

# MISSION-BASED INVESTING COMES OF AGE

*How Two Catholic Healthcare Systems Are Making MBI a Reality*

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*Catholic healthcare organizations are venturing into mission-based investing (MBI) in surprising numbers. Many have several years of experience, but for others, crafting and implementing a rigorous new investment strategy can seem overwhelming. It need not be. This article—the second in a series on MBI—looks at what two Catholic health systems have learned about putting MBI in place.*

**A**lthough most Catholic organizations are familiar with “socially responsible investing,” MBI poses more of a challenge. Like socially responsible investing, MBI incorporates ethical criteria into investment decisions; but because MBI is by definition linked to the organization’s mission, it requires that investment decisions be based on mission principles and goals, rather than vaguely defined values.

## SCL HEALTH SERVICES CORPORATION

SCL Health Services Corporation, Leavenworth, KS, had done some socially responsible investing since 1994. Then, in 1998, Sr. Marie Damian Glatt, SCL, the system’s president at that time, charged a task force with developing a comprehensive MBI program. At a CHA-sponsored meeting last February, where almost 50 Catholic health ministry leaders shared experiences, task force representatives happily learned that many systems and groups were engaged in MBI and could be tapped as a resource.

**Know the Facts** Kim Brown, the system’s manager of corporate finance, said the meeting gave the task force the data it needed to address the concerns of board and staff. Before presenting the concept to the board, the task force did its homework, according to Brown and Sr. Paulette Krick,

SCL, corporate director of communications. To enable the directors to compare “apples to apples,” the task force compared the returns of socially responsible funds against those of nonsocial funds that had similar investment styles and goals (e.g., market growth). Once they saw that MBI programs, in most instances, performed as well as or better than others, the board members were more comfortable with MBI.

“We had to alleviate the fears of those who have the fiduciary responsibility to be stewards of the system’s money and ensure an appropriate return on investment,” Sr. Krick said. The task force also explained the legal issues of MBI.

**Getting Started** The system board adopted the task force’s MBI guidelines last July and created a Mission-Based Investing Advisory Board made up of two corporate representatives, a board member, two members of the system’s Investment Committee, and a person from another Catholic system experienced in MBI. The advisory board’s responsibilities include developing a timetable for implementing the program, identifying social justice issues, and monitoring compliance with investment policy.

At its first meeting in September 1999, the advisory board set priorities for the program, which is slated to begin with the system’s next fiscal year in June 2000. With the help of an adviser on social screening and company evaluation, the advisory board will set up screens—nonfinancial criteria for choosing firms in which to invest. For example, most systems do not invest in alcohol- or tobacco-related industries, Sr. Krick said. On the other hand, screens can be positive. “The system may want to invest in companies that are good to their employees or that contribute to their communities, for example,” she explained.

The system also plans to get into community-based investing (sometimes called “alternative

## SCL HEALTH

SCL Health Services Corporation, Leavenworth, KS, encompasses 10 hospitals and 12 stand-alone clinics in California, Colorado, Kansas, and Montana.

investing"). Such investments strengthen communities through such activities as providing low-interest loans to a socially responsible group.

At some time in the future the system would also like to undertake activist investing. In this approach the system would invest in a firm if it believed it had a chance to influence change in the company (e.g., decrease executives' golden parachutes, increase minorities in management) by voting proxies or sponsoring proxy resolutions.

## CATHOLIC HEALTH EAST

Catholic Health East (CHE), Newtown Square, PA, adopted a systemwide approach to MBI in early 1999, when its board approved the system's "Socially Responsible Investment Policy."

### CHE

Catholic Health East, Newtown Square, PA, is cosponsored by 13 religious congregations, with facilities from Maine to Florida, including 31 hospitals, 27 skilled nursing facilities, and 20 residential facilities.

The policy reflects the policies of the organizations that came together in 1998 to form CHE and the charisms of all the sponsoring congregations, said Maureen McCullough,

who was the system's vice president for advocacy and community health. (McCullough is now CHA's vice president, advocacy and public policy.) A corporate Socially Responsible Investment Committee, which includes staff from advocacy, finance, treasury, and mission services, developed the system's policy. McCullough said the committee received helpful support from other organizations and healthcare systems that were willing to share their experiences.

**Policy Components** The policy excludes investments in "companies which diminish the health of the individual or community or whose products, services or actions are incongruent with the mission and values of CHE and the social teachings of the Catholic Church." The policy incorporates several major components:

- **Screens.** The social screens in the policy include the manufacture of tobacco or tobacco products; abortifacient drugs; nuclear, chemical, or biological weapons; or any products that exploit the environment. The system will not knowingly invest in companies or countries that exploit employees or citizens. For a full description of the screens, as well as the components described below, view the policy on CHA's Web site ([www.chausa.org](http://www.chausa.org)).

- **Supported investing.** CHE's policy supports investment in companies committed to social and environmental well-being, as demonstrated by their employee relations, protection of the natural environment, support of global human rights, or

contributions to economic development in communities. It also supports investments in companies that are changing from economic dependence on the military to other endeavors.

- **Voting guidelines.** The policy contains proxy voting guidelines that support shareholder resolutions regarding diversity, the environment, conversion of military technology to civilian uses, violence in the media, improved working conditions in countries outside the United States, tobacco and alcohol use and advertising, and governance issues such as board diversity and political contributions.

**Future Investing** The committee is also investigating alternative investing. "This policy doesn't cover it, but we are actively looking at that as the next step to support our systems' healthy communities initiatives," McCullough said.

Although the system has not set specific rates of return and does not yet have exact figures, CHE does not anticipate problems because mission-based investments have consistently beaten their targets, said Paul Klinck, the system's vice president for treasury services. He noted that some systems have been active in socially responsible investing for more than a decade with good results. □



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