



Why Telus Stock Could Be the ESG Play You've Been Waiting For

Description

When looking for [growth stocks](#), most investors don't consider companies in the telecommunications sector. And for good reason. Investors in **Telus** ([TSX:T](#))([NYSE:TU](#)) and Telus stock are investing in these names for more than just growth.

Indeed, telecoms provide [defensiveness, income, and stable returns](#) over time. These are more “sleep at night” investments than other categories. Accordingly, Telus and its peers have been on my watch list for some time.

However, one interesting angle I've been looking at with Telus of late is the company's commitment to ESG. With ESG-friendly investments soaring of late, this could be a key catalyst for any company. Indeed, Telus' move to embrace ESG can only be viewed as a positive.

Let's dive into what the company is doing and why investors should care.

ESG investors moving toward Telus stock

Telus recently made a big move to please investors with astonishing environmental goals. The company announced that it would sell its US\$750 million worth of what many are calling “green” bonds. These bonds pay out a given interest rate to investors based on the company meeting its greenhouse gas emissions targets. However, if the company misses its targets, bond investors get paid a premium.

This sort of “putting its money where its mouth is” approach is something I think ESG investors have been waiting for. Indeed, Telus isn't the first company to implement such bonds.

Similar issuances have been ongoing for some time. However, Telus' move toward signaling to the market that its intent on meeting its GHG goals is meaningful for those who care about the environment.

With these sustainability-linked bonds, Telus has agreed to pay a 2.85% bond yield over the next decades. This yield would rise to 3.85% should the company miss its GHG reduction target. For Telus,

missing its target would mean additional borrowing costs of US\$7.5 million.

That's quite the disincentive to procrastinate on its environmental focus.

Bottom line

Telus is one of those companies in a unique position to call attention to the ESG and sustainability cause. Indeed, the company's rather strong balance sheet and ability to invest in such endeavors is noteworthy.

However, I think there remains a significant group of investors looking for companies willing to put a price on hitting their ESG targets. For investors in the telecom space, Telus certainly looks more attractive given these moves.

For bond investors seeking reasonable rates of return (a base yield of 2.85% actually isn't that bad), the optionality that these bonds provide could make them attractive. Accordingly, I don't expect Telus will run into problems raising money any time soon.

On balance, these moves are broadly positive for the company and for society as a whole. There's a lot to like about Telus. And this is just one more reason for investors to jump aboard.

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