



JESSIE SMITH NOYES
FOUNDATION

BUILDING POWER ACROSS THE **IMPACT INVESTMENT FIELD**

Key Takeaways from Our
Investment Advisor Search

June 2018

ACKNOWLEDGEMENTS

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Our Vision

We envision a socially just and environmentally sustainable society in which all people are able to gain the knowledge and build the power they need to exercise their rights and participate fully in the economic, social and political decisions that affect their lives and communities.

Our Values

The Jessie Smith Noyes Foundation is a diverse and inclusive organization working toward a more equitable society. We consistently challenge structural racism, gender inequality and discrimination based on ethnicity, race, religion, age, sexual orientation, economic status, physical ability, gender and immigration status, and seek to open channels of opportunities for these communities.

We believe that people, not corporations, have inalienable rights. The Foundation builds the power of people — those most impacted and those who have been marginalized — to be actively involved in advancing solutions to the problems they face.

We believe in an environmentally just earth in which all species have the right to co-exist.

Our Theory of Change

We understand that social change occurs over a period of time through a combination of strategies, forces and events small and large, planned and unplanned.

We recognize the special role of diverse, inclusive and democratically controlled grassroots movements—particularly when the movements are driven by the very people most affected by inequity. They are the best advocates to build public support and community understanding, and drive lasting change.

We believe that grassroots movements composed in such a way are among the strongest forces in our society for holding public policy makers and private corporations accountable.

TABLE OF CONTENTS

	Letter from the Board	3
	Executive Summary	4
	Resolving Dissonance: Breaking Down Silos	6
	The Advisor Search as an Opportunity for Impact	9
	Who is Out There?: A Spectrum of Approaches	12
	What We Learned About Social Justice Investing from LOI Responses	15
	Moving the Field and Our Approach Forward	21
	Conclusion	23
	Appendices	24

Letter from the Board

June 2018

To the Foundation Community:

For the past thirty years, the Jessie Smith Noyes Foundation has worked to closely align management of its endowment with its grant-making activities. As a medium-sized family foundation on the forefront of social change, we are determined to make every dollar work toward our mission of promoting social justice.

This path toward mission alignment has yielded lessons:

- **First**, it has required effort on several fronts – sometimes more than we had imagined. Our board is engaged with our investment portfolio beyond risk and return. Our leadership has a broader perspective on strategies for accomplishing our mission. Our staff engages with grantees on an array of possible activities, including impact investing and shareholder activism.
- **Second**, we have broadened our universe of partners. We now collaborate with others on ESG (*Environmental, Social, Governance*) and impact investment strategies beyond grantmaking. In doing so, we consider a wider range of options for vendors and asset management.

The white paper that follows concerns the second lesson. Two years ago, we determined that selecting a new investment advisor was critical to our success. In completing that process, we set expectations for investment performance, increased ESG results, and full activation of our assets to create long-term, systemic change.

Though our investment performance had been quite competitive, we wanted to explore whether a new advisor could shape a strategy to further reflect our values by utilizing the increasing number of options for ESG investing (e.g. sustainable, mission-related investing and/or screening). We determined that the right kind of partnership -- with the right kind of investment consultant -- would amplify the Foundation's "voice" to reach new sources of demand for mission-aligned activities and shareholder advocacy. This white paper describes the process and results of choosing that advisor.

Of course, progress is never as easy as we would like. Our current investment advisor, Threshold Group, was acquired by Tiedemann Wealth Management just months after we had selected Threshold. This has required additional focus and monitoring on our part to ensure that the combined firm reflects our values and objectives.

In sharing the experience gained in our advisor search, we seek to stimulate discussion within your foundation. We believe a key to greater impact is to closely align endowments with foundation missions. We hope you will join us in this critical endeavor.

The Board of the Jessie Smith Noyes Foundation

Executive Summary

Investors are changing how they allocate capital. Thirty years after we began our journey, a shift in investor demand has increased the availability of investments to simultaneously meet environmental and social goals while providing attractive returns. Given this expansion in sustainable, responsible and impact investing, the Board of the Jessie Smith Noyes Foundation (“Noyes”) wanted to understand if this evolution presented new opportunities to better align our endowment with our social justice mission. Hiring a mission-driven investment advisor was essential to this strategy.

Our search for an investment advisor in 2016-17 integrated specific questions for the field on the intersection of social justice and investing in order to:

- Highlight innovations that support impact investors focused on social justice;
- Identify advisors who address the needs of historically underserved ESG (Environmental, Social, Governance) and impact investors that sit between the large institutional investors and the small endowment and private wealth segments typically served by Registered Investment Advisors (RIA); and
- Demonstrate demand for viable investment strategies that generate competitive returns while addressing critical social and environmental challenges, particularly around the emerging field of Social Justice Investing (SJI).

Crowdsourcing from the Field: Questions from Noyes’ Open Call for LOIs

- 1 What does "social justice investing" look like now and in the future?
- 2 Given our resources, how can we more tightly translate our mission (social justice movement building, environmental justice, reproductive health and rights, food equity and sustainable agriculture) into investable opportunities?
- 3 What are the most effective tools (impact investing, ESG stock selection, shareholder engagement and activism, community investing, program-related investments -- or others) that we might deploy?
- 4 How can our mission-aligned investment portfolio drive the creation of systemic impact in the areas of social justice, equality, human rights, health and diversity? Are there external initiatives or targets -- such as the UN Sustainable Development Goals -- that might influence our portfolio?
- 5 How can the practices and culture of our investment advisors and fund managers embody our values and mission of social justice and equality?
- 6 What investment resources do the grassroots social justice organizations we support need to develop sustainable and viable operations?

This report cites takeaways from our search for a new mission-aligned advisor. Insights presented here are intended to benefit peers interested in sustainable, responsible and impact investing, advisors that serve these markets, and investment fund managers looking to identify unmet demand. We hope this paper will contribute to investor-advisor dialogues and lend insights to peer organizations conducting their own advisor searches. The findings include:

Evolving Advisor Landscape

A spectrum of players:

ESG and impact investment advisory services are generally offered for portfolio-wide implementation or, in some cases, were tailored to specific asset classes or themes. Some advisors offer services appropriate for early efforts while others focus on in-depth methods for advancing established initiatives. Firms include mainstream brands and ESG/impact specialists. Newcomers and entrenched players operate in both groups.

And a range of social justice investing definitions and approaches:

Advisors' interpretations clustered around fairness and equity, diversity, human and labor rights, better access, and economic revitalization...

... But too little racial and gender diversity in leadership:

A lack of diversity at firms advising on gender and racial equality through investments raises concerns about cultural awareness in the industry.

Evidence of capacity building:

Mainstream advisors and new entrants are institutionalizing in-house ESG and impact investing capabilities by acquiring smaller incumbent firms, hiring industry vanguards, and including subject matter experts in executive management.

Actions for Implementation and Field-building

Investable opportunities across a portfolio:

Investment vehicles most often recommended were in public markets or as specialized impact strategies in private markets. Advisors identified a range of opportunities across asset classes, but these are still mostly concentrated in public equities and private impact investing.

A multi-faceted approach is most effective:

Advisors recommend using a combination of tools (e.g. impact investing, ESG stock selection, shareholder engagement and activism, and community investing/MRI/PRI) to address social justice concerns. Less effective, they agree, is the exclusive use of one method.

Field-building across the investment spectrum:

Advisors identified strategic actions to resolve market challenges. Among those:

- Collaborate with peers to increase dedicated capital;
- Provide catalytic capital to help establish the proof of concept for innovative strategies;
- Engage fund managers to encourage practices that translate our mission into investments; and
- Collaborate with grantees to identify and foster future investment and engagement opportunities.

Resolving Dissonance: Breaking Down Silos

Aligning investments with philanthropic values can be challenging but is necessary to deepen grantmakers' impact. Our experience as a medium-sized family foundation demonstrates that foundations of all sizes can harmonize investments with values. As we work to mission-align our endowment, we still bump up against constraints on time and resources, as well as internal silos in operations and expertise. Alignment does not fall into place overnight. Our 2016-17 advisor search, discussed in this report, is our most recent step to integrate principles of environmental stewardship, racial and gender diversity, and corporate accountability into our endowment.

Recognizing What is Missing -- Noyes' First Steps to Mission Alignment (1980s-1990s)

Our efforts began thirty years ago, when we first recognized the dissonance between our grantmaking objectives and how we invested our endowment. Simply put: it didn't make sense. Why shouldn't our endowment more fully reflect our values as a foundation?

We started in the 1980s with implementing negative screens based on the Foundation's environmental mission. By 1991, our funding priorities drove our investment screens, and we had transferred most of our assets to socially responsible investing firms. Finding managers and advisors to meet our needs beyond the rhetoric was a challenge at first. While we waited for expertise to develop in the advisor community, our options were to operate our endowment in-house, or use mainstream consultants who had little interest or expertise managing a mission-aligned endowment. We tried both alternatives. Neither proved satisfactory.

As is often the case with foundation boards, our board initially lacked the expertise and ability to engage "on the nonfinancial criteria of investments."¹ To build expertise, Noyes recruited new board members with conventional finance and investment experience and expertise in SRI (Socially Responsible Investing) and impact investing. The practice of recruiting board members with investment experience continues at the Foundation.

Our Mission

The Jessie Smith Noyes Foundation supports grassroots organizations and movements in the United States working to change environmental, social, economic and political conditions to bring about a more just, equitable and sustainable world.

Converting Commitment into Practice (1990s-2000s)

In the 1990s and 2000s, Noyes' presidents and board members formalized mission-related investing activities by focusing on impact creation rather than avoidance. The next step was to explore shareholder engagement as a way to press for changes in corporate behavior on social and environmental issues. With that came highly focused, direct impact investments in the endowment.

Impact Investing for Solutions

Led by board member Woody Tasch, Noyes implemented one of the earliest impact investing initiatives (as presented in the 1994 Harvard Business School case, “Social Investing at the Jessie Smith Noyes Foundation”)². Noyes’ investments in the Commons Capital fund included social venture capital, program related investments (PRIs), and private placements to provide early stage financing for environmental and socially responsible companies. Noyes continues to build on Tasch’s vision and, as of 2018, has investments in local and sustainable agriculture and community development.

Impact investments are **investments** into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.

-- Global Impact Investing Network (The GIIN)

Shareholder Engagement to Change Behavior

Our work in shareholder engagement began with exploratory efforts to support grantees’ activities through our investments. In 1993, we partnered with the SouthWest Organizing Project (SWOP), a grantee, to reinforce the organization’s work. As a result, in 1994, Noyes was the first philanthropic institution to file a shareholder resolution with a publicly-traded corporation. The resolution prompted Intel to include information sharing with local communities into its Environmental, Health, and Safety (EHS) policy. Noyes followed this success by encouraging grantees to press for changes in corporate behavior, and establishing small opportunity grants for shareholder engagement.

Noyes remains an active supporter of shareholder engagement and proxy voting on themes that align with program areas. As active stewards of capital, it is our responsibility to consider portfolio companies’ social and environmental impacts as a dimension of financial and operating performance. At present, we look to our fund managers to engage with portfolio companies and support proxy voting and shareholder initiatives, including As You Sow.

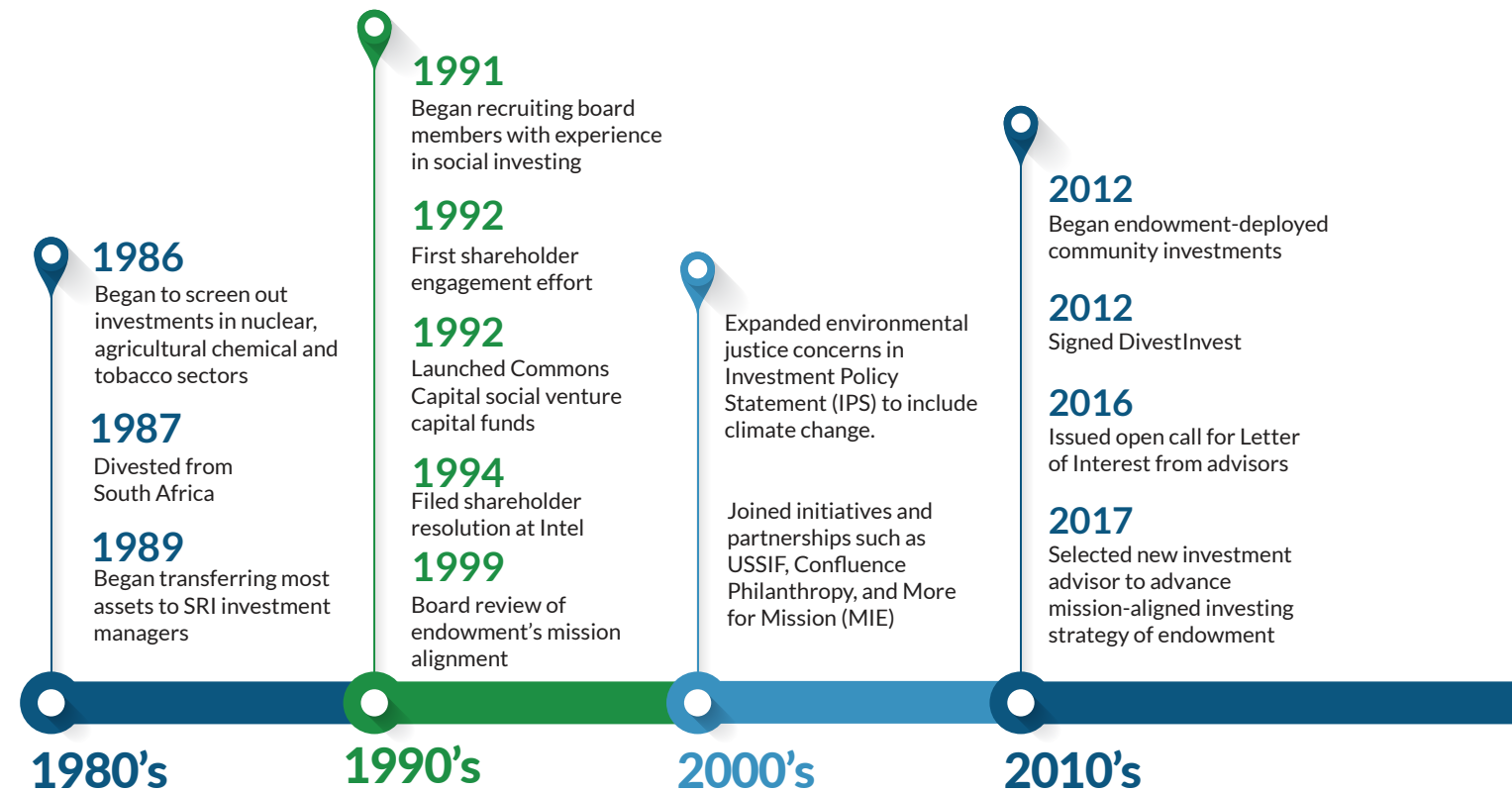
Transparency and Knowledge Sharing

Noyes’ efforts to share experiences, actions, and lessons learned continued in 1999 when Stephen Viederman, Noyes’ president at the time, shared a method to initiate the process for aligning investing with values (See [Thinking About Mission-Related Investing By Stephen Viederman and Miriam A. Ballert](#)). Our Finance Committee continues to actively contribute to thought leadership on fiduciary responsibility and impact investing. As with Viederman’s framework, we hope these efforts will inform the practices of peers seeking investment advisors while also stimulating industry dialogue.

¹ According to Stephen Viederman, president of the Foundation at the time, “Those on the board and program side of the foundation had little interest or experience in investing and did not know the language of finance. Those on the investment side had little knowledge of or interest in the nonfinancial criteria of investments.” *Thinking About Mission-Related Investing* By Stephen Viederman and Miriam A. Ballert.

² Backman, Elaine and Donald S. Collat and J. Gregory Dees, HBS Case N9-295-056, “Social Investing at the Jessie Smith Noyes Foundation.” December 1994.

Timeline: Noyes' Evolving Investment Approach



The Advisor Search as an Opportunity for Impact

During the search for an advisor, Noyes piloted a new model designed to:

- Further our advocacy and contribute to field building
- Engage a wider pool of advisors than is typical
- Leverage our Finance Committee's networks

Our approach to mission-aligned investing must evolve as the field presents new and potentially more effective strategies. In 2016 -- given the evolution of investment consultants, managers, and products, as well as knowledge and field-building partners in the industry -- our Finance Committee decided to revisit the endowment's investment strategy alignment with our grantmaking.

A first step to deepen our impact was to determine whether we could update our approach to capitalize on new, innovative, investable opportunities. This process began with Noyes designing and deploying a new model for the advisor search. Our search kicked off with an open call for letters of intent (LOIs) to solicit ideas from the field through questions about social justice investing (in addition to typical questions about organizational capacity and capability). The goals were to:

1) Surface expertise in the advisor community; 2) Identify new approaches for mission-driven investors; and 3) Push advisors to think broadly about social impacts as well as investable opportunities on social justice issues.

The Jessie Smith Noyes Foundation's 2016-2017 Advisor Search

October	Issued call for LOIs
November	Internal review by Finance Committee and Board: <ul style="list-style-type: none"> • Finance Committee reviewed 34 submissions and identified 7 top contenders • Board discussion of top 7 submissions • Finance Committee selected 5 finalists
Mid-November	Finalist RFP invitations
December	Review of RFP submissions
January	Finalist interviews
April	Board review of interviewees and final selection
May	Announced selection of Threshold Group ³

³ Tiedemann Wealth Management announced the acquisition of Threshold Group on October 11, 2017.

Creating Visible Demand Through an Advisor Search

It was important to go beyond the four walls of our organization and use the search to initiate a dialogue about social justice investing as a key part of the investment value chain. We intended the LOI process to:

- **Be a tool for advocacy:** By asking these questions, a potential client can prompt advisors to further develop impact investing activities and expertise. Investment consultants play a central role in framing investment strategies. However, surveys and studies have shown that expertise and practice regarding sustainable, responsible and impact investing varies greatly among consultants.
- **Practice an open process:** Investors can expand their knowledge-gathering capacity and amplify their influence by opting to issue an open RFP. The traditional closed RFP -- where a board pre-selects a few familiar firms -- limits the pool of respondents and allows internal biases to exclude potentially suitable partners. An open process also extends impact we may have from an advocacy perspective.
- **Leverage the power of networks:** Given the recent growth of advisor activity in mission-supporting strategies, maximizing advisor engagement was key for crowd-sourcing insights and identifying a potential partner. We amplified outreach by communicating the open call through social networks, specifically social media platforms and the networks of investment professionals on our board.

Building a Strong Foundation for Governance of the RFP Process

Diverging from the industry standard and embarking on a new process required that the Finance Committee and the Board go through significant education to align values, policy, and practice. Before soliciting external input, Noyes needed to define internal goals for this process and develop an internal consensus around key competencies for seeking an advisor. We recommend our peers take similar steps to align internal expectations and prioritize objectives before issuing an RFP for investment consultant services.

Selecting an investment consultant involved input from the Finance Committee and the Board. The Finance Committee -- which includes experts in socially responsible and impact investing -- designed and developed the assessment framework. The Board was consulted at critical points to provide insight into the final contenders' fit.

Our Evaluation Framework

The Finance Committee assessed LOIs' on the capacity of candidate firms to address our needs, fit with our goals for the endowment, and deliver informed, relevant strategies. This evaluation framework included questions regarding each firm's structure, service offering, advisor team, potential conflicts of interest, fees, and capacity in impact investing. Our Finance Committee also evaluated the firms based on depth of understanding social justice issues and impact.

1. Firm Information

- Is the firm's structure and business model compatible with Noyes' needs?
- How objective is the firm in its selection of products? Are there potential conflicts of interest?
- Are the proposed relationship managers experienced and compelling? Do they seem like people you would like to work with?
- Has the firm served clients similar to Noyes?

2. Investment Policy

- How does the firm describe its services? Does this match Noyes' needs?
- Does the firm convincingly describe its investment process and demonstrate its expertise?

3. Investment Managers

- Does the firm demonstrate its ability to find, evaluate and monitor a broad universe of appropriate fund managers for Noyes?

4. Social Justice Investing

- Does the firm demonstrate its knowledge, ability and history in working on social justice investments?

5. Impact Investing

- Does the firm demonstrate its knowledge, ability and history in working on sustainable, responsible impact investing?

Who is Out There?: A Spectrum of Approaches

Noyes received 34 formal responses to the open call for LOIs and approximately a dozen informational submissions via phone calls and emails. Based on these responses, the landscape of potential investment advisors for mission-aligned investors proved far more varied in models, capabilities and structures than had been expected. Respondents were primarily investment advisors (RIAs), multi-family offices, consultants and banks (Chart 1). These firms ranged from mainstream advisors offering ESG strategies or platforms to organizations wholly dedicated to impact, socially responsible, community, or ESG investing (Chart 2).

LOI Applicants: Types of Firms

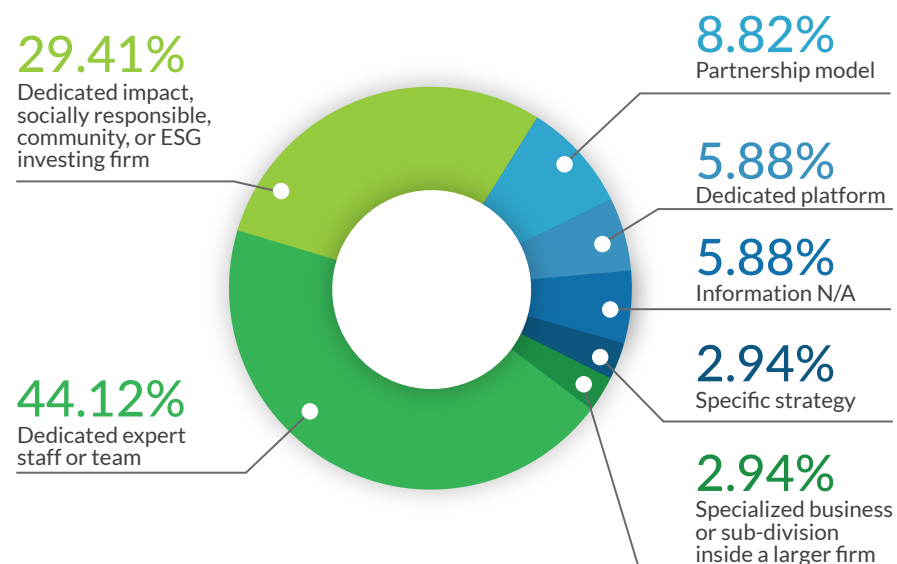
Chart 1

*includes wealth managers



Structure of Expertise in Applicant Pool

Chart 2

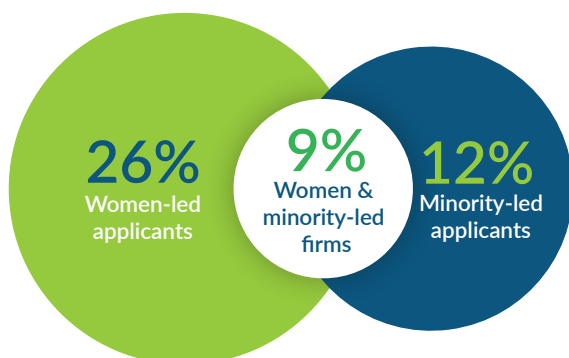


New and established players: We were pleased to see advisors institutionalize expertise in ESG and impact investing strategies. Firms added built-to-purpose expertise by hiring industry experts at the director level to specifically lead on impact investing work with clients, or by acquiring a leading firm with socially responsible investing or impact investing expertise and retaining the majority of the professional staff. Although experienced managing partners lead social investing efforts at several firms, the presence of subject matter experts in firm leadership has yet to be an industry standard. In contrast to established teams with experts that have 10-30 years of relevant experience, some firms are in the initial stages of building capacity and internal expertise.

The role of the advisor -- discretion versus non-discretionary approaches: Not all advisory models met our Finance Committee's desire for a consultative relationship. The scope of client involvement is limited when the advisor has the discretion to make investment decisions without specific approval from the client (such as the Outsourced CIO (OCIO) model). In non-discretionary relationships, in contrast, the client retains all investment decision-making authority. At Noyes, we wanted to retain decision-making authority, but work with our advisor in a high-touch partnership.

Diversity in the applicant pool

Chart 3



Limited diversity: The limited number of women- and/or minority-led firms advising how to address gender and racial equality through investments is of concern to Noyes. Only a handful of firms who applied had diverse leadership (Chart 3). While 26% (9) of the applicants were women-led, those applicants constituted 40% (2) of the finalists. Four firms, or 12% of the applicants, were minority-led. Lack of diversity was also reflected in the teams that interviewed with the Finance Committee as part of the RFP process.

Scope of offerings -- specific versus broad strategies: Given the size of our endowment and goal of mission alignment across the entire portfolio, Noyes needs an advisory firm that provides a complete asset class solution. While our Finance Committee was enthusiastic about the specialized capabilities of some firms to address elements of the portfolio, those firms did not meet our needs for a full-service advisor.

No performance penalty for mission alignment strategies: Candidate firms did not support a long-held notion that achieving social and environmental impacts necessitates a reduction in financial performance. Advisors asserted that ESG and impact investing strategies can match or exceed the performance of traditional investment strategies. They pointed to benefits of these strategies (e.g. long-term orientation, risk management, addressing/inclusion materiality) contributing to long-term performance. Firms did draw a clear distinction between market return investments and those that are 'impact first'.

ESG in fund manager selection and due diligence: Not all candidate firms shared if they assess ESG or impact investing capabilities as part of their manager selection and due diligence. The ones that do review fund managers' use of ESG data, their theories of change, and the ability to execute ESG integration and related approaches.

Importance of impact intentionality in manager selection: Asset owners should proceed with caution if a manager does not explicitly state an intention to integrate impact into the investment strategy. We believe asset owners should push advisors and managers to address impact intentionality to drive manager accountability.

Advancing market innovation: We were pleased to see early efforts by advisors to increase the investable opportunities available to mission-aligned investors:

- **Product development:** Investing in the development of proprietary investable products, often in partnership with other managers or financial consultants, to fill gaps in investment product availability, such as for thematic index products or funds of funds;
- **Manager engagement:** Assessing and engaging with investment managers on ESG integration regardless of manager self-identification to grow the field of managers and products;
- **Catalytic investments:** Working with anchor clients to seed new funds and investable instruments, as well as early stage investments or first-time fund managers;
- **Embracing broader thematic investment opportunities:** Inclusion of place-based investing, entrepreneurship and sustainable cities and communities, through impact investing vehicles, as well as the spectrum of capital from "finance-first" to "impact-first"; and
- **Enhancing portfolio monitoring:** Introducing new means of monitoring portfolio performance for exposure to specific ESG risks and impact relative to key themes.

What We Learned About Social Justice Investing from LOI Responses

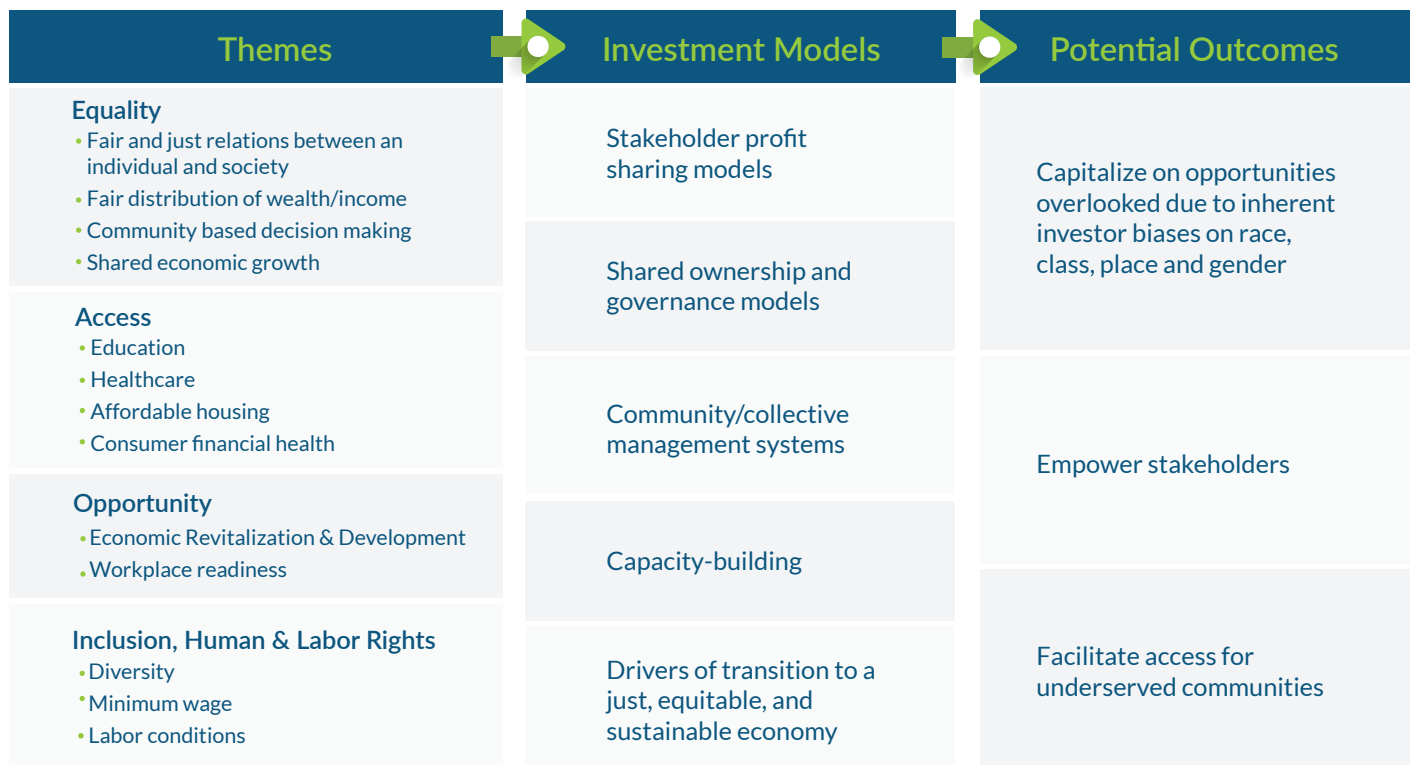
Q1) What does “social justice investing” look like now and in the future?

Social Justice Investing is an emerging term and its place in the taxonomy of ESG investing is not yet established. Equality and fairness, however, did emerge as themes across advisors’ comments. Advisors foresee growth for supporting investment strategies and an expanded market of potential vehicles.

Convergence on Themes Despite Differing Scopes for Social Justice Investing

Broad interpretations included “social change through investments” while more tightly defined classifications looked to specific social justice issues, such as gender, race, empowerment and equitable outcomes. The disparity may reflect differing starting points in understanding social justice themes and differing assumptions about how social justice can intersect with investments.

What is Social Justice Investing? Themes, Investment Models and Outcomes Identified in LOIs



Future Growth for Social Justice Investing

As social justice investing expands, advisors expect the pace of innovation to accelerate and the number of high-impact investment opportunities to increase. Given advisors’ resounding agreement on the potential for growth in the field, we hope to see an increase in investable opportunities in the near future. Identified drivers of growth include: 1) Establishing the proof of concept for innovative strategies and investment structures to help scale and mainstream SJI and, 2) Use of relevant tools under development (e.g. improved data sets around ethnic, gender, and racial diversity).

Q2) Given our resources, how can we more tightly translate our mission (building the social justice movement, environmental justice, reproductive health and rights, food equity and sustainable agriculture) into investable opportunities?

Recommended actions for foundations to amplify the social justice impacts of endowments while retaining investment rigor include:

- *Further defining impact goals and metrics for the endowment;*
- *Collaborating to build the field and create investment opportunities; and*
- *Engaging fund managers to integrate ESG factors, social justice and impact in operations and investment decision-making.*

Measure Your Impact

Relevant impact criteria and metrics can be used to prioritize investments based on mission alignment. As one advisor highlighted: “Adding impact criteria results in a three-dimensional profile; risk/return/impact, which can be measured and benchmarked.” Potential methods include:

- Definitive performance metrics that allow for a carve-out of below-market, impact-driven investments while still meeting a foundation’s overall annual payout goal;
- Specific impact indicators focused on additionality (e.g. placing capital to create jobs);
- Standardized metrics such as those defined by impact reporting investment standards (e.g. IRIS); and
- Time-specific metrics to identify the speed at which potential investments generate impact.

A process for defining effective metrics can include the following steps:

1. Identify intended outcomes
2. Decide if your strategy is impact first
3. Define a theory of change for each impact area that identifies specific intended impact outcomes and corresponding investment opportunities

Collaborate to Create More Investable Opportunities

As highlighted by one candidate firm, “Collaboration is one of the most effective tools Noyes can use to foster the development of mission-aligned investment opportunities.” Suggestions include:

- **Knowledge sharing:** Work via networks and industry associations to influence investors and work with peers on strategy development to address gaps in investable opportunities;
- **Shareholder engagement:** Join other investors in campaigns and dialogues with companies to improve corporate practices on social justice issues; and
- **Collaborative investments:** Invite others to join in private placements, commingled funds with emerging managers and jointly sponsored research.

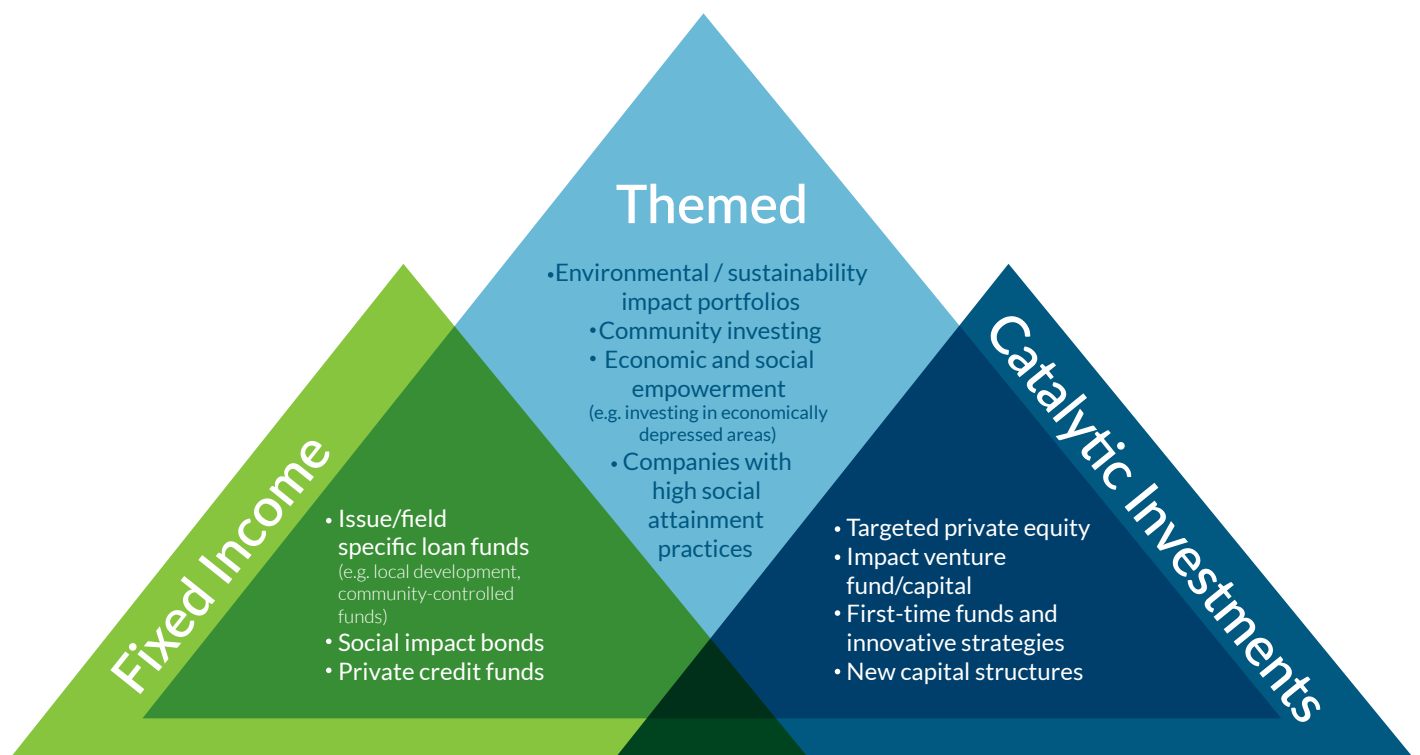
Push Fund Manager Engagement

Ultimately, fund managers must evolve to increase investable opportunities for investors like Noyes. To this end, advisors suggest engaging investment managers to:

- Urge integration of values into investment thesis
- Monitor proxy voting
- Inform product development
- Account for diversity in internal policies and manager due diligence

Thematic Investments Can Target Mission Priorities

While public market equities can create broad scale impact, advisors suggested opportunities in themed catalytic and debt investments for more targeted impacts. Themed investments enable foundations to hone in on topics identified by our mission. Advisors recommended catalytic capital and “democratizing access to capital” through fixed income vehicles in target areas traditionally lacking capital.



Q3) What are the most effective tools (impact investing, ESG stock selection, shareholder engagement and activism, community investing, program-related investments) that we might deploy?

To realize the full potential of a portfolio's impact, investors should leverage a combination of tools.

The majority of responses (17 of 22) pushed back on the assertion that investors should choose between the tools listed in the question above because they “consider all of the tools mentioned as key tactics.” The five other respondents highlighted shareholder activism, ESG integration, impact investing, early stage risk-bearing positions in capital stacks to support social enterprises, PRI, public equity, private equity, credit and community-centered impact investing.

⁴ Note: some firms were supportive while others questioned their viability.

Q4) What does corporate accountability mean in this era of globalization of capital and supply chains? How does this translate into portfolio selection?

Stakeholder capitalism and expanding the universe of stakeholders beyond stockholders was a recurrent theme. Advisors identified specific actions to address corporate accountability at multiple stages in the investment process.

Noyes believes corporations should be held accountable for their impacts on people and communities. Our Finance Committee posed this question to surface methods that can enhance our role as active stewards of capital. Responses addressed: 1) corporate accountability of investees and, 2) internal corporate accountability at the responding firm. While Noyes firmly believes corporate accountability is a key characteristic essential to any organization functioning as an advisor, this section discusses the former.

Factors of Corporate Accountability for Consideration by Active Stewards

Management of corporate accountability can have a material impact upon a corporation's financial and business performance across the long-term investment horizon of endowments. Advisors identified investee benefits resulting from a robust approach to corporate accountability. Investors can adapt these drivers of value creation for benchmarks in corporate assessments and engagements:

Elements of Corporate Accountability	Corporate Benefits	Potential Benchmarks of Corporate Accountability
<ul style="list-style-type: none"> Stakeholder engagement Transparency & disclosure Accountability Addressing impacts & externalities Governance & policies 	<ul style="list-style-type: none"> Improved risk management Enhanced competitiveness Improved financial returns 	<ul style="list-style-type: none"> Executive-level ESG policies and targets Risk management beyond regulation Inclusion of ESG considerations in strategic plans and boardroom discussions

Addressing Corporate Accountability in Portfolio Selection

Investors can address corporate accountability at a number of decision points during the investment process by using the following actions recommended by candidate firms:

Investment Activity	Recommended Actions
Company Selection & Ownership (Fund Managers)	<ul style="list-style-type: none"> Use frameworks and standards to assess corporate accountability of ESG impacts Avoid problematic sectors Avoid companies with poor ESG performance Engage with corporate boards Combine exclusionary screening and shareholder engagement
Legal Structure Selection (Endowment & Advisor)	<ul style="list-style-type: none"> Invest in private companies and B corporations
Manager Monitoring (Endowment & Advisor)	<ul style="list-style-type: none"> Engage, monitor and replace managers

Q5) How can our mission-aligned investment portfolio drive the creation of systemic impact in the areas of social justice, equality, human rights, health, and diversity? Are there external initiatives or targets—such as the United Nations Sustainable Development Goals (SDGs)—that might influence our portfolio?

Increasing scale and impact, field building and mobilizing peer involvement can drive systemic impact in mission-defined areas. Overall, there was lukewarm support for the United Nations SDGs as the main framework to drive the social justice impact of an investment portfolio.

Methods for Driving Systemic Impact



Lukewarm Support for the United Nations SDGs

Few advisors recommend relying solely on the SDGs, given the challenges (e.g. breadth, aspirational nature, difficulty measuring impact, relevancy to social justice investing, limited added-value outside of ESG strategies), but instead suggest adapting and customizing SDGs to fit Noyes' mission.

Q6) How can the practices and culture of our investment advisors and fund managers embody our values and mission of social justice and equality?

Advisors shared how they create cultures of inclusivity and promote equality within their organizations, practices to act as positive catalysts on behalf of clients, and suggested criteria for investment managers.

Foundations can adopt the items below to create a back of the envelope checklist as they review the alignment of advisor and manager practices with their values. For advisors and managers, these factors can be developed into best practices.



Q7) What investment resources do the grassroots social justice organizations we support need in order to develop sustainable and viable operations?

Consultants need to recognize the entire continuum in which organizations like Noyes operate. While responses to this question were limited, access to capital, financial information, and technical expertise were highlighted as useful resources for grassroots social justice organizations. This is an area for further development and collaboration with peers and investment advisors.

Challenging questions like this one can prompt advisors to consider issues of intersections key to a mission-driven organization. The more the philanthropic community raises these issues that are potential advisors, the more likelihood for progress to be made.

While this question had limited responses, advisors concluded that social justice organizations can benefit from:

Financing Solutions	Access to Knowledge & Expertise	Capacity Building
<ul style="list-style-type: none"> • Social impact financing • Access to capital • Clear pathway beyond grant money 	<ul style="list-style-type: none"> • Access to financial information • Access to technical experience 	<ul style="list-style-type: none"> • Capital efficiency • Operational support

Moving the Field and Our Approach Forward

Acknowledge the Challenges

Aligning investments with a social justice mission presents daunting challenges for the industry and individual investors. As a community we need to acknowledge our limitations, while we explore and understand how to overcome the obstacles confronting us.

Crowd-sourced insights from our advisor search add to our understanding of the challenges to implementing social justice investing. Those insights include:

- **Expertise in the value chain:** There are varying levels of expertise in the advisor community with some responses demonstrating a limited understanding of how to address social justice issues through investments.
- **Investable opportunities:** There is scant mention of investing in promoting diverse managers. Advisors highlighted gaps in available investment vehicles supporting specific social justice issues, including racial justice and women's reproductive rights and health. Certain social justice issues are not addressed, which suggests some investable opportunities may be as yet undeveloped.
- **Catalytic capital:** As a result of perceived or actual risk, lack of scale, and a lack of proof of concept, early stage or first-time managers need additional attention.
- **Scale:** Impactful opportunities and strategies are often small and remain a niche approach.

Advisors' Recommendations: Opportunities for Field Building and Catalytic Action in the Investment Ecosystem

Experienced social justice investors like Noyes can further SJI by leveraging their expertise for strategic action and field-building partnerships throughout the ecosystem, according to investment advisors.

Knowledge sharing with peers: Peer partnerships and mentoring can be powerful tools to increase the scale and impact of our work. Advisors suggest institutions like Noyes share experiences and lessons learned to inform, mobilize, raise awareness and influence other investors. Investors should be transparent on process by sharing best practices, portfolio ideas and guidance.

Collaborations: Investors can reduce burdens and risks by attracting and challenging peers to become involved in SJI through collaboration and collaborative investments. Recommendations for catalytic action in partnership with others include seeding a new fund, proxy resolution development, a satellite approach to private placement, capital formation, commingled funds with emerging managers, and jointly-sponsored research.

Collaborating directly with grantees-- blending capacity building with discovering investment

opportunities: By fostering collaboration among grantees, Noyes can encourage knowledge sharing and create partnerships. These partnerships may generate investment ideas and may highlight opportunities for thoughtfully constructed impact investments that would benefit grassroots organizations. Through this work Noyes can, according to one candidate, “create a virtuous cycle of learning and connecting stakeholders across disciplines to help inform and advance the work of others.”

To generate a deeper understanding of how to better align investment activities with mission, Noyes can explore additional investable opportunities to support grantees. Noyes could create systemic change by delivering needed capacity-building resources, according to one advisor. Another advisor suggested “supporting greater innovation and funding new and novel approaches toward community empowerment through shared ownership and governance models, community/collective management systems, and capacity-building activities to facilitate investments that are inclusive and additive rather than extractive.” Noyes recognizes the need to consider the risk that goes with new investment vehicles, as well as the cost of partnerships.

Conclusion

In 2016-2017, the Jessie Smith Noyes Foundation sought a new investment advisor to further the goal of managing the Noyes endowment to promote social justice. The search was illuminating for the Foundation and, we hope, for the broader foundation community. At a high level, the process confirmed two broad observations about the world of foundation investments.

First, we saw extensive evidence of investment advisor firms offering impact investing services and building deep teams with the necessary expertise. Importantly, advisors told us that impact investing doesn't mean giving up portfolio management discipline or access to products with commercial returns. The pool of options available to mission-aligned investors is significant and growing. There is more demand for investment products (e.g. funds and ETFs), advisory services (e.g. on strategic allocation and fund selection), and related services (e.g., impact measurement) to support ESG and impact investing. For Noyes, this should make it easier to achieve a combination of competitive returns and a level of mission alignment. For those new to building a mission-aligned endowment, it means the path forward will be smoother than in the past.

Second, it became clear that significant challenges remain. For example, despite a wide range of responses from candidate advisors, many were less substantive than our Finance Committee hoped. Some respondents revealed a relatively unformed concept of sustainable, responsible and impact investing and left us unconvinced, as well, that they would be able to execute ESG and impact manager due diligence across asset classes. The Finance Committee also struggled to find even a modest level of diversity at many firms. Similarly, the Committee found a lack of diversity managers in these firms' databases. Moreover, the Committee was left with concerns about their willingness to identify more diverse ESG and impact managers. Additionally, the Finance Committee requested that potential advisors provide a high level of investment-related services (e.g., reporting and analytics) and work closely with us. This desire for a high-touch relationship narrowed the field of available advisors.

The implications for our Finance Committee and Board are clear. The process of bringing our endowment investments in line with our mission will continue to be demanding. Working with advisors and consultants requires active engagement to understand the breadth of the ESG and impact products and services. It demands that we communicate openly about our aspirations for organizational change in the industry. Further, we also must strike the right balance between integrating program staff and managing from the Board.

At the end of the search for an investment advisor, we believed we reached a significant milestone on our path toward better aligning our endowment with our mission, while also increasing our knowledge of opportunities to support social justice investing. We hope sharing our process will inspire and assist other foundations and mission-oriented investors.

APPENDICES

Appendix A: Responders to Noyes' 2016 Open Call for Letters of Interest

- Amalgamated Bank
- Athena Capital Advisors
- Avivar Capital
- Ballentine Partners
- Beacon Pointe
- Blue Rider Group at Morgan Stanley
- Brown Advisory
- Cambridge Associates
- The CAPROCK Group
- Community Capital Management
- Consultiva Internacional
- Cornerstone Capital Group
- Flat World Partners
- Forma Group at Morgan Stanley
- Forsyth Street
- FEG Investment Advisors
- The Fremont Center
- Glenmede
- Hirtle, Callaghan & Co.
- Mercer Investment Consulting LLC
- Pathstone
- Prime Buchholz LLC
- RBC Global Asset Management
- Reynders, McVeigh Capital Management
- Sonen Capital
- Threshold Group
- UBS Financial Services, Inc. Private Wealth Management
- Walden Asset Management
- Wetherby Asset Management

Appendix B: Press Releases on Jessie Smith Noyes Foundation's 2016-17 Investment Advisor Search

Jessie Smith Noyes Foundation Selects Threshold Group as Investment Advisor

NEW YORK, NY— (May 31, 2017) --The Jessie Smith Noyes Foundation, a pioneer in the field of investing for social justice, announces the selection of Threshold Group as its investment advisor as the result of its recent open call for letters of interest (LOI). Threshold Group will work with Noyes to demonstrate how capital can drive positive social and environmental change by advancing the Foundation's impact investing and mission-aligned investing strategies for its \$55 million endowment. Through its role as an investor, Noyes aims to drive systemic impact in the areas of social justice, equality, human rights, health, and diversity.

"We were pleased to see 35 responses that presented Noyes with several partnerships, business models and investment strategies that could help us maximize our endowment's impact to bring about a more just, equitable and sustainable world while providing attractive financial returns," said Steven Godeke, Board Chair of the Jessie Smith Noyes Foundation. "The submissions represented a range of approaches from ESG integration to deep impact investment advisory. The results of this search confirmed our belief that, over the past 25 years since the Noyes began this journey, the partners and resources available to mission-aligned investors have increased dramatically."

In response to the evolution of sustainable, responsible and impact investment, the Noyes Foundation is revisiting its endowment's investment strategy to move beyond mission alignment. With the announcement of the engagement with Threshold Group, Noyes seeks opportunities to expand its social justice impacts by harnessing the power of public and private markets.

"We look forward to partnering with Threshold Group to increase the social justice impact of Noyes' endowment with disciplined, objective portfolio management," said Lenora Suki, Chair of the Finance Committee. "We are enthusiastic to work with Threshold's team for their experience, knowledge and values alignment. Noyes looks forward to advancing our, and the industry's, understanding of the intersection of social justice and investing, as well as working with Threshold's impact investment research and impact measurement tools and reporting."

Noyes will share key takeaways from its search process in a forthcoming white paper. The white paper aims to contribute to industry dialogue on impact investment advisor searches, including lessons learned on the current state of the investment advisor community's integration of social and environmental impact into the investment process across asset classes and strategies.

Threshold Group, headquartered in Seattle, is a Registered Investment Advisor with approximately \$3.2 billion of assets under management (AUM) with roughly \$1.2 billion allocated to impact investments.

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For Immediate Release
October 5, 2016

Jessie Smith Noyes Announces Open Call for Investment Advisors to Lead Next Evolution of Social Justice Investing.

New York, NY – Jessie Smith Noyes Foundation (Noyes), a pioneer in the field of sustainable, responsible and impact investing for social justice today announced an open call for letters of interest (LOI) from investment advisors to advance its mission-aligned investing strategy.

“Noyes is soliciting information and ideas from the investment field during a sea change in the pace of innovation and growth in sustainable, responsible and impact investing,” said Steven Godeke, Noyes Board Member. “We want to push our potential advisors to think broadly about social impacts like equality, diversity, health and human rights as part of our social justice movement building strategy.”

LOIs are due by November 1st. Noyes will review the LOI and then select up to five firms to receive a more detailed request for proposal, and publish a broad analysis and share learnings with philanthropic and investment institutions.

Noyes’ commitment to aligning its mission and investments was triggered in the late 1990s by a board discussion about Intel and the environmental impact the company was having on the Albuquerque, New Mexico water supply and environment. The concern over the negative impact Intel’s plant would have on the water supply and environment of New Mexico was compounded when a board member pointed out that the foundation owned stock in Intel and had approved those investments earlier in the day. It was an eye-opening moment for Noyes, and one that cemented its socially responsible and mission-related investing policies and led to its decision to sell investments that did not align with the Foundation’s mission.

Twenty years later, 100% of Noyes’ assets align with its mission, which is dedicated to building a socially and environmentally just society.

“It makes no sense to use five percent of your assets to try to promote something, while the other 95 percent might be doing something totally contrary,” says Wendy Holding, Noyes Board Chair. “We try to use 100 percent of our assets to promote our values.”

Along the way, Noyes has supported the work of its grantees through shareholder engagement, and worked to build the industry through collaborations such as Confluence Philanthropy and the Divest/Invest campaign.

“As the impact investment field accelerates, Noyes is committed to deepening the impact of its investments to further its social justice movement building,” says Genaro Lopez Rendon, a Chicano community organizer from Texas recently hired as the Foundation’s president. “By looking at themes that have not traditionally viewed as ‘investable,’ we hope to spur much needed funding for themes such as equality, diversity, health and human rights.”

To drive this exploration, the foundation is using the selection of an investment advisor as a means to surface expertise and increase awareness.

“We are making ourselves a test case and want to continue to share our learnings in a transparent manner with the field,” says Lopez Rendon.

LOI Continues Below.

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Investment Advisor Open Call for Letters of Interest October 5, 2016

The Jessie Smith Noyes Foundation (“Noyes”) will be engaging an investment advisor to partner with our finance committee and board of trustees to advise on the management of the Foundation’s financial assets. Noyes is a private family foundation founded in 1947 and located in New York City with an endowment of approximately \$50 million and an annual grantmaking and operating budget of \$3 million. Noyes currently supports work in the following focus areas: environmental justice, reproductive rights, sustainable agriculture and food systems, sustainable New York City, and building power across movements.

The Investment Advisor Selection Process

In order to gather information about the broadening universe of investment advisors active in the sustainable, responsible and impact investing field, we are holding an open call to the investment community to provide letters of interest as the first stage of our advisor search. Given the accelerating pace of innovation and growth in sustainable, responsible and impact investing, we are soliciting information and ideas from the field to better inform our process, and would welcome your participation.

Please include the following elements in your letter of interest:

Organizational Capacity (2-3 Pages):

- Summary of your organization's capabilities and alignment with Noyes’ values and goals as a social justice investor and grant maker.
- Team members with experience and commitment to sustainable, responsible and impact investing.
- Examples of products that peer clients have invested in across asset classes (equities, fixed income, private equity, real assets, alternatives) and approaches (values/norms-based, best practices, thematic/sustainability solutions, impact).

- Brief description of your due diligence of managers for alignment with Noyes' values and investment objectives.
- Analytical capabilities with respect to integrating Noyes' values and investment objectives into strategic and tactical asset allocation.

In addition, we would like to have your thoughts on the following questions for the field (2-3 pages)

- What does “social justice investing” look like now and in the future?
- Given our resources, how can we more tightly translate our mission (social justice movement building, environmental justice, reproductive health and rights, food equity and sustainable agriculture) into investable opportunities?
- What are the most effective tools (impact investing, ESG stock selection, shareholder engagement and activism, community investing, impact investing, program-related investments) that we might deploy?
- What does corporate accountability mean in this era of globalization of capital and supply chains? How does this translate into portfolio selection?
- How can our mission aligned investment portfolio drive the creation of systemic impact in the areas of social justice, equality, human rights, health and diversity? Are there external initiatives or targets—such as the United Nations Sustainable Development Goals—that might influence our portfolio?
- How can the practices and culture of our investment advisors and fund managers embody our values and mission of social justice and equality?

What investment resources do the grassroots social justice organizations we support need in order to develop sustainable and viable operations?

Please be aware that we will be sharing the results of the broader field questions with philanthropic and investment institutions. Our goal is to describe the current state of the investment advisor community's ability to integrate social impact into the investment process. We will not share details about the organizational capacity of specific firms.

Following a review of the LOIs, Noyes will select up to five firms that will receive a more detailed RFP and meet with the Finance Committee later this year.

Contact Information

Rini Banerjee
Interim Executive Director
Ph: 212.684.6577 ext 8377
Fax: 212.689.6549
E-mail: rini@noyes.org

Gabby Dizon
Grants & Operations Manager
Ph: 212.684.6577 ext 8376
Fax: 212.689.6549
E-mail: gabby@noyes.org

Jessie Smith Noyes Foundation
 122 East 42nd Street
 Suite 2501
 New York, NY 10168
www.noyes.org