# What is **ESG Investing?**

A responsible investment strategy that seeks both financial return & positive change.



# What the numbers say...



(Clark, Gordon L. and Feiner, Andreas and Viehs. Michael, March 5, 2015)

cost of capital

of studies show that solid ESG practices result in better

> (Clark, Gordon L. and Feiner, Andreas and Viehs,

operational performance

of people are interested in ESG Investing

(Morgan Stanley, 2019)

of studies show significant correlation between ESG and corporate financial performance

(Gunnar Friedea, Timo Buschb\* and Alexander Bassenb 2015)

# The three pillars of ESG investing

(environmental, social & governance) combine to define what most people would categorise as good business practice.



# **Environmental**

Air & Water pollution, Biodiversity & Deforestation, Emissions, Energy Efficiency, Waste Management, Water Scarcity



# Social

Customer Satisfaction, Community Relations, Employee Engagement, Gender & Diversity, Human Rights, Labour Standards



### Governance

Audit Committee Structure, Board Composition, Bribery & Corruption, Executive Compensation, Lobbying Activities, Political Contributions

# What types of ESG Screening are there?

#### **ESG INTEGRATION**



The most diversified approach, this method seeks to integrate ESG concerns into a predefined investment strategy.



## **EXCLUSION-BASED**

This approach screens a universe of potential investments & seeks to exclude those companies that fail to reach certain minimum criteria in their ESG measurements.

### **INCLUSION-BASED**



This approach identifies companies that exceed a pre-determined level in one or more of the ESG categories. Companies that pass the screening criteria are eligible for investment.



#### **IMPACT INVESTING**

The most concentrated approach, this style usually takes the form of being goal-driven, for example investments in social housing projects to alleviate homelessness.



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THE VALUE OF INVESTMENTS CAN GO DOWN AS WELL AS UP & IT IS POSSIBLE TO GET BACK LESS THAN THE AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.