

# Environmental, Social, and Governance Investing Through the University of Maine System (UMS) Retirement Plan

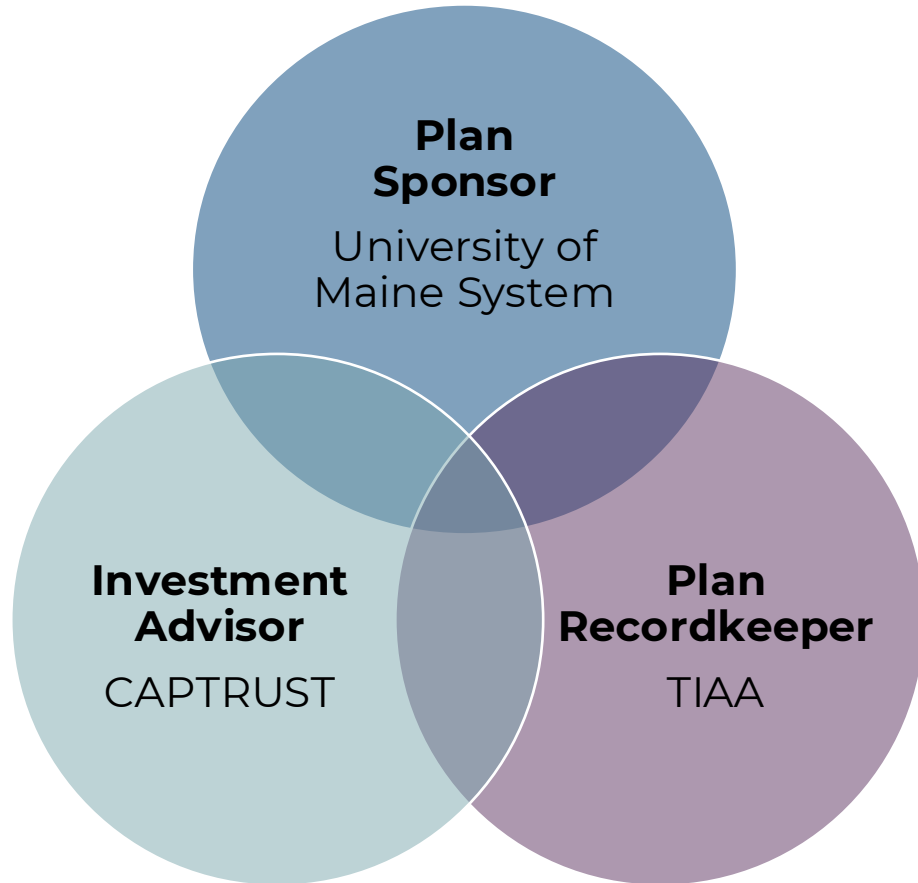
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# How We Work Together for You

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## Plan Sponsor

Provides and oversees your benefits

## Plan Recordkeeper

Reconciles your accounts, provides access to account information and handles transactions

## Investment Advisor

Monitors investments and provides advice to plan fiduciaries

# Retirement Plan Fiduciary Duties

## I. Duty to Be Prudent

## II. Duty of Loyalty and Impartiality

- Fiduciaries must ensure all decisions are made based solely and exclusively on the best interests of plan participants and beneficiaries.

## III. Duty to Diversify

- Fiduciaries are required to diversify plan investments, so as to minimize risk of large losses.
- For defined contribution plans, the plan should be sufficiently diversified to afford participants the opportunity to manage risk.
- Each plan option should be considered as part of the whole plan portfolio.

## IV. Duty to Monitor and Supervise

## V. Duty to Ensure Reasonable Plan Costs

## VI. Duty to Avoid Prohibited Transactions

# Environmental, Social, and Governance (ESG) Investing

## The Components of ESG

### ENVIRONMENTAL

- Carbon Intensity
- Fossil Fuel Reserve Ownership
- Water Usage Intensity
- Water Stress Regions
- Pollution
- Alternative Energy Utilization
- Green Building
- Energy Efficiency

### SOCIAL

- Labor Practices
- Human Rights
- Animal Welfare
- Data Protection and Privacy
- Diversity
- Business Involvement:
  - Major Disease Treatment
  - Education
  - Firearm
  - Predatory Lending

### GOVERNANCE

- Independent Board of Directors
- Frequent Director Elections
- Common Equity Voting Protection
- Compensation Policies
- Accounting Control
- Risk Oversight
- Shareholder Engagement
- Management Structure

# Approaches to ESG Investing Implementation

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## 1. Exclusionary Screening

Often used by investors with a “no exceptions” view on specific sectors or issues.

Specific industries or companies are excluded from the investment universe based on revenue exposure or defined thresholds.

## 2. Integrated Investing

Often used by investors who view ESG factors as financially material to long-term performance.

ESG risks and opportunities are evaluated alongside traditional financial metrics when selecting or avoiding investments.

## 3. Impact Investing

Often used by investors seeking to support specific outcomes or themes (e.g., clean energy, affordable housing).

Investment is intentionally directed toward companies, projects, or funds aligned with those targeted impact areas.

# Fossil Fuel Exposure by Fund in Core Investment Lineup

Fossil Fuel Exposure by Fund In Core Investment Lineup			
Investment Name	Asset Class	Excludes Fossil Fuel	Fossil Fuel Involvement %
Vanguard Federal Money Market Investor	Money Market-Taxable	No	0.00
CREF Inflation-Linked Bond R4	Inflation-Protected Bond	No	0.38
Vanguard Total Bond Market Index I	Intermediate Core Bond	No	2.49
PGIM Total Return Bond R6	Intermediate Core-Plus Bond	No	2.36
CREF Responsible Balanced Account R4	Global Moderate Allocation	No	2.66
Vanguard Target Retirement Income Fund	Target-Date Retirement	No	2.15
Vanguard Target Retirement 2020 Fund	Target-Date 2020	No	2.29
Vanguard Target Retirement 2025 Fund	Target-Date 2025	No	2.75
Vanguard Target Retirement 2030 Fund	Target-Date 2030	No	3.13
Vanguard Target Retirement 2035 Fund	Target-Date 2035	No	3.36
Vanguard Target Retirement 2040 Fund	Target-Date 2040	No	3.60
Vanguard Target Retirement 2045 Fund	Target-Date 2045	No	3.82
Vanguard Target Retirement 2050 Fund	Target-Date 2050	No	4.05
Vanguard Target Retirement 2055 Fund	Target-Date 2055	No	7.63
Vanguard Target Retirement 2060 Fund	Target-Date 2060	No	4.07
Vanguard Target Retirement 2065 Fund	Target-Date 2065+	No	4.07

ESG option

Source: Morningstar Data as of 12.31.25

# Fossil Fuel Exposure by Fund in Core Investment Lineup, continued

Fossil Fuel Exposure by Fund In Core Investment Lineup				
Investment Name	Asset Class	Excludes Fossil Fuel	Fossil Fuel Involvement %	
Vanguard Target Retirement 2070 Fund	Target-Date 2065+	No	4.07	
TIAA Real Estate Account	Private Real Estate	No	0.00	
JPMorgan Equity Income R6	Large Value	No	5.27	
Vanguard FTSE Social Index Admiral	Large Blend	<b>Yes</b>	0.00	
Vanguard Institutional Index I	Large Blend	No	2.84	
Harbor Capital Appreciation Retirement	Large Growth	No	1.47	
Victory Sycamore Established Value R6	Mid-Cap Value	No	8.14	
MFS Mid Cap Growth R6	Mid-Cap Growth	No	3.02	
CREF Total Global Stock Account R4	Global Large-Stock Blend	No	4.14	
MFS International Intrinsic Value R6	Foreign Large Blend	No	3.71	
Vanguard Total Intl Stock Index I	Foreign Large Blend	No	6.45	
Vanguard Extended Market Index Instl	Mid-Cap Blend	No	3.61	
Vanguard Small Cap Value Index I	Small Value	No	5.32	
MassMutual Small Cap Gr Eq I	Small Growth	No	3.74	
Vanguard Emerging Mkts Stock Idx Adm	Diversified Emerging Mkts	No	5.45	

ESG option

Source: Morningstar Data as of 12.31.25

# CREF Responsible Balanced Account

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The CREF Responsible Balanced Account is a variable annuity that aims for long-term growth while considering environmental, social, and governance factors. It invests in a mix of U.S. and global stocks (about 60%) in addition to bonds and other fixed-income assets (about 40%). Investments are chosen based on both financial strength and ESG criteria. Participants can choose to convert some or all of their balance into lifetime income.

## **Securities are eligible for the portfolio only if they qualify in one of two categories:**

- **ESG Leaders:**

- Uses a structured process to evaluate investments, combining clear screening criteria with ESG analysis.
- Focuses on investing in stronger companies within each industry, rather than excluding entire sectors.
- Prioritizes companies with leading or improving ESG practices while seeking attractive returns.
- Starts with a broad investment universe and narrows it based on ESG standards
- Excludes companies involved in controversial activities or with weak ESG profiles.
  - Will generally not invest in companies significantly involved in certain business activities, including the production of alcohol, tobacco, gambling, adult entertainment, controversial weapons, nuclear weapons, civilian firearms, conventional firearms, for-profit prisons, arctic oil & gas, oil sands extraction, and thermal coal.
- Uses third-party data and internal research to assess ESG factors throughout the investment process.

- **Impact Investing:**

- Focuses on how funds are used to achieve specific social or environmental goals
- Direct – Use of proceed must clearly align with the four impact themes which are affordable housing, community and economic development, renewable energy and climate change, natural resources
- Measurable – Impact reporting based on relevant Key Performance Indicators

# Vanguard FTSE Social Index

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The Fund employs an indexing investment approach designed to track the performance of the FTSE US Choice Index (the “Target Index”), an index made up of large- and mid-cap stocks of companies that are screened for certain environmental, social, and corporate governance (ESG) criteria by the Index Provider, FTSE Russell.

**The Target Index excludes the stocks of companies that the Index Provider determines engage in, have a specified level of involvement in, and/or derive threshold amounts of revenue from one or more of the following activities:**

- Operate or supply nuclear power generation, or provide equipment and facilities critical to nuclear power
- Own proved or probable reserves of coal, oil, or natural gas
- Engage in oil and gas activities, including:
  - Exploration and drilling (onshore or offshore)
  - Production, refining, or marketing of petroleum products
  - Oil-field services and offshore platform support
  - Operation of oil or gas pipelines
  - Integrated oil and gas operations (upstream, midstream, and downstream)
- Mine, process, or market coal
- Generate electricity from oil, gas, or thermal coal
- Distribute natural gas to end users

# Self-Directed Brokerage Account

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Self-Directed Brokerage Accounts (SDBAs) are a way for defined contribution plan sponsors to provide a diverse demographic with tools to access an extended array of investment options.

Some participants may want to invest in options that are not included in their retirement plan's core lineup. These investments could carry higher levels of risk or concentration that would not be considered appropriate for the core menu of a defined contribution plan.

## Benefits:

- Can provide plan participants with expanded investment choices unique to their investment preference and risk profile
- Can offer opportunity to invest according to values
- Participants who want to continue to invest in a fund that is removed from the core menu could have that option within the SDBA

## Considerations:

- Investments in brokerage window are not monitored by plan fiduciaries
- Investing through a brokerage window can be more expensive than using the core funds provided within the UMS plans
- A brokerage window could encourage a frequent-trading mentality contrary to long-term retirement investing principles

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# Accessing Self-Directed Brokerage at TIAA

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Once you have logged in at [tiaa.org](https://tiaa.org), select *Accounts*, then *Retirement*.

## Step 1

Once the page refreshes, the *Retirement Accounts* dropdown will allow you to select the specific account that you wish to access.

## Step 2

Once an account is selected, the refreshed page will display information for both your Core and Brokerage account. For example, the *Investments* tab will display the account holdings in its entirety.

Additionally, from the *Overview* tab, you can locate your brokerage account by selecting *Manage Brokerage Investments*.

## Step 3

After selecting *Manage Brokerage Investments*, the refreshed screen will display the account summary page for only your brokerage account.

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# Fossil Fuel-Free Fund Screen Resources

Fossil Free Funds – Free tool that allows you to input funds by name or ticker and provides fossil fuel exposure of the underlying investments.

As You Sow Invest Your Values

Sign up [Donate](#)

☰ **Fossil Free Funds** 🔍 Search

## Don't want your retirement savings invested in fossil fuels?

See mutual funds and ETFs that avoid fossil fuel investments

[Top-rated funds >>](#)

Search funds from your 401(k) or IRA for fossil fuel holdings

Search funds by name, ticker, or manager 🔍

A project of [AS YOU SOW](#)

Source: fossilfreefunds.org

# Disclosure

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Investment strategies may include consideration of environmental, social, or governance (“ESG”) factors alongside traditional financial analysis. Approaches vary, and there is no guarantee such considerations will result in improved investment outcomes.

Fossil fuel exclusion is an indication whether the fund seeks to avoid investments in companies that derive a significant percentage of their revenue from the extraction, distribution, sale, or use of any fossil fuel. These are strategies that intend to avoid investments in companies that derive a significant percentage of their revenue from coal, petroleum, natural gas, oil shales, bitumen, tar sands, and heavy oils.

Fossil Fuel Involvement is the percentage of the portfolio that is exposed to corporations that make any revenue (>0%) from fossil fuels. This percentage is subject to change based on each fund’s holdings.