

Please note: This is a transcription so there may be slight grammatical errors.

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ESG Investing has grown in popularity in recent years. In fact, ESG Investing is predicted to exceed 50 trillion by 2025. So how can investors think about integrating ESG into their portfolios?

ESG stands for Environmental, Social, and Governance, and when it comes to investing, many individuals and organizations are considering one or more of these factors to determine their investment philosophy. At its core, ESG Investing is about aligning your values with where you put your dollars, using a different, non-financial lens to evaluate the companies you invest in.

One of those lenses is environmental. This can mean climate change, carbon emissions, land or wildlife conservation, pollution, energy efficiency, or water usage to name just a few. Many publicly traded companies now include information about their environmental impact in their annual reports or make public pledges to reduce their carbon footprints.

The second part of ESG, Social, is about the people and relationships that embody an organization. How much gender diversity does a company have? Do they have fair labor standards and human rights practices? How does a company give back to the communities in which they serve?

The last piece, Governance, is about the standards applied to running the company. Who sits on their board? What politicians do they contribute to? Have there been any labor disputes, whistleblower accusations, or other controversies? Tracking down this information can, at times, be difficult, but we expect the amount of publicly available information about companies' business practices, environmental impact, and social responsibility to increase substantially in the years ahead. We also anticipate increasing consistency in how these metrics are reported.

For now, there are four key steps you can take as an investor to align your investments with your values.

The first is to pick an area or areas that you want to focus on. Think of a vision statement for your portfolio. Are you most concerned with the social justice issues or the environment? You want to ensure that your focus isn't so narrow that it's difficult to find investments that fit, but it should be specific enough to provide clear direction.

Another approach may be to consider a core ESG strategy that broadly touches on many of the key issues facing the world today.

Next, take a look at the assets you own and identify which ones don't align with your values. Then build out a portfolio with investments that do align with your strategy.

Lastly, take a step back and measure your progress not only in terms of your return, but also, the positive impact that companies you have invested in are having.

With careful portfolio construction and monitoring, which often requires the assistance of an advisor, the long-term returns of an ESG strategy should be just as successful as traditional investing. Getting started with ESG Investing is as simple as identifying your values. Then, call CAPTRUST. We're here to help.

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