

RCM SPOTLIGHT: SOCIAL IMPACT PORTFOLIO (SIP)

Winter 2017 - Principled Chocolate

Russell Capital's Social Impact Portfolio includes rigorously screened funds with high ESG (Environmental, Social, Governance) standards and traceable impact in the ESG spheres. Our Spotlight series offers a look inside the Social Impact Portfolio, the funds we employ, and specific issues they target.

KEY TAKEAWAYS

- 70% of the world's cocoa supply comes from West Africa where cocoa farmers live in extreme poverty, leading to widespread use of child labor.
- Praxis Investments is working with world's largest chocolate companies to combat child labor in their cocoa supply process.
- The UN's Principles for Responsible Investment (PRI) is an international network of investors working together to practice responsible investing.
- Calvert, included in SIP, is a leader in the PRI network working to help companies meet sustainability metrics.
- Parnassus Endeavor Fund screens companies for "outstanding workplace policies" and avoidance of fossil fuels.
- Parnassus Endeavor offers significant exposure to technology companies.

IMPACT INITIATIVES

Praxis Investments — Combating Child Labor in Cocoa Supply Chain

70% of the world's cocoa supply comes from West Africa where on average cocoa farmers earn less than \$2 per day. Forced to live below the poverty line, farmers often resort to child labor to keep their prices competitive. ¹

Since 2011, Praxis Investments has filed a series of shareholder resolutions on child labor and cocoa sustainability with companies like Mondelez (includes brands like Cadbury and Toblerone) and Hershey. Their dialogue has resulted in farmer-focused programs, like Cocoa Life, that "address the inter-related issues of farmer income, agricultural practices and child labor".² Mondelez published their first Cocoa Life progress report in Feb. 2016, which indicated significant strides in cocoa sustainability and the well-being of cocoa communities. ³

Calvert — Strengthening UN Principles for Responsible Investment

As responsible investing enters the mainstream, the financial industry could play an essential role in determining steps forward and the future of sustainable investing. John Streur, President and CEO of Calvert, is actively calling for continued accountability of fellow signatories of the UN's Principles for Responsible Investment (PRI) to make sure the financial industry fulfills their obligations to meet sustainability metrics.⁴

Calvert, one of the 13 founding signatories to the UN's PRI, is working to educate financial firms on the importance of sustainability and to reach the sustainable development goals outlined in the document's framework.⁵

FUND SPOTLIGHT

Parnassus Endeavor Fund

Invests in large-capitalization companies that represent Parnassus' "clearest expression of ESG investing: portfolio companies must offer outstanding workplaces, and must not be engaged in the extraction, exploration, production, manufacturing, or refining of fossil fuels."⁶ This fund could offer "significant exposure" to technology companies as many such companies follow the high workplace standards outlined in the Fund screening process.⁷

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¹<http://www.foodispower.org/slavery-chocolate/>

²<https://www.everence.com/showitem.aspx?id=2392>

³<https://www.cocoalife.org/-/media/cocoalife/files/pdf/library/cocoa%20life%20progress%20report.pdf>

⁴<http://www.calvert.com/perspective/governance/strengthening-unpri-principles>

⁵<http://www.calvert.com/perspective/social-impact/responsible-investing>

⁶<https://www.parnassus.com/parnassus-mutual-funds/endeavor/investor-shares/>

⁷<https://www.parnassus.com/parnassus-mutual-funds/endeavor/investor-shares/>

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