

## Invest with Purpose



Every day we hear news about environmental issues such as abnormal weather, greenhouse gas emissions, and global warming; the need for a better trained and educated workforce in a fast changing technological society; and the push for increased gender and racial diversity in the boardrooms of companies globally. If you care about any of these issues and you want to align your investment decisions with your sustainability values, then you should consider ESG investing.

“Sustainable investing is the combination of traditional investment approaches with environmental, social and governance (ESG) insights”<sup>1</sup> It allows investors to align investment decisions with their sustainability values. Let’s examine each of the components of ESG.

### **E is for environmental**

What environmental footprint do companies have for them to be considered in ESG? Here are some of screening criteria:

- Climate disclosures, policies, and plans
- Green technologies and products
- Usage of wind and solar renewable energy
- Carbon pollution and emissions
- How are they meeting environmental goals

## **S is for social**

How are companies addressing the people-related elements that affect all stakeholders – customers, employees, suppliers and stockholders?

- Ethical supply chain sourcing
- Diversity and inclusion
- Training and development
- Employee benefits
- Safety policies
- Social justice issues

## **G is for governance**

How do corporate managements and boards relate to all the stakeholders – employees, customers, shareholders, suppliers and communities?

- Board of directors and management team diversity
- Transparency in communication with the public
- Executive compensation, perks and bonuses
- Compensation tied to long-term business growth

The good news is that you don't have to evaluate all these criteria for individual stocks by yourself, especially if you don't have the time. There are now a range of exchange traded funds (ETFs) and mutual funds that use these sustainability screening criteria to build portfolios. However, not all are equal so work with your advisor to help you evaluate which funds match your values, goals and risk tolerance.

And no longer do you need to choose between the tradeoffs of sustainable purpose and performance. Some ESG funds are designed to perform similarly to traditional funds on a risk and return basis.<sup>1</sup>

ESG offers great potential in directing capital towards solving the problems we hear about daily....you can now do something about it and get potentially rewarded for doing so.

*Sources:*

<sup>1</sup>Sustainable Investing. (2019, November 27). Retrieved from <https://www.ishares.com/us/literature/brochure/ishares-sustainable-investing-brochure-website.pdf>

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