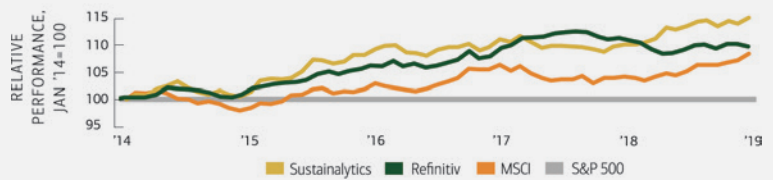


# 10 reasons to care about **environmental, social and governance (ESG)** investing

1

## Beating the benchmarks

Top ESG-ranked companies recorded better performance than the average S&P 500 company

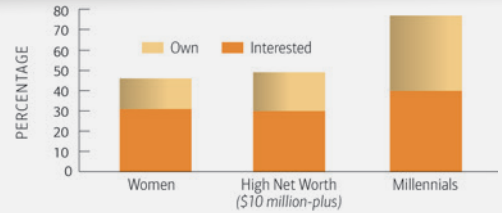


Source: MSCI ESG Research LLC, Sustainalytics, Refinitiv, FactSet.

2

## Rising investor interest

New investments in ESG funds could total an estimated \$20 trillion in the next two decades. These demographic groups are taking the lead



Source: 2018 U.S. Trust Wealth and Worth Survey.

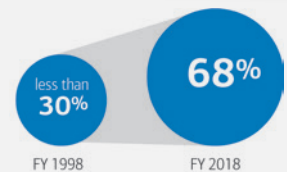
3

## Financial metrics alone no longer tell the whole story

New ways to assess company worth

Percentage of companies' total value attributed to "intangible assets," like brand reputation

\* Intangible assets as percentage of total S&P 500 book value  
Source: FactSet.



4

## Happy employees = successful companies

The bottom-line value of caring for workers

Source: ThinkNum, FactSet, as of 9/28/18.

**41%** The amount by which employers rated as "best places to work"\* outperformed those rated "worst places to work" 12/2012 – 9/2018

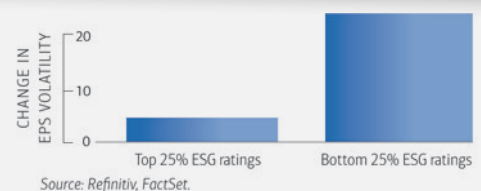
\* Ratings by the job search firm Glassdoor

5

## The best signal of bottom-line risk we've found

S&P 500 companies in the top 25% by ESG ratings experienced lower future earnings-per-share volatility than those in the bottom 25%\*

\* Median change in EPS volatility over the next 3 years, based on annual ESG ratings from 2005-2015



Source: Refinitiv, FactSet.

6

## Bankruptcy risks avoided

Heeding the warnings of ESG

Source: Refinitiv, FactSet.

**90%** The amount of S&P 500 bankruptcies during 2005-2015 investors could have avoided, a study found, if they had screened out firms with below average environmental and social rankings 5 years earlier

7

## "Good" companies enjoy lower funding costs

The lower the ESG score, the higher the cost of debt

S&P 500 companies' weighted-average cost of debt vs. ESG scores (August 2019). Source: MSCI ESG Research LLC, FactSet.



8

## ESG controversies can cost a lot

ESG controversies hurt companies' stock prices and investors alike

Source: US Equity and Quant Strategy, FactSet.

When companies face problems related to ESG issues, their stock price tends to suffer for a year or even longer\*

\*Based on average performance of ESG controversy stocks vs. S&P 500 from 30 days before to 360 days after a controversy during 2013-2018

9

## ESG investing opportunities

Trillions of dollars managed by U.S. portfolio managers incorporate ESG issues to address global challenges\*



Source: US SIF. \*As of 2018

10

## Chances are you already do care about ESG

- Is management compensation aligned with shareholders?
- Does lax environmental behavior mean elevated legal risk?
- Is key talent happy or at risk of moving to a competitor?

Stocks have been bought and sold on ESG concerns for decades. Today, ESG measurements are being standardized, so investors can use them with financial metrics to assess a company's potential.

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