



2016 Social Impact Report

While Natural Investments portfolios are socially, environmentally, and fiscally responsible, we also put a lot of energy into giving voice to your concerns, pushing both corporations and government agencies to address a wide variety of pressing issues on your behalf. Here are some highlights.

Engagements

NI is active in advocacy work within the SRI industry and the wider economy. We aren't satisfied to applaud companies for simply getting up to speed with widely-accepted social and environmental norms; we're constantly pushing the leading edges. Results aren't always instant, but **we're playing our part to push the continued evolution of our financial system toward both higher expectations on companies and more meaningful opportunities for investors.**

We often put pressure on socially responsible money managers to **broaden and deepen their social and environmental standards.** When Wells Fargo was hit with massive fraud violations and fines, we asked the executives and portfolio managers at Parnassus Investments, one of our longstanding money managers that includes Wells Fargo as a top holding in several of its funds, to consider divesting their position as other institutional investors have done. We were pleased to see that Parnassus values our relationship and is interested in our input, though in the end they chose to keep their stake in Wells Fargo so they could engage the new CEO of Wells Fargo and obtain assurances that past mistakes would not be repeated.

With the popularity of fossil fuel free investing continuing to grow, we've been engaging various money managers to embrace this exclusionary screen. We approached Calvert Investments, which recently updated its social and environmental screening criteria to invest in a way that "diminishes climate-related risks and reduce carbon emissions," to inquire why they did not choose to explicitly exclude the fossil fuel sector as a firm-wide policy. They indicated that they are not yet ready to go there, but that they do feature a few funds that, by their nature, do not include fossil fuel companies. We'll surely keep the pressure on Calvert to revisit their approach. NI does offer some fossil-fuel free options for our clients.

We remain actively involved in **pressuring the apparel industry to improve labor standards and working**

conditions in Bangladesh, where tragedies for workers have become all too common, including a deadly 2016 fire at a Nestle packaging plant. We continue to pressure manufacturers to sign the Accord on Fire and Building Safety and develop comprehensive fire and safety inspections, improve worker training on fire and safety procedures, and compensate injured workers and the families of those killed. Since the Rana Plaza incident three years ago, 1600 factory inspections have been conducted, and while over 1300 corrective plans have been developed, only 300 or so have been implemented to date. And unfortunately, very few American manufacturers are involved. American Eagle Outfitters, Fruit of the Loom, and Sean Jean Apparel are the only notable American participants in the Accord, despite our persistent efforts to get other companies to join.

We participated in a campaign to **get major restaurant chains to improve the welfare of farm animals in their global meat and poultry supply chain** and prohibit the use of all antibiotics for purposes other than disease treatment. While McDonalds and Domino's have responded with a willingness to adhere to these higher standards, companies owning Burger King, Chili's, Taco Bell, Pizza Hut, Tim Hortons, KFC, and WingStreet have indicated no interest in adopting any such policy thus far.

We signed onto a Pax World Management letter that went to all companies in the S&P 100 asking them to formally endorse President Obama's proposal **that companies with more than 100 employees be required to collect pay data by gender, race, and ethnicity and make it publicly available.** This would be the first step towards pay equality and improving diversity in the nation's largest corporations. Following the lead of Intel, Salesforce, and The Gap, thus far Apple, Amazon, and eBay have publicly disclosed the results of their gender pay assessments and signed the White House Equal Pay Pledge committing to gender pay equity. In 2017, Goldman Sachs, Bank of New York Mellon, Qualcomm, Verizon, Mastercard, and AT&T are expected to release their data.

Public Policy

Natural Investments signed onto SRI industry advocacy letters on a variety of policy matters in 2016 addressing social, financial, environmental, and governance issues.

With **corporate political spending disclosure** being the top shareholder resolution filed with companies in 2015 and 2016, Natural Investments joined many industry colleagues



by writing letters to President Obama last year urging him to issue an executive order requiring full disclosure of political spending by business entities receiving federal government contracts, as this action requires no act of Congress. Despite the support of 130 Congressional Democrats and 1 million public petition signers for this action, the order was never signed.

Given the cancer-related concern about **glyphosate in pesticides**, we co-signed a letter with ten other investment firms urging the EPA to re-consider its process for evaluating the toxicity of pesticide ingredients. We indicated that the uncertainty surrounding glyphosate impedes investors, who need an unbiased, full, and fair analysis of all significant evidence regarding potential consumer or environmental harm.

Along with dozens of investment firms representing over \$2 trillion in assets under management, we co-signed the Investor Statement on North Carolina House Bill 2, asking the legislature to **repeal the law overturning municipal non-discrimination protections for lesbian, gay, bisexual, and transgender people** and prohibiting transgender people from using restrooms consistent with their gender identity. We urged North Carolina to be an inclusive and competitive state for business and minimize the negative impacts such a law will have on the people, businesses, and economy of the state.

We co-signed—with several dozen firms representing \$3.6 trillion—an investor statement in support of the joint U.S. and Canadian announcement on **limiting methane emissions from the oil and gas industry**, which pledges both countries to reduce oil and gas methane pollution by at least 40% over the next decade.

We expressed a need for Congress to **maintain funding for the Treasury Department's CDFI Fund**, which many smaller community development banks, credit unions, and loan funds in distressed communities access to provide loans to low-income people nationwide. The current Administration's proposed budget zeroes out this Fund entirely, so the fight is certainly on to demand that Congress preserve it.

Finally, through participation in our industry trade association, USSIF: The Forum for Sustainable and Responsible Investment, on whose policy committee Managing Partner Michael Kramer sits, we helped craft a letter to the Securities and Exchange Commission **asking that companies be required to disclose environmental, social, and governance**

policies and operational issues in annual regulatory filings. We authored a similar letter to the Department of Labor regarding retirement plan annual disclosure reports. Obviously the current Administration is less sympathetic to these issues than the previous one, so we don't anticipate our position gaining traction at this time.

Charitable Contributions

We donate 1% of the firm's gross revenues each year to local and national non-profit organizations (see a representative list at naturalinvestments.com/about/charitable-contributions). In 2016, we provided support to some new groups as well, including: Intentional Endowments Coalition, Center for Transformative Action, Bonneville Environmental Foundation, San Luis Obispo Community Foundation, Hawaii Center for Food Safety, Western Slope Conservation Center, Slow Money Bluegrass Chapter, NY PIRG, Louisville Climate Action Network, Everytown for Gun Safety Support Fund, Ecologistics, Dragon's Eye Learning Center, and Hawaii Farmer's Union.



"Best for the World" Award

For the third time, we are pleased to announce **Natural Investments was rated "Best for the World" by B Lab**, the national organization certifying B Corps worldwide. This award is reserved for the top 10% among over 2000 B Corps that are certified based on a company's commitment to responsible environmental, social, and governance policies and practices. Natural Investments, now in its 10th year of certification, receives high marks not only for the types of investments it facilitates for investors in addressing social and environmental issues, but for internal practices regarding our own ecological footprint, including supply chain commitments to buying local and green, our civic engagement and charitable giving, and our transparency and accountability. Our most recent rating assessment can be found at bcorporation.net.

