ABBOTT MEMORIAL LIBRARY
BOARD OF TRUSTEE MINUTES
AUGUST 18, 2014 MEETING

The meeting began at 7:00 PM. Present: Anne Bower; Betsy Rhodes; Jenny Satterfield; Cory Smith, Librarian; and Eric Werner, Morgan Stanley Financial Advisor. Absent: Carole Brown; Emily Harrington; and Betsy Siebeck.

The meeting agenda was adopted but all other Board business postponed until after guest speaker Eric Werner's presentation, which was the first item on the agenda.

Eric Werner, the Library's financial advisor with Morgan Stanley, shared recent internal policy developments about how municipal accounts are handled by Morgan Stanley and their potential impact on the Library, which will most likely be minimal but he will keep us posted if that changes. He then gave an update on the current status of the Library investments and proceeded to talk about moving forward, describing alternative investment options that the Library may wish to consider.

Over the course of Eric's presentation, discussion took place but no decisions were made since four Board members, the required quorum to conduct business, were not present. The fiduciary responsibility of the Board and the need to diversify the Library's holdings were considered, along with sustainable investing, which has been of interest to the Board, and the pros and cons of various approaches; attached is a copy of a four page Morgan Stanley article titled "Sustainable Investing: Imperative and Opportunity" that Eric distributed for our information.

While discussing the need to have a diverse portfolio and the optimum breakdown of the Library's investments, the amount of cash reserves was considered, especially in light of the cresting tile project. The Board previously had voted to temporarily use the Library reserves to fund this project if necessary, since the historic preservation grant being pursued is one that reimburses expenses. Whether to use the reserves in this way or to obtain some sort of low interest loan instead was debated. In general, Eric advised against dipping into the reserves unless absolutely necessary. The interest on a loan may amount to less than the potential loss of investment revenue if money is removed from the reserves, even temporarily. As the tile project progresses, the Board should weigh its options at that time and determine which approach will be most cost effective when the money is actually needed.

At the next Board meeting with a quorum, the Board will review all of the information provided by Eric and determine how to proceed. As soon as Eric is notified of the Board's decision of how to reinvest the Library funds, he will determine which portfolio models best meet our criteria and then present them to the Board, outlining the asset allocation, performance history, fee structure, etc. of each to help us decide between them. Once a model is selected, Eric will facilitate the transfer of funds. Those present thanked Eric profusely for his time and expertise and agreed to be in touch with him again as soon as possible. Eric departed at approximately 7:55 PM.

Without a quorum, all other official Board business was postponed and only informal discussions about the following issues took place: Artistree's use of space at the Library until their new building next door is completed; the upcoming Moth Storytelling event; the status of the front walkway; and how to deal with invasive plants on the Library grounds.

Cory agreed to coordinate the use of Library space with Artistree. Jenny, Anne and Betsy R. volunteered to provide refreshments and snacks for the Moth Storytelling event, and everyone will encourage others to attend. At its next meeting with a quorum, the Board will need to decide how to proceed with the front walkway. In the meantime, Cory shared that she met with Bob Harrington to evaluate the area and talked about various ways to handle runoff, including installation of a "mini drywell" or a culvert at the end of the walkway where it meets the road; "Weed Concrete" (L. E. Weed & Son) was suggested as a source for a pre-made drain box. Whatever method is chosen to deal with runoff, Bob suggested testing it for a season before installing the permanent walkway. He also advised that the permanent walkway be built up and extended until it meets and is level with the road pavement, eliminating the existing dip at the end of the walkway closest to the road. It was noted that Pomfret Road Foreman Art Lewin gave the same advice earlier in the year. For now, Cory reported that the temporary hard pack walkway, which was installed by the Town after the Library removed the old one in early August, is working well. And, Betsy R. asked that the task of pulling wild parsnip on the Library grounds be added to the Library calendar in the month of July, so we will be reminded to do it and devise a plan.

The need for a quorum at the next meeting was emphasized so key decisions can be made by the Board. Jenny will follow-up with everyone prior to the next meeting.

Meeting adjourned at approximately 8:25 PM.

Next Board of Trustee Meeting will take place at the Library at 7 PM on Monday, September 15, 2014.

August 18th Minutes respectfully submitted by Betsy Rhodes on August 22, 2014.

Morgan Stanley

FEBRUARY 2014

Sustainable Investing

Imperative and Opportunity

AUDREY CHOI
CEO, Morgan Stanley Institute for Sustainable Investing

Futurists paint striking and sometimes divergent pictures of the world in 2050. On the one hand, technology should empower us to harness scarce resources more efficiently than ever; major diseases may be eradicated; and people are likely to live longer, healthier lives. On the other hand, the world's population is expected to rise to more than nine billion people; intense competition for food, water and energy could ensue; and economic inequalities may intensify, increasing the risk of political unrest.

These prognostications may sound remote, but they depict a world that is just 36 years away— a time frame short enough to affect anyone who is raising young children, planning for retirement, attending school or just beginning a career.

At Morgan Stanley, we believe that the global challenges we face in the decades ahead pose critically important questions not only for society at large but also for each of us as individuals, citizens, parents, business leaders and policymakers. And for our clients, these challenges are likely to present significant implications for their financial goals and investment decisions. How do we ensure that the demand curves of the future do not spell a world of intensifying resource scarcity, economic inequality and ecological damage? How will people live, and economies grow, within the planet's carrying capacity—without taking an unacceptable toll on our values, security and quality of life? What will prosperity look like in the more populous world of our children and grandchildren? These questions drive the work of Morgan Stanley's Institute for Sustainable Investing.

DEFINING SUSTAINABILITY

We define sustainability as a commitment to economic, social and environmental well-being for both the present and the future, balancing society's needs today with the demands of tomorrow. Sustainability encompasses behaviors, processes, tools and technologies that can be perpetuated and replicated in ways that achieve economic, social or environmental benefits. We see sustainable investing as the practice of mobilizing capital to businesses that engage in these behaviors and practices. This vision of sustainability can be advanced through global capital markets and the investors who drive them.

The Macroeconomic Case for Sustainable Investing

By 2050, the world's population is projected to increase by as much as 30 percent.[1] The economic implications are vast: In the space of a few decades, there may be two billion additional consumers of the same essential, yet finite, resources. And demand for these resources is expected to rise at an even faster rate, as people everywhere strive for higher living standards.[2] We can therefore expect global demand curves to start shifting upward in dramatic fashion—for instance, global demand for food, water and energy is projected to increase by 35, 40 and 50 percent, respectively, as soon as 2030.[3] Meanwhile, vital services and infrastructure—like sanitation, housing, transportation, health care, and energy transmission networks—will need to keep up with our growing numbers, requiring tens of trillions of dollars of investment.[4] We will also need to address the strains that we already place on our planet. For instance, to keep global temperatures from rising by more than 2°C—the threshold that scientists and world leaders agree we must not cross in order to avoid adverse ecological, economic and social consequences—an average of $1 trillion per year in additional clean energy investment is needed through 2050.[5]

Sustainability: The Investment Opportunity

Through the lens of sustainable investing, we can see the challenges of tomorrow as a profound opportunity for private-sector innovation and investment, fueled by the capital that flows through the equity and debt markets. Indeed, there may be significant global business opportunities for companies that integrate sustainability into their strategies, services and products. Attempts to quantify the value of these business opportunities for the energy, forestry, water, metals, food, agriculture, health and education sectors have led to estimates on the order of $3 trillion to $10 trillion annually by 2050, or up to 4.5 percent of the world's projected gross domestic product at mid-century.[6] Whether it is low-carbon air travel, vertical farming in high-rise structures, or zero-waste buildings and cities, businesses and entrepreneurs have the potential to create products and services that enable a more populous planet to thrive within its carrying capacity, transforming the way we live.

Sustainable investing is a powerful way to mobilize capital toward this vision, and it takes many forms: For example, a mutual fund investing in companies developing technology to improve the quality and efficiency of our water supplies; an exchange-traded fund replicating an index with smart grid infrastructure stocks; or a private equity vehicle targeting solar and wind renewable power projects around the world. Another timely example is the green bond market. Green bonds have all the characteristics of traditional fixed income products, but their proceeds are directed toward projects tackling climate change—such as wind energy, mass transportation and waste reduction. Issuance of green bonds grew to approximately $10 billion in 2013 from $1.3 billion in 2012,[7] as the pool of green bond issuers expanded from sovereign agencies to major corporations. At the Institute for Sustainable Investing, we seek to draw on such successes and identify, through product innovation and thought leadership, new opportunities to match sustainability-minded businesses and investors.

Scoping the Sustainable Investing Market

The appetite for sustainable investing products and strategies has grown markedly within the past two decades. In the US, professionally managed assets invested in sustainability-oriented strategies increased more than fivefold from 1995 to 2012, reaching $3.74 trillion, or 11 percent, of total US assets under management.[8] Globally, more than one-fifth of all assets under management incorporated environmental, social or governance (ESG) criteria as of 2012.[9] More than 1,200 asset owners, investment managers and professional service providers[10] accounting for more than $35 trillion in professionally managed assets have signed the United Nations-supported Principles for Responsible Investment (UN PRI).[11] Created in 2006, the UN PRI make up a voluntary framework for incorporating environmental, social and governance issues into investment practices.

Morgan Stanley's Institute for Sustainable Investing works to strengthen the array of financial products and strategies seeking to offer competitive financial returns and address global challenges—allowing investors and businesses to leave a positive legacy to future generations.

Continuum of Sustainable Investing Approaches

At the level of the individual investor, generational trends may also lend support to the field of sustainable investing. For instance, members of the Millennial Generation—those born after 1982—have identified the improvement of society as the primary purpose of business.[12] These investors are among the beneficiaries of the $40 trillion wealth transfer that is expected to flow from Baby Boomers to their successors in the coming decades.[13]

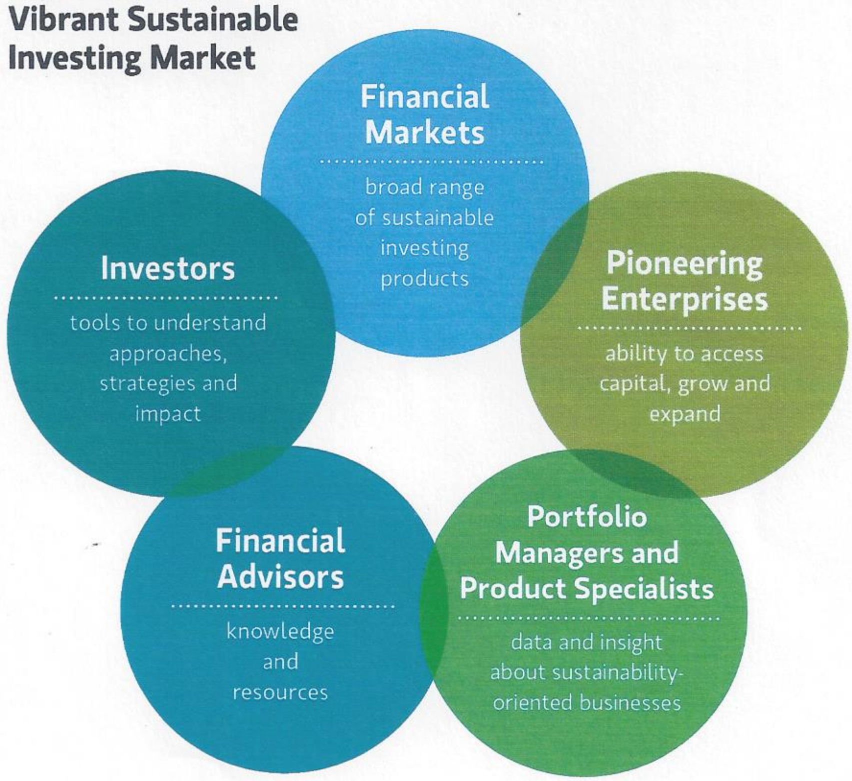
Despite these signs of progress, sustainable investing is in the early stages of realizing its potential. Today, most of the $13.6 trillion in global assets invested according to sustainable investing principles fall into the category of **values alignment**—a strategy that avoids investing in companies whose core business activities do not meet the investor's social or environmental standards. This is an important piece of the equation, as shareholders vote with their investment dollars for the industries and companies they choose to support. However, there are also more direct and proactive ways for investors to achieve positive impact, and the Institute seeks to mobilize capital toward those approaches as well. For example, there is **ESG integration**, the explicit inclusion of environmental, social and governance factors[14] by portfolio managers into financial analysis; **sector exposure**, which targets themes or assets specifically related to environmental or social sustainability; and **impact investing**, which focuses on investments in business models that specifically seek to solve social or environmental problems. We believe that these strategies can potentially provide both risk mitigation and long-term value creation.

The Ingredients for a Vibrant Sustainable Investing Market

For sustainable investing to become a truly mainstream investment style, there must be a sufficiently broad range of financial products and strategies to support investment along this continuum. A number of other conditions must be met as well. Businesses that are pioneering solutions to our global challenges must have capital to grow and expand; portfolio managers and product specialists must have access to data and insight about these businesses; financial advisors must have the knowledge and resources to help their clients achieve their sustainability goals; and sustainable investing products must enable investors to understand the positive impacts that their capital has achieved.

The Institute for Sustainable Investing seeks to support these conditions. Morgan Stanley's Investing with Impact Platform, established in 2012, helps Wealth Management clients align their investments with their values. The Institute for Sustainable Investing has committed to work to increase total client assets through the Investing with Impact Platform to $10 billion over the next five years by helping to create new products and strategies. By setting this goal, we seek not only to empower sustainability-minded investors but also to drive capital to sustainability-minded businesses. With access to capital, such businesses can grow, expand and tap the equity and debt markets to fuel further innovation—thus providing investors more opportunities to achieve the positive impact they seek. ▶

Ingredients for a Vibrant Sustainable Investing Market



Conclusion

The defining global challenges of our time spring from the fact that both our natural and public resources are limited. At the Institute for Sustainable Investing, we believe that private investment capital can support the pursuit of economic and social progress within the Earth's limits. The Institute focuses on investment products and strategies that aim to generate positive impacts for society and the environment as well as attractive financial returns. Through sustainable investing, investors may support and complement the critical efforts of philanthropists and policymakers to catalyze positive change. Sustainable investing seeks to provide strategies, products and solutions that help investors realize their vision of a better world.

To learn more about the Institute for Sustainable Investing, please visit www.ms.com/sustainableinvesting

To contact the Institute, email sustainability@morganstanley.com

Sources:

[1] United Nations Department of Economic and Social Affairs/Population Division (2004). "World Population to 2300."

[2] World Business Council for Sustainable Investment (2010). "Vision 2050: The New Agenda for Business."

[3] National Intelligence Council (2012). "Global Trends 2030: Alternative Worlds."

[4] World Business Council for Sustainable Investment (2010). "Vision 2050: The New Agenda for Business."

[5] Mark Fulton and Reid Capalino (2014). "Investing in the Clean Trillion: Closing the Clean Energy Investment Gap," Ceres.

[6] World Business Council for Sustainable Investment (2010). "Vision 2050: The New Agenda for Business."

[7] Source: Bloomberg, Morgan Stanley.

[8] Forum for Sustainable and Responsible Investment (2012). "Report on Sustainable and Responsible Investing in the United States 2012."

[9] Global Sustainable Investment Alliance (2013). "2012 Global Sustainable Investment Review."

[10] "Professional service providers" refers to organizations serving asset owners and/or investment managers. (Source: Principles for Responsible Investment.)

[11] Principles for Responsible Investment.

[12] World Economic Forum (2013). "From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors."

[13] John J. Havens and Paul G. Schervish (2003). "Why the $41 Trillion Wealth Transfer Estimate is Still Valid: A Review of Challenges and Questions," Boston College Social Welfare Research Institute.

[14] The universe of ESG issues is very wide, but some examples include chemical pollution and waste management (environmental); child labor and access to medicine (social); and business ethics and environmental and social business strategy. (Source: Principles for Responsible Investment.)

This article was written with assistance from Sandra Noonan.

CRC799162 Exp. 02/07/15 ISI7789557 CS 7789557 02/14