

DRAFT SRI CONTINUUM: From Limited Social Change to High Social Change Impact

Background

SRI has evolved since its early days when it consisted primarily of screening. Today, SRI includes integrated approaches, positive and negative screening, shareholder engagement and community investment. There is an emerging continuum from SRI “lite” to SRI deep, as chronicled in the study, “Future of SRI”. A further evolution is that SRI firms are expected to model the kinds of practices they require of their investee companies. Investors who have been using an SRI approach that follows methodology which is 5 – 10 years old may not be aware of the new options in the marketplace. Progressive investors, particularly, who use SRI in order to effect the sustainability performance of corporations, likely lack knowledge about the newer approaches to effecting corporate behavioural change. This model is an initial attempt to scope out this continuum, from the perspective that firms with a more robust SRI value proposition will be able to compete more effectively in a crowded SRI market. This project is funded by Ethical Funds Inc.

CONSULTATION – The following have been consulted in the design of the Continuum:

Canada:

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Limited Social Change Impact

High Social Change Impact

Investment Firm Performance:

- No corporate social responsibility (CSR) policy or program
- Do not disclose sustainability performance
- Do not measure sustainability impact

ESG Evaluation:

- Consider some environmental, social and governance factors in analysis
- Moderate resource commitment for ESG analysis

Corporate Engagement:

- No shareholder engagement
- Proxy voting guidelines focus on governance issues only; not regularly updated
- No multi-party stakeholder collaborations

Screens:

- Some positive/negative screens
- No solutions oriented screens/funds

Sustainable Venture Capital:

- No sustainable venture capital investments

Community Investment:

- No community investments

Disclosure:

- No disclosure efforts

Stakeholder Communication and Engagement:

- No stakeholder programs

Public Policy Advocacy:

- No public policy advocacy

Public, industry and consumer education and engagement efforts on sustainability generally and SRI specifically:

- No public, industry or consumer engagement or education programs

Investment Firm Performance:

- Corporate social responsibility (CSR) policy and program in operation
- Issue sustainability performance report (aligned with GRI guidelines and independently verified)
- Measure sustainability impact of operations and of SRI funds
- Adopt sustainability principles and standards (e.g. UN Principles for Responsible Investment)
- Member of SRI trade organization; participate in trade initiatives

ESG Evaluation:

- Comprehensive and integrated approach to integrating environmental, social and governance factors into analysis
- Significant dedication of resources (internal/external) to ESG analysis

Corporate Engagement:

- Comprehensive process for issue identification
- Corporate dialogue, shareholder proposals, divestment
- Proxy voting guidelines incorporate ESG issues and are regularly updated to reflect current issues
- Participate in/ lead multi-party stakeholder collaborations

Screens:

- Positive/negative values-based screens
- Solutions oriented screens/funds

Sustainable Venture Capital:

- Private placement in sustainable sectors and firms

Community Investment:

- Policy, targets and assets in community investment

Disclosure:

- Detailed disclosure of company evaluation methodology
- Regularly disclose engagement activity
- Signatory to disclosure initiatives (e.g. EUROSIF guidelines, UN PRI)
- Disclose external audit results of SRI program
- Disclose public policy positions and actions

Stakeholder Communication and Engagement:

- Engage stakeholders in identifying engagement priorities
- Communicate to stakeholders (esp. policy and unit holders) on SRI performance and progress

Public Policy Advocacy:

- Work toward legislative reform on corporate accountability and financial transparency

Public, industry and consumer education and engagement efforts on sustainability generally and SRI specifically:

- Provide public and consumer opportunities to engage on SRI, ethical consumerism and corporate social responsibility
- Provide public, consumer and advisor SRI education
- Publish SRI research to build public, consumer and industry SRI knowledge