Sustainable and responsible investors make a difference, and their influence is multi-faceted. They have helped to improve the environmental, social and governance (ESG) practices of companies in the United States and around the world, indirectly benefiting countless individuals and communities. They have pursued investment strategies that more directly foster economic development and expand financial services in lower-income communities. To advance their principles and priorities on a larger scale, sustainable investors have advocated for national and global policies and created national and international standard-setting organizations.

Above all, sustainable and responsible investment professionals have changed the investment industry by challenging and shifting traditional notions of investment practices. They have advanced the inclusion of ESG considerations in investment decisions to generate both positive societal impact and long-term competitive financial returns. In so doing, they have brought to market new investment options and services across a wide array of asset classes that appeal both to individual and institutional investors, perform competitively and help address serious social and environmental challenges.

It is important to note that many of these accomplishments have been achieved through close collaboration with other stakeholders including business, government and civil society. Through years of building partnerships and relationships, sustainable and responsible investors have worked in cooperation with others to demand positive change.

Changing the Investment Industry and Adding Options for individual Investors
Sustainable and responsible investors are contributing to far-reaching changes in the investment and financial services industries. Sustainable and responsible investment (SRI) is widely practiced with more than $3 trillion in assets under management, according to the 2010 Report on Socially Responsible Investing Trends in the United States, and it is gaining adherents even in investment firms that have not historically identified themselves as SRI. By building ESG criteria into investment analysis and portfolio construction, investors seek more responsible companies for potential investment and to improve the sustainability performance of those in which they are already invested. In fact, many publicly-traded companies promote their inclusion in SRI portfolios to their stakeholders, and some aim to be selected
for these portfolios. Efforts to build ESG investment criteria into investment portfolio construction, proxy policies and divestment strategies have resulted in positive changes to the way business is conducted. Testaments to the growing impact of SRI on the investment marketplace can be found in the development of the Principles for Responsible Investment (PRI) whose signatories—with assets over $30 trillion—are now estimated to represent 20 percent of the estimated total value of global capital markets, as well as in the creation of SRI indices around the world.

The growth of the sustainable investing field and the mainstreaming of ESG integration have led to additional SRI initiatives—such as program and mission-related investing campaigns by foundations and impact investments by institutions and individuals. Individual investors have benefited by gaining access to retirement plans with SRI options, having the ability to work with specialized SRI financial advisors and being better able to avoid or limit exposure to companies or industries that do not meet their environmental, social or governance standards. Individual investors also benefit from their ability to invest in communities directly through banks, credit unions and other community development financial institutions, as well in retail products and on retail platforms for domestic and international community development lending.

**Improving Companies though Active Ownership and Engagement**

Sustainable and responsible investors have made a difference by using active share ownership and engagement strategies with some of the largest global corporations to encourage more responsible and forward-thinking practices. For example, investors—often in concert with civil society organizations and multi-stakeholder groups—have persuaded numerous publicly-held companies to:

- better disclose climate risk,
- adopt sustainable forestry practices,
- address poor labor and human rights conditions in their global supply chains,
- pledge not to discriminate against employees on the basis of their sexual orientation,
- disclose health, safety and environmental risks associated with hydraulic fracturing,
- make their executive pay practices more accountable to shareholders,
- promote gender and racial diversity on their boards of directors, and
- issue detailed reports on sustainability.

Engagement strategies have also been used successfully to help shape sustainable policies at privately-held companies on such issues as the labor conditions in their global supply chains and their environmental and community relations practices.

**Impacting Communities and Individuals**

Sustainable and responsible investors have assisted individuals and communities both through direct investments in community development initiatives and by helping to bring about changes in corporate behavior that ultimately benefit communities or do less harm, such as allowing access to clean water, stopping deforestation and creating better workplaces.

In the United States and internationally, investments in community development financial institutions have helped ensure that capital gets to those who traditionally have been denied access and need it most. Through these investments, investors have made housing more readily available and affordable in low- and moderate-income communities, supported small businesses, helped create jobs and provided
communities with education, healthcare and childcare. Social venture capital—investments in early stage enterprises that offer solutions to society’s environmental and social needs—has also played an important role in assisting individuals and communities. Sustainable investors have provided innovative social venture and microenterprise lending in international markets, making micro-financing available to many women entrepreneurs in Africa, Asia and Latin America.

Influencing Public Policy and Developing Global Standard-Setting Organizations
Sustainable and responsible investors have influenced national and global public policy, and developed global standard-setting organizations.

In the United States, responsible investors played an important role in advancing key provisions of the Dodd-Frank Wall Street Financial Reform and Consumer Act of 2010 (the “Dodd-Frank Act”). Among the priorities they successfully advocated for were provisions to: require greater disclosure and accountability by publicly-traded companies around executive compensation and pay disparity, facilitate shareholders’ ability to nominate directors to the boards of portfolio companies, curtail the trade of conflict minerals from war-torn areas of central Africa, and require publicly-traded companies in the extractive industries to disclose their payments to national governments. By advocating for the creation of the Consumer Financial Protection Bureau, another important outcome of the Dodd-Frank Act, responsible investors helped in the fight to protect American consumers from unfair, deceptive or abusive financial practices.

Sustainable investors have mobilized to bring about stronger environmental regulations, helping to ensure that companies report the greenhouse gas emissions from their facilities and that publicly-traded companies report on their risks related to climate change. Sustainable investors actively endorsed the US Environmental Protection Agency’s proposed—and now final—rule on curbing mercury and other toxic emissions from coal- and oil-fired electric generating units.

To help address global human rights violations, sustainable and responsible investors have joined with civil society organizations to call for an end to human rights abuses in Burma and Sudan, and many have developed targeted divestment policies for those countries. These divestment strategies have increased public awareness of the human rights problems in both countries and thereby helped to build public support for global economic and diplomatic pressure on their governments.

Sustainable and responsible investors have played a crucial role in developing such US and global standard-setting organizations as the Carbon Disclosure Project, Ceres, Council of Institutional Investors, Global Reporting Initiative, Investor Environmental Health Network, Principles for Responsible Investment, United Nations Environment Programme’s Finance Initiative, and US SIF and other regional and national sustainable investment forums. Many of these organizations have commissioned and publicized research that underscores that environmental, social and corporate governance issues can pose material financial risks to companies and therefore should be considered by fiduciaries as part of their due diligence. At the same time, these companies may also benefit from consumer’s and investor’s awareness that they are making these issues priority concerns. At a time of increasing concerns about the global economic and environment crises, as well as global health and poverty concerns, people are searching for investments that can address these challenges. Ultimately, the path to a sustainable future requires awareness that corporate performance, investment performance and environmental, social and governance issues are inter-connected and inseparable.
For more background on sustainable and responsible investing and additional examples of impact, please see the following reports published by US SIF Foundation at www.ussif.org:

- 2010 Report on Socially Responsible Investing Trends in the United States
- Sustainability Trends in US Alternative Investments
- Opportunities for Sustainable and Responsible Investing in US Defined Contribution Plans
- Resource Guide for Plan Sponsors
- Investment Consultants and Responsible Investing: Current Practices and Outlook in the United States
- Creating a Sustainable World: A Guide to Responsible Stewardship of Tribal Assets
- Community Investing Toolkit for the Faith Community

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