

Socially Responsible Investing Components

Socially responsible investing (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 "light" to SRI "deep", as chronicled in the study, "Future of SRI (www.corstrandberg.com)."

A further evolution is that SRI firms are expected to model the kinds of practices they require of their investee companies – to "walk the talk." This diagram provides an overview of the various elements of SRI which investors can use to determine their personal approach to socially responsible investing



This is a draft and will continue to evolve. Developed by Strandberg Consulting and sponsored by Ethical Funds.

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SRI Components

The following is a list of SRI approaches. The more these approaches are incorporated into your SRI portfolio and practiced by your SRI manager the greater the impact of your investments.

Investment Firm CSR Commitment:

- > Corporate social responsibility (CSR) policy and program in operation
- > Measures sustainability impact of operations and of SRI funds
- > Member of SRI trade organization; participates in SRI trade initiatives

- > Issues sustainability performance reports including disclosure of ESG performance, programs & policies (aligned with GRI guidelines and independently verified)
- > Adopts sustainability principles and standards (e.g. Principles for Responsible Investment)

ESG Integration:

- > Comprehensive approach to integrating environmental, social and governance (ESG) 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

High Impact Investments:

Sustainable Venture Capital:

- > Private placement in sustainable sectors and firms

Community Investment:

- > Policy, targets and assets in community investment

Disclosure:

General disclosure of company evaluation methodology

- > Regularly disclose engagement activity
- > Signatory to disclosure initiatives (e.g. EUROSIF guidelines, Principles for Responsible Investment)
- > Disclose external audit results of SRI program
- > Disclose public policy positions and actions

Stakeholder Communication and Engagement:

- > Engage stakeholders in identifying engagement priorities
- > Regularly communicate to stakeholders on SRI performance and progress

Public Policy Advocacy:

- > Work toward legislative reform on corporate accountability, financial transparency & ESG disclosure

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

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