Chapter One

Great Green-Gray Icons

Imagine the fate of the planet being held in thirty-two crypt-like coffers, row upon row of pale gray and gray rectangular metal boxes, three-quarters the height of the average American woman.

Worn and battered from years of hard use by a combat-ready military unit, these great boxes landed most ironically in an odd-shaped room of a rambling Georgian style home in Cambridge, Massachusetts.

In them, nothing less than the seeds of salvation, from which would grow a towering testament to what a small cadre of prescient, seemingly nutty priestesses and priests of information can accomplish.

Clothed in khaki, some inevitable Birkenstocks, and the occasional suit and tie, these dedicated few collected and disseminated data....

That's all: data. Information.

But not just any data — data that has changed and continues to change the world. Incredible bits of analogue memory, proof, evidence, rumor leading to fact. Thousands upon thousands of newspaper articles clipped, medical articles photocopied, court judgement reports, public policy documents, ciphers, and observations, all exposing the good, the bad, and the nasty of the health and safety, treatment of labor, air, water, biodiversity, trading practices, and other practices of one public company after another.

The goal of this floorboard-warping data? Turn data into information, and information into insight, insight into action. They had the twin objectives of piecing together profiles of corporate sin and virtue and, almost ironically, making money.

These iconic containers held one of the first comprehensive efforts to systemically judge the social and environmental impacts of Corporate America.

The insights?

Which American companies made money screwing the planet, and which made money while making it a better place. It was information to intelligently guide investors wanting to profit from a making a more sustainable world. Not just to hold companies accountable — though that has happened as a result — but to punish and reward the bad and the good by withholding or investing capital, as the case may be.

Many SRI Pioneers

By now some of those lucky few, like myself, who were there circa 1990 may have guessed these crypts of data were secondhand filing cabinets stuffed full by Amy Domini, Peter Kinder, and Steven D. Lydenberg of Kinder Lydenberg Domini (KLD), one of the first social investment analytics firms in America.

Notable among the many pioneers of what was then called "ethical investment," KLD and other firms began to systemically dissect the sustainability impact of corporate America. I first met the Cabinets in 1990, when Peter Kinder unceremoniously introduced me to them as they stood guard in the elegant dining room of what was then Peter and Amy's home.

Somewhere in the depth of that room, I heard drawers opening and closing, mutters of muted conversations. That was Steve Lydenberg, Master Researcher, who, like obsessive others in the early years of ethical investment, had a passion for evidence that was to become the bedrock upon what we now call sustainable and responsible investment (SRI) has since evolved. To Steve, it was an unconscionable, incalculable error to theorize without data, to judge without facts — an almost naive philosophy given all that has happened in U.S. politics recently.

No matter your political inclinations, facts still drive investments. Even so, the underlying theory of change that makes sustainable and responsible investment such a powerful tool for change is that investments are made only if data informs and inspires those able to make a difference in this world.

Are these your people too? I hope so.

Back to history.

Many other brave souls had similar goals to those at KLD, some with crypts of their own. Others bought and applied the parchment offered up by KLD. Companies and organizations like Clean Yield, Franklin (now Trillium), EthicScan, the Social Investment Forum, Progressive Asset

Management, First Affirmative Financial Network, Pax World Funds and more.

There were efforts in other countries too. Michael Jantzi, founder of Sustainalytics, who briefly shared office space with the Social Investment Organization I co-founded in Canada (renamed the Responsible Investment Association, or RIA), is an example, as are others in the UK and other European countries. Each deserving of merit and praise themselves: All hail to them!

The Cambridge Mass Flood: A Pivotal Moment in SRI?

Some years later, the Cabinets were moved, some by hand trolley, to a new home in KLD's below-grade office. A step up and down from their former Georgian abode. During a late winter storm not long after, the office was flooded with the very best the Cambridge city drainage system could provide. Some claim the flood was the result of an Ayn Rand-inspired capitalist conspiracy to flush the disruptive force of SRI down the drain, so to speak.

Me? I see it as fate in biblical proportion. For far from slowing the SRI movement down, the flood caused a rapid advance, moving KLD from parchment to digital (and to a fifth-floor office in Boston), greatly expanding its already sophisticated means for parsing and assessing data.

Perhaps I exaggerate to make a point. Many other SRI data providers were switching to digital at the time, but it makes for lovely theory. Anyhow, around that time, a bunch of equally zany and prescient investment professionals got together to form the US Social Investment Forum. It was to be the first professional association of SRI investors in the world. Led by a cohort of determined professionals, they created one of the most determined professional movements of the day, a hallmark of SRI to this today. Folks like Steve Schueth, Alisa Gravitz, George Gay, Milton Moskowitz, Joan Bavaria, and so many, many others set out on the mission with a single goal: to prove sustainability investment is better in all respects than conventional investment.

At the time, there was a mere $200 billion in SRI, invested by individuals and institutions — foundations, unions, universities, and the like. Then, as today, SRI could be defined as a strategy to profitably invest in ventures that have some form of social or environmental objective. It can be as simple as not investing in so-called sin stocks — companies that produce armaments, tobacco, porn, or gaming. Investments at the time were mostly focused on publicly traded companies, or companies traded on stock markets.

Today there are over $6.7 trillion in SRI assets. And not only in stocks and bonds but in many special-purpose vehicles from community investment funds to, wait … hedge funds!

Who can resist the just-too-great-to-ever-be-cliché observation of Margaret Meade: *Never doubt what the determination of a small group of people can do to change the world.*

It's been my great fortune to have known many of the pioneering SRI actors, and in a modest way participate in the evolving story of SRI over the past 25 years. At times, I have been in the thick of things, but more often standing on the sidelines, either as a corporate sustainability consultant, a researcher trying to encourage SRI in emerging markets, or, as I am now, a commentator trying to make heads and tails of all that is economic and sustainable.

It has been both amazing and disheartening to have deeply re-familiarized myself with SRI for the writing of this book. It has been amazing to see what the pioneers have accomplished and what emerging new standard bearers are building. Wow.… $6.7 T, as in trillion!!! All that without anyone even knowing (or at least agreeing on) what "sustainable" really means!

1 million seconds is about 11.5 days; 1 billion seconds is about 32 years while a trillion seconds is equal to 32,000 years.

It is a bit disheartening that SRI has made incredible strides to systemically identify the best, highly profitable sustainability investments yet has largely failed to move past the very basics in the public's mind. Most popular press articles about SRI in 2017 are depressingly similar to the ones published in the early 1990s. Usually led by the utterly irrelevant question, proven time and time again, over and over, repeatedly, *ad nauseum, ad infinitum*: "Is SRI as profitable as conventional investment?"

The answer is simple, and if you promise to never, ever entertain any other response than mine, I will answer the question: *No investment strategy can promise any return greater than another.* If an investment professional guarantees this, run, prepare to lose money, or eventually go to jail.

What we can undoubtedly say about SRI is that despite hundreds of independent academic studies proving that sustainable investments are equal to or outperform conventional investments, many stubborn, uninformed investment professionals and media pundits continue to believe that investing with sustainability in mind costs returns.

Just ask Lloyd Kurtz. For over 22 years, Lloyd and others of his colleagues have been responsible for managing the Moskowitz Prize, the global award recognizing outstanding quantitative research in SRI, much of which establishes the very competitive performance of SRI. Better yet, trust a 2015 meta-study by Oxford University that reviewed over 200 investigations in SRI performance. The study found that 88% of companies with robust sustainability practices demonstrate better operational performance, and another 80% of the studies reviewed showed "prudent sustainability practices have a positive influence on investment performance."[1]

Despite the $6.7 trillion in assets, and despite evidence that would convince even the most cynical of cynics, corporations in America are not stampeding toward having greater sustainability performance. The threat of divestment for crappy sustainability behavior or the promise of more capital for better has done nowhere near enough to change corporate habits. Nor has SRI yet to significantly alter the investment behavior of most investors.

Short story: SRI has not ignited an enduring excitement among mainstream investors, many of whom would chafe — to say the least — if they, their families, and their communities were directly exposed to the worst and all-too-common standard operating practices of most companies.

An uprising of individual investors: That's what we need. Nothing begets change faster in a free market economy than demand. Nothing. The Social Investment Forum (SIF) of America investigated this. What did it find? It found that individual investors requesting SRI services, even from the most *conservative financial organizations*, often led to the provision of SRI services.

If you muck about on the SIF's fine website, you will also find that institutional SRI investors have been carrying the SRI load. Bless their souls. But don't get me wrong — while this puts up great asset numbers, its individual investor engagement has lagged, and it's individual investor engagement we need to incite an SRI revolution.

Can institutional investors ignite passion, like Greenpeace or Bernie Saunders? Probably not. Like constituents calling their congressperson, individual investors who believe our world is in desperate peril and in need of a sustainable fix need to get off the proverbial couch and let their advisers know about SRI, and let them know they want SRI options.

My discussions with institutional investors and SRI professionals lead me to believe that an individual investor-led movement may be coming. Public demand is finally echoing in the halls of most investment houses.

Will SRI catch fire and burn the underbrush of conventional investment to be just "investment"? Before I answer that, imagine for a moment that all the $20 trillion or so of capital of the New York Stock Exchange was put behind our sustainability dreams. If this is possible, and many think it is, the question then becomes, what will it take to get *You, yes, You*, off the couch and using your capital for sustainability?

Now, I can't say for certain that aligning your investments with your social, environmental, or economic world vision will make the world a better place. But I can say this: If you don't try, the world will certainly not become a more human, more habitable place for our kids and theirs. Cliché, I know. But metaphors are hard to find when global temperature records are being smashed faster than my sixteen-year-old evades doing dishes.

Where does that lead us?

What is in *Invest Like You Give a Damn*?

I would like to say this book attempts to find the key to your heart and mind. But my Buddha has sharp elbows and pointy boots which aim to kick your butt off the couch and into sustainability investment. We both know your values are the kind we need to put to work to secure your own financial future and the future sustainability of the world. So why not?

My hope is that the research and the fifty or so interviews I did for *Invest like You Give a Damn (ILYGAD)* causes something to jump out at you, hopefully something that excites you enough to make more and better SRI investments. But more than this, I hope that you become an incessantly broadcasting sustainability investor. You know, the cocktail party, BBQ, after-church social SRI proselytizer type!

Less hyperbolically, *ILYGAD* is about how YOU can shape a new world through YOUR investments, be they for retirement, saving for your kids' college, a home, or whatever you have in mind.

Because *ILYGAD* is about individual investment, the book looks in detail at the specific needs of the two biggest economically active investment cohorts, **Generation X** and **Millennials.** Gen Xers control about $7 trillion of investment assets, while Millennials control about $3 trillion and will soon inherit another $7 trillion: That's more than enough to reshape the investment world in their image.

ILYGAD provides a guide for you, the individual investor, to make more and hopefully better sustainable and responsible investments. It provides loads of stories, opinions, and examples throughout, many taken from interviews with investors and investment professionals. *ILYGAD* also has tons of hard facts from investment and sustainability investment research targeted to the economic and investment challenges of Gen Xers and Millennials.

Part One looks at you as a person and an investor (both Gen Xers and Millennials), and how powerful personality traits can help or hinder your ability to invest sustainably. It's a bit new agey but hopefully insightful, because, despite what Adam Smith would have you believe, our economic decisions are often far, far from rational or destined to maximize profit.

Part Two is all about financial planning. What? Yes, financial planning. *ILYGAD* is about igniting a storm of SRI, so the more money you can invest, the better. This means good household financial management. Initially this was going to be a smaller focus of the book. But after many interviews, I learned that financial management and investment are so clearly and closely related and folks wanted insights on both. And as I said, if you save more, you can invest more.

Part Three is about making great SRIs. It reviews investment basics and presents what I like to think of as a groundbreaking tool, the Sustainable & Responsible Investment (SRI) Allocator, a simple method to match your desired SRI impact with your defined Financial Asset Allocation.

ILYGAD Investment Philosophy

Do not seek more than you need to live well and sustainably. Place experiences over products; time over money; and friends, family, community, humanity, and a vibrant environment over all.

That is the ILYGAD Investment Credo. Translated into an investment philosophy: $70,000 and 7%.

People are happy if they are financially secure, and an annual income of $70,000 in secure, disposable pretax income has been proven to maximize Happy (not including health care and education costs). There is no need for more, apparently. Don't get me wrong — if you want or need more than this, and want a sustainable life, that's your business, and this book still has lots to offer you. It's just my own perspective and belief that more than this makes for too much consumption. That some people have too much and some too little does not encourage the communal (and political) will and effort to create public health, education, and other systems required for full and true economic and social sustainability.

I would add two caveats to this. One is savings for kids' education. (Although expensive, education contributes to economic inequality and should, in my mind, be near to free.) The second is savings for health care. Until these basic human rights are secured for all people at a very reasonable cost, the reality is $70,000 doesn't cut it, so we need to plan for more.

As to 7%, the 100-year annualized average return on the New York Stock Exchange (by various measures) is about 7%. Forget 30%, forget 20%, forget 10%. Aim for 7% and you should get it. More importantly, you will send a signal to companies that long term is fine, that life on this planet is a game of centuries, not fiscal quarters. Wanting more is to want unsustainable returns, which only stands to fuel unsustainable production and consumption.

SRI is a Game of Centuries

How much can you change the world with SRI? I'm not sure, as it was thirty years ago that I first got into this game. But this I can say with certainly: SRI as an investment strategy can fulfill your financial goals and is a powerful part of a broader sustainability movement that is likely something you are or want to be a part of.

ILYGAD, I hope, will entertain, inspire, and educate. But most of all, I hope it gets you off the couch and investing sustainably.

What you learned in this chapter

- The *ILYGAD* Sustainability Investment Credo: $70,000 annual income (not including education and health care costs) and a goal of 7% investment return.
- Sustainability is a game of centuries, and we need to invest that way.

Chapter Two

SRI Definitions Disguised as History

I'll not tell a lie: the history and evolution of sustainable and responsible investment (SRI) is personal for me! I am vested, ecstatic, and jaded all at once, and my story will neither be complete nor necessarily jibe with those of others. But it's mine.

Let me explain.

When I graduated with my MA from the University of Toronto in 1989, I had visions of doing a PhD, but my supervisors saw fit to recommend me to any *other* school besides U of T. I am not entirely sure why, or if it was a badge of honor or shame.

At the time, I couldn't understand or forgive them. In retrospect, they were Three Wise Supervisors. I suspect that they knew the incremental change approach, which is so much a part of academia, was neither ready for me nor I for it. Neither of the two prevailing intellectual schools of thought at the time — the ascendant neoconservativism or the still kicking but definitively ailing social democratic Marxism — had any compelling pull for me.

Rather, like many tail-end Boomers/beginning of Gen Xers, I felt vaguely Hippy and certainly Rebellious. The labor versus capital canard seemed too cobwebbed, too ineffective, too inefficient to get the job done. We didn't want to just protest and get government to change things. There was a new idea afoot, one more conventional and disruptive at the same time. What if, we thought, we could use the power of capital to change the very nature of consumption and production? Not an entirely new idea, but it was a new twist to powerful currents of social and environmental advocacy swelling from the protest movements of the 1960s and early 1970s.

It was a market-based approach to sustainability. The fiercest environmental and social development advocates eschewed it as traitorous, while most others simply thought saving the world was the responsibility of government and civil society, not business — if they thought about it at all.

We believed different.

Our first instinct was that there is nothing more powerful than capital to move people to act. We also reasoned that even the most hardened conservatives would at some point want to pick up the crap in their own backyard, even if they had been complicit in putting it there in the first place.

Absurd proof of this abounds, none better than the former CEO of Exxon, Rex Tillerson, now U.S. secretary of state. As boss of Exxon, he led one of the most ambitious fracking for oil and natural gas programs in the U.S.A., while covering up the company's own research from as far back as the 1970s that found climate change an imminent threat to humanity! More absurd yet, while Exxon defended fracking as safe and good, Tillerson was behind a lawsuit to ban fracking from his own neighborhood![2] Seems even the most capitalist of capitalists shares some of the values underlying sustainability. We all want natural environments to enjoy; dignified, fairly paid work; basic human rights, etc.

Okay, I may be stretching an example to make a point, and Exxon along with most major companies remains almost entirely focused on profit. Yet companies respond quickly to demand. If enough of us want something, they will change to provide it. That's why the *commoditization* of sustainability values has such great promise. The more we price sustainability into the way we consume, the greater our impact can be.

It's not crazy when you think about. We have come a long way toward doing just this. Sustainability value has modern origins in the form of *The Green Consumer Guide*. This was the definitive guide for those of us wanting to consume with maximum positive impact on the planet. From using newspaper and vinegar to clean windows to choosing the least-harmful shaving products, this was the bible.

First published in 1988 by the sustainability lions John Elkington and Julia Hailes, *The Guide* showed what to buy or not but also how companies could make money while caring for the environment. It sold a fantastic number of copies despite the fact that almost every product promoted as "environmental" was either astronomically expensive or only sort of worked. Environmental products still enjoy that brand. But the notion that consumers can affect how producers produce and how products impact the planet has only grown in popularity and sophistication.

Demand for "sustainability value" in what we buy has risen dramatically. It's like brand value, or the portion of a product's selling price that consumers are willing to pay beyond its basic functionality. Consumers pay for this type of value all the time. Consider a top-end Citizens watch. It tells the time and can look as good and last as long as a Rolex. But many people are willing to pay much more for the Rolex simply because it is a Rolex. Same for a Toyota Prius in the early 2000s, when one cost far more than any car its size ought to have cost. Hollywood actors were particularly fond of the Prius, paying a premium price of $40,000 plus, when a comparable non-hybrid car would have only cost $25,000. We pay more for local foods, we pay more for fair trade coffee — you get the picture.

If you buy the occasional product for its sustainability value, you are hardly alone. Multitudes of surveys tell us more than 75% of American consumers actively look for "sustainable" products. This is good — but sadly, less than 20% tend to buy sustainable regularly, and less than 5% buy that way often.

Much like sustainable consumption, sustainable and responsible investment asks us to buy into companies providing both tangible and intangible sustainability-related benefits. Tangible benefits include how the companies treat labor, whether they pollute or not, whether they advance women or not, etc. Intangible benefits include the pride of owning solar, boasting rights over running shoes made entirely of recycled material, etc. — not things you can always see or touch, but like the Rolex, the value is real.

Sustainable and responsible investment (SRI) is an offshoot of this free-market, change-the-world-for-the-better tree, only less well known than its consumer counterpart. Why? For many reasons, but let's face it — sustainability is a confusing term. Throw in investment and, well, the cloud of unknowing just gets bigger.

Overlaying all this is the worry, fear, and *ennui* investment invokes in many people, which causes them to break out in sweat and rashes or enormous streaks of procrastination. SRI, as a result, is not as easy a sale as local potatoes or recycled shoes.

A Short History of SRI

Both conditions of "sustain-unknowability" and "investo-phobia" are completely understandable. If you are a painter, a teacher, a human resource manager, or a barista, your job isn't to understand investments and sustainability to the nth degree. But the basics you should be familiar with.

So let's take a little walk through SRI history land, hear a story or two, and hopefully learn a thing or two.[3]

SRI has antecedents in biblical traditions, in the Quran, indigenous spiritual guidance, and pretty much every spiritual tradition. The Quakers were among the first to systemically practice what we might call SRI ... in 1758(!), when at their annual Quaker Philadelphia gathering they decided to ban members of the church from owning slaves or engaging in the slave trade.

Modern SRI got rolling in the mid-1960s, when anti-war protesters and civil rights leaders started pointing fingers at all the not-so-good things companies did to violate human rights. It was then that two of my heroes — Luther Tyson and Jack Corbett, Methodists with a history of working for affordable housing, peace, and employment rights— decided to launch an SRI mutual fund. The idea was to give investors a way to align their investments with their values. Pax World Fund was born in 1971. (*Pax* is Latin for *peace*!)

The following year the inhuman treatment of the Vietnamese during the Vietnam War was crystalized in Nick Ut's photo of nine-year-old Phan Thi Puc fleeing her burning village, back ablaze from napalm. Many Americans began to think that dumping chemicals on innocent Vietnamese villagers wasn't a good thing and that they ought to discourage it by divesting their money from Dow Chemical, the producer of Agent Orange.

Around about the same time, the Reverend Leon Sullivan — a member of the board of directors of General Motors, no less! — drafted a business code of conduct for South Africa. The Sullivan Principles, as they came to be known, asked foreign companies in an apartheid state to not support racial discrimination or segregation.

From then until 1991, when apartheid was repealed in the country, many large institutional investors avoided investing in companies operating in South Africa. The successful divestment movement was led in the United States by political pressure from universities, faith-based institutions, city and state governments, and pension funds large and small. The impact was impressive; the outflow of capital helped influence major South African employers to call for the end of apartheid.

SRI Negative Screening Takes Off

SRI didn't bring an end to apartheid alone, of course, but it had a big hand in it. Ridding the world of that scourge was something else! And it showed those in power what the prescient Quakers, Tysons, Corbetts, and others knew all along: Money can move seemingly intractable objects.

The Pax World Fund was soon followed by numerous others, but it took dozens of more years for SRI to really take off. And when it did, it did so on the coattails of tobacco.

For years, Big Tobacco managed to spin, spin, spin, like a precision top, the horrid lie that tobacco smoking was a good thing. Seems incredible today, but Big Tobacco, like the equally evil climate change deniers after them, spent years spewing tobacco and health misinformation. All for a dollar, or rather, many, many billions of dollars.

The deception continued into the mid-1980s — when, astoundingly (or not?!), Big Tobacco was found out to have known the awful truth of their cancer-causing product for decades. But by the early 1990s, the jig was mostly up, as the combined pressure of health advocates, cancer survivors, devastated families, and the generally sane among us managed to convince the world that tobacco smoking was indeed very, very bad.

All through the tobacco wars of the late 1980s and 1990s, SRI provided investors the option to avoid investing in tobacco companies. This is **negative screening**: the conscious decision to a keep a company or companies making things you don't like out of your investment portfolio.

Negative screening can be a one-off decision; for me, sadly, this includes Volkswagen, a company that makes great cars but recently got caught first-degree lying on emission standards (heaven and Earth will move before I will buy a Volkswagen or invest in their company — if you own one older than 2016, don't feel bad; they fooled us all!) Or it can be a sector busting, such as all tobacco or defense companies.

The theory of negative screening is that if enough investors strain out a company or companies producing something evil, the price of capital increases such that it becomes difficult for them to operate, causing shareholders to look elsewhere for returns. That's the theory. In practice, it doesn't work that well.

A quick glance at the stock market today shows that the same terrible smoke stacks are still standing. Sure, Big Tobacco took a huge hit considering how they *could have profited* had SRI and others not taken them to task. But it still has tremendous net worth and lots of happy shareholders: Worse, it remains a terrible plague to society and a horribly profitable business. Sadly, much of the Big Tobacco venom was simply exported overseas to developing countries, where the anti-tobacco movement doesn't always have the support of government, legal systems, or empowered citizens to fight the lies, half-truths, and omissions of the huge, well-funded tobacco companies.

The SRI tally of anti-tobacco assets — the total number of assets held in investment funds screening out tobacco companies — continues to be a substantial volume of SRI assets under management. It is testament to what is possible and to what still needs to be done.

The focus on tobacco also tested the patience of many SRI professionals, who saw SRI as a tool with bigger potential than simply taking on a single industry (and some might add, cynically, to symbolically grow SRI assets). Tobacco is a huge health issue, which no one can deny. But the fight against it didn't contribute all that much to the systemic change needed to address complex sustainability challenges — nor in the end has it taken out Big Tobacco.

Ultimately, the real force SRI brought to bear on tobacco was tactical. It helped popularize SRI as a lightning rod of what is possible. But like many other issues, the fight against the tobacco companies needed broader public outrage to mobilize the support required to shut them down, particularly state governments suing the hell out of them. SRI provided much stirring of the public support pot, and as with South Africa, got a noticeable amount of investor money to steer clear of Big Tobacco.

Shareholders Unite in Activism

One of the ways SRI did this was to support dozens of fund companies, individual investors, faith-based institutions, and others to file dozens of very difficult and often embarrassing questions to answer at annual Big Tobacco shareholder meetings.

This is called **shareholder activism**. As you might know, publicly traded companies have annual shareholder meetings. The business at these meetings is to report on company performance, issues affecting business, and how the company might deal with them. Electing the board of directors, executive compensation, and other issues related to company management are also on the docket.

Many of these agenda items require a vote of the shareholders. Now, as you may also know, most companies have millions of shareholders, only a few of whom bother to go to the meetings. Most fail to show up, either because they don't know they own the company (e.g., stocks are held in pension funds or mutual funds, which investors don't take the time to familiarize themselves with) or because, if the company is doing okay, why bother?

If a shareholder feels inclined to vote but can't go to the annual meeting, they can instruct a third party to vote on their behalf. This is a called a **proxy vote** and is usually given to the fund in which their shares are held. The fund managers attend and vote on their behalf.

The proxy vote is a sharp arrow in the SRI quiver, made sharper by SRI's platoon of even sharper proxy warriors. These are dozens of SRI analysts whose job it is to represent sustainability-minded shareholders. They have two main tasks. The first is to proxy represent at AGMs. The second — and this takes place long before the AGMs and requires an incredible amount of work, dedication, and talent — is to get company to put a sustainability-related question on the AGM agenda.

Now, to say companies don't fight tooth and nail to avoid rabble-rousing SRI activists from filing these embarrassing questions would be to denigrate the work of SRI analysts. For years, AGM were rubber-stamping, chicken dinner affairs where the Big Boys got together to give themselves large, uncontested raises and generally pat themselves on the back for a job well done (even if it wasn't).

The moment the single-share-owning Greenpeace activist strolled down the aisle at a big chemical company AGM and unceremoniously slapped a dead-from-mercury-poison salmon on the podium and demanded an explanation spelled the end of the AGM as a boys' clubhouse meeting.

Urban myth or real event?

I can't say, but from the late 1970s on, the activist investor was someone to be feared, forcing many more than a few companies to address social, environmental, and economic issues they would rather deny at worst or rationalize as a cost of doing business at best.

The success of SRI shareholder activism continues to be less than forcing actual change. In the beginning a "win" was simply getting an issue on the AGM agenda. Then it became a measure of how many votes an SRI question got; as a wise Hollywood character once said, "It's all about the numbers." Okay, maybe he said all about the "money." But in activism, votes are money, and at an AGM, it's all about the votes.

Shelly Alpern, formerly with Clean Yield and now with CERES and a heroine of mine, is one of those steely strong sustainability proxy warriors. She once told me that in the early years, activists could barely manage 1% outstanding share votes. Today they often get 25% or more. Incremental vote grabbing is the modus operandi: Get 1% this year, 5% the next, and before you know it, you have 25%.

We can thank the hundreds of dedicated SRI proxy voting experts for their resolve in winning what could be a disheartening 10%, yet steadfastly keeping critical issues like gender balance, LGT rights, and climate change on the shareholder AGM agenda year after year.

From a put-sustainability-on-the-radar perspective, the SRI industry's success has been outstanding. From 2012 to 2014, over 200 U.S. institutions and investment management firms controlling over $1.7 trillion in assets filed or co-filed SRI-related AGM proposals. Issues addressed ranged from LGBT rights, political contributions to climate change and other environmental issues such as biodiversity.[4]

SRI (Largely) Fails Cocktail Party Test

Nevertheless — and I hate to say this — the incredible effort of Shelly and her many SRI colleges rarely passes what I call the **SRI Cocktail Party Test (CPT)** — becoming the topic of a conversation people are eager to engage in at a party. Same with negative screens. I've yet to hear of anyone rushing to their investment adviser demanding divestment from British Tobacco because of what someone said at a party.

Any good social movement requires sparks, which light fires and lead to fireworks so powerful they move people to move. The CPT is a simple measure of that level of excitement.

Imagine yourself at a cocktail party (or the gathering of your choice). You and your friends and colleagues of a like mind are all milling about chatting of things of interest. Bring up your most recent SRI purchase, say the five hundred shares of a 250-million-share company you divested from because they won't put the question "Will you reduce the carbon emissions at manufacturing operations" on the agenda at their annual general meeting.

It could happen that this becomes incessant cocktail chatter — I await the day, beer in hand. The paradox and the singular challenge of SRI is that it's a damn sexy name and concept, which on the surface seems simple and exciting. But because much of what SRI does is proxy voting and negative screens, in practice it just doesn't light the social change matches of regular folks.

If anybody at the party is listening, it's because they pity you, hope you'll change the topic soon, or happen to be one of the few, proud sustainability investor geeks on the planet, like me. Sadly, most are looking around for the next drink.

We need to face the facts. Getting people excited about something they know little about and is not grab-you-by-the-lapels interesting is the real SRI challenge. Giving a Kickstart donation for an independent movie showing that Apple is exploiting and poisoning young Chinese factory workers — now that's exciting. And that's SRI's competition.

Fortunately, shareholder advocacy and negative-screened investment funds are not the only games in the SRI town, even if they account for most of SRI assets. The two other options you may know are **positively screened investments** and **impact investment**, both far more promising CPT material.

Smashing TVs & Connecting to Our Souls

Around the late 1990s, many in the SRI industry found ourselves wanting more than assets driven by "tobacco." So we formed the Morelos Forum, named after the state in Mexico where I live. Among our ranks were SRI professionals from Canada and the United States, and occasionally other countries.

We met annually for 15 years to address one question: how to take SRI mainstream, beyond negative, beyond activism, and make it a huge, inspiring force for sustainability. Our goal was to un-puzzle why so many people want to make the world a better place but don't exploit one of their biggest leveraging tool — investments.

The group thought hard for three days a year to resolve this conundrum. At one point Eric Steedman, a Morelos Forum founder, jumped up in frustration and encapsulated our dilemma in a single phrase: "Smash TVs"! He was referring, of course, less to the medium than to popular culture, which encourages the very thing that is killing us: our incessant consumption of stuff made unsustainably, which, like junk food, causes habitual lethargy, poor health, and bad thoughts.

Consumerism is only getting worse. We consume like rabid bandits and expect the world economy to expand every year, not just to accommodate a growing population but to somehow improve our "welfare." Except it's not about improving welfare, it's about improving purchasing capacity.

People can get a bit crazy when I suggest this. But I believe that if we took some time to examine our collective navels we might realize our penchant for converting desires to *needs*. The gods know I am guilty too, but they also know it's *our* responsibility to resist the big-screen, new-phone, third-car demons that plague us all. Remember, though, that no snowflake ever feels responsible for the avalanche, and, as John E. Lewis once famously said, "If not us, then who? If not now, then when?"

But I digress.

The Morelos Forum never did break the code to setting the SRI excitement bonfire alight. We did coin the phrase Sustainable and Responsible Investment in 2003, consistent with the now-common understanding that environmental, social, and economic injustices are intractably interlinked. It's simply not a single-issue play, which is the complex Achilles-heel that SRI has to explain and put into practice. Which poor farmer in Kenya will you ask to go organic and give up the certainty of a chemically induced yield that is slowly poisoning land, communities, and consumers alike yet feeds her household of ten? She certainly gives a damn about the environment but can't do much if it means even $10 less to her annual income of $1,200.

When we looked at the SRI through this lens at the Morelos Forum, we saw the resolutions of its complexity in a different light. Two things stood out for us.

One, growth economics doesn't work for sustainability. Always growing our economies to meet never-ending material desires is a no-win proposition. We already use our natural resources four times faster than they are replenished (i.e., we need four planets to sustain ourselves). No-growth economics must be the ultimate focus of SRI. Two, to maximize SRI's potential it must connect with the values and needs of people; that is, resolve the challenges of the Kenyan farmer and our sustainability goals at the same time.

All this came together at the Morelos Forum when Amy Domini, founder of Domini Social Investments, started on about "slow" this and "slow" that. At first, we thought she might just be getting ready for retirement. Turns out, she was talking about how "less" makes for a "more" enjoyable life, and isn't that the point anyhow?

The "slow" she was referring to was the Slow Food movement. Take time to find the best and most natural ingredients, shell peas and cut onions with friends and family, enjoy wine, eat slowly, discuss, laugh, connect....

Of course, Slow Food is a metaphor for a less time-stressed, stuff-cluttered lifestyle. The very act of slowing down, buying natural, and cooking together is clearly more sustainable than slamming back a Hungry Man or Lean Cuisine dinner could ever aspire to be.

Many people agree, and the Slow Food movement has grown in leaps and bounds, as have the organic food, natural health and beauty markets, among many others. Connect an issue to our personal interests; find meaning; act. As Jennifer Boynnton, the sage managing editor at Triple Pundit, points out, the formula for connecting to people is simple: It's all about what we put *into ourselves*, put *on ourselves*, and what is *around us*. Tap that, and change happens.

The menu of investment options around the turn of the last century hardly captured the compelling pull of connectedness. SRI couldn't pass the cocktail party test let alone viscerally grab at our values and souls. Nor can it easily compete with late-night appeals asking us to save a child's life. The immediate "happy" these things give us remained broadly elusive for SRI.

Kristen of New York is an investment professional and has yet to make SRI investments. But she does volunteer for a microfinance foundation that helps entrepreneurs in developing countries access credit. Kristen does this knowing that she is directly helping people; she can imagine, feel, sense her impact through colleagues she shares time with and stories sent back from the field. Kristen sometimes feels her investment can't compete at this level. Charity, giving, altruism, these evoke powerful, selfless connectedness — and to paraphrase, this gives us a Huge, Uncomplicated, and very Gratifying feeling — a HUG!

HUG an SRI Mutual Fund or Least Worst Company?

One step closer to that HUG are **screened mutual funds**. There are some 350 SRI mutual funds which mix positive and negative screening. With over $2.6 trillion in assets, these funds, like their conventional, non-SRI peers, invest in portfolios of stocks and bonds based on fund-specific risk and return objectives. SRI funds employ similar financial strategies as conventional mutual funds but also have "sustainability" strategies. Some focus on a mix of social and human rights and environmental and economic justice issues. Others invest in a single issue, such as alternative energy, the advancement of women, or alleviating poverty.

Many SRI funds often use a **best-of-sector approach**. As you may have guessed, this employs negative or positive screens to select companies with the best, or "least worst" (depending on your viewpoint), sustainability performance. This approach often causes great surprise among first-time SRI investors, who, when first peeking into a best-of-sector portfolio, find, to their great dismay, companies they would have never expected to see in a sustainability fund.

The best-of-sector approach is about lesser evils. But we must remember that until very recently, SRI analytics was such that it was hard to do much more than avoid companies in the news for having done bad things.

Without getting into the thickets of SRI data analysis, prior to the mid-2000s, SRI data was limited to surveys filled out by the companies themselves, triangulated with information from public sources. This simply did not allow for the kind of sophisticated analytics done today, which correlates comprehensive sustainability data with financial performance.

This limitation led to a lot of "bad" companies that we thought were "not bad" slipping into portfolios. British Petroleum, for example, was often held in "best-of-sector" portfolios. BP seemed to have a great sustainability program and, for the most part, stayed out of the news. That was, of course, until all their rotten eggs broke in the Deepwater Horizon oil platform explosion. BP had hoodwinked a lot of us into thinking they had some sustainability game, when in fact all they actually has was good public relations.

Sustainability investment information and rating companies, and the funds themselves, have since developed some fairly spectacular analytical models that can pinpoint beyond best and least worst sustainability performance. And the holy grail sustainability and financial performance algorithm is now within sight.

Something else to know about "best of sector" is that it allows fund managers to allocate your capital across different economic sectors, as a method to control portfolio financial risk. If the transportation sector tanks after the crash of coal (yeah!), technology or consumer durables can hold your portfolio's financial performance.

If you are like me, it's hard to bear hug the least offensive companies. The "best-of-sector" approach may excite some conversation at cocktail parties, but is unlikely to easily pass the CPT. Jessie Fripp, *ILYGAD* interviewee, summed it up for many: "Best-of-sector sounded great until I thought about it, then it struck me that it was like keeping the axe murderers out of the party but inviting the thieves and gangsters."

While perhaps not as dramatic, an interviewee from New York said, "it feels like the companies in SRI funds just haven't been caught yet." Given the recent spate of corporate sustainability lying, it's hard to argue — VW and emissions, Mitsubishi and fuel efficiency, Exxon suppressing climate change data since the 1970s, Walmart caught in a massive corruption scheme in Mexico! The list goes on.

Divestment more HUGable?

Ten years ago, climate change was just coming on the SRI radar. By 2014, climate-change assets controlled by SRI reached $551 million. Some $43 billion, a tiny speck of traded stock in the greater scheme of things, was diverted from fossil fuels companies in 2014. In the gathering momentum of the coal divestment movement, fed by months of record high temperatures around the world, this number had grown to over $4 trillion by the end of 2016. Impressive!

My good friend Professor David Chandler likes to chuckle when he sees the SRI community get all frothy with asset divestment numbers. "The only true barometer of success," he argues, "is a steadily declining share price of Big Carbon producers." He insists quite logically that as divestment funds exit a stock, other investors simply buy them up cheaply.

He is right. Divestment has had little effect on Big Oil company stock prices or on the market fundamentals underlying oil. Regional conflicts, wildfires around the Canadian tar sands, and OPEC policies drive fossil fuel economics more than anything else. Even BP, heinous purveyor of Deepwater Horizon, has seen relatively stable share prices over the past several years.

Investors still have little impact beyond the symbolic from a market perspective. Symbolism has its place, perhaps a higher place on the HUG-ometer than many might think. Today's fossil fuel divestment movement is energizing hundreds of thousands of students, universities, and some public pension funds to walk away from fossil fuel investments. That's something. In combination with other progressive market, civil society, and government forces, change is blowing in the wind … remember South Africa!

Impact Investing, HUGging Yet?

Positively screened investments have always been a part of SRI. They are companies or investment opportunities included in a portfolio because they promote or support the advancement of a specific sustainability issue, or sustainability generally.

Over the past several years, positive screening has become known as **impact investment**, or capital that proactively targets specific sustainability challenges. Same thing, different words, so don't be confused.

An impact investment can be in companies, organizations, or funds with the intention to generate a measurable, beneficial social or environmental impact. Some claim the term has been usurped by conventional investment companies and basically means positively screened investments

Sounds pretty much what SRI industry has been doing for decades. Right? But if you parse the definition, you find there are two types of impact investments, one more passion-inducing than the other.

High Impact and Definitively HUGable

The first type of impact investment has been around for a long time and was once commonly known as an alternative or community investment. This is oxytocin for sustainable investors, the investment that makes our pulse shoot past the Moon and makes us go looking for cocktail parties just to sing its praises.

The Calvert Foundation, Community Development Financial Institutions, Oikocredit, Shared Interest, Blue Orchard Finance, and many other funds are the pioneers of this investment type. Hundreds more opportunities have followed with their own take on things, some more SRI than others. High-risk social venture capital, microfinance investment funds, social housing projects and small-scale farming cooperatives are other examples of this type of investment.

Some high-impact investment opportunities pay market returns, others below market, and some require long-term capital commitments. All make tangible connection between the lives of the people your investment supports.

Among the most sustainability minded funds is Triodos Bank of Holland. Triodos offers a family of high-impact funds some with near-market returns, some less. The sustainability impacts are, however, quite astounding. One of its funds invested in a coffee-growing cooperative in

Quillabama, Peru, which I had the opportunity to evaluate. This was no ordinary investment. Located high in the Andes mountains, the cooperative was known both for its incredible coffee and for the five-hour, mountain-edged, switchback-filled, stomach-churning drive it took to get their coffee out!

If this type of investment doesn't induce a HUG, I am not sure what will. (I know I certainly hugged our driver when we finally arrived.) Yet it is exactly this type of HUG middle-income investors are hard pressed to find or get from other types of SRI. Even once found, such investments can be challenging to understand and, often, too risky. Compared to simply volunteering or donating to an organization with the same sustainability objectives as the investment, all the trouble of impact investing may not seem worth the effort.

As a result, and despite the promise of a great a big HUG, this type of high-impact investments have seen only modest growth from $41 billion in 1995 to around $64 billion in 2014, with over half being in community credit unions of one type or another.

New Wave Impact Investors, not as HUGable?

Where the real "impact" investment growth has taken place, perhaps ironically, perhaps sadly, is in funds sponsored by what many view as the villains of finance, aka the Goldman Sachs, Blackwaters, and Morgan Stanleys of the world.

Whatever your view, large institution "impact" investment can be good. Take the Goldman Sachs Urban Investment Group. Sourcing capital mostly from institutions and high-net-worth individuals, the fund invests $5 billion in a variety of urban development and revitalization projects: affordable housing construction, job creation, quality education, health care facilities, small businesses.

More accessible to individual investors are the growing number of impact investment exchange-traded funds (ETFs). State Street, a large financial services firm, offers exchange-traded funds like the SPDR Gender Diversity ETF, based on the (correct!) idea that companies with greater "gender intelligence" are more successful in business and in advancing both women and men. Morgan Stanley Capital International has several environmental and social ETFs, including low-carbon and sustainability index funds.

The entry of mainstream financial companies into SRI has led to the rapid growth of impact investment, from $132 billion in 2010 to $224 billion in 2014. Getting a big cocktail party HUG from this New Wave Impact Investing (NWII) remains a challenging, however, despite its mostly alternative investment ancestry. And for many of us old guard SRI types, these funds look more like the carefully towseled looks of bad boy and girl models than the alternative, high-impact, more-akin-to-hippy looking investments that came before them.

Maybe it's because many NWII funds are too aggressive about profit. Or maybe it just seems too easy for them, what with their huge, established client bases, seemingly unlimited business development funds, and pools of incredibly talented employees. Or it may be just jealousy, watching them ride the SRI wave my friends and colleagues worked for decades to create.

Unfair? Maybe. But while I applaud the NWIIs and their leaders and look forward to their positive impact, I won't yet cheerlead for institutions that still finance so much nasty. We can't let them "arbitrage" the big load of bad they invest in with the still very little bit of good they do too. When they meet the standards of high-impact investment saint Shari Berenbach, the universally loved, now departed former director at the Calvert Foundation, then we'll talk.

It's Your Turn

It may seem like I'm a bit down on the overall impact of SRI. At certain times of the day I am.

It's not because SRI hasn't been successful, or because it hasn't addressed all the issues we sustainability freaks hold dear. It's because millions of sustainability believers have yet to vote with their money what is in their hearts and minds: to do the right thing!

Cliché? Yes, and I know it. But that's the nut of it, and what more does SRI have to do to convince you? Dollar by dollar, SRI professionals have already dedicated their lives to amassing and amazing $6.7 trillion in SRI assets. They have doggedly pursued critical corporate sustainability activist campaigns, pioneered alternative high-impact investing, and are now sharpening the impact investment spear. All this while proving SRI can be competitively profitable.

Supply has done enough. We need more demand. We need You.

So, let's get you off the proverbial couch and invest.

What you learned in this chapter

- Sustainable and responsible investment (SRI) has had many names over the course of its 259-year history, from ethical investment to social investment.
- Modern SRI began in earnest in the late 1970s, dominated by a few issues like tobacco and South Africa. These issues provided a platform for numerous other social, environmental, and economic issues to enter SRI portfolios, from climate change, coal, and oil divestment, to alternative investments.
- New Wave Impact Investment emerged recently, to focus on proactive investments.
- High-impact investments (once known as alternative investments) offer the most SRI HUGs (huge uncomplicated gratification) but are the most difficult for average investors to find and invest in. HUG investments connect investors directly to their sustainability passions and are very popular as a result.
- Negative- and positive-screened funds, best-of-sector approaches, and shareholder activism have dominated SRI since the mid-1980s.
- Dollar by dollar, *supply* has done amazing work in attracting over $6.7 trillion in SRI assets. Now it's your turn to set the SRI industry alight with energy and assets!