Glossary

Best-in-Class: Investment strategy according to which companies are selected which meet the highest standards in their industries in terms of ecological, social, and ethical aspects.

Engagement: A long-term dialogue between investors and companies with the goal of convincing management to take account of social, ethical, and ecological criteria. This dialogue includes the exercise of voting rights at general meetings, shareholder proposals, and questions raised at general meetings.

ESG: Environmental, Social and Governance.

Exclusion Criteria: One or several criteria prohibiting investments in certain companies or sectors in accordance with a sustainable investment policy.

Impact Investing: Impact Investing is a growing area where investors look to both adopt SRI strategies and evaluate their outcomes. The onus is placed on monitoring and measuring the end results of strategies in portfolio construction with the ex-post assessment of SRI strategies as important as the rationale for strategy selection. One important example of Impact Investing is microfinance investing, where the investment strategies are increasingly assessed for social and environmental impacts.

Negative Screening: An investment strategy excluding sectors, companies, or countries that fail to meet certain social, ecological, and ethical criteria (e.g. armaments, pornography, tobacco, animal testing, violation of human rights, etc.).

Positive Screening: Selection of companies that are especially good at meeting the corporate governance criteria set out in the investment policy as well as ecological, social, and ethical aspects. The positive criteria determine the companies in which a fund may invest. Popular criteria include work in renewable energy sources, compliance with human rights, and signing of the Global Contract.

Responsible Investment (RI): RI is an area particularly popular among institutional investors and currently the most connected to the mainstream financial community. Responsible investors take into consideration the long-term influence of extra-financial factors such as Environmental, Social and Governance (ESG) issues in their investment decision-making. The Principles for Responsible Investment (PRI), developed by the United Nations in 2006, offer a framework for investors who are seeking to fulfil their fiduciary duties by integrating ESG factors into their investment processes.

Socially Responsible Investment (SRI): SRI is an area often affiliated with the retail financial sector, which may incorporate ESG issues as well as criteria linked to a values-based approach. For example, it can involve the application of pre-determined social or environmental values to investment selection. Investors may choose to exclude or select particular companies or sectors because of their impact on the environment or stakeholders. Negative screening (such as weapons exclusions) and positive screening (such as best-in-class or thematic approaches) typically fall in the remit of such investments.

Sustainable and Responsible Investing (SRI): SRI is a generic term covering any type of investment process that combines investors' financial objectives with their concerns about Environmental, Social and Governance (ESG) issues.

Thematic investments/ Impact investments: Thematic investments may refer to an industry, such as water, energy, etc., or to a specific topic, such as the transition to sustainable development or a low-carbon economy.

Voting: Voting refers to the exercise of shareholder voting rights at general meetings in order to influence or support corporate policy.