
Graduate Certificate in Finance and Sustainability

Ethical Investment and Impact Investing

Abbreviations:

- * ESG: Environmental, Social, and Governance
- * SRI: Socially Responsible Investing
- * SDGs: Sustainable Development Goals
- * GRI: Global Reporting Initiative
- * PRI: Principles for Responsible Investment
- * IRIS: Impact Reporting and Investment Standards
- * MSCI: Morgan Stanley Capital International

Ethical Investment:

Ethical investment, also known as socially responsible investing (SRI), refers to the practice of investing in companies or funds that align with certain ethical, social, or environmental values. This approach considers not only financial returns but also the impact of investments on society and the environment. Ethical investment strategies often exclude companies involved in controversial activities, such as tobacco, firearms, or gambling, while favoring those that demonstrate strong environmental policies, social responsibility, and good governance practices.

Impact Investing:

Impact investing is a subset of ethical investment that aims to generate positive social or environmental impact alongside financial returns. Impact investments are made in companies, organizations, or projects addressing pressing global challenges, such as poverty, climate change, or social inequality. Investors seek measurable outcomes to demonstrate the effectiveness of their investments and contribute to the achievement of the United Nations' Sustainable Development Goals (SDGs).

Environmental, Social, and Governance (ESG):

ESG refers to a set of criteria used to evaluate a company's performance in environmental, social, and governance areas. These criteria help investors assess the risks and opportunities associated with sustainability issues and make informed investment decisions. Examples of ESG issues include carbon emissions, labor practices, human rights, diversity, and board independence.

Socially Responsible Investing (SRI): (related terms: Ethical Investment, Ethical Funds)

SRI is a broader term that encompasses various investment strategies, including ethical investment, that consider environmental, social, and governance factors. SRI aims to generate financial returns while also contributing to positive social and environmental outcomes. Investors may use negative screening (excluding companies involved in controversial activities) or positive screening (selecting companies with

strong ESG performance) to build SRI portfolios.

Sustainable Development Goals (SDGs):

The SDGs are a set of 17 global goals adopted by the United Nations in 2015, aiming to end poverty, protect the planet, and ensure peace and prosperity for all by 2030. The SDGs cover a broad range of issues, including poverty reduction, education, gender equality, clean energy, climate action, and partnerships for the goals. Impact investing and ESG integration can contribute to achieving the SDGs by directing capital towards projects and companies that address these global challenges.

Global Reporting Initiative (GRI):

The GRI is an international organization that provides a framework for companies to report on their sustainability performance. The GRI Sustainability Reporting Standards enable organizations to disclose their impacts on the economy, environment, and society, allowing investors to evaluate ESG performance and make informed investment decisions.

Principles for Responsible Investment (PRI):

The PRI is a United Nations-supported initiative that promotes responsible investing by encouraging investors to incorporate ESG factors into their decision-making processes. Signatories to the PRI commit to adopting a set of principles that guide their investment practices, including incorporating ESG issues into investment analysis and decision-making processes, seeking disclosure on ESG issues from entities in which they invest, and promoting acceptance and implementation of the principles within the investment industry.

Impact Reporting and Investment Standards (IRIS):

IRIS is a catalog of generally accepted performance metrics used by impact investors to measure the social, environmental, and financial performance of their investments. IRIS metrics help investors assess the impact of their investments and communicate the results to stakeholders.

Morgan Stanley Capital International (MSCI):

MSCI is a leading provider of equity, fixed income, and hedge fund stock market indices. MSCI offers ESG research, ratings, and indexes to help investors integrate ESG factors into their investment decisions. MSCI ESG ratings evaluate a company's exposure to ESG risks and its management of those risks, providing investors with a comprehensive assessment of a company's sustainability performance.