

3D Investing: The Benefits

April 2024



At Square Mile, we see responsible investing (RI) as an umbrella term that is underpinned by the 3D pillars of “Do Good”, “Avoid Harm” and “Lead Change”. We believe that our framework will help investors make an informed investment decision as we seek to provide a profile of how a fund fares from an RI perspective.

Do good	Avoid doing harm	Lead change
Investment in companies offering solutions to global social and environmental challenges and evidence of impact.	Avoids investment in companies making a significant negative contribution to society and the environment and those exposed to controversies.	Advocacy and engagement with investee companies, both individually and through co-operation with other investors and change activists to encourage best practice and inform opinion. Strong research processes, company culture and stewardship, at a company and fund level.

The 3D framework is comprised of data collection, data processing, revenue-source analysis, assessment of alignment with environmental and/or social matters, and qualitative opinion. Once it runs through our proprietary ‘Atlas’ database and 3D framework, each fund will be assessed for a 3D Rating and an associated medal.

We are cognisant that not every sustainable fund has the same objective. Strategies that target investments in companies that offer solutions, in say, environmental challenges, will have a contrasting objective to strategies that invest in companies that are improving their sustainability credentials through active engagement.

Given the changing policy landscape within Responsible Investing, Square Mile has updated its 3D framework utilising the three pillars above to account for the contrasting sustainable objectives evidenced within the market. The four scoring frameworks illustrated below aim to improve the transparency of sustainable products for retail and professional investors.

A 3D report is 4-pages of information and commentary on the following:

Fund Type	Do Good	Avoid Harm	Lead Change
Sustainability Mixed Goals	Medium	Medium	Medium
Sustainability Improver	Low	Low	High
Sustainability Focus	Medium/High	Medium/High	Low
Sustainability Impact	High	Low	Low

The last stage of the 3D process is the awarding of a medal based on the fund type and the issuing of a 3D report.

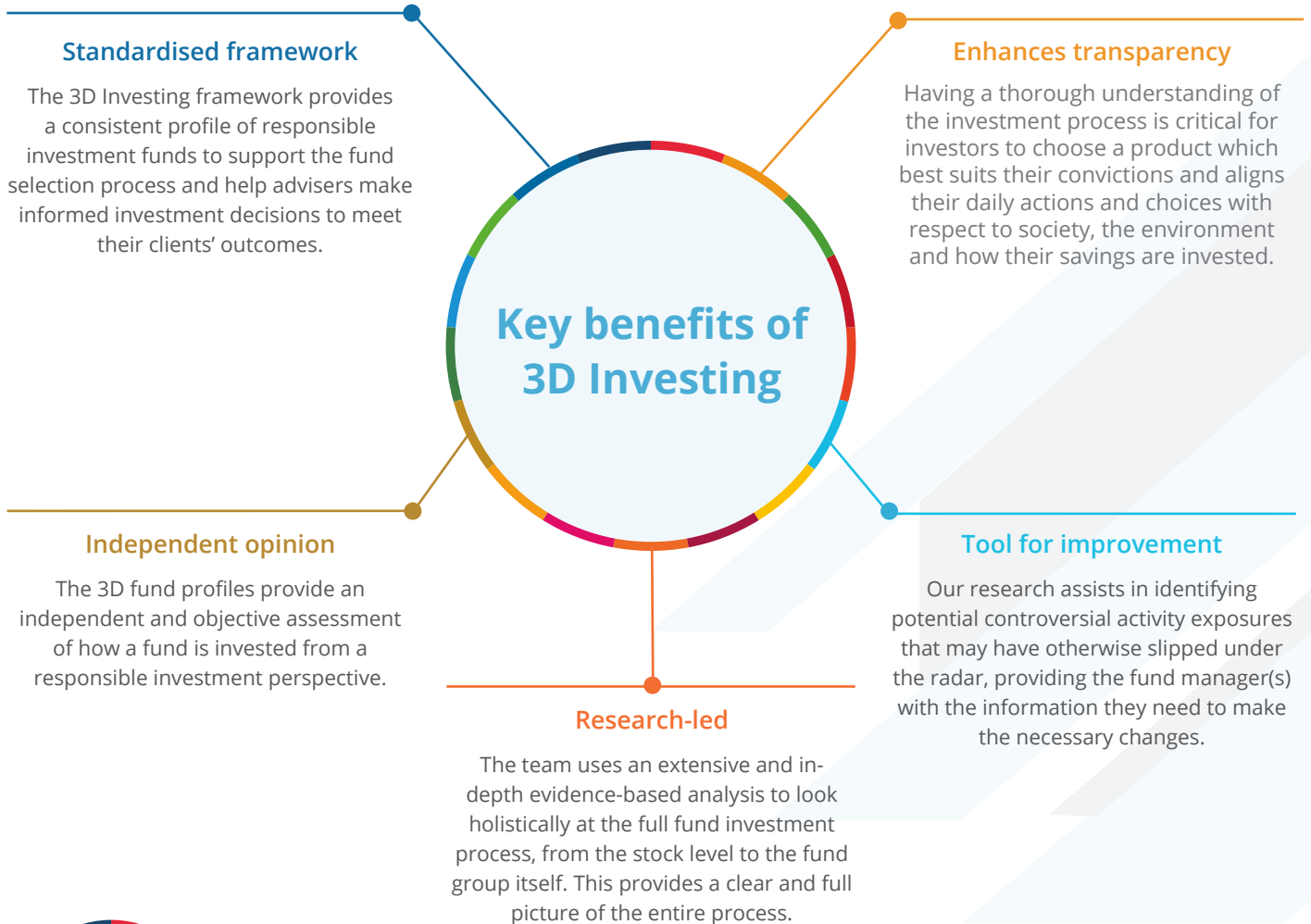
Each 3D report contains the following:

- 3D medal
- Fund classification
- Fund summary
- Key fund facts
- 3D solutions breakdown
- Top 10 revenue activities
- Revenue-source sustainability analysis
- Controversial Activity & Harmful Impact exposure
- Company ESG review
- Fund stewardship review



What are the benefits of 3D?

The 3D report offers a multitude of various benefits to both the investor, the fund group, and advisors. At its core, a standardised sustainability profile and rating framework allow funds to be reviewed and compared against an independent review process. This same profile permits a fund group to gain access to a proprietary sustainability network of like-minded funds, allowing their product to be scored and rated against its peers. Through these two core benefits, we envisage a suite of sustainability products, which based upon the information identified through the 3D framework, can be compared and contrasted through this unique lens. Independent feedback to the fund manager even provides the means for potential improvements to the fund.



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