

SUSTAINABLE ESG INVESTING

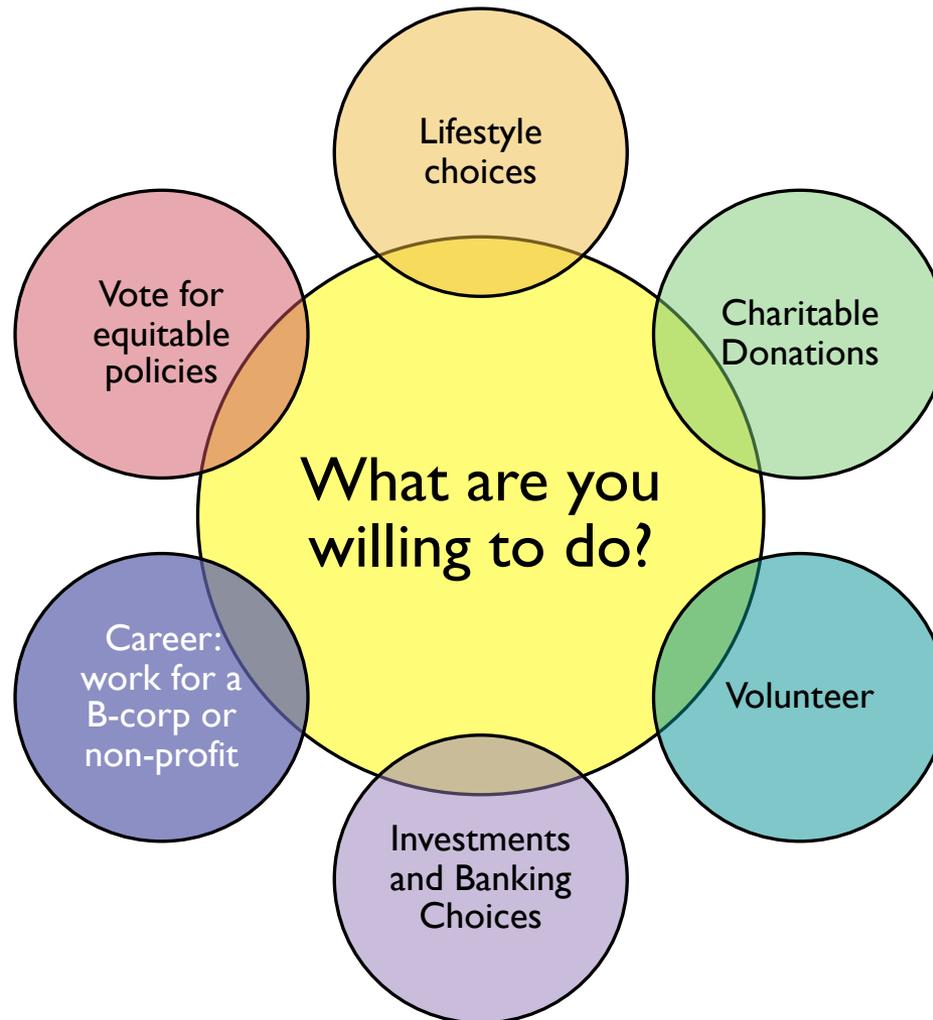
KHLOÉ U. KAROVA, CERTIFIED FINANCIAL PLANNER™

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HOW CAN WE MAKE THE WORLD A BETTER PLACE?



DESCRIBE YOUR IDEAL WORLD

COMPANIES

WHAT DO “GOOD” COMPANIES LOOK LIKE?

1. Eliminating gender pay gap
2. Treat workers fairly
3. No #MeToo
4. Diversity and inclusion
5. #BlackLivesMatter
6. _____
7. _____

CITIES

WHAT ARE THE ISSUES YOU CARE ABOUT?

1. Better public transportation
2. Gun-free schools
3. Fair distribution of resources
4. Public health
5. Affordable housing
6. _____
7. _____

NATURAL RESOURCES

WHAT ACTION NEEDS TO BE TAKEN NOW?

1. Reduce energy consumption
2. Recycling
3. Stricter emissions standards
4. _____
5. _____
6. _____
7. _____

What are examples of companies that fit your criteria?



EXAMPLE: UNITEDHEALTH GROUP AFFORDABLE HOUSING

EDITORS' PICK | Jun 4, 2020, 09:44am EDT | 2,483 views

UnitedHealth Group Increases Housing Investments To \$500M To Address Social Determinants

<https://www.forbes.com/sites/brucejapsen/2020/06/04/unitedhealth-group-boosts-housing-investments-to-500m-to-address-social-determinants/?sh=1ac47f1b2815>
<https://naht.org/news/community-builders-naht-and-unitedhealth-group-close-154m-equity-508-pershing-oakwood-shores>

The Community Builders, NAHT and UnitedHealth Group Close on \$15.4M of Equity for 508 Pershing at Oakwood Shores

Columbus, OH, January 29, 2021. National Affordable Housing Trust (NAHT) is proud to announce the closing of the funding for 508 Pershing at Oakwood Shores in Chicago, IL. NAHT closed on 508 Pershing in partnership with The Community Builders, Inc. (TCB), a nonprofit housing and development organization, and an investment from UnitedHealth Group.



508 Pershing at Oakwood Shores (the Development) is a mixed-use, four-story, 53-unit apartment building to be constructed in the Bronzeville community, approximately 3.5 miles south of downtown Chicago. Sixty-eight (68%) of the Development's apartments will be Low Income Housing Tax Credit (LIHTC) units for households earning up to 80% of Area Median Household Income (AMHI). The remaining 32% of units will be market-rate. Twenty (20) units will also receive Public Housing ACC subsidy, allowing residents to pay income-based rent equal to 30% of their adjusted gross incomes.



IF WE DON'T INVEST FOR A SUSTAINABLE FUTURE, WHAT IS THE ALTERNATIVE?



China has made major progress on air pollution. Wuhan protests show there's still a long way to go

Analysis by [James Griffiths](#), CNN
Updated 1:56 AM ET, Thu July 11, 2019

BEIJING RESIDENTS FACE COSTLY FIGHT AGAINST POLLUTION

CCTV

CNN
FTSE ▲ 5.57
@HolmesCNN



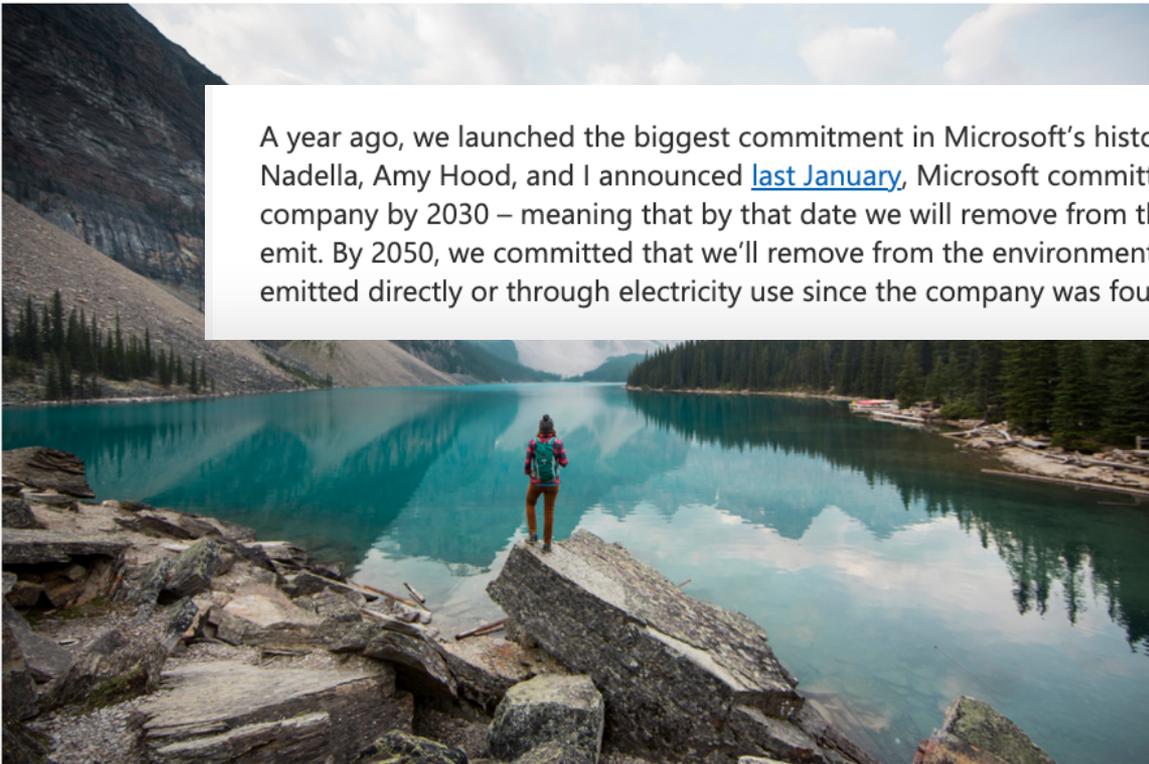
EXAMPLE: MICROSOFT'S PATH TO CARBON NEGATIVE

One year later: The path to carbon negative – a progress report on our climate 'moonshot'

Jan 28, 2021 | [Brad Smith - President](#)



A year ago, we launched the biggest commitment in Microsoft's history to focus on the climate crisis. As Satya Nadella, Amy Hood, and I announced [last January](#), Microsoft committed to become carbon negative as a company by 2030 – meaning that by that date we will remove from the environment more carbon than we emit. By 2050, we committed that we'll remove from the environment all the carbon that Microsoft has emitted directly or through electricity use since the company was founded in 1975.



<https://blogs.microsoft.com/blog/2021/01/28/one-year-later-the-path-to-carbon-negative-a-progress-report-on-our-climate-moonshot/>



RESOURCE MANAGEMENT IS CRITICAL FOR BUSINESS

People tend to take water for granted.



The screenshot shows the WRI website homepage with a navigation bar containing: Climate, Energy, Food, Forests, Water, Cities, BUSINESS, ECONOMICS, FINANCE, GOVERNANCE. The main content area features a large article titled "Cape Town's 'Day Zero' Water Shut-Off" with a sub-headline: "Running out of water, Cape Town, South Africa, is counting down to the day it will be forced to shut the taps serving homes and businesses. WRI Water Director Betsy Otto warns that without better water risk measurement and management, 'Day Zero' could be coming to other cities." Below the text is a "READ MORE" button. To the right are three smaller article teasers: "Mobility Revolution Principles" (with a photo of blue bicycles), "Getting Serious about Social Responsibility" (with a photo of a man at a World Economic Forum event), and "Water Shortages Cost Indian Energy Companies Billions" (with a photo of an industrial facility at night).



LARGEST CONSUMERS OF WATER

1. Agriculture: wheat, corn, rice and sugarcane
2. Textiles: cotton
3. Meat Production
4. Beverage: agricultural inputs
5. Automotive



FASHION INDUSTRY RESPONSE: KERING

HOUSES

TALENT

KERING

SUSTAINABILITY

FINANCE

BIODIVERSITY STRATEGY

Sustainability

Biodiversity strategy

Through its strategy, Kering is driving forward a real paradigm shift.

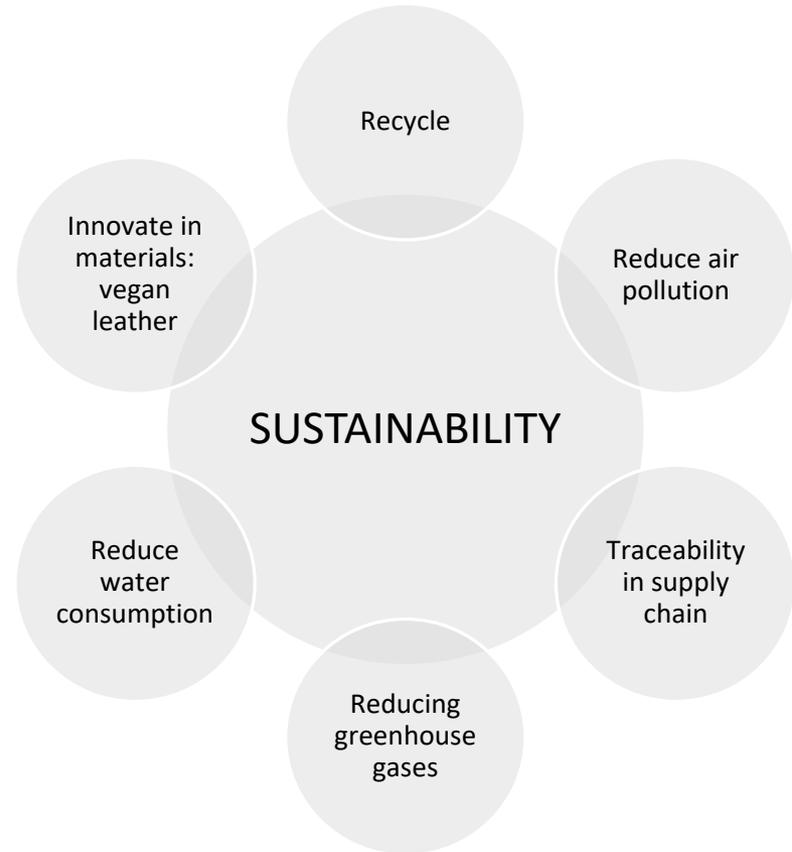
First, by aligning its biodiversity policy and programs with those of the reference framework set out by the Science-Based Target (SBT) Network.

Second, by working closely with stakeholders whose efforts are grounded in scientifically based best practices, Kering focuses on initiatives that directly impact its core business. A critical issue for the Group is reducing greenhouse gas emissions. Kering is targeting a 50% reduction by 2025.

Lastly, in an effort to inspire in-depth transformation and systemic change, Kering is committed to preparing the ground for all industry stakeholders. The Group aspires to develop the most far-reaching and innovative ideas.

By 2025, in order to have a net positive impact on biodiversity, Kering will: restore and regenerate a million hectares for its supply chain and protect one million hectares of critical, irreplaceable habitat.

<https://www.kering.com/en/sustainability/our-strategy/care/>



SMART CITIES

Futurism

<https://futurism.com/heres-a-look-at-the-smart-cities-of-the-future/>



Internet of Things (IoT)

Artificial Intelligence (AI)

Autonomous Vehicles

Battery technology

Controlling pandemics:
Contact tracing

Sharing economy

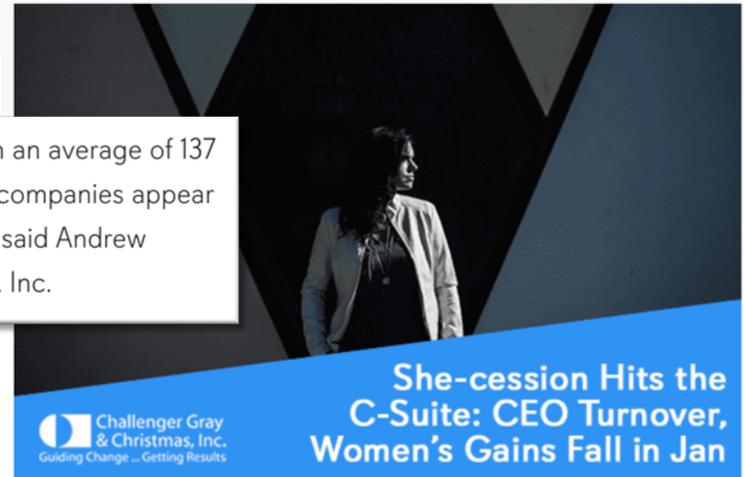


2017 CEO Turnover Report: Lowest Total Since 2004; 11 Out Due To Sexual Misconduct

“The #MeToo movement, so inspiring to women and men who have endured abuse, particularly at work, also inspired companies. Not only are many companies reevaluating their sexual harassment policies and procedures, but many are operating under a zero-tolerance policy, especially regarding the heads of their organizations,” said Challenger.



“CEO turnover has fallen steadily since a record-setting 2019, when an average of 137 CEOs left each month. Despite the pandemic-induced Recession, companies appear to be holding on to their leaders, taking a wait-and-see approach,” said Andrew Challenger, Senior Vice President of Challenger, Gray & Christmas, Inc.



WHICH COMPANIES ARE PIVOTING TO MEET CONSUMER NEEDS DURING THE CORONAVIRUS CRISIS?

PEOPLE.COM > STYLE

Etsy's CEO Encourages Sellers to Make Non-Medical Face Masks as Demand Skyrockets

Over the weekend, the term "face mask" generated over 2 million searches on Etsy.com

By [Alyssa Kelly](#) | April 07, 2020 01:46 PM



WHAT ARE BUSINESSES ARE DOING ABOUT BLACK LIVES MATTER?

Ending systemic racism requires systemic change.

Which companies are willing to

- Raise the minimum wage
- Extend fair lending practices to minorities and low-income communities
- Invest in low-income and rural communities
- Ask lawmakers for regulations that promote a fair playing field (reduce potential for monopoly power)
- Provide health insurance to all employees regardless of part-time or full-time status
- Give benefits to contract workers
- Provide access to their products at lower price points or product forms that make sense for low-income households



SUSTAINABLE INVESTING IS

Bringing capital to businesses that solve important problems and play a part in the future we want to create.

SUSTAINABILITY IS GROWTH WITHOUT COMPROMISING OUR FUTURE

“At its essence, sustainability means ensuring prosperity and environmental protection without compromising the ability of future generations to meet their needs.

A sustainable world is one where people can escape poverty and enjoy decent work without harming the earth’s essential ecosystems and resources; where people can stay healthy and get the food and water they need; where everyone can access clean energy that doesn’t contribute to climate change; where women and girls are afforded equal rights and equal opportunities.”

Former UN Secretary-General Ban Ki-Moon



SUSTAINABLE INVESTING ENCOMPASSES DIFFERENT STYLES

Socially Responsible Investing (SRI)

Exclusionary – Example: no fossil fuels. Does this work? Divestment may increase mainstream pressure on companies to change.

Environmental Social Governance (ESG)

Quantitative: relies on data that is self-reported. Data standards still evolving. Problem when qualitative data converted to quantitative.

Retail investors tend to invest in stories.

Impact Investing

Emphasis on measurable outcomes.

Usually some sort of theory of change.



HOW DOES SRI (SOCIALLY RESPONSIBLE INVESTING) DIFFER FROM ESG?

SOCIALLY RESPONSIBLE INVESTING (SRI)

The SRI process typically involves excluding certain investments from the portfolio — and that decision may be made without consideration to the portfolio return. This is similar to the concept of “divestment” from fossil fuel companies.

In addition, an SRI investor’s primary goal is to disassociate from an activity; changing corporate behavior is usually a secondary consideration at best.

ENVIRONMENTAL SOCIAL GOVERNANCE (ESG)

In contrast, ESG methods give a company a score, which can be used along with other data points when deciding to buy a company. ESG investors may be more committed to enacting change through their investments.

ESG investing is an evolution of the SRI concept, but with a different approach. Though some use ESG and SRI interchangeably, a distinction can be drawn based on how these concepts are incorporated into the portfolio management process and what investors are attempting to achieve.



ESG: QUANTITATIVE APPROACH

ESG investing seeks to evaluate companies in the following areas of risk: environmental, social, and governance.

Environmental

How a company views its role in environmental conservation and sustainability. Types of environmental risks and opportunities: energy consumption, waste disposal, land development and carbon footprint, among others.

Social

A company's relationship with its employees and vendors. Risks and opportunities can include (but aren't limited to) a company's initiatives related to employee health and well-being, and how supplier relationships align with corporate values.

Governance

Corporate decision-making structure, independence of board members, treatment of minority shareholders, executive compensation and political contributions, among others.

http://thinkingaloud.aberdeen-asset.us/en/thinkingaloudus/the-bigger-picture/elements-esg?utm_medium=social&utm_source=linkedin&utm_campaign=esg-campaign-groups-linkedin_linkedin_social_us_en&utm_content=sponsored&cn=esg%202018



DOES SUSTAINABLE INVESTING HURT PERFORMANCE?

Some investors and financial professionals are skeptical of sustainable investing because, intuitively, shrinking one's investable universe could make outperforming the market more difficult. However, researchers from the University of Oxford and Arabesque Partners aggregated the results of 2 studies globally and reports on the impact of sustainability on corporate performance and found the following:

- 90% of the studies showed sustainability standards can lower a company's cost of capital, allowing these companies to grow with lower costs and greater potential shareholder returns.
- 88% of the research showed that ESG practices result in better operational performance.
- 80% of the studies showed that good ESG practices positively influence a company's stock price. In other words, investors should not think of sustainable investing as shrinking the investment universe, but rather focusing on companies within that universe with the best prospects.

https://lplfinancial.lpl.com/content/dam/lpl-www/documents/sustainable_investing.pdf



THE SUSTAINABLE DEVELOPMENT GOALS MIGHT BE THE CLOSEST THING TO A **GLOBAL STRATEGIC PLAN**



SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



INNOVATION OCCURS ON THE FRINGES

Will sustainable firms perform better financially in the long run?

Organic food used to be niche now it's mainstream.

Fuel economy used to be a new thing for autos.

It is not profits versus the planet. It makes sense for business to adapt to changing societal norms and environmental factors.

Sustainable strategies could be a source of competitive advantage.

- Energy efficiency
- Reduce waste and recycle

Environmental factors are not disconnected from business fundamentals, but it takes years to build this. Not easy to see benefits of investments immediately.

With socially responsible and ESG investing styles a long-term investment time horizon is key.



THANK YOU

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

Stock and mutual fund investing involves risk including loss of principal.

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