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SUSTAINABILITY

Sustainable Investing

by Barbara Wichmann

In the Spring 2017 issue of ***MBE*** magazine, I wrote about the Triple Bottom Line (TBL) — People, Planet, and Profit — an accounting framework that some companies, including **ARTEMIA**, have adopted to evaluate their performance in a broader context. TBL provides a way to ensure that your business has a positive impact on its workers, community and global environment while also, of course, maintaining a healthy bottom line.

Adopting TBL has been gratifying for us at ARTEMIA. We are proud of our company's commitment to sustainability. As I wrote then, "No matter how large or small a company, leveraging and promoting more sustainable operations provides notable returns."

But what of other companies, the ones you invest in rather than own? How can you make sure that they maintain your own high standards? The answer is through sustainable, responsible and impact investing, also known as SRI.

What is SRI?

Sustainable, responsible and impact investing is an investment discipline that takes environmental, social, and corporate governance (ESG) criteria into account. It aims to have a positive impact on society, while also generating long-term, competitive financial returns.

There are many different approaches to SRI, according to the **Forum for Sustainable and Responsible Investments** (FSRI). It can be structured in many ways — and it goes by many names. Besides sustainable investing, it's also known as community investing, ethical investing, green investing, values-based investing," and other terms.

How big is the trend?

The numbers may surprise you. By the end of 2015, more than one of every five dollars, over $8.72 trillion, under professional management in America was invested according to SRI strategies, according to a 2016 FSRI report (https://www.ussif.org/sribasics).

And thanks, in part, to younger investors, this trend is on the rise. "Millennials are twice as likely to invest in a stock or a fund if it targets specific environmental or social outcomes," according to a 2017 Morgan Stanley study. Between 2014 and 2016, the rate of SRI grew by more than 33 percent, from $6.57 trillion in 2014.

Who's investing in SRI?

Individual SRI investors range from average retail investors to family offices and people of high net worth. Institutional investors, such as universities, foundations, religious organizations, nonprofits and pension funds are also turning to SRI. Hundreds of investment management firms now offer SRI funds and other vehicles.

What strategies do they use?

One investment strategy favored by SRI investors is ESG incorporation, which means that they take environmental, community, societal, and corporate governance (ESG) criteria into account when analyzing investments and building portfolios.

Another strategy, community investing, is to finance projects or institutions that serve poor and underserved communities, both in the United States and globally.

Strategists with shares in publicly traded companies, sometimes encourage responsible business practices by filing shareholder resolutions that raise environmental, social and corporate governance concerns.

What kinds of investments qualify as SRI ones?

There are numerous examples, from property funds that develop or retrofit buildings to meet high-energy efficiency standards to mutual funds specializing in companies with good labor and environmental practices.

It may take some research to find the kind of program that aligns best with your own personal and/or company goals. But they are out there and, as any committed sustainable investor will attest, it's worth the effort to find them. The FSRI website (https://www.ussif.org/) is a great place to start.

How well do SRI investments perform?

A growing body of academic research shows that sustainable investments usually meet, and often exceed, the performance of traditional investments. According to a 2016 study by the Harvard Business School, firms with good ratings on the sustainability issues most relevant to their industries significantly outperformed ones with poor ratings.

Why should my company join in?

There are many reasons, from your own personal values and goals, to promoting your institutional mission, and/or responding to the demands of clients. Sustainable investors aim for strong financial performance, just as all investment professionals do. But they take it a step further and it's a green one. They look for investments that generate profits, while also benefiting society, the environment and more. Some might argue that the health of our planet is at stake. ◆