

Sustainable Investing: From Niche to Normal

Assets managed in the US with an Environmental, Social, and Governance (ESG) strategy increased by 44% from 2016 to 2018¹. This paper provides an update on the proliferation of Sustainable Investing and in particular the growing adoption of ESG investing strategies and what this means for individual investors.

- ESG investing is NOT the same as Socially Responsible Investing (SRI).
- Many institutional investors are now employing ESG strategies to manage their portfolios.
- Portfolios managed with ESG strategies can perform as well as conventional portfolios.
- A growing number of investors are successfully investing sustainably with ESG funds.

Introduction

Institutional investors have always searched for better ways to manage risk. They adopt academic research and hire the academics behind the research to refine the models. They continually strive to create increasingly sophisticated portfolio management techniques. They have pushed researchers to collect more, and better data, and they have encouraged companies to measure and report on more metrics.

Long before it was called ESG, investors were calculating *environmental*, *social* and *governance* risks. Raw material costs, pollution controls, and environmental lawsuits are now called *environmental* factors. Labor disputes and human rights violations are now *social* risks. And executive pay and board independence is called *governance*.

It would be inaccurate, however to say that ESG is nothing new. It has developed into its own category of investing because of the systematic way investors are now employing it. Assets managed for sustainability have multiplied in recent years. The Forum for Sustainable and Responsible Investment (USSIF) reports that the market size of sustainable, responsible and impact investing in the United States in 2018 was \$12 trillion or one-quarter of all investment under professional management.² The financial services industry has adapted rapidly as a result. New research firms have sprung up and traditional firms have added resources to deliver the quantity and quality of the data that makes ESG investing possible. Regulators have amended policy to facilitate the demand from both institutional and individual investors. Crucially, research from both academia and industry show that ESG investments can perform as well as conventional strategies (see *Performance, Sustainable Investing III*).

This is all good news for the investor who wants to invest for sustainability, because it means a successful investing experience is available to them with ESG integration. Prudent implementation is necessary, of course, and requires a well thought out plan with carefully selected funds.

Defining Sustainable Investing

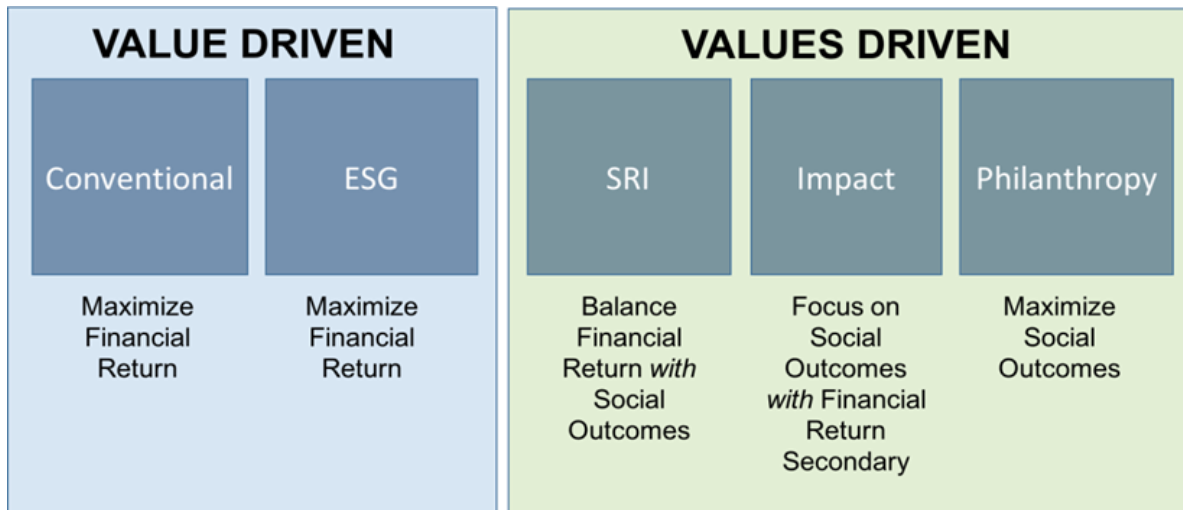
Investors are often confused over what 'sustainable' investing actually is. This is because there is no consensus on definitions. This is especially the case with Socially Responsible Investing (SRI). SRI was originally developed to allow investors to avoid companies they disliked for ethical or values based reasons. This original form is now called exclusionary or negative screen investing. Other SRI strategies have been developed, including positive screen or thematic investing, where only companies aligned to the investors' values are bought. More recently, impact investing has become popular; here investors provide capital to innovative companies working to solve social problems like endemic unemployment or recidivism. SRI has expanded so much that some have relabeled it from 'Socially Responsible Investing' to 'Sustainable, Responsible, and Impact' investing (see *Glossary, Sustainable Investing III*). Today, many use these terms interchangeably.



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The proliferation of investment alternatives for the concerned investor is certainly welcome, but the confusion that results is an unfortunate side effect. Below is an infographic that attempts to make meaningful distinctions between ESG, SRI, and Impact strategies.

CHART 1: 'Value' vs 'Values'



Source: Vert Asset Management.

The 'Value Driven' categories on the left include the investment approaches that are designed to NOT compromise on risk and return. Both 'conventional' and 'ESG' strategies aim to maximize financial return for the risk taken. They put financial return first, BEFORE any other issues are addressed, although ESG strategies do so by favoring companies with strong and/or improving ESG profiles. The 'Values Driven' categories on the right include strategies that consider financial return AFTER the investors' values have been satisfied.

There is, of course, a spectrum of funds with varying focus on financial returns and sustainable outcomes. The fundamental difference on which is prioritized makes ESG distinct from SRI.

ESG integration is the explicit inclusion of environmental, social, and governance risks and opportunities into traditional financial analysis based on a systematic approach and appropriate research sources.³ ESG is about economic value. SRI is an attempt to incorporate ethics and social concerns into portfolios. SRI is about values. Confusion arises in cases where 'economic value' and 'individual values' overlap; for example, pollution is a risk to a company's profits and to a person's health. It makes perfect sense to avoid polluting companies for either reason. Many investors will do it for both. In these cases, a fund could be called ESG and SRI.

It is however, important to not lump ESG strategies in with other forms of SRI investments when evaluating investment objectives and the resulting performance. The conclusions of research on the performance of SRI funds may not apply to ESG funds. Average results of 'SRI' or 'Sustainable' fund performance studies will be mixed because of the mix of investment objectives. Meaningful conclusions can only be made when making like for like comparisons (*see Performance, Sustainable Investing III*). ESG funds that aim to maximize financial returns have different results from SRI funds that balance objectives.

The Difference Between SRI and ESG Funds

Many of the earliest SRI funds didn't deliver market returns. Some of these funds limited their investment to a handful of stocks centered around a theme. Others excluded a large number of undesirable stocks or even whole industries. This lack of diversification often resulted in the portfolio performing quite differently to the index.

Typically, SRI funds were actively managed, and thus had higher fees. These drawbacks limited SRI investing to 'ethical' investors who were willing to accept lower performance.

In recent years, more sophisticated investment funds have been launched, with lower fees, and better diversification. Newer funds and ETFs are built with E, S, and G factors integrated to deliver market-like performance. These funds

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allow 'mainstream' investors to invest more of their portfolios in a sustainable manner with no performance differential.

ESG Investing: Factors to Manage Risk

ESG integration provides a framework to evaluate externalities which are unaccounted costs of natural resources that companies use and/or produce such as water, pollution, waste and deforestation. For instance, if one shoe manufacturer uses twice as much water per unit than a competitor, the company's higher water use may not be completely captured in the financial reports. They may record a higher utility bill, but this does not account for the risk a company faces if there is a water shortage or a spike in water costs. By adding the environmental factor into fundamental analysis, managers get a clearer picture of the company specific risk.

ESG Factors Explained

Traditional security selection relies on fundamental ratios like price to earnings or book to market. ESG integration does that as well, but adds the environmental, social and governance factors into that analysis. This process requires collecting additional data. Portfolio managers will buy ESG scores from large data providers, obtain it from in-house ESG analysts or conduct their own fundamental research that integrates ESG factors. The manager uses E, S, and G signals alongside financial information to make investment decisions. ESG integration supplies an enhanced analysis of companies by giving the manager a better understanding of overall risk – both financial and non-financial. Every fund manager has their own proprietary approach to investment portfolio construction, and with ESG it is no different. The weight managers put on the different factors will vary widely.

Data companies, such as MSCI, collect and distribute data on more than 150 ESG criteria. The chart below gives examples of E, S, G factors along with the corresponding issue and the metric to be identified and measured.

CHART 2: ESG Factors – Issues and Metrics

	ENVIRONMENT Natural Resources Pollution & Waste Climate Change Environmental Opportunities		SOCIAL Human Capital Product Liability Stakeholder Opposition Social Opportunities		GOVERNANCE Corporate Behavior Corporate Governance	
EXAMPLE ISSUES	Greenhouse Gas Emissions	Energy Efficiency	Health & Safety	Labor Rights	Board Independence	Executive Pay
EXAMPLE METRICS	CO ₂ 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

Source: adapted from MSCI ESG Ratings, Vert Asset Management.

The environmental factor "E" captures data on the natural resources that a firm consumes and how much it pollutes. It used to be difficult to get this data, but it is becoming more mainstream for companies to report this. Over 8,400 companies now voluntarily report to CDP (formerly Carbon Disclosure Project), a data provider that advocates disclosure of greenhouse gas emissions and water use metrics. In some markets, like the UK, all listed companies are required to report their greenhouse gas emissions; this data is now part of the standard reporting package.

The social factor "S" often represents highly qualitative issues. How an employer treats its workers and contributes to the local community can be subjective. Investors should be cautious with these scores. Some social metrics are more quantifiable than others, including safety records, number of human rights violations and employee access to health

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care and benefits.

The governance factor “G” captures issues like board independence, executive pay, and employee ownership. Governance is the most well-researched factor. The data has been in company filings for decades. The abundance of good data has allowed researchers to compare thousands of companies over long periods of time. Many studies indicate that poor corporate governance can adversely affect corporate financial performance.⁴

Are ESG Factors Material?

Some ESG factors are more relevant than others depending on the industry that a company operates in. For example, health and safety issues under the social “S” factor are more material to a mining company than a bank. A mining company with fewer employee related accidents could get a better social score and this would be meaningful in analyzing risk of this specific company relative to its competitors within the mining industry. But the absence of employee accidents at a financial firm would not necessarily indicate it is a lower risk firm within the financial services industry. ESG factors do not create a uniform risk measurement across different sectors. Rather the issues under each factor are evaluated for their relevance and materiality at the company and industry level.

ESG factors have become more material in accounting for individual company and industry risks. A powerful example is the Paris Agreement where countries pledged to reduce their carbon emissions. The signatories to the 2016 agreement must identify ways in which their country can mitigate GHG levels through renewable energy, energy reduction and protection of national carbon sinks. If these countries increase the amount they regulate, tax, or otherwise price carbon, companies that have higher carbon emissions will experience higher costs. ESG managers are attempting to account for that risk now rather than later.

When Do Investors Integrate ESG?

When to integrate ESG factors into portfolio analysis largely depends on investment philosophy. Some managers, typically active managers, believe that E, S, and G factors are not yet priced into the market and therefore they can achieve higher returns as a result of their deeper analysis.⁵ Other managers believe much of the ESG data is priced in, but the deeper analysis will allow them to better avoid risks. To varying degrees, all would agree the more ESG data that is available, the more refined and accurate distinctions can be made between companies. This trend will only continue as this data goes from being considered an extra layer of analysis to part of the standard reporting package.

The question for investors is when will they make ESG considerations part of their investment strategy. Some investors will see the benefits of the risk analysis and integrate ESG now. Others will wait until it becomes more commonplace or only when there is 20-30 years of data to demonstrate the persistence of ESG benefits. At present, some ESG data only goes back 5-10 years depending on the data source. Some institutions are choosing not to wait but to integrate these risk factors now.

Who is Doing It?

The vast majority of sustainable investments are institutional, in fact nearly 90%.⁶ There are good reasons the institutional money moved first. Institutional assets are usually separately managed accounts. Each portfolio is managed to custom specifications for each institution. If a state pension fund wants to divest from coal stocks it is straightforward to do so. There are no other clients to consider. Because of this freedom, large institutional fiduciaries tend to be the first-mover in new strategies.

This is normally how innovations in investment strategies arise and proliferate. Large institutions that can afford to develop the research and the capabilities are the first to develop the strategies. Individual investors adopt the technology once investment managers develop retail products. There is good indication that this development and adoption is well under way with sustainable investing.

Pension Funds

Some of the world’s largest pension funds have committed to sustainable investment mandates.⁷ Long-term liabilities motivate pension trustees to add ESG considerations to long-term macroeconomic and geopolitical risks.

The Norwegian Pension Fund is the second largest pension fund in the world with \$1.148 trillion as of December 31, 2019. It is a leader in sustainable investing even though it is funded, ironically, from Norway’s oil and gas revenues. Over

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the last couple years, it has divested from coal and energy companies that had more than a 30% stake in the coal sector.⁸ The fund divests for financial reasons, which increasingly take into account social and environmental activities by the company and their impact on profit.⁹

Netherlands Pensioenfond ABP, the fifth largest pension fund with \$521 billion as of December 31, 2019, has changed its investment policy statement to target more sustainable and responsible investments. Also, it has set an objective to reduce the carbon footprint of its investments by 25% by 2020.¹⁰

California Public Employees Pension Fund or CALPERS is number six with \$395 billion as of December 31, 2019. Its board stated in 2011 that it would pursue a total portfolio framework to integrate ESG into its investment-decision making.¹¹ CALPERS has begun to divest from coal companies that are not moving to clean energy solutions. CALPERS initiated a pilot program in June of 2015 that will require all of their asset managers to provide detailed ESG reporting on the funds they invest on CALPERS behalf. The fund, in conjunction with UC Davis, created the Sustainable Investment Research Initiative; a library of 750 academic papers on the impact of ESG factors for a long-term investor.¹²

Canada Pension Plan CPP is the eighth largest fund with \$420.4 billion as of December 2019. It integrates ESG into the financial assessment of potential investments and uses its shareholder rights to engage companies to improve on ESG issues.¹³

Research and Data Providers

Research and data providers working in financial services and some that originated from other sectors are responding to the growing demand for ESG products and services from asset owners and asset managers.

MSCI has bought many independent data firms including KLD, RiskMetrics, GMI, and IPD. It now boasts an impressive 200-plus person in-house ESG analytic team and assigns ESG ratings to 7,500 companies worldwide.

Bloomberg has made ESG data available on their terminals since 2009 and now covers 11,300 companies. With the launch of the Bloomberg New Energy Finance division in 2004, they have revolutionized clean energy and green bond investing. The Bloomberg Portfolio Carbon Footprint Tool, Pay Index and Water Risk Valuation Tool help investors measure risks.

Thomson Reuters has developed ESG research and services by acquiring ESG data provider ASSET4 and developing a suite of responsible business indices using ESG ratings.

Morningstar, through its acquisition of Sustainalytics, provides environmental, social and governance data on 40,000 companies globally as well as ratings on 20,000 companies. In 2016, the firms first partnered with each other to develop a 'sustainability rating' for mutual funds. Morningstar now applies this rating across its database of thousands of mutual funds enabling financial advisors and investors to make more informed investments.

Many boutique ESG research and data providers have also emerged to meet investor demand. **CDP** originally started with the aim of getting companies to identify, measure and report on their greenhouse gas emissions. The group has expanded their reach to include water metrics. **GRESB** is an investor-driven organization of 250 members who voluntarily report on the ESG performance of real estate portfolios. These research and data intermediaries are connecting company level ESG data to the investment marketplace. This list is by no means exhaustive as there are many others working across many aspects of ESG data.

As tools for large asset owners and managers evolve more broadly, platforms for the retail market emerge too. The adoption of ESG integration from the largest investors is clear, and it has important implications for investment choices for retail investors. The big pension funds are driving the proliferation of research and data collection. The data allows investment managers to design and manage new ESG funds and products that financial advisors can offer individual investors.

Performance

If sustainable investing was destined to underperform conventional investing, there would not be the dramatic increase in commitments to sustainable investing from large institutions. As fiduciaries, institutions must not deliver lower returns for any reason. For ESG investing, they need ample proof it won't hurt returns. It is clear these institutions are comfortable investing this way and have the research to back it up. Wealth advisors are also coming around to the realization that they need not sacrifice performance in deploying investments that align with their clients' values. Recent surveys suggest advisors are now planning to increase usage of ESG funds in the future, suggesting the majority of advisors are no longer on the fence about the merits of ESG investing. A better understanding of the performance differential between ESG

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and SRI funds is another catalyst supporting increased ESG fund usage (see side box “The Difference Between SRI and ESG Funds”).

The performance implications of ESG investing have been researched extensively. With more and more data becoming available, the number and type of studies done have increased exponentially in recent years and it is now impossible to read them all.

There are three types of performance studies particularly relevant to the investor. Firstly, the company level studies research whether companies where managers make sustainable decisions have better corporate financial performance and better stock market performance. If investing for sustainability is a detriment to returns, investors should be concerned. Secondly, the index level studies inform the investor if an ESG index has a performance differential to a conventional market index. This is important research as it sets performance expectations and determines benchmark selection. Thirdly, the fund level studies are perhaps the most practical as they reflect what investors actually got in returns.

ESG Companies vs Conventional Companies

In 2015, the University of Oxford’s Smith School of Enterprise and the Environment teamed up with Arabesque Asset Management to review 200 academic papers in a meta-study entitled “From Stockholder to Stakeholder.” The report researched the economic results of ESG practices by corporate managers and the implications for investors. The report observed three key points:

- 90% of the cost of capital studies show that sound ESG standards lower the cost of capital of individual companies;
- 88% of the studies show that solid ESG practices result in better corporate operational performance;
- 80% of the studies show that company stock price performance is positively influenced by good sustainability practices.

The study also found active ownership allows investors to influence corporate behavior and benefit from improvements in sustainable business practices. It concluded that investors and corporate managers should incorporate sustainability considerations into their decision-making processes. Companies that behave as better stewards of people and planet have improved corporate financials.

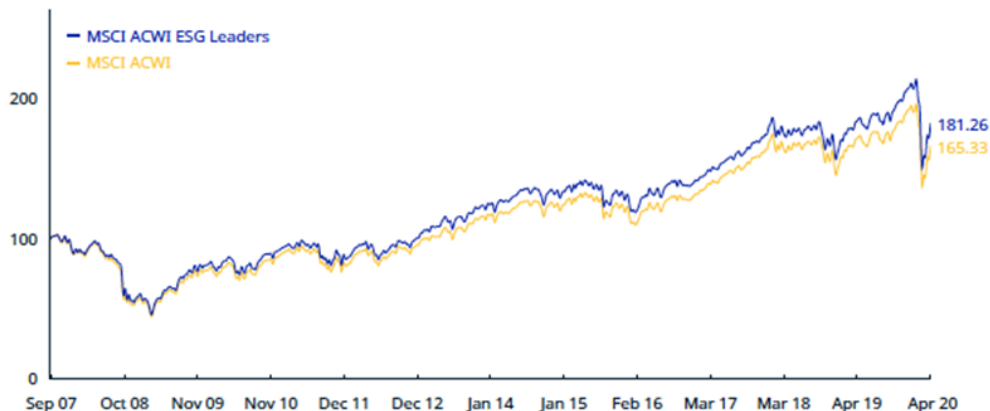
ESG Indices vs Conventional Indices

Index comparisons isolate the question to whether or not a sustainability-oriented basket of companies has any systematic performance difference to a basket of all companies. Many index providers now have ESG or sustainability versions of their flagship indices. MSCI has over 1,500 sustainability indices across its product range. A comparison between the conventional benchmark MSCI All Country World Index (ACWI) and the newer MSCI ACWI ESG Index shows similar returns.

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CHART 3: MSCI ACWI vs MSCI ACWI ESG Leaders Indices

CUMULATIVE INDEX PERFORMANCE – GROSS RETURNS (USD) (SEP 2007 – APR 2020)



INDEX PERFORMANCE – GROSS RETURNS (%) (APR 30, 2020)

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED			
					3 Yr	5 Yr	10 Yr	Since Sep 28, 2007
MSCI ACWI ESG Leaders	10.41	-11.12	-2.33	-11.61	5.93	5.49	7.96	4.83
MSCI ACWI	10.76	-11.83	-4.43	-12.78	5.03	4.94	7.52	4.07

INDEX RISK AND RETURN CHARACTERISTICS (SEP 28, 2007 – APR 30, 2020)

	Beta	Tracking Error (%)	Turnover (%) ¹	ANNUALIZED STD DEV (%) ²			SHARPE RATIO ^{2,3}		
				3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ESG Leaders	0.97	1.23	7.92	15.54	14.00	13.95	0.33	0.36	0.57
MSCI ACWI	1.00	0.00	3.38	16.05	14.41	14.37	0.27	0.32	0.53

Source: MSCI (2020). For illustrative purposes only.

The index data suggest there is no reason to expect substantial difference in the stock market performance of a market basket of stocks compared to a broad ESG basket of stocks. Investors should look at the index construction carefully, as some of the indices can lack diversification and show comparisons over short time periods.

ESG Portfolios vs Conventional Portfolios

Taking a portfolio view to evaluate performance, Deutsche Bank partnered with the University of Hamburg in 2015 to review 2,000 academic papers and found that the business case for ESG investing is empirically well-founded; they concluded that ESG indicators pay off financially and appear stable over time.¹⁴ The review uncovered that 62.6% of studies examined show a positive correlation between integrating ESG factors and portfolio performance. The study corroborated work done by others on issues of materiality (the extent to which ESG considerations impact company financials). They found that environmental and social issues vary in materiality across industries, but governance issues are integral to the proper functioning of all companies. For instance, where there is a lack of oversight on governance issues there is a potential for reputational risk and financial damage. The study concluded that it is more beneficial to apply the E, S and G independently, rather than together. The study also found similar performance links with ESG factors in bonds and real estate as well.¹⁵

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The Bottom Line on Performance

The research clearly shows that it is not necessary to underperform when investing for sustainability. Whether one is investing in individual stocks, indices, or funds, an investor can achieve market performance or better.

Academics and practitioners have researched the effects of environmental, social and governance factors on the corporate financial performance of individual public companies. The ESG firms do better, on average. They have also tested how indices of more sustainable stocks perform versus the benchmark indices. There aren't systematic differences. And they've also measured how socially and environmentally responsible mutual funds performed against conventional funds. They found funds built on ESG factors tend to do a bit better.

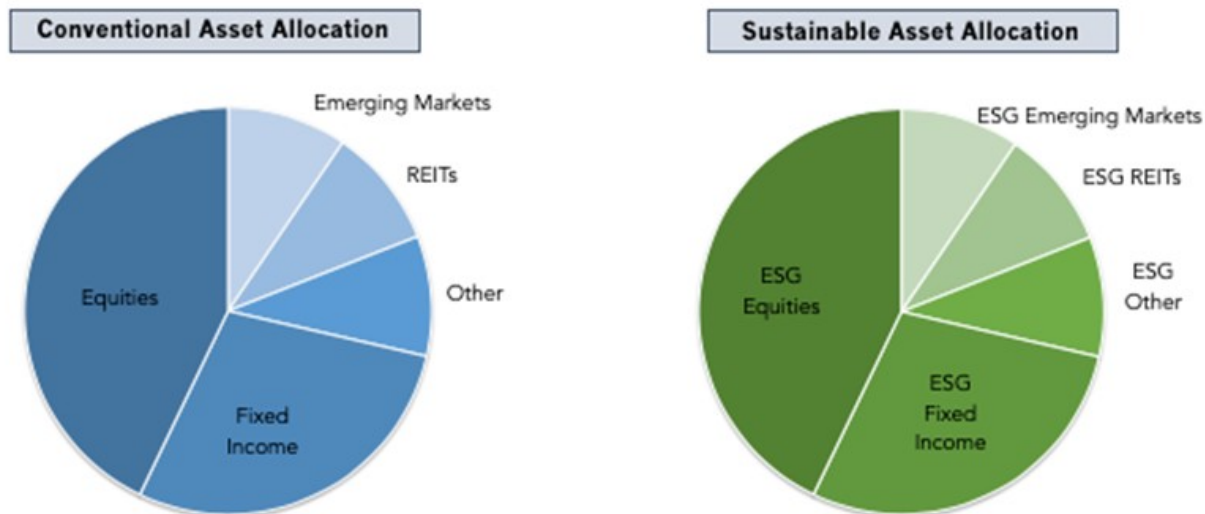
Investors who want sustainable investing with good performance can do so provided they act with care. They need only to abide by the fundamentals of investing that the successful institutional investors subscribe to. Do proper due diligence on the investment structure. Stay well diversified and disciplined and keep costs low.

Potential for Increased Costs

Investors should apply the same rigorous economic due diligence to ESG fund selection as with traditional funds; however, there may be higher expenses in ESG funds. The higher costs are often due to research costs for the ESG factors, and to smaller fund sizes. These costs should shrink over time as assets grow. Higher management fees for active stock selection normally won't come down. Some higher costs, such as for engagement, the investor may be willing to pay for. Fortunately, the overwhelming trend is away from active funds and the proliferation of ESG index funds and ETFs is driving costs down.

How to do it

There is a perception that ESG investing requires an entirely new process resulting in a different asset allocation and an entirely new portfolio. This is no longer the case. Investors can maintain their risk and return profile and asset allocation and simply swap their mutual funds. By replacing conventional funds with ESG funds in the same asset class an investor can now integrate sustainability into their existing portfolio.



Source: Vert Asset Management. For illustrative purposes only

What ESG Mutual Funds Are Available?

There are many choices for ESG funds within the developed equities market. An investor can choose a variety of index-based funds and ETFs; ones that track ESG indices, ones that track low-carbon indices, and ones that divest from fossil fuels. There are many actively managed choices available, also.

The bond asset class has not yet received the same attention from ESG investors, perhaps because it feels different to

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be a lender than an owner. This is changing however, as investors become aware that they are providing funding for these companies, regardless of investment structure. There are less ESG bond funds available than ESG equity funds currently. However, since bond funds do not typically hold hundreds or thousands of companies as equity funds do, strategies that match an investor's ESG criteria can be easier to find.

Investors have many opportunities to invest for sustainability in alternatives, especially if the definition of alternatives is asset classes with low correlations to bonds and equities. Timber, renewable energy, community investing, among others provide many of the same portfolio benefits like low correlation and tax advantages that traditional alternatives do. Tax credits that were once afforded oil and gas limited partnerships are now often available for investing in renewables. Because alternatives typically hold a lower percentage of the overall portfolio, and are tasked primarily with providing diversification; this is an area where sustainability investors can identify new approaches.

Conclusion

The marketplace for ESG managed assets is far more nuanced than it was just a few years ago. More investors are able to find funds that suit their specific objectives. ESG integration is an innovative investment strategy that is changing investors ability to invest for sustainability. The focus on integrating non-financial issues of environment, social and governance into investment strategies is considered by some to be the future of all investing, not just SRI.

Many institutional managers and asset owners are using ESG integration in product development and investment management strategies. Academic and corporate studies have demonstrated that portfolios managed with ESG integration analysis perform in line with conventionally managed funds.

These developments have important ramifications for individual investors. Investors now have efficient ways to allocate capital taking into account environmental, social and governance risks. They can achieve their financial return goals as well as their sustainability goals through their investment portfolio.

Glossary

Impact investing means to put money to work with an intentional and identifiable non-financial goal. It often requires accepting less financial return in exchange for a higher social and/or environmental impact. The original thinking behind impact investing was that to solve some social problems, there needs to be a structured investment or business model employed above and beyond charitable donations. For example, a for-profit solar lighting company providing sales jobs and lamps can ease unemployment in a developing country and replace kerosene. This type of social company could potentially benefit the community more than a charity giving away the same solar lamps. Typically, impact investments are private equity or debt structures. Some in the investment industry have stretched the definition of 'impact investing' to include all types of sustainable investing including public equity mutual funds. True impact investing can play an important role in an investor's portfolio, but it should stay in the realm of 'alternatives' not one's core portfolio.

Negative screening is the simplest form of socially responsible investing; just exclude companies that are unpalatable. The reasons for the exclusions can be personal, such as the 'sin stocks' – alcohol, tobacco, pornography, gambling, and weapons. Other versions include norms-based screening which uses general societal norms to guide the exclusion process by referring to intergovernmental agency frameworks such as the UN Global Compact. The UN Global Compact consists of 10 principles addressing human rights, labor, the environment and anti-corruption. Companies that are deemed to violate any of the principles are excluded.

Positive screening refers to either thematic investing or best in class investing.

A thematic strategy is a portfolio that buys companies working on specific solutions for sustainability; this might be a renewable energy fund or a water fund. Thematic funds buy companies based on what they do. Best-in-class funds are usually more diversified and hold the most sustainable companies across industries. These companies may not be working on sustainability solutions as products, but they may operate their businesses in more with a sustainability framework.

Engagement (or active ownership) refers to shareholders who use their rights as owners to influence companies to behave more responsibly. Traditionally a manager delegates their shareholder duty to vote proxies to a third party, which votes according to a prescribed policy that favors maximizing shareholder value. A manager practicing engagement will vote proxies according to their defined sustainability agenda. They may have a dedicated corporate engagement team that writes letters to companies to take steps to address controversial practices. Since the financial crisis of 2008, many shareholder groups advocate to limit executive pay and request more board diversity and independence. More recently,

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activist investors have put proposals to oil and gas companies to stop funding climate change denial groups, report on their industry risk exposure to climate change and to provide more sustainability reporting.

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An index is a portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

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