THE GOOD GUIDE TO IMPACT INVESTING

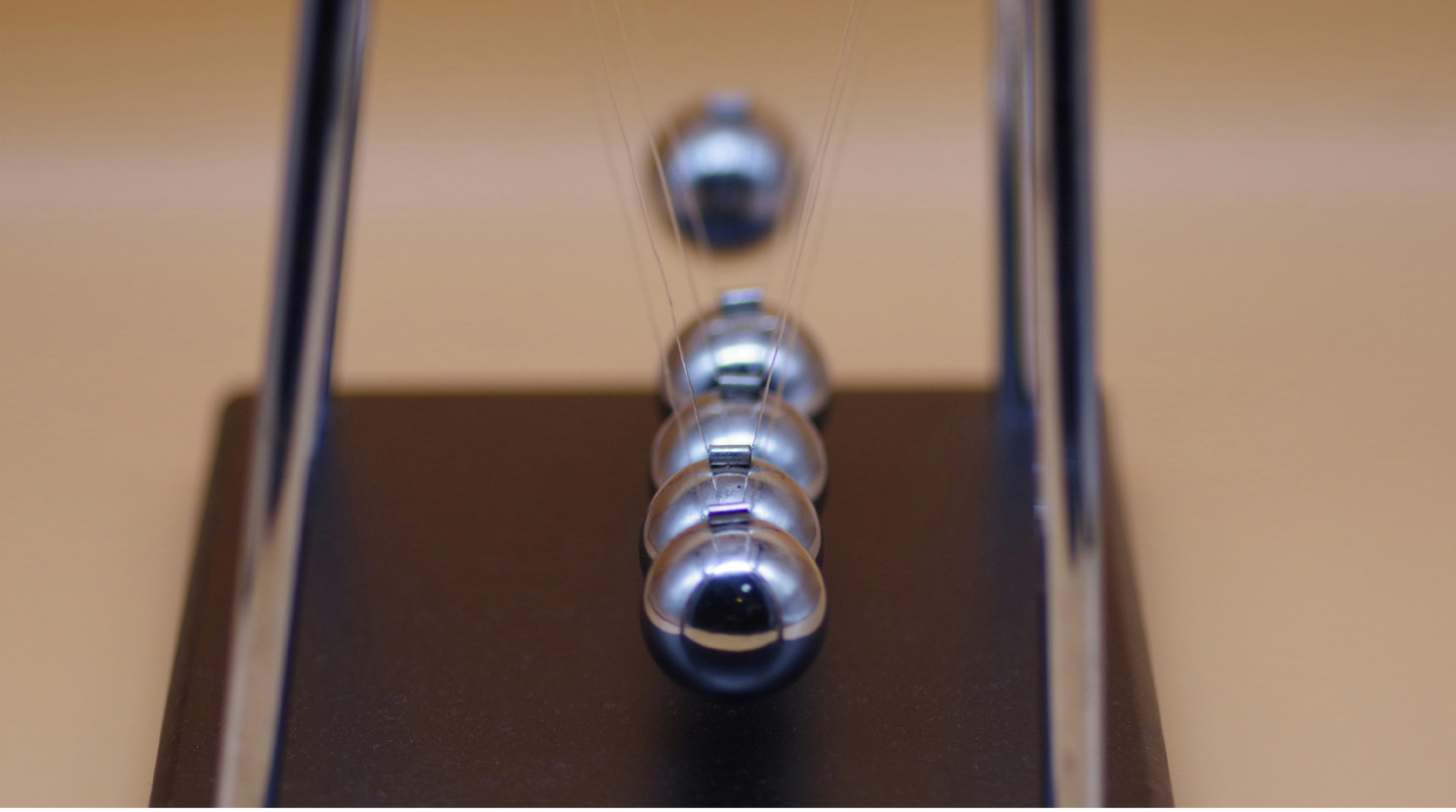
GOOD WITH MONEY
MORE MONEY, FEWER PROBLEMS

In partnership with:

ethex

ENERGISE AFRICA

Contents



What is impact investing?

When you invest, it has an impact not just on your finances but on the wider world - for good or for bad.

This is because your money gets put to work in the companies, countries and assets in which you've invested.

If you aren't paying attention, you could unwittingly be helping to finance industries that go against your ethical values and undermine your life choices.

For a long time, most people had very little engagement with their investments, mostly because the finance industry made it that way. You had to put faith in fund managers who would too often make decisions based on the potential for profit alone - regardless of the cost to the planet and society.

Usually this meant investing in destructive areas that are driving the world's biggest problems such as fossil fuels, weapons, tobacco and deforestation.

But the GOOD news is that now, impact investing is giving control back to you - the investor - over exactly where your money is going.

It's a way to consciously put your money to work tackling the issues you care about most, while also aiming for profit. **Put simply, impact investing means investing to generate a positive, measurable social and/or environmental impact alongside a financial return.**

It goes much further than other forms of sustainable investing, which might simply avoid harmful activities. Impact investments actively seek out companies and organisations that are driving change for the better.

And good impact investments are making a positive difference in clearly quantifiable ways. Whether it's reducing poverty through providing housing or access to healthcare, shrinking the equality gap by investing in companies providing childcare solutions, or giving developing communities access to safe, clean energy: you'll be able to see exactly where your money is going.

With worsening wildfires and floods in the news and the dreaded words "Drill, baby, drill!" ringing in our ears, impact investing is a powerful way to align your money with the kind of world you want to live in.

Despite recent political challenges (and maybe because of them), it is pushing ahead in the popularity stakes. According to the Global Impact Investing Network (GIIN), **the impact investing market** is now worth a huge $1.57 trillion (£1.24 trillion).

A recent "Sustainable Signals" **report** by Morgan Stanley found that 77 per cent of individual investors globally are interested in investing for positive social and/or environmental impact alongside market-rate financial returns.

With impact investing, the benefits to society or the environment are of equal importance to the returns generated. But it's not an 'either-or' situation - you really can have both.

This guide covers everything you need to know to get started. So dive in! Join us in investing for (positive) impact today.

Why direct impact investing matters now more than ever

By Lisa Ashford
Director and CEO of Ethex

As we move through 2025, global uncertainty is mounting. Climate progress is stalling, funding for sustainability is under pressure, and political decisions threaten to undo hard won gains.

The UK government is questioning its support for community energy, the US is stepping back from its commitment to the Sustainable Development Goals (SDGs), and foreign aid cuts are hitting the most vulnerable communities hardest.

But while political will wavers, people-powered investment doesn't have to wait for permission to act. Now, more than ever, investors can take control and drive change directly.

While there is uncertainty around trickle-down policies, it is possible to continue with direct impact investing that delivers results quickly through those that are on the ground.

People-powered impact investing is a constant in uncertain times

Traditional funding structures are unpredictable—foreign aid gets cut, climate funding gets deprioritised, and political uncertainty makes long-term commitments fragile.

But direct impact investing provides a way for individuals to take action immediately, investing in real projects that create lasting change without waiting for institutions to catch up.

Through direct impact investing platforms such as Ethex and Energise Africa, investors can back projects that support clean energy, fairer societies, and economic empowerment—all while seeing their impact unfold in real-time.

And unlike traditional investments, returns can start coming back from as little as six months, depending on the project.

Building a just transition to net zero—starting now

Community-led renewable energy is a cornerstone of a fair, sustainable future, and local projects have been making significant strides in creating a cleaner, more secure energy system for the UK.

These initiatives matter. They democratise energy, giving local people control over how it's generated, stored, and shared. They lower costs, build resilience, and reduce carbon emissions. Without investment, the UK risks missing its net zero targets and locking communities out of the clean energy transition.

That's why platforms like Ethex exist - to give people a direct route to supporting these vital projects. Right now, projects like Solar for Schools are raising finance on Ethex to install solar panels on schools across the UK.

Investors can put their money to work today, helping schools cut carbon emissions while making them more energy independent.

A smarter way to invest in global impact

The UK's recent reductions in foreign aid, combined with the closure of USAID programs, are having devastating effects on emerging economies. Many of these countries rely on development funding to build sustainable infrastructure, improve education, and support green energy solutions.

Without this aid, progress towards the SDGs is stalling, and millions of people are being left without access to basic services and economic opportunities.

Energise Africa is helping to enable people to invest directly in solar energy projects in Africa. The platform helps everyday people to invest from as little as £50 (with the first £100 guaranteed).

An example of a project offered by Energise Africa is Altech, which provides affordable solar home systems to off-grid families in the Democratic Republic of Congo. In 2025 Altech is raising investment on Energise Africa. With backing from people like you, through the latest project nearly 14,000 families could gain access to affordable, solar energy—empowering communities while generating a financial return for investors.

Energise Africa continuously brings newly sourced opportunities, such as Altech, to UK investors. These projects not only connect off-grid communities to solar energy and reduce carbon emissions but also empower local entrepreneurs. By investing through the platform, investors are able to directly improve the quality of life for thousands of families in Sub-Saharan Africa

The US rejection of the SDGs and the need for private-led solutions

With the US government stepping away from its commitment to the SDGs, the responsibilities around who should fund sustainable projects are becoming more uncertain. The retreat of major global powers from their commitments to sustainability makes impact investing even more critical. Without government-backed initiatives, grassroots efforts combined with matched institutional funding can take centre stage to ensure that progress towards the SDGs does not stall.

At a time when government priorities are shifting away from sustainability, people have the power to keep momentum going. By choosing to invest through Ethex and Energise Africa, individuals can bypass slow-moving institutions and take direct action—right now. Whether it's investing in renewable energy, ethical housing, or community-driven enterprises, these platforms provide a means to drive positive change at a time when political will is faltering, connecting grassroots investors with those that still care at an institutional level.

How direct impact investing can create lasting change

Ethex and Energise Africa are committed to funding real-life projects that make a tangible difference. By investing as little as £50, individuals can help fund impactful initiatives that:

Support solar energy generation: Projects like Solar for Schools and Altech bring renewable power to underserved communities, reducing reliance on fossil fuels and promoting energy security.

Empower communities: By backing businesses that prioritise social impact, investors help create jobs, boost local economies, and support sustainable development.

Drive positive climate action: Every pound invested in renewable energy and sustainable organisations contributes to reducing global emissions and mitigating the threat of climate change.

The financial benefits of impact investing

Not only do these investments create meaningful change, but they can also offer the potential of attractive financial rewards. Many opportunities on Ethex and Energise Africa qualify for tax-free returns through the Innovative Finance ISA (IFISA), allowing investors to earn tax-free interest while supporting ethical projects. This makes direct impact investing a financially attractive way to align personal wealth with global sustainability goals.

The added benefit of direct investing is that the impact your money is creating is completely visible to you, and you can rest in the knowledge that your money is helping contribute to positive and tangible outcomes.

Now is the time to discover the power in your pocket

With ongoing political decisions threatening sustainability efforts worldwide, we believe individuals have a crucial role to play in driving progress. Ethex and Energise Africa's mission is to empower UK investors to take charge by directly funding projects that support clean energy, fairer societies, and the SDGs. Now more than ever, how everyday people choose to invest can speak loudly and lead by example. By investing in projects on these platforms, people can turn financial capital into meaningful impact—proving that together, we can build a better, more sustainable future for all.

Visit **www.ethex.org.uk** and **www.energiseafrica.com** to find out more.

Don't invest unless you're prepared to lose all the money you invest. Investments offered by Ethex and Energise Africa are high-risk investments, and you are unlikely to be protected if something goes wrong. Take 2 mins to learn more.

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5 barriers to impact investing - and how to bust them!

The number of investors who want to make a positive impact on society and the environment continues to grow. However, some psychological barriers remain that prevent many from taking the plunge.

Here, we bust five of the biggest perceived obstacles to impact investing.

Myth 1: Impact investing equals lower returns

One of the most persistent barriers to impact investing is that investors have to sacrifice returns for their principles.

Raised on a diet of strongly performing oil, gas and tobacco stocks, many assume that in the tough world of financial markets, investing for positive environmental and social change simply doesn't stand a chance.

However, investing for impact is not philanthropy. It can also be a smart financial strategy.

Evidence (and logic) shows that sustainable, resilient, well-run companies are most likely to perform well in the long run. Companies that do harm are riskier places to invest in for the long term because they face a future of increasing consumer scrutiny, government regulation and financial penalties.

The latest Good Investment Review from Square Mile Research and Good With Money shows that actively-managed sustainable funds have performed comparatively well to their traditional peers in the last five years, despite difficult market conditions.

And analysts are optimistic that sustainable funds are in a good position for strong returns over the long term.

However, bear in mind that as with all investing, impact investments are subject to changes in market conditions so their value may go down as well as up.

Myth 2: Impact investing offers limited choice

Those picturing a narrow range of “worthy” causes might be surprised by the diverse and interesting landscape of impact investing.

It includes sectors like renewable energy, clean water, transport, affordable housing, healthcare and education. Impact investment opportunities are growing all the time. As much as investor interests are turning to sustainability, companies’ business models are too.

So, whether your passion lies in climate change, race or gender equality, sustainable agriculture or biodiversity, you will find opportunities to align your finances with your values.

Myth 3: Measuring impact is too difficult

While measuring social and environmental impact can be more nuanced than tracking stock prices, it’s certainly not impossible. Established frameworks and metrics like the UN Sustainable Development Goals (SDGs) provide standardised methods for measuring the outcomes of impact investments.

Additionally, many investment platforms like **Triodos**, **EQ Investors**, **Ethex**, **Energise Africa**, Abundance Investment and The Big Exchange offer transparent reporting on the positive impact generated by their portfolios - and often publish an annual impact report. This allows investors to track their contributions to the planet and society as well as financial returns.

Myth 4: Impact investing is for the wealthy

Investing is absolutely NOT just for rich people. Minimum investment amounts on some platforms are just £5 a month, though generally you can expect to put in around £50. If you have even a small amount of spare cash (spare is the key word here, if you need it for living costs or debt repayment, it isn’t spare), you can and should do it.

Platforms we like with low minimum regular investment amounts include The Big Exchange at £25 per month, AJ Bell at £25 per month and Interactive Investor at £25 per month (the latter two do not solely cover impact investments, so you will need to manually choose these). Guide co-sponsor Energise Africa has a minimum initial investment of £50, and it will guarantee your first £100.

Myth 5: Impact investing is just a trend

Sustainable investing in general has had to weather some negative headlines lately, not helped by Trump’s new tenure in the White House. However, investments have played a crucial role in supporting underserved communities and developing countries for decades and will continue to do so. Guide co-sponsor Ethex has been going from strength to strength for 13 years and helped to launch Energise Africa in 2017.

Impact investing is NOT a passing fad; it's a fundamental shift in investor mindset driven by several factors:

- Rising awareness of global challenges: Climate change, social inequality, resource scarcity and biodiversity loss urgently need solutions, and investors are increasingly seeking opportunities to address these issues.
- Growing demand for sustainable solutions: Consumers and businesses alike are prioritising sustainability, creating a market for products and services that align with positive impact.
- Strong financial performance: Impact investments can offer competitive returns for the long term, further fuelling investor interest and uptake.

Why should I be an impact investor?

There are world-saving reasons (we all benefit) and there are also financial reasons (you benefit).

YOU benefit because...

1. It gives you control. At a time when many of us are left feeling frustrated and helpless by the climate crisis and short-sighted political decisions, it's a way to put your money behind projects and organisations that are creating real positive change.
2. There's evidence that positive impact investments can offer comparable if not higher financial returns over the longer term than other approaches. Although stock markets have been volatile in the last few years, particularly for sustainable investments, the latest Good Investment Review shows that positive impact funds have performed on a par with their traditional peers on average over the last five years.
3. It makes you feel good.
4. Ultimately, you live on a better planet.

The WORLD benefits because...

1. Positive impact funds and portfolios only invest in companies that clearly and demonstrably benefit the world, through helping to meet one or more of the SDGs. Your money will be doing your bit for you in a way many times more effective than using less plastic, flying less or turning the lights off (though you should do all these things too).
2. It makes you want to talk about investing with others, as the story behind it is way more interesting. There's a domino effect of good money spreading and it accelerates the green transition faster.

The IFSA - An ISA to match your values

Aside from Cash ISAs and Stocks and Shares ISAs, there is a less well-known kid on the ISA block that's increasing in popularity – the Innovative Finance ISA (IFISA).

The amount of money being put into IFISAs **rose by almost HALF** (46 per cent) in the year to January 2025 as more investors became aware of its potential benefits.

The investments within an IFISA are direct loans to businesses, projects or individuals. What you put in them counts towards your overall annual ISA allowance of £20,000 a year.

Why are they 'innovative'?

The IFISA is called innovative because it is a way of lending to or investing in individuals or businesses, in exchange for a return, which bypasses the banks.

The platforms in this space have "innovated" a way to offer more direct, higher paying investments, in other words.

They are also innovative because they have worked out a way for everyday investors to put money into small and medium-sized businesses (90 per cent of the UK economy), rather than restricting them to the large multinational companies that make up a typical stocks and shares portfolio.

As such, they present some really exciting opportunities to invest directly in pioneering businesses, projects and organisations that are making a tangible positive impact.

What about returns?

The returns are not like growth from share prices (such as with a Stocks and Shares ISA). If you invest in an IFISA, you are lending money in exchange for an expected (but not guaranteed) return. In general, these loans are considered riskier than other types of investments and should therefore only make up part of your investment portfolio.

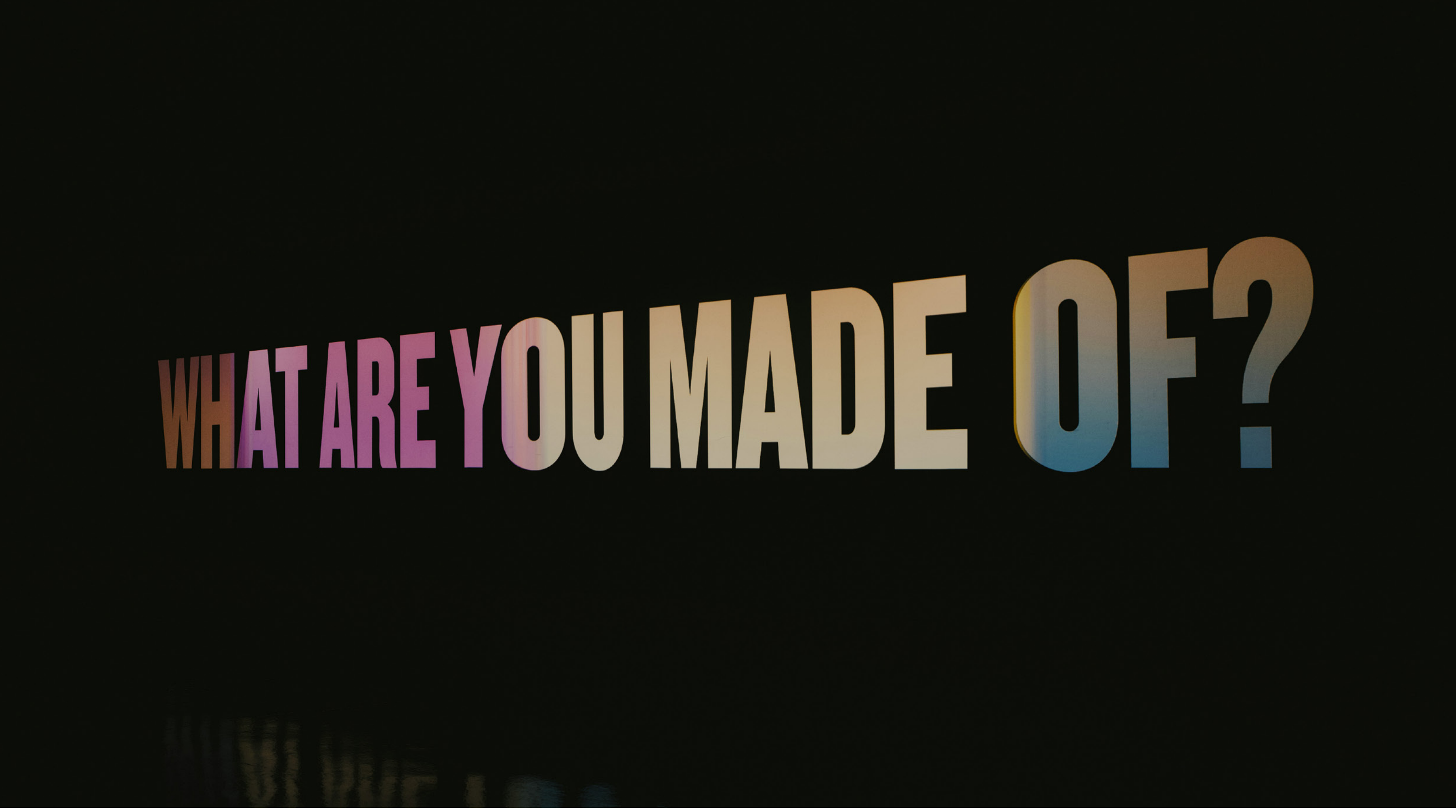
The risk levels within IFISA investments vary from project to project and business to business. Some IFISA opportunities offer relatively stable long term returns; others offer higher percentage target returns over a shorter term, but with more risk.

Typically, IFISAs have been outperforming Stocks and Shares ISAs. According to the most recent data from Moneyfacts, the average Stocks and Shares ISA fund saw just 2.8 per cent growth during the 12 months to February 2024. Meanwhile, the **average return for an IFISA** was typically between five and 10 per cent.

A 'rainbow' product

The variety of an IFISA can perhaps at first seem a little confusing - but it's also the beauty of one. It is a rainbow product, not at all black and white.

It does mean you need to do your research on each individual offer, though, as they will all have different characteristics. If you would like to see some more variety in your investments, an IFISA could be for you.



How to find the right impact investments for you

Choosing the right impact investment for you can and should be fun. Ask yourself what kind of an impact would you like to make? Are you passionate about fighting climate change, promoting biodiversity, reducing poverty, or strengthening local communities, for example?

Look for an investment that aligns your money with your ethical values and gets you excited. When you find one you like the look of, it is worth:

1. Reading their impact reports
2. Visiting the websites of some of their biggest holdings (the companies they invest in).

Positive fund, not so positive manager?

You might also want to consider the overall commitment of the fund manager to positive impact, not just the fund. Many big asset managers that are heavily invested in the bad stuff as a business overall now have impact funds. This is a good development, but the fund may represent a tiny fraction of their overall Assets Under Management (AUM - or the money they look after).

This may not sit well with you (it doesn't much with us either). If that's the case, choose a fund manager that SPECIALISES in positive impact - or embeds the approach across the business - to sift out some of the larger asset management houses.

You also need to think about your personal financial needs and goals:

- How much do you want to invest?
- How long do you want to invest for?
- What sort of return are you looking for?

Information about funds

The Good Investment Review is packed full of information about some of the top-rated ethical and sustainable funds available to UK investors.

The Big Exchange, co-founded by The Big Issue, only lists positive impact funds that are actively-managed. Each fund on the platform is awarded a gold, silver or bronze medal according to the level of positive impact it achieves.

Interactive Investor is a large investment platform that has usefully categorised ethical and sustainable funds into three baskets: “Avoids, Considers, Embraces”, depending on the extent to which they engage with environmental and social concerns as part of their process. The “Embrace” selection of funds contains impact funds.

Other big investment platforms, such as Hargreaves Lansdown, AJ Bell and Charles Stanley offer search filters that show positive impact funds available in the UK.

Projects, funds and crowdfunds

Guide co-sponsor Ethex is an absolute gem for impact investors. It offers opportunities to invest directly in extraordinary organisations in the UK in key themes such as renewable energy, affordable homes, sustainable farming and ethical finance. You can see real life examples of the impact Ethex is making on **page18**.

Its latest report “**10 Years of Making Money Do Good**” reveals the incredible impact its investors have made. Since 2013, Ethex has helped more than 26,000 positive investors raise over £120 million by backing around 200 projects - that’s a lot of people-powered finance!

Ethex also lists impact products provided by other groups. On its **funds list** you can find the FP WHEB Sustainability Impact Fund, which invests in opportunities created by the move to a low carbon and sustainable global economy.

Its sister platform Energise Africa allows you to invest from £50 in bonds that help ethical businesses in Africa and beyond to accelerate achievement of the SDGs, including supplying life-changing solar energy to homes and businesses.

Triodos Crowdfunding also offers you the opportunity to invest in organisations making a positive impact socially, culturally and environmentally.

Impact via apps

Money app Moneybox has a range of 'socially responsible' funds that take into account companies' records on ESG (environmental, social and governance) such as how they respond to climate change, treat their workers and manage their supply chains.

Wealthify offers five Ethical Plans – separated to match different risk appetites – with funds from respected providers including Kames Capital and EdenTree.

The Good Egg

You will also find a list of top-rated fund managers and advisers at Good With Money's **Good Egg** page, where we list companies awarded the Good Egg mark. The mark means they can prove they make a positive difference to the planet and people, as well as to their customers and staff.

Assessing an impact fund

This is the tricky bit. How do you know who to really trust with your money?

While the industry adapts to new FCA rules on greenwash (see **page 21**), it's always worth a little homework yourself.

- Areas to look at when assessing a fund are:
- the companies it invests in
- transparency (you should be able to see more than just the top 10 holdings)
- frequency of reporting
- depth of information given

If you don't have the time to do the research yourself, again the Good Investment Review is a fantastic source of reliable information, with funds rated against the '3D Framework' of 'Do good', 'Avoid harm' and 'Lead change'.

Impact wealth managers and advisers

When you've got a pot of cash to invest, you might want a bit more input from a professional about what to do with it.

That's where wealth managers and financial advisers come in.

Generally speaking, their fees mean that it only makes financial sense to use an adviser if you have quite a bit of money - around £50,000 ish - to invest. But that's not always the case and even if it is less than that, it can be worth seeing whether you can have a short initial (free) consultation. Try our Good Egg companies: EQ Investors, Switchfoot Wealth and Path Financial.

According to the FCA, financial advisors charge an average initial fee of 2.4 per cent of your investment and 0.8 per cent a year for ongoing advice. As well as our Good Eggs, check out our '**Top ethical financial advisers**' and the **Good With Money Directory** for a solid starting point.

Investing directly into impact projects and companies

Investing in just one company or project is, typically, more risky than investing in lots of companies. However, your money may also have a bigger impact. In smaller projects, a few hundred pounds can make a big difference to communities, often enabling them to survive and thrive.

Investing in small organisations not listed on main stock markets (unlisted) has become much more accessible in recent years, with platforms including Ethex, Energise Africa and Triodos Crowdfunding allowing investors to put money directly into projects for low minimum amounts.

The types of opportunities on offer can range from small solar to huge hydropower projects, funding a local community centre, creating community-owned affordable homes or backing a sustainable brewery.

Many of these investments are eligible for inclusion in the Innovative Finance ISA, meaning investors can also keep their gains completely tax-free.

As these types of investments are high risk, the FCA recommends investors not put more than 10 per cent of their investible wealth into unlisted companies or projects in any one year.

Investments that are making a difference in real life

Investing in impactful projects isn't just about returns - it's about seeing the good your money is doing in the world. With direct impact investing platforms Ethex and Energise Africa, investors get to support projects with clear, tangible goals that create positive social and environmental change, starting at just £50. Here are some inspiring examples of how UK investors are helping to make an impact.

Powering UK Clean Energy Projects

Grimsby Community Energy

Ethex investors helped raise over £500,000 for solar panels on local buildings in Grimsby, including St Andrews Hospice and YMCA. These panels are not only cutting energy bills, but the extra funds they generate also fuel further environmental and social projects in the area, meaning Grimsby is becoming a cleaner, greener, and more resilient community!

Solar for Schools

This Community Benefit Society enables UK schools to reduce energy costs and carbon emissions by installing solar panels. Investors are helping save schools thousands in energy bills while educating the next generation on sustainability. With 173 schools already benefiting and over 30,000 students learning about renewable energy, this project is lighting the way to a greener future.

Building affordable homes & stronger communities

LATCH – Leeds Action To Create Homes

With support from investors in their share offer, LATCH is transforming derelict buildings in Leeds into high-quality homes for vulnerable individuals. The project goes beyond just providing housing - it offers skills training, volunteer opportunities, and a chance for residents to build new lives. LATCH is revitalising neighbourhoods, so investments are making a long-lasting impact on both people and the environment.

Otley Common

This exciting project is turning a former Methodist church in Otley into a vibrant, climate-positive cultural hub. It's more than just a building - it's a community space that combats loneliness, supports local businesses, and hosts events that bring people together. Investors in this project are helping create a shared and sustainable space that will serve the community for years to come.

Making fair finance accessible to all

Salad Money

Many people struggle to access fair banking, and Salad Money is on a mission to change that. By providing responsible, ethical lending to people with poor credit scores, Salad Money is helping individuals save money and build their financial wellbeing. Investors are helping unlock fair financial services for those often left behind by traditional banks.

UK investors creating a positive impact in Africa

Bisedge (Nigeria)

In Nigeria, investors are supporting Bisedge, a business that provides electric forklifts to reduce carbon emissions and create secure jobs—especially for women. With the help of investors through Energise Africa, Bisedge is making a positive impact on both the environment and local economies.

Altech (Democratic Republic of Congo)

In DRC, Altech is providing life-changing solar home systems to thousands of families living off-grid. Energise Africa investors are helping families gain access to electricity, improve their quality of life, and reduce carbon emissions. It's a life-changing opportunity for those who need it most.

Roam (Kenya)

Roam is helping entrepreneurs in Kenya by supplying them with pioneering electric motorcycles that save money on fuel, create cleaner air, and help boost local economies. Investments through Energise Africa are empowering families to thrive, while tackling climate change one ride at a time.

Investing for good: seeing the power of your money

Direct impact investing through Ethex and Energise Africa lets investors support businesses and projects that are tackling real-world issues, from climate change to financial inclusion and affordable housing, from as little as £50. Every investment is a step toward building a better world. Ethex and Energise Africa launch new opportunities regularly, so it's easier than ever to invest in line with your values. Let's create a sustainable future together!

Ready to make a difference? Visit Ethex and Energise Africa and sign up to join their communities today. www.ethex.org.uk www.energiseafrica.com.

Don't invest unless you're prepared to lose all the money you invest. Investments offered by Ethex and Energise Africa are high-risk investments, and you are unlikely to be protected if something goes wrong. Take 2 mins to learn more.

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Avoid the greenwash

Demand for financial products that make a positive difference in the world has rocketed in recent years, driven largely by increasingly visible signs of climate change and worsening social issues.

This is, of course, a good thing. And it needs to happen. But while public desire to get behind finance that does good in the world has grown at speed, its ability to drive important changes has been held back by the simultaneous rise of 'greenwashing'.

This is where financial providers mislead well-intentioned customers by making inflated claims about the sustainability credentials of their products.

It makes it much harder for everyday financial consumers and investors (unless they want to spend hours researching and comparing providers and funds) to feel confident their money is going to the right places - and kept away from the bad.

A recent study by sustainable bank Triodos revealed the worrying influence of greenwashing on consumers. It showed that more than half (55 per cent) of Brits who consider themselves to be 'green' savers and investors unwittingly have money with providers that fund fossil fuels.

The GOOD news is that this is changing. Last year, the UK's regulatory body, the Financial Conduct Authority (FCA), brought in tough new rules that aim to crack down on greenwashing and give consumers the confidence to put their money to work for positive change.

It's by no means an instant fix, but it's a much-needed framework that will help investors - even those with little or even no experience - to choose sustainable investments that DO what they say they will.

The FCA says the new measures - known as the Sustainability Disclosure Requirements (SDR) - aim to ensure "financial products that are marketed as sustainable.. do as they claim and have the evidence to back it up."

Sustainability labels

At the heart of the new rules are four labels. These are:

- **Sustainability Impact ™**
- **Sustainability Focus ™**
- **Sustainability Improvers ™**
- **Sustainability Mixed Goals ™**

An investment carrying the 'Sustainability Impact' label has to invest mainly in solutions to sustainability problems, with an aim to **achieve a positive, measurable impact for people or the planet.**

An example of this would be a clean energy impact fund that finances the construction of wind farms. Its objective might be to increase the use of renewable energy and access to it in less developed areas. Its environmental impact metrics - such as the level of carbon emissions avoided - would be tracked.

The labels are great for impact investors as they are ONLY for **investment products** that are **actively seeking positive sustainability outcomes**. Funds that simply exclude damaging industries or use basic ESG (environmental, social and governance) screening do not qualify for one.

Labelled funds must have at least 70 per cent of their assets invested in line with the label's sustainability objective. Plus, assets in the remaining 30 per cent must not conflict with this objective.

Funds that use labels will also need to give investors clear and simple information, including:

- What its sustainability goal is
- Its approach to achieving it
- Annual updates on progress towards the goal

With the Impact label, fund managers have to demonstrate how they are achieving a measurable impact both at the investor level (through engagement, for example) AND at the asset level (what you are investing in).

According to Morningstar, it is particularly challenging for fund managers to show evidence of impact in the listed equities market (shares in companies that are listed on the stock exchange), which will mean fewer funds hold this label.

It is also worth noting that, for now at least, the SDR rules only apply to UK firms and their UK-based investment products.

The impact investing checklist

When looking at impact investing, here are the questions you should consider:

- ✓ Is it clear how the fund, company or project makes a positive impact?
- ✓ Is the impact systematically measured and reported?
- ✓ What size of companies is the fund investing in and is that what you want? (i.e. big and listed or small and private?
- ✓ Does it offer the type of returns you would hope for?
- ✓ What is the minimum investment amount and does that suit you?
- ✓ Most funds have a risk rating attached to them. Are you confident the rating matches the level of risk you are willing to take with your money?

An important word on risk

One phrase you will see a lot of when investing is "Capital at risk."

The word 'risk' can be worrying and off-putting if you've never invested before or you don't have much spare cash to set aside. The idea of losing some or all of your money (which can happen) is something that many of us just can't, well, risk.

That's one reason that saving in cash accounts remains more popular than investing. Just bear in mind that money kept as cash is highly unlikely to ever beat inflation.

This means the value of your money will be eroded over time. Meanwhile, while of course not guaranteed, investing gives you the opportunity to achieve returns that outstrip inflation over the long term.

Not all investment risk is created equal – it can vary hugely depending on what you are investing in. Often, things that are "high return" come with more risk (the higher return is the reward for being prepared to put your cash at risk). But all investment will carry some. Investment managers spend most of their time trying to work out how to get the most reward for the least risk.

Some platforms go to extra lengths to minimise risk. Energise Africa offers a first-time investor a £100 guarantee on their capital, to encourage people to get started with the peace of mind that their first £100 invested is protected (T's & C's apply).

Sponsor profiles - Ethex and Energise Africa

Ethex has been helping everyday people use their money to create a positive impact for a decade. Its online impact investing platform lets people browse and invest in a selection of impactful projects and organisations that are taking direct action to tackle climate change, social injustice, or the breakdown of our communities.

Energise Africa lets people in the UK invest from as little as £50 to support ethical businesses in emerging economies to grow and help achieve the SDGs. The investment bonds offered by Energise Africa support carbon reduction, strengthen rural economies, and help improve lives.

Note from sponsors:

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