



Principles for Social Investment (PSI)

Social investment is the practice of making voluntary financial and non-financial contributions that demonstrably help local communities and broader societies to address their development priorities. Leaders of corporations and grant-making institutions increasingly recognize the importance of responsible social investment, ensuring not only the optimal impact of their contributions, but also their alignment with broader societal goals.

The United Nations Global Compact Principles for Social Investment (PSI) promote contributions that are Purposeful, Accountable, Respectful and Ethical. By distilling best-practices into a set of voluntary principles that guide the ongoing practice of social investment by organizations, the PSI seek to increase the positive impact and scalability of such contributions for the advancement of societies. Forthcoming measurement guidance on the PSI will enable companies and other grant-making institutions to track improvement in their adherence to these principles over time.

Launched in 2000, the UN Global Compact is a call to companies everywhere to (i) align internal operations with its ten universal principles in the areas of human rights, labour, environment and anti-corruption and (ii) take action in support of broad UN goals, including the Millennium Development goals (MDGs). Beyond a commitment to the ten principles if companies wish to engage in social investment, the PSI are intended to cause that such additional voluntary contributions – whether financial or non-financial – have significant impact on the sustainable development of societies.

With the introduction of the PSI, the UN Global Compact seeks to offer guidance for organizations pursuing responsible social investment practices, including companies and their foundations, community foundations, private foundations and non-governmental organizations.

PRINCIPLES

Responsible social investment is:

Principle 1: PURPOSEFUL

Principle 2: ACCOUNTABLE

Principle 3: RESPECTFUL

Principle 4: ETHICAL

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1. Responsible social investment is PURPOSEFUL.

Definition Purposeful social investment is grounded in a limited set of priorities about which the funder is knowledgeable and committed, and for which the funder is reasonably assured to play a positive role and does not negate or unnecessarily duplicate the efforts of other contributors.

Operating Guidance

- Clearly define your social investment strategy, objectives, and criteria against which all investment and activities will be screened and evaluated.
- Create a funding mission and portfolio that reflects your organization's capacity, and aligns with the resources and strategies of your organization and those of your chosen partners.
- Ensure that all partners have well-defined roles and responsibilities, and that they understand your organization's grant-making mission, practices, and goals.
- Apply high standards of due diligence and strategic planning to the funding selection process.
- Investigate whether opportunities exist to coordinate efforts with other parties who are linked to your priority funding areas.

2. Responsible social investment is ACCOUNTABLE.

Definition Accountable social investors take responsibility for the intentional and unintentional effects of their funding, and embrace the concepts of transparency and self-assessment.

Operating Guidance

- Throughout the grant lifecycle, monitor progress toward clear and measurable impact goals and objectives, evaluate the effectiveness of initiatives, and develop responsible exit strategies and funding contingencies.
- Ensure that partner organizations have the capacity to safeguard and apply contributed resources effectively.
- Use an accepted framework for measurement to record contributions completely and accurately; institute controls to protect assets, manage investment risk, and audit accounts.
- Regularly communicate information on grant-making intent, practices, and contributions in an accessible and clear manner that sets stakeholder expectations appropriately.
- Address misinformation or unintended consequences arising from social investments in a complete and timely manner.
- Seek ways to contribute to the ongoing dialogue on best-practice with other funders and partners, and engage in relevant benchmarking exercises.

3. Responsible social investment is RESPECTFUL.

Definition Respectful social investment has due regard for the local customs, traditions, religions, and priorities of pertinent individuals and groups.

Operating Guidance

- Treat program participants and host communities as valued partners and invest in understanding their aspirations, perceptions, and capabilities. Work to ensure that funding goals align with local circumstances and priorities.
- Proactively develop trusting and productive relationships with project stakeholders, securing their active interest and willingness to collaborate before embarking on projects that affect them.
- Enable partner organizations, host communities, and program participants to take part in the design, goal-setting, implementation, evaluation, and ongoing refinement of social investments.
- Social investment efforts should align with and build on existing capacities and initiatives, and be sustainable to the greatest extent possible.
- Empower host communities, program participants and partner institutions to carry on the benefits of the investment, recognizing that capacity strengthening is a key component of sustainable social investment.

4. Responsible social investment is ETHICAL.

Definition Ethical social investment is a reflective practice that employs only legitimate and constructive means in order to achieve its proper ends, in accordance with applicable laws and accepted international norms of behavior.

Operating Guidance

- Operate in a manner that is consistent with international frameworks for ethical conduct with a particular emphasis on the Global Compact's ten principles.
- Support, institute, and uphold high standards of governance.
- Prevent or resolve conflicts of interest.
- Establish mechanisms that facilitate and protect the reporting of unethical behavior.