



## DOING WELL & DOING GOOD:

# Why ESG May Be The Future

**In recent times, there has been a significant pivot by governments, policymakers and business leaders to support environmental, social and governance (ESG) movements.**

Environmental and social change appears to be the new focus on many global agendas. This past spring, the U.S. vowed to cut greenhouse gas emissions by up to 52 percent by 2030.<sup>1</sup> U.S. President Biden has also pledged almost \$2 trillion to an infrastructure plan that focuses on shifting to greener energy, with another \$1.8 trillion proposed to supporting social improvements for American families.<sup>2</sup> Similarly, Canada has pledged a sizeable cut in carbon emissions and has dedicated significant funds towards green infrastructure and investing.<sup>3</sup> Even China, often seen as a global offender, has stated its commitment to “protect the environment and deliver social justice in the course of green transition.”<sup>4</sup>

Alongside the prioritization by global leaders, the investing world has also been pushing ahead to increase the support and transparency for prioritizing ESG factors in investing. Have you considered integrating ESG factors into your own investing? There may be varying motivations.<sup>5</sup> Here are three:

**Incorporating personal values.** Many investors want their investments to reflect their personal values. Millennials are leading this charge, with around 90 percent suggesting that tailoring their investments to their values is a key priority.<sup>5</sup> The Wall Street Journal recently reported that assets in investment funds focused partly on the environment have been growing in demand. They reached almost \$2 trillion

### What is Responsible Investing?

Responsible investing is the approach of using environmental, social and governance (ESG) factors as considerations within the investment process:

**Environmental** — How companies act as environmental stewards, including climate change, greenhouse gas emissions and pollution management, as well as water, forestry and resource management.

**Social** — How companies treat employees, customers and communities, including labour standards, human rights and health and safety practices.

**Governance** — How companies govern themselves, including business ethics practices, diversity and executive compensation.

globally in the first quarter of this year, more than tripling over the past three years. Investors are putting \$3 billion a day into these funds, and more than \$5 billion worth of bonds and loans designed to fund green initiatives are issued every day. This past April, the world's largest hedge fund launched a sustainable investing venture in response to client demand, as a growing number of investors indicated that ESG considerations have become part of their investing mandate.<sup>6</sup>

**Making a positive impact.** Some investors wish to support companies making positive changes for a sustainable future. With increased transparency, as well as a greater focus on ESG movements, there has been improved reporting and accountability by companies and business leaders. By voting with their wallets, investors can hold companies accountable in generating a positive social or environmental impact alongside a financial return.

**Enhancing longer-term performance.** A relatively long-held view was that investors who prioritized ESG factors often sacrificed greater returns; however, newer studies suggest that the reverse often holds true.<sup>7</sup> Correlations exist between strong ESG practices and company performance. In fact, integrating ESG factors in a business' operations not only contributes to the greater good, but has been shown to provide a more comprehensive view of potential risks and

opportunities which can enhance longer-term performance. In the first four months of 2021, more than 70 percent of funds that invested based on ESG practices across all asset classes beat the returns of funds that didn't have those objectives.<sup>6</sup>

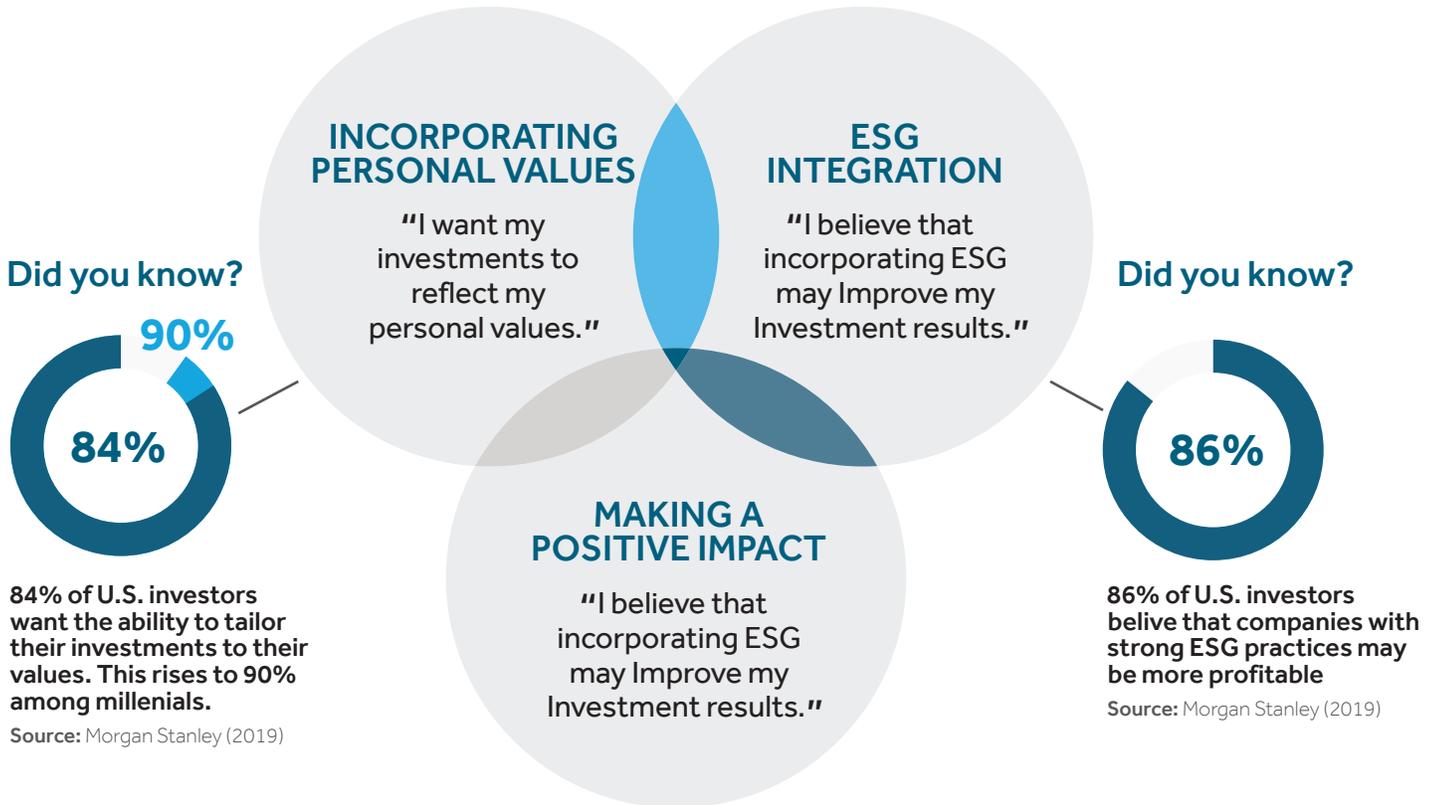
#### Finding Your Motivation

Whatever your ESG priorities and motivations, we can assist. We have a significant amount of resources dedicated to ESG investing. Given the pivot by policymakers and global leaders in supporting the ESG movement, it is expected that there will be continued momentum within this space. The beneficiaries will include not only the planet and its inhabitants, but also those who invest wisely along the way.

1. [cnn.com/2021/04/22/biden-pledges-to-slash-greenhouse-gas-emissions-in-half-by-2030.html](https://www.cnn.com/2021/04/22/biden-pledges-to-slash-greenhouse-gas-emissions-in-half-by-2030.html); 2. [bnnbloomberg.ca/trudeau-pledges-to-cut-emissions-by-40-to-45-per-cent-by-2030-1.1593797](https://www.bnnbloomberg.ca/trudeau-pledges-to-cut-emissions-by-40-to-45-per-cent-by-2030-1.1593797); 3. Chinese President Xi Jinping, "For Man and Nature: Building a Community of Life Together," U.S. President Joe Biden's Leaders' Summit on Climate, April 22, 2021; 4. These motivating factors are not mutually exclusive; [msci.com/visualizing-investment-data/esg-investing-finding-your-motivation](https://www.msci.com/visualizing-investment-data/esg-investing-finding-your-motivation); 5. [wsj.com/articles/green-finance-goes-mainstream-lining-up-trillions-behind-global-energy-transition-11621656039](https://www.wsj.com/articles/green-finance-goes-mainstream-lining-up-trillions-behind-global-energy-transition-11621656039); 6. [tiaa.org/public/pdf/ri\\_delivering\\_competitive\\_performance.pdf](https://www.tiaa.org/public/pdf/ri_delivering_competitive_performance.pdf); 7. [forbes.com/jst-companies/#2ea3f1c82bf0](https://www.forbes.com/jst-companies/#2ea3f1c82bf0); Gunnar Friede, Busch & Bassen, "ESG and financial performance", Journal of Sustainable Finance & Investment, 2015.

# Finding Your Motivation

We've seen three common motivations among investors for using ESG in their portfolios.



**Did you know?** Plastic reduction and climate change are the top sustainability themes that investors would like to include in their portfolios. Source: Morgan Stanley (2019)



## ESG investing doesn't need to be a one size fits all solution

With various angles to approach it from, there's likely a strategy best suited to your motivations.

Powering better investments for a better world. [msci.com](https://www.msci.com)

Source: MSCI ESG Research LLC (As of Dec 31, 2020)

© 2021 MSCI Inc. All rights reserved

Graphic sourced from visual capitalist: <https://www.visualcapitalist.com/esg-investing-finding-your-motivation/>

CANACCORD GENUITY WEALTH MANAGEMENT IS A DIVISION OF CANACCORD GENUITY CORP., MEMBER-CANADIAN INVESTOR PROTECTION FUND AND THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

This document is for general information only, not intended to provide tax, legal or financial advice, and under no circumstances should be interpreted as a solicitation to act as a securities broker or dealer in any jurisdiction. All views are intended for general circulation only and do not have any regard to the specific investment objectives, financial situation or general needs of any particular person, organization or institution. All investors should consult with a qualified investment advisor or tax professional before making any investment decisions.

Tax & Estate advice offered through Canaccord Genuity Wealth and Estate Planning Services.

FOR DISTRIBUTION IN CANADA ONLY