

# ESG Investing 2.0: Strategies to Gain an Advantage

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ESG INVESTING: STRATEGIES FOR USING IT TO YOUR  
ORGANIZATION'S ADVANTAGE

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## Defining ESG



ESG is an investment discipline that considers environmental, social and corporate governance criteria in the portfolio construction process

- **Environmental** criteria considers how a company performs as a steward of nature
- **Social** criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates
- **Governance** deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights

### *ESG is NOT:*

- A Separate Asset Class
- An "All or Nothing" Discipline
- The same for all Investors
- An absolute metric for being an attractive investment

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*The List of Potential ESG Issues Is Extensive & Growing\**

Environmental



|  |                               |                                |
|--|-------------------------------|--------------------------------|
| Air emissions and air quality          | Natural resource preservation | Land contamination             |
| Biodiversity protection                | Energy Conservation           | Occupational health and safety |
| Community health, safety, and security | Fossil fuels                  | Renewable energy sources       |
| Water use and conservation             | Hazardous materials use       | Waste generation               |

Social



|                                |   |                        |
|--------------------------------|---|------------------------|
| Adequate housing               | Consumer privacy                        | Opioids                |
| Abortion providers             | Employment of minorities and women      | Religious Values       |
| Adult entertainment            | Human rights standards                  | Tobacco                |
| Alcohol                        | Income inequality                       | Union Relationships    |
| Animal testing                 | Manufacturers of birth control products | Weapons                |
| Casinos and gambling equipment | Obesity                                 | Workforce exploitation |

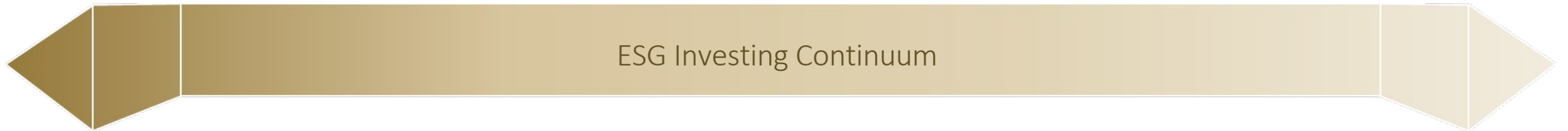
Governance



|                                  |                              |                         |
|----------------------------------|------------------------------|-------------------------|
| Antitrust violations             | Consumer fraud               | Political contributions |
| Auditor independence             | Disclosure of material risks | Reporting transparency  |
| Board independence and elections | Executive compensation       | Short-term focus        |
| Board diversity                  | Oversight of strategy        | Voting rights           |

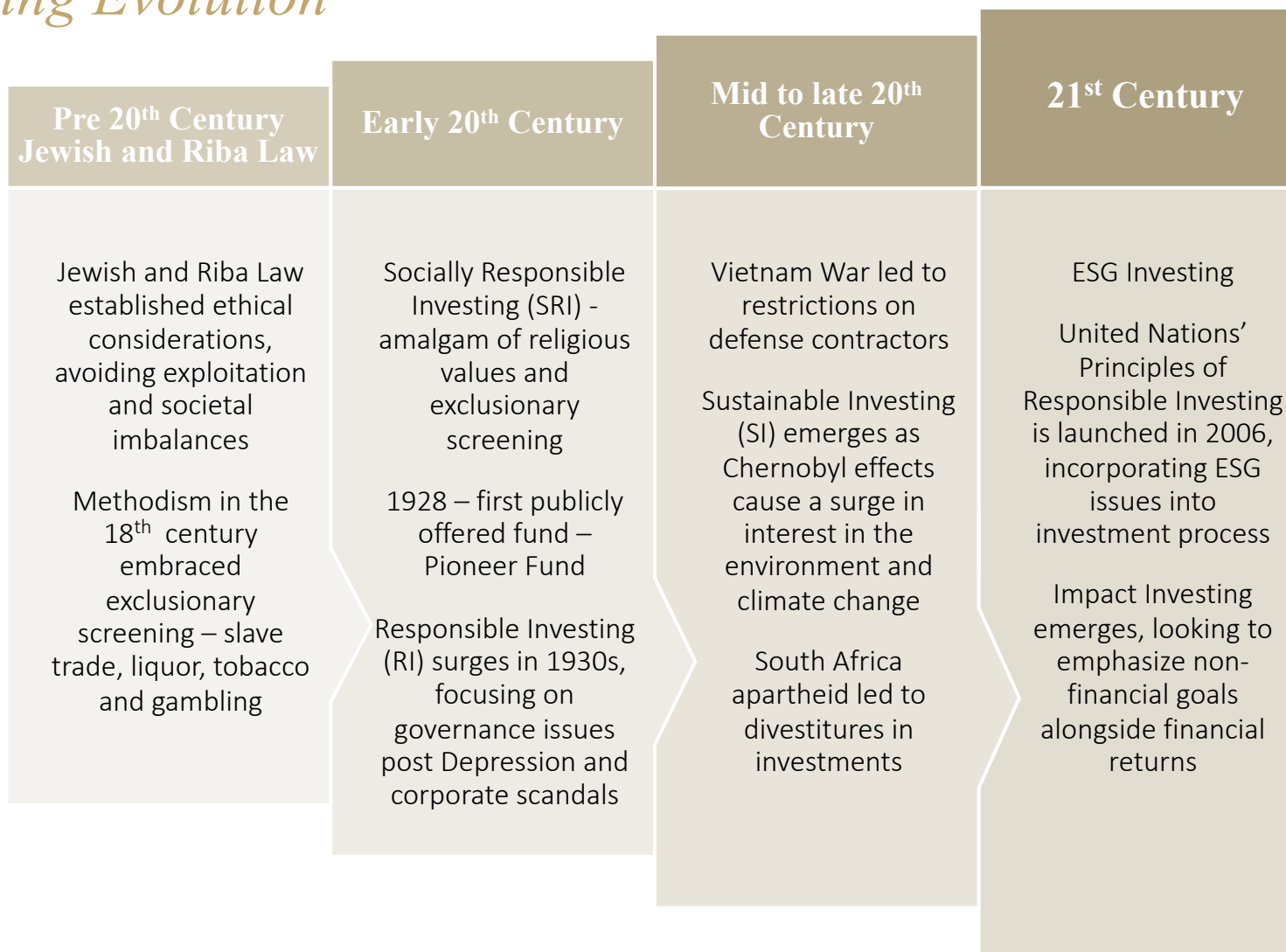
\* Source: Vanguard

# ESG Investment Strategies



| Impact Investing   | Thematic Investing   |  |  | Best in Class Investing   | ESG Integration   |
|--|--|--|--|---|---|
| <ul style="list-style-type: none"> <li>Investments made with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return</li> <li>Impact investments provide capital to address social and/or environmental issues</li> </ul> | <p>Social Impact</p> <ul style="list-style-type: none"> <li>Investments made with a specific non-financial lens</li> <li>Climate change</li> <li>Social Justice</li> <li>United Nations Sustainable Development Goals</li> </ul> | <p>Faith-Based Value Investing</p> <ul style="list-style-type: none"> <li>Investing according to a specific faith belief system</li> </ul> | <p>Socially Responsible Investing (SRI)</p> <ul style="list-style-type: none"> <li>Exclusionary screening</li> </ul> | <ul style="list-style-type: none"> <li>Look for investments with the highest ranking from an ESG perspective</li> <li>Determined internally or via ESG ranking by providers (MSCI, Sustainalytics)</li> </ul> | <ul style="list-style-type: none"> <li>Incorporate ESG factors into the portfolio construction process</li> <li>Tends to incorporate quantitative and qualitative measures</li> </ul> |

# ESG Investing Evolution



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