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Impact Investing

You invest your hard-earned money for the sole purpose of growing more money. With patience, fortitude, and time it can be done. However, you may not be aware that your investments are shaping the world around you and expressing a set of values that you may or may not agree with. Impact investing is a means of generating positive financial returns while intentionally expressing a set of values that positive create social and environmental returns as well.

If getting the most financial return for the least cost is your investing priority, a portfolio of non-managed index funds may seem appropriate. But, investing in index funds as well as many managed funds may result in the support of manufacturing [assault weapons](#), state funding of [private prisons for slave labor](#), [child slavery](#) to produce common consumer goods, [global deforestation](#), [polluting fresh water supplies](#), extracting fossil fuels that are causing [climate change](#), and [corporate lobbying](#) of our legislative leaders. Profiting from corporations that engage in these kinds of behaviors is a question of morality. “Radix malorum est cupiditas” is a Latin translation of the original Greek manuscripts of the Bible: **“Greed is the root of all evil.”** 1 Timothy 6:10.

By unwittingly attaching ourselves to greedy corporate behavior through blind investment, we can follow the money trail through the system of extractive capitalism to find some of it in our own pockets. As shareholders, we often benefit individually, but suffer collectively as we watch and even experience the aftermath of this greed.

Perhaps you are one who reads labels to be sure that what you buy is, certified as sustainably harvested, fair trade, organic, made from recycled materials, or energy efficient. In doing so you are rewarding the retailer, the distributor, the manufacturer and the entire supply chain for providing you with quality products and responsible corporate behavior. If scorecards such as this one by Green America existed for every company and every product shopping and investing for positive impact would be so much easier.

COMPANY	GRADE	LABOR CERTIFICATION	% OF COCOA CERTIFIED IN 2016	100% CERTIFIED BY 2020?	ORGANIC/NON-GMO VERIFIED
Alter Eco _m	A		100%		
Divine _m	A		100%		
Equal Exchange _m	A		100%		
Shaman _m	A		100%		
Sjaak's _m	A		100%		
Theo Chocolate _m	A		100%		
Endangered Species _m	A		100%		
Nestlé	C+		25%	NO	
Mars	C		36% (2014)	YES	
Mondelez (Cadbury; Green & Black's)	C		21%	NO	
Ghirardelli (owned by Lindt)	C	OTHER	32%	NO*	
Hershey	C-		50%	NO	SOME WITH NON-GMO CANE SUGAR
Ferrero	D		33% (2013)	YES	
Godiva	F	None	N/A	NO*	

Green America's Chocolate Scorecard

Shareholder Activism

Since there are no labels for the companies we invest in through the mutual funds we own, we rely on investment managers to make good choices, both financially and benevolently. Typical investment managers look at the financials of a company to make their buy or sell decisions and leave it at that. To uncover the essence of a corporation's culture and its impact on the communities and environment that it utilizes to do business, a team of researchers questioning corporate sustainability officers,

Primum non nocere

"Make a habit of two things: to help; or at least do no harm"

Hippocrates

investigating supply chains and manufacturing plants, and perusing Material Safety Data Sheets and other publicly available information is required. Those research teams exist at fund companies that are dedicated to **Sustainable, Responsible and Impact investing**. Their process of stock selection and engagement with corporate management is a form of shareholder activism that can improve a corporation's bottom line and its social and environmental impact upon the world.

There are three parts to shareholder activism that make your investment positively impactful: **Screening, Engagement, and Proxy voting**. Following the guidance of Hippocrates, there is a rapidly growing industry of funds that build their portfolios specifically to grow shareholder wealth and make a positive change in the world.

After analyzing a company's financials and selecting those with a promising future, these fund managers make selections based on a set of clearly defined **Environmental, Social, and Governance (ESG)** criteria. If what the company does or produces is harmful to society, that company is **screened out and gets no investment**. Abstinence from the original "sin" stocks of alcohol, tobacco, and weapons dates back to the 1700's. Today that list may include companies that profit from gambling, private prisons, animal testing, forced labor, fossil fuels, or doing business in countries with repressive regimes or state sponsored terrorism.

Top 10 Materiality Topics

1. **Climate Change and Energy**
2. **Human Resources**
3. **Product Excellence**
4. **Community Impact**
5. **Ethics**
6. **Supply Chains**
7. **Human Rights**
8. **Strategy and Execution**
9. **Environmental Stewardship**
10. **Labor (Health and Safety)**

Source: Materiality Tracker

Companies that are not excluded are vetted through a qualitative evaluation process that examines the “materiality” of a corporation as it relates to ESG issues. These are issues that are not directly associated with costs and profits, but ultimately influence the bottom line. A Harvard Business School study, “Corporate Sustainability: First Evidence on Materiality”, identified that **a company which addresses material issues creates more value for shareholders.**

These issues are certainly relevant to a corporation’s operations, but found nowhere in a company’s financial report. [Sustainability investing research suggests no stock performance Penalty.](#)

Even good companies with strong ESG policies are not perfect. This is where shareholder activism can make a difference. The most successful method of affecting corporate change is through **engagement**. Many SRI fund companies actively engage with the companies they own to improve corporate behavior. Often working with non-governmental organizations, fund managers approach a company that they own with an issue that violates ESG ethics and could possibly become a publicity nightmare resulting in loss of value for shareholders. ([Volkswagen](#) and [BP](#) come to mind.)

If engagement is not successful, the fund company will put a resolution on the annual corporate ballot for all shareholders to vote on. A typical fund manager will vote per the instructions of the company’s board of directors, but **a fund company dedicated to ESG policies will vote by a clearly defined set of directives that follow essentially follows Hippocrates’ guidance.**

Changing the World

Consider this success story of shareholder activism that encompasses environmental and social problems within a supply chain for many familiar US companies. About 10% of green-house gasses come from the burning of rainforests to make way for mono crop farming and cattle ranching in South America and Asia. Not only does this destroy habitats for endangered species and livelihoods for indigenous people, but our rain forests contain and sequester CO2 and affect weather patterns. Losing them at 20,000 square miles a year is problematic for us all.

[Green Century Capital](#), a investment management company dedicated to SRI, pressured Starbucks, Kellogg’s, General Mills, Safeway, Proctor and Gamble and ConAgra to establish non-deforestation and exploitation policies for their supply chains. As some of the largest purchasers of palm oil declared they would no longer be buying deforestation tainted palm oil, the world’s largest palm oil traders, Wilmar and Unilever, were



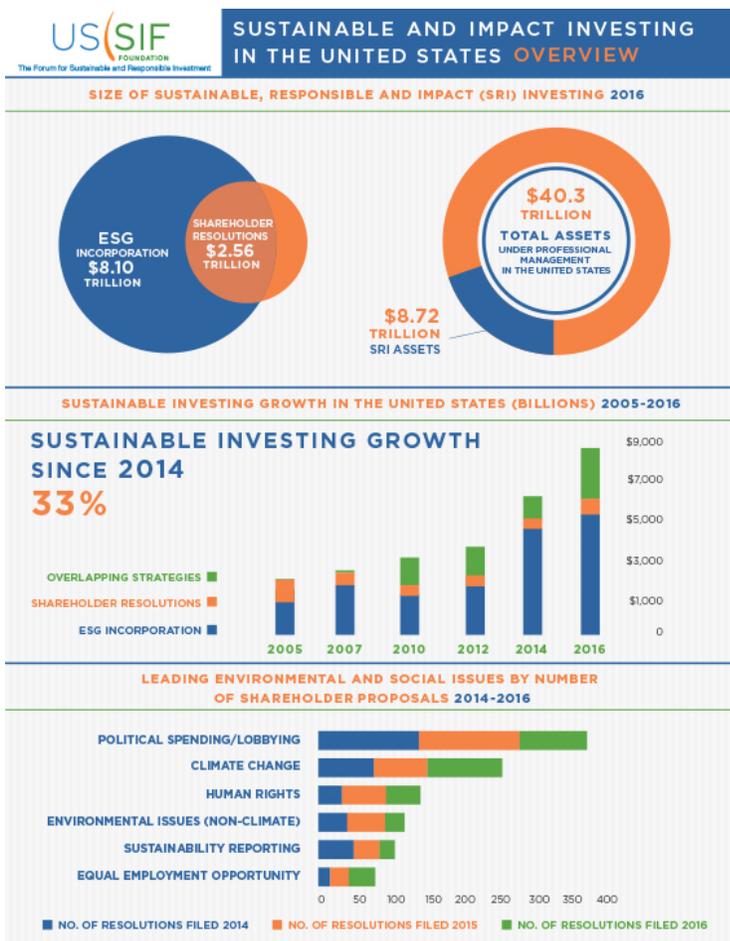
economically forced to declare their own non-deforestation and exploitation policies. [Kellogg to Stop Buying Deforested Palm Oil Amid Pressure, Bloomberg.com](#)

This is an example of investors like you expressing their values through shareholder activism and making a positive impact for climate change, wildlife, and people who have been harmed. **The release of over 7 Gigatons of CO2 have been prevented, and over 3300 square miles of rainforest have been protected through this campaign since it started in 2012.**

This campaign is far from over. It is expanding to the soy, rubber, cattle, and timber industries. Forced and child labor remain an issue in palm oil and other industries. As climate change and growing populations collide, forced labor is on the rise. It is estimated that 20.9 million people are trapped in some form of modern slavery, many of them in the supply chains of corporations that we invest in. If you are ready for a real eye opener, [learn about how many slaves work for you.](#)

\$8.72 Trillion of Impact

You are not alone in your interest to do well by doing good. [The Forum for Sustainable and Responsible Investments'](#) Biennial Report found a 33% increase of investments with ESG criteria from 2014 to 2016. **Now \$1.10 out of every \$5 invested under professional management has the intent to make a positive difference in the world.**



From 2014 to 2016, 176 institutional investors and 49 investment management firms filed or co-filed resolutions on corporate ballots. Since 2013 approximately 30% of these proposals received voter support of 30% or more. The amount of support has nearly doubled since 2009. Shareholders are voicing their concern and holding the companies they own accountable.

Corporate political spending and lobbying is the greatest concern for shareholders with 377 resolutions filed from 2014 through 2016. Many of the companies targeted were contributors to organizations and legislators who deny climate change science and resist regulations to curb GHG emissions. Additionally, **Climate change** has become the most important environmental factor for shareholders. Ninety-three resolutions specific to climate change risk were filed in 2016. **At the beginning of 2016, US managed**

money assets of approximately \$296 billion carried restrictions or divestment policies from fossil

fuels. This represents only about 6% of the \$5 trillion global commitment to divest from fossil fuels. How your current investments are [supporting the fossil fuel industry?](#)

Conflict risk analysis including the exclusion of companies that do business in countries with repressive regimes or sponsored terrorism is the most important issue for money managers and institutions. Managed assets worth \$4.3 trillion apply this ESG issue.

Regenerative Capitalism

Impact investing is more than screening out the harmful companies and changing the behavior of those that could do better. It is also about providing capital to companies that are creating commerce with a conscience and generating profit for a purpose. These are the companies of the future that will provide the tools and technology that will allow us to adapt to a changing climate and limited resources while [three billion people transition into the global middle class](#) over the next 15 years. Technologies such as [3D printing](#), [electric vehicles](#), [efficient batteries](#), [smart grids](#) and smart appliances, [urban agriculture](#), large scale [water recycling and desalinization](#), [net zero buildings](#), and many others will shape our lives and our economy.

Extractive capitalism currently drives our financial system to reward financial capital growth at the expense of natural capital and costs to social capital. Hundreds of years of this system has shaped our messy entrance into [Anthropocene](#) epoch. We have now reached the point where exponential growth is no longer possible on a planet of limited resources with a burgeoning population.

As individual investors, we have a responsibility to understand and acknowledge the broader impacts of our investments and reevaluate the type of companies that we want to invest in. We also have the opportunity to invest in the technologies and corporate behaviors that move toward [regenerative capitalism](#); a financial system that harmonizes financial, social and ecological returns. If your values are rooted in Hippocrates guidance to do no harm, I urge you to take a step toward being the change you want to see in the world; **Invest with impact.**

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