2005 Report on Socially Responsible Investing Trends in the United States

Social Investment Forum
Industry Research Program
January 2006
Content and Method

- Three core SRI strategies measured:
  - Social and Environmental Screening
  - Shareholder Advocacy
  - Community Investing

- Measures involvement in SRI strategies as of December 31, 2004

- Quantitative, behavioral analysis: quantifies strategic behavior rather than gauging SRI marketing or intent
Socially Responsible Investing (SRI) is an investment process that considers social and environmental consequences of investments, both positive and negative, within the context of rigorous financial analysis.
FIGURE 1.1

Socially Responsible Investing in the United States • $2.3 trillion in 2005

- Community Investing 1%
- Screening and Shareholder Advocacy 5%
- Shareholder Advocacy Only 26%
- Social Screening Only 68%

SOURCE: Social Investment Forum Foundation
Assets in SRI - 2005

SRI strategies:

- Screening: $1,685 billion
- Shareholder Advocacy: $703 billion
- Screening + Advocacy: ($117 billion)
- Community Investing: $20 billion
- Total: $2.29 trillion
Socially Screened Mutual Funds
Socially Screened Mutual Funds • 1995-2005

- Assets: $179 bn in 2005
- 18.5% growth in assets since 2003
- 15-fold increase since 1995
Socially and Environmentally Screened Funds • 2005

2005 Totals
- $179 bn total assets
- 201 screened funds

Mutual Funds
- $148 bn total assets
- 151 funds

Variable Annuities
- $11 bn
- 22 underlying funds

Other Pooled Products
- $19 bn
- 28 portfolios

FIGURE 2.2
Types of Socially Screened Funds
2001-2005

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2003</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds</td>
<td>154</td>
<td>178</td>
<td>151</td>
</tr>
<tr>
<td>Variable Annuities</td>
<td>13</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Other Pooled Products</td>
<td>14</td>
<td>11</td>
<td>28</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>181</td>
<td>200</td>
<td>201</td>
</tr>
</tbody>
</table>

SOURCE: Social Investment Forum Foundation
Multiple Screening Predominates

**Figure 2.6**

Screening Frequency in SRI Funds • 2005

As percentage of total number of screened funds

- **Single Screen**: 64%
- **2-4 Screens**: 11%
- **5+ Screens**: 25%

**Source:** Social Investment Forum Foundation
### Most Prevalent Mutual Fund Social Screens 2005

<table>
<thead>
<tr>
<th>1. Tobacco</th>
<th>$159</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Alcohol</td>
<td>$135</td>
</tr>
<tr>
<td>3. Gambling</td>
<td>$41</td>
</tr>
<tr>
<td>4. Defense/Weapons</td>
<td>$34</td>
</tr>
<tr>
<td>5. Community Relations</td>
<td>$32</td>
</tr>
</tbody>
</table>

*Source: Social Investment Forum Foundation*
FIGURE 2.5
Mutual Fund Assets by Screen Types
2005

- Tobacco
- Alcohol
- Gambling
- Defense/Weapons
- Community Relations
- Environment
- Labor Relations
- Products/Services
- Equal Employment
- Faith-Based
- Pornography
- Human Rights
- Animal Testing
- Other

SOURCE: Social Investment Forum Foundation

Total Net Assets ($Billions)
Mutual Fund Flows: Equity Funds

Figure 2.7

SOURCE: Lipper, A Reuters Company; Social Investment Forum Foundation analysis.
Mutual Fund Flows: Fixed-Income Funds

FIGURE 2.8

Accumulated Mutual Fund Asset Flows

- All Fixed Income (Left Axis)
- SRI Fixed Income (Right Axis)

SOURCE: Lipper, A Reuters Company; Social Investment Forum Foundation analysis.
FIGURE 3.3

Socially Screened Institutional Investor Assets • 2005

- Public Pension: 80.9%
- Corporate: 9.2%
- Religious: 3.6%
- Foundations: 2.5%
- Endowments: 2.2%
- Hospitals/Healthcare: 1.4%
- Other: 0.2%
- Unions/Taft-Hartley: 0.1%

SOURCE: Social Investment Forum Foundation
FIGURE 3.4
Social Screening by Institutional Investors • 2005

Tobacco
MacBride Principles
Human Rights
Environment
Equal Employment
Community Relations
Labor Relations
Products/Services
Defense/Weapons
Alcohol
Gambling
Faith-Based
Pornography

SOURCE: Social Investment Forum Foundation

($ Billions)
# Social Shareholder Resolutions • 2003-2005

## FIGURE 4.1

### Social Shareholder Resolution Activity • 2003-2005

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolutions Filed</td>
<td>299</td>
<td>350</td>
<td>348</td>
</tr>
<tr>
<td>Resolutions Voted On</td>
<td>145</td>
<td>200</td>
<td>177</td>
</tr>
<tr>
<td>Resolutions Withdrawn</td>
<td>105</td>
<td>87</td>
<td>98</td>
</tr>
<tr>
<td>Average Votes Received</td>
<td>11.9%</td>
<td>11.4%</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

**SOURCE:** Investor Responsibility Research Center (IRRC).

**NOTE:** Based on data as of August 31, 2005.
Social Shareholder Resolutions
Proposed • 2001-2005

Source: IRRC

* 2005 data through 8/31/05
Leading Social-Issues Resolutions 2003-2005

FIGURE 4.3

Leading Social Issues Resolutions • 2003-2005

- Political Contributions
- Equal Employment
- Climate Change
- Global Labor Standards
- Environment: Mgt/Reporting
- Sustainability
- Tobacco
- Charitable Contributions
- Executive Pay & Social Link
- Animal Welfare
- Board Diversity
- Human Rights
- AIDS Pandemic
- GMOs
- Military
- Health: Drug Dev’t, Marketing
- Northern Ireland
- Energy

SOURCE: IRRC, Social Investment Forum Foundation analysis
NOTE: Based on data as of August 31, 2005.
Shareholder Successes

6 Key Examples

- Climate Risk and Global Warming
- Political Contributions Disclosure
- CSR and Sustainability Reporting
- Anti-bias Employment Policies
- Global Health Pandemics
- International Labor Standards & Human Rights
Key Advocacy Trends

4 Key Examples

- Mutual Fund Proxy Disclosure
- More Public Proxy Voting by Institutions
- Active University Endowments
- Investor Network on Climate Risk
The Corporate Governance-SRI Nexus

5 Key Examples

- Climate Risk
- Improved Shareholder Proxy Access
- Excessive Executive Compensation
- Board Diversity, Composition, and Independence
- Social and Environmental Risk Management
Expansion of Community
Investing Sectors • 1999-2005

FIGURE 5.2
Community Investing Growth By Sector
1999-2005

SOURCE: Social Investment Forum Foundation
NOTE: 1999 was the first year CI Sectors were separately tracked.
Institutions Today

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>$10.15bn</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>$ 5.10bn</td>
</tr>
<tr>
<td>Loan Funds</td>
<td>$ 3.44bn</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>$ 0.87bn</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$19.6BN</strong></td>
</tr>
</tbody>
</table>

**SOURCE:** Social Investment Forum Foundation
Emerging Trends in SRI

- Sudan Divestment and Dialogue
- Riding the “Green Wave”
  - “Environmental Equity” Mandates
  - Cleantech and Green Energy
- New SRI Products
  - Exchange-Traded Funds (ETFs)
  - New Socially Screened Funds & Indices
  - Alternatives: SRI Hedge Funds and “Double Bottom Line” Private Equity and VC
- Widened Access to Community Investing
- Globalization of SRI
Sponsors

- AltruShare Securities
- Calvert
- Christian Brothers Investment Services, Inc.
- Citizens Funds
- Co-op America
- Domini Social Investments, LLC
- The Dreyfus Corporation
- First Affirmative Financial Network, LLC
- Institutional Shareholder Services, Inc.
- KLD Research & Analytics, Inc.
- Light Green Advisors, LLC
- Neuberger Berman, LLC, A Lehman Brothers Co.
- Opportunity Finance Network
- Pax World Funds
- Trillium Asset Management Corporation
- United Methodist Church General Board of Pension and Health Benefits
- Walden Asset Management, a Division of Boston Trust & Investment Management
The numbers identifying the charts in this presentation pertain to the chart numbers in the complete “2005 Report of Socially Responsible Investing Trends in the United States.” The report is available at www.socialinvest.org.
The Social Investment Forum Foundation is a national nonprofit organization providing research and education on socially responsible investing. The Forum Foundation provides cutting-edge research on the trends, practice, performance, and impact of social investing.

The Social Investment Forum, Ltd. is a national nonprofit membership association dedicated to promoting the concept, practice, and growth of socially and environmentally responsible investing.
2005 Report on Socially Responsible Investing Trends in the United States

Social Investment Forum
1612 K Street, NW, Suite 650
Washington, DC 20006
(202)872-5319
www.socialinvest.org