



The ABCs of ESG

ESG, SDG, Engagement, Impact... *there are numerous acronyms and terminologies relating to sustainable investing and it's easy to feel confused.*

Here are some terms to know.

Socially Responsible Investing (SRI)/ Negative Exclusion

Applying exclusions—or negative screening—to the investment universe at sector or thematic level, typically based on moral, ethical or religious beliefs; for example, avoiding investments in the tobacco industry, or those based on climate change.

Positive Screening

Actively investing more in—or overweighting—companies and assets that demonstrate relatively better environmental, social and governance credentials.

Environmental, Social and Governance (ESG) Factors

Environment Climate change, natural resources, pollution and waste, water use, biodiversity, environmental opportunities;

Social Labor standards, human rights and community, health and safety, customer responsibility, stakeholder relationships, supply chain, social opportunities;

Governance Corporate governance, corporate behavior, risk management, data and cyber security.

ESG Investing

Considers environmental, social, and governance factors in the analysis, selection and management of investments.

ESG Integration

Integrating material ESG and other sustainability factors as well as insights from engagement, alongside fundamental business-performance factors, in investment decisions.

UN Sustainable Development Goals (SDGs)

A universal set of 17 goals, 169 targets and 230 indicators for global development: they serve as a blueprint for significantly changing the world by ending global poverty, safeguarding the planet and ensuring prosperity for all—by 2030; they were established by the UN in September 2015

Impact Investing

Investing in or engaging with companies which have or could have a central purpose of solving societal problems, such as those set out by the UN SDGs.

Engagement/Stewardship

Actively engaging with companies to align their behaviors with the long-term interest of clients and their beneficiaries by improving the strategic, financial and ESG performance of companies and assets.

Hermes EOS

A leading stewardship provider with a focus on achieving positive change through board-level engagements, helping companies address ESG and business strategy risks that affect long-term growth and profitability.

UN Principles for Responsible Investment (PRI)

A voluntary and aspirational set of six investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice; it boasts more than 1,600 members and represents over \$70 trillion assets under management; Hermes chaired the drafting committee of the PRI and became a founding signatory in 2006. Federated became a signatory in December of 2017 and acquired a majority interest in Hermes in 2018.

Advocacy

Engaging with public policy makers, regulators, governments and industry bodies on enhancing governance, environmental, social and stewardship standards globally as well as regionally, at a thematic-level (such as climate change or diversity) or by industry sector.

The Sustainability Account Standards Board (SASB)

Founded in 2011, it is an independent, nonprofit standard-setting organization that develops and maintains robust reporting standards that enable businesses around the world to identify, manage and communicate financially material sustainability information to their investors.

