

Adviser FAQ template

Responsible Investment Advice Integration



<p>Is Environmental, Social and Governance (ESG) investing in a fad/bubble?</p>	<ul style="list-style-type: none"> • Investment world is reacting to societal changes • Climate change mitigation has growing momentum. High profile activism, Greta Thunberg. Increased awareness of issues from TV, examples are David Attenborough’s series ‘Blue Planet’ and issues around ocean pollution. Single use plastics. • Corporate behaviours are reflecting changes and governance • Regulatory requirements forthcoming. Expectations that asset managers use their voice as shareholders to drive change. • IA Responsible Investment fund flows in 2020 in excess of £10bn
<p>How do you balance ESG principles and diversification/risk management?</p>	<ul style="list-style-type: none"> • Limited exclusionary policy on sin stocks • In depth ESG analysis of companies and fixed interest market to highlight material non-financial risks to portfolio. Highlight both risk and opportunity • Many new fixed interest assets are ‘green’. Green bonds
<p>Will ESG investing cost more?</p>	<ul style="list-style-type: none"> • Greater due diligence requirements may involve greater costs in the long run • Cost of investing in ESG related funds are however currently no more expensive than ‘traditionally’ managed funds
<p>Is active or passive the best approach to ESG investing?</p>	<ul style="list-style-type: none"> • No such thing as a ‘Green/ESG passive approach’ • ESG has to be active by definition, as decisions are required at either index level or portfolio construction level • ESG active funds can still be low cost
<p>How does the manager influence company management towards positive behaviours?</p>	<ul style="list-style-type: none"> • Responsible investment philosophy – analysis and decision process • Stewardship policy. It is important to understand how the asset manager engages with the company they hold in the portfolio to bring about an improvement in business practices • Use of voting rights. Move from a passive stockholder to stakeholder in the company, voting at company AGMs • Impact reports provide robust evidence audit trail • Stewardship 2020 code/signatory to the UN PRI

<p>Why have you not offered this type of investment solution to me before?</p>	<ul style="list-style-type: none"> • Historically a limited number of responsible investment solutions available • Products offerings have developed now from a niche investment area to mainstream investment offerings • Evolution of product offerings allowing for a risk profiled suite of investment options • Comfortable with proven comparable performance standards of ESG approaches
<p>Are my investments not currently aligned to ESG principles?</p>	<ul style="list-style-type: none"> • Passive funds replicating a standard index will incorporate companies that are ESG focused together with those that take more of a traditional non ESG specific approach • Many active managers are now incorporating ESG analysis of non-financial factors into their investment approach across all funds • Asset managers are broadening their investment offerings to meet increasing demand for investments taking ESG factors into consideration • Pressure on asset managers from regulators and Government to align support behind ESG considerations across all funds
<p>What are the performance costs for an ESG investment strategy?</p>	<ul style="list-style-type: none"> • Empirical evidence indicates no performance lag • Many ESG funds have delivered exceptional returns vs traditional active funds • Funds with a high level of exclusions/or very focused themes may have a trade off in performance in certain points of the market cycle
<p>What factors determine whether a company is “good” or “bad” in ESG terms?</p>	<ul style="list-style-type: none"> • Internal and external ESG analysis • ESG data ratings • Clear philosophy of ESG analysis in decision making process • Clear use of benchmark against ESG factors – carbon emissions, diversity, supply chains etc
<p>Is it necessary to invest all my assets in sustainable/ESG approach(es)?</p>	<ul style="list-style-type: none"> • Now the option to invest with asset managers that specifically consider ESG integration together with funds that focus on traditional fund analysis • Broader choice of available investment solutions. No longer just about exclusion, also funds available with ESG integration, sustainability, impact approaches • Diversifies underlying company exposure as underlying portfolio may differ from funds with a traditional investment approach



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