



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

# What is SRI?

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.

# SRI in the US - 2005

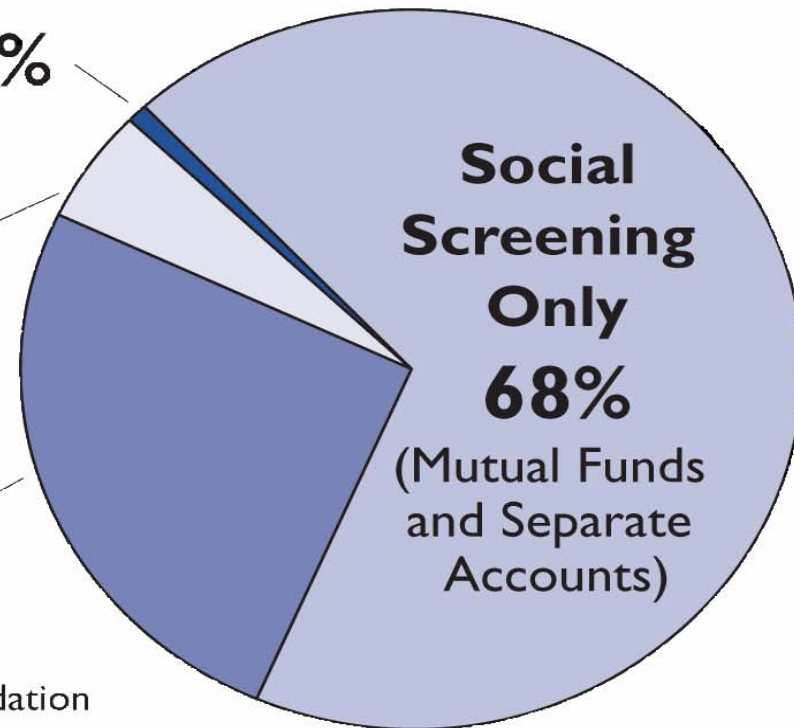
FIGURE 1.1

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

**Community Investing 1%**

**Screening and Shareholder Advocacy 5%**

**Shareholder Advocacy Only 26%**



**SOURCE:** Social Investment Forum Foundation

# Assets in SRI - 2005

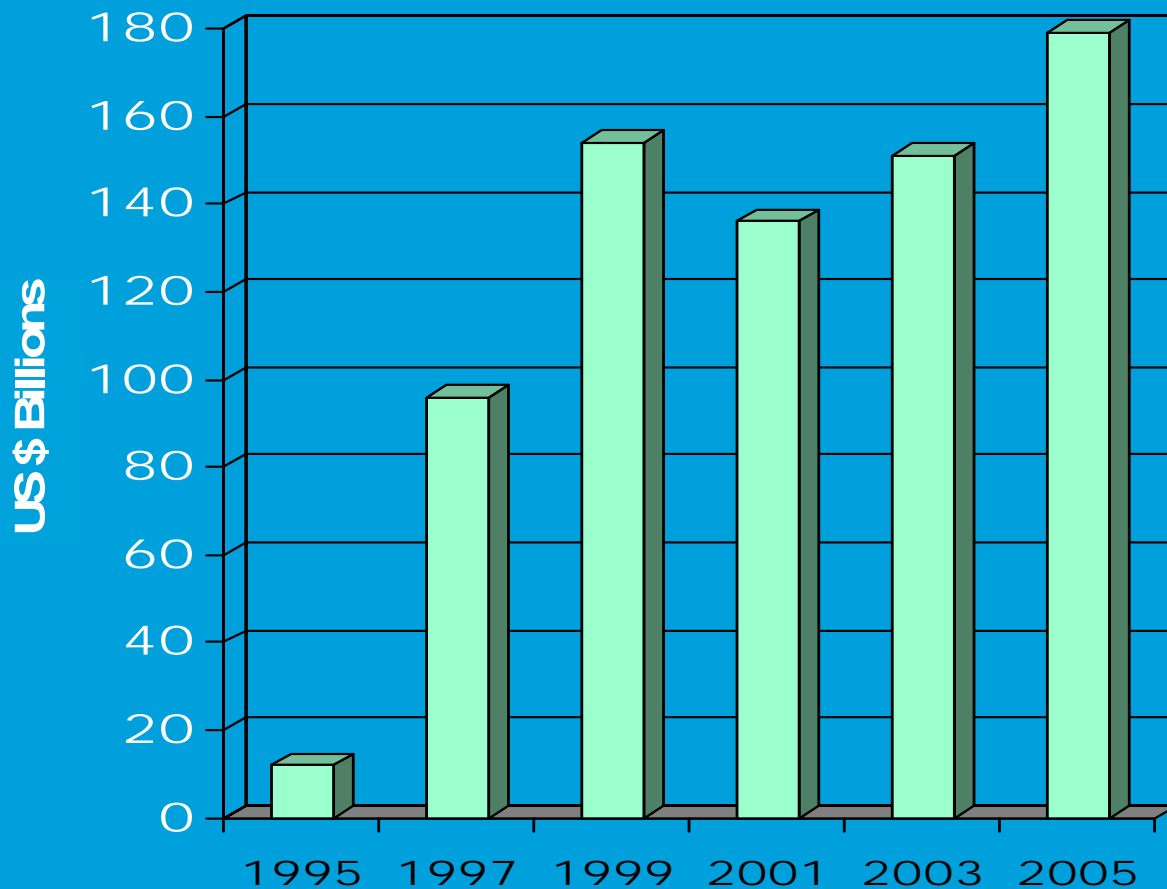
## SRI strategies:

- 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

	2001	2003	2005
<b>Mutual Funds</b>	154	178	151
<b>Variable Annuities</b>	13	11	22
<b>Other Pooled Products</b>	14	11	28
<b>TOTAL</b>	<b>181</b>	<b>200</b>	<b>201</b>

SOURCE: Social Investment Forum Foundation

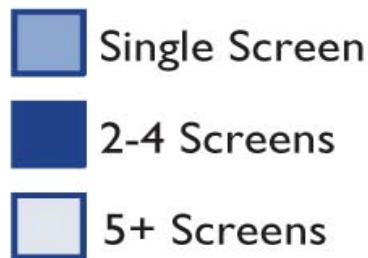


# Mutual Fund Screening Frequency • 2005

FIGURE 2.6

## Screening Frequency in SRI Funds • 2005

As percentage of  
total number of  
screened funds



**SOURCE:** Social Investment Forum Foundation

Multiple Screening Predominates



*Social Investment Forum*

# Most Prevalent Screens in Mutual Funds • 2005

FIGURE 2.4

## Most Prevalent Mutual Fund Social Screens 2005

	<i>(In Billions)</i>	<b>Assets</b>
<b>1. Tobacco</b>		<b>\$159</b>
<b>2. Alcohol</b>		<b>\$135</b>
<b>3. Gambling</b>		<b>\$41</b>
<b>4. Defense/Weapons</b>		<b>\$34</b>
<b>5. Community Relations</b>		<b>\$32</b>

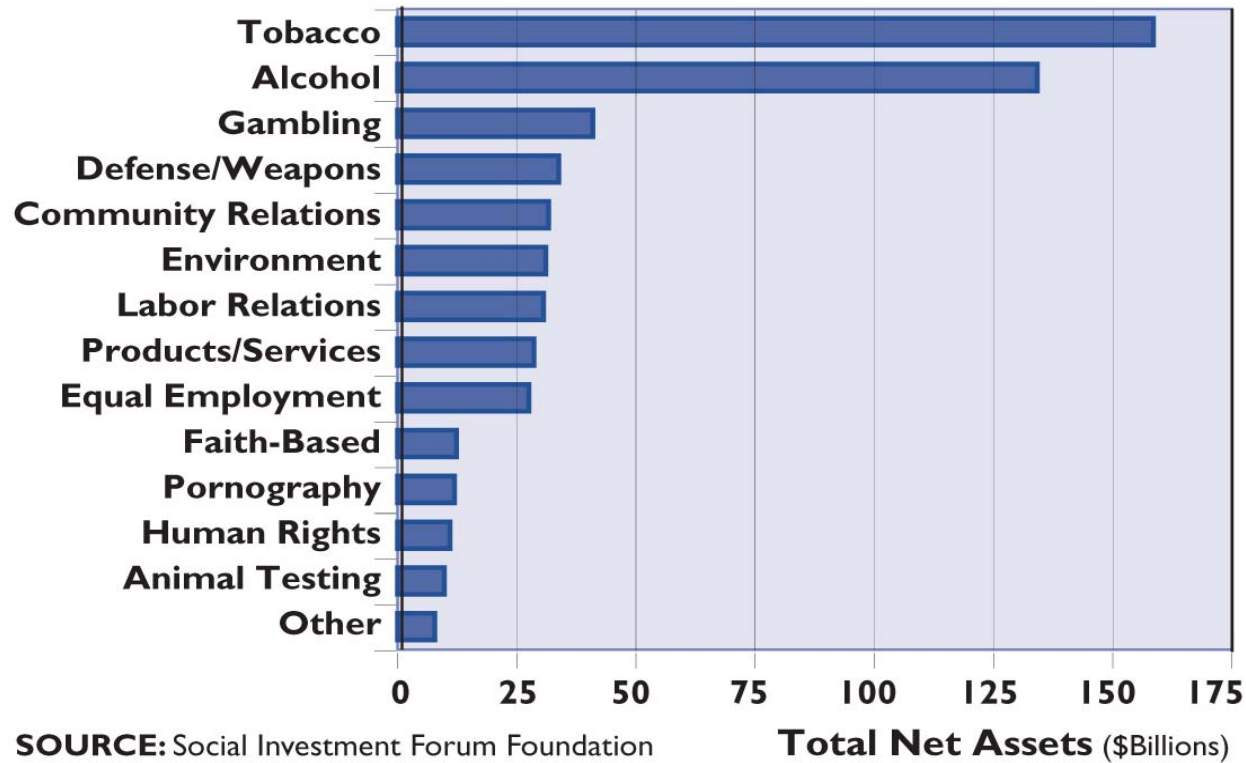
**SOURCE:** Social Investment Forum Foundation

# Mutual Fund Screening

Asset-Weighted • 2005

FIGURE 2.5

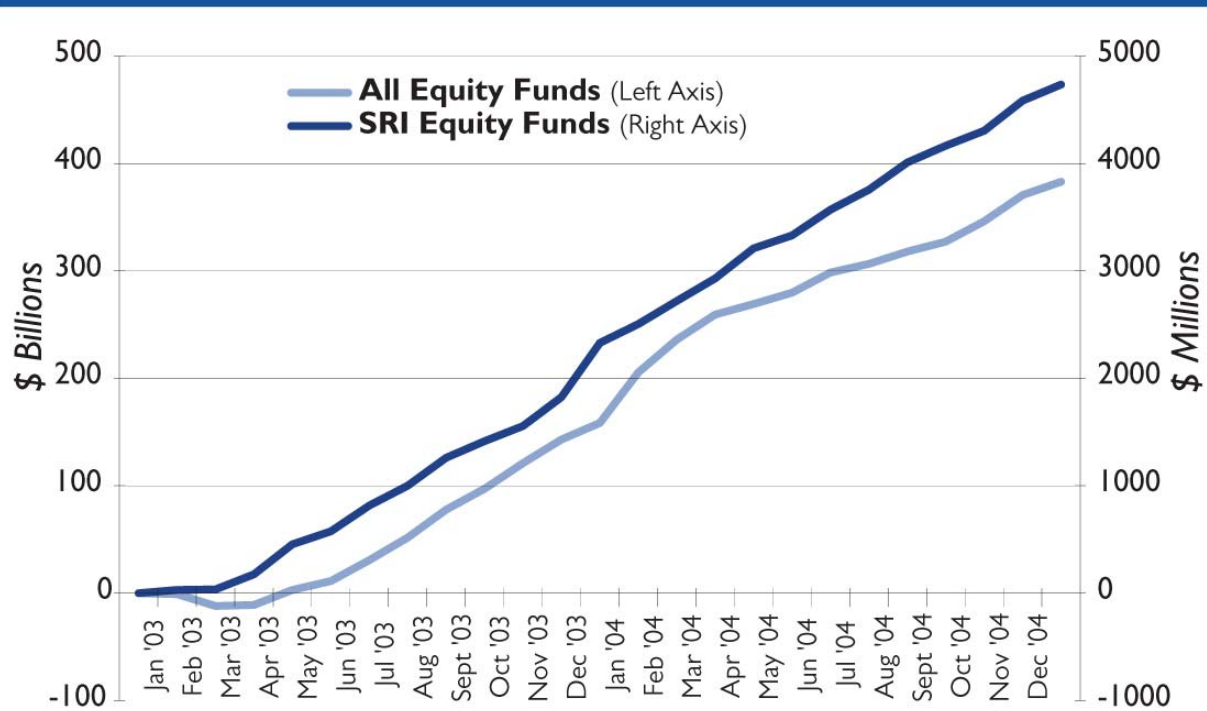
## Mutual Fund Assets by Screen Types 2005



# Mutual Fund Flows: Equity Funds

FIGURE 2.7

## Accumulated Mutual Fund Asset Flows • Equity Funds, 2003-2004

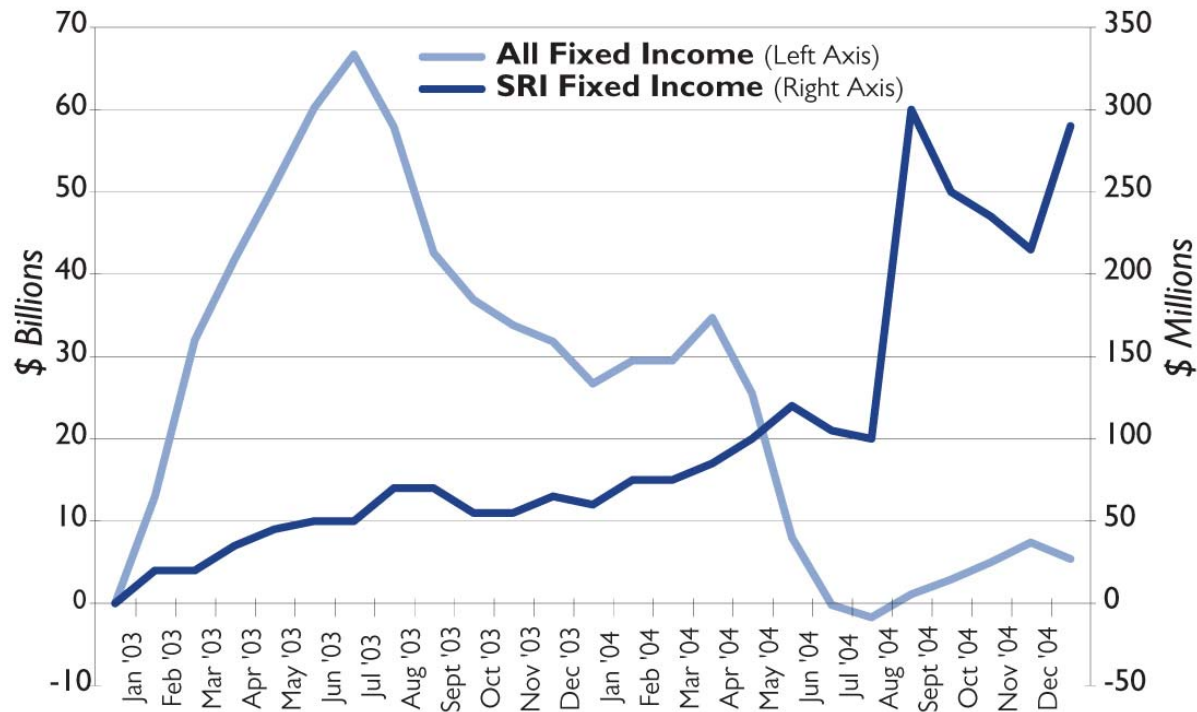


**SOURCE:** Lipper, A Reuters Company; Social Investment Forum Foundation analysis.

# Mutual Fund Flows: Fixed-Income Funds

FIGURE 2.8

## Accumulated Mutual Fund Asset Flows • Fixed Income Funds, 2003-2004



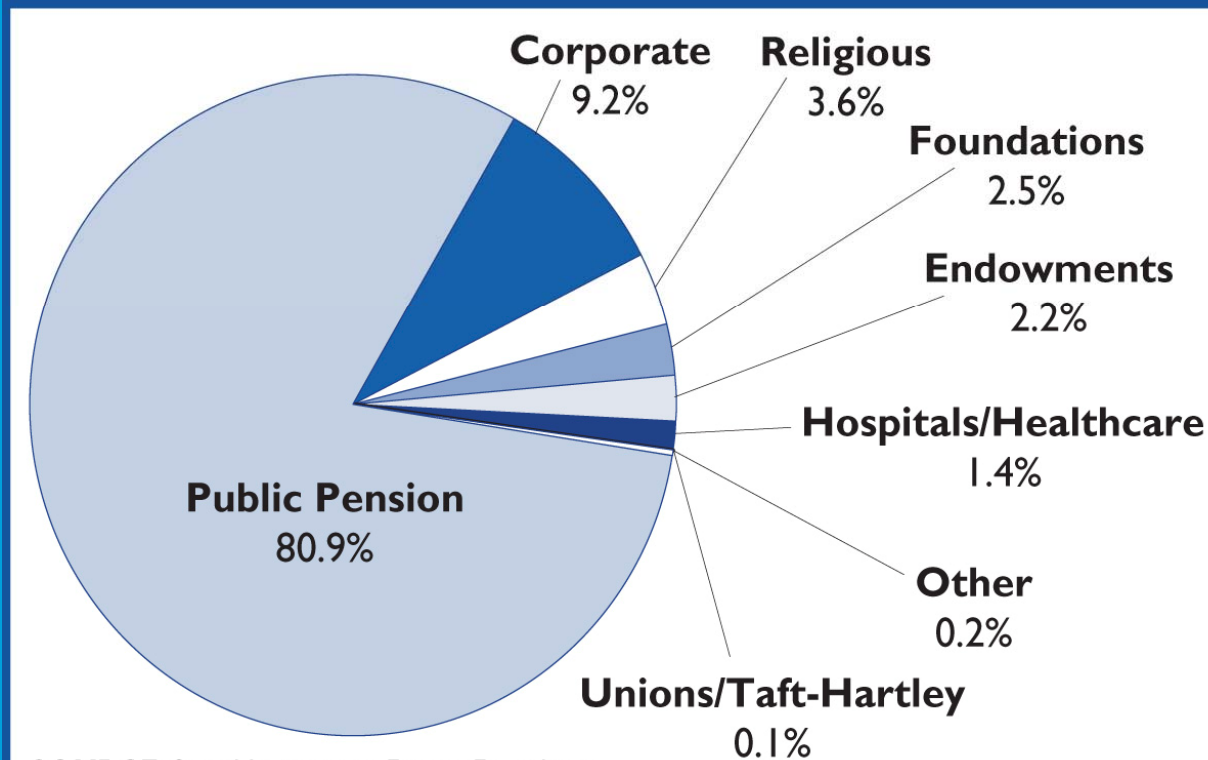
**SOURCE:** Lipper, A Reuters Company; Social Investment Forum Foundation analysis.

# Socially Screened Separate Accounts

# Institutional Investor Involvement in Screening

FIGURE 3.3

## Socially Screened Institutional Investor Assets • 2005

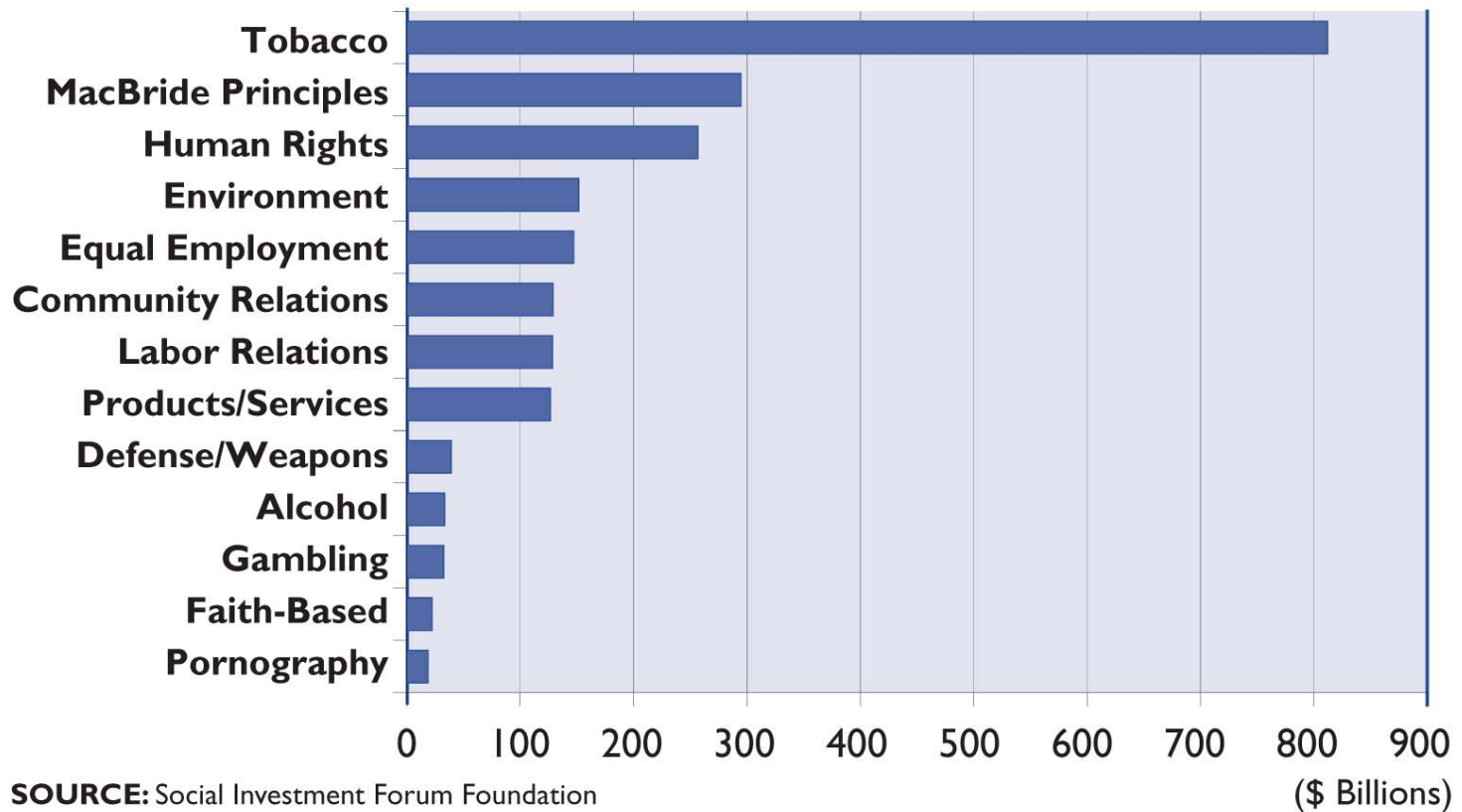


SOURCE: Social Investment Forum Foundation

# Social Screening by Institutional Investors

FIGURE 3.4

## Social Screening by Institutional Investors • 2005





# Shareholder Advocacy

# Social Shareholder Resolutions • 2003-2005

FIGURE 4.1

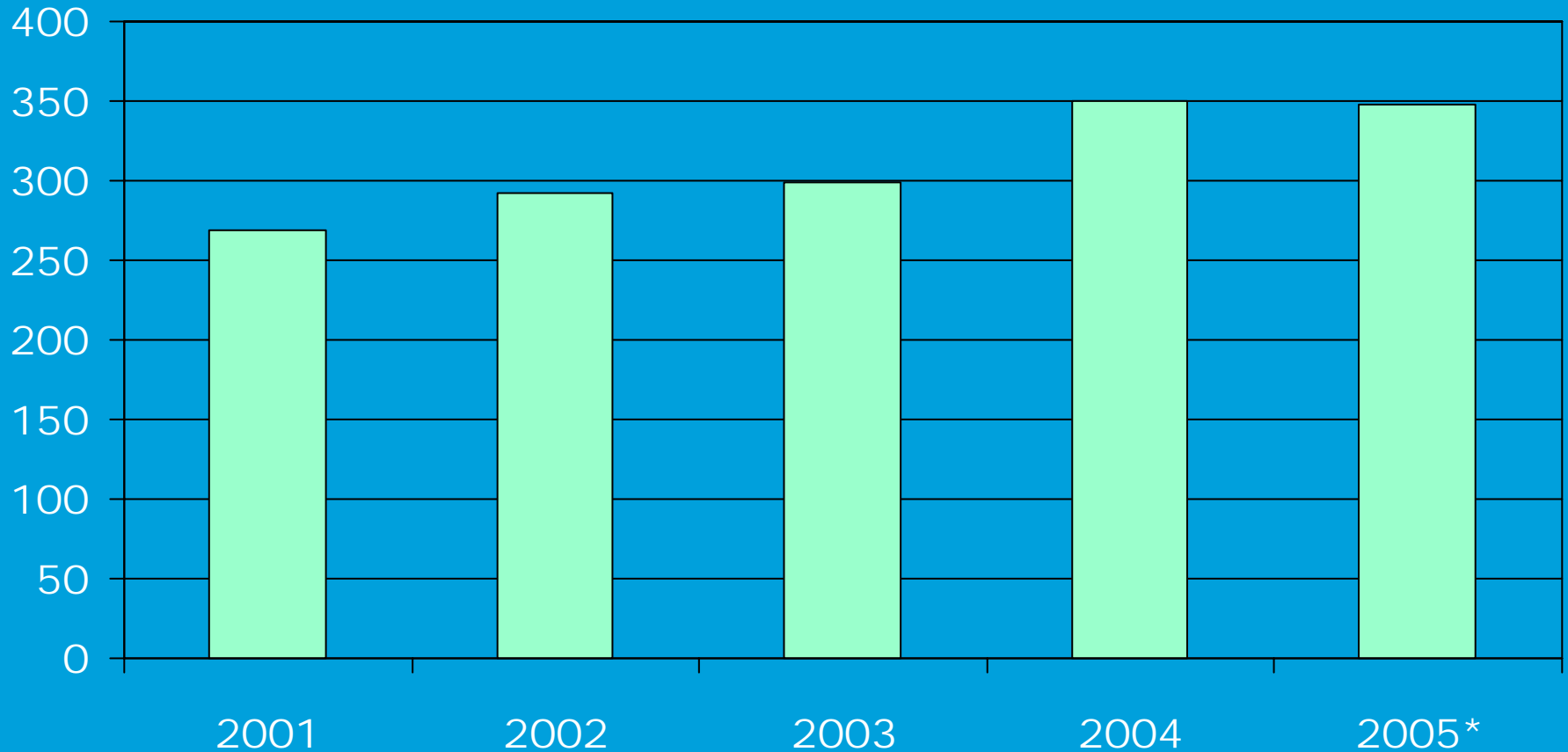
## Social Shareholder Resolution Activity • 2003-2005

	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Resolutions Filed</b>	299	350	348
<b>Resolutions Voted On</b>	145	200	177
<b>Resolutions Withdrawn</b>	105	87	98
<b>Average Votes Received</b>	11.9%	11.4%	10.3%

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

**NOTE:** Based on data as of August 31, 2005.

# Social Shareholder Resolutions Proposed • 2001-2005



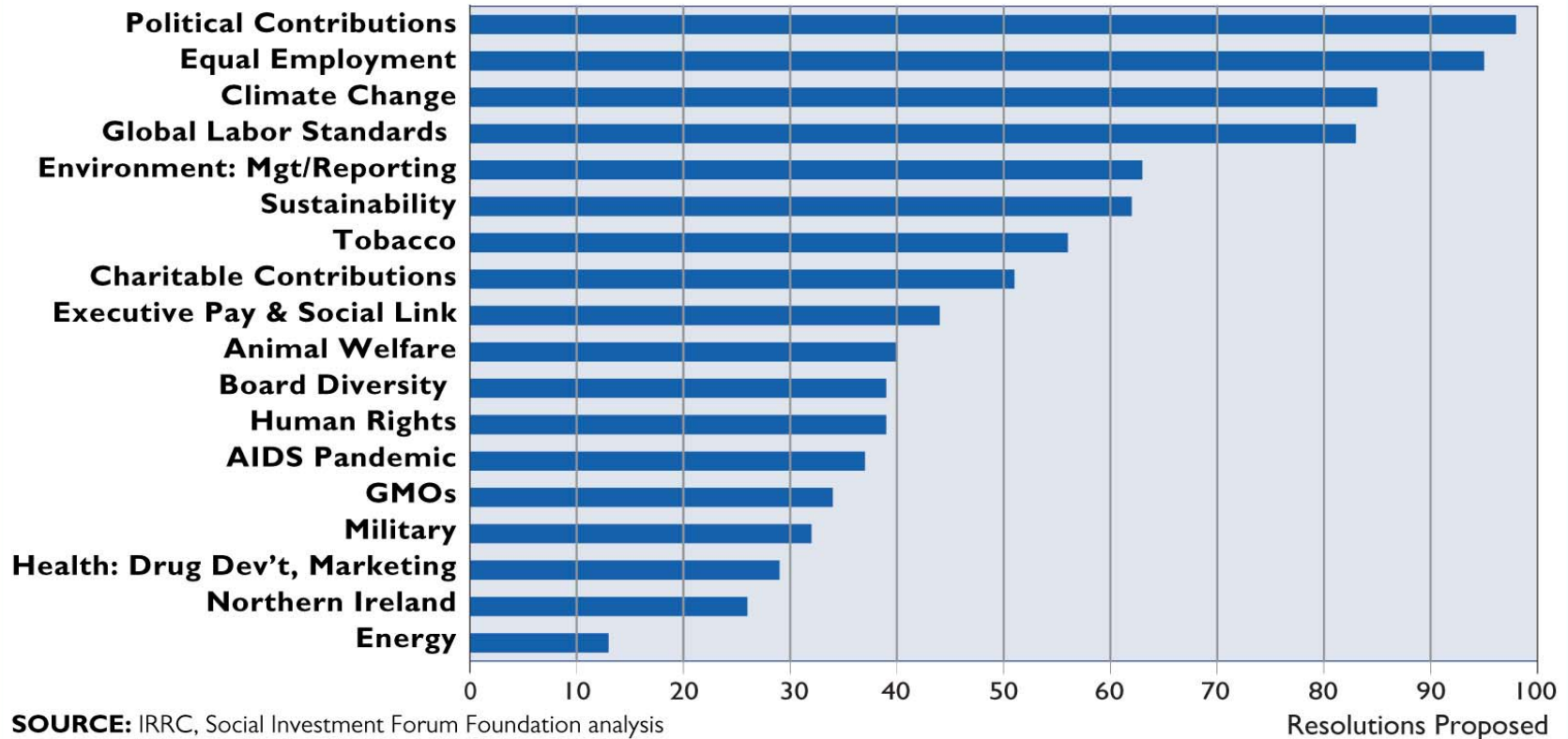
Source: IRRC

\* 2005 data through 8/31/05

# Leading Social-Issues Resolutions 2003-2005

FIGURE 4.3

## Leading Social Issues Resolutions • 2003-2005



**SOURCE:** IRRRC, 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



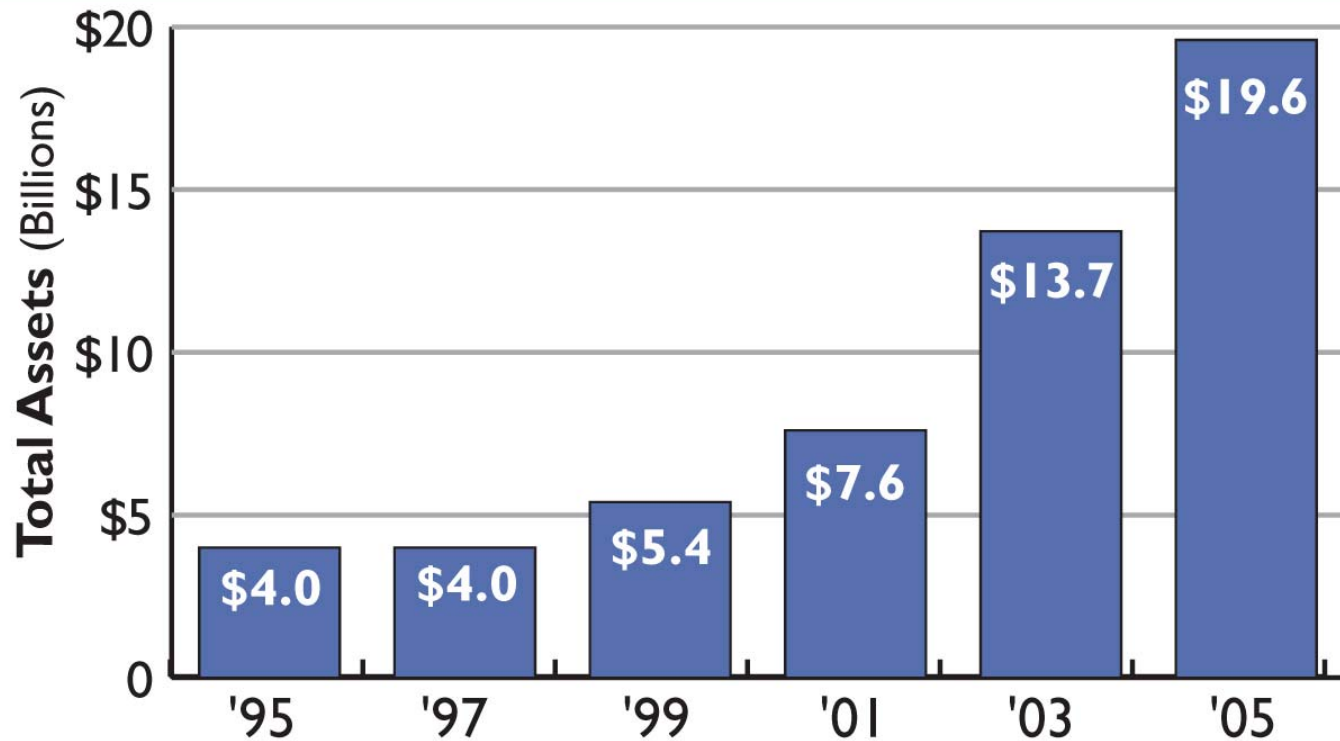
# Community Investing



# Impressive Growth in Community Investing Capital

FIGURE 5.1

## Community Investing Growth • 1995-2005

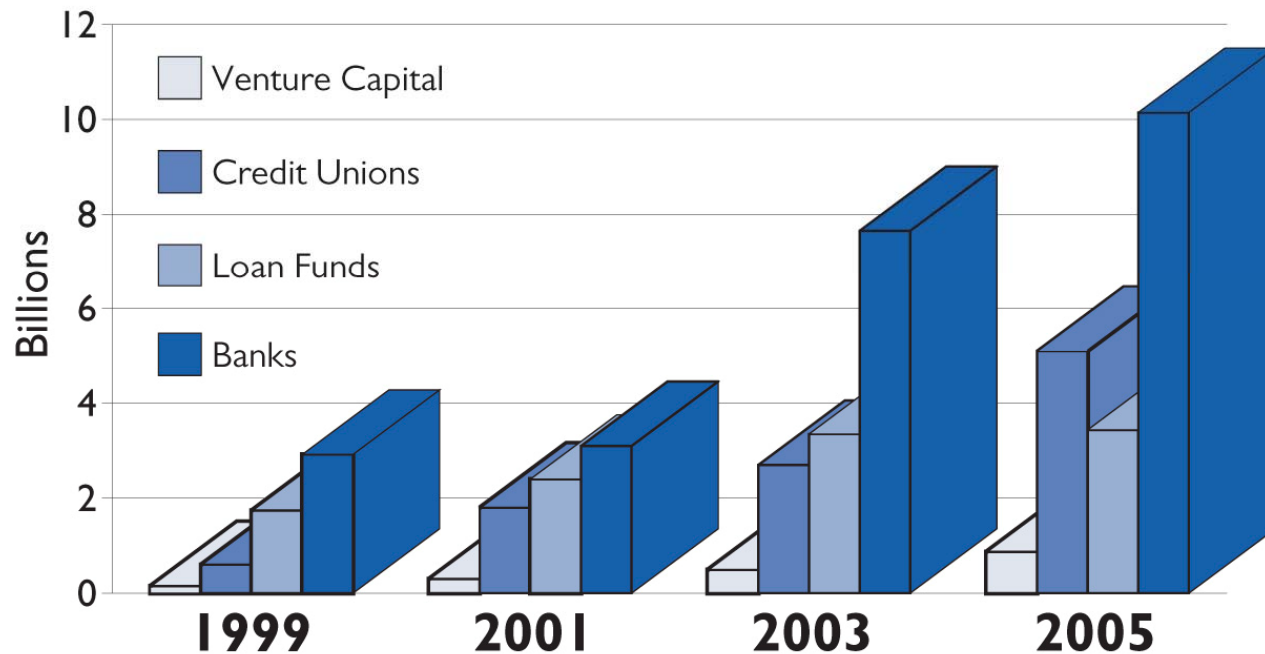


SOURCE: Social Investment Forum Foundation

# Expansion of Community Investing Sectors • 1999-2005

FIGURE 5.2

## Community Investing Growth By Sector 1999-2005



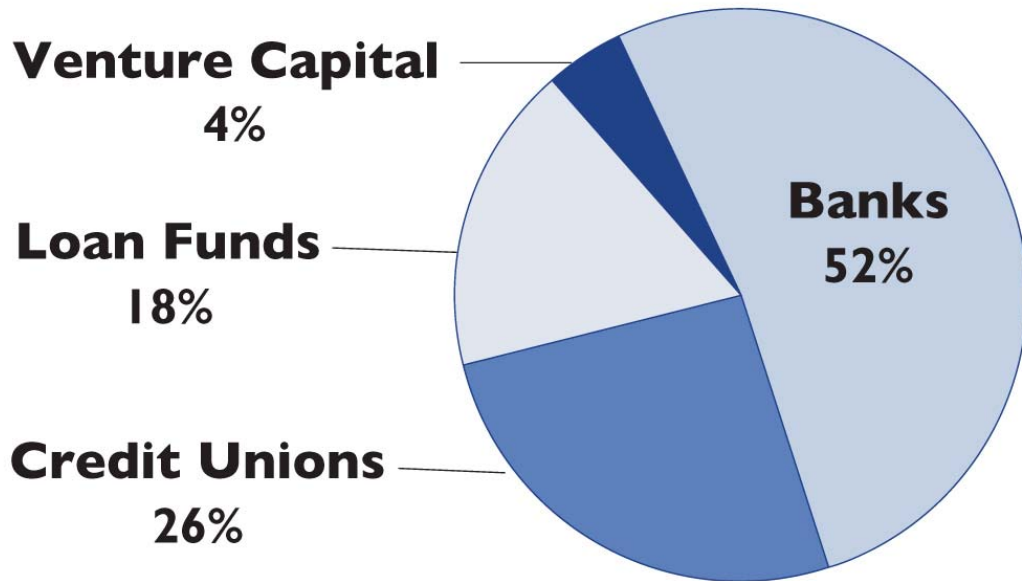
**SOURCE:** Social Investment Forum Foundation

**NOTE:** 1999 was the first year CI Sectors were separately tracked.

# Community Investing Institutions Today

FIGURE 5.4

## Community Investment Institution Sectors • 2005



SOURCE: Social Investment Forum Foundation

- ❖ Banks:  
\$10.15bn
- ❖ Credit Unions:  
\$ 5.10bn
- ❖ Loan Funds:  
\$ 3.44bn
- ❖ Venture Capital:  
\$ 0.87bn
- ❖ TOTAL \$19.6BN

# 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

# Note on Chart Figures

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](http://www.socialinvest.org).

# About the Publishers

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

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