NEDBANK
PRIVATE WEALTH

Our approach to sustainable investing

The opportunity of integrity

It is a myth that you need to choose between attractive returns and acting with integrity. So we have founded investment strategies with a dual mandate: to provide attractive risk-adjusted returns without compromising our respect for the intrinsic value of every human being and our responsibility to safeguard the planet for future generations.

Our vision is simple: we embrace the good while limiting the bad.

Our strategies are aligned to the United Nation's Sustainable Development Goals (SDGs), offering exposure to companies that are best positioned to capture the upside the implementation of these goals, in most economies, might bring.

Equally, we limit investment in companies that go against the vision of a sustainable future, thus avoiding many risks associated with poor governance, ecological risks, reputational risks, sanctions or fines.

Finally, we believe change leads to opportunity and have adopted a thematic overlay to tap into the possibilities afforded by technological change, habitual change, demographic change and environmental change.

Our approach meets both our philosophical imperative and reflects solid investment principles.

The ESG journey

ESG (environmental, social & governance), ethical, green or values-based investing are not new strategies. Evaluating opportunities in the light of your values, preferences or indeed even the risks these factors present has been around for many years.

Demand for ESG investing has risen dramatically with a new wave of investors believing, as shareholders, that:

- they can demand workers be treated properly and this will result in increased productivity.
- their capital should not be exposed to risks that climate change poses (e.g. flooding), but that instead it should be directed to power new, innovative ways of generating the energy we have become so dependent on.
- their money provides investment in new ways of living.
- diversity in boardrooms is a consideration, as this demonstrably leads to increased profitability.
- all of this be achieved without compromising their long-term returns.

Regulatory pressure is also shaping the landscape, establishing much needed frameworks and standardised terms for the classification of sustainable activities. It is also putting pressure on companies to cut their environmental footprint, respect human rights and operate with sound governance practices. This has created a risk for those operating at the margins, or in industries in urgent need of change.

These strong tailwinds are making ESG investing the direction of travel. We hope you can join us on the journey to a more sustainable future.

ESG data of the highest quality

Data is at the heart of our investment process, as such it is imperative that the metrics are of of the highest quality and integrity.

ESG data, such as disclosures on company emissions, board diversity and executive compensation, are yet to be standardised, meaning reported data can vary greatly.

We expect regulatory policy to drive improvements in company reporting requirements over time, but until then it is important to engage the services of an expert within the field.

Consequently, we have chosen MSCI as our ESG data provider, to power our portfolios.

MSCI has over 40 years of experience measuring and modelling ESG performance of companies.

They are recognised as a ‘gold standard’ data provider and have been voted Best Firm for SRI* Research and Best Firm for Corporate Governance Research in the most recent Independent Research in Responsible Investment Survey.

*Socially Responsible Investing

Embracing the good

United Nations Sustainable Development Goals (UN SDGs)

We seek out investment opportunities that allow us to invest in a sustainable future.

Aligning to the UN SDGs provides significant investment opportunities with a foundation for improving equality, ending poverty and protecting the environment.

There are 17 global goals that make up the UN SDGs and they are intended to be a “blueprint to achieve a better and more sustainable future for all”.

The goals include an ambitious target date of 2030, so an equally ambitious effort will be required from governments and corporates alike to implement policy and raise funding to achieve them.

Our portfolios will at all times be required to have a net positive alignment to the SDGs, as measured by MSCI ESG Research.

Limiting the bad

Some products and services have effects that could undermine the achievement of the UN SDGs. As well as embracing positive investment opportunities, it is equally important to us to avoid investing in companies whose activities hinder the objective of a sustainable future.

We look to manage negative outcomes within portfolios using a screening process called SRI exclusions.

Socially responsible investment (SRI) exclusions	Portfolio SRI exclusion criteria
SRI eliminates or selects investments according to specific ethical guidelines in order to align with a set of values, and uses ESG factors to negatively screen investments. SRI exclusions tend to remove companies or sectors from the permitted investment universe if they are involved in activities that do not align with these guidelines or pose undue risks.	Our SRI exclusion criteria combines data provided by MSCI ESG Research with our own proprietary analysis and will look to screen out companies that derive significant revenue from the following areas: • Alcohol • Civilian firearms • Gambling • Weapons • Cluster bombs • Landmines • GMOs • Tobacco • Fossil fuels

Measuring our portfolio footprint

Our investment strategy aims to deliver superior risk-adjusted returns while considering the impact investments have on the environment and society. In order to gauge the strategy's footprint, two key measurements are built within the investment mandate.

1. **To have a net positive alignment to the United Nations Sustainable Development Goals (UN SDGs)**

   The strategy will be measured against the UN's 17 SDGs in order to illustrate the positive footprint.

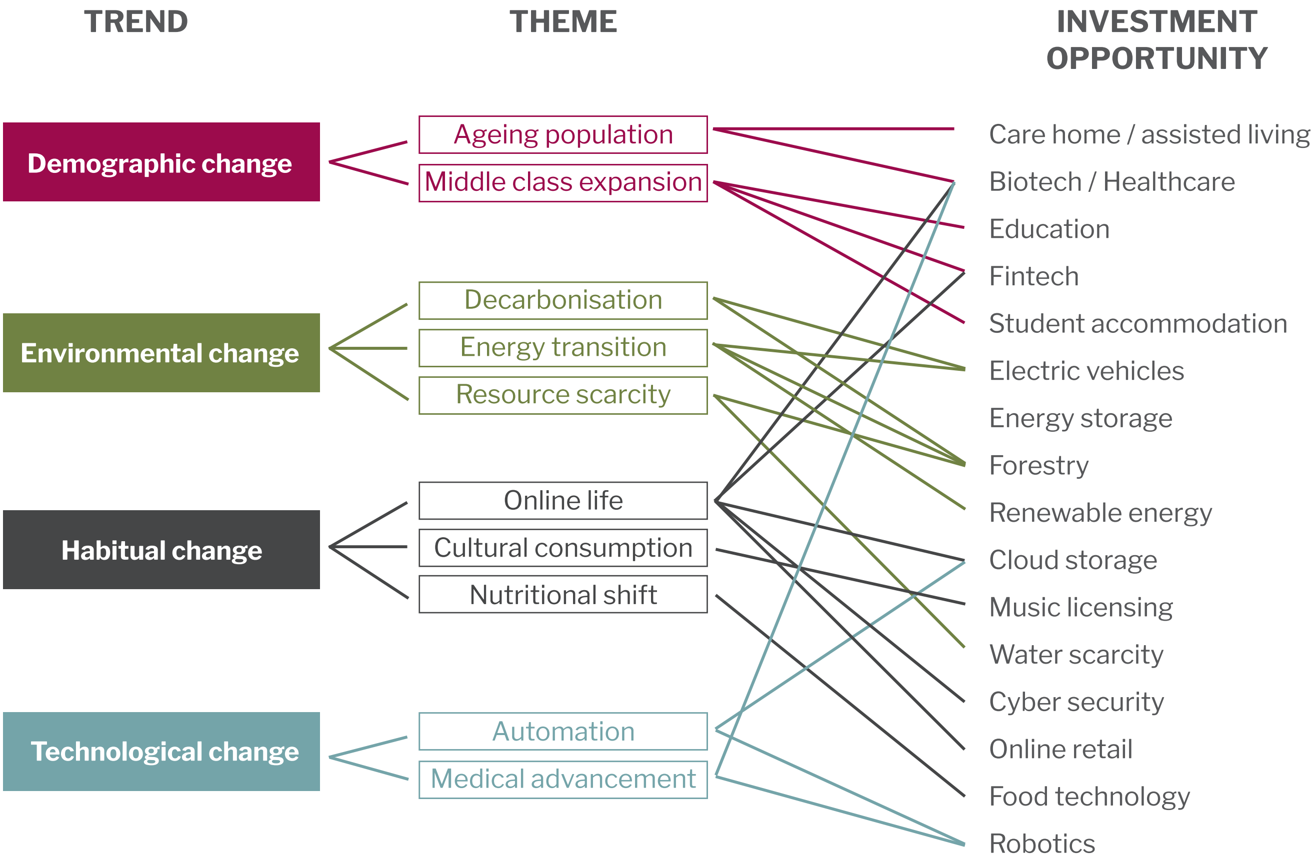
2. **Maximum portfolio exposure of 2% to socially responsible investment (SRI) exclusion criteria**

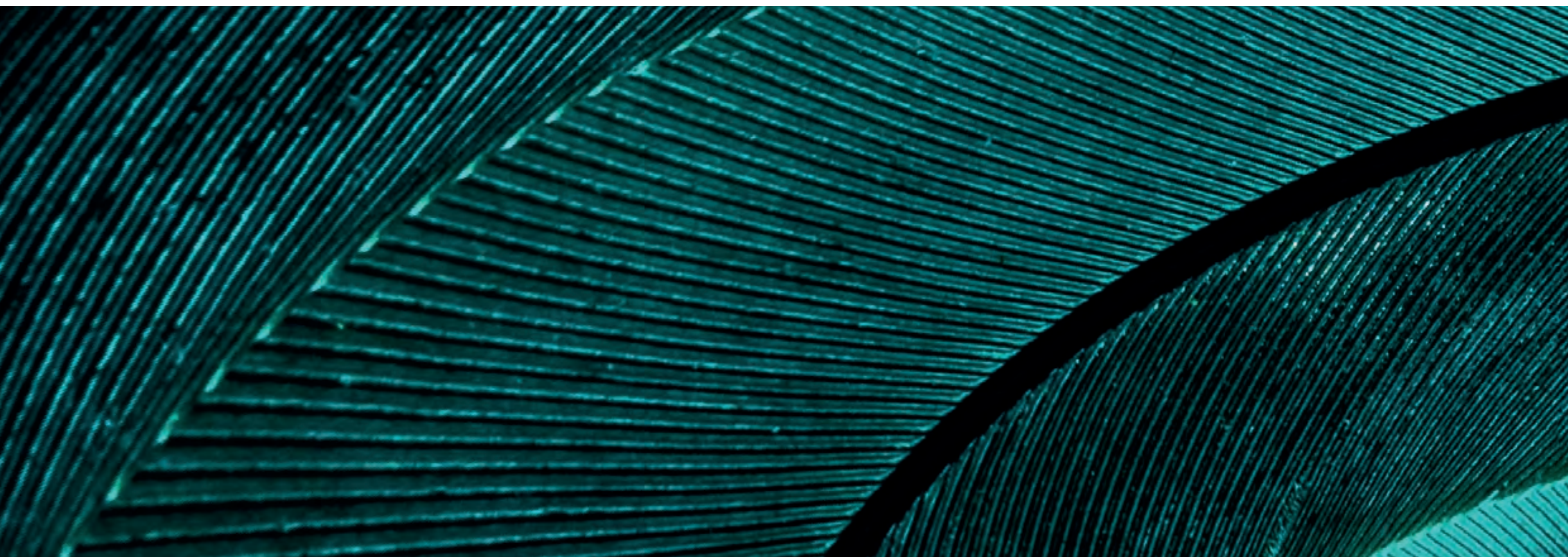
   The percentage of the portfolio's market value exposed to companies flagged for one or more SRI exclusion factors (as defined by the MSCI ESG Research SRI methodology and our proprietary analysis) is restricted to no more than 2%.

A thematic overlay

As part of the wider investment process, we use a thematic overlay to align portfolios so they benefit from long-term structural shifts, as well as broader sustainable goals.

This thematic overlay introduces exposure to a collection of themes and trends, and is achieved by investing some of the portfolio – typically a portion of the equities and alternative assets – into specific investments that target these themes and trends.

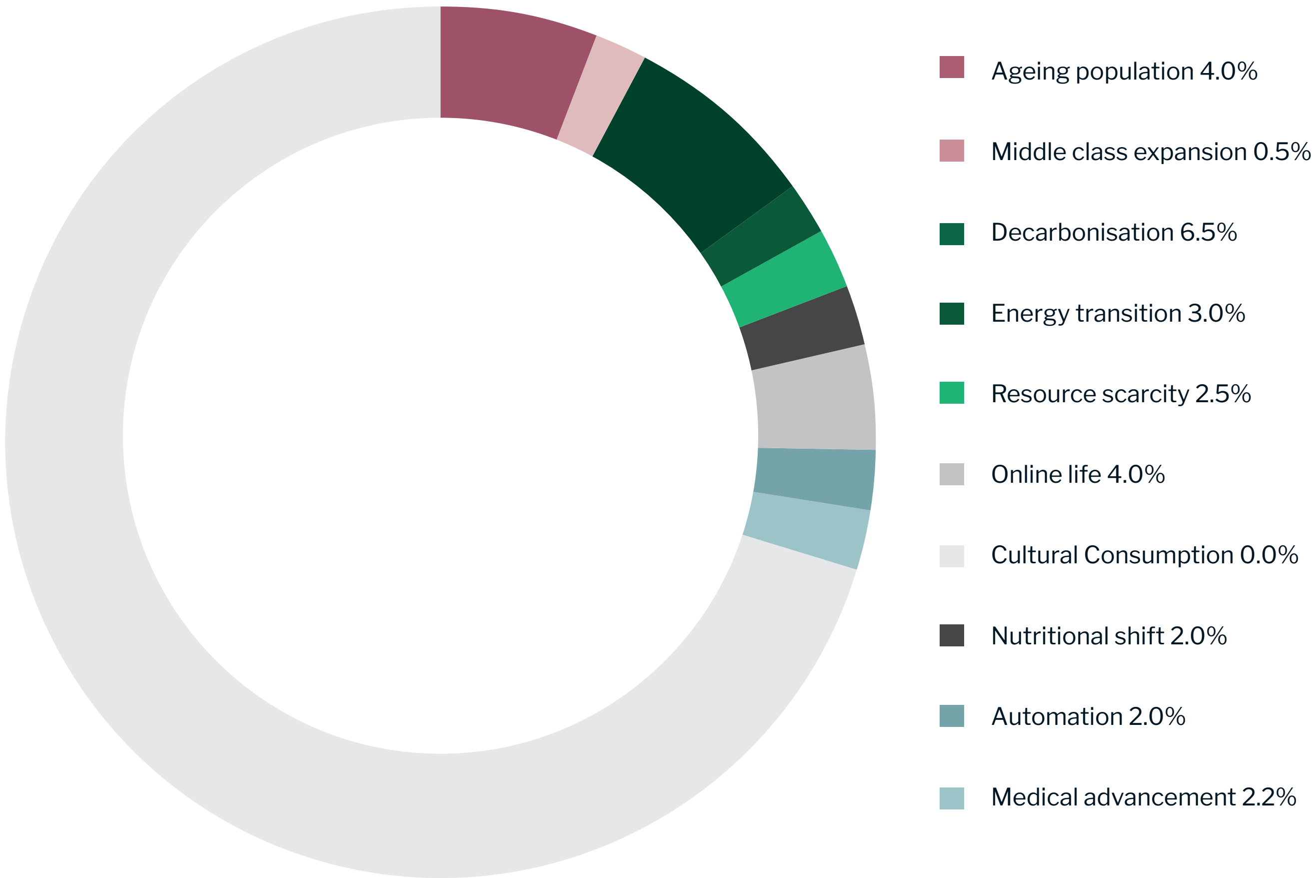


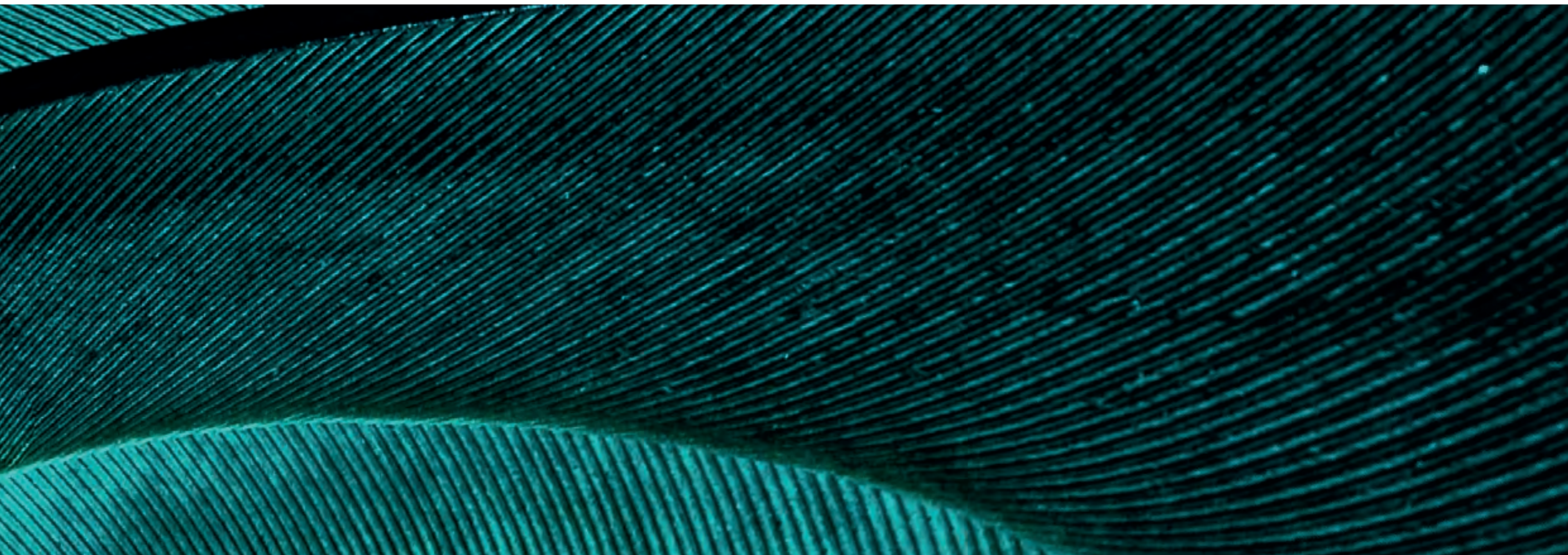


Thematic exposure

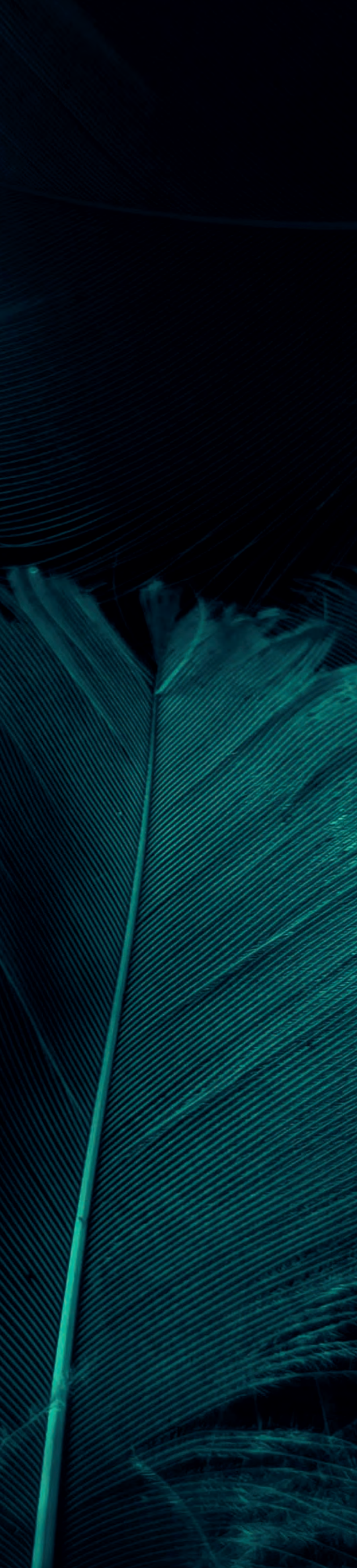
To illustrate the thematic overlay, below is an example of the exposure to each of the themes, within a typical 'balanced' portfolio.

This exposure will vary. Details of current exposures can be found in the relevant strategy document.





“Harnessing the opportunity of our future needs.”



Our sustainable difference

Truly global investing
Genuinely no 'home bias'.

Active currency management
Allows truly global asset selection, provides control and opportunity.

Different alternative investments
Being boutique, we access opportunities not usually viable for larger managers.

Contributing to a sustainable future
Deployment of capital is required at an unprecedented level to enable a just transition to a more sustainable economy.

Embracing the good, limiting the bad
Aligning to the UN SDGs and limiting exposure to companies and industries not conducive to a sustainable future.

A transparent and honest approach
No single solution can tackle the many social and environmental challenges that lie ahead. However, we believe it is crucial for investors to consider and incorporate ESG factors into their long-term financial planning.

Glossary

ESG
Environmental, Social & Governance. The three pillars used to evaluate the impact on the environment, corporate behaviours and sustainability of a company. These include:

- Environment: Climate change and carbon emissions, air and water quality, biodiversity, deforestation, energy efficiency and waste management.
- Social: Customer satisfaction, data protection and privacy, gender and diversity, employee engagement, community relations, human rights and labour standards.
- Governance: Board composition, audit structure, bribery and corruption, executive compensation, lobbying, political contributions and whistleblower programmes.

ESG data
Backward looking reporting in relation to the above three pillars, similar to how a company would produce its annual financial statements. Data includes the likes of carbon emissions, gender and diversity of the workforce and executive compensation.

MSCI
An American finance company headquartered in New York City. MSCI is a global provider of equity, fixed income, real estate indexes, multi-asset portfolio analysis tools, ESG and climate products.

Responsible investing
Including ESG data analysis within the investment process and risk management, but not as part of a wider effort to invest in companies with a superior social or environmental footprint.

SRI exclusions
Socially responsible investing (SRI) exclusions serve as a negative screen on ESG data. They are a widely accepted set of values that exclude companies, sectors or countries from the permitted investment universe if they are involved in untoward activities.

Sustainable investing
Positively and negatively screening the ESG data of potential companies as part of the investment process. Excluding those that meet predefined criteria such as SRI exclusions. Embracing those that prioritise ESG and look to contribute positively towards the environment and social change.

Thematic investing
An approach fund managers can take to identify companies that focus on broad long-term trends. Such as companies involved in the energy transition to net zero, or those that look to develop solutions to secure the world's future food supply.

UN SDGs
The sustainable development goals (SDGs) or global goals are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.

Get in touch

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