

## **Investing in a socially responsible manner delivers returns with social value as well as financial**

*By Phil Isacco, Comptroller, Marist Fathers and Brothers of the USA*

Many people act on their desire to affect social change by volunteering or through the donation of disposable income to churches, charities and other non-profit entities who seek to address various social issues from educating the next generation to alleviating poverty and oppression. However, social activism can be expanded in a number of ways. The growth of investment dollars in 401(k) plans, IRAs, stocks and bonds provides a unique opportunity to engender social change. While it is natural to strive for the best financial return possible from investment activities, it is also very important to consider the social ramifications of investments. Guided by faith and Catholic social teachings, the Marist Fathers believe that investing in a socially responsible manner should be a key goal in designing and managing an investment portfolio. The intent is to deliver a return in terms of social value in addition to the traditional financial return.

Involvement in a coalition for responsible investment (CRI) or similar organization can provide an avenue for advancing socially responsible goals. CRIs consist of likeminded individuals and entities who are seeking to leverage their investments to collectively maximize their social return. CRIs can be found throughout the United States and memberships include multiple benefits. The Marist Fathers are an institutional member of the Philadelphia Area Coalition for Responsible Investments (PACRI).

Membership in a CRI provides a means for collectively pursuing multiple avenues for bringing about much needed social change. In the March, 2015 edition of Today's Marist, you may have read an interview of Sr. John Paul Chao, SMSM on her work to stem the tide of human trafficking in the San Francisco area. The issues of human trafficking and modern slavery are of great importance to the Marist Fathers and the other members of PACRI. In early 2014, there was an effort to take the fight against human trafficking to one of the biggest annual sporting events in the world, the Super Bowl. Major sporting events have become magnets for human trafficking and sexual slavery. The Super Bowl, being the most significant event on the domestic sporting landscape, is the largest human trafficking event in the country.

One of PACRI's sister organizations was actively seeking to engage and educate hotel managers and staff throughout the New York and Northern New Jersey areas on the issue of human trafficking since the base for many of the human trafficking and sexual slavery operations is unwitting hotels and motels. PACRI members extended the range of this effort by contacting hotels in Philadelphia County, Bucks County, and the Poconos in Pennsylvania as well as Mercer, Gloucester, Burlington, Camden, Hunterdon, Somerset, Warren and Atlantic counties in New Jersey. More than 225 hotels and motels were educated during this effort. The hotels were provided with information on how to spot human trafficking operations and what actions to take if one is identified. As a direct result of these efforts, the 2014 Super Bowl in New York City saw sharp decrease instances of human trafficking and sexual slavery. *(Continued on page 2)*

Working with likeminded investors is a good way to tackle important issues but direct investment choices can be another means for achieving social impact. When choosing to invest in a specific entity, it is important to weigh the activities and practices of the prospective company in terms of their social impact. Does the corporation provide a living wage to their employees? Does their workforce and management structure display diversity? Do the corporate culture and practices promote environmentalism and green building? Do they make an effort protect the consumer? We can promote the ideas of environmental stewardship, human rights, dignity, consumer protections, and diversity simply by investing in corporations who pursue these goals.

When creating a socially responsible portfolio, it is also important to screen certain industries. A socially responsible portfolio would not include companies from the casino/gambling industry, vice industries (including tobacco and alcohol), the defense sector, or those corporations that participate in the production or distribution of abortifacients. If the operations of one of our investments stray into one of these questionable areas, it is important to divest so as to avoid the appearance of endorsing the change.

Recently, there has been a move to divest in securities from the extraction industry, including mining and oil/gas production and distribution because of the inherent environmental risk represented by the operations of this industry. However, this particular choice must be weighed against our modern human need for energy and the dearth of quality alternative energy options.

Because of the hunger for socially responsible investment vehicles in the marketplace, it is also possible invest directly in products with socially responsible goals directly tied to the vehicle. The "green bond" seeks to finance environmentally friendly companies. For those who do not have the time for in depth research but who wish to make an impact, new socially responsible mutual funds and ETFs include corporate responsibility and societal concerns in the investment decision-making process.

Once the investments have been made, there are further opportunities to promote social change through the corporate governance process. This can be achieved by voting on issues presented on your investment's proxy statement. Shareholders can directly communicate to the Board of Directors by voting on key shareholder proposals that seek to protect the environment, disclose lobbying activities and possible conflicts of interest, or protect the general welfare of the public. Another key method for engendering positive social change is to introduce a corporate resolution, to be voted on by the shareholders, that seeks to guide a company on a more socially responsible course. Additionally, all corporations will have some avenue for direct appeal to the management or directors by shareholders. A direct dialogue can have even more impact than a corporate resolution. The recent decision of CVS to stop selling tobacco products was a direct result of shareholder dialogue.

The investment process can seem dry and boring, but it is a powerful avenue for bringing about social change by investing in a socially responsible manner and seeking to leverage those investments into positive social change.

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