

ESG INVESTING & WHY TO INCLUDE IT IN YOUR INVESTMENT STRATEGY

Lynda McAuliffe, Client Relationship Manager



The phrase 'ESG' you may recently find be popping up on your radar in different ways through social media and news reporting. Its becoming a hot topic for life companies and brokers alike, and one at Quintas Wealth Management which we welcome as a concept and as a practice in investment portfolios for our clients.

ESG stands for Environmental, Social and Governance investing. It is not a new idea, originating as part of a 'selective investment' concept in the 1970s.

Present day, it is a central component to a European Union Directive that seeks to position the EU as a 27 nation bloc at the forefront of global efforts to build a financial system that supports sustainable growth and a sustainable economy.

ESG investing promotes positive screening, owning shares in companies that have considered environmental, social and governance factors. These are:

 Environmental	 Social	 Governance
Evaluates a company's impact on the natural environment, such as climate change, biodiversity, carbon emissions, air, and water pollution.	Reviews the impact of a company's actions on society and communities, including human rights, health and safety issues, labour standards, product liability, privacy, and data security.	Focuses on how companies are governed, including diversity, transparency, ownership, board independence, ethics, and executive compensation.

Source: Aviva 2021

Fund managers will be incorporating this in their underlying asset selection. So, for you and me this means these types of funds will be available for investment personally, through your company or through your pension.

And why is this so great you ask? ESG investing incorporates environment, social and governance (ESG) elements into the investment process, in addition to financial considerations. As investors and shareholders we can all positively influence climate change by investing in companies that are committed to tackle global warming and reducing carbon emissions.

We can choose to support companies who treat employees fairly and are growing their business sustainably. And statistics are showing that's what people are caring about...



Source: Aviva 2021

As an emerging model there has been some critique, saying ESG investments are too passive and not delivering on returns. So far research has shown positive and consistent returns when ESG is part of a multi asset portfolio. With investing a basic tip is never to put all your eggs in one basket - diversify. At Quintas Wealth Management we believe taking a holistic approach to your portfolio will allow you to benefit from a range of returns, and ESG investing should be a part of it.

The factors driving demand among investors for sustainable business practices are here to stay. Organisations that adopt good ESG policies are also minimising future risks and will be well positioned to take advantage of future opportunities, as well as doing the right thing. It means that on an individual basis we can do good through our investment choices. The goal of ESG investing is basically to have a positive impact on our society, our environment and ultimately our future.

To quote Captain Planet, the power is yours!