

FACE TO FACE GEETA AIYER

ESG investing

Chief of female-led boutique on the ESG 'tipping point'

INTERVIEW

Boston Common's Geeta Aiyer on how investors should respond to health and social inequality crises

SIOBHAN RIDIN



Geeta Aiyer first understood the power of investors to push for change back in 1993 when US supermarket executives flew 2,500 miles to speak with her about gender inclusion.

Ms Aiyer, then a portfolio manager at United States Trust Company of Boston, was elated that her efforts to encourage the company to take the issue seriously were paying off. "I was only in my 30s and it felt heady," she says. "I realised that investors had this unique power that they can use or not use."

It was the start of a vocation for Ms Aiyer, who, as president of responsible investment boutique Boston Common Asset Management, has dedicated her career to using finance as a force for good.

Though it manages just \$2.7bn, Boston Common makes up for its small size with its vocal presence in the boardroom. It took part in 219 engagements with companies last year and submitted shareholder resolutions at companies including Google parent Alphabet.

It also helped push the US football team known as the Washington Redskins to review its racially inflammatory name.

Along with a group of fellow investors, Boston Common convinced logistics company FedEx to threaten to end its sponsorship of the team's stadium if the name was not changed. The team complied, conceding to mounting public pressure in the aftermath of the police killing of George Floyd.

But for Boston Common the move was part of a 12-year battle. "It seems logical now but it doesn't when you're early," says the 62-year-old. "It was definitely a moment of realising that we had reached a tipping point."

Boston Common's trailblazing approach to environmental, social and governance investing extends to the way its business is structured.



Born 1958 Chennai, India

Total pay Not disclosed

Education

1978 BA in psychology, Delhi University

1980 MA in sociology, Delhi University

1985 MBA, Harvard Business School

Career

1985-88 Consultant, Cambridge Associates

1988-94 Senior portfolio manager, United States Trust Company of Boston

1994-98 Founder and president, Walden Capital Management

1999-02 President, Walden Asset Management

2003-present Founder and president, Boston Common Asset Management

Founded by Ms Aiyer, who was born and raised in India, the majority of the group's management and investment teams, and its employee owners, are women and/or people of colour. "We intentionally built a diverse firm with very different backgrounds. We wanted to practice what we preach."

Breaking into a historically white and male investment industry was challenging. A 2019 study by the Knight Foundation found that just 1.3 per cent of US investment industry assets were managed by companies that were majority-owned by women and racial or ethnic minorities.

Yet the unassuming and softly spoken Ms Aiyer says that she has "always viewed high barriers as a challenge to overcome" rather than asking for concessions, both in her career and at her company.

Her roots as an entrepreneur date back to the early 1990s when she set up her first responsible investment boutique, Walden Capital, using the revenues from a side business she ran selling instant Indian curry mixes to US grocery stores.

In establishing Boston Common in 2003, her aim was to go a step further on ESG by having an investment policy centred around responsible principles rather than retrospectively applying screens to portfolios. "In the early days, we were idealistic enough to think that all of finance would take this approach," she reflects.

It has taken almost 20 years but the rest of the investment community is now starting to catch up as awareness builds of the material impact of ESG risks on returns.

"The narrow definitions we use in finance are now defunct," she

observes. "I look forward to when MBA and CFA programmes are updated so that we unlearn what we learnt as financial professionals."

Nonetheless Ms Aiyer is concerned about the risk of greenwashing as investment groups seek to tap into the sustainable investing boom.

Revelations that 20 sustainable funds invested in UK fast-fashion retailer Boohoo, which has been accused of poor working practices, are a "prime example of the problem of a check-box approach to ESG", she says.

Relying on ratings providers, as funds did in the case of Boohoo, "perpetuates a kind of group think" instead of encouraging portfolio managers to use their judgment and question whether "a business model might be too good to be true".

Boston Common's priority over the coming months will be pushing its portfolio companies to do their part to tackle social inequality, particularly in the wake of the coronavirus pandemic and Black Lives Matter movement.

Ms Aiyer highlights the fact that the economic crisis unleashed by Covid-19 has disproportionately hit minority communities, due to the fact they occupy more service-sector jobs and have fewer financial reserves.

"Moments of crisis highlight the fact that all is not well," says Ms Aiyer. "We tend to think of these crises as surprise or one-time events [instead of] seeing them as interconnected."

Boston Common plans to pressure companies to go beyond issuing lofty statements on their commitment to inclusion and prove that they are not perpetuating inequalities through

Boston Common Asset Management

Established 2003

Assets under management \$2.7bn

Employees 36

Headquarters Boston

Ownership Employees 80 per cent; Rosemont Investment Partners 20 per cent

their supply chains, advertising or hiring practices.

The group will take banks to task on whether the way they grant loans or assign credit scores is discriminatory, as well as probing the practice of "redlining", cutting consumer bank branches in minority neighbourhoods. It will also press real estate investment trusts to show forbearance to tenants facing evictions as a result of the crisis.

The challenge, says Ms Aiyer, is getting companies to think about the issues in a holistic way rather than as a zero-sum game. "We faced this when we engaged banks [about the climate risks in their loan books]."

They would want to tell us all about their new green headquarters, and we would say: 'No, we want to know about your loans.'

While Boston Common intends to work with civil rights and racial justice organisations in its forthcoming engagements, Ms Aiyer says the group's focus on fighting inequality has financial rather than political motives.

"[The banks in our portfolio] have an interest in creating more economically vibrant cities," she says. "Constantly evicting people or having provisions for non-performing loans is not a positive cycle."

Alongside her personal interest in the cause – she took part in the Juneteenth march marking the end of slavery and has participated in similar demonstrations in the past – she believes investors and companies have a role to play in creating a fairer society.

"There is an assumption the system works and will take care of things, but [recent events] have brought home how that is not the case and the rights we fought for in the 1960s are not settled," she says. "It is incumbent on all parts of society to be engaged participants and to maintain vigilance."