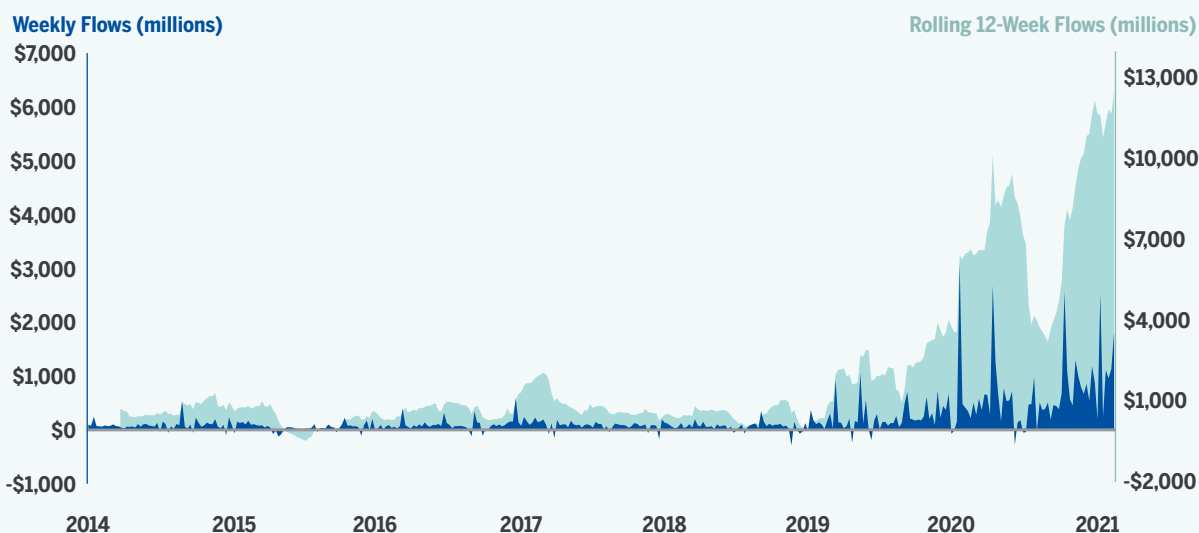


ESG Is Here to Stay

Investors' increased emphasis on environmental, social and governance (ESG) practices has inspired many companies to make changes that make the world a better place. Will the collective efforts of investors pay off?

Weekly and Cumulative Flows into ESG Funds



- Investors have increased their ESG investments considerably, as shown above. According to Bank of America, \$4 of every \$10 of global equity inflows go to ESG. Additionally, nearly 80% of the respondents the bank surveyed are interested in considering ESG in their investments while 29% of 1,000 investors in 2020 said the pandemic has made them believe even more strongly that ESG issues are important.
- Investors worldwide are adopting or considering ESG integration in a number of ways. One is at the asset management firm level. Another involves excluding investments based on their poor ESG scores. Other investors are engaging in thematic ESG investing in companies with strong ESG practices or impact investing in companies seeking to spur specific ESG change. Importantly, some investors are engaging directly with companies to urge them to improve their ESG practices.
- With academic research suggesting that negative ESG incidents can predict weaker profits and lower risk-adjusted stock returns, investors may be able to do good for society and their portfolios at the same time by allocating to ESG-focused investments.¹

¹ Simon Glossner, "ESG Incidents and Shareholder Value," University of Virginia – Darden School of Business, February 17, 2021



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