorecard by gathering feedback from key stakeholders. In the following year, 2024, ASUF should work with sustainability networks to distribute, improve, and iterate the scorecard as well as potentially set up a project for MSUS students to help implement the feedback gathered. In 2025, ASUF should fully integrate the scorecard and initial findings into decision-making. In 2030, ASUF should update the scorecard and rubric to keep up with the final goal and change industry standards. Lastly, in 2035 ASUF should have reached its net-zero goal and can share its success with other higher education endowments on recommendations to achieve net-zero goals.

Building upon research from the fall semester of 2022, Team ESG worked with ASUF to develop an ESG scorecard and roadmap for implementation that aligns with ASUF's 2035 net-zero goal. ASUF plans to implement the ESG scorecard by reaching out to asset managers to collect data and score them based on that collected data. They will also select new managers by their performance on the scorecard. ASUF will update the scorecard to align with stakeholder feedback and industry standards as they reach their 2035 net-zero goal.

Roadmap

The roadmap that was constructed by our team comprises both short-term and long-term targets. The short-term roadmap begins this year and stretches until 2025, while the long-term portion of the roadmap stretches from the years 2030 to 2035. The desired focus for the roadmap is to look at the life of the scorecard over the next 12 years and what steps need to be taken to improve and iterate it, in order to ensure it remains relevant and helpful to ASUF.

There were two main steps that were taken by Team ESG in the creation of the roadmap. The first was looking at what last year's team created in terms of a roadmap, with the reason for this being to understand what they had created in order to make sure that Team ESG still agreed with it, as well as to see if there was any mention of the scorecard. The next step was to understand what ASUF's goals and ambitions were in correlation to the scorecard. Once these were understood, Team ESG used them as guidance for the creation of the roadmap.

Overall, this roadmap is not a strict guideline that must be followed, but rather a set of suggested steps. The goal of the scorecard is to make sure that the scorecard is able to consistently transform to continue to be as helpful as possible.

2023:

- Pilot the Scorecard
 - Get Stakeholder Feedback
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2024:

- Work with the sustainability networks to distribute, improve, and iterate
 - MSUS project for the next year: Distributing, updating, and scoring with scorecard created this year
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2025:

- Full integration of scorecard and initial findings into decision making
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2030:

- Update scorecard and rubric to ensure all goals are in line with the final goal and changing industry standards
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2035:

- Hit Net-Zero
- Develop materials to share lessons learned and help other university endowments reach net-zero

Scorecard

The main deliverable this semester was the creation of an ESG scorecard. The goal of this deliverable is for ASUF to utilize the scorecard to collect data related to an asset manager and portfolio's environmental, social, and governance performance. Team ESG spent the fall semester conducting research related to ESG scorecards to find best practices and after conducting a landscape analysis of ESG scorecards, team ESG found a lack of standardization. This lack of standardization allows ASUF freedom and flexibility to build their own ESG scorecard that supports their 2035 net-zero goal.

Based upon discussions with ASUF and the resources they provided, team ESG began crafting questions related to ASUF's points of interest. The final ESG scorecard was a combination of research, discussions with ASUF, discussions with stakeholders, and multiple iterations.

Rubric

In order to best score the questions that are being asked and gain a better understanding of each company's values, Team ESG created a rubric that will be used in the same manner for all companies being scored with this scorecard.

Team ESG developed this based on a 100-point scale, allocating points in different weights to each particular question. All points were totaled between all sections of the scorecard. Points were able to be allotted in this way by first developing the scorecard itself before going through and determining how many points each area should possess based on the significance of each question and the importance that they may hold to ASUF and their core values. Upon scoring, it became clear that several questions being asked were necessary in order to gain information, but may not be standard practice at this time, leading us to believe that companies should not necessarily be penalized in the scoring process if they do not yet adhere to these practices. In an attempt to address this, Team ESG had originally created a bonus section in which points could only be gained by answering these questions, but upon further collaboration with our project sponsor, it was decided that 'additional' points, referred to as changemaker points, would be scored as 0.5 of a point, allowing for the information to be collected without fully benefitting or penalizing companies based on their answers. The idea with this is that points can be adjusted as time moves on and common practices change, as well as when expectations change within ASUF itself.

Asset Manager Questions

Please provide specific answers and detailed explanations for each question below. For comparison purposes, each explanation must be no more than a paragraph in length. If you believe additional supporting information or documentation is necessary to answer these questions, please provide it in a separate appendix.

Environment

1. Do you record your GHG emissions? If so, what are they?
 2. Are you a member of any climate networking groups or have you signed any pledges?
 3. Do you currently have any net zero goals*? If so, what is the timeline?
 4. Do you currently have Sustainability Goals and or a Sustainability Report? If yes please provide a brief description.
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Diversity

1. Provide a percentage breakdown for each category for the company and by position. If your company has more in-depth data, please provide this as well.
 - a. Gender, Race, Age
 2. Do you count nonbinary individuals within the company's gender makeup?
 3. Do you have resources available to hire people with disabilities?
 4. Do you measure diversity for companies/funds invested in? If so, what are the metrics used to define a diverse company in your eyes?
 5. Do your hiring practices include diversity goals within them? If so, what are these goals? 3 pts
 6. Does the firm monitor for wage gaps across racial and gender groups?
 7. Provide a percentage breakdown for the diversity of board, ownership, and c suite level.
 - a. Gender, Race, Age
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Social

1. Does the firm have mentorship or advancement opportunities/programs?
 2. What is your policy for paid maternity leave?
 3. Do you provide paid paternity leave? If so, what is your policy?
 4. How do you define innovation within your firm/what are you doing towards it?
 5. How does your company account for environmental justice issues?
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Asset Manager Questions

Governance

1. Under what scenarios would you file a shareholder resolution, and how often do you engage with companies on these topics specifically?
 2. Does the firm have an internally developed proxy voting policy or use a third-party voting framework? If yes, please provide it. If not, please explain.
 3. Does the firm support increased transparency disclosures around ESG factors for your potential investments or holdings? If yes, please explain your record of engagement. If not, please explain.
 4. Please explain the firm's view on capital stewardship and approach to voting on your clients' proxy priorities concerning corporate governance and strategies on environmental and social issues.
 5. Do you use ESG rating(s) systems? If so, What ESG rating(s) systems do you use?
 6. Are there financial incentives tied in with ESG innovation for employees?
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Portfolio Questions

Please provide specific answers and detailed explanations for each question below. For comparison purposes, each explanation must be no more than a paragraph in length. If you believe additional supporting information or documentation is necessary to answer these questions, please provide it in a separate appendix.

Environment

1. Do you track the GHG Emissions of the portfolio? If so, how do you calculate these numbers? If so, what are the GHG Emissions of the portfolio?
 2. What do you think of climate risk/energy transmission risk in your security selection process?
 3. Do you ensure that your portfolio is observing protected land correctly?
 4. Do you track water usage within your portfolio? If so, how?
 5. Are there water use/safety standards that you use when looking at companies? If so, please explain these standards.
 6. What percentage of the portfolio has a net-zero target of 2050 or better?
 7. How important are net-zero goals to you when building a portfolio?
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Social

1. Do you track diversity within companies included in your portfolio?
 2. Do you actively observe the labor practices of companies within your portfolio? Do you have any standards regarding this?
 3. Do you monitor wage levels within the companies in your portfolio?
 4. Does company innovation matter in your investment decisions?
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Governance

1. Do you track the diversity of the board and c suite level for investments?
 2. Do you have any standards in place regarding product safety to protect investments within your portfolio?
 3. Has your firm used its capital as a voice for change to advance sustainability issues with any specific holding in the past 12 months? If yes, please explain each. If not, please explain.
 4. How do you track the supply chain of companies/products within your portfolio?
 5. Do you track GHG emissions along supply chains within your portfolio?
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Asset Manager Rubric

Environment

- Do you record your GHG emissions? If so, what are they? (7 pts)
 - Yes = +2
 - +5 depending on their emissions level
 - No = 0
- Are you a member of any climate networking groups or have you signed any pledges? (6 pts)
 - Yes = +6, up to interpretation
- Do you currently have any net zero goals? If so, what is the timeline? (6 pts)
 - Yes = +3
 - Goal
 - 2035 = +3
 - 2036 - 2049 = +2
 - 2050 = +1
 - 2050 = 0
- Do you currently have Sustainability Goals and or a Sustainability Report? If yes please provide a brief description. (6 pts)
 - Yes = +3
 - Description
 - Environmental = +1
 - Social = +1
 - Governance = +1

Diversity

- Provide a percentage breakdown for each category for the company and by position. If your company has more in-depth data, please provide this as well. (9 pts)
 - Gender
 - The current industry average for Asset Management: 35% female 65% male = +1
 - 40% female 60% male = +2
 - 45% female 55% male = +3
 - The current U.S. Population: 50% female 50% male = +4
 - Race
 - White 64% nonwhite 36% = +1
 - White ≤50% nonwhite ≥50% = +4
 - Age
 - Define how you collect data on age ranges within your company. = +1
- Do you count nonbinary individuals within the company's gender makeup? (0.5 pts)
 - Yes = +0.5
 - No = 0

Asset Manager Rubric

- Do you have resources available to hire people with disabilities? (2 pts)
 - Yes = +2
 - No = 0
- Do you measure diversity for companies/funds invested in? If so, what are the metrics used to define a diverse company in your eyes? (3 pts)
 - Yes = +2
 - If they define metrics = +1
 - No = 0
- Do your hiring practices include diversity goals within them? If so, what are these goals? (3 pts)
 - Yes = +2
 - If they define metrics = +1
 - No = 0
- Does the firm monitor for wage gaps across racial and gender groups? (4 pts)
 - Racial wage gaps = +1
 - If they define metrics = +1
 - Gender wage gaps = +1
 - If they define metrics = +1
- Provide a percentage breakdown for the diversity of board, ownership, and c suite level. (3 pts)
 - Gender
 - 50% female, 50% male = +1
 - Race
 - 60% white, 40% nonwhite = +1
 - Age
 - Someone under 50 years old = +1

Social

- Does the firm have mentorship or advancement opportunities/programs? (2 pts)
 - Yes = +2
 - No = 0
- What is your policy for paid maternity leave? (2 pts)
 - Provides paid policy = +1
 - 12 week policy = +1
- Do you provide paid paternity leave? If so, what is your policy? (2 pts)
 - Provides paid policy = +1
 - 12 week policy = +1
- How do you define innovation within your firm/what are you doing towards it? (0 pts)

Asset Manager Rubric

- How does your company account for environmental justice issues? (0.5 pts)
 - Yes = +0.5
 - No = 0
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Governance

- Under what scenarios would you file a shareholder resolution, and how often do you engage with companies on these topics specifically? (0 pts)
 - Does the firm have an internally developed proxy voting policy or use a third-party voting framework? If yes, please provide it. If not, please explain. (4 pts)
 - Yes = +4
 - No = 0
 - Does the firm support increased transparency disclosures around ESG factors for your potential investments or holdings? If yes, please explain your record of engagement. If not, please explain. (4 pts)
 - Yes = +2
 - Record of engagement = +2
 - Please explain the firm's view on capital stewardship and approach to voting on your clients' proxy priorities concerning corporate governance and strategies on environmental and social issues. (0 pts)
 - Do you use ESG rating(s) systems? If so, What ESG rating(s) systems do you use? (0 pts)
 - Are there financial incentives tied in with ESG innovation for employees? (0.5 pts)
 - Yes = +0.5
 - No = 0
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Portfolio Rubric

Environment

- Do you track the GHG Emissions of the portfolio? If so, how do you calculate these numbers? If so, what are the GHG Emissions of the portfolio? (10 pts)
 - Yes = +4
 - Emissions = +6
- What do you think of climate risk/energy transmission risk in your security selection process? (4 pts)
 - Practice = +0.5
 - Actual Practice = +4
- Do you ensure that your portfolio is observing protected land correctly? (0.5 pts)
 - Yes = +0.5
 - No = 0
- Do you track water usage within your portfolio? If so, how? (0.5 pts)
 - Yes = +0.5
 - No = 0
- Are there water use/safety standards that you use when looking at companies? If so, please explain these standards. (0.5 pts)
 - Yes. = .+05
 - No = 0
- What percentage of the portfolio has a net-zero target of 2050 or better? (6 pts)
 - 0 - 10% = +0
 - 10 - 28%= +1
 - 29 - 46% = +2
 - 47 - 64% = +3
 - 65. -82% = +4
 - 83 - 100% = +6
- How important are net-zero goals to you when building a portfolio? (4 pts)
 - Zero Importance = 0
 - Not Important = +0.5
 - Important = +2
 - Very Important = +4

Social

- Do you track diversity within companies included in your portfolio? (0.5 pts)
 - Yes = .5
 - No = 0
- Do you actively observe the labor practices of companies within your portfolio? Do you have any standards regarding this? (0.5 pts)
 - Yes = .5
 - No = 0

Portfolio Rubric

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- Do you monitor wage levels within the companies in your portfolio? (2 pts)
 - Yes = +2
 - No = 0
 - Does company innovation matter in your investment decisions? (0 pts)
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Governance

- Do you track the diversity of the board and c suite level for investments? (0.5 pts)
 - Yes = +0.5
 - No = 0
 - Do you have any standards in place regarding product safety to protect investments within your portfolio? (0.5 pts)
 - Yes = +0.5
 - No = 0
 - Has your firm used its capital as a voice for change to advance sustainability issues with any specific holding in the past 12 months? If yes, please explain each. If not, please explain. (5 pts)
 - Yes = +3
 - How they use their capital = +2
 - How do you track the supply chain of companies/products within your portfolio? (0.5 pts)
 - Yes = +0.5
 - No = 0
 - Do you track GHG emissions along supply chains within your portfolio? (0.5 pts)
 - Yes = +0.5
 - No = 0
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Sources

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