PRIVATE CLIENT CONSULTANCY
Wealth Management

What is sustainable investing?

Sustainable investing is a casual term for investing in a way that accounts for being socially responsible and investing ethically whilst also seeking returns.

The following statement is based on the requirements as set out in the Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (SFDR) specifically relating to the integration of sustainability risks. This statement describes and details how the below listed financial market participants and financial advisers assess and integrate sustainability risk information into their investment processes and advisory services

At PCC, our approach to recommending funds and assets to invest across is to appoint a Discretionary Fund Manager to construct model portfolios for us to recommend to our clients. The DFM we have appointed is Signia who are authorised and regulated by the FCA in the UK. Together, we adopt the principles of sustainable investing to capture the various methods of incorporating concerns around environmental, social and governance (ESG) issues into our investment decision making process.

An important consideration is that we adopt funds who have specific mandates designed to focus on sustainable themes, but also within our more conventional equity and multi asset and alternative products for strategies where sustainability is not the primary driver, we are committed to integrating sustainable considerations into all of the investment process is and the construction of multi asset portfolios.

For actively managed strategies (including where PCC provides regulated investment advice): PCC includes ESG considerations in combination with other information in the research phase of the investment process. This may include relevant third-party insights, as well as internal engagement commentary and input. Funds that do not meet certain criteria are then rejected.

For open architecture product strategies (including where PCC provides regulated investment advice): PCC conducts assessments for all third-party active managers as part of an approval process. This assessment considers whether the third-party managers have dedicated ESG resources or use internal ESG data, as well as the degree to which ESG is fully integrated into the investment process.

PCC believes that a fund houses management of ESG factors can have a material impact on the long-term financial performance of the fund. Therefore, our belief is that fund managers who use sustainability-related data and information provide increasingly important insights to help identify unpriced risks and opportunities within investment portfolios. As a result, we actively integrate sustainability risk into our choice of investment houses we work with.

Our Commitment

PCC is committed to putting sustainability at the center of its investment process, based on the belief that sustainability risk, including climate risk, is investment risk, and that sustainability-integrated portfolios provide the best opportunity for performance over the long term. PCC's approach to sustainable investing reflects the firm's view of changing asset valuations and portfolio risks – both in the immediate as well as the medium-to-long term. We consider sustainability risk as an inclusive term to designate investment risk (probability or uncertainty of occurrence of material losses relative to the expected return of an investment) that relates to Environmental, Social or Governance issues.

Our sustainability investment thesis focuses on four high-level sustainability risks further defined below. These are only examples of sustainability risk factors and do not solely determine the risk profile of the investment. The relevance, severity, materiality, and time horizon of these factors can differ significantly by Product.

1. Physical climate risk: The risk associated with the physical impacts due to climate change. Physical risk arises from the physical effects of climate change, acute or chronic.

2. Climate transition risk: Whether policy, technology, market, or reputation risk arises from the adjustment to a low-carbon economy in order to mitigate climate change.

3. Stakeholder management risk: A broad range of positive and negative factors, traditionally considered "non-financial" that can impact an issuer's operational effectiveness and resilience as well as its public perception, and social license to operate. Examples can include but are not limited to labor rights and community relations.

4. Governance risk: Governance related risks can include but are not limited to risks around board independence, ownership & control, or audit & tax management.