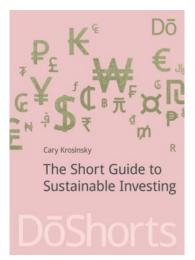
#### **Book Review**



**The Short Guide to Sustainable Investing,** by Cary Krosinsky; Oxford, UK: Dō Sustainability, 2013, 74 pp., \$58.53 (paperback); \$45.00 (eBook)

## Reviewed by Brittany Magouirk

Dō Sustainability publishes three to five short eBooks a month on a variety of sustainability issues, and encourages readers to suggest topics not yet covered. Readers can purchase eBooks individually or purchase a subscription to the Dō Sustainability's e-library. In keeping with the DōShort series style, *The Short Guide to Sustainable Investing* is a quick, to-the-point read. In just 74 pages, Cary Krosinsky is able to provide a comprehensive assessment of sustainable investing, explain how we got to where we are, and suggest where we are heading. The concise and informative style of the DōShort series makes it a perfect companion for quality Saturday morning reading.

## For Financial Analysts

The references and language Krosinsky uses make for easy reading for financial analysts and fund managers. As a recent MBA graduate with a fundamental understanding of finance, I still found myself reaching for my corporate finance core principles textbook. Especially regarding Krosinsky's confident advice on building a long-term portfolio, I wanted to refresh my memory on the efficient capital market hypothesis and the value of dart throwing when it comes to building a portfolio to manage. While still contested, the efficient capital market hypothesis states that the value of the stock market is instantly reflected in the price, and picking stocks at random, even by throwing darts at the Wall Street Journal, could build a better portfolio.

While Krosinsky offers a detailed plan for building a profitable sustainable portfolio, I cannot help but be cautious, given my fundamental understanding of efficient markets. The price of stocks today takes into account all available information, including

investments already made in R&D and new product development. The overarching theme in his proposed portfolio is companies innovating sustainable solutions. An obvious metric that offers support to his argument is the comparison of the flat S&P 500 for 2011 with two separate lists of innovative companies that were up six percent in the same year. He encourages investment in these companies, not just because they are profitable in the long term, but also because, as investors, we should reward these companies' efforts with our investments. Despite my cautious outlook, I believe he made a strong argument for investing in innovative companies, and I am sure the author would agree that those portfolios should be updated to reflect companies that continue to innovate.

# **Global ESG Reporting Standards**

Krosinsky does make some rather bold statements worth considering. He cites the Ten Principles of the United Nations Global Compact. He admires its comprehensive ambition, but regretfully acknowledges that it is not enforceable through a global mandatory audit body. He references the efforts of the International Integrated Reporting Council's (IIRC) Prototype Framework, the GHG Protocol, and the Sustainability Accounting Standards Board (SASB) to standardize the ESG impact reporting. However, it still stood out to me that he wants an enforceable global standard ESG impact report, when he must be fully aware that global businesses do not even have the same financial reporting standards. I can understand his call for transparency in businesses for investors, but I think one standard for the world is too impracticable a solution.

### The Ease of the eBook

The advantages of the web-enabled eBook complement Krosinsky's high-level writing. He references and usually footnotes examples that I was not familiar with. Fortunately, most of Krosinsky's footnotes are hyperlinked to web pages. Seamlessly, I could click on a footnote to further explore his references that interested me. I was easily able to read analyst insight on responsible investment screening from Parnassas Investments. I explored emerging markets index performance on MSCI's website. Though I could follow footnotes to PDFs on my laptop, the browser on my Kindle Paperwhite could not support it.

Other references Krosinsky makes to sustainability issues that are not explicitly footnoted whetted my interest and spurred me to learn more. I explored GE's ecomagination initiative and learned about its smart grid, as well as the winners of GE's ecomagination challenge. One business team called *e.quinox* created renewable energy kiosks for developing countries. Krosinsky also mentions the water challenges the beverage industry faces. I wanted to know more and found a great New York Times article about the efforts of Coca-Cola and other companies. While beverage companies have controlled

water usage at a factory production level, the water usage at the agriculture level is a greater challenge because of the disconnected relationship between the farmers and factory production.<sup>1</sup>

## **Encouraging Further Exploration**

Krosinsky offers this condensed guide of sustainable investing for interested analysts and investors. Though abbreviated, his work shows and shares his deep expertise in this subject. He encourages his readers to explore further with resources and references laced throughout his book. Whether referring to the history of global business, which he insists is not covered in business school, or Domini's international fund that considered accident and safety violation data and thus avoided investing in BP before the Deep Water Horizon Rig Spill, his writing kindles the desire to learn more about sustainable investing and where to turn for solutions.

The Short Guide to Sustainable Investing could take you the suggested 90 minutes to read through, or you could find yourself, like me, stretching it out as long as you would like.

Brittany Magouirk is a Senior Consultant at Kalypso, an innovation consulting firm, where she helps clients deliver on the promise of innovation. She earned her MBA from University of Southern California's Marshall School of Business. She can be reached at brittany.magouirk@kalypso.com.

 $<sup>^1</sup>$  http://www.nytimes.com/2011/03/22/business/energy-environment/22iht-rbog-beverage-22.html?pagewanted=all& r=0