



The Big Exchange - Impact Methodology

Overview and philosophy

Many of us want to invest in a way that contributes to a sustainable future. To use our money as a force for good. The Big Exchange (TBE) mission is to empower individuals to invest for the benefit of both people and the planet, fostering a more balanced, inclusive, and sustainable economy.

The Big Exchange platform offers funds which aim to invest in companies that address social and environmental challenges, and avoid harmful activities, through their products, services, and business practices. These funds encompass a broad spectrum of sustainability characteristics as defined by our methodology and process.

We have created a methodology to help retail investors understand what it is they are investing in and what the fund managers are trying to achieve. Our investment ethos is to follow the Sustainable Development Goals (SDGs) which were developed by the United Nations to solve the world's greatest problems.

Our process measures revenue alignment with the SDGs, so we have a clear view of the contribution being made. The SDGs are a call to action to end poverty and inequality, protect the planet, and ensure that all people enjoy health, justice and prosperity. It is critical that no one is left behind in the transition towards a more sustainable future.

Our assessment process

In a nutshell, we set criteria which funds need to meet to be listed on The Big Exchange and work with our partner 3D Investing, part of Square Mile Investment Consulting and Research. 3D Investing independently assesses to what extent funds align with the Sustainable Development Goals (SDGs) and gives scores for additional criteria.

It's a rigorous process. 3D Investing reviews a range of ESG (Environmental, Social & Governance) factors, from many data sources, along with wider sustainability related corporate information. Their analysts check every stock in the portfolio for its impact in relation to specific positive social and environmental impact themes (which are then matched to the related SDGs).

Asset managers approach the challenges in different ways, so we rate funds as Bronze, Silver, or Gold, primarily in terms of their contribution to the achievement of the SDGs, to

allow comparisons to be made. We also give credit for positive influence through engagement, the quality and transparency of reporting (including sustainability and engagement reporting), as well as highlighting any exposure to controversial activities. All listed funds must meet at least the bronze criteria.

Our key criteria for each medal are shown below.

Medal Ratings



Gold: majority of the fund (over 70%) invested in companies making a positive contribution to the SDGs (through product and /or services). Full integration of ESG risks and opportunities into the investment process (best in class) as well as systematic sustainability reporting. No major detrimental impacts.



Silver: majority of the fund (over 50%) invested in companies making a positive contribution to the SDGs. We would expect to see evidence of sustainability reporting and funds will integrate ESG risk and opportunities as a minimum.

In addition, if a fund has a score relative to its benchmark (what it measures its performance against) of 20% or higher it could qualify for a silver if other aspects of the process score highly. This accommodates the fact that there are fewer opportunities to invest in ‘solutions’ in some regions (e.g. emerging markets) but more scope to drive improvements in operational practices.



Bronze: funds with a stated intention to invest in companies making a positive contribution to the achievement of the SDGs, either through better than average integration of ESG risks and opportunities, or direct stock selection. This may also include:

- i. funds that have screens to avoid companies detrimental to the SDGs *and* that invest in companies whose core products or services contribute to the SDGs *and* have some form of ESG or sustainability reporting.
- ii. funds that consider ESG factors and can demonstrate significant outperformance on those factors, with clear, systematic reporting and avoidance of major controversies as defined by the [UN Global Compact](#) and other sources.

The overall medal ratings combine three areas of assessment:

1. Positive Stock Selection

The profile includes an assessment of the percentage of the fund which is held in companies deriving more than 50% of their revenues from socially or environmentally 'beneficial' activities (through their goods or services) including clean energy, resource efficiency, clean air and water, healthcare, education, public transport, safety, sustainable food, and agriculture, social and/or affordable housing and inclusive finance.

2. Positive Influence

Influencing investee companies to deliver social and environmental benefits that help to meet the SDGs, e.g. highlighting weaknesses in supply chain policy and helping companies to improve their practices in this area. We evaluate how the fund managers actively engage with companies on such issues and acts a force for positive change, including collaboration with other investors, ESG integration, and producing thought pieces. In addition to a narrative statement, the assessment shows the activities undertaken by a fund manager to make a positive influence. Funds are scored between 0-3.

3. Positive Impact Reporting

Level of transparency including sustainability reports, engagement & stewardship reports, strategy explanation, and rationale for individual holdings. In addition to a narrative statement, this assessment positions funds on a scale of 0-3 indicating the level of transparency provided by the asset manager for the assessment.

Oversight













The assessment recommends an overall medal, with the Big Exchange Investment Committee providing ongoing oversight. Funds are independently assessed annually.



Fund Profiles

Each fund on TBE has a profile summarizing its assessment, including:

- Details of the impact strategy and implementation
- Medal rating (Bronze, Silver, or Gold)
- Top SDG themes the fund contributes to
- Any controversies you should be aware of

Appendix 1

Solution	Description	SDG alignment	
Social infrastructure	Housing – Social, Student, Care Homes; Healthcare – Hospitals, Dental & GP Surgeries; Education - Schools, Libraries & Universities		
Healthcare	Medical Equipment, Pharmaceuticals, Health Services		
Enabling infrastructure	Platforms and technologies that are key parts of moving to a sustainable world. These include electrical transmission networks, cloud infrastructure		
Resource efficiency	Energy Efficiency, Natural Resource Efficiency, Waste Management & Recycling		
Low carbon transport	Train & Tram operators, Bus & Coach operators, Bicycle manufacture, Electric Vehicles, Rail Infrastructure		
Education and learning	Educational publishing, educational establishments, training		
Clean energy	Solar, Wind, Biomass, Hydro		
Environmental services	Waste management and recycling, environmental consultancy		
Inclusive and ethical finance	Microfinance, Sustainable Investment & Ethical Banking, Peer to peer lending, Municipal finance		
Natural capital	Water Supply & Sanitation, Water Filtration, Air Filtration, Forests		

Safety	Cyber security, building and automotive safety, food safety		
Sustainable food	Food storage, food safety, reduction in non-renewable inputs for farming, renewable farming alternatives, organic & high welfare food manufacture		

Appendix 2

Type of Controversy	Examples of controversy descriptions	Examples of controversy descriptions (specific)
Alcohol	Production or distribution of alcoholic beverages.	The fund allows investment in companies producing alcoholic beverages but requires leadership in responsible drinking
Animal Welfare	Animal testing for pharmaceuticals, healthcare or cosmetics products; meat production	Animal testing for pharmaceuticals permitted as long as the 3Rs - Replacement, Reduction, Refinement policy is adopted. The policy requires that animals are only used where there is no alternative, their use is reduced and there is only the minimum necessary pain, suffering, distress or lasting harm to animals.
Armaments	Weapons related contracts	Exposure to a company which derives 10% of its turnover from components for fighter aircraft
Employment	Zero hours contracts; child labour; bad safety record	Amazon (widespread criticism of working conditions in warehouses)
Financial Services	Banks, insurers and investment companies with no exclusion policies on lending/investment beyond adherence to international norms and very limited issues, e.g. cluster bombs.	Widespread exposure to banks and insurers with no substantive restrictions on lending or investment.
Fossil Fuels (indirect and direct)	Exploration and production of oil and coal; Exploration and production of gas; Generation of power from fossil fuels; Services to fossil fuel providers; Energy intensive industries including air transport, cement, fossil fuel cars	Includes exposure to a wind company which also derives 20% of its revenues from coal power.
Gambling	Gambling providers	

Intensive Farming	Production of non-renewable agricultural inputs; Production of food involving intensive methods; Use of genetically modified organisms	Invests in Chinese dairy firm using intensive methods
Mining	Mining operations	Lithium mining - used in car batteries for electric cars-if in regions where the activity funds conflict.
Nuclear Power	Production of nuclear power	
Tobacco	Manufacture of tobacco products	