

YOUR MONEY

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Sustainable Investing: A Solid Option

As you put your blue box out you probably wish you could do more. You can, while improving your portfolio, through Socially Responsible Investing (SRI).

Some dismiss SRI as a tree-hugger movement that is neither productive nor profitable. Others disagree, while embracing the notion of contributing to the well-being of present and future generations. In either case, it's important to examine the facts.

Socially Responsible Investing is an investment mandate that incorporates sustainable and ethical components into the portfolio strategy. SRI managers select profitable companies using a range of environmental, social and governance criteria.

Detractors say that sustainable investments can't be profitable, arguing that it must cost too much to operate a company in a sustainable fashion and therefore the bottom-line has to be affected negatively. I don't agree. Countless corporations have shifted their philosophies and pursued sustainable practices in order to *reduce costs* and *enhance* their bottom lines.

Wal-Mart is an excellent example. They are spending \$500 million annually to meet sustainability goals such as reducing greenhouse gases and solid waste in stores and distribution centers, improving truck fleet fuel efficiency, and building energy efficient stores. They've done the math and the *truck fleet savings alone* will be \$310 million per year by 2015.

The store has even chosen to broaden its environmental impact by driving waste out of the supply chain. Their decision to sell only concentrated liquid laundry detergent in US and Canadian stores will, over three years in the US, save more than 400 million gallons of water, 95 million pounds of plastic resin and more than 125 million pounds of cardboard – and that's just one product.

Wal-Mart knows that they can use their business power to improve the environment. As hardheaded business people they also know that being green simultaneously enhances their prosperity. The concept is simple: Consumers have high expectations of brands, and they will reward those that are good stewards for the environment.

SRI is not new but has mostly gained popularity in the last few years to become one of the hottest topics in the investing community. Because of SRI's increased popularity many new products are available. Some are just "greenwashing" to cash in on the trend, now worth about 2 trillion dollars worldwide, and they would be hard-pressed to provide meaningful performance data. Fortunately, others are truly dedicated to making a difference.

You will want to find one of the latter. Only a few are fully dedicated, but it is worth looking for a fund company that has a clear SRI mandate and is active in achieving it. Their entire focus should be on socially responsible investing, doing their due diligence in-house and not investing outside of the SRI realm. They should be pro-active in working with companies to improve sustainability practices, and they should file shareholder proposals that address governance, social and environmental issues.

If you are interested in improving the profitability of your portfolio while doing something meaningful for present and future generations, you should think about SRI. Even if you are not a big supporter of the concept, it makes sense from a profitability standpoint. Either way, it is worth serious consideration.

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