

Environmental, Social and Governance (ESG) Indexed Accounts

According to a recent study¹, while only a quarter of investors currently own responsible investments (also known as ESG investments), a majority would consider including them in their portfolios. However, even though the awareness of these types of funds has started to grow, most investors aren't knowledgeable about "responsible and impact" investing.

What is ESG?

ESG are set of factors that provide a framework for breaking down the concept of sustainability into the three primary areas of responsible investing. A common misconception associated with sustainable investing is that it mainly involves exclusions: to exclude stocks that investors don't want to invest in, such as tobacco and alcohol companies. However, this is only one method investors can use to take a more responsible approach to their investment portfolio. Other approaches include:

- **Positive inclusion** – investing in companies that have positive ESG attributes
- **Thematic** – investing in ESG themes, like alternative energy, women in leadership, cybersecurity, etc.
- **Impact** – targeting both social/environmental impact and financial return
- **Philanthropy** – delivering non-financial outcomes as the primary goal

ESG are a set of factors for a company's operations that socially conscious investors use to screen potential investments.



Some ESG factors to consider when researching funds:

- Consider if the fund has ESG factors or if it targets a specific theme.
- Understand how the fund excludes companies, and ensure that any holdings align with your clients' values.
- Review their proxy voting history to see their active ownership and engagement.
- Look at how the fund is rated by external agencies in terms of their ESG scores.



Sustainability is a top-of-mind topic for many individuals, as is investing in companies that align with those sustainability goals. More individuals are carefully considering which investments suit their values – 79% are interested or actively investing in socially responsible companies².

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- [BMO MSCI EAFE ESG Leaders Index ETF \(ESGE\)](#)
- [BMO Sustainable Opportunities Global Equity Fund](#)

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¹ Canadian Mutual Fund & Exchange-Traded Fund Investor Survey, The Investment Funds Institute of Canada and Pollara, 2020.

² BMO Asset Management 2019 ESG Beliefs and Behaviors Survey (Top Line Results).

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939E (2021/08/03)