THE JUST RETURNS PROJECT CLEAN INVESTMENTS • REAL CLIMATE IMPACT

This research brief, the first in the The Just Returns Project series, is a snapshot of our investment alignment research prepared by NCRP, focusing on 50 highly influential climate and environment funders in the United States, and their stated missions, programs, and investments. What we found is not great—not for environmental and climate justice groups, not for philanthropy, and certainly not for our shared future on Earth. From just an accounting perspective, we found that most foundations are undermining their own grantmaking power and that of their grantees to make real and lasting change—getting less bang for their buck—because of the ways they invest and lock up their endowments.

PUT YOUR MONEY WHERE YOUR MISSION IS

How to Make Your Investments Climate-Justice Aligned

HUMAN-CAUSED CLIMATE CHANGE REMAINS the defining crisis of our time, and the call for bold philanthropic action for climate is now more urgent than ever. We know that the most impacted communities are building Just Transitions to Regenerative Economies—now. We know that they have replicable and scalable solutions, grounded in justice and sustainability, ready to meet the climate crisis—now. We know that their solutions cool the planet, build resilience, and are ready for investment—now.

So why has philanthropy not caught up?

WHAT'S THE BOTTOM LINE?

If you're a funder, there's a high likelihood that your endowment is invested in ways that undermine the very communities you're supporting, at a time when we cannot afford to waste a single minute, keystroke, seed, or dollar. Funders must embrace new ways of thinking, collaborating, and most of all investing—and at an accelerated pace.

WANT TO LEARN HOW? READ ON.

Did you know that in 2020, U.S. philanthropic institutions collectively controlled $1.2 trillion in assets—with nearly all of it invested in global financial and real estate markets—but gave out $88.55 billion in grants. That means funders supported extractive economic systems at 13 times the amount of their programmatic goals and grantees! (And, hey, did you know that of the $88.55 billion in grants, only $415.8 million went to support environmental justice?)

Even though more than half of the foundations we researched use internal investment teams, collaboration between investment staff and program staff is highly unusual. Investment staff are trained to follow a traditional and narrow Return On Investment (ROI) model, and they see the grantmaking side of foundation work as idealistic and at odds with growing an endowment.

THE WALL BETWEEN GRANTMAKING & INVESTMENT

Of the 50 foundations researched...

$146 billion in total investment holdings

28% of foundations have investment holdings totalling $550 million in at least one of the Dirty Dozen private equity firms

? 30% of foundations do not fully disclose investment holdings

WHAT'S THE DIRTY DOZEN?

The Dirty Dozen includes 12 private equity firms that keep the fossil fuel industry afloat, according to a 2022 report by LittleSis and the Private Equity Stakeholder Project. Deliberately shrouded in secrecy and cryptic, private equity firms collect large sums of money from institutional investors, such as philanthropic endowments, to buy companies across every industry, load them up with debt, and quickly flip them to another buyer. This process is all about making money, with no regard to consequences or casualties to communities or the climate. Dirty Dozen firms invest with impunity in the most destructive and controversial extractive practices and related infrastructure. They fuel the climate crisis and environmental injustice by investing in fracked gas, oil pipelines, coal plants, offshore drilling, and other harmful practices.

AVERAGE INVESTMENTS

DIRTY DOZEN

$553M

$637.6M

OTHER FOSSIL FUELS*

2018-2019 annual average foundation investments

VS

TOTAL GRANTMAKING

$884.6M

2018-2019 50 foundations' total grantmaking for climate issues

On average, foundations invest more annually in the Dirty Dozen funds and fossil fuels than in funding for climate issues.

IS YOUR FOUNDATION INVESTED IN THE DIRTY DOZEN?

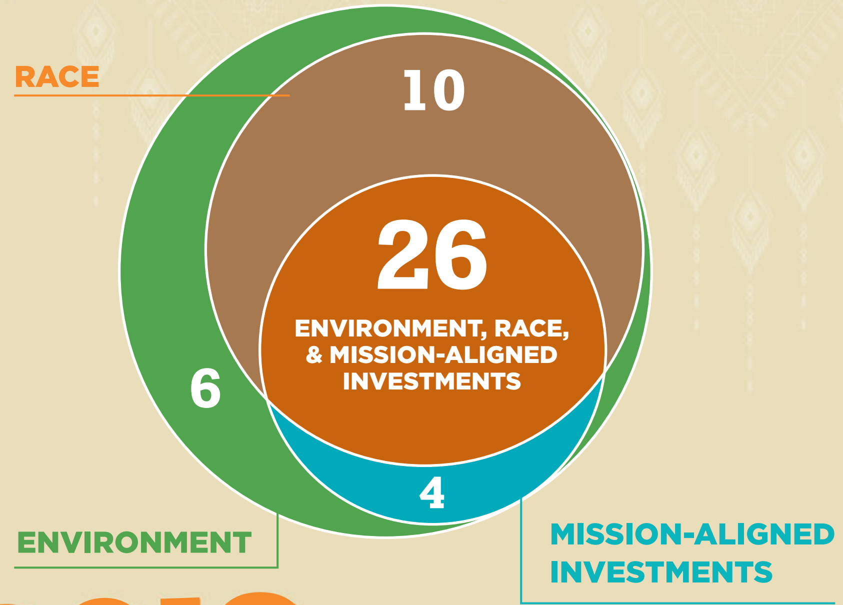
Even if not investing directly in the Dirty Dozen, foundation investment portfolios continue to be tied to fossil fuels and other extractive industries. In an intentional effort to make it hard to track, portfolios are placed in bundles, like hedge funds and investment pools, that hide individual holdings. This means that many foundations are actively undermining their own grantmaking strategies by heavily investing in extractive industries that are in direct contradiction to their missions. In fact, for the 14 foundations invested in the Dirty Dozen, it took only one year for their combined investments to outpace two years' worth of climate grantmaking from all 50 foundations combined.

* The amount invested in "Other Fossil Fuels" was estimated after searching for investments in major fossil fuel companies by name and then adding a second search for "energy," which was then scanned for explicit mentions of "fossil fuels," "oil," "gas," "drilling," "fracking," "coal," etc. Due to the number of investments scanned and the lack of a standard way of labeling investments, some investments outside of the Dirty Dozen are likely missing.

What is intersectionality, practically?

Investing and funding with a commitment to racial justice means understanding how capitalism and the global economy were built off the stolen land, labor, and lives of Black, Indigenous and other People of Color, and how climate change is a direct result of capitalism run amok. This is why racial justice initiatives should fall squarely within the parameters of foundations' climate justice programs, and why investing in fossil fuels, even at small percentages, directly negates any public solidarity statements that foundations might make. Most foundations (47/50 surveyed) have an explicit commitment to race, environment, and/or mission-related investment.

Did your foundation make a public commitment to racial equity and climate justice? Are your practices aligned with your values?



WHAT IS A JUST ROI?

A Just ROI means looking honestly at the impacts of all investments and undercutting returns from fossil fuels by accounting for the true costs and the damage done. For foundations with environmental justice and climate justice programs, this includes taking a hard look at alignment across investment and grantmaking portfolios.

How much is that $50,000 program grant really worth if your investments are actively funding the industries your organizations are working to shut down?

What is Non-Extractive Finance?

Unlike extractive relationships, non-extractive relationships share risk and responsibility between lenders and borrowers and build flexibility into the process. It's based on a collective and democratic governance of wealth. It centers community needs and self-determination at every stage of the process. In a non-extractive lending model, the loan is beholden to the borrower, meaning the lender and borrower are both invested in the success of the enterprise. For example, the terms of a non-extractive loan are made in collaboration with the borrower; repayment timelines and terms are determined by looking at the break-even point of a project.

Our Power Loan Fund

Stewarded by CJA's Reinvest in Our Power project, Our Power Loan Fund (OPLF) is guided by a board of CJA members who are immersed in the work of creating a Regenerative Economy. OPLF addresses inequity and democratizes wealth by moving capital and governance from the extractive economy to a Regenerative Economy. How? By financing and supporting community and cooperative enterprises directly via non-extractive loans, with terms determined together by the project and the fund. OPLF is one of a number of movement-governed loan funds that are changing the landscape of investment and offering alternatives to traditional financing. For more information on OPLF and other non-extractive loan funds nationwide, please visit **seedcommons.org/peer-members/**.

Photo by Olivia Burlingame, Climate Justice Alliance

RECOMMENDATIONS

As climate and political stakes got higher, some funders, bafflingly, doubled down on old investment practices. This happened despite grassroots communities proving, demanding, and reminding funders —with increasing urgency—that we can and must do better. Here are nine recommendations to align your values with your investments.

CHECK YOUR INVESTMENTS VOCABULARY

1 REDEFINE RISK Measure risk in relation to the full picture of a project's growth over time. Communities bearing the worst burdens of climate catastrophe also shoulder the biggest risks from bad investments, in the form of collateralized debt, punitive terms, and excessive reporting and documentation requirements. Funders should try investment approaches that reverse that power dynamic, expand traditional expectations of timelines and financial returns, and prioritize the health of the community as a winning strategy.

2 REDEFINE REWARD If foundations leverage their assets to assume a greater portion of the financial risk of a project, they will earn the true reward—the health and well-being of people, flora, fauna, and ecosystems, sustained by a power shift that supports the long-term success of a working project, rooted in community. Rethinking what success looks like may also attract more investors and support the project in negotiating more regenerative terms for additional capital.

3 REDEFINE IMPACT Align values and priorities across all practices within your foundation. Conventional investment practices, carried out independently of climate and environment program work, often impede and even sabotage the program goals and grantees' progress. Think of impact holistically, not just as a chart to display in your annual report but as a direct community benefit serving and supporting workers and future generations.

4 REDEFINE FIDUCIARY RESPONSIBILITY Experiment with redefining fiduciary responsibility so that it prioritizes people and our planet over preserving and growing institutional wealth. Demand your investors assess externalities and true cost impacts, understanding that accumulated wealth is stolen from communities.

CHANGE THE WAY YOU OPERATE

5 BE TRANSPARENT! Get comfortable disclosing not just your numbers but also your strategies. Go beyond the requirements of Form 990. Demystify categorizations of "other," that cryptic label that currently hides the true impact of 49% of the holdings of the foundations we researched.

6 BREAK THE WALL BETWEEN GRANTMAKING AND INVESTING. If profit is the top priority, chances are that mission alignment has gone out the window. Consider opportunities for co-governance with grantee partners and create an organizational culture that prioritizes values alignment across the organization. Root your policies and practices in a commitment to mission-driven investments.

BUILD THE MARKETS YOU SHOULD INVEST IN

7 INCREASE GRANTMAKING FOR TECHNICAL ASSISTANCE to support the success of community-owned businesses and non-extractive loan funds, especially in the start-up phase.

8 MAKE DIRECT INVESTMENTS IN BUSINESSES THAT ARE MISSION-DRIVEN, particularly those that are community-controlled.

9 SUPPORT THE DEVELOPMENT OF TECHNICAL ASSISTANCE WATERWAYS. Share information about movement-aligned lawyers, accountants, and other providers that may assist projects as they develop their internal systems.

CONSIDERATIONS

This research brief draws its data from publicly available sources including:

- 990 tax forms
- Candid
- Foundation websites
- Media articles and publications

It's possible that the landscape is actually rosier than reflected here, as many funders are currently engaged in the slow, arduous process of moving large institutions to align investment strategies with programmatic strategies. This can take years to achieve. At the same time, investment categorizations that otherwise seem clean can be far from it in the real-life experience of climate justice communities. For example, while holdings like the Dirty Dozen are easy-to-spot red flags, those categorized under blanket labels like "energy," "renewables," or "environment" could be hiding investments that harm communities. Paywalls, coding, and blocks on what is publicly available also impeded our research, as well as the lack of a set standard for how investments are recorded on 990s. And when we began this research in 2022, delays in IRS reporting prevented us from publishing data more recent than 2019. However, knowing how long shifting investment practices can take, we're confident this snapshot in time remains acutely relevant in 2024.

What about you? Have your foundation's investment practices changed since 2019?

CONCLUSION

TODAY'S WORLD IS RIFE with uncertainty, but what we know for sure is that frontline communities have visionary, workable, and scalable climate solutions ready to be implemented. And in this crisis decade, money moved now is more impactful than money moved five years in the future. Instead of accumulating more wealth, this is your chance to get behind real climate solutions!

SO WHAT ARE YOU WAITING FOR?

1. **Break out of transactional thinking altogether.**
2. **Divest from fossil fuels and other extractive industries.**
3. **Fund and invest in grassroots-led climate solutions.**
4. **Stand by your mission and embrace intersectionality.**
5. **Give back and shift power!**

NEED A LITTLE HELP? WE WANT TO BE IN CONVERSATION WITH YOU.

If you want more context about methodology, data sources, and definitions, contact Senowa Mize-Fox at smizefox@ncrp.org, with "Investment research" specified in the subject line.

Look out for coming releases in this series on grassroots impacts and grantmaking trends, co-publications from Climate Justice Alliance, National Committee for Responsive Philanthropy, and the Tishman Environment and Design Center at The New School.

climatejusticealliance.org/just-returns

The Just Returns Project: Clean investments • Real climate impact is a research collaboration between Climate Justice Alliance, National Committee for Responsive Philanthropy, and the Tishman Environment and Design Center at The New School. The Just Returns series materials reflect our findings across three elements that are key to how capital and resources flow—or not—to grassroots environmental justice and climate justice organizations:

1. Funders' investment practices;
2. Funders' grantmaking practices; and
3. Funders' misunderstanding of the impact and scale of grassroots-led climate solutions.

The foundations surveyed for the investment and grantmaking reports are majority-U.S.-based and include those that:

1. Give the highest percentages of their program grants to environment justice and climate justice;
2. Have the largest endowments, comparatively, of foundations that include environment and/or climate in their portfolios; and/or
3. Are seen as trendsetters or have specialized influence in the sector.

While the same set of 50 foundations were chosen for both investment and grantmaking research, the grantmaking piece also includes additional non-endowed funds and/or funder intermediaries. They were included because of the significant influence many non-endowed funders have in climate and environment grantmaking, as well as recent moves that several funders have made into the climate and environment arena, despite not holding a piece of the investment pie.

DIRTY DOZEN

1. Blackstone Group
2. Carlyle Group
3. KKR & Co.
4. ArcLight Capital Partners
5. Apollo Global Management
6. Ares Management
7. Global Infrastructure Partners
8. Kayne Anderson
9. Oaktree Capital Management
10. Warburg Pincus
11. Riverstone Holdings
12. EnCap Investments

FUNDERS RESEARCHED FOR THE JUST RETURNS PROJECT: CLEAN INVESTMENTS • REAL CLIMATE IMPACT

1. Kresge Foundation
2. Pisces Foundation
3. Schmidt Family Foundation
4. Rockefeller Brothers Fund
5. William and Flora Hewlett Foundation
6. John D. and Catherine T. MacArthur Foundation
7. Barr Foundation
8. JPB Foundation
9. Gordon and Betty Moore Foundation
10. Ford Foundation
11. Margaret A. Cargill Foundation
12. Kendeda Fund
13. Alfred P. Sloan Foundation
14. Bill & Melinda Gates Foundation
15. Grantham Foundation
16. Beneficus Foundation
17. NoVo Foundation
18. David and Lucile Packard Foundation
19. Bloomberg Philanthropies
20. Sea Change Foundation
21. Heising-Simons Foundation
22. Silicon Valley Community Foundation
23. Doris Duke Charitable Foundation
24. McKnight Foundation
25. Skoll Foundation
26. Rockefeller Foundation
27. Robertson Foundation
28. Wallace Global Fund II
29. Beneficus Foundation
30. NoVo Foundation
31. The David and Lucile Packard Foundation
32. Bloomberg Philanthropies
33. Sea Change Foundation
34. Heising-Simons Foundation
35. Silicon Valley Community Foundation
36. Doris Duke Charitable Foundation
37. McKnight Foundation
38. Skoll Foundation
39. Rockefeller Foundation
40. Robertson Foundation
41. Wallace Global Fund II
42. Surdna Foundation
43. Open Society Foundations
44. Meyer Memorial Trust
45. The Libra Foundation
46. CS Fund
47. Grove Foundation
48. Northlight Foundation
49. Nathan Cummings Foundation
50. Laughing Gull Foundation
51. Mertz Gilmore Foundation
52. Scherman Foundation
53. Generation Foundation
54. Swift Foundation
55. Overbrook Foundation
56. Hidden Leaf Foundation
57. Robert Wood Johnson Foundation
58. Marguerite Casey Foundation
59. Kataly Foundation
60. Arch Community Fund
61. WK Kellogg Foundation
62. Walton Family Foundation
63. Wyss Foundation

CLIMATE JUSTICE ALLIANCE COMMUNITIES UNITED FOR A JUST TRANSITION

ncrp National Committee for Responsive Philanthropy

THE NEW SCHOOL Tishman Environment and Design Center

CLIMATEJUSTICEALLIANCE.ORG/JUST-RETURNS

Design: Innosanto Nagara