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Responsible Investing

How responsible investments can make a difference

By: Anthony Eames | March 25, 2021

Washington - The demand for environmental, social and governance (ESG) solutions is building, creating the potential for additional questions from investors. Some may wonder whether investments and investor actions really can make a difference in advancing ESG issues. Others may wonder how to determine which asset managers are truly committed to Responsible Investing, and which are merely "greenwashing" their existing operations and strategies.

Fortunately, there is good news on both fronts. Recent developments have shown exactly how progress can be made even absent government policy and regulatory changes as the result of consumer demand and company action. Moreover, asset managers are finding increased resources at their disposal as they look to evaluate investments — and prepare for others to evaluate them in turn.

Companies and the market can make a difference

Top-down government policies that advance ESG issues are certainly helpful and can go a long way toward making positive change on a national level. However, the market does not need to wait for such action to see positive change, nor should it. In fact, the role of corporations and investors is more central than ever.

In recent years, this trend has been borne out. For example, corporations largely maintained Paris Accord targets even when the United States rolled out of the Paris Accord in 2016-17. Many automakers continued to transition their production lines to increase the emphasis on electric and hybrid vehicles under the Trump administration even as the White House was friendlier to the fossil fuel industry.

Today, even as some states lift their rules on wearing masks indoors to fight against COVID-19, many corporations in such states maintain a mask mandate for their employees and customers.

Avoid greenwashing

With ESG investing becoming more mainstream, investment managers must clearly explain their ESG approaches and intentions. It's fair to say that interested investors and their financial advisors face a very complicated landscape with different language, definitions and approaches to ESG investing.

Many aspects of Calvert's approach distinguish us from others. Some of the highlights are:

- A dual mandate with the goals of competitive performance and positive global impact.
- A research process informed by the Calvert Principles for Responsible Investment, based on globally accepted norms. This allows us to understand how companies are managing their material ESG risks and opportunities.
- Use of multiple data sources. Having worked with some of these sources for decades, we know that coverage can be inconsistent, which necessitates a manager to use multiple providers (we use roughly a dozen), and be able to do proprietary research and build custom indicators to fill the gaps left by the providers.
- Structured Engagement. Our mandate is to work with companies to improve their performance on ESG issues, and vote our proxies in alignment with the Calvert Principles. Surprisingly, this is not the case for many large managers, some of whom make claims about their ESG priorities, but do not consistently vote in support of ESG proposals in their ESG funds.
- Measure impact. It is critical that managers have a framework for measuring and reporting the ESG exposures and impact metrics in their strategies.

Bottom line: Investments can have a positive impact on the environment and society as investors and customers push corporations to make necessary changes on material ESG issues.

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