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IMPACT

SUSTAINABLE INVESTING HIGHLIGHTS

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How the Global Lockdown is Shaping the B-Corp Movement

As most social and economic activities come to a halt due to the global lockdown of 2020, social issues such as employee health and safety have become of great concern, especially to essential workers on the frontline. Men and women in uniform, health workers, and grocery workers are more likely to contract COVID-19.¹

Essential workers at Amazon have taken it upon themselves to demand a coordinated and effective response to COVID-19.² Several Amazon workers decided to have a strike to convey their concerns that the retail giant has not fulfilled its promise to provide personal protective equipment (“PPE”) and paid sick leave to employees affected by COVID-19.³ This worker strike would take the form of calling in sick. However, only a few workers are willing to call in sick, while the majority fear they will get fired should they strike against the retail giant.⁴

Meanwhile, the B-Corp movement has continued to generate some momentum. In the wake of the global lockdown of 2020, companies are striving to manage a delicate balance between adapting to the impact of the lockdown and ensuring employee health, safety, and job security.⁵ The B-Corp concept is built on the premise of the "stakeholder governance model, which prioritizes having a positive impact on the community, the environment, and workers."⁶ With the lockdown, B-Corp companies are arguably better positioned to continue to have a positive impact on their employees, host community, and environment while adapting and building resilience to surmount the challenges posed by the global lockdown of 2020.⁷





Stability of Food Supply and Supply Chains

The United Nations World Food Programme (“WFP”) recently issued a dire warning that the global lockdown of 2020 would push countries overwhelmed by other crises into a severe food crisis as supply chains shrink.⁸ In a statement to the United Nations Security Council, David Beasley, the Executive Director of the WFP, noted that countries most at risk of famine are in the Horn of Africa: “the Democratic Republic of Congo, Ethiopia, Sudan, South Sudan, and Nigeria.”⁹ These countries are more prone to food insecurity due to political and ecological problems linked to the recent locust infestation that has plagued the region.¹⁰

Countries in the Horn of Africa are not the only countries whose food supply chains might be impacted by the global lockdown of 2020. The United States food supply chain has already experienced shortages of certain foods. For example, many large meat and poultry plants have been shuttered or have reduced production capacity as frontline workers have become infected, creating a ripple effect across the supply chain.¹¹

As the world wrestles with the unprecedented challenges of a potentially dysfunctional food supply chain, the idea of rethinking how food is grown and distributed has recently gained traction.¹² For instance, a recent research study by the Oxford Smith School of Enterprise and the Environment indicated that the current lockdown would cause policymakers to pay closer attention to sustainable agricultural practices.¹³





ESG Investing, Generation Z, Millennials and Growing Demand

Within the current global lockdown environment, it is clear that ESG investing is gaining mind share and market share.¹⁴ The approach is winning the hearts of Generation Z and Millennials, who are more likely to consider ESG criteria when making investment decisions.¹⁵ These investors have experienced two economic downturns in the past twelve years.¹⁶ ESG investing may heighten the interest and increase the engagement of many Generation Z and Millennial investors, which in turn may help prepare them for a substantial wealth transfer from the preceding generation.¹⁷

Perhaps reflecting this growing interest, and possibly reflecting strong relative performance, the current investment landscape has triggered a massive inflow of capital into ESG funds. According to research by Morningstar, "sustainable equity funds did better than their conventional counterparts. In the first quarter of 2020, the returns from more than 200 open-end and exchange-traded funds ("ETFs") in the United States with a sustainability theme were over-represented in the top quartile and top halves of their broader category."¹⁸



Physical Risks of Climate Change

Breckinridge Capital Advisors believes climate change poses a considerable risk, and that municipalities that consider ESG issues are most likely to experience less risk in the long term.¹⁹ An article by Michael Bonanno, Vice President Analyst and Municipal Sustainability Lead at Breckinridge, cites that climate change can be a threat multiplier that poses long-term risk to credit issuers.²⁰ Climate risk can be a threat multiplier because it has the potential to exacerbate risks that are not taken into account by credit issuers.

Physical risks in the form of rising sea levels are key concerns for investors. According to Julie Gorte, Senior Vice President for Sustainable Investing at Impax Asset Management and Pax World Funds, “markets are becoming more conscious of the direct risks to businesses posed by rising temperatures and extreme weather events, such as floods, fires, and drought.”²¹ These risks are more thoroughly reviewed by portfolio managers as they seek to structure their investment portfolios to deliver better performance than their peers and their benchmark indexes.²²





About the SDGs, Targets, and Indicators

The SDGs

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (“SDGs”), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.²³

Targets

The SDGs targets are set to be achieved by 2030. There are approximately 169 targets covering a broad range of sustainable development issues.²⁴

Indicators

The SDGs indicators are used to measure progress made by the United Nations member states towards the achievement of SDGs targets. There are approximately 232 indicators set by the United Nations to measure SDGs progress.²⁵



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