

Investing 101: Socially Responsible Investing - Can You Make a Difference?



Investing: *[verb]* confusing process involving magic and midwifery, in which your money is swept away today with the hopes of producing more money in the future. See *related terms:* dreams, confusion, fees, retirement, and future.

What you'll learn today:

- the basics of socially responsible investing
- how to make a difference while making money
- how ethical funds shape economies and environments

Socially responsible investing. It sounds like an oxymoron. No, I'm not calling investing stupid! Quite the opposite. When we engage in socially responsible investing (SRI) it can be a very smart decision. So what is it? It's a bit like replanting money trees in forests slated for clear cutting. It lets you make money while working to improving the economic, environmental, social, and corporate landscapes.

SRI Basics

SRI is a type of investing that allows investors to make money while also making a difference. How? Although it may not always follow these exact steps, the process usually breaks down something like this:

1. You work with a financial advisor to invest your money in ethical funds. These funds include shares in companies that exhibit sustainable and positive environmental, social, and governance practices.
2. You are given shareholder status in the companies in which you've invested.
3. The investment firm that manages your ethical funds acts as a proxy on your behalf. They engage with the companies to encourage corporate, economic, and environmental sustainability. (Some firms attend every single company board meeting to vote on important issues!)
4. The company's stock values are maintained or improved by their positive environmental, social, and governance initiatives.
5. As the share values increase, your investments increase in value (aka: you make more money).

How Ethical Funds Shape Your World

Investing in ethical funds can have an effect on the bigger picture beyond your retirement savings. It can affect the world that will be around when you're set to retire.

As the [Vancity credit union](#) notes, "What makes an investment 'socially responsible' is the type of product or service a business provides, and the nature in which it conducts itself. For example, companies that manufacture tobacco, weapons or violate human rights would be excluded from an SRI portfolio, while companies that engage in efforts like social justice, environmental sustainability, and alternative energy technology would be included."

If you manage your funds yourself, you can take actions as a shareholder of ethical funds. If your funds are managed by a firm, they will act on your behalf based on their corporate engagement strategies.

That is just a fancy way of saying they will hold companies accountable for their actions.

What actions make a difference?

Socially responsible investing helps to hold companies to higher standards in several areas of business:

- corporate governance and economic policies (think: human resources practices, equitable compensation, transparency, anti-corruption, responsible tax strategies);
- environmental policies (think: innovation, emissions, climate policies, waste reduction,

- hazardous goods transportation and management, water and biodiversity protection); and
- social issues (think: human rights, access to nutrition or medicine, animal welfare, privacy, healthy workplaces, positive impacts on communities).

[Get more out of your investments: more accountability, more sustainability, more profit. Help yourself and others along the way.](#)

How are companies held accountable?

Funds management firms may:

- engage in in-depth discussions with companies on important issues
- vote on your behalf to promote sustainability
- offer constructive criticism of companies
- work on public policy to encourage changes in industries and economies
- offer insight into shareholder views and ethical actions
- remove companies from ethical funds investment lists

Making a Difference

[Investing](#) may be seen as an elite or selfish activity: you earn money for yourself and then invest it

in companies to help them make more money while also increasing your returns. It may seem like everyone is out for themselves -- trying to make the most money possible. Socially responsible investing allows you to look beyond profits. To see the forest for the trees. And then put your money forward to protect those trees while also helping yourself.

If you are interested in sustainability, SRI may be right for you. [Reach out to an advisor](#) and review your investment option today.