UKSIF
UK Sustainable Investment and Finance Association

Sustainable investment strategies

Sustainable investing is not just excluding undesirable stocks, although that is one way to do it. There are many strategies used by fund managers that are available to you.

Negative/Exclusionary Screening: the exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG (environmental, social and governance) criteria.

Positive/Best-In-Class Screening: investment in sectors, companies or projects selected for positive ESG performance relative to industry peers.

Norms-Based Screening: screening of investments against minimum standards of business practice based on international norms, such as those issued by the OECD, ILO, UN and UNICEF.

ESG Integration/Responsible Investment: the inclusion of environmental, social and governance factors into financial analysis as a means to assess and reduce financial risk.

Sustainability Themed Investing: investment in themes or assets intentionally supportive of sustainability goals such as the Sustainable Development Goals (for example clean energy, water, gender balance or sustainable agriculture).

Impact: Impact investments are investments made with the intention to generate positive and easily measurable social and environmental impacts alongside a financial return.

Ethical: Ethical investments are usually exclusionary and are strongly values driven. Ethical investors will often risk lower returns to ensure their money is aligned with their values.

Corporate Engagement and Shareholder Action: also known as ‘stewardship’ this strategy is the active use of shareholder power to influence corporate behaviour, including through direct corporate engagement (i.e. communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting guided by comprehensive ESG guidelines.

Many funds use more than one strategy at a time to maximise their positive impact and deepen their protection of investment value.