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Sr. Pat Daly (third from left) participated in a panel about social impact investing at the Society for Advancing Business Editing and Writing fall conference. From left are panelists Jed Emerson, founder of Blended Value Group, author and advisor on social impact investing, and Rina Kupferschmid-Rojas, head of sustainable finance for UBS in society's client strategy worldwide. Glenn Hall, far right, global chief of Dow Jones Newswires. (Gail DeGeorge)



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Social impact investing is growing as a tool to effect change among corporations, although new Securities and Exchange Commission (SEC) proposed rules could hamper the ability of smaller investors to make their voices heard in shareholder meetings.

Those were some of the key messages that [Sr. Pat Daly](#), a leader in social impact investing for more than 40 years and the corporate responsibility representative for her community of the Dominican Sisters of Caldwell, New Jersey, delivered Nov. 12 as a panelist at the Society of Advancing Business Editing and Writing fall conference in New York. Daly served as the executive director for the Tri-State Coalition for Responsible Investment (now [Investor Advocates for Social Justice](#)) from 1994 to 2017, and partnered with the [Interfaith Center on Corporate Responsibility](#), a coalition of religious communities and other investors that work to hold corporations accountable for their roles in climate change, forced labor and a host of other issues.

"Very often we're told by companies that we're kind of the canary in the coal mine," she told the audience of about 150 journalists and other participants. "It's really important for them to hear about an issue because they know it's going to be front and center in five years and they'd better get ahead of it now."

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Yet the ability of smaller shareholders to push for change is at risk with [proposed rule changes](#) introduced Nov. 5 by the SEC, she said. The rules would [require investors](#) proposing shareholder resolutions to have continuous ownership of at least \$2,000 worth of the company's securities for at least three years; \$15,000 of the securities for at least two years; or \$25,000 of the securities for at least one year. Currently, investors must own at least \$2,000 worth of shares for a year. The new rules would also make it more difficult to resubmit proposals.

"The new rules that are proposed would really wipe out the small investor and leave only the big investors to participate in any advocacy or engagement with the company," Daly said at the panel.

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Daly plans to write to the SEC to ask that the comment period be extended to 120 days from 60 days, she said in an interview after the panel. There's been very little media coverage on an issue that is critical to the ability of shareholders to effect change, she said.

Daly was one of three speakers on the panel, which also featured Jed Emerson, founder of [Blended Value Group](#), co-author of seven books about social entrepreneurship and impact investing and an advisor to families, foundations and wealth management firms, and Rina Kupferschmid-Rojas, head of sustainable finance for UBS in society's client strategy worldwide and an adjunct professor at Columbia University on sustainable and impact investing.

Catholic sisters have long been in the vanguard of social impact investing. Congregations individually or in groups led the way in divesting investments such as defense, gunmaker, tobacco or fossil fuel corporations whose products or processes didn't align with their values. The strategy evolved to still hold some shares and meet with corporate officers and directors about issues, and when that didn't work, to introduce and champion shareholder resolutions to effect change.

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Each panelist reflected on how the field of social impact investing has grown exponentially in recent years. While divestment and exclusion of certain investments are still tactics, Kupferschmid-Rojas said, investors can also choose funds that integrate social and corporate governance indicators, and the next tier of impact investing that focuses on social and environmental change.

There's been a shift in the view of the purpose of capital from just amassing more capital to using that capital to create positive change, Emerson said. Investors want to not only steer clear of investments that don't align with their values, but "also look for opportunities to invest in climate solutions, sustainable oceans and sustainable agriculture," he said.

"The whole financial sector needs to look at what kind of financing, what do we have to invest in and lend for so that our planet is thriving at the end of this century – it

can't be what's being invested in today and what's been invested in the last century," Daly said.

There will be even more demand for such investments as wealth transitions from baby boomers to their children and more millennials have money to invest, Kupferschmid-Rojas said. While 20 years ago there might have been a few socially responsible investing funds, there are now hundreds, with many incorporating the United Nations Sustainable Development Goals, a set of 17 goals to end poverty, address environmental issues and promote sustainability.

Much more information is available to investors now than 15 or 20 years ago to gauge how companies are doing regarding environmental, social and governance indicators, Kupferschmid-Rojas said. "Twenty years ago the reporting was 8 to 10 pages – now it's hundreds of pages," she said. There are 200 performance indicators that companies can report on for environmental issues and 150 on corporate governance issues, she said.

One area that still needs more development is in gauging social issues — how companies address relationships with employees, suppliers, customers and the communities in which they operate, she said. "At the end, corporations have a social responsibility and investors want to know actually how they are doing." While it's still difficult to get that transparency, "I think corporations are working toward getting better indicators for social issues," she said.

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For all the progress, it is still important to realize that some of the riskier issues and concerns presented to companies in shareholder resolutions will often only get three to six percent of the vote in the first year, Daly said. That's why it was so notable that a first-time [shareholder resolution](#) at Verizon regarding child exploitation – the use of the internet for child sex trafficking – got 34 percent of the vote, she said.

The company hasn't set up any policies or directives to address the issue, she said in an interview after the panel, so new shareholder resolutions are being planned to be filed against Verizon. [Similar resolutions have been filed against other telecom and tech companies.](#)

Asked in the interview about new areas of concern, Daly cited the use of [facial recognition technology](#) by Northrop Grumman at the border directed at immigrants. She and members of other religious congregations were planning to meet with Northrop Grumman executives this week about the use of the technology.

Overall, she said, investors are making headway in effecting change, she said. "I've seen so much progress in every single sector over the years," she said. "In terms of corporations making commitments on their greenhouse gas emissions goals and all kinds of other related water use and integration of the sustainable development goals – that's incredible to me."

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