SUSTAINABLE INVESTMENT
Handbook

spainsif

SUSTAINABLE INVESTMENT Handbook

My decision to save some capital is oriented to guarantee a similar welfare and lifestyle as I have today but in the future. Although I am not willing to accept lower financial returns as compared to market performance, I am concerned about climate change and other socioeconomic issues affecting the global economy. Am I supporting sustainability through my investments?

This question makes me wonder my investments destination. Is there any coherent alternative with respect my sustainability concerns?

Sustainable and Responsible Investment (SRI) considers these concerns, without forgetting about financial return goals.

The whole set of topics included in this kind of investments are often called ESG, referring to Environmental, Social and Governance criteria.

spainsif

WHAT IS A SUSTAINABLE INVESTMENT?

It is an investment containing:

- Financial analysis (risk-return)
- Extra-financial analysis (self-named ESG criteria - Environmental, Social and Governance)
- Shareholder rights exercise (actively engaging with companies and voting in shareholder meetings)

Also allowing to reach higher efficiency at assessing risks exposure for those companies where the capital is invested, with the only objective of obtaining better financial returns in the middle – long term on a sustained basis, by promoting sustainable policies within those companies.

The term “Sustainable and Responsible Investment” (SRI), for the purpose of this guide, encompasses all the terminology alternative to its usage such as Sustainable Investment (SI), Responsible Investment (RI), Socially Responsible Investment, Impact investment (II), …, as long as they include all of the three bullet points mentioned above.

WHY CHOOSING SRI PRODUCTS?

Similar to the effects of responsible consumption, SRI is a tool for promoting sustainability policies within companies where capital is invested in, since shareholder considerations are taken into consideration (workers, suppliers, consumers, civil society and its representing organisations such as labour unions, consumer’s associations, NGOs, etc.) with respect to society and environment impact.

ARE CHARITABLE OR SOCIAL FINANCIAL PRODUCTS AND SRI THE SAME?

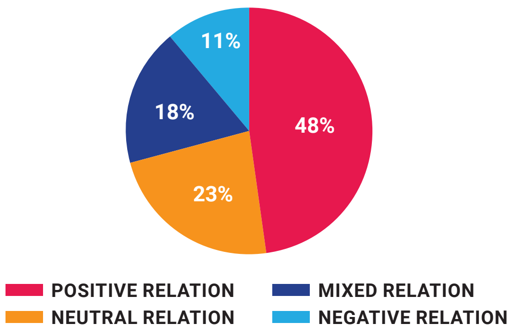
Charitable or social financial products are not the same as SRI. SRI has ESG criteria into consideration while aiming for a financial and sustainability returns. In order to reach this objective, SRI attempts to find the optimal risk-return ratio as it is inherent for every investment. A key feature of SRI is attempting to minimize investment risks. Thus, the analysis of companies included in the portfolio is more extensive (both financial and extra-financial), leading to a potential reduction of operational risks.

On the other hand, a charitable or social financial product implies that its asset manager or financial institution donates part or the revenues to non-profit organisations, associations or other equivalent entities driven by a social mission. In this sense, a charitable product promotes social action, but not necessarily SRI; since these products do not have to consider extra-financial considerations within its investment mandates nor active engaging with the companies where funds are invested in.

IS SRI INVESTMENT LESS PROFITABLE OR MORE RISKY THAN NON-SRI ONE?

Financial return from a financial product depends on many factors, so it is necessary to be referred to high level academic research to answer. Majority of the results from research show that SRI investments are at least as financially efficient as non-SRI ones form a risk-return point of view. Moreover, SRI provides more information about risks, contributing to a better investment decision making.

RELATION BETWEEN ESG CRITERIA AND FINANCIAL CORPORATE RETURNS



SRI goals are long-term based and have into consideration economic, governance, environmental and social criteria. This helps preventing potential risks and identifying new value opportunities (for instance, a responsible management, new products or services, a new market, new businesses, etc.) which are not always included in traditional financial analysis.

HOW CAN A RETAIL INVESTOR ACCESS TO SRI PRODUCTS?

A sustainable investment asset can be acquired in the same way as any other financial product. The main difference consists in specifying sustainability preferences when looking for the investment products. This includes requesting complementary and explicit information in reference to its sustainability concerns.

Generally, a retail investor is entitled to request this kind of information directly to the financial institution which supplies SRI products itself or counts on a list of external suppliers (asset managers, etc.) for SRI products registered in Spain for commercialisation.

Spainsif counts on the online funds-platform, containing a wide range of ESG investment funds commercialised in Spain. (https://www.spainsif.es/plataforma-de-fondos/)

HOW DOES THE SELECTION AND MANAGEMENT OF ASSETS INCLUDED IN SRI PRODUCTS WORK?

Identifying eligible assets when building or looking for SRI products requires the combination of two complementary analysis:

1. Non-financial analysis, consisting on companies' good practices identification and assessment.

    - Knowledge about key questions in each sector of activity (for instance, the relationship between customer and suppliers in wholesale trade, environment protection for a cement factory, corporate government in a financial company, labour conditions and decent work in the supply chain...).

    - Companies assessment within their own sector with respect to ASG performance (mainly by periodically meeting them).

2. Financial analysis: in order to determine and evaluate the most attractive from a financial point of view.

The combination of these analysis allows producing recommendations about the evaluated companies. From this double perspective, financial and non-financial, asset managers make the decision of acquiring or selling these companies shares, bonds or debt in order to build SRI products.

As for any traditional investment, it continues to be necessary having macroeconomic indicators (forex exchange rates, sectors, etc.) into consideration, while following asset management regulation and established limitations as specified in the product brochure.

There are several SRI strategies applying to sustainable investment products. Most widely accepted ones are the following:

- Excluding companies in breach of international regulation, human rights or labour international standards from the portfolio.

- Activity-based exclusions (such as controversial weapons production).

- Best in class (by selecting those companies which, after financial analysis, show the best ESG performance).

- Voting and Engagement, consisting in getting involved with companies so that they get improve with respect to their ESG practices through stakeholder's-company dialogue and proxy voting.

- ESG integration (integrating ESG performance within traditional financial analysis). A portfolio evaluation based on social, environmental and governance indicators, which includes ESG considerations, explicitly, within traditional financial analysis.

WHAT ASSOCIATIONS AND NATIONAL OR INTERNATIONAL INITIATIVES DEDICATED TO SUSTAINABLE INVESTMENT EXIST?

The Spanish Sustainable Investment Forum, Spainsif (www.spainsif.es), is a multi-stakeholder platform formed by different entities interested in promoting sustainable investment in Spain.

The European Sustainable and Responsible Investment Forum, Eurosif (www.eurosif.org), is the European association promoting sustainable investment across Europe. Most European national sustainable forums belong to Eurosif.

The Principles for Responsible Investment, UN PR (www.unpri.org), is an independent and international initiative aiming to encourage investors to invest sustainably; therefore improving investments performance and risks management.

The Committee on Workers' Capital, CWC (www.workerscapital.org), is an international labour union network created to raise dialogue and action about sustainable investment from worker's capital management.

accenture
aeca
aeri Asociación Española para las Relaciones con Inversores
Afi
Alembeeks
Allianz Global Investors
altermia Altermia, Asesores Técnicos, S.L.
Amundi ASSET MANAGEMENT

ANDBANK Private Bankers
anesvad
ASEAFI
ATLANTIS seguros
AXA Investment Managers
Bankia
BBVA
BMO Global Asset Management

BNP PARIBAS ASSET MANAGEMENT
Caja de Ingenieros
CANDRIAM A NEW YORK LIFE INVESTMENTS COMPANY
caser seguros
CCOO
CDP DRIVING SUSTAINABLE ECONOMIES
cecabank
CPPS Asesores

Creas Invierte en valor social
Degroof Petercam ASSET MANAGEMENT DPAM FUNDS
Deusto Business School Universidad de Deusto
DWS
ecodes tiempo de actuar
Economistas sin Fronteras
Edmond de Rothschild
ERSTE Asset Management

ética.
EUROCAPITAL eaf Wealth Management
FETS
fonditel Pensiones
Forética
Fundación Afi
INNOVIS FUNDACION
fundación másfamilia www.masfamilia.org

Fundación ONCE
GALA CAPITAL
GAWA CAPITAL
Groupama ASSET MANAGEMENT
GRUPO COOPERATIVO CAJAMAR
GVC Gaesco Gestión
iberCaja Pensión
ICO Instituto de Crédito Oficial

ie UNIVERSITY Driving Innovation
LAZARD
MAPFRE
MICROWD.
mirova Responsible Investing
MORNINGSTAR
MSCI
MM MUTUACTIVOS GRUPO MUTUAMADRILEÑA

MutualMédica La Mutualidad de los Médicos
NN investment partners
Nordea ASSET MANAGEMENT
OCO PEN Organización de Consultores de Pensiones
oquendo CAPITAL
PICTET 1805
ROBECO
S&P Global Ratings

Santander Asset Management
SEGUROS RGA
SUSTAINALYTICS
SYCOMORE am
tressis
Triodos Bank
UGT
UJI UNIVERSITAT JAUME I

UNED
VDOS
vigeoeiris
Vontobel
WEALTH SOLUTIONS

spainsif