Opinion **Social and environmental impact investment**

Museums should lead in socially responsible investing

How cultural institutions invest their money needs to be scrutinised

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A protest against oil company BP's sponsorship of an exhibition at the British Museum in February © PA Archive/PA Images

Laura Callanan 8 HOURS AGO

Museums and galleries all over the world have been grabbing headlines lately, as a result of controversies over the source of funding from donors and trustees.

Artists and members of the public have objected to sponsorship from companies and individuals linked to the sale of opioids, tobacco, fossil fuels, private prisons, or the manufacture of tear gas. But the outcry overlooks a bigger opportunity for endowed cultural institutions to signal their values: how they invest.

The financial investments of four museums that have been criticised — the Metropolitan

Museum of Art, the Museum of Modern Art, the Solomon R Guggenheim Museum and the Whitney Museum of American Art — total more than $6bn. Turning down a few million dollars in individual donations because of where the money comes from might feel good. But it ignores how these institutions invest the billions of dollars they already control.

Cultural institutions generally invest in public equities. It is reasonable to assume at least a portion of their public equity allocation is in an index fund, such as the S&P 500, which includes the very same types of companies — tobacco, weapons manufacturing and fossil fuels — that are objected to in connection with controversial donors.

Yet there are hundreds of alternative vehicles that could allow for values-driven investing — including index funds such as the MSCI KLD 400 Social index and the S&P 500 ESG index. These exclude companies that produce negative social and environmental impacts. Then there are exchange traded funds aligned with issues of race and social justice, gender equity, alternative energy production and the UN sustainable development goals. In fact, in the US, $12tn is currently invested for positive environmental and social impact through funds such as these — one-quarter of all assets under management. So why aren't cultural institutions investing in these opportunities?

Mention the topic of socially responsible investing and people often ask whether investors sacrifice financial returns when they introduce factors such as environmental stewardship and good governance into investment decision making. The answer is no.

In fact there is a growing body of evidence demonstrating that socially responsible investments outperform conventional ones. Wealth advisers including Perella Weinberg and impact investors as diverse as the state of North Carolina and The Russell Family Foundation are sharing their evidence and portfolio experience to prove it.

Cultural institutions should be at the forefront of socially responsible investing, and this is where their boards can help. So far, it is small arts organisations that are leading the way. In the past few months, Building for the Arts and Creative Capital each invested in the NYC Inclusive Creative Economy Fund, the first impact investment vehicle targeting low-income communities. In June, the Souls Grown Deep Foundation committed its entire $1m endowment to an impact investment strategy focused on promoting racial and social justice and economic opportunity in the arts.

These three organisations see their investing power as another tool to advance their mission. Larger operations such as the Ford Foundation, the Heron Foundation and the Rockefeller Brothers Fund have also demonstrated how to align the endowment of a non-profit institution with its values.

Science and natural history museums including the Field Museum and the American Museum of Natural History have divested from fossil fuels in alignment with their stance on climate change. The time has come for our largest cultural institutions to demonstrate similar leadership.

Let's bring the best of Wall Street and Museum Mile together.

The writer is founding partner of Upstart Co-Lab and former senior deputy chair of the National Endowment for the Arts. Maxwell Anderson also contributed