

“The Evolution of SRI in the US: The Shift from Values to Value”

Notes from Barbara Krumsiek Presentation to the
United National Global Compact Leaders Summit
July 6, 2007

Excellencies, Ladies, and Gentlemen:

I would like to offer a perspective as the leader of Calvert, a U.S. asset management firm with 25 years experience in socially responsible investing (SRI)--a firm that has worked diligently to align our SRI goals with the Global Compact Principles.

We at Calvert believe that the “sleeping giant” of ESG integration into investment decision-making is indeed awakening among large institutional asset managers and owners. “Responsible investment” is being encouraged via the Principles of Responsible Investment (PRI) and other channels to improve both investment and company performance through better risk management and attention to upside sustainability opportunities.

Traditionally, SRI in the U.S. has been focused on identifying companies that do not meet certain exclusionary criteria. But our approach is evolving away from reliance on negative exclusions and towards a focus on positive criteria. Because of our experience in providing investment solutions for both individual and institutional investors who want both financial and social/sustainability returns, but we believe we are best positioned to continue our leadership by taking the next step. That is through beginning to explore how ESG integration with investment analysis can lead to better returns.

Calvert over the years has developed an increasingly sophisticated research methodology carried out by our team of 14 analysts and backed by \$15 billion in assets under management. An analytical focus on the materiality of certain ESG factors to investment performance is at the heart of our evolving approach. At the same time we actively engage with specific companies and entire industries urging them to focus on ESG factors that are most material to them—combining shareholder resolutions with intensive company dialogue, multi-stakeholder initiatives/standard-setting exercises, and partnerships (CWP, CDP, internet/human rights and Sudan divestment examples). During our dialogues, we often learn which specific issues are presenting the greatest challenges to specific companies and industries. We understand that the issues most relevant to your company will be the most important to us as investors.

Calvert is also engaged with large institutional asset managers and owners in PRI, UNEP/FI Asset Management Working Group, and Ceres/INCR to mainstream ESG integration in both the institutional and individual investor spaces. The opportunity to combine forces among SRIs and larger mainstream investors has never been better as the case for sustainable investment has never been stronger—in synch with the irreversible mainstreaming of the corporate responsibility agenda over the last half-dozen years. Recent Calvert research shows that general retail as well as SRI investors are captivated by environmental and climate change opportunities in particular, and we have moved to meet this demand by launching a new Calvert Global Alternative Energy Fund aimed at climate change solutions.

During my remaining time, I'd like to pass along a few tips for company leaders like you who are looking to attract investment from individuals and institutions committed to SRI.

First, the Global Compact presents voluntary guidelines that are useful, but investors cannot interpret your intentions. We need to measure progress and actual accomplishments and you need to be able to provide the hard data that will allow us to make these assessments.

Second, as you develop programs, focus on the factors that are most material to your sector and organization.

Third, as you struggle to work on your toughest challenges, this may lead to some discomfort. You may find you need to take time to engage stakeholders in dialogue and demonstrate your commitment to continuous improvement. But this is a sign that you are making healthy progress. Discomfort is an indicator that you are asking the right questions.

As I look out over the next 10 years, I believe one of our greatest challenges as SRI asset managers is to the companies we analyze. That is, we need to demonstrate our ability to reflect your progress in timely and accurate analysis.

In addition, we face an internal challenge of determining how to position ourselves as we increasingly see mainstream investors begin to claim expertise in the methods we have been employing for years. What happens when the mainstream comes to us? This presents both challenges and opportunities.

Successful SRI in the 21st century will seize the opportunity to invest in sustainability solutions and continue to broaden its appeal to mainstream institutional and individual investors alike as awareness deepens of ESG-related risks and opportunities. We at Calvert look forward to helping to lead this evolution.