

**Creative Investment Research, Inc.**

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## **UN Global Principles for Responsible Investment**

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and

CREATIVE INVESTMENT RESEARCH, INC.

Creative Investment Research, Inc. is a Signatory to the UN Global Principles for Responsible Investment ([www.unpri.org](http://www.unpri.org)), under the Category of Professional Service Provider. The voluntary Principles identify a range of steps investors can take to integrate environmental, social and governance (ESG) issues in several areas, including investment decision-making, active ownership, transparency, collaboration and gaining wider support for these practices from the financial services industry. Creative Investment Research, Inc. is committed to assisting trustees and clients in assessing the impact of environmental, social and governance issues. We support the Principles of Responsible Investing as our commitment to this framework for sound and responsible investment management.

Creative Investment Research, Inc. has long recognized that ESG issues can be material to investment performance, particularly over the long term. Thus, we developed, in 1991, the Fully Adjusted Return® methodology.

We have worked with pension fund trustees, investment managers, investment bankers, and financial industry organizations to implement investing initiatives, especially initiatives that consider environmental, social and governance (ESG) issues. Our experience has given the firm in-depth knowledge.

We have expertise in this area that is unmatched in either duration or depth.

We pioneered efforts to fully incorporate social factors into consideration of the means by which investment goals are achieved:

- In 1991, we created the first systematic bank analysis system using social and financial data, the Fully Adjusted Return® methodology.
- Creative Investment Research, Inc. designed one of the first mortgage security backed by home mortgage loans to low and moderate income persons and originated by minority-owned institutions. (See: *Security Backed Exclusively by Minority Loans*, The American Banker Newspaper. Friday, December 2, 1994.)
- On November 16, 1995, we launched one of the first social investing websites.
- On June 15, 2000, we testified before the U.S. House Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises (GSE's). We suggested that the GSE's (Fannie Mae and Freddie Mac) be subject to a through "Social Audit." A Social Audit is an examination of the performance of an enterprise relative to certain social objectives.
- We participated in the **Social Performance Indicators for the Financial Industry** project. The **SPI-Finance** 2001 project "covers social performance towards employees, clients and other stakeholders of banks and insurance companies. The project provided the first industry specific supplement for the Global Reporting Initiative (GRI) 'Sustainability Reporting Guidelines' 2002":
  - First Meeting on Social Performance of the Financial Service Industry - Zürich, Switzerland. August 20th – 21st, 2001.
  - Second Meeting on Social Performance of the Financial Service Industry. London, England. January 18, 2002.
- In 2001, we helped design a refinancing plan for victims of predatory lending that led to the creation of targeted community development investments. (See: <http://www.socialfunds.com/news/article.cgi?sfArticleId=682>)

- On December 22, 2003, statistical models created by the firm using the Fully Adjusted Return ® Methodology signaled the probability of system-wide economic and market failure. (See page 6: <http://www.sec.gov/rules/proposed/s71903/wmccir122203.pdf>)
- On February 6, 2006, statistical models created by the firm using the Fully Adjusted Return ® Methodology confirmed that system-wide economic and market failure was a growing possibility. (See page 2: <http://www.sec.gov/rules/proposed/s71005/wcunningham5867.pdf>)
- We participated in the Wal-Mart Stakeholder Dialog, held February 26-27, 2007 at Wal-Mart Headquarters, Bentonville, AR.
- On Monday, April 11, 2005, we testified on behalf of investors at a fairness hearing regarding the \$1.4 billion dollar Global Research Analyst Settlement. Despite having a fiduciary responsibility that would seem to require them to take a stand against fraud and malfeasance, *no other investment advisor testified*. On April 22, 2005, as a direct result of our testimony, the Court issued an order responding to our concerns. (See: <http://www.sec.gov/spotlight/globalsettlement/order042205.pdf> )

The Community Development Financial Institution Fund of the US Department of the Treasury certified the firm as a Community Development Entity on August 29, 2003.

## **The Principles for Responsible Investing**

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society.

Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

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

Possible actions:

- Address ESG issues in investment policy statements
- Support development of ESG-related tools, metrics, and analyses
- Assess the capabilities of internal investment managers to incorporate ESG issues
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- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis
- Encourage academic and other research on this theme
- Advocate ESG training for investment professionals

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

Possible actions:

- Develop and disclose an active ownership policy consistent with the Principles
- Exercise voting rights or monitor compliance with voting policy (if outsourced)
- Develop an engagement capability (either directly or through outsourcing)
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)
- File shareholder resolutions consistent with long-term ESG considerations
- Engage with companies on ESG issues
- Participate in collaborative engagement initiatives
- Ask investment managers to undertake and report on ESG-related engagement

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

**Possible actions:**

- Ask for standardized reporting on ESG issues (using tools such as the Global Reporting Initiative)
- Ask for ESG issues to be integrated within annual financial reports
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact)
- Support shareholder initiatives and resolutions promoting ESG disclosure

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

**Possible actions:**

- Include Principles-related requirements in requests for proposals (RFPs)
- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)
- Communicate ESG expectations to investment service providers
- Revisit relationships with service providers that fail to meet ESG expectations
- Support the development of tools for benchmarking ESG integration
- Support regulatory or policy developments that enable implementation of the Principles

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

**Possible actions:**

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning
- Collectively address relevant emerging issues
- Develop or support appropriate collaborative initiatives

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

Possible actions:

- Disclose how ESG issues are integrated within investment practices
- Disclose active ownership activities (voting, engagement, and/or policy dialogue)
- Disclose what is required from service providers in relation to the Principles
- Communicate with beneficiaries about ESG issues and the Principles
- Report on progress and/or achievements relating to the Principles using a 'Comply or Explain'1 approach
- Seek to determine the impact of the Principles
- Make use of reporting to raise awareness among a broader group of stakeholders