

Responsible investing

The challenges we face as a global society have never been so visible and within our control. At Standard Life, we've been asking what we can do to take more responsibility in tackling the biggest challenges of our time, such as climate change, inequality and unsustainable production and consumption, whilst achieving sustainable returns for our customers. The first step must be to acknowledge that we all have the power to make a difference by the choices that we make. Our partners at Aberdeen Standard Investments (ASI) feel the same, which is why ESG considerations are so integral to their investment process.

What is ESG?

Environmental, Social and Governance is an investment philosophy which aims to achieve long-term returns by allocating capital to assets which adhere to strictly defined environmental, social and governance standards. The concept is to promote sustainable investing so that your client can align their values with their financial goals while at the same time helping to bring about a brighter future for the world.



Environmental

An investment manager can look closely at a company's impact on land, sea, air, wildlife, plant life and the climate. They might consider things like how much energy a company uses, waste disposal, land development and carbon footprint.



Social

An investment manager can review a company's relationship with its employees, suppliers and the community it operates in. They might consider things like labour practices, human rights, employee wellbeing, health schemes for staff and supplier relationships.



Governance

An investment manager can look at the issues that might affect a company's management and processes. They might consider things like who's running the company, how the company and its finances are managed, and how it approaches salaries and strategy.

There is a common misconception that you have to sacrifice returns in order to be a more responsible investor, or that ethical funds underperform against the market. Asset managers which use ESG criteria to make investment decisions take a long-term view on returns, helping to mitigate against certain risks. As one of the largest asset managers in Europe, ASI engages with the companies they invest in to ensure the highest standards of responsible business practice are being met.

ASI core beliefs



ESG factors are financially important and directly affect corporate performance. Indeed, ASI believe those companies that take their ESG responsibilities seriously, tend to outperform those that don't.



Understanding ESG risks and opportunities alongside other financial metrics, helps them to make better investment decisions.



Informed and constructive engagement helps corporations improve practices - protecting and enhancing the value of investments.

Source: Aberdeen Standard Investments, June 2020

Past performance is not a reliable guide to future performance.

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