

GLOBAL OUTLOOKS **2023**

# Themes for thought: **responsible investment in 2023 and beyond**



**Claudia Wearmouth**  
Global Head of  
Responsible Investment

Many responsible investment funds struggled in 2022 due to low exposure to gas and oil and a quality bias, but says Claudia Wearmouth, the investment case remains intact and responsible investing is now mainstream investing

Covid-19 chaos may have eased in many parts of the world thanks to immense vaccine rollout programmes, but 2022 has certainly been a turbulent one. The war in Ukraine, energy prices, soaring inflation and the cost-of-living crisis all spring to mind, while the onslaught of extreme weather events demonstrated that climate change remains a major global challenge to address.



And what of responsible investment (RI) during all this uncertainty? After strong returns in recent years, many RI funds suffered during 2022, in part due to typically low exposure to the oil and gas industry, which has benefited from surging energy prices. Additionally, RI-orientated strategies are typically weighted towards growth stocks and sectors such as technology and healthcare, which have endured a downward rating thanks to uncertainty around inflation and interest rates. Longer term we firmly believe that the investment case remains intact, especially as related opportunities broaden in their nature.

### **Responsible investing is mainstream investing**

Despite these headwinds, RI remains very popular – which brings me on to my first thought for 2023. Environmental, social, governance (ESG); sustainable; socially responsible investment (SRI); impact ... all these terms and types of investing that sit under the RI umbrella are everywhere now. Indeed, **Bloomberg** has suggested that ESG assets could exceed \$50 trillion by 2025. It feels like every corner of the investment industry has woken up and wants to better understand the idea of investing for people and the planet alongside financial returns. For us the focus is on quality and ensuring we continue to evolve our approach to ESG integration – we continue to review ESG data sources and develop ESG analytical tools to help our investment teams extract high

quality information to best inform investment decisions – this will be a key focus for us in 2023 and beyond.

### **Regulation is increasingly robust**

My second observation for the year ahead is that as RI gains yet more momentum, regulation is ramping up to increase oversight and prevent greenwashing. SFDR (Sustainable Finance Disclosure Regulation) in Europe is being followed by SDR (Sustainability Disclosure Requirements) in the UK, while similar measures could soon come into force in the US under the Securities and Exchange Commission. Coupled with commitments such as the UK Stewardship Code and the Net Zero Asset Managers Initiative, these regulations are increasing reporting demands.

**It feels like every corner of the investment industry has woken up and wants to better understand the idea of investing for people and the planet**



It is a huge task to understand the crossover of different regulations and commitments while staying close to your beliefs as a firm. While this step-up in regulatory reporting can feel quite onerous, I do believe it will drive our industry in the correct direction and encourage better transparency, ultimately ensuring that clients are matched with the strategies most suited to their needs. Increased regulatory oversight and common standards can drive not only improvements in reporting but enhancements in products and services too, as asset managers look to innovate to stay on top, or even better ahead, of the regulatory environment. Linked to all this, there is an increasing reliance on ESG data to fulfil regulatory requirements and update clients on the impact of the strategies in which they are invested. While coverage and quality of data is improving, there is still some way to go before it can be accurately relied on. There is no substitute for in-depth real expertise and capabilities.

### **Engagement matters – but it must be done properly**

Finally, my third thought for RI in the year ahead centres around engagement. Investors globally are realising the power to be gained from thoughtful and thorough ESG engagement. Many of the well-known “sustainable companies” are widely

## **Regulatory reporting will drive our industry in the correct direction and encourage better transparency**

held, and we believe that engagement is an important tool in identifying which companies are well positioned to be the next leaders. Engagement is also going to be a key tool if we want companies and industries to transition to more sustainable practices, which is the focus of many ESG funds.

By investing in companies able to credibly evidence their path towards a sustainable future, and using engagement to further drive this, investors can create real-world positive impact. Contrast this with a blanket approach meaning you divest from a company solely because it is too early on its path. We have over 20 years’ experience engaging on ESG issues and we focus on highly targeted, thoughtful engagement with companies. This ultimately makes our work more impactful as it is considered and focused on how well positioned investments are to transition towards a sustainable future.

## Coming soon ... [engagement priorities for 2023](#)

In January we will be publishing our ESG engagement priorities for the year ahead and detailing how we are thinking about the global challenges we all face and the related ESG issues we plan to address through our engagement programme.

To find out more visit [columbiathreadneedle.com](https://columbiathreadneedle.com)



### Important Information

**For use by professional clients and/or equivalent investor types in your jurisdiction (not to be used with or passed on to retail clients).** This is an advertising document. This document is intended for informational purposes only and should not be considered representative of any particular investment. This should not be considered an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services.

**Investing involves risk including the risk of loss of principal. Your capital is at risk.** Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. The value of investments is not guaranteed, and therefore an investor may not get back the amount invested. International investing involves certain risks and volatility due to potential political, economic or currency fluctuations and different financial and accounting standards. Risks are enhanced for emerging market issuers.

**The securities included herein are for illustrative purposes only, subject to change and should not be construed as a recommendation to buy or sell. Securities discussed may or may not prove profitable.** The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Threadneedle Investments (Columbia Threadneedle) associates or affiliates. Actual investments or investment decisions made by Columbia Threadneedle and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be appropriate for all investors. **Past performance does not guarantee future results, and no forecast should be considered a guarantee either.**

Information and opinions provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. This is an advertising document. This document and its contents have not been reviewed by any regulatory authority.

**In Australia:** Issued by Threadneedle Investments Singapore (Pte.) Limited ["TIS"], ARBN 600 027 414. TIS is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cth) and relies on Class Order 03/1102 in respect of the financial services it provides to wholesale clients in Australia. This document should only be distributed in Australia to "wholesale clients" as defined in Section 761G of the Corporations Act. TIS is regulated in Singapore (Registration number: 201101559W) by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289), which differ from Australian laws.

**In Singapore:** Issued by Threadneedle Investments Singapore (Pte.) Limited, 3 Killiney Road, #07-07, Winsland House 1, Singapore 239519, which is regulated in Singapore by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289). Registration number: 201101559W. This advertisement has not been reviewed by the Monetary Authority of Singapore.

**In Hong Kong:** Issued by Threadneedle Portfolio Services Hong Kong Limited 天利投資管理香港有限公司. Unit 3004, Two Exchange Square, 8 Connaught Place, Hong Kong, which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 regulated activities (CE:AQA779). Registered in Hong Kong under the Companies Ordinance (Chapter 622), No. 1173058.

**In Japan:** Issued by Columbia Threadneedle Investments Japan Co., Ltd. Financial Instruments Business Operator, The Director-General of Kanto Local Finance Bureau (FIBO) No.3281, and a member of Japan Investment Advisers Association and Type II Financial Instruments Firms Association.

**In the UK:** Issued by Threadneedle Asset Management Limited. Registered in England and Wales, Registered No. 573204, Cannon Place, 78 Cannon Street, London EC4N 6AG, United Kingdom. Authorised and regulated in the UK by the Financial Conduct Authority.

**In the EEA:** Issued by Threadneedle Management Luxembourg S.A. Registered with the Registre de Commerce et des Societes (Luxembourg), Registered No. B 110242, 44, rue de la Vallée, L-2661 Luxembourg, Grand Duchy of Luxembourg.

**In Switzerland:** Issued by Threadneedle Portfolio Services AG, Registered address: Claridenstrasse 41, 8002 Zurich, Switzerland.

**In the Middle East:** This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). For Distributors: This document is intended to provide distributors' with information about Group products and services and is not for further distribution. For Institutional Clients: The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge and who meet the regulatory criteria to be classified as a Professional Client or Market Counterparties and no other Person should act upon it.

Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

Valid from 12.22 | Valid to 6.23 | 5274405 | WF278400