DOING WELL AND DOING GOOD

A History of Care First Investing

by Steve Schueth

It's been thirty-four years since I was introduced to the novel idea that investors could do well by doing good — that investments could consciously be designed to both make money and help create a better future. This radical notion fit me perfectly in 1989 and I was in, immediately.

I was among a small group of minnows swimming in a very shallow pool of early adaptors on the periphery of the massive and intimidating 'Wall Street' ocean. We spent many years being laughed out of board rooms, being told that we were nuts. It took a long time to prove the business case for investing in 'good' companies and to dispel the underperformance myth.

SRI 1.0

In the beginning, we had very little information on which to make better investment decisions. We started with simply avoiding companies where the business profited from actions that we considered doing more harm than good for society, like producing tobacco products, nuclear power, and weapons. We generally sidestepped companies whose products, when used as directed, made people sick (or dead). We shunned companies whose profits were enhanced by offloading costs onto society at large (e.g. egregious polluters).

We were consciously choosing to make Care First decisions

We lumped these early efforts under the descriptive term, 'social screening.' We believed that by screening out companies that were causing too much harm and investing in good companies we could do better — better for investors and for society at large. This radical new approach was called socially responsible investing, or SRI.

I generally referred to those who embraced this new approach to investing as socially conscious investors. We didn't have the language then, but we were consciously choosing to make Care First investment decisions.

We early adaptors felt that we were alone in the world. Our fledgling movement needed an organization to coordinate efforts, and we needed a community gathering place.

In the early 1990s, I became chair and president of the nonprofit membership organization then known as the Social Investment Forum, now US-SIF, the Forum for Sustainable and Responsible Investing (ussif.org). With no staff and no money, we teamed up with strategic partners to create a membership program, a newsletter, an internet communications platform, an academic prize, and a conference where socially conscious investors and investment professionals could connect, teach, learn, and collaborate. I had the honor of championing this annual gathering of investors and investment professionals called The SRI Conference for some twenty years.

In 2001, it was at this conference that Louis and Sandra Bohtlingk shared their vision for a Care First World for the first time with the greater public.

SRI
The Conference on Sustainable, Responsible, Impact Investing

We had started a revolution within the investment industry, one that has now circumnavigated the globe and is positively impacting life and living at all levels. We have embraced and fueled the race toward a more caring form of capitalism — one based on Care First Principles.

SRI 2.0

In 2005, United Nations Secretary-General, Kofi Annan, assembled a group of investors to help develop what became the Principles for Responsible Investment (unpri.org). Having been launched in April of 2006 at the New York Stock Exchange with little fan faire, as of March 2022, more than 4,800 signatories from over 80 countries representing approximately US$100 trillion have signed on to the Principles.

The Principles are based on the notion that environmental, social, and governance (ESG) issues such as climate change and human rights can affect performance of investment portfolios and should therefore be considered alongside more traditional financial factors…" (Wikipedia)

PRINCIPLE 1: We will incorporate ESG issues into investment analysis and decision-making processes.

PRINCIPLE 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

PRINCIPLE 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

PRINCIPLE 4: We will promote acceptance of and implementation of the Principles within the investment industry.

PRINCIPLE 5: We will work together to enhance our effectiveness in implementing the Principles.

PRINCIPLE 6: We will each report on our activities and progress towards implementing the Principles.

SRI 3.0

In 2011, 'SRI' became an acronym for Sustainable, Responsible, Impact investing, though 'ESG' began to dominate in terms of usage, especially by institutional investors. In my view, SRI is still more clearly descriptive of both the intentions and actions of investors and investment professionals who embrace this (now not-quite-so-radical) notion that investors can help catalyze the shift to a future that works for everyone.

In 2015, the 193 countries of the United Nations General Assembly adopted 17 Sustainable Development Goals (SDGs).

Each of the 17 SDGs typically has 8–12 targets, and each target has between one and four indicators used to measure progress. ESG data now underpins and often powers thousands of investment strategies around the world, and the SDGs have become aspirational targets for investors interested in having a positive impact through their investment portfolios.

In addition and perhaps most importantly, virtually every public company that publishes a sustainability report of some kind is now talking about how the business is contributing to the achievement of a handful of SDGs.

Looking through a Care First lens

Some thirty years ago a reporter asked me what I thought SRI would look like in twenty years. I said that it would simply be the way investing is done in the future. Well, it took a little longer, but ESG factor analysis has now been embedded in more than half of the investment strategies being employed around the world. It has enhanced investment decision-making processes and helped make the impact of investment capital consciously deployed more positive and life-affirming.

Today, as the political right in the U.S. is seeking to undo so much of what we've accomplished over the pasts three decades, I am reminded of the deep wisdom of Mahatma Gandhi who once said: "First they ignore you; then they ridicule you, then they fight you, then you win!"

I am looking forward to a future where all business, investment and resource allocation decisions are made while looking through a care first lens. It's coming.