

## WHAT IS ETHICAL INVESTING?

Ethical investing is about making your savings contribute to a better world or ensuring that they are not exposed to factors that may contribute to negative forces. It is for those who are conscious of how their capital is used and want their savings to have positive impacts. We call it Ethical but it is often referred to as sustainable, responsible, or ESG (Environmental, Social and Governance). Some of the aspects covered by these terms include well-publicised issues, such as environmental concerns and human rights contraventions, as well as those which are not everyday news, like female representation on boards of directors, and promotion of employee rights. These are just a small sample of areas given consideration by this style of investing, but ESG attempts to capture most issues of conscience.

### What do we look for?

There are a number of considerations that go into the construction of our Ethical Portfolios to ensure that our solutions are suitable for as many ethically conscious investors as possible. As a minimum, we expect to have no investments in companies whose primary business activities engage in:

- Fossil fuels
- Tobacco
- Controversial munitions
- Non-medical animal testing
- Gambling
- Adult entertainment

In addition, we aim to use funds known as 'impact' funds. These funds invest in companies whose products or services provide a benefit to an environmental or social

issue, rather than simply avoiding the negatives in our minimum standards.

In our due diligence process we look for funds from investment companies who first and foremost are signatories to the UN Principles of Responsible Investment. This is the commitment of investment companies to direct capital in a responsible and sustainable way. Beyond this commitment to responsible investing, we favour fund managers who articulate what 'ethical' means to them, how they apply this to choosing their investments, demonstrate that they are sticking to their principles and philosophy, are monitoring and measuring the impact of their investments, and that hold company management and boards of directors to account. Most importantly, we ensure that they do not invest in any company which contravenes our minimum standards.



It is often the case that impact is measured on the benefits to the UNs Sustainable Development Goals. These are 17 high level objectives set by the UN in order to achieve global sustainable development by 2030. These are not just investment goals, but are targets that UN member nation governments are committed to.



## What do we do?

GDIM have been running Ethical portfolios since 2010. These were launched due to client demand and have helped us gain a great deal of experience in ESG investing over this time. As ESG issues have recently come into focus, the range of investments has improved significantly, along with the standards and principles of investing ethically, and we can now apply our minimum standards to the entirety of a portfolio.


The old adage that ESG hinders performance simply isn't true. Our long standing Ethical models are testament to this. We believe that including ESG factors in due diligence leads to investing in higher quality companies with more sustainable business models and practices, allowing for greater longevity potential. As such, not only has the performance of these models been market-leading, we have often achieved this with lower levels of risk than the respective benchmarks.

We have been successful in Ethical investing and offer a full complement of Ethical portfolios across our five risk bases. We believe investing this way is essential, and studies have shown that investing ethically can be one of the most powerful positive changes an individual can make. We discuss ESG with all of our chosen fund managers, not just those in our Ethical models, and we engage with investment providers to encourage them to do more in this space to allow us to offer better solutions for clients.

It isn't just about investing either. GDIM selects a local charity to support every year, and internally we have a mental health and wellbeing policy which aims to support our employees. We are continuously looking to improve our impact, whether this is introspective, or by how we invest our clients' money.

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