The Best of Both Worlds: Responsible Social and Financial Investment

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Betsy Brill and Susan Winer discuss the importance and implications of mission-based or values-based investing, also known as Socially Responsible Investing. They also include a roundtable discussion with five leading experts in the field.

Introduction

There is a Bob Dylan song from the 1960s entitled *The Times They Are A-Changin.*[1] Now, almost 40 years later, those words carry special meaning. In the wake of 9/11, the debacle of Enron and WorldCom and the activities surrounding companies like ImClone, a whole new lexicon has emerged. Phrases such as "corporate responsibility," "corporate governance" and "corporate screens" have become increasingly more common in the news and in mainstream discussion. In addition, a whole new meaning has been given to the word "transparency" as it relates to corporate activities and financial reporting. All of this has begun to change the way in which investors look at their portfolios.

There are several factors contributing to the changes in investor attitude and why there has been unprecedented public scrutiny around the judgment and morality of corporate officers. These include the heightened awareness of sophisticated investors; the failure of the stock market; corporate scandals leading to investor distrust and increased shareholder activism; the economy, in general, and consequently investor concerns about traditional investment mediums, and the fact that these mediums have not performed adequately enough to meet investor criteria for return. Add to this the changes taking place in the philanthropic arena

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with the highly publicized intergenerational transfer of wealth[2] and a desire on the part of individuals and families of wealth to pay even greater attention to how their values and passions are demonstrated.

All of this has led to an increased interest in socially responsible, or as it is also referred to, mission-based or values-based investing. But why should an advisor care whether his or her client knows about or understands Socially Responsible Investing (SRI)? What are the implications—the impact of pursuing SRI as a strategy for (1) mirroring and perpetuating (generational and consistent) values and missions, (2) protecting the assets of the trust and putting them to work to support grantmaking and charitable activities, and (3) ensuring that clients fully understand their fiduciary responsibility as prudent investors?

We spoke with five leaders in Socially Responsible Investing. The "virtual roundtable" discussion focused on four topics:

1. What SRI (or mission-based investing) is and what the "typical" investor looks like and should consider relative to SRI
2. The upsides and downsides of SRI
3. What advisors should know about SRI
4. How to broach the topic of SRI with clients

In order to put the conversations with the experts into perspective, let's look at the rapidly changing SRI landscape. Socially responsible investing has been around for more than 30 years. However, the field is growing exponentially, concomitant with the media and political spotlight on corporate responsibility and the growing awareness of how global business decisions affect communities, the environment and the general health and well-being of *all* people.

SRI As the Baseline for Transparent Mainstream Investments

There are various synonyms for Socially Responsible Investing: social investing, mission-based investing, values-based investing and socially aware investing. The terms are often interchangeable, but all reflect the same premise: the integration of investment decisions with personal interests and/or concerns.

This investment process considers social and environmental consequences within the context of rigorous financial analysis. It is a process of identifying and investing in companies that meet certain baseline standards, or criteria, of corporate social responsibility, increasingly recognized as an international standard. As explained at the Prince of Wales Business Leaders Forum, "Corporate Social Responsibility means open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment. It is designed to deliver sustainable value to society at large, as well as to shareholders."[3]

There are basically three strategies employed to promote socially and environmentally responsible business practices. *Screening* (*see* Exhibit A) is the practice of including or excluding publicly traded securities from investment portfolios based on certain criteria. *Shareholder advocacy* reflects the actions of socially aware investors in their role as owners of corporate America. *Community investing* is the financing that generates resources and opportunities for economically disadvantaged people in urban and rural communities and abroad.[4]

What an Advisor Needs to Know

As a trusted advisor, it is important to both *stimulate* and *advocate* values-based (socially responsible) thinking, planning and investing with your clients. As with anything else, the more you know and understand, the more you can share with your clients.

The Uniform Prudent Investor Rule requires that a trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution.[5] Broadly interpreted, prudence is determined by more than just portfolio performance, it also includes conduct on the part of the fiduciary that takes into account the intent of the grantor. Following this thinking, it would be logical to begin to look at the *whole* of a foundation's, trust's or nonprofit organization's assets, as a reflection of its mission, not just the five percent that foundations give away in grants, or the operating and program expenses that charitable organizations devote to fulfilling their missions, or even the tax driven requisite charitable giving of families or individuals. All of these entities must work with 100 percent of their assets, if the values and missions they espouse are to have the broadest and most sustained impact.

Exhibit A

Socially responsible screens can be negative (avoiding sectors or companies whose practices are not consistent with stated criteria) or positive (seeking companies demonstrating leadership in responsible business practice). Negative screens generally avoid companies engaged in:

- Discrimination based on race, gender or sexual orientation
- Endangering public health
- Gambling or pornography
- History of bad labor practices
- Negatively effecting the environment
- Nuclear power
- Tobacco or alcohol production
- Violation of human rights
- Weapons manufacturing

Positive screens actively seek companies that foster practices such as:

- Community involvement, including local job creation, investment in and giving to local communities
- Favorable environmental performance and impact
- Strong employee relations practices such as participatory management structures, equitable salary scales, employee ownership and flexible benefits programs
- Workforce diversity

Source: Ellen Furnari, Carol Mollner, Teresa Odendahl, and Aileen Shaw, *Exemplary Grantmaking Practices Manual*, National Network of Grantmakers: San Diego, 1997.

Exhibit B

Percentage of Grant Makers That Use Social-Investment Screens*	
All foundations	56,582**
Under $5,000,000 in assets	24.0%
$5,000,000–$9,999,999	16.9%
$10,000,000–$24,999,999	17.0%
$25,000,000–$49,999,999	9.3%
$50,000,000–$99,999,999	15.6%
$100,000,000–$249,999,999	14.0%
$250,000,000–$499,999,999	4.7%
$500,000,000 or more	18.4%
All	**16.0%**

* Council on Foundations, *Foundation Management Series, 10th Edition, Vol. 1—Finances, Portfolio Composition, Investment Management and Administrative Expenses in Private Foundations* (2001).

** The Foundation Center, *Foundation Yearbook* (2002).

Advisors must be knowledgeable enough to help their clients integrate their values with their investment strategies. This is what values-based planning, or mission-based planning is about: helping to bring the clients' values into the total asset management picture. There is a substantial amount of literature that suggests that portfolios screened for investments that are not at odds with the mission of a trust, foundation or organization, may do as well, if not better than unscreened portfolios. According to the 2001 Report on Socially Responsible Investing Trends in the United States[6] by the Social Investment Forum:

- Assets in professionally managed, socially screened investment portfolios rose by 35 percent from 1999–2001.
- Socially screened portfolios surpassed the $2 trillion mark for the first time.
- Assets in socially screened separate accounts managed for institutional clients and individual investors grew by nearly 40 percent from 1999–2001.
- The growth rate for socially screened portfolio assets was more than 1.5 times that of all professionally managed assets in the United States.
- Assets of socially concerned investors using both screening and shareholder advocacy to encourage greater corporate responsibility have more than doubled from $265 billion in 1999 to $593 billion in 2001.
- As of 2001, there are 181 mutual funds in the United States that incorporate social screening into the investment process.
- Almost $900 billion in investment assets are leveraged through shareholder advocacy.

According to Cerulli Associates in London, as of November 2002, the U.S. market, alone, for SRI stands at $1.9 trillion compared to $1.4 trillion in September 2001,[7] which, again according to Cerulli, underscores the robustness of the SRI arena.

Mission-Based Investing from the Investment and Philanthropic Perspectives: A Roundtable Discussion

The virtual roundtable participants in this article looked at the implications for advisors in reflecting their clients' concerns, missions and values in their clients' portfolios instead of just in their charitable giving and

Exhibit C

SRI Market Sizing, 2001–2002 (in billions US$)

	as reported in Sep 2001 Edge			November 2002 Issue Update		
	Total	**MF**	**Inst'l**	**Total**	**MF**	**Inst'l**
US	1,350	14	1,336	1,892	15	1,877
Canada	33	6	27	32	6	26
Australia	0.5	0.5	0	1	1	3
Japan	1	1	NA	1	1	NA
Asia ex-Japan	1	1	NA	1	1	NA
Europe	38	10	28	41	16	25

Notes: Uses most recent data available, some from 2001. June 2002 exchange rates. Sources: Social Investment Forum (U.S.), Social Investment Organization, Strategic Insight, Ethical Investment, The Sustainable Investment Research Internal Group (SiRi), Avanzi, EIRIS, Deni Greene Consulting, Morningstar, Association for Sustainable & Responsible Investment in Asia, Corporate Monitor, Cerulli Associates

Source: Press Release, Cerulli Associates, SRI Market Demonstrates Robustness in Weak Markets (2002).

grantmaking strategies. As the participants pointed out, the conclusion herein would apply whether the client was an individual investor, a foundation, trust, pension fund or nonprofit organization, among others.

Because of the depth of experience and commitment to the subject matter by the roundtable participants, the authors of this article felt that it was particularly important that these professionals "speak for themselves." We thank them for taking the time to share their perspectives and expertise.

The "roundtable" participants were:

- **Amy Domini**, Founder and CEO of Domini Social Investments, which manages more that $1.6 billion in assets for individual and institutional investors. The flagship of Domini Social Investments is its Domini Social Equity Fund, one of the most well known socially responsible mutual funds in the world. Ms. Domini's most recent book is SOCIALLY RESPONSIBLE INVESTING: MAKING A DIFFERENCE AND MAKING MONEY (Dearborn Trade 2001).
- **Cliff Feigenbaum**, Founder and Managing Editor of *The GreenMoney Journal*, a socially responsible investing newsletter. Mr. Feigenbaum is also the co-author of INVESTING YOUR VALUES: MAKING MONEY AND MAKING A DIFFERENCE (Bloomberg 1999/ New Society 2000).
- **Marc J. Lane**, President of the Law Offices of Marc J. Lane, P.C., and Marc J. Lane Investment Management, Inc., an investment advisory firm. Mr. Lane is a business, estate and tax attorney specializing in wealth management strategies. He is the author of 30 books on personal finance, taxation, corporate organization and management and a regular columnist in CRAIN'S CHICAGO BUSINESS.
- **Steve Viederman**, Director of the Initiative for Fiduciary Responsibility, a non-profit organization he co-founded in 2002. Prior to founding the Initiative for Fiduciary Responsibility, he was President of the Jessie Smith Noyes Foundation and serves on numerous nonprofit boards dealing with issues of social and economic justice.
- **Peter Wilkes**, Managing Director of Business Development at Innovest Strategic Value Advisors, Inc., an environmental investment research advisory firm based in New York, Toronto and London. Innovest's clients include a number of Fortune 100 industrial companies, as well as several of America's largest institutional investors. Mr. Wilkes has spent more than 20 years in senior positions with leading Wall Street firms working in institutional, retail and high-net-worth markets.

The Discussion

Question: How would you define mission-related or socially responsible investing?

CF: I think that SRI is corporate accountability and corporate accountability is SRI. I like the term "social change philanthropy," which is that all your money, the way you give your money away, the way you invest it should be part of a larger social, environmental, political plan, whatever is important to you, and mission related is definitely part of this. The way you invest and the way you give should support the areas you are most concerned about. You can do some powerful things that are in alignment with your values on the philanthropic side as well as the investing side.

AD: SRI is the integration of social or ethical criteria in the investment decision-making process. I do not use the vocabulary socially responsible companies, for example; I use the term socially responsible investors. Social responsibility is a process not a noun.

PW: I think the definition is changing, what we are looking at today is really an evaluation of management capability. I think there was a time where people thought that socially responsible investing was the bailiwick of environmentalists. What we are seeing now is that you can not just confine evaluations of companies based solely on financial information because it does not complete the picture. It is something we call "intangible value" that makes up the difference … such as management capability. You are looking at how management relates to the community, to their world … not only where they have their plants and employees … but also their global posture.

SV: I think there is a distinction between socially responsible investing and mission related investing. Socially responsible investing is a very broad term that covers a multitude of issues that revolve around your investment decisions in relation to your values. Mission related investing is more specific, in that it looks at institutions, particularly foundations that have a clearer mission than a pension fund or a college or university endowment, for example.

I think that SRI, or mission-related investment, can be a number of different things. The social investment area includes screening, shareholder activity, discussions with management or simply voting proxies. It can be something as simple as engaging management to file shareholder resolutions in favor of certain actions to fall within the definition of SRI. Another aspect of SRI decisions is whether the company invests in the community. There are different levels to SRI.

ML: From my perspective, socially responsible investing seeks to align the objectives of the portfolio with the personal values of the investor. This is superimposed on whatever financial characteristics and criteria would otherwise be utilized in the development and construction of a portfolio. Mission-based investing is the same thing, but from a perspective of an organization rather than an individual. Socially responsible investing is highly personalized, meaning different things to different people, depending upon their specific concerns and the way in which they wish to voice those concerns. For most people, it tends to be most commonly employed in the way in which they choose to invest consistent with their financial planning objectives as well as with their values and their concerns.

Question: How would you describe or define an investor in this area?

PW: The investors that we're seeing are now taking a larger look at what's going on in the corporations. Not only do they want good financial performance and not only do they want the stock to go up, but they're also asking the question; how do you make the money? At whose expense, or at what expense?

CF: As a person, who wants to align their money and their values. I think it's important that people define their values for themselves and align their money with that, especially in investing. I think the best description is "caring." A "caring" investor is someone who wants to look into their own heart in a way that they can address up front through their investment decisions. Not everybody wants to do that. I think that's one of the problems on Wall Street. You ask somebody to align their heart and their wallet, they get really kind of nasty about it. So I think a caring and conscious and principled investor is what we are talking about, not only on the financial side, but also on the social side.

AD: The responsible investor, whether it is an institution or an individual, tends to come from one place and move to another. It has

Exhibit D Screens Used in Screened Portfolios

Broadly Used Screens (50% or more screened portfolios use)	Commonly Used Screens (30% to 49% of screened portfolios use)	Specialty Screens (Less than 30% of screened portfolios use)
■ Tobacco	■ Labor Relations	■ Executive Compensation
■ Environment	■ Animal Testing/Rights	■ Abortion/Birth Control
■ Human Rights	■ Community Investing	International
■ Employment/Equality	■ Community Relations	■ Labor Standards
■ Gambling		
■ Alcohol		
■ Weapons		

Source: Social Investment Forum, 2001 Report in Socially Responsible Investing Trends in the United States, page 11.

to do with personal values or institutional mission or deeply held convictions. It is a more holistic approach to investing. An example might be if you are a peace activist, you do not want to make money from investing in weapons. This choice develops further when you realize your investments are held by companies that have met certain standards and you are supporting a whole infrastructure of corporate scrutiny. So to put it in one sentence, I believe the social investor is primarily motivated by two things: seeking consistency and building the future.

I think that families, in particular, benefit from mission-based investing because they have such a strong identification with the legacy of a fund and this creates a sense of family purpose and altruism. It is also a way, if you're multi-generational, to express the seriousness with which you approach these legacy issues, integrating it into the investments is a real way of sending that message to the future generation.

SV: Fundamentally, if you are seriously concerned about maximizing shareholder value, and you do not look at the risks and opportunities created by social, environmental, political and cultural issues, you are not paying attention to your fiduciary responsibility as a prudent investor. I think the term "prudent" is often misused. Most often what passes for prudence is investing through a rear view mirror; what did we do, rather than looking through the wide-screen and saying what needs to be done? The original meaning of prudence, in the 14th century was to be "far seeing."

ML: I think there are many different people in institutions who are investing socially responsibly and many others who are candidates for it. For example, there are individuals who are concerned about transmitting their values to their children along with their money. They may be people who are embarking on estate planning, trust or philanthropic planning and are starting to recognize and become sensitized to the opportunities of having their portfolios value driven, just as their trust documents are. A variation on this is the family foundation where the entity itself may have certain philanthropic objectives and it is only logical therefore that the assets within the foundation reflect the social responsibility of the corporations in which those families would like to invest.

Question: Why should investors consider SRI?

ML: Investors should consider SRI because their money could do double duty. Their money could not only generate the returns necessary to achieve whatever their financial objectives are, but at the same time make a difference in issues that are of greatest importance to them. To not do that is both a default in planning and a missed opportunity. If there are ways to construct the portfolio where you are not suffering any drag with respect to financial performance and move ahead some specific issue that is important to you, the question should instead be framed differently: why should investors *not* consider SRI?

SV: In order to be a fiduciary, which is to maximize shareholder value, you need to look at the social, political and environmental aspects of issues as an integral part of your investment decision-making. It is not a screen, it is a part of the analytical process that becomes necessary for you to know what is going on.

PW: I think that an investor needs to look at a complete company: the management and the corporate conduct. You can not do that without considering some of the SRI issues. We have found, certainly in the last five years, that there is no harm in considering SRI investing. There has been the myth that has been perpetuated for years that if you invest with an SRI sort of mandate you are going to hurt your performance and that is just not true. It depends upon how you approach this, whether you approach it from a proactive or a reactive place. The bottom line is that you can consider SRI without hurting your performance as long as you do it the right way.

CF: I think it is important for investors to consider SRI because it is the future, plain and simple. We have been waiting to see this in the community. We have been wondering where all this corporate irresponsibility was going and now people have seen their portfolios go down and they see all the reports of corporate irresponsibility. I think transparency and disclosure and corporate responsibility are not going away. Just as Watergate changed politics, this has changed corporate America. SRI professionals are now being invited into the conversation a lot more than we ever were. It is amazing, for example, to watch NBC now because they have started asking some questions that actually make sense.

To that point, in October, the Social Investment Forum will come out with their new SRI report which documents how much money is actually being screened, and it includes foundations and trusts as well as mutual funds. Right now it is $2 trillion, about one in every $10 that is invested in the U.S. is screened on some level. This is not just a movement … this is an industry!

Question: What are the upsides and downsides to SRI?

CF: I think it is a total upside. The more you know about companies, the management, disclosure and transparency, the better. I think that the downside is that you have to fight against the image that you can not make as much money this way, which is not true. Over the last 10 years, the Domini Social 400 have outperformed the S&P 500 so I do not see that there is a huge amount of risk, other than just making sure you are with well-informed people.

ML: Sure, there are risks because when you look at socially responsible investing you have to understand that it means different things to different people. If I am a pacifist I may not want to invest in defense stocks, for example. Somebody else may think that there is a societal value to making sure we have a strong homeland defense and therefore would want to invest in defense stocks. Both of us may be described as socially responsible investors because we're making decisions based upon our view of society. So, when one invests in a mutual fund for example, by definition you end up in a kind of homogenized mix of securities, so the risk is that you end up with perhaps a less diverse portfolio than you bargained for and at the same time one that does not precisely address the issues of greatest concern to you.

I think it is very hard to invest in a socially responsible way unless a portfolio is designed with you and your concerns in mind. Most investment advisors today resist doing it because they have a preconception that socially responsible investing will result in a drag on performance within the portfolio. They are also probably afraid that their client relationship would be at risk if a year or two out they have under-performed whatever index is relevant. There has been so much conversation about SRI not working, how it is really harmful and no investor can really make a difference anyway, and how you are going to hurt your financial planning or your organization's treasury. On balance though, the right thing prevails and I think SRI is in that category … it will have its day and I think that day is very near by.

AD: The upside is very clear. It does make a difference in the world. You can be tactical; you can be strategic, short-term and long-term. You can manage with superior investment results. I think the part that scares people off is the confusion. Do I have to decide whether I care more about the environment or justice? The answer is no. The consistency you are looking for is that you are trying to invest for the future. The bottom line you are looking for is the hope that the future will have room for universal human dignity and environmental sustainability. You believe that the way you invest today builds the world of tomorrow.

From a financial perspective, this industry (SRI) has been consistently growing at a much faster rate than financial products as a group. When I compare my five-year history of growth (at Domini Social Investments) to mutual funds that were the same size as I was five years ago, we have grown 10 times faster than they have. If you are comparing apples to apples and look at the history, I would throw it back at the fiduciary, if my index beat the unscreened index, how can you justify not screening? I do believe that over time it is logical that avoiding problems will enhance returns.

PW: I think one of the things that you want to watch out for is the proactive versus reactive types of SRI investing. Traditionally SRI investors would deal with exclusionary investing. In other words, they would pick an industry or a company that they would say is a "bad company," and avoid investment in that industry. The one thing you do not want to do is to limit your opportunity set, and by that, I mean you do not want to limit the industries or companies you can invest in because if you do you are going to increase your risk. That is a given. Any money manager in the world will tell you that. That is one of the major concerns about SRI investing.

Taking that one step further, in any given industry, there are companies that are doing well and there are companies that are doing poorly, as far as some of the socially responsible issues are concerned. It is a matter of picking the companies in the industry that are doing better than others and this can be measured. Unless you as an individual, or a foundation endowment, or whatever, have a specific mandate to say avoid animal testing, then you can do exclusionary investing, but if you just want your portfolio to represent a mission related type of process, then you should not exclude anything … you just aim for the best companies.

Question: Is it important for an advisor to be conversant about this topic?

AD: An advisor must absolutely be conversant about SRI investing. For one thing the prudent investor standards that have been adopted by most states specifically indicate than an endowment can consistently be managed along socially responsible criteria if it is consistent with the endowment's purpose. These standards also say that the trustee's prejudices are not important, it is the purpose of the endowment that is the focus, so I think there is an absolute necessity for a legal advisor to understand whether, and if, mission-related investment considerations are specifically addressed. If you are, for example, a foundation for a local shelter for people who are homeless, it is possible that a portion of the population that you serve is at risk because of an addiction problem. It may be extremely inconsistent to be invested in addiction related industries such as alcohol and gambling. It is important to keep in mind that the client is seeking both consistency and to make a difference in the world. When you are talking to your client what you must understand is that the client instinctively feels they have had an impact just by being consistent.

[Socially responsible investing] is growing exponentially, concomitant with the media and political spotlight on corporate responsibility and the growing awareness of how global business decisions affect communities, the environment and the general health and well being of all people.

PW: Advisors must be conversant on the topic of SRI, if only from a defensive posture. This is the fastest growing area in all of investing and more and more people are looking at this, especially since Enron, WorldCom, and other corporate scandals. Even if they are just looking at the smaller piece of corporate governance, everyone is concerned about it and I would think that an advisor that failed to consider these factors would lose business. An advisor, particularly a legal advisor, must recognize that there is additional risk beyond the legal—beyond strictly financial risk. There is brand risk; there is stakeholder risk as far as community involvement is concerned. There is a human resources risk simply because people do not want to work for companies with social problems, so this might prevent you from hiring the best and the brightest. So it is important to be aware of the SRI issues beyond just the financial and legal implications of an investment so that a client will get a complete picture of the company and can make informed decisions. If you do not look at the risk aspects when considering investments, you are doing your client a disservice.

Another consideration ... If you can show a foundation, an endowment or an individual that their returns are not compromised and they may actually make a little more money, it makes sense to move in to SRI.

CF: A financial or legal advisor must know what the latest thinking is and what is going on in this area, because the more they know the better they can inform their clients and keep them out of things, or in things, that really reflect their values.

ML: Advisors have a professional obligation to their clients to make sure the clients are making informed decisions. Part of the information that must be available to clients is the opportunity that SRI offers. Advisors must talk to clients about how strongly they hold certain beliefs and convictions. All of us will have a visceral reaction to certain things and in an ideal world we would only do those things that are good. The truth is that all companies are imperfect. We tend to adopt a "best of class" approach. We look for those companies that are trying to do the right things, and often, this is a work in progress. Rather than inviting the client to react rashly to a prepared list of behaviors that someone has suggested may be inappropriate, there must be a more in depth discussion about these opinions to determine a client's commitment and tolerance of particular situations so that the portfolio can reflect the deeply held beliefs of clients without being sabotaged by the impression of goodness. Failing to do that is a default in exercising one's professional obligation.

Question: Do you have any suggestions about how an advisor might broach the subject of Socially Responsible Investing with a client?

ML: I think the conversation should naturally flow from the consideration of purpose or mission. If you are talking about individuals the conversation will grow out of an estate planning or tax planning conversation where certain philanthropic objectives or succession objectives have to be defined. It is easy to segue into the question of how we can get the most bang for the buck, in terms of the kind of vehicle that is designed, the philanthropic strategy and the investment decision regarding the assets. Just as you look at the kind of vehicle used in estate planning, the client should look at the assets they are putting into a trust, for example, and how those assets are managed in a way that also speaks to the same kind of concerns that are incorporated in the mission or parameters of the trust.

It is an easy conversation for an advisor to have. It also shows the client that the advisor is motivated to advocate the client's interest and to understand what the client's core beliefs are. For the advisor to be effective he or she must educate the client about the fact that there is more to SRI than meets the eye and there are opportunities that may be less obvious, more nuanced. It is okay to challenge clients. Clients do appreciate it when an advisor steers them into new unknown territory that is beneficial. The advisor should not assume that because a client says, "I can't do that because I can't afford to give up the total return," that he or she is not interested in exploring different opportunties. If you do, you are doing the client a disservice.

SV: Someone said I am often too negative by talking about the obstacles in SRI investing, but you have to know the obstacles in order to be able to plan a strategy. I think it is necessary to engage in a serious discussion with the client about what they know about SRI investing and whether they have ever thought about it. Frankly it is probably a lot easier to do something with regard to mission related investing when drafting an original set of documents than it is to start fighting the battle well into the process of formation. Timing is crucial.

CF: I think an advisor must provide a client with as much information as possible. There are some really great Web sites available. The Social Investment Forum contains an immense amount of quality, useful information that clients can trust. I also think that advisors must know and be able to talk about what the latest screens are, what the latest is in shareholder activism and what is happening in disclosure and transparency. Shareholder activism is a huge part of SRI, and the advisor should find out if this is important to the client. Do they want to own a company (own stock in it) to transform it or do they not want to own a company.

PW: The first thing an advisor must do is gather the facts. Legal or financial advisors don't have to be experts, but they should at least be conversant about the topic and if they don't have an answer, they should know where they can get answers. They must be able to talk about it with the client and discuss how this type of investing will not hurt returns. If the client is interested in doing the work necessary to pursue this type of investing, then the advisor must begin the discussion regarding the client's objectives. An advisor must take a more holistic approach to what the client is trying to do. For example, is he or she trying to influence management? Trying to preserve the environment for his or her grandchildren? What is important to him or her as an investor? When this discussion has been completed, it becomes something akin to a mission statement for the client and for the portfolio.

Conclusion

In 1995, Steve Viederman wrote in the CHRONICLE OF PHILANTHROPY that "all foundations and charities with investment portfolios cannot have a clear conscience until they come to terms with these questions: What kinds of companies do we wish to support? What kind of corporate culture do we wish to encourage? What kind of economy do we wish to build? What kind of communities and world shall we attempt to shape?"[8]

Eight years later, these questions have even greater import. While there may be divergent perspectives within the socially responsible investing industry, there is one commonly held position: socially responsible investing is no longer the purview of a few but portends of things to come and offers unparalleled opportunities to individuals and institutions to affect change on multiple levels simultaneously, without negatively impacting their financial capacity.

ENDNOTES

1 BOB DYLAN, *The Times They Are A-Changin'*, *on* THE TIMES THEY ARE A-CHANGIN' (1964).

2 *See* Betsy Brill, *Preparing for the Intergenerational Transfer of Wealth: Opportunities and Strategies for Advisors*, J. PRACTICAL ESTATE PLANNING, Apr.–May 2003, at 23.

3 Social Investment Forum, *2001 Report on Socially Responsible Investing Trends in the United States* (Nov. 28, 2001).

4 *Id.*

5 Uniform Prudent Investment Act §2, U.L.A. (1995), *see www.nccusl.org*; Mark Dowie, *Grantmakers: Put Your Assets Where Your Values Are,* CHRONICLE OF PHILANTHROPY, Aug. 27, 1998, at 38.

6 *Supra* note 3.

7 Press Release, Cerulli Associates, SRI Market Demonstrates Robustness in Weak Markets (Nov. 2002).

8 Stephen Viederman, *Foundations Must Invest With a Social Conscience*, CHRONICLE OF PHILANTHROPY, Oct. 5, 1995, at 51.

Follow Up

The Roundtable of experts has provided recommendations for additional information about SRI and corporate responsibility challenges and trends. In some instances more than one expert suggested the same resource. When this occurred, we have asterisked the resource.

Books

- Jim Collins, Good To Great: Why Some Companies Make the Leap ... and Others Don't (HarperCollins 2001)
- *Hal Brill, Jack A. Brill and Cliff Feigenbaum, Investing with Your Values: Making Money and Making a Difference (New Society Publishers 2000)
- Robert A.G. Monks, The New Global Investors: How Shareholders Can Unlock Sustainable Prosperity Worldwide (Capstone Press 2001)
- James P. Hawley and Andrew T. Williams, The Rise of Fiduciary Capitalism: How Institutional Investors Can Make Corporate America More Democratic (University of Pennsylvania Press 2000)
- *Peter Camejo, The SRI Advantage: Why Socially Responsible Investing Has Outperformed Financially (New Society 2002)

Publications

- The GreenMoney Journal (a quarterly Socially Responsible Investing newsletter publishing since 1992)
- Real Money (a quarterly newsletter from Co-op America)

Articles

- W.B. McKeown, *On Being True to Your Mission: Social Investments for Endowments*, J. Investing, Winter 1997, at 71.
- Karen C. Coe and Lewis D. Solomon, *The Legal Aspects of Social Investing by Non-Profit Fiduciaries*, J. Investing, Winter 1997, at 112.
- Marc J. Lane, *Accountability? Mutual Funds Must Come Clean*, Crain's Chicago Business, Jan. 6, 2003, available online at *www.marcjlane.com/article/accountability0103.htm*. Marc J. Lane, *Companies Are Waking Up to Social Consciousness*, Crain's Chicago Business, May 6, 2002, available online at *www.marcjlane.com/article/wakingup0502.html*.

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- *www.business-ethics.com*
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- **www.socialfunds.com*
- *www.socialinvestmentforum.org*
- **www.SRIStudies.org*

Reports

- 2001 SRI Report by Social Investment Forum, *www.socialinvestmentforum.org/areas/research/trends/SRI_Trends_Report_2001.pdf*
- Sustainability Pays by Co-operative Insurance Society, *www.cis.co.uk/socacc2002/pdf/SusPays.pdf*