



What Exactly Is Sustainable Investing?

Sustainable investing goes by many names, and you may have run into many of them depending on which stakeholder, client type, or investment strategy is being discussed, but fundamentally all of these names describe the same thing: Sustainable investing encompasses a range of approaches that recognize the interconnectedness between environmental health, social equity, and long-term economic performance. These investments are made with the intention to protect and enhance long-term value by addressing environmental, social, and/or governance (ESG) risks or solving environmental and social challenges. These strategies generally pursue two goals:

1. **Protecting and enhancing long term value by addressing environmental or social risks – or by investing in solutions to environmental or social challenges.**
2. **Protecting, enhancing, or otherwise positively impacting the long-term health of the environment or society through expressing environmental or social values.**

Clients' motivations for investing for impact

Investors incorporate environmental and social considerations into their decisions because they seek opportunities to manage risks, recognize the potential for outperformance of companies that effectively address environmental and social issues, and/or want to align their portfolio strategies with their own values.

3 primary sustainable investing approaches

Investors typically adopt one or more of three core approaches to sustainable investing:



Aligning a client's investments with their values by minimizing exposure to companies or industries whose business practices conflict with those personal convictions.



Integrating ESG factors into investment decisions to identify and emphasize investments in companies or industries with positive ESG practices or that solve specific ESG challenges and to limit exposure to those with poor ESG performance.



Allocating investments within portfolios to target specific environmental and/or social objectives, as a complement or alternative to philanthropy.

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An investment's environmental, social and governance ("ESG") strategy limits the types and number of investment opportunities available and, as a result, may underperform other investments that do not have an ESG focus. An investment's ESG strategy may result in investing in securities or industry sectors that underperform the market as a whole or underperform other investments screened for ESG standards.

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