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Morgan Stanley

Mission Align 360°

Implementation Road Map

A process by which an organization, such as a foundation, examines all capital including human, financial and philanthropic—for allocation toward its mission and creating positive impact.

Organizations seeking to align human, philanthropic, and financial capital with their mission can consider the following process as a guide in order to help meet their objectives and goals:



1. AFFIRM mission of the organization



2. EXAMINE the efficiency of the internal structure and operating model



3. DEVELOP an integrated Investment Policy Statement (IPS)



4. EVALUATE use of human, philanthropic, and financial capital



5. DETERMINE potential uses of capital



6. ALLOCATE & TRANSITION capital to mission-aligned strategies



7. MONITOR portfolio performance for adherence to mission



8. CONNECT to stakeholders; leverage Morgan Stanley resources



AFFIRM

Organization's Mission

Affirm the mission statement successfully defines purpose and provides key stakeholders a clear vision of what the organization is working to achieve.

QUESTIONS TO ASK

- What was the initial intent of our mission when it was created?
- How is our mission currently pursued? Does our mission statement accurately reflect our work?
- Has our mission evolved over time? If so, how?
- What external market forces have impacted our ability to deliver on our mission?
- How often are we re-examining our mission in tandem with the organization's goals, changes in society and the economy?

POTENTIAL ACTIONS TO TAKE

- Complete Philanthropic Discovery Questionnaire
- Review Philanthropy Management Mission Statement
- Consider attending Philanthropic Retreat

MORGAN STANLEY RESOURCES

- Creating a Foundation Mission Statement
- Philanthropic Discovery Questionnaire
- Sample One-Day Family Philanthropic Retreat Agenda



EXAMINE

Internal Operating Efficiency

Transitioning to Mission Align 360° requires the organization to assess its human, philanthropic, and financial capital and how such capital is allocated in order to accomplish its mission.

QUESTIONS TO ASK

- Do we have appropriate processes in place to achieve our vision?
- Which staff members can serve as internal champions?
- Have we defined a link between the teams that manage programs and investments?
- How can we best position to obtain board approval?
- What structural trade-offs are we comfortable with that can be incorporated in our budgeting process?
- Will employees require training or education?
- How could our processes change with beneficiary organizations?
- Who is responsible for informing stakeholders of our vision?
- Should we outsource our Chief Investment Officer?

POTENTIAL ACTIONS TO TAKE

- Determine internal champions of the Mission Align 360° Process
- Refine and establish processes that will promote Investing with Impact
- Consider participation in Philanthropic Services Exemplary Board Leadership Development Program
- Review internal Board Policies
- Ensure staff are abiding by the Spending Policy Statement (SPS) or Grant-Making Policies and Procedures

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- Board Policies Table
- Exemplary Board Leadership Program
- The Empowered Institution: Services for Foundations and Nonprofits



DEVELOP

Investment Policy Statement

Organizations seeking to integrate Investing with Impact into their Investment Policy Statement should use the following process as a guide in those efforts. The investment plan should guide decisions that influence aligning assets and goals, and provide direction for prioritizing all available resources.

QUESTIONS TO ASK

- How do we define our endowment's value and how do we want to preserve or generate it?
- How do we align our mission with existing or new financial objectives around the balance of risk and return?
- How will the integrated IPS fit into foundation governance processes?
- What documentation and approval are required?
- Do we have a set of shareholder engagement guidelines?
- How do we balance short-term deficit for long-term financial and programmatic gain?

POTENTIAL ACTIONS TO TAKE

- Utilize road map for integrating Investing with Impact into Investment Policy Statement
- Review peer organizations' Investment Policy Statements
- Work with an advisor for guidance on impact and assets
- Gain approval from key decision-makers

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- Custom Solutions Outsourced CIO (OCIO)
- Integrating Impact Criteria into an Investment Policy Statement (Broad Impact, Gender Diversity, Catholic Values, Climate Change)
- Investment Policy Statement for Nonprofit Organizations



EVALUATE

Existing Assets

An organization's assets should be evaluated according to both mission alignment/positive impact and financial goals.

QUESTIONS TO ASK

- How do we quantify and evaluate the impact current assets are making?
- Are we leveraging our capital (market-rate investments, human and philanthropic) effectively?
- Are we invested in assets that erode our mission?
- Are investments meeting financial guidelines established in the IPS?
- Do our existing grant commitments meet guidelines of the new grant policies and procedures?
- How do we measure the impact of our current grant-making portfolio?

POTENTIAL ACTIONS TO TAKE

- Consider all available capital pools for evaluation
- Determine the impact approach being used on each asset class
- Determine portion of portfolio aligned to impact; where potential gaps exist and where impact should be strengthened
- Determine whether new board members are necessary

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- Board and Professional Placement Services
- Custom Solutions Outsourced CIO (OCIO)
- Investing with Impact Framework
- Scaling for Impact Whitepaper
- Strategies for Charitable Giving



DETERMINE

Potential Capital Use

Achieving Mission Align 360° requires an open mind and creative thinking, and encourages organizations to consider all available pools of capital for potential allocation toward its mission.

QUESTIONS TO ASK

- How do we decide what opportunities align best with our mission?
- How will future grants align with impact-driven SPS?
- What is the optimal asset allocation that meets our financial and impact objectives?
- Are investments meeting financial and impact guidelines established in the IPS?
- How do we address investments that contradict our mission?
- Will we continue to support existing grantees and/or consider new grant opportunities?

POTENTIAL ACTIONS TO TAKE

- Examine the impact of each strategy in regard to achieving the mission
- Evaluate opportunities based on the level of comfort
- Use Bridge to Mission approach and allow for creative solutions
- Work with an advisor to find broad and narrow investment strategies that align with the IPS
- Conduct Landscape Analysis of grant-making strategies
- Conduct site visits of nonprofits and grantees

MORGAN STANLEY RESOURCES

- Custom Solutions Outsourced CIO (OCIO)
- Investing with Impact Capabilities Presentation
- Investing with Impact Framework
- Investing with Impact Product Matrix
- Landscape Analyses
- Site Visit



ALLOCATE and Transition Assets

An organization has numerous opportunities to allocate capital to produce greater positive impact. A Morgan Stanley Financial Advisor can serve as a valuable resource for navigating the transition of human, philanthropic, and financial capital.

QUESTIONS TO ASK

- What assets are we able to transition (divest, invest or reallocate) now?
- Do we plan to transition further assets in the future? When?
- What do we do if investments are commingled?
- Are there time constraints on any investments we'd like to exit?
- What opportunities exist to transition philanthropic capital to Program Related Investments (PRIs) or Mission Related Investments (MRIs)?
- How much will we be granting to new opportunities now and in the future?

POTENTIAL ACTIONS TO TAKE

- Work with an advisor to allocate and transition assets toward strategic philanthropy or market-rate investments
- Decide whether a carve-out or gradual transition to Mission Align 360° is appropriate
- Speak with investment managers of funds that are being considered for a mission-aligned portfolio
- Consult Philanthropy Management on development and allocation of human capital

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- Custom Solutions Outsourced CIO (OCIO)
- Investing with Impact Capabilities Presentation
- Morgan Stanley GIFT Donor Advised Fund or Private Foundation
- Nonprofit and Foundation Board + Professional Services Questionnaire
- PRI Primer



MONITOR Portfolio

Impact measurement can be complex and often lacks a single standardized method of reporting. However, it is a key evaluative tool to assist organizations in understanding the value of their investments.

QUESTIONS TO ASK

- Why do we monitor grants, mission alignment and financial performance? How and at what frequency?
- What impact data is available and most applicable to our mission?
- What benchmarks and impact metrics should we use to assess performance of our investments?

POTENTIAL ACTIONS TO TAKE

- Work with an advisor to set procedures and guidelines for monitoring impact
- Stay up-to-date with proxy voting and shareholder engagement results
- Access third-party manager websites for impact reporting updates on an ongoing basis
- Request and review quarterly Grant Reports
- Conduct annual site visits to monitor performance

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- Custom Solutions Outsourced CIO (OCIO)
- Morgan Stanley Portfolio Impact Reporting
- Third-party manager impact reports



CONNECT to Stakeholders

Organizations interested in publicly sharing their journey to Mission Align 360° can consider highlighting some of the details, successes and lessons learned. Doing so will assist the board, staff, donors, stakeholders and peer organizations in understanding the steps taken to better achieve their mission and values.

QUESTIONS TO ASK

- What resources are there to stay up-to-date on ideas we value?
- How do we share results and success stories with the public?
- How do we share the news of our transition to Mission Align 360° with external networks, organizations and donors?
- How do we network with like-minded organizations?

POTENTIAL ACTIONS TO TAKE

- Employee education: Investment team to educate employees on impact of financial goals on constituencies and foundation's bottom line
- Highlight case studies: Connect financial stories to mission
- Subscribe to Morgan Stanley updates for forthcoming sustainability and impact thought leadership
- Engage with peer networks through events and social media
- Consider sharing news of transition to Mission Align 360° through website
- Attend Morgan Stanley Social Impact Exchange Conference on Scaling Impact

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- Institute for Sustainable Investing
- *Impact Outcomes* quarterly publication
- Morgan Stanley Website and Social Media
- Morgan Stanley & Co. Sustainability Research
- *Perspectives in Philanthropy* Journal and Linkages Database
- Philanthropy Management/Investing with Impact Events

At Morgan Stanley, we understand that organizations have the capacity—and the desire—to leverage their full spectrum of human, philanthropic, and financial capital to meet their long-term financial objectives while generating positive impact. Morgan Stanley is a trusted advisor with expertise and resources to advise your organization across the full spectrum of capital.

For more information, email
missionalign360@morganstanley.com

Key Definitions:

HUMAN CAPITAL: The collective skills, talents, knowledge or other intangible assets of individuals that can be used to create economic value.

PHILANTHROPIC CAPITAL: Capital that has no, or low, expectation of financial return such as grant-making and program related investments.

FINANCIAL CAPITAL: Investments that seek to achieve specific social goals while targeting market-rate financial returns.



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Investing in the market entails the risk of market volatility. The value of all types of investments may increase or decrease over varying time periods.

The returns on a portfolio consisting primarily of sustainable or impact investments may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations.

Because sustainability and impact criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria.