In my time with Great Diamond Partners, one of my main roles has been to work with our Next Generation clients. Building relationships with younger clients has been both enjoyable and rewarding we share the desire to explore Environmental, Social, and Governance (ESG) and values-based investing – something that I have felt incredibly passionate about since I joined the industry. Having clients who wish to make an impact through their portfolio while being conscious of how their investments reflect their values is an exciting element of my job.

When it comes to values-based or sustainable investing, many people are not fully aware of how their investment options that can allow them to make an impact with their portfolio. So, the big question is: **How can Great Diamond Partners address this need?**

I believe strongly in GDP's ability to innovate and explore creative solutions for both the firm and our clients. Our four founding partners often say that they started the firm because they thought there was a better way to do things for our clients. The freedom that comes with being an independent firm allows us to explore a multitude of avenues relating to impact and values-based investing. And one of the ways we are able to address these goals is through our partnership with Ethic.

There are a lot of critical issues facing the world today, and different people want to make an impact in different ways. With Ethic, we have the ability help our clients align their investments with the environmental, social, and governance issues most important to them.

So how are these personalized portfolios actually assembled? Unfortunately, it's not as simple as sorting all the world's public companies into a "sustainable" and an "unsustainable" group. First, we'll dig into how Ethic thinks about sustainability, and then we'll show how that thinking plays out in individual clients' portfolios.

Ethic's Approach:

Ethic's sustainability model tracks issues all across the environmental, social, and governance spectrum, and covers public companies (large and small) around the globe. The first step is taking a broad look at the many different issues facing the world today and grouping them into themes. They cover 19 different topics that they call "sustainability pillars"- topics like Climate Change, Worker Treatment, Education, Women's Rights, and Financial System Stability.

In each of these pillars, Ethic seeks to understand the different ways that companies can have negative and positive impacts on society. How can a company harm or help a particular group of people? How can a company improve or worsen some features of the environment?

Companies can affect our lives and our environments in many different ways, including some that are immediately obvious. But we don't just want to take cosmetic, surface-level factors into account and run the risk of greenwashing, which is when a company presents themselves as environmentally conscious in their public image while not actually pursuing meaningful sustainability efforts. Ethic also considers indirect and systemic impacts and conducts extensive reviews of academic and peer-reviewed research literature in each of the different pillars to analyze all of the issues involved. Their research team

evaluates studies according to strict methodological standards, favoring randomized controlled trials and well-designed longitudinal studies over observational research and case studies.

Once they establish the negative and positive impacts that can be achieved in each pillar, it is then possible to lay out a model of the topic detailing how different company behaviors might add or detract. When considering a pillar like Women's Rights, for example, companies can directly affect the lives of their workers and their customers, and indirectly affect the lives of women in the general public. Some examples of questions one might ask of companies being evaluated for a Women's Rights portfolio are included below:

- **Impacts on workers**: Do they hire and pay women in their workforce at equitable rates? Do they offer strong benefits, including parental leave and day care services? Have their leaders been implicated in recent controversies, like sexual harassment?

- **Impacts on customers**: Do they offer predatory loans—which historically have been disproportionately targeted at women? Do their products have safety issues that impact women in particular?

- **Impacts on the public**: Do they emit hazardous chemical waste that can interfere with pregnancy and birth? Do they sell firearms that can make domestic violence episodes more deadly?

What companies get flagged for removal?

A crucial point for understanding Ethic's model is that they don't choose what companies to screen out—their clients identify the issues they're most interested in, and then Ethic evaluates companies' impacts based on those particular issues. Some companies have negative impacts across so many pillars that they are flagged frequently, while other companies rarely cross the threshold on any pillars.

But, although one can likely identify some flaw in almost any company, Ethic recognizes the reality that companies can have positive impacts in some areas and negative impacts in others. No portfolio will consist solely of companies that are beyond reproach across all possible sustainability lenses, but some companies do much more or less good than others in particular issue areas, and identifying these outlying companies helps our clients achieve positive impacts even in an imperfect world.

Moreover, because not every kind of company behavior contributes to every sustainability pillar, companies can get flagged by some pillars and not flagged by others. For example, there are instances of technology companies being flagged in portfolios that prioritize the Corporate Ethics pillar (because of, e.g., data privacy and security issues or a history of anti-competitive practices), but these same companies are seldom flagged in portfolios that only prioritize the Clean Water pillar. This is simply because tech companies often don't engage in much problematic behavior involving water quality or water access.

Ethic goes to this level of detail, analyzing the direct and indirect effects of company behaviors, for each of the 19 pillars. This analysis results in 19 different sets of criteria for each given issue area that define the range of negative impacts companies can have. These criteria are then used to evaluate companies for clients' portfolios. For example, if a client comes to us wanting a portfolio based on the Poverty pillar, Ethic can then evaluate companies on about 40 different criteria to determine what companies will and won't get flagged.

In conclusion, Ethic's criteria for including a particular company in a particular client's portfolio doesn't necessitate perfection across all sustainability issues. Instead, they seek to identify *the most negatively and positively impactful companies in the issue areas the client has prioritized*.

Ethic's sustainability model offers a great degree of personalization. Their platform helps clients seek impact in the areas they care about the most—while also helping to provide education around issues they may wish to prioritize in the future. They also encourage our clients to use their holdings for engagement and shareholder advocacy and support proxy voting.

So, can we easily draw a line in the sand separating "sustainable" companies from "unsustainable" ones? No. But through our partnership with Ethic, we can likely show you what companies help or hinder your mission.

If you have any questions or would simply like to have a conversation, please contact me at

wandreoli@greatdiamondpartners.com to schedule a call. I would be delighted to further explore this topic with you!

Best Regards,

Wyatt Andreoli