

# The spectrum of responsible investing choices



Responsible investing is a broad umbrella under which different approaches fall. Although responsible investment is moving mainstream, its reach, related components and associated jargon can prove daunting. We have incorporated the Investment Association (IA) definitions into this spectrum to make things easier. The approaches described below are not mutually exclusive and typically a combination will be used.

## Spectrum of responsible investment approaches

### Traditional Investing

Limited or no regard for ESG practices.

### ESG Integration

The systematic and explicit inclusion of material environmental, social and governance (ESG) factors into investment analysis and investment decisions.

### Sustainability Focus

Approaches that select investments on the basis of leadership in environmental, social and governance aspects.

### Impact Investing

Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

### Exclusionary screening

Prohibitions of investments along certain themes, activities, or industries.

### Philanthropy

Donation/ support of good causes.

### Thematic

An investment style that can be found within a variety of investment approaches, focused around different theme(s) such as climate change, clean water, renewable technologies etc.

## Risks to consider

Remember that investing responsibly is still investing. The value of investments can go down as well as up as a result of market movements. You may not get back the original amount invested. Screening out sectors or companies may result in less diversification and hence more volatility in investment values.

## Identifying the most suitable Responsible Investment solution to meet your objectives

Objective Examples	Approach	Description
I want my investment to have full access to the whole investable universe. However, I would like Environmental, Social and Governance considerations as part of the ongoing investment decision making process.	<b>ESG Integration</b>	In addition to the traditional analysis of companies, Environmental, Social and Governance (ESG) factors are considered to help filter out companies with poor ESG scores, to reduce risks within the investment and potentially increase returns.
I want to invest in companies that are clearly leaders across environmental, social and governance topics in their industries.	<b>Sustainable Investing</b>	Predominantly investing in companies that lead within their industry across all sustainability themes. This can typically include companies that are trying to excel in issues such as the efficient use of resources, limiting carbon emissions, or enhancing diversity.
I want to invest in companies that make a measurable impact on society and a positive contribution to the future of the planet.	<b>Impact Investing</b>	Impact investing is more focused on generating a social or environmental benefit that can be measured for impact. The focus may not solely be on investment returns.  These types of investments might follow a theme and support companies that, for example, save a quantifiable amount of water or avoid producing a certain amount of carbon dioxide.
I want to avoid investments in certain industries that are at odds with my values.  I understand that excluding these businesses might make my investment perform differently from the marketplace.	<b>Exclusionary screening</b>	This type of investment should have a clear, well defined policy on the areas that are excluded.  Companies may be excluded based on their involvement in controversial products or services. Classic examples would be fossil fuels, controversial weapons, or tobacco.

**Please note:** All these approaches are not mutually exclusive. It may be possible to achieve your specific requirements within a single investment that harnesses multiple responsible investment approaches.

To help you identify the most suitable Responsible Investment solution for you, please discuss with your financial adviser.