Putting Your Money Where Your Faith Is

Socially Responsible Investing 101
“You shall love the Lord your God with all your heart, and with all your soul, and with all your strength and with all your mind; and your neighbor as yourself.” Luke 10:27
“Learn to do good:

- Seek justice,
- rescue the oppressed,
- defend the orphan,
- plead for the widow.”

Isaiah 1:17
This corporation needs to show more social responsibility. Starting today we're going to put people before profits.

April fool!..
I'm broke. The company declared bankruptcy and my 401k savings are worthless.

No, I've been impersonating you and diversifying your investments into tobacco, sweat shops, and diamond mines.

Really?! How am I doing?

It's mixed. You have a 37% return but your soul will burn for eternity.
What is Socially Responsible Investing (SRI)

SRI begins with the ethical premise that investment decisions are made
* for financial gains
AND
* to broaden and deepen positive social change.
Performance Comparison
Screened Fund and S&P 500 Index

24 years: Fund 12.7%; Index 12.8%
In 2005, $2.29 Trillion is in Socially Responsible Investing using SRI screens, shareholder advocacy or community investing.

One in ten dollars is in SRI

Interfaith Center for Corporate Responsibility (ICCR) is the group through which CSA works.
Selective Invest Strategy

Avoidance Screens: a filter that prohibits investing in certain industry sectors or certain companies.

Examples: tobacco, pornography, abortifacients, nuclear weapons, handguns, for-profit prison industry, climate change, Sudan
**Selective Investing Strategy 2**

**Affirmation screens** seeks certain industry sectors or companies in order to support their positive social and/or environment practices.

**Examples:** Organic food, minority owned firms, alternative fuel suppliers, labor friendly companies, family centered entertainment companies, fair trade
### Table 1—International Separate Account Screens

<table>
<thead>
<tr>
<th></th>
<th>Political/ Human Rights</th>
<th>Workplace/ Labor/ Exec Pay</th>
<th>Environment/ Animal Rights</th>
<th>Product Concerns*</th>
<th>Military Contracting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Brandes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Calvert</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>CBIS</td>
<td></td>
<td></td>
<td></td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Friends I &amp; S</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>MMA</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Murray Johnst.</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Oechsle</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Pinnacle</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Scudder</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Walden</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>World Asset</td>
<td></td>
<td></td>
<td></td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

*May include oil, weapons, nuclear power, tobacco, alcohol, gambling, pornography, contraception, etc.

### Table 2—International Mutual Fund Screens

<table>
<thead>
<tr>
<th></th>
<th>Political/ Human Rights</th>
<th>Workplace/ Labor/ Exec Pay</th>
<th>Environment/ Animal Rights</th>
<th>Product Concerns*</th>
<th>Military Contracting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calvert</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Citizens Trust</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>MMA Praxis</td>
<td>yes *</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

*May include oil, weapons, nuclear power, tobacco, alcohol, gambling, pornography, contraception, etc.
Table 3—Methodologies (international portfolios)

<table>
<thead>
<tr>
<th></th>
<th>Staff of Social Researcher(s)</th>
<th>Buy Outside Social Research</th>
<th>NGO/Human Rights Partners</th>
<th>Shareholder Action</th>
<th>Firm Wide SRI Mission</th>
<th>Positive Screens</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett</td>
<td>yes</td>
<td>yes</td>
<td></td>
<td></td>
<td></td>
<td>yes</td>
</tr>
<tr>
<td>Brandes</td>
<td>yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calvert</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>CBIS</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Citizens Trust</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Friends I &amp; S</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td></td>
<td>yes</td>
</tr>
<tr>
<td>MMA</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Murray Johnst.</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td></td>
<td>yes</td>
</tr>
<tr>
<td>Oechsle</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pinnacle</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scudder</td>
<td>yes</td>
<td>yes</td>
<td></td>
<td></td>
<td></td>
<td>yes</td>
</tr>
<tr>
<td>Walden</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>World Asset</td>
<td>yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>yes</td>
</tr>
</tbody>
</table>
Letter Writing Strategy

This is often the first initiative an SRI shareholder takes with a company.

**Initiative might arise from a “generic” effort to determine how companies in certain industry sectors are meeting social and environmental criteria.

**Initiative might be provoked by some highly publicized or egregious company behavior.

**Initiative might emerge from Proxy book information that stimulates SRI interest.
Proxy booklets - content

- Information about annual meeting (where, when)
- Approval of Board members
- Approval of auditors
- Perhaps a company proposal
- Shareholder resolutions
- Company response to these resolutions
Proxy Voting

This enables shareholders to voice their SRI perspective.
- Can support both management and shareholder proposals
- Can be an opportunity to withhold support, particularly in voting for management proposed directors, compensations, etc.
- Sometimes there is a “proxy solicitation” whereby other shareholders are contacted to ask them to support the SRI resolution.
Proxy voting 2

Proxy voting card goes to a counting machine. If you would like the CEO to know why you are voting a certain way, then you need to write him/her letter.

CSA does this when it looks like there are no women on the Board and all new nominees are men.

There are resources to help you think through how to vote.
Resources for decision making

- **Proxy Season Review** from As You Sow – analyzes the different resolution issues. [www.asyousow.org](http://www.asyousow.org) Comes out annually.
- **Proxy Voting Guidelines, Shareholder Activism** by Domini Social Investments – [www.domini.com](http://www.domini.com)
Dialog Strategy

This is a strategy you probably would not use unless you are part of a group. It is unlikely that a company would meet with an individual regarding company policies. It is also very time consuming.

However, it often has the greatest degree of success.
Addressing Company at Annual Meetings

All shareholders have a right to speak at company annual meetings, although opportunities to do so will often be limited by the manner in which these meetings are conducted.

Even when there is no shareholder resolution being presented on a particular issue, shareholder can use the venue of the annual meeting to present questions, concerns or statements to the board and CEO.
Shareholder resolutions are legal documents that are governed by the US Securities Exchange Commission (SEC). They are used when the corporation resists changing practices that you as shareholder do not want your company to do such as reducing air pollution or when you would like practices added such as environmental studies before building in a sensitive area.
12 actions found.

Click here to return to the main search screen or click on any action or company name.

<table>
<thead>
<tr>
<th>Action</th>
<th>Company</th>
<th>Year</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Childrens' Rights/Secondhand Smoke</td>
<td>Altria Group, Inc.</td>
<td>2007</td>
<td>actual vote: 3.69%</td>
</tr>
<tr>
<td><strong>Labor Standards</strong></td>
<td>Apple Computer, Inc.</td>
<td>2007</td>
<td>dialogue</td>
</tr>
<tr>
<td>Human Rights -Develop and Adopt Policies</td>
<td>Boeing Company</td>
<td>2007</td>
<td>reported vote: 23.00%</td>
</tr>
<tr>
<td>Human Rights -Develop and Adopt Policies</td>
<td>Exxon Mobil Corporation</td>
<td>2007</td>
<td>dialogue</td>
</tr>
<tr>
<td>Political Contributions - Militarism</td>
<td>General Dynamics Corporation</td>
<td>2007</td>
<td>dialogue</td>
</tr>
<tr>
<td>Nuclear Weapons &amp; Depleted Uranium</td>
<td>Lockheed Martin Corporation</td>
<td>2007</td>
<td>reported vote: 6.97%</td>
</tr>
<tr>
<td>Exit Tobacco Business</td>
<td>Loews Corporation</td>
<td>2007</td>
<td>actual vote: 0.32%</td>
</tr>
<tr>
<td>Foreign Military Sales</td>
<td>Northrop Grumman Corporation</td>
<td>2007</td>
<td>actual vote: 6.16%</td>
</tr>
<tr>
<td>Ethical Criteria for Military Contracts</td>
<td>Raytheon Company</td>
<td>2007</td>
<td>dialogue</td>
</tr>
<tr>
<td>Childrens' Rights/Secondhand Smoke</td>
<td>Reynolds American Inc.</td>
<td>2007</td>
<td></td>
</tr>
<tr>
<td>Foreign Military Sales</td>
<td>United Technologies Corp.</td>
<td>2007</td>
<td>actual vote: 5.57%</td>
</tr>
<tr>
<td><strong>Sustainability Reporting (CSS)</strong></td>
<td>Wal-Mart Stores, Inc.</td>
<td>2007</td>
<td>dialogue</td>
</tr>
</tbody>
</table>
Strategies so far:

1. Screens
2. Writing letters
3. Proxy voting
4. Dialog
5. Addressing annual meeting
6. Shareholder resolution
Other Strategies

- **Hold mutual funds accountable** for their voting practice. You have right to know how they voted on the stocks in the fund.
- Work with other organizations.
- You can become an ICCR (Interfaith Center for Corporate Responsibility) “**advocate**” or join their “**ethvest**”. [www.iccr.org](http://www.iccr.org)
- **Divest.** This is a last resort. Was successful in S. Africa. There is a current effort to divest from companies doing business with the Sudan.
Community Investing
“If you want your money to work for justice and sustainability, become a community investor.” (Alisa Gravitz, Co-op America)
Definition

Community or Social investing has also been referred to as Alternative Investing.

1. Directs investor money into rebuilding low-income areas underserved by traditional financial services

2. Provide loans and other financial services to individuals in need who may otherwise not be able to access them due to lack of credit or income.
Definition 2

3. Supply capital for small businesses and vital services such as child care.

4. Often provide education, mentoring and technical support to guarantee the success of the loans.

Typically a small percentage of one’s portfolio is invested (3-10%).

Typical return on investment is 1-4%.
Charitable Giving vs. Community Investing

- **Charitable giving**: When you make a $20 donation, you give $20 and only $20 goes to help people and communities.

- **Community Investing**: When you invest $1000 in a community investment fund at 3%, your interest earning may be reduced by $20 while the entire $1000 goes to work helping people help themselves (ie. Building housing, creating jobs, social services) when you compare this to 5% interest on a Treasury bill.
Community Development Banks

Provide the same services as other banks, but do so in communities that are underserved by conventional banks and with a special emphasis on helping to capitalize community development efforts in these communities.

South Shore Bank in Chicago is best known. (google South Shore Bank)
Community investing options beyond banks

There are many to choose from. Each has its own website and they are happy to send information to you. I am not making any recommendations.

+ Partners for the Common Good – www.pcgloanfund.org

+ Leviticus 25:23 Fund gives loans for affordable housing, child care centers and other not-for-profit facilities. www.leviticusfund.org
Community investing options 2

- Calvert Foundation [www.calvertfoundation.org](http://www.calvertfoundation.org) or [www.calvertgiving.org](http://www.calvertgiving.org)
- Mercy Housing [www.mercyhousing.org](http://www.mercyhousing.org)
- Chicago Community Loan Fund – [www.cclfchicago.org](http://www.cclfchicago.org)
- Pax World the oldest community fund – [www.paxworld.com](http://www.paxworld.com)
- The Nica Fund helps the people of Nicaragua. [www.wccn@wccnica.org](http://www.wccn@wccnica.org) Is headquartered in Madison, Wisconsin.
Community Investing 3

- Jewish Funds for Justice – [www.jewishjustice.org](http://www.jewishjustice.org)
- Katalysis Bootstrap Fund – [www.bootstrapfund.org](http://www.bootstrapfund.org)
- And MANY, MANY others.
Other Resources

INVESTING IN COMMUNITIES is a helpful publication from the Social Investment Forum Foundation and Co-op America and can be found at www.socialinvest.org It has everything you need to get started in community investing.

Co-op America Quarterly, Fall 2005
www.ecopaperaction.org
“Money talks...

We want our money to talk our language and work for justice!”