

Fully Leveraging Philanthropic Assets for Long-Term Social and Environmental Impact

Joshua Humphreys

Harvard University and Center for Social
Philanthropy, Tellus Institute

Philanthropy Study Group,
Harvard Kennedy School 10/22/09

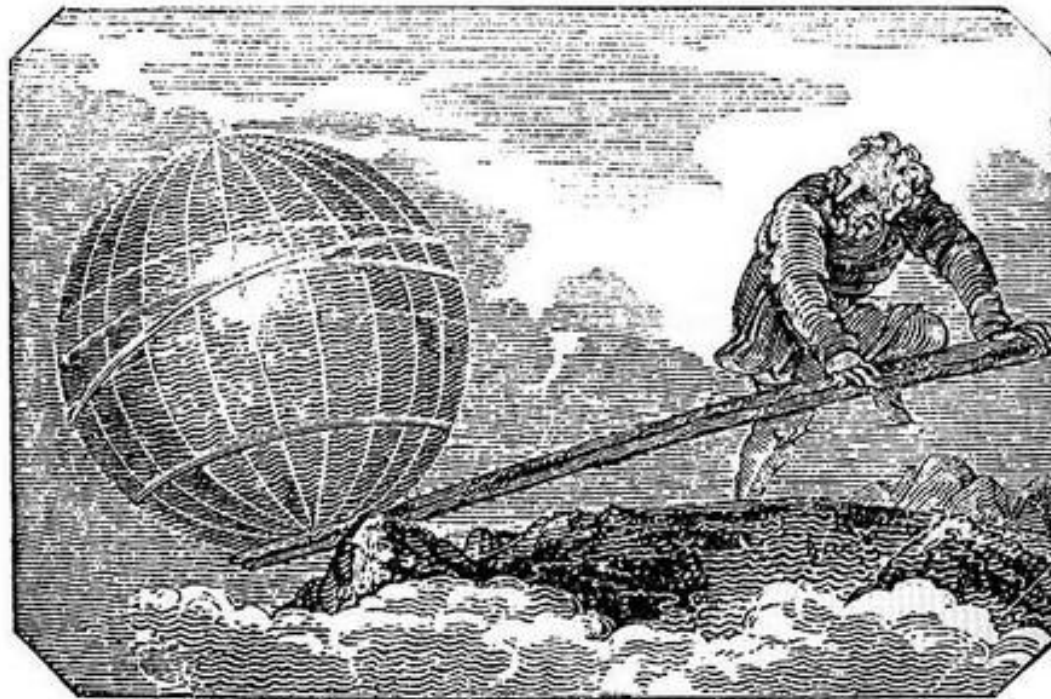


C-SocPhil's Action Agenda

- Conduct innovative research: data aggregation and development, surveys, case studies
- Benchmark endowment and manager activities
- Identify barriers and tear them down
- Develop data-driven strategies to overcome obstacles
- Consult and convene

C-SocPhil: The Archimedes Project

Reclaiming Leverage



C-SocPhil: The Archimedes Project

Six Core Strategies of Fully Leveraged Philanthropy

1. Mission-Related Investment
2. Program-Related Investment
3. Active Ownership Strategies
4. Historical Asset Management
5. Sustainable Operations
6. Responsive Grantmaking

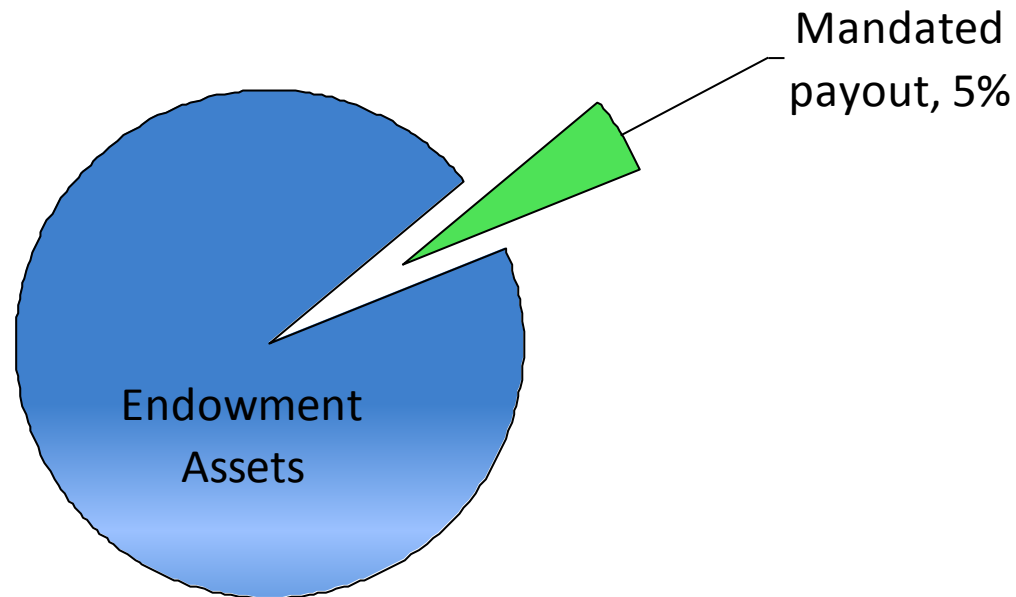
Mission-Related Investment (MRI)

Mobilizing Assets to
Maximize Impact



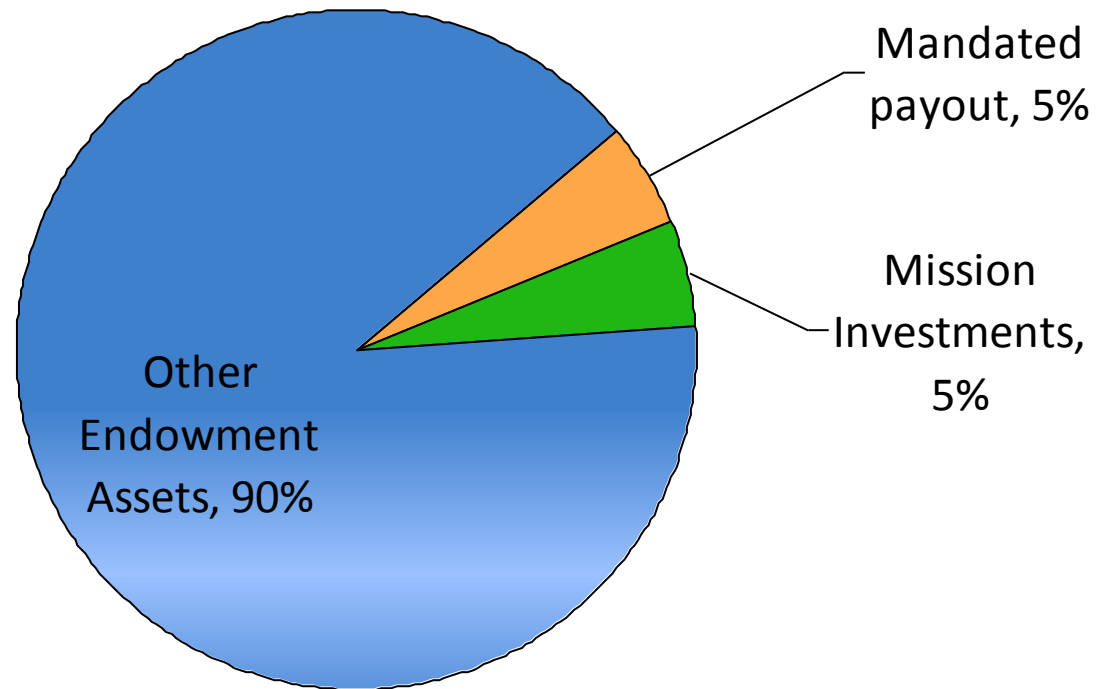
The Structure of Philanthropic Capital

Untapped
Leverage in
the other
95%



The Opportunity of Leveraging Endowment Assets

Allocating only 5% of endowment to mission investing **doubles** resources for impact opportunities

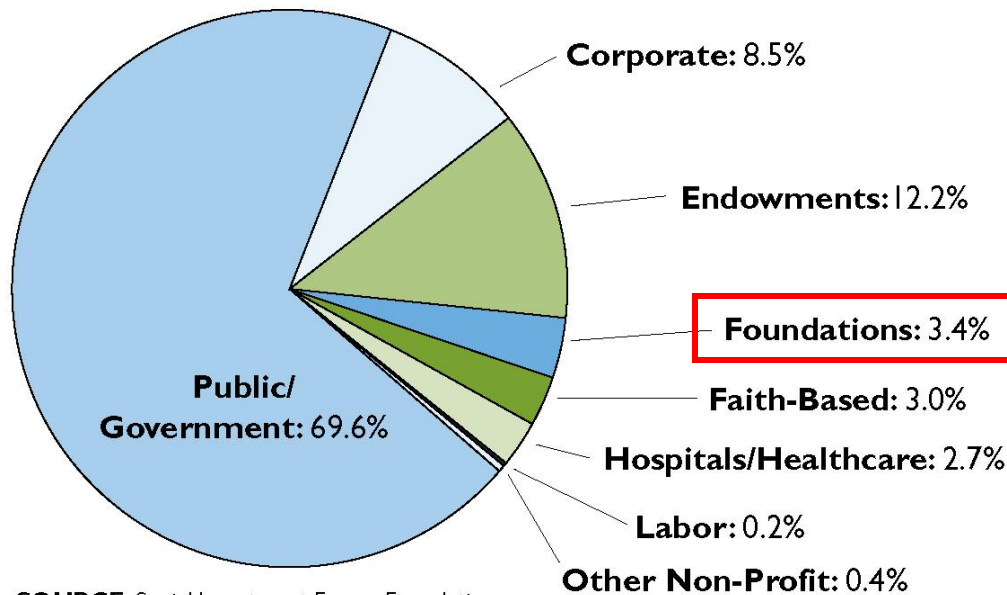


Challenges and Obstacles

1. Firewalls between finance and program
2. Trustees and Investment Committees dominated by conventional finance mentality
3. Investment consultants are discouraging
4. Misperceptions over mission investment performance, costs and opportunities
5. Misperceptions over fiduciary duties
6. Paucity of data and case studies

Less than 10% of foundation assets use mission-related ESG criteria

Socially Screened Institutional Investment Assets 2007



SOURCE: Social Investment Forum Foundation

	Assets (In Billions)
Endowments	\$202.45
Corporate	\$141.62
Foundations	\$57.30
Faith-Based	\$49.52
Hospitals/Healthcare	\$45.50
Other Non-Profit	\$6.58
Labor	\$2.60
Public/Government	\$1,157.08
TOTAL	\$ 1,662.65

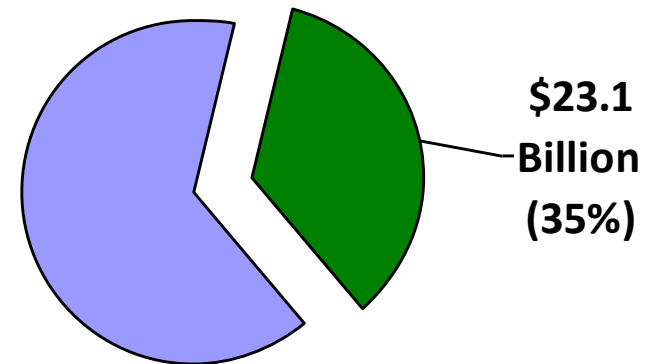
C-SocPhil Survey: Mission Investing by Environmental Grantmakers



Environmental Grantmakers Association

- 27 of 43 EGA members (63%) invest \$23.1 Billion according to ESG criteria
- 35% of \$66 Billion in total assets analyzed
- 15 use environmental factors: \$676 Million
- 14 screen on tobacco: \$22 Billion

Social and Environmental Investing by EGA Members



Avoid misaligned investments that undermine mission



A TIMES INVESTIGATION

Dark cloud over good works of Gates Foundation

By Charles Piller, Edmund Sanders and Robyn Dixon, Times Staff Writers
January 7, 2007

Ebocha, Nigeria — Justice Eta, 14 months old, held out his tiny thumb.

An ink spot certified that he had been immunized against polio and measles, thanks to a vaccination drive supported by the Bill & Melinda Gates Foundation.



Photos: Gates mistakes?



- » Coverage of the Gates Foundation
- » Top 10 U.S. foundations
- » Foundation investments

- Tobacco, Alcohol & Gaming
- Nuclear power
- Environmental record
- Community relations
- Corporate Social Responsibility (CSR)
- Labor & human rights
- EEO and diversity
- Product safety
- Governance

Actively seek investments that align with mission

- Community Investments
- Cos. w/ strong CSR profiles
- Microfinance
- Sustainable businesses
- Climate-related investments
- Eco-efficient companies
- Good workplaces or labor friendly
- Nonprofit bonds
- Social venture capital and “double-bottom-line” private equity

Community Investments

- **Cash:** local banks, “green banks,” and Community Development Financial Institutions (CDFIs).
 - Wainwright, ShoreBank, or Self-Help rather than oversized banks presenting systemic risk
- **Fixed Income:** non-predatory mortgages and asset-backed securities that support low- and moderate-income homebuyers, affordable housing, education, health care and job creation in underserved communities
- **Public Equity:** Public cos. with strong community relations.
 - F. B. Heron Foundation’s beta-tested Community Investment Index Fund
- **Private Equity/VC:** community development venture capital
- **Property:** Smart growth, urban in-fill, brownfield redevelopment

Climate-Related Investments

- **Cash:** CDFI green loans and eco-deposits
- **Fixed Income:** State and Muni bonds supporting clean energy
- **Public Equity:** Alternative Energy mutual funds and ETFs; climate-sensitive funds that evaluate carbon intensity of cos.
- **Alternative assets:** renewable energy hedge funds, cleantech & green energy VC
- **Commodities:** carbon, sustainable timber

MRI Case Study: Annie E. Casey Foundation

\$100M Social Investment Program

AECF Mission: improve outcomes for vulnerable children and families

- **Cash:** Mission-Related deposits in CDFIs and employee credit unions
- **Debt:** PRIs in Northern California Community Loan Fund and Accion: five-year 2.5-3% loans.
- **Public equity:** Co-investor in the Heron Community Investment Index Fund
- **Private equity/Property:** Co-investor w/ Johns Hopkins & Soros in East Baltimore Development Inc.; and timber funds
- Co-founded the **More for Mission** Investing Campaign

Foundation leaders issue challenge: Commit “More for Mission”




45 foundations:
\$30 Billion

Annie E. Casey Foundation
Baton Rouge Area Foundation
Betsy & Jesse Fink Foundation
Blue Moon Fund
The Boston Foundation
The California Endowment
Christopher Reynolds Foundation
Cleveland Foundation
Columbus Foundation
Community Foundation for Greater Atlanta
Consumer Health Foundation
Deutsche Bank
Edward W. Hazen Foundation
F.B. Heron Foundation

Gaylord & Dorothy Donnelley Foundation
Hitachi Foundation
Hyams Foundation
Jacobs Family Foundation
Jessie Smith Noyes Foundation
Kalamazoo Community Foundation
KL Felicitas Foundation
Lutheran Community Foundation
Mary Reynolds Babcock Foundation
Meyer Memorial Trust
Needmor Fund
Prudential Foundation
Russell Family Foundation
S.H. Cowell Foundation
Seattle Foundation
Skoll Foundation
Tides Foundation
Vermont Community Foundation
W.K. Kellogg Foundation

Active Ownership Strategies

Adding Value through
Shareholder Advocacy

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The Active Ownership Agenda

Encourage active shareowner initiatives:

1. Actively vote proxies in support of environmental, social and governance (ESG) issues, based on written guidelines and/or advisory committees
2. Insist that investment managers vote proxies actively according to guidelines
3. File or co-file shareowner resolutions
4. Directly dialogue with companies about issues of concern
5. Engage through investor coalitions
6. Support proxy transparency and shareholder rights

C-SocPhil is tracking shareholder resolutions filed by foundations

✓ PROXYDEMOCRACY

For

Report on Political Contributions

CONOCOPHILLIPS, May 13, 2009

C_SocPhil's remarks on this proposal:

Nathan Cummings Foundation

- ▶ 22 voters agreeing (in advance)
- ▶ 29 voters disagreeing (in advance)

For

Adopt Quantitative GHG Goals for Products and Operations

CONOCOPHILLIPS, May 13, 2009

C_SocPhil's remarks on this proposal:

Co-filed by Brainerd Foundation, Needmor Fund, Tides Foundation, Funding Exchange, Edward W. Hazen Foundation, and the Max and Anna Levinson Foundation

- ▶ 20 voters agreeing (in advance)
- ▶ 31 voters disagreeing (in advance)

For

Advisory Vote to Ratify Named Executive Officers' Compensation

COLGATE-PALMOLIVE CO., May 08, 2009

C_SocPhil's remarks on this proposal:

Sponsored by Needmor Fund, co-sponsored by Tides Foundation, Funding Exchange, and The Max and Anna Levinson Foundation

- ▶ 30 voters agreeing (in advance)
- ▶ 10 voters disagreeing (in advance)

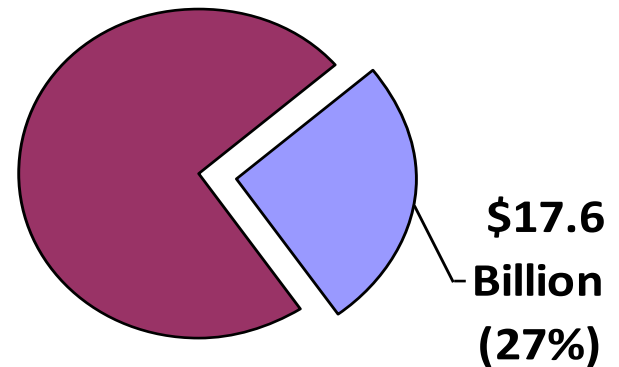
Active Ownership Strategies by Environmental Grantmakers



Environmental Grantmakers Association

- 23 of 43 EGA members surveyed, with \$17.6 Billion, reported using shareholder strategies:
- 17 reported active proxy voting
- 11 have (co-)filed shareowner resolutions
- 15 said they would consider filing
- 18 engage through investor networks

Active Ownership by EGA Members



Case Study in Active Ownership: Educational Foundation of America

EFA founded in 1959 by co-founder of Prentiss-Hall.

Programs: Arts, Democracy, Environment , Health & Human Services, Peace & Security, among areas of interest

Responsible Investing

Combines avoidance, supportive and social purpose investing with shareholder strategies

Home Depot

- Grassroots campaigning of grantees and NGOs such as ForestEthics and Rainforest Action Network on wood product sourcing from old growth forests
- Co-filed shareholder resolution in 1999
- Resolution received only 11% support
- But helped to change policy: 3-year phase-out of old growth
- HD leadership and FSC certification

Fixing Proxy Voting Problems

- Proxy voting can be time-consuming, burdensome, costly
- Proxy advice is costly and proxy advisers have conflicts
- Indirect ownership of corporate shares: foundations often rely on managers to vote their shares.
- Many managers are passive voters on the proxy – much more passive than respected responsible investors.
- Many managers “commingle” client assets in pooled investment funds, making it difficult to apply any one client’s proxy guidelines.
- The result: many worthwhile shareholder resolutions are not winning the support they might otherwise if managers voted in a more responsible way.

Proxy Stewardship Project

- Conduct research on proxy voting by leading commingled fund managers
- Convene endowment clients of leading managers
 - New York, Oct. 15, 2009
 - San Francisco, Oct. 21, 2009
- Develop creative solutions, such as parallel pooled funds with more responsible voting guidelines
- Engage constructively with targeted managers: GMO
- Engage with investment consultants in order to raise the profile of proxy voting among managers
- Develop Proxy Stewardship Principles for managers to follow

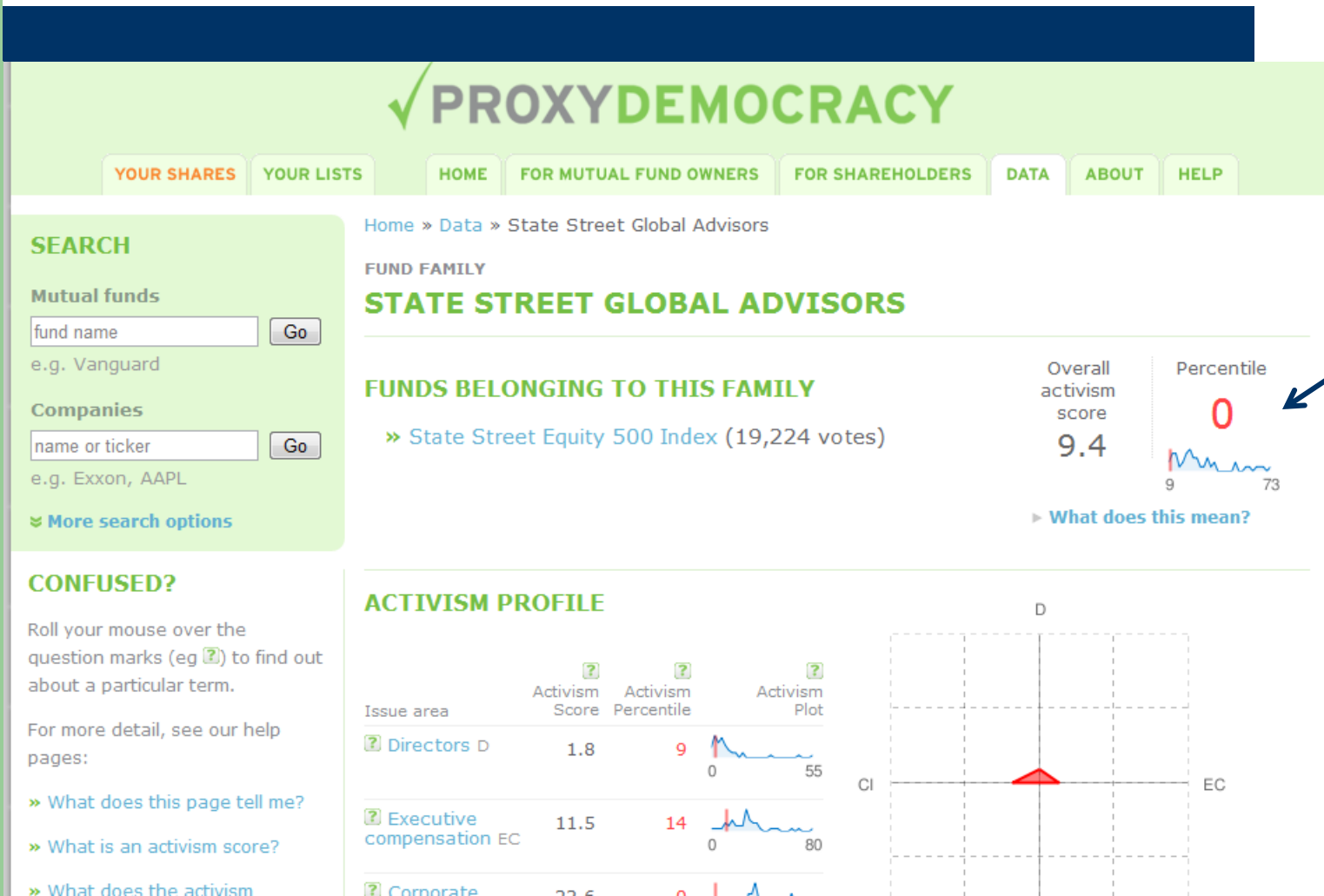
Who manages endowment capital?

U.S. institutional, tax-exempt assets managed internally, in millions, as of Dec. 31, 2008.

Rank	Manager	Total assets	Endowment assets	Foundation assets
1	State Street Global	\$60,606	\$33,513	\$27,093
2	BNY Mellon Asset Mgmt.	\$24,076	\$10,497	\$13,579
3	Wellington Mgmt.	\$16,264	\$15,712	\$552
4	PIMCO	\$15,826	\$6,221	\$9,605
5	Grantham, Mayo v. Otterloo	\$14,931	\$8,999	\$5,932
6	Vanguard Group	\$14,032	\$5,720	\$8,312
7	Barclays Global	\$13,275	\$5,390	\$7,885
8	Legg Mason	\$9,215	\$4,085	\$5,130
9	Silchester International	\$8,088	\$3,371	\$4,717
10	Northern Trust Global	\$6,953	\$1,827	\$5,126

SOURCE: Pensions & Investments

Case Study: So how does State Street vote?



PROXYDEMOCRACY

YOUR SHARES YOUR LISTS HOME FOR MUTUAL FUND OWNERS FOR SHAREHOLDERS DATA ABOUT HELP

Home » Data » State Street Global Advisors

FUND FAMILY
STATE STREET GLOBAL ADVISORS

FUNDS BELONGING TO THIS FAMILY
» State Street Equity 500 Index (19,224 votes)

Overall activism score **9.4**

Percentile **0**

» What does this mean?

ACTIVISM PROFILE

Issue area	Activism Score	Activism Percentile	Activism Plot
Directors D	1.8	9	
Executive compensation EC	11.5	14	
Corporate	22.6	0	

CI D EC

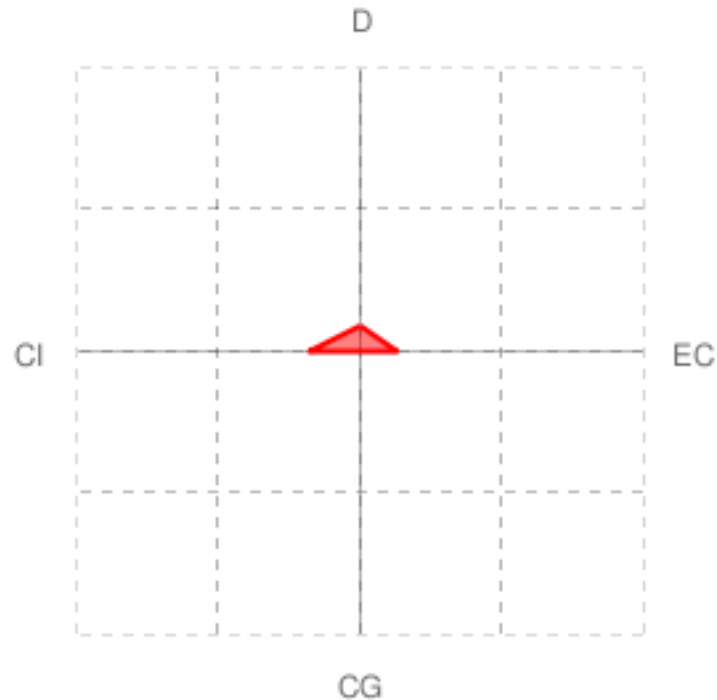


Case Study:

So how does State Street vote?

ProxyDemocracy Voting Profile

	<u>Percentile</u>
Directors	9
Exec. Comp.	14
Corp. Gov.	0
Corp. Impact	18



State Street votes against climate

SEARCH

Mutual funds

e.g. Vanguard

Companies

e.g. Exxon, AAPL

[More search options](#)

PROPOSAL

(15) ADOPT GREENHOUSE GAS EMISSIONS GOALS FOR PRODUCTS AND OPERATIONS

Sponsor: Shareholder

VOTES ON THIS PROPOSAL

► [Expand all fund families](#)

AFSCME Employees Pension Plan	For
CBIS	For
CalPERS	For
Florida SBA	For
Trillium Asset Management	For
► American Century Funds (1 vote)	<i>Against</i>
► Columbia Funds (2 votes)	<i>Abstain</i>
► DFA Funds (1 vote)	<i>For</i>
► Dreyfus Funds (3 votes)	<i>Against</i>
► Evergreen Funds (3 votes)	<i>For</i>
► Federated Funds (3 votes)	<i>Against</i>
► Fidelity Funds (1 vote)	<i>Abstain</i>
► Goldman Sachs Funds (1 vote)	<i>For</i>
► Janus Funds (2 votes)	<i>Abstain</i>
► MFS Funds (2 votes)	<i>Against</i>
► Morgan Stanley Funds (2 votes)	<i>Against</i>

Foundations can leverage resources through investor networks



Social Investment Forum



GENOCIDE INTERVENTION NETWORK
Have a Hand in Stopping Genocide®



**Investor Environmental
Health Network**
HEALTHY PEOPLE...HEALTHY BUSINESS



**Principles
for Responsible
Investment**



**Investor Network on
CLIMATE RISK**



Council of Institutional Investors
The Voice of Corporate Governance



CENTER FOR
**SOCIAL
PHILANTHROPY**

Joshua Humphreys

Tellus Institute

11 Arlington Street

Boston, MA 02116

tel. +1-617-710-2853

jh@socialphilanthropy.org

www.socialphilanthropy.org