

Financial Insights

from Quinn+Cardy Wealth Management
of BMO Nesbitt Burns

Doing Good: Why ESG May Be the Future

In recent times, there has been a pivot by governments, policymakers and business leaders in supporting environmental, social and governance (ESG) movements.

Environmental and social change appears to be the new focus on many global agendas. Last year, the U.S. vowed to cut greenhouse gas emissions by up to 52 percent by 2030.¹ U.S. President Biden has also pledged trillions of dollars to an infrastructure plan that focuses on shifting to greener energy, as well as initiatives to support social improvements for American families.² Similarly, Canada has pledged a significant cut in carbon emissions.³ Even China, seen as a global offender, has stated its commitment to “protect the environment and deliver social justice in the course of green transition.”⁴

Similar to this prioritization by global leaders, the investing world is pushing ahead by increasing the support and transparency for prioritizing ESG factors in investing. Have you considered integrating ESG factors into your own investing? There may be varying motivations.⁵ Here are three:

Incorporating personal values. Some investors want their investments to reflect their personal values. Millennials are leading this charge, with around 90 percent suggesting that tailoring their investments to their values is a key priority.⁵

Making a positive impact. Some investors wish to support companies making positive changes for a sustainable future. With increased transparency, there has been improved reporting and accountability by businesses and business leaders. By voting with their wallets, investors can hold companies accountable in generating a positive social or environmental impact alongside a financial return.

Enhancing longer-term performance. A relatively long-held view was that investors who prioritized ESG factors often sacrificed greater

Responsible investing is the approach of using ESG factors as considerations within the investment process:

Environmental — How companies act as environmental stewards, including climate change and greenhouse gas emissions management, water, forest, and resource management and pollution management.

Social — How companies treat employees, customers and communities, including labour standards, human rights and health and safety practices.

Governance — How companies govern themselves, including business ethics practices, diversity and executive compensation.



returns; however, newer studies suggest that the reverse often holds true.⁶ Correlations exist between strong ESG practices and company performance. In fact, integrating ESG factors in a business’ operations

not only contributes to the greater good, but has been shown to provide a more comprehensive view of potential risks and opportunities which can enhance longer-term performance. With the pivot by policymakers and global leaders to support ESG practices, it is expected that there will be continued momentum within this space.

Finding Your Motivation

Whatever your ESG priorities, we can assist. We have a significant amount of resources dedicated to ESG investing. We see continued support for ESG

awareness not only from policymakers, but also from corporations and consumers. As such, ESG remains a focus for the future. The beneficiaries will include not only the planet and its inhabitants, but also those who invest wisely along the way.

1. [cnn.com/2021/04/22/biden-pledges-to-slash-greenhouse-gas-emissions-in-half-by-2030.html](https://www.cnn.com/2021/04/22/biden-pledges-to-slash-greenhouse-gas-emissions-in-half-by-2030.html); 2. [cnn.com/2021/03/31/politics/infrastructure-proposal-biden-explainer/index.html](https://www.cnn.com/2021/03/31/politics/infrastructure-proposal-biden-explainer/index.html); 3. [bnnbloomberg.ca/trudeau-pledges-to-cut-emissions-by-40-to-45-per-cent-by-2030-1.1593797](https://www.bnnbloomberg.ca/trudeau-pledges-to-cut-emissions-by-40-to-45-per-cent-by-2030-1.1593797); 4. Chinese President Xi Jinping, “For Man and Nature: Building a Community of Life Together,” April 22, 2021. U.S. President Joe Biden’s Leaders Summit on Climate; 5. These motivating factors are not mutually exclusive; [msci.com/visualizing-investment-data/esg-investing-finding-your-motivation](https://www.msci.com/visualizing-investment-data/esg-investing-finding-your-motivation); 6. [tiaa.org/public/pdf/ri_delivering_competitive_performance.pdf](https://www.tiaa.org/public/pdf/ri_delivering_competitive_performance.pdf); [forbes.com/just-companies/#2ea3f1c82bf0](https://www.forbes.com/just-companies/#2ea3f1c82bf0); Gunnar Friede, Busch & Bassen, “ESG and financial performance”, Journal of Sustainable Finance & Investment, 2015.



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