Guidelines for ethical-sustainable investment

March 2015

1. Basic principles

From the very beginning, Bewegungsstiftung laid down in its articles of association to invest only with regard to possible impacts. When founding Bewegungsstiftung in 2002 we chose the concept 'ethical-sustainable' for our asset investments. We impose strict criteria on ourselves and consider our investment to be an important leverage for the necessary political and ecological transformation of society. Therefore the investment contributes towards the purpose of the foundation. In our articles it says: „The assets have to be invested safely, according to strict ethical criteria, and have to provide sufficient return.“

We see ourselves in the tradition of the pioneers of 'green investment'. They did not reject dealing with capital as unethical per se but developed a new instrumental relationship towards money. Money can offer the opportunity to change society when it is implemented in the right places. The pioneers of the Nineties faced the challenge of creating new products first. They prepared the way for present institutional and private investors for a relatively wide range of products.

With our 10 year expertise in the field of ethical-sustainable financial products we can say today: all types of ethical-sustainable investments develop their impact. Also investments that offer a return and security as on regular market standard exert pressure that pushes social and ecological improvements. Today a lot of companies from a wide range of sectors see ethical-sustainable investments as an important incentive for economy and as a competitive advantage for themselves. Without these positive developments in the field of ethical investment, the energy transition in Germany, for instance, could not have been realized in the same way. At the same time new forms of organization demand also new financing instruments, such as cow shares or crowdfunding.

This development can be strengthened by consumers and especially by private and institutional investors. They can have impact by demanding, if possible, the whole range ethical-sustainable products. As a foundation we have exerted this influence in the last years and intend to continue to do this in future. In the meantime, we are considered by many to be an outstanding example in this area. We are happy about this, but at the same time this implies the task to
stick to our strict criteria and to continue to develop our investment policy. We are looking for new opportunities for investments that comply with our strict ethical-sustainable criteria; e.g. among co-housing projects, housing cooperatives, Fair Trade Organizations and sustainable equity fonds. The challenge lies in selecting those investment forms from the product range which can be used to effectively pursue the foundation purposes. Doing this, we are required by law to invest the money safely and with sufficient return.

Until now we have managed these challenges well, despite the financial crisis. We only had to do take low write-offs and yielded a return which allows us to pursue our foundation purposes. With our experience we can say: To invest in an ethical-sustainable way pays off, as well economically as in regard to an impact on social and ecological innovations and transformations. Presently we are working on a publication in which we describe some of those challenges and explain how we dealt with them so other people can benefit from these experiences.

2. Criteria of investment policy

When using the term »sustainable« we refer to the definition of the Brundlandt-Kommission in 1987 that defines sustainable development as a development that »meets the needs of the present without compromising the ability of future generations to meet their own needs«. The term „ethical“ points to additional criteria that play a special role in the application of funds. We divide the investment criteria of these guidelines into »criteria for the application of funds« and »conventional criteria for investment«

2.1 Ethical-sustainable criteria for the application of funds

For the application of funds we work on the basis of three equal aspects: Ethics and sustainability, leverage of change, and personal involvement. We differentiate the ethical-sustainable criteria - according to the practice of many other organization - between negative criteria and positive criteria.

Ethics and sustainability

Negative criteria are the basis on which we make economic decisions to exclude investments. Bewegungsstiftung composed a list of negative criteria that excludes, e.g., investments in the arms industry, nuclear technology, green genetical engineering or child labour. You can find the complete list of exclusions attached at the end of these guidelines.

The positive criteria help to select the investments which we want to give priority to. Our asset investments are supposed to make an active contribution for the essential social and ecological transformation of our society.

We invest in companies and projects, that
- are active in a sustainable sector,
- explore social or technological innovations,
- contribute towards solving social problems,
- have standards in regard to participation, rights, environmental and social issues that considerably exceed the minimum standards which the law requires.

For us, a sustainable sector are lines of business which use ecological modes of production on principle and consider the needs of future generations, such as ecological agriculture, the generation of renewable energy, the ecological construction sector and social housing.

The list of ethical criteria is open and changes, in the same way as society changes. So we make additions or modifications to the list if it becomes necessary in order to pursue the foundation goals in an appropriate way.

**Leverage of change**

The criteria „leverage of change“ is of special significance to the investment policy of the foundation. We always question how much the asset investment really contributes towards the transformation we wish to see. Building up alternative ways of life and production can be a concrete contribution for a sustainable life, because well-functioning alternative projects can engage other people and can provide models for other forms of economy and ways of life. In order to realize the necessary transformation of our current social development model, those models are an important basis from which social change can be developed. We consider the leverage especially high when a project accrues money directly from our investment, and/or when we choose a form of investment which is still unconventional and only noticed by few investors (yet).

**Personal participation**

We are constantly asking which impact we as a foundation can exert with our investments. A share, for instance, regularly gives us the right to speak and to vote at the Annual General Meetings of corporations, cooperative shares grant us suffrage in the respective association. With a loan, our participation is limited to the initial grant or the denial of credit. The influence is also limited by the scope of our financial commitment. The foundation exerts its influence mainly to safeguard the ethical standards which the recipient chose himself/herself.

**2.2 Criteria of conventional investments**

We also differenciate the criteria of conventional investments in three aspects.

**Security**

The substantial amount of the foundation's assets should be preserved. As far as the surplus of the foundation allows, we build reserves from the returns each year to balance the loss of purchasing power that comes along with inflation.
The savings make sure that the foundation will not lose their funding capacity.

**Revenues**
At the same time, the portfolio is supposed to achieve returns that will provide sufficient means for administration, preserving the assets and for funding. However, higher returns can usually be generated when higher risks are involved.

**Liquidity**
To be able to react also on short notice to current market developments or demands of the foundation, a certain amount of ready cash and time deposit must be available. For a continuous solvency it is necessary that the returns of at least half of the investments can be taken out at least once a year without disadvantage.

### 2.3. Structure of the portfolio

Considering all the investment criteria, the Investment Committee (s. p. 5) specified the following portfolio structure. With this combination, our investment-mix complies best with the desired criteria.

- **45 to 55%**  
  Fixed-interest safe investments
- **10 to 15%**  
  Loans to projects which business activities comply with our funding and investment guidelines
- **15 to 20%**  
  Direct participation, i.e. forms of investments in which the foundation provides liable equity capital. Five of 20 percent underly special security demands.
- **10 to 15%**  
  Shares and equity funds
- **ca. 5%**  
  Demand deposits/cash at banks

Of this, about 65% are to be invested in safe funds, and 35% in more risky investments, in order to gain optimal yield with maximum security.

With growing foundation capital in the last years, we have diversified our risk assessment. Presently we have five risk levels with clearly defined „corridors“. Each single investment is allocated to a risk level: Risk level 1 describes a 100 percent sound deposit, whereas risk level 5 may contain investments which are in acute danger of default. Moreover, we make sure that a single recipient with his investment does not form a higher risk than the foundation can earn safely in the same year with other investments.

### 3. The practice of our investment

Since 2011 Bewegungsstiftung employs an asset manager which has an
excellent qualification and expertise in the field of ethical-sustainable investment. She does research for the foundation and keeps assessing new investment products, and she keeps an eye on the current portfolio. At the same time Bewegungsstiftung benefits from the experience and knowledge of a competently staffed Investment Committee. She examines the suggested investment, discusses strategic questions of our investment policy and gives recommendations to the Board of Trustees. The Board makes the final decision about the investment. When deciding individual investments, the Board of Trustees reserves the right to make exceptions from the investment criteria laid down here in this paper. They will give reasons for their respective exceptions and make them transparent.

3.1 Choice of financial institutions

The ethical-sustainable criteria also apply to the choice of financial institutions with which the foundations cooperate. We only cooperate with banks whose own investments and business policy comply with our criteria, and who share our standards in regard to transparency. Banks with co-operative background are suitable partners because they show a higher transparency and have a focus on social economics. Their yields are not the highest goal.

3.2 Transparency

We take transparency for granted. Those who trust us with parts of their property have the same right to information as those organizations which we fund. Because we have the status as a registered charity which means that donations to us are tax-deductible, we also owe those people transparency who pay taxes – to everybody.

This is especially true for our investment. In this field, the foundation reaches out to the public to promote the culture of ethical-sustainable investment and to create incentives for others to act in the same way.

The portfolio of Bewegungsstiftung is updated every six months and published on our website, accessible to everyone. We explicitly encourage other institutions and private investors to use our ethical-sustainable criteria, however, we do not recommend to transfer the structure of our portfolio structure as it is to private assets.
Attachment 1: Negative criteria

We exclude companies and projects from our investments which:

A. pursue a business practice which is ethically controversial:
   1. which do no respect human rights or who conceal their violation,
   2. violate against basic rights of the employees (such as the right to organize, the prohibition of forced and child labour, violation of the right to be paid a living wage),
   3. make use of corruption, tax fraud, tax evasion, or conceal these methods,
   4. violate continuously against environmental or social legislation, international agreements, conventions,
   5. obstruct initiatives for fair global trade or aggravate the indebtedment, discrimination or dependance of people in countries of the Global South.
   6. who overexploit natural resources or promote overexploitation,
   7. who continuously conceal information about their own environmental and social conduct,
   8. violate against principles of animal protection,
   9. systematically violate against the right to informational self-determination,
   10. violate against principles of consumer protection in their marketing,
   11. speculate with resources and food

B. are active in ethically controversial sectors:
   12. which produce or trade with military goods; except are dual use goods which are not regularly used for the arms industry.
   13. Produce, use or do research in nuclear energy, or support this support this industry with their services.
   14. Conduct, use or promote coal-fired power plants, coal mining, fracking,
   15. implement or advance green genetical engineering,
   16. use, produce or trade with products or materials which are especially damaging to environment or health.
   17. Produce or sell tobacco or tobacco products.