



PATHSTONE
IMPACT

SUSTAINABLE INVESTING HIGHLIGHTS

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ESG Funds May Hit 53 Trillion Dollars by 2025

The environmental, social, and governance ("ESG") landscape has continued to evolve. ESG investing has generated momentum on Wall Street and caught both individual and institutional investors' eyes to align their portfolios with their values.¹ This momentum, if sustained, would continue to lead to a higher inflow of traditional funds to ESG funds. According to Bloomberg Intelligence Global, ESG 2021 Outlook, ESG assets may top \$53 trillion by 2025, 15% annual growth.² The E.U, U.S, and Asian Pacific markets are expected to contribute to ESG's growth trajectory.³

In the E.U, Morningstar data shows that "rising demand for 'sustainable' investment prompted managers to change the strategy or investment profile of 253 European funds in 2020, helping to push regional assets invested in funds with an environmental, social, or governance tilt to a record €1.1tn by the end of December."⁴ This demand and rise of ESG funds' growth are linked to investors' avoidance of businesses with negative societal, environmental impact, or corporate governance issues. A new sustainability study by OnePlanetCapital reviewed that "75% of investors would invest in businesses addressing climate change. 70% of investors surveyed would avoid businesses with negative corporate governance, societal, or environmental impact. While 17% surveyed plan to move their investment in 2022 or later to ESG."

ESG within the United States has also gained positive traction from individual and institutional investors. According to Baer Pettit, the chief operating officer of MSCI, "approximately \$200 million of the firm's revenues are now 'tied to ESG and climate,'" and are growing "in the 30 percentages in this area, [...] growing dramatically, faster than even the second major closest category, the index business."⁵ Similarly, it does support the 2020 USSIF trends report citing a 42% inflow of sustainable investment from 2018 to early 2020, totaling \$17.1 trillion.⁶ The \$17.1 trillion represents about a third of U.S. assets under management.⁷



ESG Funds May Hit 53 Trillion Dollars by 2025 (*Continued*)

Asian Pacific has also experienced a higher appetite for ESG investing. A survey conducted by MSCI cites that "79% of investors increased their ESG investing while 57% of investors in the region expect to have completely or 'to a large extent' incorporated ESG issues into their investment analysis and decision-making processes by the end of 2021."⁸



Institutional Investors and Academic Institution Push for Net-Zero

In its bid towards net-zero by 2050, BlackRock would sell shares of companies considered the worst environmental polluters.⁹ In its annual letter to clients, Larry Fink, the CEO of BlackRock, emphasizes the need for a net-zero push.¹⁰ According to Fink, “BlackRock is committed to supporting the goal of net-zero greenhouse gas emissions by 2050 or sooner. We are taking a number of steps to help investors prepare their portfolios for a net-zero world, including capturing opportunities created by the net-zero transition.”¹¹

Goldman Sachs recently became the latest large financial institution to commit to a net-zero transition.¹² Goldman Sachs would be joining Morgan Stanley, Pimco, Fidelity, JP Morgan, Citigroup, and Bank of America in devising net-zero operations and investing standards by 2050.¹³ David Solomon, CEO of Goldman Sachs, in a statement, “Today, we are expanding our operational carbon commitment to include our supply chain, targeting net-zero carbon emissions by 2030, [...], We encourage business leaders from all industries to join these collective efforts. After all, it’s the gains we make in the short term that will make our success in the long term possible.”¹⁴

In a first-ever climate change disclosure, Harvard University became the latest Ivy League Institution to trim down holdings exposed to fossil fuel.¹⁵ In 2020, Harvard University made a commitment to make its “endowment portfolio net-zero of all greenhouse gas emissions by 2050, in line with the Paris Agreement.”¹⁶ A year later, after its commitment to net-zero, a report by Harvard Management Company (“HMC”), an asset management company that manages the Harvard University endowment, cites that, “Harvard University has reduced its overall exposure to fossil fuels—including both direct commodity investments as well as indirect investments in companies that explore for or develop further reserves of fossil fuels held through dedicated externally managed funds—from approximately 11 percent of the portfolio 2008 to less than 2 percent at the end of the fiscal year 2020, a decrease of more than 80 percent. These calculations reflect those exposures we can determine through available data.”¹⁷



Institutional Investors and Academic Institution Push for Net-Zero (*Continued*)

Between 2008 and June 2020, HMC, which relies on an outside fund manager, holds approximately \$41.9 billion in the Harvard University endowment, increasing from \$36.9 billion.¹⁸ The gradual reduction of fossil fuel exposure from the Harvard University endowment is in-line with its 2020 ambitions goal to reach net-zero by 2050.¹⁹



Canada's Largest Pension Fund CEO Resigns Attempting to Jump Vaccine Queue

Institutions of any size and investors, individual and institutional, perceive the "G" in environmental, social, and governance ("ESG") as material when assessing a company for charitable giving or potential investment. An attempt to maneuver corporate governance norms can negatively impact a company's brand, leading to the loss of clients' trust and the market value of a publicly traded company.

Recently, Mark Machin, the Canada Pension Plan Investment Board (CPPIB) CEO, became the second Canadian corporate executive to resign after attempting to jump the COVID-19 vaccine queue.²⁰ Machin defied the Canadian government's COVID-19 travel advice and flew to the United Arab Emirates for vaccination.²¹

CPPIB "is a crown corporation, meaning it is governed independently from the federal government but is the steward of pension obligations that are government-mandated."²² CPPIB manages C\$475.7 billion (\$377 billion) in Canada's national pension fund and invests on behalf of about 20 million Canadians.²³

The United Arab Emirates provides COVID-19 vaccination to residents and citizens at no cost and requires a valid residency identification card to get a vaccine shot.²⁴ It is still unclear how Machin, a British citizen, got the vaccine by traveling to Dubai. Under Machin's leadership, the CPPIB experienced a net return decline from 8.9% to 3.1%. Machin's resignation came after public criticism.²⁵

Rod Baker, the CEO of Great Canadian Gaming Corp, was the first Canadian corporate executive to resign for violating the Canadian COVID rule.²⁶ Baker and his wife were both "ticketed for breaking emergency rules to travel to a remote town in northern Canada to receive a COVID-19 vaccine."²⁷ Both "Baker and his wife arrived in Whitehorse, Yukon's capital city, on Jan. 19 and traveled to the community of Beaver Creek two days later, violating a 14-day self-isolation rule, Cameron said. There, they received the Moderna vaccine after claiming to be new employees at an area motel."²⁸



Big Banks Helping to Bridge Social and Economic Gaps

Bridging the social, racial, and economic gap requires the collective efforts of ESG investors, policymakers, and businesses. Recently, businesses such as JPMorgan, Goldman Sachs, and Netflix increased their pledge to help grow minorities' business, which is a great opportunity to address social, racial, and economic gaps.²⁹

JPMorgan announced a \$350 million pledge to help Latinx, Black, and women-owned business expand their business operation.³⁰ The \$350 million would be distributed over five years in low-interest equity investments, loans, and philanthropic investments.³¹ According to Ted Aecher, the executive director and head of small businesses and philanthropy at JPMorgan, "JPMorgan is committed to lending more to Black and minority-owned businesses. This money will help strengthen CDFIs so they also can lend to more business owners in their communities."³² Also, "part of the money, \$42.5 million, will go to the Entrepreneurs of Color Fund, which provides funds to community development financial institutions (CDFIs) for low-interest loans to underserved small businesses. The fund originally partnered with CDFIs in Washington, Detroit, and three other cities, and it will use the new money to partner with CDFIs in more locations."³³

Through its new One Million Black Women Initiative, Goldman Sachs committed \$10 billion over ten years to support black women's business advancement.³⁴ The initiative would focus on helping black women-owned businesses have access to capital to create jobs and improve the financial health of workforces. Goldman Sachs's announcement comes as shareholders and employees encourage corporations to do more to address all forms of inequality. According to Goldman Sachs, "investing in the initiative would tackle the disproportionate gender and racial biases that Black women have faced for generations, which the pandemic has only exacerbated."³⁵



Big Banks Helping to Bridge Social and Economic Gaps (*Continued*)

Through its Fund for Creative Equity, Netflix would commit \$100 million to fund organizations to bridge the film industry's racial divide. The commitment comes after its newly commissioned study finds a gap in minority representation in the film industry.³⁶ Netflix co-CEO and chief content officer Ted Sarandos said in a statement, "Doing better means establishing even more opportunities for people from underrepresented communities to have their voices heard, and purposefully closing capacity and skill gaps with training programs where they are needed."³⁷



About the SDGs, Targets, and Indicators

The SDGs

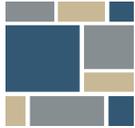
The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals ("SDGs"), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go together with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.³⁸

Targets

The SDGs targets are set to be achieved by 2030. There are approximately 169 targets covering a broad range of sustainable development issues.³⁹

Indicators

The SDGs indicators are used to measure progress made by the United Nations member states towards the achievement of SDGs targets. There are approximately 232 indicators set by the United Nations to measure SDGs progress.⁴⁰



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