



Responsible
Investing



Investing for Good

Investment priorities are changing, more people are concerned with both returns on their savings and whether their money is being invested in a responsible way.

Inequality, public health, environment issues and increasingly climate change protests are firmly in the spotlight, but how do your investments and pensions support your values?

It's not just about wanting to avoid companies in taboo sectors, such as oil, arms and tobacco. Investors today want their funds and wealth managers to be actively searching for businesses that are changing the world for the better.

Many of us try to make a difference by recycling, buying organic and switching off lights when we leave a room, but we can also make a difference by where we choose to invest our savings, pensions and ISAs, by embedding our values with the way we invest.



Do your investments support your values?

There is a spectrum of opportunities, however it can be confusing with a lot of different terminology:

Ethical, Sustainable, Responsible, SRI, ESG and Impact investing - what do these mean? Simply put, they are different ways of investing under an umbrella of Responsible Investment and focus on similar underlying principles.

Ethical or Exclusion Investing:

Traditionally uses negative screening to exclude companies that do not align with certain principles. Exclusions may be applied on a variety of issues and at a variety of levels e.g. no oil producing companies, or businesses that profit from arms. However, some fund managers will screen both negatively and positively to blend the spectrum of responsible investing.

Impact Investing:

Invests in companies that have a greater social impact, they have the intention to generate positive, measurable social and environmental impact alongside financial returns, usually provided by boutique fund managers who will endeavor to measure how much good your money has done and relay this via an info-graphic e.g. how much CO2 has been avoided, or how much clean water provided. This strategy used on its own can limit diversification.

Socially Responsible and Sustainable Focus:

Invests in companies that make positive investment choices and chooses companies that are pragmatic and for the majority. Companies that do good rather than avoid the bad and support the transition to a more sustainable society. e.g. companies that try to solve lung cancer rather than contribute to the cause of it, or companies that help reduce CO2 emissions and not contribute to them. Some will be sustainability themed such as clean energy or water.

Many providers will align their investments with the UN's Sustainable Development Goals, which are illustrated on the next page.

ESG:

Environmental: How does a company's activities impact on the world? e.g. do they pollute, if so, what actions do they take to limit this and their contribution to global warming.

Social: How does a company treat its workforce, suppliers and customers?

Governance: How is a company run, is it well managed, how do they decide executive pay?

There are many examples of what can happen when businesses fail to consider and prioritise ESG factors. e.g. Deepwater Horizon Disaster - the sinking of the BP operated Macondo Prospect led to the largest marine oil spill in US history. BP's cost-cutting and poor safety systems were cited as contributing factors, as a result BP's share price lost 50% in two months and total costs were approximately \$62 billion.



Performance with Principles

The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The 17 Goals are all interconnected, and in order to achieve them many fund managers are aligning their investments with them.



Initially it was thought that investing responsibly meant a trade-off with investment returns. We all know that investing places capital at risk and diversification reduces this risk, so if you screen out companies on ethical grounds, you are potentially limiting the number of companies you can invest in, taking on more risk.

However... Companies that neglect to respect their workforce, suppliers, customers and the environment are at risk of regulatory fines, supply chain interruptions, labour disputes or loss of reputation, this can have a detrimental effect on creditability, performance and future profitability.

On the flip-side, sound corporate governance, robust management of environmental and social risks and pursuance of strong business ethics play an increasingly important role in delivering investment performance.

It is true to say that ethical exclusions do mean that some industries that traditionally provide consistent returns, like tobacco, oil & gas and defense are excluded. And if in the short term, these industries do well, your portfolio may well feel the impact. But, there are plenty of great companies and sectors that are for the **long-term** and will help deliver investment objectives.

What are your options

We have 3 responsible portfolios with differing risk levels that invest in funds that have their own mandates in the areas of Responsible investing. We look at the underlying investments to ensure that these also fit with our views.

Furthermore we can tailor or source a specialist portfolio to match your own personal principles or exclusions.

Please contact us for further information.

For further information contact your Pearson Wealth Management Adviser or use the details below.

Pearson Wealth Management Ltd

Head Office

Tuddenham Hall Estate Office
Tuddenham, Ipswich, Suffolk IP6 9DD

T: 01473 784430

F: 01473 784687

E: info@pearsonwm.co.uk

Chelmsford Office

Broomfield Place, 189 Main Road
Chelmsford, Essex, CM1 7DJ

T: 01376 503561

F: 01473 784687

E: info@pearsonwm.co.uk

Authorised and regulated by the Financial Conduct Authority. FCA N°. 825434. Registered in England N°. 11533720.

Directors: A.J. Keith and S.Pyne. Head office: Tuddenham Hall Estate Office, Tuddenham, Ipswich, Suffolk, IP6 9DD.