THE JOURNAL OF
INVESTING

VOLUME 29, NUMBER 2 ESG SPECIAL ISSUE 2020

Brian R. Bruce Editor-in-Chief
Nick Mencher Executive Editor
Deborah Trask Managing Editor

Mitchell Gang Production Editor
Deborah Brouwer Production and Design Manager

Mark Adelson Content Director

Rosie Instance Marketing Manager

William Law Account Manager
Nikol Madjarova Account Manager
Ryan C. Meyers Account Manager

David Rowe Reprints Manager

Mark Lee Advertising Director

Robert Dunn General Manager

Downloaded from https://joi.pm-research.com by guest on April 18, 2021. Copyright 2020 Pageant Media Ltd.

Responsible investing is the integration of environmental, social, and governance (ESG) factors into investment processes and strategies. ESG factors cover a wide spectrum of issues that traditionally were not part of financial analysis. This includes how corporations respond to climate change, how good they are with water management, how effective their health and safety policies are in the protection against accidents, how they manage their supply chains, how they treat their workers, and whether they have a corporate culture that builds trust and fosters innovation. This issue will focus on issues related to ESG investing.

To open this issue, Chambers, Dimson, and Quigley present a case study that describes the background and the research behind the debate the University of Cambridge faces regarding investor responses to climate activism. Kurtz discusses the three distinct activities that are the pillars of modern responsible investment: alignment of portfolios with client values using exclusions; integration of ESG factors into the investment process, often with a focus on financial materiality; and impact, which in public markets is usually sought through engagement with corporate management.

Next, de Franco introduces an aggregated controversy metric, derived from ESG data, which targets specific issues companies face in the environmental, social, or governance fields. Schellhorn focuses on CBI-certified debt and explores the possibility that the CBI certification signal is important to borrowers and investors because it identifies a new set of time-dependent risk–return trade-offs uniquely associated with debt that is fully committed to addressing the climate challenge. Lieberman first presents an overview of impact investing and its evolutionary path and then discusses considerations for the financial applications to impact investing.

As we continue, Yook and Hooke present a study of the historical impact of eliminating carbon-oriented stocks from a conventional equity portfolio. Niblock, Costa, Jakob, and Sinnewe investigate the risk-adjusted performance of socially responsible investment (SRI) mutual funds, their self-specified benchmark indexes, and an alternative SRI index in Australia from 2009 to 2019. Chiromba analyzes responsible investment with regards to the key factors considered when making investment decisions and the extent to which the inclusion of ESG variables may influence investment decisions.

To conclude the issue, Geczy, Guerard, and Samonov find that incorporation of ESG criteria into an earnings forecasting model can enhance stockholder returns while holding risk constant under reasonable assumptions.

As always, we welcome your submissions. We value your comments and suggestions, so please email us at journals@investmentresearch.org.

Brian Bruce
Editor-in-Chief