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The Need to Make an Impact Is Greater Than Ever

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It has been another period of extremes for capital markets, the environment, and society. It was marked by one of the fastest interest rate hike cycles in history as central banks sought to control spiraling inflation, driven in part by one of the standout positives from 2022, the exit from the worst of the pandemic. Many have also endured record-high temperatures, bringing into focus environmental change and elevating concerns over global warming and its destructive influence. War continued in Europe as the Russia-Ukraine conflict moved into its second year. Global equities moved lower during the period, with caution and a reset of expectations the dominant themes of the market.

As the political, economic, and investment landscape has evolved once more, an additional theme has emerged—sentiment fractures directed toward ESG policymaking. A lack of consensus over ESG label definitions and analytical practices remains an issue, together with an ongoing need to strengthen the alignment of all stakeholders on the intended real-world progress that sits behind the policy. This is where we believe impact investing can be part of the solution, by creating clearer research and measurement frameworks that reduce the scope for greenwashing, while better aligning stakeholders with their intended goals. Concerns have also been raised regarding the alignment of ESG policymaking and financial returns, following a period that has clearly been challenging for many values-based investors. Here we remain steadfast in our view that we are seeing growing demand for solutions from the corporate sector that address global environmental and societal pressure points. This is likely to continue, providing real opportunity to identify companies where impact and financial returns are compounding and growing.

By applying and sharing our impact processes, we believe we are contributing to the progression of the industry as debate grows over how investors can develop research frameworks, exert more influence on corporates through engagement and further the measurement of outcomes and impact. We could not be more excited about the prospects for impact investing and the focus of the many to make a real world positive contribution. We believe that concerns over energy dependency will hasten investments in a cleaner-energy future, accelerating net zero ambitions that are lagging targets. Beyond energy, the health care sector embodies investment and change, particularly in the wake of the coronavirus pandemic, which highlighted the need for more robust health care systems and investments in improved patient outcomes.

Looking back, the pandemic has resulted in widening inequality in certain communities around the globe. The forecast funding gap to help realize the United Nations Sustainable Development Goals by 2030 has widened to USD 5 trillion – USD 7 trillion per annum over the last year.[1] However, impact investing offers meaningful opportunities to go some way toward addressing this funding gap.

Investing in the right companies that seek to address environmental and societal pressure points is ever more pressing. Our efforts to identify these opportunities and demonstrate their impact journeys is reflected in this annual report.

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[1] Source: United Nations

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