



Align Your Money With Your Values

Responsible  
Investing



# Agenda

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Overview of responsible investing

How to find and evaluate responsible investing products and services

Putting responsible investing into action

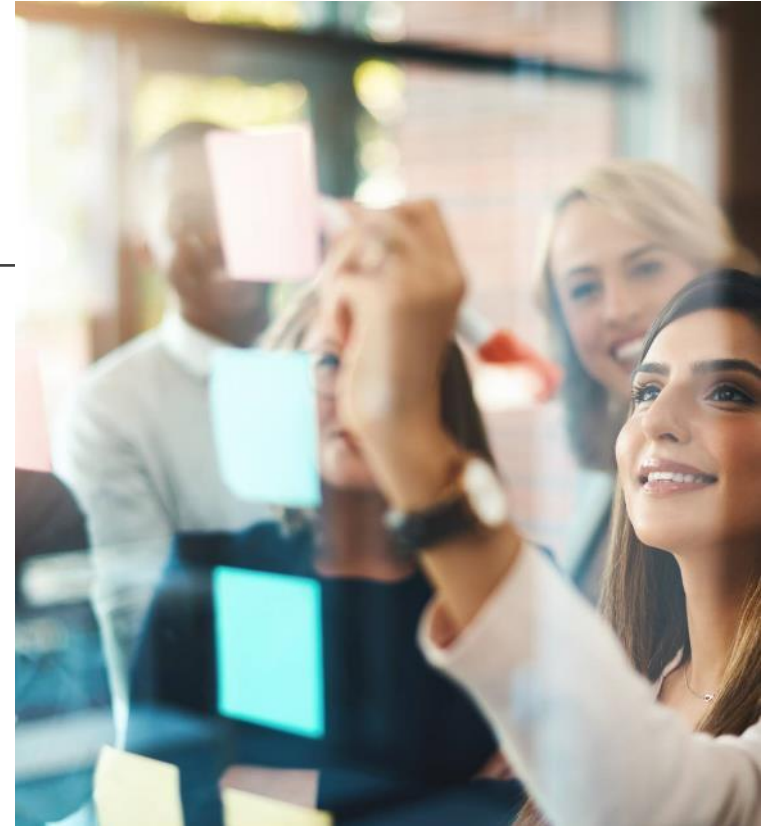


# Disclaimer

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# Overview of Responsible Investing

Popularity – Examples of ESG – Performance

# Investing is not like banks, credit cards, and insurance

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## FOR BANKS, CREDIT CARDS AND INSURANCE

- You give them your money
  - Deposited into a bank account
  - Paid through credit card fees or insurance premiums
- They decide what to do with the money
- Your job is to choose a responsible bank, credit card issuer or insurance company that will use the money how you see fit

## FOR INVESTING

- YOU decide what to do with your money
  - Even if you have a financial advisor, YOU are in charge
- So you need to understand the basics of investing



# What is Socially Responsible Investing?

Investing that considers environmental, social, and corporate governance (ESG):

- To generate long-term financial returns
- To create positive social impact

Can be done for all investment types:

- Stocks and mutual funds/ETFs
- Bonds and fixed-income products
- Cash: CDs, Loan Funds, Retail Notes

Also called:

- Sustainable investing
- ESG investing
- Ethical investing
- Green investing
- Impact investing



# Why do Responsible Investing?

US GDP in 2023: \$26.5 trillion

- 88% of this is from private industries
- Your investments are your voice into how these companies operate!

Responsible investing has encouraged companies to:

- Improve climate risk disclosure
- Implement sustainable forestry
- Address human rights in supply chains
- Close gender and racial pay gaps
- Promote diversity on corporate boards
- Enact policies against discriminating on the basis of sexual orientation
- Report on political lobbying expenses



## Sustainable Investing in the United States 1995-2022



NOTE: Assets under management in 2022 represent US SIF's new modified methodology.

Source: US SIF 2022 Trends Report

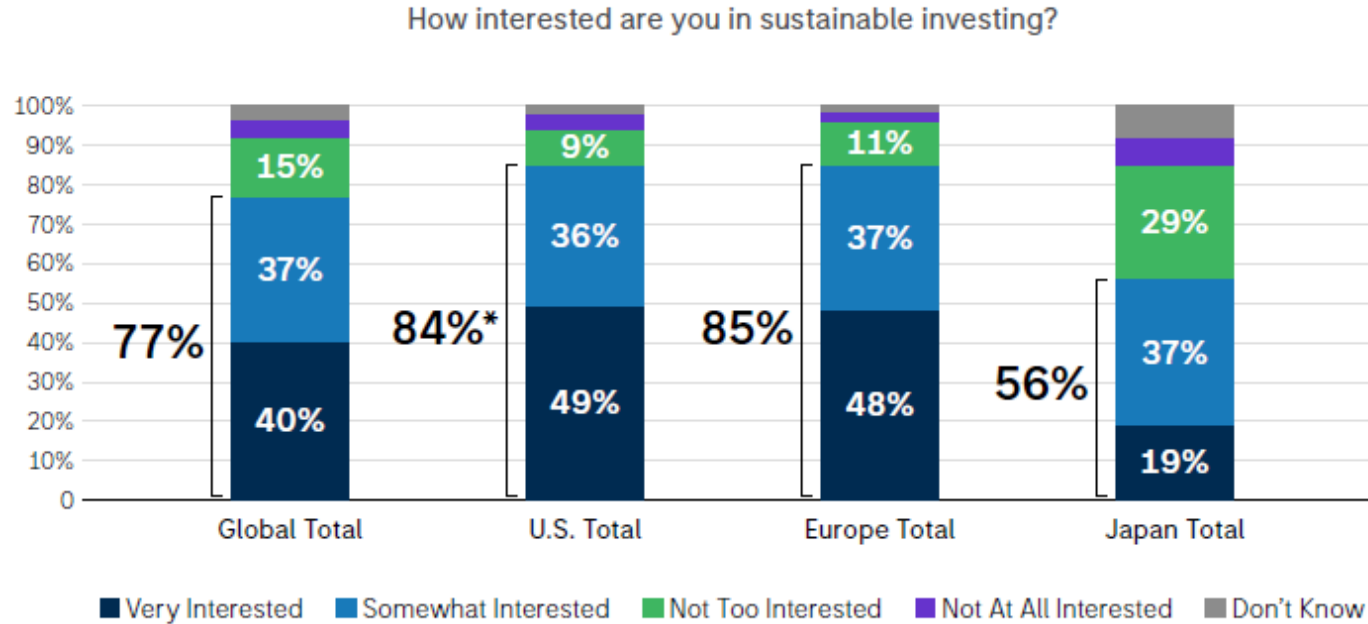
# Is Responsible Investing Popular?

**YES!** SOCIALLY RESPONSIBLE INVESTING ACCOUNTED FOR **\$8.4 TRILLION** IN 2022 – **1 IN 8 DOLLARS** UNDER MANAGEMENT



FIGURE 1

## More than three quarters of individual investors globally are interested in sustainable investing



\*U.S. rates of interest appear to sum to 85% due to rounding. The "Very Interested" rate is 48.5% and "Somewhat Interested" rate is 35.6%, or 84.1% total.

Source: 2024 Morgan Stanley Sustainable Signals: Understanding Individual Investors' Interests and Priorities

# Is Responsible Investing Popular?

**YES!** ALMOST **50%** OF US INVESTORS SURVEYED IN 2024 INDICATED THEY WERE **VERY INTERESTED** IN SUSTAINABLE INVESTING

# Examples of ESG Issues

- Environment, Social, and Governance covers a wide range of issues. These issues are not an exhaustive list.
- Some companies do very well in some areas but not so well in others.
- Which issue in each of the three areas stands out most for you?
- What are your top three issues overall?
- **KEY POINT:** Knowing the issues most important to you will help you evaluate various investment options.



Source: US SIF Foundation

# ESG Issues on the company level

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## Environmental

Climate, energy efficiency, pollution, sustainable agriculture, and water. ***How does this company manage environmental liability, does it find ways to address environmental problems?***

## Social

Workplace safety, labor, workplace benefits, diversity, community relations, and human rights. ***How does this company treat all its stakeholders?***

## Corporate Governance

Political contributions, executive compensation, board diversity, board independence, and transparency and disclosure. ***How is corporate power checked and shared?***

# ESG Financial Performance

## A GROWING BODY OF ACADEMIC RESEARCH SHOWS A STRONG LINK BETWEEN ESG AND FINANCIAL RETURN, ESPECIALLY OVER TIME

- Morningstar's 2022 Sustainable Funds US Landscape Report: "In 2021, most sustainable funds delivered stronger total and risk-adjusted returns ... than their respective Morningstar Category indexes."
- Morgan Stanley Institute for Sustainable Investing study analyzed 3,000+ US mutual funds and ETFs, finding that sustainable equity funds outperformed non-ESG funds by a median of 4.3 percent in 2020.
- NYU Stern Center for Sustainable Business conducted a meta-analysis of 1000+ studies from 2015-2020: "59% showed similar or better performance for ESG funds relative to conventional investment approaches while only 14% found negative results."



# How is ESG used?

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## EXCLUDE

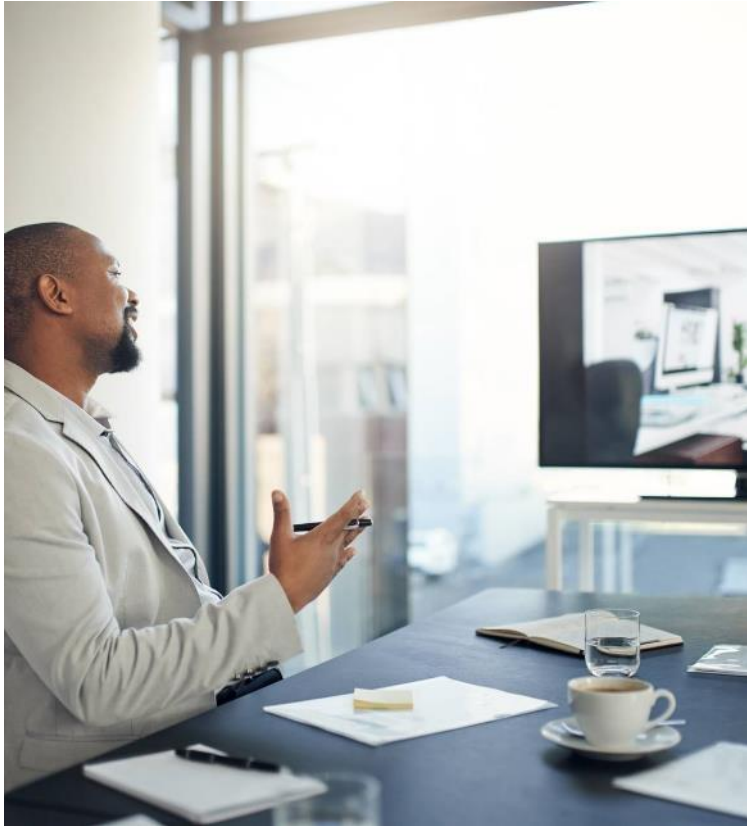
- Screen **OUT** companies with poor ESG track records or whose business model is counter to your values
- Examples include:
  - Fossil Fuel Companies
  - Weapons Manufacturers
  - Tobacco / Alcohol
  - Private Prisons
  - Industrial Agriculture

## INCLUDE

- Screen **IN** companies with strong ESG policies and practices
- Incorporate ESG factors to benchmark corporations and identify best in class investment opportunities
- Integrate ESG factors when evaluating risk and return

## EXAMPLES

- Buying direct stocks – which companies to invest in?
- Evaluating mutual funds and ETFs in your retirement plan
- Investing in a green bond or note
- Deciding which bank to get a CD in
- Looking for a community loan fund or retail note



# Responsible Investing Products & Services

Stocks -- Mutual Funds/ETFs -- Cash/Fixed Income

# Getting started with responsible investing

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## IT'S LIKE REGULAR INVESTING

- Set goals
  - Retirement, college fund
- Know your risk tolerance
- Figure out how much you can set aside each month
  - Even a small amount multiplies over time
- **Only difference:** Responsible investing also takes social, environmental, and corporate governance criteria into account



# 1. Individual Stocks

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## DIRECT OWNERSHIP OF A COMPANY

- Research any stocks you own in a retirement or brokerage account
- Check company's website for corporate responsibility or sustainability reports
- Check reports and rankings to see how the companies you own compare to other companies on matters you care about
- Consider divesting from companies with poor ESG policies and performance

## EXAMPLES OF COMPANY RANKINGS

- [Climate Action 100+](#)
- [Corporate Knights Clean 200](#)
- [As You Sow Racial Justice Scorecard](#)
- [As You Sow Workplace Equity Scorecard](#)
- [Proxy Impact Race and Gender Pay Scorecard](#)
- [Fortune 100 Best Companies to Work For](#)
- [Corporate Human Rights Benchmark](#)
- [Human Rights Campaign Equality Index \(LGBTQ+\)](#)



# 2. Mutual Funds and ETFs

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## PORTFOLIO OF STOCKS, BONDS, AND OTHER SECURITIES

- Mutual Funds let you pool your money with other investors to buy stocks, bonds
- An Exchange-Traded Fund (ETF) is like a mutual fund except it can itself be traded
- Learn about how the fund invests in its prospectus – its “mission statement”
- Fund managers, not investors, vote on shareholder resolutions for companies in Mutual Funds and ETFs – but investors can tell fund managers how they want to vote

## EXAMPLES OF FUND RATINGS

- [As You Sow Invest Your Values](#)
  - [Fossil Fuels](#)
  - Deforestation
  - Gender Equality
  - Gun Free
  - Prison Free
  - Weapons Free
  - Tobacco Free
  - [401k Scorecard](#)
- [Natural Investments Heart Rating](#)
- [US SIF Mutual Funds and ETFs](#)
- [Morningstar Sustainability Ratings](#) (use search)
- [MSCI ESG Fund Ratings](#)

# 3. Community-Oriented Cash / Fixed-income

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## CERTIFICATES OF DEPOSIT, SAVINGS ACCOUNTS

- Open a CD or savings account at a community development bank or credit union
  - Mission to serve low- and mid-income communities
  - Finances small business, nonprofits, affordable housing in urban and rural areas
- Find them on the [Green America Bank Map](#)
  - Community Development Financial Institutions
  - Minority Depository Institutions
  - Member of Inclusiv, community devp credit unions
  - Member of Global Alliance for Banking on Values
  - Member of Green Business Network

## EXAMPLES OF LOAN FUNDS AND RETAIL NOTES

- [Hope Credit Union Transformational Deposits](#)
- [CNote Flagship Fund](#)
- [Calvert Cut Carbon Note](#)
- [Capital Impact Investment Note](#)
- [Connecticut Green Liberty Bonds/Notes](#)
- [Chicago Community Loan Fund](#)
- [California Community Vision](#)
- [Yrefy SLP4 Student Loan Fund](#)



# Putting Responsible Investing into Action

Proxy Voting – Retirement Plans – Financial Advisors

# YOU are in charge of your investments

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## KNOW WHAT YOU OWN

- Do you own any stocks or bonds?
- Do you have a 401(k), IRA, or pension plan?
  - Do you know how to access it?
  - Do you know how it is allocated?
- Do you have a financial advisor?

## THIS IS YOUR MONEY

- YOU get to decide how it is used.



# If you own stocks

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## BE AN ACTIVE SHAREHOLDER

- Each year public companies hold an Annual General Meeting when all stock owners vote on shareholder resolutions
- Recent shareholder resolutions ask companies to:
  - Phase out fossil fuel investments
  - Report on racial and gender disparities in pay
  - Eliminate plastic in the supply chain by a certain date
- Stockholders receive “[proxy ballots](#)” in advance of the AGM
- [Proxy Preview](#) tracks hundreds of ESG shareholder resolutions
- A new app by [iconik](#) is streamlining the proxy voting process



# Retirement Accounts

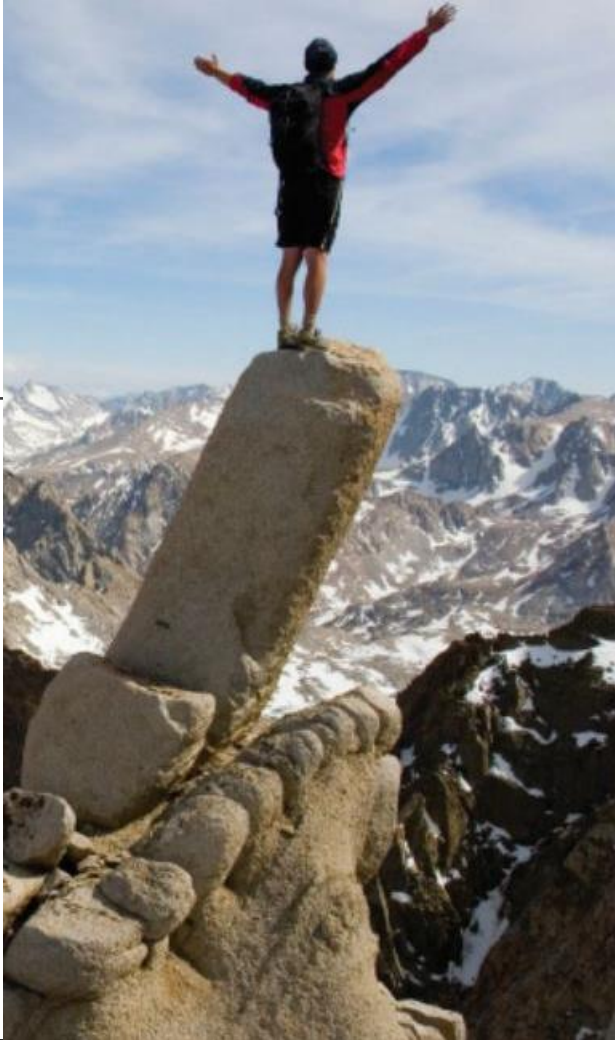
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## EMPLOYER-SPONSORED PLANS

- Employee Retirement Income Security Act (ERISA) covers two types of plans:
  - **Defined benefit plan**: Promises a specified monthly benefit at retirement. Ex. pension
  - **Defined contribution plan**: Employee and employer contribute to an account for employee to pull from at retirement. Ex: 401(k), 403(b)
- Pros/Cons
  - High contribution limits: \$23,000 + \$7500 catchup
  - Employer manages investments; ESG funds limited

## INDIVIDUAL PLANS

- **Individual Retirement Account (IRA)**
  - Traditional: Contributions pre-tax, payments taxed
  - Roth: Contributions post-tax, payments not taxed
- Pros/Cons
  - Lower contribution limits: \$7000 + \$1000 catchup
  - You can choose and manage funds you invest in



## PLAN FOR A BETTER FUTURE

How to Add Socially & Environmentally Responsible Investment Options to An Employer's Retirement Plan

A Resource Designed for Use by  
Both Employers and Employees from:



# Adding Sustainable Funds to Retirement Plans

In 10 Steps

# How to Add Socially Responsible Investment Options to Your Retirement Plan

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1. Educate yourself about socially responsible investing. (You are doing that here!)
2. Identify co-workers who share your interest
3. Form a group to discuss goals, needs, questions.
4. Schedule an appointment with HR to raise the issue. Have a packet of educational material
5. Identify questions/concerns. Find the answers.
6. Identify sustainable retirement providers – ex. Social(k), Carbon Collective. Get data on performance of socially responsible funds.
7. Follow up meetings with HR - Find out your employer's decision-making process.
8. Invite sustainable investment providers to speak with your employer as needed.
9. If your employer is receptive, find out dates when socially responsible options can be made available.
10. If your employer is not receptive, keep trying. Ask who needs to be involved, suggest ways to educate employees (ex. Brownbag lunch, presentation)



# Find a Financial Advisor

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## PLACES TO LOOK

- Green America resources
  - Financial advisors in the [Green Business Network](#)
  - Socially responsible [financial planning consultants](#)
- US SIF resources
  - Online [Member Directory](#)

## QUESTIONS TO ASK

- What is your experience with sustainable investing?
- Do you have an [ESG issues questionnaire](#)?
- Do you have model portfolios that are all ESG?
- Are you a member of US SIF or the Green America Green Business Network?
- Are you certified as a [Chartered Socially Responsible Investing Counselor \(CSRIC\)](#)?