

What responsible and sustainable investment means to you

Quilter Financial Planning

What is responsible investment?

Responsible investment isn't about feeling good or doing good. It is about making better investment decisions by considering **environmental, social and governance (ESG) factors** alongside traditional financial analysis.

This can provide a more complete understanding of the **risks and opportunities** that may affect long-term investment outcomes, from climate change and regulatory developments to workforce practices and corporate governance.

By considering ESG factors as part of the investment process, investors can build a fuller picture of an investment's resilience, adaptability and long-term sustainability.

What is sustainable investment?

Sustainable investment is about making informed investment decisions that seek to contribute to **positive environmental and social outcomes** while aiming to create long-term value for investors.

It builds on responsible investment by seeking positive environmental and/or social outcomes alongside financial returns. These investments aim to help address real-world sustainability challenges, such as climate change, protecting natural ecosystems and improving access to basic needs. The UN Sustainable Development Goals (SDGs*) are often used as a framework to help understand and assess these 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 factor in risks and opportunities.	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.

Sustainable investment involves:

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

Source: Principles for Responsible Investment

FCA Sustainability Disclosure Requirements (SDR) regime

Products with a label

The FCA (Financial Conduct Authority) has introduced **four sustainability labels** under the Sustainability Disclosure Requirements (SDR) regime to help investors identify products with specific sustainability objectives*. These labels currently apply to in-scope investment funds and are designed to help investors compare products using clear and consistent information. **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.

Products without a label

Some products do not use sustainability labels but may still include sustainability-related characteristics, objectives or investment approaches.

Where sustainability-related terms are used in a product's name or marketing, firms must comply with the **SDR naming and marketing rules.** They must also provide additional disclosures to help consumers understand the product and ensure communications are clear, fair, and not misleading.



*Not all responsible or sustainable investments fall within the FCA SDR regime. Many funds are domiciled outside the UK and may be classified under other frameworks, such as the EU SFDR regime.

How important is responsible investment to you?

Once your adviser has understood your appetite to 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 understand your preferences, they'll identify investment strategies from our panel that match both your attitude to risk and your financial objectives. 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.

