feature

Socially Responsible Investing

A triple-bottom-line strategy

Investors are starting to realize that they can help make companies more accountable to environment, social and governance issues.

One of the fastest growing investment concepts to emerge in the last few years is in the area of Socially Responsible Investing (SRI). SRI investment, in Canada, has been growing, and now exceeds $500 billion – up from $65 billion in 2004.

Simply put, SRI is the practice of incorporating a person's values into their investment portfolio. This can reflect an investor's wishes to exclude a particular industry from their portfolio – e.g., tobacco or military contractors – or to exclude companies with poor records on human rights – e.g., sweatshops – or environmental impact.

MOTIVATION FOR SRI

An investor's motivation for SRI may be purely personal, or it may stem from a societal-impact view.

On the personal side, someone who has witnessed the negative effects of gambling may choose to exclude, from their portfolio, any companies that earn revenue from the gaming industry. From the societal-impact side, an investor may want to look for companies that respect the environment, or the diversity of our society as a whole, and others may choose this approach because of their religious convictions. Most SRI mutual funds are activist shareholders in that they act on behalf of their investors to persuade companies to become more socially responsible.

Whatever your motivation, the number of SRI investment approaches has never been larger than it is now. What was once a niche movement is quickly becoming mainstream.

WHICH COMPANIES SHOULD I SUPPORT?

Some people believe that there is no perfect company – in fact, every company can be seen as a mixture of good and bad, depending on one's perspective. So, does someone throw out the concept because they cannot find perfect companies? No. In fact, Jantzi Research, which is Canada's leading provider of social and environmental research, recommends that investors take a *Best of Sector* (BoS) approach.

The BoS framework is one approach, and it is consistent with the underlying philosophy of the SRI movement. Instead of eliminating entire industries from investment eligibility, BoS provides an incentive for companies to improve their social and environmental performance. Companies understand that social investors are not holding them to a perfect standard and they will have access to social capital if their social and financial performance reaches certain standards.

Jantzi Research measures a company's social record against those of its industry counterparts. Jantzi Research does not expect that each company demonstrates "perfect" behaviour. For example, a company within the forestry sector is not expected to eliminate all negative environmental impact, because it is measured against the standard of best practices in its industry. By taking this approach to SRI, investors can own a diversified investment portfolio across all sectors of the economy, instead of eliminating entire industries altogether.

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EFFECT OF SRI ON INVESTMENT RETURNS

The number 1 question that most people ask about SRI is, "What effects will this have on my investment returns?"

Evidence points towards no impact to a slight positive return bias, when compared to non-screened benchmarks. For example, the Domini Social Index was established in 1990, and it screens companies according to a number of social and environmental criteria. Since inception, this index averaged 11.17 per cent, per year, while the S&P500 averaged 10.66 per cent (as of January 31, 2008).

Could it be true that companies with better environmental policies and more effective employee programs have more efficient workforces and are less likely to be the subject of negative press and lawsuits and thus, generate higher returns for their shareholders? Whatever the future financial returns, many SRI investors appreciate that they are also able to get a good social return on their money. Socially responsible investors effectively have a triple bottom line when it comes to their investments: financial, environmental and social returns, as these all weigh into their investment decisions.

If you have never thought about investing in this manner, or have a current portfolio that you believe may be inconsistent with your views on a number of social, ethical or environmental issues, you should discuss your views with an investment advisor. Rest assured, you will not be alone in your efforts to use your investments to shape the future. •

'Likeable' Leadership

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Likeable leaders hold performance reviews and set goals with their staff. CHAs support, work, and drive practices to meet targets and goals. The doctors must do the same for CHAs. Performance reviews are meant as both a goal-setting and a performance management exercise.

Likeable leaders do not "yeah, but" their staff members. Instead, they encourage feedback about the practice, *as well as themselves.* Likeable leaders are *clear* and *consistent* with expectations within the practice. Inconsistency with expectations forces staff to be on a constant "vigil" as to what is going to happen next. They cannot focus on the NOW, when they are on this "vigil." Likeable leaders provide stability in the practice, so staff can focus on the present task, or person, at hand.

Leaders strike a fine balance between "likeability" and "being liked." This balance is not simple, but, merely, essential. Chiropractic health assistants do not show up every day in practices across Canada because they need friendship from their doctors. CHAs show up to make a difference in the lives of the patients they touch *as well as* support the doctors in the vision both for the practice and for chiropractic. •