

## How to change from conventional to ethical investments: Practical examples from foundations

### Speakers

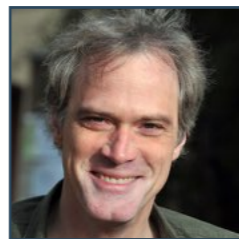


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### Moderation



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# *Investing for change? A critical approach*

Matthieu Calame  
*Directeur*



Fondation Charles Léopold Mayer  
pour le Progrès de l'Homme

- a) Short presentation of the FPH
- b-1) **a matter of consciousness**, the dilemma of philanthropy: good actions with grey money,  
b-2) a quick state of the art: ESG, SRI, impact investing...
- c) **what we have done** as a funder, how do we aim to improve,
- d) **a critical approach**. The overpromise : why it can't be enough in comparison to the stake (social, environmental, political),
- e) a forecast of the future: where may the systemic change come from?

## a) Short presentation of the FPH

### From philosophical roots...

The foundation is part of the **European humanist tradition**. We believe in the possibility of a social and moral progress of human societies. Our values:

- social, cultural and intellectual **emancipation of individuals**; the conscience of their dignity and rights;
- the development of their sense of **individual and collective responsibilities**, towards their contemporaries and toward the future generations; the conscience of their duties;
- the development of their **capacity of collective organization** and action in economic, social and political fields; the conscience of their social nature;
- their fulfillment; the conscience of their **legitimate aspiration to happiness**.

### ... To the present stake : the planet Boundaries

The **global interdependences** change the relationships between societies, individuals and between humanbeings and nature. In this context the foundation made the choice to contribute to the emergence of a global community capable of driving three major mutations:

- to conceive new forms of governance;
- to adopt common ethical principles;
- to implement the transition toward more sustainable societies.

**We aim (and claim) to be a transformativ  
philanthropy**

## a) Short presentation of the FPH

### A general pattern

Strengthening and sustaining Civil society for advocating for a just transition.

### Three modes of action:

- the encouragement of networking of actors through the development of citizens' alliances, and of regional, socio-professional and thematic networks
- the development of analysis and proposals focusing on governance, ethics, and alternatives to development;
- the social and political promotion of these proposals and their wide circulation through collective tools and methods.

### Our economic means

- our own endowment : 380 millions of CHF
- our annual budget : 10 millions of CHF

## b-1) A matter of consciousness - 1

Each Social System has its own philanthropy :

Aristocracy	Theocracy	Socialism	Etatism	Capitalism
Evergetism (Mecenus)	Religious foundation	mutualism	Welfare state	Private foundation

In most societies many forms of philanthropy are present.

## **b-1) A matter of consciousness - 2**

The dilemma of philanthropy and transforming philanthropy:

- good actions with grey money,
- we are part of the system we want to change : contradiction or hypocrisy ?

**On the path to change there are fifty shades of grey**

- duty of transparency,
- duty of improvement,
- duty of humility.

## **b-2) A quick state of the art - 2**

### The Jungle of SRI

- the old concept of exclusion (tobacco, weapons...),
- the concept of ESG,
- Best in class and the problem of ranking,
- the impact investing.

**Evaluation and assessment, a broad issue : availability and meaning of data**



## c) What we have done - 1

### - Assets management

- improvement of the real estate (conversion to organic farming, insulation of apartment buildings)

### - Activity

- improvement of the real estate (insulation and eco-conception of our office-building)  
- evaluation of our carbon footprint, reduction of journeys and flights, reduction of the scope of salaries)

### - Grants

- we consider them to be fair (?)

## c) What we have done - 2

### Investing or investing?

I only fuel real economy when I buy a share or a bond **at the moment of its emission** (second market creates no activity but it helps investment to become liquid).

### 4 types of investments

- illegal,
- immoral,
- old fashion,
- transformative.

## c) What we have done - 3

### The former theory of responsible investing

- long term ownership of the share,
- only "real" economy,
- a moderate return (~ 4,5%)

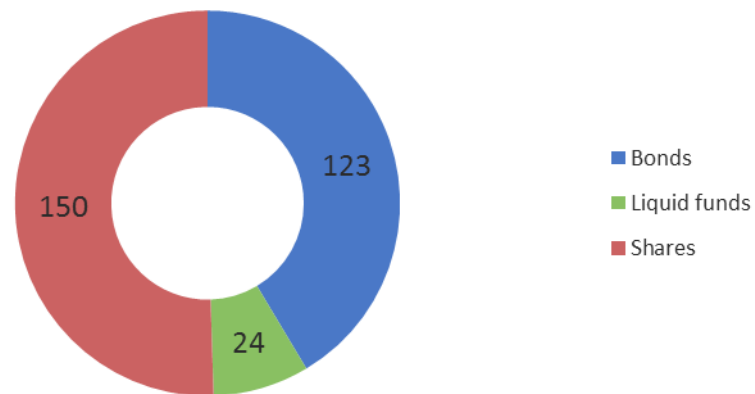
### From divest/invest to general assessment

- the opportunity of the Divest/Invest movement,
- a broader assessment (social, environmental...)

### c) What we have done - 4

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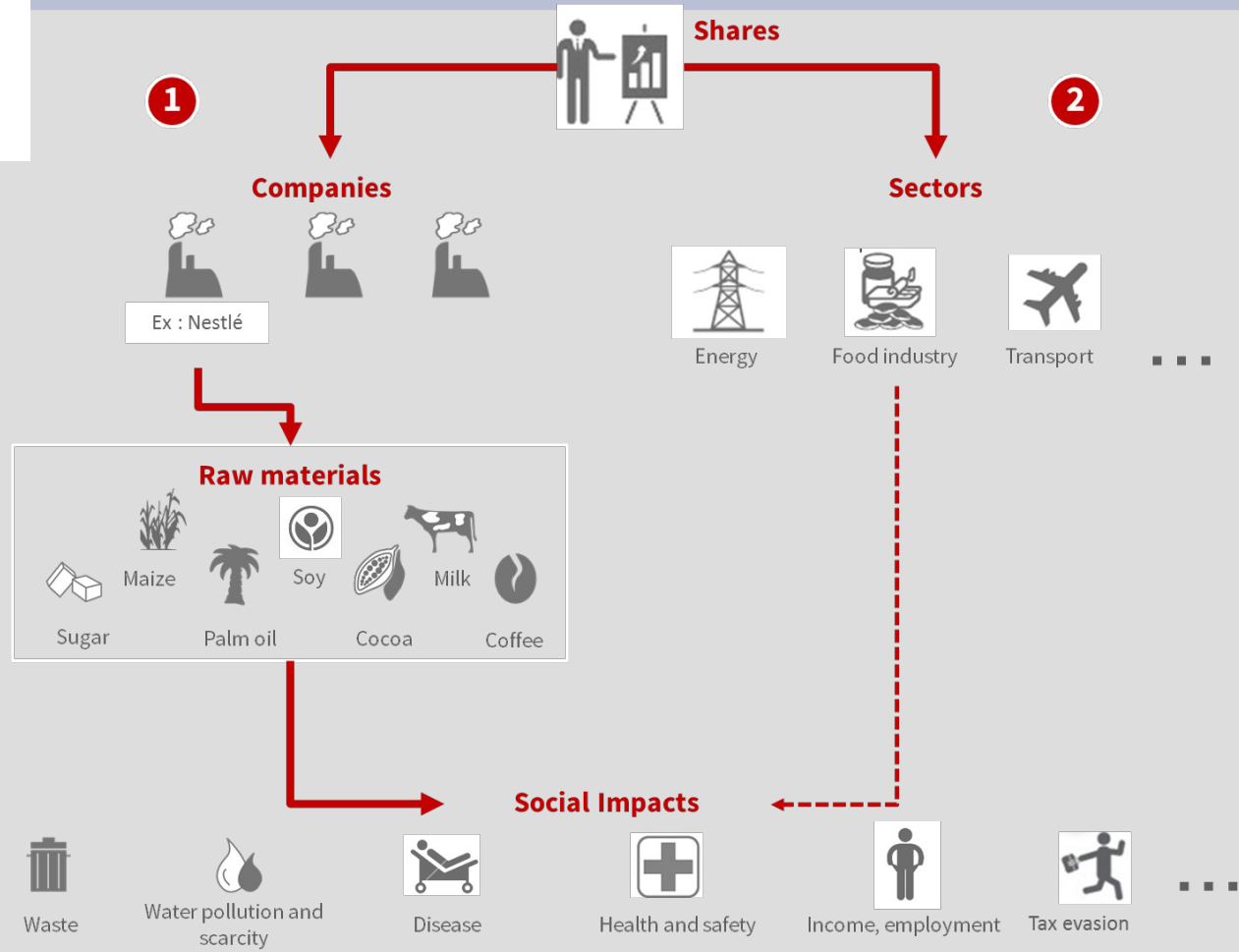
FPH holdings in 2013, in million Swiss francs



Value-chain approach

### c) What we have done - 5

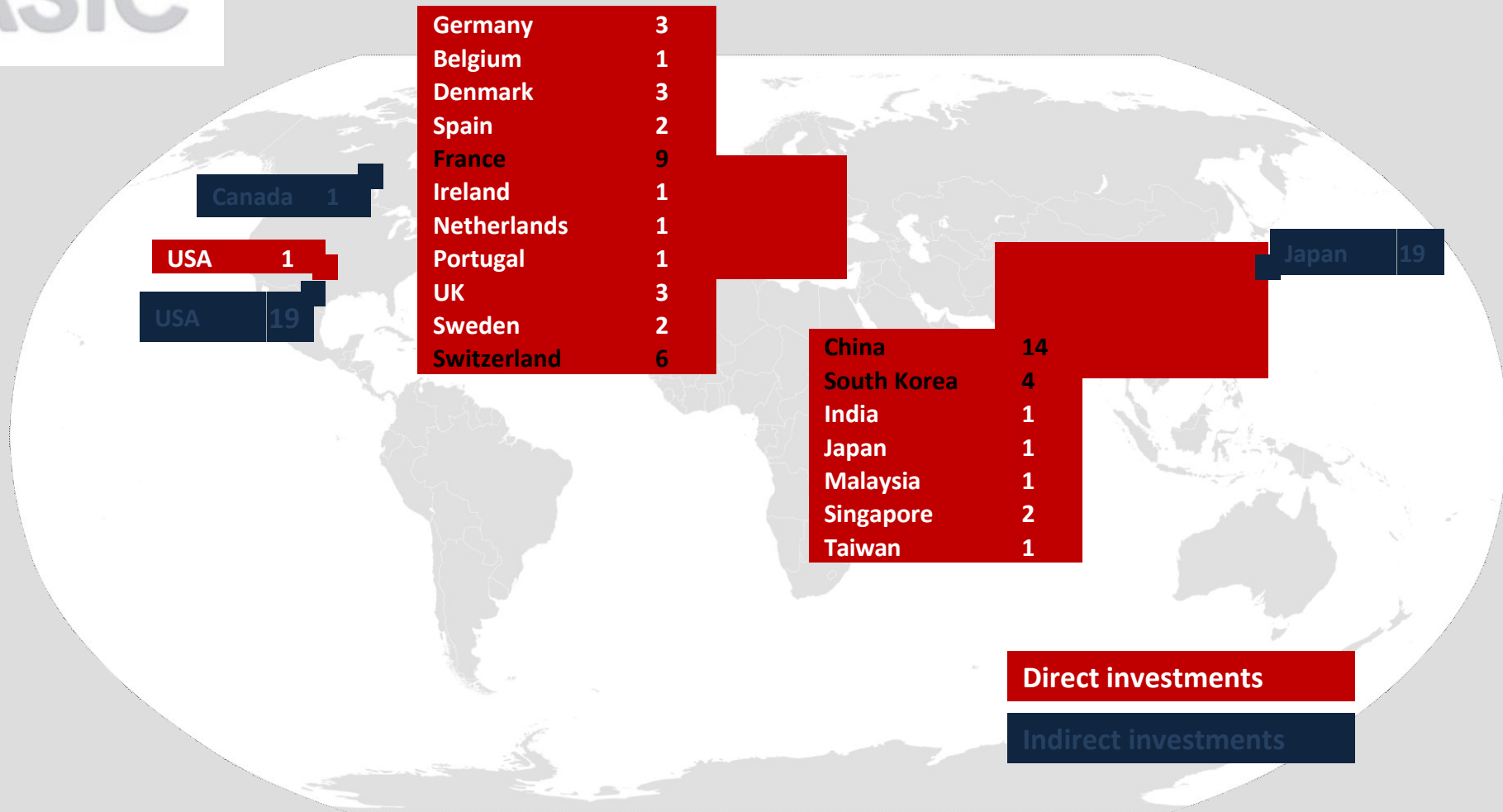
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**Value-chain approach**

### c) What we have done - 6

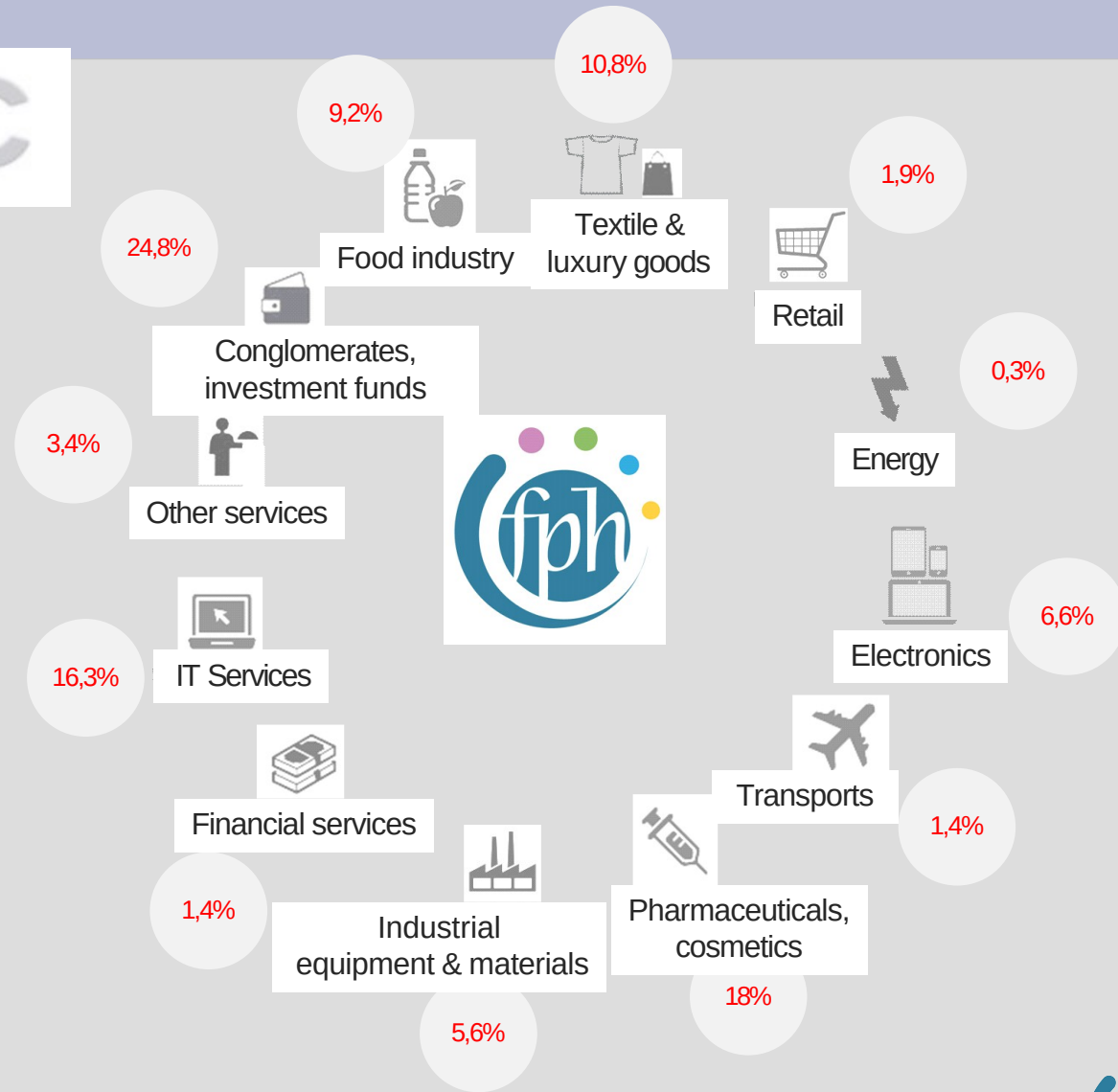
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Where are we?

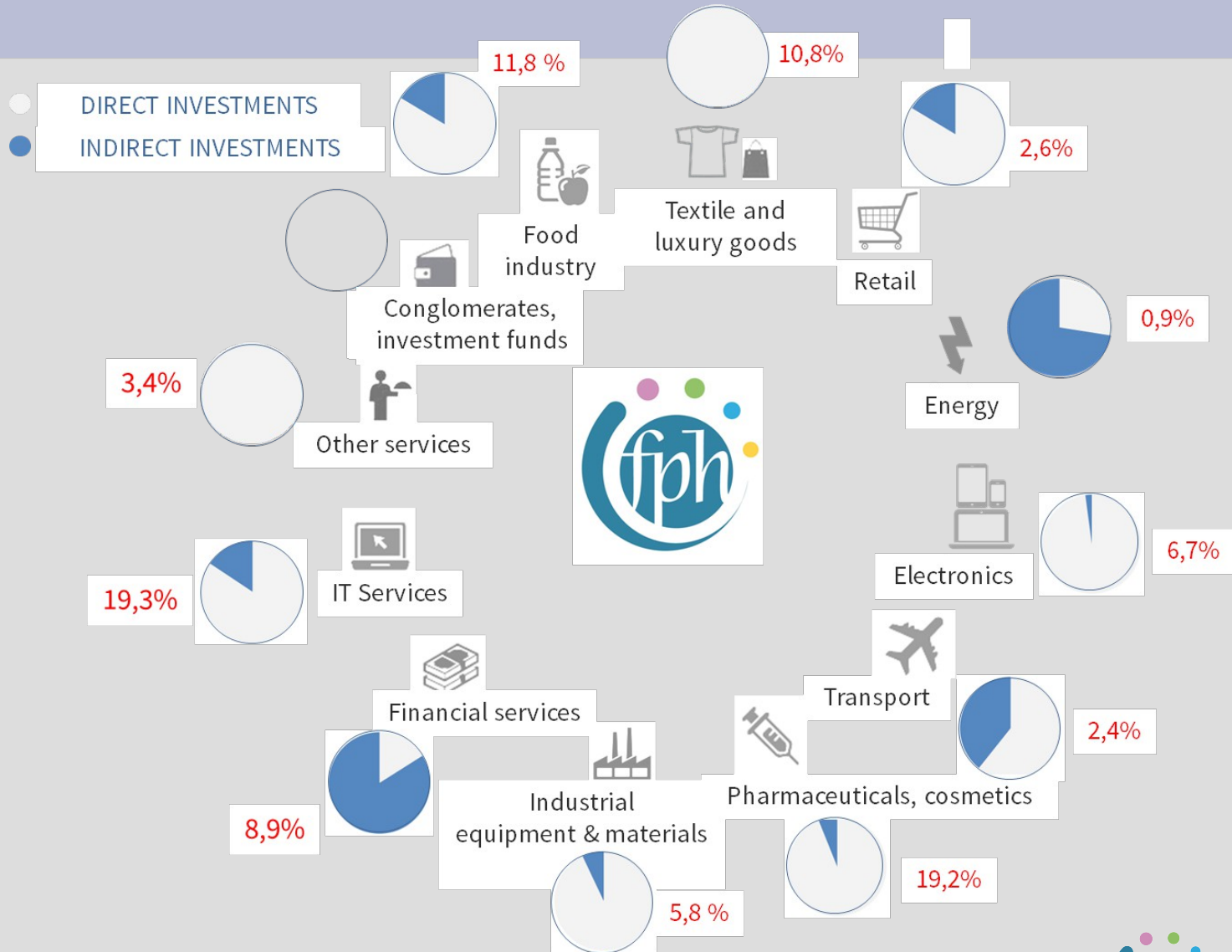
### c) What we have done - 7

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# BASIC

## c) What we have done - 8





## c) What we have done - 9

### DIRECT INVESTMENTS

Company	Country	Activities	Key raw materials (based on public daa)	Turnover CHF	Capital CHF	% of FPH shares
<b>Food manufacturing companies</b>						
Nestlé	Switzerland	Food manufacturer: Coffee / Sweets / Chocolate / Dairy products/ Baby milk / Bottled water/ Animal foodstuffs/ Nutrition	Coffee / Cocoa / Milk/ Sugar / Palm oil / Soy / Bottled water / Cereals / Vanilla / Hazelnuts / Shea butter / Meat / Fish / Phosphate / Potassium / Paper / Cardboard / Plastic	92 billion	215 billion	2.0%
Want want China	China	Food manufacturer: Rice cakes/ Dairy products / Hot drinks / Snacks / Wine	Rice / Sugar / Palm oil / Milk/ Aromatic herbs / Wine / Paper / Cardboard / Plastic	3.7 billion	18.5 billion	0.2%
Lindt	Switzerland	Chocolate manufacturer	Cocoa / Milk / Sugar / Soy - Vanilla / Phosphate / Potassium / Paper	2.6 billion	11 billion	2.4%
<b>Ingredient manufacturing companies</b>						
CHR Hansen Holding	Denmark	Manufacturer of natural ingredients: probiotics, enzymes, colouring agents lactic ferments, cultures	Enzymes / Colouring agents / Lactic ferments	0.9 billion	4.9 billion	1.4%
<b>Food manufacturing and retail companies</b>						
Jeronimo Martins	Portugal	Retailer, and manufacturer of Unilever products	Olive oil/ Milk / Sugar / Tea / Sunflower oil / Rapeseed oil / Palm oil / Vegetables / Aromatic herbs/ Paper / Cardboard	124.8 billion	89.8 billion	1.4%
<b>Retail and mass catering</b>						
Sodexo	France	Mass catering	All agricultural produce	22.2 billion	11.1 billion	1,8%

## c) What we have done - 10

### INDIRECT INVESTMENTS

Company	Country	Activities	Key raw materials (based on available info)	Turnover CHF	Capital CHF	% of FPH shares
Coca Cola	United States	Beverage manufacturer: soft drinks, energy drinks, bottled water	Water / Orange / Apple/ Tropical fruit/ Plastic / Aluminium / Glass	43.6 billion	83.5 billion	2.53%

## c) What we have done - 11

### **Key brands linked to these food industry companies are:**

- **Nestlé** : Nestlé, Nescafé, Nespresso, Dolce Gusto, Ricoré, Nestea, Nesquik, Kit Kat, Lion, Crunch, Smarties, Quality Streets, Blédina, Nido, Herta, Maggi, Buitoni, Perrier, Vittel, San Pellegrino

**Coca-cola** : Coca-Cola, Fanta, Sprite, Minute Maid, Innocent

**Jeronimo Martins** : Maizena, Planta, Flora, Knorr, Lipton Ice Tea, Alsa, Ben & Jerry's

## c) What we have done - 12

### Key issues related to food industry:

#### Environmental issues



Water scarcity

→ Meat, soy, wheat, cocoa, coffee, rice, corn, palm oil, sugar



Climate change

→ Meat, milk, cereals, vegetables, oilseed crops, rice



Water, air and land pollution

→ Meat, milk, cereals, oilseed crops, wine

#### Socio-economic issues



Health/safety

→ Obesity, pesticides, work-place accidents



Precarious employment and labour rights

→ Sub-contracting, seasonal work



Underpayment

→ Livestock, rice, coffee, cocoa, sugar, palm oil



Child labour

→ Cocoa, sugar



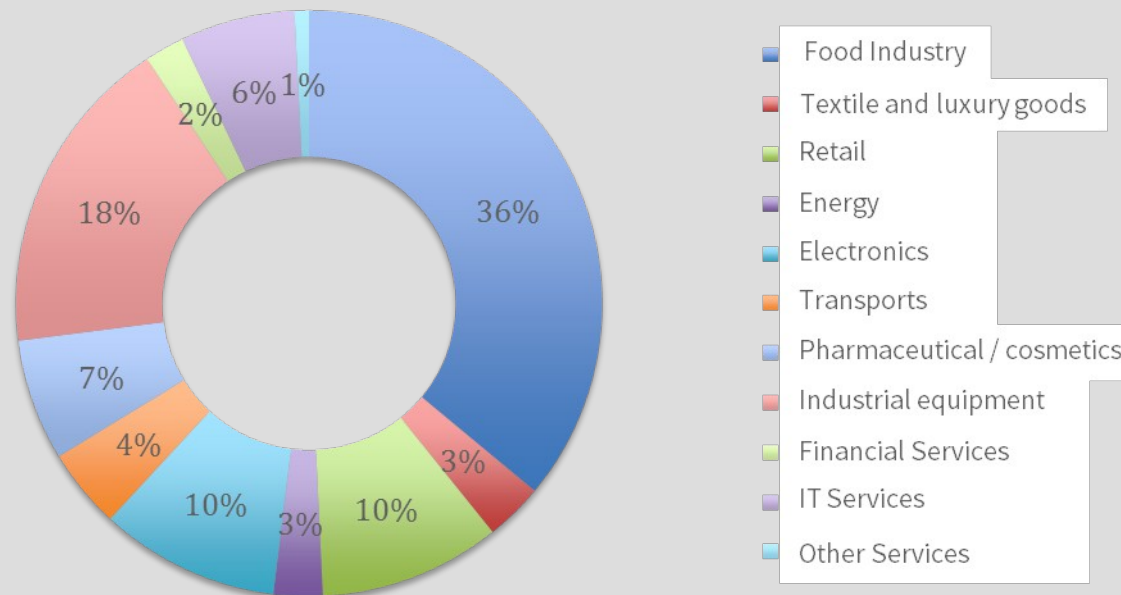
Food waste

→ all products

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## d) what we have done - 13

% CO2 of FPH shares per sector of activity



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**c) What we have done - 14**

**ESTIMATED CARBON FOOTPRINT OF FPH SHAREHOLDINGS**

SECTOR	Overall carbon footprint (per tonne of CO2 equivalent)
Food industry	16 783
Clothing/luxury goods	1 505
Department stores	4 683
Energy	1 239
Electronics	4 610
Transports	2 055
Pharmaceuticals / cosmetics	3 140
Equipment / Industry	8 269
Financial Services	1 043
IT Services	2 946
Other services	372
<b>TOTAL</b>	<b>46 645</b>

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## c) What we have done - 15

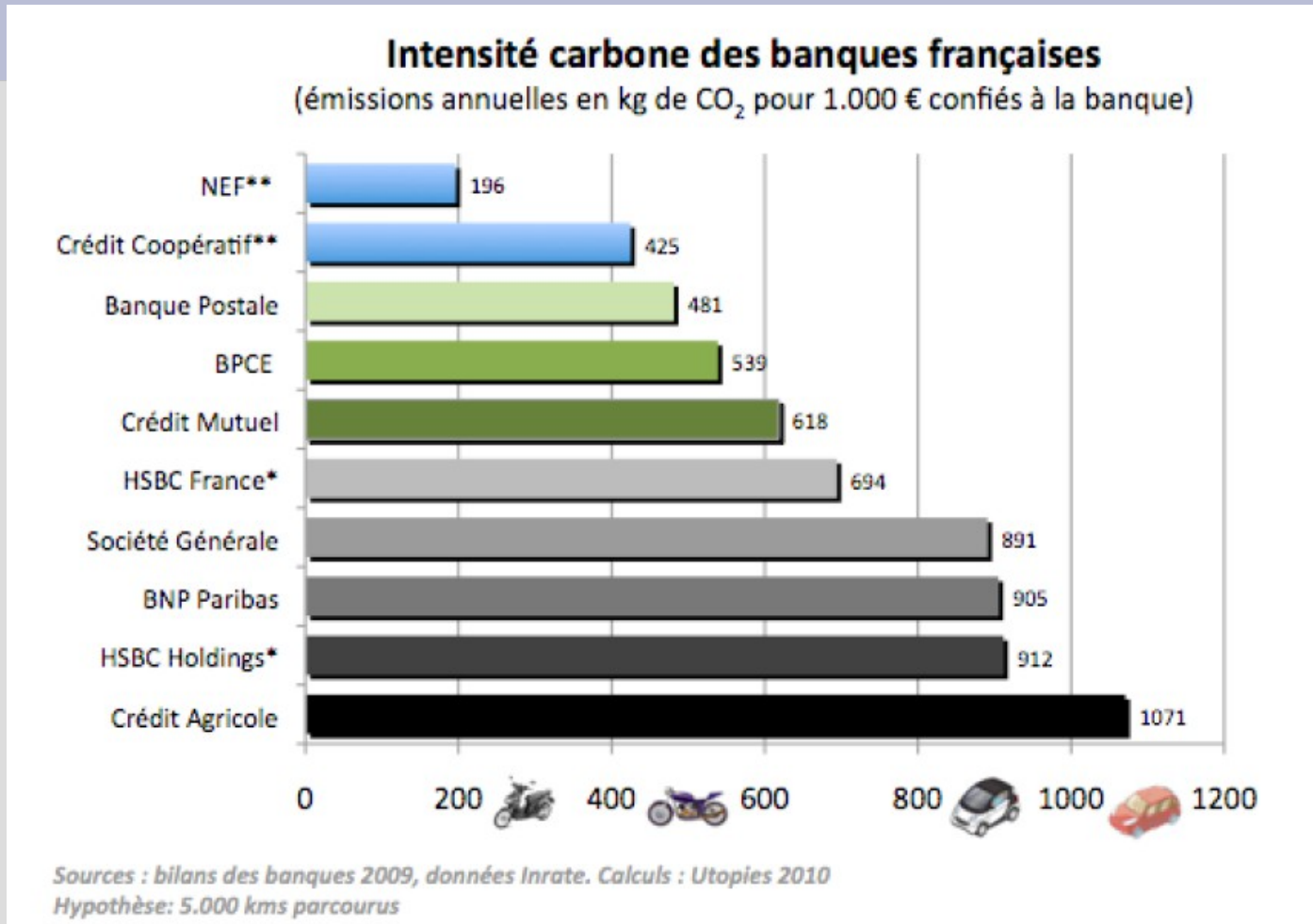
By comparison with the previous estimates, **one tonne of carbon dioxide equivalent** corresponds to:

- 6 months of gas central heating for a 3-room flat in Paris
- 1 Paris -New York return plane trip
- 80 Paris-London return train trips
- 10 Paris-London return plane trips
- 7 000 km of city driving in a small car (Twingo...)
- 4 200 km of city driving in a 4x4

Furthermore, according to the French Environmental Agency (Ademe) studies, a French household emitted approximately 14 tonnes of CO2 per year in 2013.



### d) what we have done - 16



$$\begin{aligned}
 \text{FPH carbon intensity (financial holdings)} &= \frac{46\,600 \text{ Teq CO}_2}{150 \text{ million Swiss francs}} = 310 \text{ kg of CO}_2 \text{ per 1000 CHF invested} = 320 \text{ kg of CO}_2 \text{ per 1000 € invested}
 \end{aligned}$$



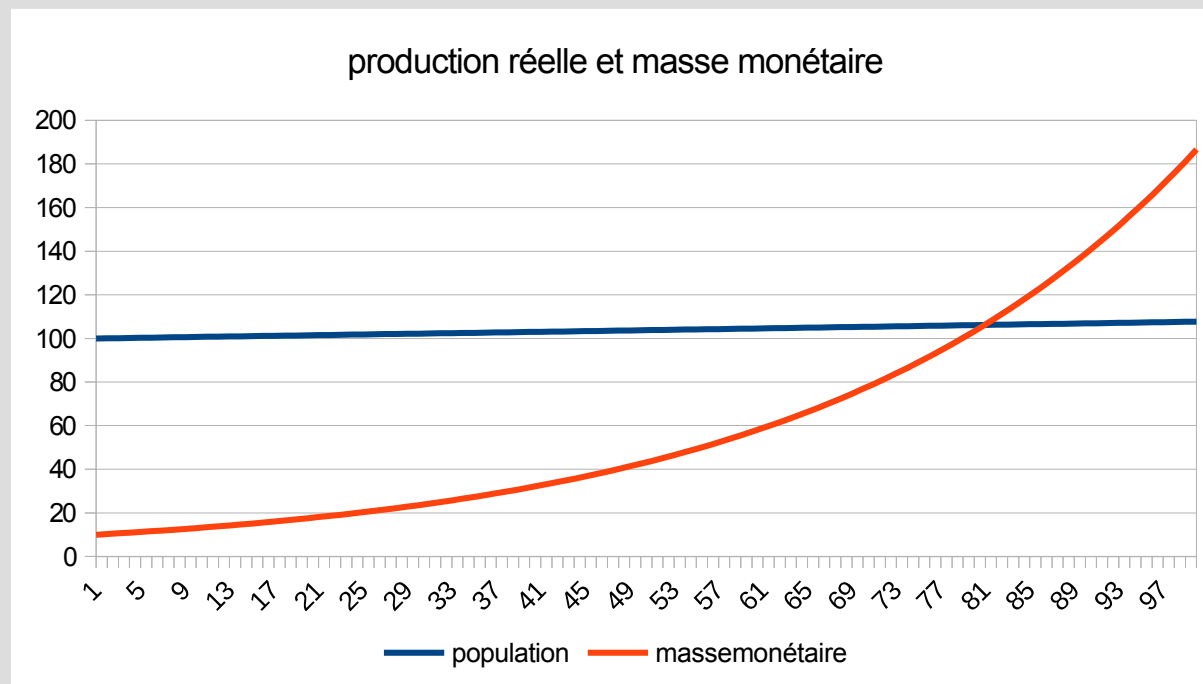
## c-2) What we have done and next steps

### The ongoing discussions

- going out of investment funds,
  - the board is defining the "red lines" and ESG targets,
  - maybe invest more in real estate,
  - engage the discussion with the assets managers,
  - engage the discussion with other foundations,
  - evaluate the capacity to invest in s&ms companies (risk, liquidity...),
  - be an active stakeholder (attend the GA),
  - invest in renewable energy,  
etc.
- 
- reduce the return on investment (less than 3%).

### d) A critical approach 1

- Green economy degrowth and sustainable growth
- is a growth of 1,5% sustainable ?



Population 0,075 %, money 3 %  
Consumption/head : stable

## d) A critical approach 2

The overpromise :

Creation of Money by the European Central Bank : 60 billion euros per month

Cost of the CAP : 58 billion euro per year

**Each year the ECB produces 12,4 times the budget of the CAP**

## e) A forecast of the future : where may systemic change come from ?

- Due to the level of the crisis, this is not an economic question anymore. This is a political one.
- Private actors will never be able to replace public authorities in the management of complex societies,
- Only politic can deal with such a crisis,

### ***We have to move from ethics to civic***

Private actors (companies, foundations, individuals) as a first moral responsibility have to stop weakening the public authorities.

State will come back with two possibilities:

- authoritarian (Trump)
- ecokeynesian (Sanders)

CASE STUDY:

# KARIBU FOUNDATION

OSLO, NORWAY

Eilert L. Rostrup  
Director  
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Goal of presentation: to provide a short “case study” of a small family foundation in Norway. In particular, to lift up some of the challenges and obstacles that remain in our process of changing from conventional to ethical investments.

1. Background and history
2. Profile of our investments
3. Changing to ethical investments
4. Challenges and obstacles
5. What comes next?

# 1. Background and history

- Karibu was founded in 1986 by a woman who wanted to «do good»
- Karibu offered financial recourses to support projects that could not easily be funded with government funding and/or sponsors' contributions
- Karibu aim to give opportunities for networks in the Global South that provide alternatives to the dominant power and neo-liberal economic structures in the world. Karibu identity is based on the values of the World Social Forum
- Karibu funds often support information and advocacy initiatives, documentation processes, conferences, travel support to ensure that these voices are 'at the table', broad civil-society initiatives and mobilizations, South-South networking efforts

## 2. Profile of our investments

- Original gift was approx. USD 14m (value per today)
- Conservative placement/investment of funds for many years (savings accounts, small amounts in stocks)
- Majority of investments in stocks in Norwegian markets (very fossil fuel based economy)
- In later years, concrete steps were taken to think long-term return and strategic finance management (setting up of finance committee, funds management plan)
- External funds manager identified (small foundation/few staff – need for external competence)

Assets	Strategic Weight	Degrees of freedom
Money Markets	35%	0%- 45%
Government-guaranteed bonds	15%	0% - 25%
Other bonds / credit bonds	20%	0% - 30%
Norwegian and intern. equity funds	30%	0% – 40%



## Objective:

The foundation will manage its capital taking into consideration returns, security, risk diversification and liquidity, to increase its capital and ability to meet the statutory obligations

## Risk:

- Capital Investments should be put together on the basis of a long-term profile with a high degree of security, the highest possible return and with the greatest possible predictability, based on the Trust's ability to bear financial risk, applicable laws, regulations and statutes. It should only be invested in highly liquid assets
- The allocations are customized to the investment framework, strategic emphasis and degrees of freedom with adequate diversification of industries, nationally and internationally.
- The interest rate risk should be at a duration of 2-5 years. At locations with longer duration should be as a consequence of specific market outlook and relevant justification for the investment.
- The Fund will use a minimum of 2-3 managers to spread portfolio and the risk and the broadest possible market understanding.

## Ethical frame:

Efforts should be made to have a continuous ethical value based placement of the fund's assets, and this is communicated on an ongoing basis in meetings with external investments managers (*negative screening*)

*Karibu investment guidelines*

# 3. Changing to ethical investments

- Founder has a history of «impact investing» / using the funds «for good»
  - *Grant making and the business concept should contribute to the collective good*
  - *Founder's company also earmarked for a period a special fund for support to experimental production for climate/environmental protection products (electric cars, green energy, etc.), long before most of such funds were available. Sadly, no returns on investments - fund was eventually emptied. Contributions gave opportunity for new ideas to be tested, so there are no regrets.*
- For many years «ethical investments» was understood as solely «negative screening», but gradually more reflection on interconnectedness between partners' political involvement and our actual investment for generating funds for grants to same partners (ex: investments in companies like Caterpillar vrs partners supporting BDS against Israeli occupation in Palestine)
- Question raised: Karibu grants supported issues related to human rights, economic justice, environmental protection, etc., but were our investments contributing to making the causes our partners were working against worse?
- October 2013: Visit of Ellen Dorsey (Wallace Global Fund) and Mark Randazzo (EDGE) on «Divest / Invest» was a key factor/inspiration for initiating development of new «ethical investment guidelines»

## New ethical investment guidelines (Jan 2014)

- Ethical considerations in investments means for Karibu also to consider positions taken by partners. This means that ‘ethical’ includes human rights, social, economic justice and political issues. In addition to the issue of climate change and concern for future generations, which is explicitly mentioned.
- It must be more than negative screening of investments, - Karibu investments should ”also actively be understood as part of the green, social and human rights prudent financial management”.
- The investments should both ‘do good’ and generate income.
- Karibu should continue to use external investment managers. The ethical investment guidelines must be implemented through the annual meetings with investment manager where the portfolio is critically analysed and discussed.
- Aim for Karibu to divest from fossil fuels in the next 5 years (2014-2018)

# 4.Process: Challenges and Obstacles

- Karibu has taken initial steps towards changes in investments, but has hit a number of challenges and roadblocks (3 in particular):

## CHALLENGE 1: Norwegian markets and economy

- High climate awareness and activism in Norway, but slow processes of challenging our oil economy
- Norway, a country with an oil/gas-economy
  - *100 years ago we were the second poorest country in Europe (agriculture, fisheries, limited industrial development)*
  - *Norwegian wealth today (and also source for the financial capacity of foundations, development donors, etc.) is based on the tremendous wealth gained through oil and gas industry in the North Sea*
  - *Capacity to sustain social welfare system in Norway is based on the wealth from fossil fuels, leading to reluctance to fundamentally challenge investments in extractive industries*
- Result: We have not found 'regular equity funds' in the market in Norway that can offer the fossil free investments we are looking for.

## CHALLENGE 2: Investment management in Norwegian CSOs

- We have not found Norwegian CSOs that have managed to find equity funds that offer fossil free investments in the Norwegian market (ex: a big Norwegian dev. organisation was forced to manage investments themselves (approx. 15 mill USD investments) when they wanted to divest from an equity fund were fossil extraction companies were included- after some time the organisation found ethical equity funds outside the country)
- Karibu, as many other small foundations, is without the capacity/competence to invest our funds by ourselves. Need for external professional assistance or joint approach with other CSOs.
- The options available are more or less as our present investment in an equity fund. Today we have 25% investment in fossil fuels
  - *Investments related directly to production* ca 10%
  - *Investments related to service for the extractive industries* ca 8%
  - *Investments related to shipping / transport* ca 7%
- Karibu has found an option with 100% fossil free (production), but international investments (Global Ethics Fund). Karibu placed 1/7 of our investments in this option. Still too early to know of returns ...
- Various and (for Karibu) too limited understandings of “ethics” in these ‘ethical’ equity funds (less/no fossil fuels, but investment in companies involved in human rights/international law violations, ex: Caterpillar involved in Israeli occupation and settlements)
- **Result:** In order for Karibu to fully initiate our ethical investment plan, we need to connect to other CSO investors to put more weight to demands to the investment market

## CHALLENGE 3: Moving others to work together

- Spent last 1½ year trying to network with other Norwegian investors in order to understand their reflections and processes, as well as to explore possible joint initiatives
  - *We have attended some workshops/meetings organised by banks and investment manager companies. We have raised the issue of fossil-free investments, but just been calmly informed that such equity funds are not available in the Norwegian market. Other small investors have then expressed common experiences in trying to shift investments*
  - *Karibu was key initiator of a two-days conference in October 2015 to let finance managers of ecumenical NGOs come together and discuss ethical investments; policies, practices and strategies. A participating ‘service provider’ for church based financial management in Norway (used by many church-based investors), offered 3-4 different equity funds (also ‘ethical’), but had so far no perspective of including fossil industries in their understanding of ‘ethical’. After Karibu raised the issue at the conference this is hopefully about to change*
  - *Not managed to find other ‘cluster’ of investors among CSOs (outside of the church based investor’s environment) with aspirations for ethical investment. Only some few individual investors (like Trondheim University, and others).*
  - *Karibu invited by biggest church based investment fund in Norway (Portfolio of approx. 304 mill USD) to connect (as they have) to Church Investors Group in UK (<http://www.churchinvestorsgroup.org.uk/>). Ethical investments has high profile in the network.*
  - *Also initiated talks the commercial company owned by our founder’s family. They are moving more and more into ‘impact investment’ as a concept for the business. Talks will explore if Karibu should be part of that process and if that would give enough ‘space’ for Karibu to implement its strategy for ethical investment of its capital.*
- **RESULT: Various ‘exploratory talks’ and initiatives taken for possible joint initiatives, but slow process with many challenges ...**



# 5. What comes next?

## Challenges in the coming years...

- How can Karibu implement fossil-free investment during the next years (2017 - 2018)?
- How can Karibu build more networks in Norway on ethical investments?
- How can Karibu further define implications of 'ethical investment' with the inclusion and active participation of its partner network?

## How to change from conventional to ethical investments: Practical examples from foundations

*discussion*

*use chat box and icons  to interact  
click on  Raise Hand if you want to take the floor*

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Next **#EDGEtalk**

Monday, 13 June 2017  
15h - 16h CEST (Brussels time)

**On the road to ethical investment:  
deepening the discussion - exploring needs,  
challenges and possible solutions to get going**

**Registration open!**

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