

ESG – client interest questionnaire

This fact find is designed to help with client conversations when assessing what level of financial and ESG outcomes your client’s are looking to achieve with their investment. This is specific for investments in the Retirement Account via the PruFund and PruFund Planet range of funds. It is not designed to analyse all of the ESG solutions available in the wider market.

You can record your client’s answers below and save it for your files.

This guide is based on an independent framework developed by the Impact Management Project (IMP) as the methodology to inform the categorisation of ESG funds.

IMP is established as a pillar of best practice for impact management and its framework is used both across the market and the business.

What is ESG investing?

ESG stands for Environmental, Social and Governance. ESG as an investment approach, which may be suitable for clients concerned about where and how their money is invested and who:

- Want to invest based on their values or moral concerns
- Believe both financial and non-financial factors can impact on investment performance
- Want their investments to generate a positive environmental or social outcome, as well as aiming to create a financial return

What are your client’s investment goals and objectives for retirement?

Clients name

Please summarise your clients objectives below:

Given your client’s retirement objectives established above, the next series of questions are designed to help you understand the extent of the ESG outcomes your client would like to achieve alongside their financial objectives.

I don’t mind where my money is invested as long as it produces a return

Yes – I would like a full range of investments to be considered as my goal is to generate a financial return

No – I would like to know where my money is being invested and I am interested in a fund with a strong opportunity and solution focus as described below

Looking beyond just financial returns, what ESG outcome is my preferred objective?

Risk Focused Funds

I would like to achieve my investment goal in a way that aims to avoid harm by managing risks and seeks to minimise negative outcomes while still aiming to deliver a financial return.

Yes

No

These are investments where the main focus is on financial return but also seek to minimise negative outcomes. The Treasury and Investment Office (T&IO) when considering the entire PruFund range, including Planet, seek to do this through negative exclusions, considering ESG risks when looking for investment opportunities and through strong due diligence and research. These investments focus on achieving financial returns whilst managing ESG risks and seeking to minimise negative outcomes.

Opportunity Focused Funds

When investing, I would like to achieve my investment goal while generating positive outcomes that benefit people, communities and the planet.

Yes

No

These investments go one step further and pursue ESG opportunities that seek to create positive and measurable outcomes for people and the planet. When considering the PruFund Planet range, T&IO actively look for ESG opportunities, selecting companies believed will outperform the market because they operate in a more sustainable way than their peers over time.

Solution Focused Funds

I would like to achieve my investment goal by investing in funds that contribute to solutions and seek to generate material and measurable positive outcomes to pressing social or environmental issues.

Yes

No

These investments might be of more interest to you if you want your investment to help solve some of the world's biggest challenges, with the potential to make competitive returns whilst creating a better world.

T&IO in respect of PruFund Planet look at environmental factors, areas that benefit society and companies with robust controls when selecting where to invest.

The companies, governments or other entities that are invested in are held accountable with specific targets. For example this could be by reducing things like reducing carbon emissions by a certain amount or funding advancements in medical research helping combat the world's major health challenges.

The three categories above – ESG risk focused/ opportunity focused / solution focused – should not be viewed as a hierarchy of 'doing good' as each contribute to a more sustainable world. It is an increase in the intentionality of creating positive outcomes and the scope to do so for underserved or disadvantaged groups or stakeholders.

Further areas for you to discuss and consider with your clients around ESG themed investments

Will there be an impact on my financial returns when investing in ESG focused funds?

M&G Treasury and Investment Office (T&IO) believe no financial trade-off is required in order to achieve your clients ESG investment goals, but as with any investment there is no guarantee of performance and the value can go down as well as up and you may not get back the amount that you put in.

Will I exclude myself from other potential gains?

ESG investors performance is very likely to be different from the non ESG focused investments. T&IO view ESG not just as a way to manage risk, but as a way to gauge and identify future opportunities with increasing awareness that material environmental, social and governance factors can be tied to an investment portfolio's long-term performance.

Will this allow me to meet my goals?

All client portfolios have specific outcomes. This means that all portfolios have a bespoke strategic asset allocation (SAA) that is designed for your needs and attitude to risk. T&IO choose an SAA based on the risk-return trade off based on the medium to long term views of returns, volatility and correlations.

Will my client still be able to meet their attitude to risk?

The range of funds available all have prescribed volatility limits dependent on your clients risk. The Risk Managed Prufund range and the PruFund Planet range of funds both have risk profiles 1-5 to indicate the level of investment risk – with 1 low and 5 high – and the higher the level of investment risk, the greater the potential reward. Finding the right balance between potential reward and risk is one of the keys to successful investing.

Further considerations for your clients

PruFund Planet funds are differentiated from the existing PruFunds, which are mainly focused on investing with the avoidance of harm via exclusions and mitigating ESG risks. Clients whose ESG preferences are more biased to Risk Focused investing may find this range more appropriate.

PruFund Planet funds go further by not only integrating risk focused and opportunity focused investing, but also investing in ESG opportunities and that seek to address societal and environmental challenges, often for under-served or disadvantaged groups, that aim to generate competitive financial returns.

PruFund Planet is aiming to generate differentiated investment outcomes to the existing PruFunds. Because of the nature of the different investments within PruFund Planet compared to the rest of the PruFund range, it is highly likely that there will be a performance difference between the two.

Whilst it features a very similar asset allocation the broad asset class level, it will predominantly invest in underlying funds that are not present in the existing PruFund ranges.

Further information on investments within the PruFund Planet range you can use with your clients are available at pruadviser.co.uk/funds/prufund-planet/