INTERNATIONAL **HUMAN RIGHTS FUNDERS** GROUP

**SEMI-ANNUAL CONFERENCE**
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# Mission Related Investing: A No-Jargon, No-MBA-Needed Workshop on Advancing Human Rights as You Invest Your Assets

**Tuesday, July 13, 2010, 3:30-5:00 pm**

*Facilitator:*
**Steve Fahrer, Veris Wealth Partners**

*Panelists:*
**Ellen Dorsey, Wallace Global Funds**
**Bruce M. Kahn, DB Climate Change Advisors, Deutsche Bank Group**
**William Repplinger, General Services Foundation**
**Steve Viederman, Strategic Philanthropy**

**Steve Fahrer** introduced the session by stating that most foundations grant only 5% of their assets – the other 95% is invested. The panel today will talk about how to do more with the 95% of funds that is invested.

**Steve Viederman** recounted how he was initially struck by how much larger his foundation's assets were compared to its budget for grants. In today's society, business and finance are as important as governments in influencing society. He explained a handout discussing ways to invest money in a long term, risk adjusted way to promote human rights.

- The simplest way to exercise your influence is through vote proxies – if the issues are related to the mission of your foundation, you have a right to tell the owner of the stock to vote their proxies in a certain way.
- "Fun" and "Finance" – when they moved to start thinking about voting proxies, resolutions, good and bad companies to invest in – it made discussions of assets much more exciting because it involved the values that people cared about.

**Ellen Dorsey** discussed how addressing the human rights impact of corporate activities has long been a core part of the Wallace Global Fund's mission, which has led them recently to take a new approach to their investments.

- They believe that they can have both strong financial performance and strong environmental and human rights performance.
- Aligning their investments and their grantmaking goals is not just a possibility but a fiduciary duty – combining the reach of their grantmaking with the leverage of their investments.
- When the market went into freefall, they had inadequate oversight of their investments, which created an opportunity to reconsider their approach.
- The process:
    - Interviewing firms (both mission related and traditional) to serve as investment advisors, with intention to completely reevaluate their investment processes.
    - Hired firm with strong environmental mission-related investing experience.
    - Created investment committee for greater oversight (for financial reasons as well), and brought on individuals with mission-related investment experience.
    - With their board, decided to approach process as aggressively as possible without being fiscally reckless – put together statement of values and goals, and then brought to investment committee to evaluate feasibility and plan implementation:
    - Want to get out of fossil fuels – immediately purged oil and coal, and then sequence to natural gas, while proactively investing in renewable.
    - Took mining off list – absolute ban on gold – only operations that use best practices.
    - Also labor practices, community impacts, social justice solidarity (screen against companies against which organizations have launched valid campaigns).
    - Environmental is easier, others have done it– more challenging to implement human rights lens but working on workers rights, corporate transparency, informed consent.
- Leave with one thought: if we think about the scale and scope and urgency of the climate crisis, if the foundation sector can't take risks, who can? And if we can create models and best practices, we can potentially create a broader impact on the energy sector.

**William Repplinger** discussed how this is a slow process which is not one-size-fits-all, and requires education of staff and board and consideration of generational differences on approaches to investing. With each step you take, the next step becomes less scary. At the moment, about 20% of their portfolio involves positive investments or voting proxies or screening.

- Beyond screening, foundations can invest positively: e.g. microfinance, clean technology. Even if the investment is not directly in your mission, you can find a connection, try investing, then assess returns and outcomes.

**Bruce Kahn** discussed how once a program is set up, it is only the beginning: you have to look through lists of companies, consider third-party research, account for issues that are not explicitly considered by the financial sector, and then consider their fiscal performance and its influence on your grantmaking.

- Eg, Jessie Noyes Smith Foundation focuses on reproductive rights, toxics, and food issues, as well as New York City. Consider how these values are in alignment with investments.

- Tedious process – even with consultants and financial managers, board has duty to provide oversight. Board members must communicate and bring each other in on the process.
- Not all board members have financial backgrounds, so present it as a way to further the issues they care about through the impact that their assets can have.
- Access to capital is not only a privilege, it is an obligation and a duty to be responsible for it, and for what that capital does.

**Steve Fahrer** added an example of how Jewish Funds For Justice invests through its loan fund in microfinance and community development.

**Questions and Answers:**
Q: Have you considered issued of water, agribusiness, and food production?
A: Yes, water is more complicated to consider than energy. But if you're not putting that quantity of thought in already, you will not have high financial performance anyway. These concerns are material to financial performance, and considering them does systemically tend to improve performance. Sometimes, you have to decide whether to divest versus staying in as active (or activist) shareholders. Also, organizations always have some amount of cash, typically in mutual funds – but you can instead put it in places where it goes to community development, that are federally ensured, and have relatively higher (~3%) rates of return.

Q: Do you consider transparency, governance, and management of companies?
A: It's difficult to filter for those, but in positive investing, companies with the best governance will do the best in the long term. And it's always a work in progress. Over the years, most people find that performance differences between mission-related and unscreened investments are very small.

Q: Some green funds are terrible on other social issues – e.g., one green project in Amazon thought it was absurd when they suggested addressing worker's rights and collective bargaining.
A: In finance, many investment strategies are not at all values based – they only want to find the best way to operate within a regulatory framework. You need to interview managers of funds and see if their philosophies are aligned with yours, and weigh these considerations as a trustee of the foundation. Get disclosure so that you can make up your own mind, and beware of words like "green" or "sustainable" or "socially responsible" that may be very superficial. It's correct that corporations don't exist to promote values – it's incumbent upon us as investors to decide if the company is aligned with our values; the company is merely an agent.

Q: Do you personally look at lists of investments?
A: (Ellen Dorsey): More than I anticipated, but I do it with advisors and investment committees so I know what kinds of questions to ask. There are services you can hire to set up guidelines. The best researchers do look at issues of human rights. Ask them what issues they consider.

Q: What strategies will work in the next 20 years?
A: Watch California's AB32 policy (energy bill) to evaluate the prospects for government subsidies. Debates in federal and state legislatures can really turn the tide. Tie assets to support grantmaking missions – e.g. when grantees campaigning re: Intel, foundation filed shareholder resolution to get them the information

they wanted. Corporations strive to appear socially responsible, it's our job to hold them accountable to those claims. The claims themselves are an indication of the success of 30 years of shareholder campaigns, even though only a miniscule amount of total assets are actually invested according to any kind of values. A hundred million Africans will die because of climate change – when does this rise to the pariah status of tobacco? Philanthropy organizations need to have this discussion, and consider that even if you lose a small amount of performace, this should be weighed against the effects of your investments.

Q: Almost all of my investments are in funds (or funds of funds), not directly in shares.
A: The best strategy is to have a consultant evaluate money managers as to their values, but there are limitations if funds aren't custom designed. Also, there are "social" investment funds – you can move your money into these. It's time for investors in mutual funds to come together and be activist with their funds to change their practices.

Q: How did your returns change before and after implementing new process? And how do you talk to the person who just turns their back?
A: We do have financial needs and we need to constantly evaluate if we're meeting them. There's a lot of research that's been done, especially on screening. The key is good management, and there are good managers. To talk with someone who's skeptical, you need to start with a moral argument; you'll never win an argument with a non-believer based on returns because you're starting from a point of apology – instead ask, "how is what you're doing with the core of your money in alignment with your values?" You need to have the economic argument backed with data, but you also need to neutralize the economic argument with the moral argument. Also, you should argue that a corporation that is looking to the future in broader issues is a sign of better governance.

Summing up: there's a whole range of things that you can do, but remember that you're the holder of these assets and responsible for what's done with them. And consider IHRFG working group!