

## Sustainable Investing Question | Is my fund doing harm or good? How can I tell? And why do I care?

- ◆ All investment has an impact – good and bad.
- ◆ Research shows that investors are starting to say, **if we can get comparable financial returns, for the same cost and “do good” at the same time, why wouldn’t we?**
- ◆ This is a call to action for the industry and a bold start in trying to bridge the gap for more standardised reporting of non-financial information to help sustainability become established.
- ◆ The key benefit of the report and dashboard is it provides investors with a clearer choice. People should be able to make informed decisions about how to allocate their capital from both a financial and a sustainability perspective.

Here come the stumbling blocks; there is a myriad of new terminology to bamboozle investors today: **ESG, SRI, Sustainable, and Impact**. Once investors have digested those, they still need transparent, comparable and straightforward measurement and the industry lacks a way of comparing funds across different houses and in different asset classes.

The **Cambridge Impact Framework** offers a solution and aims to show the societal contribution and environmental footprint of a fund. It uses raw data (no scores) and the methodology is clearly explained in the report. It is presented in a way that the end-user can quickly get a picture of the sustainability footprint of their investments.

Financial Mutuals have a long history of being at the centre of communities, offering investors value, loyalty and the opportunity to do things differently. These ideals resonate with a wider audience today than they ever have before.

An engaged and informed Financial Mutuals investment community could be instrumental in contributing to the success of impact investing. We believe broader retail investors will play a similar role in driving this forward.

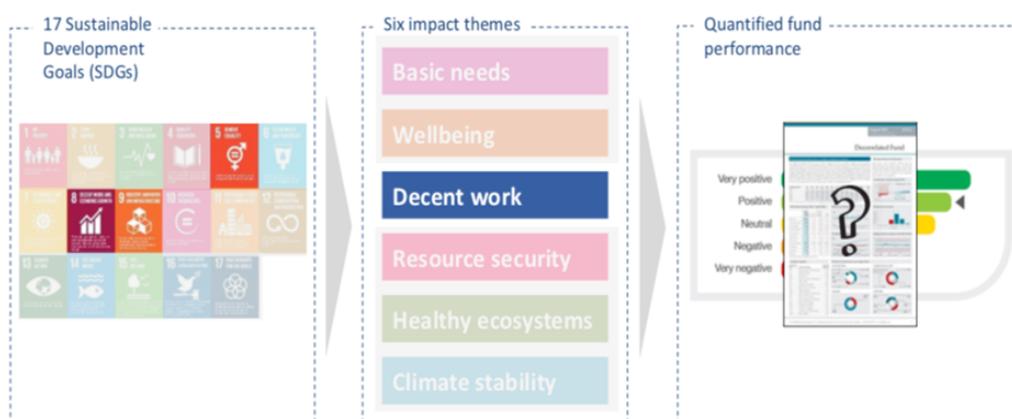
If you would like to see where you are on your respective journeys, **please do get in touch to run a portfolio or mutual fund investment through the dashboard to see how it looks and to help you gauge where you**. There are no rights or wrongs. You decide what you do with your dashboard. If it inspires discussion and helps you and your members make more informed choices, we are off to a good start.

Looking forward to hearing from you.

### In Search of Impact?

- ◆ The Cambridge Institute of Sustainable Leadership is a globally influential institute and for over 30 years they have been combining the rigour of academic research with a practical ‘real-world’ pragmatism in their goal to help the world move to a sustainable economy.
- ◆ Alongside this is the Investment Leaders group, a global network of pension funds, insurers and asset managers, committed to advancing the practice of responsible investment.
- ◆ The Cambridge Impact Framework is to provide a tool for asset managers and investors to measure and report the environmental and social footprint of all their investments.

- It takes the UN SDGs as its base and distils these into 6 workable themes – **3 planet and 3 people**
- Each theme is assigned a basic and an ideal metric
- These metrics measure the operational footprint of the company – i.e. how much does a business contribute to society and take from the planet, just by existing.
- Transparent with all methodology included – it is designed to be easy to adopt
- Bloomberg is used in the report, but it’s possible to use company disclosure directly. It does not require 3rd party data providers such as MSCI or Sustainalytics.



Source(s): In Search of Impact Report, Cambridge Institute of Leadership, January 2019

## Dashboard for UBAM Positive Impact Equity:



## Impact Dashboard in a Nutshell

- ◆ Designed to help the end client have a simple and comparable way of judging the harm and good of an investment.
- ◆ Responding to the demands of clients for clear, comparable data to compare the sustainability of funds.
- ◆ Uses the UN SDGs as a base – distilled into 6 workable themes
- ◆ Scalable – we want this to become an industry standard, with the dashboard in all fund reports over time.
- ◆ Uses raw data not scores
- ◆ Has both ‘basic’ and ‘ideal’ measures to accommodate current disclosure whilst giving a platform to advocate for improved data availability.
- ◆ Focuses on the footprint of a company’s operations (revenue streams are not in scope).

We wanted the end results of the report to make sense to a retail client – this is designed with them in mind, in a similar style to the EPC ratings on white goods. Consequently, the results are presented in a “dashboard” format as can be seen below (this is the dashboard for UBAM Positive Impact Equity). The colours in this dashboard are a result of performance vs the fund’s chosen benchmark.

## UBP’s involvement

- ◆ We are part of the ILG and our Impact strategy, investing in listed equities, was used as the guinea pig for the model dashboard.

## Limitations

- ◆ Absence of data. An example of this is with the dashboard above – the environmental themes had low data disclosure (in particular healthy ecosystems at 19% availability). Typically these companies are smaller companies and so disclosure is normally lower – it doesn’t necessarily mean they are not superior operationally. A work in progress.
- ◆ This framework must be viewed as an ambitious start, not a silver bullet or a complete solution. We have created a useable framework with what we have right now, whilst also providing a platform to advocate for more disclosure. The gap between the basic and ideal metrics is huge – we know this – our job collectively is to try and close the gap between what we can measure and what we want to.
- ◆ Terminology of this report can be confused with the “impact reporting” of Impact funds. This framework is exclusively examining the operations of a company/fund/investment. It seeks to illustrate the societal contribution and environmental imprint any investment makes. The revenue streams of these businesses are not in scope. I.e. if we address a renewables company, we are examining that business’s use of energy in its own operations, its contribution to jobs, tax etc – not whether its products are creating a carbon saving elsewhere.

## Where next?

- ◆ This is the exciting bit! There is no claim that this work is perfect, but it is the first clear, useable dashboard that the industry has had. We want this to have broad adoption and become the industry standard. Now the framework is complete, our job at UBP and across the ILG is to collaborate with our peers and help them to understand the metrics and the methodology.

## Over to you:

- ◆ If you would like to run a mutual fund or investment portfolio through the dashboard to see its impact, please do reach out. We would encourage you to try any fund or portfolio, even if not ESG or Sustainable focused, just to see where you are on your journey.
- ◆ You would be able to reveal (or not) your own dashboard (as pictured) and impact that your investments have and use it on your promotional materials or reports to end investors. It can be used as milestones to highlight or to tackle areas that resonate most with your customers.
- ◆ It can be a tool with which to approach existing managers to discuss working towards improving certain areas that you would like to address and gives you a comparable way to do that.
- ◆ Everyone is at different stages on their sustainable journey and there is no right or wrong, only a starting point. Where you go from there is up to you.

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