



# The Spectrum IFA Group

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International Financial Advisers

## *Responsible Investing The Spectrum Approach*



*With Care, You Prosper*

[www.spectrum-ifa.com](http://www.spectrum-ifa.com)

## Our commitment to you

However it is defined, responsible, or sustainable, investing is a matter of personal choice. Impartial guidance usually helps with informed (and successful) decision making, as does a clear explanation of the various investment options available - this is our approach to advising clients and forms part of our standard financial planning process.

Since 2022, there has been a regulatory requirement to consider responsible investing as part of standard financial advice practice across Europe. The Sustainable Finance Disclosure Regulation (SFDR) aims to encourage sustainable investing by highlighting the multiple challenges of managing climate change, achieving de-carbonisation, creating a resource efficient economy and reducing societal inequality.

Specifically, within financial services, when examining how to implement sustainable investing as sensibly and effectively as possible, there is ongoing regulatory support for accountability and transparency amongst investment advisers, fund managers and financial planners.

At Spectrum, we have an important role to play in trying to achieve sustainable investment targets. We also recognise that responsible investing, and therefore responsible investment advice, is not just linked to climate change. Numerous other factors need to be considered.

Whilst we are committed to offering comprehensive solutions for responsible investment, we also believe that all clients should decide freely on how to allocate their capital. For this reason, we include responsible investment discussion in our advice process but do not impose personal or corporate views.

Our process includes questions about how clients consider the environmental and societal impacts of investing and the extent to which personal priorities influence investment decisions. This allows us to better define the depth of responsible investment criteria to be included when advising on portfolio construction.



## What is responsible investing?

We believe this term is a good catch-all for the huge range of investment solutions that are now available. Responsible investing should, at its heart, be about investing in good quality companies but through a lens of social, environmental, or ethical considerations along with pure financial considerations.

There is a mass of taxonomy and terminology around this area of investing including:

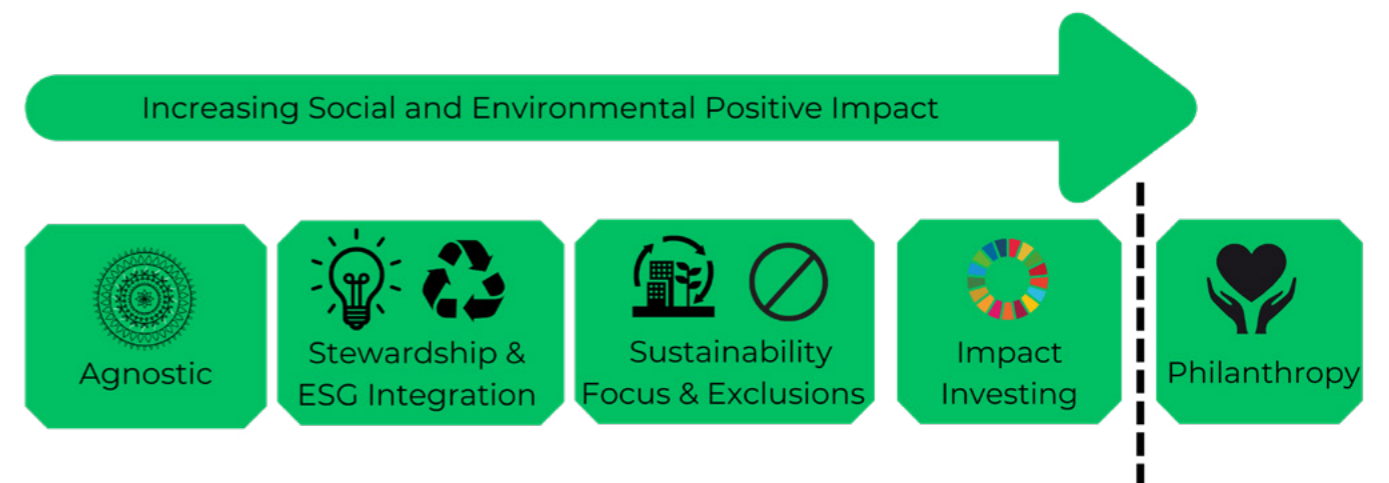
- Ethical
- Green
- Socially conscious
- ESG (Environmental, Social and Governance)
- Sustainable
- Impact
- Socially Responsible Investing (SRI)

The extensive presence of jargon and abbreviations will get worse before it gets better, so we are here to guide you through this as much as we can.

## *“Building wealth today without borrowing from tomorrow”*

We have decided, until more clarity is provided by market participants and regulators, to use the following “Responsible Investing Spectrum” as a guideline for discussions with clients. This is partly based on the UK Investment Association Responsible Investment Framework report.

We will initially ‘label’ the investment solutions we recommend as follows as well as referring to the SFDR articles where published.



### Agnostic

Investors might feel completely neutral on the whole issue of ‘responsible’ investing and so it will be ignored for the purposes of our investment recommendations.

### ESG Integration - Environmental, Social and Governance

Environmental refers to a company’s use of and impact on ‘natural capital’ and could include how the business impacts (or is impacted by) climate change, what resources it produces or uses and whether it contributes to pollution or waste.

Social factors include how the company interacts with customers, staff, suppliers, and with the communities in which it operates. This can lead to reputational risk and over regulation but can also allow investment opportunities into micro-finance or low-cost housing solutions, for example.

Governance is how a company is managed, or mismanaged, and relates to board structure, equality, accountability, and remuneration.

Stewardship primarily takes into account how a fund manager engages with the companies in which client capital is invested. Voting on shareholder decisions, challenging the board over management, and helping companies improve their overall sustainability, can be an important part of a fund manager’s role.

*NOTE: It is important to understand that a general ESG integrated fund solution does not necessarily exclude certain sectors or companies, for example in oil production or distribution, but will refer to the risks associated with this type of investment.*



### Sustainability Focus and Exclusions

**Sustainability Focus** - This is a focus firstly on what a company does - does it provide solutions to sustainability issues, for example by reducing carbon dioxide emissions or improving the efficiency of waste management? And secondly how a company operates – has it minimised its own environmental impact?

**Exclusions** - Often known as negative screening, the main approach of ethical funds. This prohibits the managers from investing in companies or even other funds. The screening can be applied to a specific company, business sector, revenue stream or jurisdiction.

### Impact Investing

Here there is the intention to generate positive, measurable social and environmental impact alongside a financial return.

The intentionality of Impact Investing is what makes it different to ESG Integration solutions – here the company’s purpose is aligned with its products and/or services, and it actively reports and measures the impact it has on society and the environment. A fund investing as an impact fund should provide an impact report to its investors showing explicitly what positive change is attributable to its deployment of capital.

### Philanthropy

The altruistic concern for human welfare and advancement, usually manifested by donations of money, property, or work to needy people or institutions – a broad definition of philanthropy. Although this sits on the responsible investing spectrum, we do not provide investment solutions for philanthropic clients. We encourage them instead to identify opportunities to support or invest in causes that matter to them.

### Beware of ‘greenwashing’

This phrase most commonly refers to a company giving a false impression or misleading statement by claiming that its products or governance are more environmentally or socially friendly than is actually the case. This can also include investment funds with ESG or Sustainability in their name, but which are not in practice screening or selecting investment holdings based on sustainability criteria.

Improved terminology, clearer reporting requirements and regulatory developments will lead to increased transparency and less greenwashing.

### Our Process

We request that clients complete a Sustainable Investing Questionnaire as part of our initial advice or review process. This provides us with an understanding of each client’s preferences and will give a score from One to Five as guidance for assigning a level of responsible investing to consider within our investment advice.

Initial guidance is as follows:

- One = Agnostic
- Two = ESG Integration & Stewardship
- Three = Sustainability Focus and Exclusions
- Four = Sustainability Focus and Exclusions
- Five = Impact

If further investigation is required to better define client preferences, we employ SRI Services SRI Stylefinder & FundEcomarket resources to refine our responsible investment recommendations. [www.sriservices.co.uk](http://www.sriservices.co.uk)

## Measurement, taxonomy and ratings

There are a multitude of factors to consider when it comes to responsible investing, evaluating the associated risks and monitoring performance.

There is no single means of measuring how 'green' a fund or portfolio is; And until there is, we must approach this subject with a flexible advice process but also stick to the principles and preferences of our clients. A simple starting point is to ask ourselves whether an investment will grow and protect a client's wealth without 'borrowing from the future'.

The UN's Sustainable Development Goals may end up as a globally recognised approach to reporting on the 'sustainability' of a company or fund, but we are some way from this currently.

In Europe, all funds must now report under EU SFDR as Article 6 (let's call this Agnostic) or Article 8 (approximates to ESG Integration) or Article 9 (Sustainable or Impact) and we will refer to this data where available.

We have created an approved Responsible/ESG investing fund list which labels each fund with the appropriate SFDR Article categorisation, the principle SRI Style of the fund, and the suitability of each fund for inclusion in different types of portfolio (according to a client's sustainability questionnaire score one to five, referred to above).

As per Article 4 of the SFDR regulations, we also label our non-ESG funds to show the extent of ESG integration or exclusions, to allow inclusion in lower level sustainable/ESG portfolios. Our advisers highlight where an investment solution is available with higher levels of ESG integration when selecting between two or more similar funds.

For more information about any of these issues, or to discuss your responsible investing requirements, please don't hesitate to contact us.

Our SFDR disclosures and this guide can be found at <https://spectrum-ifa.com/responsible-investing>

## Useful links

Investment Association Responsible Investment Framework report

[www.theia.org/sites/default/files/2019-11/20191118-iaresponsibleinvestmentframeworkglossary.pdf](http://www.theia.org/sites/default/files/2019-11/20191118-iaresponsibleinvestmentframeworkglossary.pdf)

## UN SDG Programme

<https://sdgs.un.org/goals>

# The Spectrum IFA Group

## FRANCE

TSG Insurance Services S.A.R.L.

Siège Social: 34 Bd des Italiens, 75009 Paris

R.C.S. Paris B 447 609 108 (2003B04384)

« Société de Courtage d'assurances »

Numéro d'immatriculation 07 025 332 – [www.orias.fr](http://www.orias.fr)

« Conseiller en investissements financiers », référencé sous le numéro E002440 par ANACOFI-CIF, association agréée par l'Autorité des Marchés Financiers »

## SPAIN

TSG Insurance Services S.A.R.L. Sucursal en España

CIF W0267715A

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## ITALY

TSG Insurance Services Italia

VIA OTTAVIANO 105

ROMA (RM) CAP 00192

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## SWITZERLAND

TSG Insurance Services S.A.R.L. Succursale de Lausanne

No Ref: 2009/02231 No Fed: CH-550-1057049-3

Avenue d'Ouchy 14, 1006 Lausanne, Switzerland.

Regulated by FINMA. Licence Number: 25488

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## LUXEMBOURG

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RCS Luxembourg: B 95136

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## PORTUGAL

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## MALTA

TSG Insurance Services S.A.R.L. (Malta Branch)

Junction Business Centre, 1st Floor,

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Company Registration Number OC 1376

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## THE SPECTRUM IFA GROUP LIMITED

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