Responsible investment and what it means to you

What is responsible investment?

Responsible Investment isn't about feeling good or doing good – it's about making **better investment decisions by considering risks and opportunities** that traditional financial analysis might miss, from climate impacts and regulatory changes to governance issues.

Responsible investment is an investment approach that systematically incorporates material environmental, social and governance (ESG) factors alongside financial analysis when making investment decisions. Companies that manage these factors well may be **better positioned for long term success** as they are **more resilient to increasing environmental and social impacts**. This approach aims to deliver competitive returns while focusing on businesses built to thrive over the long-term, not just today.

What is sustainable investment?

Sustainable investment goes beyond responsible investment by actively seeking to generate **positive environmental and social outcomes**. These outcomes focus on creating measurable improvements to real world challenges - such as ending poverty or ensuring access to affordable and clean energy.

Sustainable investment isn't about sacrificing returns for principles, it's about making more informed investment decisions by considering how companies contribute to solving global problems, which often drives long-term business success. The UN Sustainable Development Goals (SDGs*) are used as a common reference framework when discussing sustainable outcomes.

Environmental	Climate change	Nature	Pollution
Social	Health and safety	Workplace treatment	Anti modern slavery
Governance	Workplace culture	Risk management	Executive pay

** The UN Sustainable Development Goals (SDGs) are 17 global goals established by the United Nations to address major world challenges by 2030 - from ending poverty to combating climate change. This framework helps investors measure and communicate how their investments contribute to positive change, directing capital towards solutions that address global challenges such as climate change, social inequality and resource scarcity. Further information can be found here: https://sdgs.un.org/goals*

Responsible investment can involve:

Screening	*ESG integration*	*Thematic investing*	*Stewardship with investees*	*Stewardship with other stakeholders*
Applying filters to exclude or include investments based on specific criteria that reflect your values or investment objectives.	Considering ESG (environmental, social, and governance) issues in investment analysis and decisions to better manage risks and improve returns.	Looking for opportunities created by long term ESG trends, such as the move towards renewable energy or investing in sustainable forestry and agriculture.	Involves engaging with investees, voting at shareholder meetings and filing shareholder resolutions/ proposals.	Involves engaging with policy makers and standard setters and reporting engagement results.

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Sustainable investment involves:

When an investment manager does all of this and focuses on a sustainable outcome.

Source: Principles for Responsible Investment

Sustainable investment

Sustainability labels under the FCA

The FCA (Financial Conduct Authority) has introduced **four product labels** under the **Sustainability Disclosure Requirements (SDR)** regime to help investors make informed decisions about sustainable investments by providing information that is clear, fair and not misleading. This regime only applies to funds and does not extend to managed portfolio services, like the Quilter WealthSelect Managed Portfolio Service.

The labels are:

Sustainability Focus — **Sustainability Focus:** these funds invest mainly in assets that focus on sustainability for people or the planet.

Sustainability Improvers — **Sustainability Improvers:** these funds invest mainly in assets that may not be sustainable now, but aim to improve their sustainability.

Sustainability Impact — **Sustainability Impact:** these funds invest mainly in solutions to sustainability problems with an aim to achieve a positive impact for people or the planet.

Sustainability Mixed Goals — **Sustainability Mixed Goals:** these funds invest in a mix of the above.

For investors who choose a sustainable investment approach, the funds they invest in will likely have a sustainability label.

Responsible investment

Investments not using a sustainability label

Under the SDR regime, where no sustainability label is used, but the fund is using certain terms such as 'green', 'climate, 'responsible' to name a few , the firm needs to ensure that:

- strict naming rules are met
- a brief statement that the product does not have a sustainability label and why is prominently displayed
- consumer-facing disclosure (where relevant), pre-contractual disclosure, and ongoing product disclosure requirements are complied with.

For investors who choose a responsible investment approach, the funds they invest in will likely not have a label but will need to meet the above rules.

How important is responsible investment to you?

Once your adviser has understood your appetite for risk and financial objectives, they will take the time to understand your preferences relating to responsible and sustainable investment. They can then provide you with more detail and help you to understand if you wish to take responsible or sustainable investment into account when selecting your investment strategy.

We find that most investors fall into one of the following three categories:

Not an investment preference (aware)	Responsible investment is a preference (engaged)	Sustainable investment is a preference (dedicated)
You are aware of responsible investment, but it is not a preference for you in the selection of your investment.	You want responsible investment to be a preference in the identification of your investment but want to focus on your financial objectives.	You want your investment to deliver a sustainable outcome alongside your financial objectives.

These categories reflect how you want your investments to be managed. It is likely that the adviser will talk to you about different investment options to help identify your preference. This discussion may consider some of the following questions:

Do you want your investments to incorporate risks arising from climate change? For example, you want your portfolio to factor in the impact of increased risk of wildfires or rising sea levels.	If yes, it's likely that your preference will be '**responsible investment**'.
Do you want to minimise your exposure to certain sectors of activities? For example, you want to reduce investment in coal mining or tobacco companies due to health or environmental concerns.	If yes, it's likely that your preference will be '**responsible investment**'.
Do you want your investments to actively contribute to solving environmental or social challenges? For example, you want to invest in companies developing clean energy solutions or improving access to healthcare.	If yes, it's likely that your preference will be '**sustainable investment**'.

There are of course lots of factors to consider and your adviser will help you to decide which options are right for you. Once they have understood your preferences, they will look at the strategies available that also match your appetite for risk and financial objectives on our investment panel. If your needs and preferences cannot be met by the investments on our panel, your adviser can consider options from the wider market. It's always important to reflect on which preferences you want to prioritise when identifying your investment strategy as it won't always be possible to identify a strategy which meets all your needs and preferences. Your adviser will guide you through this.

A service designed with you in mind

We believe our approach to responsible investment provides you with a blend of insight, choice, and value. Whether responsible or sustainable investment is fundamentally important to you, or you're simply curious, our service has been designed with you in mind. Your adviser will provide you with the information and advice you need to make an informed decision.

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