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RETIREMENT & FINANCIAL PLANNING CORNER

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Accredited Investment Fiduciary ("AIF")

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Environmental, Social and Governance (ESG) Investing

ESG Definition

ESG stands for environmental, social and governance. These are non-financial factors investors use to measure an investment or company's sustainability. Environmental factors look at the conservation of the natural world, social factors examine how a company treats people both inside and outside the company and governance factors consider how a company is run.

Environmental: Sustainability and resource efficiency		**Social:** More Equitable societies and respect for human rights		**Governance:** Accountable governance and transparent operations	
Pollution and Waste		Gender & Diversity Policies		Corporate Behavior	
Climate Change		Safety & Quality Controls		Corporate Governance	
Energy Efficiency		Human Rights & Labor Standards		Accounting Practices	
Natural Resources		Privacy & Data Security		Board Practices	
Example Issues					
Greenhouse Gas Emissions	Energy Efficiency	Health & Safety	Labor Rights	Board Independence	Executive Pay
Example Metrics					
CO2 Emissions per Unit Produced	Energy Use Per Square Meter	Employee Accidents Relative to Total Hours Worked	Number of Active Controversies	Independent Members Relative to Affiliated Members	Executive Pay Ratio & Disclosures

https://www.investopedia.com/terms/e/environmental-social-and-governance-esg-criteria.asp

https://www.nerdwallet.com/article/investing/esg-investing

History of ESG investing

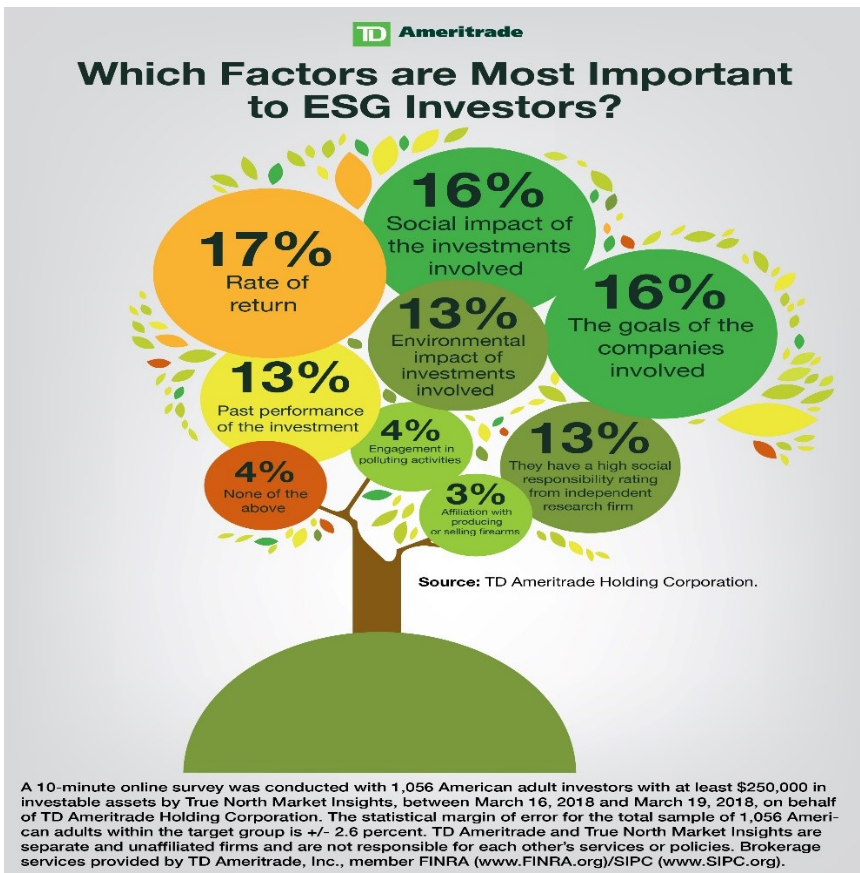
The story of ESG investing began in January 2004 when former UN Secretary General Kofi Annan wrote to over 50 CEOs of major financial institutions, inviting them to participate in a joint initiative under the auspices of the UN Global Compact and with the support of the International Finance Corporation (IFC) and the Swiss Government.

The goal of the initiative was to find ways to integrate ESG into capital markets.

A year later this initiative produced a report entitled "Who Cares Wins," with Ivo Knoepfel as the author. The report made the case that embedding environmental, social and governance factors in capital markets makes good business sense and leads to more sustainable markets and better outcomes for societies.

At the same time UNEP/Fi produced the so-called "Freshfield Report" which showed that ESG issues are relevant for financial valuation.

These two reports formed the backbone for the launch of the Principles for Responsible Investment (PRI) at the New York Stock Exchange in 2006 and the launch of the Sustainable Stock Exchange Initiative (SSEI) the following year



https://www.esl.org/resources-tools/educational-resources/esg-investing-part-one

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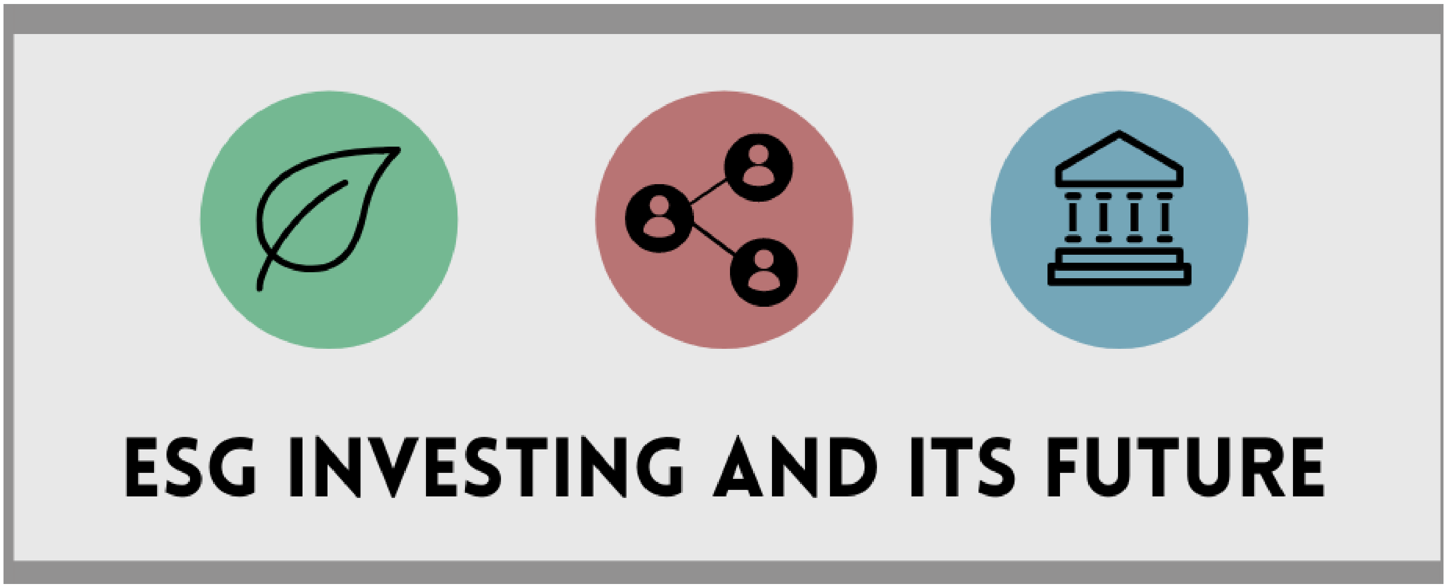
The Future of ESG Investing



- ESG capital will increasingly be structured as patient capital, taking the long view. Transformation doesn't happen overnight and investors seeking to make a difference need to be mindful of that. In some cases, this will require a different mindset from how money is managed today, with investors moving from a focus on liquidity and quarterly performance to long-term holding company and fund structures.
- Measurement practices will continue to evolve and improve, integrating reporting on financial and extra-financial data. At COP26 in Glasgow, there was a concerted push by the financial community to create uniform and transparent standards for ESG measurement. That is a step in the right direction. But ultimately, science-based assessments will be needed to measure risk, return and impact in a way that will give investors an accurate picture of how their capital is being deployed and how its total performance (risk, return and impact) is assessed.
- A global perspective will be essential. A recent G7 taskforce on impact investing identified emerging markets as the biggest opportunity for impact investors. As the report's summary put it: "The reality is that 4 billion people in emerging economies are rising out of poverty, and it is crucial they leapfrog to decarbonized technologies."

https://www.worth.com/future-esg-investing-could-truly-deepen-impact/

ESG Investing and the S&P 500

EFIV (SPDR® S&P 500® ESG ETF) is designed to select companies from the S&P 500 Index that meet certain ESG characteristics, while maintaining the same risk and return as the Index.

Top Holdings:

- Apple Inc
- Microsoft Corp
- Amazon.com Inc
- Alphabet Inc (Google)
- Tesla Inc
- NVIDIA Corp
- JPMorgan Chase & Co
- UnitedHealth Group
- Procter & Gamble Co
- The Home Depot Inc

The reason these companies are in the ESG ETF is from their ESG characteristics and their low sustainability score. Sustainability Rating is a measure of how well the portfolio holdings are managing their ESG Risk relative to the portfolio's Global Category peer group. The lower the score equals the lower the risk which equates to the company providing exceptional environmental, social and governance ratings.

https://www.morningstar.com/topics/sustainable-investing

https://www.nasdaq.com/articles/esg-etfs-could-be-great-for-your-core-investment-portfolio

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