

Green Investing  
By  
Dean Klevan

*Dean Klevan is President of Coral Gables Trust Company and is an active marine conservationist. He can be reached at: [dean.klevan@cgtrust.com](mailto:dean.klevan@cgtrust.com)*

‘Going green’ is seeping into just about every aspect of our business lives. Businesses are going paperless, incentivizing employees when they carpool, encouraging their employees to work remotely and adopting strong socially responsible strategies.

The next logical part of a commitment to go green is to consider green investing as part of your investment strategy. Drawing on the adage that “people do what they are paid to do, not what they are told to do”, there are steps you can take as an investor to **change corporate behavior**. Invest in those companies that are good for the environment; punish those that are not, and do this through your investment decisions. Be blue – ocean friendly, and be green – global friendly.

First, start your research by identifying the environmental, social and governance (ESG) issues that are shaping the future of the world i.e. global warming, potable water shortages, depletion of fish resources or destruction of the forests. Determine which companies are addressing these issues, not only as part of their long term strategy, but moreover as part of their *raison d’etre*, their corporate fiber. For example, a company that invests in carbon fuel alternatives for power generation (say wind) may, by its nature, be green.

Many of the organizations that are stewards of our environment have excellent websites and encourage dialogue. Company websites can be informative, however, take with a grain of salt their self generated claims to be green. The company should have a corporate social responsibility statement which would include their environmental policy. The research on green investing and reporting can be fun, so by all means involve the kids and educate them.

There is a subtle difference between green and socially responsible investing. A socially responsible investor would typically avoid stock of companies in so called “sin” industries completely (i.e. liquor and tobacco).

However, a green investor will focus primarily on the environmental sensitivity of the company. It is possible to envision a liquor manufacturer who is very environmentally aware, and therefore would be included in a socially responsible 'green' portfolio.

There are funds and managers who make it their business to invest following environmental guidelines. They are developing formulas that take into account factors such as carbon emissions and sustainability. You can judge them on both the merits of their investment strategy (risk adjusted return) and compliance with ESG issues. Your investment advisor will also be familiar with the new mutual funds and green funds now available.

- Define your criteria for evaluating "green" compliance. It should make you think, and will help you focus on your portfolio decisions. Be prepared to make compromises as no company is likely to be perfect.
- Interview investment managers on their ability to identify green investment opportunities. Your investment advisor should also be environmentally responsible.
- Evaluate the portfolio for risk adjusted returns. Being green does not mean being poor. The portfolio you select must be financially sound.
- Make your investment! Companies will listen to your dollar vote for the environment.

More and more fund managers and analysts today are including ESG issues into their research and into the development of new funds. The green investment decisions you make today will have a positive affect on the bottom line and will help the environment as well.