

# Social Policy Worksheet



We are Sustainable, Responsible, Impact (SRI) investment advisors, with a core commitment to building a sustainable and socially just world through sound investment practices. A vital part of the service we offer to our clients is making sure that their investments match up with their values — that the environmental, social, and corporate governance issues which are most important to them are reflected in the securities in their portfolio. In order to do that, of course, we need to know what those key issues actually are. We will not tell clients what principles they ought to endorse, or what moral commitments they ought to make — but we trust that we will be able to work with the vast majority of the investors who seek us out. To this end, we will use as many of the four key SRI processes as we can for each of our clients:

**Screening:** Most people who talk about SRI think first of “negative screening” — keeping shares of companies involved in tobacco, alcohol, and firearms (for example) out of their portfolios. This is an important part of SRI, but it’s only the first step. The next step is “positive screening” — seeking out those publicly traded companies which are involved in industries that are likely to have a positive impact, and to help create a sustainable economy in the future.

**Advocacy:** But screening alone can’t really make a company change its fundamental business strategies. Sometimes, our clients will own the shares of companies that might offend against their moral values, in order to use their rights as shareholders to change the company’s behavior. This kind of “shareholder advocacy” is an incredibly powerful tool for changing the behavior of the corporate America.

**Community:** It is possible to invest more directly in the lives of individuals and their communities. Through the mechanisms of “community investments” or “micro-credit”, we can help provide capital to areas that have difficulty attracting funds from traditional sources. Within the United States and around the world, the loan funds provided by socially-conscious investors help individuals and communities to build vibrant local economies.

**Impact:** For some clients, there may be opportunities to invest in the tiniest companies, pushing forward the most exciting new developments in such exciting areas as sustainable energy, ecologically-sensitive farming, or wasteless manufacturing. While there are significant federal restrictions regarding which investors may currently participate in the venture capital and private placement marketplaces, we are working to find new ways to get involved in this type of investment opportunity, and to increase the impact everyone’s investments can have.

## **BASIC SCREENING ISSUES**

The mutual funds and portfolio managers we use to build our client portfolios all start with a similar set of baseline issues, which we call “comprehensive social screens”: they tend to exclude companies with a significant portion of their revenues derived from alcohol, gambling, tobacco, military weapons, civilian firearms, nuclear power, adult entertainment, and genetically modified organisms (GMOs). These managers also tend to use shareholder advocacy techniques to help those companies which pass these basic screens, but have other deficiencies, to improve. For many of our clients, knowing that these core SRI issues are being addressed in their portfolios is sufficient to address their concerns.

Some of our other clients, however, want to venture beyond these basic issues. We have therefore created some variations on our core models. For those clients who want somewhat more stringent screening and advocacy on environmental sustainability and social justice issues, we have created a set of models which strive for a higher degree of positive impact. For those who want to express their faith-based values in their portfolio, we have created a set of models which feature portfolios inspired by religious values. And for those who want to make sure that they have no exposure at all to climate-changing fossil fuels, we have created a set of “Zero Carbon Energy” models. Because of the differences in their holdings, accounts invested to each of these variations will have slightly different short-term portfolio performance — but over a longer time frame, we expect that this variation will disappear.

I want my portfolio to be invested in:

- Core models, with comprehensive social screens, active shareowner advocacy, and robust community investment commitments.
- Impact models, with somewhat more stringent screening and more active advocacy programs.
- Faith-Based models, with an emphasis on a religiously-inspired understanding of stewardship and social justice.
- Zero Carbon Energy models, with a commitment to avoiding companies involved in the exploration for and extraction of fossil fuels.

Client Name: \_\_\_\_\_

### **SHAREOWNER ADVOCACY**

If there are some particular stocks in your current portfolio that you'd like to make sure we hold, for purposes of engagement with the company's management on issues of particular concern to you, we can make sure that we hold those shares aside from our normal transaction process. Please let us know which stocks those are:

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Please identify who you prefer to execute your proxy votes:

- I / We prefer to vote my / our own proxies.  I / We prefer to delegate Horizons to vote my / our proxies.

Are you interested in participating in shareholder resolutions, or writing letters to company management?

- Yes  No

Are you interested in giving preference to funds or managers who are actively involved in shareowner advocacy strategies?

- Yes  No

### **COMMUNITY DEVELOPMENT INVESTMENTS**

In your tax-deferred and tax-exempt accounts (and in your taxable accounts, upon request), we will normally allocate approximately one-third of a portfolio's bond allocation to community investments that offer a market rate of return. Some community investments offer below-market rates of return, and may be able therefore to offer greater community impact. Please indicate here how you would like to participate in community investing opportunities:

- I / We want to opt out of all community investing vehicles in my / our portfolio.  
 I / We want to have the standard allocation to market rate community investments.  
 I / We want to have the following percentage of my / our portfolio allocated to below-market rate community investment opportunities:  
 1% to 2%  3% to 4%  5% to 10%

### **CLIENT ACKNOWLEDGEMENT**

**Primary Client:**

**Additional Client:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**ADDITIONAL SCREENING ISSUES**

For those of our clients who have somewhat larger portfolios, we can use portfolios of individual securities instead of mutual funds — and additional social policy options open up for us. The first level of additional screening we can do is at the level of special social issues or economic sectors.

**Social Issue Exclusions:**

- Alcohol
- Genocide
- Gambling
- Military Weapons / Firearms
- Nuclear Power
- Tobacco

**Sector Exclusions:**

- Consumer Staples
- Consumer Discretionary
- Retail / Wholesale
- Medical
- Auto / Trucks / Tires
- Basic Materials
- Industrial Products
- Construction
- Multi-Sector Conglomerates
- Computers / Technology
- Aerospace
- Oil / Energy (incl. Alternatives)
- Finance
- Utilities
- Transportation
- Business Services

These exclusion lists, though, paint with a very broad brush. For example, to exclude the Energy Sector entirely means removing any companies involved in the energy industry, including alternative and renewable energy companies. But it is possible to make some finer distinctions, and to screen out particular industries — health insurance companies, for example, or “Big Pharma” companies. On the lines below, let us know which industries you’d like to exclude, and suggest some companies that exemplify the problematic nature of the industry.

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**SPECIFIC COMPANY EXCLUSIONS**

A few of our clients have particular companies which they want to exclude specifically, by name, without implications for other companies in the same industry. Perhaps they work for the company, and have plenty of that company’s stock in their retirement plan. Or perhaps they have participated in boycotts of that company for many years, and do not want the shares of that company in their portfolio no matter what. If you have this sort of exclusion, please let us know which companies you’d like us to avoid:

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**ADDITIONAL NOTES**

Please let us know if you have any additional notes not covered in the sections above:

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