

# Earth Portfolios



Sustainable Investment Solutions | 2021 Edition



This is our **Communication on Progress** in implementing the **Ten Principles of the United Nations Global Compact** and supporting broader UN goals.  
We welcome feedback on its contents.

EBI are a signatory of the United Nations Global Compact

[ebi.co.uk](http://ebi.co.uk)

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# Welcome to EBI's Earth Portfolios

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# About EBI

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**E**BI (Evidence Based Investing) was founded by financial advisers; we use factor based, evidence backed methodologies to build portfolios, always with the cost saving and performance enhancing benefits of passive investments at heart.

What separates EBI from a traditional managed portfolio provider is that we use technology and our deep collaboration with financial planners to provide a comprehensive range of services, extending beyond managing money, at a significantly lower cost than a traditional DFM.

Our Earth Portfolios provide investors with the opportunity to combine a passion for ethical behavior with positive financial return.

Our Earth portfolios provide investors with the opportunity to combine a passion for **ethical behavior** with **positive financial return.**



“

“Someone is sitting in the shade today because someone planted a tree long ago.” - Warren Buffett

# What is ESG investing?

**E**SG (Environmental, Social & Governance) is a responsible investing strategy that seeks both financial return & positive social change.

Investors are now seeking to put their money where their mouth is, by expressing their values and aspirations via their investing. Your home, your car, the clothes you wear... they all speak to who you are as a person. Why should your investments be any different? Having your hard-earned money work in a way that reflects what you value is not a case of trading returns for principles. ESG investing is now firmly entering the mainstream, and companies are being forced to adapt their operations to address these concerns from investors who, in case we have forgotten, are the owners of those firms.

<sup>1</sup> <https://www.conservation.org/stories/11-deforestation-facts-you-need-to-know>



**Did you know?** 36 football fields' worth of trees are lost every minute due to deforestation.<sup>1</sup>

## My capital; My vote

"Organic food used to be rarer than it is today. When I saw more of it available I made the decision to buy it when I could. This was a simple decision; it didn't change where I shopped and it didn't change what I ate, but it made me feel better about my buying habits.

By buying organic I am sending a signal to the shop (and food industry as a whole), and that signal is "more organic food please". Similarly with investing,

**I use my capital as a means of voting on the sort of future I want to see**, and it makes me feel better about my role in society."

Every £1 million invested in our Earth portfolios translates to a reduction in CO<sub>2</sub> equivalent to emissions from:

USING  
**1.3**  
FUEL TANKERS  
WORTH OF PETROL

CONSUMING  
**11,276**  
GALLONS OF PETROL

CONSUMING  
**9,844**  
GALLONS OF DIESEL



Carbon saved by swapping from World Portfolio 100 (non-ESG portfolio) to Earth Portfolio 100.  
Figures provided by the US EPA calculator.  
CO<sub>2</sub> savings equivalent to one of the above statistics.



# The 3 pillars of ESG investing

The 3 pillars of ESG investing (Environmental, Social & Governance) combine to define what most people would categorise as good business practice.



## Environmental

- Air & Water Pollution
- Biodiversity & Deforestation
- Climate Change
- Energy Efficiency
- Waste Management
- Water Scarcity

*Producing more output with less natural resources, energy, water, waste and pollution.*



## Social

- Community Relations
- Customer Satisfaction
- Employee Engagement
- Gender & Diversity
- Human Rights
- Labour Standards

*Improving relations with key stakeholders: employees, customers, suppliers.*



## Governance

- Audit Committee Structure
- Board Composition
- Bribery & Corruption
- Executive Compensation
- Lobbying Activities
- Political Contributions

*Reducing risk through board oversight and risk controls.*



“

“The best time to plant a tree was twenty years ago. The second best time is now.” - Chinese Proverb

Every £1 million invested in our Earth portfolios translates to a reduction in greenhouse gas emissions equivalent to:

**11.6** HOMES' ENERGY USE PER YEAR

BURNING  
**50,084**  
KG OF COAL

CHARGING  
**12.7m**  
SMARTPHONES

Carbon saved by swapping from World Portfolio 100 (non-ESG portfolio) to Earth Portfolio 100. Figures provided by the US EPA calculator. CO<sub>2</sub> savings equivalent to one of the above statistics.



# Will it impact performance?

**A** variety of research has shown that it's not principles over performance.

Scholars and investors have published more than 2,000 empirical studies and several review studies on this relationship since the 1970s. The findings of these studies contradict the common perception of many investors that implementing ESG policies reduces performance, and in fact, suggests there is a positive relation between ESG and returns<sup>1</sup>.

ESG having a positive impact on performance is common sense. Strong ESG practices help to reduce material (financial) risks and avoid companies that become stranded due to regulation of environmental change, whilst seeking out those with solid potential.



of investors care about at least one ESG issue <sup>2</sup>



of investors like the idea of aligning their values and investments <sup>2</sup>



of investors have a positive impression of ESG once explained <sup>2</sup>

<sup>1</sup> Bassen, Busch and Friede, 2015  
<sup>2</sup> Allianz, 2019



There is clearly a **positive relation** between ESG and returns.



“**The truth is:** the natural world is changing. And **we are totally dependent on that world.** It provides our food, water and air. It is **the most precious thing** we have and we need to defend it.”

- **David Attenborough**



# How is ESG investing implemented?

## What is EBI's approach?

**F**irst and foremost, we remain committed to an evidence-based, factor-driven approach to investing. There's absolutely no question of us 'throwing out the baby with the bath water'.

Secondly, ESG is not an afterthought for us. It is not tacked on, nor is it a 'fad' or the 'flavour of the month.' We have for some time been in the process of negotiating with best of breed managers to launch funds that address our core factor-based investment approach, possess strong ESG and sustainability credentials, and allow us to leverage our scale to provide prices that represent

a compelling investment solution for investors.

Our Earth Portfolios are the culmination of those efforts. We have built a suite of portfolios that maintain our bedrock principles to deliver superior risk-adjusted returns, while placing us at the leading edge of the ESG investment space.

We've sought not only to select the best choices from the available options. We've gone beyond that to help create tailored solutions where no suitable options previously existed, and to consolidate our previous offerings.

We feel confident that **the results of these efforts will drive EBI and its investors forward** on a leaner, cleaner and greener road to sustainable returns through sustainable investments.



Every £1 million invested in our Earth portfolios translates to a reduction in CO<sub>2</sub> equivalent to carbon sequestered by:

**131** ACRES OF FOREST  
IN 1 YEAR

**1,657** TREE SEEDLINGS  
GROWN FOR 10 YEARS

Carbon saved by swapping from World Portfolio 100 (non-ESG portfolio) to Earth Portfolio 100.  
Figures provided by the US EPA calculator.  
CO<sub>2</sub> savings equivalent to one of the above statistics.



# How is ESG measured?

**S**cepticism about “greenwashing”, the practice of appearing more ESG compliant than actually justified by the facts, has led to the development of ESG ratings with measurable and exacting metrics. Ratings such as those from MSCI are used in many index products. For example, stocks with poor MSCI ESG scores had risk 15% higher than stocks with better ESG scores<sup>1</sup>.

According to one large study, an ESG rating which combines a governance score with an ESG score can predict future returns. In fact, the top-quartile companies outperform those in the bottom quartile by 0.33% per month<sup>2</sup>.

<sup>1</sup> Pollard, 2018

<sup>2</sup> Khan, 2019

<sup>3</sup> <https://keelingcurve.ucsd.edu>



**Did you know?** There's more Carbon Dioxide in our atmosphere than any time in human history.<sup>3</sup>

Every £1 million invested in our Earth portfolios translates to a reduction in CO<sub>2</sub> equivalent to carbon emission from:

**21.6** PASSENGER VEHICLES DRIVEN FOR 1 YEAR

**4,264** RUBBISH BAGS OF WASTE IN LANDFILL (COMPARED TO RECYCLED)

**3,807** INCANDESCENT LAMPS SWITCHED TO LED

Carbon saved by swapping from World Portfolio 100 (non-ESG portfolio) to Earth Portfolio 100. Figures provided by the US EPA calculator. CO<sub>2</sub> savings equivalent to one of the above statistics.



# Longer term thinking

**Investors have become increasingly sensitive to the longer term financial and environmental damage (as well as higher trading costs) wrought by short termism, a trend accelerated by events signalling climate damage, e.g. warmer winters.**

Investors are more aware that sustainability through the integration of Environmental, Social and Governance issues can lead to a material (monetary) competitive advantage for investments, when compared to those that ignore it<sup>1</sup>.

Driven by investor demand to express their ESG preferences, ESG focused funds now comprise a quarter of global assets<sup>2</sup>. The Global Sustainable Investment Alliance reports that more than \$30 trillion was managed according to responsible investment criteria worldwide. The data suggest that ESG investing is more popular in Europe than anywhere else<sup>3</sup>.

<sup>1</sup> Khan, 2015

<sup>2</sup> Fages, 2018

<sup>3</sup> CFA Institute, 2020

<sup>4</sup> Fages, 2018

<sup>5</sup> <https://livingplanet.panda.org>

## A brief history of ESG

Through the mid to late twentieth century, two dominant themes started to emerge: concern about the effects of inequality in society and concern about the environmental effects of human activity. Environmental concerns took to the main stage in 1972 when the United Nations Environment Program was established. This was the precursor to several United Nations environmental initiatives, culminating in the 1997 Kyoto Protocol. This was followed by the 2015 Paris Agreement. The first publicly available ethical fund was the Pax World Fund set up in 1971 in the US by two members of the United Methodist Church. The last ten years have seen an explosion of growth in ESG focused funds, with 1/4 of global assets containing an element of ESG, totalling over \$30.7 Trillion<sup>4</sup>.



**Did you know?** Average wildlife populations have dropped by 60% in just over 40 years. <sup>5</sup>



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## About the United Nations Global Compact

As a special initiative of the UN Secretary-General, the **United Nations Global Compact** is a call to companies everywhere to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment and anti-corruption.

Our ambition is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the Sustainable Development Goals through accountable companies and ecosystems that enable change. With more than 12,000 companies and 3,000 non-business signatories based in over 160 countries, and 69 Local Networks, the UN Global Compact is the world's largest corporate sustainability initiative — one Global Compact uniting business for a better world.

**United Nations Global Compact**

For more information, follow **@globalcompact** on social media and visit our website at **unglobalcompact.org**.



# Earth Portfolios

## Disclaimer

Past performance is not a reliable indicator of future results. The value of investments, and the income from them may fall or rise and investors may get back less than they invested.

We do not accept any liability for any loss or damage which is incurred from you acting or not acting as a result of reading any of our publications. You acknowledge that you use the information we provide at your own risk.

You should consult with a solicitor, authorised financial adviser or other relevant professional to determine what may be best for your individual needs.

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## More Info

For more information about EBI Model Portfolios, or any of the other products and services that EBI provide, please contact us:

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