



2018
PFP ESG
Impact Report





We are in the midst of the “giving season” and during this time I always try to do a self-assessment of what I did throughout the year.

In this self-assessment I think about the impact I have made on my family, local community and more expansively, the world. Since I am not a world traveler by any means, my global reach is pretty limited - I realize that the biggest global contribution is through my own personal investments. While financial performance data is abundant and standardized, impact performance data is few and far between and in no way standardized. So I took on the task to see if I could mine enough data together to report the impact our ESG (Environmental, Social, Governance) portfolio had over a similarly invested benchmark.

ESG Background

In our society we believe that most corporations provide a net benefit through their products and services, job creation and overall behavior. As a responsible investor our ESG portfolios seek to invest in companies that balance the needs of financial and nonfinancial matters and demonstrate a commitment to the rights of individuals, communities and the global good.

Our ESG portfolios seek to identify companies that operate in a manner consistent with the following:

Commitment to these principles generally excludes companies that involve the following:

- Developing genetically-modified organisms for environmental release without balancing social benefits
- Manufacture, design or sell weapons, firearms or ammunition
- Abuse or cause unnecessary suffering and death of animals
- Manufacture tobacco or alcohol
- Involvement with gambling operations
- Demonstrate poor environmental performance or compliance records and contribute significantly to environmental problems
- Exhibit a pattern and practice of human rights violations



Environmental

Air and water pollution
Biodiversity and deforestation
Climate change
Carbon emissions
Energy efficiency
Waste management
Water scarcity



Social

Community relations
Customer satisfaction
Employee engagement
Gender equality
Diversity policies
Human rights
Labor standards



Governance

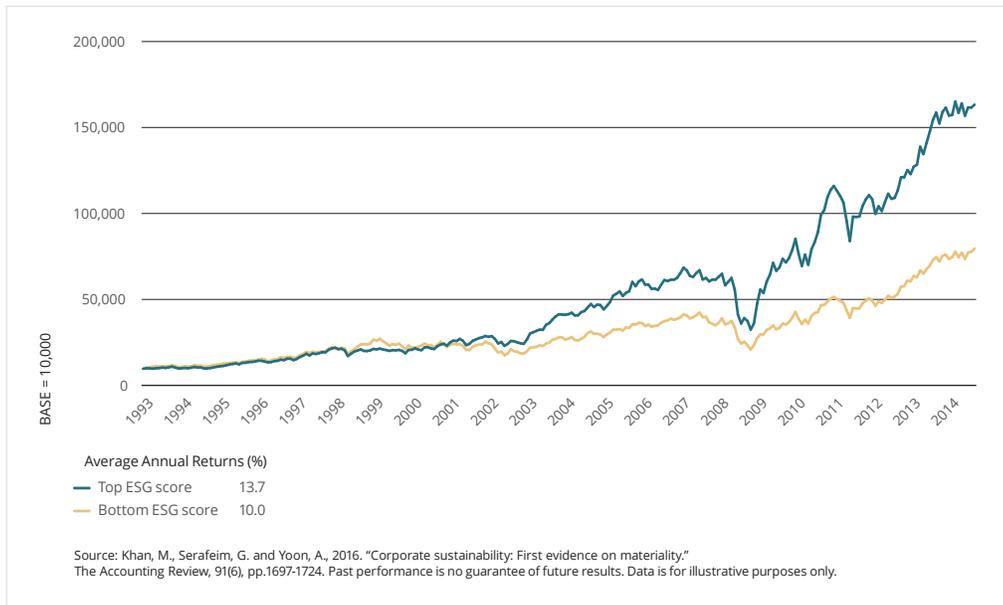
Audit committee structure
Board composition
Bribery & corruption policies
Executive compensation
Lobbying activities
Political contributions



ESG Performance

Responsible Investing doesn't mean giving up on investment return. Research suggests that companies with high scores for their environmental, social and governance (ESG) commitments tend to have better management, higher expected growth and lower cost of capital — which may translate into better financial results for investors.¹

For example, initiatives to reduce and reuse waste, improve energy efficiency or conserve natural resources can produce savings that flow to a company's bottom line.



As the chart shows, companies with strong ESG scores significantly outperformed those with weak scores.²



2018 ESG Impact

Just as financial performance is important to a portfolio, we also want to see the impact performance our portfolios are making. While some metrics are hard to quantify there are others which can be measured and shown compared to a benchmark. As these measurements continue to become more transparent I hope to continue to show an ESG portfolio's true impact performance and not just the financial performance. The following metrics are data points that I could compare across benchmarks and along the equity portion of the portfolio.



The ESG portfolio has 92.56 metric tons less of Carbon Emissions^{3/4}

72.7 passenger vehicles driven for a year⁵ / 371,320 pounds of coal burned⁵ / Carbon sequestered by 400 acres of US forests in one year⁵



The ESG portfolio has 6,834,718.94 metric tons less of Toxic Emissions^{3/4}

Reduces global warming that can cause sea level rise, increase extreme weather events and impact food security⁶ / Reduces acid rain which damages forests and infrastructure⁶ / Lowers ground level ozone which can reduce lung function and irritate the respiratory system⁶



The ESG portfolio has .56 metric tons less of Landfill Waste^{3/4}

The daily waste of 275.58 average Americans⁷



The ESG portfolio has 5,613 cubic meters less Water Usage^{3/4}

10,744.82 households average daily water usage⁸ / The water used in 86,208.5 showers⁹



The ESG portfolio has no tobacco holdings^{3/4}



Conclusion

As you can clearly see from the data, an ESG portfolio can not only help on the financial performance side but you can do some real good for the world at the same time. While impact reporting is not perfect and is limited in its scope it continues to improve as people are asking more questions about what they own and why. Soon to come I see impact performance being reported right alongside financial performance on client statements. Until that time comes, we will aim to provide at least an annual report on what our ESG portfolio impact truly is.



1. Source: George Serafeim, "The Role of the Corporation in Society: Implications for Investors," September 2015.
2. Source: Adapted from Khan, Mozaffar and Serafeim, George and Yoon, Aaron S., "Corporate Sustainability: First Evidence on Materiality," (November 9, 2016). "The Accounting Review," Vol. 91, No. 6, pp. 1697-1724. Available at SSRN: <https://ssrn.com/abstract=2575912> or <http://dx.doi.org/10.2139/ssrn.2575912>.
3. Calculated based on just the equity portion of our RISK3 portfolio with one million dollars invested.
4. Fund versus Index comparison data provided by Calvert Research and Management. Visit Calvert.com for more information
5. Epa.gov Greenhouse Gas Equivalencies Calculator
6. <https://www.epa.gov>
7. <https://www.epa.gov/facts-and-figures-about-materials-waste-and-recycling/national-overview-facts-and-figures-materials>
8. <https://www.watercalculator.org/water-use/indoor-water-use-at-home>
9. <https://www.home-water-works.org/indoor-use/showers>

Past performance is no guarantee of future results. Data is for illustrative purposes only.