

A guide to 'Good Money'...



Good Money Week

www.goodmoneyweek.com

Investment styles

Because there are lots of ways to invest money responsibly and ethically...

More and more investment money is managed responsibly. It's now well over £1 trillion in the UK alone! The UK is a world-leader in evolving lots of different styles and techniques to ensure there are ways to invest in a responsible way for every type of investor.

Here are our descriptions of what some of the country's leading fund managers can do, and are doing, for people:

Strategy	Definition	Examples
Ethical or 'negative' screening	Refers to screening out "bad" companies on ethical, moral, and/or religious grounds. These firms have been called "sin stocks".	Excluding investments linked to weapons, alcohol, gambling, tobacco, animal testing
Environmental/social 'negative' screening	Refers to screening out "bad" companies on environmental or social grounds	Excluding investments linked to nuclear power, chemicals
Norms-based screening	Sub-category of negative screening that excludes companies which fail to meet internationally accepted 'norms' or standards	Excluding investments that breach international standards such as the UN Global Compact or the OECD guidelines for multinational corporations.
Positive screening	Active inclusion of investments due to their activities in terms of positive social or environmental benefits	Targeting investments that provide services such as waste treatment, education, health
Best in Class	Strategy that invests in companies which demonstrate leadership within peer groups in respect of environmental, social or governance criteria	Funds might hold the least carbon intensive oil and gas companies, or the miner that caused least pollution.
Impact Investing	Investments made to generate a measurable social and/or environmental return alongside a financial return.	Companies with a business strategy and mission to provide a social and/or environment good, e.g. a company selling affordable solar water pumps in poor, arid regions
Sustainability themed	Investments focused in areas such as those linked to the UN sustainable development goals	Examples include investments linked to renewable energy, provision of clean water, and low-cost/energy efficient housing, education
Engagement	Fund managers work with the management of a company –either in public or private- to influence its behaviours in terms of e.g. disclosure, employment practices, emissions	A leading investor group engaged with 32 firms and persuaded them to increase their disclosure on emissions
ESG integration	Systematic and explicit inclusion by investment managers of non-financial factors, such as environmental, social or governance elements into financial analysis and investment decision making	Fund managers estimating the impact of probable carbon taxes on oil companies, or the impact on sales of public concerns over a company ignoring human rights in its overseas operations
Divestment	Selling currently owned assets for financial, ethical, or political reasons. This differs from exclusions, in those cases the assets would never be purchased	Fossil fuel divestment - selling off investments in firms that produce fossil fuels; arms divestment- selling firms that make weapons