



The Forum for Sustainable and Responsible Investment

SRI and Community and Economic Development

Reinventing Our Communities: Transforming Our Economies
Federal Reserve Bank of Philadelphia

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About US SIF

- **US SIF: The Forum for Sustainable and Responsible Investment** is the leading voice advancing sustainable, responsible, and impact investing across all asset classes.
- **Mission:** Rapidly shift investment practices towards sustainability, focusing on long-term investment and the generation of positive social and environmental impacts.
- **Vision:** Environmental, social and governance impacts are meaningfully assessed in all investment decisions resulting in a more sustainable and equitable society.



US SIF Activities

- **Research:** US SIF research & publications, including our biennial *Report on US Sustainable, Responsible and Impact Investing Trends*; *The Impact of Sustainable and Responsible Investment*; *Expanding the Market for Community Investment in the United States*; *Options & Innovations in Community Investing* and many others.
- **Educational Opportunities:** US SIF's annual conference (May 2017 in Chicago); regional member receptions and special events; webinars and online member discussions on critical industry issues; online and live courses on sustainable and responsible investing from the Center for Sustainable Investment Education.
- **Public Policy:** Key public policy priorities and field-building work; policy statements and letters to Congress, the White House and federal agencies; Advocacy and Policy training.
- **Networking:** Industry trends across the asset class spectrum; exposure to new markets and opportunities; interact with leaders in sustainable, responsible and impact investing, among other things.

US SIF Members

300+ US SIF members hold more than \$3 trillion in assets under management or advisement and include:

- Foundations and other asset owners
- Research, data and index providers
- Financial planners and advisors
- Community development institutions
- Asset managers
- Investment consultants
- Non-Profit organizations



What is Sustainable, Responsible and Impact Investing (SRI)?

- SRI is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.
- SRI encompasses **ESG incorporation** and **shareholder engagement**.

What is Sustainable, Responsible and Impact Investing (SRI)?



Common ESG Issues

Environmental

- Climate, energy efficiency, pollution and water.

Social

- Workplace safety, labor, workplace benefits, diversity, community relations and human rights.

Corporate Governance

- Political contributions, executive compensation, board diversity, board independence and transparency and disclosure.

The Biannual US SIF Trends Report



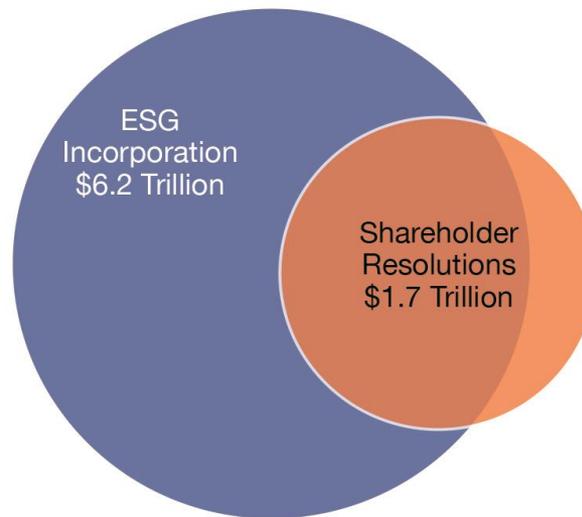
Updated report will be released in November 2016!



SRI Assets by Activity: 2014

\$6.57 Trillion in SRI identified

Fig. 1.0: Sustainable and Responsible Investing in the United States 2014



SOURCE: US SIF Foundation.

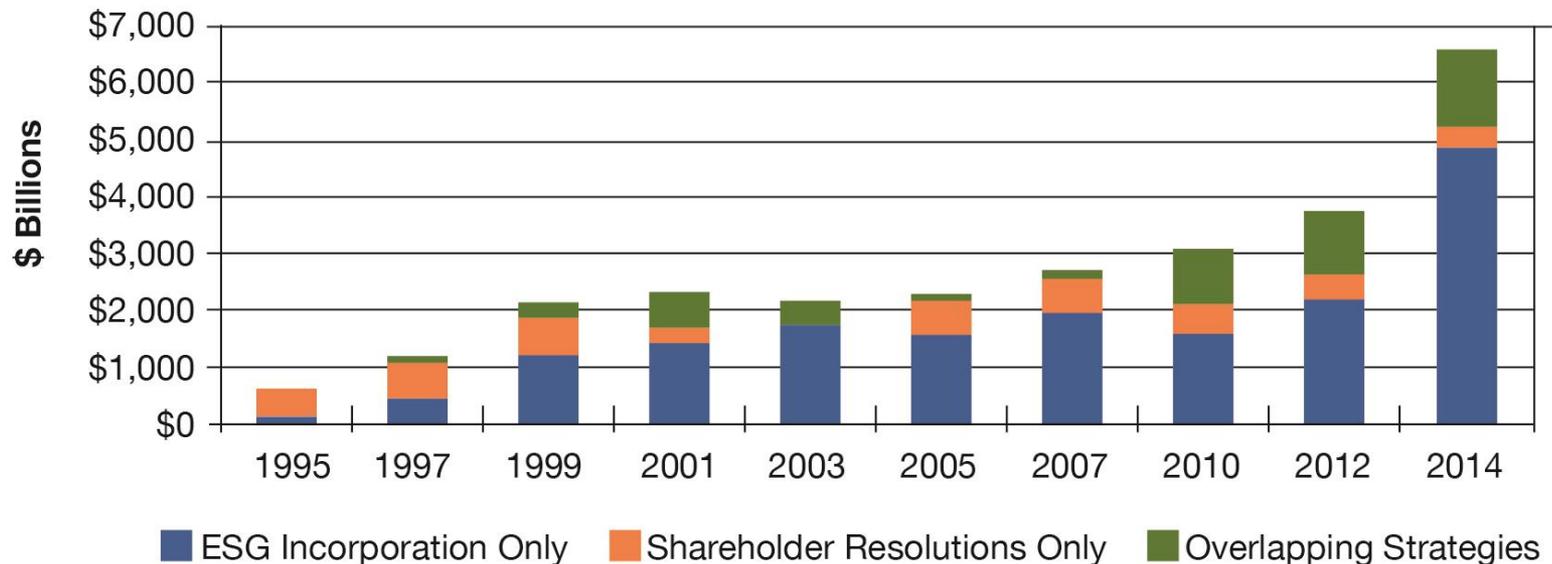
NOTE: ESG incorporation assets in this figure include those in Community Investing Institutions.

Data from *Report on US Sustainable, Responsible and Impact Investing Trends 2014*; SRI assets represent nearly 18% of \$36.8 trillion in assets under professional management tracked by Cerulli Associates at year-end 2013.

SRI Asset Growth

929 percent growth since 1995

Fig. A: Sustainable and Responsible Investing in the United States 1995–2014



SOURCE: US SIF Foundation.

Why Practice SRI?

The leading reasons cited by money managers and institutional asset owners surveyed by US SIF Foundation in 2014:

Money Managers	Institutional Asset Owners
<ul style="list-style-type: none">• To meet client demand (80%)	<ul style="list-style-type: none">• To help fulfill mission (78%)
<ul style="list-style-type: none">• To help fulfill mission (77%)	<ul style="list-style-type: none">• To generate social benefit (73%)
<ul style="list-style-type: none">• To help improve returns (76%)	
<ul style="list-style-type: none">• To manage risk (73%)	
<ul style="list-style-type: none">• To generate social benefit (69%)	
<ul style="list-style-type: none">• To meet fiduciary duty (62%)	
(119 money managers responding)	(91 institutions responding)

ESG Incorporation by Money Managers and CII

Fig. 2.1: Types and Assets of Investment Vehicles and Financial Institutions Incorporating ESG Criteria 2014

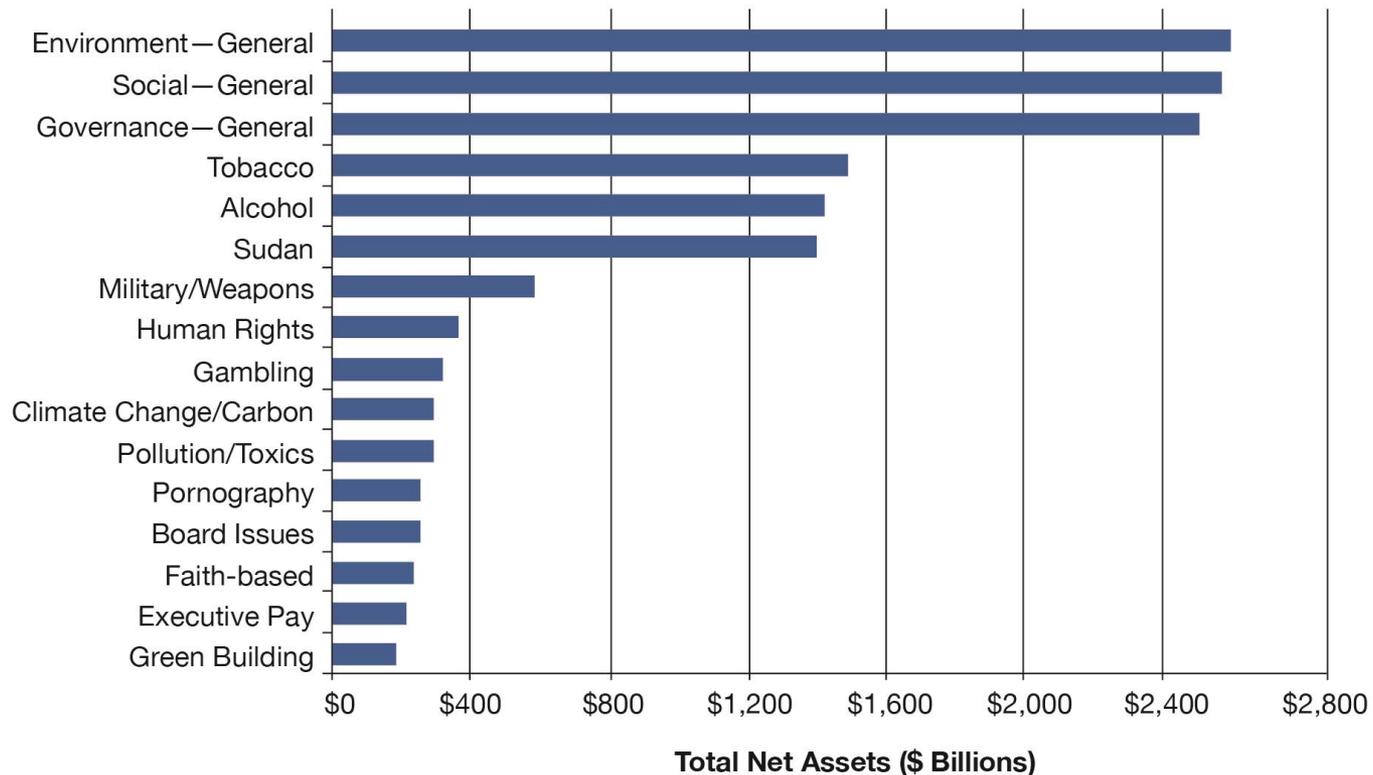
	Number	Assets (in Billions)
Mutual Funds	415	\$1,675.1
Variable Annuities	41	\$249.7
ETFs	20	\$3.5
Closed-End Funds	4	\$7.3
Alternatives	336	\$224.0
Other Pooled Products, Not Listed	109	\$2,146.7
Subtotal, Investment Funds	925	\$4,306.2
Separate Accounts	214	\$432.9
Community Investment Institutions	880	\$64.3
Total		\$4,803.3

SOURCE: US SIF Foundation.

NOTE: Includes the assets of 94 “funds of funds,” which are otherwise controlled for double-counting effects prior to aggregation. Community investing institutions include financial institutions such as banks and credit unions in addition to loan funds and venture capital. Some funds such as community development venture capital are classified across multiple categories so assets do not sum.

Leading ESG Criteria, by Assets, for Investment Vehicles

Fig. 2.5: Leading ESG Criteria, by Assets, for Investment Vehicles 2014

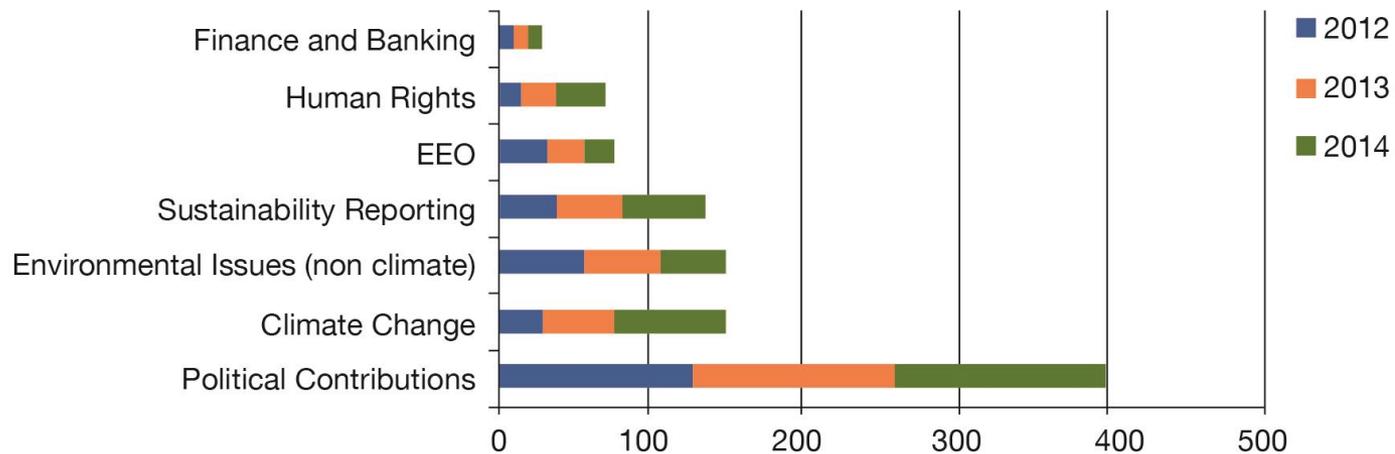


SOURCE: US SIF Foundation.

NOTE: Data are aggregated across all investment vehicle types, including separate account vehicles.

Leading Categories of Environmental and Social Shareholder Proposals, 2012-2014

Fig. 4.5: Leading Categories of Environmental and Social Issues by Number of Proposals



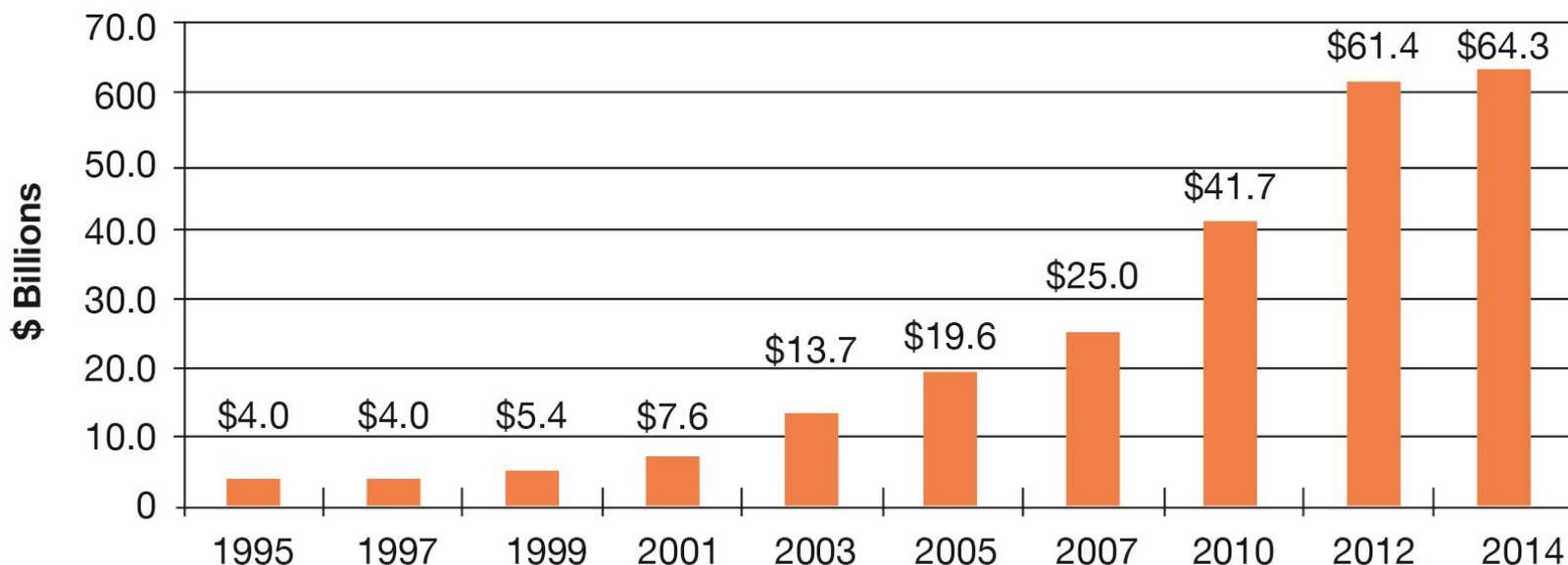
SOURCE: Sustainable Investments Institute, US SIF Foundation.

What is Community Investing?

- Community investing is capital from investors and lenders that is directed to communities that are underserved by traditional financial services.
- Community investments provide access to credit, equity, capital and basic banking products that low-income communities would otherwise lack.

Community Investing Growth: 1995-2014

Fig. 2.25: Community Investing Growth 1995–2014



Source: 2014 Report on US Sustainable, Responsible and Impact Investing Trends, US SIF Foundation.

Community Investing: Areas of Impact



Types of Community Investing Institutions

Fig. 2.27: Community Investing Institution Assets 2014

	Number	Assets (in Billions)
Community Development Banks	75	\$23.2
Community Development Credit Union	260	\$26.1
Community Development Loan Funds	532	\$14.9
Community Development Venture Capital	13	\$0.2
Total	880	\$64.3

SOURCE: NCIF; NFCDCU; CDFI Fund; OFN; US SIF Foundation.

NOTE: Only the assets of venture capital funds that are certified CDFIs are included in this table. Loan funds include US-based international microfinance vehicles. Credit unions include all members of the National Federation of CDCUs as well as credit unions certified as CDFIs.

Source: 2014 Report on US Sustainable, Responsible and Impact Investing Trends, US SIF Foundation.



Other Forms of Community Related Investment

Fig. 2.28: Community-Related Investment in Non-CII Investment Vehicles 2014

Community-related criteria	Mutual Funds		Alternatives		Other Pooled Products, Not Listed		Separate Accounts	
	Funds	Assets (in Billions)	Funds	Assets (in Billions)	Funds	Assets (in Billions)	Funds	Assets (in Billions)
Affordable Housing	25	\$14.23	14	\$4.14	14	\$1.29	43	\$17.92
Community Relations/Philanthropy	66	\$44.82	35	\$42.81	14	\$6.07	70	\$21.19
Community Services	27	\$17.06	22	\$3.53	16	\$1.87	45	\$30.88
Fair Consumer Lending	42	\$22.16	4	\$0.20	15	\$1.82	54	\$33.07
Microenterprise	8	\$4.94	19	\$1.76	18	\$1.77	22	\$14.87
Small & Medium Businesses	23	\$18.05	40	\$3.74	10	\$1.21	21	\$12.52
Community—Other	13	\$3.54	12	\$2.29	2	\$0.06	17	\$23.41
Total	83	\$53.13	101	\$50.92	29	\$7.60	85	\$41.59

SOURCE: US SIF Foundation.

NOTE: Mutual funds include those underlying variable annuities. Alternatives include private equity and venture capital, hedge funds and property funds.

Community Investing Impact & Success Stories

- Self-Help Credit Union and the Revitalization of Downtown Areas
- The Reinvestment Fund and Access to Healthy Food
- Small Business Loans and Development



The Rise of Crowdfunding Investment

- Popular tool to fund start-up projects and small businesses by pooling small monetary contributions from many individuals, typically through online platforms and social media. Growth took off in 2008, when credit was limited during the economic downturn. After collecting data on 1,250 active crowdfunding platforms (CFPs) worldwide and undertaking significant further research, the results reveal that **CFPs raised \$16.2 billion in 2014, a 167% increase over the \$6.1 billion raised in 2013.** (Source: Massolution's 2015 *Crowdfunding Industry Report*).
- In 2015, the SEC adopted rules to permit companies to offer and sell securities through crowdfunding. **As of May 16, 2016, companies can use crowdfunding to offer and sell securities to the investing public.** Because of the risks involved with this type of investing, however, there is a limit in how much can be invested during any 12-month period in these transactions. The limitation depends on net worth and annual income.
- ESG investors can get involved in crowdfunding through platforms such as **Calvert Foundation's** new online community investment portal *Vested.org*, **Solar Mosaic's** platform for solar energy investments and **Impact Assets'** donor-advised Giving Fund for charitable investments.

ERISA Guidance – October 2015

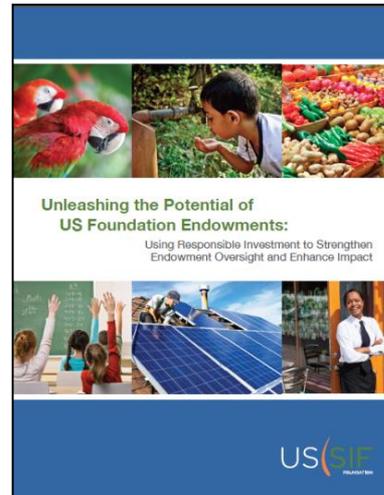
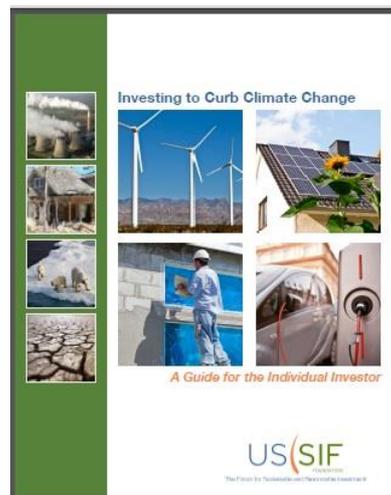
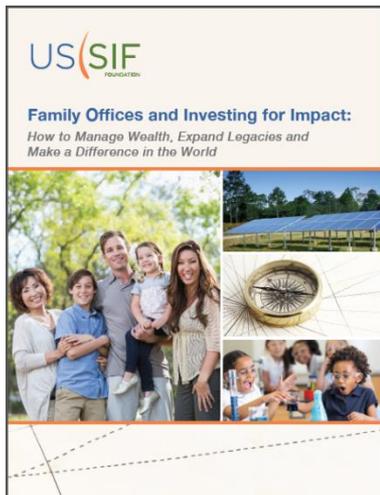
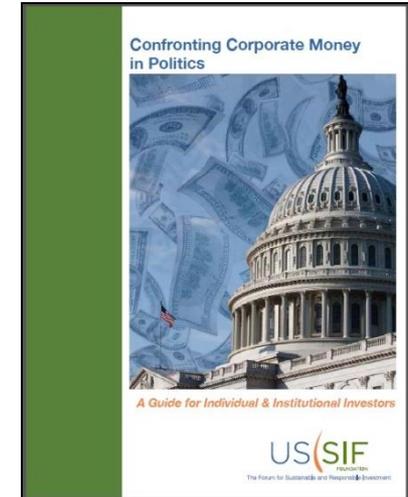
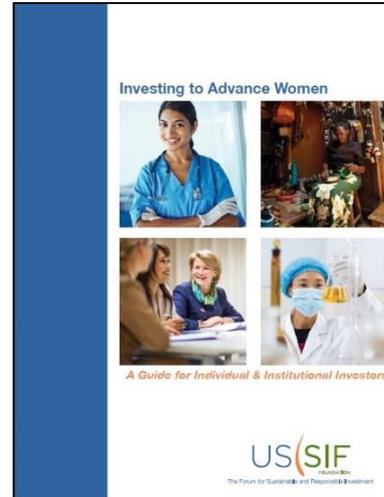
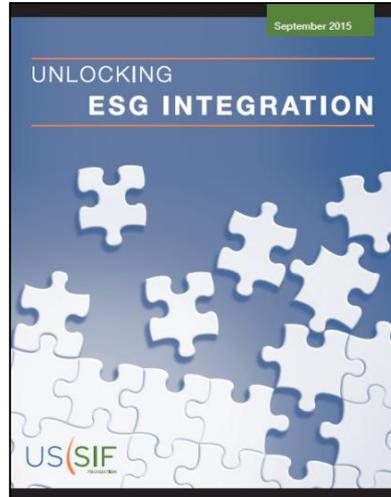
Secretary of Labor Thomas Perez announced that the Administration rescinded a 2008 DOL bulletin on Economically Targeted Investments that discouraged investors from considering environmental and social factors in the companies and funds in which they invest. Secretary Perez supports fiduciaries that engage in sustainable and responsible investing, a mission that US SIF has advanced throughout its history.



This new interpretive bulletin notes that *"fiduciaries need not treat commercially reasonable investments as inherently suspect or in need of special scrutiny merely because they take into consideration environmental, social, or other such factors."*



Other Research Publications



See more research:
<http://www.ussif.org/pubs>



2017 US SIF Annual Conference



Save the Date!

CHICAGO

Join us at Conference 2017
May 10–12 • JW Marriott

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THANK YOU!

For more information:

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