the future of socially responsible investment

thought leader study

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SOLUTIONS FOR A SUSTAINABLE WORLD

THE FUTURE OF SOCIALLY RESPONSIBLE INVESTMENT

THOUGHT LEADER STUDY

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EXECUTIVE SUMMARY

With socially responsible investment (SRI) assets at an estimated $3 trillion globally and climbing it is timely to assess the future of the SRI industry. What will the future of socially responsible investing hold for investors, managers, advocates and the sector overall? Is it poised for growth, or will it retain its niche market status? Who is the future SRI consumer? What trends in screening, shareholder engagement and community investment can be expected? What of the future SRI product array and what will be the impact and the critique of the SRI industry in the coming decade? What competitive trends will prevail? These and other questions are addressed in this study on "The Future of Socially Responsible Investment" commissioned by Vancity Credit Union, a leader in the SRI industry in Canada, founder of the first Canadian ethical mutual fund, Ethical Growth Fund, in 1986[1] and owner of Real Assets, the first Canadian investment management firm totally dedicated to SRI,.

In the spring of 2005 Vancity commissioned Strandberg Consulting to conduct a study on the future of SRI to assess the trends and drivers of socially responsible investing over the coming decade. 42 thought leaders were interviewed for their views on these trends, representing the diversity of the sector, including asset managers, trade associations, service providers, NGOs, labour and faith groups, academics and think tanks. The study adopted the three-pronged North American definition of SRI, including screening on social and environmental issues, shareholder advocacy/engagement to improve corporate responsibility, and community investment to advance local development.

[1] The Ethical Growth Fund is now part of a family of ethical mutual funds, Ethical Funds Inc., owned by the Canadian credit union system. See http://wwwethicalfunds.com

The thought leaders were a fairly homogenous group in their views on the future of SRI, with most predicting a positive future, at least in terms of growth and awareness. For the most part they believe SRI will experience significant growth over the decade to the point where it becomes virtually mainstream: mainstream asset managers will regularly incorporate non-financial considerations into stock analysis and will increasingly assess stocks from a long term perspective taking sustainability considerations into account. It is expected SRI will increasingly come to be known as “responsible investing”, though there will be a strong and growing values-based, high impact, social action SRI niche with diverse products and services to assist values-based retail and institutional investors who wish to align their personal values with their investment needs. While screening is expected to become increasingly integrated into mainstream analysis, it is also expected to remain an important investment style for these values-driven investors. Shareholder action is anticipated to overtake screening as the more leveraged social change model.

One of the most common trends identified by the interviewees was this predicted increase in shareholder engagement, which is expected to become more routine for SRI and traditional fund managers including pension funds, religious groups, mutual funds and foundations who will demonstrate an increasing willingness to engage with management on a host of issues. SRI funds will join with other asset managers and stakeholders to advance common shareholder issues, while corporate engagement in collaboration with non-shareholder constituencies will grow in strength and impact.

The community investment (CI) sector is expected to grow exponentially in the US, though less so in other regions, to the point where CI may become a mainstream investment choice. Similarly the SRI client base is expected to expand over the decade driven both by institutional investors, niche retail markets, and the witnessing of economic shocks brought on by the realities of flawed global economic theories. According to many thought leaders, the potential exists for “everyone” to become a consumer of SRI products in future both as a result of the mainstreaming trend and due to growing awareness of sustainability issues.

As for the SRI product array, every conventional product will be matched by an SRI alternative in future, according to the majority of thought leaders: every imaginable investment will have an SRI equivalent.

Thought leaders also predict the SRI industry will meet success in advancing its sustainability aims, though the predicted range is from modest to huge impact. The biggest gains are expected in SRI’s efforts to drive increased transparency and disclosure amongst corporations. Climate change is another area where thought leaders expect progress, along with improved internal corporate practices, much of which will be achieved through multi-stakeholder collaboration.

While many interviewees could point to positive gains expected from SRI over the decade, a number of potential criticisms are also predicted including that SRI will not have any meaningful impact in affecting the trajectory of unsustainable corporate behaviour, remaining a marginal activity.

The SRI marketplace will be crowded in future. Mainstream firms integrating SRI considerations into their investment analysis may or may not be branding themselves as sustainability-minded and may or may not be providing a full suite of SRI niche products. Niche SRI firms will be competing for market share, defining, marketing and branding their values proposition to differentiate themselves.

These and other trends identified by the international thought leaders will be affected by a number of industry and external drivers over the decade, including the growing awareness of the business case for sustainability investing, demographic changes in youth and aged markets, social, environmental and economic trends, growth in the ethical consumer market, government legislation, increasing discontent with the dominant economic system, stakeholder pressure, increased disclosure and education and awareness.

The thought leaders by and large predict healthy growth for the SRI industry in the years ahead. Much of the growth will be captured by the mainstream investment industry, but considerable positive developments are predicted for niche, high impact, social action funds as well. Real progress can only be claimed, however, when material social and environmental gains are achieved. It is thus expected that a focus going forward will be on sustainability performance and the prospect for a high impact approach to sustainable investing which applies the tools and techniques of financial innovation and the capital allocation process to tackle sustainability problems. This is the future transformative potential of SRI.

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THE FUTURE OF SOCIALLY RESPONSIBLE INVESTMENT

INTRODUCTION

It has been 20 years since the launch of Canada's first ethical mutual fund by Vancity Credit Union in 1986 and 35 years since the first socially screened mutual funds were established in the U.S.[2] With the global SRI industry at an estimated $3 trillion in assets[3], it is high time to take stock of the future of socially responsible investment and determine the trends that will shape the industry in the coming decade.

Vancity Credit Union has commissioned this study on "The Future of Socially Responsible Investment" to assess the views of international thought leaders on likely future scenarios for the SRI industry. Strandberg Consulting, a sustainability consultancy with a background in the financial services sector and corporate social responsibility who has written reports on the future of corporate social responsibility (CSR) and the future of sustainable finance[4], was hired to conduct the study in the spring of 2005.

The definition of SRI follows the North American practice of including: 1) screening on social and environmental issues; 2) shareholder advocacy/engagement to improve corporate responsibility; and 3) community investment to advance local development. It is hoped that the following provides sufficient food for thought for SRI investors, managers, advocates and policy makers as they work on increasing the relevance and especially the beneficial impact of socially responsible investment in the years ahead.

METHODOLOGY

During March and May 2005, 42 thought leaders were interviewed for their views on the future of socially responsible investment. One-third were asset managers (13), with the rest from SRI trade groups (6), research, rating and advisory services (5), community investment managers and professionals (4) and 14 were from labour, faith groups, NGOs and think tanks. Over two-thirds were from the U.S. (15) and Canada (14), 7 from the UK and 5 from Europe. One representative from Hong Kong also participated in the study. Interviews were roughly a half hour and not all respondents addressed every question. The first question, the future of SRI, was posed to elicit top-of-mind broad responses and subsequent questions delved deeper into specific aspects of future SRI. Their views are summarized into the trends and themes identified in this report. The list of interviewees is included in Appendix A.

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[2] See p. x of Corporations and the Public Interest: Guiding the Invisible Hand by Steven Lydenberg, 2005.
[3] See http://www.thebanker.com/news/fullstory.php/aid/465/Encouragement_for_emerging_markets_.html
[4] See www.corostrandberg.com

FUTURE OF SRI

SRI will experience significant growth over the decade, predict most of the thought leader interviewees, to the point where it becomes virtually mainstream. Mainstream asset managers will incorporate non-financial considerations into both risk management and stock valuation analysis. Analysts will assess stocks from a long term perspective considering issues such as climate change, human rights, employee performance and community involvement and will develop methods to analyze these issues and factor them appropriately into stock pricing models. Mainstream investors wanting to see that a company is well managed will become more active shareholders, using proxy voting and engagement to influence corporate performance. SRI will become part of the risk reduction process, and taken for granted by the investment management industry. In so doing it will come to reflect a broader, more moderate set of views.

What we will witness over the decade, predict some of the thought leaders, is a gradual shift from SRI as an instrument of moral philosophy for moral investors to SRI as an instrument for mainstream investors who are not interested in morality itself but recognize that immoral behaviour of companies will hurt their investments. As such, SRI as an investment style will move away from exclusionary screening and best of class selection of stocks towards an integrated assessment of both financial and non-financial considerations. Rather than SRI functioning as a pre-investment decision, investment will consider financial and non-financial issues concurrently.

Over the decade SRI is predicted to grow exponentially, not because investors become motivated by “warm and fuzzy feelings” but because it is their fiduciary duty to look at issues, including non-financial issues such as employee discrimination and climate change, that ultimately can have dramatic impacts on shareholder value.

Every analyst will be considering questions of corporate governance, environmental management, corruption, health and safety, etc. as basic components of good management and an indicator of promising financial performance. Across the board analysts will be trying to assess whether companies are well-positioned on social and environmental issues or whether they are over-exposed on these issues and therefore over-priced because potential liabilities are not factored appropriately into valuation assessments. As corporate governance, access to drugs in developing countries, greenhouse gas emissions and other sustainability issues hit the radar screens of mainstream analysts over the decade, future traditional investment will increasingly look like today’s SRI, resulting in an eventual convergence of dedicated sustainability portfolios and products with their mainstream counterparts. In 10 years the lines between SRI as practiced today and mainstream investment become blurred.

In future there will be teams of financial and SRI analysts working together to develop portfolios or the roles will be blended into one, but in either case more analysts will be devoted to assessing social and environmental performance and their work will be seen as enhancing bottom-line value. There will be a change in incentive structures to reward integrated financial analysis. All global financial firms will have policies on sustainable investment, even if they don't go the route of having specialist SRI teams or products.

Increasingly SRI will come to be known as "responsible investing".

While these trends are broadly predicted, interviewees also commented that:

- There will be niche sustainability funds differentiated on the depth of their sustainability analysis. SRI-type products that demonstrate they add value will be looked at and evaluated on their merits as another investment approach. Adopting a style of investing which marries social and environmental considerations into a single analytical framework at the outset, these funds will conduct deep research into a variety of companies and sectors to better understand the links between their sustainability efforts and future financial performance. These firms will provide a robust assessment of external factors that impinge on sustainability, identifying external sustainability trends that will affect corporate performance over time, while monitoring management performance relative to these trends. Some believe 10 years from now sustainability investing will have reached a high-water mark as a special style of investing, growing from being a niche SRI activity to being the leading edge of mainstream investing.
- There will still be room for a values-based approach in SRI analysis, for the firms that push the mainstream to get investors to think about new and emerging social and environmental issues. This values-driven approach enabling investors to invest with their conscience will remain as a niche market with modest growth. Individuals who have specific principles they want matched in their investments will drive this growth, as they will want more products that meet their needs. Mission-based investors who are explicitly seeking social return alongside financial return will continue to employ these values-based practices.
- There will be further "boutiquing" of SRI with a proliferation of higher impact social action and advocacy funds. Some investors, particularly retail investors, will want to use their role as a shareholder to affect the corporate terrain. There will be a plurality of investment options for these investors, from an environmental SRI wing, to anti-poverty SRI, to highly engaged shareholder action investments. These high impact investment opportunities will be available for those frustrated with the pace of social/environmental change generated by traditional SRI portfolios. Similarly, growth in the community investment and sustainable venture capital sectors is expected, driven by consumers looking for higher impact investments and seeking to push the social change envelope.
- Pure SRI will increasingly be oriented around an advocacy agenda. There will be a shift away from screening to greater shareholder action. Shareholder engagement will be widely accepted.

Predictions for SRI asset growth vary – some expect it to be 10% while others anticipate it will comprise 50% of the marketplace. Certainly those who expect SRI to mainstream significantly expect the latter figure will materialize, with perhaps 20% of overall SRI investments consisting of higher impact social action assets.

Most of this overall growth will be driven by the institutional market, primarily pension funds and secondarily insurance companies, banks, foundations, university endowments, religious organizations, municipal and other "common good" funds. In 10 years, according to one observer, the majority of institutional investors are expected to have a dedicated sustainability portfolio and certain sustainability criteria integrated across their investments, though others are less sure institutional asset managers will have signature sustainability products.

Growth is also predicted at the retail level, albeit at a slower pace. However, if banks enter this market, as some expect, retail growth could take off, similar to the growth evident with organic foods in the supermarket offering. Even if the banks don't offer SRI products, growth from the existing market and occasional newcomers is expected.

SRI is expected to become more diverse and exploratory in its new directions, spreading into every asset class e.g. hedge funds, venture capital funds, property assets, etc., further driving this growth. SRI will become internationalized, especially initially in emerging market economies; it will become prominent the world over, not just in OECD countries. A big driver of SRI investments is expected to be changes in pension fund governance, mandates and interpretations of fiduciary responsibility. Whereas in the past the drive has been towards narrow windows of performance analysis – short term investments against short term benchmarks – with the changing boundaries of fiduciary responsibility, fund management will be driven to invest long and not short, investing for future gains and long term wealth creation. The longer the investment horizon, the greater the number of social and environmental factors relevant to investment performance because, as perpetual investors, these entities want to be assured that their portfolio companies will be able to provide them financial returns in perpetuity.

Another hoped-for change in SRI is a shift to open source valuation processes and methodologies where corporate SRI research and analysis is made available to all interested parties, allowing shareholders and policy holders to understand portfolio selection and to engage with trustees around their concerns.

While there were few negative views of the future, some expressed concern about the "SRI-lite" trend as a result of the mainstreaming trajectory, the lack of transparency of SRI research and analysis and the limited bang for the SRI buck with limited social and environmental benefits expected to arise from SRI strategies. One thought leader conjectured that these SRI-lite firms may be seen to focus their efforts mainly on current-day screening methodologies because it is cheaper and from a marketing perspective will appeal to the uninitiated or unwary consumer. A cost/benefit analysis conducted by a firm without any real concern for fundamental SRI transformation that seeks to sell into this marketplace would likely lead to the conclusion that screening-only is the most cost effective way to capture client dollars.

However, for the majority, SRI is expected to make a successful transition from the margins to the mainstream. It will shape-shift into something not called SRI, while original "true-blue" SRI will morph into a more values-driven, deep sustainability, high impact, envelope-pushing and social change movement and niche market.

Over the decade, for the single-bottom-line, performance-driven mainstream, there will be increasing recognition of the materiality of social and environmental issues resulting in the ultimate integration of these perspectives into normal traditional financial analysis and portfolio management. The holders of the most extreme integrationist view believe SRI will disappear completely and become as routine as p/e analysis.

The following trends delve deeper into these and other themes identified by the international SRI thought leaders.

TRENDS IN SCREENING

In North America SRI is defined as comprising three components: screening on social and environmental issues, shareholder advocacy to improve corporate responsibility and community investment to help local development. Interviewees were asked for their views on how each of these SRI practices will evolve over the decade.

For the most part interviewees believe that exclusionary screening as a risk avoidance function will increasingly become integrated into mainstream analysis, while screening as an investment style for values-driven investors (beyond a traditionally accepted core set of screens) will remain as a niche industry. Best of class and exclusionary screens are expected to have the least growth while solution-oriented positive screens are expected to grow along with values-based investors' quest for improved social/environmental performance. The issue array will change and evolve with the development of technology, changes in public opinion, right-to-know legislation, availability of new data and social and environmental trends.

Screening integrated into analysis

Many reiterated their earlier comments that with the mainstreaming of SRI, institutional investors will be integrating material social and environmental issues into their mainstream investment analysis process, a methodology the UK Social Investment Forum refers to as "integration"[5]. That is, for the most part, future SRI won't consist of simple positive or negative screening – a top-down screening model with predetermined criteria – but will involve a more comprehensive analysis of a corporation where hundreds of sustainability criteria will be evaluated in all sorts of ways. Future SRI screening will be framed around a 'risk-management' model of investment analysis, with social, environmental and governance factors weighted in terms of the potential liabilities arising from each company's exposure to them. Under this approach, screening becomes a function of prudent portfolio selection and is seen as a routine exercise of fiduciary duty.

[5] See: http://www.uksif.org/Z/Z/Z/sri/mkts/index.shtml#meth

Some spoke about the past and future trends in screening as 'first generation' consisting of positive and negative screens on a predetermined set of criteria; 'second generation' evolving to include best-in-class analysis; and 'third generation' screening of the future developing as the full and total synthesis of sustainability analysis into financial analysis.

In this predicted scenario, sustainability will be integrated throughout the asset allocation process. Indeed, some even predict screening won't be around and it won't be called SRI in the future. As discussed previously, according to this view the boundaries between SRI and conventional investing will diminish as the integration of sustainability criteria becomes a common element of general securities analysis,

Screening as investment style/niche for values-driven investors

Many commented that there will always be a steady and loyal customer base for certain values-based screens. This approach to SRI will not go away as institutions such as union pension funds, charities, religious institutions, and retail consumers for whom values are a key driver in addition to return and risk considerations, are attracted to a screened fund approach for moral reasons because they care deeply about environmental and humanitarian issues. They will believe that engagement is a nice add-on, but essentially these consumers do not want the "bad" sustainability sectors in their portfolios. These values-driven investors don't want to invest in nuclear, military, pornography, tobacco or gambling industries and as such will always seek out SRI firms with strong exclusionary screens. Or else they will seek firms with strong gay and lesbian rights policies, positive labour and environmental records, etc. and will prefer SRI managers that incorporate this type of investment style.

Overall, there were mixed views as to whether values-based screened assets will grow in any significant way: increasing interest amongst union-trusteed pension funds, general union funds and non-Christian religious orders could be equally offset by the net loss of assets as a result of aging demographics of traditional religious funds. The potential exists amongst faith-based university sectors, the evangelical community and other new religious entrants (e.g. Salvation Army) for modest interest in values-based screening in the coming decade. The degree to which SRI creates products compatible with different faith traditions will influence the growth of SRI assets amongst religious groups. Across the interviewees, the general view appears to be that values-based screens will see modest growth at most, with positive, solution-oriented screens witnessing the most growth in the coming period.

Limited growth of best-in-class and exclusionary screens

Though the screening market is not expected to grow significantly, it will remain a niche market, especially for retail consumers and certain institutional sectors. Indeed, negative and exclusionary screens are expected to become a very small part of the SRI market. Some expressed the view that best-in-class screening methodologies, in which the best social and environmental performers amongst industry peers become the target investments, will witness modest growth. However, others thought best-in-class technologies will have a limited life span because (due to increasing corporate disclosure) best-in-class methods will become commoditized. Best-in-class funds undergo a rethink over this period as they will yield fewer novel insights and the best-in-class performers will continue to be recycled throughout the funds with little diversity. This group thought that there will not be much value-added by best-in-class screens in future.

Another screening trend is the future shift away from screening on process to screening on performance: for example, in future the carbon intensity of SRI funds will be compared to one another as well as to industry benchmarks.

Solution-oriented screens on the rise

Commentators predict there will be growth in positive screens, taking positive screening to its logical conclusion. Such investors will be looking for leading-edge companies which are not just mitigating impacts but providing solutions to issues: corporations set up to solve social and environmental problems while generating profits. Industries of the future funds, structured around sustainability themes such as knowledge, health and safety, sustainable transport, water management, renewable energy, etc., will be more common in future, as will transformative funds designed to address particular social and environmental concerns such as poverty and environmental regeneration. (For more on this, see Community Investing below.)

It is expected that there will be more opportunities for private individual equity investments in clean technology, health care and other activities for which there will be an increased demand and therefore the potential to out-perform the market. SRI firms adopting this investment style will see considerable growth over the decade. They may include some traditional SRI screens but these will be incidental to the focus of the fund.

Increasingly SRI consumers will want to know what social value their funds are realizing and efforts will be underway to quantify social performance. As more integrated social/environmental and financial performance data comes available, investors will move away from a box-ticking screening approach to taking a more holistic view of the company. Investors seeking a double or triple bottom-line return will be attracted to solution-oriented funds over passive screening funds.

Labour-sponsored funds in Canada are predicted to flourish, for the most part. A stable older asset class, they are expected to witness modest but steady growth over the decade, especially as their job creating benefits become more well-known.

Screen issues of the future

Interviewees predict screening issues will evolve over the future along with changes in technology and public opinion, new data and environmental and social developments. Indeed, one thought leader commented screening is a work in progress at all times with new issues, new data and new technologies. Some expect there will be a proliferation of investment screens, albeit within a highly niched market.

According to interviewees, the sector will be asking companies many of the same questions they are asking today plus a series of harder questions. Some of the emergent issues expected to be on the radar over the decade include:

- digital divide
- GMOs
- cloning
- stem cells
- corporate governance
- health care
- human capital issues such as health and safety in the workplace
- political influence contributions
- donations to right-wing think tanks
- lobbying
- tax avoidance
- sweatshops and labour conditions
- environment
- HIV/AIDS
- access to drugs
- poverty
- industry concentration and anti-competition activity

A few interviewees commented that there will be increased politicization of SRI screens, pointing to the development of free enterprise funds, anti-terrorism funds and other "political" screens. It was suggested that if SRI remains a-political and keeps the tent big, this politicization will abate over the decade.

Stakeholder theory

Some interviewees reflected on the link between SRI and stakeholder theory, wherein stakeholder issues become integrated into analysis and form the sustainability agenda. Over the past ten years we have seen increased understanding of those with stakes in a corporation (shareholders, employees, community members, customers, suppliers); in future there will be a deepening of this with possibly the identification of additional stakeholders, such as taxpayers and the government.

Global Reporting Initiative (GRI)[6] and disclosure will drive screening

Some interviewees speculate that companies will increasingly be reporting according to GRI guidelines in future, such that there will be a bigger public database for company

[6] [6] The Global Reporting Initiative is a multi-stakeholder process developing international sustainability reporting guidelines. http://www.globalreporting.org/

comparisons. This will not only allow investors to develop increasingly sophisticated models to compare companies on sustainability factors, but some even predict there will not be a need for screening services in future with all the publicly available and independently verified information. Conversely, others believe that the more complex and/or data intensive the world becomes, the greater the need for such screening services.

Additionally, legislation requiring pension and other institutional funds to report on the degree to which they take social, environmental and ethical issues into account will be a stimulus for further screening. Similarly, right-to-know legislation would generate comparable increases in transparency in the corporate sector.

One thought leader predicted a quadrupling of pension assets under SRI screens as a result of such regulatory reporting requirements for institutional funds. Another thought leader conjectured that governments will help to fill the disclosure void, by setting up government-backed indices tracking and ranking performance of companies on various measures such as their health and safety record.

Engagement the focus

Finally, the view was also expressed that screening will not be a profound SRI technique in the future except that, as one commentator noted, it may remain a focus of firms who are less interested in deep-SRI transformation but rather are attempting to sell product into a greening marketplace. Instead, the focus of deep-SRI practitioners will shift to engagement and advocacy. Future issues will be even less black and white than today's issues and will not lend themselves to box-ticking methods; therefore, the more robust approach of shareholder engagement is thought to be better suited to operate in these gray areas and to be more substantively beneficial in its approach.

While early SRI paradigms relied almost exclusively on screening, future paradigms will be centred around active engagement. Rather than ignoring problems (by screening them out of their funds), SRI firms will seek to address them through corporate dialogue and interaction. SRI will move forward, it is thought, with a greater understanding and acceptance of this aspirational and evolutionary aspect of corporate sustainability, rather than by retaining the absolutist stance of good and bad that was so central to the screening methods of SRI's early years.

In sum, the general view of the thought leaders is that over the coming decade most of the SRI market will shift from screening to integrated sustainability assessments (which, admittedly, have an inherent screening component to them). Another significant shift anticipated by the interviewees, is a move towards greater shareholder action as a strategy over screening which will be thought to be a limited social change model. However, values-based screens, including exclusionary, positive, and best-in-class screens, will have their adherents, ensuring that screening remains a visible and modestly growing niche SRI market in the future.

TRENDS IN SHAREHOLDER ADVOCACY AND ENGAGEMENT

Next to the mainstreaming trend of SRI, thought leaders were significantly united in their predictions concerning shareholder advocacy and engagement, believing shareholder engagement will take-off over the coming decade, driven by increasing national and global collaboration, education and awareness, legislation, corporate scandals and the thrill of success.

Shareholder engagement increases and becomes the norm

Interviewees were near unanimous in their view that shareholder engagement will increase over the decade becoming far more routine for SRI and traditional fund managers including pension funds, mutual funds, religious groups and foundations who will demonstrate an increasing willingness to engage with management on a host of issues. Large pension funds, endowments and foundations, for example, will come to understand it is not only consistent with, but may be a necessary part of, their fiduciary duty to raise their voice as shareholder advocates not just on corporate governance but on social and environmental issues as well.

Labour is expecting that its investments in trustee education and shareholder activism resource groups will result in increased international cooperation amongst trade unions on a global scale. Greater information-sharing and targeted shareholder campaigns amongst labour groups are expected, focusing on specific companies and organized on an international basis.

Religious groups active in shareholder advocacy will expand to include non-Christian faiths using moral power and financial savvy to promote corporate responsibility. Recent efforts to establish a global interfaith shareholder group are anticipated to significantly increase the interest and clout of the religious community worldwide. However, some markets such as Canada, are expected to lag this trend, lacking as they are in coordinating resources to promote and advance active stewardship of religious assets across faiths. Foundations, for their part, will look at shareholder engagement as a way to leverage their mission beyond charitable activities by creating mission-directed impacts that derive from active engagement with portfolio companies.

Indeed, shareholder engagement will become one of the expectations of good asset management practice; some even expect it to trump screening as the major SRI practice, where traditional positive or negative portfolio screening will come to represent a very small percentage of SRI assets.

In many cases, large institutional investors won’t have the luxury of divesting their investments because of their large holdings in the total market and in individual companies. As they cannot divest easily without potentially destabilizing the company or overall markets, shareholder engagement becomes the only tool they have to advance fund performance.

While in some countries shareholder engagement is difficult culturally, for the majority engagement as a strategy is expected to grow overall – one prediction sees a doubling – while the firms doing engagement today will be doubling up their efforts over the decade.

Engagement will be driven further as active shareholders quantify the benefits and impacts on fund performance of their efforts, demonstrating that shareholder engagement adds value and is not simply a cost. Should shareholder actions not add value over the long term it is likely to remain at current levels or even decrease, but in determining such value, critical metrics will need to be developed so as to appropriately calibrate non-financial benefits generated for society or an entity's larger stakeholder community.

Drivers of engagement

While some of the drivers of this engagement have already been alluded to (benefit quantification, scale and timing of some investments, engagement defined as good practice, and mainstreaming trends of SRI), there are other drivers as well, according to the thought leaders:

- Legislative and regulatory changes to permit shareholder advocacy and promote shareholder rights, mandatory disclosure of proxy voting and proxy policies, nomination and election of boards of directors, etc. Threats of legislation can also be a driver of voluntary efforts for greater disclosure.
- Increasing understanding on part of mainstream capital pools that proxies are a plan asset and that they have fiduciary responsibilities to be more actively engaged in the shareholder resolution process. Union pension trustees, particularly, are expected to develop proxy voting guidelines covering corporate governance and social and environmental performance, and to demand their proxies be voted in accordance, though the engagement focus in early years is expected to be on "plain-vanilla" corporate governance issues.
- Recent corporate scandals and resulting increase of corporate governance resolutions will drive investors and institutions who haven't yet thought of shareholder action into the game and this will result in increased shareholder action. Similarly, institutional firms active on governance issues today will shift to broader sustainability shareholder concerns over the decade. As they do so, the size and prestige of shareholder activists will grow and become more mainstream; it will no longer be seen as a fringe activity reserved for the green and social justice marketplace.
- Greater transparency of shareholder efforts will have a significant impact on shareholder action, driving public and media debate on these matters. Shareholder engagement will become more of an open and transparent process overall. In ten years there will be transparency among mainstream investors not only of the shareholder action practices they employ, but who they are engaging with, what the results are and whether they are making any difference.

Collaboration versus confrontation

Many interviewees commented that shareholder action will become more of a collaborative exercise in the future, though a number still feel that there will be a strong radical, strident shareholder constituency at one end of the spectrum. Indeed, the full continuum of tactics from collaboration to confrontation will exist in future, though with increasing take-up on the part of traditional investors, collaboration is expected to become the norm.

Some of these differences can be attributable to semantics – with some more comfortable talking about their activist role, challenging and putting pressure on companies, while others prefer the language of engagement and persuasion. Regardless of the language, the efforts will overlap: the focus in any case will be on protecting beneficiaries and fulfilling fiduciary duty with consideration of the needs of stakeholders and the commons.

With the spectrum of actors ranging from co-operative to hostile, companies in future are expected to become more responsive to constructive dialogue. Shareholders and company owners will have more of a voice and because they are representing issues that a company must deal with, dialogue will be the focus. Some believe the engagement will look like a partnership between shareholders and companies who are working on a commitment to move along a path – they will not necessarily agree on every step taken, but the players will agree on the end game. Indeed, increasingly corporations are recognizing that dialogue is easier and more productive and protective of their brand than allowing issues to get to the shareholder resolution stage. While they may fight a first-time resolution, typically they will turn to dialogue next. As such, more will be accomplished outside of the annual meeting. Large traditional asset managers will prefer, too, to take a behind-the-scenes, low media, less confrontational approach.

Further along the continuum, goes one view, some investors will be opting for a strategic partner model in which they make their expertise and resources available to firms wishing to improve their sustainability performance. For companies that wish to think deeper about some of their sustainability issues, they will turn to investment firms that have been engaging for help in defining their strategy.

Coalitions become popular

While the spectrum of engagement from quiet persuasion to public campaigns won't change over the decade (nor will the tools of engagement, including resolutions, dialogues and management letters), more cluster activity and coalition building is expected. Global coalitions within investment sectors, such as trade unions or religious organizations (including increasingly non-Christian groups) are expected to grow and increase in clout. Groups of investors will be engaging entire sectors, for example the oil and gas industry, and there will be campaigns to advance leaders and to level the playing field within sectors. Increasingly cross-sections of very active investors, including religious investors, mutual funds, socially concerned money managers, some universities and foundations and labour funds will be joining collaborations to influence a certain sector, which is most likely, or specific firms. Some of these coalitions will include not only investors, but NGOs, government officials, and other companies seeking sustainability improvements within a sector.

NGOs, particularly, will be brought in as allies both for their technical expertise and to provide expert testimony in face-to-face dialogue with companies. Shareholder activists will be encouraging and coaching greater numbers of NGOs in the direct use of shareholder engagement as a strategy for accomplishing their NGO aims. As such, the trend toward stakeholders having a more affirmative voice in shareholder negotiations will grow. Partnerships among shareholders and stakeholders will thrive and prosper, becoming more sophisticated and effective over time.

One aspirational view was expressed that multi-stakeholder outcome-based discussions that include the corporate sector will become increasingly popular, attracting growing interest for their focus on rewriting the rules of the economic game towards a marketplace that naturally acts in accordance with fundamental human values.

Smaller radical actors, however, are expected to work independently of larger, more moderate actors who will be working on different issues. Those who are like-minded in their philosophy and methods will work together. For the most part, radicals and moderates will be working in silos.

Many of these efforts will join up with lobbying activities seeking government intervention on sustainability concerns. As such there will be joint efforts between shareholder and government lobbying campaigns with shareholders turning their attention increasingly to the role of government in advancing their SRI interests. Large investors will become increasingly active in the public policy debate because they will believe it is in their interests as “universal investors” (who virtually own the entire market) to do so.

In future more aggregators are expected to emerge, facilitated by increased transparency, which will be approaching other investors such as foundations, labour groups and others, to seek their proxies and represent them at shareholder meetings on various issues. There will be more acceptability of this aggregator model in future. This will help generate a stronger shareholder voice on critical sustainability concerns, driving increased corporate sustainability performance and shareholder success. In this space might exist for-profit engagement overlay providers, loose networks collaborating on topical engagement issues and formal secretariats promoting signatories and rounding up proxy votes.

Issues increasingly performance-driven

Interviewees don’t expect much change in the shareholder action *process*, but pointed to a number of issues that are likely to dominate the shareholder engagement scene over the decade.

The same issues will be on the table, with some emergent issues:

- corporate governance, executive compensation
- GRI reporting
- corruption and bribery
- human rights
- energy
- global health
- disclosure of political donations and lobbying activities
- publish-what-you-pay (mandatory disclosure of government payments made by oil, gas and mining companies for natural resource extraction to address the lack of accountability and transparency in these revenues which can lead to corruption, conflict and poverty)
- tax avoidance
- human capital management, including high performance work systems, training expenditures, work family balance, equal pay and stress at work issues

Currently the issues put forward by SRI investors are values-driven, becoming more performance-driven in future. SRI investors will want to know to what extent companies are prepared and organized to address new environmental and social challenges and related strategic and corporate governance issues. Some view the focus as moving away from 'principled' or 'value-based' issues to addressing long-term risks to shareholder and stakeholder value. Others feel strongly that values will not drop out of the equation but rather, as the tangible worth of here-to-fore unpriced externalites are increasingly driven into evaluations of the cost and pricing signals of our economic system, that values will become the touchstone for discussions about social and economic benefit.

Simultaneously it is predicted that while issue-based resolutions seeking to end particular negative impacts related to corporate activity will continue, there will be an increase in the number of resolutions filed which draw attention to positive alternatives available in the marketplace (e.g. application of new water-saving technologies or use of fair trade coffee), and others which raise fundamental public policy issues (such as political-influence contributions).

Niche engagement services and specialties

Some predict there will be the emergence of SRI firms whose specialization is shareholder action – engagement only services – with cottage industries blossoming around this expertise. The emergence of engagement overlay providers are predicted where an investment manager sells its engagement services without managing the underlying asset. Some investors will be outsourcing their engagement activities including proxy voting, proxy voting analysis and engagement resulting in more competitors in the shareholder engagement market. It is predicted that, for example, pension funds will be pooling their assets on particular shareholder strategies, and, rather than leave implementation to the fund managers, will be engaging external managers to coordinate campaigns across fund assets. This will enable the pension fund to hire the best fund managers and the best activist managers to achieve their triple bottom line goals.

Shareholder action is expected to become increasingly professional, with a growing ability to report on the changes asset managers have brought about with companies. With this growing expertise, some firms will be in a position to invest in companies for the purpose of engagement, generating improved long-term sustainability performance and driving up profitability. These asset managers who offer such engagement services will become even better in showing to their clients how they have engaged and what impact they have generated. Some refer to this as third generation engagement, others as relationship investing[7]. These SRI firms won't do any screening but will buy up the worst sustainability performers, pool resources with others, engage with them on certain improvements and benefit from the resulting good performance.

Some fund managers will offer their clients a direct engagement opportunity, bringing clients with a particular interest in improving the social or environmental performance of a particular company into direct contact with company officials.

While a few believe that shareholder action will become highly controversial in future resulting in assaults on the rights of shareholders to file resolutions, for the most part interviewees believe shareholder action is a growing trend that is here to stay. Indeed, as one commentator observed, the distinction between values-based activism and financially-focused intervention is likely to be less relevant in a future where non-financial considerations are integrated into investment analysis. According to this thought leader view, future shareholder activism will look like people focused on long-term financial creation within which non-financial issues have more relevance. For example, those with expertise in human rights will be integrated into heterogeneous teams looking at how companies create value. They won't be confronted by shareholder activists walking through the door asking about human rights and drug pricing. Investors will be asking for the company's 10 – 15 year strategy for building revenue models around illness prevention, not drug delivery. They will be asking questions about the way the business model delivers sustainability impact – not simply how to mitigate negative impact.

Though this latter view may be an idealistic perspective on shareholder action trends, interviewees were united in their view that the future of engagement is that to a greater or lesser extent asset managers will be asking sustainability questions to aid them in their decision-making and will be using channels available to them to promote improved sustainability performance.

[7] See pp. 114 – 115 of Corporations and the Public Interest: Guiding the Invisible Hand by Steven Lydenberg, 2005.

TRENDS IN COMMUNITY INVESTING

Not all interviewees commented upon the trends in Community Investing (CI), an investment process that generates financial returns while creating resources and opportunities for disadvantaged groups, communities and under-invested markets including small and micro-business, community services, affordable housing and environmental regeneration. Europeans don't consider CI to be part of SRI; the UK, however, includes debt and equity investment in green and social small and medium-sized businesses as part of SRI, including social, non-profit enterprise. This field of SRI has fewer internationally comparable standards, definitions and practices. Nonetheless, a number of especially Canadian and American interviewees commented upon the trends in the CI sector that will drive developments in this field over the decade.

Significant growth for a small niche sector

The CI sector is expected to grow exponentially, especially in the U.S., over the coming decade. Predictions range from a hundred-fold growth to a tripling of assets, likely even outstripping the growth of other SRI niche funds. Growth is described by some as dramatic, huge, incredible and significant. Some even predict the mainstreaming of CI in the future.

Growth will be driven by:

- Increasing assets as a result of the Community Reinvestment Act (CRA) in the U.S. and increased capacity of American Community Development Finance Institutions. As CI vehicles grow in scale and capacity there will be more CI investment.
- Increasing product availability with popular or niche appeal, e.g. sustainable forestry and specialized affordable housing products.
- Growth of micro-lending around the world will continue to drive innovation in the mainstream financial community. Their models and best practices such as securitization bonds and other products will be replicated in domestic markets and drive further growth.
- Growing awareness and interest on the part of the institutional and traditional financial community, for example from labour and pension funds. The latter will be a result of increased education of union pension fund trustees regarding the potential to achieve risk-adjusted, non-concessionary rates of return from community investment and the allocation of resources within the labour movement to support economically targeted investment, investments which fill capital gaps in the economy, deliver risk-adjusted rates of return and provide collateral benefits to stakeholders. The degree to which CI investments are structured to provide a competitive rate of return will affect the growth of CI within the union-trusteed pension industry, expected to result in modest but increasing CI assets over the decade.
- Decreasing concern that CI is a high-risk low-return investment; most of the growth will go into mainstream CI instruments such as American community

development banks and credit unions that have standard products and are federally insured.

- Trends in the globally branded consumer economy: there will be consumer backlash against international brands which will drive consumers to local brands and local investments. Investors are predicted to increasingly take their retirement savings into investment vehicles that support local enterprises that produce local products and services. Investors will be seeking opportunities to invest *for* something that is positive and that is tangible, local and directly beneficial, unlike investing in publicly-traded companies where no direct cash-infusion or cash-extraction is made to the enterprise and where the direction of the company cannot ultimately be controlled.
- Campaigns of the national SRI bodies, such as the U.S. Social Investment Forum, whose CI campaign has generated over USD 14 billion in assets to date, will raise consumer awareness. The U.S. campaign, for example, is expected to lead to a more detailed discussion of what it means to support communities through fixed-income, and other types of investments.
- Acceptance of the U.S. CI asset allocation standard of a minimum of 1% of actively managed SRI assets into CI.
- Development of searchable databases and one-stop shopping sites for CI investors.
- Overcoming regulatory barriers mitigating broker distribution.
- Popular success stories of community development vehicles that are able to generate robust social as well as financial returns.
- Pure-play SRI firms will be increasing their CI portfolios driven by questions of whether SRI is making a difference. CI tells a good story about social impact.
- Emergence of a carbon-constrained economy will flip the economies of scale, making "local" a more cost-efficient option. CI institutions will be well-positioned to capitalize on this opportunity.
- CI benchmarks will be established as part of an effort to standardize the CI industry.
- Efforts of values-based funds, such as those found within the religious community, to leverage the development potential of their significant landholdings, with the prospect of creating community investments in land use development.

Regional differences in these trends were noted. The lack of CI champions in Canada and the focus on government service provision in both Europe and Canada are expected to stall CI growth in these regions. Some unique social finance organizations such as Triodos[8] are proving the model in Europe and governments are becoming interested in support of the community investment sector, suggesting modest growth in this region over time.

[8] A European ethical bank which only finances projects with social and environmental benefits. www.triodos.com

Institutions are expected to be big drivers of CI in the U.S., especially as more investment-grade, liquid products develop that pay competitive market returns. It was recognized that the closer CI gets to reaching truly disadvantaged communities, the more subsidies and financial engineering are needed to make CIs investment-grade. These competitive market return products are predicted to form the bulk of the CI industry, bought by institutions, while at the retail level there will be more "quirky and fun" products reaching different kinds of social outcomes depending on the interests of the retail investor. One prediction goes that asset managers will have teams of CI analysts focusing on this asset class.

CI Products

The U.S. CI market, and to a lesser degree other national markets, are expected to see increasing product availability and sophistication. With financial products becoming commoditized, more products differentiated by support for community will emerge. There will be additional asset classes of community investing such as community development (CD) venture capital and CD bonds. Alongside large conservative lower social impact generic CI investments will be smaller mission-targeted CI products focused on specific issues and specific locations. This is predicted to be the activist edge of CI in future.

Specialized funds and products in a full CI suite of the future could include:

- Childcare
- Independent media, including movie investment vehicles for independent films
- Environment – forestry, wetlands, alternative energy
- Fair trade
- Affordable housing
- Small and micro-business; micro-finance

There will be a variety of CI product options and financial specialists will be available to help clients match the products to their interests. CI will become an increasingly professional and sophisticated investment industry.

Interviewees focused many of their comments on distribution trends of CI products. Some of their thoughts included:

- May expect to see social venture exchanges – a market social venture investors can visit to link up with other social venture investors and investment opportunities. Investor circles are one model for this which will help grow the social venture sector, where more formal means are established for investors to collaborate in creating pools to generate greater benefits with their resources.
- In a decade it will be possible to buy generic CI products from brokers as the distribution channels will have been established. Similarly incentive mechanisms will be developed to reward brokers for generating CI investments.

- Other regulatory hurdles in the distribution network will be overcome unleashing institutional investor interest in CI programs.

A few interviewees recognized that the decade will see a continuing effort to define and measure CI and to clarify the role of environmental investing in a field that to date has historically concerned itself with social investments in under-invested communities. In the future there will be considerable growth of environmental, clean technology investments, not counted in community investment data sets. Yet a lot of venture funding is being targeted to products and services that, while not called community or social investments, are generating social and environmental returns. Clean water, clean food, healthy communities and education private equity investments are showing up as target candidates for the social and community investor seeking high impact social and environmental change.

These developments, the differing regional approaches to CI and the growth of the community development finance sector are expected to drive efforts to define CI over the decade. Part of this effort will include an attempt to effectively quantify the impacts of community investing. To what degree, for example, does micro-finance invest in micro-entrepreneurs who are involved in environmentally destructive activity? Not only quantity but quality will be a concern of CI professionals in future. A spectrum of CI 'lite' to deep CI is expected to evolve, where mainstream funds drive huge volumes of investments into low impact CI while more targeted retail funds lever significant social and environmental grass-root returns.

Sustainable and Social Venture Capital

There were mixed views of the growth of the sustainable and social venture capital sector on the part of the interviewees who commented upon these trends. Defined as equity-oriented products that invest in social and environmental enterprises, social or sustainable venture capital will not generate sufficient returns within pay-back periods sought by investors, according to some. A few interviewees commented that social venture capital is an inappropriate model for long-term community development and that the community development venture capital field will end up floundering as it won't make the returns to offset its losses in other areas. A model with some debt is needed where there is much reduced expectation for growth and payout. The venture capital model is adapted to technology and other industries with very sharp growth curves, but not adapted to industries that grow slowly over time. The investor appetite for high-risk, low financial return, high social value is limited, constraining the potential for growth in this sector.

Others believe that the sustainable venture capital trend over the next 10 years will generate sufficient success stories to prove that this sector is beyond charity. These success stories will get angel investors, venture capitalists and private equity shops more interested in this form of community investing. Exponential growth is not predicted, but modest steady growth in assets is, with perhaps a doubling or tripling in volume in this field. Over the decade pension funds are expected to become interested in this investment opportunity with a certain percent of their venture capital portfolio in sustainable ventures.

Within the SRI field a new "patient capital" model is predicted to emerge, with appeal for individual retail investors who wish to participate in the private equity market. Unlike venture capital which is predicated upon an 80% failure rate and which seeks spectacular growth over short periods of time culminating in a company going public, "patient capital" seeks to invest in businesses that are locally owned, geographically-based and community-oriented which grow in a slower, more sustainable way, and remain privately held. The opportunity to directly invest in local enterprises is expected to have considerable potential in the years ahead, further driving the growth of the CI sector. Significant innovation and experimentation will be required to realize this opportunity.

THE FUTURE SRI CONSUMER

The SRI client base is expected to expand over the decade driven both by institutional investors, particularly with the mainstreaming of SRI, and also by niche retail markets. Many believe that "everyone" will be a SRI consumer in future as a result of the mainstreaming trend and due to growing awareness of sustainability issues.

Institutional investors

Many predict that institutional investors will be the primary future SRI consumer which can be further segmented into two sub-markets: values-driven organizations such as NGOs, charities, foundations, endowments, churches, trade unions and religious groups, etc., and on the other side traditional institutional investors (pension funds, public authorities, insurance companies) that understand the performance advantages of sustainability investing.

While the number of institutions participating overall will increase, they may not call or consider themselves an SRI consumer. Foundations and religious groups, on the other hand, will be pushing the curve as a way to practice what they preach. Mission-based investors in future will continue to avoid ownership in companies whose activities they don't support, but due to the realization that this doesn't have a big impact there will be interest in increasing engagement with companies and governments. Unions over the decade are expected to become increasingly interested in the compatibility of union and SRI values. Effectively, union-trusteed pension funds and religious funds are poised for growth over the coming decade, dependent on the success of efforts to increase constituent awareness of, and collaboration on, SRI and active stewardship strategies.

The current debate in the foundation community regarding whether investments should be in line with foundation goals is expected to drive more foundations to the SRI door. This could result in significant asset growth, at least in U.S. markets where foundation assets are significant. Financial performance will be a factor and once trustees are assured SRI investing is in alignment with their fiduciary responsibilities, this trend will take off. It was noted that the expected evolution in the definition of fiduciary duty may mandate that mission-based entities include SRI considerations in their financial thinking, or risk being in breech of their fiduciary duty.

The growth in SRI markets will start with institutions, partly, because they can better afford to invest the resources in effective SRI. Pension funds, particularly, are expected to be active engagement consumers, including municipal, public authority and occupational pension funds. Proper engagement requires a certain up-front cost which can pay for itself if spread across a large portfolio.

General public

Many expressed the view that 50 – 60% of the general public will become retail SRI consumers, that SRI will lose its niche consumer status. This trend is expected to be driven by the mainstreaming of SRI and by increasing awareness of sustainability threats, referred to as "moral warming" by one of the interviewees. The latter consumer trend is expected because there are particular points in people's lives where they switch on to having more concern about broader issues: students, parents and grandparents. This growing awareness is predicted to transcend niche.

Niche

However, some respondents predict there will nonetheless be some niche retail sectors, perhaps interested in the niche SRI products, roughly 10% in each asset class. Interviewees predicted the following sub-groups:

- **socially-conscious consumers** living largely in urban centers. Often in helping professions, educated, part of the cultural creative niche who seek to create social change and a better world. They will naturally seek investments which mirror their values. Some predict a doubling of this market over the decade while others don't believe there will be any real changes over today.
- **young people** in their teens and twenties today who are environmentally-minded; they are more aware of sustainability issues than their parents, and have witnessed their parents' experience that corporations are not necessarily the loyal and benevolent entities earlier generations took them to be. Once they get into their second and third job they will put their savings into SRI investments.
- **older people** in their 60s and 70s will be looking for more than financial value, concerned about the health of the planet and their grandchildren's future.
- **women** are expected to be stronger SRI consumers than men.
- **minorities**, who have faced a lot of discrimination in the past, will emerge as a growing SRI market. As they get better off economically they will realize they have surplus savings for investment. Many may be particularly interested in diversity and economic opportunity issues.

Others expressed the view that the niche markets have already developed and moved as far as they can. For this group the future niche market will look the same as today's market. However, for nearly all the interviewees, the big growth will be in the institutional consumer market which, unlike retail consumers who have myriad personal issues to manage in their lives, has groups of representatives who can make decisions on behalf of its clients.

Finally, there are expected to be country variations in the SRI consumer market, so these predictions will play out differently depending on cultural considerations.

THE FUTURE SRI PRODUCT ARRAY

Every conventional product will be matched by an SRI alternative in future, according to the majority of thought leaders: anything imaginable in investment will have an SRI match. Not only will there be a full suite of SRI products, but there will be fund and issue diversity as well (as the following examples reveal), while shareholder engagement methods are expected to be another product differentiator in future.

SRI product array

While every asset class will have an SRI equivalent in future, interviewees named the following products as likely to have an SRI component within the decade:

Hedge funds, asset allocation funds, municipal securities funds, insurance products such as variable annuities, sustainable large cap, SRI family of income trusts, real estate, banking, sustainable venture capital, urban conservation CI products, exchange traded funds, sustainability index products and sustainability oriented emerging market investments.

SRI funds

A growing number of specialty funds are expected to emerge:

- Sustainability Funds that incorporate social, environmental and corporate governance analysis into the process as a means for quantifying portfolio risk and identifying high performers, going beyond on-off screens for social and environmental concerns.
- Long-term Value Funds (companies that believe they are creating long-term value will market their stock to these funds to gain entry).
- Faith-based Funds.
- Funds based on issues around various demographic groups, e.g. gay and lesbian positive funds.
- Funds based on particular strategies such as shareholder activism that invest simply to take active positions in companies and market themselves that way. These funds might take higher exposure to companies they are engaging with compared to the index to improve them and benefit from their good performance.

- Industries of the Future Funds: e.g. mineral recycling over mining, mass transit over autos, renewable energy/energy efficiency over nuclear and fossil fuels, and airwaves (electronic transmissions) over airways (travel to conferences), etc.
- A series of national community investment funds that are pooled to provide capital for the work of local social and environmental enterprises.
- Super specific funds with portfolios of less than 50 companies satisfying certain criteria or within certain industries.
- New niche products will evolve or expand such as clean technology venture capital and micro-credit as a fixed income option. Clean tech private equity is thought to be a big opportunity becoming mainstream over the decade.

SRI issues

SRI products are expected to expand into very specialized thematic fields where technical understanding of the industry is critical to portfolio success, often linked to private equity or venture capital.

Future environmental investments include:

- Renewable energy
- Carbon finance
- Sustainable real estate investments, including green buildings, solar panel infrastructure, office buildings with high energy efficiency
- Urban conservation products

Future social issue investments include:

- Small business investments; locally-owned, geographically-based businesses that remain privately held.
- Non-GMO and organic food
- Health care/management: there will be annuity-type products tied to health care and investment vehicles tied to keeping people at home in their communities as opposed to institutions
- International and domestic micro-finance; micro-finance will increasingly move from wholesale to retail

There are also expectations that SRI firms will develop products where environmental offerings will be paired with community or social offerings and vice versa. Examples of this approach would include micro-finance for environmental businesses, affordable "green" housing and integrating rain forest investment products with economic development initiatives allowing people to earn a living.

It is predicted that future SRI investors will be able to choose government bond screens which analyze the sustainability of countries, thereby putting pressure on governments that have low sustainability ratings to improve their performance.

Deeper SRI

There will be an effort to take values deeper into the investment process where every dollar is invested to generate both a positive social and environmental return as is found with community investments. For example, in an SRI fixed income investment every dollar of fixed income would be invested in low income housing. The focus of SRI here would not be the screen or overlay but on the means to generate high impact returns.

One interviewee expressed the view that a more transformative future for SRI is possible, not found in stock screening, but in efforts that apply the tools or techniques of financial innovation to allocate capital to solve sustainability problems. Questions such as how can the unmet needs of developing countries be levered by the huge pool of savings in developed countries; how can water revenues be securitized to advance water quality, etc. will be addressed by these transformative funds. There could be a focus on securitizing revenue flows to a number of sustainable projects, whether renewable energy, sustainable forestry, clean water, etc., where the investment is then bundled and sold as a bond. Given financial markets are good at finding solutions to capital problems, future innovation is expected in creating financial mechanisms and SRI investments in direct promotion of sustainable development.

Services

A number of services were also identified as being likely to develop in the SRI space:

- Firms specializing in shareholder action and proxy voting services.
- There will be more issue and industry research and less screening research.
- There will be customized portfolio opportunities where investors could select among 100 or 150 great companies a portfolio of companies, say 30, who were best performers in (e.g.) their governance, gender diversity and environment.
- There will be a social marketplace of mutual funds – a diversified platform of mutual funds for investors, diversified as to product type and provider.
- There will be growth in self-identified SRI distribution networks to target and provide services to the SRI customer.
- There could be a market for offering clients the opportunity of meeting directly with management on key issues of concern.
- There will be more SRI index standards, possibly with one standard for particular fields within sustainability, e.g. a DJSI[9] for global sustainability portfolios and something else for Asian sustainability portfolios. All the markets will have a sustainability benchmark within 10 years and a growing portion of passive investments in sustainability.

[9] Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide.

Engagement

Engagement is expected to be a significant future service offering. Screening products will be a comparatively small part of what's available in the market. Firms will differentiate on the basis of how moderate, radical or resourced their engagement is.

There will be greater accountability of SRI products for their non-financial returns – the social and environmental changes that are being achieved.

One view held that far-sighted mainstream firms will abandon their niche SRI products because to have values-based products implies they have other products that are non values-based. Instead, these leading firms will have commitments to ensure their entire portfolio of investments is responsible – they will be investing long-term in companies and because of this will be factoring in long-term sustainability issues. They won't be distinguishing their environmental funds because all their funds will have an environmental component. Green growth funds as such will be an investment strategy – a growth fund with a higher-risk premium, not a values-based investment product.

While interviewees differed modestly in their view of which SRI products and services will emerge and take off, most agreed that every mainstream product will have an SRI twin.

THE SUSTAINABILITY IMPACTS OF SRI

Modest to huge impacts are predicted by the thought leader interviewees, for the most part driven by the transparency and disclosure gains of the SRI industry expected in the coming years. Climate change and internal corporate practices will be the big winners in the years ahead, though for some the concern is it will be too little too late. Much of SRI's progress over the decade will be achieved through collaborations with other stakeholders.

The following are the anticipated social and environmental achievements of the SRI sector:

Corporate behaviour

- Financial analysts will integrate non-financial considerations into their analyses with spin-off effects on corporate behaviour: companies will become more responsive to social and environmental concerns and will move more quickly with more impetus, force and direction.
- SRI will continue to penetrate corporate thinking – companies will publish CSR reports; CEOs will focus more attention on sustainability issues.
- In future performance measurement metrics will be front and centre relative to managers' ability to understand how to create value.
- SRI will succeed in persuading companies to place the management of sustainability at the highest corporate levels; sustainability will come to be a

responsibility of the board the way compliance is a responsibility of the board. The recognition of sustainability as being essential to business success will be second nature.

Lobbying and influence

A spotlight will be shone on the interface between corporations, government and public policy influence. Considerable lobbying and corporate donation activity is hidden and will be "outed". Tax avoidance will be revealed, as will the link between corporate donations and the network of right-wing think-tanks. The latter will be difficult to justify from a corporate perspective and will be severed.

Governance

Board elections will become more democratic. Shareholders will be able to vote against directors and there will be multiple candidates for each board seat. There will be greater board diversity.

Transparency

Greater reporting according to the GRI, or similar sustainability disclosure standard, is expected. There will be extensive third party auditing of social, environmental and governance data as a result of SRI shareholder efforts. Publish-what-you-pay efforts will achieve success over the decade.

Environment

Climate change benefits of active SRI programs are expected to be significant. Substantial changes in company climate change policies are expected while SRI funds will be developed to channel financing to eco-efficiency and renewable energy investments. The coming decade will see companies working to remove toxins from production processes.

Social

Progress will be achieved through SRI on a number of "social" fronts:

- Human health and obesity issues will be a cause celebre of SRI firms, as will GMOs. Shareholder activists in concert with NGOs and other entities will successfully call for the precautionary principle to be applied to food and drug approval. The processed food industry is expected to be remade from top to bottom.
- Community investment will make it possible for people who are left out of the mainstream economy to join in and participate, live in healthy communities and create wealth for their families. Significant benefits will accrue to developing countries through micro-finance investments.

- International development issues such as HIV/AIDS in Africa will see some progress, particularly through efforts of religious investors.
- Gains will be made regarding workers rights including sweatshop practices, workplace discrimination, diversity and sexual orientation.

Fiduciary duty redefined

In a decade fiduciary duty will broaden to permit and in some cases require a valuation of the needs of other stakeholders. This will mandate that both businesses and philanthropic organizations expand their definition of shareholder value. Indeed, for organizations with a mission-based orientation, it is predicted that not taking into account social and environmental considerations may be deemed to be a breach of fiduciary duty.

NGOs

Non-profit organizations will be leveraging their economic assets more strategically. This will be reflected in their investments, in their purchasing practices, and in use of the markets as a means of achieving their social and environmental goals.

Rewriting marketplace rules

SRI and NGO actors will play a decisive role in the creation of appropriate accounting standards that take into account the value of natural systems in economic and financial models. On a related front, SRI shareholders will be involved in setting a tax-shifting agenda to influence the development of public policy strategies that redirect the marketplace toward sustainability.

SRI as facilitator

SRI is an ancillary operation to many other social change movements. Where SRI has and will succeed best is by helping others to achieve their ends, largely through making shareholder action and social research available to civil society – applying their tool box in collaboration with others – and through the use of the rights of shareholders to 'open the boardroom door' for groups and ideas traditionally not entertained there. Other times, as with obesity and GMO issues, SRI will be collaborating with consumer and health care interests.

Broader coalitions will be established in future including SRI firms, NGOs, labour, religious groups, government and leading CSR companies on certain SRI issues. Through these coalitions considerable sustainability progress is expected.

SRI impact measurement

A few interviewees commented that impact metrics will be developed in future in order to better evaluate SRI results and gauge CSR progress.

Some believe that on medium-sized issues such as diversity, indirect impacts through disclosure and publish-what-you-pay campaigns, SRI will be able to claim success. However on big issues like climate change, human rights and third world poverty it will be difficult for SRI to claim progress on its own or for huge achievements to be made. Others couldn't predict any success, as the issues are so overwhelming it will take more than investors to deal with them. Some were purely despondent about any major changes – even were SRI to claim a number of successes over the decade they may not be far enough or fast enough given the social and environmental challenges ahead.

THE FUTURE CRITIQUE OF SRI

While many interviewees could point to positive gains expected from SRI over the decade, a number of potential criticisms are predicted to take their place in the future debate, though not surprisingly many of them look similar to those of today. As can be expected with any industry born from a social change movement, SRI has its critics within and outside the sector.

External future critique:

- Traditional SRI, defined as assets with specific screens incorporated into the portfolio management process, will be quite small on a relative basis vis-à-vis the market overall, and therefore not relevant.
- The argument will continue to exist that integrating social and environmental issues will reduce financial performance.
- The political critique will continue: "SRI will be seen as the left liberal progressive agenda, worming its way in to destroy free enterprise and life as we know it."

Internal future critique:

- With the mainstreaming of SRI, its different expressions will go at each other. It won't be the mainstream versus SRI, but the conservative and progressive funds will be taking shots at each other on the basis of their values, not on the adequacy of the screening process, the research or the effectiveness of shareholder action.
- As SRI goes mainstream critics will claim it has lost its basis in social values and environmental sustainability and is nothing but a sham. SRI will be investing in mainstream companies that purport to engage in social change when in fact it is business as usual. SRI is a random walk; there is no consistency to the quality of its investments. The investor has no way of knowing why their investments are in one corporation and not another; often companies don't know why either.

The biggest internal concern is that even if SRI's impacts of the past decade are projected for the coming decade, it is clear that SRI alone will not get us to where we need to go. We are wearing the earth out so fast that we will be unable to achieve necessary poverty and hunger reduction targets while ecosystems will collapse and won't recover. There is a chasm between what the world needs and the rate of progress achieved by SRI. Recent successful shareholder resolutions don't come close to addressing core world-wide problems.

As interviewees pointed out previously, many of SRI's gains will be achieved in collaboration with others, the only hopeful antidote to these gloomy predictions. Further, as one interviewee noted, such SRI criticisms will play a valuable role in helping to advance the debate about the sustainability performance of companies.

THE FUTURE COMPETITIVE LANDSCAPE

Interviewees' views on the future competitive landscape were shaped by their strong belief that over 10 years the lines will be blurring between dedicated SRI firms and the mainstream who have integrated so many sustainability criteria that, to the uninitiated, the mainstream comes to look similar to the dedicated players. While there are a number of potential scenarios, common to them all is the view that the SRI field will be crowded, necessitating that niche SRI firms develop distinct service and value propositions.

Two scenarios for traditional firms

Interviewees were split on their views as to whether traditional firms will market a full suite of SRI products or whether, rather than offering products, they simply integrate SRI considerations into their investment analysis.

Some believe whereas many traditional firms have boutique SRI offerings today, in future they will have specialty practices and a full range of SRI niche products. Others believe SRI will become so mainstream that it will not be marketed as SRI but rather will become the new baseline threshold of investing generally. Mainstream firms will not be differentiating from each other; rather they will take what they believe to be the most defensible elements of SRI, the most material sustainability and governance risks, and integrate them into their regular analysis. They will not refer to this process as SRI and won't be competing in the SRI arena.

Some believe the different markets – North American and European – will follow different tracks, with possibly North American institutions limiting their efforts to SRI integration while European institutions will have both an SRI product array and integration. Some also believe that both trends are likely to play out in future.

SRI a crowded market

Many commented that the SRI market will become crowded over the decade. Many different institutions will be offering a full array of SRI asset allocation, offered by specialist firms and likely a number of mainstream firms as well.

While traditional SRI will expand it will become a more difficult market in which to compete, necessitating that SRI specialist firms play off of their values. Defining, marketing and branding the values proposition will become more important for their survival. Given that in 10 years virtually every product out there will claim to be integrating sustainability considerations and that the mainstream will be talking publicly about their SRI values and approaches, even if they don't call it SRI, differentiation will be the key to success. Particularly once disclosure requirements increase, the mainstream institutions will create 'SRI-lite' products – at a lower cost – to gain market share. Both the social and many of the traditional money managers will talk about double diligence (social and financial diligence) as being smart investing. While the SRI community is expected to remain separate from the mainstream, the mainstream will be making a grab for this niche market – and values differentiation will be key.

Independent SRI firms find a niche

Commentators believe that there will still be considerable room for the independent SRI firm. Those that will be successful will be differentiating themselves on the social change, social impact and values elements. Given their independence from the mainstream, they will be able to express values that mainstream SRI funds owned by mainstream financial institutions never could. This will provide the room needed for their growth.

As SRI firms have already been grooming their human and intellectual capital resources within their institutions, this will give them an edge over the mainstream institutions that are retooling to address this market. They will have expertise in sustainability plus a deeper market knowledge – they have already figured out this industry. Those with a track record, who understand how to achieve impact and who can demonstrate their ability to integrate sustainability and achieve superior financial performance will out-compete the broad-play actors. In a decade some of these firms will be over 30 years old and will still be enjoying considerable growth.

It is projected that these SRI institutions with a brand competitive position who are outstripping the mainstream firms will either be bought, will enter into sophisticated partnerships with mainstream financial institutions or will stand strong on their own.

Some feel that SRI firms will not be able to survive as boutique institutions necessitating consolidation for scale to be reached. One observer predicted that in the face of this challenge, some SRI funds will go mainstream.

For the most part, however, it is expected that serious SRI funds will become even more SRI in their own way. Their niche and their focus will be on staying ahead of everyone else and using leadership as a competitive advantage to recruit their customer base.

SRI firms compete on differences

Within the SRI niche, a range of products and operators is predicted. A whole variety of specialists from large index tracking houses to smaller, boutique, activist fund managers will be active. With so many in the SRI game, as with any broad market, the players will be competing on differences, likely by issues, tactic, impacts or style.

Some of the tactical developments will include:

- SRI proxy voting services, voting proxies for money managers whose assets they don't manage.
- SRI benchmarks.
- SRI information where SRI service providers package sustainability information for mainstream investors and asset managers.
- Specialization in small cap, large cap, community investments, sustainable venture capital, etc.
- Different investment styles, e.g. positive and negative screens versus best-in-class approaches, setting the sustainability performance bar at different levels, hard-core strict screens versus more light, softer touch exclusions.
- Shareholder engagement styles and methods.

Differentiation could also be according to the issues that get measured, the concerns of different stakeholder groups, etc.

There could be a matrix in future, where customers choose their service provider according to the tactics on one axis and the issues on the other. Others will be choosing on the basis of the particular style of SRI service as there will be a more elaborate continuum from the activist SRI firms to the more moderate approaches.

With the mainstream players educating the marketplace as a result of their efforts to attract clientele, this will result in many investors thinking about values for the first time. A certain subset of this audience will be attracted into the more activist funds. Many of these activist funds will be distinguished in their ability to identify and eventually mainstream new issues. These smaller, more militant providers will thrive on being different and ahead of the curve. Once they can claim moral victory in certain issue areas they will move on to the next issue.

Some of the more values-driven SRI firms will be differentiating themselves by being open and transparent with respect to their own products and processes, focusing on credibility and authenticity. Those who adopt more transparent investment practices will differentiate through service and customization. Amazon.com was cited as a model of this approach where reader reviews and customer options and service are the hallmark of the brand. Nothing is hidden and the service is quintessentially about the customer and their experience.

One prediction is that a social marketplace of mutual funds will evolve in which a menu of SRI funds is available to the consumer. A diversified platform of mutual funds will be available to the SRI investor with a full product array. For SRI to penetrate the market it will need this platform which will make available a mix of funds with diversification of product type and provider.

By and large the expectation is that the mainstream funds will be marketing in this space, whether or not they have stand-alone SRI products. The field will be crowded and the SRI firms will be competing on their differences, whether on values, impacts, style, issues or tactics. There will be considerable growth of the independent SRI firm, a result of mainstream marketing attracting new SRI consumers, consolidation and partnerships in the independent sector and their ability to market a higher social impact investment.

DRIVERS OF THESE TRENDS

Interviewees identified a number of trends driving the growth of niche and mainstream SRI over the decade, including growing awareness of the business case for sustainability investing, demographic changes in youth and aged markets, social, environmental and economic trends, growth in the ethical consumer market, government legislation, increasing discontent with the dominant economic system, stakeholder pressure and increased disclosure, education and awareness.

1. Sustainability Business Case

The growing awareness of the potential if not inevitability for corporate governance and environmental and social issues to materially impact bottom-lines is one trend driving SRI growth. It will become apparent that traditional financial analysis leaves out significant data. There is a growing consciousness in the analyst community that what the SRI firms are saying is financially defensible and can no longer be ignored. Institutional investors are seeing the importance of qualitative criteria and intangible assets to performance. Scandals such as Enron and Parmalat have accelerated this momentum where investors realized they couldn’t detect what was wrong with these companies using traditional financial-data-centered methods. With sustainable investing, analysts will have a better picture for assessing company management.

Evolutions in the definition of fiduciary duty will become another driver. The future fiduciary may not only realize that environmental and social variables have an impact on long-term value creation, they may be called upon to formally incorporate such considerations or risk being held in breech of their fiduciary duty. There will be an increased focus on long-term value creation, which will bring social and environmental concerns into analysis.

2. Economic, Environmental and Social Trends and Shocks

Planetary trends, currently in decline, are key drivers of SRI. The global challenges the world is facing – climate change and inequalities – are still unresolved. As we have seen with climate change, the pressures will become so big that they will increase the materiality of these issues for investors, necessitating changes to old ways of doing things.

Future exogenous factors such as toxins in the environment, the impact of the food industry on human health, obesity, oil scarcity, etc., will prompt investors to look for investment alternatives.

Additional scandals and economic melt-downs will trigger immense soul-searching post-mortems that result in more rigorous controls and regulatory action, further driving SRI value-sets into the investment process. Similarly, catastrophes linked to environmental malfeasance can wipe a lot of value off investor balance sheets, not to mention the human toll. These developments will serve to further concentrate minds on SRI considerations.

Developments in China, India and Brazil and other high growth economies will also have a significant impact on SRI. Their need for increasingly scarce world resources will necessitate a move to massive resource efficiency, driving innovation and creating tremendous investment opportunities.

3. Demographics

Interviewees commented upon two main demographic drivers of future SRI: aging baby-boomers and a more sustainability-literate younger generation.

Demographic changes in Europe, North America and Japan will result in the real owners of capital becoming more politically aware and active. They are predicted to become part of political organizations concerned about the use of their funds, such as old age organizations. They will be joining labour organizations in mobilizing around the appropriate use of their capital for their long term interests. Pension and mutual funds will become more responsive to their older clientele who will become more assertive about the funds' long-term returns and the way fund managers vote or intervene in company activities. With pension systems ill-equipped to respond to future demands, SRI is expected to become a more significant force.

Additionally, aging baby-boomers will become increasingly concerned about the legacies they are leaving their children and grandchildren and will be attracted to the social and environmental benefits of values-based investing. Their children, who have been exposed to these issues in the school system and have a different outlook on sustainability issues, are expected to be key drivers of future SRI growth.

4. Ethical Consumers

The growth in the ethical consumer market is expected to have positive repercussions for the SRI industry. There is growing consumer awareness that the products they buy represent an internalized set of values, and this awareness will be translated into their investment practices. The connection between consumers' desire to have their values realized in their investments and the competitive returns available to SRI products will further drive SRI trends.

Increasingly, values-based consumers are mixing their values with pragmatics, realizing they don't have to be anti-business to want a society that is sensitive to the environment. With increasing affluence we are able to spend more time considering things other than survival.

The drivers of SRI are, indeed, the same drivers that make civil society work: our common desire to create a place where our children can grow up without fear; where illness doesn't demolish our lifestyles; where we won't be killed by toxin-induced cancers, and where we can experience freedom and dignity in work.

5. Legislation and Government Policy

There are two legislative trends that will drive the SRI industry: one is the growing requirement for increased fund disclosure regarding social and environmental considerations. The other is increasing regulation of social and environmental issues that will result in internalization of externalities which are currently left to the taxpayer and/or the environment to absorb.

6. Success and Industry Growth

The growth of the SRI market will further drive the sector, as investors realize SRI investments are not about giving up performance to achieve social and environmental objectives. Increased visibility and product availability will help scale up SRI in the coming decade. Additionally, the success of shareholder campaigns in affecting corporate behaviour will motivate values-based institutional investors.

7. Developments in Economic Models

The dominance of globalization and the burdens of overpopulation will increasingly highlight the inequities inherent in current economic models. SRI activists will seek to reform the rules (structure and functioning) of the marketplace, as well as introduce new types of investments that are not susceptible to the bottom-line-only imperative of the publicly traded corporation.

8. NGO Stakeholders

NGO stakeholders are expected to be pushing the investor envelope to take social and environmental issues into account in their investment decisions. They will want to know if pension and other funds are well governed and whether they take all their non-financial issues and liabilities into account.

9. Disclosure and Awareness

Increased disclosure of social, environmental and governance risks and the measures being taken to manage them will create greater opportunities for social investors to discriminate between investments, helping to advance the sector.

Disclosure will be helped along by the rapid increase in communication technology which facilitates awareness of corporate activity abroad. Instantaneous communications are an effective information-gathering tool for activists to use in engaging companies on corporate conduct issues. This is expected to facilitate SRI activism in the future as it has in the past.

9. Education, awareness and global coordination of values-based institutional investors

Increasing efforts to educate and mobilize trustees of values-based institutional investments, such as union and religious group funds, are expected to pay off over the decade as national and international resource centers and collaborations are established to promote coordinated active capital strategies. The entrance of new groups such as non-Christian faiths is expected to fuel this trend, as is increasing collaboration between secular and faith shareholders.

Some commented that these drivers and society as a whole will be hampered by the short-term investment horizons which are presently the norm in the investment industry. Companies need to be rewarded for investing in long-term value strategies; until these incentives are in place, it will be difficult to achieve significant SRI gains in future. There needs to be a shift to a global view of risk to long-term shareholder value. This is both a goal and a means to an end of the SRI industry.

CONCLUSION

All signs are pointing to the mainstreaming of socially responsible investment practices over the next 10 years. The opportunity lies in being there first with top-notch securities analysis based on evaluating the non-traditional risks to shareholder and stakeholder value. As for traditional SRI firms, these trends predict they will need to identify their values within the value proposition, then differentiate themselves in terms of their style, issues, tactics and financial and social results.

This study paints a picture of a growing sector wherein its progressive roots are at a crossroads: will traditional SRI follow the mainstream trends or will it develop expertise in future niches that can propel it to the forefront of meaningful change, pushing future boundaries of investment thinking towards greater sustainability?

APPENDIX

INTERVIEWEES

Deb Abbey
President and Founder
Real Assets Investment Management

Stephen Allen
Associate Secretary, Justice Ministries
The Presbyterian Church in Canada

Jane Ambachtsheer
Global Head, SRI
Mercer Investment Consulting

Alexander Barkawi
Managing Director
SAM Indexes

Shari Berenbach
Executive Director
Calvert Foundation

David Berge
President, Underdog Ventures, LLC
Chairman, Social Investment Forum Foundation

Priscilla Boucher
Director, Community Leadership Strategy
Vancity Credit Union

Clare Brook
Director of SRI
Morley Funds Management

Michelle Chan-Fishel
Program Manager, Green Investment Projects
Friends of the Earth US

Peter Chapman
Executive Director
SHARE

Matt Christensen
Executive Director
European Social Investment Forum (Eurosif)

Frank Coleman
Executive VP
Christian Brothers Investment Services (CBIS)

Bill Davis
Past Coordinator and Chair, Taskforce on the Churches and Corporate Responsibility (TCCR)
Past Senior Financial Officer, United Church of Canada

Amy Domini
CEO and Founder
Domini Social Investments

John Elkington
Co-Founder and Chair
SustainAbility

Eugene Ellmen
Executive Director
Social Investment Organization (SIO)

Jed Emerson
Senior Fellow
Generation Foundation of Generation Investment Management

David Pfrimmer
Past Director, Lutheran Office for Public Policy
Principal Dean, Waterloo Lutheran Seminary

Ken Georgetti
President
Canadian Labour Congress

Julie Gorte
Director of Social Research
Calvert Group

Joyce Haboucha
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Paul Hawken
Author and Entrepreneur

Tessa Hebb
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Bruce Herbert
President, Newground Social Investment
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Head of SRI and Governance
Jupiter Asset Management

Harry Hummels
ING Bank Professor Socially Responsible Investments
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Steve Lydenberg
Chief Investment Officer
Domini Social Investments

Karina Litvak
Head of Governance & Socially Responsible Investment
F&C Asset Management plc

Jean Pogge
SVP Mission-based Deposits
Shorebank

Tom Powdrill
Senior Policy Officer
Trades Union Congress

Nick Robins
Head of SRI Funds
Henderson Global Investors

Robert Rubinstein
CEO and Founder,
Brooklyn Bridge and TBLI Group

Tim Smith
Chair, US Social Investment Forum (SIF) and
Senior Vice President
Walden Asset Management

Philippe Spicher
Managing Director
SiRi Company

Tessa Tennant
Executive Director
Association for Sustainable and Responsible Investment in Asia (ASriA)

Bob Walker
VP Sustainability
Ethical Funds Inc.

Sr. Patricia Wolf
Executive Director
Interfaith Center on Corporate Responsibility (ICCR)

Simon Zadek
Chief Executive
AccountAbility