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## Green investing makes people take note

By Tom Watson

Special to The Times

Money and environmentalism may both be green, but making them work together is a challenge.

Even the most eco-minded among us often balk at green investing. After all, it's hard to justify investing your family's savings in green companies that might not perform as well as other companies.

But proponents insist green investing does not mean sacrificing financial performance. Eco-conscious investing has evolved in recent years, and it is worth exploring for anyone interested in environmental change.

**Q:** Are green investing and socially responsible investing the same thing?

**A:** Not exactly. Socially responsible investing, or SRI, basically means an investor considers social and environmental impact of companies before and after investing. Green investing is typically included under the broader umbrella of SRI.

**Q:** How does SRI work?

**A:** The simplest and most familiar form of SRI is screening. In negative screening, a mutual fund or financial manager filters out companies that have a history of polluting or using unfair labor practices, for example.

With positive screening, investors might favor a company developing renewable energy resources.

Although some investors have employed negative screening for decades, positive screening has become more common recently as many companies introduce green products and improve their environmental and social practices.

**Q:** What's the next level of socially responsible investing beyond screening?

**A:** Shareholder advocacy has been the fastest-growing SRI trend in recent years. With this tool, investors owning stock engage in dialogues with a corporation's management and may file resolutions, voted on by shareholders, to require the company to make changes.

More than 300 of these types of shareholder resolutions are filed every year, according to the Social Investment Forum, a Washington, D.C.-based nonprofit organization.

**Q:** How has shareholder advocacy been used in green investing?

**A:** A proposed shareholder resolution is believed to have been a main factor in persuading Whole Foods Market to stop carrying baby bottles containing the controversial chemical Bisphenol A, or BPA. Shareholder resolutions also have asked corporations to address climate change and improve their accountability and reporting on sustainability issues.

Few green or social shareholder resolutions win majority support, but even resolutions that attract the support of 20 percent of shareholders will get the attention of management and may lead to additional dialogues and changes.

**Q:** What's the track record of socially responsible investing for making money?

**A:** A review last January by the Social Investment Forum of 160 mutual funds that are Forum members found a majority of those funds outperformed the average for non-Forum mutual funds.

However, the mainstream investment community still has not fully embraced socially responsible investing, with some experts saying they need more evidence SRI investments can perform strongly over the long term.

**Q:** How do I learn more about socially responsible investing or begin making those investments?

**A:** The Social Investment Forum website ([www.socialinvest.org](http://www.socialinvest.org)) has detailed information and a directory of its members providing SRI services. Four financial advisers and related businesses are listed in Washington state, and eight in Oregon.

**Q:** What about community investing?

**A:** This is the third major element of SRI, although it does not have as many direct environmental connections as screening and shareholder advocacy.

Community investing provides financial resources to small businesses and others, usually in low-income communities and sometimes overseas, that may not have access to traditional financial services.

In a fascinating offshoot of community investing, microlending allows anyone to help small businesses and individuals around the world with amounts as low as \$25.

The goal is that the money will be paid back, although no guarantees exist, and there is no additional return on these investments.

Kiva ([www.kiva.org](http://www.kiva.org)), the most well-known nonprofit organization coordinating microlending, lists a number of green-oriented microloan recipients such as recyclers.

Green investing still has a long way to go to become part of the financial mainstream. But money talks, and investing makes people listen.

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