



# HOYL

INDEPENDENT ADVISERS




## RESPONSIBLE **INVESTMENT**

PO Box 46  
Upton House  
St Margaret's Road  
Cromer  
Norfolk  
NR27 9WX

[www.hoyl.co.uk](http://www.hoyl.co.uk)



# The rise of the responsible investor

 We're all now aware of the impact activities such as increased consumerism, the burning of fossil fuels and conversion of land for forestry and agriculture are having on our planet.

This is why many investors are increasingly focussing on investing responsibly, in a way which balances economic growth, environmental care and social well-being, as they look to align their investments with their own values and commitment to sustainability.

Myself and our Investment Committee have supported this approach for some time. In fact, we launched our first dedicated responsible model portfolio strategy back in April 2019.

We're extremely proud of the range of responsible investment solutions we've since gone on to develop and the role these are continuing to play in helping our clients invest in a socially responsible manner.

However, this remains a specialist area of investment, with even the more common terms used having a tendency to be unclear or confusing.

I hope our short guide will therefore help to explain at least some of these and also a few other expressions you may often find accompany them.

**Paul Wreford**

Chartered Financial Adviser  
MRes PFPS



# Glossary

Help to understand some common terms



**With our world changing faster than anyone predicted, responsible investing has a huge role to play in helping to shape a better world while building a sustainable future.**

## **What is responsible investment?**

It's a strategy and practice of incorporating environmental, social and governance (ESG) factors in investment decisions to create a better future for everyone.

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## **Why invest responsibly?**

**Client demand:** Clients are increasingly asking for more on how, where and in which industries their money is being invested.

**Materiality:** Increasing recognition that responsible investment does not mean having to compromise on returns and performance.

**Regulation:** Responsible investment regulation has increased significantly since the mid-90's, as both national and international regulators realise the financial sector can play an important role in meeting global challenges.

# Common Terms

## and their meaning



### **Active Ownership**

When investors engage with a company they have invested in and vote to influence its strategy and actions in the management of environmental, social and governance issues.

### **Best-in-class**

An approach for sustainable investing when a company's environmental, social and governance performance is compared with others within their asset class. Companies who have a rating above a defined threshold are considered investable.

### **Corporate Governance**

A set of rules, practices and processes under which a company is directed and controlled. The corporate governance structure specifies the rights and responsibilities of the board, managers, shareholders and other stakeholders.

### **Corporate Social Responsibility**

The internal area of responsibility that businesses take to describe the activities and commitments they are making to manage their environmental, social and governance impacts.

### **Divestment**

The practice of selling shares or debt in part or full based on either a company's performance or its product(s) being unacceptable due to sustainability factors.

### **Engagement**

Maintaining an active dialogue with companies to encourage them to address environmental, social and governance issues in order to reduce risk and support long-term performance.

### **ESG – Environmental, Social and Governance**

A framework highlighting the general concept of sustainability into these 3 key issues.

# Common Terms



## and their meaning

### **ESG integration**

The inclusion of environmental, social and governance factors into the investment analysis and decision making process.

### **Ethical investing**

This refers to investment funds that have a stringent investment criteria involving negative or exclusionary screening of companies. Typical exclusions are tobacco, the adult industry, armaments or companies that may have a poor record on human rights or the environment. Ethical investing is an investment philosophy which is likely to be guided by moral values, ethical codes or religious beliefs.

### **Exclusions**

The exclusion of certain investments, companies, sectors or countries from a portfolio based on a defined set of criteria. These may include products or services a company provides, such as tobacco or armaments, or their business practices, such as violation of human rights or corruption.

### **Impact investing**

The intentional investment into funds which invest with a clearly expressed intention to generate positive, measurable, social or environmental impact.

### **Norms based screening**

This is a sub-category of environment and social negative screening. It involves screening of investments against a minimum standard of business practice based on national or international standards and norms.

### **Proxy voting**

The right to vote on resolutions at company shareholder meetings and therefore being able to influence change.

### **Responsible investment**

An overarching term which includes a range of practices and approaches in investments we make that incorporate environmental, social and governance risks or moral considerations. Focussing on financial returns but only from companies which meet certain criteria.

# Common Terms



## and their meaning

### **Screened funds**

The screening of companies or countries to determine if they should be included or excluded from a fund. Funds that have been screened are known as 'exclusion based' or 'negatively screened funds' and 'positive screened.'

Positive screening is the process of finding companies that make a positive contribution to addressing social and environmental challenges.

### **SRI – Socially Responsible investment**

Investing money in companies and mutual funds that have positive social impacts.

### **Stewardship**

This is a responsible approach to investing in the management and oversight of capital in order to create long term value for clients, leading to sustainable benefits for the environment, economy and society.

### **Sustainable Development Goals (SDGs)**

These are the 17 goals set by the United Nations in 2015 which provide the framework to achieve a better and more sustainable future.

They address the global challenges we all face, including those relating to poverty, inequality, climate change, environmental degradation, prosperity, peace and justice.

The United Nations is targeting completion of all 17 interconnecting goals by 2030.

### **Sustainable investing**

An investment discipline which proactively seeks to invest in companies that make positive contributions in addressing social and environmental challenges.

### **Thematic investing**

Investing in businesses that contribute positively to sustainable solutions, either in a single theme such as water, or in various themes.

# Would you like to **know more?**

## How to get in touch



01263 510782  
support@hoyl.co.uk  
www.hoyl.co.uk



PO Box 46  
Upton House  
St Margaret's Road  
Cromer  
Norfolk NR27 9WX



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# Thank you!

For taking the time  
to read more



## Contact Us:

PO Box 46  
Upton House  
St Margaret's Road  
Cromer  
Norfolk  
NR27 9WX

[support@hoyl.co.uk](mailto:support@hoyl.co.uk)  
[www.hoyl.co.uk](http://www.hoyl.co.uk)

