



SRI is the commonly-used acronym for “Socially Responsible Investing” or more recently “Sustainable and Responsible Investing.”

“SRI” is often used interchangeably with the terms “Mission-based Investing,” “Green Investing,” “Impact Investing,” “Socially Conscious Investing,” “ESG Investing,” and “Ethical Investing.”

According to USSIF, the trade association for SRI in the U.S., at its most basic level SRI means:

“Consideration of environmental, social, and corporate governance criteria [ESG] in addition to standard financial analysis.”

SRI investors include individual investors and family offices, endowments, foundations, pension funds, environmental and other non-profits, religious organizations, and Native American tribes.

There are four general approaches to SRI:

- 1) ESG Criteria
- 2) Shareholder Advocacy
- 3) Community Investing
- 4) Public Policy

ESG CRITERIA

Many SRI investors are looking to align their money with their values—and for these investors an important aspect of SRI is excluding names that conflict with their values. For example, many SRI investors will not invest in companies with significant involvement in producing, marketing, or distributing firearms, alcohol, tobacco, gaming, nuclear power, pornography, or military weapons systems.

Investors may also choose to actively divest from specific companies, countries, or economic sectors, such as with the growing interest around fossil fuel free investing. In addition, many investors are concerned with companies with major environmental, diversity, product safety, or human rights concerns.

In addition to exclusionary criteria, SRI investors also look for positive ESG criteria to identify the companies best positioned to deliver strong long-term financial performance. There is

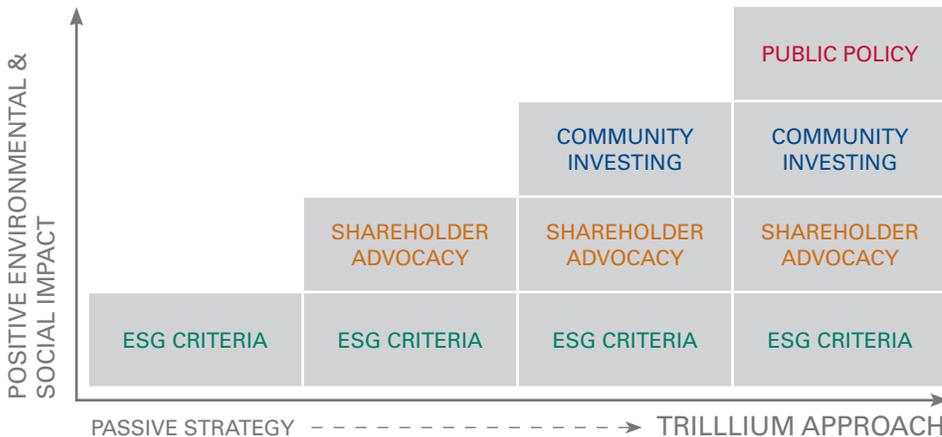
a general belief that companies with better performance on ESG issues, such as strong workplace practices, product safety, and environmental protection, will have better financial performance. This “ESG integration” approach is often an integral part of the fundamental research process at many SRI firms. Multiple studies have shown that there is no long-term performance cost to SRI.^{1,2,3}

SHAREHOLDER ADVOCACY & PUBLIC POLICY

Using your position as an owner in a company to push companies to improve social and environmental performance is a key component of SRI. There are a number of tools available within shareholder advocacy, including phone calls, written correspondence, in-person meetings, and site visits. Communications can range from asking simple questions to clarify understanding of policies, to engaging in long term, in-depth dialogue involving multiple stakeholders.

When dialogue fails, SRI investors can exercise the shareholder’s right to file a resolution. Shareholder resolutions ask companies to implement a specific policy or action. These resolutions can come up for a vote at the company’s annual meeting and can be a key rallying point of a larger campaign to a change a corporation’s behavior. In some cases, companies agree to make changes in exchange for the withdrawal of the resolution prior to the vote.

Multiple Approaches Maximize Impact



continues on reverse >>

1. <http://faculty.london.edu/aedmans/Rowe.pdf>
 2. http://responsiblebusiness.haas.berkeley.edu/documents/Moskowitz_2011_CSR_Cost_of_Capital.pdf
 3. <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-036X.2009.00532.x/full>

Trillium's Shareholder Advocacy

When Trillium and Calvert Investment Management originally approached Smuckers (*owner of Folgers and one of the largest coffee buyers in the world*) to discuss coffee sustainability, the company did not welcome our efforts to engage them. Coffee is a very resource intensive crop and most of it is grown by farmers in the developing world and is highly susceptible to the whims of the global commodity market and, of course, to climate change.

In 2012, we filed a shareholder proposal that ultimately received 30% of shareholders' vote at the company's annual meeting — a resounding message from investors representing billions. Oxfam, well known for its work with farmers and coffee communities, rallied its members to support the proposal and in the process added a public relations element to the issue.

Still, the company continued to refuse to have a meaningful conversation about sustainably sourcing coffee and it was necessary to file the shareholder proposal again in 2013.

With the prospect of yet another embarrassing vote looming, the company announced that it had developed a sustainable coffee sourcing plan that it would implement over the next three years. It promised to source 10% of its retail sales as certified sustainable by 2016 and to be active contributors and partners with three non-governmental organizations working on coffee and farmer sustainability. While this commitment is modest, it is a good first step.

Often, SRI investors also try to impact public policy rather than just focus on individual companies. Through influencing legislation and regulation, we can often extend our impact across entire industries or business as whole. For example, the SRI industry was very active in promoting the Dodd-Frank regulations which addressed conflict minerals. The SRI industry has also advocated for stronger environmental regulations, helping to ensure that companies report the greenhouse gas emissions from their facilities and disclose their risks related to climate change.

Community investments are customized for each client, and can be targeted both geographically and by area of interest. These areas include:

- » Sustainable Agriculture
- » Low Income Housing
- » Native American Community Development
- » Community Economic Development
- » Environmental Sustainability
- » International Development
- » Childcare
- » Job Creation and Retention
- » Financial Services as an Alternative to Predatory Pay-Day Lenders

COMMUNITY IMPACT INVESTING

Community Impact Investing directs capital to underserved communities to promote community economic development, revitalization, growth, and sustainability.

Many investors choose to allocate a portion of their overall portfolio holdings to this high social impact asset class.

CONCLUSION

As the oldest investment advisor devoted exclusively to sustainable and responsible investing, Trillium has a long record in successfully implementing all the SRI approaches into a cohesive strategy that delivers both performance and impact on behalf of our clients.

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