

Developing Socially Responsible Investment Strategies to Grow Your Organization



Clare Golla

National Managing Director, Foundation
and Institutional Advisory
Alliance Bernstein



James Thompson

Director and Head of
Diverse Markets Strategy
Alliance Bernstein



October 25th

10:00-11:30am Pacific

Overall Organizational Challenges

STAFF	SYSTEMS
<ul style="list-style-type: none">▪ Naming and prioritizing needs▪ Communication▪ Organizational Culture▪ Skills & Development▪ Executive Leadership & Decision-Making▪ Leadership Transitions	<ul style="list-style-type: none">▪ Human Resources▪ Organizational Structure & Mid-Level Management▪ Facilities & COVID response▪ Operations & Systems▪ Information Technology▪ Fund Development, Management & Long-Term Financial Stability

Workshop Learning Goals

By the end of this workshop, you will have:

- Learned about socially responsible investment strategies to grow your organizations
- Had the opportunity to ask organization-specific questions



Developing Socially Responsible Investment Strategies

Building for Growth

October 25, 2021

James Thompson - SVP/Head of Diverse Markets Strategy
Clare Golla, CFP® – SVP/Head of Foundation & Institutional Advisory

This presentation is provided by Bernstein. This presentation booklet has been provided to you for use in a private and confidential meeting to discuss a potential or existing investment-advisory relationship. This presentation is not an advertisement and is not intended for public use or distribution beyond our private meeting. Bernstein does not provide tax, legal, or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.

Responsibility

By Definition

ri- ,spän(t)-sə- 'bi-lə-tē

- The state or fact of being accountable or person who caused something to happen
- A duty or task that you are required or expected to do
- Something that you should do because it is morally right, legally required, etc.

Responsibility

Pros and Cons of Your New Current State

Opportunities



Activism



Advocacy



Social Impact



Change Agents

Challenges



“Capitalism is problematic”



Staying true to who we are



Realistic Expectations



Everything becomes a priority

Integrity

Integrity: The Secret Sauce

An Uncompromised Organization Inside and Out

- Organizational integrity requires you to consistently adhere to strong and resolute moral and ethical principles and values
- Continue to ensure that your works and doctrine are aligned
- Policies, practices and protocols to center your efforts and newfound resources around those constituents and causes you vowed to impact
- Employ equitable practices to always meet people where they are

The Integrity Equation

Stewardship + Intentionality

Question of the Day

Food for Thought

How does or should stewardship and intentionality influence fiduciary, social, and fiscal responsibility?

Stewardship

The Board's Role in Investing

- What is a fiduciary?
 - Someone who acts on behalf of another based on an expectation of trust
 - Has a legally recognized responsibility as stewards of public trust called “fiduciary duty”
- Expected to exercise reasonable care (with basic financial knowledge and skills) to understand, analyze, and ask questions about financial information:
 - Annual audit and form 990
 - Current Investment Policy Statement (IPS)
 - Current Spending Policy (Best Practice: include as component of IPS)
 - Annual operating budget
- Investment, Audit, and Finance Committees can be created to manage responsibilities and ongoing activities
 - All might function under “Finance Committee” umbrella
 - You can include non-board members to support/supplement skill sets/knowledge base

Three Pillars of Fiduciary Duty



Duty of Care

Various actions by which nonprofit board members integrate themselves into the affairs of the organization – such as awareness of its activities in the community and participation in decisions regarding its welfare and operations.

Duty of Care

We will hire professional partners



Duty of Loyalty

Spirit through which nonprofit board members conduct the duty of care – at all times choosing the best interest of the organization above their own self-interest or that of another person or entity

Duty of Loyalty

We're not going to hire our partners based on nepotism



Duty of Obedience

Requires board members to comply with federal, state, and local laws, as well as adhere to the organization's guidelines

Duty of Obedience

Our partners will not engage in illegal activity

Building an Investment Committee

Each committee member should:

- Attend board and committee meetings – quarterly is typical
- Prepare in advance for meetings by reviewing meeting agenda, reports, and other pertinent materials
- Acquire and maintain basic financial and capital markets knowledge
- Participate in sourcing/recruiting new members with value added skill sets and knowledge
- 3 to 5 members is plenty, and staggered terms with limits are recommended

Read more here: [Investing as Fiduciaries](#)

Building an Investment Policy (IPS) and Spending Policy

- Benefits to your Organization
 - Documents the decisions made today and the rationale
 - Provides consistency/institutional memory when Board or Committee members roll off
 - Provides direction and reassurance during challenging markets
- Benefits to Individual Directors
 - Demonstrates that you are responsibly following a prudent process and fulfilling your fiduciary duty

Main Components of the IPS*

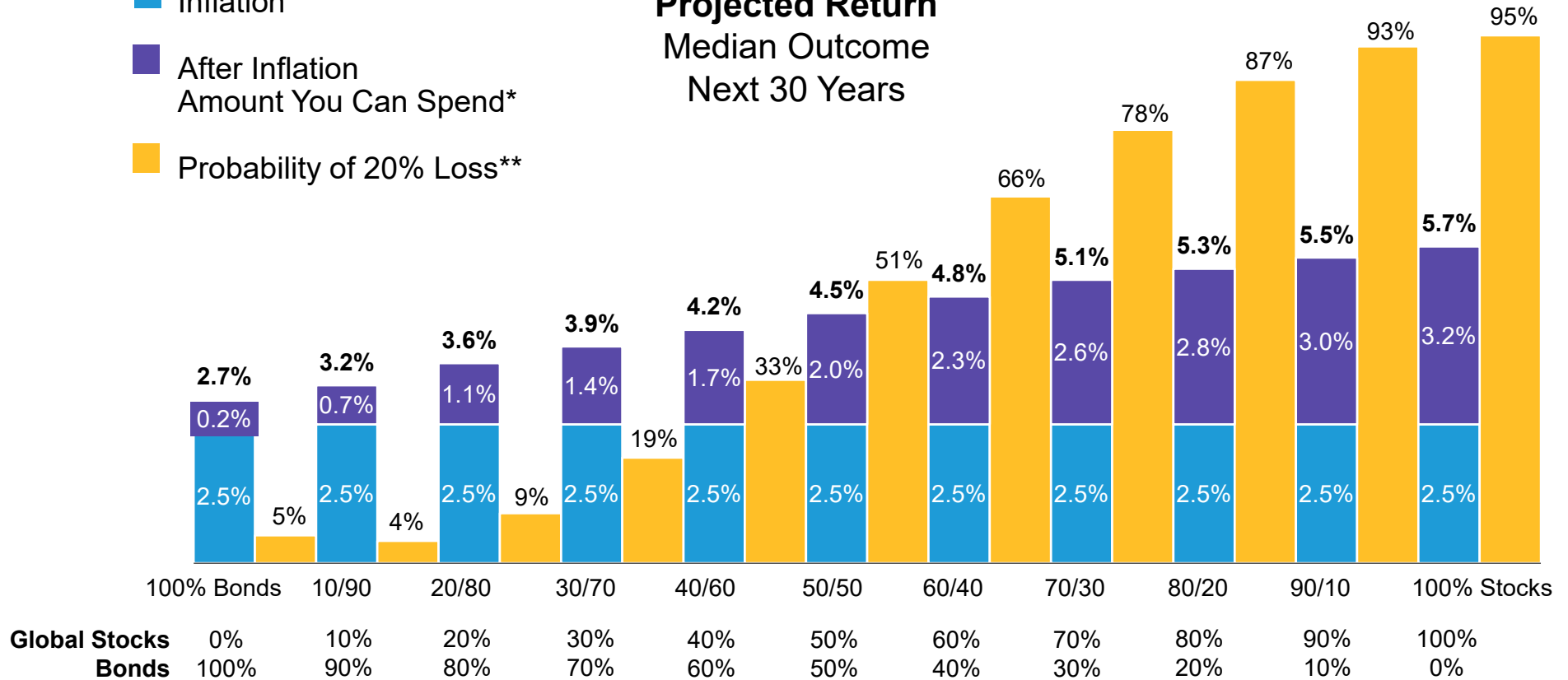
- Purpose, Objective
- Mission Statement
- Governance, Roles and Responsibilities
- Time Horizon
- Goals for Return and Risk-
- Spending Policy
- Target Asset Allocation and Ranges
- Allowable Investments, Guidelines, Restrictions

**You can include multiple “buckets” or accounts with different purposes, time horizons, return/risk parameters, and spending parameters all in one IPS. Reach out for assistance.*

Setting and Updating Expectations and Parameters Today as a Starting Point

- Inflation
- After Inflation Amount You Can Spend*
- Probability of 20% Loss**

Projected Return Median Outcome Next 30 Years



Global Stocks	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Bonds	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%

*Based on median projected 10-year compound annual growth rates for stock/bond portfolios and inflation. Globally diversified stocks are represented by the following allocation for a 100% Return-Seeking allocation: 16.2% U.S. value, 16.2% U.S. growth, 12.0% U.S. diversified, 6.0% U.S. small-mid cap, 21.2% developed foreign markets, 8.1% emerging markets, 9.6% US Low Vol Equity, 10.7% high-risk international. Equity geography weights may shift in proportion to total return-seeking allocation. Bonds are represented by the following allocation for a 100% Risk-Mitigating allocation: 50% diversified intermediate term taxable bonds and 50% global intermediate taxable bonds (hedged) in the proportions noted. Additional detail regarding allocation available upon request.

**Data indicates the probability of a peak-to-trough decline in pre-tax, pre-cash-flow cumulative returns of 20% over the next 10 years. Because the Wealth Forecasting System uses annual capital markets returns, the probability of peak-to-trough losses measured on a more frequent basis (such as daily or monthly), may be understated. The probabilities depicted above include an upward adjustment intended to account for the incidence of peak-to-trough losses that do not last an exact number of years. Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 30 years as of 12/31/2020. Data do not represent past performance and are not a promise of actual future results. See Notes on Wealth Forecasting System in Appendix for further details.

Intentionality

Partnering with an Investment Firm

Key Considerations

- Formally acts as **Fiduciary** for you
- Understanding/**alignment** with/excitement about your work
- Professional reputation/**integrity**
- Investment **capability**/platform to align with your needs and priorities
- **Diversity**, equity, inclusion of the team, firm, underlying managers
- **Experience** working with orgs like yours
- **Service** and communication model
- Array of services, **support**, and **expertise** for orgs like yours

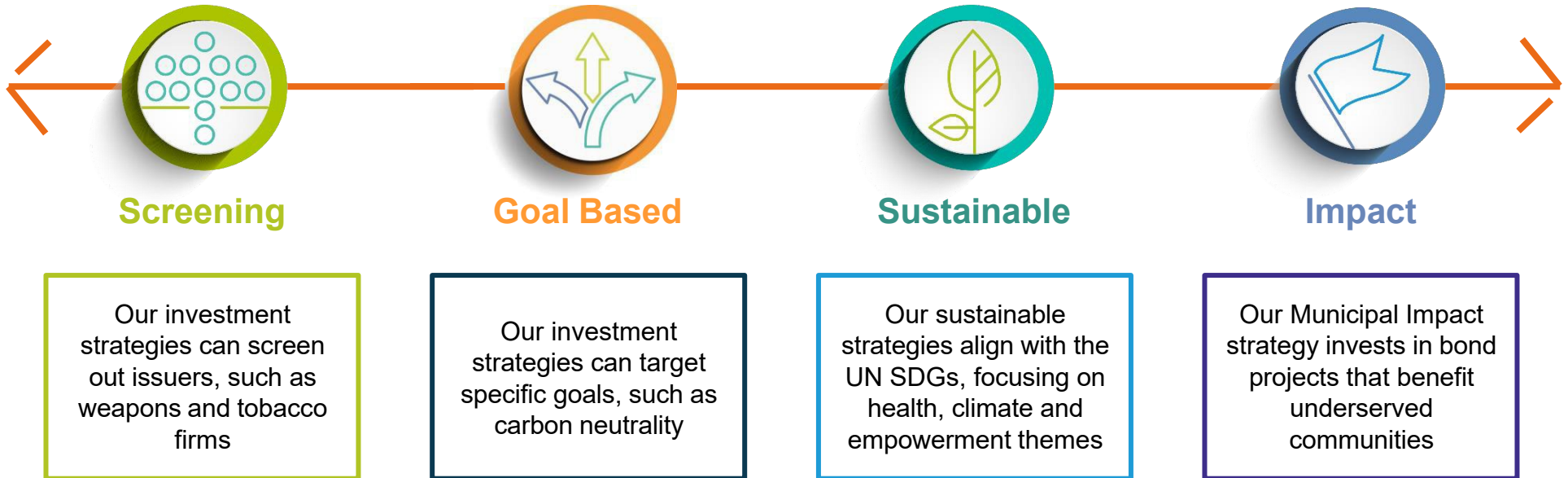
Investing Responsibly Can Also Mean...

...**shaping** the available issuer universe with explicit exclusions.

...**incorporating** an additional responsibility goal along with traditional risk/return.

...**focusing** on issuers who meet present needs without compromising the well-being of future generations.

...**aiming** to produce a measurable social or environmental impact with investments.









UN SDGs: United Nations Sustainable Development Goals

Representative responsible investing strategies. Screening is available upon client request for separately managed accounts; investment minimums apply.

Source: AB

ReUSE: Key Performance Indicators

Key Performance Indicators for Responsibility Are Favorable

		Responsibility Metrics		
		ReUSE vs S&P 500		Comments
	Gender Diversity	% Women on Board of Directors	8% Higher	Higher is Better
	ESG Improvement Ratio ¹	% of Companies with Improving ESG Ratings	0% Higher	Higher is Better
	Carbon Emissions	Tons CO2e / \$M invested ²	64% Lower	Lower is Better
	Carbon Intensity	Tons CO2e / \$M sales ³	49% Lower	Lower is Better
	Board Effectiveness Index	AB's Proprietary Measure of Board Effectiveness	6% Higher	Higher is Better
	Corporate Equality Index ⁴	% of Companies Scoring 100	8% Higher	Higher is Better

Current analysis does not guarantee future results.

All data as of June 30, 2021

¹ESG improvement ratio refers to the number of companies that have had their ESG ratings upgraded over the past twelve months divided by the total number of companies in the portfolio or index.

²CO2-equivalent emissions / \$M Invested is a measure of a portfolio's normalized carbon footprint per million dollars invested and is a standard metric used to measure the carbon footprint of equity portfolios.






³CO2 emissions / \$M Sales measures a portfolio's exposure to carbon-intensive companies.

⁴Corporate Equality Index is a measure of a company's policies and practices that support LGBTQ equity

Source: Compustat, MSCI, ISS, Human Rights Campaign Foundation, AB Analysis

ESG Research: Continuous Engagement Supports Long-Term Growth

Define, Seek and Promote Exceptional ESG Behaviors

	Material Factors	Who We Engage
Culture	 <p>Talent Acquisition & Retention Pay Equity</p>	<p>Chief Human Resources Officer (CHRO) Head of Diversity & Inclusion Chair of Compensation Committee</p>
Incentives	 <p>Compensation Design Profitability Focused Goals ESG Focused Goals</p>	<p>Chair of Compensation Committee Corporate Secretary Chair or Lead Independent Director</p>
Cybersecurity	 <p>Encryption Management Risk Framework Policy Depth</p>	<p>Chief Security Officer Chair of Audit or Risk Committee</p>
Environment	 <p>Carbon Awareness Resource Intensity Supply Chain Management</p>	<p>Chief Sustainability Officer Chief Operating Officer Chief Financial Officer</p>
Oversight	 <p>Board Composition & Diversity Board Oversight for ESG Issues</p>	<p>Board Chair Lead Independent Director Corporate Secretary</p>

For illustrative purposes only. There can be no assurance that any investment objectives will be achieved.

Next Steps

Next Steps

- Investment Committee Development
 - Recruitment
- Leadership Decision: Purpose(s)/Use(s) of Funds
 - Bucket by purpose/time horizon
- Investment Policy (IPS) and Spending Policy Development
 - Start with a draft (we have resources and can assist)
- Implementation
 - Select a fiduciary partner and invest together
- Monitoring and oversight

Additional Resources

Please reach out for additional support

James Thompson

james.thompson@bernstein.com

212-823-2675

Clare Golla

clare.golla@bernstein.com

312-841-6922

Appendix

UN Sustainable Development Goals Provide a Map for Thematic Investors

The Goals Represent Tremendous Investment and Social Opportunity

The SDGs are a Powerful Framework of 17 Goals



The goals address challenges relating to economic prosperity, environmental sustainability and social inclusion

Why Align a Portfolio with the SDGs?

The Sustainable Development Goals (SDGs) offer a road map for identifying thematic opportunities that are underappreciated by traditional investors

The estimated investment required to achieve the SDGs is massive—roughly US\$90 trillion

193 nations committed to achieving the goals, signaling broad global consensus and creating a powerful tailwind for aligned companies

Investments that align with the SDGs can help to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere

For informational purposes only
As of June 30, 2021
Source: UN and AB

Finance & Investment Committee Checklist

Responsibility can be delegated across committee members:

- Update key financial policies, including Investment Policy Statement (IPS), as necessary
- Comply with federal, state, and local laws by ensuring the filing of annual returns and reports such as the IRS Form 990 or 990PF
- Regularly evaluate finances, budget, and key investment and spending policies to ensure compliance with investment goals and mission
- Oversee audit and financial reporting processes
- Communicate consistently with professional advisors, audit team, investment manager, legal team, and banking partner
- Confirm account signatories and reporting contacts are up to date
- Properly onboard new committee and board members, including review of key policies, portfolio, signatories, and professional partners

Read more here: [Investing as Fiduciaries](#)

Define the Role of the Investment Committee

- Comply with applicable principles of Prudent Person Standard
- Develop sound and consistent Investment Policy Statement (IPS) to document both decision making processes and results
- Monitor implementation of this IPS. Review and approve any proposed revisions to this IPS annually
- Evaluate and approve the hiring of a qualified Investment Manager. Delegate selection of specific investments and securities to the Investment Manager
- Select suitable custodians to provide safekeeping for all Fund assets and provide monthly details of all Fund transactions to the committee (manager can also be custodian)
- Monitor and evaluate performance results
- Replace an Investment Manager

Key Questions When Implementing an Investment Portfolio

- Purpose
 - What will be the portfolio's purpose and time horizon?
 - What are our organization's goals and priorities for the portfolio?
 - How will the portfolio support the mission and vision of our organization?
- Governance
 - What have we done so far to build this portfolio and what do we still have to do?
 - What challenges do we currently face in bringing this portfolio to life?
 - Have we determined who the decision makers for the portfolio will be (i.e. select individuals, investment committee, full board, staff)?
 - What's our ideal timeline for next steps?
- Investments
 - Are there strong investment preferences among the decision makers (i.e. passive/active management, alternative investments, etc.)?
 - Have the decision makers considered expressing the values of our organization through these investments (ESG investing, etc.)?



BERNSTEIN

The [A/B] logo is a registered service mark of AllianceBernstein, and AllianceBernstein® is a registered service mark, used by permission of the owner, AllianceBernstein L.P.
© 2021 AllianceBernstein L.P.