

# Adding the Sustainability Approach to Socially Responsible Investing (SRI)

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# What is Socially Responsible Investing?

- Socially Responsible Investing (*SRIs*) are investments that integrate environmental, social, and governance issues with financial goals, based on personal and social values or beliefs of investor.
- Also referred to as:
  - Ethical investments
  - Sustainable investments
  - Impact investments.
- Can SRIs allow investors to do financially well, while doing good (ESG)?

# Current Value of SRIs

- Currently, SRI in the US alone is worth approximately US\$6.57 trillion.
- The total managed assets in the US is worth \$36.8 trillion.
- Only less than 20% of managed assets in the world are invested in SRIs.



# Barriers Preventing The Shift to SRI

1. Short-termism
2. Lack of Transparency, Corporate Disclosure or Reliable Information
3. Lack of Standardization for Metrics/Indicators
4. Sense of Ownership



# Financial Performance: SRIs vs Conventional

- The main goal for most investors is to gain positive financial returns. SR investors are interested in good financial returns, just as much as supporting ESG.

## Research findings show:

- Mixed reviews and inconclusive data ranging from:
  - No significant difference in performance between SRI and conventional funds.
  - Improved financial performance if sustainability performance is considered.
  - However, none indicated that SRI result in poor financial performance.
- Performance relies on the investor's skills and knowledge, NOT measurement of ESG damage

# ESG Strategies

Some examples of strategies that are used to identify funds as socially responsible:

1. ESG Screening (Positive/Negative)
2. Sustainability Ratings
3. ESG Integration
4. Thematic investing
5. Corporate Engagement



# Recommended Tools and Strategies

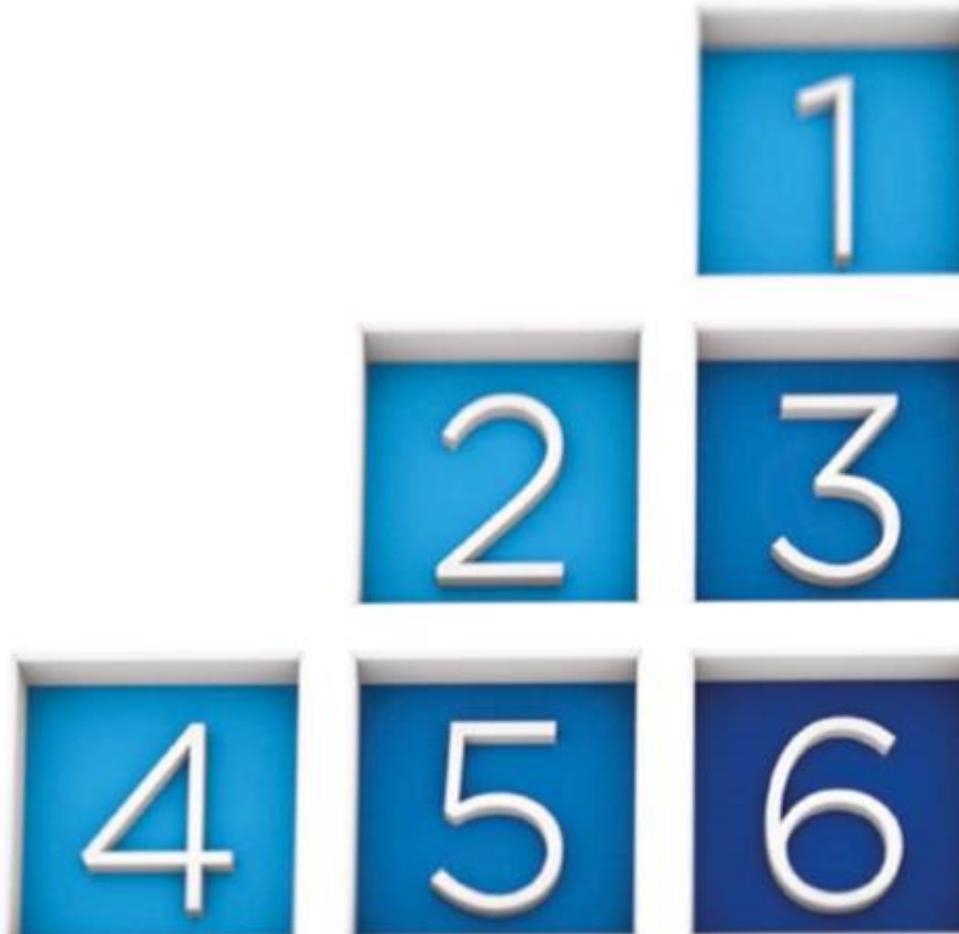
All of these, in combination:

- Social learning (AG) and collaboration
  - UN Principles for Responsible Investing
- Seek corporate disclosure on ESG issues
- Be an active owner (i.e. voting)
- Integrate ESG issues



# THE SIX PRINCIPLES

- 1** We will incorporate ESG issues into investment analysis and decision-making processes.
- 2** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4** We will promote acceptance and implementation of the Principles within the investment industry.
- 5** We will work together to enhance our effectiveness in implementing the Principles.
- 6** We will each report on our activities and progress towards implementing the Principles.



United Nations'  
Principles for  
Responsible  
Investment

# Shifting Towards SRIs



## Corporations/Institutional Investors

- Must include all stakeholders, not just shareholders
- Create shared values as corporate purpose, not just profits

## Individual Investors

- Inform your financial advisor of your goals (socially and financially)
- Stockholders: Engage in active ownership

## Everyone

- Consider the 17 Sustainable Development Goals
- Think long-term investing, instead of short-term
- Educate yourself on investment options

Thank you!

QUESTIONS?