

Getting Started in **Sustainable Investing**

A Guide for Individual Investors

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INTRODUCTION

This guide is a concise resource to help non-accredited individual retail investors get started in sustainable investing, an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.

Sustainable investing may also be described as: impact investing, ESG investing, responsible investing, values-based investing, ethical investing and socially responsible investing. It can be practiced across all asset classes, including stocks, bonds and cash. For an overview, visit our [Sustainable Investing Basics webpage](#) or take our free online introductory course, [Sustainable Investing: An Online Course For Individual Investors](#).

Sustainable investing in the United States, and globally, has [grown rapidly](#) in recent years. Assets under professional management that take ESG factors into account in the United States increased 42 percent between 2018 and 2020 from \$12.0 trillion to \$17.1 trillion, which is 1 out of every 3 dollars. Institutional investors such as pension funds, insurance companies and educational institutions account for most of this activity and have ready access to sustainable investing professional expertise, networks and associations.

However, the ESG-related assets managed on behalf of individual investors, both retail and high net worth investors, that take ESG factors into account, are growing, too. Between 2018 and 2020, individual investor ESG assets under management increased 50 percent from \$3.0 trillion to \$4.6 trillion.

Before exploring investment options and actions, consider your motivations for sustainable investing and the ESG issues that are important to you. This process will help you narrow down and identify the services and products best suited for your needs. In

addition to financial returns that meet your investment goals and horizon, you may want investment options that meet your ethical concerns or have positive social and environmental impact. The graphic on the following page includes common environmental, social and governance issues for consideration.

RETAIL INVESTOR DEMAND IN SUSTAINABLE INVESTMENT OPTIONS

A 2019 [study](#) by the Morgan Stanley Institute for Sustainable Investing found high levels of interest in sustainable investing among individual investors:

- 85 percent of all investors are interested in sustainable investing. Among millennials, 95 percent are interested.
- 86 percent believe that companies with leading sustainability practices may be better long-term investments.
- 84 percent are interested in sustainable investments that can be customized to meet their interests and goals.

The findings of a 2019 [survey](#) by Natixis Global Asset Management of participants in 401k and other defined contribution plans also demonstrate interest from individuals in ESG investments.

- 75 percent said it was important to make the world a better place while growing their wealth.
- 61 percent said including sustainable investment options would make them more likely to contribute to their plan.

INVESTMENT OPTIONS

The investment options and actions available for retail investors getting started in sustainable investing include mutual funds and exchange-traded funds (ETFs), direct ownership of stocks, and community-oriented cash and fixed income products.

MUTUAL FUNDS AND ETFs

LEARN ABOUT FUNDS: Learn more about the funds included in US SIF's online [chart of sustainable investment mutual funds and ETFs](#) offered by US SIF members. By clicking on the screening and advocacy tab, you can see which ESG issues, including climate change, pollution, community development, diversity, board issues and animal welfare, among others, are considered in portfolio selection. You can also see which equity funds file shareholder resolutions or communicate with portfolio company management on ESG issues. The proxy voting tab provides quick links to the funds' guidelines and records with regard to voting on management and shareholder proposals at the underlying companies' annual meetings.

As You Sow offers a free online [Invest Your Values](#) tool, where you can learn how your current or prospective funds rank with regard to seven different criteria: deforestation, fossil fuels, gender equality, guns, weapons of war, tobacco, and prisons.

Several other services, including [Bloomberg](#), [Institutional Shareholder Services](#), [Morningstar](#) and [MSCI](#), measure the ESG performance of thousands of mutual funds and ETFs. Many of the services require a fee or subscription, but some—such as [Morningstar's list of ESG funds with sustainability ratings](#)—are free. Each provider uses a somewhat different assessment method, so the ratings can diverge. All of these tools can help you select an investment fund, or to switch funds if you are able to do so.

You can also learn about a fund's investment philosophy from its summary [prospectus](#), available online. If the fund takes ESG concerns into account in selecting securities for its portfolio, it will be mentioned in the prospectus. Funds that invest in stocks (equities) also have a responsibility to vote their shares (proxies) in portfolio companies, and are required to provide a [record of how they voted](#), called an "N-PX" report, under [rules issued by the Securities and Exchange Commission \(SEC\)](#). The report will

EXAMPLE OF ESG CRITERIA USED BY SUSTAINABLE INVESTORS



Source: US SIF Foundation

list each resolution and whether it was proposed by company management or by shareholders, how the fund voted (voting options are “for,” “against,” or “abstain”) and whether that vote was “for” or “against” the company’s recommendation. Morningstar also offers resources for retail investors to [examine the proxy voting records](#) of 50 of the largest fund families.

EXPRESS YOUR VIEWS TO FUND MANAGEMENT: If you don't see evidence that the funds in which you are invested have thoughtful voting or investment policies on ESG issues, contact the fund company to express your concerns. You should be able to find a general telephone number on the website of your mutual fund company under “Contact Us” or “Open an Account.” Mutual fund companies are sensitive to customer opinion, so you should not feel shy about expressing your concerns and suggestions. Remember that the shares you own in mutual funds ostensibly are being voted on the behalf of you and other clients. Moreover, fund companies are likely to develop or modify their products if they believe there is sufficient customer demand.

SWITCH FUNDS: You may also wish to switch funds if you are able to do so. US SIF's online list of sustainable investment mutual funds and ETFs mentioned

previously is one resource. As You Sow's [Invest Your Values tool](#) also provides lists of top scoring funds, such as those with the best gender equality or least fossil fuel exposure.

CONSIDER POSSIBILITIES TO GET SUSTAINABLE INVESTING OPTIONS IN YOUR 401K OR 403B RETIREMENT PLAN: Check with your human resources department; your plan may already have sustainable investing options. If not, let the department know of your interest in such options. Many major plan administrator platforms have an open structure that enables the addition of new funds to the platform. See our [retirement webpage](#) for more information.

DIRECT OWNERSHIP OF STOCKS

REVIEW COMPANIES: Check the publicly traded company's website to see if it publishes a corporate responsibility or sustainability report and review ESG policies and performance.

Some resources also rank or list companies within environmental, social or governance categories. For example, the [Corporate Human Rights Benchmark](#) ranks 200 of the largest publicly traded companies on human rights indicators and the [Business & Human Rights Resource Centre](#) tracks over 10,000 companies and their performance on human rights issues. Human Rights Campaign has created a [Corporate Equality Index](#) specifically on LGBTQ issues. Other resources look at a wider set of ESG issues such as [the 100 Best Companies to Work For](#) ranking from Fortune.com, based on a survey of over 200,000 employees, and JUST Capital's [corporate performance rankings](#), based on polling of the American public. In partnership with Statista Inc., Newsweek published its second ranking of [America's Most Responsible Companies in 2021](#).

MAKE YOUR VOTE COUNT: If you directly own shares in a company, you should pay close attention to the shareholder resolutions that are coming to votes at its annual meetings and be sure to vote your shares. [Green America's website](#) offers a helpful resource on upcoming shareholder resolutions.

IF YOU DIVEST, SEND A MESSAGE: If you own shares in companies with poor ESG practices and performance, you may choose to divest your shares if you believe that shareholder activism is not sufficient to change these companies' long-term business

plans. To ensure that the company knows why you have divested, you should inform the company's investor relations department. Typically, company websites have a tab for "Investors" from which you will find telephone numbers and mailing addresses for investor relations contacts.

COMMUNITY-ORIENTED CASH AND FIXED INCOME PRODUCTS

BANKS AND CREDIT UNIONS: You may wish to open accounts in, or purchase certificates of deposits and other cash instruments from, banks and credit unions that have a mission of serving low- and moderate-income communities. These banks and credit unions typically finance small businesses, non-profits, commercial real estate and affordable housing that support low-and-middle income neighborhoods, rural areas and indigenous communities. To find a community development bank or credit union, please visit:

- [Inclusiv](#)
- [National Community Investment Fund](#)
- [Community Development Bankers Association](#)
- [The CDFI Funds' CDFI mapping tools](#)

RETAIL NOTES AND LOAN FUNDS: Retail notes are a fixed income product that enable investors to drive positive societal outcomes with their investments. For example, [Calvert Impact Capital](#), [Capital Impact Partners](#) and the [Local Initiatives Support Corporation](#) (LISC) all offer retail notes that invest in a variety of activities in communities across the United States, including affordable housing, education, healthcare and small businesses. Some loan funds are also open to retail investors. [The Chicago Community Loan Fund](#), for example, enables individual investors to help low- and moderate-income neighborhoods, families and individuals in Chicago with housing, employment and commercial development.

ADDITIONAL RESOURCES: More information on [community investing](#) options for retail investors can be found on the US SIF website.

PROFESSIONAL INVESTMENT HELP

For investing for positive impact in a manner that is appropriate for your age, investment objectives, risk tolerance and return expectations, you may want to

enlist the assistance of a financial advisor. A good place to start is the [directory](#) of financial services offered by US SIF members, as it includes advisors with expertise in sustainable investing options and strategies. Under “Directory Categories,” select “Financial Planners, Advisors and Brokers.”

You can also invest through a robo-advisor that focuses on sustainable investment options. Robo-advisors use digital platforms and technology. The automation and algorithms of these online wealth management services may enable you to develop a portfolio of funds that reflect your values, risk tolerance and investment goals and timeline with minimal fees. Examples of robo-advisors and other similar online platforms with sustainable options include [Aspiration](#), [Betterment](#), [Earthfolio](#), [Ellevest](#), [Impact Labs](#), [Grow Invest](#), [OpenInvest](#), [TIAA](#) and [Wealthfront](#).

YOUR COMMUNITY

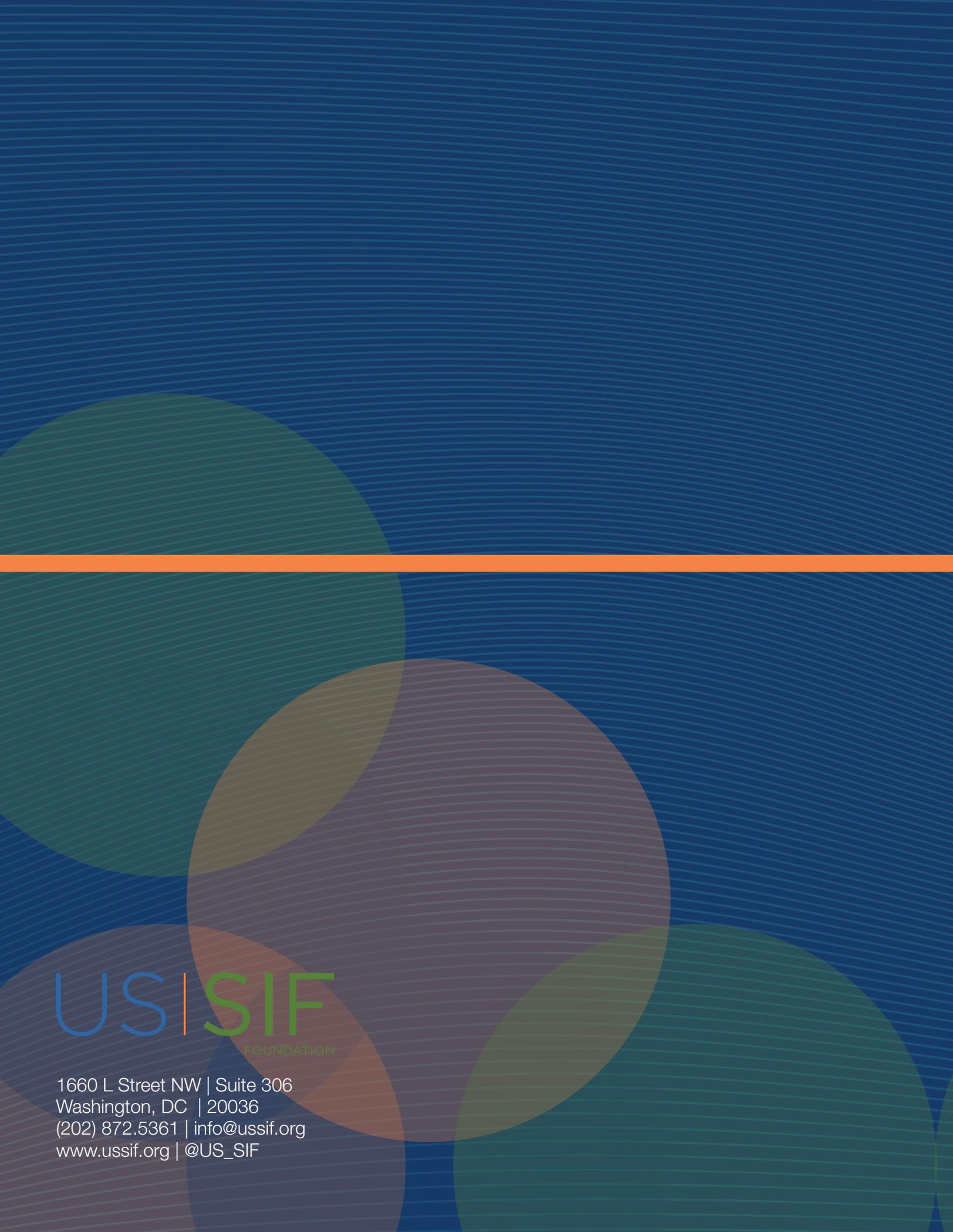
In addition to your own investment accounts, you may also have some ability to influence the investment

actions of organizations with which you are connected. This could include non-profit organizations, university endowments, religious institutions and local government operating funds and pension funds. Consider asking the investment committee or trustees how they vote proxies and whether they address ESG issues and risks in portfolio selection. The [Intentional Endowments Network](#) offers resources to alumni, students, and other stakeholders interested in encouraging their colleges and universities to adopt sustainable investment strategies.

HELPFUL RESOURCES

- [Sustainable Investing Basics](#)
- [Sustainable Investing: An Online Course for Individual Investors](#)
- [Financial Performance with Sustainable Investing](#)
- [Mutual Funds Chart](#)
- [Financial Directory](#)

Disclaimer: This paper is provided for informational purposes only. It does not constitute investment advice. Investments and strategies discussed herein may not be suitable for all readers, so readers should consult with financial, legal, tax or accounting professionals before acting upon any information or analysis contained herein. This paper does not measure or monitor the performance of managers or funds. The lists and examples of investment managers and vehicles presented in this paper should in no way be considered endorsements or investment solicitations. In no way should this paper be construed as an offer to invest or a form of marketing.

The background is a solid dark blue. A horizontal orange bar spans the width of the page. Several large, semi-transparent circles in shades of teal, purple, and brown overlap each other. The logo 'USSIF' is positioned in the lower-left area, with 'USSIF' in a light blue font and 'FOUNDATION' in a smaller green font below it.

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