

# An Overlooked Approach to Responsible Investing and Commodities

Stockholm (NordSIP) - In contrast to public equities and an increasing number of asset classes, responsible investment is not yet particularly well defined in commodities. What types of responsible investment strategies can be used, or how does responsible investment relate to the nature of commodities and their markets themselves? While theoretical approaches often seek to mimic how equities integrate ESG, Columbia Threadneedle Head of Commodities David Donora explains how commodity strategies that encompass real, physical or corporate assets demand practical approaches tailored to the commodities themselves.



**David Donora**  
Head of Commodities

Columbia Threadneedle is both a longstanding responsible investor and investor in commodities, particularly futures derivatives, where the scope for ESG integration may appear limited, but where responsible investment considerations are in fact integral to the process and contingent on how they are approached (relative to, say, equity strategies). For Columbia Threadneedle's commodities investment process, therefore, strategic asset allocation is paramount, considering the diversification potential, hedging benefits and good returns potential of commodities.

One way is to focus an investment approach on the use of commodity derivatives. Negative associations relating to issues in investment in real assets like e.g. labour or human rights, waste, water scarcity and pollution levels in assets (e.g. forests or land), or companies in the supply chain, can be addressed by managing the structuring of a commodity derivatives approach. When tackling food commodities, for example, counterparty exposures in commodity derivatives requires framing the standards and values around which counterparties are assessed, as well as assessing the nature of the commodities and their markets themselves, inviting a positive inclusion process for assets to be approved as investable and allowing for proactive management.

As commodity markets have unique characteristics that constantly evolve over time, Columbia Threadneedle adjusts its portfolios when it relates to an issue like, say, coal as policy changes linked to climate change also continue to evolve and the global energy transition progresses. Renewable energy sources, effective carbon pricing, the switch from oil to gas and the diminishing role of hydrocarbons are all real, tangible commodity investment themes; simultaneously, asset owners already engaged with these transitions will find that an active commodity derivatives strategy provides insurance against potential associated impacts and provides a hedge to help mitigate financial risks - without reversing responsible investment gains.

Read more about Columbia Threadneedle's responsible commodity investment strategy [here](#).

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