



## 4-1 Discussion: The Investment Logic for Sustainability

Watch the Investment Logic for Sustainability video. Then perform a few internet searches on terms such as the following:

- Sustainable funds
- Socially responsible investing
- ESG
- Environmental, social, and corporate governance

Using resources found in your internet searches, as well as your module resources, respond to the following questions:

- What is sustainable investing?
- Do you think investors should be concerned with ESG?
- Do you think ESG investments can perform better than non-ESG investments? Why or why not?
- What type of socially responsible fund would you invest in? Why?

When replying to your classmates, you may disagree with them, but it must be done in a respectful and polite manner. Use APA-style citations.

To complete this assignment, review the [Discussion Rubric](#) document.

### Rubrics

 [Discussion Rubric: Undergraduate](#)

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## 4-1 Discussion: The Investment Logic for Sustainability

William Cherin posted Sep 22, 2020 9:09 PM [☆ Subscribe](#)

Hello,

Sustainable funds come from corporate, social as well as environmental means to look view investments and impacts. Socially responsible investments are those that are considered responsible according to society for example, conscious investing is socially responsible. ESG is the acronym for Environmental, social, and governance. Furthermore, environmental social and governance as an application to analyze risk as well as growth opportunities.

What is sustainable investing?

Sustainable investing uses ESG to create a societal impact that is seen as positive. The sustainable investment allows companies to grow their company and increase profits by investing in rapidly growing areas. Furthermore, sustainable investments provide a “positive, proactive, and comprehensive”, (Mahn, 2016), an overview of the company.

Should investors be concerned with ESG?

Yes, investors should be concerned with ESG because it’s a valuable tool that if utilized properly can effectively measure a company's impact on society. This should concern investors because it is also a way to help identify future risks and evaluates the performance of a company which is important to monitor.

Do ESG investors perform better than non-ESG investors?

Yes, ESG investors perform better than non-ESG investors because they can analyze their impact to predict future risk, Additionally ESG looks for where a company can best grow by allowing companies an approach to investing in growing societies. Moreover, according to the morning star, who evaluated funds between ESG companies and non-ESG in 2019, ESG companies outperformed non-ESG companies, (2020).

What type of socially responsible fund would I invest in?

I would invest in a low carbon target ETF (CRBN). I would invest in promoting low carbon because it is a growing problem that has been gaining media attention and could help bring attention to my company while helping provide a solution to the problem. While there is high investment risk (Schmidt, n.d), it poses a reward for the community. According to the same article, however, de-risking can be a powerful, “lever to address the investment challenge.

Hale, J. (2020, April 16). U.S. ESG Funds Outperformed Conventional Funds in 2019. Retrieved September 22, 2020, from <https://www.morningstar.com/articles/973590/us-esg-funds-outperformed-conventional-funds-in-2019>

Mahn, K. D. (2016, May 31). The Impact of Sustainable Investment Strategies. Retrieved September 22, 2020, from <https://joi.pm-research.com/content/25/2/96>

SCHMIDT, T. S. (n.d). Low-carbon investment risks and de-risking. Retrieved from <https://ethz.ch/content/dam/ethz/special-interest/gess/energy-politics-group-dam/documents/Journal%20Articles/Schmidt%202015%20Nature%20Climate%20Change.pdf>

-William Cherin

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## 4-1 Discussion: The Investment Logic for Sustainability

Michael McGibbon posted Sep 22, 2020 10:04 PM  [Subscribe](#)

Evening Class,

Many names are recognized for sustainable investing. Among them: socially conscious, ethical, impact-driven, investment based on values. This investment strategy looks at the fiscal, socioeconomic,

and corporate governance (ESG) policies of an organization as well as the overall investment decision-making process, according to MSCI. While such an investment policy is not new, its concept and priorities have changed over the years, from avoiding such investments (such as cigarettes, firearms, alcohol, and casinos) to a more systematic approach focused on ESG considerations.

Three key areas that sustainable investing focus on are environment impact, social issues and governance quality. Companies that generate clean and recycled electricity, increase energy quality, import raw materials using eco-safe processes, use few to no harmful substances in their manufacturing process, reduce waste, and promote recycling can be an environmentally responsible investment goal. Many samples of these types of investments are available. Among other considerations, effective social investment priorities rely on enterprises that take into account the effects on all stakeholders, such as pursuing gender equality, ensuring safe working practices and lifestyles, combating income disparities, and demonstrating a dedication to charitable programs. Sound corporate governance structures include rules and standards to resolve possible stakeholder conflicts of interest (e.g. executives adopting strategies to favor themselves rather than shareholders), including an impartial board and audit committee that aims to protect shareholders from management.

Socially responsible investments had a reputation in years past for demanding a tradeoff on the part of the lender. They also restricted the possible benefit of the lender, since they restricted the number of businesses that were available for investment. In certain cases, "poor" businesses did very well, at least in terms of their stock price. More recently, though, some investors (myself included) have come to conclude that, beyond any legal considerations, energy, social and governance requirements have a specific purpose. They would be able to prevent businesses whose operations may indicate a risk factor by adopting ESG guidelines, as demonstrated by BP 's 2010 oil spill and Volkswagen's diesel crisis, all of which shook the market values of corporations and culminated in subsequent damages of billions of dollars. Investment companies are constantly measuring their success as ESG-minded market activities gain more momentum. Annual studies have been released by financial services firms such as JPMorgan Chase, Wells Fargo, and Goldman Sachs that thoroughly review their ESG methods and the bottom-line results. Sustainable investing has grown 38% since 2016.

A particular sustainable fund that has caught my eye, believe it or not is Microsoft Corp. I am a tech/nerd through and through. From building computer, to network solutions, to full out datacenters. With MS Azure cloud environments including virtual infrastructure, I no longer need to spend hundreds of thousands of dollars on hardware, power, and physical real estate. Instead, all the innovation that a one point in time was on my shoulders, is now on MS. As they are far better at it then I am. I can speak to this for quite some time, I'll keep this short.

ESG funds & sustainable investing: Opportunity for growth. (2019, September 26). Retrieved September 23, 2020, from <https://www.fidelity.com/viewpoints/active-investor/strategies-for-sustainable-investing>

Mike

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## 4-1 Discussion

Malita Mcfarlane posted Sep 23, 2020 2:44 PM  [Subscribe](#)

Hello Everyone

Sustainable investing is incorporating environmental and social and governance (ESG) investing. It also considers financial return and social change. Sustainable investing has also been known as “responsible investing”. It creates better ways to do business and potentially solving global challenges (Unknown, 2020).

Recent studies have shown that socially conscious investing principles have a positive effect long term and risk-adjusted returns. This way in investing is becoming the new “fad”. More and more consulting firms have been incorporating ESG into their investment statements. Investors are now looking into creative ways to conserve resources. In an article it provided an example. During times of rising oil prices, stock prices of energy companies and other fossil fuel producers should rise. Those with investment principles bar these stocks could underperform. However, studies show that ESG principles positively affect long-term risk adjusted returns (Hoops, 2020).

I believe ESG investing can perform better. It is a more responsible way to invest and has a long term return. It also builds strong customer base, mitigate risk, and has an impact on making a different, positive impact.

Malita M

Hoops, T. (2020, March 02). Why it's time to believe the hype behind ESG investing. Retrieved from <https://www.investmentnews.com/why-its-time-to-believe-the-hype-behind-esg-investing-61826>

What is sustainable investing? (2020). Retrieved from <https://www.blackrock.com/us/individual/investment-ideas/sustainable-investing>

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## 4-1 Discussion: The Investment Logic for Sustainability

Cynthia Burnham posted Sep 23, 2020 2:57 PM   [Subscribe](#)

Hi all!

Sustainable investing is the choice to invest in companies based not only on financial benchmarks but also environmental, social and corporate governance (ESG) criteria as well. ESG includes looking at how companies use natural resources and what type of waste they create, as well as, how they treat their human capital (McKnett, 2013). Factoring in these concerns leads to a more vivid picture of the overall company's potential longevity in the market place including the opportunity for lucrative returns.

Investors are wise to be concerned with ESG. Today's population is acutely aware of the impact of climate change and the need to protect nature and all it provides for them. Accordingly, many businesses are 'going green', adopting a more environmentally friendly lifestyle, including finding ways to reduce the amount of hazardous material or chemicals in their products. Many individuals find a sense of fulfillment in showing their support of these organizational changes. Support that is manifested in buying their products and investing in their companies, ultimately increasing their value.

ESG investments can perform better than non-ESG investments. One particular analogy that sounded spot on was "if we think of the market as a formula one race, with profit representing how fast our car goes, then our ESG performance is **how** we conduct ourselves on the race track and what kind of car we're driving" (Czaplicki, 2019). ESG does not detract from the performance of businesses and in fact can add efficiency to their processes, streamlining actions while reducing expenses. Additionally, on the social front, workers are treated well, encouraging innovation through increased employee engagement (McKnett, 2013). These actions create a more attractive opportunity for investors looking to increase their wealth while adhering to their values (Czaplicki, 2019).

Without a wealth of knowledge about investing, the top choice would be a mutual fund. An example might be Pax Global Environmental Markets Fund. "Under normal market conditions, it invests at least 80% of its net assets (plus any borrowings for investment purposes) in companies whose businesses and technologies focus on environmental markets, including alternative energy and energy efficiency; water infrastructure technologies and pollution control; environmental support services and waste management technologies; and sustainable food, agriculture and forestry" (PGRNX, 2020). This option promotes conscientiousness of environmental issues regarding the preservation of nature, a topic of top concern, while providing a diversified selection of securities.

References:

Czaplicki, Jan. "What Is ESG and Why Is It Important?" *Medium*, CarbonClick, 5 Aug. 2019, [medium.com/carbonclick/what-is-esg-and-why-is-it-important-f9036bb96d66](https://medium.com/carbonclick/what-is-esg-and-why-is-it-important-f9036bb96d66).

"Everything You Need to Know About Investing in Pax Global Environmental Markets Fund." *U.S. News & World Report*, U.S. News & World Report, 31 July 2020,


money.usnews.com/funds/mutual-funds/world-large-stock/pax-global-environmental-markets-fund/pgrx.

McKnett, Chris. "The Investment Logic for Sustainability." *TED*, 2013, [www.ted.com/talks/chris\\_mcknett\\_the\\_investment\\_logic\\_for\\_sustainability/up-next?source=email](http://www.ted.com/talks/chris_mcknett_the_investment_logic_for_sustainability/up-next?source=email).

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- Task: Reply to this topic

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### Assessment



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