

# **SUSTAINABLE, RESPONSIBLE AND IMPACT INVESTING**





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The sustainable investment movement has grown enormously in the past decade. In the early days, it was regarded as a fringe interest, mainly for small investors with strong views on the environment and human rights. Since then, the amount of money invested in 'sustainable' funds has increased dramatically.

**B**Y DEFINITION SUSTAINABLE, RESPONSIBLE AND impact investing (SRI) is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact. Other descriptions include "green" or ethical investing.

#### DEFINING SRI

An exact definition of 'sustainable' or 'socially responsible' investment is hard to pin down. For example, some investors are anxious to avoid putting their money into firms that manufacture arms, alcohol or tobacco. Others want to avoid companies that excessively pollute the environment. Note the use of the word excessively because, for SRI investors, defining what's acceptable will be important in determining your options.

The challenge is in measuring and ranking the efforts and ultimate outcomes that any business has in trying to meet the expectations of investors looking specifically for SRI options. A building, for example, may be market leading in energy performance and use of renewable materials — but it's still likely to need construction materials that cannot be recycled. This demonstrates how investors need to appreciate 'true' SRI can be elusive.

As managers of client funds, we are very aware of the opportunities and options available around SRI and the increased interest in this area of investing. It would also be true to say that the fund managers we deal with are very conscious of the issues as well and are equally interested in providing the best options to clients.

#### BEYOND SCREENING

From the fund manager's point of view, SRI can mean more than 'screening out' undesirable companies and 'screening in' those that are judged to be sustainable. Some more active fund managers have begun to play an 'advocacy' role, putting pressure on individual companies to improve their social and environmental performance. In this respect the entire investment community has a role in changing both the specific SRI investment opportunities available and also the behaviours of companies and industries not typically associated with SRI investing. This can take the form of lobbying at companies' annual general meetings, or private meetings between fund managers and company directors.

#### HERE TO STAY

In some studies, sustainable funds have outperformed the rest of the market. There is some debate over whether the outperformance of these funds can be attributed to sustainable business practices, or whether it merely reflects the fact that 'sustainable' businesses tend to be newer, larger, high-tech enterprises.

Either way, investors can be assured that a focus on SRI investing is here to stay. Regardless of your portfolio's specific objectives, those involved in your investment will be working towards more sustainable and responsible practices.

Staples Rodway Asset Management incorporates good corporate governance and SRI investment options into our overall business and investment offerings.

*Staples Rodway Asset Management is a boutique investment advisory service that specialises in providing personalised and impartial investment solutions for individuals and trusts. An adviser can be contacted at [enquiries@sraminvest.co.nz](mailto:enquiries@sraminvest.co.nz) or on 0508 220 022.*