

Jumpstart Report

issue five | summer 2013

in partnership with

JLENS
INVESTOR
NETWORK

Impact Investing: Rabbinic Perspectives

Based on the Rabbinic Survey on Jewish Values and Investment Decisions

Julie Hammerman

In this report

page 1

- Preface

page 4

- Overview

page 5

- Principles of Impact Investing

page 6

- Investment Criteria

page 9

- Methodology, About JLens, & Acknowledgements

page 10

- What is Impact Investing?

page 12

- Credits

Preface

By Rabbi Irving “Yitz” Greenberg

At its core, Judaism is a religion of *tikkun olam*—literally, repair of the world. *Tikkun* is about more than social justice. It is about building a world that supports life and all its dignities. The human being, the most developed form of life, is to be treated as having three fundamental dignities—infinite value, equality and uniqueness (Talmud Sanhedrin 37A). The Jewish messianic dream is to upgrade this planet—so that both nature and society will fully honor these dignities. The prophets teach that to reach this level of repair of the world, we shall have to overcome poverty and hunger, stop all forms of oppression and inequality (such as racism, sexism, discrimination, stereotyping), end war and violence against others, and cure sickness. In short our goal must be to overcome all the enemies of life and dignity. The same principle applies to the treatment of nature. There is a general mitzvah that encompasses all our behaviors. We are commanded to act in a way that respects nature so that every action we take enhances the world’s capacity to sustain life, rather than degrades the environment and/or destroys other species.

(Continued on page 2)

This Jumpstart Report is based upon The Rabbinic Survey on Jewish Values and Investment Decisions, which was sponsored and conducted by JLens, a nonprofit association exploring Jewish values-aligned investing strategies. The survey was funded by a grant from the Triple EEE Foundation. JLens is a fiscally sponsored project of Jumpstart and a member of the 2013 Upstart Bay Area cohort.

The research reported here was designed, conducted, and analyzed by JLens. Jumpstart makes no representation or warranty as to its accuracy, completeness, validity, adequacy, or reliability and expressly disclaims liability for any error or omission thereof. Unless expressly stated otherwise, the findings, interpretations and conclusions expressed in this report do not necessarily represent the views of Jumpstart.



In our lifetime, the messianic vision has become the stuff of everyday possibilities. As is well known, the planet now can produce enough food to feed all the inhabitants of the earth. Hunger persists because of the failures in distribution, in income fairness, and in access to the right to work. These flaws condemn millions, even billions, to poverty and hunger. By the same token, human technology and political power can now abolish war—or obliterate humanity. Human productivity can now generate affluence for all; it can also exploit the masses, warm the globe, degrade the environment, even make the planet uninhabitable. In short, we are literally experiencing the words of Moses in the Torah: “Behold I place before you, today, life and good, and death and evil... Choose life, so that you and your children may live” (Deuteronomy 30:15,19). This is also an age of unparalleled opportunities and achievements for Jews (notwithstanding threats to our existence in parts of the world). Jews are listened to—even sought out—as never before. Today Jews have the opportunity, indeed, the obligation, to contribute to *tikkun olam* on a vast scale. This opens the door to a flowering of Jewish religion and values in which the Jewish people, individually and collectively, might model, as “a light unto the nations,” how to use talent, technology and money to repair the world.

We are commanded to act in a way that respects nature so that every action we take enhances the world's capacity to sustain life, rather than degrades the environment and/or destroys other species.

Our covenant, the partnership for *tikkun olam* between God and humanity and between the generations, teaches us that every action of life can, and should be, directed to be an act of *tikkun*, of repair. All work, every word spoken, the way we eat, dress or dwell—all should be reshaped to advance life, not reduce or harm it. The road to repair the world is open. It is up to us, the living generation, to draw upon the teachings of Jewish wisdom and values, to channel our capacities of love and relationship, to be driven by our memories of our past suffering—in short, to work harder to insure a better, more humane future for all.

Done right, investing can create the infrastructure of a better life, enabling a higher level of human dignity and health for all.

Investing is one of the most powerful areas of economic, social, and political impact. Done right, investing can create the infrastructure of a better life, enabling a higher level of human dignity and health for all. Paradoxically, while individual Jews lead,

Preface continued

organized Jewry lags. Many pioneers and leaders in socially responsible investing and impact investing are Jewish. However, in terms of community norms and assets devoted to such investing, including guidelines, information, and vehicles for ethical investment, the Jewish community trails behind.

This study rightly focuses our attention on the frontiers of *tikkun olam*. It is the first step in a process of concentrating Jewish attention and efforts to the remarkable opportunity. The survey on which it is based zeroed in on rabbis and their attitudes, because rabbis occupy many places of influence in the Jewish community and are respected within broader society. JLens also seeks to invite rabbis to take the lead in drawing upon Jewish tradition and wisdom for the purpose of increasing socially responsible investing and the new and growing field of impact investing.

The conversation that JLens and Jumpstart seek to launch about impact investing offers not only rabbis, but indeed all of us, a new opportunity to forge alliances with professionals, community leaders, and individual investors to direct our energies and resources to the betterment of all humankind. To overcome poverty and hunger, to push forward equality and justice, to heal the environment, to create a more livable world for us and for our future generations—can there be a more noble set of goals? Can there be a more important expression of Judaism and Jewish values that would help the world and add dignity and respect for Jews at one and the same time? Read this study and begin the process. I salute a new generation of leaders who intend to multiply and amplify social impact investing of Jews and by Jews. Let us together do so much in this area that future generations will say of our work for *tikkun*: this was their finest hour. ■

Let us together do so much in this area that future generations will say of our work for tikkun: this was their finest hour.

Over the past five decades, rabbi and theologian Irving “Yitz” Greenberg, PhD, has been a pioneer and activist in the causes of Soviet Jewry, Jewish renewal and outreach, Holocaust memory and education, pluralism and inter-religious dialogue, social justice, and entrepreneurial philanthropy. His work and thought can be accessed at www.rabbiirvinggreenberg.com

Overview

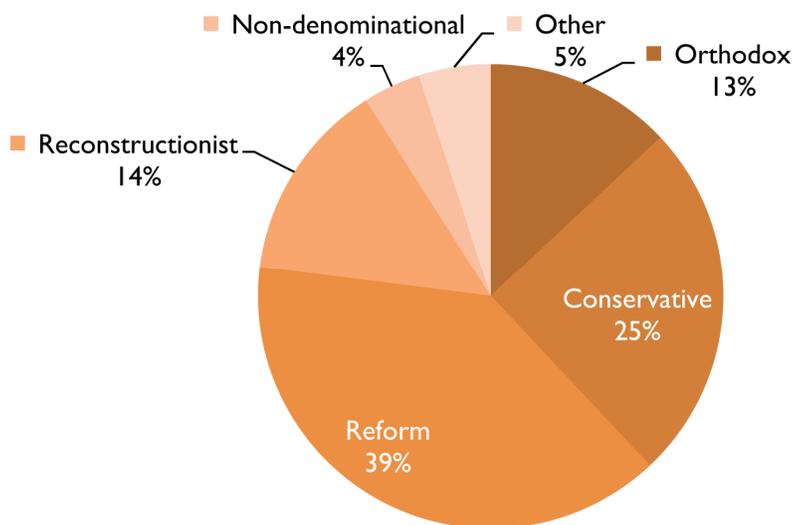
The purpose of The Rabbinic Survey on Jewish Values and Investment Decisions is to explore rabbinical perspectives on a values-aligned approach to investing. Rabbis serve as a primary source of guidance on the application of Jewish teachings to individual and collective decision-making in all facets of life. The survey was adapted from a JLens questionnaire intended for investors who are just beginning the process of creating a values-aligned portfolio.

While the typical investment process begins with a determination of financial goals, investors who are also concerned about the social and environmental impact of their investments take an additional step to understand how their values relate to investment decisions. Values-aligned investing is not liberal or conservative, as two investors can have very different opinions on the same investment option. Rather it is the act of aligning values, mission, and/or philanthropic goals with investment capital, and involves all asset classes, from stocks and bonds to private equity and real estate. The survey was intended to surface areas of both consensus and debate on the intersection of Jewish values and investment considerations. More than 150 rabbis representing a diversity of Jewish movements completed the survey.

*“Investors have an obligation, but I imagine that few examine the societal impacts of their investments, and almost nobody knows how to do so.”**

“Investors should speak up and use economic investment as a means of improving the moral profile of companies. Absent activist investors, the free market will allow companies without a moral compass to focus only on profits.”

Movement affiliation of survey respondents



Overall, 93% of rabbis who responded agreed that the Jewish community should make an effort to align investments with Jewish values, and 91% felt there is a core set of Jewish values that are applicable to investments. While opinions varied as to specifics, the rabbis responding to the JLens survey overwhelmingly supported the core principles of impact investing.

(Continued on page 5)

* all quotes in the findings section of this report are from responses to open-ended survey questions



Impact Investment Principles

■ Principle One:

Impact investors consider the social and environmental impact of their investments

95% of the rabbis who responded believed that investors should consider the social and environmental impact of their investments in addition to the financial return. The relative weight assigned to each of these considerations in the investment process varied, with nearly half suggesting that an equal weighting should be given to financial return and social/environmental impact, while 29% thought financial return should be the first priority, and about one fifth responded that social/environmental impact should be considered first.

■ Principle Two:

Impact investors avoid investments that negatively impact society and the environment

92% of the rabbis believe that investors have a moral obligation to avoid investments that harm society and nearly three quarters caution that investors are morally responsible for the harm caused by investments with a negative impact such as worker exploitation or pollution. Traditional investors often support business sectors or corporate behaviors that have negative consequences with their investment dollars while they are actively seeking to remedy the same issues with their charitable dollars. An example may include a foundation working to advance healthcare in the developing world while at the same time owning shares of tobacco companies. By eliminating investments that do not align with their values or mission, impact investors avoid inconsistencies and mission dilution.

■ Principle Three:

Impact investors seek investment opportunities that have a positive social and/or environmental impact and align with their values

97% of the rabbis believe that investors should strive to make investments that offer a positive impact on society and the environment. The majority (58%) suggested that investments with a positive impact should be pursued even if financial returns are lower than other investment options, while 39% recommended positive impact investments in cases where financial return is identical to other options.

Minority Viewpoints

In their comments, the rabbis who disagreed with the three principles indicated that financial return should be the only consideration in the investment process. While this was the minority opinion in the survey, it is still a strongly held viewpoint among investors who do not wish to consider an investment's social and environmental impact. Some of the rabbis were also concerned that executing a successful responsible investment strategy could be an impossible task.

The survey results demonstrate wide agreement on the overall connection of Jewish values and ethical investment decisions; however the rabbis had varied opinions on specific issues considered by impact investors, as shown in the next section.

Investment Criteria

Impact Investment Screens

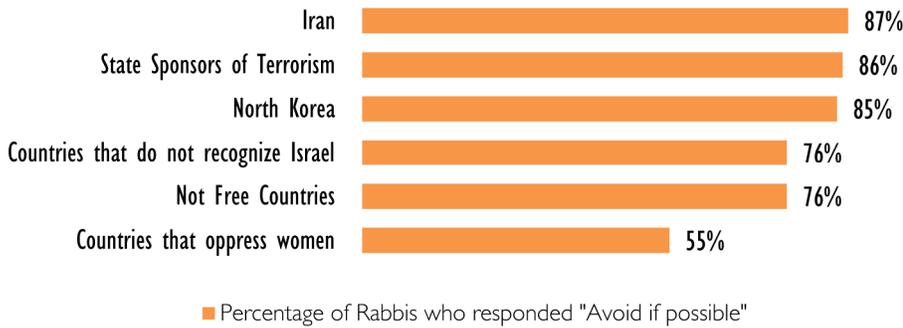
Impact investors determine the social and environmental parameters for their investments in addition to financial return requirements. Investment portfolios are then 'screened' based on the inclusion criteria (positive screens) and exclusion criteria (negative screens). The survey contained a sample of the various criteria used by impact investors to screen investment portfolios. For each category, respondents selected from the following answers: a) investment is encouraged, b) investment is permissible, c) avoid investment if possible, or d) no guidance from Jewish teachings.

Negative screens

The starting point for impact investors is negative screening to ensure investments "do no harm." Screens are organized by geographic region, business sector and corporate behavior. The charts on the following page show the percentage of respondents who selected 'avoid investment if possible,' thereby identifying these issues as negative screens. Negative screens are the original mechanism of socially responsible investing, but they have limitations. Negative screening alone fails to recognize companies doing socially desirable work, those in unattractive business sectors or regions who are improving their operations, or companies who seek to remedy poor corporate behavior.

Negative Screens

Countries & Policies

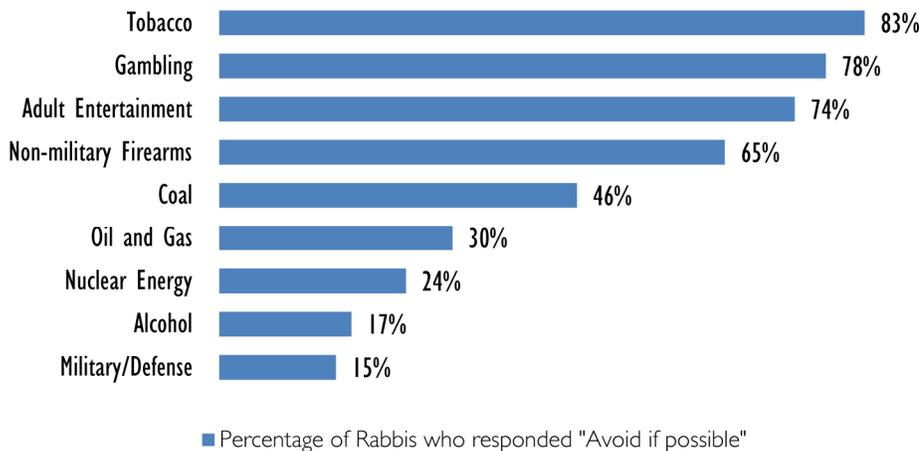


State Sponsors of Terrorism (Iran, Cuba, Syria, and Sudan) are identified by the US State Department.

"Not Free" Countries are defined by Freedom House (political rights are absent, civil liberties are denied).

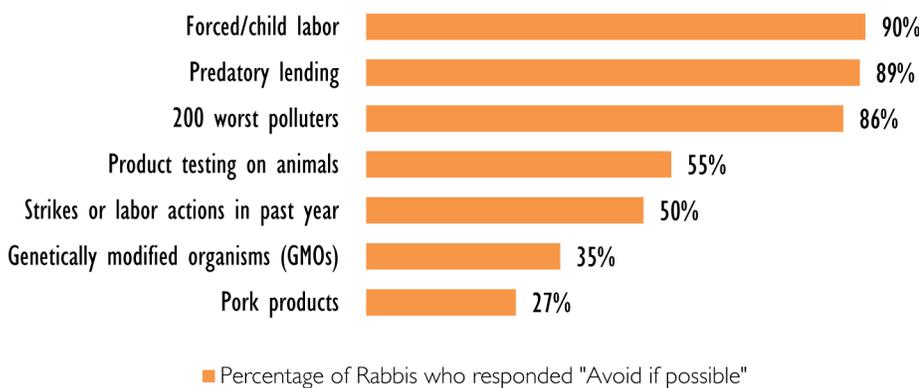
Countries at the bottom of the World Economic Forum Global Gender Gap Report for political, economic, education and health inequality for women (bottom five are Saudi Arabia, Syria, Chad, Pakistan, Yemen).

Industries & Products



"How can we claim to hold Jewish values if our investments support suffering? If you can't stand idle while your neighbor bleeds, you certainly can't profit from it."

Corporate Behavior



The International Labour Organization (ILO) provides acceptable labor standards.

Carbon Tracker Initiative maintains a list of the 200 worst polluters in the fossil fuel industry.

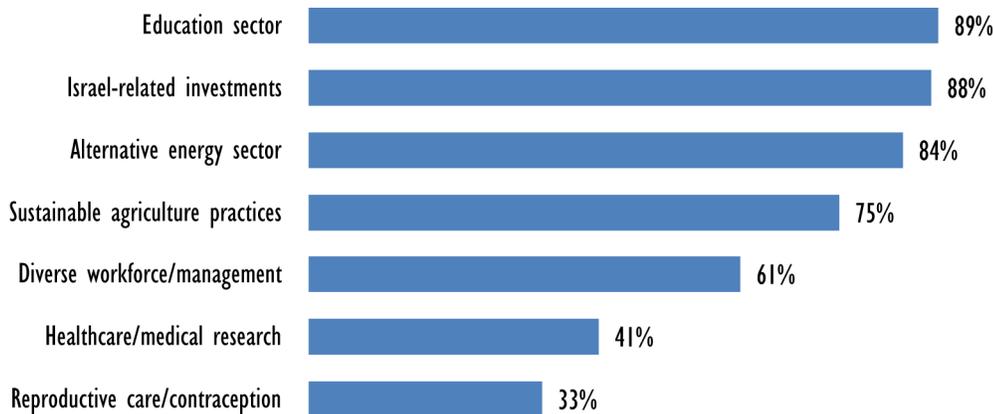
Acceptable usage of animal testing is determined by the AAALAC or National Institutes of Health.

Impact Investment Screens Screens continued

Positive Screens

Positive screening arose due to the limitations of negative screens and the desire to increase the positive impact of investment dollars beyond a “do no harm” approach. Below are the screens in the survey that received the answer ‘investment is encouraged.’

Sector-specific investments



■ Percentage of Rabbis who responded "Investment is encouraged"

"I believe that Judaism strongly encourages business practices and investments with positive social impacts."

Additional Criteria

In addition to positive and negative screening, there are numerous other strategies employed by impact investors, including shareholder advocacy, investments in lower income communities and regions, direct investments in social enterprises, and thematic opportunities targeting a specific issue such as sustainable agriculture. These strategies were not specifically addressed in the survey but are significant considerations for a thorough responsible investment approach.

The survey results demonstrate the importance of values-aligned investing according to the Jewish community’s religious leaders. Whether an investor decides to incorporate a values-aligned strategy remains an individual decision that takes into account financial goals, the purpose of the underlying capital and the investor’s worldview. This report aims to serve as a catalyst for continued discussion and as a springboard for increased engagement in the Jewish community with the rapidly developing impact investing movement. ■

About JLens

JLens was founded in 2012 to assist the Jewish community with impact investing strategies, to be a Jewish voice within the larger impact investing field, and to develop a uniquely Jewish investment lens. Responsible investing is not a new idea for the Jewish community; directives for ethical investing date back to the Torah. However, given the complexities of contemporary markets and investment strategies, there is both a need and an opportunity to create resources to enable investors to make Jewishly informed choices. JLens seeks to facilitate the implementation of Jewish values-aligned investing strategies by individuals and organizations.

The JLens team believes working toward increased Jewish engagement will serve the Jewish community well, and also benefit the expanding impact investing field. JLens defines a Jewish lens broadly to incorporate Jewish values related to social and environmental justice as well as social investing in Israel. JLens' next steps include education and events to encourage community collaboration, the launch of two Jewish values mutual funds and an alternatives fund, and consulting services for organizations and families. While determining a single Jewish lens that appeals to everyone in the Jewish community is unattainable, we will seek majority consensus and collaboration where possible to increase our overall impact.

To learn more visit www.jlensnetwork.org.

Survey Methodology

The Survey was conducted online from March 6 to June 13, 2013. In response to invitations posted to email listserves, Facebook groups, and LinkedIn groups, 158 rabbis opted to complete the survey. JLens encouraged diverse participation with respect to denomination, age, geographic region, and gender. The invitation was directed to rabbis in the United States; a small number of rabbis from Canada, Israel and Australia chose to respond as well.

Acknowledgments

JLens wishes to extend deep appreciation to the rabbis who took the time to complete the JLens survey and share their insights. We look forward to working with the many who expressed interest in continuing to assist JLens with the overlay of Jewish values onto investment decisions.

Thank you to Floyd Keene, President of the Triple EEE Foundation, for his support. JLens is grateful to Rachel Dora Cohen, Shawn Landres, and Joshua Avedon for their generous assistance with the development of this report.

"In the long run, ignoring social and environmental factors and looking only at financial return may prove more costly because the overlooked factors do have economic consequences."

What is Impact Investing?

There has been a dramatic rise in impact investing over the past decade. Impact investing evolved out of the Socially Responsible Investing (SRI) movement that developed in the 1970s to boycott companies profiting from the Vietnam War, to protect the environment from corporate induced pollution, and to divest from South Africa's Apartheid regime.

Today's impact investing field follows the original mandates of SRI combined with an enhanced emphasis on investment strategies that positively impact the world and support social innovation. Aiding that expansion has been a tremendous rise in performance research, access to information, analytical tools, investment products, and thoughtful strategies. While the issues remain complex, the responsible investment process is now easier to implement due to these recent advances compared to the challenges faced by investors in the past.

Impact investors use their values, mission, or charitable pursuits as a guide to select investments that provide a desirable financial return *and* a positive social and/or environmental benefit. Examples include investments for both financial and social return in renewable energy, water, women and girls, sustainable agriculture, equality,

healthcare, education, and poverty alleviation. Impact investors also follow SRI practices of avoiding investments with negative effects such as tobacco, coal, and weapons manufacturers. The financial return of impact investing strategies vary from an above-market rate, to market rate and below, depending on the investment and the investor's desired return weighting.

The motivations of impact investors vary. Mainstream investors consider issues such as sustainability, labor relations, and strong corporate governance indicators of a well-run company worthy of investment.

Faith-based investors align their investments with religious values. Faith-based investing is on the rise as a growing subset of the SRI/impact community, especially in mutual funds. Assets under management in the nearly 100 faith-based mutual funds have grown from less than \$500 million a decade ago to more than \$31 billion today, according to Morningstar. Funds are available for a variety of faiths and denominations including Muslim, Catholic, Evangelical Christian, Protestant, Mennonite, and Southern Baptist. Currently there are no mutual funds aligned specifically with a broad set of Jewish values.

Philanthropists understand that charity alone will not alleviate the

challenges facing society, and they have started tapping into their investment capital to improve the world and further their missions. Mission-related investments (MRIs) and program-related investments (PRIs) enable private foundations to put their entire endowment to work for social impact—not just the 5% they are required to pay out each year for grantmaking.

As more investors embrace a thoughtful approach to investing, the overall impact investing economy has increased significantly. In 2012 the Forum for Sustainable and Responsible Investment (US-SIF) reported \$3.7 trillion in responsible investment assets in the United States;¹ the Global Sustainable Investment Alliance estimated \$13.6 trillion globally.² This represents approximately 12% of total US-based assets under management, and 22% of global assets. Large institutional investors and pension funds have joined with the early adopters, primarily faith-based groups and social activists, to bring impact investing into the mainstream financial services sector. As of April 2013, over 1,180 investment firms are signatories to the United Nation's Principles for Responsible Investment, representing \$34 trillion in global assets under management. ■

1 Voorhes, Meg, Humphreys, Joshua, and Solomon, Ann. 2012. Executive Summary to Report on Sustainable and Responsible Investing Trends in the United States. US-SIF Foundation, http://www.ussif.org/files/Publications/12_Trends_Exec_Summary.pdf (accessed July 7, 2013).

2 Passant, Francois, Woll, Lisa, Ellmen, Eugene, Berrutti, Pablo, and Floyd, Erik. 2012. Global Sustainable Investment Review. Global Sustainable Investment Alliance, <http://gsiareview2012.gsi-alliance.org> (accessed July 7, 2013).

SOCIETAL BENEFIT PRIORITY

FINANCIAL RETURN PRIORITY

Traditional Investments

Socially Responsible Investments

Impact Investments

Impact First Investments

Philanthropy

- Focus on financial return only.
- Focus on both financial return and social / environmental impact.
- Methods include positive and negative screens for ESG issues (environment / social / governance), shareholder advocacy and community investing.
- Investments are primarily equity and fixed income.
- Returns are typically market-rate but may be above or below market depending on strategy.
- Thematic investments in areas such as renewable energy, education, healthcare, developing markets.
- Financial return may be market-rate, above market rate, or below market rate.
- Investments are typically private equity or private debt.
- Below market rate of return is accepted by investors in order to maximize social / environmental impact or because a market rate of return is not possible.
- Examples include program-related investments by foundations and reduced interest loan funds.
- Focus on social and environmental impact only.
- No financial return available or expected.
- Charitable donations and grants.



Growth of sustainable and responsible investment in billions¹

¹ Voorhes, Meg, Humphreys, Joshua, and Solomon, Ann. 2012. Executive Summary to Report on Sustainable and Responsible Investing Trends in the United States. US-SIF Foundation, http://www.ussif.org/files/Publications/12_Trends_Exec_Summary.pdf (accessed July 25, 2013)

NB: ESG funds include mutual funds, annuity funds, closed-end funds, exchange-traded funds (ETFs), alternative investment funds and other pooled products, but exclude separate account vehicles and community investing institutions.

Additional resources and suggested further reading:

Jewish/Israel

- Abramowitz, Yossi. 2013. <http://www.wexnerfoundation.org/blog/impact-investing>
- Alpert, Thomas and Fein, Leonard. 1999. CHIP: The Chai Investment Program, A Congregational Guide to Socially Responsible Investing. The Commission on Social Action of Reform Judaism. http://rac.org/_kd/items/actions.cfm?action=Show&item_id=980&destination=showitem
- Edery, Ariel. Rabbinic petition to the Reform Pension Board seeking responsible pension investment options: <http://followingourvaluesatrp.weebly.com>
- Lachman-Messer, Didi and Katz, Elad. 2011. A Social Capital Market for Israel. The Yad Hanadiv Foundation. <http://www.yadhanadiv.org.il/publications>
- Landres, Shawn. 2011. "From Giving to Impact Investing." Sh'ma 42:683 (October), pp. 10-11. <http://shma.com/2011/10/from-giving-to-impact-investing/>
- Zecher, Steven, MacLean, Caitlin, and Yago, Glenn. 2012. Building A Social Capital Market In Israel. The Milken Institute. <http://www.milkeninstitute.org/pdf/FIL-Social-Israel.pdf>
- Union of American Hebrew Congregations. Socially Responsible Investment Resolution, adopted by the General Assembly October 29-November 2, 1997 in Dallas. http://urj.org/about/union/governance/resol/?syspage=article&item_id=2008

General

- US-SIF: The Forum for Sustainable and Responsible Investment <http://www.ussif.org>
- The Global Impact Investing Network <http://www.thegiin.org>
- O'Donohue, Nick, Leijonhufvud, Christina, and Saltuk, Yasemin. 2010. Impact Investments: An emerging asset class. <http://www.ipmorganchase.com/corporate/socialfinance/publications.htm>
- Keating, Giles and Schoning, Mirjam. 2012. Investing for Impact: How social entrepreneurship is redefining the meaning of return. Credit Suisse and The Schwab Foundation for Social Entrepreneurship. http://www.weforum.org/pdf/schwabfound/investing_for_impact.pdf
- Eccles, Robert G., Ioannou, Ioannis, and Serafeim, George. 2011. The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance. Harvard Business School. <http://hbswk.hbs.edu/item/6865.html>

About this report

Editorial team: Joshua Avedon, Julie Hammerman, Shawn Landres

Production: Joshua Avedon

Citation: Hammerman, Julie. 2013. "Impact Investing: Rabbinic Perspectives" Jumpstart Report 5. In cooperation with JLens. Los Angeles: Jumpstart.



Impact Investing: Rabbinic Perspectives by Jumpstart Labs is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 3.0 Unported License.

v1.3

Jumpstart

Jumpstart is a philanthropic research & design lab based in Los Angeles. Jumpstart's unique combination of research, convenings, and funding enables creative changemakers - philanthropists and institutional leaders alike - to realize their own visions and advance the common good. Funders turn to Jumpstart for analysis and forecasting, based on original research such as the National Study of American Jewish Giving (first report forthcoming September 2013). Through its fiscal sponsorship platforms and other funding vehicles, Jumpstart delivers resources to new initiatives that are reshaping Jewish and community life globally.

Learn more at www.jewishjumpstart.org

About the author

Julie Hammerman is the founder of JLens. Previously she was the Impact Investing Strategist for a multi-family office in San Francisco where she created customized impact investment portfolios for families, foundations and nonprofits. She began her career on Wall Street as an Investment Banking Analyst. Julie received her MBA from Harvard Business School and her BA in Economics from Tufts University. She holds the CFP® designation.

Disclaimer

All information in this report is provided by JLens for educational purposes only and should not be interpreted as investment advice. It is provided neither to promote securities transactions nor to recommend any securities investments. Investors should consult with an advisor to determine the suitability of any investment strategy. While the utmost effort was made to ensure the accuracy of information presented, JLens assumes no responsibility for any damages arising directly or indirectly from errors and omissions, or from any decision taken based on this information.