

What is Sustainability?

Understanding a simple term

A tricky word?

Sustainability seems to be a tricky word these days, with marketers and asset managers tossing it about in hopes of grabbing consumers and investors' attention. It is our goal to help investors understand what it actually means. We at Mirova* see it as a basic concept, one that people may want to consider in their investments, their lifestyles, and the decision that they make in their communities. If we consider *sustainability* in simple terms, we can start to see where there is reason and where there is veneer.

Firstly, the word *sustainable* simply means that something can keep going, like a business, an athlete, a lifestyle, or an ecosystem.

Handmade Soap?

We've all seen businesses pop into existence in some empty storefront selling handmade soap or terrible post-modern food; they don't last because specialty soaps are no more in demand than the pouches of dried lavender one gets with each pound of hand-cut soap purchased. We've seen athletes, great and small, lose races when they run out of steam; perhaps they didn't properly train or were simply competing beyond their capability.

Burning Both Ends of the Candle

Lifestyles can also be unsustainable. Diet, certain recreations, and personal finances all need to be balanced. If a person earns \$50,000/year but spends \$75,000, they will only be able to draw on credit or home equity for so long. The lifestyle will eventually catch up to them.

Dust Bowls and Gray Wolves

For ecosystems, understanding sustainability can be difficult. In small areas, like a farm or a national park, the system can be tested and monitored. Wolves returning to Yellowstone have restored a balance that had long since been askew. In the US, the dust bowl came about largely from poor soil practices. Understanding sustainability on a global scale can be harder, as there are many variables. Likewise, definitions of what are acceptable global changes introduce political discord that adds to the complexity of the conversation.

Sustainable Investing

For us, at Mirova, we look at sustainability in a multitude of manners. We look for companies that are participating in long-term trends, like changing financial markets and aging population.

We look at the business practices of companies. Negative externalities disrupt free markets; the fallout from these disruptions can be social strife, legal action, or systems failures that might adversely affect the productivity of that business.

We look for well run businesses with strong management and clear plans for growth and development.

Sustainability is more than a catchy word. It's an important concept in business, in one's personal life, for the environment, and for the durability of investments.

Kenneth St-Amand
VP, Client Portfolio Manager

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