

What is ESG Investing?

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ESG, or environmental, social, and governance (ESG), Investing refers to the making of investment decisions by environmental and/or socially conscious investors based on a set of standards or requirements for a company's behavior. Environmental criteria consider how a company protects the environment, including corporate policies addressing climate change. Social criteria examine how a company values and supports relationships with employees, suppliers, customers, and its local communities. Governance deals with, among other things, a company's leadership, executive compensation, and shareholder rights.

ESG investing is used to screen investments based on corporate policies and to strongly encourage companies to act responsibly or in particular ways favored by the investor. Many asset management firms, mutual funds, brokerage firms, and other investment advisors offer investment products based on ESG principles. ESG investing can also investors avoid companies engaged in certain risky or unethical industries or practices, or that engage in "greenwashing."

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