The "E" in ESG

INVESTING WITH THE ENVIRONMENT IN MIND

By:

Nancy T. Bell
CFP®, CDFA™, CSRIC™
Wealth Advisor
nbell@tcwealthpartners.com
630-545-3653

Environmentalist John Muir said, "When one tugs at a single thing in nature, he finds it attached to the rest of the world." In recent years, our environment is being tugged and stretched in unprecedented ways.

Increasingly, corporations are being held accountable for how their practices are straining the environment. In fact, for many investors, corporate environmental risk is the most pressing issue of this century. And it can be hard to eradicate because these risks are often found hiding in the internal practices of irresponsible corporations, the spending habits of consumers, and conflicting opinions in the scientific community.

Many feel we have lost precious time in addressing global environmental risks. Public debates abound regarding the economic impact between doing nothing and doing everything. This fierce tug of war plays out in national and local headlines every day, continuing to distract the public from finding serious solutions to the growing environmental dangers we all face.

When you think of environmental risk, the first thing that probably comes to mind is climate change. And climate change is the most all-encompassing aspect of unchecked environmental risk. As the environmental activist Frances G. Beinecke once said, "I have long understood that climate change is not only an environmental issue – it is a humanitarian, economic, health, and justice issue as well."

When it comes to investing, many investors look to support companies that are checking their environmental risk, the "E" in ESG..

WHAT IS THE ECONOMIC IMPACT TO THE ENVIRONMENT WHEN COMPANIES ENGAGE IN CARELESS, EVEN DANGEROUS CORPORATE PRACTICES?

Hazardous business practices can cost a company plenty, and that cost is passed down to the shareholders, consumers and even taxpayers. Not to mention the health risks it poses to the people and wildlife caught in the middle of these disasters.

Consider how much it can it cost a company to clean up an oil spill!

According to The National Oceanic and Atmospheric Administration the largest marine oil spill in all of U.S. history occurred on April 20, 2010 when the Deepwater Horizon drilling platform exploded in the Gulf of Mexico, killing 11 people. Before it was capped three months later, approximately 134 million gallons of oil had spilled into the ocean.

As of 2015 cost for the clean-up, environmental and economic damages and penalties had reached $54 billion.

What is the economic impact of contaminated water?

According to the World Bank Group President David Malpass, clean water is a key factor for economic growth. As water quality deteriorates economic growth stalls because health conditions worsen, food production is reduced, and poverty is exacerbated.

What does industrialized agriculture cost us as a nation?

U.S. taxpayers spend billions of dollars each year on farm subsidies and other food-related policies. These subsidies encourage farming practices that pollute downstream water supplies resulting in billions of dollars' worth of damage to drinking water and to the fishing and tourism industries.

What can you do as an investor to push back?

Do your research.

Thanks to the increased demand by institutional and individual investors, there is a requirement for better accountability and transparency from corporate board rooms. This gives us all greater access to both positive and negative information on publicly traded companies.

Prioritize your concerns.

You can begin to change how and where you place your investment dollars. You can invest in companies that are in the business of protecting and preserving the environment and you can invest in companies that strive to reduce or eliminate their environmental impact regardless of their industry.

Consider looking at such categories as: sustainable natural resources/agriculture, water use and conservation, and alternative renewable energy.

Evaluate your choices using data.

Each day more and more data finds its way to the desks of analysts at large investment firms. They will use this information to evaluate and assign an E score and then integrate it into the calculation of a total ESG score.

This data is published and can be used to scrutinize companies within a given industry, or to compare the inherent level of environmental risk across all industries. When you find a company with a relative high E score you are on the right track to making a values-based investment decision that will serve to reduce environmental risks.

Invest intentionally.

If environmental issues are important to you, be sure you place your investment dollars into the hands of the companies that are working towards a high E score. Think air, water, soil. All things are connected: the problems and the solutions. Good environmental practices will reduce environmental risks which in turn reduces shareholder risk.

Everybody can win. You can do good and make money and move closer to realizing your values- based investment goals.