THREE REASONS TO INVEST IN ESG IN 2020

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WHY PUSH FOR STAKEHOLDER CAPITALISM AND INVEST IN JUST COMPANIES?

At the outset of a new year, opportunities abound to change old habits and to explore new paths. And in 2020, we find ourselves well-poised to drive toward stakeholder capitalism, ultimately building an economy that works for all Americans.

Many companies are at the forefront of this moment, and investing in those businesses is beneficial not only for the wider American society, but also for investors themselves. Below, we explore three major reasons why this is the case.

1. ESG ALIGNS YOUR INVESTMENTS WITH YOUR VALUES.

JUST Capital believes that businesses can and must be a greater force for good. Investors can be part of the solution, addressing inequality by shifting their portfolio toward more just companies that align with their values. When looking at companies' impact across the five key stakeholders of business – Workers, Customers, Communities, the Environment, and Shareholders – we find that the JUST 100, the 100 top performing companies our Rankings, are clearly surpassing their lower-ranked Russell 1000 peers. On average, they:

Pay a living wage to 11% more of their workers

Are 2.5 times more likely to publish workforce demographics

Pay 31% more to their median workers

Have 25% more women on their board

AMERICA'S MOST JUST COMPANIES

Are 4 times more likely to have conducted gender pay equity analyses

Have a 6% her Return-on-Equity

Are 32% more likely to have established environmental policies

Give 8.4 times more to charity

These statistics suggest that these leading companies are not just talking about corporate responsibility, they're also acting upon it. Investors who believe in stakeholder capitalism can use ESG investments to follow through on their beliefs – driving dollars toward the companies creating actual impact for their stakeholders. . In essence, the most just minus the least just, by industry.

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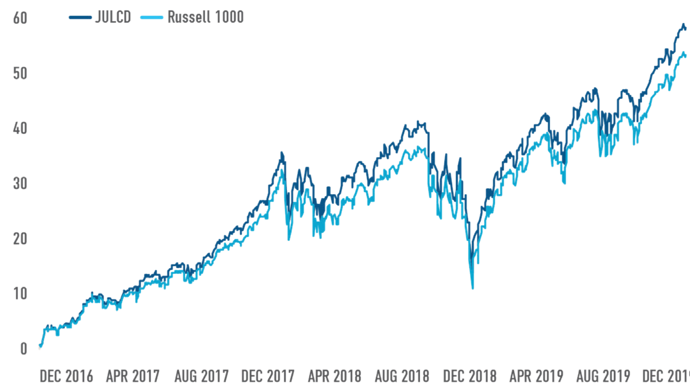
2. ESG OPTIMIZES YOUR FINANCIAL RETURNS.

Following through on values does not mean sacrificing returns. An example for this is the JUST U.S. Large Cap Diversified Index (JULCD). The JULCD Index includes the top 50% of Russell 1000 companies ranked by JUST Capital by industry and is constructed to match the Russell's industry weights. Since its inception on November 30, 2016, the JULCD has returned 15.94% on an annualized basis, 118 bps ahead of the Russell 1000's 14.76% return.

Consequently, a focus on ESG does not necessitate a sacrifice in financial returns – instead, it can generate gains for both individual investors and society overall.

JUST U.S. LARGE CAP DIVERSIFIED INDEX VS. RUSSELL 1000 (% TOTAL RETURN)

DECEMBER 1,2016 – DECEMBER 31, 2019



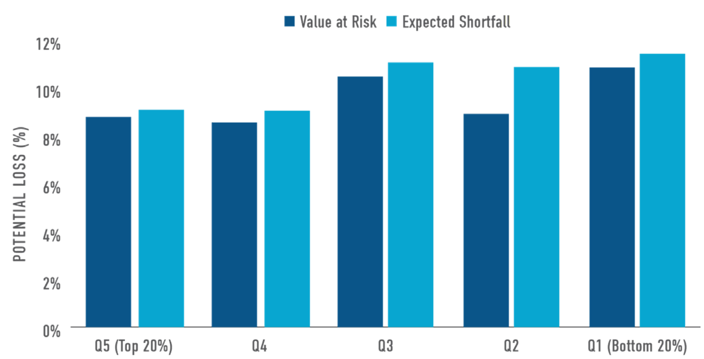
Source: JUST Capital

3. ESG HELPS AVOID DOWNSIDE RISKS.

In addition to maximizing returns, ESG investments can help limit exposure to downside risks, for example by reducing exposure to controversies and hidden liabilities. Using daily stock price movement for the last 10 years, we find that the average value at risk as well as the average expected shortfall – both widely-used loss measures to assess market risk (e.g. BIS, 2019) – are about 25% higher for the lowest-performing quintile (Q1) of companies when compared to the top-performing quintile (Q5), which includes companies such as the now-bankrupt PG&E Corporation.

While investments in just companies do not entirely eliminate downside risk, they significantly reduce it.

ESG INVESTMENTS HELP AVOID DOWNSIDE RISKS



ESG CREATES A WIN-WIN FOR INVESTORS AND SOCIETY

Furthering stakeholder capitalism by investing in JUST companies is a win-win for investors and society: For investors, ESG investments can maximize returns and limit downside risks; for society, they can benefit all of business' core stakeholders and ultimately improve the livelihoods of all Americans.