

# ABCDESG

## What's in a name?

There are several risk and opportunity factors for investors to consider. Each can be categorized in many ways. Regardless of how factors we consider can be labeled, Colorado PERA prioritizes financial value, rather than personal values, in our active investment decisions.

### ESG is...

- A labeling convention to represent environmental, social, and/or governance factors
- The most widely used acronym for describing nontraditional aspects of business and profitability
- Adaptable to meet unique business and investment objectives
- One way to label factors that may have financial impact on a company and its investors<sup>1</sup>

### ESG is not...

- A type of business or company
- A political affiliation or social movement
- A policy
- A business or investment strategy or objective
- The only way to label nontraditional factors that may have financial impact on a company and its investors

## Water or ESG?

E S G

As a natural resource, water can be labeled as an “environmental” factor

How clean water is protected, distributed, and accessed can be labeled as a “social” factor

The management of water can be labeled as a “governance” factor

### When could water be labeled as a financially relevant E, S, or G factor?

Consider a soft drink company. Water is a critical input to making soft drinks. To remain competitive in the beverage industry, the manufacturer would need to:

- Manage this natural resource well (E)
- Avoid infringement on community rights and access to clean water (S)
- Adapt business strategy and operations as supply, demand, policy, and technology change through time (G)

Whether it's labeled as “H<sub>2</sub>O,” “ESG,” or “LMNOP,” water and its management may be a financially material factor for businesses and investors to consider.

To learn more, visit [copera.org/investment-stewardship](http://copera.org/investment-stewardship) and download a copy of PERA's Investment Stewardship Report.

### How much does PERA have invested with regard to ESG?

PERA does not have any ESG-centric investment mandates, nor do we screen our investments based on specific ESG criteria when deciding whether or not to include them in the portfolio. However, PERA staff will integrate factors that may be labeled under the ESG convention into our active fundamental investments, where financially material. As of December 31, 2022, PERA staff managed approximately 59.0% of the Fund in-house with most of those assets in actively managed portfolios using this integrative approach. Our singular goal is to seek out investments that are expected to provide the best risk-adjusted returns over the long term.

<sup>1</sup> See reverse for more information on the various investment risk and opportunity factors PERA may consider.

**No single risk factor dominates an investment decision.**



**Risks are not without opportunity, and investors expect to be compensated for taking on risk.**

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