# Creating a Financial Portfolio that Reflects Your Values

As a socially conscious investor, you may want to create a financial portfolio that reflects your values. You can align your investments with your beliefs generally in one of two ways: negative screening (Socially Responsible Investing) and positive screening (Environmental, Social and Governance). Each is implemented differently and understanding their nuances can help you select investments.

In a nutshell, Socially Responsible Investing (SRI) allows investors to avoid companies they dislike for ethical or moral reasons.

Environmental, Social and Governance (ESG), on the other hand, focuses on the analysis and inclusion of these issues when evaluating investment opportunities.

Both strategies, of course, should seek to maximize financial return for the amount of risk taken. Let's explore.

## Negative Screening (SRI)

Socially Responsible Investing incorporates environmental and social issues into investment analysis and decision-making. But it is more about one's individual preferences and as such, employs negative screening. Simply put, the negative screening excludes companies based on an individual threshold. For instance, you might want to create a portfolio that excludes all companies that generate 1% or more of revenue from selling alcoholic beverages.

Employing SRI throughout your portfolio, in all areas of equity and fixed income, depends on your personal values and principles. This includes an exercise to narrow which social values and concerns are most important to you. Maybe it's not alcohol. Instead, maybe it's tobacco or gambling because that is important to you from a moral perspective. The point is, the negative screens are entirely individual.

# Positive Screening (ESG)

Environmental, Social and Governance is a set of non-financial criteria that you can use with other performance metrics to assess potential investments. With ESG, you can evaluate the impact of corporate governance and economic activity on the environment and on communities.

Positive screening assigns more “points” to companies whose practices align with your values. More points translate into a higher weighting in your portfolio. For example, if you’re concerned with employment equality, you can assign more points to companies that offer consistent benefits to employees regardless of gender, race or sexual orientation.

Encompassing a wide range of topics, criteria to screen for include topics such as:

- Human rights
- Resource conservation
- Consumer protection
- Executive compensation
- Global warming

# Applying ESG and SRI with Your Advisor

By evaluating companies and establishing screens with help from your financial advisor, you can align your investment decisions with your values. Advances in research technology have enhanced our ability to collect data on companies, broadening the scope of many ESG and SRI strategies.

Your financial advisor will likely have a questionnaire to help. You might be concerned with human rights and want to avoid investing in companies that are implicated in rights violations or that support governments that harm local communities, for example. Your advisor can help screen for that.

You should also be aware, however, that some companies and other emerging economies don’t produce reliable data on investments that you might want to screen against. But with the right research and help, your advisor can help build a financial plan and portfolio that is more reflective of your passions and values.