

# Four Paths to Socially Responsible Investing

by The UUMA SRI Committee

Socially responsible investing makes the radical assumption that we are responsible for the quality of life through our financial practices. Our purchases and our investments have meaning. The meaning we make through our economic lives can be a powerful force for good in the world. That good comes from the willingness to assume responsibility for the companies from whom we buy and in whom we invest.

The practice of socially responsible investing began in the late 18<sup>th</sup> century, when religious investors decided to refuse to invest in corporations engaged in alcohol, gambling, and tobacco. In 1966, the UUA and others joined together as shareholders to convince the Eastman Kodak board of directors that they had a responsibility to provide African American residents of Rochester, NY with a proportionate share of jobs. By 1970 the UUA set aside 5% of its endowment to be invested in "enterprises which made a high social contribution." An interfaith investment boycott of firms doing business in South Africa was joined in 1980 by the first of a new wave of financial groups—socially responsible investment funds.

These are examples of four paths to socially responsible investing—avoidance screening, shareholder activism, community investing, and positive screening. Currently, thousands of funds, schools, and religious organizations use these economic strategies to create social change. Investing for both financial and social/ethical returns is called "the double bottom line." Today all UUA funds are invested with social criteria in mind, and ministers may choose socially responsible options in the UUA retirement plan.

## Avoidance Screening

Avoidance screening is an investment policy whereby an organization or individual avoids investing in a particular company because of objections to the company's behavior or activities. Dumping toxic waste, mistreating employees, oppressing indigenous peoples, creating unsafe products could all cause a company to be screened out of a socially responsible portfolio.

How do we know these things? An essential aspect of the SRI industry is research and evaluation of corporations according to various criteria of concern. A bi-product of the screening process is that corporations are now expected to disclose information about their employment, environmental, health and safety, labor relations and other practices along with disclosures of their financial status. Disclosure laws are currently under attack in the context of homeland security.

## Affirmative Screening

Screening companies for inclusion in a socially responsible portfolio involves seeking out investments that support our values and principles. At its best, affirmative screening leads us to invest only in firms whose business practices and activities support and promote issues we feel benefit humanity and the environment. Examples might include: those involved in recycling, pollution control and clean up; those that manufacture goods from recycled materials;

those that treat their employees well and support diversity at all levels; and those that interact in a positive way with their local communities.

### **Community Investing**

Through community investing, congregations and individuals can support initiatives such as affordable housing, environmental projects, small business lending (particularly to women and people of color), neighborhood development projects in both urban and rural areas, and micro-enterprise development throughout the world. Through such initiatives, community financial institutions channel money to people and enterprises that would not qualify for loans from more mainstream sources.

We can invest in companies that have a good track record of community investing. In addition, there are community development financial institutions (CDFIs) in virtually every state in the nation. These institutions focus solely on community development. Some community development banks even have checking, savings and money market accounts.

### **Shareholder Activism**

Anyone who holds a certain minimum number of shares in a publicly-held corporation can file a resolution to be voted on at the corporation's annual meeting. Doing so is an educational device to alert other shareholders to social injustices or behaviors that the firm may be engaged in, and it places pressure on the corporation's officers to change its destructive policies and practices. The UUA is a member of the Interfaith Center for Corporate Responsibility, which coordinates inter-faith shareholder actions.

**Purchasing** is of course the simplest way to act in a socially responsible manner. Paying attention to what you buy and from whom is an everyday way to live your values.

**Investment** portfolios can be crafted with socially responsible criteria. Congregations and endowment funds often wonder if socially responsible investing will effect their overall financial return. Over the last 20 years, much to everyone's surprise, socially responsible investments generally provided financial returns at least as high as funds invested without regard to SRI, adjusted for asset classes, risk and diversification. In fact, over the longer term, investing in responsible companies seems to yield a somewhat higher return than investing in comparable companies that do not act as responsibly to their various stakeholders.

There has come into existence a new and exciting field: that of research into corporate practices—often quite hair-raising—and the complicated art of decision-making regarding screening in socially responsible portfolios. There are socially responsible mutual funds that provide balanced, diversified portfolios of socially responsible investments for most asset classes, which often give superior returns, but you can begin with your existing fund manager as well, in order to encourage the spread of this important tool for social change.

### **Resources**

UUA Committee on Socially Responsible Investing: [www.uua.org/finance/sri](http://www.uua.org/finance/sri)  
Social Investment Forum (consortium of SRI products and services): [www.socialinvest.org](http://www.socialinvest.org)  
SRI World Group: [www.socialfunds.com](http://www.socialfunds.com)  
Know What You Own Service :[http://www.calvertgroup.com/sri\\_kwyo.asp](http://www.calvertgroup.com/sri_kwyo.asp)