

For professional advisers only

What Type of Responsible Investor are you?

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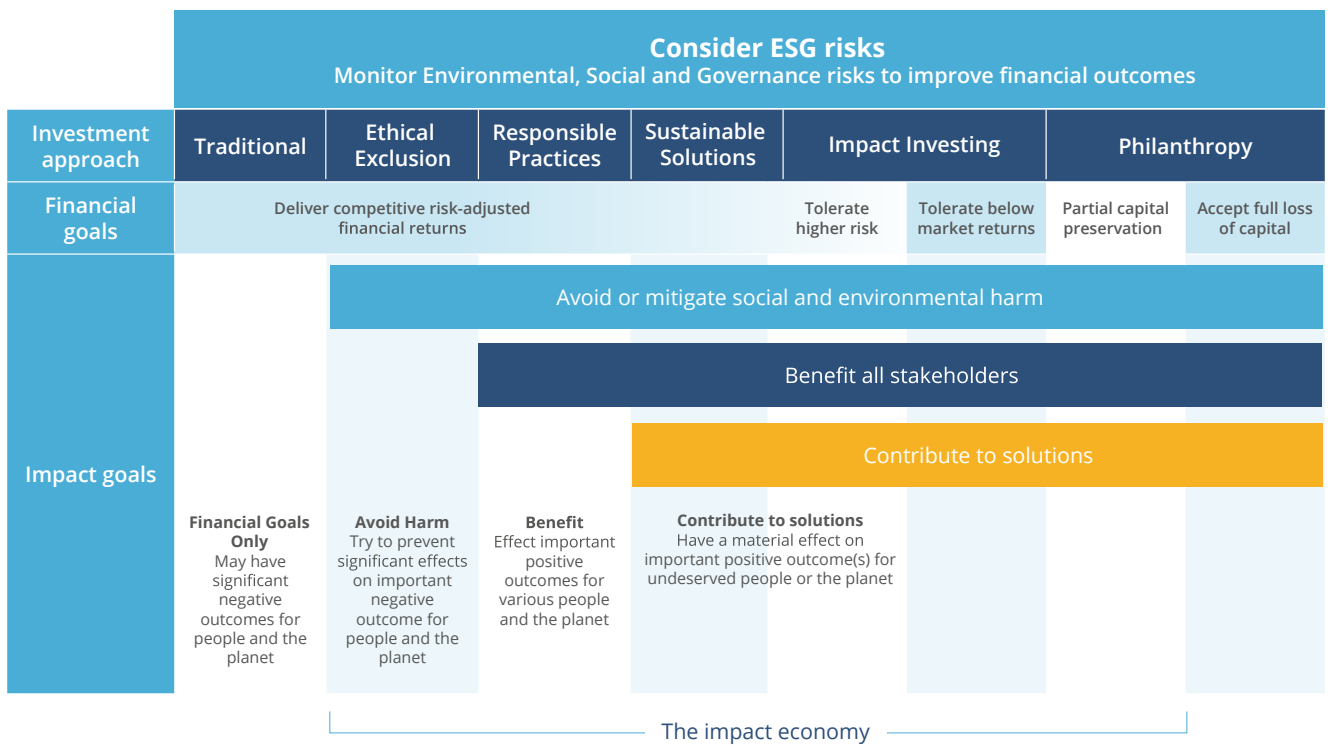
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 Square Mile Investment Consulting & Research Limited



Many of us would choose to do good with our money if we could also meet our financial objectives at the same time. Traditionally, it was thought that money and morals don't mix, but in recent years the whole fund management industry has come to recognise that not taking account of social and environmental factors can end up costing you money. There are different ways of approaching this, with a whole spectrum of investments. These are not mutually exclusive, but it's helpful to identify which approach best resonates with you.

The Spectrum of Capital



Thanks to: UK National Advisory Board On Impact Investing, 2017 & Impact Management Project 2017

Ethical/Exclusion



Avoids industries and company practices that cause harm to people or the planet.

Example: Exclusion of companies making tobacco products, manufacturing armaments, or producing or distributing fossil fuels.

Be aware – criteria vary so check that they meet your needs but don't be over-prescriptive as you may limit your choice of investments.

Responsible practices



Considers the operational practices of the companies in which they invest and supports 'best practice' in their respective industries, as well as encouraging them to improve their environmental and social performance.

Example: Investment in a retailer which requires suppliers to treat their employees well and seeks to reduce the environmental impact of its operations.

Be aware – you may be exposed to controversial industries, since the objective is to encourage improvements within companies.

Sustainable solutions



Seeks to invest in companies that are providing solutions to social and environmental challenges, and believes in the long-term financial benefits of doing so.

Example: Investment in a company that makes a product that improves energy efficiency by 30%.

Be aware – sustainable funds invest in specific sectors and their performance will deviate from that of the benchmark index.

Impact Investing



Wants to use their money to make a wider positive social or environmental impact as well as meeting their financial needs, and wants to see evidence of the social and environmental impact.

Example: A fund investing in companies addressing healthcare needs, generating renewable energy and improving energy efficiency; and that reports on its impacts in terms of patients cared for, clean energy generated and resources saved.

Be aware – some impact funds are highly focused on specific sectors, often with smaller number of stocks, potentially increasing their volatility.



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