An Overview of Sustainable Investing – History, Trends and Strategies

• Sonal Mahida, PRI
# THE INVESTMENT SPECTRUM

## Responsible investment strategies

<table>
<thead>
<tr>
<th>Conventional Investment strategies</th>
<th>Screening</th>
<th>ESG integration and/or investor engagement</th>
<th>Themed</th>
<th>Impact first</th>
<th>Philanthropy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
</tr>
</tbody>
</table>

## Impact investing

<table>
<thead>
<tr>
<th>Conventional Investment strategies</th>
<th>Screening</th>
<th>ESG integration and/or investor engagement</th>
<th>Themed</th>
<th>Impact first</th>
<th>Philanthropy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted social and/or environmental impact</td>
<td>Targeted social and/or environmental impact</td>
<td>Targeted social and/or environmental impact</td>
<td>Targeted social and/or environmental impact</td>
<td>Targeted social and/or environmental impact</td>
<td>Targeted social and/or environmental impact</td>
</tr>
</tbody>
</table>

## Competitive returns

<table>
<thead>
<tr>
<th>Conventional Investment strategies</th>
<th>Screening</th>
<th>ESG integration and/or investor engagement</th>
<th>Themed</th>
<th>Impact first</th>
<th>Philanthropy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
<td>Limited or no focus on ESG risks or opportunities in underlying investments</td>
</tr>
</tbody>
</table>

## Themed

- Ethically-screened investment fund
- Best-in-class SRI fund
- Equities fund integrating ESG
- Fixed income fund integrating ESG
- Engagement and proxy voting
- Clean energy mutual fund
- Microfinance structured debt fund
- Fund providing debt or equity to social enterprise or trading charity

## Impact first

- Focus on one or a cluster of issues where social and environmental need requires grants (100% financial risk).

## Philanthropy

- Focus on one or a cluster of issues where social and environmental need requires grants (100% financial risk).

## Source

Adapted from Bridges Ventures (2012)
SPECTRUM OF STRATEGIES: DECISION POINTS

ASSET OWNER INVESTMENT PROCESS

ESG data

BUY-SIDE ANALYSIS

Sell-side analysis
ESG strategies

INVESTMENT DECISION

ESG data considered

STOCK PURCHASE

ESG data considered

SHAREHOLDERS ACTIVITIES

ESG capability criteria

IM SELECTION
SPECTRUM OF STRATEGIES: VALUATION AND DECISION MAKING

Valuation and investment decision making: Understanding how analysts are integrating ESG considerations into valuation

- ESG global trend analysis
- ESG country-level analysis
- ESG sector-level analysis
- ESG company analysis
SPECTRUM OF ENGAGEMENT STRATEGIES

High Impact
- Management Meeting
- Proxy voting With follow-up letter
- File shareholder resolution
- Resolution goes to vote at AGM

Medium Impact
- Letter to Board
- Speak at AGM
- Issue press Release or open letter

Low Impact
- Email or telephone call
- Speak at conferences

Quiet Dialogue

Public Dialogue