Social Investment Forum Foundation

The Mission in the Marketplace:

How Responsible Investing Can Strengthen the Fiduciary Oversight of Foundation Endowments and Enhance Philanthropic Missions

Social Investment Forum Foundation

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The **Foundation Partnership on Corporate Responsibility** is also pleased to support this resource on mission-related investing. The Foundation Partnership (www.foundationpartnership.org) is an association of foundations working to link their grant making values with their investments. The website includes various resources to aid foundations with that goal.

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Introduction

an Invitation to Responsible Investing

Philanthropic foundations are among the world's leading institutional investors. With more than $600 billion in assets in the United States alone, foundations now hold a considerable stake in corporate America and the global economy. Like other institutional investors, such as pension funds, university endowments and religious groups, most foundations tend to be invested for the long term. Foundations are distinguished from many other institutional investors, however, by their explicit philanthropic missions. Since their emergence in the 19th century, foundations have dedicated their resources to tackling some of the most difficult social and environmental problems in communities throughout the United States and around the world.

> *"[F]oundations are not simply vehicles for distribution of charitable gifts, but rather investors in value creation."*
>
> *—Jed Emerson, Generation Foundation[1]*

In many foundations, however, the values that drive grantmaking programs are still commonly separated from the financial management of foundation assets. At the same time, there has been a growing recognition that many mission-related social, corporate governance and environmental issues can be sources of financial risks and opportunities for foundation asset management.

Mission-related responsible investing can provide foundations with several dynamic strategies that leverage their assets more fully for their core philanthropic purpose while managing risk and creating lasting value in their investment portfolios:

- **SOCIAL AND ENVIRONMENTAL SCREENING:** the practice of evaluating investments using social and/or environmental criteria in addition to traditional financial analysis.

- **SHAREOWNER ADVOCACY:** the actions taken by many socially aware investors in their role as company owners to dialogue with companies on social, environmental and/or corporate governance issues, and to file or co-file and vote on shareholder resolutions.

- **COMMUNITY INVESTING:** investments that direct capital to communities that are underserved by traditional financial services. Community investments provide access to credit, equity, capital, and basic banking products to low-income and marginalized regions in the US and around the world.

- **SOCIAL VENTURE CAPITAL:** typically debt or equity investments in early-stage for-profit companies that produce social and environmental benefits or support to non-profit social enterprises.

The incorporation of environmental, social and governance (ESG) factors into investment management has been described in a variety of different ways: social investing, ethical investing, socially responsible investing (or SRI), values-based investing, mission-related investing, sustainable investing, double- or triple-bottom-line investing, and responsible investing. This report will utilize a number of these terms. Regardless of the particular emphasis, in today's era of more "engaged" philanthropy, with "venture philanthropists" seeking more entrepreneurial, market-based solutions to social and environmental problems, social investing strategies have become increasingly embraced by many foundations seeking to leverage the full range of assets at their disposal.

This report is designed to be used by foundation officers and trustees and might have particular resonance for smaller foundations, including family foundations, that are interested in aligning their philanthropic objectives across their entire organization. It provides an overview of how to use responsible investing strategies to enhance mission without compromising fundamental fiduciary duties.

> *"Integrating social and environmental dimensions of investment is about better understanding and responding to the interests of the ultimate owners of capital. It is about moving the relationship between investors and investees towards a focus on long-term performance, and raising the bar of that performance to ensure that social and environmental issues—key foundations of tomorrow's markets—are taken into account, and therefore counted in business and investment decisions."*
>
> *—World Economic Forum[3]*

While still a small percentage, increasing numbers of foundations are incorporating social and environmental investing strategies into their endowment management. By highlighting some of the leading philanthropic foundations that have already begun to incorporate ESG factors into their investment strategies, this guide also provides practical resources for foundation fiduciaries who are ready to marry their money and mission but remain unsure how to do so in a truly effective way that both promotes social impact and protects the long-term sustainability of their foundations' assets.

There is no "one best way" to be a responsible investor. Each foundation has a unique set of values and very specific financial needs. Foundations must therefore determine which strategies most effectively complement their philanthropic goals.

Social investing has developed a long, established track record of growth and maturation in financial markets in the US and abroad over the last three decades. Whether measured in terms of market penetration, performance, impact, or the breadth of products and providers, the success of SRI as an investment discipline has increasingly been recognized by individual investors and institutions alike. Institutional investors have now committed more than $3.6 trillion to social investing strategies globally and more than $2.25 trillion in the US alone.[2] With a growing diversity of investment instruments and services, it has now become easier than ever for foundations to embrace SRI strategies.

Incorporating ESG factors is also increasingly becoming recognized as an element of prudent trusteeship. Academic research has demonstrated that companies that are good corporate citizens are often sound investments. Socially responsible businesses can develop competitive advantages in their markets by engaging their stakeholders, creating useful products, effectively managing their supply chains, limiting their exposures to social and environmental risks, and finding and retaining the best talent through supportive, diverse workplaces and responsive employee-benefit programs.

This report serves as an invitation to foundations to learn how mission-related investing can enhance philanthropic missions and strengthen fiduciary oversight of endowments.

> *"The diversity of social investments available mirrors the range of traditional investment vehicles, from simple loans to complex financial transactions. Given the variety of options, any foundation could easily add some form of social investment to its portfolio."*
>
> *—Mark Kramer and Sarah Cooch, Foundation Strategy Group[5]*

I. Missions and Markets: Creating Socially and Environmentally Responsible Philanthropic Enterprises

With mission-related investing, foundation trustees and officers can begin to think more comprehensively about advancing their programmatic goals by leveraging the untapped potential of the full range of their philanthropic assets.[4]

The following chart provides examples of how foundations in specific social sectors can add value and impact to their philanthropic work through social investing. Regardless of a foundation's specific mission, double-bottom-line investing can provide a number of highly effective strategies to ensure that an institution's values serve as a true foundation for its philanthropic enterprise.

The Strategic Potential of Responsible Investing for Foundations

HEALTH FOUNDATIONS	• Screen your portfolio for companies that profit from unhealthy lifestyles such as the fast-food or tobacco industries. • Ask companies you own to provide their employees with high-quality, affordable healthcare benefit plans—instead of externalizing those costs onto society and public-health systems. • Add your votes to growing shareowner support for resolutions that call for corporations to address the impact of pandemic diseases on their operations in Africa and other parts of the world. • Make community investments to support affordable, community-based health care.
ENVIRONMENTAL GRANTMAKERS	• Avoid companies with poor environmental performance. • Award companies with "eco-efficient" operations. • Join investor coalitions calling for companies to mitigate the risks of global climate change and toxics. • Support shareowner resolutions brought by environmentally concerned investors, including foundations and non-profit organizations. • Invest in community investing institutions that focus on financing environmental initiatives. • Help green businesses and clean-technology companies grow and expand through double-bottom-line private equity and venture capital funds.
HUMAN RIGHTS FUNDERS	• Ask companies you own about human rights abuses in the countries where they operate; employ investment criteria related to international fair labor conditions, supply-chain management, or repressive regimes. • Mitigate reputational and litigation risk related to human-rights abuse in the companies you hold in your portfolios. • Support shareowner initiatives of human rights groups like Amnesty International at companies such as Dow Chemical Co. and Chevron Corporation to ensure that these companies are adequately addressing concerns over the legacies of their operations in local communities around the world. • Join the International Human Rights Funders Group's Get Off Your Assets! Working Group.
COMMUNITY FOUNDATIONS AND FUNDERS THAT SUPPORT COMMUNITY DEVELOPMENT	• Create a portfolio of community investing institutions that support your mission, either directly or through a community investing intermediary. • Commit a portion of your portfolio to community investing institutions that provide financially underserved communities access to capital. • Invest in companies with strong community relations programs. • Give your donor-advised funds social investment options.

The Strategic Potential of Responsible Investing for Foundations cont.

FOUNDATIONS SEEKING SOLUTIONS TO SOCIAL PROBLEMS AND POVERTY	• Hold the companies you own accountable for their social impact—ask about executive compensation levels and work conditions. For financial services institutions ask about their lending and banking policies. • Join other investors, particularly public pensions and labor unions, using shareowner strategies to tie executive compensation to social performance. • Invest in community investing institutions, in the US and around the world, to create opportunities in underserved communities and markets.
FOUNDATIONS PROMOTING TRANSPARENCY, CIVIC PARTICIPATION & ENGAGEMENT	• Join investor networks supporting greater corporate transparency and accountability, whether related to corporate political campaign contributions or corporate governance practices.
FOUNDATIONS FUNDING PROGRAMS RELATED TO GLOBALIZATION OR THAT SUPPORT GLOBAL SUSTAINABLE DEVELOPMENT	• Direct a portion of your investments to international microfinance opportunities. • Give consideration to the impact that multinational corporations have on the societies in which they operate. • Support shareowner initiatives by NGOs such as Oxfam that call for more sustainably harvested, fairly traded products.
FOUNDATIONS SUPPORTING DIVERSITY AND EQUAL OPPORTUNITY	• Screen your portfolios on EEO issues. • Use shareowner strategies to encourage companies to diversify their boardrooms, to break glass ceilings for women and minorities throughout their organization, and to improve their policies and practices related to non-discrimination for all classes of employees.
FOUNDATIONS CONCERNED ABOUT FOOD, AGRICULTURE OR RURAL DEVELOPMENT	• Screen your portfolios in areas related to agri-business, pesticides, genetically modified organisms (GMOs), and fast-food industry practices. • Invest in community investing institutions providing financing to distressed rural areas and agricultural initiatives.

II. Financial Prudence and Performance Issues

Mission-related investing is an investment process that considers the social and environmental consequences of investments, both positive and negative, within the context of rigorous financial analysis. Social investors include individuals, universities, hospitals, pension funds, corporations, religious institutions, and other non-profit organizations. Many companies and responsible investors recognize that the complex relationship between business and society requires engaging the concerns of multiple stakeholders affected by corporate economic activity, from employees to their families, from consumers to the communities in which companies operate.

> *"Indeed, the attainment of maximized investment returns and the best corporate performance cannot be achieved in the absence of consideration of the social and environmental risks that may potentially inhibit the realization of competitive financial returns over coming years."*
>
> *—Jed Emerson and Tim Little, with Jonas Kron*[6]

Socially responsible investment managers often overlay an analysis of corporate policies, practices and impacts onto the traditional analysis of economic performance, profitability and valuation. These policies and practices can range from environmental concerns to human rights and supply-chain management, from workplace health and safety to equal employment opportunity and human resources policies.

Mission-related investing is compatible with the fiduciary responsibilities of nonprofit trustees. As concepts of fiduciary duty continue to evolve, sustainable investing is increasingly being acknowledged as an element of prudent trusteeship, especially for the long-term investor.[7]

SRI Performance

Study after study has shown that socially screened portfolios have provided returns comparable to unscreened peers, with no necessary additional cost in performance. Indeed, over the long term, social investing has demonstrated a strong track record of social and financial performance. The Dow Jones Sustainability Index (DJSI) World, for example, has outperformed its unscreened benchmark, the MSCI World, by more than three percent in backtracking calculations since 1993 and by more than 150 basis points over the last year.[8] Recent research using data from the DJSI World during the 1998-2002 investment cycle found no evidence that SRI generates lower returns or incurs financial costs. Instead, firms with socially responsible attributes appeared to gain competitive advantages by attracting capital at lower costs, a finding supported by other research correlating environmental risk management and the cost of capital.[9]

By identifying those qualitative, "extra-financial" factors that materially affect the long-term profitability and performance of businesses, ESG analysis can help generate competitive returns. In today's markets, too many analysts continue to focus narrowly on short-term earnings at the expense of more careful considerations of the risks and opportunities that will drive the creation and destruction of economic value over the long term. Others, however, including a growing number of mainstream money managers and institutional investors, are beginning to recognize the importance of sustainability and governance analysis and therefore incorporate environmental and social criteria into their investment-selection process.

It is precisely for these reasons that investment funds and institutional investors representing more than $4 trillion in assets have recently agreed to back the United Nations' Principles for Responsible Investment. Additionally, CEOs at more than 20 investment firms representing more than $6 trillion in assets, have endorsed the UN Global Compact's Who Cares Wins Initiative in order to share best practices about the use of environmental, social and governance factors in investment management. The World Economic Forum has similarly called for sustainability and governance factors to be more widely used throughout the "mainstream" investment community.[10]

Recognizing the added value of incorporating environmental, social and governance issues into institutional investment, one of the world's leading international law firms, Freshfields

"With an increased recognition that integrating ESG [environmental, social and governance] factors into investment decision is aligned with fiduciary responsibility, an age-old barrier to the increased uptake of responsible investment practices is removed."

—Jane Ambachtsheer, Mercer Investment Consulting[12]

Bruckhaus Deringer, has recently concluded not only that SRI strategies meet the test of fiduciary prudence but also that in certain cases the refusal to incorporate sustainability factors into investment decisions could actually become a breech of fiduciary responsibility.[11]

Numerous money managers using SRI strategies have repeatedly been recognized for their long-term performance—often placing them among the top-ranking funds in their peer groups. The Pax World Balanced Fund, one of the oldest socially screened mutual funds, recently ranked in the top 10 percent of more than 180 blend funds tracked by Lipper for its ten-year performance. The Neuberger Berman Socially Responsive Fund has outperformed its unscreened benchmark, the S&P 500 Index, over 1, 3, 5 and 10 years; its 5-year performance recently ranked it among the top 5 large-cap blend funds. The Ariel Fund ranks among the top ten small and midsize blend funds over ten years.

The Bridgeway Ultra Small Company Fund, which excludes tobacco from its portfolio, was recently named top Small and Midsize Growth Fund for its 5-year performance record, and it has also consistently ranked in the top 10 of its peer group for 1, 3, and 10 years. Bridgeway's Aggressive Investors Funds are commonly found among the top-10 all-size-company funds. Carrying a 5-Morningstar rating, the Aggressive Investors 1 fund recently ranked as the top total-market fund for its 10-year performance record. Bridgeway also manages Calvert's Large-Cap Growth Fund, a 5-Morningstar winner. For its 10-year performance, the Calvert Social Investment Fund Equity Portfolio has also been awarded 5 Morningstars.[13]

Of course, like conventional investments, responsible investing opportunities range widely across asset classes and investment styles, so investors must exercise careful due diligence in determining what kinds of investments are appropriate to their missions, asset-allocation requirements and appetites for risk and return. What sets socially responsible investments apart from the conventional investment universe is the wide spectrum of opportunities that they can offer for both financial returns and higher social impact.

The Economic Value of Environmental Performance

A growing body of analysis on the financial implications of environmental performance, in particular, has demonstrated that innovative companies with "eco-efficient" operations are better positioned to create added value in today's global economy, whether in the pulp and paper, oil and gas, or automotive industries.[14] The increasingly "carbon-constrained" environment created by global climate change has created specific risks and opportunities that affect a host of sectors from energy and manufacturing to basic industries (utilities, water and transportation) to services such as finance, insurance and tourism.[15] "Best-of-class" analysis of environmental performance can help identify these risks and opportunities within sectors.

In order to seize these environmental opportunities, a number of asset managers and research firms—from SRI boutiques to Goldman Sachs—have developed indices, mutual funds, ETFs and "double-bottom-line" private equity pools focused on issues such as climate change, alternative energy and clean technology. Led by California's "Green Wave" initiative, which dedicates portions of the state's public pension funds to investments in clean technology and

"[C]orporate environmental performance is a potential source of information that helps [investors] generate superior excess returns."

—Nadja Guenster, et al.[16]

environmentally screened portfolios, growing numbers of institutional investors have similarly incorporated "environmental equity" mandates into their portfolio management and sought private-equity opportunities in clean technology and renewable energy.

Numerous SRI funds focusing on environmental issues also have strong performance records. The Winslow Green Growth Fund, an environmentally responsible, aggressive growth mutual fund, has repeatedly outperformed its unscreened benchmark, the Russell 2000 Growth Index, over the last one, three, five and ten years.[17] Progressive Investment Management's Portfolio 21, a global equity fund focusing on ecological sustainability, has outperformed its unscreened benchmark, the MSCI World Equity Index, by more than 200 basis points since its inception in 1999.[18] And many investment research and advisory firms, including Goldman Sachs, KLD Research & Analytics, Inc., WilderShares, LLC, and Clean Edge, Inc., have developed clean energy and technology indexes and Exchange-Traded Funds (ETFs) focused specifically on managing the risks and seizing opportunities related to energy efficiency, climate change and other long-term issues of environmental sustainability.

Statement of Cost

It is not a given that there are additional costs associated with implementing effective SRI strategies. Further, additional costs when they do occur are marginal when considered alongside the added value gained through responsible investing. An increasing number of institutions have developed services that minimize the time and expense of screening portfolios, engaging in shareowner advocacy or investing in communities. Some institutional investors elect simply to commit a portion of staff or Board time to proxy voting, for example, and groups such as As You Sow Foundation and Rockefeller Philanthropy Advisors now provide free, annual proxy-season previews designed specifically for foundations to make their tasks even faster and easier. Shareowner coalitions and networks, such as the Foundation Partnership on Corporate Responsibility, the Interfaith Center on Corporate Responsibility, the Social Investment Forum, and Investor Network on Climate Risk, also provide useful resources for information sharing about proxy matters that help minimize time, effort and costs involved.

For institutions that lack the internal capacity to monitor their portfolios for ESG issues, most investment advisors and money managers can provide access to a wide range of screening and proxy services. Firms that specialize in SRI generally include screening and proxy services as part of their overall management fee. If an investment manager lacks mission-related investing expertise, the manager can readily subscribe to a number of research services now available. Alternatively, the institution can work directly with a consultant that has the required expertise, whether in screening, shareholder services or in community investing. Many consultants and service providers have designed their fee structures with the needs of institutions in mind.

As for community investing opportunities, there is a growing number of market-rate, investment-grade, or near investment-grade instruments that can easily be integrated, at little-to-no cost, into the fixed-income, cash and equity portfolios of many foundations. Many community development banks and credit unions offer market-rate deposits, and other community investing institutions and community development bond funds and intermediaries provide competitive risk-adjusted returns with costs only marginally different from conventional cash or fixed-income investments. These instruments also offer the added mission-value of helping economically distressed communities. Also, as interest has increased in high-impact private equity and social venture capital, the due diligence required costs little more than that associated with comparable alternative investments in an institutional portfolio.

Creating Long-Term Value

There is growing recognition by many in financial markets and among institutional investors that the strategies of mission-related investing can help create long-term wealth for shareowners and society alike. In Mercer Investment Consulting's 2005 Fearless Forecast survey, 65% of investment managers surveyed around the globe predicted that screening will become a mainstream investment practice within a decade.[19] According to the Social Investment Forum, nearly $1.5 trillion in assets is now held in socially screened accounts of institutional investors, ranging from some of the nation's largest public pensions to small nonprofit organizations.[20] In addition, 89% of respondents to the Mercer survey predicted that active ownership strategies, such as shareholder advocacy and proxy voting, will become mainstream within the next decade.

Additionally, community investing institutions now provide numerous risk-adjusted, market-rate investment opportunities, and many foundations have begun to take advantage of them to build wealth in underserved communities. As for taking more active ownership over foundation assets, shareowner advocacy strategies simply have no negative impact on investment performance. Indeed, shareowner advocacy has become an increasingly important element of prudent ownership for many investors—not only as a strategy for communicating social, environmental and governance concerns to corporate directors but also for unlocking long-term shareholder value. The proxy is a material asset that investors use to participate in the governance of the companies they own, and an increasing number of foundations, pension funds and university endowments are developing more thoughtful proxy-voting policies to ensure that their voice is heard on a whole host of social, environmental and governance issues.

Carefully aligning mission and money around strategic social, environmental and governance issues can therefore not only extend philanthropic reach but also help ensure the long-term sustainability of a foundation's endowments.

III. Putting Responsible Investing Strategies to Work

There are numerous tools to help foundations incorporate responsible investing strategies into their endowment management practices and policies. The field of responsible investing has grown impressively over the last decade. According to the Social Investment Forum's most recent *Report on Socially Responsible Investing Trends in the United States*, assets involved in social investing strategies have increased 26-percent annually over the last decade, from $639 billion in 1995 to $2.29 trillion in 2005. Nearly one in every ten dollars under professional management in the US is involved in SRI, whether through screening, shareowner advocacy or community investing.

There are several core strategies that socially responsible investors use to encourage best practices in corporate social and environmental performance, to unlock long-term value, and to build wealth and opportunity across all segments of society: Social and Environmental Screening, Shareowner Advocacy, Community Investing, and Social Venture Capital.

> *"Investors who do not pay attention to environmental, social and governance issues are taking unnecessary risks with their portfolios. Investors who do pay attention are probably improving the risk/return relationship."*
>
> *—Carlos Joly and Vincent Zeller, Groupama Asset Management, United Nations Environmental Programme Finance Initiative, Asset Management Working Group*[23]

These strategies provide a powerful combination of tools for foundations to align their investment objectives with their organizations' values and to leverage often untapped endowment assets in ways that can deepen the impact of their core philanthropic mission.

Social and Environmental Screening: From Avoidance to Added Value

SCREENING is the practice of evaluating investment portfolios based on social or environmental criteria. Screening may involve investing in the most socially responsible companies, avoiding or divesting from poor CSR performers, or otherwise incorporating social or environmental factors into the process of investment analysis and management. Generally, social investors seek to own good companies with long-term, sustainable business models that make positive contributions to society. Examples include companies that have good relations with their employees and communities, strong environmental policies and energy-efficient practices, products that are safe and useful, strategies for addressing the risks and opportunities of climate change, transparent corporate governance structures, and operations that respect human rights around the world.

There are now more than 200 different socially screened mutual funds and pooled investment products, representing a wide spectrum of investment styles and asset classes and a diverse array of social and environmental concerns. Assets in socially screened mutual funds have increased from $12 billion in 1995 to $179 billion in 2005, making them the fast-growing segment of SRI in the US. No less than 15 different fund families now have socially responsible options with 10-year performance records, and many provide share classes with fee structures designed to meet the needs of institutional investors.

Socially responsible options range from pioneering, socially and environmentally screened large-cap equity index funds to actively managed, small-cap funds, from comprehensively screened balanced funds to more targeted niche products focusing on issues such as environmental performance, workplace issues, affordable housing or religious concerns. Global and international funds now complement a wide range of domestic offerings available in a variety of investment styles. Fixed-income opportunities include money-market funds, high-yield bond funds, closed-end funds focused on affordable housing, and various community investment vehicles.

Social and environmental screening takes a variety of different forms, depending on the larger mission and investment strategies of the particular institution. Contrary to commonly received wisdom, "screening" involves much more than divestment. Much like traditional financial "screens," which help investors segment financial markets and filter investments based on economic criteria, social and environmental screens provide tools for investors to filter their portfolios based on specific social or environmental issues of concern. The screening process may therefore exclude certain companies with poor social or environmental records, but it can also identify positive performers with strong track records in matters of corporate social responsibility.

Indeed, responsible investors have increasingly shifted screening strategies from mere avoidance to more innovative assessments of corporate social responsibility. Motivated by a desire to benchmark and improve corporate social and environmental performance, socially responsible investors use positive screening and "best-of-class" techniques to manage risk and identify companies with competitive advantages over their peers, many of which may be qualitative and intangible but no less material to the company's long-term value.[21]

Some of the earliest screening techniques involved avoiding so-called "sin stocks," companies that profit from gambling, tobacco or alcohol. Avoiding such sin stocks remains the most commonly practiced form of screening by socially screened mutual funds. Tobacco exclusion continues to be the most prevalent social screening technique employed by institutional investors—from some of the nation's largest public pensions, university endowments, and philanthropic foundations to local hospitals, religious orders and family foundations.[22]

Foundation Experiences with Social Screening

In a survey recently conducted by the *Chronicle of Philanthropy*, more than one quarter of the top 50 largest private foundations in the United States reported having incorporated social or environmental screening into their investment management.[24] This ranges from having a single screen, often tobacco, to multiple screens. Tobacco screening is most widely practiced, and several large foundations also incorporate screens related to alcohol, gambling, firearms or the environment.

Largest Foundations Employing Social or Environmental Screening*

- Bill and Melinda Gates Foundation
- Ford Foundation
- David and Lucile Packard Foundation
- California Endowment
- Annie E. Casey Foundation
- Rockefeller Foundation
- Carnegie Corporation of New York
- California Wellness Foundation
- Robert Wood Johnson Foundation
- Charles Stewart Mott Foundation
- Carnegie Corporation of New York
- Heinz Endowments
- William Penn Foundation

Source: Chronicle of Philanthropy.[25]

** Of the top 50 largest private foundations in the United States. May include a single screen, such as tobacco.*

Some foundations have developed an array of social and environmental investment screening strategies in order to add value to their philanthropic work. Some avoid nuclear power, defense contractors, weapons manufacturers and companies with poor human-rights records or positively screen on issues such as labor relations, workplace diversity, environmental innovation, and other sustainability factors. Best-of-class techniques often appeal to institutional investors with broad

"The Nathan Cummings Foundation has been active in leading shareholder resolutions on climate change and energy efficiency because we believe these are long-term business issues that will impact financial results and shareholder value over time. With limited resources we focus our investment-driven shareholder activities in areas where we also have programmatic interests."

—Caroline Williams, Director of Shareholder Activities, Nathan Cummings Foundation[27]

market exposure. Numerous other corporate, religious, community and family foundations have used more targeted screening on specific social or environmental issues that reflect their institutional values, as a strategy for strengthening their philanthropic impact.

Foundation Leaders in Social and Environmental Screening

- Conservation Land Trust
- Educational Foundation of America
- John E. Fetzer Institute
- Funding Exchange
- Haymarket People's Fund
- Edward W. Hazen Foundation
- Max and Anna Levinson Foundation
- Merck Family Fund
- The Needmor Fund
- Jessie Smith Noyes Foundation
- Presbyterian Church Foundation
- The Christopher Reynolds Foundation
- Rose Foundation for Communities and the Environment
- Rudolf Steiner Foundation
- Tides Foundation
- United Church Foundation
- United Methodist Foundation
- Weeden Foundation
- William Caspar Graustein Memorial Fund
- The William Bingham Foundation

Sources: Social Investment Forum Foundation; Foundation Partnership for Corporate Responsibility.

Shareowner Advocacy: Active Ownership for Corporate Accountability

Shareowner advocacy involves investors' exercising their rights and responsibilities as owners of corporate America and the global economy. Becoming a more shareowner is one of the easiest ways to get involved in responsible investing. Committed social investors commonly use shareowner advocacy to complement and reinforce their investment screening policies—conscientiously voting their proxies, filing resolutions, or engaging with companies about issues of concern that often arise within the context of social and environmental portfolio analysis. Other institutions that do not screen—or screen on only a limited basis—often use shareowner engagement or advocacy as a primary vehicle for aligning their money and mission.

Institutional investors, such as public pension funds, trade unions, religious organizations and foundations, have led the way in filing shareowner resolutions on social, environmental and governance issues and creating coalitions of common concern among like-minded, long-term investors. Between 2003 and 2005, institutions controlling

SHAREOWNER SUCCESS EXAMPLE:

Addressing the HIV/AIDS Pandemic in Africa

In 2004, in response to a shareowner resolution filed by socially concerned investors, led by members of the Interfaith Center on Corporate Responsibility (ICCR) and the Service Employees International Union, Coca-Cola agreed to review the economic impact of the HIV/AIDS pandemic ravaging Africa. Coca-Cola is the African continent's leading employer, so responsible institutional investors recognized that the disease was a problem that would ultimately affect the company's business as well. Coca-Cola's Board of Directors agreed and recommended that its shareholders support the shareowner-sponsored resolution. The result: one of the highest proxy-vote totals in favor of a social shareowner resolution in corporate history (97% voting in favor).Coca-Cola's action led its leading competitor PepsiCo quickly to follow suit with its own HIV/AIDS initiative in response to similar shareowner efforts.

Source: Interfaith Center on Corporate Responsibility

success

> *"Conscious proxy voting sends a much-needed message to companies that shareholders are watching and expect honest, responsive management."*
>
> —*Unlocking the Power of the Proxy (2004)*

more than $703 billion filed or co-filed shareowner resolutions on a social or environmental issue, and some foundations have played an increasingly active role in the process.[26]

Heightened awareness of the importance of proxy voting, especially among institutional investors, has led to record proxy seasons over the last decade. Social resolutions most frequently filed and most strongly supported in recent years have been in areas such as climate change, corporate political contributions, equal employment opportunity, global labor standards, sustainability reporting, and environmental management and disclosure. Social investors and corporate-governance advocates are also increasingly dialoguing directly with corporate management about their social, environmental, and governance concerns, resulting in an increasing number of resolutions withdrawn from the proxy prior to annual corporate meetings.

SHAREOWNER SUCCESS EXAMPLE:

Supporting Fair Trade

Small-scale coffee farmers around the world scored a major victory when Procter & Gamble, the largest seller of coffee in the US, announced in 2003 that it would introduce Fair Trade Certified coffee products through its Millstone specialty line. The decision followed a two-year engagement over the company's practices with shareowners led by the Center for Reflection, Education and Action (CREA) and Domini Social Investments and a multi-stakeholder campaign of consumers, people of faith, human rights activists, and humanitarian organizations. Some 25 million coffee-growing families in over 50 developing countries regularly face a "coffee crisis," with growing demand, high production costs, and unpredictable commodity cycles generating a flood of low-cost, low quality coffee circulating around the globe. Fair trade ensures a stable price floor for small coffee farmers, enabling them to feed their families, seek medical assistance and school their children.

Source: Domini Social Investments; Oxfam America; Global Exchange.

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Actively Vote Your Proxies

Among the most immediate and effective forms of shareowner advocacy is actively voting proxies in a conscientious manner that reflects the foundation's philanthropic mission and its concerns as a long-term asset owner. Proxy voting allows shareholders to express their views on specific issues to corporate management.

Many foundation officers have repeatedly been surprised to learn that, lacking a formal proxy-voting policy related to their philanthropic mission, outside managers rarely vote their endowment's proxies in alignment with the foundation's programmatic goals. Such widespread unsupervised outsourcing of proxy-voting authority may pose increasing fiduciary risks to foundation trustees. The proxy is a material asset, which can serve as a key tool for actively promoting sound corporate governance, holding companies accountable for their impacts, and promoting long-term shareowner value.

Thanks to the work of several philanthropic groups actively engaged in proxy-voting issues, it has become easier than ever for foundations to develop and implement their own guidelines for handling votes on shareowner resolutions. Recently, As You Sow Foundation and Rockefeller Philanthropy Advisors developed a valuable guide, *Unlocking the Power of the Proxy*, to assist foundations with becoming more engaged in proxy voting. With the support of the Jessie Smith Noyes Foundation, the two groups have produced useful "Proxy Season Previews" to alert foundations to the leading social and governance shareowner initiatives to watch for on the ballot—streamlining the time and effort required to vote in a more effective way.[28]

Several foundations such as the Boston Foundation, the Noyes Foundation, the Nathan Cummings Foundation, the Needmor Fund and the Jewish Funds for Justice now also make their proxy-voting policies readily available online.

Dialogue with Management & File Shareowner Resolutions

Foundation officers or trustees can write letters to company executives and board members about social, environmental and governance issues that affect the long-term value of foundations' investment in them. In this way, foundations can help steer the companies they own toward greater sustainability and protection of assets. If the company proves unresponsive, it may be a sign of more serious problems.

Investors who continuously own shares worth at least $2,000 in any US-listed publicly traded company for one full year can file shareowner resolutions for a vote at the company's annual general meeting. Individual and institutional investors can also serve as a co-filer with socially responsible money managers and institutional investors such as public pensions, trade unions, non-profit or religious organizations and other foundations who are already taking the lead on filing resolutions. Foundations have become increasingly involved in filing shareowner resolutions on social and environmental issues over the last decade.

Recent Social Shareowner Resolution Proponents among Foundations

- As You Sow Foundation
- Camilla Madden Charitable Trust
- Conservation Land Trust
- Edward W. Hazen Foundation
- Funding Exchange
- Haymarket People's Fund
- Jessie Smith Noyes Foundation
- Lemmon Foundation
- Max and Anna Levinson Foundation
- Nathan Cummings Foundation
- Needmor Fund
- Pride Foundation
- Tides Foundation
- United Church Foundation
- Wisdom Charitable Trust

Source: Social Investment Forum Foundation; Institutional Shareholder Services, Social Issues Service.

Join Shareowner Coalitions

Foundations can leverage their ownership stakes by joining coalitions of shareowners and other institutional investors that share their specific concerns. These groups meet regularly to discuss best practices in shareowner engagement. Although strategies vary widely, shareowner networks provide especially useful platforms for identifying companies with issues of mutual concern, dialoguing directly with corporate management, whether through jointly signed letters or behind-the-scenes meetings, and finding potential co-filers of shareowner resolutions. Among the many foundations that leverage their shareowner power through these diverse coalitions are As You Sow, the Bullitt Foundation, the Christian Church Foundation, the Deaconess Foundation, the Noyes Foundation, the Jewish Funds for Justice, the Nathan Cummings Foundation, the Rockefeller Brothers Fund, and the United Church Foundation.

Shareowner Engagement Networks

- Council of Institutional Investors
- Foundation Partnership for Corporate Responsibility
- Interfaith Center on Corporate Responsibility
- International Corporate Governance Network
- Investor Network on Climate Risk
- Jewish Shareholder Engagement Network
- Social Investment Forum

SHAREOWNER SUCCESS EXAMPLE:

Improving Working Conditions

The Needmor Fund, a family foundation of heirs to the founder of the Champion Spark Plug Company, seized a unique opportunity to leverage its assets for mission-related social impact through shareowner advocacy by working with a grantee to help improve the fast-food industry. Since 2001 one of the Fund's grant recipients, the Florida-based Coalition of Immokalee Workers, had engaged in a campaign to reform the working conditions of farmworkers who picked tomatoes for Taco Bell. As a foundation "seeking to empower traditionally disadvantaged populations," the Needmor Fund joined other concerned investors in co-filing several resolutions at Yum! Brands, Taco Bell's parent company, to hold the company accountable for its community relations. After a four-year boycott against Taco Bell by the Coalition, large minority shareowner support for resolutions, and on-going efforts by investors to engage Yum! over these issues, the company agreed to an historic settlement with the Immokalee Workers in 2005. The agreement increased farmworker wages and applied a General Supplier Code of Conduct for growers across Florida. The settlement is providing tangible social benefits to a largely immigrant workforce and has helped the company mitigate risks of litigation or further damage to its reputation.

success

network

SHAREOWNER NETWORK PROFILE:

Climate Change

Since its establishment in late 2003, the Investor Network on Climate Risk (INCR) has galvanized leading institutional investors from around the world to address the financial risks and to seize the investment opportunities posed by global climate change. The network, a project of the Coalition of Environmentally Responsible Economies (Ceres), provides a forum for its members to share knowledge, develop prudent responses and call upon businesses, government and financial institutions to tackle the problems associated with climate risk. The coalition has catalyzed growing support for record numbers of shareowner resolutions asking corporations to assess and address the impact of global warming on their businesses. Nearly 20 different concerned foundations participated in the Institutional Investor Summit on Climate Risk, convened at the United Nations in 2005.

2005 UN Institutional Investor Summit on Climate Risk Foundation Participants:

- Beldon Fund
- Bullitt Foundation
- Doris Duke Charitable Foundation
- The Energy Foundation
- Generation Foundation
- Henry P. Kendall Foundation
- John Merck Fund
- The Nathan Cummings Foundation
- New York Community Trust
- Oak Foundation
- Pew Charitable Trusts
- Rockefeller Brothers Fund
- Rockefeller Family Fund
- Surdna Foundation
- Turner Foundation, Inc.
- United Nations Foundation
- V. Kann Rasmussen Foundation
- The Winslow Foundation

Community Investing: Uplifting Low-Income Communities

COMMUNITY INVESTING directs capital from investors and lenders to communities that are often underserved by traditional financial services and in acute need of infrastructure support and services such as affordable housing, child care and health care. Community investing institutions provide access to credit, equity, capital and basic banking products that these communities would otherwise lack, whether in the US or in other parts of the world.

Community investing is a rapidly maturing segment of SRI. Community investing institutions, such as community development banks, credit unions, loan and venture capital funds, have grown from $4 billion in 1995 to nearly $20 billion in 2005. The growth and maturation of community investing instruments and institutions have made community investments both sound investment options and effective models for high-impact community development. Repeated studies by the National Community Capital Association (now Opportunity Finance Network) have indicated that loans to low-income individuals and groups perform as well as "traditional" bank loans. The Association's 2002 Safety and Soundness Data Findings revealed that community development financial institutions have not lost any investment capital, testimony to their ability both to manage risk and to serve low-income communities.

Leveraging Foundation Assets to Expand Economic Opportunity

Foundations can now take advantage of a wide range of community investing opportunities that generate financial and social returns. Community investing institutions offer a diverse array of below-market and risk-adjusted, market-rate instruments, from federally insured bank deposits to uninsured equity and venture-capital products, from senior and subordinated loans to community development bonds. The development of instruments such as the Certificate of Deposit Account Registry Service (CDARS) now allows FDIC insurance on deposits of up to $30 million at community development banks, providing added appeal to institutional investors seeking safety in managing their cash portfolio. New data and ratings on community investing institutions are more widely available, and community investing pools allow foundations to diversify their investments and impact through a single intermediary.

The social returns on different community investments can range widely as well. Deposits at community development banks and credit unions create liquidity in underserved neighborhoods and provide financial services and access to capital to lower-income populations. Community development loan funds finance high-impact community development by providing capital for affordable housing, small businesses and micro-enterprises, and nonprofit community organizations. Investing in funds that work with international microfinance institutions, cooperatives, local banks, and small and medium enterprises provides valuable financing, job training and technical assistance to support sustainable development in poor countries around the world. Community development venture capital and other forms of "double-bottom-line" private equity for social enterprises stimulate sustainable job creation in distressed communities and create businesses for neighborhoods in need.

Join the 1% or More in Community Campaign

Two national organizations that promote SRI, the Social Investment Forum Foundation and Co-op America, have launched a campaign to encourage all investors to put their assets to work strengthening communities that have been left economically behind. The goal of the 1% or More in Community Campaign is to help grow community investing institutions to more than $25 billion in assets by 2008.

Foundations can join the campaign by moving at least 1% of their managed assets into community investments. The F. B. Heron Foundation, the A. J. Muste Memorial Institute, and the Rose Foundation for Communities and the Environment are among foundations that have qualified.

For more information, visit the Community Investing Center at www.communityinvest.org.

Foundation Leaders in Community Investing

JEWISH FUNDS FOR JUSTICE (JFSJ), a public foundation recently combining The Shefa Fund and the Jewish Fund for Justice, has developed a unique community investing program as part of its mission to create a fair, just, and compassionate America. Since its launch in 1997, the Tzedec community investment program of JFSJ has channeled more than $20 million in funds from the American Jewish community to create housing, jobs, and small businesses, increasing economic opportunity and building wealth in low and moderate-income neighborhoods around the country. As the only national program encouraging the Jewish community to get involved in community investing, Tzedec responds to the teachings of Judaism that emphasize partnership and investment as the highest forms of charity.[30]

THE F. B. HERON FOUNDATION has created one of the nation's most innovative community investing programs within the foundation world. As part of its mission to help people build wealth in low-income communities, the Foundation has aggressively expanded its philanthropic reach by leveraging 25% of the Foundation's assets in a "mission-related investing" program that deploys

"Climate change is a topic that should be on the agenda of every Board of Directors. The risks are great and varied. However, there are also potential opportunities."

—Michael Moran and Abby Joseph Cohen, Goldman Sachs Group[29]

BEYOND CHARITY: REBUILDING AFTER KATRINA

In the wake of Hurricane Katrina, Hope Community Credit Union, a regional community investing institution sponsored by the nonprofit Enterprise Corporation of the Delta (ECD), quickly began rebuilding businesses and lives in the ravaged communities of Louisiana and Mississippi. HOPE and ECD created the HOPE/ECD Hurricane Katrina Relief Fund to provide immediate relief to the displaced and to support the longer term process of reconstruction. HOPE also opened no-fee "disaster accounts" for evacuees and made emergency bridge loans available to businesses, non-profits and families in disaster areas. The LaBeaud family of Marrero, Louisiana, for example, returned to find their home of 14 years nearly destroyed by the storm. A bridge loan from HOPE helped them meet their mortgage payments and provided a much-needed lifeline.

resources across a range of asset classes from deposits and fixed-income securities to senior and subordinated loans to public stocks and private equity funds.

Although targeted rates of return vary, approximately 73% of the Heron Foundation's mission-related investments are market-rate, allowing its total investment return in 2005 to remain in the second quartile of the Russell/Mellon All Foundation Universe. A mission-aligned fixed-income portfolio worth more than $20 million has outperformed its benchmark, the Lehman Aggregate Bond Index, by more than 40 basis points since its inception in June 2001, and the foundation is now beta testing a positively screened portfolio of S&P 900 companies based on their relative performance on community investing criteria. By investing in communities in a disciplined manner, with due attention to benchmarks, performance and risk, the Heron Foundation has demonstrated how foundations can embrace mission-aligned investing across a wide continuum of investment opportunities without sacrificing financial returns.[31]

Social Venture Capital: Double-Bottom-Line Alternative Investments

In addition to Community Development Venture Capital, a number of foundations have made investments in social venture capital or what has been described as "double-bottom-line" private equity. Generally these are debt or equity investments in early-stage for-profit companies that produce social and environmental benefits or loans to non-profit social enterprises. Renewable energy, clean technology, sustainable farming and forestry, affordable housing, and health care delivery are among the areas where social venture capital has seen the most concentrated activity.

So-called individual "angel investors," such as those in the Investors' Circle, have directed more than $100 million to social-purpose organizations with double-bottom-line returns, and foundations such as the Abell Foundation, the California Health Care Foundation, the Ford Foundation, the F. B. Heron Foundation, the MacArthur Foundation, the Rockefeller Foundation and the Weeden Fundation have incorporated these socially-motivated investments into their alternative investment portfolios or made them as "program-related investments."

In comparison to other responsible investing strategies, social venture capital remains relatively small in scale. Recent studies have estimated approximately $600 million in double-bottom-line private equity.[32] Whether financed directly or through private equity funds, venture capital has nevertheless become an emerging arena for foundations and other long-term investors seeking business solutions to pressing social and environmental problems.

V. Getting Started with Mission-Related Investing

The following section provides a resource roadmap for foundations interested in becoming more involved in responsible, mission-related investing.

1. CONDUCT RESEARCH AND GATHER RESOURCES

Particularly useful resources on SRI include the following:

- Foundation Partnership on Corporate Responsibility: *www.foundationpartnership.org*
- Social Investment Forum: *www.socialinvest.org*
  Mission in the Marketplace
  2005 Report on Socially Responsible Investing Trends in the United States
- SRI World Group, Inc.: *www.socialfunds.com*
- Institutional Shareowner: *www.ishareowner.com*
  Sustainable and Responsible Investment Strategies: A Guide for Fiduciaries and Institutional Investors
- Interfaith Center on Corporate Responsibility (ICCR): *www.iccr.org*
- University of California Berkeley, Haas School of Business, Center for Responsible Business
  Studies in Socially Responsible Investing: www.sristudies.org
- Other useful resources and reports can be found at the end of this guide.

2. CONSULT A FINANCIAL PROFESSIONAL OR ASSET MANAGER WITH SRI EXPERTISE AND EXPERIENCE WITH FOUNDATIONS, CHARITABLE TRUSTS, NONPROFITS OR OTHER INSTITUTIONAL INVESTORS

- A directory of SRI financial consultants and asset managers is available at *www.socialinvest.org.*
- Networks of advisors and brokers who specialize in SRI include:

–First Affirmative Financial Network: *www.firstaffirmative.com*
–Progressive Asset Management: *www.progressive-asset.com*

3. ASK WHETHER YOUR EXISTING FINANCIAL CONSULTANTS AND MONEY MANAGERS HAVE THE NECESSARY SRI EXPERTISE

- If not, share this booklet with them and ask them to examine the resources listed here. Evaluate whether the manager can meet the full range of your needs.

4. HAVE A STRATEGIC CONVERSATION ABOUT SRI WITHIN YOUR ORGANIZATION

- Discuss the strategic opportunities with other board members and foundation officers interested in SRI.
- Identify your core social and environmental concerns and relationships between your grantmaking and your investing objectives.
- Leverage your human resources: foundation program staff are often sources of knowledge about social, environmental and community issues and the stakeholders involved in matters of corporate social responsibility.

5. PRESENT FINDINGS TO YOUR FOUNDATION BOARD OR INVESTMENT COMMITTEE

- Use the powerpoint presentation that accompanies this report, available at www.socialinvest.org.
- Adapt strategies appropriate to your needs.

6. DEVELOP ACTIVE PROXY VOTING GUIDELINES

- Use *Unlocking the Power of the Proxy* from As You Sow Foundation and Rockefeller Philanthropy Advisors as a guide for developing more engaged proxy voting policies.
- Several foundations provide copies of their policy guidelines online; use them as models to consider.
- If you delegate your proxy voting to outside managers, request that they follow your guidelines and hold them accountable for how they manage your valuable proxy assets.
- Request documentation from managers describing how they cast votes in alignment with your policy.

7. DRAFT A NEW RESPONSIBLE INVESTMENT POLICY

- Specify social, environmental and governance issues to be incorporated.
- Allocate assets to community investing instruments and institutions.
- Ask peers in the foundation community for model investment policies. Many foundations make theirs available online.

8. EXPLORE COMMUNITY INVESTING OPPORTUNITIES THAT LEVERAGE YOUR MISSION AND IMPACT, WHILE MEETING YOUR FINANCIAL GOALS

- Visit the Community Investing Center at *www.communityinvest.org* to help you identify community investing opportunities.

9. LEAD BY EXAMPLE: SHARE KNOWLEDGE AND BEST PRACTICES WITHIN THE PHILANTHROPIC COMMUNITY

- Make your responsible investment policies and active proxy voting guideliness available online for others to learn from your example
- Support research and advocacy initiatives in social investing and corporate social responsibility
- Join or encourage mission-related investing initiatives through the Foundation Partnership on Corporate Responsibility, the International Human Rights Funders Group, the Environmental Grantmakers Association, Grantmakers in Health, the Association of Small Foundations, the Council on Foundations, and other foundation affinity groups.

10. JOIN RESPONSIBLE INVESTOR NETWORKS

- The Social Investment Forum, the Investor Network on Climate Risk, the Foundation Partnership on Corporate Responsibility, the Council of Institutional Investors, and the Interfaith Center on Corporate Responsibility are among the leading networks of responsible investors.

Conclusion

Whether implemented together or exercised individually, the strategies of responsible investing can expand the philanthropic mission of your foundation. Partnering the mission of grant-making programs with the market discipline of endowment management can help create an effective, fully integrated, socially and environmentally responsible philanthropic enterprise.

Incorporating social and environmental screening criteria into your portfolio management can help align your institution's values with investments while mitigating the social and environmental risks that have become a growing source of concern for the long-term investor. Shareowner advocacy provides tools for holding companies accountable over the long run, while community investing offers unique opportunities to reduce poverty and build economic opportunity in lower-income communities. Social venture capital uses alternative investments to finance social enterprises in order to pursue high-impact returns.

> *"[I]f taking well-considered risks for public benefit is not the role of philanthropy, then what is?"*
>
> *—Luther M. Ragin, Jr., Vice President, Investments, F. B. Heron Foundation*

Responsible investing provides the prudent trustee with strategic tools for simultaneously creating social value and unlocking shareowner value. When implemented in a disciplined manner, sensitive to a foundation's appetite for risk and return, and focused on the long term, all strategies of responsible investing can help build true long-term wealth for the foundation and for society. The strategies described in this guide can help foundation fiduciaries realize their full mission as philanthropic stewards.

Glossary of Terms

COMMUNITY INVESTING—capital from investors, as well as financial services and technical support, that are directed to communities underserved by traditional financial services.

CSR—Abbreviation for "Corporate Social Responsibility," the integration of social and environmental concerns into business strategy and operations and into the relations between companies and their stakeholders, from employees and customers to civil society and the communities in which they operate.

DOUBLE BOTTOM-LINE—An investment seeking financial and social returns. Commonly used to describe social venture capital and private-equity investments. See also Triple Bottom-Line.

ESG—Abbreviation for "Environmental, Social and Governance" criteria or factors, incorporated into investment analysis, policy or management. See also Screening.

PROXY STATEMENT—Term used to describe the documentation that publicly traded companies are required by law to distribute to shareowners prior to their annual meetings. In the proxy, companies report to their shareholders and solicit votes on a variety of matters related to the companies' management and governance, including shareowner-sponsored resolutions on environmental, social and corporate-governance issues. See also Proxy Voting.

PROXY VOTING—The process of voting "by proxy" on management and shareowner issues being presented for a vote at a company's annual meeting.

SCREENING—The practice of evaluating investment portfolios based on social, environmental or governance criteria. Screening may exclude companies with poor CSR records, actively include investments with strong social or environmental performance, or otherwise incorporate environmental, social or governance considerations into the investment process. See also ESG and CSR.

SHAREOWNER ADVOCACY—The active exercise of the rights and responsibilities of corporate shareownership, including options such as proposing or co-filing shareowner resolutions or engaging directly with corporate management through correspondence, dialogue and meetings over issues of concern. Conscientious proxy voting is also part of such engagement.

SOCIAL VENTURE CAPITAL—Private-equity capital invested generally in early-stage social enterprises or other companies pursuing social or environmental benefits as well as financial returns.

SRI—Abbreviation for "Socially Responsible Investing," an investment discipline that incorporates social and environmental factors into portfolio management through strategies such as screening, shareowner advocacy, community investing and social venture capital. Depending on emphasis, other terms such as "Double Bottom-Line Investing," "Ethical Investing," "Green Investing," "Mission-Related Investing," "Responsible Investing," "Social Investing" or "Sustainable Investing" are commonly used to refer to similar approaches that incorporate extra-financial issues into investment.

SUSTAINABILITY—A long-term approach to value creation that seeks to maximize durable financial returns through managing social and environmental risks, minimizing social and environmental externalities, and efficiently using natural resources.

TRIPLE BOTTOM-LINE—An investment seeking financial, social and environmental returns, supporting profits, people, and the planet. Some corporations also state they operate with the triple bottom line as a focus. See also Double Bottom-Line.

Additional Resources

- As You Sow Foundation's Proxy Information
  http://www.asyousow.org/csr/proxyvoting.shtml

- Bellagio Forum for Sustainable Development
  http://bfsd.server.enovum.com/en/

- Center for Responsible Business, Haas School of Business, University of California, Berkeley, Studies of Socially Responsible Investing
  http://www.haas.berkeley.edu/responsible business/MoskowitzResearchProgram.html

- Foundation Partnership on Corporate Responsibility
  http://www.foundationpartnership.org

- Foundations and Social Investment: Making Money Work Harder in order to Achieve More, by Margaret Bolton
  http://www.esmeefairbairn.org.uk/docs/EFF_ foundations_report.pdf

- The Institute for Responsible Investment at the Center for Corporate Citizenship Boston College, Wallace E. Carroll School of Management
  http://www.bcccc.net/index.cfm

- Interfaith Center on Corporate Responsibility
  www.iccr.org

- International Human Rights Funders Group
  http://www.hrfunders.org

- Investor Environmental Health Network
  http://www.iehn.org

- Investor Network on Climate Risk
  http://www.incr.com

- KLD Research & Analytics, Inc.
  http://www.kld.com/resources/papers/Pensions_the _Companies_They_Own_KLD070111.pdf
  http://www.kld.com/resources/papers/ SRIEvolving070109.pdf

- SocialFunds.com
  www.socialfunds.com

- Social Investment Forum
  www.socialinvest.org
  www.communityinvest.org
  www.sriadvocacy.org

- The United Nations Environment Programme Finance Initiative (UNEP FI)
  http://www.unepfi.org

- The United Principles for Responsible Investing
  http://www.unpri.org

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