



What is ESG investing?

by Jon Sevenker

Are you interested in aligning your money with your values? [A recent study](#) shows 71% of investors are very or somewhat likely to make investments that do just that. But before we introduce ESG investing, here's a question: Do you think a company has a responsibility beyond maximizing profits for their shareholders?

One of today's most prominent CEOs says yes. [Marc Benioff](#) is the founder of Salesforce.com, one of the largest software companies in the world. He is also the author of [Trailblazer: The Power of Business as the Greatest Platform for Change](#). Benioff believes a company that focuses solely on the bottom line falls short, that they also have a responsibility to their employees, customers, vendors, and the communities they're in. He refers to this as stakeholder capitalism.

ESG stands for environmental, social, and governance. Related to investing, it is a set of criteria for selecting companies that seek to do well by doing good.

- **Environmental** issues include climate change policies, greenhouse gas emissions, carbon footprint, renewable energy usage, and a company's relationship with the EPA.
- **Social** issues include a company's relationship with their customers, employees, suppliers, their diversity and inclusion hiring practices, and their public stance on social justice.
- **Governance** issues include executive compensation, board diversity, transparency with shareholders, and pay practices.

ESG investing is the offspring of socially responsible investing and sustainable investing, which have been around for decades. While differences between these investment strategies exist, the overarching goal is to allow an investor to make more of a positive impact with their investment dollars.

The knock against these investment methodologies has been that their performance lagged the broader market. Recent studies (see links below) show that's not necessarily the case, as investors are rewarding companies who have an eye toward all stakeholders, not just shareholders. (Important to note when the word "performance" is mentioned... Past performance is no guarantee of future results.)

If you would like to focus your investments on companies ranking high for ESG, please connect with us to learn more about the risks and opportunities involved.

ESG studies and other resources:

- [What is ESG investing? – Motley Fool](#)
- [How does investing in ESG companies affect returns? - Morningstar](#)
- [Does ESG investing produce better stock returns? – Motley Fool](#)
- [How did ESG indexes fare? - Morningstar](#)
- [ESG investing performance analyzed – Morningstar](#)
- [JUST Capital](#)

Environmental, Social, and Governance (ESG) investing disclosure

The idea behind an ESG strategy is to focus investment dollars on companies that are more environmentally friendly, socially-conscious, and focused on good governance. Investment strategies using similar criteria have

been around since the 1970s, but ESG is the most recent moniker given to this investment style. Past iterations include socially responsible investing (SRI), socially conscious investing, impact investing, and sustainable investing.

Pittenger & Anderson relies on the ESG scoring methods of the ESG funds we utilize, and we do not have any influence over the individual companies in which these ESG funds invest. The intent of using an ESG investing strategy is to better align an investor's portfolio with their beliefs on social and environmental issues. Therefore, your accounts may underperform or outperform a given index, like the P&A Blend, S&P 500, or Dow Industrials.

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