



Press Release

How do I know if I'm putting my money into genuine green investments or into investments that help companies pursue good social agendas?

In recent years I've become more environmentally aware in my purchasing decisions. I've heard about 'green' investment funds – as well as funds that have other positive results for society, such as ESG funds. However, how do I know if I'm putting my money into genuine green investments or into investments that help companies pursue good social agendas? Do green funds give any better or worse returns than other investment strategies?

Answer: Jason Walsh, Fund Proposition Lead, Royal London Ireland

You may choose sustainable investments for many reasons, such as ethical beliefs in your case, to manage risks associated with transitioning to a greener economy or to generate returns from investment opportunities. Deciding what it is you are trying to achieve with your investment is a good first step.

When considering your investment options with a view to being sustainable or incorporating the environment and wider societal impacts, it's important to know who is looking after your investment. You'll want to choose a fund manager with expertise in this area. It can be a complex and technical area. For example, when considering environmental-related funds, there are multiple renewable energy technologies that can form part of the solution, like solar, wind and even nuclear. Fund managers with expertise in this space have well researched this area and know which companies are at the forefront of developing these renewable technologies.

The Sustainable Finance Disclosure Regulation (SFDR) is part of new European regulation for financial services. It aims to provide more transparency on sustainability in financial markets and comparability in this regard between different funds. The SFDR will require certain firms like insurance companies to comply with new rules on disclosure regarding sustainable investments and sustainability risks.

The SFDR requires investment funds marketed to the EU to be categorised as one of the following:

- Funds that have sustainable investment as their objective.
- Funds that promote environmental or social characteristics.
- Funds that do not purport to promote any kind of ESG objective.

These categories are decided upon the extent to which ESG or sustainability characteristics are integrated into the fund's objectives.

Regulations are constantly evolving to make sure that providers offering sustainable products are not 'greenwashing'. Such regulations should help investors like you to recognise genuine green investments. Fund managers can provide you with information which can be used to ensure the product fits your goals from both a sustainability and investment perspective.

Finally, investing in ESG or sustainable investments, shouldn't compromise returns. As with all investment decisions though, we'd recommend you get tailored advice from an independent Financial Broker to help you understand your options and invest wisely. No matter how passionate you are about a particular ESG investment or initiative, it's always wise to remember the golden rule of investing: don't put all your eggs in one basket. Having a diversified mix of investments can help reduce your investment risk and should lead to a more consistent investment return.

ENDS

Notes to the Editor:

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