



# Investing your money for a better world

Your guide to ESG Investing

**tpo**  
the private office

As we emerge from the immediate impacts of the pandemic, we have an unprecedented opportunity to ‘build back better’.

**António Guterres**  
Secretary-General of the United Nations

# Investing your money for a better world

In 2015, the UN set out a 15-year agenda which called on Governments and companies around the world to take transformative steps to build a better future for us and our planet. They established 17 Sustainable Development Goals which are designed to tackle a wide range of economic, socio-political and environmental challenges that the world faces. These 17 Sustainable Development Goals have formed the framework for how corporations are adapting their businesses in order to benefit from both continued commercial success, as well as satisfying investor demand for sustainable practices. Many of us have the desire to make a positive contribution to the world that we live in, and this guide will outline ways in which you can invest your money for a better world.



# What is ESG investing?

**ESG investing is a form of investing whereby alongside your returns, you can also help to instil positive impacts to our world. Over recent years this approach to investing has risen in popularity, and especially since the pandemic. Society, as a whole, has become more aware of the world's social and environmental issues and active investors are taking more of an interest in corporate governance and are seeking sustainable investment solutions to help make a difference.**

The ESG investment framework relies on a non-financial assessment of a company based on three core principles:

**E Environmental**  
How environmentally friendly a company is. For example, looking at the levels of greenhouse gas emissions, resource depletion and waste.

**S Social**  
How a company manages relationships with its own people and the people it deals with. For example, looking at employee relations, diversity and working conditions but also the wellbeing of their customers and clients.

**G Governance**  
How a company is run. For example, looking at executive remuneration, shareholders rights and combating corruption and bribery.

Assessing a company based on its ESG criteria is by nature subjective, as different people will have different opinions on what constitutes good practice. Rather like investment risk and reward, ESG criteria can also be discussed on a sliding scale. Here at The Private Office (TPO), we are Independent Advisers and therefore we can be confident that we can find the best solution for you based on your preferences.

# How to incorporate ESG investing in your world

**There are a number of ways that you can adopt an ESG approach to investing. We have highlighted the most common ways below:**

## Negative Screening

This approach to investing involves avoiding companies that are engaged in undesirable practices, such as Tobacco or Arms. This method can be beneficial for investors who have a very defined view on what they do not want to invest in, however the drawbacks are that it becomes difficult to know where to draw the line.

For example, if you do not wish to invest in Tobacco products, you can choose to exclude stocks such as British American Tobacco from your portfolio. However, how far do you go with this? Do you also then exclude retailers who stock tobacco products, such as Tesco?

## Positive Screening

A positive approach to sustainable investing involves targeting companies that have been identified as having good ESG credentials.

Within these strategies, you may still find investments in companies that some consider 'unethical' such as oil and gas companies, however the important thing to note is that the approach is more focussed on actively promoting good practice and improving industry standards.

The ESG portfolios that we run at TPO work in this way, to actively seek out companies with desirable ESG characteristics.

**At TPO, as Independent Financial Advisers, we offer advice on a range of ESG solutions and provide you with our best recommendations to suit your requirements.**

## Impact Investing

The objective of impact investing is to help businesses fund specific goals that are related to improving society, governance, or the environment. Impact Investing targets companies that are providing solutions to real world problems such as sustainable energy practices, clean water, sanitation, and financial technology, and has less focus on financial return.

## Philanthropy & Charity Giving

A philanthropist is a person who donates time, money, experience, skills, or talent to help create a better world. Greek playwright Aeschylus coined the term philanthropy in the 5th century BC. It meant "love of humanity." Today, philanthropy means generosity in all its forms and is often defined as giving gifts of "time, talent and treasure" to help make life better for other people.

Charitable gifting however is a gift of cash or property, in life or on death, made to a Charitable organisation to help it accomplish its goals, for which the donor receives nothing of value in return. Currently personal Charitable donations also qualify for Gift Aid in the UK.

Both can be efficiently organised and can have significant tax benefits as well but need very specific and individual advice to be appropriate – an area in which we are happy to work with you.

# Myth Busting

Despite a significant growth in popularity over recent years, there are still widespread misconceptions with ESG investing. We have tried to dispel some of the common myths that we encounter.

Between

2004 – 2018

there was no trade off in the returns of ESG funds compared to their traditional active and passive counterparts.

Average annual gain

5.7%

compared to 4.6% for its more traditional counterpart, Morningstar UK Large-Mid Cap Index\*

## Performance

In the past, investors have dismissed ESG investing (or saving) due to a perceived negative impact on performance. However, in a study carried out by Morgan Stanley, between 2004 – 2018 there was no trade off in the returns of ESG funds compared to their traditional active and passive counterparts.

More recently, in the five years to the end of 2020, analysis by Morningstar showed that the Morningstar UK Sustainability Index recorded a 5.7% average annual gain, compared to 4.6% for its more traditional counterpart, Morningstar UK Large-Mid Cap Index\*.

## Costs and Charges

Another common myth amongst investors is that opting for ESG investments would increase the costs and ultimately detract from performance. Based on the portfolios that we run at TPO, this is not the case, they are often very similar. Please speak to us for a comparison of the current costs as these always vary.

## Diversification

Some opponents of ESG funds claim that investing in this manner does not lead to a well-diversified portfolio. Whilst this is strictly true, as more companies around the world adopt ESG practices, the range of ESG rated companies across global markets has dramatically increased.

It is inevitable with negative screening that less companies will be open to an ESG portfolio, however the counter to this argument can be that you are also future proofing your portfolio.

You can access a wide range of funds across a range of asset classes and geographical locations to build a well-diversified portfolio of ESG investments.

# Why should you listen to us?

At TPO, we are passionate about incorporating ESG practices into our business, and at the core of everything that we do are our four key company principles.



## Deliver on promises

To be honest, not over promise, and deliver first class service always. To be on time and accurate with the work that we do.



## Embrace change

To always be ready for change, be adaptable, and look to the future.



## Do the right thing

To always do right by our clients and colleagues.



## Make a difference

To not just follow what we have always done, make every minute count, use time wisely and go that extra mile for the client or colleague.

With that in mind you can be confident that we not only talk the talk, but also walk the walk. Some examples of our ESG credentials are:

### Environmental

- Our London office is a carbon neutral building, and we are looking at ways to improve the others.
- We have used reusable water bottles for filtered still and sparkling water in all of our meeting rooms since we started over 10 years ago. We estimated this will have saved over 19,000 plastic bottles.
- In all our offices we use energy efficient water heaters to provide tea and coffee making rather than kettles.
- We offer a Bike2Work scheme and public transport travel loans for our staff to support a 'greener' commute.
- We print our publications on paper from responsible sources [www.fsc.org](http://www.fsc.org)

### Social

- We sponsor clean water wells [www.pennyappeal.org/appeal/thirst-relief](http://www.pennyappeal.org/appeal/thirst-relief) and offer charitable donations for existing client referrals.
- All staff have access to an Employee Assistance Programme, providing caring and compassionate well-being support through a confidential telephone helpline available 24/7, 365.

### Governance

- 25% of the future value of TPO has been pledged towards the environmental charity Restore Our Planet [www.restoreourplanet.org](http://www.restoreourplanet.org)
- We are an equal opportunity employer and are proud of our diversity in all forms.
- All eligible employees are shareholders in the company.

# Case Studies

Here are some examples of the different approaches to ESG investing we have helped our clients with.

## Negative Screening

### Case 1

Mrs A sadly lost her father to lung cancer, he was a smoker his entire life which means Mrs A wants no association with tobacco or tobacco companies. While arranging Mrs A's investment strategy, we introduced her into a concept known as negative screening.

We built Mrs A an investment mandate that avoided tobacco companies and companies linked with tobacco.

### Case 2

Miss B's brother has a gambling addiction, it has caused distress to his family and put a lot of pressure on his wife and siblings. This means for Miss B, being invested in companies affiliated with gambling and companies that possibly fuel addiction makes her uncomfortable. Which is where negative screening can be used to avoid all firms affiliated with gambling and any other firms Miss B wishes to avoid.

## ESG Investing

Miss C is in her 20s and has set up a very successful business in her own name and now wishes to start investing some of her surplus income to save for retirement. Having never invested before Miss C is concerned about what companies her monies could be invested into, and would like to ensure that any monies being invested were used responsibly to influence the issues in the world. Miss C does not wish to make an impact in one particular area, such as the environment only, and wishes to address wider societal issues as well. As a first time investor Miss C also wishes to ensure she is appropriately diversified from a portfolio perspective.

We introduced Miss C to a broad ESG investing portfolio, which would ensure her money is spread amongst addressing environmental, social and governance issues in the world, without concentrating on one area only. Therefore, this approach would allow Miss C to have a portfolio that would not exclude any investment opportunities but only invest in companies in each sector that are performing better at addressing ESG issues or improving their credentials long term in this area.

## Impact Investing

Mr and Mrs D are now retired and mostly fund their retirement with Mr D's final salary scheme. Mr D had a successful career working for Company X, a manufacture of oil and gas; however, he was not fully aware of the damage his firm was doing to the environment.

We spoke to Mr and Mrs D about investment options for funds surplus to their requirements, that they intend to pass on to their grandchildren. They explained the desire to invest positively and try give something back to the environment, they wanted to know what options were available to do so.

We helped by introducing them to impact investing. This involved investing in funds that had a sustainable investment objective with an environmental focus alongside generating a financial return.

They understood that leaving money for their grandchild is obsolete if there isn't a world for them to enjoy in the future.

## Philanthropy and Charity Giving

A widowed client of some years who was well into her retirement years and had plenty of money to achieve her lifetime goals (and had already funded her children's houses) approached us with the idea of gifting a significant sum to charity.

We discussed this at length, firstly approaching the family for their approval with the idea. The client and her family decided to find an appropriate cause for a £1,000,000 gift. After discussing motivations and desires, we trawled many of our contacts to ask for suitable projects, the best of which we then presented to the client, who had been a teacher in her career and had lived and travelled extensively in the Sahel with her parents as a child.

Through a UK charity, we were able to firstly build a girls only classroom to add onto an existing school in Chad (where one of our advisers knew the President!). A Charitable Trust was arranged (through the <https://www.cafonline.org/>) to also endow the classroom with an annual endowment to pay for a female teacher, meaning that over 50 girls each year are now in full time education, where previously the system could not support them. On top of that there is a Bursary system, whereby if families need their children to work, the endowment will pay the family a small bursary to release the child from labour and into education. The schoolroom carries the name of the Client in perpetuity and the Charitable Trust Endowment is named after her Sudanese nanny who cared for her as a child.

The gift was enhanced by Gift Aid.

# How can I find out more?

**We hope this guide has given you a good insight into the world of ESG investing and the opportunities available to you on investing to make a positive impact.**

One way in which we can all help to make a difference is by choosing to invest our money into companies that work towards improving the environment, addressing social inequality, and improving corporate governance.

An investment into ESG could offer another layer of diversification within your portfolio, protect against the downside while investing that bit more for a better world and for future generations.

We can provide you with advice around structuring your investment portfolio for a more sustainable future if this is important to you and can provide you with access to a portfolio that is suitable for your views on investment risk and reward.

It is important to note it doesn't have to be all or nothing, ESG investing with a small part of your portfolio is an option as there is still 100% a place for traditional active and passive investing. You can blend some ESG exposure into your existing exposures.

ESG is moving to the forefront of the investing world, but it is vital we know what it is and how it can complement a traditional portfolio before making any changes. TPO recently carried out a poll and 78.3% of people surveyed wanted to know more about ESG investing. Knowledge and education are key, and it is important that you know what you are investing in and that you have somebody who can fully explain it to you.

If you would like to book an initial FREE consultation, please get in touch:

## Visit

[www.theprivateoffice.com/free-consultation](http://www.theprivateoffice.com/free-consultation)

## Email

[enquiries@theprivateoffice.com](mailto:enquiries@theprivateoffice.com)

## Call

0333 323 9060

Please remember that the value of your investments can go down as well as up, so you could get back less than you invested.



Leeds | London | Bath

Head Office

No 2 The Bourse, Leeds LS1 5DE

T: 0333 323 9060

E: [enquiries@theprivateoffice.com](mailto:enquiries@theprivateoffice.com)

W: [theprivateoffice.com](http://theprivateoffice.com)



We are passionate about sustainability and have pledged 25% of our future value will be gifted to the environmental charity Restore Our Planet.



The Private Office and TPO are trading names of The Private Office Limited, authorised and regulated by the Financial Conduct Authority, firm reference number 789482. Registered in England and Wales at 2 The Bourse, Leeds LS1 5DE, company number 10226899.

Advice Champion Services Limited and Investment Champion Online Limited are Appointed Representatives of The Private Office Limited.

Our financial services register entry may be checked by visiting <https://register.fca.org.uk/>

© 2021 The Private Office.

