

Woodstock Business Conference/Seton Hall Chapter

December 19, 2007: Catholic Social Responsibility Meets Wall Street

AGENDA

- Welcome and self introductions
- Opening Prayer
- WBC Mission Statement
- Scripture: Isaiah 11; 1-9
- Meditation Sharing insights on Scripture
- Reading: Catholic Social Responsibility Meets Wall Street
- Discussion and Reflection
- Closing Prayer

MISSION STATEMENT

The mission of the Woodstock Business Conference is to establish and lead a network of business leaders to explore their respective religious traditions in order to ask the individual executives:

- To integrate faith, family, and professional life,
- To develop a corporate culture that is reflective of their religious faith and values,
- To exercise a beneficial influence upon society at large.

The Conference, grounded in Roman Catholic tradition, welcomes believers who are open to and respectful of one another's religious traditions. It is committed to the conviction that ethics and values grow out of one's religious heritage.

SCRIPTURE

Isaiah 11: 1-9 The Rule of Emmanuel

But a shoot shall sprout from the stump of Jesse,
And from his roots a bud shall blossom.
The spirit of the Lord shall rest upon him
A spirit of wisdom and understanding,
A spirit of Counsel and of strength
A spirit of knowledge and of fear of the Lord,
And his delight shall be the fear of the Lord.
Not by appearance shall he be judged,
Nor by hearsay shall he decide,
But he shall judge the poor with justice,
And decide aright for the land's afflicted.
Justice shall be the band around his waist
And faithfulness a belt around his hips.
Then the wolf shall be the guest of the lamb,
And the leopard shall lie down with the kid,
The calf and the young lion shall browse together,

With a little child to guide them
There shall be no harm or ruin on my holy mountain
For the earth shall be filled with the knowledge of the Lord
He shall raise a signal to all the nations
And gather the outcasts of Israel.

SILENT EXAMEN

1. Pause quietly and become mindful of God's presence in and to us, and then thank God for the many gifts we have been given: life, intelligence, freedom, and family, friends, and opportunities to share our many gifts with others.
2. Pray for the light to see where God has been through the day- in what we experienced, thought, decided, did.
3. Look back and ask, "What happened? What did I do? To what was God calling me?" And then, "Where was God in all this?" How can I best understand the situation?
4. Evaluate how well I have done, in recognizing God, in resisting evil.
5. In the light of understanding and evaluating, "What must I do?" What action must I take? What decision must I make?

Catholic Social Teaching Meets Wall Street

Do good while doing well

By Mary Ellen Foley McGuire

Gulnora Huseinove was in trouble. When she got divorced a few years ago, she was left to care for her child, which was no easy matter for a single woman in Hujand, Tajikistan. She decided to start her own business at the local market, but she needed \$800 to purchase grain. The problem was that she had no collateral and no past credit history to help her secure a loan. Meanwhile, halfway across the world in Richmond, Va., Thomas J. Dorsey had a desire to help small international businesses. He connected with Gulnora Huseinova online (through www.kiva.org) and was one of 16 North Americans who together lent her \$800 in April; some contributed as little as \$25. Huseinova's business has taken off and as of September, she had already repaid 67 percent of her seven-month loan. Welcome to the transformational power of socially responsible investing.

Investing Today

Most Americans will at some point invest money in personal portfolios or a retirement plan where they work. Some in privileged positions will make decisions about how the assets of institutions are invested. The main reason we invest in anything is to turn a profit, but investments can also prove effective in promoting social change consistent with Christian values. In 2003 the U.S. Catholic bishops proposed two principles that should guide all investment decisions: responsible financial stewardship and ethical stewardship. In this sense smart and responsible investments have two purposes: to make money and to promote social change consistent with the Christian vision of justice and compassion.

Is such a vision of smart and responsible investment idealistic or naive? And how does high-minded social concern affect the actual rate of return on investments? For a few years now, concerned investors have been engaged in socially responsible investing. Results on such investments show that many investment opportunities can promote positive social change and still earn a competitive rate of return.

Socially responsible investing is defined by the Social Investment Forum, a trade association of the U.S. social investment industry, as "integrating personal values and societal concerns with investment." The concept is not entirely new. For centuries the Quakers opted not to invest in the arms industry, and in the early 20th century many investors chose not to invest in "sin" stocks (typically tobacco, alcohol and gambling). But in the 1980s the concept took hold as individuals and institutions around the United States sold their stock in companies doing business with South Africa. This divestiture turned out to be a significant force in bringing about the end of apartheid. At first, the concept pertained to identifying funds that one would rather not invest in or would prefer to divest from. But even

then, before the advent of so many positive investment opportunities that further social concerns, the power of socially responsible investing proved to be an effective force for change. Currently, the main avenues for socially responsible investing are community investing, socially responsible mutual funds and shareholder advocacy.

Community Investing

In 1976 Bangladeshi economist Muhammad Yunus took a field trip with a group of students and met some young women who needed \$27 each for their furniture-weaving businesses. What might seem a trivial amount for the more affluent was very significant for these businesswomen of extremely limited means. Surprised that no traditional lending institutions would assist them, Dr. Yunus personally lent them the money they needed. Their businesses grew exponentially, and the women repaid the loan in a few months. The radical success of this small lending program led Professor Yunus to open the first "microcredit" institution, Grameen Bank. In 2006 Dr. Yunus won the Nobel Peace Prize for the initiative, which has lifted millions out of poverty.

This kind of microlending, which provides small loans to poor people at minimal interest rates, is one form of community investing, which provides capital for underserved communities and individuals in the United States and around the world; it provides loans for small businesses, affordable housing, childcare or other community services. The borrowers-most are women and all are in desperate financial situations-do not qualify for assistance from traditional financial institutions.

Today, many credit unions, banks and housing developments are committed to microlending, both domestically and internationally. Instead of opening a deposit account at a traditional bank, investors deposit funds at a microcredit institution of their choice. Usually a \$1,000 minimum deposit is required, which can be made in the form of a certificate of deposit, savings account, checking account or money market fund. The bank then uses the funds to extend entrepreneurial microloans (as small as \$20) to borrowers, who use the money to get a small business off the ground. The borrower pays interest and soon repays the principal. In the meantime, the investor gets the deposit back at will (or at maturity for a C.D.)-plus interest.

The benefits of such an approach can be profound. Not only do the poor receive the desperately needed funds to which they would not otherwise have access, but they are able to use the funds in their own way. Rather than imposing ideas or methods, micro lending encourages motivation, group accountability and ownership. The rich invest in the poor, sharing a partnership in their business ventures. And the joint effort makes significant strides against poverty. According to Social Investment Forum, in 2005 \$19.6 billion was deposited in microcredit institutions, benefiting 80 million entrepreneurs, who had a 95 percent to 100 percent repayment rate.

As with any type of investing, microlending involves risk, especially in the international market. Foreign exchange rates affect the return on investments and reduce profit margins, and the stability of local economies and governments affects entrepreneurial ventures. On the other hand, deposits at U.S. micro credit banks are F.D.I.C. insured up to \$100,000, so investors have some guarantee on principal.

Socially Responsible Mutual Funds

Another approach is to use socially responsible mutual funds. Such funds screen out companies that do not meet explicit social and moral criteria. For example, an S.R. fund might invest only in companies that have a good environmental record or are responsible in their disposal of hazardous waste. Other considerations might include the company's product (tobacco or firearms producers might be excluded from the portfolio), payment of a living wage in international operations or the practice of gender equity in the workplace. Currently there are about 200 S.R. mutual funds as well as several benchmark indices that allow investors to track the performance of their fund measured against other S.R. funds.

Since the field of socially responsible mutual funds is of relatively recent origin, some issues still need to be resolved. For example, whether a fund screen is based on tobacco, environmental concerns, human rights issues, or all of the above is not always clearly stated by fund managers, so investors may find it difficult to identify funds that match their own values. Furthermore, since research on S.R. performance is only available for the last 10 years, it is too early to predict with confidence long-term financial returns. At the same time, it can be said that so far S.R. funds have been found to achieve rates of return comparable to those from unscreened funds, which is good news for socially concerned investors.

Shareholder Advocacy

Perhaps the easiest way to manifest a concern for socially responsible investing is to begin with one's current portfolio. Shareholders can use their ownership in companies to advocate changes in corporate policies that run counter to Christian values. Owning even one share of stock gives an investor a say in how that company runs its business. Every investor has a right to attend annual shareholder meetings and speak up about issues of concern, or to vote on shareholder proposals in annual proxy statements. Instead of discarding such statements when they come in the mail, one could read them with attention and find proposals that are consistent (or inconsistent) with one's social and moral concerns. Many religious communities, for example, research companies and sponsor shareholder resolutions consistent with Catholic social teaching.

Another avenue for shareholder advocacy lies with S.R. funds, which can use their lobbying power to influence the companies within their portfolios. While individual shareholders can propose changes in company policy, mutual funds have the advantage that they hold many shares and therefore can speak with a more powerful voice.

Shareholder advocacy can be very effective. Social Investment Forum reports that 28 percent of socially responsible shareholder resolutions were successfully addressed in the first half of 2005. And so far in 2007, a record number of proxy shareholder social and environmental resolutions have been proposed.

Walking the Walk

Socially responsible investing, then, is a way to invest money, make a profit ethically and effect both systematic and individual change. The scope of its environmental and corporate influence is vast, as is the difference it can make in one person's life and in the lives of millions of poor families. It is a powerful way to be a disciple of Christ's mission to "bring glad tidings to the poor." How does one begin?

Talk to your financial advisor. You can obtain a listing of financial advisors who are committed to socially responsible investing by requesting the National Green Pages, published by Coop America.

Invest in socially responsible mutual funds. Check out your retirement plan at work to see if this is an option. For investment possibilities for you or your church, school or hospital, go to the mutual fund performance chart at www.coopamerica.org/socialinvesting.

Deposit funds in a microlending institution. The Community Investing Program suggests that 1 percent or more of your investments be devoted to community investing. For a list of microlending opportunities and more information, go to www.communityinvest.org and www.kiva.org.

Be an active shareholder. Vote your proxies. Support and sponsor shareholder proposals. Write letters. Ask questions. Anybody who owns even one share of stock in a company is a part owner and can have a say in how it is run.

When I worked in the financial services industry, I never heard mention of microlending, community investing or socially responsible mutual funds. But since then, my discovery of socially responsible investing has been a transforming experience. A community investment impact calculator on www.communityinvest.org estimates that if someone were to invest \$1,000 for one year, that money could finance three micro enterprises and create four jobs in Africa. At the end of the year the investor would likely get the \$1,000 back, plus interest. Spread the word. This is truly "good news for all the nations."

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Reflection:

1. The article above asks whether such a vision of socially responsible investing is smart or naïve. What has been your experience of your own or other such investing?
2. What do you think the risks are in "community investing? What do you see as benefits?

3. One of the central messages of the Christmas season calls us to “bring glad tidings to the poor.” How does one begin?