

Retirement Account and our Environmental, Social & Governance (ESG) range

An ESG range of funds for clients interested in how and where their money is invested.

Access a range of ESG funds for clients interested in an Environmental, Social and Governance approach to investing. Available on our award winning Retirement Account.

What is ESG?

ESG stands for Environmental, Social and Governance and describes an approach to investing which takes these factors into account when selecting funds, assets or constructing investment portfolios. There are a number of factors that may be considered in each area:



Environmental considerations include a firm's carbon footprint or environmental challenges such as water usage, climate change or deforestation



Social is focused on issues like working conditions including child labour, impact on local communities and workforce diversity



Governance concerns how a company is managed and includes issues such as executive pay, diversity, political activities and anti-bribery and corruption policies.

ESG investing approach

More and more asset managers are adopting an ESG approach. This can take the form of funds and investment solutions which are explicit about incorporating ESG and may be labelled with terms such as 'responsible', 'sustainable', 'ethical' or 'impact'.

Our ESG range on Retirement Account includes funds that can be classed as "Ethical" "Sustainable" or "Impact", which aren't exactly the same as pure ESG funds. Here's a little more information about them:

Ethical investing

This generally means prioritising the "moral" return over the "financial" return. To make sure a fund meets the ethical criteria there are exclusions:

- Norms-Based Exclusions: Investments based on some form of generally accepted international standards e.g. arms dealing
- Investor-driven subjective screening for specific issues e.g. tobacco, coal, gambling

Impact investing – this type of investing generates a measurable social or environmental return, alongside financial return

Sustainable investing – this approach looks to take advantage of sustainability challenges such as water scarcity, whilst also factoring in risk and return considerations

ESG Decision Framework

There are different categories of ESG which looks at both financial and non-financial factors:

1

ESG Screen Ratings

Selecting investments that rank highest on ESG criteria within their respective sector or specialism.

An example could be a fund manager choosing companies with the lowest carbon footprint within the chemicals sector.

2

Engagement

Includes shareholder voting and interaction with company management on ESG issues, with a view to advising on and influencing ESG practices and disclosures.

An example could be a fund manager attempting to influence the remuneration policy of a company and potentially voting against the pay awards given to executives.

3

Integration

Seeking an in-depth understanding of how ESG factors are likely to affect the expected risk and return characteristics of a potential investment opportunity.

An example could be a fund manager seeking to factor in the impact of climate change on a specific company's financial prospects.

A choice of funds to meet a range of needs

ESG type investments may be suitable for your clients if they're interested in:

- Potential returns whilst minimising investment in firms with a poor record on environmental, social or governance failures
- ESG encourages better behaviours from companies and fund managers when considering firms to invest in

Why have we selected these ESG type funds?

We've selected these funds based on a screening of the Investment Association universe for funds marked as 'ESG'. We've also factored in risk/return considerations, cost and size. The range we've selected gives exposure to single and multi-asset funds active and passive, with different ESG investing approaches.

All the fund managers featured are already subject to our Retirement Account governance.



Morningstar Sustainability Reports

Where available we've provided Sustainability reports for the ESG type funds selected. These reports give an understanding of the ESG characteristics of the fund including:

- A summary score on a 1-5 scale for each fund
- Separate "Environmental", "Social" and "Governance" scores relative to similar funds
- Examples of the ESG scores for largest holdings, best/worst ESG scores for all companies held in the fund, plus worst "controversy" ratings for all companies held in the fund.

To view the reports visit pruadviser.co.uk/funds/esg

Morningstar have rated funds where more than 67% of the holdings produce sufficient ESG data to be part of their process. Not all companies share the required information. Morningstar don't currently rate government bonds.

These ratings can help with client conversations, but care should be taken to align the suitability of the fund for a particular client.

This is just for UK advisers – it's not for use with clients.

ESG funds available through the Retirement Account as at 18 January 2021:

Please note that these funds have been selected based on Prudential's criteria and may not reflect the criteria of the underlying asset managers. Please remember the value of any investment [and any income taken from it] can go down as well as up so your client might get back less than they put in.

Asset Class	Sub Asset Class	Asset Manager	Fund Name	ISIN	Investment Style
Multi Asset	Multi Asset	M&G	M&G Multi Asset Sustainable Allocation Fund	GB00BG087609	Active
	Multi Asset	M&G	M&G Multi-Asset Sustainable Cautious Fund	GB00BNOW1S17	Active
	Multi Asset	M&G	M&G Multi-Asset Sustainable Balanced Fund	GB00BNOW1H02	Active
	Multi Asset	M&G	M&G Multi-Asset Sustainable Growth Fund	GB00BNOW2224	Active
	Multi Asset	M&G	M&G Climate Solutions Fund	GB00BNCOWR99	Active
	Multi Asset	Baillie Gifford	Baillie Gifford Positive Change B Acc	GB00BYVGKV59	Active
	Multi Asset	AEGON	AEGON Ethical Cautious Managed	GB00B7V2CD05	Active
	Multi Asset	Liontrust	Liontrust Sustainable Future Managed	GB00B8FDBQ23	Active
	Multi Asset	Liontrust	Liontrust Sustainable Future Cautious Managed	GB00BMN90304	Active
	Multi Asset	Liontrust	Liontrust Sustainable Future Defensive Managed	GB00BMN90635	Active
Equities	Global	M&G	M&G Global Select Fund	GB00B77HHZ62	Active
	European	M&G	M&G Pan European Select Fund	GB00B5ZSNC68	Active
	Global	M&G	M&G Positive Impact Fund	GB00BG03Y751	Active
	Global	Aberdeen	Aberdeen Ethical World Equity	GB0006833932	Active
	Global	AEGON	AEGON Ethical Equity	GB0007450884	Active
	Global	Vanguard	Vanguard SRI Global Stock Fund	IE00B76VTN11	Passive
	European	Vanguard	Vanguard SRI Euro Stock Fund	IE00B76VTL96	Passive
	UK	Liontrust	Liontrust Sustainable Future UK Growth	GB0030028764	Active
	Global	Liontrust	Liontrust Sustainable Future Absolute Growth	GB0030029622	Active
	Global	BMO	BMO Responsible Global Equity 2 Acc in GB	GB0033145045:GBX	Active
Fixed Income	Corporate	AEGON	AEGON Ethical Corporate Bond	GB00B018K352	Active
	Corporate	Liontrust	Liontrust Sustainable Future Corporate Bond	GB0030029069	Active

Where can you find out more?

For more details about the Retirement Account and the ESG range of funds, visit pruadviser.co.uk/retirementaccount



