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Improving the Planet and Walking the Talk: Park Foundation's Engagement with Mission-Related Investing

When Roy H. Park passed away in 1993, the prominent media owner and entrepreneur left in his will a substantial addition to his family foundation that was established in 1966. For most of our history, our endowment has been managed much like those of most

foundations, with assets allocated in the usual mix of large and small caps stocks, bonds, etc. Currently, the endowment hovers around \$326 million in nine asset categories. This is allocated among 15 fund managers in addition to cash and mission-related investing (MRI) accounts.

The foundation awards approximately \$18 million per year nationally in higher education, environment, media, animal welfare and locally in sustainability and human services program areas. Since the economic downturn that began in 2008, we have awarded

By Park Foundation

an average 7 percent of portfolio value in grants and program-related investments (PRIs).

BEGINNINGS

As a philanthropic organization, it is our responsibility to "walk the talk." Our mission should be to make the planet a better place for its inhabitants to live. In the late 1990s, Roy H. Park's daughter, Adelaide Park Gomer, now the president of the foundation and chair of the board, realized that it was a contradiction to make grants to not-for-profit organizations that, for (continued on page 17)



challenging grantmakers
to strengthen communities

Park Foundation's Engagement with Mission-Related Investing

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example, worked to abolish forest clear-cutting, prevent the use of genetically modified foods and reduce toxins in our waterways if the foundation at the same time was invested in corporations responsible for these egregious practices.

In 2004, while participating in a Rockefeller philanthropic workshop in Berlin, Germany, Gomer was exposed to the concept of socially responsible investing or SRI. She found that Europeans were ahead of the United States on this front. When she returned to the states, Gomer decided to reinvest her personal portfolio in a way that would not harm people and the environment. Pleased with the performance of her new portfolio, she took on the challenge of convincing the foundation to follow suit.

It took time to shift Park Foundation's investment strategy. For a decade, Gomer invited experts in the SRI approach to make presentations at board meetings. Among them were Jed Emerson, known as a thought leader in sustainable finance, impact investing and strategic philanthropy; Caroline Williams of the Nathan Cummings Foundation, who introduced the concept of screening funds; and David Blood and Peter Knight, who helped drive the engine behind Al Gore's Generation Fund.

The Park trustees were impressed by these spokespeople. In 2006, they implemented basic screening and tested the waters by making a small investment in the Generation Fund – the foundation's first SRI. The fund's performance was positive, and it held up well during the 2008 crash. The Generation Fund has continued to do well and has helped to dispel the myth that SRI jeopardizes return.

Adelaide Park Gomer's grantmaking and investing experiences with both personal and foundation philanthropy were expressed in her statement

that summed up her own and the Park Foundation's philosophy of mission-related investing:

[Our] foundation's approach to making a difference in the world is holistic. Whether we are investing in social change or the market, we will remain mindful that money is a means, and not an end unto itself. As a foundation, our true bottom line is the good we do in the world. The very same values and ideals that guide our disbursement of funds to the programs that we support should also guide the management of our foundation's capital assets.

INVESTMENT TRANSITIONS

Fundamental to our engagement with MRI was a transition to new investment advisors who had experience with and enthusiasm for MRI. In 2011, we retained new investment consultants Tom Van Dyck and Catherine Chen, also of Royal Bank of Canada Wealth Management. Under their direction, we created an investment committee composed of executive director Jon Jensen and three board trustees. We also brought in two outside financial advisors, Josh Mailman of Social Venture Network and Frank Coleman of Christian Brothers Investment Services.

The foundation now has a multipart MRI strategy consisting of proxy voting, environmental/social/governance (ESG) screening, shareholder resolutions, PRIs, carbon divestment/climate solutions investment and impact investing. Most of these elements were added more or less simultaneously.

PROXY VOTING

Until 2004, the foundation voted its proxies in the traditional default "vote with management" mode. In 2005, we contracted with Institutional Shareholder Services (ISS) to vote

our proxies using its SRI guidelines, and we utilized fee-based consultants from 2005 to 2011.

As part of the new portfolio structure instituted in 2012, all of our fund managers are required to vote their proxies along ISS social guidelines. These are fairly standard guidelines, and we are considering refining them around issues of particular interest to the foundation. No extra fees are charged for proxy voting.

ESG SCREENING

Our MRI strategy involves screening our portfolio along a defined set of guidelines developed by the Park Foundation trustees. We use filters in issue areas that include environment, employee relations, product liability, corporate governance, animal testing, nuclear and conventional weapons, nuclear power, tobacco, alcohol, gambling and community relations. We are currently exploring implementing additional screens in the areas of water and media, two focuses of our grantmaking. For example, we are using Ethical Investment Research Services (EIRIS) to evaluate water risk in our portfolio.

Currently, the Park Foundation's portfolio is approximately 98 percent ESG screened, and we are working towards 100 percent. Since 2012, our returns have been 19.7 percent in a much diversified portfolio. We feel that our strategy benefits both the bottom line and our socially responsible goals.

SHAREHOLDER RESOLUTIONS

The foundation sees shareholder actions as a tool to augment its grantmaking, in partnership with nonprofit organizations and fund managers. Consistent with our grantmaking interests in water, media and climate change, the Park Foundation has provided its stock holdings for shareholder resolutions (SRs). Working with grantee intermediaries such



as Open MIC and As You Sow, and fund managers such as Trillium and Walden, we have been filers or co-filers on resolutions with companies like ExxonMobil (on environmental impacts and investors' risk in hydraulic fracking for gas) and Verizon (on disclosure of customer records to the National Security Agency).

The challenges that the foundation has faced in engaging with shareholder resolutions include:

- Sequestering the appropriate stocks in a separate fund to ensure they will be held.
- Having the foresight to anticipate what stocks might be useful in the future, since stocks must be held for at least one year.
- Identifying the appropriate intermediaries with expertise to develop and advance shareholder resolutions.
- Having the administrative capability to respond to the need to issue authorizations and proof of ownership, sometimes on short notice.

To further facilitate these SRs, Park has set up its own Shareholder Action Account to hold stocks for potential future use in SRs. Investments in stocks are limited to \$10,000 (to maintain at least the \$2,000 required for executing a resolution) and the foundation has about a dozen and a half stocks in this separate account.

PROGRAM-RELATED INVESTMENTS

PRIs are useful tools to reinforce grantmaking; they allow the foundation to make additional capital available to grantees that have the capacity to take on low-interest loans. Our policy is to make 1 percent of portfolio value available for PRIs.

Currently, the foundation has a modest amount committed in six PRIs. All of these are invested in local organizations in Ithaca, N.Y.,

where the foundation is based. The loans are made for a range of uses, including green affordable housing, energy-efficient residential retrofits, local food systems, land conservation and community banking. These PRIs have been awarded through trusted intermediaries with expertise in these respective investment areas.

CARBON DIVESTMENT/CLIMATE SOLUTIONS INVESTMENT

The Park Foundation is one of about a dozen early signatories to the national Divest-Invest initiative, and it has developed its own policy that stipulates a commitment to divest its portfolio of the "Carbon 200" stocks and invest in climate solutions stocks.

Regarding this initiative, while the former (carbon divestment) is quite specific, the latter (climate solutions investment) needs further refinement. Absent strict external criteria, the foundation has a number of investments we would label climate solutions. Two of these are Generation Climate Solutions and North Sky Clean Tech Fund.

NEXT STEPS

One area the foundation has yet to fully engage with is more intentional impact investing that reflects and reinforces our grantmaking concentrations on water and media.

The Park Foundation's commitment to MRI ensures that our investments are congruent with our grantmaking mission. Moreover, we have not sacrificed meeting our fiduciary responsibility for risk/return. We see performance and responsible investing as going hand-in-hand.

While we have made progress on a number of fronts, we believe that much more remains to be done. ■

This article was prepared by the board and staff of Park Foundation.