



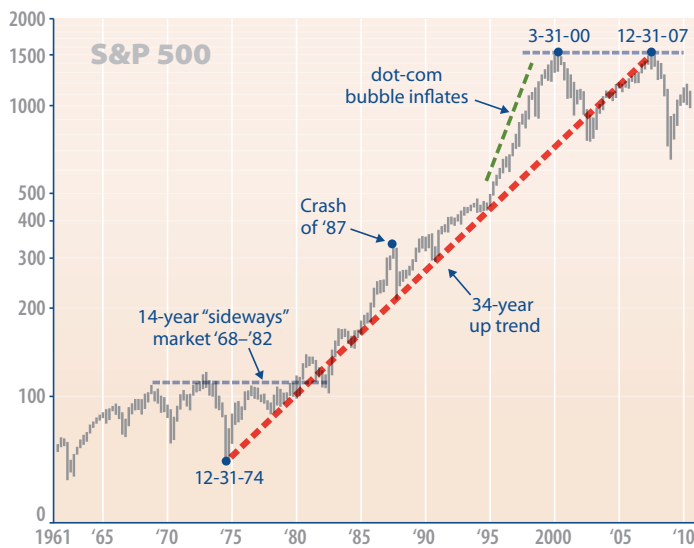
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It's the End of the World as We Know It *(With Apologies to R.E.M.)*

by F. Farnum Brown

Much of what's confounding about our wayward financial markets today can be explained, I think, by reference to the chart below. It plots the price level of the S&P 500 from the early 1960s through today.

If you look at the red, upward-sloping line on the chart you'll see that from late 1974 to late 2007, this trend line captures much of the market's progress for the 34-year period.



Of course, it's not point-for-point accurate. The market accelerated at a steeper pitch above the trend line in the mid-1980s. The Crash of 1987, however, brought the market right back to trend.

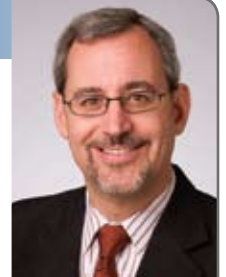
The stock market didn't move off trend again until the mid-1990s when the dot-com bubble carried stocks aloft at a very steep pitch to the peak in March of 2000. From there the dot-com bust of 2000–2002 brought the market back to the trendline, which it then followed steadily upward through the end of 2007.

The Old Normal

I find this stability of trend rather uncanny. What's more, if you calculate the trendline's pace of ascent, you'll find it annualizes to 10 percent. That is, for 34 years U.S. stocks rose at an average rate of 10 percent per year (and that doesn't count dividends).

Continues on page 4

Dear Reader



by Matthew W. Patsky, CFA, CEO

As I sit down to write this column having just returned from South Africa, I am reminded of the key reason I entered the field of socially responsible investing over two decades ago. It was (and is) my deep belief that the capital markets could be leveraged for positive social and environmental impact. To that end, it is clear that the international divestment movement had dramatic impact on the South African economy and helped to bring down the government that had developed the system of apartheid.

I traveled to South Africa as part of a delegation from Shared Interest. Started just after the election of Nelson Mandela to the Presidency of South Africa, Shared Interest began focusing on turning from disinvestment to reinvestment and helping to lay the practical economic foundation for the country's transition from apartheid to democracy.

While the scars remain, there is a general sense of optimism for the future everywhere we traveled. This is particularly true among the young people we met. Those who grew up in the post-apartheid era have a deep sense of there being no limit to what they can do and achieve, and I could feel their enthusiasm when visiting the townships and talking with the families and business owners.

While visiting the province of Limpopo, I met Constance Makgato, who is raising four children from an infant to a twenty-one year old. With the financial education she received, along with loans guaranteed by Shared Interest, Constance has built a business within her village, purchasing peanuts and other food supplies in bulk and selling them in smaller quantities within her community. Constance welcomed us into her home and proudly

Continues on back cover

IN THIS ISSUE

Making a Difference from Behind a Desk	2
It Seems to Me	3

Congress: Companies Must Account for Conflict Minerals. . .	5
South Africa Leads the World's Stock Exchanges on Environmental and Social Reporting	6



Making a Difference from Behind a Desk

by Catherine Pargeter

After completing a graduate program in environmental science and management in 2006, most of my class was off to desk jobs in offices. Lucky were the ones who found a job that let them be outside for at least some part of the day. And then there was me. I grabbed my backpack and volunteered for three years with the U.S. Peace Corps.

My village was in the Chikwawa district of southern Malawi. Surrounding the national park where I worked were vast sugar cane fields, with the headquarters of the sugar company 20 kilometers away. It was an odd juxtaposition, local villagers and the Peace Corps volunteer living in mud huts with no electricity or running water so close to expats, mostly from South Africa, living in luxurious, beautiful compounds complete with a golf course, a swimming pool, an upscale restaurant and clubhouse.

Although the sugar company brought employment to the region, many aspects of their community relations were frustrating to say the least, with offenses ranging from removing historically and culturally significant trees to treatment of their workers and other villagers. The medical center was not able to test for malaria even though the irrigation systems, which flooded the fields, created vast mosquito breeding grounds. Furthermore, local villagers who weren't associated with the company were not allowed to be treated at its clinic, the only one for 20 kilometers (although the medical associate, who became a good friend, turned people away only if he had to). In my opinion, however, the most egregious offense were the dikes installed to protect the sugar cane crops from the annual flooding that occurred during the rainy season. By not allowing the water to flow over the sugar cane fields to the river on the other side, the dikes caused massive flooding of the up-



Village in Chikwawa District, Malawi, where the author spent two years. Many traditional mud and thatch huts like these were unable to stand up against heavy rains and flooding that was made worse by the dikes.

stream villages, flooding houses, eroding topsoil and sweeping up anything and anyone else in its path. These were villagers who typically made less than \$1 per day and depended upon the fields in the flood zone to grow their food staples.

Upon returning to America last year, I knew I wanted to work to encourage businesses like that sugar company to improve their corporate citizenship. Working at Trillium is the perfect fit – the work that we do in our ESG Research and Corporate Advocacy department helps to create better interaction between corporations and the local communities that support them. So even though I too am now in an office, I am helping make a difference, and helping to improve communities ... without the backpack. ☺



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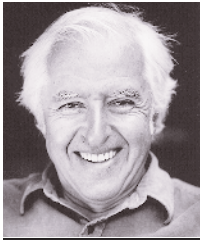
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IT SEEMS TO ME



Hanging Out with Oliver Stone, Looking for Answers

Milton Moskowitz

If Karl Marx was still living, I think he would probably be invited to ring the opening bell at the New York Stock Exchange or at NASDAQ. Or, more likely, the Hong Kong or Shanghai stock markets. And why not? His penetrating analysis of capitalism's tendency to self-destruct might well have inspired some Wall Street traders to anticipate the financial crisis of the past two years. Dialectical materialisms certainly did not hinder Russia and China from creating huge capitalist corporations.

On Monday, September 20, the film director Oliver Stone strode into NASDAQ's site in the heart of Times Square to ring the opening bell. He had in tow three performers – Shia LaBeouf, Josh Brolin and Carey Mulligan – from his soon-to-be-released film, *Wall Street: Money Never Sleeps*, a sequel to the *Wall Street* film he brought out 23 years ago. Not along for the ride, because of a bout with throat cancer, was Michael Douglas, who starred in both films, playing the “greed is good” investment banker Gordon Gekko. That night, Stone showed up with Brolin and Mulligan at a pre-opening party held at Cipriano 42 and attended by the likes of Spike Lee, Tayna Lewis Lee and the nation's richest man, Warren Buffet, who has a cameo part in the movie. Celebrities at work.

You might wonder why NASDAQ leaders would allow their podium to be used to promote a film whose content was unknown to them. Many people thought that Stone would level a severe indictment of Wall Street for igniting the financial crisis. But that didn't happen. Yes, there is obviously skullduggery going on but it's mostly conducted off screen so that viewers never have a chance to understand how Wall Street makes its money. Stone has no explanations for us on how the crisis seized up the economy. “Money never sleeps” is just a cliché.

Three weeks before the movie opened Stone had lunch at the Grill Room of the Four Seasons with Andrew Ross Sorkin, the *New York Times* columnist who wrote the blow-by-blow account of how the crisis came down in his book, *Too Big to Fail*. Sorkin reported in his column that Stone looked around the room and commented, “You know half the people in this place could be prosecuted.” This was juicy lunchtime conversation, but it never surfaces in Stone's movie. If it had, it might have concerned Rupert Murdoch, whose company, Twentieth-Century Fox, distributed *Wall Street: Money Never Sleeps*.

It appears that business people are unhappy about the way the President disparages them.

Anyway, the film finally opened on Friday, September 24, at theaters across the country, to mixed reviews. It grossed \$19 million at the box office that weekend. Okay, but certainly not earth-shaking.

More than 50 books dealing with the financial crisis have been published in the past two years – and they are still coming down the pike. Not all of them are as clueless as Oliver Stone's movie but Americans, for the most part, seem to have reached no consensus on why it happened or, most important, what should be done about it now. I was amused to see the venerable British weekly, *The Economist*, opine the other day that it might be a good idea for President Obama to act nicer to the business community. It appears that business people are unhappy about the way the President disparages them. *The Economist* said:


No sane leader of a country would want business people to think that he was against them, especially at time when confidence is essential for the recovery.

Perhaps the Brits need to be reminded of Franklin D. Roosevelt's first inaugural address, when he said:

... rulers of the exchange of man's goods have failed through their own stubbornness and their own incompetence, have admitted their own failure and have abdicated. Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men.

And four years later, in his second inaugural, FDR said:

We have always known that heedless self-interest was bad morals; we know now that it is bad economics. Out of the collapse of a prosperity whose builders boasted their practicality has come the conviction that in the long run economic morality pays.

Sounds like a good movie. 

Milt Moskowitz is a journalist and author who has been writing about corporate social responsibility since 1968. He is co-author of the annual *Fortune Magazine* survey, “The 100 Best Companies to Work for in America,” and the author of *The Executive's Almanac: A Diverse Portfolio of Eclectic Business Trivia* (Quirk Books, 2006).



End of the World *(continued)*

Continued from page 1

This, I submit, is – or at least was – the core expectation of the vast majority of investors alive today: an upward-trending stock market, occasionally interrupted by hiccups, with long term gains compounding at double-digit rates. And why not? Three decades of experience had taught us it was so.

This experience and the expectations and attitudes it fostered are what many, ourselves included, now think of as “the Old Normal.”

The Old Normal died in late 2008 with the collapse of Lehman Brothers and the subsequent cascading decline in the stock market. This took stock prices back to the lows made at the depths of the dot-com bust of 2002. It also revealed a rather surprising fact: the U.S. was in a secular bear market that was already nearly eight years old.

Despite an 80 percent rally from March 2009 through April 2010, we’re still in the same secular bear market today, now over ten years old. Officially, the bear market won’t end until we make and sustain new highs above those first reached in 2000.

Back to the Future

Today we find ourselves in a stock market much like the one investors faced from 1968 to 1982 (again, see chart). For 14 years stock prices rose and fell without sustaining a new high. You had some big rallies where stocks doubled, and some big declines where prices fell 50 percent or more. But the net of it all was a sideways market. In September 1982 the market was trading right where it had been in September 1968. Likewise, the market today is trading where it was in the fourth quarter of 1998.

Welcome to the New Normal.

In the New Normal many of the beliefs about investing that had become axiomatic in the Old Normal have been turned on their heads. Beliefs like:

- Stocks deliver higher returns than bonds. For the ten years through the end of August, the S&P 500 returned a negative 31 percent while Treasury bills returned a positive 28 percent. So the low risk asset outpaced the high risk asset.
- Investors should maintain a constant allocation to equities (i.e., no “market timing”). In a sideways market that lasts over a decade, a static allocation to equities that track the general market may well produce flat net stock returns with a lot of volatility along the way – as in the last decade.
- Stock dividends don’t matter since the lion’s share of stock returns comes from price appreciation. While this was true for much of the Old Normal period, during the longer span from 1950 through 2009 dividends represented a third of the total return from stocks. During the sideways market of the late 1960s to the early 1980s, dividends counted for 59 percent of stocks’ total return.

Each of these foundational assumptions made sense in the context of the Old Normal where a rising tide of stock prices could be reliably counted on. No longer.

If anything, negating these principles would have been the formula for success over the past ten years. Stocks show lower returns than bonds. Investors should pursue a dynamic asset allocation strategy for equities, actively taking in and letting out sail (equity exposure) as market conditions dictate. Stock dividends do matter since they provided the only positive cumulative return from equities for the past decade.

Driving by Looking in the Rearview Mirror

So is this our answer to investors who ask how they should respond to the New Normal? Simply put an emphatic “not!” after all the principles that guided successful investing during the Old Normal? Would that it were so easy. What we can say is that these principles must be reconsidered critically.

Clearly they haven’t worked for the past decade. But modeling one’s investment strategy on what did and didn’t work over the past ten years falls under the heading of “driving by looking in the rearview mirror,” and that is not advised. The fact that markets did X over the past ten years doesn’t imply they will do X for the next ten. Nor does it imply they will do the opposite – for example, revert back to the Old Normal.

We must rather be forward looking in formulating a strategy for the next decade. One of the forward looking arguments for a continuation of the New Normal state of affairs has been offered by Bill Gross and Mohamed El-Erian, co-CEOs of PIMCO, the world’s largest bond fund manager. Indeed, it was Gross and El-Erian who popularized the “New Normal” meme to describe the U.S. economy going forward and to distinguish it from the Old Normal period of the 1980s and 1990s.

A Headwind of Deleveraging

The PIMCO argument is that economic growth in the U.S. will be hampered for the next few years by an extended deleveraging process on the part of the U.S. consumer. For more than two decades the U.S. economy enjoyed a tailwind of increasing consumer spending fueled by ever-rising levels of debt on consumers’ balance sheets. For the next few years that process will reverse, creating a headwind for the U.S. economy as consumers pay down debt and spend less. As consumer spending accounts for 70 percent of total U.S. GDP, as the consumer goes, so goes the economy.

While the U.S. stock market’s rate of advance isn’t tied exclusively to the pace of expansion in the U.S. economy, the two are fairly well correlated. If you think the U.S. economy will expand at a subpar pace, you should expect U.S. stocks in

Continues on page 5



End of the World (continued)

Continued from page 4

aggregate to advance at a slower rate as well.

Should the New Normal economic climate hold for the next few years, this could well lead to a continuation of the “sideways” market we’ve experienced over the past decade. That doesn’t rule out big advances within that overall sideways pattern. Nor does it exclude big declines. But it would mean that investors counting on a steadily rising tide a la the Old Normal will be disappointed.


What To Do?

So what options should investors consider should the New Normal continue? The obvious answer is to seek out return strategies that don’t depend on a steadily rising tide in the U.S. stock market. Here are a few:

- Fixed income investments (bonds), generate a return that doesn’t require price appreciation. While the interest rates paid by high quality bonds are low today, they are positive and reliable. Should the U.S. economy roll over into a “double dip” recession, high quality bonds would also likely appreciate in price, offering a hedge against a slowing economy.
- Dividend paying stocks should also be given higher priority, particularly stocks of high quality companies with strong balance sheets that can support current and possibly rising dividend payouts. It’s one of the peculiarities of the current market that high quality, large capitalization U.S. stocks are rather cheap compared to other segments of the U.S. market. These tend to pay handsome dividends while often having a global reach in their businesses. In a related vein, real estate investment trusts (REITs), utility company stocks and preferred stocks also tend to pay high dividends.
- Perhaps somewhat controversially, we’d have to say that a more dynamic approach to equity allocation is called for in a sideways market. This amounts to tactical market timing in the sense that investors would increase and decrease their equity exposure (let out and take in sail) more actively based upon market and economic conditions. We’re not suggesting that it’s easy to identify the relevant “market and economic conditions” that could guide such a successful strategy. But we believe those conditions would be grouped for the most part under the two headings of “general market valuation” and “the business cycle.” (We’ll expand on this in the next *Investing for a Better World*.)
- Investors should consider exposure to stocks of firms in economies that aren’t hampered by consumer deleveraging. As virtually the entire developed world is suffering from such deleveraging, this means gaining exposure to emerging economy markets such as China, India, Brazil, South Korea and others. This poses particular difficulties for socially responsible investors as social data on firms in emerging

economies is sparse. At Trillium we are in the early stages of researching the best way to address this need for socially screened, emerging market exposure.

- Lastly, absolute return, market neutral equity funds are designed precisely for New Normal, sideways markets. These funds combine long (buying) and short (selling) strategies to neutralize the impact of general market movements on the fund. These strategies are designed to earn their returns regardless of the general market’s action — whether up, down or sideways. While more widely known among institutional investors, absolute return funds are rising on the horizon for individual investors because of the sideways market we’ve experienced for the past decade.

In partnership with former Trillium colleague Adam Seitchik, now of Auriel Capital Management of London, Trillium is developing the first absolute return, market neutral equity fund that rigorously incorporates environmental, social and governance (ESG) risks into its stock selection process. We believe the Trillium Absolute Return Fund will not only respond to a growing need among investors but also advance the discipline of socially responsible/ESG investing. We expect to roll out the fund sometime in the first quarter of 2011. Stay tuned. 

Part II of this article will appear in next quarter’s
Investing For A Better World®



Congress: Companies Must Account for Conflict Minerals

Susan Baker

Its wealth is unearthed by the poor, controlled by the strong, then sold to a world largely oblivious to its origin. So reads the “African natural resource curse” – a paradox of plenty.

In few African nations has this curse brought greater conflict and environmental damage than in the Democratic Republic of Congo (DRC). When perpetrators of the genocide in Rwanda crossed the border, battles escalated with rebels and foreign armies for control of valuable mineral deposits. In Africa’s Eastern Congo and neighboring Uganda and Rwanda, the extraction and transport of “conflict minerals” – tin, tungsten, tantalum (the “3T’s”) and gold – has helped rebel forces amass vast wealth which they use to militarize mines and wage devastating violence and human rights abuses against civilians in eastern Congo. According to a recent report by the U.S. Government Accounting

Continues on page 7



South Africa Leads the World's Stock Exchanges on Environmental and Social Reporting

Jonas Kron

Investors are increasingly recognizing the important role that stock exchanges can play in improving corporate sustainability reporting and ultimately a sustainable economy. Markets, where investors and companies meet, are driven by information. Because of this strategic position, the exchanges, through their listing requirements (which dictate the information corporations must disclose on an annual basis in order to remain listed) have the power to either mandate or incentivize how companies report on their environmental and social impacts. They can also create indexes that recognize leaders in sustainability.

One could argue that the most significant environmental and social impact of an exchange is its listing requirements. If the requirements include ESG (environmental, social and governance) information, then investors will not only get quarterly profit and earnings reports, but they will receive information relevant to long term valuations and assessments of sustainable performance. With that information, investors will be better equipped to choose stocks informed by environmental and social sustainability considerations.

The Johannesburg Stock Exchange (JSE) is the clear leader for those of us in the investment world who think about and act upon this information. Why the JSE? In part because in the aftermath of apartheid, South Africa needed to rebuild the reputation of its business community and address the crushing economic inequities in its economic system. How companies' policies and practices impacted the poor was of particular interest in a nation where at least half of its citizens lived in poverty.

In 1994, the King Commission on Corporate Governance (chaired by the current chairman of the Global Reporting Initiative, Mervyn King) published the first of three reports, the King Report on Corporate Governance (known as "King I"). King I broke important ground in South Africa, which eventually led to the "King II" report's 2002 conclusion that:

Corporate governance is the manner in which organisations direct and control their assets, resources and actions. In companies, direction and control is in the hands of the directors who are accountable not only to shareholders but also indirectly to other stakeholders such as employees, suppliers, customers, the government and the community.

Only six of the 30 leading stock exchanges in the world provide any sort of sustainability guidance: Australia, Bursa Malaysia, Shenzhen, Shanghai, Taiwan, and Johannesburg.


This articulation was put into practice the following year when the JSE required companies to report on their social, ethical, health, and environmental practices or to explain their non-compliance. Companies were required to develop reporting metrics, and to publish a narrative statement of how they were addressing these sustainability challenges.

King II also led to the creation of the JSE Socially Responsible Investment (SRI) Index in 2004 to "meet the emerging requirements of investors and civil society for companies to demonstrate more socially responsible behavior." Like most SRI indices, the JSE's evaluates companies against a set of economic, social and environmental criteria to determine whether they will be identified for investors as companies that have sufficiently integrated environmental and social performance into their business model.

These were firsts in emerging markets, and in many respects they were ahead of developed market exchanges. Today, only six of the 30 leading stock exchanges in the world provide any sort of sustainability guidance for listing requirements.

"King III" (2009) culminated the exchange's work by requiring "an annual integrated report that focuses on the impact of the organisation in the economic, environmental and social spheres." As the report summarized:

Sustainability is now the primary moral and economic imperative and it is one of the most important sources of both opportunities and risks for businesses.... Incremental changes towards sustainability are not sufficient – we need a fundamental shift in the way companies and directors act and organise themselves.

The anti-apartheid divestment movement of the 1970s and '80s gave birth to the modern day shareholder advocacy movement, inspiring a generation of investors to evaluate companies' environmental and social impacts. With its groundbreaking work on "sustainable exchanges," it appears that South Africa will continue to play a critical role helping the world developing a more sustainable economic system. 



Conflict Minerals *(continued)*

Continued from page 5

Office, since 1998, an estimated five million have died as a result of the fighting.¹

Government stabilization efforts, UN peacekeeping initiatives and various international campaigns are working to reduce the violence, but little yet has been effective in containing the flow of funds to rebel forces responsible for the widespread killings and abuses.

Targeting Economic Drivers of the Conflict

For the past few years investors and nongovernmental organizations (NGOs) have been pressing companies to take responsibility for the risks deep in their supply chains, viewing it as an investment issue and a moral imperative. A broad cross section of manufactures from tool makers to chip manufacturers are dependent on one or more of the 3T's and gold and their ores, for the functionality of their products. The DRC currently is the sixth largest producer of tin and provides 20 percent of the world's tantalum. Growing industrial demand for these minerals contributes to the conflict. Tin is used in circuit boards; tungsten makes cell phones vibrate; tantalum is used in electrical capacitors found in consumer electronics and medical devices; and gold is used to coat wiring. Until companies conduct adequate due diligence of their supply chain, investors will not be able to assess the operational and reputational risks from the probable sourcing of minerals from conflict areas such as the Eastern Congo.

To their credit, several technology companies working through the Electronic Industry Citizenship Coalition (EICC)/Global eSustainability Initiative (GeSI) have begun audits of their supply chain. No reports of these audit processes have been made public, but this is set to change in the next 18 months when all U.S. publicly traded companies manufacturing products containing any one of the 3T's or gold will be required to report if they use conflict minerals and if so, whether the minerals originated in the DRC or adjoining countries. Companies that do source from the Congo must submit a report on the due diligence processes they are taking, if any, to trace the origin of these minerals.

This requirement, tucked away in the historic Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, is unprecedented in U.S. federal securities law.

Section 1502 begins, "It is the sense of the Congress that the exploitation and trade of conflict minerals originating in the Democratic Republic of Congo (DRC) is helping to finance conflict characterized by extreme levels of violence... and contributing to an emergency humanitarian situation."

The legislation directs the Securities and Exchange Commission (SEC) to promulgate rules addressed to companies traded

on the U.S. stock exchanges that are responsible for the manufacture of products that contain any of the 3T's or gold. If the mineral is necessary to "the product's functionality", the company will have to undergo a due diligence process sufficient to determine if any minerals were sourced from the DRC. The legislation's key provisions require companies sourcing from the DRC to conduct a due diligence process that includes a third part audit. The General Accounting Office, the SEC and the State Department are responsible for setting reporting standards. Companies also must describe products that are not DRC conflict-free – that is, those that contain conflict minerals that directly or indirectly financed or benefited armed groups in the DRC. The carrot provided is that all who demonstrate due diligence deemed reliable by the SEC, and who thereby certify no minerals are sourced from conflict zones in the DRC, can label their product "DRC conflict-free." Another critical piece of the law directs the Secretary of State and the U.S. Agency for International Development to develop a strategy "to address linkages between human rights abuses, armed groups, mining of conflict minerals and commercial products." There is considerable ambiguity around the definitions in the bill, but the SEC comment period gives stakeholders an opportunity to provide input on definitions and directives in the rule-writing process.

Trillium has engaged several companies on this issue, including **Intel**, **Medtronic** and **Veeco Instruments** and joined the DRC Policy Working Group with NGOs, other investors, and companies working together to make recommendations to the SEC rule making process. The DRC Policy Working Group is a subcommittee of the Multi-Stakeholder Initiative, spearheaded by Patricia Jurewicz from the As You Sow Foundation and Business for Social Responsibility.

Corporate Action in Anticipation of the Rulemaking

Technology companies were the first to develop mineral verification schemes. **GE**, **Motorola**, **Intel**, **Advanced Micro Devices**, **Hewlett Packard**, **Dell** and **IBM**, working together under the auspices of the EICC and also as members of the DRC Working Group, are advancing a smelter verification process. The process allows manufactures to identify smelter operators that use a legitimate chain of custody process to track minerals from mine to smelter. Three tantalum smelters have been audited under the verification process, and members of the EICC have visited ten tin smelters in six countries.

We can't help but observe that it's consistently been the same handful of companies who are investing resources to trace conflict minerals and engage investors and NGOs about the complexities of their supply chains. Companies outside the tech sector need to

Continues on page 8

1. "The Democratic Republic of the Congo: U.S. Agencies Should Take Further Actions to Contribute to the Effective Regulation and Control of the Minerals Trade in Eastern Democratic Republic of the Congo" (U.S. Government Accountability Office, September, 2010).

Conflict Minerals *(continued)*

Continued from page 7

step up and support the industry verification schemes. Investors are urging companies to be transparent in discussing the progress and challenges of meeting the provisions in the SEC conflict minerals disclosure ruling. The DRC Working Group is urging companies from the automotive and medical device manufacturing sectors to join supply chain work. Additionally, more companies need to follow the leadership of several EICC/GeSI member companies and publicly disclose policies to address conflict minerals. Investors need to understand where companies stand on assessing this material supply chain risk. IBM, for example, is very involved in EICC; a senior executive from the company acts as its chair. Yet, because IBM has not disclosed how it is approaching the issue of tracing conflict minerals in its supply chain, its exposure to this risk is unclear to investors. For IBM and others, regulatory change demands the disclosure of risk factors.

Done right, this unprecedented rule will compel companies to understand the operational and regulatory risks in their supply chain and hold them accountable to a robust due diligence process. This will give investors a uniform flow of information necessary to make informed investment decisions. Done right, the rules could compliment international efforts to deal with conflict minerals, such as a system for the responsible sourcing of minerals designed by the Organization for Economic Cooperation and Development, which has received the endorsement of eleven African countries.²

Done poorly, the law could trigger a ban in the region. The DRC Working Group is in agreement that the law and implementation process should not deter smelter operators to abandon even the legally run mines in the Congo.

The Working Group is set to deliver consensus recommendations to the SEC in November that will help draft meaningful reporting that drives ethical and environmentally sustainable behavior in sourcing conflict minerals. It will take multiple fronts – government engagement and diplomacy, supply chain responsibility, and economic development – for a path to open up to end the violence and this particular manifestation of the natural resource “curse” in Africa. ↻

² “OECD Standards Taken up in Fight Against Conflict Minerals,” October 4, 2010 (www.oecd.org).

Dear Reader *Continued from page 1*

displayed her well-appointed living room, and we learned how she has grown her business.

We toured Robben Island with former political prisoner Thulani Mmabaso. A true testament to the triumph of the human spirit, Thulani shared with us the discussions of the need for reconciliation that the prisoners had discussed during their many years of imprisonment. The prisoners believed that they were forming a government-in-waiting. They held true to their conviction that ultimately apartheid would fall and they would need to be prepared to run the new government. How right they were!



Photo by Matt Patsky

Constance Makgato (holding one of her children) with a neighbor.

As we met one family after another who had been helped by the programs supported by Shared Interest, I was struck by how powerful a model this is for positive social and environmental impact. Joan Bavaria founded Trillium Asset Management back in 1982 with the belief that it was possible to incorporate environmental, social and governance factors into the investment process without sacrificing the financial return needs of our clients. As we look back at the past 10 years of market returns, it is remarkable how true this has been. Trillium’s unique focus on direct Community Investing has demonstrated to our clients that high social impact investing can achieve consistent financial returns. ↻

