FAMILIES FOR A LIVABLE CLIMATE

SUSTAINABLE RESPONSIBLE INVESTING GUIDE

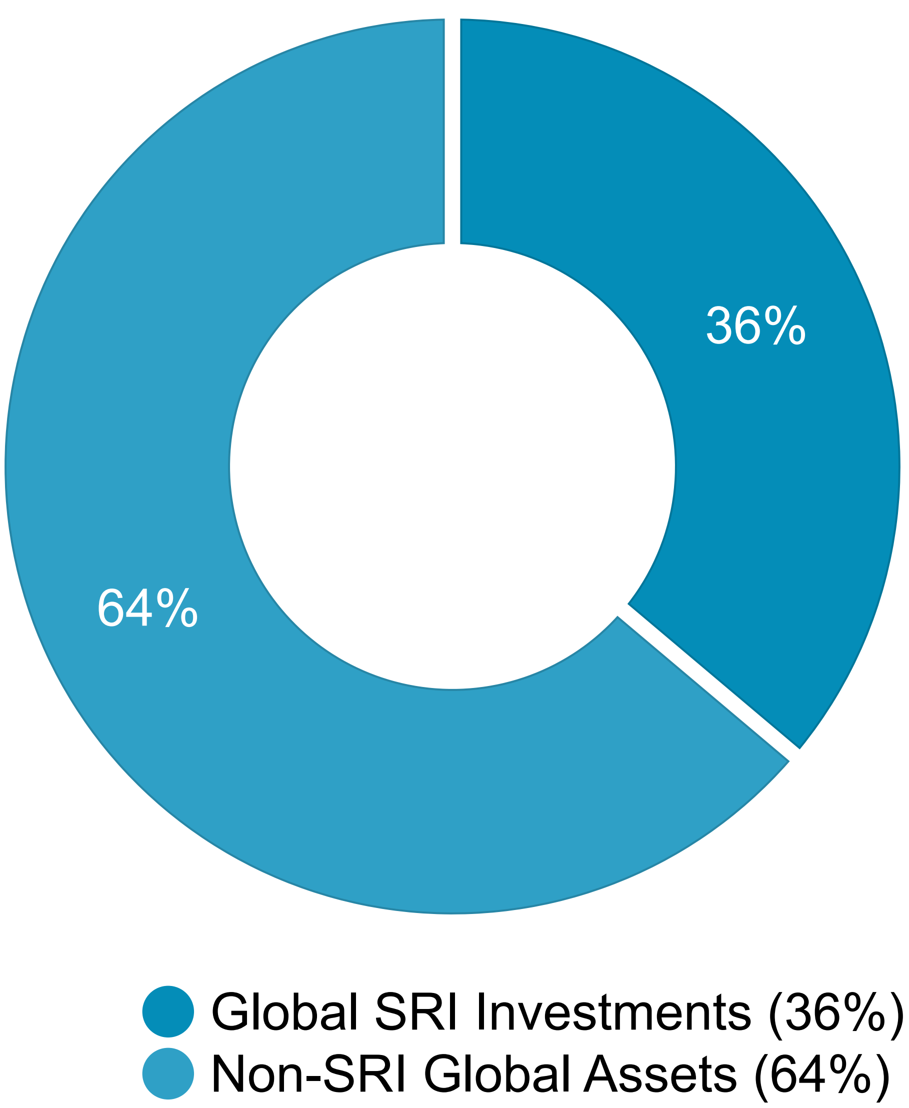
What is Sustainable Responsible Investing (SRI)?

Quite simply, SRI is investing in companies making a positive contribution to society, avoiding companies that are not, AND earning an expected return on your investment.

How popular is SRI globally?

- One of every 3 dollars invested globally includes SRI considerations.
- SRI is the dominant strategy used in Canada, Australia, and New Zealand.
- About half of all the global assets dedicated to sustainable investing are in Europe.
- About a third of all global sustainable assets are held within the United States.

Global Sustainable Investment Review



Investor Focus During COVID-19:

- Insight from Morgan Stanley's Sustainable Signals reveals a remarkable 79% of investors remaining dedicated to sustainable investing during the challenging times of the pandemic. Notably, Millennials exhibited an all-time high interest, with an astounding 99% expressing their commitment.

Key Findings from Sustainable Signals:

The report uncovers 4 pivotal themes...

- Economic uncertainties during the pandemic led to a 6% dip in overall interest (from 85% in 2019 to 79% in 2020).
- A noteworthy 61% of investors displayed heightened interest in public health and support for small businesses due to the pandemic.
- Climate change retained its position as a top focus, particularly for Millennials and those optimistic about the economy.
- An encouraging 60% of investors expressed interest in solutions addressing climate change and reducing greenhouse gas emissions.

Investor Concerns and Barriers:

- Despite mounting evidence to the contrary, a significant 70% of investors believed that sustainable investing necessitates a financial trade-off. Performance concerns took the lead as the most significant barrier, cited by 76% of investors.

Advisors and Sustainable Investing:

- Alarmingly, only 56% of investors reported that their advisors inquired about goals beyond financial performance. This highlights a substantial opportunity for improved support and understanding throughout the sustainable investing journey.

The demand for sustainable investing is burgeoning, especially among Millennials. As interest continues its upward trajectory, it becomes imperative for financial professionals to comprehend and actively support investors on their sustainable journey. Together, we can collectively contribute to building a greener and more sustainable future.

What is the difference between SRI and Environmental, Social, Governance (ESG)?

Environmental, social, and governance (ESG) factors are the criteria used to rate funds, which allows socially conscious and sustainable investors to screen investments. In other words, ESG factors and analysis are used in the development of an SRI strategy. If SRI investing is the cake, ESG is the ingredients used to make that cake.

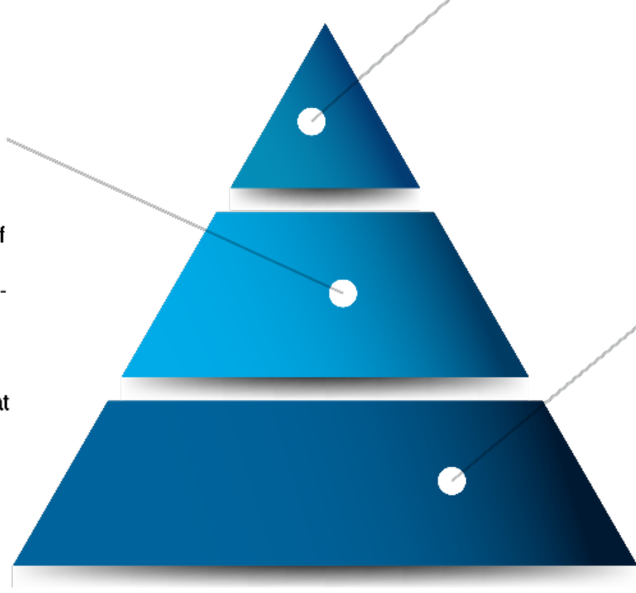
Let's be clear - ALL investment strategies seek to maximize financial returns within given constraints. That is what makes them an investment strategy rather than philanthropy. The difference is the degree of conviction among ESG strategies.

IMPACT INVESTING

At the Impact tier of the pyramid, all the considerations from the ESG Integration tier and Values tier remain in play, AND the investment being considered must have a proven, or very likely positive impact within its industry. For example, the fund/company may be focused on reducing water pollution through innovative manufacturing practices or supporting high-quality pay and healthy working environments to set a new bar within an industry.

VALUES-BASED INVESTING

At the Values tier of the pyramid, all the considerations from the ESG Integration level remain in play, AND the business of the fund/company must also be in alignment with the investor's values. Traditionally, this is where investors often screen out industries like tobacco, prisons or military grade weapons, and instead focus their investments in companies that promote things like renewable energy, water conversation, or organic food production.



ESG INTEGRATION

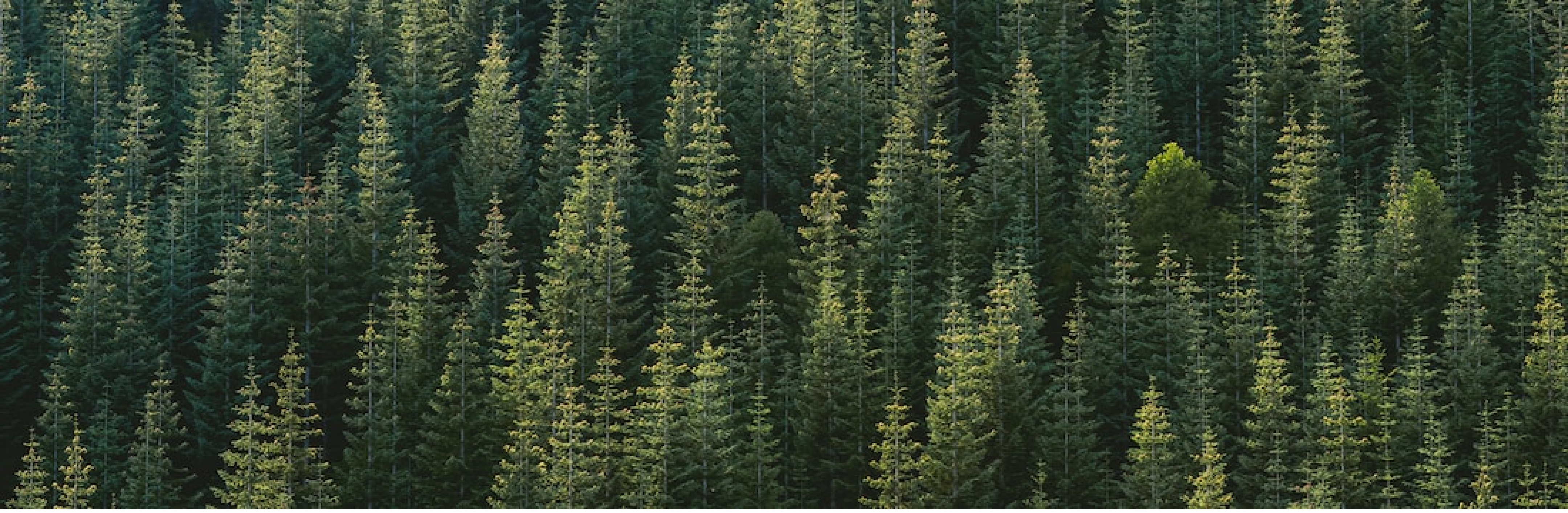
At the ESG Integration tier of the pyramid, ESG criteria/ratings are used to screen out investments with low ESG scores. As long as a given fund/company holds an ESG score that is within the range designated by the investor (e.g. high or medium), and all other financial risks are within the investor's risk tolerance, this investment strategy would be open to investing in that fund/company.

How do SRI returns compare to 'Conventional' funds over time?

The MSCI KLD 400 index is one of oldest SRI indices, offering SRI investors an alternative to traditional indices like the S&P 500. Below is a comparison between MSCI KLD 400 (in white) and the S&P 500 (in orange), over the past ten years. Over this timeframe, the KLD has outperformed by nearly a quarter percent annually.

Over the past three and five-year periods, sustainable funds generally did better than conventional funds, Morningstar data shows, and funds are looking good again lately too: The S&P 500 ESG Index has posted a total return of 13.4 percent for the year through October 20, vs. 11.5 percent for the traditional S&P 500 index. Lastly, Morgan Stanley research shows that sustainable funds outperformed conventional funds in the first half of 2023. Of course, nobody knows what the future holds, but the performance over all timeframes has been relatively close (within 100 bps since inception). There is no loss of return through SRI, and there are even some periods where SRI funds outperform “conventional” funds.

For a deeper dive, you can dig into a long-term report from 2015 which shows no financial downside when including sustainability factors in investing. A 2016 study from the Journal of Applied Corporate Finance supplies additional support as does a similar report last year by the mutual fund researcher Morningstar.



How do I talk with my Financial Advisor about SRI?

- First, it's always best to openly discuss your preferences for a sustainable portfolio with your advisor. Remember, they work for you and have an obligation to invest your money in accordance with your wishes.
- Let your advisor know your values and that you'd like your money to be invested in alignment with your values.
- If your advisor is wary or skeptical of SRI from a return standpoint, you may consider shifting only a portion of your investments into SRI funds (or bonds). Over time, individual SRI investments can be assessed for return in comparison with your conventional funds. Based upon the trends discussed above, this will allow your advisor to see how returns need not be compromised to better align your investments with your values.
- If your advisor isn't convinced about the viability of sustainable investing and isn't inclined to learn more about it, it's a clear sign that your best interests may not be their top priority. Considering a new advisor might be a wise move in such a scenario.

If you are looking for a financial advisor, start by looking for advisors with a Chartered Sustainable Responsible Inventor Counselor (CSRIC) accreditation. While there isn't yet a comprehensive database of CSRIC-accredited advisors, there are other good sources you might use in your search. Networks like First Affirmative, Commonwealth, and Vanderbilt provide directories of advisors specializing in sustainable investing. While not all advisors in these networks hold CSRIC credentials, you can explore their mission, connect with them, and identify advisors who might be an excellent match for your financial goals.

What are my options if my investments are held by my company 401k?

- There is typically a person or committee that works with an advising (managing) firm in the selection of retirement investment options. You may try asking someone in the HR department (or as close to an HR department as your employer has) to learn who the appropriate contact person would be.
- Once you've identified the right person or people, ask them if there are any SRI options available, and if there aren't any available, you can follow the steps outlined in USSIF's guide to see to it that sustainable options are added to the plan.
- Another great resource is a 2020 NY Times article entitled "How to Get Socially Conscious Funds Into Your 401(k)".
- Feel free to reach out to Mike Wood (mwood3211@gmail.com) to track down what options you may have.