



## Insights: Impact Investing

As interest in socially responsible investing grows, so has the complexity of issues and terminology involved. Socially Responsible Investing (SRI), Environmental, Social, and Governance (ESG), and Impact Investing are all terms that seem to be used interchangeably, while what is actually meant by them may not be clear.

1919 Investment Counsel's team of socially responsible investing portfolio managers and social impact analysts provides their perspective on Impact Investing—how it complements yet is distinct from SRI and ESG.

### 1 What is Impact Investing as distinguished from SRI and ESG?

Historically, SRI has been about exclusion; the screening out of companies that engage in activities, products or services that are not aligned with an investor's values. 1919 was an early pioneer of socially responsible investing and traces its SRI roots back over 40 years. In the early years, screening was the basis of our approach, which was innovative at that time.

However, as socially responsible investing has evolved, we have proactively positioned ourselves at the forefront of the discussion, complementing our SRI research with an ESG perspective. ESG evaluates companies in terms of specific environmental, social and corporate governance criteria. While SRI tends to be value and ethics based, ESG focuses more on risks and opportunities in terms of avoiding companies due to the risks associated with their practices and investing in them because of the opportunities they present.

More recently, as we continue to evolve, we have incorporated Impact Investing as the third component of our process and approach it from two vantage points:

1. Seeking to influence the companies we own to advocate for positive social change.
2. Investing directly in companies that have a positive impact on society.

In this way we offer the potential for investors to drive positive impacts in companies that take steps to change as a result of corporate engagement efforts by ourselves and others. We also provide investors with exposure to opportunities provided by companies specifically focused on driving positive change.

#### THE TEAM



**RONALD BATES**  
Portfolio Manager

27 Years of Experience



**ALISON BEVILACQUA**  
Head of Social Research

22 Years of Experience



**ROBERT HUESMAN**  
Portfolio Manager

11 Years of Experience



**LAUREN SCHMALTZ**  
Social Research Analyst

20 Years of Experience



**LEAH EFKEN**

Social Research Analyst

4 Years of Experience

## COMMONLY REQUESTED SOCIAL GUIDELINES\*

### ENVIRONMENT

Minimize the negative impact of business activities on the environment.

### EMPLOYMENT PRACTICES

Fair and reasonable employment practices.

### HUMAN RIGHTS

Contribute to the general well-being of host communities and respect human rights.

### WEAPONS

Do not manufacture nuclear weapons, other weapons of mass destruction or derive more than 5% of their revenue from production of non-nuclear weaponry.

### TOBACCO

Do not derive more than 5% of their revenue from the production or sale of tobacco products.

\*Many additional SRI guidelines are available and are customized to the client's preferences.

## 2 What are the primary themes that inform 1919's Impact Investing?

There are several distinct Impact Investing themes that inform our research process as we seek to identify companies that are making positive contributions in these areas. These themes include:

- **Climate Change** - we seek companies with policies or products that address the transition to a low-carbon economy.
- **Access to Water** - we seek companies with policies or products that address the economic challenges related to the use and availability of water.
- **Gender Diversity** - we seek companies that have policies and practices exhibiting a deeper commitment to workforce diversity, including increasing the number of women on corporate boards and executive management.
- **Supply Chain Management** - we seek companies that closely manage their supply chains' socially responsible practices.

Our Impact Investing focus also allows us to invest in targeted, community-based projects as well as green bonds, sustainability bonds, and social impact bonds. Importantly, our socially responsible investing includes both equity and fixed income opportunities for our clients.

## 3 How does corporate engagement play a role?

Now more than ever, we are witnessing compelling socially responsible innovations from companies that offer investors attractive opportunities. However, there is still much more progress to be made. That's why we take a proactive stance on corporate advocacy and engagement. We meet with the management of our portfolio companies to encourage positive social change and actively vote our proxies.

We support collaborative engagement that encourages greater corporate disclosure involving environmental, social and governance factors. These issues may include workforce diversity policies and implementation, improved disclosure regarding environmental efficiency and emissions across corporate operations, as well as greater

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clarity regarding the risks within the corporate supply chain.

As a signatory to the United Nations' Principles for Responsible Investment (PRI), 1919 Investment Counsel completes an annual self-audit, demonstrating how

ESG factors are incorporated into our investment decision-making process. We are also a Green Bond Principles signatory and participate in this new but growing socially responsible investing fixed income area. Lastly, we are active members of the socially responsible investing community. For example, we are engaged participants in the Investors For Opioid Accountability program which seeks to drive positive social impact from this unfortunate growing problem in the U.S.

## 4 How does your team factor in client values and long-term socially responsible trends?

By working closely with our clients we understand their perspectives, goals and the socially responsible issues that engage them. This collaboration results in highly customized socially responsible portfolios and strategies that are truly reflective of our clients' concerns and values.

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Our proactive engagement in the socially responsible investing arena and commitment to in-depth social impact research enables us to identify growing trends. This combination of Impact Investing and SRI and ESG considerations differentiates us from other asset managers who primarily employ negative screening to eliminate companies or solely focus on ESG concerns.

We closely monitor the companies we own and keep a detailed "report card" on each to ensure they continue to meet our guidelines concerning the environment, human rights, weaponry, workplace, tobacco and other social impact issues.

We maintain a regular dialogue with our clients, reporting on new socially responsible issues and the changing company dynamics within our portfolios.

Our ongoing involvement with industry organizations, attendance at thought leadership conferences and publication of various research materials enables us to continue to be actively engaged participants in the socially responsible investing arena. ■



#### **40 YEARS STRONG IN SRI**

1919 Investment Counsel is an experienced socially responsible manager with a history that can be traced back to 1975. Our rich heritage of providing separately managed accounts tailored to our clients' specific SRI and ESG mandates informs our rigorous, research-driven investment approach.

Utilizing a number of social guidelines including employment practices, human rights, environmental impact and religious criteria, our team constructs highly customized portfolios that meet the specific mission and investment mandates of the endowments, foundations, corporations, pensions and individuals we serve nationwide.

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#### **Disclosure**

All investments involve risk, including risk of loss and there is no guarantee investment objectives will be met.