



ESG Informs Fundamental Research

March 29, 2018

Environmental, social, and governance (ESG) factors are fully integrated into the William Blair Global Equity team's investment process, playing an integral role in how the team evaluates the long-term growth opportunities and risks for companies, says Blake Pontius, CFA, portfolio specialist, and Romina Graiver, portfolio specialist.

Watch the video or read the recap below.

Pontius: In many ways our core investment philosophy and process have been naturally aligned with environmental, social, and governance (ESG) factors—in particular, strong corporate governance, which has really played a key role in our assessment of management quality. More recently, we've been focusing on environmental and social factors.

Graiver: ESG is fully integrated into our investment process so it's really part and parcel of how we evaluate the long-term growth opportunities and risks for companies. Part of that integration of ESG in our investment process is really having this objective data and these subjective inputs as well from analysts, and it's all available and integrated in our research platform, Summit.

Pontius: ESG considerations are part of our fundamental research process, informing our discussions with management beyond traditional financial factors.

Graiver: There is also an opportunity cost of a subpar corporate governance—allocation of resources and capital,

and actually lack of diversity, for instance. And that's why it's important to pay attention and look at these ESG factors and the records of companies on ESG. And that's why we look at ESG as an additional lens that complements the financial analysis and gives us a more holistic view of companies, risk, and opportunities, and the sustainability of future returns.

	RATING	WEIGHT (%)
ESG Aggregated Score (Ind. Rel.)	BBB	
Governance	4.50	50.0
Environmental	9.00	5.0
Social	4.70	45.0

Blake Pontius, CFA, and Romina Graiver are portfolio specialists on William Blair's Global Equity team.

Disclosure:

This content is for informational and educational purposes only and not intended as investment advice or a recommendation to buy or sell any security. Investment advice and recommendations can be provided only after careful consideration of an investor's objectives, guidelines, and restrictions.

Information and opinions expressed are those of the authors and may not reflect the opinions of other investment teams within William Blair Investment Management, LLC, or affiliates. Factual information has been taken from sources we believe to be reliable, but its accuracy, completeness or interpretation cannot be guaranteed. Information is current as of the date appearing in this material only and subject to change without notice. Statements concerning financial market trends are based on current market conditions, which will fluctuate. This material may include estimates, outlooks, projections, and other forward-looking statements. Due to a variety of factors, actual events may differ significantly from those presented.

Investing involves risks, including the possible loss of principal. Equity securities may decline in value due to both real and perceived general market, economic, and industry conditions. The securities of smaller companies may be more volatile and less liquid than securities of larger companies. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks. These risks may be enhanced in emerging markets. Different investment styles may shift in and out of favor depending on market conditions. Individual securities may not perform as expected or a strategy used by the Adviser may fail to produce its intended result.

Investing in the bond market is subject to certain risks including market, interest rate, issuer, credit, and inflation risk. Rising interest rates generally cause bond prices to fall. High-yield, lower-rated, securities involve greater risk than higher-rated securities. Sovereign debt securities are subject to the risk that an entity may delay or refuse to pay interest or principal on its sovereign debt because of cash flow problems, insufficient foreign reserves, or political or other considerations. Derivatives may involve certain risks such as counterparty, liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Currency transactions are affected by fluctuations in exchange rates; currency exchange rates may fluctuate significantly over short periods of time. Diversification does not ensure against loss.

There can be no assurance that investment objectives will be met. Any investment or strategy mentioned herein may not be appropriate for every investor. References to specific companies are for illustrative purposes only and should not be construed as investment advice or a recommendation to buy or sell any security. Past performance is not indicative of future returns.

Copyright © 2020 William Blair & Company, L.L.C. "William Blair" is a registered trademark of William Blair & Company, L.L.C. No part of this material may be reproduced in any form, or referred to in any other publication, without express written consent.