Responsible Investing Strategies Defined

Responsible investing is an investment approach that considers environmental, social and governance (ESG) factors in portfolio selection and management. RIAA uses an inclusive definition of responsible investing, without drawing distinctions between this and related terms such as sustainable investing, socially responsible investing and cause or values-based investing. These are collectively referred to by RIAA as responsible investing.

The Global Sustainable Investment Alliance (GSIA) definitions of responsible investment strategies, published in the *Global Sustainable Investment Review 2012*, have emerged as a global standard of classification. These are:

1. **Negative/exclusionary screening**: the exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria
2. **Positive/best-in-class screening**: investment in sectors, companies or projects selected from a defined universe for positive ESG performance relative to industry peers
3. **Norms-based screening**: screening of investments against minimum standards of business practice based on international norms and standards such as those issued by OECD, ILO, UN and UNICEF; may include exclusions of investments that are not in compliance with norms or standards or over and underweighting
4. **ESG integration**: the systematic and explicit inclusion by investment managers of environmental, social and governance factors into the investment decision-making process
5. **Sustainability themed investing**: investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture)
6. **Impact/community investing**: targeted investments, typically made in private markets, aimed at solving social or environmental problems, and including community investing, where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose
7. **Corporate engagement and shareholder action**: employing 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 that is guided by comprehensive ESG guidelines.

Source: Global Sustainable Investment Alliance (2014) Global Sustainable Investment Review, GSIA page 6 http://www.gsi-alliance.org/