



RETIREMENT & FINANCIAL PLANNING CORNER

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Environmental, Social and Governance (ESG) Investing Revisited

What is ESG?

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, Social, and Governance (ESG) Criteria

[in-ˈvī-rə(n)-mənt-el ˈsō-shəl ən(d) gə-vər-nən(t)s krī-ˈtir-ē-ə]

A set of standards for a company's behavior used by socially conscious investors to screen potential investments.



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

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

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ESG Currently

How Big is ESG?

Estimates vary depending on what people count as ESG. According to Bloomberg Intelligence, global assets are set to climb to \$50 trillion by 2025 from about \$35 trillion now. That's up from \$30.7 trillion in 2018 and \$22.8 trillion in 2016, according to the Global Sustainable Investment Association.

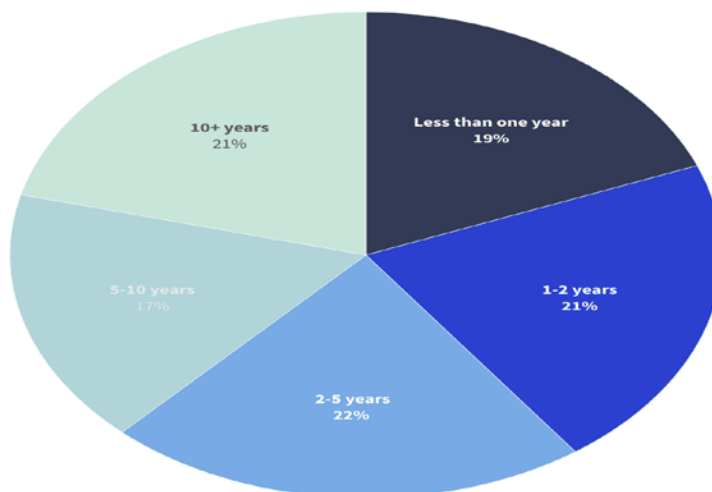
What are the returns like?

Across three categories — Europe-focused, US-focused and global — ESG large-cap equity funds have done better this year, on average, than their non-ESG counterparts. While they have lost money — in line with the broad market selloff — those losses are smaller. Globally, ESG funds are down 11.7% this year through June 10, compared with the 14.8% slump of the MSCI World Index. But there have been some early signs that investors are souring on ESG. For example, they pulled a record \$2 billion net from US equity exchange-traded funds in May, ending three years of inflows, according to Bloomberg Intelligence.

Most ESG Investors Started Using ESG Criteria Within The Last Five Years

How long have you been including environmental, social, and governance (ESG) criteria into your investment decisions?

■ Less than one year ■ 1-2 years ■ 2-5 years ■ 5-10 years ■ 10+ years



Among investors who often include ESG criteria in their decision-making. N=787
Chart: Adrian Nesta • Source: Investopedia + Treehugger Survey, 18+ U.S. (6/21/21 - 7/10/21)

Investopedia Treehugger

https://www.washingtonpost.com/business/energy/everything-you-need-to-know-about-esg-investing-and-the-backlash-to-it/2022/09/13/1e396846-33a0-11ed-a0d6-415299bfebd5_story.html

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Greenwashing & ESG

What Is Greenwashing?

Greenwashing is a marketing tactic that companies use to lure in environmentally conscious customers, despite their products or services being anything but.

When businesses represent themselves as sustainable by providing false or misleading information about their practices, that's greenwashing.

Greenwashing and ESG Investing

ESG investing is a strategy that helps people put their money behind companies that score highly on independent measures of their environmental, social and governance practices.

It's a strategy that's popular for investment portfolios spanning the generations. A 2021 analysis by Morningstar found that Millennials, Gen X and Boomers all had similar preferences for owning sustainable investments.



<https://www.forbes.com/advisor/investing/greenwashing-esg/>

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The Future of ESG Investing

The Trend of The Decade

Investors recognize that solving the climate crisis is one of the biggest challenges of this decade. Flows into ESG funds doubled from 2020 to 2021. That trend is poised to continue in the coming years, as a new report from Broadridge Financial Solutions predicts that ESG assets will tip \$30 trillion by 2030. However, today's investors expect more in return and in returns. They expect these funds to provide a competitive yield, and they want to know that companies are upholding their promises.

Data will continue to improve real-time analysis on the ESG rating of a portfolio, enabling investors to make more informed decisions. Direct indexing could also empower personalization at scale. Investors will have increased access to and choice over the funds that support the causes and values important to them, whether that be investing in women-run companies, carbon-neutral companies, companies that invest back into local communities, and so forth.

FIGURE 1

ESG-mandated assets are projected to make up half of all professionally managed assets globally by 2024

Global assets under professional management (\$T)



Note: All amounts are in US dollars.

Source: Proportion of ESG-mandated data through 2020 from Global Sustainable Investment Alliance; DCFS analysis through 2025.

Deloitte Insights | deloitte.com/insights

<https://www.forbes.com/sites/forbestechcouncil/2022/02/16/the-future-of-esg-investing/?sh=1b4a1a09573e>

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